

# Chairman's report on corporate governance and internal control procedures

## INTRODUCTION

SES has been listed on the Luxembourg Stock Exchange since 1998 and on Euronext Paris since 2004. The company follows the 'Ten Principles of Corporate Governance' adopted by the Luxembourg Stock Exchange (its home market), as revised in 2013, a copy of which can be found at [www.bourse.lu/corporate-governance](http://www.bourse.lu/corporate-governance). SES also complies with the governance rules applied by companies listed in Paris, where the majority of the trading in SES FDRs takes place. In the instance of conflicting compliance requirements, for example the publication of the individual remuneration of the members of its Executive Committee and its Board members, SES follows the rules of its home market by reporting the aggregate amount of the direct and indirect remuneration of the members of the Executive Committee, with the fixed and the variable components of the benefits being separately identified.

SES meets all the recommendations made by the 'Ten Principles' except with regard to Recommendation 3.9, which states that the committees created by the Board should only have advisory powers. The SES Board has delegated some decision-making powers to the Remuneration Committee. For the full details of these powers, see the charter of the Remuneration Committee on the SES website ([www.ses.com](http://www.ses.com)). After each meeting of the Remuneration Committee, its Chairman reports to the Board about the latest Remuneration Committee discussions.

The company is continuously increasing the flow of information to its shareholders via the corporate governance section of its website, and communicates with its shareholders through the dedicated e-mail address: [shareholders@ses.com](mailto:shareholders@ses.com). In line with Luxembourg law, the company allows shareholders to receive all corporate documentation, including the documents for shareholder meetings, in electronic format.

In this context, the SES website contains a regularly updated stream of information, such as the latest version of the company's main governance documents, be it the articles of incorporation, the corporate governance charter (including the charters of the various committees set up by the Board) and the separate sections on the composition and the mission of the Board, the Board's committees and the Executive Committee. This section also contains the SES Code of Conduct and Ethics, the SES Dealing Code, the financial calendar and any other information that may be of interest to the company's shareholders.

## ORGANISATION PRINCIPLES

Created on 16 March 2001 under the name of SES GLOBAL, SES is incorporated in Luxembourg. On 9 November 2001, SES became the parent company of SES ASTRA, originally created in 1985. A copy of SES's articles of incorporation, in its latest version, is available in the corporate governance section of the company's website.

## THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Under Luxembourg company law, the company's Annual and/or Extraordinary General Meetings represent the entire body of shareholders of the company. They have the widest powers, and resolutions passed by such meetings are binding upon all shareholders, whether absent, abstaining from voting or voting against the resolutions.

The meetings are presided by the Chairman of the Board or, in his absence, by one of the Vice Chairmen of the Board or, in their absence, by any other person appointed by the meeting. Any shareholder who is recorded in the company's shareholder register 14 business days before the meeting is authorised to attend and to vote at the meeting. A shareholder may act at any meeting by appointing a proxy (who does not need to be a shareholder).

The company has issued two classes of shares: Class A and Class B shares.

The state of Luxembourg holds a direct 11.58% voting interest in the Company and two indirect interests, both of 10.88%, through two state owned banks, Banque et Caisse d'Epargne de l'Etat and Société Nationale de Crédit et d'Investissement. These shares constitute the Company's Class B shares.

Although they constitute separate classes of shares, Class A and Class B shares have the same rights except that the shares of Class B entitle their holders to only 40% of the dividend, or in case the company is dissolved, to 40% of the net liquidation proceeds paid to shareholders of Class A. Class B shares are not freely traded. Each share, whether of Class A or Class B, is entitled to one vote. In accordance with the company's articles of incorporation, no shareholder of Class A may hold, directly or indirectly, more than 20%, 33% or 50% of the company's shares unless it has obtained prior approval from a meeting of the shareholders. Such limit is calculated by taking into account the shares of all classes held by a shareholder of Class A.

A shareholder or a potential shareholder who plans to acquire by whatever means, directly or indirectly, more than 20%, 33% or 50% of the shares of the company must inform the Chairman of the Board of such intention. The Chairman will then inform the government of Luxembourg of the planned acquisition, which may only be opposed by the government within three months of receiving such information, should it determine that such an acquisition is against the general public interest.

In case of no opposition from the government of Luxembourg, the Board shall convene an extraordinary meeting of shareholders, which may decide at a majority as provided for in article 67-1 of the law of 10 August 1915, as amended, regarding commercial companies, to authorise the shareholder or potential shareholder to acquire more than 20%, 33% or 50% of the shares.

In accordance with article 8 of the Luxembourg law of January 11, 2008 any shareholder or FDR holder acquiring or disposing of shares or FDRs respectively, is required to inform the company and the Commission de Surveillance du Secteur Financier within four business days of the proportion of voting rights held as a result of such acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3% 50% or 66 2/3%.

The annual general meeting is held on the first Thursday in April. Each registered shareholder will receive written notice of the annual general meeting, including the time of the meeting and the agenda, at least 30 days prior to the meeting. Holders of the company's FDRs will be represented at the meeting by Banque et Caisse d'Epargne de l'Etat acting as fiduciary. Each FDR will represent one Class A share. If a holder of FDRs wishes to attend the annual general meeting of shareholders in person, that shareholder needs to convert at least one FDR into an A share. In order to facilitate the attendance of the meeting by FDR holders, the company will pay the applicable charge for a conversion of up to 10,000 FDRs for a short period prior to the annual general meeting.

Notice of the meeting and of the proposed agenda will also be published in the international press. The fiduciary will circulate the draft resolutions to both international clearing systems, Clearstream and Euroclear, allowing FDR holders to give their voting instructions to the fiduciary in time for the meeting. At the same time, the draft resolutions will be made available on the company's website. Unless the fiduciary has received specific instructions from the FDR holder, the fiduciary will vote in favour of the proposals submitted by the Board. One or more shareholders owning together at least 5% of the shares of SES have the right to add items on the agenda of the AGM and may deposit draft resolutions regarding items listed in the agenda or proposed to be added to the agenda. This request will need to be made in writing (via mail or e-mail) and received no later than the twenty-second day preceding the AGM and will need to include a justification or draft resolution to be adopted at the AGM. The written request must include a contact address to which the Company can confirm receipt within 48 hours from the receipt of the request.

No later than fifteen days preceding the AGM, the Company will then publish a revised agenda.

The meeting may deliberate validly only if at least half of the Class A shares and at least half of the Class B shares are represented. In the event that the required quorum is not reached, the meeting will be reconvened in accordance with the form prescribed by the articles of incorporation. It may then validly deliberate without consideration of the number of represented shares.

The proceedings are held in French, but an English translation is provided by the company. A French version of the AGM minutes and the results of the

shareholders' votes will be published on the SES website within 15 days after the annual general meeting.

With the exception of the procedure described above, whenever a shareholder intends to hold more than 20%, 33% or 50%, all the resolutions of the meeting are adopted by a simple majority vote except if otherwise provided for by Luxembourg company law. The annual general meeting held on 2 April 2015 was attended by 99.621% of the company's shareholders. As the 787,600 FDRs held by the company did not participate in the vote, the participation in the vote was reduced to 99.465% of the company's shares.

During the 2015 annual general meeting, the shareholders approved the 2014 financial results and the allocation of the 2014 profits, granted discharge to the external auditor and the directors, re-elected PwC as the company's external auditor for another year, granted an authorisation to SES to buy back its own shares, and ratified the co-optation of two directors. The shareholders also approved the directors' fees, which remained unchanged in comparison to 2014. Shareholders agreed that directors participating in more than one committee meeting on the same day will receive the remuneration for one meeting only. Finally, shareholders elected six Directors for a term of three years with a minimum majority of 96.827% of the votes expressed.

All of the Board's other proposals were carried by a majority of at least 98.612% of the votes expressed. In accordance with article 67-1 of the Luxembourg company law, abstentions are not considered when determining whether a resolution has been passed or not. The detailed results of the shareholders' votes are available in the corporate governance section of the company's website.

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

### MISSION

The Board of Directors is responsible for defining the company's strategic objectives as well as its overall corporate plan. The Board approves, upon proposal from the Executive Committee, the annual consolidated accounts of the company and the appropriation of results, the group's medium-term business plan, the consolidated annual budget of the company and the management report to be submitted to the meeting of shareholders. It also approves major investments and is responsible vis-à-vis shareholders and third parties for the management of the company, which it delegates to the Executive Committee.

### COMPOSITION

The Board of SES is composed of 18 non-executive directors, four of them female. In accordance with the company's articles of association, two-thirds of the Board members represent holders of Class A shares and one-third of the Board members represent holders of Class B shares. The mandates of the current directors will expire at the annual general

meeting of shareholders in April 2016, 2017 and 2018, respectively. On 1 January 2015, Mr Romain Bausch, President and CEO until 3 April 2014 has assumed the position of Chairman of the Board of Directors. Mr Romain Bausch is currently assisted by two Vice Chairmen, Messrs François Tesch and Jean-Paul Zens, each one elected on the basis of proposals submitted by directors representing shareholders of Class A and of Class B shares, respectively.

In the event of a vacancy on the Board, the remaining directors may, upon a proposal from the Nomination Committee and on a temporary basis, fill such a vacancy by a majority vote. In this case, the next annual general meeting of shareholders will definitively elect the new director, who will complete the term of the director whose seat became vacant.

In accordance with internal regulations, at least one-third of the Board members must be independent directors. A Board member is considered independent if he or she has no relationship of any kind with the company or management that may impact his or her judgment.

Independence for these purposes is defined as:

- (i) not having been a director for more than 12 years
- (ii) not having been an employee or officer of the company over the previous five years
- (iii) not having had a material business relationship with the company in the previous three years and
- (iv) not representing a significant shareholder owning directly or indirectly more than 5% of the company's shares.

Nine of the current Board members are considered independent:

Mses Bridget Cosgrave, Tsega Gebreyes and Katrin Wehr-Seiter and Messrs Marc Beuls, Marcus Bicknell, Jacques Espinasse, Conny Kullman, Ramu Potarazu and Marc Speeckaert.

Of the nine directors who are not considered independent, six represent a significant shareholder owning more than 5% of the company's shares, two have been a director for more than 12 years and one has had a recent employment relationship with the company.

Mr Pierre Margue, Vice President Legal and Corporate Affairs, acts as secretary of the Board of Directors.

### RULES OF FUNCTIONING

The Board of Directors meets when required by the company's business, and at least once per quarter. It can only validly deliberate if a majority of the directors are present or represented. The resolutions of the Board are passed by a simple majority of votes of the voting directors present or represented, not considering abstentions. Any material contract that is proposed to be signed by the company or any of its wholly controlled operating subsidiaries with a shareholder owning, directly or indirectly, at least 5% of the shares of the company is subject to

a prior authorisation by the Board. In 2015, there were no transactions between the company and a shareholder owning directly or indirectly at least 5% of the company's shares.

## ACTIVITIES OF THE BOARD OF DIRECTORS IN 2015

The Board of Directors held seven meetings in 2015, with an average attendance rate of more than 94%. Each director participated in at least five of the seven Board meetings. After endorsement by the Audit and Risk Committee, the Board approved the 2014 audited accounts, including the proposed dividend, as well as the results for the first half of 2015. During the year, the Board approved the updated strategic plan as well as a business plan for the period 2015-2020, which served as the basis for the 2016 budget approved by the Board in December. As part of the continued education of the Board, external legal counsel provided training on certain governance matters, with a focus on the market abuse directive and its implications for the company's directors under Luxembourg law. As a consequence thereof, the company has adapted its way of communicating with its directors.

During the year 2015, the Board approved various matters including changes to the terms of reference for Board members and an increase in SES's participation in O3b on a fully diluted basis. Four Board members (François Tesch, Marc Speeckaert, Tsega Gebreyes and Katrin Wehr-Seiter) did not participate in the O3b discussion and in the vote on this topic, because they each represent a party that holds an investment in O3b.

During 2015, the Board also decided to launch a new share buyback programme, which was implemented on Euronext Paris through the filing of a 'notice d'information' on 3 April 2015. The 2015 programme was limited to the following two objectives:

- (i) to meet the company's obligations under its executive share ownership and stock option plans; and
- (ii) to operate under the framework of a liquidity contract signed with Rothschild.

Under this programme, the company is authorised to buy back up to 10 million Class A shares and 5 million Class B shares at prices between EUR 20 and 45 per Class A share and EUR 8 and 18 per Class B share. As of 31 December 2015, the company had purchased 3,716,782 A-shares in the form of FDRs, at an average price of EUR 32.36864 EUR per FDR.

Finally, the Board noted updates on the procurement of several satellites as well as to the company's risk management report. The Executive Committee regularly informed the Board about the group's activities and financial situation, as well as about O3b. It noted updates on: (i) company's tax framework; (ii) commercial go-to-market perspective; (iii) WRC-15; (iv) asset management framework; (v) corporate social responsibility; and (vi) several HR matters.

During 2015, the Chairman of the Board and the Board Secretary organized the regular Board evaluation exercise. At each meeting, directors receive a report on on-going matters and the Chairmen of the three committees set up by the Board present a report on the latest developments discussed in these respective committees. In addition, a business report is distributed to the members of the Board on a monthly basis, as well as a monthly Investor Relations report.

On 31 December 2015 the 18 members of the Board of Directors were:

**MR ROMAIN BAUSCH**

Born on 3 July 1953, Mr Bausch was President and CEO of SES from May 1995 to April 2014, following a career in the Luxembourg civil service (Ministry of Finance). Before joining SES as its chief executive, Mr Bausch occupied key positions in the banking, media and telecommunications sectors and spent a five-year term as a Director and Vice Chairman of SES. Mr Bausch was appointed to the Board of SES in April 2013 and he is Vice Chairman of the Board of Directors of O3b Networks and a Director of SES ASTRA. Mr Bausch is Chairman of the Board of Directors of SES. He is also a member of the Boards of Directors of Aperam, BIP Investment Partners, Compagnie Financière La Luxembourgeoise and the Luxembourg Future Fund, as well as the Chairman of the CNFP (Conseil National des Finances Publiques) of Luxembourg. He graduated with a degree in economics (specialisation in business administration) from the University of Nancy. He holds an honorary doctorate from the Sacred Heart University in Luxembourg. He is a member of the SES Remuneration Committee and of its Nomination Committee.

Mr Bausch is a Luxembourg national. He is not an independent Director, because of his recent employment relationship with SES.

**MR FRANÇOIS TESCH**

Born on 16 January 1951. Mr Tesch became a Director on 15 April 1999. He is Chief Executive Officer of Luxempart S.A. He graduated with a degree in economics from the Faculté d'Aix en Provence and holds an M.B.A. from INSEAD (Institut Européen d'Administration des Affaires). Mr Tesch is also Chairman of the Board of Foyer S.A. of Luxempart S.A. and of Financière de Tubize S.A., and Vice Chairman of the Board of SES and a member of the Nomination Committee of SES.

Mr Tesch is a Luxembourg national. He is not an independent Director, because he has been a director for more than 12 years.

**MR JEAN-PAUL ZENS**

Born on 8 January 1953. Mr Zens became a director on 7 May 2002, and was elected Vice Chairman on the same date. Mr Zens is also a member of the Board of Directors of SES ASTRA and Entreprise des Postes et Télécommunications, Luxembourg. He is currently Director of the Media and Communications

department of the Ministry of State in Luxembourg. He holds a law degree and a degree in psychology and communications sciences from the University of Strasbourg. Mr Zens is the Chairman of the SES Nomination Committee and a member of its Remuneration Committee.

Mr Zens is a Luxembourg national. He is not an independent director, because he represents an important shareholder.

**MR SERGE ALLEGREZZA**

Born on 25 October 1959. Mr Allegrezza became a director on 11 February 2010. He is currently the Director General of Statec, the Luxembourg Institute for Statistics and Economic Studies, a post he has held since April 2003. He was Conseiller de Gouvernement 1ère classe at the Ministry of Economics, responsible for internal market policy, and is the Chairman of the Observatory for Competitiveness. He is also the Chairman of the Board of Directors of Entreprise des Postes et Télécommunications and of the Board of LuxTrust i.n.c and a member of the Conseil Economique et Social. Mr Allegrezza, was a part-time lecturer at the IAE/University of Nancy 2, and has a Master in economics and a PhD in applied economics. Mr Allegrezza is a member of the Nomination Committee of SES.

Mr Allegrezza is a Luxembourg national. He is not an independent director, because he represents an important shareholder.

**MR MARC BEULS**

Born on 15 September 1956, Mr Beuls became a director on 7 April 2011. He serves as a Member of the Board of Directors at Maris Ltd, a Mauritian holding company investing in frontier markets in Africa and Qaelum NV, Belgium, which provides software solutions for quality control of medical imaging. He is the Chairman of American Prepaid Value VAS LLC, USA, which develops value added services for the wireless prepaid market. He is the former President and CEO of Millicom International Cellular S.A., a position he held from 1998 to 2009. Prior to joining Millicom in 1992 as Senior Vice President in charge of finance and treasury, Mr Beuls worked for Generale Bank in Belgium, specialising in project and trade financing in emerging markets. Mr Beuls graduated from the Limburg Business School, currently UHasselt, holding a degree in economics with a major in finance. Mr Beuls is a member of the Audit and Risk Committee of SES.

Mr Beuls is a Belgian national. He is an independent director.

**MR MARCUS BICKNELL**

Born on 28 February 1948. Mr Bicknell became a director on 6 May 2005. Mr Bicknell is a director of New Media Foundry Ltd. and of Langstaff-Ellis Ltd., both non-listed companies in the United Kingdom, is a member of the Development Board of the Royal Academy of Dramatic Art and is a director of Inspire Young People. From 1986 to 1990 he was Commercial Director of Société Européenne des Satellites. Mr

Bicknell holds an M.A. Honours Degree in physical anthropology from Cambridge University. Mr Bicknell is a member of the Remuneration Committee and of the Nomination Committee of SES.

Mr Bicknell is a British national. He is an independent director.

**MR MARC COLAS**

Born on 13 May 1955, Mr Colas became a director on 21 February 2013. He was the general secretary of the Council of Ministers of the Luxembourg government from 2004 to 2013, and he retired in 2015 as Administrateur Général in the Presidency of the Government, in the Prime Minister's Office. Prior to that, he held several positions in the Luxembourg civil service, in the Ministry of Finance, in the Ministry for the Civil Service and Administrative Reform, in the Ministry of Home Affairs, and since 2000 in the Presidency of the government, in the Prime Minister's Office. From 2001-2006, Mr Colas was a member of the Audit Committee of the European Investment Bank. He was also a member of the Board of Œuvre Nationale de Secours Grande-Duchesse Charlotte until October 2015. He is presently working as an independent consultant. He was appointed to the Conseil d'État in December 2015. Mr Colas graduated with a master degree in law from the University of Strasbourg and holds a double Master of Business Administration (Finance and Marketing) from the Richard T. Farmer School of Business at the University of Oxford (Ohio). Mr Colas is a member of the Audit and Risk Committee of SES.

Mr Colas is a Luxembourg national. He is not an independent director because he represents an important shareholder.

**MS BRIDGET COSGRAVE**

Born on 1 July 1961. Ms Cosgrave became a director on 3 April 2008. She is President and Founder of EVERY EUROPEAN DIGITAL, a company deploying Internet of Things infrastructure, focused on Poland, CEE and the Baltics. She is advisor and investor in UKKO VERKOT OY in Finland, and Board member at EUSKALTEL in Spain. Ms Cosgrave was with Belgacom S.A. from 2001-2007 as a member of the Executive Committee, where she was Executive Vice President of the Enterprise division, Chairman, President and founding CEO of BICS S.A., and Board Member of Belgacom Mobile (Proximus) and Telindus Group. She previously served as Director General of DIGITALEUROPE and Deputy Director General of ETSI. Ms Cosgrave holds an M.B.A. from London Business School and a B.A. (Hons.) in Economics & History from Queen's University in Canada. Ms Cosgrave is a member of the Audit and Risk Committee of SES.

Ms Cosgrave is a dual Irish and Canadian national. She is an independent director.

**MR HADELIN DE LIEDEKERKE BEAUFORT**

Born on 29 April 1955. Mr de Liedekerke Beaufort became a director on 17 April 2000. He is currently a director of Santander Telecommunications, a privately held company, as well as a director of other private companies with interests in various fields such as financial, communication and real estate developments. Mr de Liedekerke Beaufort graduated from the Ecole Hôtelière de Lausanne. Mr de Liedekerke Beaufort is a member of the Remuneration Committee of SES.

Mr de Liedekerke Beaufort is a French national. He is not an independent director, because he has been a director for more than 12 years.

**MR JACQUES ESPINASSE**

Born on 12 May 1943. Mr Espinasse became a director on 6 May 2005. In May 2007, after five years of duty, he retired as a member of the Management Board and Chief Financial Officer of Vivendi. Mr Espinasse is the former Chief Operations Officer of TPS. He is a member of the Supervisory Boards of Axa Belgium and Hammerson Plc, and Chairman of the Fondation JED Belgique. He holds a B.B.A. and an M.B.A. from the University of Michigan. Mr Espinasse is a member of the Audit and Risk Committee of SES.

Mr Espinasse is a Belgian and French national. He is an independent director.

**MR JEAN-CLAUDE FINCK**

Born on 22 January 1956. Mr Finck became a director on 31 May 2001. Mr Finck is Chief Executive Officer of Banque et Caisse d'Épargne de l'Etat, and a member of the Boards of Directors of Bourse de Luxembourg S.A., Luxair S.A., Cargolux S.A., La Luxembourgeoise S.A., La Luxembourgeoise Vie S.A., Paul Wurth S.A., and La Banque Postale Asset Management. Mr Finck graduated with a degree in economics from the University of Aix/Marseille. Mr Finck is a member of the Remuneration Committee and of the Audit and Risk Committee of SES.

Mr Finck is a Luxembourg national. He is not an independent director, because he represents an important shareholder.

**MS TSEGA GEBREYES**

Born on 14 December 1969. Ms Tsega Gebreyes became a director on 4 April 2013. She is the Founding Director of Satya Capital Limited. She served as Chief Business Development and Strategy Officer of Cotel International BV and Senior Advisor to Zain. She was also Founding Partner of the New Africa Opportunity Fund, LLP and has worked with McKinsey and Citicorp. Ms Gebreyes is a director of Ison Growth, Satya Capital Limited and Sonae. She is a Senior Advisor to TPG Growth. She has a double major in Economics and International Studies from Rhodes College and holds an M.B.A. from Harvard Business School.

Ms Gebreyes is an Ethiopian national. She is an independent director.

**MR CONNY KULLMAN**

Born on 5 July 1950. Mr Kullman became a director on 5 April 2012. He was a Director General, CEO and Chairman of Intelsat. After working until 1983 as a Systems Engineer for Saab-Ericsson Space AB in Sweden, he joined Intelsat in Washington DC, where he held several positions before becoming the company's Director General and CEO in 1998. Mr Kullman became the CEO of Intelsat, Ltd. in 2001, and in 2005 Chairman of Intelsat, Ltd., and CEO and President of Intelsat (Bermuda), Ltd., positions from which he retired in 2006. Mr Kullman graduated with a Master of Science in Electronic Engineering from the Chalmers University of Technology in Gothenburg in 1974. Mr Kullman is the Chairman of the Remuneration Committee and a member of the Nomination Committee of SES.

Mr Kullman is a Swedish national. He is an independent director.

**MR RAMU POTARAZU**

Born on 10 August 1961. Mr Potarazu became a director on 20 February 2014. He is the CEO of Binary Fountain. He is the Founder and former CEO of Vubiquity. Prior to founding Vubiquity, Mr Potarazu spent 15 years in various positions at Intelsat (1991-2006). He became Intelsat's Vice President of Operations and CIO in 1996 and its Vice President, Commercial Restructuring in 2000. In 2001 Mr Potarazu became President of Intelsat Global Service Corporation and from 2002 to 2006 he was President and Chief Operating Officer of Intelsat Ltd. Prior to joining Intelsat, Mr Potarazu held several engineering positions. Mr Potarazu graduated with a BS in Computer Science and in Mathematics from Oklahoma Christian University. He also holds an MSc in Electrical Engineering from the John Hopkins University and was a member of the Stanford Executive Program.

Mr Potarazu is a U.S. national. He is an independent director.

**MS ANNE-CATHERINE RIES**

Born on 1 April 1973. Ms Ries became a director on 1 January 2015. Ms Ries is Senior Policy Advisor to the Prime Minister and Minister for Media and Communications in Luxembourg with a focus on telecom and digital development strategies. She has recently been appointed coordinator of the newly launched government initiative 'Digital Lëtzebuerg'. Ms Ries graduated with a law degree from the Université de Paris II and the University of Oxford. She holds a postgraduate LL.M. degree with honours from the London School of Economics, where she specialised in Telecommunications, Information Technology and European Competition Law. After starting her professional career in a law firm in Paris, she joined the Permanent Representation of Luxembourg to the EU in Brussels in 2000. Upon her return to Luxembourg and over the last decade, her focus has been on attracting technology companies to establish and develop in Luxembourg. She is a Director of Entreprise des Postes et Télécommunications Luxembourg.

Ms Ries is a Luxembourg and French national. She is not an independent director, because she represents an important shareholder.

**MR VICTOR ROD**

Born on 26 April 1950. Mr Rod became a director on 23 November 1995. He retired as President of Commissariat aux Assurances on 31 December 2014. He is the Chairman of the Board of Directors of Banque et Caisse d'Épargne de l'Etat, Luxembourg. Mr Rod graduated with a degree in law from the University of Nancy.

Mr Rod is a Luxembourg national. He is not an independent director, because he represents an important shareholder.

**MR MARC SPEECKAERT**

Born on 23 May 1951. Mr Speeckaert became a director on 6 May 2005. He is the Managing Director of Sofina S.A. and a director of several non-listed corporations, as well as of Rapala (which is listed on the Helsinki Stock Exchange), and of Mersen (which is listed on Euronext Paris). Mr Speeckaert graduated with a degree in applied economics and holds a Master in Business and Administration from the Université Catholique de Louvain (UCL) in Belgium. He also participated in an Advanced Management Program from Wharton, University of Pennsylvania (USA). Mr Speeckaert is the Chairman of the Audit and Risk Committee of SES.

Mr Speeckaert is a Belgian national. He is an independent director.

**MS KATRIN WEHR-SEITER**

Born on 27 January 1970. Ms Wehr-Seiter became a director on 1 January 2015. She is a Managing Director of BIP Investment Partners SA. Prior to joining BIP, she served as a Principal at global investment firm Permira and also worked as an independent strategy consultant as well as a Senior Advisor to international private equity group Bridgepoint. She started her professional career at Siemens AG where she held various positions in strategy consulting and engineering. She serves as a Director of several non-listed corporations as well as Nanogate AG (listed on the Frankfurt stock exchange). Ms Wehr-Seiter holds an MBA from INSEAD and an MSc in Mechanical Engineering from the Technical University of Chemnitz.

Ms Wehr-Seiter is a German national. She is an independent director.



**THE BOARD OF DIRECTORS AS OF 25 FEBRUARY 2016**

*From left to right:*

Mr Victor Rod, Mr Jean-Claude Finck, Ms Katrin Wehr-Seiter, Mr Romain Bausch, Ms Anne-Catherine Ries, Mr Jacques Espinasse, Mr Marc Beuls, Mr Ramu Potarazu, Ms Bridget Cosgrave, Mr Marc Speeckaert and Mr Marc Colas, Mr Marcus Bicknell

*Seated:*

Ms Tsega Gebreyes, Mr Jean-Paul Zens, Mr François Tesch, Mr Conny Kullman, Mr Hadelin de Liedekerke Beaufort

Mr Serge Allegrezza was not present the day of the photo shooting

## OUR GOVERNANCE STRUCTURE

### THE CHAIRMAN'S OFFICE

The Chairman's Office prepares the agenda for the Board meetings.

### THE REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration of the members of the Executive Committee, and advises on the overall remuneration policies applied throughout the company. It acts as administrator of the company's Long Term Equity Plans.

### THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in carrying out its oversight responsibilities in relation to corporate policies, risk management, internal control, internal and external audit and financial and regulatory reporting practices.

### THE NOMINATION COMMITTEE

The Nomination Committee identifies and nominates suitable candidates for the Board of Directors, for election by the annual general meeting of shareholders. It also identifies and nominates suitable candidates for the Executive Committee.

## COMMITTEES OF THE BOARD OF DIRECTORS

### THE CHAIRMAN'S OFFICE

The Chairman and the two Vice Chairmen are members of the Chairman's Office. The Chairman's Office prepares the agenda for the Board meetings, allowing the Vice Chairmen to coordinate the preparation of the Board meetings with the directors of their respective share classes.

At 31 December 2015 the members were:

- Mr Romain Bausch
- Mr François Tesch
- Mr Jean-Paul Zens

The Chairman's Office met six times during 2015, with a members' attendance rate of 100%.

### THE REMUNERATION COMMITTEE

In accordance with general corporate governance standards, the company's Board established a Remuneration Committee, which determines the remuneration of the members of the Executive Committee, and which advises on the overall remuneration policies applied throughout the company. It reports to the Board at each meeting through its Chairman. The Remuneration Committee is comprised of six members, at least a third of which are independent Board members in line with the SES internal regulations. At 31 December 2015, the Remuneration Committee was composed of the following six non-executive directors:

- Mr Conny Kullman (Chairman of the Remuneration Committee, independent)
- Mr Romain Bausch
- Mr Marcus Bicknell (independent)

- Mr Hadelin de Liedekerke Beaufort
- Mr Jean-Claude Finck
- Mr Jean-Paul Zens

The Remuneration Committee held three meetings, with an attendance rate of better than 94%. Matters addressed related to the determination of the 2015 stock option grant and the 2014 bonuses for members of the Executive Committee. The Remuneration Committee further determined the number of performance shares allocated to the members of the Executive Committee for their performance in 2014, and it adopted the 2015 business objectives which are used as one element in the determination of their bonuses for 2015. After each meeting, the Board is briefed in writing about the work of the Remuneration Committee.

The Remuneration Committee also oversees the implementation of the decision under which the members of the Executive Committee must within five years hold the equivalent of an annual salary's worth of registered shares in the company (with the President and CEO of SES having to hold shares two years' worth of his annual salary).

### THE AUDIT AND RISK COMMITTEE

As part of its overall corporate governance, the Board established an Audit and Risk Committee, which assists the Board in carrying out its oversight responsibilities in relation to corporate policies, risk management, internal control, internal and external audit and financial and regulatory reporting practices. The Committee has an oversight function and provides a link between the internal and external auditors and the Board. The Audit and Risk Committee is comprised of six members, four of whom are independent Board members, in line with the SES internal regulations.

The current members of the Audit and Risk Committee are:

- Mr Marc Speeckaert, Chairman of the Audit and Risk Committee (independent)
- Mr Marc Beuls (independent)
- Mr Marc Colas
- Ms Bridget Cosgrave (independent)
- Mr Jacques Espinasse (independent)
- Mr Jean-Claude Finck

The Audit and Risk Committee held four meetings, with a members' attendance rate of better than 91%.

The meetings were dedicated in particular to the review of the 2014 financial results before their submission to the Board and their subsequent approval by the shareholders at the statutory annual general meeting, and to the review of the results of the first half of 2015. Members of the Board also had the opportunity to communicate any comments they had on the company's quarterly results through the Chairman of the Audit and Risk Committee prior to the publication of these results.

The Audit and Risk Committee reviewed the company's statement on internal control systems prior to its inclusion in the annual report, approved the Internal Audit plan, and received bi-annual updates on the Internal Audit activities and on the follow-up of the major recommendations. It also reviewed the 2014 PwC Management letter.

The Audit and Risk Committee further continued to encourage management in its efforts to eliminate as many non-operating legal entities as possible. The Audit and Risk Committee proposed to the Board and to the shareholders to appoint PwC as external auditor for 2015.

The Audit and Risk Committee received bi-annual updates on risk management from the SES risk management committee and held a discussion on IT and cyber-security. The Committee received updates on (i) business continuity; (ii) risk management of the company's space systems and related insurance; (iii) potential impact of IFRS-15 on SES; and (iv) SES Satellite Leasing and the business undertaken by the group in the Isle of Man. It also discussed the framework for limited non-audit engagements to be performed by PwC. After each meeting, the Board is briefed in writing about the work of the Audit and Risk Committee.

### THE NOMINATION COMMITTEE

In line with best practice in corporate governance, the Board established a Nomination Committee, whose role is to identify and nominate suitable candidates for the Board of Directors, for election by the annual general meeting of shareholders. Such proposals are based on submissions from shareholders for a number of candidates at least equal to the number of posts to be filled for each class of shareholders. The Nomination Committee also proposes candidates for Executive Committee membership for election by the Board. The Nomination Committee is



**THE EXECUTIVE COMMITTEE**

*From left to right: Mr Ferdinand Kayser, Mr Padraig McCarthy, Mr Karim Michel Sabbagh, Mr Christophe de Hauwer, Mr Martin Halliwell*

composed of six members, at least a third of which are independent Board members in line with the SES internal regulations. On 31 December 2015, they were:

- Mr Jean-Paul Zens  
(Chairman of the Nomination Committee)
- Mr Serge Allegrezza
- Mr Romain Bausch
- Mr Marcus Bicknell (independent)
- Mr Conny Kullman (independent)
- Mr François Tesch

The Nomination Committee met twice with all its members being present. It discussed the Management Succession Plan 2015, prepared the election of six directors as per the company’s Board election process and made a recommendation for the appointment of a new Chief Development Officer.

After each meeting, the Board is briefed in writing about the work of the Nomination Committee.

**THE EXECUTIVE COMMITTEE**

**MISSION**

The Executive Committee is in charge of the daily management of the group. It functions as a collegial body. The Executive Committee is mandated to prepare and plan the overall policies and strategies of the company for approval by the Board. It may approve intra-group transactions, irrespective of the amount, provided that they are consistent with the consolidated annual budget of the company,

as well as specific transactions with third parties for an amount up to EUR 10 million per project. It informs the Board at its next meeting on each such transaction, it being understood that the aggregate amount for such projects can at no time be higher than EUR 30 million.

The Executive Committee may approve any external credit facilities or external guarantees, pledges, mortgages and any other encumbrances of the company, or any wholly-owned affiliate, for as long as the company will not lose its investment grade rating as a result of such facility or guarantee. It may approve increases of up to 5% in the capital expenditure budget for a satellite procurement already approved by the Board, it being understood that the Internal Rate of Return will need to comply with certain specific thresholds defined by the Board. The Executive Committee informs the Board at its next meeting of each such increase.

The Executive Committee submits to the Board those measures that it deems necessary to be taken in order to meet the purposes of the company. Prior to the beginning of each fiscal year, the Executive Committee submits to the Board a consolidated budget for approval.

The Executive Committee is in charge of implementing all decisions taken by the Board and by the committees specially mandated by the Board. The Executive Committee may, in the interests of the company, sub-delegate part of its powers and duties to its members acting individually or jointly.

The Chairman of the Executive Committee organises the work of the Executive Committee and coordinates the activities of its members, who report directly to him. In order to facilitate the implementation by the Board of its overall duty to supervise the affairs of the company, the Chairman of the Executive Committee informs the Chairman of the Board on a regular basis of the company’s activities. The latter receives the agenda and the minutes of all meetings of the Executive Committee in due time.

During 2015, the Executive Committee met 49 times, with an attendance rate of 86.48%. Mr. Pierre Margue, Vice President Legal and Corporate Affairs, the secretary of the Board of Directors, also acted as secretary to the Executive Committee. The EVP General Counsel and the EVP Human Resources also attend the meetings of the Executive Committee.

**COMPOSITION**

The following persons are members of the Executive Committee:

- the President and CEO (who assumes the chairmanship of the Executive Committee)
- the Chief Financial Officer
- the Chief Commercial Officer
- the Chief Development Officer
- the Chief Technology Officer

Members of the Executive Committee are elected by the Board of Directors upon a proposal from the Nomination Committee.

The current members of the Executive Committee are:

**MR KARIM MICHEL SABBAGH**



Born on 26 September 1963, Mr Karim Michel Sabbagh joined the SES Executive Committee in September 2013 and was appointed as President and Chief Executive Officer effective 3 April 2014. He is Chairman of the Executive Committee and Chairman of the Board of SES ASTRA. He also serves on the Board of O3b and YahLive, and also is member of the O3b Audit and Risk Committee. He is also on the Board of the FEDIL (Business Federation of Luxembourg) Board of Directors. Mr Sabbagh served on the Board of SES from 2011 until 2013 and was a member of the Audit and Risk Committee of SES for the same period. Prior to joining SES, he was a Senior Partner and global practice leader for communications media & technology at Booz & Company. Mr Sabbagh holds a BBA and MBA from the American University of Beirut, a PhD in business administration with a focus in strategic management from the American Century University in New Mexico, and a DBA in international business management from the International School of Management.

Mr Sabbagh is a Canadian and Lebanese national.

**MR PADRAIG MCCARTHY**



Born on 27 September 1960. Mr Padraig McCarthy was appointed as Chief Financial Officer on 4 April 2013. He is a member of the Board of SES ASTRA. Mr McCarthy joined SES in 1995 from Norton S.A. where he was Financial Director Europe. Previously he held positions with KPMG Chartered Accountants, Ireland. After having served as SES's Contoller, Mr McCarthy took the position of Chief Financial Officer of SES ASTRA, then the European subsidiary of SES, from 2002-2011. Prior to his appointment as Chief Financial Officer, he worked as Senior Vice President Financial Operations & Business Support at SES since 2011. Mr McCarthy holds a Bachelor of

Commerce degree from the University College Cork, is a fellow of the Irish Institute of Chartered Accountants and followed advanced management executive programmes at Babson Business School and INSEAD.

Mr McCarthy is an Irish national.

**MR FERDINAND KAYSER**



Born on 4 July 1958. Mr Ferdinand Kayser was appointed Chief Commercial Officer of SES on 1 May 2011. He is a member of the Boards of SES ASTRA and YahLive. Mr Kayser joined SES in 2002 as President and Chief Executive Officer of SES ASTRA. He has worked in senior roles in media companies such as Premiere Medien GmbH and Co. KG and CLT Multimedia. Prior to his appointment as Chief Commercial Officer of SES, he was President and Chief Executive Officer of SES ASTRA. Mr Kayser holds a Master of Economics from the University of Paris 1, Panthéon-Sorbonne, and has concluded specialized university studies in Media Law and Management of Electronic Media.

Mr Kayser is a Luxembourg national.

**MR CHRISTOPHE DE HAUWER**



Born on 15 April 1971. Mr Christophe De Hauwer was appointed Chief Development Officer of SES as of 1 August 2015. Since 2010, Mr De Hauwer has been a member of the Board of O3b Networks. He is a member of the Board of SES ASTRA. Mr De Hauwer joined SES in 2003, holding several positions of responsibility in the areas of Strategic Marketing, Strategic and Business Planning and Corporate Development, as well as Fleet Development and Yield Management. Mr De Hauwer played an instrumental role in many transactions, such as the acquisition of New Skies in 2005, the GE share redemption in 2006 and the investment in O3b in

2009. Prior to joining SES, Mr De Hauwer worked in the Strategy Consulting practice of the European Telecommunication and Media Industry with Arthur Andersen. He holds an Engineering and a PhD Degree from the Université Libre de Bruxelles.

Mr De Hauwer is a Belgian national.

**MR MARTIN HALLIWELL**



Born on 20 April 1959. Mr Martin Halliwell was appointed Chief Technical Officer on 1 May 2011. He is a member of the Boards of SES ASTRA and of O3b. Mr Halliwell joined SES in 1987 after working for Cable & Wireless and for Mercury Communications. He was previously President of SES ENGINEERING and Technical Director of SES Multimedia. Previously, he worked as SES Operation Manager and as General Manager of SES's Global Multimedia Networks. Mr Halliwell holds a Higher National Diploma in Communications and Electronics and a BA specialising in Mechanical Engineering and Mathematics from the Open University of London, and an MBA in External Environment and Strategic Management from the same university.

Mr Halliwell is a British national.

## REMUNERATION

### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The annual general meeting of shareholders determines the remuneration of the members of the Board of Directors for attending Board and committee meetings. In 2015, the shareholders decided to maintain the fees paid to the directors at the previous year's level with a majority of 99.550%. Directors receive a fixed fee of EUR 40,000 per year, whereas the Vice Chairmen receive an annual fixed fee of EUR 48,000 and the Chairman receives EUR 100,000 per year.

A Director, chairing one of the committees set up by the Board, if not the Chairman of the Board of Directors, receives an additional remuneration of EUR 8,000 per year. A Director, chairing the Audit and Risk Committee, if not the Chairman of the Board of Directors, receives an additional remuneration of EUR 9,600 per year.

The shareholders also maintained the fees at EUR 1,600 for each meeting of the Board or a Committee of the Board attended, except for the meetings of the Audit and Risk Committee for which directors receive EUR 1,920 per meeting. A director participating in more than one Committee meeting on the same day will receive the attendance fee for one meeting only. Half of the attendance fee is paid if the director participates in the meeting via telephone or videoconference.

All these fees are net of any Luxembourgish withholding taxes. The total net remuneration fees paid for the year 2015 to the members of the Board of Directors (net of the Luxembourgish withholding tax) amounted to EUR 1,038,667, of which EUR 243,200 was paid as variable fees, with the remaining EUR 795,467 representing the fixed part of the Board fees. The gross overall figure for the year 2015 was EUR 1,298,333

### COMPANY STOCK OWNED BY MEMBERS OF THE BOARD OF DIRECTORS

On 31 December 2015, the members of the Board of Directors and their closely associated family members owned a combined total of 823,127 shares and FDRs (representing 0.16% of the company's share capital).

Transactions made by members of the Board of Directors are published on the company's website under Management Disclosures. In accordance with the company's dealing code, directors require prior permission before dealing in SES shares or FDRs.

### REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The remuneration of the members of the Executive Committee is determined by the Remuneration Committee. It is composed of a fixed part and a variable part. The total gross remuneration paid to the six members of the Executive Committee for the year 2015 (including Mr Gerson Souto until

31 July 2015) amounted to EUR 9,078,741.89, of which EUR 3,358,112.95 represented the fixed part and EUR 5,720,628.94 the variable part. The direct remuneration paid to the members of the Executive Committee amounted to EUR 4,671,377.47, whereas the indirect remuneration was EUR 4,407,364.42. The indirect remuneration also contains the benefits derived by the members of the Executive Committee from the company's executive stock option plan and the long-term incentive plan, as adopted by the Board of Directors.

During 2015, the members of the Executive Committee were awarded a combined total of 308,463 options to acquire company FDRs at an exercise price of EUR 33.23, the price being based on the average of the closing price on Euronext Paris of the first 15 trading days following the Remuneration Committee meeting at which the options were authorised. A quarter of those options vested on 1 January 2016, and the remaining quarters vest on 1 January 2017, 1 January 2018, and 1 January 2019 respectively. In 2015, members of the Executive Committee were granted 12,463 restricted shares as part of the company's long-term incentive plan, as well as 37,389 performance shares. These shares will vest on 1 June 2018.

During 2015, Messrs Martin Halliwell, Ferdinand Kayser, Padraig McCarthy and Gerson Souto (a member of the Executive Committee until 31 July 2015) sold some or all of the restricted shares which vested on 1 June. Mr Karim Michel Sabbagh exercised some of his stock options during the course of the year. SES publishes the details of all transactions made by its Board members and by the members of its Executive Committee on its website: <http://www.ses.com/management-disclosures>.

Each member of the Executive Committee is entitled to two years of base salary in case his contract is terminated without cause. If a member resigns, he is not entitled to any such compensation.

### COMPANY STOCK OWNED BY MEMBERS OF THE EXECUTIVE COMMITTEE

On 31 December 2015, the five members of the Executive Committee owned a combined total of 114,782 shares and FDRs (representing 0.02% of the company's share capital), 198,136 unvested restricted and performance shares and 918,628 options. Transactions made by members of the Executive Committee are published on the company's website under Management Disclosures. Members of the Executive Committee are required to comply with the company's dealing code.

### EXTERNAL AUDITOR

In accordance with the Luxembourg law on commercial companies, the company's annual and consolidated accounts are certified by an external auditor appointed by the annual general meeting of shareholders. On 2 April 2015, and based upon a proposal from the Board, the shareholders re-elected

PwC as the company's external auditor for one year and approved its remuneration, with a majority of more than 99.521%. The mandate of PwC will expire at the annual general meeting on 7 April 2016.

## BUSINESS RISKS AND THEIR MITIGATION

This section contains a summary of the main risks that SES may face during the normal course of its business. However:

- this section does not purport to contain an exhaustive list of the risks faced by SES and SES may be significantly affected by risks that it has not identified or considered not to be material;
- some risks faced by SES, whether they are mentioned in this section or not, may arise from external factors beyond SES's control; and
- where mitigations are mentioned in this section, there is no guarantee that such mitigations will be effective (in whole or in part) to remove or reduce the effect of the risk.

### OUR KEY RISKS:

1. Risks relating to procurement
2. Risks relating to satellites
3. Risks relating to insurance
4. Risks relating to customers
5. Risks relating to the satellite communications market
6. Risks relating to SES's strategic development
7. Risks related to Regulatory and Corporate
8. Risks relating to finance

### 1. RISKS RELATING TO PROCUREMENT

#### Risk of launch delays and/or launch failures

SES is planning to launch [seven] satellites between 2016 and 2017. The launch of any of these satellites carries a risk of delay for a variety of reasons, including the late availability of the satellite or co-passenger satellite (if there is a co-passenger) for shipment to the launch site, the late availability of the launch service, or last-minute technical problems arising on the satellite, the co-passenger satellite or the launcher.

A launch delay or failure could have a material negative effect on revenue and also potentially cause the loss of frequency rights at certain orbital positions. Satellite launch and in-orbit insurance policies do not compensate for lost revenues due to the loss of customers or for consequential losses resulting from any launch delay or failure.

SES attempts to mitigate the risk of a launch delay interrupting existing services by leaving adequate time margins in procurement schedules for replacement satellites.

There is always an inherent risk of launch failure resulting in a reduced satellite lifetime (in case of

incorrect orbit injection), reduced functionality of the satellite or the total loss of a mission.

SES attempts to mitigate the risk of launch failure in several ways, including by detailed technical risk management of each satellite and launch vehicle programme, asset insurance for each launch, and a staggered fleet deployment scheme (allowing assets to be repurposed in the case of single satellite failure so as to ensure a minimum impact on customers and revenues).

#### Risk of dependency on launch service providers

SES is largely dependent on Ariespace and SpaceX to launch its satellites into space. SES may incur significant delays in launching new satellites in the event of a prolonged unavailability of one of those two systems. Dependency on a small number of launch service providers may reduce SES's negotiating power.

#### Risk of dependency on satellite manufacturers and secondary suppliers

SES is dependent on six major satellite manufacturers for the construction of its satellites.

Dependency on a small number of satellite manufacturers may reduce SES's negotiating power and access to advanced technologies (which may only be available to certain suppliers). It may also result in a higher concentration of risk – SES may incur significant delays in procuring new satellites in the event of prolonged problems at one of these satellite manufacturers. Further, the difficulties caused by any technical problems with the design of a particular model of satellite may be multiplied if several satellites of that design are purchased.

In addition, there are a limited number of second tier suppliers of certain key components for communication satellites. SES may incur significant delays in procuring new satellites in the event of prolonged problems at one of these secondary suppliers.

SES attempts to mitigate these risks relating to procurement by a constant monitoring of its supplier base, maintaining multiple procurement sources and developing relationships with new suppliers where possible.

## 2. RISKS RELATING TO SATELLITES

### Risk of in-orbit failure

One or more of SES's satellites may suffer in-orbit failures where the impact, if any, can range from a partial impairment of its commercial capabilities to a total loss of the asset. In the event of such a failure, SES may not be able to continue to provide service to its customers from the same orbital slot or at all.

SES attempts to mitigate the risk of in-orbit failure by careful vendor selection and high quality in-orbit operations. SES's fleet is diversified by manufacturer and satellite type, reducing the likelihood of widespread technical problems. The impacts of such failures on customer service and related revenues may be mitigated by an in-orbit backup strategy,

pursuant to which customers on an impaired satellite may possibly be transferred to another satellite in the fleet. In addition, SES has in place a restoration agreement with another satellite operator pursuant to which customers on an impaired satellite may possibly be transferred to another satellite in that operator's fleet in order to protect continuity of service. However, there is no guarantee that these mitigations will be entirely effective, especially in the event of the failure of several satellites.

For example, several of SES's satellites are operating beyond the end of their design lives and have experienced various technical anomalies. These satellites have already completed the primary missions for which they were designed and have been redeployed for secondary missions. Satellites in secondary missions are used for various reasons, such as developing new orbital locations, safeguarding spectrum rights and providing redundant capacity for satellites in their primary missions. These satellites' technical capabilities do not generally need to be fully utilised in operating their secondary missions, which potentially mitigates the effects of further technical failures.

In addition, eleven of SES's Lockheed Martin A2100 satellites have experienced technical problems with their solar array circuits. The extent of the problem varies depending on the satellite, but it may reduce both the operational life of the satellite and the number of usable transponders, leading to a reduction in the revenue generated by the satellite. NSS-6, AMC-8, AMC-10, AMC-15 and AMC-16 experienced further solar array degradation in 2015, which impaired power generation. In the cases of AMC-10 and AMC-16, this degradation led to a reduction in commercial capacity. Such failures on any of the affected satellites can also impair SES's ability to maintain pricing levels and to place new customers on the satellite. All of the satellites with solar array issues, other than AMC-4 and NSS-7, are still being used for their primary missions.

NSS 12, a satellite built by Space Systems Loral, has also experienced solar array power losses. However, these appear to be less severe than the Lockheed Martin A2100 solar array issue and SES does not believe a specific mitigation plan is needed at this point.

Several of SES's satellites (AMC-4, ASTRA 1G, ASTRA 1H, ASTRA 1KR, ASTRA 1M, ASTRA 2B, NSS 7, SES-3 and QuetzSat-1) have experienced various other anomalies.

Technical failures have resulted in a reduction of available capacity on ASTRA 1G and a reduction in the operational life of ASTRA 1H. SES considers that there is no risk of a recurrence of these issues on these satellites.

ASTRA 1M, a key asset at the 19.2°E prime orbital position, has currently lost redundancy on its propulsion subsystem. Further technical problems on this sub-system could result in the loss of the

satellite. However, SES believes that such an event is unlikely and the risk is mitigated by the additional capacity at this orbital position.

QuetzSat-1 has experienced a loss of redundancy in its data handling equipment and further technical problems with this equipment could result in the loss of the satellite. However, SES believes that this is unlikely and the risk has also been mitigated by the uploading of a software patch which allows partial restoration of the on-board redundancy.

In-orbit insurance constitutes an additional financial mitigation against the risk of impairment, subject to the limitations of such insurance.

### Risk of short operational life

The design life of SES's satellites is typically 15 years. In the event of changes in the expected fuel life of the satellite, in-orbit anomalies or other technical factors, its actual life may be shorter than this. This could lead to the satellite being depreciated faster than anticipated and the lifetime revenue generated by the satellite being reduced, diminishing the overall return on investment for the asset. SES attempts to mitigate the risk of a reduced operational life by careful vendor selection and high quality in-orbit operations.

## 3. RISKS RELATING TO INSURANCE

### Insurance coverage risk

SES's satellites may be subject to damage or loss from events that might not be covered by insurance policies. SES maintains launch and initial in-orbit insurance, in-orbit insurance and third-party liability insurance for its satellites. The insurance policies generally contain exclusions for losses resulting from:

- military or similar action;
- any anti-satellite device;
- electromagnetic and radio interference (except for physical damage to a satellite directly resulting from this interference);
- confiscation by any governmental body;
- insurrection and similar acts or governmental action to prevent such acts;
- nuclear reaction or radiation contamination;
- wilful or intentional acts causing the loss or failure of satellites; and
- terrorism

The insurance policies do not provide compensation for business interruption, loss of market share, reputational damage, loss of revenue, incidental and consequential damages and similar losses that might arise from the failure of a satellite launch, incorrect orbital placement or the failure of a satellite to perform according to specifications. In addition, SES's in-orbit insurance only covers losses in excess of the risk retention level selected by SES.

The in-orbit insurance policies may exclude from coverage failures arising from pre-existing defects, such as defects in solar array and battery anomalies on some existing satellites. In addition, SES will not be fully reimbursed if the cost of a replacement satellite

exceeds the sum insured. As a consequence, the loss, damage or destruction of any satellites as a result of any of these events could result in material increases in costs or reductions in expected revenues or both.

SES has reviewed its approach to in-orbit insurance of its satellites and, in recognition of the excellent procurement and operating record, has adopted a policy of limited self-insurance. Premiums are paid to a wholly-owned subsidiary, thus reducing the amount of insurance premiums paid to external insurance companies.

If any event occurs that is covered by the in-orbit insurance, the payment of the sum insured could result in material increases in costs.

SES has third party liability insurance that covers damage suffered by third parties resulting from accidents such as launch failures and satellite collisions. It is subject to an annual combined single limit of EUR 500 million of coverage.

#### Insurance availability risk

Satellite insurance is a cyclical market subject to the laws of supply and demand. The amount of capacity currently available in the market is adequate to cover SES's satellite programmes. However, events outside of SES's control – including large losses and shifts of insurance capacity from space to other lines of business – could change this situation. This could result in increases in the amount of insurance premiums paid by SES to cover its risks and affect its ability to obtain the desired level of coverage. SES's self-insurance programme improves its flexibility to accommodate variations in market conditions.

## 4. RISKS RELATING TO CUSTOMERS

### Risk of key customer loss

SES depends on a number of key customers whose loss (or non-renewal) would reduce SES's revenues. SES's five largest commercial customers represented 27.9% of SES's total revenues in 2015. The total revenue generated from contracts with the U.S. Government (and customers serving the U.S. Government) represented approximately 10% of SES's total revenues in 2015.

If key customers reduce their reliance on SES by developing or increasing relationships with other satellite operators (or moving to other telecommunications solutions) and such key customers cannot be replaced, SES's revenues may be impacted negatively.

SES's main existing satellite capacity agreements for the direct-to-home business in Europe typically have contract durations of ten years, with some contracts for longer periods. If SES is unsuccessful in obtaining the renewal of its satellite capacity agreements when they come up for renewal on commercial terms similar to those currently reflected in its agreements, revenues could be adversely affected for some time.

SES's customer base is subject to constant change. Bankruptcy of key customers or customer

consolidation resulting from mergers and acquisitions can reduce demand for SES's satellites capacity, thereby affecting SES's revenues.

#### Risks relating to customer credit

SES may suffer a financial loss if any of its customers fails to fulfil its contractual payment obligations.

The level of customer credit risk may increase as SES grows revenues in emerging markets, because credit risk tends to be higher in these markets (compared to the markets of Europe and North America).

This risk is mitigated principally through a customer credit policy that includes credit checks, credit profiles, deposits or other forms of security, monitoring of payment performance, and the application of a provisioning policy.

Further details are provided in Note [19] to the consolidated financial statements.

#### Risks inherent in international business

SES conducts business around the world. It is exposed to issues such as financial, regulatory, geopolitical, tax and trade risks in many jurisdictions. Political and financial stability in some jurisdictions may impact SES's business in that country. In practice, it may be difficult for SES to enforce its legal rights in some jurisdictions.

The inherent uncertainties in doing business in certain jurisdictions may have a negative impact on SES's results.

#### Risks inherent in doing business with the U.S. government

The proxy structure of the SES Government Solutions entity, in line with common practice for businesses serving certain segments of the U.S. Government, imposes various restrictions on SES's Board of Directors and executive management in directly supervising the maintenance of an internal control system and imposing an internal audit structure. However, these restrictions are mitigated through having an agreement on a required risk management and internal control framework.

## 5. RISKS RELATING TO THE SATELLITE COMMUNICATIONS MARKET

### Competition risk

The telecommunications market is fiercely competitive and SES faces competition from satellite, terrestrial and wireless networks.

SES faces competition from international, national and regional satellite operators. Some national operators receive tax and regulatory advantages in their countries that are not available to SES. The development of national satellite programmes may hinder SES's ability to compete in those countries on normal economic terms.

In addition, SES competes with operators of terrestrial and wireless networks. Any increase in the technical effectiveness or geographic spread of

these terrestrial and wireless networks could result in a reduction in demand for SES's satellites. Some terrestrial and wireless operators may receive state aid and subsidies not available to SES.

Competition in the telecommunications market could result in a demand reduction for SES's satellite capacity and have a significant negative impact on SES's revenues.

#### Technology risk

The satellite telecommunications industry is vulnerable to technological change. SES's satellites could become obsolete due to unforeseen advances in telecommunications technology, leading to a reduction in demand for its services and a negative impact on revenues.

The use of new technology to improve signal compression rate could lead to a reduction in demand for SES's satellites, which could lead to a negative impact on the results.

## 6. RISKS RELATING TO SES'S STRATEGIC DEVELOPMENT

### Emerging market risk

SES's development strategy includes targeting new geographical areas and emerging markets and developing joint ventures or partnerships with local telecommunications, media and financial businesses in order to improve market access for its services.

SES may be exposed to the inherent instability of doing business in those regions. Such inherent instability could have an adverse impact on SES's revenue.

Please also see 'Risks inherent in international business' above.

In some emerging markets, customers may be less financially secure and run a higher risk of insolvency than in more developed markets. The failure of a customer could have an adverse impact on SES's revenue.

### Investment risk

SES regularly evaluates opportunities to make strategic investments. These opportunities may not yield the expected benefits due to a number of factors, such as antitrust reviews, financing costs and regulatory approvals. If an investment is made, it may adversely affect SES's results due to financing costs or the performance of the investment following acquisition. The success of any such investment is not guaranteed.

SES has a number of strategic investments in businesses that it does not fully control. As a result, SES is dependent in part on the co-operation of other investors and partners in protecting and realising the full potential of certain investments. SES may not be able to prevent strategic partners from taking actions that are contrary to SES's business interests.

SES also invests in new and innovative projects such as O3b Networks, which often feature new

technology or uncertain market demand. If the technology is not successful or demand does not materialise as planned, the value of SES's investment may be reduced.

In relation to O3b, there can be no assurance that the business will not require further funding. If SES were to increase its investment in O3b to over 50%, it would have to include O3b's indebtedness in SES's financial statements. It may also have to purchase the shares of the minority investors at a fair market value.

SES has also earmarked certain funds for investment, which includes the replacement of existing satellites (often with increased capacity) and the launching of new satellites. The successful marketing and sale of new capacity is dependent on the underlying demand for satellite capacity in the targeted regional markets. If that demand does not materialise as anticipated, SES's financial forecasts may not be met.

## 7. RISKS RELATED TO REGULATORY AND CORPORATE

### Legal risk

SES cannot always predict the impact of laws and regulations on its operations. The operation of the business is and will continue to be subject to the laws and regulations of the governmental authorities of the countries where SES operates or uses radio spectrum and offers satellite services or capacity, as well as to the frequency coordination process of the International Telecommunication Union (ITU). Regulation and legislation is extensive and outside SES's direct control. New or modified rules, regulations, legislation or decisions by a relevant governmental entity or the ITU could materially and adversely affect operations.

The international nature of SES's business means that it is subject to civil or criminal liability under the U.S., UK, EU and other regulations in relation to economic sanctions, export controls and anti-bribery requirements. International risks and violations of international regulations may negatively affect future operations or subject SES to criminal or civil enforcement actions.

Disputes in relation to SES's business arise from time to time and can result in legal or arbitration proceedings. The outcome of these proceedings cannot be predicted. A negative outcome in a substantial litigation or arbitration case could have a material impact on SES's business and financial position.

### Spectrum access risk

SES needs access to orbital slots and associated frequencies to permit it to maintain and develop its satellite system.

The ITU establishes radio regulations and is responsible for the allocation of frequency spectrum for particular uses and the allocation of orbital locations and associated frequency spectrum. SES can only access spectrum through ITU filings made by national administrations.

Orbital slots and associated frequencies are a limited resource. The ITU may reallocate spectrum from satellite to terrestrial uses. In addition, national administrations are increasingly charging for access to spectrum by the use of fees and auctions. The most recent World Radiocommunication Conference 2015 did not reallocate significant amounts of spectrum away from satellite, but it has set for study the use of bands that could be allocated to terrestrial mobile use inconsistent with satellite use at the next such conference in 2019. Certain national administrations are studying the alleged spectrum needs of terrestrial mobile and considering reallocation of satellite spectrum, which they can do independently of ITU radio regulations so long as they avoid international interference.

Any reallocation of spectrum from satellite to terrestrial uses or fees and charges by national administrations may have a significant adverse effect on SES's current results and future prospects.

### Spectrum coordination risk

SES is required to coordinate the operation of its satellites with other satellite operators through the ITU so as to prevent or reduce interference between satellites. SES may also be required to coordinate any replacement satellite that has performance characteristics that differ from those of the satellite it replaces.

As a result of such coordination, SES may be required to modify the proposed coverage areas of its satellites, satellite design or transmission plans in order to eliminate or minimise interference with other satellites or ground-based facilities. Those modifications may mean that use of a particular orbital position is significantly restricted, possibly to the extent that it may not be economical to place a new satellite in that location. In addition, interference concerns of a country may affect the ability of SES's satellite network to generate revenues, due to the operational restrictions that the country may impose.

Similarly, the performance of SES's satellites in the affected areas could be adversely affected if ITU regulations or other legal constraints fail to prevent competing satellite operators from causing harmful interference by the operation of their satellites.

### Spectrum bringing into use risk

If SES does not occupy unused orbital locations by specified deadlines, does not maintain satellites in the orbital locations it currently uses, or does not operate in all the frequency bands for which a licence has been received, then those orbital locations or frequency bands may become available for other satellite operators to use.

SES has access to a large portfolio of orbital locations that have been filed at the ITU through various administrations. For each filing, the ITU and the national regulators impose various conditions that have to be met in order to secure the spectrum. Operational issues such as satellite launch failure, launch delay or in-orbit failure might compromise the access to the spectrum at specific orbital locations.

SES is committed to the highest quality in satellite procurement and launch, which helps to reduce this risk. In addition, SES's large fleet permits the relocation of in-orbit satellites in order to meet the regulatory conditions in many situations.

### Regulatory risk

SES may need to obtain and maintain approvals from authorities or other entities to offer or operate satellite capacity. For example, SES must obtain authorisations or landing rights in certain countries for satellites to be able to transmit signals to or receive signals from those countries. The failure to obtain landing rights or the authorisations necessary to operate satellites internationally to provide services could lead to loss of revenues.

Customers are responsible for obtaining regulatory approval for their operations. As a result, there may be governmental regulations of which SES is not aware or which may adversely affect the operations of customers. SES could lose revenues if customers' current regulatory approvals do not remain sufficient in the view of the relevant regulatory authorities, or if additional necessary approvals are not granted on a timely basis, or at all, in all jurisdictions in which customers wish to operate or provide services, or if applicable restrictions in those jurisdictions become unduly burdensome.

### Export control

U.S. companies and companies located in the United States must comply with U.S. export control laws in connection with any information, products or materials that they provide to foreign companies relating to communications satellites, associated equipment and data. SES's U.S. operations may not be able to maintain normal international business activities and SES's non-U.S. operations may not be able to source satellites, satellite related hardware, technology and services in the United States if:

- export licences are not obtained in a timely fashion;
- export licences do not permit transfer of all items requested;
- launches are not permitted in the locations that SES prefers; or
- the requisite licence, when approved, contains conditions or restrictions that pose significant commercial or technical problems.

Such occurrences could impede construction and delay the launch of any future satellites, adversely impacting current and/or future revenues.

### External threat risk

In common with other satellite operators, SES is vulnerable to the risk of terrorist acts, sabotage, piracy, attack by anti-satellite devices, jamming, unintentional interference and natural disaster. Such external threats may lead to a temporary or permanent interruption in service and/or the loss of customers. Any such act could have a potentially significant adverse effect on SES's results.

### Cyber risk

SES's operations may be subject to hacking, malware and other forms of cyber-attack. Due to the fast-moving pace of new hacking techniques, the high sophistication of certain attackers and an increasingly hostile cyber -attack environment, it may be difficult to detect, determine the scope of, contain and remediate every such event.

Any inability to prevent or to detect the occurrence of cyber -attacks in a timely manner could result in a disruption of services or malfunctions, loss of customers, inadvertent violations of data protection, export control and other relevant laws, damage to SES's reputation, or damage to SES's properties, equipment and data. Furthermore, such event could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future.

SES has protections in place to help protect its networks, and continues to work to implement additional protective measures intended to limit the risks associated with such attacks.

### Risk of loss of key employees

SES has a number of key employees with highly specialised skills and extensive experience in their fields. If one of these employees was to leave, SES may have difficulty replacing him or her. SES attempts to mitigate the risk of losing key employees through retention programmes, succession planning and development plans.

If SES is unable to retain key employees or attract new highly qualified employees, it could have a negative impact on SES's business, financial situation and results.

### Unforeseen high impact risk

SES's operations may be subject to unforeseen events that are both improbable and have a high impact. Due to the unforeseen nature of the event, it is difficult to manage the impact of such events or predict the nature or extent of the damage. Such unforeseen events may have a significant negative impact on SES's business, financial situation and results.

## 8. RISKS RELATING TO FINANCE

### Cash flow risk

SES operates in accordance with a strong business model, but if, for any reason, SES is not successful in implementing its business model, then cash flow and capital resources may not be sufficient to repay indebtedness. If SES was unable to meet debt service obligations or comply with covenants, then a default under debt agreements would occur. To avoid a possible default or upon a default, SES could be forced to reduce or delay the completion or expansion of the satellite fleet, sell assets, obtain additional equity capital, or refinance or restructure its debt.

### Debt rating risk

A change in SES's debt rating could affect the cost and terms of its debt, as well as its ability to raise

finance. SES's policy is to attain, and retain, a stable BBB rating with Standard & Poor's and Fitch, and a Baa2 rating with Moody's. If SES's credit rating was downgraded, it may affect SES's ability to obtain financing and the terms associated with that financing. SES cannot guarantee that it will be able to maintain its credit ratings.

### Tax risk

SES's financial results may be materially adversely affected by unforeseen additional tax assessments or other tax liabilities.

SES does business in many different countries and is therefore subject to taxation in multiple jurisdictions. SES makes provisions in its accounts for current and deferred tax assets and liabilities based on a continuous assessment of prevailing tax laws in those jurisdictions.

However, SES cannot always be certain of a tax authority's application and interpretation of the tax law. SES may become subject to unforeseen material tax claims, including late payment interest and/or penalties. Such claims may arise for a number of reasons, including: the identification of a taxable presence of a non-indigenous group company in a taxing jurisdiction; transfer pricing adjustments; application of indirect taxes on certain business transactions after the event; and the disallowance of the benefits of a tax treaty. In addition, SES may be subject to retroactive tax assessments based on changes in laws in a particular tax jurisdiction. SES has implemented a tax risks mitigation charter based on (among other things) a framework of tax opinions for the financially material positions taken, transfer pricing policies and documentation covering the group's important inter-company transactions, and procedures for accurate tax compliance in all jurisdictions.

### Asset impairment risk

SES's non-current intangible and tangible assets are valued at historic cost less amortisation, depreciation (where relevant) and accumulated impairment charges. The resulting net book values are subject to validation each year through impairment testing procedures, where they are compared to the value-in-use of the asset, representing the present value of the future cash flows expected to be derived from the asset. Where future assumptions for a specific asset, as set out in the approved Business Plan, become less favourable, or the discount rates applied to the future cash flows increase, then this may result in the need for material asset impairment charges.

In the SES S.A. annual accounts, impairment testing – using value-in- use procedures similar to those outlined above – is performed on the carrying value of the shares in affiliate undertakings. If the carrying value of the relevant investment, or group of investments, is not substantiated by the value-in-use computed, and any shortfall is assessed as being of an other than temporary nature, then this could result in an impairment charge being taken to the income statement of the SES S.A. annual accounts in the period concerned.

### Liquidity risk

SES requires liquidity to maintain its operations and meet its obligations. Any liquidity problems may have a significant impact on SES's operations and lead to the breach of contractual obligations. In case of liquidity needs, SES can call on uncommitted loans and a committed syndicated loan. In addition, if deemed appropriate based on prevailing market conditions, SES can access additional funds through its European Medium-Term Note programme or through commercial paper. SES's debt maturity profile is tailored to allow the company to cover repayment obligations as they fall due. SES operates a centralised treasury function, which manages the liquidity of SES and seeks to optimise the funding costs. This is supported by a daily cash pooling mechanism.

Further details are provided in Note [19] to the consolidated financial statements.

### Foreign currency risk

SES's reported financial performance can be impacted by movements in the U.S. dollar/euro exchange rate, as SES has significant operations whose functional currency is the U.S. dollar and liabilities denominated in U.S. dollar.

To mitigate this exposure, SES can enter into forward foreign exchange or similar derivatives contracts to hedge the exposure on financial debt or on the net assets.

Further details are provided in Note [19] to the consolidated financial statements.

### Interest rate risk

SES's exposure to the risk of changes in market interest rates relates primarily to SES's floating rate borrowings. SES carefully monitors and adjusts the mix between fixed and floating rate debt from time to time, responding to market conditions. Interest rate derivatives can be used to manage the interest rate risk. The terms of the derivatives are negotiated to match the terms of the hedged item to maximise the effectiveness of the hedge.

Further details are provided in Note [19] to the consolidated financial statements.

### Counterparty risk

SES's exposure relates to the potential default of a counterparty holding financial assets (cash and cash equivalents held for trading financial assets, loans, receivables and derivative instruments), with the maximum exposure being equal to the carrying amount of these instruments.

The counterparty risk from a cash management perspective is reduced by the implementation of several cash pools, accounts and related paying platforms with different counterparties. To mitigate the counterparty risk, SES only deals with recognised financial institutions with an appropriate credit rating – generally 'A' and above. All counterparties are financial institutions that are regulated and

controlled by the national financial supervisory authorities of the applicable countries. The counterparty risk portfolio is analysed on a quarterly basis. Moreover, to reduce this counterparty risk, the portfolio is diversified as regards the main counterparties, ensuring a well-balanced relationship for all categories of products (derivatives as well as deposits).

Further details are provided in Note [19] to the consolidated financial statements.

## INTERNAL CONTROL PROCEDURES

### OBJECTIVE

The Board has overall responsibility for ensuring that SES maintains a sound system of internal controls, including financial, operational and compliance controls. Such a system is an integral part of the corporate governance strategy of the company.

Internal control procedures help to ensure the proper management of risks and provide reasonable assurance that the business objectives of the company can be achieved.

The internal control procedures are defined and implemented by the company to ensure:

- the compliance of actions and decisions with applicable laws, regulations, standards, internal rules and contracts
- the efficiency and effectiveness of operations and the optimal use of the company's resources
- the correct implementation of the company's internal processes, notably those to ensure the safeguarding of assets
- the integrity and reliability of financial and operational information, both for internal and external use
- that management's instructions and directions are properly applied
- that material risks are properly identified, assessed, mitigated and reported

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error have been totally mitigated or eliminated.

### CONTROL ENVIRONMENT

SES has adopted a robust internal control framework based on a set of guidelines prepared by COSO (Committee of Sponsoring Organisations of the Treadway Commission). This framework provides reasonable assurance that the internal control objectives are being achieved; it is also consistent with the reference framework proposed by the French securities regulator, the 'Autorité des Marchés Financiers' (AMF).

The control environment is an essential element of the company's internal control framework, as it sets the tone for the organisation. This is the foundation of the other components of internal control, providing discipline and structure.

The Board has delegated the design, implementation and maintenance of a rigorous and effective system of internal controls to the Executive Committee of SES, which in turn works closely with the other levels of management in establishing control policies and procedures.

The descriptions of the main SES functions and processes are electronically documented using Business Process Management software, with the support of the Operational Excellence Team. Policies and procedures are regularly updated as appropriate. The aim is to design and implement a common set of policies and procedures that best support the organisation and can be used company-wide.

The policies and procedures apply to all employees and officers of the SES group, and where appropriate to its directors as the general framework for their own business process design.

The policies and procedures take into account specificities of each legal entity and are adapted where necessary to their activity, size, organisation, and legal and regulatory environment.

A group-wide 'Code of Conduct and Ethics' has been in place since 2009. The Code is designed to enable all employees, officers and directors to take a consistent approach to integrity issues and to make sure that SES conducts its business in compliance with all applicable laws and regulations and observes the highest standards of business ethics. In 2015, mandatory refresher courses for all SES employees worldwide were continued to reinforce awareness and compliance by staff.

An SES Compliance Committee, composed of designated Compliance Officers in each main corporate location, is tasked with raising the staff's awareness of the Code and ensures a consistent roll-out and training programme for the Code. The Committee meets regularly to discuss important topics or issues. Reflecting the company's expansion into developing markets, the composition of the Compliance Committee includes representatives from SES's offices in Africa, Asia, the Middle East and Latin America.

To ensure better compliance with the Data Compliance laws and regulations SES has appointed a Group Data Protection Officer.

Another key component of the control environment is the co-ordination of risk management with internal control. Risk management and internal control systems complement each other in controlling the company's activities.

### RISK MANAGEMENT

SES has adopted a risk management policy based on principles proposed by COSO and ISO31000. The co-ordination of the implementation of this policy and the development of a risk register is the responsibility of a Risk Management Committee which reports to the Executive Committee of SES.

The Executive Committee in turn reports to the Board, which has the ultimate responsibility for oversight of the company's risks and for ensuring that an effective risk management system is in place.

Common definitions and measures of risk management have been established and provided to the various risk owners to ensure that the risk management policy is properly implemented.

A risk management co-ordinator has been appointed in order to ensure the adequate review of the risks facing SES.

Each reported risk is categorised, assessed by the risk owners, and reviewed by the Risk Management Committee.

Key risk developments are periodically reported to the Executive Committee, the Audit and Risk Committee, and the Board.

### INTERNAL CONTROL ACTIVITIES

Regarding the internal controls in the area of accounting and financial reporting, the following should be noted:

- Staff involved in the company's accounting and financial reporting is appropriately qualified and are kept up-to-date with relevant changes in International Financial Reporting Standards ('IFRS'). Additionally, specific training and written guidance on particular matters is provided where needed. Written guidance, regularly updated for business developments and regulatory changes, is available to all relevant staff members and provides a summary of the company's accounting and financial reporting policies and procedures.
- Controls have been established in the processing of accounting transactions to ensure appropriate authorisations for transactions, effective segregation of duties, and the complete and accurate recording of financial information.
- Completeness and timely recording of financial information is ensured through regular reviews, monitoring of specific key performance indicators, validation procedures by functional leaders and as an additional check, the process of internal and external audit.
- In accordance with the requirements of IFRS, SES discloses detailed information on the market, credit and foreign exchange risks to which it is exposed, as well as its strategy for managing those risks.
- The company relies on a comprehensive system of financial reporting. Strategic plans, business plans, budgets and the interim and full-year consolidated accounts of the company are drawn up and brought to the Board for approval. The Board also approves all significant investments. The Board receives monthly financial reports setting out the company's financial performance in comparison to the approved budget and prior year figures.
- Any weaknesses in the system of internal controls identified by either internal or external auditors are promptly and fully addressed.

• **Chairman's report on corporate governance and internal control procedures**

→ The external auditors perform a limited review of the company's half-year consolidated financial statements and a full audit of the annual consolidated financial statements.

Regarding the internal controls in the area of treasury management, the following should be noted:

- The treasury function uses specific software that helps to ensure the efficiency and control of the implementation of the SES' hedging strategy for interest rate and foreign currency fluctuations. This software also aims to centralise the cash management of SES's affiliates.
- In order to ensure enhanced security and efficiency of the bank payments process, the company is using a banking payments system that allows for secured authorisation and transfer of payments from the SAP accounting system directly to the bank.
- A clear segregation of duties and assignment of bank mandates between members of SES management, treasury and accounting departments is implemented.
- In order to streamline the cash management process, SES has centralised the in-house bank into one hub and further reduced the number of cash pools being used. This in-house banking system is fully integrated and managed by SAP.
- SES predominately uses forward currency contracts to eliminate or reduce the currency exposure on single deals, such as satellite procurements, tailoring the maturities to each milestone payment. The foreign currency risk might be in EUR or USD. The forward contracts are in the same currency as the hedged item and can cover up to 100% of the total value of the contract. It is the company's policy not to enter into forward contracts until a firm commitment is in place, and to match the terms of the hedge derivatives to those of the hedged item to maximise effectiveness.
- The treasury activities with a significant potential risk, such as financial derivative transactions with external parties and in particular the hedging activities engaged during the year, are authorised within the framework approved by the Board.
- A short treasury report is issued every quarter to the Board as part of the financial reporting.
- To further strengthen these controls, a treasury policy is regularly updated. In addition, a Foreign Exchange Risk Management strategy, combined with a multiple year funding plan based on the SES strategic business plan, is also prepared and presented to the Audit and Risk Committee.

Regarding the internal controls in the area of tax management, the following should be noted:

- The main principles of SES's tax risk management are laid down in the SES Tax Charter. Tax positions are analysed based on best authoritative interpretations and reported in internal tax technical memos or tax opinions from external tax consultancy firms. The tax department seeks, where possible, to achieve upfront tax clearances

with relevant local tax authorities with regard to the tax ramifications of main business ventures, corporate reorganisations and financing structures of the company.

- The transfer pricing team is responsible for continuously improving and fine-tuning transfer pricing documentation underpinning all significant cross-border inter-company transactions in the company. SES's transfer pricing reports (including functional and economic analyses and benchmarking studies) are embedded in a framework consisting of a master file and a transfer pricing policy.

Regarding the internal controls in the area of satellite operations, the following should be noted:

- SES's Technology Department is responsible for the procurement of satellites and launch vehicles, the procurement and maintenance of satellite-related ground infrastructure, and the administration, control and operations of the satellite fleet.
- The reporting of the satellite procurement and operations risk management process that is in place to monitor and assess sources of technical risks and to develop qualitative, quantitative and statistical methods which allow the mitigation of risk at the satellite fleet level has been integrated into the company's Risk Management framework.
- The operational procedures for satellite control and payload management cover manoeuvres and configuration changes required in nominal situations as well as in case of technical emergencies. The controllers are trained and certified in the execution of such procedures. These procedures are periodically reviewed to ensure that they are up-to-date. Satellite control software is being used and fully validated electronic station-keeping procedures are being applied throughout the entire SES fleet.
- SES has designed crisis management systems and supporting infrastructure and tools in order to address satellite in-orbit anomaly situations at an appropriate management level. An effective 'trouble tickets' escalation process is used to provide effective and timely support to customers.
- The Satellite Contingency and Emergency Response Process reflects the current company's organisational structure.
- In 2015 the alert notifications and escalation systems were successfully tested which included the participation of the respective Emergency Recovery teams and a post event analysis was conducted where areas of improvement were identified and test documentation updated.
- SES has adequate satellite control backup capability utilising the European and U.S.-based Satellite Operations Centres ('SOCs').
- Primary satellite operations in Europe are operated from the new technical facility in Betzdorf and the SOC in Gibraltar. Primary satellite operations in North America are operated from the new Satellite Operations Centre ('SOC') in Princeton. The SOC projects in Betzdorf and Princeton have increased the satellite control

efficiency and network security.

- SES has adequate satellite control backup capability utilising European and U.S. SOC:
  - In case of a major disaster impacting the primary U.S. SOC, the primary European SOC will first take-over satellite operations, until the backup SOC in U.S. is staffed to take-over the operations;
  - In case of a major disaster impacting the primary European SOC, Gibraltar and the primary U.S. SOC will first take-over satellite operations. Once staffed, the backup European SOC will take-over operations of several satellites to reduce the workload of the Gibraltar and primary U.S. SOC.

Adequate backup capabilities are currently implemented in the following areas:

- SPS has been equipped to be able to uplink control channels for DTH set-top boxes for the 19.2° orbital slot when Betzdorf is unavailable (not associated with telemetry, tracking and control ('TT&C')).
- At Woodbine, additional fuel and Uninterruptible Power Supply ('UPS') redundant facilities were installed to enhance the station emergency backup system.
- At Manassas, thermal scans were performed on all power distribution devices of the backup power systems and adjustments made to improve the reliability of the devices. Also, electronics were moved from potential 'flood zone areas' and the existing flood protection measures were enhanced to prevent potential damage.
- The TT&C function is currently provided for each satellite via at least two independent antenna sites. The sites are connected via a ground dual-redundant state-of-the-art network to at least two site diverse SOC's.
- A backup Ground Control System for Loral and Airbus Defence and Space spacecraft has been installed in the U.S. to support the emergency disaster recovery capabilities of the European SOC.
- The global network that supports TT&C has been greatly strengthened by deploying a dual-redundant state-of-the-art Multi Protocol Label Switching ('MPLS') network connecting all the SOC's and TT&C sites worldwide.
- The alternative European back-up of the TT&C functions has been built out for SES needs with a fully operational backup plan for all ASTRA satellites.

Regarding the internal controls in the area of information and communication technology, the following should be noted:

- Management is committed to ensuring that its data, infrastructure and information technology systems are as secure as is reasonably practicable. Security controls, policies and procedures are in place to prevent unauthorised access to premises, computer systems, networks and data. Policies and procedures have been defined and implemented in order to address the more rigorous regulations governing handling of

- personally identifiable data.
- Management is committed to enhancing information security through the established Data Governance and Information Security Committee.
- Electronic information is regularly backed up and copies are stored off-site.
- SES has disaster recovery plans for its business applications. The regular annual testing of these activities which took place also in 2015 has confirmed that SES is in a good position to recover all mission critical back-office applications within their set recovery time objectives.

## INFORMATION AND COMMUNICATION

Since January 2015 all SES's main trading operations are now included and operated on a common SAP platform, sharing common processes and controls.

The new SAP Security and Authorisation function is committed to continually enhancing SAP access management, taking advantage of the newly implemented SAP Governance Risk and Compliance module which focuses on access and process controls.

To further support this process the SAP Security and Authorisation function has begun a project to define and implement a comprehensive SAP Security policy.

The operation of the SAP hosting platform continues to mature in various areas including data privacy, data encryption and intrusion detection. A detailed operational handbook is maintained to safeguard smooth and secure operation of the company's ERP platform.

Internal communication ensures the effective circulation of information and supports the implementation of internal control and risk management by providing business and functional objectives, instructions and information to all levels of SES. The corporate intranet portal and collaboration tools are instrumental to sharing information throughout the company.

## MONITORING ACTIVITIES

Monitoring is done in two ways: through ongoing evaluations or separate evaluations. Ongoing evaluations are performed by management as routine operations, built into business processes, and performed on a real-time basis, reacting to changing conditions.

The SES Internal Audit function performs separate evaluations of the relevance of, and compliance with, company policies and internal control procedures.

The mission of the Internal Audit function is to provide independent and objective assurance regarding the effectiveness and efficiency of business operations, the reliability of financial and operational reporting, and the company's compliance with legal and regulatory requirements. In this context, Internal Audit is also tasked to support management with

identifying, preventing and minimising risks, as well as safeguarding the company's assets.

To ensure an appropriate level of independence and communication, the Internal Audit function has a direct reporting line into the Audit and Risk Committee and reports functionally to the President and CEO.

The activities of the Internal Audit function are executed in accordance with an annual audit plan, which is reviewed and approved by the Audit and Risk Committee. This plan is derived from an annual risk assessment based on a risk mapping exercise relying on the SES risk register. The annual risk assessment responds to the need to dynamically link the audit plan to risks and exposures that may affect the organisation and its operations.

Internal Audit monitors the implementation of internal control recommendations and regularly reports on effective compliance to the President and CEO and to the Audit and Risk Committee.

Internal Audit also regularly co-ordinates audit planning and exchanges relevant information with the company's external auditors.

The proxy structure of the SES Government Solutions entity, in line with common practice for businesses serving certain segments of the U.S. government, imposes various restrictions on the Board and executive management in directly supervising the maintenance of an internal control system and imposing an internal audit structure. The SES Internal Audit function did not perform any direct internal control review of this entity during 2015, in line with the imposed restrictions. However, these restrictions are mitigated through having agreement on a required risk management and internal control framework which is subject to evaluation and testing by a third-party internal audit function. An adequate reporting process of activities of the third-party audit function to the SES Internal Audit function and Audit and Risk Committee has been put in place.

It should be further noted that PwC, as external auditor, reviews the financial statements of SES Government Solutions.

## INVESTOR RELATIONS

SES's dedicated Investor Relations function reports to the Chief Financial Officer and works closely with the President and CEO. Its purpose is to develop and coordinate the group's external financial communications and interactions with equity and debt investors, investment analysts, credit rating agencies, financial journalists and other external audiences, to monitor stock market developments, and to provide feedback and recommendations to the SES Executive Committee.

The Vice President, Investor Relations is responsible for the definition and execution of SES's active Investor Relations programme and participation in investor conferences and similar events. Investor Relations also works closely with the group's General Counsel to ensure that the group's external communications are compliant with all applicable legal and regulatory requirements.

## CORPORATE SOCIAL RESPONSIBILITY

The concept of Corporate Social Responsibility (CSR) is used to identify how a company's values and conduct demonstrate responsibility towards the communities and societies in which it operates. To get an accurate overview of a company's social responsibility a variety of factors need to be considered, including their environmental and ecological profile, educational contributions, charitable activities, human resources as well as their corporate strategy.

SES CSR goes beyond compliance with the compulsory legally elements and includes self-defined targets. SES has made a number of commitments and defined its best practices. This results in notable recognition by stakeholders, investors, customers and employees, and an excellent reputation as a company citizen.

In addition to complying with the existing framework, SES voluntarily discloses supplementary and non-financial information - via this current report – that according to the EU directive 2014/95 will only become mandatory as of 2018.

### SES CO<sub>2</sub> RESULTS

Year	2014	2013	2012	2011	2010	2009	2008
Scope 1	6,546	6,621	6,959	6,464	12,397	17,317	14,432
Scope 2	17,080	17,391	20,475	27,758	26,846	32,471	26,507
Scope 3	11,460	14,756	5,873	4,937	2,309		
<b>Total emissions</b>	<b>35,087</b>	<b>38,768</b>	<b>33,307</b>	<b>39,159</b>	<b>41,553</b>	<b>49,788</b>	<b>40,939</b>

More details the Carbon Disclosure Project can be found at ([www.cdproject.net](http://www.cdproject.net)).

SES implemented a substantial carbon reduction plan at its headquarters site in Betzdorf, Luxembourg, and SES continues to support carbon reduction initiatives on an ongoing basis. SES is particularly focused on carbon reduction initiatives in connection with new building constructions and infrastructure upgrades. In Luxembourg, SES operates a Combined Heat and Power (CHP) unit, which reduces the emissions load of the general grid. In addition, since January 2010 SES's headquarters have been using electricity sourced from hydropower, which can be considered CO<sub>2</sub>-free. The same applies to its operations in Sweden. The use of renewable energy has had a significant reduction of the company's carbon emissions in Luxembourg (an estimated 6,000 tonnes). However, due to the carbon accounting rules, these emissions gains are not reflected in the company's carbon disclosure figures. SES applies best practices in minimizing the environmental impact of outsourced activities, such as the manufacturing and launching of spacecraft. The company also ensures that the amount of

### ENVIRONMENT

Since 2008 SES has reported the CO<sub>2</sub> emissions of its operations officially by participating in the Carbon Disclosure Project (CDP), which collects the data of all SES's business activities and locations.

The data collection for CDP covers three scopes:

- Scope 1: Direct Combustibles (such as chemical fuels and gas)
- Scope 2: Indirect Energy consumption (purchased electricity or heat)
- Scope 3: Other Emissions (business travel, waste, refrigerants)

In 2014, the company's activities related to operating and commercializing SES's satellite fleet, as well as general administration, finance and marketing, generated approximately 35,087 tons of CO<sub>2</sub> emissions worldwide, a decrease of 9 % compared to 2013.

Emissions from Scope 2 electricity consumption represented the largest component of SES's total emissions in 2014 (approximately 48%). Scope 1 emissions were approximately 18%, both overall reduced by 3,681 tons. The Scope 3 part, business travel including the staff commuting, has decreased by 3,200 tons to 28% overall. Teleports generated the largest share of the emissions from Scope 1 and Scope 2 sources.

radiation emitted from earth stations respects or remains below the maximum levels defined by the countries of operation. SES's compliance with this is checked through yearly audits that are conducted by both internal and by third-party accredited organisations that specialise in the field of industrial safety.

London-based start-up ET Index encourages "green" investment by providing investors with carbon emissions data and tracking, both for portfolios and individual companies. The company tracks direct greenhouse gas emissions, as well as factoring in things like electricity consumption, supply chain, and other indirect emissions. ET Index has produced a ranking of the 800 biggest companies in the world, based on relative emissions and weighted to allow comparison of the biggest to the smallest emitters on the list. Each business is given an intensity score, which gives the tons of carbon dioxide equivalent produced per \$1 million (£650,000) in revenue. In 2015, SES was ranked 11<sup>th</sup>.

## EDUCATION

In Luxembourg SES pursued a partnership with the University of Luxembourg. Together the partnership is developing a centre of excellence and innovation for advanced information and communications technology in satellite systems. To bring this into reality SES is cooperating with the University's Interdisciplinary centre for Security, Reliability and Trust (SnT). Additionally SES finances a chair in satellite, telecommunications and media law within the Faculty of Law Economics and Finance. Also in Luxembourg, SES has a cooperation agreement with Sacred Heart University Luxembourg, which covers both educational services for SES employees and student visits.

In Strasbourg, France, SES has continued funding a scholarship programme with the International Space University (ISU) to support students studying advanced space applications.

In Benin, Africa, SES also funds to scholarships for students from the African school of economics (ASE), to attend Princeton University, a partner in the United States.

In the U.S., SES supports the Stevens Institute of Technology, a coeducational research university located in Hoboken, New Jersey, with a Master's Programme.

## CHARITY

The entire team at SES is focused on charitable work, encompassing charity activities run by SES's matching donations scheme, SES social clubs, and HR Learning and Development endorsed charity projects. SES charitable donations include yearly contributions to charities, one-off contributions to disaster-stricken areas, SES Gives Back! and a site-based charity run. SES's charity activities engage and motivate SES colleagues who then inspire other colleagues to give back to the society and countries in which SES does business.

In 2015 SES matched employee donations to these charitable organisations: The Red Cross, The Red Crescent, Oxfam, Unicef, Médecins Sans Frontières / Doctors Without Borders, and Télécoms Sans Frontières.

In addition, SES is proud that its employees take independent initiatives to give back to society. In 2015 SES teams volunteered their funds and/or time to: The Singapore Cancer Society, the Leukemia and Lymphoma Society in the U.S., Martha's table in the U.S., a clothing donation drive, Dragon boat racing for breast cancer research, the construction of the Green Village in Manila, building a Primary school in Tanzania, helping Syrian refugees relocate in Germany, a Burkina Faso kids scholarship, help towards the Fondation Lëtzebuurger Kannerduerf SOS Village d'Enfants / SOS Children's Village, Fondation JED Belgique, and the Royal Academy of Dramatic Arts (RADA).

## HUMAN RESOURCES

As of 31 December 2015, the SES group employed 1,314.5 individuals worldwide, counted in full time equivalents (FTEs). 462.2 FTEs are based in the Luxembourg headquarters, 405.1 in the rest of Europe, 357.3 in the United States and 89.9 in the rest of the world. The gender split within SES is 25% women and 75% men.

SES is an international company with 55 different nationalities represented in its employee population. Its leadership team includes 22 different nationalities at the Executive level, while SES's high potential programme has employees of 19 different nationalities. The top five populations of nationalities in SES are the U.S. with 350 employees, Germany with 305, France represented by 102 people, the UK by 84, and Luxembourg with 69 people working at SES. SES HR initiatives that concern diversity, development, work place organisation and knowledge management are described in further detail on page 32 in the piece "Next Generation Talent".

## CORPORATE

Satellite technology holds an important role in the global communications infrastructure. SES's company management and the corporate team hold the responsibility to reinforce and communicate this importance widely. To do this a range of activities were developed including passing on SES's message about satellite relevance, developing its corporate strategy, and being innovative in its technological approach.

The role and relevance of Satellite in future and next generation network architectures is the leitmotif of SES's narratives and a key ingredient of its societal engagement. SES takes every opportunity to convey this message, and in 2015 touched thousands of people with its story. In the second half of 2015 Luxembourg held the presidency of the European Union. As a part of this event, SES developed a very intense programme, hosting nearly 800 visitors at its headquarters in Betzdorf. Representatives of EU institutions, EU member states, and diplomats all came through its doors giving SES the occasion to discuss the importance of satellite with them. Over the course of 2015 SES also attended PR roadshows across the globe to convey this message, visiting Mexico, the Philippines, the UAE, Brazil, Cameroon, Nigeria, France, Germany, and the U.S.. SES delegates attended conferences for this purpose as well. SES participated at Euroconsult, ARTES, IBC, GSMA Mobile World Congress, Brussels Space Conference, Air Forum Paris, and Davos Global Agenda 2015, and hosted the SES Broadcast Forum and SES Industry Days. These initiatives all resulted in the acknowledgement of satellite's key role in digitisation and growing visibility for satellite/space narratives beyond the industry.

The strategy of SES, which includes globalisation, verticalisation, innovation and a focus on applications, also plays an important role in its strategic narrative. SES's strategy of verticalisation goes beyond its core video business to recognise the importance that satellite can have in other industries. By defining its verticals SES has given its business a laser focus on video, mobility, enterprise,

and government. This allows SES to clearly identify areas where its business can meet society's needs. Beyond verticalisation, SES continues to take a thoughtful approach when considering how its business interests can integrate with a community's needs. SES's Elevate installer training programme is one such initiative, and SES has now trained over 4000 installers in 14 African countries.

Finally, SES accomplishments in innovation define its organisation as a thought leader, innovation driver, pioneer and investor. Under its innovation activities, SES supports and develops products and programmes that showcase the unique strength of satellite to tackle institutional, infrastructure and environmental challenges. emergency.lu, SATMED, and SES's connected solar school programmes all demonstrate the key role satellite can play to improve the lives of people around the world. (each of these initiatives are described in greater detail in the society section starting on page 33.)

## RESPONSIBILITY STATEMENT

The Board of Directors and the Executive Committee of the company reaffirm their responsibility to ensure the maintenance of proper accounting records disclosing the financial position of the group with reasonable accuracy at any time, and ensuring that an appropriate system of internal controls is in place to ensure the group's business operations are carried out efficiently and transparently. In accordance with article 3 of the law of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the annual statutory accounts, prepared in accordance with Luxembourg legal and regulatory requirements, and the consolidated financial statements for the year ended 31 December 2015, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the year of SES taken individually, and of SES and its consolidated subsidiaries taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of SES taken individually, and of SES and its consolidated subsidiaries taken as a whole, together with a description of the principal risks and uncertainties that they face.

25 February 2016



Romain Bausch  
Chairman of the Board of Directors



Karim Michel Sabbagh  
President and CEO