Sustainable approaches to digital security

Sustainability Report 2010
Our Sustainability story at a glance

In today’s digital society we’re doing business with honesty and integrity...

...enabling our customers to provide safe, easy-to-use solutions and services to billions of people

...ensuring our employees are treated with respect and given the best opportunities for development...

...working in leaner facilities and designing greener products to lighten our environmental impact...

...and making a positive, personal contribution to the communities where we operate.

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Welcome to our second
Sustainability report

As the global leader in digital security, Gemalto has a key part to play in creating a digital society that’s safe and sustainable. We enable people to enjoy the online and mobile services which make their lives more convenient. We give them the confidence to interact in the hi-tech world that’s developing around us, knowing that they’re protected from interference and misconduct. And we are proud of our contribution, which we consider to be a noble social role.

Continuous improvement
This is Gemalto’s second standalone Sustainability Report, since until 2008 we had included such information in our annual reports. This shift towards separate publications came from our desire to describe our achievements in more detail, and from our commitment to making our progress more easily observable and accessible to all our stakeholders. Encouraged by your interest and positive feedback on the first edition, we decided this year to produce a more substantial document. From it, you will see that we made further significant progress in 2010, especially in:

- strengthening our relationships with our clients;
- deepening the commitment of our employees;
- enhancing our financial performance;
- reinforcing our contribution to society and the environment.

Sustainability, stability, success
Lean processes, responsible financial management and a prudent approach to risk have always been fundamental to our success and long-term strength. In 2010, sustainability continued to underpin our commercial achievements. We recorded a 19% growth in annual revenues to reach a turnover of €1.9 billion, further enhancing our reputation and reinforcing our customers’ trust in Gemalto.

In our 2010 ‘Tell Me’ interviews with our clients, our average score of 712 out of 1,000 rated us “world class” against a broad global peer group for customer confidence. By the end of the year we had also delivered 80% of the actions identified in our 2009 interviews. Recording and responding to our clients’ recommendations in this way definitely deepens our long-term business relationships.

Internally, our employees also confirmed their commitment and belief in Gemalto, its values, ethics, work place and prospects. Our 2010 employee satisfaction survey, PeopleQuest, returned clearly superior results. In particular I was proud that “a strong belief in our values” was identified by 91% of them as a core company strength – strong evidence that our workforce shares both a united vision and a common determination to succeed.

Responsibility and responsiveness
In 2010 we continued our innovative approach to developing the most convenient and efficient digital security solutions. We expanded our Mobile Financial Services program to deliver secure mobile banking systems in the developing world. And we strengthened our leadership in Machine-to-Machine technology, which provides the convenience of wireless connectivity while improving efficiency across a wide range of industrial activities.

We’re not a company that makes a particularly heavy impact on the environment. Even so, in 2010 we increased our efforts to measure our carbon footprint, and minimize our contribution to global warming and climate change. This program gave us in particular a detailed picture of the greenhouse gas emissions linked to our business, a good basic measurement to progress. We also created a Responsible Purchasing Model and Charter to minimize the social and environmental risks arising from our suppliers’ operations, and enable us to buy from responsible companies.

We also strengthened our Business Continuity and Crisis management frameworks. These two programs and the related preparedness helped us minimise the impact of an unexpected software event which hit one of our card products in Germany, affecting millions of card holders at the turn of the New Year. We rapidly put in place a special team that dedicated its time to solving the problem, and to helping our customer and their cardholders. Within days we had identified and resolved the issue, and were able to maintain a high level of security for the financial card system overall. In a different context, following the eruption of a volcano, our procedures also proved efficient in rapidly locating our employees, making sure they were all safe and organizing their return home.

Looking ahead, our goal is to continue our progress towards reaching the very high standards we have set for ourselves. We will lead by example, making sure sustainability is a significant part of our operations, continuing to work in a way that’s both commercially viable and ethically sound, and aligning the interests of our company with those of society and the environment.

I wish you good reading, and hope you will enjoy this report.

Olivier Piou
Chief Executive Officer
Gemalto
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.

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

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

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

At Gemalto, we’re helping them to make the most of what’s on offer by responding to their growing demands for mobile connectivity, identity and data protection, credit card safety, national security, plus eGovernment, health and transportation services.

We do this by helping governments, wireless operators, banks and enterprises to achieve their goals with solutions driven by our software and services via a wide range of secure personal devices. These include electronic passports and identity cards, smart banking cards, two-factor authentication tokens for online protection, Subscriber Identification Modules (SIM) and Universal Integrated Circuit Cards (UICC) in mobile phones.

People are increasingly using our contactless cards for small-value payments and as electronic tickets in many of the world’s largest transport systems. Because they want to enjoy the latest information and services, we’ve pioneered the use of secure server software to update devices when they’re in the field and connected to digital networks. And we’re also delivering on emerging applications related to the ‘Internet of things’ by supplying wireless modules and Machine Identification Modules (MIM) for Machine-to-Machine communication.

To complete these solutions, we provide a range of services to support our customers’ business needs.

Award-winning innovation
At the heart of Gemalto is technological innovation, enabling our customers to differentiate themselves in increasingly competitive markets, and keeping our solutions one step ahead of security threats.

- 1,400 digital scientists;
- 103 new inventions first filed in 2010;
- 4,200 patents and patent applications representing about 1,500 patent families.

For the full list of our technology awards visit: www.gemalto.com/companyinfo/about/awards.html

Global leadership
Our extensive experience and global scale reflects our position as the world leader in the industry:

- No.1 in SIM and UICC cards, serving 450 telecoms customers;
- No.1 in chip payment cards, serving over 300 banks;
- No.1 in eDocuments (ePassports, eID, eHealthcare and eDriving licenses) with 60 national government contracts;
- No.1 provider of remote management solutions;
- No.1 in online Banking;
- No.1 in Machine-to-Machine.
Security creates trust
Our world-leading expertise in cryptography means data protected by our devices is safe. And our solutions and software make sure that the vast number of digital communications, transactions and authentications taking place can be managed securely. That’s why our customers, including some of the world’s leading banks, mobile operators, governments and Fortune 500 companies, trust us to meet some of their most demanding challenges.

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

Our key markets
Mobile communications
We supply the world’s mobile industry with a vast range of software, services and solutions including roaming, mobile payment and data management for billions of customers. We are also the leading supplier of SIM and UICC cards.

Machine-to-Machine
The world’s leading supplier of secure, durable and long-lasting M2M and M2M modules that connect machines to improve operations, productivity and efficiency, plus integration support for a broad range of industries.

Financial services and retail
The world’s leading supplier of services and solutions for payments and other financial transactions. These include personalization, instant issuance, contactless payment, eBanking and eCommerce. Hundreds of millions of people also use our smart banking cards. We also provide Pay TV solutions, plus eTicketing to mass transit authorities.

Government programs
The world’s leading supplier of ePassports, we also provide secure electronic documents for eID, eHealth, eDriving license and other eGovernment initiatives, as well as services such as enrollment and issuance.

Enterprise
Our strong online authentication solutions enable enterprises, governments, banks and other organizations to better control access to their digital and physical resources.
Our approach to sustainability

As a United Nations Global Compact (UNGC) signatory, we benchmark our policies and results against world-class standards.

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 continually challenge our practices through external evaluation and certification. We benchmark them against best-in-class companies. And we’re always working to meet our key stakeholders’ expectations of corporate citizenship.

In 2009 Gemalto’s Board demanded that we give a higher priority to our sustainability performance and reporting. We therefore consolidated existing corporate responsibility activities in a coordinated framework. We also established a more systematic approach to managing sustainability within the company (for more information on our sustainability Governance see page 11).

Multidisciplinary steering committee
Our corporate responsibility (CR) management structure comprises a multidisciplinary Steering Committee. This is supervised by our three Executive Vice Presidents of Human Resources, Marketing and General Counsel. The committee met twice in 2010 to approve the sustainability improvement strategy and review achievement against plans. Two sub-committees entitled Ecology and Social & Ethics – including relevant staff from across the company – met every two months to review progress of our main sustainability projects.

2010’s CR program included 11 significant initiatives:
- Three tackled our business activities’ environmental impacts (see “Reducing impacts of manufacturing/supply chain processes” section page 38);
- Three others addressed our Business offer (see “Eco-design and green products” section page 37);
- Five more were related to social and ethical topics. These included “Responsible purchasing” (see page 13) or were aimed at better measuring and communicating our CR approach and performance, internally and externally.

In September 2009, we signed up to the United Nations Global Compact (UNGC). This enables us to benchmark our policies and results against world-class standards. It also means we can verify how current practices reflect the Compact’s ten principles on human and labor rights, anti-corruption and the environment. We sent our first Communication of Progress (COP) to the UN in September 2010.

Communicating our CR activities
All our stakeholders want transparent information about Gemalto’s CR approach and performance. That’s why, in 2010, we produced our first stand-alone sustainability report based on 2009 data. Although we’re confident that our strategy is addressing critical areas for improvement, in 2011 we’ll be conducting a methodical CR analysis. This will help us determine risks and opportunities associated with our CR approach, as well as relevant performance indicators.

Materiality
We aim to tackle the sustainability issues that matter most to Gemalto and our stakeholders. That’s why we’re prioritizing our main projects based on our experience and knowledge, the requests of customers and other stakeholders, and HSE (Health, Safety and Environment) regulations.

Other key influences include:
- The global spread of our industrial plants;
- The number of cards we deliver worldwide;
- Our supply chain involving thousands of people.

The global spread of our industrial plants
Compared to other market sectors, we generate quite limited environmental impacts through our facilities and manufacturing processes, although we are part of a business supply chain with potential for impacts along its entire length:
- Product life cycle analysis shows that our main impact is on the air (mostly through greenhouse gas emissions), then on soils (through the consumption of resources and waste generation). We have only a small impact on water.

In 2010, our main achievements in this area were driven by:
- Yearly action plans implemented by our ISO14001 certified plants. These address critical topics highlighted by environmental risk analysis, mostly resource consumption and waste generation/reduction;
- Our decision to measure all Gemalto-associated greenhouse gas emissions, including all impacts along the supply chain.

The number of cards delivered worldwide
The quantity of cards we produce demands that we continually focus on environmental considerations. In 2010, we therefore continued to prioritize more eco-friendly card development and production, plus improved “end-of-life” management.

A supply chain involving thousands of people
Our employees and those of our suppliers account for several tens of thousands of people. We can have a real influence on their health and well-being through our management practices.

In 2010, we focused on all key areas by:
- Improving our Human Resources efficiency;
- Better defining and structuring our Responsible Purchasing strategy.
Dialoging with our stakeholders

We communicate regularly with our key 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 investors

The confidence and loyalty of private and institutional shareholders are essential for our successful long-term development. We’ve therefore designed our investor relations policy to inform shareholders about Gemalto developments fully and promptly.

In addition to shareholders’ Annual General Meetings, we use a wide range of communication tools to keep investors regularly informed, and to encourage feedback. When we publish interim and annual financial statements, we hold conference calls and investor meetings. We also host frequent road shows and take part in conferences for institutional investors. All these events help us to get a clear picture of investors’ and analysts’ opinions.

Our customers

Our annual “Tell Me” survey 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 2010’s results, see page 19). Another key opportunity for customer dialogue on sustainability comes at the point of tender. This is when we answer customer questions, and can describe in detail our main management systems and practices. On request, we also complete customer-specific questionnaires demonstrating how we meet expectations for sustainable products and services.

Our suppliers

For our biggest suppliers, we hold Quarterly Business Review meetings. This is when we discuss commercial and technical matters relating to the supply chain, product quality and our customer relationship. In 2009 and 2010, we also asked our suppliers for direct feedback on our procurement practices (see CSR survey page 13).

In 2010 we asked our key suppliers for feedback on our overall performance – a process we call “reverse scoring”. We asked them to select five phrases which best describe Gemalto. “Global player”, “world class manufacturing”, “technical leadership”, “quality driven” and “environmentally friendly” were the most common choices.

More detailed reverse scoring results will be available in 2011. Next year’s survey will also include specific questions on our CR performance.

Our employees

Our internal annual employee survey – PeopleQuest – helps management and HR to track employee satisfaction across our global operations (for more about 2010’s results see page 83). Its 30 questions remained unchanged for 2010, enabling analysis by main site, country and business unit.

Communities

We also regularly engage with people in the local areas where we operate, addressing subjects such as noise pollution and people transport on a site-by-site basis.

Engaging with employees

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

In 2009 we revised our Code of Ethics. We upgraded some of the rules that govern operational conduct worldwide and strengthened the high ethical standards to which we aspire as a business. By the end of the year, 98.7% of targeted employees (more than 2,500) had read and signed this Code. This confirmed a strong level of engagement at all levels (for more information on Ethics, see page 13).

We also communicate regularly with employees about Gemalto sustainability through established internal channels. Every year we share our HSE and Sustainable Development Strategic Agenda. And in 2010, we communicated our commitment to the United Nations Global Compact, as well as new sustainability projects and management structure, to all 10,000 employees. For a second year running we organized staff training on specific key subjects such as fraud. We also issued our bi-monthly newsletter on internal control and risk management.

Since 2008 we’ve held an annual Gemalto Sustainable Development Day. Events take place at all our sites worldwide to update and engage our staff with our sustainability activities (see more details in the Focus article page 66).

And as of June 2010, we now have a dedicated CR Intranet. This features articles and information on sustainability topics, and enables employee dialogue on the subject (for more about our performance regarding Employees, see page 26).
In Spring 2010, Gemalto employees came together to clean up a beach in the north of Taiwan. The 20 strong team spent the day picking up trash and debris they found littering the shore. They then transferred the waste materials to the local authority for collection.

Engaging employees with relevant issues and actions is a key part of our approach to sustainability. This is why, in 2008, we introduced a company-wide Gemalto Sustainable Development Day (GSDD).

The objective of GSDD is to communicate Gemalto’s efforts and achievements in sustainable development. Through the program we also aim to:

- Raise employees’ awareness and understanding of sustainability and corporate responsibility (CR);
- Share examples of internal best practices;
- Inspire employees to get involved in CR initiatives across the company.

Each year, to achieve maximum impact, we hold GSDD on (or as close as possible to) the United Nations’ World Environment Day (WED). This meant that in 2010 our day of action was Friday 4th June.

“At corporate level, we marked GSDD with a video broadcast from our CEO, Olivier Piou, who spoke about his views on corporate responsibility and outlined Gemalto’s sustainability strategy and ethos. This video was broadcast via some sites’ conference rooms, and was viewed more than 2500 times on our intranet.

We also launched a new section on the intranet dedicated to corporate responsibility at Gemalto. This included a flash animation which explains, in simple words and images, what CR is and what it means to the company.

Local activity

At a local level, we encouraged employees to organize their own GSDD events, and a total of 23 sites took part. Some held workshops and seminars where employees could discuss CR and environmental issues. Others showed internal presentations on sustainability, while many organized local volunteering initiatives.

In most of the sites, HSE managers and communication champions invited employees to watch one of two movies exploring environmental themes. These were:

- **Home** by Yann Arthus-Bertrand, which features aerial footage of 54 countries and shows how humanity is threatening the ecological balance of the planet, and/or
- **The Age of Stupid** by Franny Armstrong, which stars actor Pete Postlethwaite as a man living alone in a devastated future world. Looking at old footage of 2008, he asks why we didn’t stop climate change when we had a chance.

Across the company, employees also supported a global Paper Free Day in which they agreed to avoid using their printers for the duration of GSDD. Employees were also asked to consider how they could avoid paper wastage in the future if printing is unavoidable.

Throughout the day, local GSDD activities included:

- Employees and Families Biodiversity Day in Barcelona, Spain;
- Low Carbon Life Workshop in Beijing, China – attended by 90% of employees in the Beijing office, many of whom shared examples of best practice;
- Electronic waste collection in Tczew, Poland – 0.395 tons of waste were collected;
- Carbon footprint quiz with a prize for the winners in Guanavaca, Mexico;
- Reforestation Day in Iztapalapa, Mexico – 120 trees were planted;
- Bike to Work Day in Burlington, Canada;
- Green Car Washing demonstration in Tours and Meudon, France;
- Recycling Day in Johannesburg, South Africa;
- Vegetable and herb planting in Montgomeryville, USA, with produce donated to the local food bank;
- Organic food distribution in Gemenos and La Ciotat, France; Kuala Lumpur, Malaysia; and Melbourne, Australia, among others.

In 2011, our aim is to get more Gemalto sites to take part in GSDD. The specific focus for 2011 will be on recycling, with company-wide efforts and activities around waste management and recycling.
## Objectives and performance highlights

<table>
<thead>
<tr>
<th>Key objectives</th>
<th>Targets</th>
<th>Due dates</th>
<th>Full Year 2010 Performance Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Develop company reporting and communication about Sustainability</strong></td>
<td>• Develop sustainability dedicated internal and external web sites/pages</td>
<td>2010</td>
<td>• Creation of CSR web pages on our intranet and improvement of our sustainability pages on Gemalto.com</td>
</tr>
<tr>
<td></td>
<td>• Produce our initial UN Global Compact communication On Progress (COP)</td>
<td>2010</td>
<td>• Our first COP has been issued in July 2010</td>
</tr>
<tr>
<td></td>
<td>• Publish the initial Gemalto Sustainability Report* based on 2009 results, Report Yearly on sustainability</td>
<td>2010</td>
<td>• First report published in November 2010</td>
</tr>
<tr>
<td></td>
<td>• Improve Gemalto CSR dashboard and related data collection internal systems</td>
<td>2010 to 2012</td>
<td>• 20 indicators identified and collected for the initial sustainability report</td>
</tr>
<tr>
<td></td>
<td>• New objective: Perform a “methodical” CSR risk &amp; Opportunity analysis</td>
<td>2011</td>
<td>• Other 2010 main achievement: “Gemalto Sustainable Development Day”, our annual company-wide awareness event, focused on Gemalto’s CSR engagement</td>
</tr>
<tr>
<td><strong>Deploy “Crisis Management” best practices”</strong></td>
<td>• Deploy crisis management training sessions worldwide</td>
<td>2011</td>
<td>• Full Crisis management training sessions held on-site (USA, Brazil, China, 2 in France, Czech Republic), 403 employees were trained either physically or via webinar.</td>
</tr>
<tr>
<td></td>
<td>• Publish Crisis Management Framework and related information on internal website</td>
<td>2010</td>
<td>• Crisis Management Framework published on our intranet.</td>
</tr>
<tr>
<td><strong>Deploy “Responsible Purchasing best practices”</strong></td>
<td>• Formalize the way we monitor suppliers’ business practices in Human Rights and Labor Rights</td>
<td>2011</td>
<td>• Formalized approach defined for 2010 and applied to key suppliers.</td>
</tr>
<tr>
<td></td>
<td>• Apply Gemalto’s “Ten Golden” purchasing rules for all key suppliers</td>
<td>2011</td>
<td>• Purchasing Charter defined for 2010</td>
</tr>
</tbody>
</table>

### Overview

- **Business principles**
- **Customers and consumers**
- **Employees**
- **Environment**
- **Community**
- **Performance indicators**
### Key objectives

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<tbody>
<tr>
<td><strong>Continuously improve our products and services</strong></td>
<td>• Maintain a high level of customer confidence (Tell Me survey)</td>
<td>2010</td>
<td>• Tell Me survey: 410 face-to-face interviews conducted; average survey score of 712 “best in class” against our global peer group</td>
</tr>
<tr>
<td></td>
<td>• Extend ISO 27001 certifications for sites worldwide on a case-by-case basis</td>
<td>2010</td>
<td>• No new ISO 27001 certification in 2010</td>
</tr>
<tr>
<td></td>
<td>• Extend internal levels of security to companies recently acquired by Gemalto</td>
<td>2010 to 2012</td>
<td>• In progress</td>
</tr>
<tr>
<td></td>
<td>• Reach 90% OTD (on time delivery/commitment) and 80% OTR (on time delivery/requested)</td>
<td>2010</td>
<td>• In progress</td>
</tr>
<tr>
<td></td>
<td>• Launch <a href="http://www.justaskgemalto.com">www.justaskgemalto.com</a> in Portuguese for the Brazilian market</td>
<td>2010</td>
<td>• <a href="http://www.justaskgemalto.com">www.justaskgemalto.com</a> in Portuguese launched in October 2010</td>
</tr>
<tr>
<td><strong>Develop people Safety</strong></td>
<td>• Continue roll-out of OHSAS 18001 certification to other card production sites</td>
<td>2010 to 2012</td>
<td>• Two more sites certified OHSAS 18001</td>
</tr>
<tr>
<td></td>
<td>• Extend “Defensive Driving” training program to 25% of employees</td>
<td>2011</td>
<td>• Defensive Driving training to 17% of employees end of 2010</td>
</tr>
<tr>
<td></td>
<td>• Reduce accidents/injury results (event quantity and severity)</td>
<td>2010</td>
<td>• Confirmed 2009 result with a further 25% LTI (events with lost time) reduction compared to 2007 and 2008</td>
</tr>
<tr>
<td></td>
<td>• Encourage the promotion of women to senior management positions</td>
<td>2010 to 2012</td>
<td>• 15% reduction in accident average severity versus 2009</td>
</tr>
</tbody>
</table>

### Overview

- Business principles
- Customers and consumers
- Employees
- Environment
- Community
- Performance indicators
### Key objectives

#### Develop greener and safer products
- **Targets 2010-2012**
  - Offer end-of-life recycling channels for PVC cards in Europe
  - Develop products using greener materials for card bodies (PLA) and packaging (cellulose)
  - Develop and industrialize SIM products in smaller form factors
  - Extend the carbon neutral card scheme to more plants
  - Reduce the environmental impacts of material procurement and product delivery

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<tr>
<td>Offer end-of-life recycling channels for PVC cards in Europe</td>
<td>•</td>
<td>2010</td>
<td>• Recycling channels for PVC cards implemented in France (limited interest from customers)</td>
</tr>
<tr>
<td>Develop products using greener materials for card bodies (PLA) and packaging (cellulose)</td>
<td>•</td>
<td>2010 and 2011</td>
<td>• PLA qualified for GSM products. PLA development continuing for payment cards and cellulose wrapping</td>
</tr>
<tr>
<td>Develop and industrialize SIM products in smaller form factors</td>
<td>•</td>
<td>2010</td>
<td>• &quot;Half-card&quot; and &quot;plug only&quot; products represented more than 7% of total GSM production</td>
</tr>
<tr>
<td>Extend the carbon neutral card scheme to more plants</td>
<td>•</td>
<td>2011 and 2012</td>
<td>• Worldwide deployment of Carbon footprint (10 sites); preparing offset offer in EMEA and ASIA</td>
</tr>
<tr>
<td>Reduce the environmental impacts of material procurement and product delivery</td>
<td>•</td>
<td>2011 and 2012</td>
<td>• Several projects started toward more sea freight</td>
</tr>
</tbody>
</table>

#### Implement “Best in Class” practices for environmental care
- **Targets 2010-2012**
  - Continue deployment of the ISO 14001 certification roadmap to other manufacturing sites
  - Reduce water and energy consumption by 5% per m² versus 2009
  - Conduct a company-wide carbon footprint analysis (at least 6 more sites in 2010)
  - New objectives:
    - Reduce GHG (Greenhouse gases) emissions by 10%
    - Reduce GHG (Greenhouse gases) emissions for freight and people transportation by 20%

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<tr>
<td>Continue deployment of the ISO 14001 certification roadmap to other manufacturing sites</td>
<td>•</td>
<td>2010 to 2012</td>
<td>• A new site certified ISO 14001 (Meudon in France)</td>
</tr>
<tr>
<td>Develop a user-friendly process for REACH legal compliance monitoring. Prepare for GHS (Global Harmonized System of Classification and Labeling of Chemicals)</td>
<td>•</td>
<td>2010</td>
<td>• REACH compliance management system in place. Global training to GHS requirements</td>
</tr>
<tr>
<td>Reduce water and energy consumption by 5% per m² versus 2009</td>
<td>•</td>
<td>2010</td>
<td>• 5.2% reduction for energy, 17% reduction for water (12% in terms of M3 per employee)</td>
</tr>
<tr>
<td>Conduct a company-wide carbon footprint analysis (at least 6 more sites in 2010)</td>
<td>•</td>
<td>2010 to 2012</td>
<td>• CO₂ footprint analysis at 8 more sites. Ten completed by end of 2010</td>
</tr>
<tr>
<td>New objectives: Reduce GHG (Greenhouse gases) emissions by 10% Reduce GHG (Greenhouse gases) emissions for freight and people transportation by 20%</td>
<td>•</td>
<td>2011-2013</td>
<td></td>
</tr>
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#### Increase our involvement in society
- **Targets 2010-2012**
  - Focus “Your World” program on Social & Environment individual or collective projects

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</thead>
<tbody>
<tr>
<td>Focus “Your World” program on Social &amp; Environment individual or collective projects</td>
<td>•</td>
<td>2010</td>
<td>• In 2010, 58 social and environment projects were funded through the Your World program.</td>
</tr>
</tbody>
</table>
In today’s digital society we’re doing business with honesty and integrity...
Business principles

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 48 of our 2010 Annual report). Gemalto is required to comply with Dutch law, corporate governance and AFM rules, as well as French AMF and Euronext Paris Stock Exchange rules and regulations, as far they apply to our Company.

We comply with the principles and best practices laid down by the Dutch corporate governance code, except those listed in the 2010 Annual Report (page 50). The Board of Gemalto NV has confirmed it is responsible for Gemalto’s sustainability structures and related activities in line with this code, which now has greater focus on corporate social responsibility (CR). We’ve therefore incorporated this responsibility into the Board’s charters and reorganized our sustainability management. We’ve also put in place specific benchmarking and additional metrics, and further developed this standalone sustainability report.

Throughout 2010, we refined our governance structure and processes, particularly those concerning sustainability. Looking ahead, we will continue to review our policies and charters, including those which concern the way the Board and its committees function, in order to ensure our governance compliance is up to date.

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 auditors, as it has for the last two years. Its methods conform to a charter approved by the Audit committee (updated in 2010). They are also in line with international professional standards (Institute of Internal Auditors).

The team has direct and unlimited access to Group operations, documents and employees. The Internal Audit Director reports directly to the CFO (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 57 of our 2010 Annual Report.)
Business practices

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 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’re 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. It meets formally each quarter, as well as “ad hoc”.

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. Later 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, a series of training sessions on integrity and fraud awareness, and the engagement in 2010 of two specialized forensic firms.

In 2010 we organized 38 awareness and training sessions for 508 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).

Of all the audits we conducted during the year, 17 were either focused specifically on fraud risk or partially motivated by fraud concerns.

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 and is covered in greater detail in the Responsible purchasing Focus article on page 14. As a minimum, Gemalto also encourages its suppliers to join the United Nations Global Compact.

In 2011 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.

For a definition of exempt and non-exempt employees, see page 26.

*** Health, Safety and Environment.

**** World Class Enterprise.

Employee training on internal control, anti-fraud, segregation of duties & business practices (ethics, competition etc.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Awareness/ Training Sessions</th>
<th>Employees Trained</th>
</tr>
</thead>
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<tr>
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<td>160</td>
<td>26</td>
</tr>
<tr>
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<td>398</td>
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</tr>
<tr>
<td>2010</td>
<td>508</td>
<td>26</td>
</tr>
</tbody>
</table>

Internal audits with a focus on fraud risk or partially motivated by fraud concern

<table>
<thead>
<tr>
<th>Year</th>
<th>Audits</th>
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<tbody>
<tr>
<td>2009</td>
<td>3</td>
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<tr>
<td>2010</td>
<td>17</td>
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Financial management

Rigorous financial control
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 board member. Its methods conform both to a charter approved by the Audit committee and international professional standards (Institute of Internal Auditors). This charter was updated in 2010.

Responsible purchasing
Throughout 2010 we continued to develop our relationship with our suppliers, enhancing our communications with them and raising awareness of our business principles. We also focused on updating and improving the ways we procure goods and services, and in December announced the creation of the Gemalto Responsible Purchasing Model.

This model aims to influence our suppliers’ business practices – so that we minimize social and environmental risks that could arise from their operations. The model, which is based on electronic industry best practices, includes:

- Revising our purchasing policy; this now includes key environmental and ethical elements, such as compliance with the International Labor Organization (ILO)’s eight Fundamental Conventions;
- The creation of the Gemalto Purchasing CSR Charter (see page 14), which will be sent to all our suppliers by the end of 2011;
- A CSR risk analysis of our existing and potential suppliers, which aims to assess, rank and monitor suppliers’ social, environmental and business performance;
- The creation of a supplier CSR self-assessment questionnaire to help complete the risk analysis.

67% of our key suppliers are now covered by a master agreement contract.

Preliminary CSR surveys
Before we could define our Responsible Purchasing Model, however, we needed a global view of stakeholder attitudes to CSR. So, in early 2010 we carried out preliminary CSR surveys with our key suppliers and customers, and with our purchasing, technical and environmental staff.

The ultimate aim was to better understand our suppliers’ feelings towards corporate responsibility, and to identify areas of strength and weakness in our supply chain management and purchasing processes.

The surveys showed that our responsible purchasing program is well supported. Notable strengths, as identified by employees and suppliers, included our existing policies (such as Ethics and HSE) and our sector leadership. Areas for improvement, meanwhile, included low CSR awareness among suppliers and the lack of measurable objectives and indicators in this area.

We will use the insights we gain from these surveys to develop our responsible purchasing policies even further in the year ahead.

Supplier commitments
We’re keen for our suppliers to comply with local, national and international legislation. In 2010 we continued work on a major project to ensure compliance with the EU REACH regulation.

By the end of 2010, 76% of our suppliers had provided us with proven evidence of REACH compliance. At the corporate level, 52 of our suppliers have now been assessed and monitored according to REACH legislation updates.

Robust controls mean Gemalto follows a deep-rooted policy of responsible financial management.
Focus on

Responsible purchasing CSR Charter

Our new Responsible Purchasing Model and program is fully in line with Gemalto’s support of the United Nations Global Compact (UNGC). We signed up to the UNGC in September 2009 to benchmark our policies and results against world-class standards. We also wanted to make sure our current practices were aligned with the Compact’s ten principles on human rights, labor rights, anti-corruption and the environment.

The Gemalto Purchasing CSR Charter is a key part of our Responsible Purchasing Model and underpins our commitment to the UNGC. It sets out our purchasing principles and the expectations we have of suppliers.

In 2011, we will ask our suppliers to sign the charter as evidence of their commitment to our responsible purchasing principles. Once signed, it represents a mutual pledge to improve the lives of workers within our global supply chain, to contribute to environmental protection, and ensure healthy, fair and transparent business relationships. Specifically, its key areas cover:

• Equality Freedom of Association;
• Abolishing Forced Labor;
• Eliminating of Child Labor;
• Ensuring compliance with health and safety laws in the workplace;
• Taking part in local economic and social development;
• Fighting against corruption in all its forms;
• Adopting a “fair attitude” (in relation to stakeholders);
• Complying with local, national and international environmental legislation;
• Undertaking initiatives to reduce the environmental impact of operations and products;
• Promoting procurement which limits the use of natural and non-renewable resources.
Risk management

Risk assessment and internal control
Risk management and internal controls are critical for the stability of the Company. Internal risk management strengthens our ability to achieve our objectives by:
- Effectively constraining threats to acceptable levels;
- Making informed decisions;
- Enhancing our capacity to exploit opportunities while also protecting stakeholders’ interests and 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 2010 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 contract reviews, sites (e.g. ISO 27001) and new asset acquisitions. At Group level specifically we conduct risk mapping, develop action plans and monitor their effectiveness.

In 2007 we carried out a global Enterprise Risk Assessment (ERA). Its aim was to help us better prioritize and map the risks we face, and to control them. In 2008, we used conclusions from the global ERA to define objectives and agree plans which we have followed into 2010. Their status has been presented regularly to the Audit committee and the Board.

In 2010, we launched a new risk mapping program to identify and manage risks that could impact the objectives and/or reputation of the Group.

Crisis and business continuity management
In today’s climate, no business is immune to crisis. In 2009, Gemalto defined a Crisis Management Framework to reduce the impact of events beyond our control on Gemalto’s operations and the industries with which we engage.

The Framework encompasses basic escalation and communication rules, guidelines for anticipation and action, and clear roles and responsibilities. It is available internally via our intranet.

We started running crisis management training – including simulation exercises – in 2009. These sessions are now currently 87% complete, with 61 crisis management leaders trained worldwide. We also ran several crisis simulation training sessions for managers to enhance team response, thus improving our internal communication and coordination.

Complementary reporting systems enable Gemalto to obtain the right information to facilitate decision-making. Detailed budget and planning processes are also in place.

We also strengthened Gemalto’s business continuity capabilities in 2010, so as to better respond to events such as natural hazards, fire, flood or supply chain disruptions. We did this by standardizing production tools and processes, centralizing more data, and creating an appropriate architecture for seamless data back-up. We also put in place additional manufacturing arrangements to cater for unplanned circumstances, including multi-sourcing strategies, IT availability and redundancy infrastructure.

This approach enabled us to respond effectively to unforeseen events in 2010, minimizing their impact both for our customers and our business. For example, we were able to deal effectively with the consequences of the Icelandic volcano eruption. Following our crisis management procedures, we tracked all Gemalto employees traveling at that time, and provided support when needed to get them home safely.

By identifying and assessing key operational and financial risks, Gemalto can focus on those that matter, and plan accordingly.
Culture of security

Security is Gemalto’s core proposition. It is also critical for us as a source of trust. We aim for excellence in the integrity and confidentiality of all assets and data that belong to our company and customers. We achieve this through programs that help our employees maintain the highest levels of digital and physical security. One example is the way we include operational security managers in all our software development teams.

Our security strategy has three main strands:
• Business units and Research & Development;
• Sites and production;
• IT.

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 2010 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 exceed regulatory requirements. Each year we use external tools to audit our quality and security systems against ISO and market-specific standards. At all R&D, production and personalization sites we maintain external certification through companies such as Visa and MasterCard. We conform to the ISO 27001 security standard at eight of our sites. We’ve also defined an ISO 27001 roadmap based on needs at other sites around the world.

In the future we will extend these security levels to companies we have recently acquired.

Each year we audit our quality and security systems against ISO and market-specific standards.
Focus on

Crisis Management

"Following a problem with one of our German banking card products, we rapidly put in place a special team dedicated to solving the problem, and to helping our customer and their cardholders. Within days we had resolved the issue, and were able to maintain a high level of security for the financial card system overall."

Olivier Piou, Gemalto CEO

Our Crisis Management Framework enables us to respond to unforeseen events and minimize their impact on people’s health and wellbeing. It also equips us with the tools and processes necessary to protect our customers and business operations.

Within the framework, we have developed guidelines for anticipation and action. We’ve also clarified roles and responsibilities. This means we can react quickly to events as they unfold, minimize risk, avoid disruption to business and communicate clearly with external parties.

Training and presentations

In 2010 we started to implement our company-wide crisis management training program. The aim is to fully complete this deployment in 2011. The training involved familiarizing our Crisis Management Leaders with our “escalation process” and carrying out exercises that simulated crisis situations. In line with best practice, we also asked them to make their sites compliant with the Crisis Management Framework and to set up local crisis management teams.

Besides Crisis Management Leaders, we also shared our systems and procedures with managers likely to be involved in a crisis management team. These presentations were made via webcasts and face-to-face at local sites, reaching over 400 people.

Crisis management in action 2010

On January 1st, 2010, a problem with some of our software caused a security mechanism in one of our banking card products to malfunction. As a result, people in Germany who tried to withdraw cash from ATMs or make purchases with these cards found their transactions blocked.

Made aware of the situation, Gemalto’s first step was to put a crisis management team in place. From across the company we drew together the right people with the right skills who immediately dedicated all their working time to solving the problem.

The team applied best practices, tools and procedures from the Crisis Management Framework. It also worked around the clock with the German banks and Gemalto laboratories to find a corrective procedure.

Within a few days we had found a secure solution which, on January 7th, was verified and approved by the German banking authorities. Significantly, we managed to resolve the software problem via the ATMs. This meant that the affected cards were kept fully compliant with the German system. Only a very limited number had to be re-issued, and our relationship with our German banking customers remains as strong as ever."
...enabling our customers to provide safe, easy-to-use solutions and services to billions of people...
Customers and consumers

Our customers’ confidence is essential for Gemalto. It means our products and services are bringing value to their businesses. We’re also increasingly engaging with product end-users. This helps consumers to better understand digital security through advice and practical help.

Customers
A relationship based on trust
We base our relationships with customers on trust. This is vital whether they work in telecoms, public service or finance. Customers must feel confident we can handle sensitive data relating to their citizens, subscribers, banking card holders, employees and so on. They need to trust us to deliver the right products and services to their end-users – and provide support for any problems.

At Gemalto we work hard to earn this trust. So we design our strategy and everyday operations around customer needs. We also interact with customers in an open and transparent way. For example, in 2010 we shared strategic information and future plans with them. And having consolidated our business “post-merger” in recent years, we’ve provided genuine stability and continuity. This has brought progressive growth in customer confidence for all our businesses worldwide.

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. In 2010, ISO 9001 quality certification was awarded to two more sites at Burlington (Canada) and Moscow (Russia).

We also continued to develop our “Lean Six Sigma” culture. This follows the 2009 merger of teams delivering quality, security, health, safety and environment with our “World Class Manufacturing” group. The merger created a single, 60-staff unit 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.

The “Operations Excellence Award” is another important quality program. In 2010 this involved 65 Operations teams worldwide competing to identify the best contributions to customer satisfaction, quality, service and cost improvements.

Our production team in Cuernavaca (Mexico) won the gold award for delivering a major increase in service and productivity for its telecom line. This has enhanced customer relationships and brought high levels of customer satisfaction.

Alongside positive Tell Me results, over the last two years we’ve seen a 26% 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’ll be working to improve our “on time versus request” (OTR) performance focusing on punctuality and quality in the delivery of our products.

Tell Me interviews provide a wealth of data - helping us to measure our performance and improvements, and influence strategic direction.

Tell Me 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. These enable us to take account of their views on sustainability, amongst many other topics, and hence affect our approach to CR. They also provide a wealth of data, help us to measure our performance and improvements, and influence strategic direction. For more information on Tell Me and our 2010 results, see the focus article on page 20.
Tell Me 2010

As part of our Tell Me program, each year we meet with around 200 customers – involving over 400 people. The interviews themselves are face-to-face and take about an hour and a half. To ensure fairness, many of the Gemalto employees engaged in the process are not the usual client contacts. On the customer side, we are keen to involve decision-makers and key operational people to ensure that all points and perspectives are covered.

Through the interviews we’re able to record customer observations and recommendations, and to deepen our long-term relationships with them. From their feedback and survey results we create action plans and circulate these among our teams. We also present our findings and plans back to our customers, showing how we intend to respond to their comments and translate their voice into action. This process is vital to maintaining our high levels of customer trust and confidence.

Survey results
In 2010, we held 410 Tell Me interviews. Our average score of 7.12 out of 10,000 rated us “world class” against our global peer group for customer confidence. We also ranked “best in class” against companies in other industry sectors.

2010’s Tell Me results also confirmed that our customers value our employees’ skills, availability, proactivity and transparency. According to the survey, our other main strengths include:
• Breadth and quality of our card products in all markets;
• Efficient operational processes in all areas, with increasing strength in Secure Transactions;
• Increasing maturity of our Mobile Telecommunications solutions and services, with better project management skills, more knowledgeable resources and trusted support and maintenance;
• Strong partnership qualities for innovation;
• Good variety of communication.

Throughout 2010 we also demonstrated that we turn the voice of the customer into action. Of the 1,250 customer-focused initiatives generated by Tell Me 2009, we had completed 80% by the end of the year.

In fact, all company areas are involved in developing and implementing action plans for our customers. These include software development, support and maintenance, and time to market, to name but a few.
Consumers
Supporting our “end-users”
Market research commissioned by Gemalto and conducted by TNS Sofres in 2008 showed that many people enjoy the convenience of online and mobile services. Others, though, find them complicated to use and feel vulnerable when interacting digitally. The findings also showed that many have security concerns when money is involved – for example when transferring funds via online banking.

In these findings we saw an opportunity to engage directly with end-users and extend our mission to help people to better understand the digital world. We felt that thousands of Gemalto experts could help reassure people needing quick advice and practical guidance in all areas of digital security. We also saw that by addressing end-user concerns and demystifying the technology, we could encourage more consumers to use our customers’ advanced digital services.

Practical, convenient advice
Our response was a new 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, we now have 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.

On-line support for consumers

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<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>Number of visits</td>
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<tr>
<td>Questions asked from visitors</td>
<td>793</td>
<td>959</td>
</tr>
<tr>
<td>New tips created and posted</td>
<td>117</td>
<td>139</td>
</tr>
</tbody>
</table>

Site statistics
JustAskGemalto attracts tens of thousands of visitors a month and has had over 1.6 million visits since the launch.

From the 1.2 million visitors in 2009 we received 793 questions. In response we posted 117 new tips relating to the use and security of online and mobile technology. When questions had already been answered, we included relevant links in our replies to visitor queries.

Although we saw fewer visitors in 2010 (just over 500,000) due to lower spend on site promotion, we took more questions compared to 2009. In total 959 questions were asked on the four site editions. This is three times higher than the previous year as a proportion of visitors, and these questions led to 139 new tips. The site is now an established reference source for digital security.

Promoting kids’ online safety with NBC

In 2010 JustAskGemalto partnered with number one US TV network NBC to educate parents and young people about how to stay safe online. As more and more young people use the internet, this is an increasingly important challenge worldwide.

The JustAskGemalto safety project linked NBC’s hit show “Parenthood” with October’s National Cyber Security Awareness month. Fourteen online safety tips put together by Gemalto and NBC were featured on NBC’s site at www.nbc.com/parenthood.

"JustAskGemalto has attracted over 1.6 million visits since it was launched."
Machine-to-Machine (M2M)
At Gemalto we’re constantly exploring new technologies that serve both to enhance digital security and impact positively on society and the environment. In 2010, following the acquisition of German company Cinterion, Gemalto established a leadership position in Machine-to-Machine (M2M) communication modules, Machine Identification Modules (MIM) and device management.

M2M technology connects machines across a wide range of industries – reducing costs and improving efficiencies. It uses GSM and UMTS networks to establish two-way communication of data between devices, opening up new channels and possibilities for customers. It provides assets and machines with unlimited access to these networks due to their worldwide coverage, seamless roaming and flexible access at each location.

M2M plays a key role in remote maintenance and control, metering, payment systems, security systems, healthcare, fleet management, environmental monitoring and more. It can be used to monitor electricity networks or send alerts to health professionals and emergency services. Recent European legislation has also promoted the use of M2M in automotive emergency call (eCall) systems which help to save lives and increase road safety, smart metering for smart grids, stolen vehicle tracking and intelligent traffic systems.

M2M and sustainability
With its affiliate company, Cinterion, Gemalto is exploring the positive environmental impacts of new M2M applications, 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 may buy, and to make purchases based on accurate information on energy efficiency;
- More economic and ecological vehicle fleet management. 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.

Tackling climate change
In 2009 a leading telecommunications operator, in collaboration with a global management consultancy, published a report concerning its industry’s role in tackling climate change. It identified 13 wireless telecommunications opportunities that together have the potential to reduce greenhouse gas emissions by 113 megatonnes (Mt) per year. This would cut associated energy costs by €43 billion across 25 EU member states by 2020 if fully implemented.

According to the report, 1 billion mobile connections would be needed to achieve these savings – of which 85% would be M2M connections.

M2M cuts out a lot of barriers that have to be physically or manually overcome at the moment. It also eliminates unnecessary trips – the costs go down and the impact on our environment is minimized.

Norbert Muhrer, Cinterion CEO

Cinterion acquisition
In June 2010, Gemalto acquired Cinterion Wireless Modules GmbH (CWM). Cinterion is the leading provider of industrial M2M wireless communication modules, with approximately 26% market share. The business was started in 1995 and has major centers in Munich and Berlin, Germany. With Cinterion, Gemalto is now at the forefront of M2M expansion and development.

M2M definitions
- M2M (Machine-to-Machine) technology enables wireless communication between machines for applications such as smart meters, mobile health solutions and many more;
- An M2M module works somewhat like a cellphone, but has none of its normal features (i.e. no display, keypad or battery). Instead, it uses an embedded cellular datacard which is specially designed for industrial applications and has a long lifetime in harsh environments. It needs only a MIM to authenticate itself and connect to the mobile network, where it can transmit data bi-directionally;
- A MIM (Machine Identification Module) is the equivalent of a SIM (Subscriber Identity Module). Specific features mean it can be used in machines and enable authentication. MIM is a Gemalto-registered Trademark.
SmartGrid award

In March 2010, Gemalto’s MASSIM program received a 2009 SmartGrid Product of the Year Award from Technology Marketing Corporation (TMC) and Intelligent Communications Partners.

The MASSIM concept is an M2M-specific program.

It is designed to detect whether a MIM has been removed from a utility meter and replaced illegally within another device. This process ensures the essential connectivity with the smart grid system is tamper-proof, protecting the utility and wireless operator from fraud.

"We are honored to receive this award recognizing our commitment to advancing the innovation and demanding security needs for Machine-to-Machine applications and Smart Grid technologies."

Frederic Vasiere, SVP Telecom at Gemalto

Responsible consumer solutions

Contributing to better road safety

Gemalto smart cards for digital tachographs are improving road safety for truck drivers in Turkey.

Compulsory in Europe since 2006, the technology is required from the end of 2011 for all new Turkish trucks and buses. It records professional drivers’ activities and offers trucking companies efficient new services such as an automated monthly activity log and payroll management.

Gemalto Sealys Tachographs were chosen in October 2010 as part of a long-term contract to deliver digital products to Turktrust through local partner Pliskart.

Reducing traffic accidents in Mexico

Our electronic driver’s license also had a positive effect on road safety when piloted in the Mexican state of Nuevo León in 2007. This proved highly effective in reducing not only identity theft and administrative fraud, but also traffic accidents, which fell by some 40%, as well as the associated insurance costs.

Because it stores its owner’s photograph and fingerprints, the license is a watertight credential, and people who want to obtain credit, cash checks or open bank accounts can use it as a form of ID.

“PIN code by SMS” via Allynis e-Services

Cardholders can now manage their bank accounts more quickly and easily thanks to Gemalto’s new eco-friendly service that delivers PIN codes by secure SMS. Allynis e-Services enable cardholders to set their PIN numbers securely via their bank’s website. They can then start using their bank cards immediately. Logistics costs and impacts are reduced through instant delivery, while revenues are increased as cards are usable sooner.

Mobile Finance and 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.

One example is our Mobile Financial Services (MFS). These include, for example, money transfer, purchasing, payment and balance checking via a mobile handset. The popularity of these services continued to rise in 2010 and we now have over 50 customers worldwide.

Gemalto MFS meet the highest security standards. And, because they work on all devices, our services do not limit the consumers who can use them. This is particularly important in emerging economies, where most handsets are basic models.

Our MFS expertise means Gemalto is playing a key role in expanding digital democracy. Opening up financial services to anyone with a handset extends important life choices. This is especially significant for the five billion people worldwide without a bank account.

In February 2010 we strengthened our MFS offering with the acquisition of Valmo, a world leader in mobile authentication. Valmo enables mobile phone users to sign digital documents securely by entering a password or PIN code.

This acquisition is now translating into new business. For example, in 2010 MTN Middle-East and North Africa chose Gemalto's LinQUs security solution to launch MFS in five countries. Together they represent a potential market of 30 million people.

And it’s a market that is likely to expand. Active users of mobile money services are predicted to double in the next two years – exceeding 200 million by 2013. It’s estimated that nearly 40% of active users by 2015 will be in the Africa and Middle East region.
Gemalto mobile financial services are playing a key role expanding digital democracy.

Enhancing lives in Africa
Digital technology is having a positive effect on people's lives in both urban and rural Africa. From banking and health, to identity and even storm warnings, this change is increasingly supported by Gemalto products.

Mobile money by cellphone offers small businesses access to the global village. It also acts as a stepping stone to more formal financial services.

Kenya’s “M-Pesa” service is one example. More than seven million Kenyans use M-Pesa for bills and other payments, to send and receive money and manage bank accounts. One recent study shows that the income of M-Pesa households has increased by between 5% and 30% since they started using it. And because these non-interest, secure accounts also encourage saving, they offer easier access to medical treatment.

In countries such as Tanzania and South Africa, innovative “no account needed!” mobile services and “top-up” debit cards are also transforming how people send, receive and spend money.

Gemalto secure digital services are also improving African lives in countless other ways:
- Storm warnings by SMS are protecting fishermen on Lake Victoria in East Africa;
- SMS messaging is reminding patients about their visits to HIV clinics and delivering test results;
- ePassports in Nigeria, South Africa, Senegal and the Ivory Coast are protecting people from identity theft and making it easier to complete transactions;
- eHealth cards in Gabon are 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.
...ensuring our employees are treated with respect and given the best opportunities for development...
Employees

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 2010 we continued to recruit from around the world. 41% of new employees came from Europe, the Middle East and Africa (EMEA), 41% from Asia and 18% from North, South and Central America.

Our geographical headcount therefore broadly matches our geographical revenue distribution (see graphs on page 03). And by the end of 2010, 20.3% of our “exempt employees” were working at a site not in their country of origin. This includes 261 expatriated people of 37 different nationalities.

Turnover rate of “exempt” employees

<table>
<thead>
<tr>
<th>Employment status</th>
<th>Attendance % per area</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>2.9%</td>
</tr>
<tr>
<td>NORAM</td>
<td>6.5%</td>
</tr>
<tr>
<td>LATAM</td>
<td>7.9%</td>
</tr>
<tr>
<td>ASIA</td>
<td>10.4%</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’ll be welcoming more people of different nationalities onto this scheme.

We’re also working hard to encourage the promotion of female staff to more senior management positions. In 2010 women represented 49% of newly recruited staff (+ 8% on 2009), and 29% of new “exempt employees” (+ 3% on 2009).

“Above all we aim to be fair and inclusive. We value diversity as a distinct competitive advantage.”

RQ

**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.

**Non-exempt employees**
“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.

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**Overview** | **Business principles** | **Customers and consumers** | **Employees** | **Environment** | **Community** | **Performance indicators**
---|---|---|---|---|---|---
---|---|---|---|---|---|---

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Developing human resources
Gemalto is built on the ingenuity of its people. So we place strong emphasis on developing our human resources 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 2010, we delivered a total of 227,550 hours of training worldwide. 6,740 people received training across our regions with an average of 31 training hours each. With 57 hours of training per person, Asia represented 58% of total training hours in 2010. Much of our training in Asia concerns manufacturing, so modules are longer in general. There is also higher turnover, so we train more new employees.

Our training satisfaction rate of 77% is one point below 2009 and up from 72% in 2007. This shows that globally, people are making effective use of our comprehensive training curriculum to reinforce their professional skills.

Promoting from within
Internal training and promotion form the backbone of Gemalto’s HR philosophy. At the end of 2010, of the top 350 people in the company, 93% had been promoted from within. This reflects the quality of our training programs and efforts to support the career advancement of our people over the mid to long term.

Preventing Workplace violence and harassment – Burlington, Canada

Every employee has the right to work in a safe and healthy environment without fear of violence or harassment. In June 2010, Ontario’s Bill 168 reinforced company employee protection further as part of its new Occupational Health and Safety Act.

Gemalto responded to this new legislation by identifying three key objectives to improve the workplace culture, as well as reduce potential liability and exposure to absenteeism and other costs. A first priority was to let all employees know about the Workplace Violence and Harassment Prevention policy. Managers then launched a program to develop a “prevention culture”. They also conducted a risk assessment covering potential hazards, the physical environment and types of risk and controls, which is subject to yearly reviews.

As of 2010, the Gemalto Workplace Violence and Harassment Policy has been included in every employee handbook. The program includes sensitivity training for management and members of the Health and Safety committee through the Occupational Health and Safety Act (OHSA). As well as detailing how employees can report workplace violence and harassment, it also explains what support procedures are available if incidents occur.

“Tackling workplace violence and harassment is all part of Gemalto Burlington’s proactive approach to health and safety. This is designed to improve our workplace culture through education, reduce accidents and injuries, and lower insurance costs through better health prevention and ergonomics.”

Vincent Lussiez, H&S Manager
Promoting safe and responsible driving

As part of its commitment to health and safety, Gemalto has introduced a Defensive Driving program for employees. In 2010 we extended the program to many Gemalto sites and enabled HSE managers to adapt the core training to local country conditions.

The Gemalto Defensive Driving program is an initiative to reduce the number of injuries to employees caused by road accidents. It consists of a half-day training class and driving test supervised by a certified trainer. Participants learn skills aimed at reducing accidents, correcting driver errors and promoting responsible driving techniques.

Local adaptation
In 2010 we expanded the program and helped to customize it according to different regulations and risks around the world. To do this, we are using a set of basic behaviours called the “five seeing habits”. Using these as a responsible driving baseline, we encouraged HSE managers to adapt the program to local traffic environments – for example, with a greater focus on roundabouts in France and on bicycles in China.

We also empowered HSE managers to broaden the scope of the training, which originally applied to business drivers' only. Depending on local needs, HSE managers are now free to extend the training to car commuters, employee family members and even company suppliers.

The training is carried out either by an external company, or by 'internal trainers' who pass on their skills and knowledge to their colleagues. Once trained, employees are issued with a 'Gemalto Defensive Driving Licence'. Although not a substitute for an official driving licence, this provides confirmation that employees have passed their theory and practice. Under the terms of the licence, the classroom training is valid for four years, and the in-car training for two years. This also means that employees have to refresh their skills on a regular basis.

By broadening the scope of the program, we reached more than 60% of targeted employees – a total of 1,061 people – by the end of 2010.

Responsible driving around the world
At our Gemenos and La Ciotat sites in France, training is focused on business drivers who cover more than 1,200 kilometres a year. In 2010, we organized training for 89 people at Gemenos and 98 at La Ciotat.

“The training raises your awareness of those bad habits and behaviours that can compromise safety. There are lots of useful reminders, and because the training is regular you're constantly refreshing your skills – I'm certainly a safer driver because of it.”

Marie-Pierre Escalante, Corporate Health, Safety, Environment Engineer, Gemenos, France

In Montgometryville, US, the Defensive Driving course is mandatory for all employees, and 521 people (87% of the staff population) received training in 2010. As an added incentive, the training is now recognized by external insurance companies. This means that employees can often obtain a discount on the cost of their personal car insurance.

In Barcelona, 32 employees were trained during 2010. Fifteen employees received training for the first time, nine refreshed their practice course and eight refreshed their theory. The training was also extended to eight employee family members during a series of Saturday sessions.

In South Africa, training is provided to those employees who use a car for client liaison and meetings. In 2010, 24 employees took part in the Defensive Driving program, with additional anti-hijacking and 'skidpan' training to help address specific local risks.

”Thanks for organizing the Defensive Driving course it was very valuable and has created a lot of awareness for me on the road”

Vanessa, Gemalto course participant in South Africa

In Asia, the Defensive Driving scheme is offered to business drivers in the main Gemalto sites, with training adapted to local conditions in each country. Forty-six employees took part in 2010, including 21 in Shanghai, eight in Tianjin, eight in India and nine in Singapore. The training will be rolled out to smaller offices throughout Asia during 2011.

[1] The definition of a Gemalto 'business driver' varies slightly from region to region, but broadly speaking refers to employees who use a company vehicle, who are reimbursed for kilometers driven while using a private vehicle; who use a vehicle to pick up materials for the company, or who rent cars for business trips.
Training programs
The key aim of our training is to develop competencies, skills and knowledge so that our employees can better fulfill their role and achieve the company’s strategic objectives. In 2010, we harmonized our training processes and policies to better match Gemalto’s overall business objectives.

Through our global leadership development program, “Gemalto University”, we have created a worldwide community that shares common values and experiences, and helps us remain well-organized and competitive. One important element of Gemalto University is the “Emerging Leadership Program”, through which we focus on global leadership development and prepare future leaders across our businesses. In 2010, 35 talented employees from 15 countries spent a week in Johannesburg, South Africa, exploring how product and service innovations could improve the lives of people at the base of the economic pyramid.

In addition, through the “Gemalto Technical Ladder”, we enable our technical experts to develop their international career paths across different business units. More than 1,450 people worldwide from R&D and technical support are now part of this program – including newly acquired experts from Netsize and Trusted Logic.

In France, we continued our voluntary commitments under the “GPEC” program – “La Gestion Prévisionnelle des Emplois et Compétences”. GPEC is a three-year best-practice project with the trade unions designed to prepare people for skill-related changes in their jobs. It helps us to respond to emerging technology trends and market developments, and to make sure our employees are equipped to maintain our high levels of competitiveness. At the end of 2010, more than 75% of all managers in France had started to put GPEC into practice.

In 2010 Gemalto acquired five 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.

Gemalto Performance Review
Each year, all Gemalto employees meet with their managers to assess progress against objectives. The Gemalto Performance Review is an opportunity for open dialogue about performance and career advancement. It’s also a chance for employees to ask questions, receive feedback and get a sense of where they’re going in the company. By the end of February 2011, 95% of Gemalto’s “exempt employees” had completed their 2010 performance reviews.

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.

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, 84 employees have traveled to France under this program, mainly from Asia and Latin America.

Balancing career opportunities
In August 2010, a review showed that Gemalto employed 2,840 people in France, of whom 63% were men and 37% women. Although this did not identify significant gender gaps in pay for similar jobs, there were areas for improvement. And it was felt that the number of women in middle and top positions could also be increased.

“People” is one of Gemalto’s three core values. So the company launched a continuing program to make training for both sexes more equal and close any gaps in pay – however small.

Specifically the program 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. In 2010, we acted to reduce any pay gap between men and women with similar responsibilities.

“Ultimately our aim is to sign an equality agreement for men and women with the trade unions by mid-2011. This will underline the importance of this subject and give us short and long term objectives, tools and processes to enable us to make continuous progress.”

Alain Roffi, Site Manager

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PeopleQuest: employees’ satisfaction rate per region in 2010

[Table showing satisfaction rates per region: EMEA, Asia, N-RAM, LATAM, TOTAL, with rates 71%, 69%, 76%, 83%, 77%]

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.

Global and regional benefits
At 77% overall satisfaction, our 2010 PeopleQuest results show a positive response despite a three-point decrease against the previous year (80% in 2009 and 77% in 2008). One specific strength is “strong belief in our values”, which came out at 91%. In fact, we significantly increased scores for participation – 76% versus 72% for the previous year. As well as generating global results, we also track by region so that we can plan to address local concerns. In 2010 we achieved consistently high results in all regions – over 70%.

As part of PeopleQuest 2010, 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.

Empowering previously disadvantaged employees in South Africa

Under-education and low skill levels are common among a large proportion of Gemalto’s South African employees. A new program is now identifying those who have been previously disadvantaged – aiming to develop and enrich their lives through training and development.

In 2010 Gemalto committed €40,000 to the project, which is 70% of the training spend. These courses are highly sought-after by eligible employees who generally use them for furthering their studies and development. Most of the budget goes on employees going into higher education and acquiring a degree – something many simply could not do in the past.

“Gemalto’s commitment to support previously disadvantaged employees has been perceived positively and boosted staff morale. It also helps us meet our specific skills requirements by developing our human capital.”

Sanjeet Purohit, HR Manager
### Safety at work

Gemalto is always aiming 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.

#### OHSAS 18001 certification

In 2010, we extended our OHSAS 18001 certification program to two new sites. In March our Meudon headquarters, which houses around 1,000 employees, successfully passed both OHSAS 18001 and ISO 14001 initial audits. In November, our Chinese production site in Tianjin also added Health & Safety to its existing Quality and Environment certification.

This means 14 sites are now OHSAS 18001 certified. This covers 57% of all Gemalto employees worldwide and 68% of Gemalto employees working at our 27 main sites (manufacturing and administrative headquarters).

#### At Gemalto's Pont Audemer site in France, we've implemented measures to reduce work-related injuries and keep our employees safe.

### Reducing musculoskeletal injuries

The first of these initiatives aims to protect employees from musculoskeletal injuries. Loading and unloading card-printing machines repetitively can cause a range of musculoskeletal problems for employees – and cost the company large sums in compensation. In the case of a musculoskeletal shoulder injury, this could be up to €40,000 for each affected employee. The injury parted may also experience pain and discomfort and be unable to move their arm for several days.

In 2007 we began a project to change the way machines are replenished at Pont Audemer and it continues to this day. The project involves developing the use of semi-automatic loaders to decrease the need for repetitive hand and arm movements. The aim is to enable Pont Audemer’s workforce – which has an average age of 40 – to work injury-free long into the future. Technicians first applied the new technology to the site’s Metronic printing machines in 2007/8, before extending it to three Raduscards machines in 2009.

### Reducing noise

Another continuing program at Pont Audemer is designed to reduce the noise levels of “hot melt” embedding machines by an average of 3dB(A) per machine. The project was prompted by the arrival of the new machines which supersede cyano embedding and have increased productivity – but have also brought more noise.

Levels measured at different points showed that acoustic insulation of the entire machine was the best way to reduce noise at its source. This method was also preferred by many employees who find molded ear protectors uncomfortable for a whole shift. Furthermore, when it’s possible, it’s better to protect employees collectively rather than individually.

Gemalto’s solution is now achieving the 3dB(A)-per-machine reduction target and will be applied to 11 more machines during 2011.

“With occupational deafness forecast to affect some 3,000 to 4,000 people each year in France, the Pont Audemer program aims to improve working conditions for at least 41 employees. It will also reduce the risk of expensive individual compensation claims of between 90,000 and 130,000 euros.”

Sophie Girard, HSE Manager
Health and fitness at Iztapalapa and Cuernavaca, Mexico

Healthy employees enjoy greater self-esteem and quality of life. They also increase productivity and reduce absenteeism. Two programs at our Iztapalapa and Cuernavaca sites in 2010 helped staff better understand healthy eating and disease prevention, as well as lose weight through diet and exercise.

Iztapalapa’s “Gemalto Fit” program was designed to tackle the bad employee eating and lifestyle habits that have contributed to Mexico’s status as the second worst country in the world for obesity and related health problems. Absenteeism in overweight people is double that of normal weight employees.

Gemalto Fit’s target was to help employees lose 10% of their body weight with the support of weekly sessions measuring weight and body fat. Over 105 days, 67 employees lost nearly 340 pounds (153.2 kg) – encouraged by a series of colorful campaign posters.

A health week at Cuernavaca promoted similar messages about healthy eating combined with sessions on smoking, seasonal diseases, and dental, eye and bone health. The event also explored other ways people can improve their quality of life through attending live music concerts, plus information stands promoting activities such as reading.

“Cuernavaca’s health week brought benefits for our employees as well as for the company. Many of those who attended are now less likely to be absent or ill. Communications were also improved – which benefits everyone.”

Luis Garcia, Head of Security and HSE

Reducing lost time
Recorded accidents and injuries are a key indicator of safety system efficiency.

Although 2010’s figures for “events with lost time” (LTI) are 5% higher than for 2009, they still confirm a 25-30% reduction compared to 2007 and 2008. There was also a significant 15% average reduction in the severity of accidents measured in lost working days (LWD) – down to 12.1 days for 2010 from 14.2 days in 2009.

The “lost days” histogram shows that 51% of events were related to “minor injuries”. These are injuries requiring absence of five days or fewer, and mostly related to handling/moving activities. More than 80% of such cases involved hands or feet.

As well as accidents in the workplace, these statistics also include commuting accidents which often result in the longest absence.

To help reduce commuting and other driving-related accidents, in 2010 we extended our “Defensive Driving” program by adapting it to local environments and behavior. By the end of 2010, 2,030 people had attended driving training sessions, of which around half were during the last year. (To find out more see Focus article on page 28)


"There was a significant 15% average reduction in the severity of accidents measured in lost working days."
Global employment policy for disabled workers

A number of factors in 2010 encouraged Gemalto to develop a new employment policy for disabled workers at all of its sites around the world.

These included the need to be consistent with the company’s ethical values and HR diversity approach that prohibit discrimination in all its forms. French employers specifically are also now required to employ at least 6% disabled workers.

One key priority area identified was changing employees’ perception of disability and removing taboos by making more information available. A national event, reflecting our tagline “Disabilities, we all have our differences”, was organized in November to raise awareness at all four Gemalto sites in France. This attracted more than 500 employees to sessions which included theatre, games and a quiz. HR teams managed the event supported by health specialists and other professionals.

Other new initiatives included individual support programs for disabled workers, plus further training for key employees in HR, health services and management areas. Gemalto works with a specialized public agency to increase support for disabled employees still further. Our internal buyers also encourage disabled employment by choosing subcontractors who employ disabled workers, wherever possible.

“These activities are all highly relevant for our Corporate Responsibility policy. Improving the number of disabled employees and keeping them within the company despite their disabilities are both top priorities. Reducing Gemalto’s proportionate contribution to the Association Nationale de Gestion du Fonds pour l’Insertion Professionnelle des Personnes Handicapées (AGEFIPA) is an added benefit.”

Marie-Pierre Saisse, HR Manager

Reducing risk from hazardous substances

The monitoring and management of hazardous substances forms part of our Environment strategy (see the Cuernavaca case study on page 38 for more information). We continue to eliminate or minimize employee risks by carefully managing all hazardous substances, and we comply fully with RoHS regulations. In 2010 we also put in place a process in response to several changes in REACH regulations. This was done in partnership with numerous suppliers.

In addition to our normal Health and Safety training program, we also encourage local initiatives. These address safety at work and promote good health practices (for more details, see the case study on page 32 about our health program in Mexico, and the section below on safety training in Montgomeryville).

Safety training at Montgomeryville

Two upgraded training programs at our Montgomeryville site (US) are making it safer for employees who work with hazardous chemicals and “out of service” machinery that’s temporarily inactive. Both programs are required under Federal Law and Occupational Health and Safety Administration (OSHA) regulations.

Hazards Communication Training (HazCom) is provided for all employees who handle or may come into contact with chemicals in their job. Gemalto’s improved awareness program includes a basic overview of chemical safety, Material Safety Data Sheets (MSDS), and how to read chemical warning labels.

We’re also reviewed and improved training for when a technician “locks out” or “tags” a machine being repaired or otherwise out of service. It is vital that employees follow these guidelines, because stored energy in the machine or a malfunction can severely injure anyone not following the correct procedure.

Montgomeryville is aiming to implement documented “lock-out / tag-out” instructions for every machine – an objective it has nearly achieved. All employees have already been trained in lockout/tagout requirements at the operators’ basic level. Technicians who carry out the process have also undergone advanced level training.

“Both these training programs are helping make Montgomeryville safer for all Gemalto employees. Alongside general training and specialized courses for those that need them, we’ve also improved all training documentation and instructions.”

Robert Addlesberger, NorAm Security and HSE Manager
...working in leaner facilities and designing greener products to lighten our environmental impact...
Environment

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.

Identifying risk, impacts and opportunities

Three factors are especially important for our work supporting environmental sustainability:

- ISO 14001 international certification – which requires continuous review to identify all environmental risks and actual impacts;
- 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 – for example about manufacturing processes and the material content of the products we make.

Certified management systems

Certifying Gemalto’s Environment 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. Today, these accommodate 1,000 and 800 people respectively.

In 2010, we were awarded an additional ISO 14001 certificate at Meudon. This brought our total to 22 certified sites, including joint ventures. Together, these cover 78% of all Gemalto employees and 94% of those working at our 27 main sites (manufacturing and headquarters).

All of these worldwide sites – including five in Asia and three in Latin America – are audited once or twice a year by ISO 14001-accredited companies. They assess the effectiveness of our EMS by reviewing its risk and impact analysis, plans and results versus objectives. External auditors also evaluate our monitoring of legal requirements and response to recent changes in the regulations.

Many sites are also certified through national schemes, for example Montgomeryville, US (“KEMA”), and our plant at Cuernavaca, Mexico (“Clean Industry”).

We use site action plans to address the main potential environmental risks and actual impacts. These relate to consumption (e.g. of energy, water, paper and manufacturing materials) and waste management. Another important area is printing technology – especially when it involves laminated products, solvents and Volatile Organic Compound (VoC) emissions.

Legal framework

We 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 extends to RoHS (Restriction of Hazardous Substances), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), and WEEE (Waste Electrical and Electronic Equipment).

Gemalto has also accelerated efforts to measure its carbon footprint. This anticipates new laws in several countries (for more detail, see the Focus article on our carbon footprint program on page 38).
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.

Providing us with a detailed picture of greenhouse gases emissions linked to our business, this project will enable us to make meaningful emissions reductions. With the information we gather, we can also implement actions to offset current emissions.

In 2010, Gemalto completed data collection at 10 sites worldwide. By the end of December, three more were well on track, covering our main Asian plants in Singapore and China. In 2011 we will collect data from a further five sites, which means we’ll have covered our 18 largest sites. Through these efforts, by the end of 2011 we should have data about our global carbon footprint covering more than 80% of the company.

Measurement methodology

The measurement method we use for our carbon footprint project is the Bilan Carbon method. Developed by ADEME (French Agency of Environment and Energy Savings), this method is well recognized at European level. The scope of the analysis is not limited to emissions for product manufacturing and delivery, but based on the “cradle to grave” concept. This takes into account the entire supply chain including material and transport-related supplier emissions, as well as product “end-of-life”.

Emissions reduction

Looking beyond the data, the company’s aim is to identify main CO2 footprint contributors and therefore ways to reduce our emissions.

At the ten sites for which we had completed analysis by the end of 2010, raw materials used to manufacture our products represent more than 30%, with card chips being the main contributors. We are now getting information from foundry suppliers to enable us to reduce the chip footprint associated with technology evolution.

Transportation of freight and people is another key emission source, with the total figure for transportation-related emissions at around 20%. We now have plans in place to tackle this issue. We’ll also be addressing our energy consumption through our ISO 14001 certifications, and through a specific corporate energy audit program.

In 2010 we made progress in the following areas:

• Increasing awareness of our footprint impact;
• Deeper quantification of freight – the biggest impact coming from inter-company and outgoing freight, as manufacturing often involves several sites and air deliveries;
• Understanding that within the 38% of CO2 generated by people transportation, business trips by plane have twice the impact of employees commuting.

We therefore established three new dedicated task forces for 2011. These include “Incoming freight” and “Business travel” projects led by our Purchasing department, and an “Outgoing freight” initiative under Logistics leadership.

Other main ways of reducing our impact in 2010 included:

• Switching from air to sea freight (especially for readers and public telephony cards);
• Reducing the use of heavy wooden boxes for telecom cards;
• Continuing to install more video conferencing equipment at major locations and preventing employees from traveling for internal meetings during specific weeks (~1 week per month);
• Promoting “ride-share” websites which bring employees together to share the same commuter route.

Carbon compensation offer

By calculating the total weight of carbon emissions required for the production of one card, Gemalto enables customers to offset these emissions by investing in energy saving and renewable energy programs. Under this initiative our Fareham plant (UK) produced about 7 million carbon neutral cards in 2010 – about the same as 2009 and up 16% on 2008. As part of our Carbon Footprint Roadmap, we are currently looking to extend this scheme to other Gemalto sites.
Meeting customer demands

Of all our stakeholders, our customers are the most demanding when it comes to product and process “eco-friendliness”. They regularly question the content of deliveries. Sometimes this requires completing detailed checklists of 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 2010, we partnered with one of them to carry out a full Life Cycle Analysis (LCA) of cards it was purchasing. LCA studies aim to evaluate all environmental impacts, including atmospheric greenhouse gas emissions, and soil and water pollution. The excellent input data this generates makes for the efficient eco-design of new products.

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.

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.

EcoLabel cards and “Greening-the-Factory”

In 2010 Gemalto was involved in two environmental projects at its Montgomeryville site in the US – the “EcoLabel” program and “Greening-the-Factory”. Both were supported by the International Card Manufacturers Association (ICMA).

The ICMA’s voluntary EcoLabel Standard Program was agreed upon by card manufacturers, personalizers, issuers and industry suppliers. The program specifies criteria for assessing the environmental impact of transaction and ID cards – a minimum 25% reduction in materials, a minimum 25% use of recycled content, and “compostable” both by householders and municipalities. Meeting one or all of these standards entitles certified card manufacturers to use the EcoLabel logo. Gemalto achieved this objective with the launch of its new biodegradable card in January 2011.

Composed of PLA (polylactic acid), Gemalto’s new EcoLabel card is designed to appeal to consumers who care for the environment. Its compostability is particularly relevant once the card reaches the end of its useful life.

EcoLabel certification also offers a powerful marketing advantage at a time when claims are increasingly appearing on products to highlight environmental credentials.

“We believe that both EcoLabel and Greening-the-Factory designations will be successful in helping us to show how our plant and products are reducing environmental impact. At a time when both our customers and Gemalto are increasingly concerned about the environment and minimizing our carbon footprint, these programs will demonstrate to stakeholders just how committed we are.”

Robert Addlesberger, NorAm Security & HSE Manager

Robert Addlesberger, NorAm Security & HSE Manager
Cuernavaca “lean energy” program cuts consumption by over 17%

Staff at Gemalto’s Cuernavaca production facility in Mexico developed a “lean energy” program in 2010. It focused on actions that could be carried out immediately to reduce costs and energy demand in the production process. The program reduced energy consumption from 6721.5 MWh in 2009 to 5533.8 MWh in 2010 – a 17.7% cut that brought savings of over USD 123,000.

Following a review of all engineering areas, “lean energy” first focused on eliminating leaks in Cuernavaca’s air conditioning, compressed air and vacuum systems. Staff also identified idle machines that could be disconnected. For example, they tried using one air compressor instead of two. They also shut down energy demand systems in boilers and chillers that were, temporarily, not needed.

Alongside significant cost savings and a reduced carbon footprint, “lean energy” has brought many other benefits. The program has increased productivity and competitiveness. It’s also encouraged the purchase of new, more efficient technologies that optimize our processes and reduce maintenance costs. These range from high efficiency motors and transformers, as well as variable speed pumps and presence sensors, to new insulation technologies such as solar panels and induction lamps.

These changes make clear that Gemalto is fully committed to environmental protection.

“We’re now looking ahead to ‘lean energy’ phase 2, in 2011 – working in partnership with the government-supported energy reduction program FIDE (‘Trust for saving electricity’). This will develop the program further by identifying equipment with high energy demands for replacement with lower energy alternatives.”

Luis Garcia, Head of Security and HSE

Progress on green product strategy
Our 2010 achievements included:
• Montgomeryville (US) plant – 100% of telecom cards made with pure ABS, 100% PVC-free molded card bodies. By the end of 2010, we had also achieved a 50% ABS conversion figure at our Brazilian plant;
• Around 100 Million SIM cards in smaller form (including “half cards” and “plug only”). We also increased our green packaging offer (i.e. biodegradable cellulose-based wrapping and packaging using recycled paper and ecological inks);
• Successful completion of trials of a PLA-based SIM card body – plus continued development of PLA cards for the payment market. Organic Waste Systems (OWS), an accredited Belgium lab, conducted positive “compostability tests”;
• End of life management of ABS and PVC cards – following a recycling model defined by the AFPC. Small numbers were involved because of difficulties collecting obsolete cards in the field.

We also launched a project to evaluate the environmental benefits of the many dematerialized e-solutions we offered our customers – in particular those from the Government Business Unit.

When it comes to legal compliance, we continue to focus on improving processes to ensure that our products and processes meet regulations.

As for RoHS regulation, 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.

REACH and WEEE
In 2010, we focused 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.

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.
Waste reduction projects at our Pinhais (Brazil) and Burlington (Canada) facilities demonstrate Gemalto’s commitment to greener and more efficient ways of working.

By targeting the large quantities of waste PVC produced, Pinhais managers achieved a 6% reduction in total waste in 2010. This represents 6,000 tonnes.

Reducing waste PVC is especially important for the environment because it’s an oil-based product made from non-renewable resources. So, by reducing the consumption of PVC, we indirectly reduce the energy needed for oil processing itself, as well as transportation and packaging costs.

The Pinhais program featured a range of strategies. These included printing pre-cut cards in a “card-by-card” process, improved firewalls, the thorough cleaning of production areas and machines, and a new card collation process. Other innovative ideas included using special clothing and ‘clean areas’ to reduce contamination from employees and creating isolated PVC warehouse storage.

Burlington’s focus on establishing a paper recycling system also made an important contribution to Gemalto’s environmental program. By the end of 2010 this had nearly quadrupled recycling capacity since the project’s early days – following a switch of recycling supplier. Paper, including packing, is Burlington’s largest single waste source. And, up until recently, staff had simply disposed of it via the garbage collection.

Managers began exploring the options for recycling paper at Burlington by benchmarking local recycling providers. They then established a ‘Blue Bin’ program throughout the facility and communicated it to all Gemalto employees. The local facility custodian was also trained in Burlington’s new recycling procedures.

Vincent Lussiez, Security and HSE Manager

Greener sites
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.

In 2010, we made significant progress in the following areas:
- Global figure for energy consumption: stable at ~147 Billion Wh. This is down by 0.1% compared to 2009. Two new sites (Johannesburg in South Africa, and Barueri in Brazil) have reduced our total figures for MWh per m² and MWh per employee by 5.2% and 6.3% respectively
- We also made good progress at many other sites worldwide through effective planning, especially in France and Mexico. Nevertheless, a very cold winter in Finland once again meant increased energy consumption at our Vantaa site (for more on this see our energy case studies on Cuernavaca page 38, and Asia page 41).
- Global figure for water consumption: ~170 kM3. This is a 7.2% reduction and more than 12% in cubic meters per employee. Although many sites contributed to this success, our biggest achievements came from Asian facilities. They delivered a more than 20% reduction thanks to improved lawn watering and leakage tracking.
Hazardous substances

Two hazardous substances projects at Montgomeryville and Cuernavaca demonstrate Gemalto’s commitment both to meeting government regulations and making year-on-year performance improvements.

Montgomeryville’s management identified Volatile Organic Compounds (VOCs) for a 15% reduction in 2010 as part of its Environmental Management System (ISO 14001 EMS) processes. In fact, by using more eco-friendly solvent-based inks and wash solutions, technicians managed to achieve a 47.19% reduction over the year.

VOCs are especially significant as government regulations limit the Montgomeryville site to 24.9 tons annually. Exceeding this limit would cost Gemalto a great deal for the additional technology and management time needed to contain the problem.

Two large accounts involving millions of payment cards – Chase and Bank of America – were particularly significant in helping reduce Montgomeryville’s VOCs by such a large margin in 2010.

One project involved switching from an oil-based ink to a water-based alternative. When combined with the right aluminum paste, this also printed the specified silver color to higher standards. Elsewhere, the prep department replaced a Kodak Polychrome Processor with Fujifilm technology, cutting VOCs by 90%. Better screens for handling water-based inks and zero-VOC cleaners also played a part.

With its manufacturing process generating hazardous waste, Gemalto Cuernavaca committed to reducing this by 5% for every million cards produced compared with 2009. In fact the project succeeded in cutting hazardous waste by 18% – 593kg less than the previous year.

Technicians achieved this reduction by withdrawing MEK solvent from all processes that didn’t require it and analyzing how solvent-contaminated rags and gloves contribute to waste levels. HR also developed a new training program covering production and support areas including maintenance, lab, warehouse, pre-press and general services.

The Cuernavaca team achieved this important VOC reduction by changing the way we separate, classify, collect and dispose of hazardous waste. We’ll continue to monitor VOC generation and the way we classify and record it.

Luis Garcia, Head of Security and HSE
Reducing and managing waste

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

Production process waste recycling is often above 85%. This is because manufacturing yields are quite high, and both plastic and lead-frame skeleton waste are separated for recycling.

Waste indicators for 2010 also show positive results compared to 2009:

- Global waste is stable at just below 4,500 tons – the main contribution coming from sites producing laminated plastic products. This is positive as the addition of Johannesburg and Barueri represents an extra 100 tons. Laminated products have also increased significantly at Latin American and Asia sites;
- Global % of waste valorization shows a significant increase at 77% versus 66% in 2009 (for more on this see our waste case studies on Pinhais and Burlington, page 39).

### Energy savings in Asia

Following an initial energy survey, Gemalto Singapore started a project in October 2009 to analyze and reduce electricity usage in its air handling and water cooling systems. This delivered savings of 1,312,000 KWh in 2010 – equivalent to a reduction of 700 tonnes in CO₂ emissions.

Through a series of improvements in 2010 we upgraded and optimized the site’s chilled water, cooling tower systems and air handling units. Later in the year, we extended this approach to other Asian factories where we identified further significant savings from improvements to air compressor and air conditioning systems.
...and making a positive, personal contribution to the communities where we operate.
Community

Projects funded by Your World program – number per region

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe, the Middle East and Africa</td>
<td>37</td>
<td>54</td>
<td>18</td>
</tr>
<tr>
<td>North America</td>
<td>10</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Latin America</td>
<td>9</td>
<td>6</td>
<td>285</td>
</tr>
<tr>
<td>Asia</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>78</td>
<td>58</td>
</tr>
</tbody>
</table>

* Including eight 2009 ‘late’ projects

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.

By recruiting and training individuals in the countries where we do business, as well as organizing volunteering, we encourage local economies and support social development.

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 projects 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 three years since we first launched Your World, we have supported 198 projects worldwide.

In 2010 we invested €53,800 in Your World projects. The decrease in the number of funded projects in 2010 is the direct result of narrowing Your World’s scope to include only those with a social, humanitarian or environmental focus. So we will only now fund sports activities if they’re linked to a cause. A race organized to raise money for cancer research is one example.

This means that if we compare “like for like”, excluding 2009 sports projects, the total of supported projects increased from 39 to 58 in 2010.

Your World initiatives 2010

Employee-led initiatives during the year included:

- Increasing awareness and raising funds for US cancer research through the Race for the Cure (see page 44) and Relay for Life events;
- Vaccinating more than 30 children in Vung Tau, Vietnam, through the APER (‘Association Pour les Enfants des Rizières’);
- Supporting “Le Carrosse de Zaza” in France to provide leisure time transport for teenagers and adults to help reduce road accidents;
- Establishing beach clean-up projects in Taiwan (see page 66), and Singapore (see page 44);
- Organizing cultural and recreational activities for “Viños de Papel”, a non-governmental organization (NGO) that rehabilitates homeless street children in Colombia;
- Funding desks and shelving for the “Clara Moreno y Miramón Foundation” in Mexico, which supports girls from low income families with housing, education and a balanced diet.

“ We support employees’ involvement in local non-profit organizations which focus on the environment and humanitarian activities. ”

Overview  Business principles  Customers and consumers  Employees  Environment  Community  Performance indicators
Focus on

Your world team

Since the launch of Your World two years ago, more and more employees have applied for project funding in groups. Recognizing that this kind of application needed to be dealt with in a different way, we developed a sub-program dedicated to group-based community activities. We called it Your World Team (YWT).

Our main objective was to harness our employees' passion for community action, and at the same time promote team building in Gemalto sites. We simplified the administrative process and set clear guidelines for applications, insisting that projects must include at least five Gemalto staff members and have a social or environmental focus. The program went live in March 2010.

Through YWT we are now able to allocate money to team projects in a quick and organized way. The maximum allocation is €2,000, and the program enables employees to buy fundraising materials and put their plans into action without delay.

By the end of 2010 we had financed ten YWT projects worldwide, with a range of activities involving around 140 employees in total. YWT has helped staff to make a real impact in their communities and has led to a rise in the number of initiatives designed to address local environmental issues.

YWT in action

Tree planting, China

In China, Gemalto employees took part in a YWT reforestation exercise north of Beijing. Comprising 40 members of staff from the site the team planted 100 trees in 600 square meters of wasteland. They hope to return one day to extend the small plantation, which has been named Gemalto Forest.

Coastal clean-up, Singapore

For the second year running, employees in Singapore took part in The Ocean Conservancy’s International Coastal Cleanup (ICC). Led by the local HSE committee, 50 employees travelled to East Coast Park, a popular coastal recreation area. Divided into teams of five they worked their way along 500 meters of beach, collecting rubbish and recording their findings on data cards. The teams collected 4,800 items in total, weighing in at 108 kilograms. These included:

- 2,912 cigarettes;
- 336 food wrappers/straws/stirrers;
- 252 plastic drinking straws/stirrers;
- 178 pieces of Styrofoam.

Race for the Cure, US

In Austin Texas, US, Gemalto employees and their families took part in a sponsored event to raise funds for the fight against breast cancer. As an official sponsor of the Komen Race for the Cure, each year Gemalto helps to underwrite race expenses, which means that money raised by participants goes directly to breast cancer services and research.

In November 2010, more than 30 Gemalto employees and family members ran or walked the 3.1-mile race. With the company’s original donation and sponsorship of bibs and tickets, they helped to raise a total of $9,000 for the Susan G. Komen Foundation.

"This project enabled us to connect with nature. I was excited, because it had been a long time since I’d escaped the city. What better feeling than to turn wasteland into forest with your own hands?"

Li Junyu, R&D project leader

"It was heartening to see our people getting involved in the cleanup. It was a real group effort. After the event, everyone was in high spirits, knowing that they had made a positive impact on the coastal environment."

Teo Wee Boo, Facility/HSE/Plant Admin Manager, Singapore

"A lot of employees in the Austin office have been affected by breast cancer in some way – whether through their spouse, their Aunt or friend. So there’s a real connection with the cause."

Chelsea Peasley, HR Representative, Austin Texas, US
Kliptown Youth Program

In October 2010, Gemalto employees spent a day refurbishing facilities at the Kliptown Youth Program (KYP) in Soweto, Johannesburg. KYP provides emotional and educational support for local young people. It aims to steer participants away from crime by offering positive after-school activities, and by – in their words – “developing dynamic individuals who are willing to contribute to the betterment of their communities”.

KYP was short of funds and its buildings had fallen into disrepair, so Gemalto staff helped paint and tile a classroom, varnish doors and replace broken windows. They also rebuilt a kitchen garden and constructed a seven-foot high security wall for the KYP crèche.

In all, 35 Gemalto employees from 15 countries took part in the day of maintenance and repairs. During their time on site, employees spoke at length with the KYP program leaders and young people, offering advice on careers and education. They also donated books, toys and clothes.

The Kliptown project took place during a week-long visit to South Africa as part of our global Emerging Leadership Program. As well as enabling Gemalto to make a positive and practical contribution, the trip was designed to give our employees insight into the needs and motivations of people living in poverty. Specifically, it aimed to enhance their understanding of how product and service innovations could improve the lives of people at the base of the economic pyramid.

The refurbishment of the KYP centre is only the beginning. Gemalto will continue to assist the program by supplying computers for use in the classroom and by offering factory training to KYP leaders. Our work here also strengthens our support for the Broad Based Black Economic Empowerment (BBBEE) act in South Africa.

“Staff who got involved in the Kliptown project developed strong bonds with the young people there. They showed them that Gemalto is serious about helping to improve their situation. Projects like this really highlight the lack of resources and technology in poor parts of the world. They also help us to understand what value we can add through our individual efforts, and through initiatives such as Mobile Banking.”

Sanjeet Purohit, HR Manager, South Africa

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, food and other items to those in the community who need them.

Donations highlights 2010

- **In Austin (US)**, employees donated over 450 pounds (200 kilos) of food to needy families through the Capital Area Food Bank. Thirty employees spent two afternoons working on a house construction project led by “Habitat for Humanity”. This group builds homes in partnership with families and engages communities to end the housing poverty cycle.

- **In France**, employees collected three truckloads of Christmas toys for underprivileged children, a project we are engaged 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.

- **In Johannesburg (South Africa)**, employees helped contribute to refurbishment of a small crèche and school as part of the Kliptown Youth Program NGO in Soweto (see case study opposite).

- **In Montgomeryville (US)**, staff collected canned goods, non-perishable food items, paper products, and health and beauty items for the local food bank “Manna on Main Street” – just before the Thanksgiving holiday. Employees also put together over 300 breakfast bags for “Aid for Friends”, an organization helping the region’s elderly and disabled.

In partnership with the “Adopt a Child” program, Gemalto employee volunteers are matched up with a local child each holiday season and agree to purchase at least one gift from his or her wish list. In 2010, over 50 children were “adopted” in this way. This year Gemalto also gave each family a gift certificate for a local grocery store.

- **In São Paulo (Brazil)**, employees collected 100 chocolate Easter eggs for disabled children treated at the “Centro de Atendimento Interdisciplinar” (Interdisciplinary Treatment Center) in Jaguare favela (shanty town). They also organized a nutrition workshop for the children’s families.

- **In Singapore**, employees raised $1,274 for “All Saints Home”. This voluntary welfare organization provides residential nursing care in a Christian environment for the sick and elderly, regardless of race and religion.

Other “one off” local donations

Alongside Your World program and disaster relief activities, Gemalto sites also chose to support the following projects and organizations in 2010:

- **In Barcelona (Spain)**, employees gave €4,660 to the Escola de la Natura/Regidoria de Medi Ambient who sponsor environmental education campaigns.

- **In Beijing (China)**, staff donated RMB 17,000 to Sunvillage, a non-governmental charitable organization which provides foster care and education for the children of convicts. A team of Gemalto employees also spent a day in Sunvillage playing games and reading books with the children. They also bought Sunvillage agricultural products planted and grown by them.
Passeport Avenir supports underprivileged youth in France

In France, we play an active role in “Passeport Avenir”, a major tutoring program which aims to engage underprivileged young people in partnership with eleven companies from the Information and Communication Technologies sector. Partners include Alcatel-Lucent, Ericsson France, Nokia Siemens Networks France, Orange, SFR, Devoteam, Accenture, Sagemcom, Qualcomm France, Atos Origin France and Capgemini.

“Passeport Avenir” offers business-style mentoring and academic and professional opportunities, with a particular focus on young people from depressed areas and ethnic minorities. Between 2009 and 2010, 90% of program students were accepted onto business and engineering courses. At the end of 2010, Gemalto had supported 37 students through the program – up from 26 in 2009.

In Italy, € 2,000 was shared between the following organizations:
- Laguna Fiorita – helping people with Down’s syndrome to work;
- ENS – which buys software and hardware for deaf-mute people;
- AISMI – which provides psychological support for those with multiple sclerosis and their families;
- Orthopaedica Onlus – the Kituo project providing medical help for children in Tanzania;
- Téléfono Azzurro-Rosa – supporting ill-treated women and children.

PeopleQuest donation 2010
Each year we conduct an employee opinion survey (see page 39). We offer an incentive of one euro for each completed questionnaire, to be donated to organizations supported at Gemalto sites. In 2010, we contributed the following:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Donation</th>
</tr>
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<tbody>
<tr>
<td>Unicef</td>
<td>€ 3,794</td>
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<tr>
<td>World Wildlife Fund</td>
<td>€ 2,508</td>
</tr>
<tr>
<td>Red Cross/Crescent</td>
<td>€ 2,603</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>€ 8,905</strong></td>
</tr>
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</table>

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.

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.

In 2010 our disaster relief efforts supported*:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haiti Disaster Relief Fund, January 2010</td>
<td>€ 8,407</td>
</tr>
<tr>
<td>(from Gemalto’s US sites)</td>
<td></td>
</tr>
<tr>
<td>Qinghai province earthquake (China), April</td>
<td>€ 19,410</td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Pakistan flood, August 2010</td>
<td>€ 11,338</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€ 39,155</strong></td>
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* Figures combine employee donations and company matched funds
The following table presents our key indicators. When appropriate, these Gemalto indicators are associated with those from the Global Reporting Initiative.

<table>
<thead>
<tr>
<th>Area</th>
<th>Definition</th>
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<tr>
<td><strong>Business principles</strong></td>
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<td>Governance</td>
<td>• Board composition</td>
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</tr>
<tr>
<td>Audit</td>
<td>• Number of people in the Internal Audit Department and in the Corporate Security Department</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Anti-fraud</td>
<td>• Anti-fraud commission meetings</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Internal audit</td>
<td>• Number of internal audits focused either on fraud risk or partially motivated by fraud concern</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Skills and knowledge regarding internal control, anti-fraud, segregation of duties and business practices (ethics, competition)</td>
<td>• Number of awareness / training sessions delivered worldwide</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>• Number of employees trained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible purchasing</td>
<td>• % of key suppliers covered by a contract (master agreement)</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td><strong>Customers and consumers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction assessment</td>
<td>• Customer survey results</td>
<td>PRS</td>
<td>19</td>
</tr>
<tr>
<td>Quality certifications</td>
<td>• Number of sites certified ISO 9001</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>Product / Service quality and reliability</td>
<td>• Evolution of number of significant claims by customers</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>On line support to end-users / customers (<a href="http://www.justaskgemalto.com">www.justaskgemalto.com</a>)</td>
<td>• Number of website visits</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>• Quantity of received questions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Quantity of posted tips.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area</td>
<td>Performance</td>
<td>GRI link</td>
<td>Page</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------</td>
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</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Safety certifications</td>
<td>• Number of OHSAS 18001 certified sites</td>
<td></td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>• % of covered employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee accidents/injuries</td>
<td>• Accidents occurrence</td>
<td>LA7</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>• Number of lost working days</td>
<td></td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>• Distribution of severity of accidents</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Employee contract</td>
<td>• % of employees with a permanent contract</td>
<td>LA1</td>
<td>26</td>
</tr>
<tr>
<td>Employee diversity</td>
<td>• Recruitment by region</td>
<td>LA1</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>• Recruitment by gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Satisfaction assessment</td>
<td>PEOPLE QUEST survey:</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>• Participation rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Overall satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Satisfaction per region</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee training</td>
<td>• Training satisfaction</td>
<td></td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>• Average hours of training per person trained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Exempt employee” turnover</td>
<td>• Turnover rate per business region</td>
<td>LA2</td>
<td>26</td>
</tr>
<tr>
<td>“Exempt employee” mobility</td>
<td>• % of “exempt employees” working at a site that was not in their country of origin</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>Area</td>
<td>Performance</td>
<td>GRI link</td>
<td>Page</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption</td>
<td>• Total(*) consumption of electricity, gas and fuel in GWh</td>
<td>EN3, EN4</td>
<td>39</td>
</tr>
<tr>
<td>Water consumption</td>
<td>• Total(*) consumption of water in m³</td>
<td>EN8</td>
<td>39</td>
</tr>
<tr>
<td>Waste generation</td>
<td>• Total(*) waste generated in tons - % of valorized waste (reused/ recycled incl. energy recovery)</td>
<td>EN22</td>
<td>41</td>
</tr>
<tr>
<td>Environmental certifications</td>
<td>• Number of sites ISO14001 certified - % of total employees included in this parameter</td>
<td>EN22</td>
<td>41</td>
</tr>
<tr>
<td>GHG emissions</td>
<td>• Quantity of sites with calculated CO₂ footprint</td>
<td>EN16</td>
<td>36</td>
</tr>
<tr>
<td>Carbon emission compensation</td>
<td>• Number of carbon neutral cards produced</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects funding</td>
<td>• Number of “employee-community” projects funded worldwide through Your World corporate program</td>
<td></td>
<td>43</td>
</tr>
</tbody>
</table>

(*) 21 sites in 2010
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.

**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.

**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.

**EDGE:** a pre-3G digital mobile phone technology allowing improved data transmission rates.

**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.

**ICAO (International Civil Aviation Organization):** a UN agency that defines standards and practices for air navigation, prevention of unlawful interference, and facilitation of border-crossing procedures for international civil aviation.

**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).
M2M (Machine-to-Machine): technology enabling communication between machines for applications such as smart meters, mobile health solutions, etc.

MFS (Mobile Financial Services): banking services such as transfer and payment available via a mobile device.

Microprocessor: a “smart” card comprising a module embedded with a chip, a computer with its own processor, memory, operating system and application software.

MIM (Machine Identification Module): the equivalent of a SIM with specific features such that it can be used in machines to enable authentication.

MMS (Multimedia Messaging Service): a standard way of sending messages that include multimedia content (e.g. photographs) to and from mobile phones.

MNO (Mobile Network Operator): a company that provides services for mobile phone subscribers.

Module: the unit formed of a chip and a contact plate.

NFC (Near-Field Communication): a wireless technology that enables communication over short distances (e.g. 4cm), typically between a mobile device and a reader.

OATH (The Initiative for Open Authentication): an industry coalition comprising Gemalto, Citrix, IBM, Verisign and others, that is creating open standards for strong authentication.

OMA (Open Mobile Alliance): a body that develops open standards for the mobile phone industry.

OS (Operating System): software that runs on computers and other smart devices and that manages the way they function.

OTA (Over-The-Air): a method of distributing new software updates to cellphones which are already in use.

OTP (One-Time Password): a password that is valid for only one login session or transaction.

PDA (Personal Digital Assistant): a mobile device that functions as a personal information manager, often with the ability to connect to the internet.

PIN (Personal Identification Number): a secret code required to confirm a user’s identity.

PKI (Public Key Infrastructure): 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.

RUIM (Removable User Identity Module): an identity module for standards other than GSM.

SIM (Subscriber Identity Module): a smart card for GSM systems.

SMS (Short Message Service): a GSM service that sends and receives messages to and from a mobile phone.

Thin client: a computer (client) that depends primarily on a central server for processing activities. By contrast, a large client does as much processing as possible.

TSM (Trusted Services Manager): A third-party enabling mobile operators, mass transit operators, banks and businesses to offer combined services seamlessly and securely.

UICC (Universal Integrated Circuit Card): a high-capacity smart card used in mobile terminals for GSM and UMTS/3G networks.

UMTS (Universal Mobile Telecommunications System): one of the 3G mobile telecommunications technologies which is also being developed into a 4G technology.

USB (Universal Serial Bus): a standard input/output bus that supports very high transmission rates.

USIM (Universal Subscriber Identity Module): ensures continuity when migrating to 3G services.

VPN (Virtual Private Network): a private network often used within a company or group of companies to communicate confidentially over a public network.

W-CDMA (Wideband – Code Division Multiple Access): a 3G technology for wireless systems based on CDMA technology.
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