Increasing convenience for Omani citizens

When the Sultanate of Oman launched its ePassport program in 2015 it wanted to link the documents to its existing eID card program, streamlining enrollment and delivering considerable benefits for citizens and authorities alike. Using Gemalto’s Document Management System to create a unified registration infrastructure not only enhances security and efficiency, but may also be a stepping stone to solutions such as eGates and eBorder management.
Governance

Our Board 44
Our Senior Management 46
Chairman’s letter 48
Our Board during 2015 49
Board committee reports 51
Our governance structure 53
Remuneration report 59
Board statements 63
Our Board

Gemalto has a one-tier Board, which has ultimate responsibility for the management, general affairs, direction and performance of the business as a whole.

Board committee key
1. Chairman of committee
2. Audit committee
3. Compensation committee
4. Nomination and Governance committee
5. M&A committee

Alex Mandl 1943
AMERICAN
Non-executive, independent
Chairman of the Board
Initial appointment: 2006
Current term: 2015-2017 (third term)
Other current appointments: member of the Board of Directors of Arise Virtual Solutions Inc. and of Gem aquent Limited, as well as Board member of Accretive Health and of Levant Power Corporation.
Experience: Alex Mandl was Executive Chairman of Gemalto (2006-2007) and President and CEO of Gemplus (2002-2006). He has also been a Board member of Horizon Lines (2007-2013), Hewlett Associates (2007-2010), Visteon Corporation (2008-2010), and a Director of Dell Inc. (1997-2013), including Lead Director (2010-2013). He was previously a principal in AIG Investments focusing on the technology sector (2001-2002), and Chairman and CEO of Telgent, a company he started in 1996, offering telecommunication and internet services to business markets. Earlier, he was AT&T’s CFO and then President and Chief Operating Officer (1991-1996) with responsibility for long distance, wireless, local communications and internet services. He was also Chairman and CEO of Sea-Land Services Inc. (1987-1991).

Olivier Piou 1958
FRENCH
Executive, Chief Executive Officer
Initial appointment: 2004
Current term: 2015-2017 (third term)
Other current appointments: member of the Board of Directors of Nokia.
Experience: Olivier Piou conducted the merger of Gemplus and Axalto which formed Gemalto in 2006, and has been its CEO and a member of the Board of Directors since then. Before that he was CEO and a Board member of Axalto (2004-2006), a company which he had introduced to the stock market in 2004. He previously held a number of positions with Schlumberger across technology, marketing and operations in France and the US (1981-2004), including heading its Smart Cards division (1996-2004). He has also been a member of the Board of Directors of Alcatel-Lucent (2008-2016), a Board member of INRIA, the French national institute for research in computer science and control (2003-2010), and President of Eurosmart, the international organization representing the chip card industry (2003-2006). He is a Knight of the Legion of Honor in France.

Johannes Fritz 1954
GERMAN
Non-executive, independent
Initial appointment: 2006
Current term: 2012-2016 (third term)
Other current appointments: head of the Quandt/Klatten Family office and managing director of Seedamm-Vermögensverwaltungs GmbH; Board member of BHF Kleinwort Benson Group; Chairman of the supervisory Board of Solarwatt GmbH; and Board member of Drees & Sommer AG.
Experience: Johannes Fritz was a Board member of Avista AG (2005-2015) and a Director of Gemplus (2002-2006). With significant experience in the finance and banking sectors, he has been Head of the Quandt/Klatten Family office since 2000 and was previously its Managing Director, responsible for all financial questions and running the day-to-day business (1990-2000). Before that he was with KPMG covering financial institutions and industrial companies (1984-1989) and was earlier assistant to the CEO of Bertelsmann. He has an MBA from Mannheim University and a post-graduate qualification from NYU Stern School of Business.

John Ormerod 1949
BRITISH
Non-executive, independent
Initial appointment: 2006
Current term: 2015-2017 (fourth term)
Other current appointments: Non-executive Director of ITV plc; non-executive Director of Constellation N.V; and non-executive Chairman of First Names Group Ltd.
Experience: John Ormerod is a UK chartered accountant with advisory and non-executive Director experience in finance and in the technology sector. He was a non-executive Director of Gemplus (2004-2006), as well as a non-executive Director of Computacenter plc (2006-2015), a non-executive Director of Misys plc, a leader in the financial software industry (2005-2012) and a non-executive Director of Tribal Group plc (2009-2015). Prior to that he was a partner with Deloitte & Touche (2002-2004). Earlier he served with the accounting and consulting firm Arthur Andersen (1970-2002) where he led the development of the firm’s European Technology, Media and Communications practice, culminating in his appointment as UK managing partner (2001-2002).

Joop Drechsel 1955
DUTCH
Non-executive, independent
Initial appointment: 2015
Current term: 2015-2019 (first term)
Other current appointments: Chief Executive Officer of BCD Group, Chairman of the supervisory Board of Royal Wagenborg.

Non-executive, independent
Chairman of the Board
Initial appointment: 2006
Current term: 2015-2017 (third term)
Other current appointments: Chief Executive Officer of BCD Group, Chairman of the supervisory Board of Royal Wagenborg.
Homaira Akbari 1961
AMERICAN/FRENCH

Non-executive, independent

Initial appointment: 2013
Current term: 2013-2017 (first term)

Other current appointments: Non-executive Director of Veolia (Paris Euronext: VIE); non-executive Director of Landstar System Inc. (NASDAQ: LSTR); non-executive Director of Microchip Technology Inc. (NASDAQ: MCHP); non-executive Director of NTT Com (TOKYO: 3705); non-executive Director of the supervisory Board of the Amsterdam Institute of Finance; President Emeritus of the American Chamber of Commerce in the Netherlands; Chair of the supervisory Board of the Roosevelt Study Center.

Experience: Homaira Akbari has extensive experience and deep domain knowledge in Internet of Things, software and security spaces. She is currently President and CEO of Aknowledge Partners, LLC, an international advisory firm providing services to leading private equity funds and large corporations. From 2007 to 2012, she was the President, Chief Executive Officer and a Director of SkyBitz, Inc. She has held executive and senior managerial roles in Microsoft (NASDAQ: MSFT), Thales, SA (Euronext: HO), and TruePosition, a wholly-owned subsidiary of Liberty Media Corporation (NASDAQ: LMCA). She holds a Ph.D. in particle physics from Tufts University and an MBA from Carnegie Mellon Tepper School of Business.

Buford Alexander 1949
AMERICAN

Non-executive, independent

Initial appointment: 2009
Current term: 2017-2018 (second term)

Other current appointments: Chairman of the supervisory Board of the Amsterdam Institute of Finance; President Emeritus of the American Chamber of Commerce in the Netherlands; Chair of the supervisory Board of the Roosevelt Study Center.

Experience: Buford Alexander is a Director Emeritus of McKinsey & Company, where he pursued a notable consulting career (1976-2008) leading its European high-tech and banking practices and founding its European Corporate Finance practice including M&A and post-merger management. He spent much of his last years at McKinsey designing and leading the transformation of global European multinationals. Since his retirement from McKinsey, Buford has served on corporate Boards in the software, travel and banking industries. He has an MBA from Harvard Business School, and holds the Royal Distinction of Officer in the Order of Orange-Nassau. Amsterdam has been his European base since 1983.

Arthur van der Poel 1948
DUTCH

Non-executive, independent

Initial appointment: 2004
Current term: 2012-2016 (third term)
Voluntarily resigned as of December 31, 2015

Other current appointments: Chairman of the supervisory Board of ASML Holding NV; Chairman of the supervisory Board of BDR-Thermae Group BV.

Experience: Arthur van der Poel has a lifetime’s experience in the electronics and telecoms sectors. He was member of the supervisory Board of Royal HaskoningDHV (2011-2014). Previously, he was Chairman of MEDEA+, the pan-European program for co-operative R&D in microelectronics (2004-2007), and previously a member of the Board of management of Royal Philips Electronics (1998-2003). Before that he served with Philips Semiconductors where he held different marketing and management positions (1984-1996), before becoming Chairman and CEO (1996-2001). Arthur had earlier worked for the International Telecommunication Union in Indonesia, and before that for the R&D group of Dutch telecom operator PTTL.

Drina Yue 1957
AMERICAN

Non-executive, independent

Initial appointment: 2012
Current term: 2012-2016 (first term)

Other current appointments: Board of Director, Christian Action Asia.

Experience: Drina Yue has a wealth of experience in the finance and telecommunications industry. She recently retired as the Senior Vice President and Managing Director of Western Union, responsible for the Asia-Pacific region’s 40+ countries/territories (2010-2014). Prior to that, she was head of Motorola’s Asia Pacific Broadband Communications, Home & Network Mobility business (2004-2010). and COO then CEO of SteelAsia, developing it into the world’s first listed steel vertical portal (2000-2004). She was previously Chief of Staff to the President of Motorola’s wireless infrastructure business in China (1999-2001); and held various roles with BellSouth (1984-1994) receiving eight US patents in telecommunications services. She began her career at AT&T as a development engineer and systems analyst (1980-1984). She was also a Board member of Hong Kong’s Information Infrastructure Advisory Committee (2000-2004).

Yen Yen Tan 1965
SINGAPOREAN

Non-executive, independent

Initial appointment: 2012
Current term: 2012-2016 (first term)

Other current appointments: Chairman and CEO (1996-2001). Arthur had earlier worked for the International Telecommunication Union in Indonesia, and before that for the R&D group of Dutch telecom operator PTTL.

Experience: Yen Yen Tan has considerable experience in the technology sector. She was Senior VP Applications, Oracle Corporation Asia Pacific (2010-2014); VP/Managing Director, Hewlett-Packard Singapore (2005-2010) and various senior management positions with HP across Asia-Pacific (1993-2005). Chairperson, Singapore’s Infocomm Development Authority (2009-2011), committee member of its Media Masterplan’s Talent and Manpower Work Committee (2013-2014); Deputy Chairperson, Singapore’s Ministry of Communications & Information Internet & Media Advisory committee (2009-2011); and member, IT sub-committee, Singapore’s Government Economic Strategies Committee (2010-2011).

Philippe Alfroid 1945
FRENCH

Non-executive, independent

Initial appointment: 2010
Current term: 2014-2018 (second term)

Other current appointments: Chairman of the supervisory Board of Faiveley Transport SA; Board member of Essilor International SA; and Board member of Euronerg S.A.

Experience: Philippe Alfroid was Chief Operating Officer of Essilor International, the world leader in ophthalmic optics (1996-2009) and had previously held several operational and senior management positions in the Group including Chief Financial Officer (1991-1996). He was Chairman of Sperian Protection (2003-2005), having been a Director since 1991. He is an engineering graduate from ENSEIRBMA Grenoble and holds a Master of Science from the Massachusetts Institute of Technology.
Gemalto’s experienced Senior Management team, under direction of the CEO, has primary responsibility for running the Company’s day-to-day business.

Paul Beverly 1962

**EVP Marketing**

Paul Beverly has held his current position since 2006. In this role he leads Gemalto’s global marketing activities, focusing on business development and the customer experience at all touch points. He also served as President of North America (2003-2013) with responsibility for business operations from the inception of the Company. Before that he held senior management positions in the United States and Europe for Schlumberger, with whom he began his career.

Paul is deeply involved in the high tech industry, having served as Chairman of the leading security trade organization and the Board of the University of Texas Technology Incubator, and frequently presenting at industry events and in the media. He is presently active with numerous charitable organizations and is a Board Member of the Austin Chamber of Commerce and the Technology Council. Paul holds Business and Economics degrees from Auburn and Harvard University.

Eke Bijzitter 1974

**Compliance, Governance and Central Officer**

Eke Bijzitter has held her current position since January 2014. Prior to this she was Group Corporate Counsel and Deputy Company Secretary of Gemalto (2005-2013). Before joining Gemalto she held various positions as corporate counsel in the Netherlands. Eke Bijzitter has a degree in Law from the University of Groningen and a postgraduate degree in Corporate Structures from the Grotius Academie.

Isabelle Marand 1966

**EVP Corporate Communication**

Isabelle Marand has held her current position since January 2014. Prior to this she was VP Corporate Communication (2010-2013) and VP Branding and Internal Communication (2006-2010) for Gemalto. Isabelle previously headed Axalto’s Communication department (2003-2006) and spent seven years in different marketing communication positions within Schlumberger. Before this she held various marketing and communication positions at Alcatel Business Systems (1989-1996). Isabelle Marand is a graduate from the Ecole Superieure de Commerce d’Amiens (Master in Management) and holds a degree in Foreign Languages from La Sorbonne Nouvelle University.

Martin McCourt 1962

**EVP Strategy and Innovation**

Martin McCourt has held his current position since 2007, being responsible for Strategy and M&A and executing over 20 acquisitions. From January 2014, he has also taken responsibility for Research and Development, Innovation, IP and Purchasing. He was previously President of Asia for Gemplus (2005-2007) and before that had spent 20 years with Corning Inc in R&D, sales and marketing, strategy and M&A roles, most recently heading the worldwide Project Services business for Corning Cable Systems. Martin has a Master of Business Administration from INSEAD, a PhD in Integrated Optics from the Institut National Polytechnique in Grenoble and a degree in Electronic Engineering from University College Dublin.
Philippe Cabanettes, EVP Human Resources

Philippe Cabanettes has held his current position since 2006. Before that, he was VP Human Resources for Axalto (2004-2006); Director of Personnel for Schlumberger’s Volume Products business (2001-2004) and Director of Personnel for Schlumberger’s Resources Management Services division (1997-2001). He previously held various positions with worldwide responsibility for Human Resources in the petroleum, industrial and services sectors of the Schlumberger group, based in France, Italy and the US. He has served as President of PartnerJob.com, a non-profit, cross-industry organization facilitating Dual Career management since 2002. Philippe is a graduate from Institut d’Etudes Politiques in Paris (‘Sciences-Po’) and holds a Master in Economics from Université de Paris X.

Jacques Tierny, Chief Financial Officer

Jacques Tierny has held his current role since 2007. Before that he was head of the Valuation and Strategic Finance practice for KPMG Corporate Finance in Paris. Jacques was previously Group CFO and later Executive Deputy General Manager for the retail group Casino (2003-2006). He had earlier spent 23 years in various finance positions at Michelin, later becoming Group Deputy CFO. Jacques began his career as a commodity broker. He graduated in 1977 from the HEC School of Management in Paris, and also holds an MBA from the International Management Program of New York University and the Mestrado from Gétulio Vargas in São Paulo. Jacques has taught Corporate Finance at the Conservatoire National des Arts et Métiers (CNAM) and other business schools, and is a member of the Board of the French investment fund Sicav LCL Obligations Euro.

Philippe Vallée, Chief Operating Officer

Philippe Vallée has held his current position since January 2014. Prior to this he was EVP of Gemalto Telecommunications Business Unit (2007-2013). He previously served Gemplus then Gemalto, in a number of roles including various Product and Marketing management roles, EVP Marketing and then President of the Telecom BU, Chief Technology Officer. Besides France, Philippe has served several assignments in Hong Kong and Singapore. Philippe has over 25 years’ experience in the Telecom industry. As the Gemalto CIO, he supervises all company Business Groups for Product, Marketing, Sales, Manufacturing and Information Systems functions. He began his career with Matra Communication (now Lagardère Group) as a product manager on the first generation of GSM mobile phones. Philippe has a degree in Engineering (Telecom and Microelectronics) from the Institut National Polytechnique de Grenoble and is a graduate of the ESSEC Business School.

Jean-Pierre Charlet, EVP General Counsel, Risk Prevention and Management, Company Secretary

Jean-Pierre Charlet has held his current position since 2006. Prior to this he was General Counsel of Rexel (2003-2005), Deputy General Counsel of Sanofi-Synthélabo (1999-2002), and General Counsel of Synthélabo (1996-1999). From 1981 to 1996, he held positions within the Legal Departments of Carnaud-Métalbox, PPR group, Schlumberger Group and Société Métallurgique Le Nickel-SLN. In 1974, Jean-Pierre was admitted to the Bar in Paris, where he began his career in various law firms. Jean-Pierre holds a Master in Law from Université de Paris X and a Master of Comparative Law from Georgetown University in Washington DC.
GOVERNANCE

Chairman’s letter

“Continuous improvement will always remain part of our ongoing agenda.”

ALEX MANDL
CHAIRMAN

Continuously improving our governance

In a fast-moving industry, the fundamentals of good Board governance assume particular importance. Continuous enhancement of the Board’s capabilities and effectiveness is essential to keep pace with changing market needs, technological developments and the competitive landscape.

At Gemalto, this has always been a priority. We are an agile business, evolving rapidly to make best use of our experience and resources as new opportunities arise. We see great potential for expansion into adjacent markets and technologies, as we showed with the acquisition of SafeNet in 2014. Making these moves with confidence and assurance requires a highly experienced management team; effective oversight depends on having a correspondingly experienced and knowledgeable Board.

Besides seeking out people with the right experience, we continue to develop their skillsets. We maintain active programs of self-assessment and training for all Board members. We update them on technology developments at seminars within the Company, and bring in external experts to share their perspectives.

As a Board, our role is to oversee the conception and effective implementation of sound strategies. We aim to provide the executive with constructive challenge and informed support. And we recognize a duty to communicate clearly and openly to investors our view of the business – its progress and prospects.

Today we see Gemalto as uniquely well positioned in a space that is critical to the functioning of the modern world. Our positive view of the Company is founded on a realistic assessment of its management team and of the opportunities available to the business.

Alex Mandl Chairman
Our Board during 2015

The Board’s focus during the year
The Board held seven meetings: four in person and three by conference call. One Board resolution was taken without holding a meeting. The overall attendance rate at Board meetings during 2015 was in excess of 90%.

During the year the Board addressed the following main subjects (in alphabetical order):

- Agenda for the AGM.
- Annual budget plan.
- CEO and Senior Management remuneration.
- Corporate governance structure and developments.
- Design and effectiveness of risk management and internal control systems and any significant changes to them.
- Development of business activities, investment and M&A opportunities, as well as the competitive environment.
- Financing requirements for the Group, including private placement and French commercial paper.
- Grants to employees under the Global Equity Incentive Plan.
- Group financial performance and disclosures.
- Long-term evolution of Board and committee composition, including chairmanship.
- Main risks to the business.
- Opportunities for employees to buy discounted shares under the Global Employee Share Purchase Plan.
- Performance and functioning of the Board, the Board committees and the individual Board members, including the CEO.
- Share buy-back and dividend policy.
- Succession planning for the CEO and Senior Management, and related management development.

Independence
During 2015, all our non-executive Board members met the independence requirements of the Dutch corporate governance code’s best practice provision III.2.2. The Company is hence compliant with best practice provision III.8.4.
How the Board is performing

Each year the Board performs a self-assessment to benchmark and evaluate the effectiveness of the Board and its committees, including the Chairman and the CEO. The evaluation process comprises written questionnaires and one-on-one interviews with all Board members. These usually cover key areas such as: strategy; risk management and internal controls; performance management; shareholder communication; Board culture and dynamics; Board composition, with particular reference to balance of skills, experience, independence, knowledge of the Group, and diversity; and the Board and committee calendar, agendas, materials and support. The completed questionnaires are available to the Chairman only, who prepares a written report that is discussed by the Board as a whole.

From time to time the assessment of the Board and its committees is performed by an external expert.

The self-assessment of the Board and its committees relating to the year 2015 is performed during the first quarter of 2016, the outcome of which will be reported in the 2016 Annual Report.
Board committee reports

Report of the Audit committee

Committee members on December 31, 2015 (all being independent)

John Ormerod (Chairman) Homaira Akbari
Joop Drechsel Drina Yue
Johannes Fritz

Number of committee meetings in 2015 6

The Audit committee meets during the year at times determined by the Company’s financial reporting calendar. The committee normally invites the CFO and some of his reports as the case may be, the Company’s external auditors, the Internal Audit Director and the Chairman of the Board to attend its meetings. Others, including the CEO and the COO, attend from time to time in order to participate in specific discussions or agenda items. The committee regularly meets in separate executive sessions with the CFO, EVP General Counsel, Compliance, Governance and Central Officer, Internal Audit Director and the external auditors.

The committee’s main responsibilities are to review the financial information to be published by the Company; to oversee the relationship with the Company’s external auditors and receive reports on the plans for and findings of their work; to review the Company’s risk management processes and effectiveness of its risk management system and key policies and authority limits and on the adequacy of judgment-based assumptions and sensitivity analysis used in valuations of assets and liabilities.

In carrying out its work, the committee challenges management on significant risks and mitigating actions, on the levels of exposures, on policies and authority limits and on the adequacy of judgment-based assumptions and sensitivity analysis used in valuations of assets and liabilities.

In particular, during 2015 the committee reviewed and reported to the Board on the following:

- Annual financial statements and the related detailed report from the external auditor. This review included consideration of the Company’s accounting policies and the key judgments made by management in preparing the financial statements. Areas of focus were:
  - the appropriate application of revenue recognition policies, in particular in relation to new areas of business;
  - provisions for tax across the range of countries in which the Company operates in particular where tax laws are applied in a more subjective way;
  - accounting for and the presentation in the financial statements of the SafeNet acquisition;
  - the capitalization of development expenditure;
  - impairment testing of intangible assets;
  - provisions for credit risk in particular in relation to sales in emerging markets;
  - accounting for share based compensation expense, and
  - the overall presentation of the financial statements including the judgement applied by management when classifying some costs under the line item ‘restructuring and acquisition-related expenses’.
- Condensed semi-annual financial statements and the related report to the committee by the external auditor, as well as the announcements of the interim management statements, including quarterly revenue figures.
- The Company’s financial and risk management system and key internal financial control policies and procedures. These included a review of the cash management, counterparty risk and outstanding credit facilities, including the impact of foreign currency fluctuations, tax and treasury risks, including hedging. These steps are designed to help the Board review and assess the effectiveness of internal controls.
- Information and communication technology risks. The review of this area was based upon a presentation on the Company’s Information Solutions and Services (ISS) plans and risks given annually to the committee by the CIO. This year the review was extended to cover a presentation on the development of the Company’s Business Data centers and operations to support certain of our Platform & Services customer solutions.
- Reports on whistleblowing, significant claims and disputes – including those resulting in litigation – and related party transactions.
- The appointment of a new Head of Internal Audit when the current Head transferred to a new role in Gemalto. The committee also reviewed the internal audit charter, the internal audit plan for the next three years and its coverage in relation to external audit. The committee also reviewed reports on the effectiveness and independence of the internal audit process, considered their findings and recommendations and monitored management’s follow-up actions.
- The development and implementation of the external auditor’s plan for the 2015 audit. The committee reviewed with the external auditor the audit approach and scope of work for the year, as well as with the related fee proposal. The committee considered the auditor’s procedures for maintaining a high standard of audit quality. In anticipation of KPMG performing their first audit in 2016, the committee completed a review of the preliminary audit plan for that year considering in particular the assessment of risk, materiality, the scope and testing approach.
- Performance and independence of the external auditor. The committee considered the steps taken to ensure their continued independence, including reviewing the fees paid for audit and non-audit services. Following the recommendation of the Audit committee, endorsed by the Board, KPMG Accountants N.V. was appointed external auditor for the financial year 2016 at the 2015 AGM.
During the year, the Nomination and Governance committee continued to focus on the future nature, shape and composition of the Board and committees in order to maintain the current high level of effectiveness and made recommendations to the Board for Board (re)appointments and committee memberships.

Based on the committee’s advice, the Board recommended the reappointment of the Board members who stood for reappointment at the 2015 AGM. Michel Soublin opted not to seek reappointment when his mandate expired at the close of the 2015 AGM.

After a thorough selection process supported by a leading executive search firm, the committee proposed to put forward Joop Drechsel as new non-executive Board member. Interviews and introduction meetings were held with the committee members and other Board members, including the Chairman and CEO. Joop Drechsel was appointed at the 2015 AGM as non-executive Board member until 2019.

With the full support of the committee and the Board, Arthur van der Poel voluntarily resigned as of December 31, 2015. The committee has started a thorough selection process for a new Board candidate to be proposed at the 2016 AGM.

The committee prepared and coordinated with the Chairman of the Board the self-assessment of the Board and the committees. Other topics addressed during the year included the sustainability report, governance sections of the Annual Report and the agenda for the AGM. The committee received regular updates on developments in Dutch corporate law.

As a consequence, the committee charter was amended and the committee name changed from Strategy and M&A committee to M&A committee. During the year, the committee reviewed all material acquisition and divestiture proposals and also reviewed the post-acquisition performance of several previously acquired businesses.

As in previous years, the Compensation committee met on a regular basis with its own advisor (Mercer) to be updated on both market trends and industry best practice in terms of Compensation and Benefits for the CEO and the Senior Management team.

The committee reviewed the achievement of performance targets and objectives recommended by itself and set by the Board for 2014 and the resultant variable compensation payments for the CEO and Senior Management. The committee proposed to the Board the appropriate 2015 targets. As every year, the salary of the CEO was carefully reviewed. No change was recommended from the committee to the Board and the CEO’s base salary remained unchanged.

The 2015 Remuneration report is set out on pages 59-62. Working with the advisor from Mercer, the committee designed the terms of the 2015 Long Term Incentive (LTI) grant and recommended the Board to grant restricted share units to eligible employees in 2015 (including additional key contributors from the recently acquired business). It also defined the applicable grant characteristics, as well as the performance and service vesting conditions. This award is aligned to the achievement of the LRP presented in September 2013.

The committee also began work on the elements of the LTI for 2016, which included holding a preparatory meeting between the Chairman of the committee, the EVP Human Resources and Mercer, as in previous years.

The committee recommended that Gemalto employees in more than 35 countries should have the opportunity to buy shares in the Company at 15% below the market price by participating in the Global Employee Share Purchase Plan (GESPP).
Our governance structure

This section provides a broad outline of Gemalto’s corporate governance structure, its implementation during 2015 and its compliance with the Dutch corporate governance code.

Corporate information and background

Gemalto N.V. (the ‘Company’) is a public limited liability company (N.V. = Naamloze Vennootschap) under Dutch law. Gemalto is dual-listed on Euronext Amsterdam (since 2013) and Euronext Paris (since 2004). The market of reference is Euronext Amsterdam. Gemalto N.V. is the parent company of the Gemalto Group (the ‘Group’).

It was originally incorporated in the Netherlands as Axalto Holding N.V., a public company with limited liability, on December 10, 2002. The name change to Gemalto followed the combination with Gemplus International S.A. on June 2, 2006. The Company is headquartered in Amsterdam and its registered office address is Barbara Strozilaan 382, 1083 HN, Amsterdam, the Netherlands. Its registration number on the Amsterdam trade register is 27.25.50.26.

Gemalto’s corporate governance structure is based on the requirements of Dutch corporate law, the Dutch Act on Financial Supervision and Dutch corporate governance rules. The Dutch Autoriteit Financiële Markten (AFM: Netherlands Authority for Financial Markets) is the Company’s supervising authority. It follows the French Autorité des Marchés Financiers (AMF: French Financial Markets Authority) regulations where applicable, and is complemented by several internal procedures.

Compliance with the Dutch corporate governance code

Gemalto is committed to high standards of corporate governance, as the Board considers that this contributes to the Company’s long-term success and supports sound decision-making. The Board is accountable to the shareholders for Gemalto’s corporate governance structure and for compliance with the Dutch corporate governance code (www.commissiecorporategovernance.nl), which sets out principles and best practices for Dutch listed companies.

The Board agrees with the code’s general approach and the majority of its principles and best practice provisions. In accordance with the code’s ‘apply or explain’ principle, we explain the departures from its provisions:

- **Provision II.1.7:** this provision recommends having a complaints-related procedure enabling employees to report alleged irregularities of a general, operational and financial nature to a confidential advisor. Gemalto has established a complaints-related procedure relating only to the reporting of alleged financial irregularities. We depart from the code in exempting alleged irregularities of a general or operational nature from this procedure since as a global company we are taking into account the laws of different countries where we are located. We are monitoring the evolution of such laws and, if feasible, we will reconsider the scope of the complaints-related procedure.

- **Provision II.2.8:** this provision recommends that severance payment in the event of dismissal may not exceed one year’s salary, being the fixed compensation component. We depart from the code, as the severance payment for the CEO is one year of reference salary, being fixed and variable compensation, and reflects his accrued seniority with Gemalto. This arrangement was adopted by the 2006 EGM approving the Axalto-Gemplus combination and is included in the remuneration policy approved by the shareholders at the 2008 AGM.

- **Provision II.2.10:** this provision recommends that the Board has the power to adjust the value of conditionally awarded variable compensation where extraordinary circumstances would produce an unfair result. We depart from the code, as the CEO’s employment contract does not specifically include such a right to adjust variable compensation in extraordinary circumstances. However, in such a case, the Company would make whatever adjustments were feasible under applicable law.

- **Provision III.3.5:** this provision recommends that non-executive Board members are appointed to the Board for a maximum of three four-year terms. We depart from the code, as non-executive Board members can be appointed for more than three terms. However, in practice we apply a stricter rule. At Gemalto, a term is a maximum of four years. Length and number of reappointments may vary, but the entire service of non-executive Board members may not exceed 12 years. After having served two terms or upon reaching the age of 70 at reappointment date, non-executive Board members may be reappointed for additional terms of a maximum of two years each.

- **Provision III.8.1:** this provision recommends that the Chairman of the Board may not have been an executive Board member. We depart from the code, as our Chairman, Alex Mandl, was executive Chairman of Gemalto from June 2006 to December 2007. However, the Board is concerned to capitalize further on his knowledge and experience within the Group, to the benefit of Gemalto and its stakeholders.

- **Provision IV.3.1:** this provision recommends that press conferences shall be announced in advance on the Company’s website, and provisions shall be made for all shareholders to follow these meetings in real time. We departed once from this best practice provision during 2015. A press conference open to the media representatives only, was held on February 25, 2015 to comment on the outcome of an internal investigation following the sudden release days earlier of a press article incriminating Gemalto. The Company’s investors were informed earlier that day through the publication of a press release. Price sensitive and other information relevant to the shareholders is disclosed as required by applicable law or as appropriate and made available on the Company’s website.
Our governance structure continued

Board of Directors

One-tier Board

The Company has a statutory one-tier Board comprising one executive Board member (the CEO) and ten non-executive Board members.

The Board has ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. This specifically includes:

- Achievement of the Company’s objectives.
- Corporate strategy and the risks inherent in the business activities.
- Design and effectiveness of the internal risk management and control systems.
- Compliance with primary and secondary legislation.
- Company-shareholder relationships.
- Corporate social responsibility issues relevant to the enterprise.
- Financial reporting process.

The Board is accountable to the shareholders. In discharging its role, it is guided by the interests of the Company and its affiliated enterprises, taking into consideration the interests of the Company’s stakeholders.

The CEO is responsible for day-to-day management and can take such decisions without the need for the Board’s approval or consent. In addition, the Board may delegate to the CEO powers that fall outside day-to-day management, so that these do not require a resolution of the Board. The CEO is supported by the Senior Management team. The Board’s tasks and functions, as described in the Articles of Association and Board charter, include the duties recommended in the Dutch corporate governance code. These are published on our website.

Composition

The composition of the Board aims to ensure that its members can act critically and independently of one another and any particular interests. The profile setting out the desired expertise and background of the non-executive Board members was updated by the Board in October 2009 and is published on our website. We seek to achieve diversity of age, gender, expertise, social background and nationality on the Board. As at December 31, 2015, there are three women out of 11 Board members. We consider that there is no substantive deviation from the Dutch Bill on Management and Supervision regarding gender diversity.

At least one of the non-executive Board members can be regarded as a financial expert under the code’s best practice III.3.2. At the 2007 AGM, the maximum number of Board members was set at 11 to allow the Board to determine its optimal size from time to time. During 2015, the Board consisted of 11 members: one executive (the CEO) and ten non-executives.

The Chairman – currently Alex Mandl – is appointed by the Board to ensure the proper functioning of the Board and its committees and act as the main contact for shareholders on the functioning of the Board. He presides over Board meetings and General Meetings and is responsible for the proper conduct of business at meetings. If the Chairman is absent or indisposed, the committee chairmen will choose a Vice-Chairman from among themselves to take the role temporarily.

The Board is assisted by the Company Secretary, Jean-Pierre Charlet, who was appointed to the role in July 2005. He is also the Group’s General Counsel.

Appointments

Board members are appointed by the shareholders at a General Meeting, under arrangements set out in the Articles of Association. The Board may propose candidates, and such proposals may be binding or not. To date, the Board has never used its option to make a binding nomination. This has allowed the shareholders to appoint nominated candidates by a majority of the votes cast, with no quorum required. A term is a maximum of four years. Length and number of (re)appointments may vary, but the entire service of non-executive Board members may not exceed 12 years. After having served two terms or upon reaching the age of 70 at reappointment date, non-executive Board members may be reappointed for additional terms of a maximum of two years each. There is no limit to the entire service of the executive Board member, except the age of 65, unless otherwise agreed with the Board. The executive Board member is appointed as the CEO by the non-executive Board members. They can revoke the appointment at any time – in which case they will appoint an acting CEO with the same powers and duties.

Board members can be suspended or dismissed by the shareholders. The executive Board member can also be suspended by the Board. Without a proposal from the Board, the shareholders can suspend or dismiss Board members only by a majority vote at a General Meeting where at least a quarter of the Company’s issued share capital is represented. If this quorum is not met, a second meeting can be called at which no quorum is required. If the Board makes the proposal, no quorum is required.

Other Board appointments

Dutch law applies, meaning that upon (re)appointment, non-executive Board members may not hold more than five supervisory board memberships of Dutch listed or large Dutch companies; in this context, a chairmanship of a supervisory board counts double. At Gemalto we have set a limit of five for the total number of (supervisory) boards worldwide. Any exception to this rule requires pre-approval of the Chairman of the Board.
In addition to his present position as CEO of Gemalto, the CEO may not hold more than two board memberships at listed companies worldwide or large Dutch companies, and may not chair the board of any such company.

The acceptance by the CEO of a board membership of a listed company requires the approval of the Board. Other important positions held by the CEO shall be notified to the Board. Each non-executive Board member needs to receive prior approval from the Chairman of the Nomination and Governance committee before accepting any new corporate board mandate. Board members are required to inform the Chairman of the Nomination and Governance committee of any change in their existing status as director on any other board.

Conflicts of interest
The Board expects its members to act ethically at all times. Board members are bound by the Gemalto Code of Ethics. Conflicts of interest, potential or actual, between the Company and members of the Board are governed by the Articles of Association and the Board charter. The Board must approve any decision to enter into a transaction where a Board member has conflicts of interest that are material to the Company or the individual Board member. Any such transaction will be declared in the Annual Report for the relevant year with a declaration that we have complied with best practice provisions II.3.2-4 and III.6.1-3 of the Dutch corporate governance code. Following the Gemalto Board charter, a Board member must step down temporarily or resign if a significant conflict exists and cannot be resolved. A Board member shall not take part in the assessment by the Board of a potential conflict of interest involving that Director and shall furthermore not take part in any decision-making process (beraadslaging en besluitvorming) that involves a subject or a transaction in relation to which he has a direct or indirect personal interest which conflicts with the interest of the Company. In 2015, no transactions were reported where a Board member had a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see note 30 of the consolidated financial statements.

Indemnification of Board members
To the extent permitted by Dutch law, the Company indemnifies Board members against expenses such as the reasonable costs of defending claims: article 19 of the Articles of Association gives the details. There is no entitlement to reimbursement under certain circumstances, for example, where a Board member has been held liable for gross negligence or willful misconduct. Gemalto carries liability insurance for Board members and corporate officers.

Board committees
The Board has four committees comprising non-executive Board members: Audit, Compensation, Nomination and Governance, and M&A. They do not have executive powers and are subject to the Board’s overall responsibility.

Their main role is to provide focused analysis and insight in their respective areas, reporting on their deliberations and making recommendations to meetings of the full Board. The duties of each committee are described in their respective charters.

Audit committee
This committee helps the Board to oversee the quality and integrity of Gemalto’s financial statements, risk management and internal control arrangements, compliance with legal and regulatory requirements, external audit arrangements and internal audit function. It meets with the external auditor as often as necessary, and at least once a year without the CEO and management being present. The Board believes that at least one committee member is a financial expert within the meaning of best practice III.3.2 of the Dutch corporate governance code.

Compensation committee
This committee proposes the remuneration policy, setting the parameters for the CEO’s remuneration, for approval by the General Meeting. Within the limits of this policy, it proposes the remuneration for the non-executive Board members (reviewed from time to time) for approval by the General Meeting. More broadly, the committee oversees Gemalto’s general remuneration policy and long-term awards such as options to acquire shares, restricted share units and/or share appreciation rights, and opportunities for employees to buy Company shares at a discount to the market price.

Nomination and Governance committee
This committee advises on identifying and nominating candidate Board members that meet the Board’s criteria; preparing the selection criteria and procedures for Board appointments; and advising on the appointment and resignation of managers reporting directly to the CEO. It also guides the Board through the annual evaluation process, reviews the corporate governance principles affecting Gemalto and advises the Board on any relevant changes to these principles.

M&A committee
This committee advises on the Board on Gemalto’s M&A policy and on the major features of its merger, acquisition and divestment activities.

Risk management and internal control systems
Gemalto maintains operational and financial risk management systems backed by systems and procedures for monitoring and reporting. A separate internal control function ensures compliance with our internal control requirements. Our risk management and internal control systems are explained in detail on pages 34-41, and the Board’s statement on internal risk management and control systems is shown on page 63.

We are committed to individual and corporate integrity. Our internal procedures include a Code of Ethics describing the appropriate conduct for officers and employees, covering internal controls, financial disclosures, accountability, business practices and legal principles. We have distributed it across the Company and support it with regular training.
Our governance structure continued

Our complaints procedure enables employees to report alleged financial irregularities within the Company to a confidential advisor – Gemalto’s General Counsel. The Gemalto Speak Up line ensures that they can report alleged financial irregularities without jeopardizing their legal position. Alleged irregularities of a general or operational nature should be reported internally to the relevant manager.

Board members and employees must comply with the rules of the Gemalto insider trading policy. This prohibits them from trading in Gemalto securities, or other securities, on which they have inside information. In addition, Board members and other designated employees are prohibited from trading in Gemalto securities during closed periods. The Central Officer may also rule that they may not trade in Gemalto or other securities outside closed periods. Transactions in Gemalto securities by Board members and certain members of the Senior Management team are notified to the Autoriteit Financiële Markten (Netherlands Authority for Financial Markets) in accordance with Dutch law.

These policies are published on our website.

**Shares owned and rights to acquire shares**

Board members who hold Gemalto shares, hold them for long-term investment. They must comply with the rules on owning and trading in Gemalto securities in the insider trading policy.

**Shares or other financial instruments in listed companies other than Gemalto N.V.**

Board members must comply with regulations on owning and trading in securities of listed companies other than Gemalto N.V. in the insider trading policy.

---

**Shareholders and General Meetings**

**Share capital and shares of the Company**

The Company’s authorized share capital of €150,000,000 is divided into 150,000,000 ordinary shares with a nominal value of €1 each. On December 31, 2015, the Company’s issued and paid-up share capital amounted to €89,007,709. This consisted of 89,007,709 ordinary shares, of which 903,717 were held in treasury and 88,103,992 were in circulation.

Shareholders have the power to issue shares and may authorize the Board, for a period of up to five years, to issue shares and to determine the terms and conditions of share issuances.

Shareholders have a pre-emption right to subscribe for any newly issued shares in proportion to the nominal value of the shares they hold, unless this right is modified by a shareholder vote as described below. This does not apply to shares issued for considerations other than cash or to shares issued to Company or Group companies’ employees.

Shareholders have the power to limit or exclude pre-emption rights in connection with new issues of shares. They can also authorize the Board, for a period of up to five years, to limit or exclude pre-emption rights.

The 2014 AGM gave the Board authorization, renewed by the 2015 AGM, to repurchase Company shares. This allowed us to buy shares in 2015 to provide liquidity, to grant shares to employees and to fund external growth. On December 31, 2015, 903,717 shares with a market value of €49,948,439 were held in treasury, acquired at an average price of €40.20 per share. Shares held in treasury carry no voting rights.

---

**Shares or other financial instruments in Gemalto N.V. held by Board members as at December 31, 2015**

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares</th>
<th>American Depository Receipts of Shares</th>
<th>Maximum (unvested) Restricted Share Units</th>
<th>Employee options</th>
<th>Units in a Fonds Commun de Placement d’Entreprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alex Mandl</td>
<td>10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olivier Piou</td>
<td>326,000</td>
<td></td>
<td>185,000</td>
<td>111,500</td>
<td>39,447.77</td>
</tr>
<tr>
<td>Homaira Akbari</td>
<td>4,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Purchased in 2014, through a company controlled by the Board member.
2 Progressively acquired since 2004.
3 Progressively granted since 2005.
4 Progressively purchased through participating in Global Employee Share Purchase Plans.
5 Progressively purchased since 2014, through a company controlled by the Board member.
The Company has only issued ordinary shares, all of the same category and all in registered form. No certificates representing shares have been issued. Shares are dual-listed on Euronext Amsterdam and on Euronext Paris. The market of reference is Euronext Amsterdam. Company shares can be held in two ways:
- Listed in the shareholder’s own name in the shareholder register.
- Held in an account in a bank, a financial institution, an account holder or an intermediary. These shares are included in the shareholder register in the name of Euroclear France S.A.

2015 AGM
The AGM was held on May 21, 2015. No shareholders exercised their right to add items to the AGM agenda.

At the meeting, the following items were dealt with as individual agenda items:
- 2014 Annual Report (discussion item).
- Application of the remuneration policy in 2014 (discussion item).
- Adoption of the 2014 financial statements (voting item).
- Dividend policy and proposed cash dividend of €0.42 per share for 2014 (voting item).
- Discharge of the CEO and non-executive Board members for the fulfillment of their respective duties during 2014 (voting item).
- (Re)appointment of three non-executive Board members (voting item).
- Renewal of the Board’s authorization to repurchase Company shares (voting item).
- Extension of the Board’s authorization to issue shares and to grant rights to acquire shares in the share capital of the Company and to limit or exclude pre-emption rights (voting item).
- (Re)appointment of the external auditor for 2015 and 2016 (voting item).

All resolutions were adopted. The minutes of the meeting are available on our website.

Voting rights
Shareholders holding Company shares on the record date, which under Dutch law is 28 days before the General Meeting, are entitled to attend and vote at that General Meeting. Shares are not blocked between the record date and the date of the meeting. All shares carry equal voting rights at the meeting. Votes may be cast directly; alternatively, proxies or voting instructions may be issued to an independent third-party before the meeting.

Authorizations granted to the Board
The Board has the following authorizations, granted by the General Meeting:

a. To issue shares and to determine the terms and conditions of such issue and to grant rights to acquire shares, with a maximum of 1.5% of the issued share capital per calendar year, up to a total of 5% of the issued share capital at the date of the 2014 AGM, for a period of five years, starting on May 21, 2015, without pre-emptive rights accruing to shareholders with respect to such share issues for the purpose of the Gemalto N.V. Global Employee Share Purchase Plan (GESPP) and/or the Gemalto N.V. Global Equity Incentive Plan (GEIP).

b. To issue shares and to determine the terms and conditions of such issue and to grant rights to acquire shares, up to a total of 5% of the issued share capital at May 21, 2015, for a period of 18 months, starting on May 21, 2015, with the power to limit or exclude pre-emptive rights accruing to shareholders with respect to such share issues.

c. To issue shares and to determine the terms and conditions of such issue and to grant rights to acquire shares, up to a total of 10% of the issued share capital at May 21, 2015, for a period of 18 months, starting on May 21, 2015, with pre-emptive rights accruing to shareholders with respect to such share issues.

d. To limit or exclude pre-emptive rights accruing to shareholders in connection with the above, under c., up to 5% of the issued share capital for the purpose of M&A and/or (strategic) alliances for a period of 18 months, starting on May 21, 2015.

e. To acquire up to 10% of the issued Company shares, within the limits of the Articles of Association and within a set price range, up to and including October 31, 2016. On December 31, 2015, the Company’s issued share capital consisted of 89,007,709 shares, of which 903,717 were held in treasury: on that basis the authorization covered up to 7,997,053 shares.

f. To cancel up to 9,101,584 shares, in one or more tranches, as the Board sees fit.

Distribution of profits
Our dividend policy was addressed as a separate agenda item for the first time at the 2005 AGM. It states that the amount of dividends to be paid by the Company to its shareholders shall be determined by taking into consideration the Company’s capital requirements, return on capital, current and future rates of return and market practices, notably in its business sector, as regards the distribution of dividends. In 2015, we paid a cash dividend of €0.42 per share for 2014.

The Board has authority to take all or part of each year’s profits into the Company’s reserves. The General Meeting has authority to vote on how the remaining profit should be allocated. The Articles of Association provide detailed information on the distribution of profits or reserves.
Shareholders’ disclosures published on the AFM website on December 31, 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Shareholding</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 15, 2015</td>
<td>EuroPacific Growth Fund</td>
<td>4.83% capital interest</td>
</tr>
<tr>
<td>December 15, 2015</td>
<td>Capital Research and Management Company</td>
<td>9.89% voting rights</td>
</tr>
<tr>
<td>December 15, 2015</td>
<td>Capital Group International Inc.</td>
<td>9.89% voting rights</td>
</tr>
<tr>
<td>December 2, 2015</td>
<td>S.N. Quandt</td>
<td>4.19% capital interest and voting rights</td>
</tr>
<tr>
<td>December 2, 2015</td>
<td>S.H.U. Klatten née Quandt</td>
<td>3.21% capital interest and voting rights</td>
</tr>
<tr>
<td>November 6, 2015</td>
<td>BlackRock, Inc.</td>
<td>3.00% capital interest and 3.74% voting rights</td>
</tr>
<tr>
<td>November 17, 2014</td>
<td>Oppenheimer Funds, Inc.</td>
<td>3.05% capital interest and voting rights</td>
</tr>
<tr>
<td>July 12, 2013</td>
<td>BPI Groupe</td>
<td>8.51% capital interest and voting rights</td>
</tr>
<tr>
<td>August 13, 2012</td>
<td>FMR LLC</td>
<td>4.77% capital interest and 4.48% voting rights</td>
</tr>
<tr>
<td>June 16, 2010</td>
<td>Pioneer Asset Management S.A.</td>
<td>4.86% capital interest and voting rights</td>
</tr>
</tbody>
</table>

Note that the table may not reflect the actual shareholding as per December 31, 2015 due to the following:
- Once a shareholder has disclosed a substantial shareholding to the AFM, additional disclosures are only required in case of exceeding or falling below a threshold.
- Shareholders who disclosed a substantial shareholding to the AFM above 3% and below 5% prior to July 1, 2013 and (i) held less than 3% on July 1, 2013, or (ii) held between 3% and 5% after July 1, 2013, were not required to make an additional disclosure to the AFM.
- Capital interests and/or voting rights may require several disclosures by companies belonging to the same group.

Shareholders’ disclosures
Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in Gemalto’s voting rights and/or capital. Disclosure is required when the percentage of voting rights or capital interest reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Dislosures must be made to the AFM immediately. The table above lists the substantial shareholdings in Gemalto N.V. on record in the AFM register on December 31, 2015, published on the AFM website at www.afm.nl.

Specific provisions of the Articles of Association

Required majorities and quora
Unless otherwise required by Dutch law or the Articles of Association, resolutions can be adopted by a majority of votes cast at a General Meeting where at least one-tenth of the issued share capital is represented. In the absence of this quorum a second meeting can be held, where no quorum is required. General Meetings must be held in Amsterdam, The Hague, Haarlemmermeer (Schiphol Airport), Utrecht or Rotterdam.

Amendment of the Articles of Association, liquidation or (de)merger
The General Meeting has the authority to approve Board proposals to amend the Articles of Association, to wind up the Company, merge or demerger it. Such proposals must be adopted with at least two-thirds of the votes cast at a General Meeting where at least a third of the issued share capital is represented. In the absence of this quorum, a second meeting can be held at which no quorum is required.

Appointment of the external auditor
The Audit committee and Board review the functioning of the external auditor annually. The 2015 AGM approved a Board proposal to appoint PricewaterhouseCoopers Accountants N.V. as the external auditor for 2015, and KPMG Accountants N.V. as the external auditor for 2016.

Specific information in relation to the Dutch Decree on Article 10 of the EU Takeover Directive
Two sections of this Annual Report – ‘Board of Directors’ on pages 54-56 and ‘Shareholders and General Meetings’ on pages 56-58 – include the disclosures specified by the Dutch Decree on Article 10 of the European Union Takeover Directive. In addition, we offer the following information:

Global Equity Incentive Plan – awards granted to employees
Awards granted to Gemalto Group employees vest automatically if the Company and/or its affiliates undergoes a change of control or is absorbed by merger and liquidated, provided the Board adopts no resolutions to the contrary. However, they will not vest automatically if they are maintained in effect by the Company or a successor corporation, or replaced by a plan giving the employee substantially equivalent rights.

Global Employee Share Purchase Plan – FCPE: system of control
In 2015, as in previous years, Gemalto employees were offered the opportunity to buy Gemalto shares at a 15% discount to the market price. Employees of our French subsidiaries can participate in this plan through a Fonds Commun de Placement d’Entreprise (FCPE) which offers tax benefits against long-term holding. The FCPE buys the Gemalto shares and in exchange employees receive units of the FCPE. Participation in the FCPE does not give rise to direct ownership of Gemalto shares or the right to acquire them. The FCPE has an independent Board of Directors and owned 372,961 shares of Gemalto on December 31, 2015. It exercises its voting rights on these shares independently, without instructions from participating employees.
Remuneration report

This report describes the remuneration policy for the CEO and the individual compensation paid to the CEO and non-executive Board members in 2015.

Introduction
The Board determines the CEO’s compensation with reference to the remuneration policy, which also provides guidance on Senior Management compensation (though the latter is not addressed in this report). The policy is approved by the shareholders – it was most recently amended by the 2008 AGM – and is published on our website. It complies with the Dutch corporate governance code apart from a few exceptions which are explained on page 53.

In considering the remuneration and incentive plans, the Board is assisted by Mercer, an independent advisor.

Remuneration policy
Our remuneration policy aims to attract, retain and reward talented staff and management by offering compensation that is competitive in Gemalto’s industry, motivates management to meet or surpass the Company’s business objectives, and aligns managers’ interests with those of shareholders.

The policy, and the checks and balances applied in its execution, are designed to avoid situations where the CEO – or Senior Management with similar incentive plans – act in their own interests, and to keep risk-taking in line with the Company’s adopted strategy and risk appetite.

To link reward to performance, a significant proportion of the CEO’s compensation package is variable, dependent on the performance of the Company and on the CEO’s personal performance over the short and long term. The Board ensures that performance targets are challenging, but realistic and sufficiently stretching.

The relationships between the chosen strategic objectives and the performance criteria applied, and between performance and compensation, are regularly reviewed.

Our policy is to maintain overall compensation levels at the 60th percentile for on-target performance – and in cases of exceptional performance within the upper quartile – benchmarked against comparison groups of companies. In 2015, the Board decided to review and adapt the composition of the comparison group in order to improve the level of representativeness in terms of size, industry and geography.

In this context, the Compensation committee analyzed the competitiveness of the CEO’s remuneration against the two following panels, which include international high-tech and French companies:

<table>
<thead>
<tr>
<th>Company</th>
<th>Compensation Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altran Technologies</td>
<td>Dassault Systemes</td>
</tr>
<tr>
<td>Essilor</td>
<td>Ingenico</td>
</tr>
<tr>
<td>Technicolor</td>
<td>STMicroelectronics</td>
</tr>
<tr>
<td>Capgemini</td>
<td>Imerys</td>
</tr>
<tr>
<td>Iliad</td>
<td>Oberthur</td>
</tr>
<tr>
<td>Nexans</td>
<td>Thalès</td>
</tr>
<tr>
<td>Computacenter</td>
<td>Infineon Technologies</td>
</tr>
<tr>
<td>VMware</td>
<td></td>
</tr>
<tr>
<td>Criteo</td>
<td>NXP</td>
</tr>
<tr>
<td>Capita Group</td>
<td></td>
</tr>
<tr>
<td>Imtech</td>
<td>Oberthur</td>
</tr>
</tbody>
</table>

To ensure appropriate comparisons, the Compensation committee consults independent, internationally recognized compensation specialists regularly, drawing on survey data on remuneration policies and actual data on compensation in the comparison group companies.

Compensation elements
The CEO’s compensation package consists of:

- Base salary (fixed part of the annual cash compensation);
- Performance-related short-term variable incentive (variable part of the annual cash compensation);
- Performance-related long-term variable incentive (conditional multi-year share-based plan);
- Benefits and mandatory pension contributions (no supplemental pension plan).

Details of the CEO’s compensation are shown in the table (left) and in note 10 to the statutory financial statements of the Holding Company.
Remuneration report continued

**Base salary (fixed part of the annual cash compensation)**
The objective of the base salary is to attract and retain Senior Management, including the CEO, targeting the median level in our comparison group.

As of March 4, 2014, the CEO’s salary is €850,000 and includes a fixed fee of €35,000 for his role as executive Board member of Gemalto N.V. It is reviewed annually by the Compensation committee. It will not be changed in 2016.

**Performance-related short-term variable incentive (variable part of the annual cash compensation)**
The objective of the variable incentive is to focus on the business priorities for the financial year ahead and to align reward with future shareholder value creation. For meeting 100% of the objectives, this incentive is intended to be clearly above the median level in the comparison group, averaging over the years about the 60th percentile.

The CEO’s variable incentive is based on achieving short-term (annual) financial and personal targets proposed by the Compensation committee and approved by the Board each year. For 2015, as in previous years, the targets were:

- Financial targets, accounting for 2/3 of the variable incentive:
  - Revenue: 4/15 of the variable incentive.
  - Profit from operations: 4/15 of the variable incentive.
  - Free cash flow: 2/15 of the variable incentive.

- Personal targets, accounting for 1/3 of the variable incentive: these relate to the CEO’s specific responsibilities and are defined as measurable actions linked to Gemalto’s success and development.

The CEO’s targets for 2016 will be along the same lines as for 2015. The personal targets include customer satisfaction and employee satisfaction.

The variable incentive ranges from zero to 180% of base salary. Meeting 100% of the objectives results in an incentive of 120% of base salary. Exceptional performance can take the variable incentive to a stretch level of up to 180% of base salary. Below a minimum performance threshold, the variable incentive for financial performance is zero. The variable incentive is calculated using two linear interpolation scales from threshold to target and from target to stretch. In exceptional cases, the Board may use its discretionary power and add or reduce an amount.

The performance of the CEO and of the Company in 2015 led to a result of 68% for the CEO’s variable incentive. The variable incentive for the CEO is €697,000, i.e. 82% of his base salary.

**Performance-related long-term variable incentive (conditional multi-year share-based plan)**
The objective of the long-term variable incentive plan is to reward and retain Senior Management, including the CEO, over the longer term while aligning their interests with those of shareholders.

The long-term incentive is intended to be clearly above the median level in the comparison group and in cases of exceptional performance within the upper quartile.

The Company’s long-term incentive plan allows for the award of share options and performance-related shares, i.e. restricted share units and share appreciation rights. The Board may make annual awards to the CEO similar in substance or nature with a maximum value equivalent to 250,000 market value share options valued using any of the generally recognized valuation methods in a manner approved by the Board. Since 2009, the Board has granted restricted share units rather than share options, as it considers that these provide stronger alignment with shareholders’ interests.

Special conditions apply if the Company and/or its affiliates are absorbed by merger and liquidated, or undergo a change of control: unless the Board resolves otherwise, awards that have not yet fully vested will vest automatically. This automatic vesting will not arise if the awards are maintained in effect by the Company or a successor corporation, or replaced by a plan giving the employee substantially equivalent rights.

**Restricted share units (RSUs)**
RSUs are shares awarded conditionally to the CEO, Senior Management and eligible employees. There is no purchase price to be paid, but vesting is conditional on specific Board-approved performance targets and specific service criteria being met.

During 2015, the CEO received 60,000 RSUs. Depending on performance, the number of RSUs granted may vary, with a sliding scale from 0 to 60,000 RSUs. The RSUs will vest only if the following conditions are met:

- Performance vesting conditions:
  - reaching a certain cumulative PFO over the period 2015-2017;
  - reaching a certain Platforms & Services revenue target over the period 2015-2017.

Full vesting by meeting 100% of the above conditions; partial vesting by meeting at least one of the above objectives.

- Service vesting condition: being an employee of Gemalto on August 31, 2018.

The grant is accounted for as equity-based compensation at a charge that may vary from €6 to €3,493,800, which will be expensed over 36 months. Associated with this grant, some social levies, accounted for as an equity-based expense at a charge that may vary depending on both the above-mentioned performance as well as the share price upon delivery will be expensed over 36 months.
Share options
Share options were granted to the CEO for the last time in 2008, based on the previous year’s performance. These vested in 2012 and can be exercised until 2018. The exercise price is equal to the average Gemalto share closing price on the Euronext Amsterdam stock exchange over the five trading days preceding the grant date, with no discount.

Benefits and pension contributions
The CEO enjoys the benefits appropriate to his position that apply to French employees.

These include the ability to participate in the Gemalto Employee Share Purchase Plan (GESPP). In 2015, employees were offered the opportunity to buy shares in Gemalto N.V. at a 15% discount to the market price, based on the lesser of the share values on the first and last day of the offering period. French employees participate in this plan through a Fonds Commun de Placement d’Entreprise (FCPE), a fund which subscribes to the Gemalto shares and gives the employee units of the FCPE in exchange. The CEO did not participate in the GESPP in 2015.

For 2015, the CEO’s pension contribution costs to the mandatory pension plan in France amounted to €60,782. The CEO does not benefit from any special pension plan provided by Gemalto, other than the plan required by law in France.

Employment contract
Olivier Piou was appointed as CEO in 2004. He was reappointed at the 2012 AGM for a four-year term until the 2016 AGM. His employment contract (originally dated 1981) is with Gemalto International SAS, a Gemalto subsidiary: it is not time limited, is governed by French law and carries a six-month notice period.

If Gemalto terminates Olivier Piou's employment contract, he is entitled to a severance payment equal to one year of reference salary. This represents the gross salary paid under his employment contract over the 12 months before its termination – including any bonuses, discretionary cash incentives and Board member fees. The severance payment will be in addition to the indemnities and benefits that would be provided under French laws and regulations and the collective bargaining agreement for the Engineers and Management level Employees in the Metallurgical Industry (Convention collective nationale de la Métallurgie – Ingénieurs et Cadres).

Long-term incentive plan awards granted to the CEO
Valuation of the long-term incentive plan awards made to the CEO: overview of awards over which he did not have unrestricted control at the start of 2015.

Restricted Share Units

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Number</th>
<th>Value at grant date</th>
<th>(Un)conditional</th>
<th>Date of vesting</th>
<th>Value at vesting date</th>
<th>End of lock-up</th>
<th>Value at end of lock-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2010</td>
<td>May vary from 0 to 32,500 with a potential maximum multiplier of two</td>
<td>£877,104(^1)</td>
<td>Conditional</td>
<td>March 2013 Performance vesting condition was met in 2011 so number of RSUs is defined: 58,000</td>
<td>€4,043,760</td>
<td>March 4, 2015</td>
<td>€4,187,600</td>
</tr>
<tr>
<td>March 2011</td>
<td>May vary from 0 to 150,000</td>
<td>£3,390,133(^3)</td>
<td>Conditional</td>
<td>Dependent on when various market-related thresholds are reached; in all cases before the 2014 AGM The five vesting conditions were successively met so number of RSUs is defined: 150,000</td>
<td>€7,035,900</td>
<td>March 10, 2015</td>
<td>€10,447,000</td>
</tr>
<tr>
<td>March 2012</td>
<td>50,000</td>
<td>£1,908,000(^2)</td>
<td>Conditional</td>
<td>December 2014 Performance vesting condition was met in 2013 so number of RSUs is defined: 50,000</td>
<td>€3,395,000</td>
<td>January 2017</td>
<td>Not applicable</td>
</tr>
<tr>
<td>May 2013</td>
<td>May vary from 0 to 50,000</td>
<td>£3,050,500(^3)</td>
<td>Conditional</td>
<td>AGM 2016</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>March 2014</td>
<td>May vary from 0 to 75,000</td>
<td>£5,700,750(^3)</td>
<td>Conditional</td>
<td>AGM 2018</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>August 2015</td>
<td>May vary from 0 to 60,000</td>
<td>£3,493,800(^2)</td>
<td>Conditional</td>
<td>August 31, 2018</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

The above information complies with best practice provision II.2.13 (d) of the Dutch corporate governance code.

1 For the valuation, the Gemalto share price at the opening of the stock exchange is used.
2 Method used for valuation: arbitrage portfolio/asset replication.
3 Method used for valuation: stochastic model.
Remuneration report continued

If his employment contract is terminated, Olivier Piou’s recognized seniority is dating from 1981 and he is entitled to a six-month notice period, as well as a termination compensation (calculated on the basis of actual years employed) and paid vacations.

The severance payment will not be due if the employment contract is terminated for willful misconduct (faute lourde under French Supreme Court case law) or by his voluntary resignation. Any option rights granted to the CEO will vest automatically on the decision to terminate his contract and will remain exercisable for the full option term, and all other equity-based schemes will continue to vest after the date of termination. These arrangements do not apply if the contract is terminated for willful misconduct. The severance payment arrangements are a deviation of provision II.2.8 of the Dutch corporate governance code (see page 53).

There are no agreed arrangements for a CEO’s early retirement.

Loans or guarantees
Gemalto does not offer the CEO personal loans, guarantees or similar benefits. None were granted in 2015, and none were outstanding on December 31, 2015.

Remuneration of non-executive Board members
Remuneration of non-executive Board members is approved by the shareholders and is reviewed periodically by the Compensation committee.

The annual remuneration for non-executive Board members, as amended by the 2013 AGM, is:

- €250,000 for the non-executive Chairman of the Board.
- €70,000 for each other non-executive Board member.
- An additional €30,000 for the Chairman of the Audit committee and an additional €16,000 for each member of the Audit committee.
- An additional €15,000 for the Chairman of each other Board committee, and an additional €9,000 for the other members of those Board committees.

Remuneration of non-executive Board members is fixed and not dependent on Gemalto’s financial results. Non-executive Board members are not eligible for variable remuneration and do not participate in any incentive plans.

Gemalto does not offer non-executive Board members personal loans, guarantees or similar benefits. None were granted in 2015, and none were outstanding on December 31, 2015.

None of the non-executive Board members has entered into a management services agreement or similar agreement with Gemalto or any of its subsidiaries which provides for benefits upon termination or resignation of the position as non-executive Board member.

The remuneration of each non-executive Board member in office on December 31, 2015, for the year 2015 is detailed in the table below and also disclosed in note 10 to the statutory financial statements of the Holding Company.

<table>
<thead>
<tr>
<th>Remuneration of Board members in office on December 31, 2015</th>
<th>2015 total (€)</th>
<th>Board (€)</th>
<th>Audit committee (€)</th>
<th>Nomination and Governance committee (€)</th>
<th>Compensation committee (€)</th>
<th>M&amp;A committee (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alex Mandl</td>
<td>265,000</td>
<td>250,000</td>
<td>–</td>
<td>15,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Olivier Piou</td>
<td>35,000</td>
<td>35,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Homaira Akbari</td>
<td>94,000</td>
<td>70,000</td>
<td>16,000</td>
<td>–</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Buford Alexander</td>
<td>86,000</td>
<td>70,000</td>
<td>–</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Philippe Alfred</td>
<td>89,160</td>
<td>70,000</td>
<td>16,000</td>
<td>6,2322</td>
<td>8,000</td>
<td>4,9283</td>
</tr>
<tr>
<td>Joop Drechsel1</td>
<td>57,666</td>
<td>42,928</td>
<td>9,812</td>
<td>–</td>
<td>4,906</td>
<td>–</td>
</tr>
<tr>
<td>Johannes Fritz</td>
<td>101,000</td>
<td>70,000</td>
<td>16,000</td>
<td>–</td>
<td>8,000</td>
<td>15,000</td>
</tr>
<tr>
<td>John Ormerod</td>
<td>108,000</td>
<td>70,000</td>
<td>30,000</td>
<td>–</td>
<td>8,000</td>
<td>–</td>
</tr>
<tr>
<td>Yen Yen Tan</td>
<td>86,000</td>
<td>70,000</td>
<td>–</td>
<td>8,000</td>
<td>–</td>
<td>8,000</td>
</tr>
<tr>
<td>Arthur van der Poel</td>
<td>93,000</td>
<td>70,000</td>
<td>–</td>
<td>8,000</td>
<td>15,000</td>
<td>–</td>
</tr>
<tr>
<td>Drina Yue</td>
<td>94,000</td>
<td>70,000</td>
<td>16,000</td>
<td>–</td>
<td>8,000</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>1,108,806</td>
<td>887,928</td>
<td>94,044</td>
<td>39,000</td>
<td>43,906</td>
<td>43,928</td>
</tr>
</tbody>
</table>

1. Joined during the year: amount paid pro rata.
2. Committee member changes during the year: amount paid pro rata.
Board statements

The objectives of our internal risk management process are to identify the significant strategic, legal, regulatory, operational, financial and environmental risks that the Company may face; to map these risks; and to initiate actions that mitigate and reduce these risks to levels consistent with our risk appetite. The risk management techniques applied include operational and financial controls; financial hedging; risk transfer through our contractual arrangements; and insurance. The Company’s risk profile is reported in ‘Principal risks’ on pages 40-41 with a description of principal risks, their most significant impact and the main mitigation actions. Our internal risk management and control systems are described on pages 34-39.

We operate in a dynamic environment and there may be circumstances in which previously unidentified risks arise or the impact of identified risks is greater than expected. While our internal controls are designed to manage these risks within acceptable limits, they may not always prevent or detect all misstatements, inaccuracies, errors, fraud or non-compliance with law and regulations. Nor can they provide certainty that we will achieve our objectives.

The Board is responsible for reviewing our internal risk management and controls and assessing their effectiveness. Its Audit committee has worked with management and Internal Audit to review the relevant processes, focusing on matters relating to financial reporting as well as the main strategic, legal, regulatory, operational and environmental risks that have been identified. It has also reviewed the results of management actions aimed at improving the way we organize our internal risk management and control processes. The Board has discussed the committee’s findings.


In conjunction with the EU Transparency Directive, as incorporated in chapter 5.1A of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Board declares that, to the best of its knowledge:

• The annual financial statements for the year ended December 31, 2015, give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and its consolidated companies.

• The annual management report gives a true and fair view of the position as of the balance sheet date and the state of affairs during the 2015 financial year of Gemalto and its affiliated companies of which the data has been included in the consolidated financial statements.

• The annual management report describes the principal risks that Gemalto faces.

In control statement (Dutch corporate governance code)

For the purpose of complying with provision II.1.5 of the Dutch corporate governance code on the risks relating to financial reporting, the Board believes that, to the best of its knowledge:

• Gemalto’s internal risk management and control organization provides reasonable assurance that its financial reporting does not contain any error of material importance.

• Gemalto’s internal risk management and control processes in relation to financial reporting have worked properly in 2015.

Alex Mandl
Non-executive Chairman of the Board

Olivier Piou
Executive Board member and Chief Executive Officer

Homaira Akbari
Non-executive Board member

Buford Alexander
Non-executive Board member

Philippe Alfroid
Non-executive Board member

Joop Drechsel
Non-executive Board member

Johannes Fritz
Non-executive Board member

John Ormerod
Non-executive Board member

Yen Yen Tan
Non-executive Board member

Drina Yue
Non-executive Board member

Amsterdam, March 3, 2016