Contributing to a safe and sustainable digital society
In an increasingly connected society, Gemalto is leading the way in making digital interactions secure and easy.

For further information please visit www.gemalto.com
"We believe this contribution to the evolving digital and wireless society to be a noble social role."
At Gemalto, sustainability goes to the heart of our enterprise. As a global leader in digital security we aim to contribute to the creation of a digital society which is safe and sustainable. We’re also committed to conducting our business in a way that is both commercially viable and ethically sound.

A noble social role

In today’s increasingly connected society, Gemalto’s role is becoming ever more important. We help people to use and feel at ease with the complex digital world that is developing before us. We enable them to enjoy its many benefits, its convenience and efficiency, safe in the knowledge that they’re protected from adverse interference and misconduct. We believe this contribution to the evolving digital and wireless society for the benefit of all to be a noble social role.

One of our core values is innovation: the continuous quest for convenient solutions in digital security. As the industry leader we have taken it upon ourselves to translate innovation into tangible benefits for consumers and citizens. We educate, inform and enable so that people can live their digital lives to the full. In telecoms, banking, enterprise and government applications we are, for example, defining and standardizing high levels of protection, through simple and measurable “protection profiles”, and establishing good practices so that privacy is respected, information is safe and identities are secure.

Business stability

Sustainability also underpins our current commercial success and the way we’re growing the company. Lean processes, prudent risk management and superior customer relationships are essential to our overall agility and long-term strength. Pursuing our goals in an ethical way is not only the right thing to do. It also makes good business sense, and reinforces the trust our customers have in our solutions.

Responsible financial management has been particularly significant in our recent development. For many years we’ve been prudent about both investing and borrowing, always looking to ensure the long-term sustainability of the company. This aspect of our enterprise risk management was very much tested in recent times, when the financial environment became tough, and I’m pleased to report that we have continued to perform well. Despite the turbulence, we’ve created additional profits and pathways for growth, developed new products and services, assisted some companies operating in our eco-system that were traversing rough times, and enhanced our company’s reputation.

Continuous improvement

While we are not a particularly high-impact company, environmental protection is very close to our hearts, since minimizing our effect on the natural world contributes to enhancing the confidence of our employees, our customers and our communities. For these reasons, over the last ten years we have worked hard at improving our processes and putting on the market eco-designed products. A couple of years ago we also introduced measures to reduce the distances travelled by our staff and the carbon footprints of our facilities.

We are always seeking to strengthen our engagement with the various groups of people who matter most to Gemalto: our stakeholders. For example, we run several programs promoting the well-being of our employees, and monitor their satisfaction through our regular “PeopleQuest” survey. Equally, we are developing our contribution to the communities in which we work, through our “Your World” program. And every year we hold far-reaching “Tell Me” interviews with our clients, to record their observations and recommendations for our business, and deepen our long-term partnerships.

This strength of our engagement with our stakeholders comes from our profound belief in continuous improvement. Just as we constantly strive to make our products and services better and more efficient for our customers, so we aim to improve our financial performance for our shareholders, increase our partnership with our employees and enhance our contribution to society at large. We have learned and demonstrated on numerous occasions that through continuous improvement, with work and determination, we can quickly make considerable progress and reach a higher level. Indeed, in order to benchmark our performance in sustainability, we have become a signatory of the United Nations Global Compact program, sharing and adopting the world’s best practices, and fully endorsing their ten principles on human rights, labor rights, anti-corruption and the environment.

Our Sustainability Report, which used to be part of our corporate Annual Report, will from now on be published as a stand-alone document. We view this evolution as a milestone, making our progress easily observable and clearly accessible for all of you. Sustainability has been central to our culture and business attitude for many years, and we’re committed to keeping it that way going forward!

Olivier Piou
Chief Executive Officer
About this report

This document confirms our commitment to improved communications on sustainability. As the first on this scale, it is a milestone on our sustainability journey and a foundation on which we can build in the years to come.

Where we’re at

For many years, our sustainability information has been made available through official publications such as the Annual Report and on www.gemalto.com. This year, we’ve produced this comprehensive, standalone document to provide you with greater insight into Gemalto’s sustainability policies and programs. We also wanted to give ourselves more space to communicate our performance to our stakeholders on the sustainability issues that matter most to them and to us.

This is part of a wider commitment to improved communications on sustainability. In 2009 Gemalto became a signatory to the United Nations Global Compact (UNGC), and we have recently produced our Communication on Progress (COP) as part of this agreement. It is also in line with the focus on corporate social responsibility (CSR) encouraged by the Dutch corporate governance code.

In this way, we’re also getting a better appreciation of “where we’re at” with regard to sustainability, as part of our process of continuous improvement. We’ve always been a responsible company and this information will make it easier for everyone to assess our overall performance. It will also help us take steps towards an even more comprehensive approach and reporting process.

Developing data

The data we have used runs up to December 31, 2009. More will be added in future years as we refine our information gathering systems.

Meanwhile, we have taken note of the recommendations of the Global Reporting Initiative (GRI), and we’ve highlighted our performance against some of the GRI indicators, as well as our own which we have been using for many years. You’ll also find this data on pages 32-34. In future, once we have refined our data collection process, we intend to have the data verified externally.

We hope you find this document useful, relevant and insightful. It represents a further step in our development as a responsible company, and in our overall commitment to corporate sustainability. We welcome any comments you might have, so please contact us by emailing: sustainability@gemalto.com

This document confirms our commitment to improved communications on sustainability. As the first on this scale, it is a milestone on our sustainability journey and a foundation on which we can build in the years to come.
About Gemalto

Gemalto is at the heart of our evolving digital society. The freedom to communicate, travel, shop, bank, entertain and work – in ways that are convenient, secure and enjoyable – has become an integral part of what people want and expect. And is exactly what Gemalto delivers.

The digital opportunity

People are increasingly alive to the potential of the digital world. Every day, billions of users across the globe are waking up to the opportunities.

At Gemalto, we’re helping them to make the most of what’s on offer: communicating by mobile, banking online, protecting personal digital data, obtaining government services, transferring money by mobile, accessing premises, using public transport and so on.

We do this by supplying a wide range of secure personal devices to governments, mobile network operators (MNOs), banks, enterprises and other organizations. These include Subscriber Identification Modules (SIM) and Universal Integrated Circuit Cards (UICC) in cellphones, smart banking cards, electronic passports and other identity documents – plus USB tokens and encryption systems for online identity protection. And we are helping some of the world’s most innovative companies bring several of these different functions on single devices – empowering the drive to technological convergence.

Our contactless cards are increasingly used for small-value payments and as electronic tickets for many of the world’s largest transport systems. We make readers that enable our clients to use a variety of smart devices in all manner of environments, particularly at home and at the point-of-sale. Many of them are now contactless, meaning the smart card can communicate by proximity with the device, without physically touching it.

We design software and systems so our secure personal devices can run sophisticated applications – or be embedded in machines that communicate with each other automatically.

Gemalto: the facts

Gemalto N.V. is an international, public company with subsidiaries and group companies around the world. Unless otherwise specified we refer to them as “Gemalto”.

Gemalto was formed in 2006 as a result of the combination of Axalto and Gemplus, the two leading global players in the smart card market. So although our name is relatively new, our team has over 30 years’ experience in advanced cryptography and in the design and production of secure personal devices.

Global leadership

Our extensive experience and global scale reflects our position as the world leader in the industry:
• No.1 in SIM cards, serving 450 telecoms customers.
• No.1 in chip payment cards, serving over 300 banks.
• No.1 in eDocuments (ePassports, eID, eHealthcare and eDriving licenses) with 46 national government contracts.
• No.1 provider of remote management solutions.
• No.1 in online Banking.
• No.1 in Machine-to-Machine.

Award-winning innovation

At the heart of Gemalto is technological innovation, enabling our customers to differentiate themselves in increasingly competitive markets, and keeping our solutions one step ahead of security threats.
• 1,400 digital scientists.
• Over 100 new inventions first filed in 2009.
• 4,500 patents and patent applications.

For the full list of our technology awards visit: www.gemalto.com/companyinfo/about/awards.html
We are pioneers in remote updating of data and applications. And to complete these solutions, we provide a range of services to support our customers’ business needs.

**Security creates trust**

Our world-leading expertise in cryptography means data protected by our devices is safe. And our solutions and software make sure that the vast number of digital communications, transactions and authentications taking place can be managed securely. That’s why our customers trust us to meet some of their most demanding challenges – and it’s why in 2009 they bought over 1.4 billion of our secure devices, all of which are different. Compared with the number of cellphones, for example, or personal computers that were sold in 2009, that’s a remarkable number.

All of these developments are supported by our extensive R&D, engineering and technical infrastructure. Gemalto has labs, production sites, personalization facilities and offices all over the world, ensuring we remain close to our customers – and responsive to their markets.

**Key figures**

€1.65 billion
2009 revenue

1.4 billion
Number of secure devices produced and personalized in 2009

“**The digital revolution is transforming the world we live in. Our solutions make people’s digital interactions more convenient, safe and enjoyable.**”

**Our key markets**

**Telecommunications**
The world’s leading supplier of SIM cards, software and services to the mobile industry, we deliver a vast range of solutions to address the increasingly complex ecosystem of digital communications that now serves nearly 5 billion subscribers.

**Financial services and retail**
The world’s leading player in this sector, we deliver a wide range of chip card and eBanking solutions and services to banks and other issuers with hundreds of millions of end-users.

**Government**
The world’s leading supplier of ePassports, we also provide secure electronic documents and services for eID, eHealth, eDriving license and other eGovernment programs to public agencies eager to adopt the convenience, security and efficiency of our proven solutions.

**Enterprise**
We provide online authentication solutions to businesses, government agencies and internet solution providers; plus secure access for cloud computing applications.

**Transport**
Gemalto’s contactless cards mean simplicity and convenience for commuters. For transport operators around the world they also mean lower costs, less fraud and greater customer satisfaction.
About Gemalto

Key figures

10,000
Number of employees

90
Number of employee nationalities

77
Sales and Marketing offices

30
Personalization facilities

18
Production sites

11
R&D centers

Locations and numbers correct as at 31 December 2009.

Americas

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<td>Arlington, Austin, Montgomeryville, North Wales</td>
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</table>

Key
- Research & Development centers
- Advanced production sites
- Personalization facilities
- Sales & Marketing offices
“With our sites and facilities strategically spread across every continent, Gemalto’s global presence is key to the way we serve our clients. Beyond this, it’s our worldwide network of partners and employees of some 90 nationalities who make the difference. So wherever our clients are based, we’re close by and we speak their language.”
Our approach to sustainability

We’ve been working towards business excellence for many years and in so doing we’ve formalized our approach to sustainability, integrating it into our management systems and structures to help improve our performance as a responsible company.

Our values

The way we approach and manage sustainability is closely aligned to our values. Over the years, our three core commitments to customers, employees and innovation have created a robust ethical framework which underpins all our sustainability activities.

Managing Sustainability

As a company that has always pursued “business performance excellence”, Gemalto has a strong background in many aspects of sustainability. We’ve continually challenged our own practices through external evaluations and certifications. We’ve benchmarked our performance against best-in-class companies and have always worked to meet expectations of corporate citizenship from our key stakeholders.

A few years ago, we decided to combine our numerous corporate responsibility initiatives within a coordinated framework. At this point, our Board intensified its involvement in Gemalto’s sustainability performance and reporting, and we took a more systematic approach to managing sustainability within the company. (For information on our revised Governance structure on sustainability, see page 11.)

Our first priority was to set up a combined, formal sustainability management system. In 2009, we created a multidisciplinary Sustainable Development Steering Committee, supervised by our three Executive Vice Presidents of Human Resources, Marketing and General Counsel. This committee meets at least once a year to review our sustainability improvement strategy. We also set up two sub-commissions, 2010 Gemalto CSR projects

(quantify)

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</tr>
<tr>
<td>Social and ethical</td>
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Compliance

To ensure best practice in key areas, we adhere to and comply with:

- The Universal Declaration of Human Rights
- International Labor Organization Standards.

We undergo yearly external assessments / certifications of our management systems for:

- Quality (ISO 9001)
- Environment (ISO 14001)
- Health and Safety (OHSAS 18001)
- Security (ISO 27001).

As a Dutch company, we also comply with:

- Dutch law
- Dutch corporate governance rules (see page 08 for details)
- Dutch AFM rules.

As a company with shares being on Eurolist by Euronext Paris S.A., we also comply with:

- French AMF rules
- Euronext Paris Stock Exchange regulations.

Our Values

Customers
We put their needs at the center of all we do, develop partnerships and exceed their expectations.

People
We value their diversity, encourage teamwork and conduct ourselves with integrity.

Innovation
We continually develop valuable new ideas and creative approaches to business and technology challenges.
Ecology and Social & Ethics, which meet every two months to review our sustainability projects.

In particular, the sub-commissions focus on:
- Measurement of climate impact and carbon footprint
- Development of more eco-friendly and safer products
- Responsible purchasing practices
- Measurement of performance against sustainability indicators.

In September 2009, we signed up to the United Nations Global Compact (UNGC), benchmarking our policies and results with world-class standards, and verifying the alignment of our current practices with the Compact’s ten principles on human rights, labor rights, anti-corruption and the environment. And we recently upgraded our Health, Safety and Environment (HSE) Corporate Policy to a Sustainable Development Policy, which reflects the scope of our commitments in this area. Our first Communication of Progress (COP) to the UN was sent in September 2010.

**Materiality**

In our approach to sustainability, we aim to tackle the issues that matter most to Gemalto and our stakeholders. Based on our experience and knowledge, and taking into account requests from our customers and other stakeholders, as well as evolving HSE regulations, we have historically addressed critical issues such as:
- The environmental risks and impacts of our assembly and supply chain activities
- Our capacity to design and create eco-friendly products
- The impact of our products and industrial processes on the health of our employees and end-users.

In 2009, we introduced new programs in the areas of People Care and Responsible Purchasing. We also began to define and implement a Corporate Social Responsibility (CSR) dashboard to help us monitor our CSR performance and progress.

Our global Enterprise Risk Assessment encompassed several sustainability issues and helped us map and mitigate key risks. Our next step is to conduct a dedicated sustainability risk analysis for the company as a whole. This will enable us to better identify and prioritize the issues we engage with in the future.

**Stakeholder dialogue**

We communicate regularly with our key stakeholders, and invite their views on our performance. Whether they are customers, suppliers, employees, investors or local communities, our stakeholders’ opinions are of great importance to us.

This view certainly underpins our approach to our investors. The confidence and loyalty of private and institutional shareholders are essential to our successful long-term development. Our investor relations policy is therefore aimed at informing shareholders in a timely and detailed way about developments that are relevant to Gemalto.

In addition to the shareholders’ Annual General Meetings (AGM), we have implemented a wide variety of communication tools to keep investors informed on a regular basis, and to encourage their feedback. At the publication of interim and annual financial statements, we hold conference calls and investor meetings. In addition, we regularly hold road shows and participate in conferences for institutional investors. All these contacts help us to get a clear picture of investors’ and analysts’ opinions.

Our annual “Tell Me” survey, meanwhile, enables us to assess levels of customer satisfaction. It also allows us to answer queries from customers who want to maintain certain corporate responsibility standards throughout their own supply chains. (For more information on Tell Me, see page 14.)

Another key opportunity for customer dialogue on sustainability comes at the point of tender. During this process, as we answer questions put to us by customers, we are able to describe in detail our main management systems and practices. When requested, we also complete customer-specific questionnaires demonstrating how we can meet expectations for sustainable products and services.

For our biggest suppliers, we hold Quarterly Business Review meetings where we discuss commercial and technical issues relating to the supply chain, product quality and our relationship. In 2009, we also asked our suppliers for direct feedback on our procurement practices.

We also regularly engage with people from the areas where we operate. These communications are conducted at a local level and can address issues such as noise pollution and people transport. For greatest efficiency, they are managed on a site-by-site basis.

Internally, our annual employee survey, PeopleQuest, helps us to track employee satisfaction across our global operations. (For more information, see page 23.)
Employee engagement

It is essential to us that sustainability is at the core of our company. We expect our employees to understand, embody and uphold our commitments and beliefs. In 2009 we revisited our Code of Ethics, upgrading some of the rules that govern the conduct of our operations worldwide and strengthening the high ethical standards to which we aspire as a business. By the end of the year, 98.7% of targeted employees (more than 2,500) had read and signed this Code, confirming a strong level of engagement at all levels.

We also communicate regularly with our employees about sustainability at Gemalto. We deliver information via established internal communications channels, and every year we disseminate our HSE and Sustainable Development Strategic Agenda. Last year, our commitment to support the UNGC, and our new sustainability projects and management structure, were communicated to all of our 10,000 employees. We also introduced staff training on specific key issues such as fraud and launched a bi-monthly newsletter on internal control and risk management matters.

Since 2008, we’ve been holding an annual Gemalto Sustainable Development Day – with events held in all our sites worldwide which serve to update and engage our staff with our sustainability actions. And as of June 2010, we now have a dedicated CSR intranet. This site provides articles and information on sustainability topics, and serves as a key communication platform for our employees, (for more information about our performance regarding Employees, see page 20).
Governance

The Gemalto Board is responsible for our corporate governance structure. Gemalto is required to comply with, inter alia, Dutch law, Dutch corporate governance rules, Dutch AFM rules, French AMF rules and Euronext Paris Stock Exchange rules and related regulations, insofar as they are applicable to Gemalto. We comply with the principles and best practice provisions of the amended Dutch corporate governance code dated December 10, 2008 with the exception of those listed in the 2009 Annual Report (page 54). In line with this code, which included an enhanced focus on corporate social responsibility (CSR), the Board of Gemalto NV confirmed its responsibility for supervising Gemalto’s sustainability structures and related activities. This responsibility became incorporated into the Board’s charters and our sustainability management was reorganized, as described on page 08. As a result, the Management decided to put in place specific benchmarking and additional metrics, and to develop this standalone sustainability report.

Throughout 2009 we worked to refine our governance structure and processes – particularly where they relate to sustainability. Looking forward, we will continue to review our policies and charters, including those which concern the functioning of the Board and its committees, in order to ensure our governance compliance is up to date.

Ethics

Gemalto strives to apply the highest ethical standards and levels of professional conduct, whether or not these are imposed by law. With regard to employment practices, we prohibit any kind of discrimination or harassment against applicants or employees. This includes any such behaviour on the grounds of race, color, nationality, gender, age, religion, sexual orientation and physical and mental disabilities.

Our Code of Ethics, last updated in 2009, provides guidelines for the conduct of all employees relating to internal controls, financial disclosures, accountability, business practices and legal principles. In 2009 we asked our employees to sign the Code of Ethics. By the end of the year, 98.7% of those targeted had signed, formally committing themselves to adhere to the rules governing the conduct of our operations. From 2010 onwards, all newly recruited “exempt” employees(*) will be required to sign the Code as part of their employment contract.

We have also developed additional Codes of Ethics which set out rules for specific departments. These include a Purchasing Code of Ethics, and an Internal Audit Code of Ethics which was introduced in 2010.

(*) For a definition of exempt and non-exempt employees, see page 23.
**Risk management and internal control**

Risk management and internal control are critical to the stability of the company. The aim of our internal risk management is to expand our ability to achieve our objectives by:

- Effectively constraining threats to acceptable levels
- Making informed decisions
- Enhancing our capacity to exploit opportunities.

We aim to do this while protecting the interests of our stakeholders and our shareholders’ investments.

We regard internal control, meanwhile, as a responsibility that is shared by all managers within the company. It is met by implementing a set of processes and procedures intended to provide reasonable assurance that:

- Risks are mitigated
- Financial reporting is reliable
- Relevant laws and regulations are complied with
- The objectives of the Board can be attained (for full details, see our 2009 Annual Report).

In order to provide assurance to the Board, we have put in place a number of policies and processes designed to ensure the integrity of our reporting and the effectiveness of our internal control and risk management systems.

Specifically, Gemalto has developed three levers to manage its operational and financial risks throughout the organization. These are:

- **Risk assessment:** identifying and assessing our major risks enables us to focus on those that matter, and to align our plans and resources accordingly.
- **Crisis and business continuity management:** having a flexible and tested crisis management system, with business continuity responses in place, helps to reduce the impact of internal and external events.
- **Planning and reporting:** developing complimentary reporting systems enables us to receive the right information at the right time and make informed decisions.

In 2007 we carried out a global Enterprise Risk Assessment. The aim of this assessment was to help us better prioritize and map the risks we face as a company, and to develop control activities to mitigate these risks. In 2008, we used conclusions from the global Enterprise Risk Assessment to define a set of objectives and action plans. Progress on these plans was presented to our Audit committee and twice to the Board in 2009.

**Anti-fraud management**

We are fully committed to disciplining any exposed acts of fraud – for example, any intentional breach of the law, or of Gemalto’s internal policies – by an employee for the benefit of himself/herself, third parties, or the company.

In 2007, we carried out an anti-fraud assessment project which included an inventory of the company tools and processes covering fraud prevention and detection. The following year, we established an anti-fraud commission. Meeting once a quarter, the commission has developed an anti-fraud action plan which, among other things, led to the development in 2009 of our anti-fraud policy and various training sessions on integrity and fraud awareness.

In 2009, we organized 20 site presentations on anti-fraud management, reaching 350 employees across various regions. And out of all the audits performed during the year, nine had a specific focus on fraud risk.

As part of its commitment to tackling fraud and corruption, the Board has also established a whistle-blower procedure for the receipt, retention and treatment of complaints received by Gemalto regarding suspected financial irregularities.
Crisis management

In today’s climate no business is immune to crisis, and at Gemalto we have initiated proactive crisis management activities, such as:
• The definition, in 2009, of a Crisis Management Framework. Within this framework we have established basic escalation and communication rules, developed guidelines for anticipation and action, and clarified roles and responsibilities.
• The worldwide deployment of crisis management training sessions. These sessions, including simulation exercises, are aimed at increasing our employees’ awareness and enhancing our ability to manage a crisis efficiently. The first training sessions started in 2009, and rollout continues in 2010 and beyond.

Our Crisis Management Framework and all related information are also being made available internally via our website.

Financial management

Responsible financial management is one of our most important business principles, and is vital to the long-term sustainability of the company.

By maintaining a cautious financial profile over the years, the Company enjoys a conservative risk profile enabling it to weather the global economic downturn. We have assessed and developed, against the potential volatility of our cash-flows, the proper financial structure for the company. We have also secured a good return on our investments and devised effective risk management procedures. In this way, we have worked to put ourselves in a strong financial position, with room to manoeuvre when necessary.

In 2009, main financial indicators were:
• Full year revenue at €1654 million
• Operating margin improvement, with all segments reporting profits
• Adjusted operating income of €171 million
• €381 million net cash position, with operating activities generating a record €200 million
• Dividend of €0.25 per share

Full details of these results can be found in our 2009 Annual Report. Overall, they reinforce our confidence as we move into our 2010-2013 Development Plan, in which we have set ourselves the goal of €300 million of profit from operations in 2013.

Responsible purchasing

In 2009 we concentrated on developing our relationship with our suppliers, enhancing our communication with them, raising awareness of our business principles and improving our responsible purchasing procedures.

Some of them are long-term participants in our eco-system who were temporarily experiencing difficult times financially. In these cases, we helped certain of them by making specific arrangements including cash facilities like zero-day payment terms.

We also asked for direct feedback on our own procurement practices. We devised and distributed a survey to help us understand external perceptions of how we conduct our business relationships. This survey covered, among other things, our innovation and new product introduction (NPI), and our supply and order management.

In terms of our suppliers’ commitments, we updated our Supplier Declaration of Substances, which is a standard for the control of chemical substances, and began a major project to ensure compliance with the EU REACH regulation. By the end of 2009, 74% of our suppliers had provided us with proven evidence of their REACH compliance. In 2011 we will be asking all our main suppliers to commit to Ten Golden Rules and actions in procurement.
**Customers and solutions**

Our customers’ confidence is essential to Gemalto: it means our products and services are bringing value to their business. It’s also critical to our own success and sustainability, enabling us to maintain stable business relationships and evolve as a company.

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**Customer focus**

Our relationship with our customers is based on trust. Whether they work in telecoms, public service or finance, our customers have to be able to trust us. Trust us to handle sensitive data relating to citizens, shareholders and cardholders. Trust us to deliver the right products and services to their end-users. And trust us to support them when they encounter problems and challenges.

At Gemalto we work hard to earn this trust. We align our strategy and everyday operations with customer needs. We also interact with our customers in an open and transparent way, and in 2009 – as a mark of our trust – we shared strategic information, orientation and action plans with them. In recent years, following the post-merger consolidation of our business, we’ve also provided genuine stability and continuity. As a result, we’ve seen and measured a progressive growth in customer confidence in all our businesses around the world.

Every year we commission a Tell Me survey, which consists of interviews with customers who rate their satisfaction with various aspects of our business. These surveys form a vital part of our approach to sustainability; providing a wealth of historical data, they help us to measure our performance and improvements year on year, and influence our overall strategic direction.

For the 2009 survey, we held 470 face-to-face interviews with customers. Our aggregate score of 715 (out of 1,000) represented “world class” against our global peer group, and the number of satisfied and very satisfied customers increased from 50% to 70%, which is very significant progress.

Among other things, the 2009 Tell Me results revealed that our customers value our employees’ skills, availability, pro-activity and transparency. They also value the fact that each individual employee they deal with is well supported and has the rest of the company behind them.

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**“I like the openness of the relationship. I feel I can approach anyone at your company... when I need people over there to understand what I need to make things happen on my side.”**

A client in North America
Throughout 2009 we also demonstrated our ability to translate the voice of our customers into action. Of the 2,000 customer-oriented actions that were defined after the 2008 Tell Me campaign, 80% had been implemented by the end of 2009. These actions relate to the behavior of the company in the following areas:

- Business management
- Products
- Solutions
- Gemalto managed services
- Order management
- Ability to handle problems
- Innovation
- Information.

Beyond this, all functions in the company are involved in developing and implementing action plans for our customers. These include software development, support and maintenance, customer service, production, logistics and legal, to name but a few.

### Security

Security is what we sell – but it is also critical to Gemalto as a source of trust in the market. We aim for excellence in the integrity and confidentiality of assets and data belonging to both Gemalto and our customers. We achieve this by actively promoting a security culture. We’ve introduced dedicated programs to help all our employees maintain the highest levels of logical and physical security. For example, we’ve standardized our internal security processes and trained several hundred employees worldwide in security awareness and behavior. Our approach to security is divided into three key areas:

- Business unit and Research & Development security
- Sites and production security
- IT security.

Within these areas, we work to promote a security culture through:

- Harmonizing security policies and processes: building common security governance in all Gemalto sites
- Targeting protection versus asset value: deploying and formalizing a risk assessment approach to sensitive customer data
- Insisting on widespread accountability: making security everyone’s business, and using internal audits to develop action plans for improvement
- Conducting security awareness training among end-users and managers and developing security rules for specific teams.

At a corporate level, we maintain a full risk register that is constantly updated. In 2009 we used this register to develop a strategic agenda for security. Its primary focus was to assess the major risks we face and to develop preventive measures – especially in areas such as the internet and wireless connectivity where security is paramount.

Through regular assessment we also ensure that our internal security standards and policies surpass regulatory requirements. Each year we use external tools to monitor, audit and test our quality and security systems against ISO and market-specific standards. On all R&D, production and personalization sites we maintain external certifications awarded by companies such as Visa and MasterCard. We also conform to the ISO 27001 security standard in eight of our sites, and we’ve defined an ISO 27001 implementation roadmap based on the needs of other sites around the world.
Customers and solutions

“We are extremely pleased that our re-carding process took a much shorter time than expected, so we are able to start the roll-out of the cards to our customers sooner, giving them more convenience and security. And this was only possible with the service of Gemalto as the industry leader in EMV migration solutions.”

A client in Asia

ISO 9001 site certification coverage

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<tr>
<td>2007</td>
<td>73</td>
</tr>
<tr>
<td>2008</td>
<td>81</td>
</tr>
<tr>
<td>2009</td>
<td>92</td>
</tr>
</tbody>
</table>

Reduction in significant claims by customers, 2007-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>-11.5</td>
</tr>
<tr>
<td>2008</td>
<td>-16.6</td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>

One of our tasks for the future is to extend these levels of security to the companies we have recently acquired as part of our growth strategy.

Business continuity

To make sure there is continuity in our operations, we have devised a number of plans to deal with natural hazards, corporate incidents and external events. Through the standardization of production tools and processes, multi-sourcing strategies, IT availability and redundancy infrastructure, we have developed systems that help us to respond to unforeseen circumstances with minimal disruption to our customers and our business.

In 2009, we set up and tested an internal Crisis Management Framework. With improved internal communication and coordination, the framework enabled us to deal with several events which might otherwise have caused serious problems. In October 2009, for example, we dealt swiftly and efficiently with a fire in our facilities in the south of France. Referring to our crisis management protocols, we were able to:

- React quickly to protect our employees
- Carry out containment actions
- Minimize any potential risk to the environment
- Avoid any business disruptions for our customers
- Deal with insurance issues
- Communicate with the media.

We also demonstrated good “pandemic preparedness” and benchmarked well against other companies in our response to the H1N1 crisis. In the early days of the outbreak we held regular conference calls with our Mexican facilities which lost nearly 7% of our workforce. We then set up a crisis management team at corporate level, allocated local coordinators throughout the company, and conducted risk assessments and simulation exercises in key sites. We also developed remediation plans and remote working arrangements to cover any absenteeism that might arise due to the pandemic.

For more information about our Crisis Management Framework and systems, see page 13.

Quality

Given the importance of digital security in the modern world, it is imperative we operate to the highest levels of quality. Our aim is to ensure we deliver reliable services at all times.

For several years now we’ve had a proven and stable quality management system in place, and have achieved ISO 9001 certification for Quality in 27 sites. As a further step, in 2009 we merged our teams delivering Quality, Security, Health, Safety and Environment together with our World Class Manufacturing organization. This single unit is now dedicated to protecting stakeholders, enhancing quality and anticipating new regulations and standards to ensure Gemalto is compliant with best practice.

Through these measures we’ve been able to develop a Lean Six Sigma culture and evolve our World Class Manufacturing approach. This has led to enhanced customer relationships and high levels of customer satisfaction. In addition to our Tell Me results, over the last two years we’ve seen a 25% reduction in the number of significant claims by customers. And in 2009 we achieved a 20% reduction in the cost of non-quality (CONQ).
Quality is also inherent in the very nature of our business. We work on a make-to-order, rather than a make-to-stock, basis. This means we source raw materials according to customer requests. We make components based on functional specifications, and we create bespoke products tailored entirely to customer needs. Throughout 2011 we will be working to improve our “on time versus request” (OTR) performance, focusing on punctuality and quality in the delivery of our products.

**Greener and safer products**

In recent years, our customers have placed increasing emphasis on sustainability in the products they deliver to their end-users. We’ve responded by developing materials and processes that have resulted in greener end-products and helped, we believe, to enhance our customers’ reputations.

Since 1998 we’ve been developing eco-friendly products for banking, telecom and government customers worldwide. We’ve invested in research and developed new resources to discover ways of balancing the marketability and sustainability of our products. And with the recent expansion of our portfolio, we’ve further reduced our environmental impact in the following four areas:

- Further reducing hazardous substances during production
  - Eliminating the use of ink jets in our advanced Card Center in Pennsylvania, USA
  - Treating and recycling cleaning rags which were previously discarded
  - Increasing the use of vegetable-based inks on packaging

- Using chlorine-free materials
  - Developing Polyethylene Terephthalate Glycol (PETG)-based products, which reduces air pollution during product incineration
  - Creating ABS-moulded cards, which are PVC-free and reduce waste during production

- Applying eco-design practices
  - Pioneering the first smart card reader (the PC Twin Reader) which satisfies eco-design criteria, anticipates legal requirements on hazardous substances and is easier to recycle
  - Developing smaller products that use fewer materials.

- Promoting renewable and recycled materials
  - Using Polyactic Acid (PLA) in cards. PLA is a new bio-sourced material that is easily recyclable and compostable
  - Promoting paper-based materials for short-term use, e.g., for scratch cards
  - Using eco-friendly, 100% recyclable materials for packaging (ECOPack)
  - Developing an end-of life recycling channel for PVC and ABS cards with French Card Manufacturer Association AFPC.

We continue to reduce waste and water consumption in our sites, and are currently verifying evidence of compliance from our suppliers as part of the EU regulations on the use of chemicals (REACH).
We also abide by any legislation directly applicable to our business. For instance, we manage our reader products according to the Waste Electrical and Electronic Equipment (WEEE) Directive, and ensure that our card products comply with EN71-4 Safety of Toys legislation.

These measures give our customers the reassurance that we’re providing greener and safer production processes and improved supply chain management.

**Low carbon products**

Reducing the carbon footprint of our products is also a key area of focus. As we want to be proactive and anticipate forthcoming regulations, we’re already working with chip suppliers to reduce the size of their chips – because, of all the components in our cards, these generate the most carbon emissions during production. Our UK plant, meanwhile, offers carbon neutral cards to its customers. In 2009, more than 7 million cards were produced in the UK under the carbon neutral initiative, up 16% on 2008. By calculating the total weight of carbon emissions required for the production of one card, Gemalto enables customers to offset these emissions by investing in energy saving and renewable energy programs.

In 2010 and 2011, our carbon footprint roadmap will enable us to roll-out this scheme across other Gemalto plants. For more information on our efforts to reduce our carbon footprint, see page 26.

**Support for consumers**

Market research carried out in 2008 revealed that, while many people enjoy the convenience of online and mobile services, others find them complicated to use and feel vulnerable in certain areas of digital interaction. The research was commissioned by Gemalto and carried out by TNS Sofres. It showed for example that when it comes to interactions involving money, such as transferring funds from an online banking site, many people have concerns about security.

In light of these findings, we saw an opportunity to engage directly with end-users and extend our mission of helping people to navigate and understand the digital world. We felt that our thousands of internal experts could help reassure people who needed quick advice and practical guidance in all areas of digital security.

We also saw that by addressing end-user concerns and demystifying the technology, we could further support the uptake of our customers’ advanced digital services.

In response to this previously unmet need, we introduced a consumer advice website, [www.justaskgemalto.com](http://www.justaskgemalto.com). Launched in France and the USA in January 2009, JustAskGemalto contains articles, FAQs, news and tutorials on everyday digital security issues. Offering “practical answers for your digital life”, the site responds to basic consumer questions on mobile telephony, biometrics and the internet. It also answers specific questions posted by users.
JustAskGemalto now welcomes thousands of visitors a month and in 2009 received a total of 1.2 million visits. A generic global version of the site was launched in November 2009, and in 2010 we will be launching another in Portuguese for the Brazilian market. It is a core part of our evolution as an industry leader. It enables us to fulfill our responsibilities to end-users around the world, and to keep customers informed about key trends, concerns and interests in people’s everyday digital lives.

“Gemalto is always professional, drives a sustainable professional relationship... and shows a strong willingness to implement things.”

A client in Europe

Developing local markets

We are always seeking to expand our solutions and services into new markets, to the benefit of new end-users and in the interests of our own long-term sustainability.

We’ve become aware, for example, that lack of banking infrastructure is hampering economic growth and entrepreneurialism in many parts of the developing world. In response to this situation, Gemalto has been partnering with its customers to create entirely new approaches to mobile banking, mobile money transfers and mobile payment.

By working with telecoms operators such as MTN and Mcel in Africa, Telenor in Pakistan, and a host of banks in regions such as Latin America and the Gulf, we’ve enabled people to use their cellphones as a banking, wallet and transaction system, all in one. The uptake has been remarkable. After just seven months in Uganda during 2009 we had more than 370,000 users conducting more than one million transactions per month. The ability to transact in this way creates choices and convenience for people who are tied to locations where opportunities are limited.

We’ve also been involved in an innovative scheme in Ghana which uses mobile phones to improve the quality and quantity of care for expectant mothers and newborn babies. Working in collaboration with Columbia University’s Mailman School of Public Health and the Ghana Health Service, Gemalto is supporting the Mobile Technology for Community Health (MoTeCH) program with the aim of reducing infant mortality and disease throughout Ghana.
Employees

For Gemalto, the health, safety and development of our employees are paramount. By looking after our people in the best way we can, we maintain a happy and effective workforce and help meet the future needs of our business.

Demographics and diversity

We believe that our workforce must reflect the global span of our operations and the diversity of our customers. So wherever possible we try to recruit employees with diverse cultural and educational backgrounds. When looking to fill positions at Gemalto, we actively encourage applications from people of every race, gender, religion, nationality, sexual orientation, age and ability. Our primary aim is to promote fairness and inclusivity, and we value diversity as a distinct competitive advantage.

In 2009 we continued to recruit from around the world, with 29% of our new employees coming from Europe, the Middle East and Africa (EMEA), 45% from Asia and 26% from North, South and Central America. As a result, our geographical headcount broadly matches our geographical distribution of revenue (see graphs on pages 06 and 07).

And by the end of 2009, 22% of our “exempt employees” (see page 23) were working at a site that was not in their country of origin. This includes 211 people expatriated from 25 different nationalities.

By promoting diversity, our aim is to create cross-functional and cross-national networks of people. We’re also keen to expand the diversity of our leadership development program, Gemalto University, and in 2010/2011 we’ll be welcoming more people of different nationalities onto this scheme.

In 2009 women represented 41% of our newly recruited staff, and 26% of our new “exempt employees”. We want to encourage and enable the promotion of female staff to more senior management positions, and this is something we are working on.

Safety at work

Through our Health & Safety Management System and our Human Resources Management System, Gemalto aims to ensure a safe working environment for all its employees. Although our operations pose few high safety risks, we regularly benchmark our performance against industry best practice. We also undergo regular third-party audits that review our continuous improvement programs.
At the end of 2009, 13 of our sites had achieved OHSAS 18001 certification for health and safety. This worldwide standard is designed to minimize risks to employees, improve health and safety systems, demonstrate diligence and gain assurance. We are currently deploying an OHSAS 18001 certification roadmap to several other production sites.

We also comply with complex laws regarding hazardous substances. Already globally compliant with EU regulations on the restriction of hazardous substances (RoHS), we are now addressing regulations on the use of chemicals (REACH), both internally and across our supply chain.

In 2009, the number of working days lost to injury at Gemalto fell by 25% compared to the previous two years. This progress is encouraging and we’re keen to reduce these incidents further. Knowing that many of our injury-related absences are caused by travel accidents, we have developed a “defensive driving” training program. Based on a half-day class and driving test, this scheme was offered initially to business drivers and is now being extended to car-driving commuters. We plan to reach 25% of all employees in 2011, adapting sessions to different local conditions.

Our “pandemic preparedness” was tested some years ago during the SARS pandemic, and again in 2009 with the outbreak of the H1N1 virus. We responded by developing worldwide action plans, and the impact of the virus on our employees was almost negligible as a result. These action plans mean we’re well placed to deal with possible outbreaks in the future. For more information on Crisis Management, see page 13.

95.2% of our employees had a permanent contract, in December 2009.
“We invest in our people development. Of the top 350 people in the company, 93% have been promoted from within.”

Developing human resources

Gemalto is a company built on the ingenuity of its people, and we place considerable emphasis on developing our human resources. We do this to meet our future needs and ensure our long-term survival and success. In this way, our HR policies are critical to the sustainability of the company.

Training

The digital world is evolving rapidly. One of our primary HR objectives is to invest in our people in order to support their skills development in this ever-changing environment. We need our people to be able to respond to the needs of our customers and markets, and to adapt to new technologies and challenges. So, each year we invest 2% of our salary costs for training, offering a wide range of courses and schemes to our employees. In 2009, 2,650 people in the EMEA region received an average of 26 training hours, with a training satisfaction rate of 78% (constant with 2008 and up from 72% in 2007).

In fact, internal training and promotion form the backbone of our HR philosophy. At the end of 2009, of the top 350 people in the company, 93% had been promoted from within. This is testament to our training programs and our efforts to support the career advancement of our people over the mid to long term.

The key ingredient of our training is to develop people’s competencies, skills and knowledge so that they can better fulfill not only their role, but also the strategic objectives of the company. In 2009, we worked to harmonize our training processes and policies to be more in line with Gemalto’s overall business objectives.

Using our worldwide network of training coordinators, we were able to assess the requirements of our business units and develop appropriate training modules.

In France, we continued our voluntary commitments under the GPEC program. GPEC (La Gestion Prévisionnelle des Emplois et Compétences) is a three-year best-practice arrangement with the trade unions designed to prepare people for skill-related changes in their jobs. It helps us to respond to emerging technology trends and market developments, and to make sure our employees are equipped to maintain our high levels of competitiveness. At the end of 2009, more than 50% of all managers in France had begun to implement the GPEC agreement.

In 2009 Gemalto acquired five new companies, and one of our major HR programs relates to the integration of these new employees. This includes:

• Embedding these new employees within the organization
• Bringing them up to speed with our values, systems and processes
• Ensuring they engage with our sustainability programs and adhere to our Code of Ethics
• Providing them with training and support
• Capturing their knowledge and skills for the benefit of Gemalto.

Gemalto Performance Review

Each year, all Gemalto employees meet with their managers to assess their progress against objectives. The Gemalto Performance Review is an opportunity for open dialogue about an employee’s performance and career advancement. It’s a chance for employees to ask questions, elicit feedback and get a sense of where they’re going within the company.
By the end of 2009, 94% of Gemalto’s “exempt employees” had fully completed their performance reviews. Once completed, information from these reviews is fed into an employee database system. This system enables us to monitor training needs and offer timely information to our staff about available courses.

**Mobility**

International mobility is another key pillar of our HR policy. We encourage movement across our businesses and the regions in which we operate. Our Young Transfer Program, for example, targets young, high-performing employees from developing countries. It offers them the chance to come to France to extend their knowledge and gain valuable management skills which, once the program is complete, they can then take back to their home countries. This program supports our strategic goals of:

- Increasing management diversity
- Promoting people internally
- Promoting international cultural diversity in the workplace.

It also helps to engender employee loyalty, benefits people development in emerging countries, and enhances cross-cultural learning and sharing of experiences.

The people who transfer as part of the program are the future of our company. By broadening their skills and careers, we’re looking to safeguard the future of Gemalto and ensure we have the global management expertise required for the years ahead. Since 2006, 47 employees have arrived in France under this program, mainly from Asia and Latin America.

Elsewhere, we also encourage mobility via the Gemalto Technical Ladder, which enables our technical experts to develop international career paths across different business units. More than 1,300 people worldwide from R&D and technical support are now part of this program. And through Gemalto University, our global leadership development program, we have also created a worldwide community of leaders to share common values and experience to help us remain well-organized and competitive.

**Listening to employees**

PeopleQuest is our annual employee survey. Available online to all of our employees, it is designed to track satisfaction across our global operations. The survey itself consists of 36 questions divided into eight categories. It is translated into eight languages to enable as much take-up and feedback as possible.

Each year, we use results from the PeopleQuest survey to create action plans for the year ahead. Based on the survey findings, we create, implement and update initiatives designed to meet employees’ expectations. We also develop specific improvement actions in areas where survey scores are lower. We then issue regular updates on these actions via our “HR dashboard” on the company website.

Our 2009 PeopleQuest results showed continuing improvement in our employees’ overall satisfaction. In particular, they showed growing confidence in Gemalto in the post-merger period, and in the stability of our management team. In fact, we achieved best-ever scores for participation (72% versus 68% in the previous two years) and overall satisfaction (80% versus 77% in 2008 and 69% in 2007). This tells us that employees understand the correlation between PeopleQuest and improved outcomes in their working lives. It also reaffirms the value of the survey as a key mechanism for listening and responding to our people.

**Exempt employees**

“Exempt” employees are those who, because of their responsibilities and level of decision-making authority, are exempt from overtime provisions. They are expected, by most organizations, to work the time necessary to accomplish the goals of their position. They are most often found in managerial, supervisory, professional, administrative and functional leadership roles.

**Non-exempt employees**

“Non-exempt” employees are those who, because of the type of duties performed, the level of decision-making authority and the method of compensation, are subject to overtime provisions and must be compensated for all hours worked overtime.
Environmental sustainability has always been a core part of our company ethos. Since 2000 we have been developing practices designed to reduce the environmental impact of our operations.

Waste quantity
(Tons) in ISO14001 certified scope

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>3540</td>
<td>3891</td>
<td>3889</td>
</tr>
<tr>
<td>NORAM</td>
<td>768</td>
<td>462</td>
<td>531</td>
</tr>
<tr>
<td>LATAM</td>
<td>516</td>
<td>110</td>
<td>9</td>
</tr>
<tr>
<td>ASIA</td>
<td>2252</td>
<td>2672</td>
<td>2566</td>
</tr>
</tbody>
</table>

<em>EMEA = Europe, the Middle East and Africa</em>
<em>NORAM = North America</em>
<em>LATAM = Latin America</em>

Valorized waste
(in % of weight) in ISO14001 certified scope

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>65</td>
<td>78</td>
<td>70</td>
</tr>
<tr>
<td>NORAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LATAM</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ASIA</td>
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</table>

In our approach to environmental sustainability, we have focused primarily on our production processes, and then on the products we deliver to our customers. This section deals with the former, including our broader efforts to reduce our carbon footprint. For information on our green product innovations, see page 17.

Environmental management

For Gemalto, the management of environmental risks and impacts is not a recent or passing interest. For over a decade we’ve developed and progressively implemented Environmental Management Systems (EMS) in our facilities. We’re committed to total compliance with international environmental standards. And our EMS are externally audited every year by third-party certification bodies.

Beyond conforming to ever tougher national and international regulations, our principal aim is to reduce our consumption of energy, water and, in general, materials necessary for our business. We also strive to reduce the amount we waste, and to increase the proportion we reuse or recycle. More recently, we have also been gathering data so we can more fully understand our overall carbon footprint (see below). Combined, these efforts help us, as the global market leader, to secure the future of our industry by ensuring it is sensitive to the world around us.

Responsible supply chain management

One part of our business activity includes the manufacture of smart cards. In this role, we sit at a critical point in the supply chain, as the link between our customers and our suppliers. On one side there are strong commercial imperatives for us to rapidly deliver reliable, cost-effective products and services. On the other we have responsibilities to ensure that our suppliers operate in a fair and environmentally friendly way. In addition, more and more of our customers are keen to know that their products have been ethically sourced, and that the processes used in their manufacture have been closely monitored.

To meet these challenges, we encourage our suppliers to implement our own environmental requirements within their systems.

As mentioned on page 21, Gemalto aims to comply with the many complex laws regarding hazardous substances. We are already globally compliant with the EU regulation on the Restriction of Hazardous Substances (RoHS) for electrical and electronic products, and we are now addressing the EU regulation on the use of chemicals (REACH). We are incorporating these into our procurement policy and have implemented a formal process to gather evidence of our suppliers’ compliance. Similarly, we will require our corporate suppliers to comply with the UN’s Globally Harmonized System of Classification and Labelling of Chemicals (GHS), which defines common information criteria for dangerous chemicals for application by the end of 2010.
It is equally important to us that our suppliers treat their employees fairly and with respect. And while we don’t yet have a formalized approach for monitoring their business practices in human or labor rights, this is an issue we intend to address.

**Greener manufacturing**

Manufacturing is an area where we can take direct action across many links in our supply chain. While we make significant investment in developing greener products, the actual production process is where we have achieved the greatest environmental gains over the last ten years.

In all our ISO 14001-certified sites we monitor water and energy consumption, waste generation and waste management. Between 2007 and 2009, we:
- Reduced water consumption by 8.5% per m²
- Reduced electricity consumption by 13% per m²
- Recycled an average of 70% of our waste, compared to less than 50% before 2005.

Other notable achievements over the last few years include:
- Shanghai: 20% reduction in energy consumption through modified air conditioning
- Singapore: 25% reduction in transport weight through new pallet design
- Gemenos and La Ciotat: 56% reduction in paper consumption
- Tczew (Poland): 27% increase in waste re-used, recycled or converted to energy between 2004 and 2008
- Pennsylvania: eliminated ink jets by replacing them with laser inscription.
Environment

ISO 14001 site certifications coverage %

<table>
<thead>
<tr>
<th>Year</th>
<th>Certification</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>2006</td>
<td>42</td>
</tr>
<tr>
<td>2007</td>
<td>50</td>
</tr>
<tr>
<td>2008</td>
<td>69</td>
</tr>
<tr>
<td>2009</td>
<td>77</td>
</tr>
</tbody>
</table>

Third-party certification

ISO 14001 and OHSAS 18001 are international management system standards for the environment and occupational health and safety. Gemalto uses these standards as guidelines to drive continuous improvement and monitor progress in relevant areas.

At Gemalto we’ve been implementing ISO 14001 certification strategy since 2001, and we’ve now achieved environmental certification in our main sites worldwide. This includes 21 dispersed production locations in:

- Brazil
- China
- Finland
- France
- Germany
- India
- Mexico
- Singapore
- Spain
- UK
- USA

Beyond the reduction of waste and resource consumption and recycling, key areas of focus in PVC-based card facilities include:

- Eliminating or reducing solvent use and other hazardous substances, with an emphasis on using solvent-free processes for inks and adhesives and disposing of them responsibly
- Reducing volatile organic (VoC) emissions.

We’ve also achieved OHSAS 18001 certification in 13 of our sites worldwide, and KEMA certification for reduced power consumption in our manufacturing plant in Montgomeryville, USA.

Our carbon footprint

With climate change comes new challenges for individuals, communities and global companies like Gemalto. As part of our leadership commitment to sustainability, it is crucial that we monitor and reduce the carbon emissions arising from our operations, and thereby limit our own contribution to global warming.

Aiming to tread lightly as we move forward, in 2009 we embarked on an ambitious, proactive program to measure the global carbon footprint of the company. We undertook this initiative so that, looking beyond our consumption and transformation of energy and materials, we could quantify all other significant impacts of our business CO₂ emissions.

In 2009 we conducted carbon measurements in two of our French sites. These measurements revealed that both sites were emitting the equivalent of 70,000 tons of CO₂. About half of these emissions are directly linked to the production of chips for our smart cards carried out by foundry suppliers. As for our own emissions, the transportation of both freight and people is an area of significant impact, and is greater than our overall energy consumption.
Employee travel

The information gathered from our initial carbon footprint measurements has helped us to identify employee travel as a significant source of CO₂ emissions across the company.

As a global company, travel is an inevitable part of our operations. During 2009 we put measures in place to restrict employee travel and to raise awareness of the impact on the environment of all trips, especially those involving planes and cars. We installed additional video conferencing equipment in major locations and prevented employees from travelling for internal meetings during specific times of the year. We also developed “ride-share” websites, which enable employees to locate colleagues on the same commuter route and share their mode of transport, thereby reducing the number of vehicles needed to get our people to work.

Overall, these measures led to a reduction in business travel by 20% compared to 2008.
Community

Gemalto seeks to make a positive contribution to the communities where we operate. We enable our employees to support local programs. And, as a company, we make financial donations to specific causes and relief efforts.

At Gemalto, we help to develop local economies by recruiting and training individuals from the countries where we do business. We also encourage our employees to contribute to the social development of their communities by supporting causes they feel strongly about. In this way, we help our people make a positive contribution to society.

Sponsorship and charity

Many of our employees have long been involved in activities supporting their local communities. In 2008 we decided to give more focused encouragement to their efforts, and so launched a company-wide program called Your World. Its aim is two-fold: to support local communities around the world, and to harness employees’ passion and commitment, giving them the opportunity to champion the causes they care about.

Through this program we support our employees’ involvement in local non-profit organizations, focusing on the environment, humanitarian aid, sport and culture. Employees interested in Your World funding are invited to apply as individuals or as part of a team, and to send a description of their project to a regional panel made up of local managers and employees. The selection process is a careful one, which excludes any political or trade-union body. The main criteria are:

- Strong personal involvement in an organization
- Team building potential for groups of employees.

Over the last two years, since Your World was first launched, we have supported:

- 140 projects in total worldwide, including:
  - 78 in 2009

In turn, the total amount of money Gemalto has invested in these projects is €110,000. With experience, we are now narrowing the focus to concentrate solely on projects with a social, humanitarian or environmental focus. As a result, we expect to see a reduction in the number of projects supported.

As part of Your World, in the last few years our employee-led initiatives have included:

- Help for hospitalized children in the Hands on Shanghai scheme
- Beach clean-up projects for the Surfrider Foundation in France
- Fund raising for orphans in Bulgaria
- International volunteering programs in Lebanon.

Cercle Passeport Telecoms Program

In France, we also play an active role in the Cercle Passeport Telecoms (Telecoms Passport Circle Association), a major tutoring program aimed at engaging underprivileged young people, in partnership with six companies from the telecommunications sector (Alcatel-Lucent, SFR, Orange, Nokia France, Ericsson France and Nokia Siemens Network). The program offers business-style mentoring and academic and professional opportunities, with a particular focus on young people from depressed areas and ethnic minorities. Between 2008 and 2009, 90% of Cercle Passeport students were accepted onto business and engineering courses. And at the end of 2009, Gemalto had supported 27 students through the program, up from 17 in 2008.

Disaster relief

As one of our commitments to society, Gemalto has developed a policy for disaster relief. This sets out the guidelines for the company’s response to sudden natural catastrophes such as earthquakes, tsunamis and floods.

The policy states that Gemalto will respond to disasters that occur in countries where we operate, and where local employees coordinate their own response to events and request support from the company.
Projects funded by Your World program
(quantity per region)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008 funded projects</th>
<th>2009 funded projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe, the Middle East and Africa</td>
<td>37</td>
<td>54</td>
</tr>
<tr>
<td>North America</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Latin America</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Asia</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62</strong></td>
<td><strong>78</strong></td>
</tr>
</tbody>
</table>

In such instances, Gemalto will support local employees on a case-by-case basis by collecting funds, matching donations and providing technical help and guidance. We only ever make donations to reputable not-for-profit, non-governmental organizations.

Examples of our disaster relief efforts include\(^1\):

- Sichuan earthquake, China, May 2008: € 79,700
- Wild fires, Australia, February 2009: € 1,500
- Sumatra earthquake, Indonesia, October 2009: € 3,700
- Manila floods, Philippines, October 2009: € 2,000\(^2\).

\(^1\) Figures represent the sum of employee donations and company matching
\(^2\) Additional non-monetary support was given to affected employees (temporary relocation in corporate hotels)

“Many of our employees have long been involved in activities supporting their local communities. In 2008 we decided to give more focused encouragement to their efforts, and so launched a company-wide program called Your World. Its aim is two-fold: to support local communities around the world, and to harness employees’ passion and commitment”
## Objectives 2010 and beyond

<table>
<thead>
<tr>
<th>Key objectives</th>
<th>Targets</th>
<th>Due dates</th>
</tr>
</thead>
</table>
| Develop company reporting and communication about Sustainability | - Develop Sustainability dedicated internal and external web sites / pages  
- Produce our initial UN Global Compact Communication On Progress (COP)  
- Publish the initial "Gemalto Sustainability Report" based on 2009 results  
- Report yearly on Sustainability  
- Improve Gemalto CSR dashboard and related data collection internal systems | 2010 to 2012  |
| Deploy "Crisis Management" and "Responsible Purchasing" best practices | - Deploy Crisis Management training sessions worldwide  
- Publish Crisis Management framework and related information on internal website  
- Implement a formalized approach to monitor suppliers' business practices in Human Rights and Labor Rights  
- Deploy Gemalto’s “Ten Golden” Purchasing rules at all key suppliers | 2010 to 2012  |
| Continuously improve our products and services       | - Maintain a high level of customer confidence (Tell Me survey)  
- Extend ISO 27001 certifications for sites worldwide on a case-by-case basis  
- Extend our own internal levels of security to companies recently acquired by Gemalto  
- Reach 90% OTD (on time delivery/commitment) and 80% OTR (on time delivery/requested)  
- Launch www.justaskgemalto.com in Portuguese for the Brazilian market | 2010 to 2012  |
| Develop greener and safer products                  | - Offer end-of-life recycling channels for PVC cards in Europe  
- Develop products using greener materials for card bodies (PLA) and packaging (cellulose)  
- Develop and industrialize SIM products in smaller form factors  
- Extend the carbon neutral card scheme to more plants  
- Reduce the environmental impacts of material procurement and product delivery | 2010 to 2011  |
| Develop employee skills and satisfaction             | - Continue deployment of OHSAS 18001 certification to other card production sites  
- Extend “defensive driving” training program to 25% of employees  
- Encourage the promotion of women to senior management positions | 2011 to 2012  |
| Implement Best In Class practices for environmental care | - Continue deployment of the ISO 14001 certification roadmap to other manufacturing sites  
- Develop a user-friendly process for REACH legal compliance monitoring, Prepare for GHS  
- Deploy a company-wide carbon footprint measurement at least 6 more sites in 2010  
- Reduce water and energy consumption per m² by 5% versus 2009 | 2010 to 2012  |
| Increase our involvement in society                 | - Focus “Your World” program on Social & Environment individual or collective projects | 2010          |
## Performance indicators

The following table highlights the main results in our key areas. When appropriate, these Gemalto indicators are associated with those from the Global Reporting Initiative.

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance</th>
<th>GRI relation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business principles</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills and knowledge regarding Internal Control and Anti-fraud company processes / practices</td>
<td>20 awareness / training sessions delivered worldwide, reaching 350 people</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>Internal audits with a focus on fraud risk</td>
<td>9 audits conducted</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td><strong>Customers and solutions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction assessment</td>
<td>TELL ME survey: 470 face-to-face interviews conducted; aggregate survey score of 715 represents “best-in-class” against our global peer group</td>
<td>PR5</td>
<td>14</td>
</tr>
<tr>
<td>Quality certifications</td>
<td>ISO 9001 certification for Quality achieved in 27 sites</td>
<td>–</td>
<td>16</td>
</tr>
<tr>
<td>Product / Service quality and reliability</td>
<td>25% reduction in the number of significant claims by customers over last two years. 20% reduction in the cost of non-quality (CONQ) in 2009</td>
<td>–</td>
<td>16</td>
</tr>
<tr>
<td>Global warming – Carbon emission compensation</td>
<td>More than 7 million cards produced according to our carbon neutral offer, up 16% on 2008</td>
<td>–</td>
<td>18</td>
</tr>
<tr>
<td>On line support to end-users / customers (<a href="http://www.justaskgemalto.com">www.justaskgemalto.com</a>)</td>
<td>JustAskGemalto website received 1.2 million visits</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Safety certifications</td>
<td>OHSAS 18001 certification achieved in 13 of our sites</td>
<td>–</td>
<td>20</td>
</tr>
<tr>
<td>Employee contract</td>
<td>In Dec 2009, 95.2% of employees had a permanent contract</td>
<td>LA3</td>
<td>21</td>
</tr>
<tr>
<td>Employee accidents/injuries</td>
<td>Number of working days lost to injury down by 25% compared to the previous two years</td>
<td>LA7</td>
<td>21</td>
</tr>
<tr>
<td>Top management positions</td>
<td>Of top 350 people in company reporting to CEO, 93% promoted from within the company</td>
<td>LA13</td>
<td>22</td>
</tr>
<tr>
<td>Employee training</td>
<td>2,650 people received average of 26 training hours, with a training satisfaction rate of 78% (EMEA results only)</td>
<td>LA10</td>
<td>22</td>
</tr>
<tr>
<td>Employee Satisfaction assessment</td>
<td>PEOPLE QUEST survey: Best-ever scores obtained for participation, 72%, and overall satisfaction, 80%</td>
<td>–</td>
<td>23</td>
</tr>
</tbody>
</table>
### Employees Continued

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance</th>
<th>GRI relation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Exempt employee” turnover</td>
<td>Per business region: ASIA: 6.9%; LATAM: 8.0%; NORAM: 1.7%; EMEA: 1.9%</td>
<td>LA2</td>
<td>23</td>
</tr>
<tr>
<td>“Exempt employee” mobility</td>
<td>22% of “exempt employees” working in a country that is not their country of origin; includes 211 people expatriated from 25 different nationalities</td>
<td>–</td>
<td>23</td>
</tr>
</tbody>
</table>

### Environment

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance</th>
<th>GRI relation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water/energy consumption in ISO 14001-certified sites</td>
<td>Over last 2 years: Water consumption per m² reduced by 8.5% Electricity consumption per m² reduced by 13%</td>
<td>EN3, EN4, EN8</td>
<td>24</td>
</tr>
<tr>
<td>Waste management in ISO 14001-certified sites</td>
<td>65% of waste recycled in 2009 compared to less than 50% before 2005</td>
<td>EN22</td>
<td>25</td>
</tr>
<tr>
<td>Environmental certifications</td>
<td>ISO 14001 certification achieved in 21 of our sites</td>
<td>–</td>
<td>26</td>
</tr>
<tr>
<td>Global warming – company carbon footprint assessment</td>
<td>Emissions quantification conducted in 2 French sites</td>
<td>–</td>
<td>26</td>
</tr>
</tbody>
</table>

### Community

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects funding</td>
<td>140 “employee-community” projects worldwide funded through “YOUR WORLD” corporate program (78 in 2009 – 62 in 2008)</td>
<td>28</td>
</tr>
</tbody>
</table>