



# Gemalto Corporate Social Responsibility



2012  
Communication on Progress  
to  
UN Global Compact

September, 2012



August 30, 2012

H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

Dear Mr. Secretary General

As the global leader in digital security Gemalto feels a key part to play in creating a digital society that is safe and sustainable. In 2009 we decided to support the ten principles of the Global Compact with respect to human rights, labor standards, protection of environment and anti-corruption, and to advance those principles within our company.

Today I am pleased to confirm our continued support for the Global Compact and renew our ongoing commitment to the initiative and its principles.

Practical actions taken by our company in the last year are summarized in our Communication on Progress, particularly the following:

- Performing a methodical CSR risk and opportunity analysis
- Completing a company global footprint assessment
- Performing CSR audits with critical suppliers
- Optimizing our fraud and corruption prevention system

You will find more details in our 2011 Sustainability report that can be accessed here:  
<http://www.gemalto.com/companyinfo/sustainability/>.

Yours sincerely,

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Olivier Piou  
Chief Executive Officer

[www.gemalto.com](http://www.gemalto.com)

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## Background: About Gemalto (1/2)

### Business framework

- ✦ In an increasingly connected society, Gemalto is the leader in making digital interactions secure and easy.
- ✦ 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.  
We deliver on their expanding needs for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern transportation, M2M communication, eHealthcare and eGovernment services.
- ✦ Our expertise spans the entire process for creating digital security solutions that embed the trust of our clients and their customers.  
We develop secure operating systems and run them on trusted devices – like UICC and smart cards, banking cards, ePassports, eID cards, tokens and other devices – which we assemble and personalize.  
We deploy the software for managing these, and the services they enable, throughout their life-cycle. And we innovate so our clients can offer more ways of enhancing the convenience and security of their end-users' digital lives
- ✦ Gemalto N.V. is an international public company incorporated in the Netherlands. It is headquartered in Amsterdam and has subsidiaries around the world.  
Formed in 2006 as a result of the combination of Axalto and Gemplus, our team has over 30 years' experience in advanced cryptography and in the design and production of secure personal devices
- ✦ Gemalto's global presence is key to the way we serve our clients, with sites and facilities strategically spread across every continent. We have over 10,000 employees of some 100 nationalities and a worldwide network of partners. So wherever our clients are based, we're not far away and we speak their language.
- ✦ At the heart of Gemalto is technological innovation, enabling our customers to differentiate themselves in increasingly competitive markets, and keeping our solutions one step ahead of security threats. In 2011 we had:
  - 1,500+ digital scientists;
  - 107 new inventions first filed
  - 4,200 patents and patent applications representing about 1200 patent families.

## Background : About Gemalto (2/2)

### |||| Solutions, Software and Services per key segments

#### ✘ Mobile communications :

Secure operating systems and applications embedded in a wide range of SIM and UICC cards; client-server software to remotely manage mobile devices; and services including roaming optimization, mobile money, mobile payment, mobile marketing and personal data management.

#### ✘ Machine-to-Machine :

A wide range of products and services including wireless M2M modules and Machine Identification Modules (MIM), plus MIM personalization and application and device management platforms.

#### ✘ Secure Transactions:

Secure operating systems and applications embedded in electronic modules and a wide range of chip card and contactless payment solutions and services, plus mobile financial solutions.

Contactless electronic ticketing (eTicketing) solutions for public transport.

Pay TV subscriber authentication and rights management solutions.

#### ✘ Security:

ePassports and secure electronic documents for eID, eHealth, eDriving license, eVoting and other eGovernment initiatives, as well as services such as enrollment and issuance.

Identity and Access Management (IAM) solutions, using secure software embedded in various forms of connected and unconnected electronic ID badges and portable devices. Strong online authentication solutions, offering secure access and control of digital and physical resources.

Multi-factor authentication and transaction solutions for online banking and commerce

### |||| 2011 Key figures

- ✘ € 2.015 billion revenue
- ✘ 10,000 + employees (~100 nationalities)
- ✘ 15 production sites, 28 personalization centers, 14 R&D centers

### |||| More detailed information at <http://www.gemalto.com/>

## Background : Gemalto CSR approach (1/2)

Gemalto has been working towards business excellence for many years, integrating its sustainability approach into its management systems and structures to improve our performance as a responsible company.

### ||| Multidisciplinary steering committee

- ✘ Our CSR 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 meets twice yearly to approve the sustainability improvement strategy and review achievements against plans. Sub-committees including staff from the relevant functions in the company meet every two or three months to review progress of our main sustainability projects.

### ||| Materiality

- ✘ In previous years we defined our main CSR projects empirically, based on our experience, the requests of our stakeholders and HSE regulations.  
In 2011, in order to get a more broadly based vision of the materiality of our CSR issues, we decided to perform a complete CSR Risks and Opportunities analysis, so that we could:
  - identify and prioritize risks according to the current strategy and objectives of our company
  - assign resources and develop action plans on the CSR risks that matter.
- ✘ Gemalto already carries out such risk assessments at various management levels (group, site, activity, projects, domain etc.) and it was therefore a natural progression to do the same in relation to CSR.
  - The assessment involved conducting interviews of internal functions interfacing with our main stakeholders, benchmarking against other organizations, analyzing internal and external documents, and taking account of issues raised by clients, rating agencies and other stakeholders.

## Background : Gemalto CSR approach (2/2)

### Materiality (cont'd)

- ✘ From this methodical analysis , 22 key stakes have been identified of which 8 were qualified as “important”:
  - Responsible purchasing
  - Governance and ethics
  - Stakeholder dialogue and engagement
  - Consumer data protection and privacy
  - Gemalto sustainability image
  - Products social impact
  - Climate change impact
  - Products eco-conception
  
- ✘ Thus the assessment study generally confirmed our empirical approach and validated our current policies, programs and actions. Some of the newly identified stakes are addressed in the 2012 CSR program

### Yearly CSR program

- ✘ The 2011/2012 CSR program included specific projects aiming at improving our performance in the areas of:
  - CSR Management systems
  - Operational Environmental impacts
  - Promotion of Human Rights and Labor Rights international standards
  - Prevention Fraud and Corruption

The realization of a methodical CSR Risk Analysis, the global deployment of our Carbon Footprint initiative , the implementation of CSR audits at critical suppliers and various actions aiming at optimizing prevention of Fraud and Corruption are the main topics that we are detailing in our 2012 COP to the UN Global Compact community.



## Background : 2011 Highlights & Outlook at a glance (1/2)

For more convenient reading, please see page 7, 8, 9 and 10 of our 2011 Sustainability report at <http://www.gemalto.com/companyinfo/sustainability/>

Key objective	Targets	Due date	2011 Performance / progress summary
Develop greener and safer products	• Develop products using greener materials for card bodies (PLA) and packaging (cellulose)	2011	<ul style="list-style-type: none"> <li>Completed the process development for full PLA cards for the banking market. Validated by main certification bodies</li> <li>Performed comparative Reader products LCA. LCA software acquired for further analysis of company's products</li> </ul>
	• Extend the carbon neutral card scheme to more plants	2012	<ul style="list-style-type: none"> <li>New tool developed to calculate the carbon footprint of our products. Offset partnership developed with "CO<sub>2</sub> solidaire" French ONG</li> </ul>
	• Reduce by 10% over 3 years the environmental impacts of material procurement and product delivery	2013	<ul style="list-style-type: none"> <li>Implement calculation of freight CO<sub>2</sub> emissions for our main logistics suppliers</li> </ul>
Implement "best in class" practices for environmental care	• Continue deployment of the ISO 14001 certification roadmap to other manufacturing sites	2011	<ul style="list-style-type: none"> <li>No new certification in 2011</li> </ul>
	• Conduct a company-wide carbon footprint analysis	2012	<ul style="list-style-type: none"> <li>11 additional sites performed their carbon footprint measurement (now up to 21 sites worldwide)</li> </ul>
	• Reduce GHG (Greenhouse gases) emissions by 10% in 3 years	2013	<ul style="list-style-type: none"> <li>Company Scope 1 and 2(*) figures now reported within the global Carbon Disclosure Project (CDP): Impact reduced by 7% versus 2010 in tons of CO<sub>2</sub>eq and by 12% versus K€ revenue</li> </ul>
Continuously improve our products and services	• Extend internal levels of security to companies recently acquired by Gemalto	2012	<ul style="list-style-type: none"> <li>Updated our strategic security agenda</li> <li>Security audit of the recently acquired companies and action plans set up where necessary</li> </ul>
	• Reach 90% OTD (on time delivery/commitment) and 80% OTR (on time delivery/requested)	2011	<ul style="list-style-type: none"> <li>OTR performance ("on time versus request") reached customers' expectations (measured through our customer survey)</li> </ul>
Develop people safety	• Continue roll-out of OHSAS 18001 certification to other card production sites	2012	<ul style="list-style-type: none"> <li>No new OHSAS certification in 2011. 2 sites preparing for 2012</li> </ul>
	• Extend "Defensive Driving" training program to 25% of employees	2011	<ul style="list-style-type: none"> <li>Defensive driving training to 20% of Gemalto employees by end of 2011</li> </ul>
	<b>New objectives:</b>		
	• Develop and deploy "Traveler Safety" initiative	2012	
Develop employee skills and satisfaction	• Encourage the promotion of women to senior management positions	2012	<ul style="list-style-type: none"> <li>Identify new women Board members for appointment in 2012</li> <li>43% of women attended the "Gemalto University", our leadership development program</li> </ul>
	<b>New objectives:</b>		
	• Create a CSR training internal offer	2013	<ul style="list-style-type: none"> <li>Anti-fraud awareness in progress: third party provider selected and tool in progress</li> </ul>
	• Increase anti-fraud awareness by deploying an eLearning tool	2012	<ul style="list-style-type: none"> <li>Competition rules awareness in progress: third party provider selected and tool in progress</li> </ul>
	• Increase competition rules awareness by deploying an eLearning tool	2012	



## Background : 2011 Highlights & Outlook at a glance (2/2)

For more convenient reading, please see page 7, 8, 9 and 10 of our 2011 Sustainability report at <http://www.gemalto.com/companyinfo/sustainability/>

Key Objective	Targets	Due date	2011 Performance / progress summary
Deploy risk management "best practices"	<ul style="list-style-type: none"> <li>Deploy crisis management best practices worldwide</li> </ul>	2011	<ul style="list-style-type: none"> <li>97 Crisis Management Leaders appointed and trained</li> <li>Crisis Management training included in the Gemalto training catalogue</li> </ul>
	<b>New objectives:</b>		
	<ul style="list-style-type: none"> <li>Perform specific risk assessments (like a Fraud focused Risk Analysis (FRA))</li> </ul>	2012	
	<ul style="list-style-type: none"> <li>Increase anti-fraud awareness by deploying an eLearning tool</li> </ul>	2012	<ul style="list-style-type: none"> <li>Anti-fraud awareness in progress: third party provider selected and tool in progress</li> </ul>
	<ul style="list-style-type: none"> <li>Increase competition rules awareness by deploying an eLearning tool</li> </ul>	2012	<ul style="list-style-type: none"> <li>Competition rules awareness in progress: third party provider selected and tool in progress</li> </ul>
	<ul style="list-style-type: none"> <li>Formalize our risk management framework</li> <li>Set-up a risk management supervisory group</li> </ul>	2013	
Deploy responsible purchasing "best practices"	<ul style="list-style-type: none"> <li>Formalize the way we monitor suppliers' business practices in Human Rights and Labor Rights</li> </ul>	2011	<ul style="list-style-type: none"> <li>83% of our corporate suppliers have signed our CSR Purchasing Charter</li> </ul>
	<ul style="list-style-type: none"> <li>Apply Gemalto's "Ten Golden" purchasing rules for all key suppliers</li> </ul>	2011	<ul style="list-style-type: none"> <li>Ethical clause included in any new Gemalto contract</li> <li>Self-assessment questionnaire sent to the 23 critical suppliers highlighted by the Purchasing CSR risk analysis</li> </ul>
	<b>New objectives:</b>		
	<ul style="list-style-type: none"> <li>CSR audits of selected key suppliers</li> <li>Extend internal levels of security to companies recently acquired by Gemalto</li> </ul>	2012	<ul style="list-style-type: none"> <li>Updated our strategic security agenda</li> <li>Security audit of the recently acquired companies and action plans set up where necessary</li> </ul>
Increase our involvement in society	<b>New objective:</b>		
	<ul style="list-style-type: none"> <li>Implement a "volunteering opportunities" stream in the Your World program</li> </ul>	2012	
Develop company reporting and communication about sustainability	<ul style="list-style-type: none"> <li>Perform a "methodical" CSR risk &amp; opportunity analysis</li> </ul>	2012	<ul style="list-style-type: none"> <li>Performed a methodical CSR risks and opportunities analysis: 22 main stakes identified</li> </ul>
	<ul style="list-style-type: none"> <li>Improve Gemalto CSR dashboard and related data collection internal systems</li> </ul>	2011	<ul style="list-style-type: none"> <li>Upgraded company's set of CSR performance indicators (according to the stake analysis)</li> </ul>
	<b>New objectives:</b>		
	<ul style="list-style-type: none"> <li>Measure Gemalto communication efficiency regarding its CSR performance</li> <li>Develop a direct dialogue about Gemalto CSR with its main stakeholders</li> </ul>	2012	2013



# 2012 Communication on Progress



1/ Improving our  
CSR Management System

September, 2012

# 1-a / Performing a methodical Risk and Opportunity Analysis (1/2)

## Context

Gemalto structured its CSR Management System during 2009. This resulted in the implementation of a CSR steering committee supervising a yearly CSR improvement program comprising a number of projects in various domains. Project identification and selection was based either on the knowledge or experience of our people, stakeholder specific requirements and HSE regulations. Although we felt that our projects were the right ones, we did not have a good rationale for their identification and prioritization

## Objectives

In order to methodically analyze the materiality of CSR for our company, we decided by the end of 2010 to include such a study within the 2011 CSR Program. The main deliverables were:

- a complete map of relevant stakes for Gemalto, ranking both their importance for stakeholders and their potential impact on company business;
- a SWOT-like analysis for each stake of company strengths, residual risks and therefore potential opportunities for actions;
- the relevant indicators for each stake for measuring performance or progress.

The target was to complete the above analysis by the beginning of Q4 2011 in order to take results into account within the 2012 program.

## Actions / Results

### a) Project Implementation

- Regarding the methodology to apply, we decided to align it to what is typically done within the Enterprise Risk Assessment (ERA) process for identifying all types of risks the company has to deal with (financial, market, operational, quality, security, etc.) e.g. through interviews with main internal functions linked to CSR stakeholders .



# 1-a / Performing a methodical Risk and Opportunity Analysis (2/2)

## |||| Actions / Results (cont'd)

### a) Project Implementation (cont'd)

- In order to ensure greater objectivity, we also decided to get support from an external 3<sup>rd</sup> party which was in charge of performing all interviews and to benchmark their conclusions with the experience of external companies similar to Gemalto.
  - External consultant selection was done through a call-for-tender.
- First phase of the project consisted in building and performing the 20 interviews with relevant functions including HR, Purchasing, HSE, Internal audit, Quality and Business Units Marketing and Strategy.
  - Interviews were performed using a questionnaire prepared by the consultant;
  - Outputs of the interviews were both stakes and the SWOT ingredients; It allowed us to identify residual risks taking into account the good practices mitigating the inherent ones;
  - The rating of each stake (from 1 to 4 regarding both their importance for the stakeholders and their impact on the company business) was done by the 3<sup>rd</sup> party consultant taking into account the benchmark of external companies;
  - The relevance of the final mapping has been validated by a worldwide CSR expert with knowledge of Gemalto's market and technologies
  - Finally in order to verify that the map was not a "corporate vision only" we made a "sanity check" in a reduced regional scope (with people /functions across Mexico country);
- Second phase of the project consisted of taking advantage of the map of 22 stakes to challenge our current CSR dashboard:
  - Again this was done taking into account what was existing and relevant and adding additional indicators for stakes not covered.

### b) Project results

- 22 relevant stakes for Gemalto have been identified / rated including 8 more important ones
  - They have confirmed our empirical approach but a few new ones have been highlighted;
- A full set of 83 indicators has been validated including 22 new ones yet to be developed;
- Both stakes analysis and upgraded indicators have been included in the 2012 CSR program
- The project, started by May 2011, was finally completed by October 2011

## 1-b / Improving CSR communication and awareness (1/2)

### Context

Communication is a major ingredient of any Management System. At Gemalto, we therefore aim at improving the efficiency of our CSR communication (both contents and formats/channels) toward internal and external stakeholders.

Since 2009, our main actions have consisted in the implementation of a yearly Sustainability report, the development of Sustainability web pages on internet and intranet, the yearly organization of the Gemalto Sustainable Development Day (GSDD) and the optimization of our "Your World" process.

### Objectives

Objectives for 2012 mostly consisted in the continuation and optimization of previous years' major projects listed above.

- Optimize the 2011 **Sustainability report** (to be issued before end of June 2012)
- Organize the usual annual **GSDD event** with a special theme addressing "People" (by contrast with previous years which were focused on Environmental concerns);
- Better communicate on **Greenhouse Gas (GHG) Emissions** linked to our business and on our actions toward their reduction;
- Revitalize the "**Your world**" initiative.

### Actions / Results

- In order to optimize the **2011 Sustainability report**, the following actions have been conducted:
  - ✓ Survey a sample of concerned functions /people (i.e. Purchasing, HR, Marketing,...) regarding their satisfaction with the 2010 Sustainability report. Senior Management inputs e.g. CEO and board members were also requested;
  - ✓ External benchmark of Sustainability report against other companies;
  - ✓ We did not get significant direct feedbacks from main stakeholders (as proposed / possible within the report itself)

## 1-b / Improving CSR communication and awareness (2/2)

### |||| Actions / Results (cont'd)

Overall, the main upgrades of the annual “**Sustainability report**” versus the initial version have been:

- ✓ Inclusion of focus articles on specific local case studies and on main corporate projects
  - ✓ Consolidation of main objectives and year's result in a single table
  - ✓ Changing the overall report structure according to ESG standard headings
  - ✓ Favoring navigation through A to Z index
- It was decided to focus on a human topic at the **2012 GSDD** event and the main theme selected was the cultural diversity in the company
    - ✓ This year again, a significant number of sites (34) across the world have contributed to the event through local animations to be better acquainted with each other's culture (special meals, presentations by expatriate employees,....)
    - ✓ 1346 people watched the video prepared by the Corporate Communication and 1074 participated in the associated Cultural Diversity Quiz
  - Gemalto is now publicly reporting within the “Carbon Disclosure Project” (CDP\*) data base regarding **C02 emissions** linked to our activities / businesses both:
    - ✓ corporate information/data
    - ✓ site/customer specific information/data for some of our worldwide plants
  - By the end of 2010, Gemalto extended the scope of “**Your world**“, the corporate initiative aiming at sponsoring employees' involvement in environmental, humanitarian and social actions:
    - ✓ Initially dedicated to individual actions only, employees can now form groups to start a project /action and benefit from corporate sponsoring
    - ✓ In 2011, 49 projects were supported by company funding (up to € 2000 per project) involving more than 160 people .

Moreover, local HR managers are now also organizing volunteer events providing inputs on the issues most affecting local communities.

(\*) “Carbon Disclosure Project” is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world.





2012  
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Progress



2/ Taking into account  
and minimizing  
environmental impacts

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## 2-a / Completing our CO<sub>2</sub> global footprint (1/2)

### Context

In 2009, we embarked on an ambitious, proactive program aimed at measuring the global CO<sub>2</sub> emissions generated by our activities. We decided to perform it according to the “cradle to grave” concept, therefore including:

- all our activities e.g. not only manufacturing but also those related to all other functions such as R&D, Business and Support, and therefore all Gemalto sites and people ;
- all steps along the whole Life Cycle of the products e.g. not only the steps performed at Gemalto but also those upstream, related to material generation

By end of 2010, we had covered 10 sites including 8 main production plants.

### Objectives

2011 objectives were to:

- Complete the evaluation of Gemalto’s global footprint:
  - ✓ Measuring remaining 13 Manufacturing sites
  - ✓ Performing an extrapolation for small "non-manufacturing" sites
- Initiate a “logistics”-related project aiming at better measuring and monitoring the emissions linked to site to site internal transfers and final delivery of customer orders.
- Prepare for further deployment of a “CO<sub>2</sub> offset” commercial offer (beyond the one already implemented at our UK plant through the “Carbon Neutral®” company).

### Actions / Results

- By the end of 2011, 11 site footprints out of the 13 remaining Manufacturing plants were done
  - ✓ Last 2 were performed during H1 2012.

## 2-a Measuring our CO<sub>2</sub> global emissions (2/2)

### |||| Actions / Results (cont'd)

- An simple model has been extrapolated for remaining non-manufacturing sites
  - ✓ It concerns 2300 employees spread in many locations worldwide
  - ✓ It takes into account data regarding their energy consumption, office amortization and business travel
- Based on all the above, the yearly **global CO<sub>2</sub> footprint of Gemalto** has been evaluated at 655,000 tons CO<sub>2</sub> eq.
  - ✓ Silicon Chip impact represents almost 50% of all emissions while other incoming materials and services are around 17%
  - ✓ The development and use of smaller chips from latest silicon technologies is one key action to reduce environment impacts while cutting cost at the same time.
- Transportation of orders to the customer is one of the emissions factors we can work on: it represents up to 13% of total footprint.
  - ✓ A project targeting freight impact reduction has been initiated
  - ✓ First objective/deliverable has been the implementation of CO<sub>2</sub> emissions metrics: we now calculate for each order its GHG impact and monitor the consolidated figures by type of transport.
  - ✓ In parallel, several initiatives are on-going to reduce the impact by favoring boat transportation between our plants and developing mixed types of transportation such as rail/road
- Last axis for action is the deployment of our “Carbon” offset offer:
  - ✓ Thanks to the tool developed last year and the various plant footprints, we can now easily evaluate the GHG impact of any order for any customer
  - ✓ During 2011, we built a relationship with an additional recognized “CO<sub>2</sub> offset” company in France, “CO<sub>2</sub> Solidaire® “ and designed an association for new customers
  - ✓ Both Telecom and Secure Transactions Marketing teams have in the meanwhile developed / upgraded the overall “green offer” for their respective BUs. The communication campaign to worldwide sales teams has been done during the 2<sup>nd</sup> quarter of 2012.

## 2-b / Continuing the development and deployment of greener products (1/2)

### Context

For a decade, Gemalto has been developing products with the objective of minimizing their impact on the environment. The initial axis for action was the development of chlorine-free card bodies (mostly through plastics based on Acrylonitrile - Butadiene – Styrene i.e. ABS and Polyethylene Terephthalate Glycol-based i.e. PETG).

In this direction, Gemalto has been working for a couple of years towards the development of Polylactic Acid (PLA) cards.

Moreover, Gemalto is working toward smaller form factors (especially for SIM and M2M markets) as well as on fully dematerialized products.

### Objectives

2011 main targets were to:

- continue SIM technology migration from PVC based laminated to ABS molded
  - ✓ Progressing towards halogen free products
- develop PLA-based card bodies meeting both Telecom and Banking criteria
  - ✓ Using less non-renewable materials (i.e. oil-based)
- answer to customer requests for production of “half card” SIM products
  - ✓ Halving ABS plastic waste is the immediate effect
- develop the “plug only” offer
  - ✓ Dividing ABS plastic waste by 10 is the final objective
- develop a wrapping process based on bio-degradable materials
  - ✓ Moving to a recyclable material

### Actions / Results

- We continued the conversion to PVC-free (pure ABS) Telecom molded cards in our Brazilian plant: 100% conversion is now planned by H2 2012
- Around 70 Million smaller SIM cards have been sold, mostly as “plug only” but also as “half cards”
  - ✓ The half card technology has been set up in 2 of our European plants
  - ✓ The industrialization effort of this technology is continuing to get the maximum benefit of this small factor product

## 2-b / Continuing the development and deployment of greener products (2/2)

### |||| Actions / Results (cont'd)

- We fully completed the development process of PLA-based card bodies, meeting technical specifications
  - ✓ by early 2011 regarding SIM cards: about 100,000 cards have been sold to customers which are now more interested in smaller products
  - ✓ by early 2012 regarding Banking products: more than half a million loyalty cards are already in circulation

Organic Waste Systems (OWS), an accredited Belgian lab, has successfully conducted positive “compostability tests” on these product as per EN13432 Standard. Partnership discussions are also in progress with a recycling organism in Belgium, able to provide the recycling industrial process for PLA.

- Development work was completed regarding bio-degradable wrapping (material identification, equipment and process). This project is currently on hold as such a cellulose based material would require special storage conditions.
- Regarding end of life management, as per a recycling model previously defined with the AFPC (French Association of Card Manufacturers), our two main French plants are able to manage PVC and ABS card end of life. Such demands are however very few and small numbers of cards only were involved due of the difficulties for our customers to collect obsolete cards in the field.
- Gemalto is also developing dematerialized innovative offers especially for government applications; such e-based products not only induce environmental benefits (paperless processes, no more need to physically go to offices) but also have an influence on people’s lives (eVoting, eHealth and many other eGovernment initiatives)
  - ✓ A 60+ page “e-Gov 2.0” white book has been published by the Security BU. It is available on the Security BU’s internet website, with a purpose of educational deployment and sharing best practices
  - ✓ The Secure Transactions Business Unit has also been developing a fully dematerialized product through SMS for providing end users with their card PIN codes.



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3/ Promoting Human Rights  
and  
Labor International Standards

September, 2012

## 3 / Performing CSR audits at critical suppliers (1/1)

### Context

In 2010 Gemalto clarified and documented its “Responsible Purchasing” policy and associated management system:

- upgrading current procedures / processes
- implementing its purchasing charter
- performing a risk assessment of key suppliers
- developing a self assessment questionnaire to be completed by more critical ones.

### Objectives

- As a next step in this strategy, 2011 objectives were to deploy those processes and tools, initially targeting major corporate suppliers;
- Performing actual CSR audits at most risky supplier facilities was the main additional objective added for 2012
  - ✓ focusing on those highlighted either by the Supplier risk study or by unsatisfactory answers to the self assessment

### Actions / Results

- During 2011, we focused our efforts on communicating with our suppliers about the implementation and deployment of our CSR purchasing policy.
- The first step was to provide them with CSR Purchasing Charter and get it agreed and signed by our main corporate panel of suppliers covering 65% of our spending:
  - ✓ This document comprises the “10 Golden Rules” of Gemalto Responsible Purchasing positioning in full alignment with our commitment to the UN Global compact program
  - ✓ It is a mutual pledge to improve the lives and protect the health of all workers contributing to Gemalto products, to contribute to environmental protection and to ensure a fair and transparent business relationship.
  - ✓ By March 2012, 165 suppliers including 83% of our corporate suppliers had already signed this proposed CSR Purchasing Charter.

## 3 / Performing CSR audits at critical suppliers (2/2)

### Actions / Results (cont'd)

- In order to institutionalize these commitments, the second step was to define and insert an ethical clause in any new Gemalto contract. It represents a legal commitment to our CSR policy.
  - ✓ It is currently included in 67% of our corporate contracts.
- We also finalized our CSR risk analysis of our main suppliers. The outcome of this study highlighted the need to send a self-assessment questionnaire to 23 active suppliers (16% of our critical panel) in order to get a deeper analysis of their profiles.
  - ✓ For part of them, it was necessary to implement dedicated meetings in order to explain Gemalto's overall CSR positioning and the purpose with such detailed inquiry
- Finally, in order to have a systematic approach to our on site audits, we developed a guiding questionnaire which also enables us to rate our supplier's CSR performance.
- During H1 2012, 5 audits were conducted at 2 Chinese suppliers and 3 Russian subcontractors by a team including representatives from Internal Audit, Corporate and local Purchasing and Corporate QHSE.
  - ✓ These "1 day" audits highlighted most of the time very little CSR culture (for all of them, Gemalto was the first customer performing such an on-site assessment process) but also quite often the willingness to progress in such a direction.
  - ✓ Therefore, beyond the compliance analysis with CSR good practices, these audits have in fact been "CSR awareness" sessions given to these key stakeholders of our business
  - ✓ Reports including between 10 and 20 opportunities for improvement (with associated recommendations from Gemalto) have been sent to them so that they can commit to improvement actions
- In addition 2 more on site assessments of supplier risks were conducted in partnership with our Insurance company and improvement action requested as well
- Finally, a CSR section is being also integrated within usual Quality audit and Quality monitoring regular meetings
  - ✓ Experience is showing that deeper CSR training needs to be delivered to these people so that they can really get benefits from these assessments





# 2012 Communication on Progress



4/ Fighting  
against Corruption

September, 2012

## 4 / Optimizing our Fraud and Corruption Prevention system (1/2)

### Context

Because Gemalto products and services involve management of very sensitive data and because our company is doing business in most countries worldwide, Fraud and Corruption are risks that we manage through a well structured preventive system steered by an “Anti-Fraud Commission “ which includes highest Managers from Legal, Human Resources, Security, Internal Audit and IT departments.

This management system leans on:

- the code of Ethics
- formalized anti-fraud policy and charter,
- a methodical Fraud Risk assessment
- the internal audit process and several specific documented procedures

### Objectives

As part of the continuous maintenance and improvement of our preventive management system, the following objectives have been set for 2011 & 2012:

- To focus part of the yearly internal audit plan on Fraud related topics
- To review and upgrade as necessary the procedures related to processes and topics linked to fraud or corruption
- To perform a Fraud Risk Assessment
  - Such regular assessments (previous one had been done in 2009) allow us to update related risk mapping and to decide prioritized improvement actions for following years
- To implement specific actions aimed at reinforcing the anti-fraud / anti-corruption culture across the company

### Actions / Results

- In 2011, the internal audit conducted more than 60 missions.
  - Out of them, 22 were either focused specially on fraud risk or partially motivated by Fraud concerns.
  - Internal audit also introduced data mining exercises in field audits in order to detect irregularities
  - Note: The IFACI certification was granted to Gemalto Internal Audit team in November 2010 (IFACI is a French affiliate of the Institute of Internal Auditors (IIA) and is valid for three years,) It has been confirmed in November 2011. Being a key reference in the profession, this certification is a true quality engagement in terms of Internal Audit practices and also Corporate Governance

## 4 / Optimizing our Fraud and Corruption Prevention system (2/2)

### |||| Actions / Results (cont'd)

- In 2011 also, Gemalto documented 2 new policies/procedures:
  - ✓ The “Agents’ selection and relationship management “ policy was published in January. Its purpose is to set standards on how to enter into and properly manage an agent relationship (selection, commitment, follow-up and payment).
  - ✓ The objective of the Investigation Protocol is to provide detailed guidelines on how to run and manage the investigation phase in the case of suspicion of fraud. It is an appendix to the Anti-Fraud policy. Internal webinars have been held to facilitate understanding and implementation
- Significant effort was made during 2011 regarding training and awareness:
  - ✓ 43 awareness and training sessions were provided to 1036 people regarding Integrity and Fraud
  - ✓ 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)  
It also highlights the existing whistle blower procedure which has also been put in place to encourage prompt reporting and handling of any employee complaints about financial irregularities or suspicions of improper conduct.
  - ✓ In addition we started the development of e-learning modules focusing on corruption and competition rules
- Regarding 2012, the main ongoing actions are:
  - ✓ The review / upgrade of the company code of Ethics with the objective of aligning it with company commitment to UN Global Compact charter and to our Sustainability approach
  - ✓ The Fraud Risk Assessment process has been started in Q1: its first step “identification of risk universe” was completed at the end of June
  - ✓ The completion and deployment of e-learning modules

These actions will be further developed in next year’s Communications On Progress.