Sustainable approaches to digital security
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With many thanks to our employees who appear throughout this report.
Message from the CEO

We seek to be a role model for our industry, combining a frugal profile with an innovative mind-set. I am personally very proud of our potential to ‘flatten the world’ by providing equality of access to new on-line and mobile services.

Our clients are taking an increasing interest in Gemalto’s approach to sustainability. When I meet them, it’s the social and environmental aspects of our business that they often want to know more about. And if they’re surprised to hear about our dedication and our performance perhaps it’s because, like most of our business, our work goes ‘behind the scenes’.

Our secure operating systems and software are inside many everyday devices and safely hold vast amounts of critical, confidential personal data. Our knowledge and experience in providing a wide range of services and growth opportunities to our customers, and in solving digital security issues, gives us a broad, holistic overview of the digital future. Our teams constantly strive to develop new, simple means of protecting companies and individuals from the concerns of the digital realm. They endeavor to provide innovative mobile and on-line services for the benefit of all, everywhere in the world. These challenges underpin everything we do. And yet much of it takes place out of view.

For this reason we have an intense desire to communicate our deep and passionate commitment to sustainability. This is our third standalone report, and notwithstanding the kind words and appreciation we received from our customers, shareholders and other readers of the previous editions, we tried to further improve it this year, for you. With a new structure, headings and index, we hope you’ll find it easier to locate the content you’re looking for.

As you read this report, you’ll see that we set great store by nurturing the trust of our clients. They rely on us to safeguard some of their most precious information, to protect their customers’ data, and to manage throughout their life-cycle the devices these end-users carry in their pockets. We’re also helping them to evolve beyond traditional paper-based methods of management and transaction, particularly in governmental administration.

We make a point of passing on the best practices we gather around the globe, ensuring that our clients can meet to share knowledge. In May 2012, for example, we held our annual Identity conference, this time in Oslo, Norway, which was attended by delegates from 35 countries. And in June 2012, 130 of our banking customers from many different nations met for the same purpose in Lisbon, Portugal, sharing with each other their recent projects, the difficulties they meet and their tips for success. These are just two examples of how we use our global reach to bring people together, to facilitate the exchange of ideas and experience, and to make progress in modern digital identity management and financial inclusion.

You’ll also read how we continue to help people in the developing world to gain access to digital services. This process empowers those who may not otherwise be able to enjoy the fruits of modern technology. We also help open up opportunities for businesses in these regions, creating platforms from which they can present their offer globally.

This is all part of what I have regularly referred to as “Gemalto’s noble social role”.

It’s not just what we do, of course, but also the way we do it that underpins our commitment to CSR. The sustainability of our business is built upon a careful balance of solidarity and agility. On the one hand, we run our company with prudent financial management, a frugal operational profile and a conservative approach to risk. On the other, we work in a fast-moving market where we need to provide dynamic, inspirational leadership on a global scale and to react quickly to change.

To achieve this balance we recruit and promote from within internationally-minded people who combine care and inventiveness; who uphold our ethics and values; and who share our passion for creating a better digital and wireless world.

We instil in them a sense of the worldwide yet local nature of our contribution and operations. Gemalto comprises over 10,000 people of nearly 100 different nationalities based in 43 countries. They share a common pride to be part of a company with such a strong ‘positive purpose’: bringing trust and confidence to the new digital world. This strong global citizenship enables us to deliver innovations on a major scale. In parallel, we remain responsive to local needs and aim to assist communities in the countries where we operate. And our Your World program helps our employees support the local causes they care about.

One issue that’s clearly important to them, and to me, is the environment: several of the projects they support have this orientation. Though we are already a relatively low-impact company, it is a deep-seated matter for our organization as a whole, and we try our best to be frugal in our daily operations and processes. Many of our successes during 2011 related to progress in this area: further reducing the impacts of our operations, increasing efficiencies and leading eco-design initiatives.

So through this report I hope you’ll get a better picture of our overall business, and of those aspects that we care for and that usually get less exposure than they deserve. By bringing this work to the fore, we aim to demonstrate our commitment to responsible growth and behaviour, and to show how, with an increasingly systematic approach to managing sustainability, we can achieve a strong performance without compromising our principles.

I wish you good reading, and sincerely appreciate your interest in this aspect of Gemalto’s work.

Olivier Piou
Chief Executive Officer
Our approach to sustainability

We've been working towards business excellence for many years. During this time we've formalized our sustainability approach, integrating it into our management systems and structures to improve our performance as a responsible company.

Managing sustainability
Gemalto has a strong background in sustainability. We are continually working to improve our performance and meet our stakeholders' expectations of corporate citizenship.

As a signatory of the United Nations Global Compact (UNGC) since 2009, we have been regularly benchmarking our policies and results against world-class companies. We also review them annually against the Compact's ten principles on human and labor rights, anti-corruption and the environment. In September 2011 we sent our latest Communication of Progress (COP) to the UNGC.

Our Corporate Social Responsibility (CSR) policies and activities are guided by a multidisciplinary Steering Committee. It is supervised by our three Executive Vice-Presidents of Human Resources, North America and General Counsel, and also comprises representatives from key related support functions and Business Units. The Committee met six times in 2011. Initially this was to validate the year's objectives, which were put together in a program derived from the status at the end of 2010. It then met regularly to monitor progress before reviewing the results and achievements at the end of the year.

CSR program 2011
The 2011 program comprised seven main projects.

- **Carbon footprint**: Measuring the global GHG impacts of the company and initiating projects aimed at reducing and/or offsetting them;
- **CSR Performance indicators**: Optimizing our CSR monitoring dashboard and related data collection capability;
- **Reporting**: Improving the efficiency of our annual Sustainability report, particularly with regard to the satisfaction of its readers;
- **Green offer**: Continuing the development and deployment of greener products and supply chain processes;
- **Responsible purchasing**: Deploying the best-practice framework developed in the previous year to critical suppliers;
- **LCA and eco-design**: Comparing the global impacts of our main reader products and developing eco-design skills in the related R&D team;
- **CSR risks and opportunities analysis**: Implementing a methodical approach for identifying the company's main CSR stakes.

Materiality
In line with best practice, we communicate about our CSR policies and activities according to the issues that matter most to our company – their "materiality".

In previous years we defined our main CSR projects empirically, based on our experience, the requests of our stakeholders and HSE regulations. In 2011, in order to get a more broadly-based vision of the materiality of our CSR issues, we decided to perform a complete CSR Risks and Opportunities analysis, with the help of external specialists, so that we could:

- identify and prioritize risks according to the current strategy and objectives of our company;
- assign resources and develop action plans on the CSR risks that matter.

Gemalto already carries out such risk assessments at various management levels (group, site, activity, projects, domain etc.) and it was therefore a natural progression to do the same in relation to CSR.

The assessment involved conducting interviews of internal functions interfacing with our main stakeholders, benchmarking against other organizations, analyzing internal and external documents, and taking account of issues raised by clients, rating agencies and other stakeholders.

Our key stakes
From our 2011 analysis, 22 key stakes have been identified of which 8 were qualified as "important":

- Responsible purchasing
- Governance and ethics
- Stakeholder dialogue and engagement
- Consumer data protection and privacy
- Gemalto sustainability image
- Products social impact
- Climate change impact
- Products eco-conception

Thus the assessment study generally confirmed our empirical approach and validated our current policies, programs and actions. Some of the newly identified stakes will be addressed in particular in our in our 2012 CSR action plan.

Communicating our CSR activities
This is our third stand alone Sustainability report. It presents our programs and policies around governance, the environment and social issues for 2011. It also details the main achievements and progress we made in 2011 on the seven key projects defined by the Steering Committee.

In addition, it includes an upgraded set of performance indicators resulting from our CSR Risks and Opportunities analysis.
Finally, to make it easier for our readers to find the information, we have modified the structure of the report and added an index of key CSR words and topics.

**Dialogueing with our stakeholders**

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

**Our customers**

Our annual Customer survey called “Tell Me” enables us to assess customer satisfaction. It also allows us to answer queries from customers who want to improve corporate responsibility standards in their own supply chains (for more information on the Tell Me process and 2011’s results see page 37). Another key opportunity for customer dialogue on sustainability comes at the point of tender. This is when we answer customer questions and having direct discussions on CSR issues. It is also an ideal moment for training those suppliers who are not familiar with CSR concepts. We plan to carry out 28 CSR audits in 2012 (see more details in the dedicated Focus article page 38).

**Our suppliers**

For our biggest suppliers, we hold Quarterly Business Review meetings during which we discuss commercial and technical matters relating to the supply chain, product quality and our customer relationship. In 2011 we shared our CSR vision and values through our CSR Purchasing charter which was signed by most of them (see Responsible Purchasing section page 37). In addition, we have started to conduct specific supplier CSR audits which allow us to share concerns and having direct discussions on CSR issues. It is also an ideal moment for training those suppliers who are not familiar with CSR concepts. We plan to carry out 28 CSR audits in 2012 (see more details in the dedicated Focus article page 38).

**Our investors**

Maintaining positive relations with our investors is key to Gemalto’s growth. The confidence and loyalty of private and institutional shareholders are essential to our successful long-term development. Gemalto’s investor relations policy is designed to inform shareholders in a timely and detailed manner about developments that are relevant to Gemalto. In order to provide a faithful and clear picture of investment decisions involving Gemalto, price-sensitive information is disseminated without delay through press releases and web site updates.

In addition to the General Meetings, Gemalto has implemented a wide variety of communication tools to keep investors informed on a regular basis. These include the annual reports, sustainability reports, legal announcements, press releases and financial statements.

At the publication of interim and annual financial statements, Gemalto holds conference calls or investor meetings. In addition, Gemalto regularly performs road shows and participates in conferences for institutional investors. These activities further Gemalto’s understanding of investor and analyst opinions. Relevant information for potential and current shareholders may be found on the Gemalto web site under the link ‘Investor Relations’ www.gemalto.com/investors.

**Communities**

We also regularly engage with people in the local areas where we operate, addressing pertinent issues on a site-by-site basis.

**Engaging with employees**

We believe it’s essential to embed sustainability at the heart of our company. We expect our employees to understand, embody and uphold our commitments and beliefs.

Our Code of Ethics provides guidelines for the conduct of all employees relating to internal controls, financial disclosures, accountability, business practices and legal principles (see more details page 12).

We communicate regularly with employees about Gemalto’s CSR initiatives through established internal channels. Every year we share our HSE and Sustainable Development Strategic Agenda. And in 2011, we communicated the release of our Sustainability Report to all 10,000+ employees and invited them to give us their feedback.

Each year we organize staff awareness and training sessions on specific key subjects such as integrity and fraud. We also issue a bi-monthly newsletter on internal control and risk management.

For the fourth year running, we held an annual Gemalto Sustainable Development Day. Events took place at all our sites worldwide to update and engage our staff about our sustainability policies and activities. Our dedicated CSR site features articles and information on related topics and enables employee dialogue on the key issues.

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**Compliance**

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

- The Universal Declaration of Human Rights
- International Labor Organization (ILO) Standards.
- The Dutch AFM is the supervising authority of the Company.

We have also signed the United Nations Global Compact charter.

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 with shares listed on Euronext Paris, we comply with:

- Dutch corporate law
- The Dutch Act on Financial supervision
- Dutch corporate governance rules
- French AMF regulations.
About Gemalto

Gemalto is at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain and work — anytime, anywhere — in ways that are convenient, enjoyable and secure. And that’s exactly what Gemalto delivers.

Creating trusted, convenient solutions
Working behind the scenes, we create the solutions that underpin the online banking offers, mobile payment applications, national identity programs, smart energy systems and other services of some of the world’s biggest organizations.

We develop secure software that runs on trusted devices which we develop, design and personalize. We manage these devices, the confidential data they contain and the services they enable throughout their life cycle. And we innovate so that our clients can offer more ways of enhancing the convenience and security of their end-users’ digital lives.

Our software and services
Our know-how and field experience mean we are uniquely placed to support our clients in the delivery to end-users of trusted solutions for the digital and wireless world. We do this by offering them a wide range of software and services that support and enable mobile financial transactions, mobile marketing, digital life management, international roaming and many other applications; plus the secure issuance of digital identity, rights and credentials, personalization and authentication. We also offer our clients a wide range of training, consulting, marketing and integration services.

Secure remote management
To ensure that end-users always enjoy the latest services, our secure server software can connect with their devices when they are in the field and activate, update or deactivate them. For cellphones, this is done via Over-the-Air (OTA) platforms. ID badges, banking cards and USB tokens can be updated when they are connected to an ATM or a computer, often via a smart card reader. The result is that these connected devices can continue to evolve throughout their life-cycle. We also offer to operate these services on behalf of our clients, through managed services or profit-sharing contracts.

Individual personalization
Gemalto is the trusted partner for the individual personalization of millions of secure personal devices every single day, carried out under various security certification schemes at our 28 personalization facilities worldwide. These devices include SIMs, banking cards, ePassports, eID cards and so on. Particularly in the financial services sector, our personalization activity is gaining momentum as the worldwide deployment of cards increases and financial institutions look to outsource this activity. We embed our software in a wide range of secure personal devices at our 15 production sites worldwide.

Intellectual property
With the aim of promoting digital security and convenience, we have for many years developed a number of fair, reasonable and non-discriminatory licensing programs based on our patent portfolio, including our latest innovations.

Gemalto N.V.

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 N.V. (Euronext NL 0000400653) is listed on Euronext Paris in the compartment A. For more information visit www.gemalto.com, www.justaskgemalto.com, blog.gemalto.com, or follow @gemalto on Twitter.
Our markets and solutions

<table>
<thead>
<tr>
<th>Markets</th>
<th>Clients</th>
<th>Solutions</th>
<th>Software and services</th>
<th>Secure devices</th>
</tr>
</thead>
</table>
| **Financial Services and Retail** | Financial institutions, banks, retailers and other payment and loyalty card issuers. | • Secure operating systems and applications for a wide range of contact and contactless payment  
• Mobile financial solutions  
• Mobile financial solutions  
• Multi-factor authentication and transaction solutions for online banking and commerce  
• Secure eBanking services. | Dexxis™  
Personalization & issuance solutions  
Allynis™  
Payment services & outsourcing service offer  
Ezio™  
Secure eBanking software & services | Clarista™  
Entry-level payment cards  
Optello™  
Advanced payment cards  
Desineo™  
Custom payment cards  
Ezio™ devices  
Secure eBanking devices |
| **Government**                  | Governments, healthcare providers and government service providers.    | • Software and applications enhancing the security, efficiency and convenience of a wide range of electronic ID documents  
• End to end solutions for eVoting and other eGovernment initiatives.  
• Secure operated services including issuance personalization and delivery. | Coesys™  
ID management solutions  
Allynis™  
Secure ID management services & outsourcing | Sealy’s™  
Secure ID documents including ePassports  
eID, eHealth, eDriving licenses etc |
| **Identity and Access Security** | Enterprises, governments, banks and other organizations.               | • Identity and Access Management (IAM) solutions, using secure software embedded in various forms of connected and unconnected electronic ID badges and portable devices  
• Strong online authentication solutions, offering secure access and control of digital and physical resources. | Protiva™  
Authentication & ID management software & services | Protiva™ Devices  
Cards & tokens for authentication |
| **Machine-to-Machine**         | Equipment manufacturers, integrators and MNOs supplying diverse markets including automotive, tracking and tracing, industrial mobile computing, metering and smart grid, payment systems, healthcare, security systems and so on. | • A wide range of products and services including wireless M2M modules and Machine Identification Modules (MIM)  
• M2M service enablement and delivery as well as subscription and device management platforms and services, for applications and devices. | Cinterion™  
Secure machine software & service delivery platforms | Cinterion™  
Wireless modules & Machine Identification Modules (MIM) |
| **Telecommunications**         | The mobile communication industry including over 450 of the world’s Mobile Network Operators (MNOs). | • Secure operating systems and applications embedded in a wide range of SIM and UICC cards  
• Client-server software to remotely manage mobile devices  
• Services including NFC, roaming optimization, mobile money, mobile payment, mobile marketing and personal data management. | LinqUs™  
Software for operators  
Allynis™  
Telecom services & outsourcing | UpTeq™  
Advanced devices & new form factors |
| **Transport**                  | Mass transit authorities in many of the world’s major cities.          | • Contactless electronic ticketing solutions for public transport  
• Payment and ticketing on mobile handsets  
• using NFC. | | CelegoTM  
Travel passes |
### Objectives and performance highlights

#### Deploy risk management "best practices"

**Key Objective:** Deploy risk management "best practices"

<table>
<thead>
<tr>
<th>Targets</th>
<th>Due date</th>
<th>2011 Performance / progress summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deploy crisis management best practices worldwide</td>
<td>2011</td>
<td>97 Crisis Management Leaders appointed and trained</td>
</tr>
<tr>
<td>Crisis Management training included in the Gemalto training catalogue</td>
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</tbody>
</table>

**New objectives:**

- Perform specific risk assessments (like a Fraud focused Risk Analysis (FRA))
  - Due date: 2012
  - 2011 Performance / progress summary: Anti-fraud awareness in progress: third party provider selected and tool in progress

- Increase anti-fraud awareness by deploying an eLearning tool
  - Due date: 2012
  - 2011 Performance / progress summary: Competition rules awareness in progress: third party provider selected and tool in progress

- Increase competition rules awareness by deploying an eLearning tool
  - Due date: 2012

- Formalize our risk management framework
  - Due date: 2013

- Set-up a risk management supervisory group
  - Due date: 2013

#### Deploy responsible purchasing "best practices"

**Key Objective:** Deploy responsible purchasing "best practices"

<table>
<thead>
<tr>
<th>Targets</th>
<th>Due date</th>
<th>2011 Performance / progress summary</th>
</tr>
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</table>
| Formalize the way we monitor suppliers' business practices in Human Rights and Labor Rights | 2011 | 83% of our corporate suppliers have signed our CSR Purchasing Charter

- Ethical clause included in any new Gemalto contract

- Self-assessment questionnaire sent to the 23 critical suppliers highlighted by the Purchasing CSR risk analysis

**New objectives:**

- CSR audits of selected key suppliers
  - Due date: 2012

- Extend internal levels of security to companies recently acquired by Gemalto
  - Due date: 2012

- Updated our strategic security agenda

- Security audit of the recently acquired companies and action plans set up where necessary

### Objectives and performance highlights continued

<table>
<thead>
<tr>
<th>Key Objective</th>
<th>Targets</th>
<th>Due date</th>
<th>2011 Performance / progress summary</th>
</tr>
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</table>
| **Continuously improve our products and services** | • Extend internal levels of security to companies recently acquired by Gemalto | 2012     | • Updated our strategic security agenda  
• Security audit of the recently acquired companies and action plans set up where necessary                                                                                                                                      |
|                                                    | • Reach 90% OTD (on time delivery/commitment) and 80% OTR (on time delivery/requested) | 2011     | • OTR performance (“on time versus request”) reached customers’ expectations (measured through our customer survey)                                                                                                                  |
| **Develop people safety**                          | • Continue roll-out of OHSAS 18001 certification to other card production sites | 2012     | • No new OHSAS certification in 2011. 2 sites preparing for 2012                                                                                                                                                                     |
|                                                    | • Extend “Defensive Driving” training program to 25% of employees       | 2011     | • Defensive driving training to 20% of Gemalto employees by end of 2011                                                                                                                                                              |
| **New objectives:**                                |                                                                        |          |                                                                                                                                                                                                                                     |
|                                                    | • Develop and deploy “Traveler Safety” initiative                       | 2012     |                                                                                                                                                                                                                                     |
|                                                    | • Deploy Defensive driving in acquired companies                        | 2013     |                                                                                                                                                                                                                                     |
| **Develop employee skills and satisfaction**       | • Encourage the promotion of women to senior management positions       | 2012     | • Identify new women Board members for appointment in 2012  
• 43% of women attended the “Gemalto University”, our leadership development program                                                                                                                                         |
| **New objectives:**                                |                                                                        |          |                                                                                                                                                                                                                                     |
|                                                    | • Create a CSR training internal offer                                  | 2013     | • Anti-fraud awareness in progress: third party provider selected and tool in progress                                                                                                                                             |
|                                                    | • Increase anti-fraud awareness by deploying an eLearning tool          | 2012     | • Competition rules awareness in progress: third party provider selected and tool in progress                                                                                                                                       |
|                                                    | • Increase competition rules awareness by deploying an eLearning tool   | 2012     |                                                                                                                                                                                                                                     |
### Objectives and performance highlights continued

<table>
<thead>
<tr>
<th>Key objective</th>
<th>Targets</th>
<th>Due date</th>
<th>2011 Performance / progress summary</th>
</tr>
</thead>
</table>
| **Develop greener and safer products**            | • Develop products using greener materials for card bodies (PLA) and packaging (cellulose) | 2011     | • Completed the process development for full PLA cards for the banking market. Validated by main certification bodies  
  • Performed comparative Reader products LCA. LCA software acquired for further analysis of company’s products |
|                                                   | • Extend the carbon neutral card scheme to more plants                 | 2012     | • New tool developed to calculate the carbon footprint of our products. Offset partnership developed with “CO2 solidaire” French ONG |
|                                                   | • Reduce by 10% over 3 years the environmental impacts of material procurement and product delivery | 2013     | • Implement calculation of freight CO2 emissions for our main logistics suppliers                    |
| **Implement “best in class” practices for environmental care** | • Continue deployment of the ISO 14001 certification roadmap to other manufacturing sites | 2011     | • No new certification in 2011                                                                     |
|                                                   | • Conduct a company-wide carbon footprint analysis                     | 2012     | • 11 additional sites performed their carbon footprint measurement (now up to 21 sites worldwide) |
|                                                   | • Reduce GHG (Greenhouse gases) emissions by 10% in 3 years            | 2013     | • Company Scope 1 and 2(*) figures now reported within the global Carbon Disclosure Project (CDP): impact reduced by 7% versus 2010 in tons of CO2eq and by 12% versus KE revenue |

(*) company energy consumption
## Objectives and performance highlights continued

<table>
<thead>
<tr>
<th>Key objective</th>
<th>Targets</th>
<th>Due date</th>
<th>2011 Performance / progress summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase our involvement in society</strong></td>
<td>New objective:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Implement a “volunteering opportunities” stream in the Your World program</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td><strong>Develop company reporting and communication about sustainability</strong></td>
<td>New objectives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Perform a “methodical” CSR risk &amp; opportunity analysis</td>
<td>2012</td>
<td>• Performed a methodical CSR risks and opportunities analysis: 22 main stakes identified</td>
</tr>
<tr>
<td></td>
<td>• Improve Gemalto CSR dashboard and related data collection internal systems</td>
<td>2011</td>
<td>• Upgraded company’s set of CSR performance indicators (according to the stake analysis)</td>
</tr>
<tr>
<td></td>
<td>• Measure Gemalto communication efficiency regarding its CSR performance</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Develop a direct dialogue about Gemalto CSR with its main stakeholders</td>
<td>2013</td>
<td></td>
</tr>
</tbody>
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### Corporate Governance and Economic Factors

**Conducting our business with integrity**
Corporate governance and economic factors

"The Gemalto Board has confirmed its responsibility for Gemalto's sustainability structure and related activities, with an enhanced focus on corporate social responsibility."

Gemalto conducts its business with honesty and integrity: this is the basis of our reputation and a core company asset. Our principles are shaped by codes and charters which form the ethical backbone of our management practices.

**Governance**

The Gemalto Board is responsible for our corporate governance structure (for more details on our Governance and Board structure see page 50 of our 2011 Annual report). As a Dutch company with shares listed on Eurolist by Euronext Paris, we comply with Dutch corporate law, the Dutch Act on Financial supervision, Dutch corporate governance rules and French AMF regulations, insofar as they are applicable to Gemalto. The Dutch AFM is the supervising authority of Gemalto.

We comply with the principles and best practices laid down by the Dutch corporate governance code, except those listed in the 2011 Annual Report (page 52). The Gemalto Board has confirmed its responsibility for Gemalto’s sustainability structure and related activities, with an enhanced focus on Corporate Social Responsibility (CSR). This responsibility is incorporated into the Board charter. We have reorganized our sustainability management accordingly. In addition, we have put in place specific benchmarking and additional metrics, and further developed this standalone sustainability report.

**Code of Ethics for all employees**

Gemalto aims to apply the highest ethical and professional standards, whether or not they are imposed by law. Our employment practices prohibit discrimination and harassment against applicants or employees in all their forms.

This includes any such behavior 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. By the end of the year, 98.7% of those approached had signed, formally committing themselves to the rules governing operational conduct. Since 2010, we have required all newly recruited “exempt” employees (“see definition page 17”) to sign the Code as part of their employment contract. The Code of Ethics signature also forms part of the integration process for employees of those companies we acquired in 2009–2010.

We have also complemented our Code of Ethics with coverage of specific departments. These include a Purchasing Code of Ethics, and an Internal Audit Code of Ethics introduced in 2010.

**Preventing and detecting fraud**

We are fully committed to exposing and disciplining any acts of fraud. These might include any intentional breach of the law, or of Gemalto’s internal policies, carried out by an employee to benefit himself/herself, third parties or the company.

Our 2007 anti-fraud assessment project included an inventory of the Company tools and processes covering fraud prevention and detection. This led to a new senior management structure – the “anti-fraud commission”. Its charter was approved by management on August 18, 2008 and amended on June 22, 2009. It meets formally each quarter, as well as on an “ad hoc” basis.

Employee training on business practices

- **E-learning training sessions**
  - 2009: 235
  - 2010: 158
  - 2011: 59

- **Other training sessions**
  - 2009: 350
  - 2010: 150
  - 2011: 158

From 2011, Trade compliance training sessions are included (390 employees were trained in 2011).
The commission comprises the Group General Counsel, the EVP Human Resources, the Chief Information Officer, the Quality, HSE (**), Security and WCE (***) Director and the Internal Audit Director. Its first objective was to coordinate the various programs already in place within the Company. Latter priorities have included continuous fraud risk assessment, our anti-fraud policy and procedures, and determining Company response in the event of fraud. Key elements of the commission’s work include:

- the publication of Gemalto’s anti-fraud policy in 2009, which was complemented in 2011 with the release of the Investigation Protocol, providing guidance on how to run and manage the investigation work in the case of suspicion and/or fraud.
- a series of training sessions on integrity and fraud awareness. In 2011 we organized 43 awareness and training sessions for 1036 people. These covered subjects such as internal control, anti-fraud, and the segregation of duties and business practices (for example with reference to ethics and competition). Two new trainings will be launched in Q2 2012 to increase employees’ awareness about the subject:
  - An Anti-fraud e-Learning module focusing on corruption;
  - An e-Learning module on competition rules.
- the engagement in 2010 of two specialized forensic firms also contracted in 2011 to handle forensics surveys when needed.

Of all the internal audits we conducted during the year, 22 in 2011 (17 in 2010) were either focused specifically on fraud risk or partially motivated by fraud concerns. Internal audit also introduced data mining exercises in field audits in order to detect irregularities.

We also communicate widely to our employees about fraud prevention and detection. For example, the newsletter “Your Internal Control Network” – issued fortnightly – covers anti-fraud issues on a regular basis.

**Tackling bribery and corruption**

As part of its commitment to tackling fraud, bribery and corruption, the Board has also established a “whistle blower” procedure. This encourages the prompt reporting and handling of any employee complaints about financial irregularities, or suspicions of improper conduct relating to the Gemalto Group.

In 2010, we published the Gemalto Purchasing CSR charter, which applies to both Gemalto and our suppliers. The Charter clearly states our obligation to fight corruption in all its forms. As a minimum, Gemalto also encourages its suppliers to join the United Nations Global Compact.

In 2012 we will be publishing a new “Agents’ selection and relationship management” policy. This specifies standards for how employees should manage agent relationships including selection, commitment, follow-up and payment.

The Agent’s policy reinforces two key principles. Firstly, it states that corruption is a serious criminal offence in all jurisdictions and can involve sanctions for individuals, as well as legal entities. It also makes clear that Gemalto does not deal with any agents who use corrupt practices either to gain or retain business.

We are currently developing several eLearning tools around fraud (which includes corruption and bribery).

**Dedicated internal audit team**

So that we can assess our internal risk management systems, the Company has a dedicated Internal Audit team. This comprises eight permanent auditors, including the internal Audit Director and Internal Audit Manager as it has been since mid-2007. Its methods conform to a charter approved by the Audit committee (updated in 2010). Internal Audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The team has direct and unlimited access to Group operations, documents and employees. The Internal Audit Director reports directly to the Chief Financial Officer and has an open, independent line of communication with the Audit committee Chairman. This Director also holds regular private sessions with the Audit committee.

On November 2, 2010, Gemalto’s internal audit systems were certified by the “Institut Français de l’Audit et du Contrôle Internes” (IFACI) – the French representative of the “Institute of Internal Auditors” (IIA). (For more details on Internal Audit see page 76 of our 2011 Annual Report). This certification was confirmed in November 2011.

**Risk management**

Risk management and internal controls are critical to the stability of the Company. The aim of our risk management and internal control is to expand our ability to achieve our objectives by:
- Safeguarding assets, cash flows and reputation;
- Effectively constraining threats to acceptable levels;
- Making informed decisions;
- Enhancing our capacity to exploit opportunities while trying to protect the interests of our stakeholders and our shareholders’ investments.

We see internal control as a responsibility shared by all managers within the Company. It is underpinned by processes and procedures intended to provide reasonable assurance that:
- Risks are mitigated;
- Financial reporting is reliable;
- Relevant laws and regulations are complied with;
- The Board’s objectives are attainable (for full details, see our 2011 Annual Report).

To provide assurance to the Board, we have policies and processes to ensure reporting integrity, alongside effective internal control and risk management systems. Gemalto focuses on three key areas for managing its operational and financial risks:
- Risk assessment;
- Crisis and business continuity management;
- Budget, planning and reporting.

**Risk assessment**

By identifying and assessing key operational and financial risks, Gemalto can focus on those that matter and plan accordingly. We carry out risk assessment at all management levels – for example, encompassing major bids and contracts, sites and new asset acquisitions.

At Group level specifically we conduct risk mapping, develop action plans and monitor their effectiveness.

In line with the Company’s strategy and objectives, the last Group risk mapping was launched in 2010 and completed in 2011 with a review of the Audit Committee. We introduced enhanced risk analysis criteria while improving our risk assessment methodology and the representativeness of managers involved. The CEO, as sponsor of the overall approach, strengthened the empowerment of Risk Owners, who are responsible for the progress of the mitigating actions, giving them a cross-BU and organization-wide responsibility. Each key risk is sponsored by a member of the Senior Management. Time frame and costs for action plans were embedded in the budget for 2012. The key outcomes of the Group Risk assessment were communicated to all employees.
Crisis and business continuity management
In today's climate, no business is immune to crisis. Gemalto has deployed a Crisis Management Framework which encompasses basic escalation and communication rules, guidelines for anticipation and action, and clarified roles and responsibilities. 97 Crisis Management Leaders around the globe have been appointed and trained through simulation exercises. Crisis Management training with simulations is available in the Gemalto training catalogue for local crisis management teams.

Through the enhancement of the standardization of production tools and processes, multi-sourcing strategies, IT availability and redundancy infrastructure, Gemalto has developed business continuity responses helping to minimize disruptions to our customers and our business. The capability of Gemalto to provide business continuity response is strengthened by improved centralization of pertinent data and of relevant architecture for the seamless distribution of those data to back-up sites.

This proactive approach to crisis management and business continuity enabled us to respond to unforeseen events such as catastrophic disasters that happened in Asia in 2011), minimizing their unforeseen events (such as catastrophic disasters

Our security strategy has four main strands:
- Business units and Research & Development;
- Sites and production;
- IT;
- Solutions.

Within each of these areas, we:
- Harmonize security policies and processes – building common security governance at all
  Gemalto sites;
- Target protection based on asset value – using risk assessment to protect sensitive
  customer data;
- Insist on widespread accountability – making security everyone's business and using internal
  audits to plan for improvement;
- Conduct security awareness training for end-
  users and managers – developing security
  rules for specific teams.

Regular review
At a corporate level, we maintain a full risk register that we constantly update. In 2011 we updated our strategic security agenda. This took our risk register into account and also integrated risks identified in our new businesses. The main aim was to assess major risks and to develop prevention. This is especially important in areas such as the internet and wireless connectivity, where security is paramount.

Through regular assessments we also ensure that our internal security standards and policies meet or exceed regulatory requirements. Each year we use external tools to audit our quality and security systems against ISO and market-

Financial responsibility
As a company listed on the Euronext stock exchange in Paris, Gemalto is subject to robust financial control systems which are strictly enforced. These include examination by our external, independent auditors, as well as review by Gemalto’s Board of Directors, in particular its Audit committee.

The Audit committee advises the Board on many matters. These include the quality and integrity of Gemalto’s financial statements; compliance with legal and regulatory requirements; the external auditor’s performance, qualifications and independence; and internal audit performance.

The Audit committee is chaired by an independent member who is a specialist of audit activities. Its methods conform to a charter approved by the Board, updated in 2007 and annually reviewed.

Responsible supervision
These robust controls mean Gemalto follows a deep-rooted policy of responsible financial management. This is one of our most important business principles, and is vital for our long-term sustainability.

Having long been financially prudent, the Company has a conservative risk profile enabling it to weather global economic fluctuations. Taking cash flow volatility fully into account, we have developed an appropriate financial structure for the Company. We have also secured a good return on our investments and devised effective risk management procedures. We are therefore now in a strong financial position – with room to maneuver if necessary.


1 Adjusted financial information.
Economic performance

Gemalto delivered a strong performance in 2011. Secure Transactions and Security profit margins reached double-digits and Mobile Communication profit from operations returned to expansion.

Revenue of the Company for all its operations was up by +8% at constant rates, to €2,015 million. Expansion was supported by strong growth in the Secure Transactions and Security segments. The Mobile Communication segment revenue was stable with increasing activity in the second part of the year.

Gross profit for the Company was up €62 million or +9% to €752 million. This represents a gross margin of 37.3%, higher by +1.1 percentage point than the previous year. Gross margin increased in all main segments as a result of favorable product mix evolutions, increasing contribution of Software and Services due to larger software sales and delivery optimization, and productivity gains.

Operating expenses increased to €515 million, up +0.7 percentage point to 25.6% of revenue. Lower revenue in Patents led to a higher ratio of operating expenses to revenue in this segment and Machine-to-Machine increased its expenses to prepare for anticipated growth. Other income included €19 million from the one-off gain on re-measurement to fair value of Gemalto’s investment in a Chinese JV following a shareholding restructuring transaction.

Full-year 2011 profit from operations came in at €256 million or 12.7% of revenue. The year-on-year increase was supported by initial deployments of fourth generation networks (LTE) and mobile contactless services (NFC) in Mobile Communication, sustained global migration to EMV and contactless payment in Secure Transactions, continuing growth in Security, materialization of synergies from acquired companies and by profitability improvements in Software and Services activities as usage has picked up and efficiency from replication has kicked-in.

Financial income was a charge of €(13) million for the year. Foreign exchange transactions and hedging instruments revaluation at year-end accounted for a charge of €(7) million. The remaining charges were mainly linked to the reassessment at fair value of several financial liabilities. Share of profit of associates increased by €4 million, to €6 million. Consequently, adjusted profit before income tax was €249 million. It was €218 million in 2010.

Income tax expense was €(20) million, down from an income of €6.6 million in 2010, due to higher current tax and the recognition of less deferred tax assets when compared to 2010.

In 2011, the Company also recorded a €(1.5) million charge from discontinued operations in relation to the disposal of the Point-of-Sale activity at the end of 2010.

As a result, adjusted net profit for all operations of the Company was €228 million in 2011, a +5% increase when compared to €216 million in 2010, and adjusted net profit margin increased to 11.3%. Basic adjusted earnings per share came in at €2.73 and fully diluted adjusted earnings per share at €2.65, increasing respectively by 6% and 5%.

In 2011, revenue and profit posted a strong increase in the main segments, and the reduction of activity in Patents was related to the ongoing litigation initiated by the Company in the US. In the main segments, revenue increased by +11% and profit from operations grew by +28%, benefitting from the rise in revenue and gross margin improvements. Revenue increased by +9% and profit from operations increased by +15% at historical rates when taking into account the contribution of Patents. The four main segments of activities, which are comprised of Mobile Communication, Machine-to-Machine, Secure Transactions and Security, represented close to 100% of Gemalto’s revenue and profit from operations in 2011.

The contribution of the Secure Transactions, Security and Machine-to-Machine segments progressed rapidly to account for 51% of Gemalto revenue and 42% of its profit from operations (PFO). These segments represented 44% of revenue and 33% of profit from operations for the year 2010.

For further information see our Annual Report 2011.

Extract from the adjusted income statement for all operations

<table>
<thead>
<tr>
<th>Year ended December 31, 2010</th>
<th>As a % of revenue</th>
<th>Year-on-year variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€1,905.6</td>
<td>+9%</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€277.2</td>
<td>+1.3 ppt</td>
</tr>
<tr>
<td>EBITDA²</td>
<td>€215.7</td>
<td>+1.4 ppt</td>
</tr>
<tr>
<td>Net profit</td>
<td>€214.6</td>
<td>+1.5 ppt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31, 2011</th>
<th>As a % of revenue</th>
<th>Year-on-year variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€2,015.4</td>
<td></td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€319.8</td>
<td></td>
</tr>
<tr>
<td>EBITDA²</td>
<td>€256.6</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>€227.7</td>
<td></td>
</tr>
</tbody>
</table>

1 Income per share in €

2 EBITDA is defined as Profit from Operations (PFO) plus depreciation and amortization expenses, excluding the amortization and depreciation of intangibles resulting from acquisitions.
<table>
<thead>
<tr>
<th>Overview</th>
<th>Corporate Governance and Economic Factors</th>
<th>Employees</th>
<th>Environment</th>
<th>Business Behaviors and Social Factors</th>
<th>Other Information</th>
</tr>
</thead>
</table>

**Employees**

Nurturing our workforce
Employees

"We believe that our workforce should reflect both the global span of our operations and our customers’ diversity."

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

Demographics and diversity
We believe that our workforce should reflect both the global span of our operations and our customers’ diversity. So, wherever possible, we try to recruit employees with diverse cultural and educational backgrounds. When looking to fill Gemalto positions, we actively encourage applicants of every race, gender, religion, nationality, sexual orientation, age and ability. Above all we aim to be fair and inclusive, and we value diversity as a distinct competitive advantage.

In 2011 we continued to recruit from around the world. 24% of new employees came from Europe, the Middle East and Africa (EMEA), 47% from Asia and 29% from North, South and Central America. Of the 55 nationalities recruited, the top five (in terms of numbers) were, in descending order, China, Mexico, Brazil, Malaysia and France.

We were also pleased to welcome 182 graduates hired directly from schools and universities, 32% of whom were women.

Our geographical headcount therefore broadly matches our geographical revenue distribution. And by the end of 2011, 21.7% of our “exempt employees”(* in terms of numbers) were, in descending order, China, Mexico, Brazil, Malaysia and France.

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Non-exempt employees are those who, because of the type of duties they perform, their level of authority and method of payment, are subject to overtime provisions. They are therefore paid for all overtime hours worked.

Exempt employees
“Exempt” employees are those who, because of their responsibilities and level of authority, are exempt from overtime provisions. As in other organizations, they are expected to work the time needed to accomplish their goals. They are most often found in managerial, supervisory, professional, administrative and other leadership roles.

Recruitment by region(**) in 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>24</td>
</tr>
<tr>
<td>Asia (Asia Pacific)</td>
<td>32</td>
</tr>
<tr>
<td>NORAM (North America)</td>
<td>6</td>
</tr>
<tr>
<td>LATAM (Latin America)</td>
<td>8</td>
</tr>
<tr>
<td>Worldwide</td>
<td>6</td>
</tr>
</tbody>
</table>

By promoting diversity, we aim to create cross-functional and cross-national networks of people. We’re also keen to expand the diversity of “Gemalto University”, our leadership development program. In 2011 we welcomed more people of different nationalities onto this scheme, with an impressive 43% female intake.

We’re also working hard to encourage the promotion of female staff to more senior management positions. In 2011, women represented 48.8% of newly recruited staff (equal to 2010), and 30% of new “exempt employees” (+1% on 2010).

Developing our people
Gemalto is built on the ingenuity of its people. So we place strong emphasis on developing our teams to meet future needs and ensure our long-term survival and success. Our HR policies are therefore critical for the sustainability of the company.

Investing through training
The digital world is evolving rapidly. One of our most important HR objectives is therefore to invest in our people to support their skills development in this ever-changing environment. Our employees need 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 in training, offering a wide range of employee courses and schemes.
In recognition of R&D’s valuable contribution to Gemalto’s success, the Technical Ladder was launched in 2008 to reward technical staff and support their professional development. Its key aims are to provide clear career paths and incentives to employees, promote innovation and facilitate the spread of technical excellence. It is also intended to develop enthusiasm, pride and a sense of belonging among the technical community.

The Technical Ladder provides a path for technical career evolution and promotion, similar to that for management, with equivalent financial rewards, incentives levels, and recognition. It offers a choice to technical employees who are willing to pursue their career in a technical field and develop their expertise without management responsibilities. Thus it allows engineers to get recognition and financial reward in their technical field.

The Technical Ladder is made up of five professional levels. In ascending order, these are: Member; Certified; Senior; Principal; and Advisor. While keen to create an enabling environment for career development, Gemalto is prudent about how internal promotion is achieved and sets out clear criteria for advancement up the Technical Ladder. In order to progress from one level to the next, engineers must demonstrate expertise in key areas and meet stringent performance metrics encompassing technical skills.

In 2011, the technical management team evaluated 1,549 technical employees – a significant increase from 2010, with 298 new employees joining Gemalto’s technical community. The Technical Ladder Board validated the promotion of three new Principals on the strength of their undisputed technical leadership and their ability to introduce new technology. In addition, 38 people were promoted to Senior level, with another 15 entering this level directly from our recently acquired companies in year 2010/2011. 87 people progressed from Member to Certified, and another 80 employees joined the program as Certified. In recognition of its excellence in technical workforce development, Gemalto won the 2011 A.T. Kearney Best Innovator Award. The award celebrates best-in-class innovation management and leadership, and was a strong endorsement of our work, via the Technical Ladder, to promote and support technical excellence.

Through the Technical Ladder, we encourage our technical community to share and deepen their expertise. Dedication to innovation is crucial for our leadership in digital security, and we look forward to seeing more Gemalto experts move up the Technical Ladder in 2012."

Audina Choong
Human Resources
In 2011, we delivered a total of 256,300 hours of training worldwide. 7,750 people received training across our regions. Asia continued to deliver the greatest number of internal training hours per person as it represented in 2011, 47% of the new recruits, while our overall training satisfaction rate of 78% was one point up from 2010. Through this investment of time and money in workforce training, we provide our employees with ongoing development opportunities and keep them motivated and engaged.

**Average hours of training**

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>28</td>
<td>3</td>
<td>8</td>
<td>33</td>
</tr>
<tr>
<td>ASIA</td>
<td>109</td>
<td>3</td>
<td>8</td>
<td>33</td>
</tr>
<tr>
<td>NORAM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LATAM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>139</td>
<td>15</td>
<td>18</td>
<td>58</td>
</tr>
</tbody>
</table>

In 2011 Gemalto acquired two new companies. One of our major HR programs now relates to the integration of new employees who joined us. It 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 Gemalto’s benefit.

In 2011 Gemalto acquired two new companies. In 2011, 30 talented employees from 15 countries spent a week in Austin, Texas, exploring new forms of social media and how they interface across all areas of Gemalto’s business. This international group also spent a day working at “Urban Roots”, a local organic farm that teaches underprivileged youths the value of growing fresh food, sells its produce in local markets and donates the surplus to Austin food banks. This activity was very much in line with our belief that leadership extends beyond our walls and should serve the greater community.

In addition, through the “Gemalto Technical Ladder”, we enable our technical experts to develop their international career paths across different business units. More than 1,549 people worldwide from R&D and technical support are now part of this program – including newly acquired experts from Trivnet, O3SIS, Valimo, and Todos.

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- Capturing their knowledge and skills for Gemalto’s benefit.

2011 saw the creation of a Marketing Leadership Council headed by the Gemalto’s EVP Marketing. Its mission to:

- Marketing is a community that shares best practices, a common language, and lessons learned across business units and geographies
- We approach marketing as a science relying on rigor in process and methodology as opposed to intuition
- Implementing a culture of measurement; tracking and reinforcing the most impactful marketing activities

*See page 17 for area definitions.

Creating a safer working environment: Burlington, Canada

In Canada, the Gemalto HSE project staff have put in place a factory-floor safety improvement program designed to create an accident-free working environment. The program included information gathering on ‘high traffic’ areas within the factory, the distances travelled by employees, and the propensity for factory pathways to become blocked.

Once this information had been collated, the team devised and implemented safety-improvement strategies across the Burlington site. They adjusted production schedules to ensure materials could be placed close to relevant machinery. They set out yellow-tape boundaries in all zones (in accordance with SS standards) beyond which no equipment can be stored. And they increased the width of the pathways to enable greater ease of movement around the factory. Finally, the team also carried out a cable management project, raising all wiring from the floor to overhead mobile racks.

As a result of these measures, there have been no reported trips or collisions in the factory, and no injury-related loss of time. During monthly audits, no pathway has been blocked, and the selective production scheduling has resulted in a 91% decrease in ‘motion travel time’. What’s more, employees are carrying less material to and from machinery, resulting in reduced muscle pain and increased productivity.

The program also encourages employee loyalty, benefits people development in emerging countries, and enhances cross-cultural learning and the sharing of experiences.

Those who take part in the Young Transfer Program are our company’s future. By broadening their skills and careers, we’re aiming to safeguard Gemalto’s future success and ensure we have the expertise needed for the years ahead. Since 2008, 69 employees have traveled to France under this program, mainly from Asia and Latin America.

Balancing career opportunities in France
In August 2010, a review showed that Gemalto employed 2,840 people in France, of whom 63% were men and 37% women. Although it did not identify significant gender gaps in pay for similar jobs, there were some areas for improvement.

We feed all performance review information into a database. This enables us to monitor training needs and provide staff with information about available courses in good time.

Encouraging mobility
The option for staff to move with Gemalto internationally is another key pillar of our HR policy. We encourage mobility across all 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. Once they have completed the program, they can take this learning back to their home countries. This approach supports our strategic goals of:

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

The program also encourages employee loyalty, benefits people development in emerging countries, and enhances cross-cultural learning and the sharing of experiences.

Global and regional benefits
At 78% overall satisfaction, our 2011 PeopleQuest results show a positive response increasing one point from 2010. As part of the improvement in gender diversity measures, we compared the satisfaction results by gender and found no disparity; the global satisfaction result for men and women in France with similar responsibilities. The amount spent in 2011 was less than half of 2010, showing we are making progress.

We also launched a continuing program which focuses on ways that training can develop skills to encourage women’s career development. It’s also examining ways to promote more women so that the number of female managers reflects the percentage of “exempt(*)” women in the company. Other priorities include making sure diversity is reflected in every job role company-wide – also allowing for a healthy work-life balance.

Listening to employees
“PeopleQuest” is our annual employee survey. It tracks satisfaction across our global operations and is available online to all employees. The survey consists of 36 questions divided into eight categories, and is translated into nine languages to encourage as much take-up and feedback as possible.

Each year, we use PeopleQuest results to create plans for the year ahead. We build these around initiatives designed to meet employees’ expectations, aiming for specific improvement in areas where survey scores are lower. We then issue regular updates via our “HR dashboard” on the Gemalto website. In 2011, over one hundred “PeopleQuest-Inspired” actions were carried out, ranging from Family Days to Integration Programs to friendly sports competitions and site festivities.

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Focus on

The PeopleQuest process

Each year, the PeopleQuest employee engagement survey is deployed for a designated two-week period. All Gemalto employees in every site around the world are invited to participate in the online survey consisting of 36 questions divided into the following eight categories:

- Communication
- Gemalto
- Perceived fairness on the job
- Training
- Trust in future
- Trust in the organization
- Values
- Work environment

It is also translated into nine languages to encourage as much participation and feedback as possible.

Using consistent metrics and criteria across all regions, the survey is a cohesive process which serves to unify all staff in the expression of their opinions on the company’s performance. It offers a standardised means by which employees can express their views and influence internal policies and procedures. And it provides a quantifiable sense of “where Gemalto is at” in terms of the company’s internal evolution and growth.

Once collated, the PeopleQuest results are published and shared with all employees. In areas where satisfaction scores are low, management and staff will then brainstorm ideas around which actions need to be implemented to deliver change and improvements. Action committees are put in place and reports are generated around key issue areas. The committees then oversee the implementation of action plans for the year ahead.

In 2011, global results showed a survey response rate of 76% (equal to 2010), and an overall satisfaction rate of 78%. Although this figure is down 2% on 2010, it is up 6% on 2009, suggesting that the company is succeeding in its efforts to listen and respond to employee’s opinions. What’s more, in 2011 over one hundred actions were coordinated which were deemed “PeopleQuest-Inspired” – i.e. actions which leveraged the ideas and feedback generated via the (previous year’s) PeopleQuest survey, and which were implemented to help improve people’s working lives. From changes in the working environment of local facilities, to “family days” to recognize the importance of work/life balance, to special “Best 8 Practices” training to encourage common working practices across the globe, the PeopleQuest action plans are specifically created to respond to people’s local needs and to boost motivation.

The PeopleQuest engagement survey is designed to ensure we capture all employee’s feedback and views, and to use this feedback to shape and implement actions for the year ahead. It’s a chance for our employees to really make themselves heard and influence our company culture."

Christie Deydier,
Corporate Training and Development
Sites with OHSAS 18001 certification compared with ISO 9001 sites

<table>
<thead>
<tr>
<th>(%)</th>
<th>2007</th>
<th>2008</th>
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<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Sites targeted by OHSAS 18001: all production sites and the two big non-manufacturing sites at Meudon and La Ciotat</td>
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Company current target: 65%

Through PeopleQuest 2011, employees chose a charity to which they each contributed one euro. These included UNICEF, Red Cross/Crescent and the World Wildlife Fund.

High participation levels in the survey suggest 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. In order to continue improving the analysis of our results, and to better align actions to the needs of all employees, we also compared the satisfaction levels of “exempt(*)” and “non-exempt(**)” employees. In 2011, at corporate level there was no significant variation (79% exempt, 77% non-exempt). In a few sites we did identify lower satisfaction rates for certain categories, and we have set targets to reverse these trends in 2012.

Safety at work

Gemalto always aims to provide safer working environments for its employees, as well as for others working at or visiting its facilities. We ensure continuous improvement through our Human Resources and Health & Safety Management systems. And we use the OHSAS 18001 standard to enhance these systems and gain assurance. Although our operations pose few serious safety risks, we ensure they take into account ever tougher legal requirements. We also challenge our practices through external benchmarking and independent assessments.

In 2011, the number of OHSAS 18001-certified Gemalto sites remained unchanged at 15. The graph opposite shows a slight percentage increase due to our withdrawal from joint-ventures in Egypt and China.

Our 15 certified sites represent:
• 58% of the 26 main sites in the company and;
• 78% of their employees.

These 26 sites comprise all manufacturing sites and the two big non-manufacturing sites at Meudon and La Ciotat in France. At company level, 64% of all employees are covered by OHSAS18001 certification.

Moreover, during the year our two Mexican sites prepared for certification, with audits planned for the end of Q1 2012. At this time, we will have reached our company target for OHSAS18001 certifications.

Reducing injuries and associated lost time

Recorded accidents and injuries are a key indicator of safety system efficiency. In 2011, the number of accidents with at least one lost working day stood at 64 across the company – a 17% reduction compared to 2010, due in particular to fewer accidents in EMEA sites.

The total number of lost working days (LWD), however, increased significantly from 977 in 2010 to 1,295 in 2011. This increase is mainly related to eight accidents which occurred in more than 50% of all LWD. Of these, four were commuting accidents accounting for 30% of all LWD. In total, commuting accidents represent 35% of LWD; they refer either to accidents occurring between employees’ homes and the Gemalto car park, accidents in and around the car park area, or to actual traffic accidents.

In 2011, Gemalto’s Montgomeryville, Pennsylvania site created a Health & Safety (H&S) Committee. Its role is to review company safety programs, establish procedures for conducting inspections, make recommendations for corrective actions, and above all ensure the company is looking after the health and wellbeing of its people.

In order to become committee members, participants must undergo annual training in a range of H&S issues, including the inspection of safety hazards, accident investigations and committee functions and responsibilities. Although a voluntary body, the Committee is certified by The Commonwealth of Pennsylvania’s Department of Labor and Industry. Through this certification, state government prescribes a formal methodology for H&S Committee operations.

The H&S Committee convenes on a monthly basis and consists of a mix of non-management and management employees. According to regulations, this mix should be equal or favour non-management. As part of their work, the members review all incidents resulting in work-related injuries, near-miss situations, suggestions for improving facility safety, reported illnesses and H&S complaints. The Committee also assesses the effectiveness of safety equipment and procedures, using lost time, lost working days and compensation claims as key performance metrics.

Each year of certification earns the plant a 5% reduction in the cost of workers’ compensation insurance premiums, thereby saving thousands of dollars annually. Committee members now represent all areas of the site and are successfully increasing safety awareness throughout the company.

(1) See page 13 for area definition.
(2) See page 17 for exempt definition.
National and international travel is a major part of working life for many Gemalto employees. Gemalto does business virtually everywhere in the world, and ever since the company’s formation Gemalto employees have been making regular trips abroad. When Gemalto employees travel, the company takes all reasonable steps to ensure they are safe and their assignments are successful. In today’s world, however, risks such as terrorist attacks, civil unrest, disease or natural disasters can pose a threat to their wellbeing and disrupt their plans.

In North America, as elsewhere in the company, a dedicated Gemalto Travel Champion ensures that up-to-date information is held on all company travelers and their intended destinations. The Travel Champion receives daily updates from the iJET travel information system (which assesses security risks and issues travel warnings), and takes responsibility for updating travelers regarding risks and other relevant information.

Before they travel, Gemalto employees are required to check the Gemalto intranet for travel information, and then check their iJET destination rating. If a country or area receives a Level 4 iJET rating, employees must refer the decision to the company Travel Champion. If the iJET rating is Level 5, the company HR Director and EVP must also be consulted. Where there is a perceived risk, Travel Champions will suspend trips and reassess the situation a few days later. If there is the slightest possibility that an employee’s safety could be compromised, the assignment will be cancelled.

Even when a journey is validated, the travel champion is able to alert travelers while they are at their destination if the local situation changes. For example, in 2011 the North America Travel Champion and his team diverted Gemalto employees from riots in Oakland, California, and alerted travelers in Brazil about an outbreak of Dengue fever. In the past, Travel Champions have coordinated their activities with local crisis management teams to reach employees affected by unforeseen events, such as the outbreak of H1N1 in 2008, and the Icelandic volcano eruption in 2010.

Employees’ safety is our number one priority. The nature of Gemalto means people have to travel. There have been 600 employees travelling in North America in the first quarter of 2012 alone. So, it’s our job to make informed risk assessments and keep those people safe. If there’s any doubt at all, they don’t go; simple as that.”  

Robert Addlesberger  
Travel Champion

Such accidents underline the importance of the company’s Defensive Driving training program. By the end of 2011, about 20% of Gemalto employees had attended driving training sessions (of which around 448 were during the last year).

In 2011, 40% of LWD were related to “minor injuries”. These are injuries requiring absence of five days or less, and three accidents out of four resulting in less than 20 lost days. In 2011 these minor injuries related mainly to handling/moving activities, with more than 65% involving hands or feet.

Reducing risk from hazardous substances

The monitoring and management of hazardous substances forms part of our Health and Safety strategy. We continue to eliminate or minimize risks for both employees and consumers by carefully managing all hazardous substances, and we comply fully with RoHS regulations.

In 2011 we continued to respond to changes in the REACH regulations, working in partnership with numerous suppliers. We also monitored with our suppliers a wider internal list of hazardous substances (close to 150 chemical substances or family compounds).

In addition to the usual Health and Safety training courses, we encourage local initiatives. These address safety at work and promote good health practices (for more details, see the case study on page 20).

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**Environment**

caring for the world around us
Environmental sustainability has always been at the core of our company ethos. Since 2000 we have been developing ways to reduce the environmental impact of our operations. We have also been working with upstream and downstream stakeholders on other impacts linked to our business market.

Our approach
Identifying risk, impacts and opportunities
Three factors are especially important for our work supporting environmental sustainability:
- ISO 14001 international certification – which requires a yearly review of identified environmental risks and actual impacts in order to validate or update them;
- National and international regulations – which clearly identify priority areas and timelines for compliance. These directives often come from the European Union and address hazardous substances management in particular;
- Increasingly specific customer enquiries – not only about the eco-friendliness of our manufacturing processes or the content of the products we make, but also about other aspects such as the overall impact of our supply chain on global warming.

Certified management systems
Certifying Gemalto’s Environmental Management System (EMS) was our first step towards ensuring best practice and continuous improvement.

For over a decade, we progressively worked through an ISO 14001 roadmap. This first targeted main production sites. It then addressed personalization centers including our biggest non-manufacturing facilities at Meudon and La Ciotat in France, which today accommodate some 1,000 and 800 people respectively.

In 2011, the number of certified Gemalto sites remained unchanged at 20, which is the current company target. The graph on the right shows a very slight percentage decrease as we withdrew from our joint-ventures in Egypt and China.

The 20 certified sites represent 77% of our 26 main sites (which comprise all manufacturing sites – production and personalization centres – and the two French headquarters) and 95% of our employees. At company level, 77% of all employees are covered by an ISO 14001 certification. The certified sites – which include three in Asia and four in Latin America – are audited once or twice a year by ISO 14001-accredited companies. They assess the effectiveness of implemented Environmental Management Systems (EMS) by reviewing their risk and impact analyses, the relevance of related improvement plans and their efficiency versus objectives. External auditors also evaluate our monitoring of legal requirements and our response to changes in regulation. Several of our sites are also certified through national schemes, for example Montgomeryville, US (“KEMA”), and our plant at Cuernavaca, Mexico (“Clean Industry”).

The principal environmental risks and impacts of our operations are managed through site action plans. These previously focused on consumption (of energy, water, paper and manufacturing materials), waste management and pollution, in particular regarding the laminated products, solvents and Volatile Organic Compound (VOC) emissions associated with printing technology. Today, as a result of the global carbon footprint initiative, site action plans also frequently include additional elements aimed at reducing our GHG emissions (especially in view of our freight and people transportation impacts).
### Legal framework
We commit to comply fully with national and international regulations. Although some of the most significant directives come from the European Union (EU), their increase worldwide is an established trend. This mainly refers to RoHS (Restriction of Hazardous Substances), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), WEEE (Waste Electrical and Electronic Equipment), battery and packaging waste management.

In 2011, Gemalto also continued its accelerated efforts to measure its carbon footprint. This anticipates new laws in several countries within the European community, such as the Grenelle II regulations in France.

### Meeting customer demands
Of all our stakeholders, our customers are the most demanding when it comes to product and process “eco-friendliness”. They regularly ask for information about the content of deliveries. Sometimes this requires completing detailed checklists relating to undesirable substances. They also ask for evidence of compliance with regulations such as RoHS or REACH.

More and more customers are now looking for the “CO2 footprint” information for specific products. In 2011 we developed a simplified calculation model which allows us to determine CO2 emissions for a given order, taking into account the materials used, the location of fabrication sites and customer delivery address (see page 27 for more details). In addition, in order to meet certain customer expectations, Gemalto is now utilizing the Carbon Disclosure Project (CDP) database.

### Eco-design and green products
Gemalto is involved in ecological initiatives with the French Card Manufacturer Association (AFPC), as well as other groups including the GSM SIMAlliance in Europe, and ICMA in the United States. Our customers encourage this involvement as they are increasingly incorporating sustainable solutions into the products they deliver to end-users. We’ve responded by developing materials and processes to ensure greener and safer end-products. We believe this helps our customers’ positioning and reputation.

Historically, we’ve developed eco-friendly products for banking, telecom and government customers worldwide. We’ve also invested in research and looked for new ways of balancing the marketability and sustainability of our products.

Our expanded portfolio means we’re further developing our environmental impact strategy by:

- Using chlorine-free materials – e.g. polyethylene terephthalate glycol-based (PETG) products that deliver less air pollution when incinerated. We’re also making PVC-free, ABS-molded products that reduce manufacturing waste compared to laminated technologies;
- Maximizing basic eco-design principles – such as reducing the materials needed for smaller products and using more eco-friendly materials for packaging (particularly for the telecom market);
- Promoting renewable/recycled materials – especially card bodies based on polylactic acid (PLA);
- Tackling the card “end-of-life” issue – we’re leading the way with a recycling channel for PVC and ABS cards.

In 2011, we included in our environmental program a specific project comparing our two main “reader” products through a simplified Life-Cycle Analysis (see page 31 for more details).

### Progress on green product strategy
In 2011, we continued the implementation of our green product strategy:

- We continued the conversion to PVC-free (pure ABS) Telecom moulded cards in our Brazilian plant. 100% conversion is now planned by H2 2012;
- Around 70 Million smaller SIM cards have been sold, mostly as “plug only” but also as “half cards” which reduce the amount of plastic required;
- We completed the development process of full PLA cards, meeting technical specifications of the banking markets in line with customer expectations (more than half a million loyalty cards are already in circulation). Organic Waste Systems (OWS), an accredited Belgian lab, conducted positive “compostability tests” on these products;
- Following a recycling model defined by the AFPC, we carried out end-of-life management of ABS and PVC cards. Small numbers were involved due of the difficulties of collecting obsolete cards in the field. Our two main French sites are able to help customers looking for such a service.

Regarding the promotion of dematerialized e-solutions, Gemalto has completed a project evaluating the environmental benefits of its offers – in particular those for the Government Business Unit.

For the banking market, the “PIN by SMS” application will allow us to fully eliminate the paper usage usually required for this service.

When it comes to legal compliance, we continue to focus on improving processes to ensure that our products meet regulations. As for RoHS regulations, in past years we’ve gathered chemical analysis from accredited third-party laboratories for our many card and reader products. When a small number of customers asked about the safety of certain card products, we also verified that they complied with EN71–4 “Safety of Toys” legislation.

### Environment

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## Improving energy efficiency

**Barcelona, Spain**

Gemalto Barcelona launched a new scheme in 2011 to improve energy efficiency and reduce energy consumption in the company’s main building. The scheme involved a number of technical innovations as well as a targeted communications campaign to raise staff awareness.

Technicians replaced the building’s old windows with new, insulated glazing designed to reduce energy loss through heat emissions. They also replaced all the split HVAC (Heating, Ventilating and Air Conditioning) equipment in the office, and introduced HVAC zoning to minimize consumption and optimize efficiency. Other key improvements include introducing VSD (Variable Speed Drive) technology to the water cooling system, which adjusts the cooling process according to demand; energy recovery from chillers and ventilation systems; and various plant refurbishments.

Gemalto Barcelona employees have been very receptive to the new program and played their part by embracing new energy-efficiency behaviors. Over the course of 2011, the company’s efforts resulted in €50,000 of electricity savings, and an overall energy reduction of 6.5% compared to 2010.

> “The energy efficiency programme has been very successful; both in the technical measures we implemented and in the way staff have responded. Now hopefully we can move on and achieve ISO 50001 certification in 2012.”

— Cristina Lluis

HSE Manager
Focus on

Carbon Footprint

With climate change come 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 in doing so limit our own contribution to global warming.

In 2009 we embarked on an ambitious, proactive program to measure the global carbon footprint of the company. This program is part of our environmental impact reduction plan and ISO 14001 implementation strategy. These measures include all greenhouse gas (GHG) emissions arising from company activities, including energy and refrigerant gas consumption, incoming materials and services, incoming and outgoing freight, waste generation and people transportation, including commuters and visitors.

Providing us with a detailed picture of greenhouse gas emissions linked to our business, our carbon footprint project will enable us to make meaningful emissions reductions. With the information we gather, we can also implement actions to offset current emissions. While there have been no legal requirements or mandatory pressures for Gemalto to carry out these activities, they have enabled us to reinforce our commitment to environmental sustainability, keep ahead of key trends and prepare for forthcoming legislation – such as Grenelle 2 in France.

In 2011, Gemalto carried out 11 carbon footprint site assessments, bringing the total number of sites measured to 21. These cover our main sites, including manufacturing sites, headquarters, R&D and personalization sites. Throughout the year, our global footprint activities were similar to those identified in 2010, with highest impacts coming from raw material manufacturing, which represent more than half of our emissions. Our card chips have the highest associated emissions, while product freight, people transportation and energy consumption each represent around 10% of our impacts.

Our carbon footprint projects in 2011 aimed to tackle these main sources, and to improve and automate the way we measure emissions. For example, regarding transport-related GHG emissions, we developed a carbon measurement tool for freight. This has been included in the monitoring of our main transportation companies and the delivery of our products between sites and customers. We are proposing another version of the tool to our suppliers to help them monitor their own emissions.

In 2012 we will continue to interrogate the data we have received and work towards enlarging the scope of our reporting process. We will also continue to accelerate our shift from air to sea-based freight transportation for telecom cards and reader products, which our product Life-Cycle Assessments (LCAs) have shown can lead to a 38% environmental impact reduction (see page 31 for more information).

Also in 2011, we developed a tool (validated by an external consultant) to calculate the carbon footprint of our products. With different sites responsible for different card production processes (module manufacture, card lamination and printing, module embedding and card personalization), the new tool captures information from the relevant sites to produce a single footprint measurement per card. These measurements provide customers with a more transparent view of the environmental impact of their card products.

Thanks to this tool, we are now able to deploy our carbon offset program worldwide, providing an easy solution for offsetting customers’ product-linked carbon emissions. This supports our customers’ interest in environmentally-friendly products and their desire to address global climate change.

While more than 12 million carbon offset cards were sold in the UK in 2011, our worldwide project will allow the offset of much higher volumes in coming years. These offsets will be achieved through investment in eco-schemes around the world, supported by offset companies such as Carbon Neutral® and CO2 solidaire®. These schemes include energy savings or renewable energy deployment in developing countries, such as the deployment of high efficiency stoves, biogas programs for animal husbandry and water purification initiatives.

We’ve made good progress in addressing our carbon footprint – something we are proud about here at Gemalto. The challenge now lies in how we actively reduce our impacts and engage our customers and suppliers through our offset program and monitoring actions, and how we communicate these efforts externally. In 2012 we will be making detailed presentations to customers to explain what we’re doing in a clear, compelling and transparent way.”

Céline Lugbull
Corporate HSE and CSR Projects
Reducing printed materials: France

The Gemalto Corporate Communications team has created a new print-on-demand tool to help reduce the number of sales brochures that are printed unnecessarily each year. To avoid brochures being printed but not finally used, the new tool enables employees to order the precise number they require. Furthermore, all brochures ordered this way are produced using 100% recycled paper.

The print-on-demand tool went online in January 2011, bringing together 184 reference brochures from the Gemalto catalogue. Its introduction has helped to engage employees with the issue of print-related waste – and cost. Previously, all printing was paid for by the company’s central communication service. Now, the on-demand print-runs are financed through users’ divisional budgets. The results have been significant.

In 2011, Gemalto printed 9,350 brochures on demand, compared to 23,290 in 2010. The company also reduced the number of printed hard-copy greeting cards by 10,000, with employees now opting to use electronic versions wherever possible. Overall, the new print-on-demand program has encouraged employees to consider costs and help minimize the company’s impact on the environment.

Finally, we continued to reduce waste, as well as consumption of energy and water. We also improved the management of our supply chain processes.

Reducing impacts

Site operations – particularly those involving manufacturing – is one area where Gemalto can make a difference both up and down the supply chain. While we invest significantly to develop greener products, our largest environmental gains in the last ten years have been in operational processes.

Reducing our environmental impact by lowering resource consumption remains a key objective. We closely monitor both energy (measured in GWh including electricity, gas and fuel) and water usage in line with our corporate plans.

Waste reduction and management is another key focus for manufacturing sites where waste screening has been established for many years.

REACH and WEEE

In 2011, we continued to focus our efforts on two main areas:

- REACH compliance – optimizing our processes and tools to improve the monitoring of compliance concerning substances identified by the European Chemical Agency (ECHA). All purchasers and HSE managers worldwide now enjoy user-friendly access to our central database;
- Strengthening the WEEE compliance process – by subcontracting the declaration of sold quantities and eco-tax payments to an external expert, the European Recycling Platform (ERP) company.

Energy Consumption

In 2011, we continued to make significant progress in reducing our energy consumption:

- We reduced worldwide consumption of energy by 8% (electricity, fuel and gas). This was achieved through reduction projects in the majority of our manufacturing sites, although a mild European winter also played a part.
- 13 sites out of 20 exceeded the 5% reduction objective, with the most positive impacts seen in Gemenos (France), Vantaa (Finland), Shanghai (China) and Fareham (UK). There were negative impacts associated with banking card production sites, which have significantly increased their production in 2011 compared to 2010 (for example Iztapalapa in Mexico and Singapore).
- Methodical “energy efficiency” audits were performed in several sites, such as Gemenos and Tczew (Poland). These highlighted the need for several improvement actions, some of which have already been implemented.
- Pont-Audemer (France) achieved a 30% decrease in gas consumption, thanks to the purchase of new refrigerant equipment with heat recovery.

Water consumption

Global water consumption rose by 2% in 2011, due to increased usage in several sites such as Singapore, Tianjin (China) and Meudon (France):

- For Singapore, the figure remains very positive compared to 2009 and consumption is mainly linked to facility work on air conditioning sprinkler systems.
- In Tianjin, although consumption was much lower than in 2009, it increased by 30% compared to 2010 due to increased irrigation needs during the summer.
- In Meudon, the increase (12%) is explained by a corresponding increase in personnel on site.
In 2011, Gemalto Pinhais, Brazil, set itself the goal of reducing operating costs related to non-recyclable and hazardous waste by 40%, and increasing revenue from the sale of recyclable materials by 38%.

The team began by assessing the waste collection and disposal policies of 30 other service companies, and saw that opportunities were being missed with certain recyclable materials, such as PVC. They then devised and implemented a comprehensive revenue-from-waste plan, making sure their disposal and compliance procedures met with all relevant legal requirements.

The results for the year were impressive.

Overall, Gemalto Pinhais reduced waste across all residues and materials (see table below). In terms of non-recyclable and hazardous waste, the team reduced the costs of transporting contaminated solids by 12%, and organic waste by 42%. It also sought out new vendors for recyclable materials and increased the sale of PVC/plastic by 22.9%; chip/module ‘skeletons’ by 47.5%; and paper and cardboard by 43.8%. Throughout the year, revenue from recyclable wood rose by 100%; plastic pallets by 32.6%; scrap metal by 73.4%; and off-set plates by 61%.

Looking around the company, and looking at what other companies had done, we saw a real opportunity to generate revenue from waste and increase the sale of recyclables. Not only are we helping to divert waste from landfill and safeguard the natural environment, we’re also reducing company costs and opening up new sources of income.

Karin Costa
IMS Coordinator and Internal Committee for Accident Prevention (CIPA) President

Waste production and valorization
Production process waste recycling is often above 85%. This is because manufacturing yields are quite high, and both plastic and lead-frame skeleton waste is separated for recycling. Waste indicators for 2011 show positive results compared to 2010:
- Global waste decreased by 2% at 4,400 tons – the main contribution coming from sites producing laminated plastic products;
- This is a particularly positive result given that the number of fabricated products increased in 2011;
- 11 out of 20 sites exceeded the 5% reduction target. Most sites have reduced their impact through miscellaneous continuous improvement actions;
- The global percentage of waste valorization shows a significant increase at 81% versus 77% in 2010 (see case study on the right).
In May 2011, the Gemalto newsletter team, comprising a large number of employees in Montgomeryville, Pennsylvania, sat down to plan the summer issue of The Gemalto Buzz. As always, the newsletter was to include a focus on sustainability, and IT Business Apps Manager, Carol Lee Vosteen, came up with the idea for a competition to encourage more recycling within the company.

“What else can we recycle?” was launched in The Gemalto Buzz the following quarter, asking employees for unique recycling suggestions that could be implemented in Gemalto offices or production facilities. Entrants put forward a range of possible schemes, including the recycling of food scraps, compact fluorescent light bulbs, shrink wrap and air (via houseplants).

The winning entry, however, came from Wireless Team Member, Sang Choi, who proposed the creation of company bookshelves where employees could recycle and exchange used books and magazines. Regional Security and HSE Manager, Bob Addlesberger, is working with his team to install the shelving units at each of the Gemalto US sites.

The competition generated some great ideas and showed high levels of staff engagement with sustainability. Rather than throw books and magazines away when they’re finished with them, this is a great renewal initiative. We’ll definitely be running this contest again next year.”

Michelle Giordano
Human Resources Manager
Life-Cycle Assessment, or LCA, is a method of quantifying the environmental impact of products. Underpinned by ISO 14040–44 certification, LCA can be used to inform decision making, identify and develop low-impact procedures, and enhance the design and environmental profile of future products and packaging.

LCA studies take into account all environmental impacts associated with a specific product, encompassing raw material extraction, manufacturing, transport, shopping and use, plus end-of-life disposal. The data these studies generate provide a comprehensive picture of a product’s environmental footprint, including resource consumption, waste and emissions to air, water and soil. This information can then be used to influence ‘ecodesign’, which aims to minimize the impacts and maximize the efficiencies of new products while maintaining their quality and esthetic appeal.

Until recently, this approach to environmentally-responsible product development was led by external agencies and consultants. In 2011, we decided to take ownership of this process internally. To do this, we brought in an expert to work with the reader Research & Development (R&D) team, focusing the analysis on Gemalto’s two most popular e-banking card readers. The results confirmed that the new reader design has less impact than its predecessor, and showed that strategies for product transportation are critical. Moving from air to sea-based transportation, for example, led to a 38% impact reduction (from 40% to 2%) in the product Life-Cycle Assessment. We also organized LCA awareness sessions for R&D and marketing staff working on reader products, and created an eco-design best practice guide covering basic principles and technical perspectives.

We then decided to broaden the scope of the ecodesign program to encompass all products (readers, cards, and packaging), and to transfer ecodesign knowledge to local teams, R&D teams and packaging personnel. To do this, we acquired LCA software with a view to carrying out assessments for all main products and incorporating LCA into current and future product development.

These measures enabled comparative LCA studies between old products and new in terms of impacts on human health, ecosystems (water, soil and air pollution), climate change, non-renewable resource depletion and water consumption.

Environmentally-responsible product design is critical for an industry leader like Gemalto. We’ve been working to train our teams on LCA and eco-design so we are in a good position to do this work ourselves. From developing smaller products, using more sustainable materials, through to how we transport these goods and communicate their benefits externally, we are committed to enhancing our expertise in all areas.”

Céline Lugbull
Corporate HSE and CSR Projects
In March 2011, 22 Gemalto employees took part in a tree-planting initiative at our factory in Tianjin, China. Designed to raise awareness of environmental protection and make the factory area greener, the day of planting attracted managers and staff from various departments, including HR, Quality, Facility, Security and Finance. In total, the team planted 16 pomegranate tree saplings in an empty patch of ground next to the factory’s main building. Another small plantation is planned for 2012.

Tree planting is a regular activity at Tianjin. In the past, we’ve planted apple trees, peach trees and haw trees. The idea is to improve the factory grounds, engage staff with nature and reinforce the link between Gemalto’s operations and sustainability. And the blossom in spring looks wonderful!

Wang Chunqing
Quality and HSE Manager
Developing valuable, responsible relationships
Human Rights
Gemalto believes profoundly in the value of human rights. We therefore comply with The Universal Declaration of Human Rights and International Labor Organization (ILSO) Standards. As a signatory of the United Nations Global Compact (UNGC) we also benchmark our policies and results against world-class companies, reviewing them annually against the Compact’s ten principles including those on human and labor rights.

Through our Code of Ethics we aim to apply the highest ethical and professional standards, whether or not they are imposed by law. Thus in relation to human rights, our employment practices prohibit discrimination and harassment against applicants or employees in all their forms. This includes any such behavior on the grounds of race, color, nationality, gender, age, religion, sexual orientation, and physical and mental disabilities. Hence when recruiting new employees, we actively encourage applicants of every race, gender, religion, nationality, sexual orientation, age and ability. Above all we aim to be fair and inclusive, and we value diversity as a distinct competitive advantage.

Customers
We value our customers very highly. And we do everything we can to foster constructive, durable relationships with them – focusing on their needs, living up to our promises and encouraging their feedback.

A relationship based on trust
We base our relationships with customers on trust. This is vital in every sector they work in – telecoms, public service, finance, enterprise and so on. With decades of experience in the field, our clients know they can trust us to manage their own sensitive digital data; and that their end-users – their subscribers, citizens, banking card holders, employees and so on – can be confident of our capacity to handle their personal information. They also need to trust us to deliver high-quality products and services to their end-users – and provide support for any problems.

At Gemalto we work hard to earn and merit this trust. So we design our strategy and everyday operations around customer needs. We also interact with customers in an open and transparent way. And we create solutions with dedication and an eye for excellence.

Customer survey
Every year we commission a customer listening program – the “Tell Me” survey. This includes interviews with customers who rate their satisfaction with various aspects of our business. It enables us to take account of their views on sustainability, amongst many other topics, and hence affect our approach to CSR. It also provides a wealth of data, helping us to measure our performance and improvements, and influencing our strategic direction.

In 2011, we held 480 Tell Me interviews. Our average score of 723 out of 1,000 rated us “world class” against our global peer group for customer confidence. We also ranked “best in class” against companies in other industry sectors.

Another key result from Tell Me is the high satisfaction level, 86% in 2011, of our customers. 2011’s Tell Me results also confirmed our main strengths:

- Gemalto has strong customer oriented culture and practices.
- Gemalto is innovative and is a partner with customers in innovation. Customers are happy with our support and advice.
Sites with ISO 9001 compared with those targeted (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites targeted by ISO 9001 certification: production sites, main R&amp;D and personalization sites and headquarters.</td>
<td></td>
<td></td>
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</tbody>
</table>

Quality and reliability

Given the importance of digital security in the modern world, it’s vital that we perform to the highest quality levels.

For several years Gemalto has operated a proven and stable quality management system. We now have 25 sites with ISO 9001 quality certification. This represents 96% of our main sites and 80% of our employees worldwide. In 2010, ISO 9001 certification was awarded to two more sites at Burlington (Canada) and Moscow (Russia). The graph to the left shows a very slight percentage decrease in 2011 as we have added our new site in Jakarta as a target for certification in 2012.

In 2011, we continued to develop our “Lean Six Sigma” culture. Our “World Class Manufacturing Group”, a worldwide, 60-staff unit, aims to protect stakeholders and enhance quality. The unit, whose members have undergone comprehensive training, also anticipates new regulations and standards to ensure Gemalto complies with best practice. In 2011, we ran the second edition of our “Operations Excellence Award”, another important quality program to identify the best contributions to customer satisfaction, quality, service and cost improvements.

We gave two gold awards this year. The first went to our personalization center in Burlington for its outstanding work on productivity improvement using advanced WCE techniques. The other went to a joint project managed between our central manufacturing development team and our production site in Singapore for the development and ramp up of a new technology. Alongside positive Tell Me results, over the last two years we have seen a 16% reduction in the overall number of significant customer claims.

Quality is central to our working methods. We operate 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 have been working to improve our “on time versus request” (OTR) performance focusing on punctuality and quality in the delivery of our products. It was clearly stated in our Tell Me survey that this parameter has now reached our customers’ expectations.

We have therefore decided to focus our 2012 efforts on the service level in personalization for our banking customers.

Innovation

Innovation is one of Gemalto’s three core values. We’re constantly innovating to serve our customers with technologies that both enhance digital security and have a positive impact on society and the environment.

Indeed, our commitment to innovation is such that in 2011, we invested over €150 million in R&D activities. The daily search for new ideas starts with our international team of over 1500 digital scientists based in our worldwide network of 14 Research and Development centers. Their expert work is enhanced by the creativity of Gemalto’s entire workforce who are encouraged to submit suggestions through our “BIG” (Business Innovation Garage) think-tank (see case study on page 36).

The BIG has been in place since 2007. Its success is such that in 2011 alone it received some 300 propositions. Of these, 30 projects were selected for further investigation. And after a process of analysis against a number of criteria, three “incubation cells” were activated in order to develop prototypes which can subsequently be presented to our customers.
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.

In 2011 Gemalto won the prestigious BearingPoint Innovation Management award ("Agile Innovation") for our “BIG” (Business Innovation Garage) think-tank initiative. BIG provides our employees with a structured, company-wide process for submitting and managing any innovative ideas they may have. Ideas covering wide-ranging fields of application – from communication, payment, transport, Internet access and machine-to-machine application – are systematically challenged, audited, developed and selectively turned into incubation cells.

The “Innovation Management Trophies” are organized by BearingPoint, by the editorial board of the French journal L’Expansion, the research firm Harris Interactive and the prestigious French school of engineering Ecole des Ponts. The jury ranked Gemalto first amongst a number of nominated global industry leaders.

The award specifically recognized eGo, Gemalto’s revolutionary new technology that uses intra-body communication properties to convey digital credentials onto devices such as a person’s car, phone or door-lock. It is exemplary of how Gemalto fosters innovation and structures individuals’ dreams into development through incubation cells.

"The cultural diversity of our highly talented workforce worldwide is empowered by the BIG process to express ideas and new business opportunities that will potentially become our commercial successes of tomorrow. BIG is an efficient innovation process, tailored to identify the best projects and develop them in a start-up mode. Gemalto is honored to be distinguished by BearingPoint, who shares the same ambition of always delivering best value to their clients."

Tan Tock-Lee
Chief Innovation & Technology Officer, Gemalto

Our innovation and solution awards 2011:
- Best Innovator: A.T. Kearney
- Agile Innovation: Business Innovation Garage (BIG) and eGo technology: Bearing Point
- Excellent Product: Allynis Trusted Service Manager: Payment Industry Editor’s Choice: PayNews
- Best contribution to LTE standards: LTE World Summit 2011
- Best enabling technology: LTE World Summit 2011
- Excellent Solution for Financial Industry: Dexxis Instant Issuance: Financial Computerizing magazine
- Sesames Award: smart badge holder: Cartes Asia
- IT security Sesames Award: securing cloud computing for enterprise applications: Cartes Paris
- Homeland Security: Best Biometric Identification Device: GSN USA
- Gold Value Chain: Home Health Category: Connected World Award
- Product Design: e-Banking Ezio PlugandSign token: iF Award

£152m invested in R&D in 2011
1,500+ digital scientists
4,200 patents and patent applications representing about 1200 patent families
107 new inventions first filed in 2011
Suppliers
Our objective is to influence our suppliers so that any negative impacts they may have are kept to a minimum, and at the same time to attain a viable supply chain that supports our business objectives. By achieving both of these goals we maintain a truly sustainable situation for everyone involved.

Our approach
Our responsible purchasing model aims to influence our suppliers’ business practices so that we minimize the social and environmental risks that could arise from their operations. The model, which is based on electronics industry best practices, includes:

- The revision of our purchasing policy which now includes key environmental and ethical elements;
- The Gemalto Purchasing CSR Charter, which sets up our purchasing principles and our expectations towards our suppliers;
- A CSR risk analysis of our main suppliers, which assesses, ranks and monitors suppliers’ social, environmental and business performances;
- The creation of a supplier CSR self-assessment questionnaire to help complete the risk analysis.

2011 achievements
During 2011, we focused our efforts on communicating with our suppliers about the implementation and deployment of our CSR purchasing policy.

The first step was to get our CSR Purchasing Charter agreed and signed by our main corporate panel of suppliers covering 66% of our spending:

- The Gemalto Purchasing CSR Charter is a key part of our Responsible Purchasing Model and underpins our commitment to the UNGC. The signature of this document represents a mutual pledge to improve the lives and protect the health of workers contributing to Gemalto products and services within our global supply chain, to contribute to environmental protection and ensure a fair and transparent business relationship.

- We are proud to see that 83% of our corporate suppliers have already signed this proposed CSR Purchasing Charter.

The second step was to insert an ethical clause in any new Gemalto contract, which represents a legal commitment to our CSR policy (now included in 67% of our corporate contracts).

We also finalized our CSR risk analysis of our main suppliers. The outcome of this study highlighted the need to send a self-assessment questionnaire to some suppliers (16% of our panel) in order to get a deeper analysis of their profiles. This is being complemented by specific and additional audits in 2012, in order to ensure their compliance towards our CSR principles or to implement improvement plans with them.
As part of our efforts to improve the way we procure goods and services, in 2010 we introduced a Responsible Purchasing Model and conducted a procurement risk analysis. This program of work aims to influence suppliers’ business practices and minimize the social and environmental risks arising from their operations. In 2011, building on the progress made in this area, we created a supplier CSR self-assessment questionnaire (SAQ).

The Gemalto SAQ is designed to establish whether suppliers have CSR policies and procedures in place, and to elicit information necessary to assess their performance against targets. It reinforces the non-binding pledges set out in the Gemalto Purchasing CSR Charter (which all suppliers were requested to sign in 2011) to improve the lives of workers, to contribute to environmental protection, and to ensure healthy, fair and transparent business relationships.

Comprising 49 questions, the SAQ covers a range of topics including commitments to international CSR initiatives (UN Global Compact, Global e-Sustainability Initiative, labour policies and practices (relating to child labour, freedom of association, wages and benefits), compliance with environmental legislation (REACH, RoHS), raw materials usage, actions to mitigate environmental impacts, and CSR key performance indicators (KPIs). Each SAQ is also tailored to local corporate cultures and climates – for example, including a strong focus on business ethics in regions where corruption is known to be a problem – and supported by all relevant public information that can be obtained.

The SAQ is sent to suppliers that show up ‘orange’ or ‘red’ during the CSR risk analysis, highlighting the need for further enquiry or qualification. Once suppliers have completed and returned the survey, we organize conference calls to verify answers and request further evidence to corroborate claims. If, after we have received additional documentation, we are still concerned about a supplier’s CSR risk potential, we carry out a rigorous company audit. In 2011, 19 of the 23 SAQs we sent out were returned, with two audits required on suppliers in China. In 2012, we have scheduled eight supplier audits. Each audit will comprise another round of questions, followed by site visits and interviews with local purchasers.

Responsible purchasing is critical to an industry leader like Gemalto. We have to ensure our suppliers are working to minimize their social and environmental risks and managing their own suppliers. The SAQs, reinforced by onsite audits, are intended to give us an additional layer of scrutiny and detail, and to provide robust and transparent proof of progress in these areas.”
Consumers
As a Business-to-Business company, our prime objective is to satisfy our customers. But we can’t do that unless we provide solutions that delight their end-users. So we make it an important part of our mission to reach out to consumers, find out about their concerns and come up with ideas they’ll want to adopt.

We are also conscious of the wider role we play in the emerging digital world. By its nature it is already having a positive and flattening effect on society – making information and services available to vast numbers of people who, through a variety of personal, economic and social circumstances, were previously excluded from these benefits.

Our role is to accelerate and optimize that effect. Working behind the scenes, we build in the security that adds the vital quality of confidence to people’s daily interactions. We provide our services not just to the most advanced countries, but to many less developed nations too, helping to bring democracy and social justice to their citizens. And we ensure that many of our applications work not only on the smartest of devices but also on the most basic of handsets, so that consumers with low budgets and little infrastructure can still transfer money, access social networks and so on, even in the remotest of regions.

Supporting our “end-users”
The smartphone and social network boom shows that many people enjoy the convenience of online and mobile services. Others, though, find them complicated to use and feel vulnerable when interacting digitally. Several studies have also shown that many have security concerns around the privacy of personal data or when money is involved – for example when transferring funds via online banking.

As a leader in digital security we felt we had a role to engage directly with end-users and extend our mission to help people to better understand the digital world. We also believe that Gemalto experts can help reassure people needing quick advice and practical guidance in all areas of digital security. By addressing end-user concerns and demystifying technology, more people will get the most from our customers’ advanced digital services.

Practical, convenient advice
Our response is a consumer advice website – JustAskGemalto.com. In January 2009, we launched the service in France and the USA, containing articles, FAQs, news and tutorials on everyday digital security issues. It offers “practical answers for your digital life”, responding to basic consumer questions on mobile telephony, biometrics and the internet. It also answers specific questions posted by users.

There are now four editions of JustAskGemalto. In addition to our first French and US sites, there is a generic global site and a Portuguese version for the Brazilian market launched in late 2010.

JustAskGemalto is important to our evolution as an industry leader. It enables us to fulfill our responsibilities to end-users around the world. And it also keeps customers informed about key trends and concerns in people’s everyday digital lives.

Responsible consumer solutions
Many of our solutions have a demonstrably positive benefit for society and for end-users. These include:

- M2M: supporting safety
  Gemalto is the world leader in M2M (Machine-to-Machine) technology, which is capable of reducing costs and improving efficiencies by connecting machines across a wide range of industries. It plays a key role in remote maintenance and control, tracking and tracing, industrial mobile computing, metering and smart grids, payment systems, healthcare, security systems and more.

  The automotive and road transport sectors also benefit from M2M, for example in tracking stolen vehicles and enabling intelligent traffic systems. In addition, recent European legislation has promoted the use of M2M in automotive emergency call (eCall) systems which help to save lives and increase road safety. (For more information see http://www.gemalto.com/m2m/index.html).

- Site statistics
  JustAskGemalto attracts tens of thousands of visitors a month and has had more than 2 million visits since launch.

  Every year we receive a large number of questions via the website on all areas of online and mobile security and services. Although we saw slightly fewer visits in 2011 than the previous year (470,000 versus 505,000) the level of interactivity increased as we had more questions from our visitors, up from 959 in 2010 to 1066 last year. These questions led to the creation of 77 new digital security tips for the site. This was down from 139 in 2010 as many of the questions were already answered on the site and users were directed to the existing information.

On-line support for consumers
JustAskGemalto website

<table>
<thead>
<tr>
<th>Questions asked from visitors</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New tips created and posted</td>
<td>117</td>
<td>139</td>
<td>77</td>
</tr>
</tbody>
</table>

Gemalto Sustainability Report 2011
• **M2M and the environment**

M2M applications can have a wide range of positive impacts on the environment, for example through:
- Remote metering, which reduces the need for manual meter reading, cutting down associated travel and CO2 emissions;
- Home energy monitoring, which is anticipated to become part of our daily lives in the next ten years. This allows people to monitor their energy use, for example through smart feedback about their consumption of electricity, gas and water. It also helps them to understand the potential environmental impact of the goods they buy, and to make purchases based on accurate information about energy efficiency;
- Managing vehicle fleets more economically and ecologically. Using M2M technology, businesses can monitor their fleets remotely and carry out more efficient logistical planning based on vehicle freight and destination. This can help to increase fuel efficiency and save time, reducing costs and CO2 emissions;
- Eco-drive applications, which monitor the style of commercial vehicle drivers and, by providing remote advice, help to reduce fuel consumption and CO2 emissions;
- Demand response management applications, which help reduce the use of oil, gas and coal in the generation of electricity by balancing its production (especially from fluctuating renewable sources like wind and sun) with its domestic and industrial consumption.

With these and other key benefits, M2M is becoming a vital technology for companies and governments aiming to improve efficiency and meet carbon emissions targets.

• **Digital solutions: enhancing lives in developing regions**

Digital technology is having a positive effect on people’s lives in many developing countries around the world. In Africa, for example, Gemalto’s products are improving lives in countless ways which include:
- Storm warnings by SMS, protecting fishermen on Lake Victoria in East Africa;
- SMS messaging, reminding patients about their visits to HIV clinics and delivering test results;
- ePassports in Nigeria, South Africa, Senegal and the Ivory Coast, protecting people from identity theft and making it easier to complete transactions;
- eHealth cards in Gabon, improving access to healthcare and health insurance systems.

With the development of sustainable solar-powered cellphones, digital technology looks set to bring even more benefits to African economies and communities in the future.

• **Mobile Financial Services: promoting digital democracy**

Our solutions help make digital interactions secure and easy for billions of people all over the world, including those living in poverty, in remote areas and in other disadvantaged circumstances. This is particularly true for our Mobile Financial Services (MFS).

With over 50 clients across a broad spectrum of developed and developing markets, our successes in 2011 reinforced our MFS leadership. And because our solutions work on all devices, there is no limit to the consumers who can use them. This is particularly important in emerging economies, where most handsets are basic models. What’s more, opening up financial services to anyone with a handset extends important life choices – which is especially significant for the five billion people worldwide without a bank account.

Our Mobile Financial Services include:
- **Mobile Banking**: allowing people in developed and developing markets to gain secure access to banking services with any mobile device; and helping banks to deliver those services at lower cost, even without branches or internet coverage.
- **Mobile Money**: providing secure banking and payment services for unbanked people with any handset in developing and semi-developed markets – and offering small businesses access to the global village.
- **NetOne**, a leading network operator in Zimbabwe, Africa, is deploying our mobile solution so that its subscribers can make secure and easy peer-to-peer money transfers, pay utility bills and top-up prepaid mobile accounts.
- **In Latin America**, Citibank and America Movil have teamed up to offer our mobile money solution to millions of people throughout the region, starting with Mexico, Guatemala and Colombia. This allows customers – including the unbanked – to use basic mobile phones to set up bank accounts, transfer money, withdraw cash from ATM, make purchases in store, receive payments and pay bills. In a second phase, the platform will be used by governments to distribute billions of dollars in subsidies to poorer people and for civil service payrolls.
- **In India**, the Department of Posts (DeP) and BSNL have launched our Mobile Money Transfer Service, enabling people to use Post Offices to transfer money securely and quickly from one city to another, especially when they don’t have a bank account.
Over the last decade, Gemalto has contributed to the modernization of state infrastructure, technology and processes in countries around the world. The main aim of our work in this area is to help transform the relationship between citizens and governments and support the transition to more sustainable societies. It is part of a long-term program of innovation and change included under the broad heading of ‘e-Government’.

Through the development of sophisticated online tools and smartcard devices, Gemalto has pioneered electronic ID initiatives which enable a more secure and transparent flow of information between people and public administrations. This has brought about major improvements and successes in health, security and social services, helping to deliver cost-savings, reduce inefficiencies and simplify people’s lives.

What’s more, the shift to paperless procedures and smartcard technology has a positive effect on the environment; each card lasts between five-to-ten years, has a low carbon footprint (equivalent in production to one kilometre of travel by car), and cuts back the bureaucracy and material waste associated with administrative processes.

When embarking on major transformation programs, government stakeholders often seek information about return on investment (ROI) and potential quantifiable gains. Given the nature and timeframe of e-Government projects, financial metrics can be difficult to capture and assess, although the long-term and non-financial benefits are considerable.

In order to answer some of the questions we have received and communicate clearly the social and environmental benefits of e-Government, in 2011 Gemalto published a definitive white paper on the subject. E-Gov 2.0 – Towards a sustainable society provides an extensive narrative on our work in this area and brings together ‘10 key lessons in Green IT and e-Government’. It addresses the issue of ROI and sets out the longer-term societal gains that e-Government can deliver.

The white paper also upholds Gemalto’s mission of sharing examples of best practice and innovation. For example, it reveals how Green IT schemes have enabled the Estonian, Austrian and Belgian finance ministries to boost online tax payments, achieving over 80% participation, and demonstrates how the use of e-forms and e-payments benefits state treasuries and the environment. It also showcases improvements in administrative efficiency, describing how France modernized its civil service and reduced its social security red tape through the smooth transition to paperless procedures.

Elsewhere, the report explains how Belgium’s tax payers receive text warnings for payment deadlines, reducing late payments by 30%; how smartcard technology is modernizing relationships between patients and healthcare professionals; and how Portugal has used online tools to transform its public sector and deliver collaborative, inclusive and high-quality services for citizens and companies.

Through these and other examples, the E-Gov 2.0 white paper provides a compelling case for e-Government. It communicates global figures and feedback spanning several years of research, and provides essential lessons and guidance for present and future stakeholders.

E-Government is an essential part of the political supervision needed for the construction of a fairer, more harmonious and more responsible society. By pushing dematerialization and increasing transparency, it is a critical tool in our transition to a more sustainable way of life. This white paper seeks to communicate tangible benefits and address certain myths and uncertainties. We hope it can play a part in the future expansion of e-Government programs.”

Eric Billiaert
Communications Manager, Government Programs, Gemalto

You can download the whitepaper E-Gov 2.0 here.
Community involvement

Gemalto aims to make a positive contribution to the communities in which we operate. We help our employees to support local programs they feel strongly about. As a company we also make financial donations to specific causes and relief efforts.

Support for employee volunteering

Many of our employees have long been involved in activities supporting their local communities. In 2008 we decided to encourage their efforts in a more focused way by launching a company-wide program, “Your World”. Its aim is two-fold – to support local communities worldwide and to harness our employees’ passion and commitment through opportunities to champion causes they care about.

We support employees’ involvement in local non-profit organizations which focus on the environment and humanitarian activities. We invite those interested in Your World funding to apply as individuals or as a team by sending a project description to a regional panel of local managers and employees.

We select projects carefully, excluding any political or trade union body. For individual projects, the main criterion is the strong personal involvement of the employee in the organization. For group projects, the program should also provide opportunities for team building. Funds allocated to each project vary from 100 to 2,000 euros.

In the four years since we first launched Your World, we have supported 247 projects worldwide. In 2011 we funded 49 projects involving 165 Gemalto employees worldwide.

Your World initiatives 2011

Employee-led initiatives during the year included:

- House building for a low-income family in Sao Paulo (Brazil) with Um Teto Para Meu Pais NGO (“A roof for my country”)
- Increasing environmental awareness through a marathon in the Philippines
- Raising funds for the Heart and Stroke Foundation by participating in the “Bike Race” (Burlington, Canada)
- Participating in a special Art Workshop for children with mobility issues in Singapore (Club Rainbow), giving them and their families the opportunity to share a creative and therapeutic experience through art
- Supporting “les Restos du Coeur” in France, an organization which distributes food packages and hot meals to the needy
- Organizing a party for children with scarce resources and providing them with clothes, working together with “Todo por los chicos de la Florida” organization in Buenos Aires

Organizing local volunteering

We believe that at every Gemalto site, it’s our employees who best understand the needs of local communities. They can support them in two main ways – either through volunteer-led community relations committees, or through HR managers at each of our major sites worldwide. These managers organize volunteer events and provide input on the issues most affecting local communities. Gemalto employees can then donate time, money and other items to those in the community who need them.
Donations highlights 2011

- Employees refurbished and donated 29 units of used laptops to the Filipino Association of Singapore (FAS). The laptops will be used by children from the BANTAY BATA, a child welfare program for sick and abused children in the Philippines.
- During the Beijing office annual dinner, employees donated RMB 20,300, eight laptops and a PC, plus some books, toys and clothes to Sun Village, an NGO helping children whose parents are in jail.
- A toys collection was organized by the Mexico sales office and the Curitiba Manufacturing site in Brazil (see article page 42).
- In France, employees collected three truckloads of Christmas toys for underprivileged children, a project we engage in each year at three of our sites – Gémenos, La Ciotat and Meudon. We do this in partnership with Le Secours Populaire, a French organization fighting poverty and exclusion.

Disaster relief donations 2011

<table>
<thead>
<tr>
<th>Disaster</th>
<th>Donation</th>
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<tbody>
<tr>
<td>Japan earthquake and tsunami (March)</td>
<td>8,004</td>
</tr>
<tr>
<td>Ying Jiang earthquake</td>
<td>1,258</td>
</tr>
<tr>
<td>Total</td>
<td>9,262</td>
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</table>

We do this 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.

PeopleQuest donation 2011

Each year we conduct an employee opinion survey (see page 21 for more information). We offer an incentive of one euro for each completed questionnaire, donated to organizations supported at Gemalto sites.

Disaster relief

Gemalto has a disaster relief policy as part of our commitment to society. This sets out how the company responds to sudden natural catastrophes such as earthquakes, tsunamis and floods.

Our policy states that Gemalto will respond to disasters that occur in countries where we operate. We also support local employees who coordinate their own response to events and request support from the company.

Cristina Lluis
HSE Manager

“Through our collaboration with Parets del Vallès, we have shown that businesses are not all about emissions, noise and pollution. We have created positive relationships with local people and established strong leadership credentials in corporate sustainability. What’s more, we have made our own people proud to work for Gemalto.”

In 2011, Gemalto Barcelona marked a decade of collaboration with the local town of Parets del Vallès. Over the last ten years, the Gemalto Barcelona team has been working with Parets del Vallès to deliver eco-education programmes in schools and raise awareness of environmental issues among local people. Through the partnership, Gemalto has sponsored environmental activities in the town, including World Environment Day events, training courses, seminars and campaigns. It has also helped to improve town facilities and conserve natural spaces.

In the schools of Parets del Vallès, Gemalto has used interactive learning tools and materials to raise awareness of water consumption, recycling and sustainable transport. In 2010, the team helped school children to construct and maintain organic orchards outside the city centre, engaging them with issues such as food origins and healthy eating.

Gemalto Barcelona has also been involved in the Enterprise and Environment in Parets del Vallès (EMAP) initiative. EMAP promotes sustainability partnerships and constructive dialogue between the town council and local businesses. The aim is to involve industry in the development and preservation of the town’s natural environment, and to share best practice and ideas on corporate responsibility. As a longstanding participant in these projects, Gemalto has been instrumental in building bridges between the businesses and local communities of Parets del Vallès.
In November 2011, Gemalto employees took part in a Plant-A-Tree program in Singapore. 55 members of staff turned out at the Woodland Waterfront Park, where they planted 13 trees in support of the Singapore Environmental Council and Garden City Fund.

The Garden City Fund is a registered charity that helps the Singaporean Government to deliver outreach, education and green activities, create accessible public amenities and finance research and conservation projects. Gemalto supplemented its employees’ efforts with a financial donation of SGD$200 per tree, generating a total of SGD$2,600 for the Fund’s projects.

Participation in the Plant-A-Tree program is a key part of Gemalto Singapore’s efforts to enhance the company’s environmental credentials. It is also intended to raise staff awareness of ecological issues and of Gemalto’s role as a responsible modern business.

“Supporting green initiatives – Woodland Waterfront, Singapore

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“This project is all about our future. With increasing concern about climate change, forest destruction and species extinction, we want to do our bit to improve the local and global environment. It’s also good to get our staff out of the office and into the open air where they can engage with nature.”

Teo Wee Boo
Facilities, HSE and Plant Admin Manager

Green Singapore
"Your World" in Latin America

"Your World" is Gemalto’s global program encouraging voluntary social initiatives by our employees. Of the 49 Your World projects funded globally in 2011, 23 (47%) came from Latin America (LATAM). Throughout the region there has been a significant increase in Your World activities in recent years, and in 2011 all four of Gemalto’s LATAM countries took part in the program. The projects – eight from Mexico, two from Colombia, nine from Brazil and four from Argentina – received a total of over €25,000 in funding. Six were team efforts, while the remaining 17 were devised and implemented by individuals.

The expansion of Your World in LATAM owes much to the prevalence of poverty and disadvantage within the region. With many communities facing major development challenges, and with widespread inadequacy in the provision of healthcare, education and housing, Gemalto’s LATAM employees have focused their efforts on highly visible local needs. In fact, all 23 of their 2011 projects concentrated exclusively on socio-economic issues.

The regional Your World management team was also instrumental in coordinating project proposals and enhancing opportunities for involvement. It established Your World liaison networks in each country to ensure there were strong levels of promotion and organization, and used local media to inspire employees with success stories from previous years. This combination of passion and planning helped to raise awareness of the program and boost applications.

An important highlight was the increase in team projects (up 50% on 2010), which suggests a strong collective spirit and commitment to local causes. Across the four countries, projects centered on helping poor and disabled people, building houses, repairing school facilities and supporting educational initiatives. An additional three applications failed to meet the selection criteria because they focused on short-term gains and cultural issues rather than long-term humanitarian benefits. The Your World staff are now helping these teams to rethink their approach for the year ahead, showing them how they might achieve sponsorship in 2012.

Your World in action in Latin America

House building in Brazil

In Brazil, a team of Gemalto employees worked in the community of Santa Rita in Osasco, São Paulo, to help build emergency housing. In collaboration with the NGO ‘Um Teto para meu Pais’, the team spent two days constructing an 18m² wooden house for a local couple and their three children.

The couple, Alex and Magna, live in the middle of a favela with little money and limited prospects. Situated at the bottom of a hill, their old house was built on unstable foundations and always flooded during the rains. What’s more, it was made from waste materials, which meant it was regularly crawling with insects and rats. But now, thanks to the Your World team’s efforts, they have a new house which provides greater security and comfort for their family – a place they can finally call ‘home’.

Without doubt it was an amazing experience. We were very lucky to be able to participate in this project. What caught my attention the most was the family’s happiness…in spite of the difficulties they face. It is very gratifying to be able to help someone who clearly deserves it.

Wagner Chmelinskias
Technical Consultant Coordinator, Brazil

Helping vulnerable children in Colombia

In Colombia, Gemalto employees visited a centre that provides special education programs for children with visual disabilities. During their time at the Instituto para Niños Ciegos Fundación Juan Antonio Pardo Capina, the Your World participants learned basic educational techniques and the principles of Braille. They then spent time with the children, took part in various activities and provided support to the classroom staff.

Through my work at the Instituto para Niños Ciegos, I realized that even when it is a great effort, day-to-day activities for people with a visual handicap – especially children – are possible with dedication. This enabled me to better understand how difficult it is to be blind. Helping this institution gave a lot of pride to the Gemalto Colombia team.

Rafael Brito
Technical Consultant, Andean Pact and Caribbean

Supporting disability workshops in Mexico

Each year, the NGO Unidos Somos Iguales runs a two-week summer camp designed to improve integration and understanding between people with and without disabilities in Cuernavaca, Mexico. In 2011, a Gemalto employee helped to organize activities for the summer course and designed a survey for all participating volunteers.

Overseeing activities such as arts and crafts, sports and games, even ecology workshops, she supported people with disabilities to develop certain skills in a fun and dynamic environment. She also helped to promote the coexistence of disabled and non-disabled people, and explored different social perspectives of disability.

Being part of this was an amazing and completely rewarding experience. I think it is important to raise awareness in society so that we can see disability in a more natural way, through small changes in attitude and in the way we relate with the community.

Maria de Lourdes Montero Arizmendi
Personnel Administration Manager, Mexico
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Glossary of digital security terms

3FF (3rd Form Factor): a very small SIM card, also known as a “micro-SIM”, for use in small mobile devices.

3G (Third Generation): the broadband telecommunications systems that combine high-speed voice, data and multimedia.

3GPP (3G Partnership Project): a group that aims to produce specifications for a 3G system based on GSM networks.

4G: the 4th generation of wireless standards offering a comprehensive, secure all-IP based mobile broadband solution to smartphones, laptop computer wireless modems and other mobile devices.

Bluetooth: a short-range wireless technology that simplifies communication and synchronization between the internet, devices and other computers.

CAC (Common Access Card): a US Department of Defense smart card issued as standard physical and network identification for military and other personnel.

CDMA (Code Division Multiple Access): a wireless communications technology that uses the spread spectrum communication to provide increased bandwidth.

Cloud computing: computing by using servers, storage and applications that are accessed via the internet. Contactless: a card that communicates by means of a radio frequency signal, eliminating the need for physical contact with a reader.

DDA (Dynamic Data Authentication): an authentication technology that allows banks to approve transactions at the terminal in a highly secure way.

DI (Dual Interface): a device that is both contact and contactless.

Digital signature: an electronic signature created with a public-key algorithm that can be used by the recipient to authenticate the identity of the sender.

Dongle: any small piece of hardware that plugs into a computer.

EAC (Extended Access Control): a mechanism enhancing the security of ePassports whereby only authorized inspection systems can read biometric data.

eBanking: accessing banking services via the internet.

eCommerce: buying and selling goods and services via the internet.

eGov (eGovernment): the use of digital technologies (often via the internet) to provide government services. Second generation eGov 2.0 programs aim to increase efficiency, lower costs and reduce bureaucracy.

eID: personal identification using a variety of devices secured by microprocessors, biometrics and other means.

EMV: the industry standard for international debit/credit cards established by Europay, MasterCard and Visa.

ePassport: an electronic passport with high security printing, an inlay including an antenna and a microprocessor, and other security features.

ePurse: a small portable device that contains electronic money and is generally used for low-value transactions.

eTicketing: electronic systems for issuing, checking and paying for tickets, mainly for public transport.

ETSI: the European Telecommunications Standards Institute.

FIPS 201 (Federal Information Processing Standard): a US federal government standard that specifies personal identity verification requirements for employees and contractors.

FOMA (Freedom of Mobile Multimedia Access): the brand name for the world’s first W-CDMA 3G services offered by NTT DoCoMo, the Japanese operator.

GSM (Global System for Mobile communications): a European standard for digital cellphones that has now been widely adopted throughout the world.

GSMA (GSM Association): the global association for mobile phone operators.

HSPD-12 (Homeland Security Presidential Directive-12): orders all US federal agencies to issue secure and reliable forms of identification to employees and contractors, with a recommendation in favor of smart card technology.

IM (Instant messaging): using text on a mobile handset to communicate in real time.

IP (Internet Protocol): a protocol for communicating data across a network, hence an IP address is a unique computer address using the IP standard.

Java: a network oriented programming language invented by Sun Microsystems and specifically designed so that programs can be safely downloaded to remote devices.

LTE (Long Term Evolution): the standard in advanced mobile network technology, often referred to as 4G (see above).
**Glossary of digital security terms continued**

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<th>Term</th>
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<td>M2M (Machine-to-Machine)</td>
<td>technology enabling communication between machines for applications such as smart meters, mobile health solutions, etc.</td>
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<td>MFS (Mobile Financial Services)</td>
<td>banking services such as transfer and payment available via a mobile device.</td>
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<td>Microprocessor</td>
<td>a &quot;smart&quot; card comprising a module embedded with a chip, a computer with its own processor, memory, operating system and application software.</td>
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<td>MIM (Machine Identification Module)</td>
<td>the equivalent of a SIM with specific features such that it can be used in machines to enable authentication.</td>
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<td>MMS (Multimedia Messaging Service)</td>
<td>a standard way of sending messages that include multimedia content (e.g. photographs) to and from mobile phones.</td>
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<td>MNO (Mobile Network Operator)</td>
<td>a company that provides services for mobile phone subscribers.</td>
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<td>Mobile money</td>
<td>banking and payment services for unbanked users.</td>
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<tr>
<td>Module</td>
<td>the unit formed of a chip and a contact plate.</td>
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<td>mPayment</td>
<td>using a mobile handset to pay for goods and services.</td>
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<td>NFC (Near-Field Communication)</td>
<td>a wireless technology that enables communication over short distances (e.g. 4cm), typically between a mobile device and a reader.</td>
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<td>OMA (Open Mobile Alliance)</td>
<td>a body that develops open standards for the mobile phone industry.</td>
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<td>OS (Operating System)</td>
<td>software that runs on computers and other smart devices and that manages the way they function.</td>
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<td>OTA (Over-The-Air)</td>
<td>a method of distributing new software updates to cellphones which are already in use.</td>
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<td>OTP (One-Time Password)</td>
<td>a password that is valid for only one login session or transaction.</td>
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<td>PDA (Personal Digital Assistant)</td>
<td>a mobile device that functions as a personal information manager, often with the ability to connect to the internet.</td>
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<td>PIN (Personal Identification Number)</td>
<td>a secret code required to confirm a user's identity.</td>
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<td>PKI (Public Key Infrastructure)</td>
<td>the software and/or hardware components necessary to enable the effective use of public key encryption technology. Public Key is a system that uses two different keys (public and private) for encrypting and signing data.</td>
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<td>RUIM (Removable User Identity Module)</td>
<td>an identity module for standards other than GSM.</td>
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<td>SIM (Subscriber Identity Module)</td>
<td>a smart card for GSM systems.</td>
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<td>SMS (Short Message Service)</td>
<td>a GSM service that sends and receives messages to and from a mobile phone.</td>
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<td>Thin client</td>
<td>a computer (client) that depends primarily on a central server for processing activities. By contrast, a large client does as much processing as possible.</td>
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<tr>
<td>TSM (Trusted Services Manager)</td>
<td>a third-party enabling mobile operators, mass transit operators, banks and businesses to offer combined services seamlessly and securely.</td>
</tr>
<tr>
<td>UICC (Universal Integrated Circuit Card)</td>
<td>a high-capacity smart card used in mobile terminals for GSM and UMTS/3G networks.</td>
</tr>
<tr>
<td>UMTS (Universal Mobile Telecommunications System)</td>
<td>one of the 3G mobile telecommunications technologies which is also being developed into a 4G technology.</td>
</tr>
<tr>
<td>USB (Universal Serial Bus)</td>
<td>a standard input/output bus that supports very high transmission rates.</td>
</tr>
<tr>
<td>USIM (Universal Subscriber Identity Module)</td>
<td>ensures continuity when migrating to 3G services.</td>
</tr>
<tr>
<td>VPN (Virtual Private Network)</td>
<td>a private network often used within a company or group of companies to communicate confidentially over a public network.</td>
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</tbody>
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