

Corporate Governance Guidelines

I. Introduction

These Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors (“Board”) of Gemplus International S.A. (the “Company”) to promote the effective functioning of the Board and its committees (“Committees”) for the benefit of the Company, its shareholders and other stakeholders. These Guidelines set forth the Board’s expectations as to how the Board, its Committees and Directors should perform their functions and are subject to periodic review and modification by the Board.

These guidelines supplement the Company’s corporate governance requirements set forth in its Consolidated Articles of Incorporation (“Articles”), applicable laws and securities exchange rules.

II. General Board Responsibilities

The Board is responsible for the management of the Company’s business, and has delegated day-to-day management functions to the CEO. The Board’s responsibilities include: (i) supervising the day-to-day management of the Company, including compliance with the Board’s directives; (ii) selecting and evaluating the CEO and reviewing succession planning; (iii) reviewing the Company’s business strategy and operating plans and analyzing risks; (iv) advising management on significant issues facing the Company; (v) approving the Company’s annual budget; (vi) approving the Company’s annual financial statements (for submission to the shareholders); and (vii) assisting with the Company’s disclosure of information about the Company and its business in accordance with applicable law and securities exchange rules.

III. Board Composition

The members of the Board should collectively possess a broad range of skills, international experience, industry knowledge and other experience useful to the effective oversight of the Company’s business.

IV. Selection of Directors

Directors should possess the highest personal and professional ethics and be committed to representing the long-term interests of the Company. Although there are no legal obligations for Directors to be shareholders of the Company, they are recommended to own shares during their tenure. All Board members are elected by the Company’s shareholders at the general shareholders meeting, and vacancies created between shareholder meetings may be filled by Board appointment subject to definitive election by the shareholders at the next general shareholders meeting.

The Board develops criteria and processes for selection and renewal of its members. If there are vacant seats on the Board or seats for Board members whose current term will expire at the Company’s annual general shareholders meeting, the Board will recommend candidates for election as Directors by the shareholders.

Shareholders of the Company may recommend candidates for election as Directors by the shareholders. Shareholders wishing to recommend candidates should advise the Chairman prior to the relevant general shareholders meeting, or may make such recommendations from the floor at the meeting.

The Board may include independent and non-independent Directors. In determining whether a director is independent, the Board will evaluate factors such as any current or past management positions held with the Company, relationships with major shareholders, and other factors provided under applicable laws and securities exchange rules. At each annual shareholders meeting, the Board will identify which Directors qualify as independent, and also disclose which Directors have a relationship with one or more shareholders such that they are considered a "Shareholder Affiliated Director". The Board's standards for determining whether a Director is a Shareholder Affiliated Director are broader than those applicable for determining whether a Director is independent, and thus a Shareholder Affiliated Director may qualify as an independent Director. A Shareholder Affiliated Director is one who is affiliated with or represents (such as by being a partner, director, officer or employee) a shareholder holding 10% or more of the outstanding shares of the Company. For the proper implementation of these guidelines, each Director shall actively inform the Board of relevant information that could impact such Director's qualification as an independent Director.

V. Compensation of Directors

The Company believes that Director compensation should be competitive with compensation policies of similarly situated companies, so that the Company may continue to attract and retain highly qualified Directors. The Compensation Committee shall report to the Board periodically regarding the Company's Director compensation policies, which shall reasonably encourage participation in person at Board and Committees meetings. The Board shall periodically review and set Directors' compensation (with respect to fees and any equity-based compensation). The specific compensation of the Chairman and of the CEO, and the aggregate compensation of Directors other than the Chairman, shall be submitted as required for approval or as information at the general shareholders meeting upon proposals by the Board. The annual report on compensation of the CEO, as required under Luxembourg law, will also include a report on the compensation of the Chairman and of the aggregate compensation of other Directors. This report will be made available to the shareholders in advance of the annual general shareholders meeting.

VI. Continuation as a Director

Removal of Directors

A Director may be removed with or without cause or notice at any shareholders meeting by the vote of a simple majority of the shares represented and voted at the meeting.

Resignations and Vacancies

A Director wishing to resign should submit an unconditional letter of resignation to the Chairman. In the event of vacancy by resignation or otherwise, a new Director may be elected in accordance with the procedures set forth in Section IV.

Age

The age limit for Directors is 70 years. Any Director who reaches the age of 70 years should resign, or such Director shall be deemed to have resigned upon reaching such age.

VII. Selection of Chairman and Vice Chairman of the Board and Chief Executive Officer

The Board shall select the Chairman, Vice Chairman, and Chief Executive Officer (“CEO”). Subject to authorization of the general shareholders meeting as required by applicable law or the articles, the Board may delegate day-to-day management functions to the CEO.

In consultation with the Compensation Committee, the CEO selects the Company’s Chief Financial Officer (“CFO”), General Counsel, Chief Operating Officer, and other officers serving on the Company’s management executive committee (“Officers”), except to the extent otherwise required by law.

VIII. Board Meetings

The Board holds at least five regularly scheduled meetings a year. The Board may also hold other meetings from time to time.

Directors are expected to attend regularly meetings of the Board and of any Committees on which they serve. If a meeting is scheduled with the contemplation of attendance in person, Directors should attend in person whenever reasonably practicable. Any Director may participate in any meeting of the Board by conference call or by other similar means of communication. A meeting may also be held by conference call only. The Board may unanimously pass resolutions in writing by one or several counterpart documents (electronically or otherwise).

Except in case of urgency or unavailability of information, information relevant to the matters to be discussed at an upcoming Board meeting should be distributed (electronically or otherwise) to all members of the Board before the meeting together with the related notice and agenda of the meeting. Materials that are not ready for distribution with the convening notice should be distributed in advance of the meeting, to leave a reasonable time for the Directors to review them. The Company’s senior management shall assist in the preparation of all information reasonably necessary to allow the Board to make informed decisions on matters subject to Board consideration.

The Chairman shall preside at Board meetings. In the absence of the Chairman, the Vice Chairman is empowered to preside. In the absence of both the Chairman and Vice Chairman, the Board shall elect a member to preside during the meeting.

Members of Company senior management and other persons who are not members of the Board may attend Board meetings at the invitation of the Chairman or the CEO, with the approval of the Chairman, or as directed by the Board. The non-management members should meet at each meeting without management attending.

In accordance with the Articles, Board approval of minutes should occur during the following meeting of the Board. Failure to approve minutes at the following meeting does not affect the validity of the prior meeting or the actions taken at that meeting.

IX. Committees of the Board

The Board has assigned certain functions to the Audit Committee and to the Compensation Committee (“Committees”). The Board may decide to create a new Committee or dissolve a previously constituted Committee (including “*ad hoc*” committees). Committee members may consist of Directors and non-Directors, but persons having management responsibilities shall not serve on the Audit Committee or the Compensation Committee.

Each Committee shall have a written charter and perform its duties as assigned and approved by the Board in compliance with the applicable charters approved by the Board and these guidelines. The Board is responsible for the appointment of Committee members. Committee members shall appoint their Committee chairman and other officers, if any. Membership by Directors on Committees shall cease automatically upon the cessation of their membership on the Board. Non-Director Committee members, if any, serve until the Board removes them or their service with the Company ceases. The Chairman of each Committee reports to the Board on the meetings and actions of each Committee.

Audit Committee

The Audit Committee assists the Board's oversight of the Company's accounting and financial reporting practices in accordance with applicable law and securities exchange rules. Among its duties, the Audit Committee: (i) recommends independent public accountants for election by the shareholders as the Company's auditors; (ii) pre-approves all audit and non-audit services by the auditors; (iii) oversees and evaluates the performance of the auditors; (iv) reviews and reports to the Board on the Company's financial statements; (v) reviews the adequacy of internal accounting practices, procedures and controls; (vi) reviews all significant changes in accounting policies and discusses the results of the annual audit and other matters required to be communicated to the Audit Committee under applicable law and stock exchange rules; (vii) reviews and reports to the Board on conflicts of interest and related party transactions; (viii) reviews significant legal proceedings involving the Company; (ix) advises the Board on corporate governance, including on the determination of independent Directors and Shareholder Affiliated Directors; and (x) reviews the performance of the Board, and reports its findings to the Board. The Audit Committee also meets with the CEO and the CFO on a periodic basis to review the Company's internal controls and disclosure controls and procedures.

All Audit Committee members shall meet the qualifications relating to independence, expertise and experience specified by applicable law and securities exchange rules. The Audit Committee may engage independent professional advisors as needed.

Compensation Committee

The Compensation Committee: (i) reviews compensation strategy for the Company; (ii) reviews and approves compensation-related policies and programs involving Directors and Officers; (iii) reviews and advises on the compensation of Officers; (iv) reviews and approves equity compensation plans presented by management, and equity compensation to Officers; and (v) advises on the nomination of candidates for election to the Board.

The Compensation Committee should not be composed solely of Shareholder Affiliated Directors.

X. Rights and Duties of Directors

All Directors shall be entitled to receive timely all information necessary to fulfil their responsibilities to the Company. Upon request and consultation with the CEO, the Board and Committees are entitled to meet with Officers of the Company and shall have access to employees of the Company, as necessary to discharge their responsibilities.

Directors have the following duties:

Duty of Care, Loyalty and Candour

Each Director owes the Company fiduciary duties of care, loyalty and candour.

The duty of care requires that Directors inform themselves of all relevant material information reasonably available to them before making decisions.

The duty of loyalty requires that Directors do not use their position of trust and confidence to further their interests at the expense of the Company. A Director may not: (i) cause the Company to engage in a transaction in which the Director is interested ; (ii) use confidential information relating to the Company, including information about Board proceedings, to the detriment of the Company or for the benefit of the Director; (iii) take for the Director, or their affiliates or relatives, opportunities that are discovered through the use of Company property or information; (iv) take any action solely or primarily to entrench the Director in office; or (v) otherwise place benefit to the Director ahead of benefit to the Company.

The duty of candour requires that Directors disclose information reasonably within their control that could have a significant effect upon a Board or shareholder vote and to disclose to other Directors information that is important to the proper conduct of the Board's and the Company's business.

Each Director shall exercise reasonable business judgment, in good faith, with a degree of care that an ordinary prudent person in a like position would exercise under similar circumstances for the best interests of the Company.

Conflicts of Interest and Related Party Transactions

The Board expects Directors, as well as Officers and Company employees, to act ethically at all times and to adhere to all policies constituting the Company's codes of conduct. Related party transactions should be entered into only if they are negotiated on an "arms length" basis through a competitive process and in the Company's interest. The Audit Committee reviews potential conflicts of interest and related party transactions and submits its recommendations concerning these matters to the Board. The Board reviews and approves such transactions if any.

If a conflict of interest exists with respect to a Director, the Director shall inform the Board of the conflict and the Board shall cause a record of such statement to be included in the minutes of the meeting. In such event, the Director shall not take part in the deliberation or the vote on the associated matter, but the Director's attendance will be counted for purposes of constituting a quorum. At the following general shareholders meeting, before any other resolution is voted on, a special report shall be made on any transactions in which any of the Directors may have or had an interest conflicting with that of the Company.

Prohibitions on Insider Trading

The Company is subject to restrictions and reporting obligations regarding the trading of Company securities by Directors, shareholders and Officers under applicable law and the Company's policies on insider trading. Prohibited insider trading includes the unlawful use or disclosure of material, non-public information about the Company in connection with the buying or selling of Company securities.

Disclosure of Stock Transactions

When Directors buy or sell shares of the Company, they shall inform the Chairman of the Board and the Company Secretary of their transactions in shares of the Company within three business days after each purchase or sale, and this information shall be reported to the Board by the Chairman and be disclosed in the discretion of the Board and in compliance with applicable law and COB recommendations of the French *Autorité des Marchés Financiers*.

Other Directorships

The Board does not believe that its non-employee members should be prohibited from serving on boards or committees of other organizations. Service on boards or committees of other organizations

should be consistent with the Company's conflict of interest policies and the other provisions of these Guidelines. Directors with management responsibilities who wish to serve on the boards of other companies (other than Company affiliates) require approval by the Board.

Directors are encouraged to evaluate the number of other boards on which they serve based upon whether the demands of other board service could affect their attendance, participation and effectiveness on the Company's Board. Directors shall inform the Board of other boards on which they sit, and such information shall be disclosed as required by law.

Speaking on behalf of the Company

Only the Chairman, the CEO, and the CEO's specifically empowered designees, are authorized to speak on the Company's behalf. No Director shall speak on the Company's behalf or meet or otherwise communicate with the analyst community, journalists or the public at large on the Company's behalf except at the request of the CEO, or at the direction of the Board.

Confidentiality

The proceedings and deliberations of the Board and its committees are confidential. Each Director shall strictly maintain the confidentiality of information received in connection with such Director's service as a Director.

XI. Evaluating Board Performance

The Board shall periodically review its overall performance with reference to the reports of the Audit Committee on Board performance.

XII. Orientation and Continuing Education

Management, working with the Board, shall provide an orientation process for new Directors, including background material on the Company and its business. As appropriate, management may propose additional educational sessions for Directors on matters relevant to the Company and its business.

XIII. Reporting of Compliance Issues

Anyone who has a concern about the Company's corporate governance, or about the Company's accounting, internal accounting controls or auditing matters, should communicate that concern directly to the Chairman of the Board or to the Chairman of the Audit Committee. Such communications may be confidential or anonymous, and may be submitted in writing (including by e-mail), or reported by phone to special addresses and a toll-free phone number to be published on the Company's website.

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These Guidelines are not intended to and do not create any obligations or liabilities of the Company, the Board or any Director nor any rights in favor of any person or entity.

These Guidelines shall be made available to all shareholders, and the Board shall prepare an annual report on corporate governance and disclose a summary of such report, including the status of the Company's compliance with applicable recommendations of the *Autorité des Marchés Financiers*, in the Company's Annual Report.