



**Sustainable approaches
to digital security**

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"With many thanks to our employees who appear throughout this report."

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Message from the CEO



In recent years sustainability has come to occupy an increasingly important position in Gemalto's culture and operations. The positive attitude, awareness and intent which always existed in the company have evolved into a focused approach to defining and delivering on commitments to society and the environment.

Sustainability is part of our on-going conversation with our stakeholders, and we know that our contributions and efforts in this area are appreciated. Our clients take an increasing interest in Gemalto's sustainability agenda, and I personally receive a lot of positive feedback from those I meet regarding our social and environmental initiatives. Along with the financial health and long-term development objectives of our company, these are the matters people increasingly want to hear about.

In many ways, sustainability is second nature to Gemalto: with our leadership role in digital security, our solutions touch and improve billions of people's lives. From providing identity and privacy management through to enabling disadvantaged people to access basic financial services with their mobile phones, the very nature of our work – our purpose – means we fulfill what I have frequently referred to as a 'noble social role'. Indeed, it is our ability to provide trust and convenience to this new digital lifestyle that is unfolding in front of us, and to 'flatten the world' by promoting equality of access to new, secure online and mobile services, that adds extra motivation to our day-to-day work.

Throughout this report you will find accounts of the rich and varied activities we carried out in 2012. For example, as part of our on-going efforts to incorporate sustainability into the solutions we develop for our customers, we launched the world's first bio-sourced payment card. We also created a product capable of detecting and tracing unauthorized logging in the rainforest; sustained the roll-out of micro-banking services; and, as part of our commitment to improve the way we procure goods and services, carried out specific rigorous supplier sustainability audits in China and Russia.

You'll read as well how, as we grow and develop, we share the company's success with our people. 2012 was another good year for employee engagement at Gemalto: we achieved 78% participation and 80% satisfaction rates in our annual 'People Quest' survey; and launched a new action to enhance employees' understanding of how Human Resources (HR) serves their needs and supports our business objectives. And, in recognition of everyone's work and dedication in recent years, we deployed the 'All Stars' reward program, which offers free performance-based shares to everyone, at every level of the company, using the same company-related performance criteria as usually applied to senior management. This is a clear demonstration of our commitment to our people's future.

Diversity was another key focus in 2012. The scale at which Gemalto operates involves diversity in many respects. It is thoroughly linked to our development and success as an

international organization. Our company comprises over 10,000 people of over 100 different nationalities based on every continent. We serve clients in 190 countries and reach billions of consumers. So, being able to 'speak their language' and understand their diverse needs is crucial. We hence focused our annual Sustainable Development Day on cultural diversity and generated a considerable buzz of interest, motivation and enthusiasm from it.

As we move forward, we will first continue to demonstrate our commitment to our clients. Our relationship with them is paramount to our own evolution. Each year we research their needs and expectations, and focus our efforts on meeting them. By helping our clients to succeed we create a positive circle, built on loyalty and trust, in which we are given opportunities to apply our expertise and innovation in pursuit of sustainable solutions.

We will also be taking a newly structured approach to sustainability in 2013, reinforcing the Gemalto Sustainability Board. This commitment from me and my Executive-Vice President colleagues is designed to bring our sustainability and business objectives into even closer alignment within Gemalto.

I hope you will enjoy this report. And I sincerely appreciate your interest in this aspect of Gemalto's work and contribution to our world.

Olivier Piau
Chief Executive Officer

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Our approach to sustainability

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

Our Values

The way we manage sustainability closely reflects our values. These are combined in a robust ethical framework which underpins all sustainability activities by focusing on:

- **Customers**

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

- **People**

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

- **Innovation**

We continually develop valuable new ideas and creative approaches to business and technology challenges.

Managing sustainability

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

As a signatory of the United Nations Global Compact (UNGC) since 2009, we have been regularly benchmarking our policies and results against world-class companies. We also review them annually against the Compact's ten principles on human and labor rights, anti-corruption and the environment. In September 2012 we sent our latest Communication of Progress (COP) to the UNGC.

Our Corporate Social Responsibility (CSR) policies and activities are guided by a multidisciplinary Steering Committee. It is supervised by our three Executive Vice-Presidents of Human Resources, North America and General Counsel, and also comprises representatives from key related support functions and Business Units. The Committee met six times in 2012. It met regularly to monitor progress before reviewing the results and achievements at the end of the year.

Materiality

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

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

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

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

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

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Our approach to sustainability continued

Compliance

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

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

We have also signed the United Nations Global Compact charter.

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

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

As a Dutch company with shares listed on NYSE Euronext Amsterdam and Paris, we comply with:

- Dutch corporate law
- The Dutch Act on Financial supervision
- Dutch corporate governance rules
- French AMF regulations where applicable.

The Dutch AFM is the supervising authority of the Company.

Our key stakes

From our 2011 analysis, 23 key stakes have been identified of which eight were qualified as 'priority':

- 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.

Communicating our CSR activities

This is our fourth stand alone Sustainability Report. It presents our programs and policies around governance, the environment and social issues for 2012. It also details the main achievements and progress we made in 2012 on the key projects and actions defined by the Steering Committee.

In addition, it includes an up-graded set of performance indicators resulting from our CSR Risks and Opportunities analysis.

Dialoguing with our stakeholders

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

Our customers

Our wide-ranging annual Customer survey called 'Tell Me' enables us to assess customer satisfaction. It also allows us to answer queries from customers who want to improve corporate responsibility standards in their own supply chains ([for more information on the Tell Me process and 2012 results, see pages 45-46](#)). Another key opportunity for customer dialogue on sustainability comes at the point of tender. This is when we can describe in detail our main management systems and practices, and answer their questions on how we can meet their expectations for sustainable products and services.

Our employees

Our internal annual employee survey – PeopleQuest – helps management and HR to track employee satisfaction across our global operations ([for more about 2012's results see pages 30-31](#)). Detailed analysis of feedback according to sites, regions/countries and divisions allows us to identify and implement either generic or specific actions aimed at improving their perception and satisfaction.

Our suppliers

For our biggest suppliers, we hold Quarterly Business Review meetings during which we discuss commercial and technical matters relating to the supply chain, product quality and our customer relationship. In 2012 we shared our CSR vision and values through our CSR Purchasing charter which was signed by most of them ([see Responsible purchasing section pages 47-49](#)). In addition, we have conducted specific supplier CSR audits which allow us to share concerns and have direct discussions on CSR issues. It is also an ideal moment for training those suppliers who are not familiar with CSR concepts.

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Our approach to sustainability continued

Our investors

Maintaining positive relations with our investors is key to Gemalto's growth.

We have therefore implemented a wide variety of communication tools to keep investors informed on a regular basis. These include General Meetings, Annual Reports, Sustainability Reports, announcements, press releases and financial statements.

At the publication of interim and annual financial statements, Gemalto holds conference calls and investor meetings. In addition, Gemalto regularly performs road shows and participates in conferences for institutional investors. These activities further Gemalto's understanding of investor and analyst observations and opinions. Relevant information for potential and current shareholders may be found on Gemalto's web site at Our company/Investors: www.gemalto.com/investors.

Communities

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

For instance we are involved in many of the local business communities, to develop alternative ways of commuting to work (carpooling, cycleways, etc) and to promote sustainable development among local organizations and residents (via awards, conferences, etc).

In addition, through our Your World program, we support local associations in which our employees are already involved.

Engaging with employees

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

Our Code of Ethics provides guidelines for the conduct of all employees relating to internal controls, financial disclosures, accountability, business practices and legal principles ([see more details page 14](#)).

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

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

For the fourth year running, we held an annual Gemalto Sustainable Development Day (GSDD) to update and engage our staff about our sustainability policies and activities. Previously each GSDD has focused on environmental issues, but in 2012 we decided to pursue a more people-oriented theme in order to address the social aspect of sustainability. The chosen theme for the year was Cultural Diversity ([see more details page 26](#)). Our dedicated CSR web site features articles and information on CSR related topics and enables employees' awareness.

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About Gemalto

Gemalto is the trusted partner of many of the world's best-known organizations and governments – who place their confidence in us to help provide secure and convenient services for their users.

"Gemalto enables organizations to offer trusted and convenient digital services to billions of people."

What we do

As the world becomes ever more connected, Gemalto helps people make the most of their digital lives in whatever way they choose. Our expertise spans the entire process of creating digital security solutions that inspire the trust of our clients and their customers. And as a result, we enable billions of individuals to lead a secure, convenient and enjoyable digital lifestyle.

Whether they're communicating, banking, doing business online, using eGovernment or eHealth services, transferring money, accessing cloud services, verifying identities and protecting privacy, or looking to the future with machine-to-machine (M2M) communications, people all over the world rely on Gemalto every day.

What we offer

We develop secure software and operating systems which we embed in billions of trusted devices of many kinds, like SIM cards, banking cards, electronic passports and ID cards, dongles with one-time passwords and so on. We assemble these devices at our production sites worldwide, and then individually personalize millions of them every single day under various security certification schemes.

Once they're out in the field, our secure servers can connect with these devices and activate, update or de-activate them. For mobile phones or M2M devices this is done via Over-the-Air (OTA) platforms. ID badges, banking cards and USB tokens can be updated when connected to an ATM or a computer. As a result they continue to evolve as long as they're operational, retaining their value for issuers and offering the latest services to end-users.

Our clients can conduct these operations themselves or we can do it for them, enabling them to benefit from our expertise while reducing capital expenditure. We also provide a range of other services which enable our clients to benefit from our expertise in many different ways.

Ultimately, what we do only works because we've earned the trust of our clients whose critical data we manage, and the confidence of consumers who enjoy the reliability of our solutions every day – which is how we fulfill our role of bringing trust and convenience to the digital world.

Who we serve

Our clients come from over 190 countries, and comprise many of the world's best-known mobile operators, banks and financial institutions, governments, enterprises, transport operators as well as a vast number of other industries who are looking for gains in efficiency, security, simplicity and trust.

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Our markets and solutions

Gemalto develops secure software that runs on trusted devices which we design and personalize. We manage these devices, the confidential data they contain and the services they make possible, throughout their life cycle.

Markets	Clients	Solutions	Platforms and services	Embedded software and products
Financial Services and Retail	<ul style="list-style-type: none"> Financial institutions Banks Retailers Payment and loyalty card issuers. 	<ul style="list-style-type: none"> Secure operating systems and applications for a wide range of contact and contactless payment Mobile financial solutions and services Strong authentication and transaction signing solutions and associated services for online banking and eCommerce. 	<p>Dexxis™ Personalization and issuance solutions</p> <p>Allynis™ Payment and outsourcing services</p> <p>Ezio™ Secure eBanking software and services.</p>	<p>Clarista™ Entry-level payment cards</p> <p>Optelio™ Advanced payment cards</p> <p>Desineo™ Custom payment cards</p> <p>Ezio™ Devices Secure eBanking devices.</p>
Government	<ul style="list-style-type: none"> Governments Healthcare and Health insurance providers Government service providers. 	<ul style="list-style-type: none"> Software and applications enhancing the security, efficiency and convenience of a wide range of electronic ID documents End-to-end – for eVoting and other eGovernment initiatives Secure operated services including issuance personalization and delivery. 	<p>Coesys™ ID management solutions</p> <p>Allynis™ Secure ID management services and outsourcing.</p>	<p>Sealys™ Secure ID documents including ePassports eID, eHealth, eDriving licenses, etc.</p>

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Our markets and solutions continued

Markets	Clients	Solutions	Platforms and services	Embedded software and products
Identity and Access Security	<ul style="list-style-type: none"> • Enterprises (Executives) • Governments • Defense and Police organizations • Healthcare providers • Trading floors • Cloud Service providers. 	<ul style="list-style-type: none"> • Identity and Access Management (IAM) solutions, using secure software embedded in various forms of connected and unconnected electronic ID badges and portable devices • Strong online authentication solutions, offering secure access and control of digital and physical resources. 	Protiva™ Authentication & ID management software and services.	Protiva™ Devices Cards and tokens for authentication.
Machine-to-Machine	<ul style="list-style-type: none"> • Equipment manufacturers • Integrators • Mobile Network Operators supplying diverse markets including automotive, tracking and tracing, industrial mobile computing, metering and smart grid, payment systems, healthcare, security systems and so on. 	<ul style="list-style-type: none"> • A wide range of products and services including wireless M2M modules and Machine Identification Modules (MIM) • M2M service enablement and delivery as well as subscription and device management platforms and services, for applications and devices. 	Cinterion™ Secure machine software and services.	Cinterion™ Wireless modules and Machine Identification Modules (MIM).™
Telecommunications	<ul style="list-style-type: none"> • Mobile Network Operators • Financial institutions • Consumer brands • Retailers • Content and service providers. 	<ul style="list-style-type: none"> • Secure operating systems and applications embedded in a range of SIM and UICC cards • Client-server software for remote management of mobile devices • Services, including Near-Field Communication (NFC), roaming optimization, mobile money, mobile payment, mobile marketing and personal data management. 	LinqUs™ Software for operators Allynis™ Telecom services and outsourcing.	UpTeq™ Advanced devices and new form factors.
Transport	<ul style="list-style-type: none"> • Mass transit authorities • Transport operators. 	<ul style="list-style-type: none"> • Contactless electronic ticketing solutions for public transport • Payment and ticketing on mobile handsets using NFC. 		Celego™ Travel passes.

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Objectives and performance highlights

Every year, Gemalto's CSR committee agrees on the key objectives and targets to be attained in the following twelve months.

Key Gemalto CSR stake	Global Compact principle	Key objective	Targets	Due date	2012 Performance/progress summary		
Governance & ethics	Anti-corruption	Continuously improve risk management, towards 'best-in-class'	• Perform specific risk assessments e.g. a Fraud-focused Risk Analysis (FRA)	2012	• Performed a fraud risk mapping exercise and a full assessment of the key fraud risks		
			• Increase global anti-fraud awareness by deploying an eLearning tool	2012	• Design completed, deployment postponed to 2013		
			• Increase global awareness of competition rules by deploying an eLearning tool	2012	• Deployed: completed by 70% of the 1,800 targeted employees		
			• Formalize our risk management manual and policy	2013			
			New targets:				
			• Prepare and launch the new Enterprise Risk Assessment in line with the new Long Range Plan	2013-2014			
			• Deploy Gemalto CSR culture in acquired companies	2013-2014			
Responsible purchasing	All	Deploy responsible purchasing 'best practices'	• CSR audits of selected key suppliers	2012	• Five partial and five full supplier audits carried out in 2012		
			New target:				
			• Perform additional CSR audits • Deploy responsible purchasing skills and processes in Gemalto sites	2013			

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Key Gemalto CSR stake	Global Compact principle	Key objective	Targets	Due date	2012 Performance/progress summary
Consumer data protection and privacy	Human rights	Continuously improve our products and services	• Extend internal levels of security to companies recently acquired by Gemalto	2012	<ul style="list-style-type: none"> Updated our strategic security agenda Security audit of the recently acquired companies and action plans set up where necessary
			<ul style="list-style-type: none"> Continue roll-out of OHSAS 18001 certification to other card production sites Develop and deploy 'Traveler Safety' initiative Deploy defensive driving program in acquired companies 	2012	2012
Stakeholder dialogue and engagement	Labor	Develop employee skills and satisfaction and employee CSR awareness and engagement	• Encourage the promotion of women to senior management positions	2012	<ul style="list-style-type: none"> Two new women Board members appointed We strengthened the practice whereby a representative number of women has to be proposed, considered and integrated into the company's key career processes
			• Create a CSR training internal offer	2013	• Created a catalog of 15 CSR trainings to be deployed in 2013
			• Increase anti-fraud awareness by deploying an eLearning tool	2012-2013	• Completed and tested the tool for deployment in 2013
			• Increase awareness of competition rules by deploying an eLearning tool	2012	• Deployed: completed by 70% of the 1,800 targeted employees
				2012	• Organized our internal Sustainable Development day on the theme of Cultural Diversity
		New target:			
		• Create an internal women's professional network within the company	2013		

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Key Gemalto CSR stake	Global Compact principle	Key objective	Targets	Due date	2012 Performance/progress summary		
Climate change impact	Environment	Develop greener and safer products	<ul style="list-style-type: none"> Extend the carbon neutral card scheme to more plants 	2012	<ul style="list-style-type: none"> Offset 1,000 tons of CO₂ eq through 'CO₂ solidaire' French NGO Fine-tuned offset offer for customers 		
			<ul style="list-style-type: none"> Reduce by 10% over three years the environmental impacts of material procurement and product delivery 	2013	<ul style="list-style-type: none"> Deployed measurement to 14 Gemalto sites across Europe, Asia and Latin America Increased sea freight by 1% and road freight by 5%; reduced air freight by 6% Reduced CO₂ emission by 6% (kilo/1 ton x 1,000 km) 		
			New targets:				
			<ul style="list-style-type: none"> Improve and deploy green offer for our customers 	2012-2013	<ul style="list-style-type: none"> Green banking offer and Telecom Carbon offset offer formalized and promoted 		
		<ul style="list-style-type: none"> Improve and deploy Gemalto eco-design skills and practices 	2012-2014	<ul style="list-style-type: none"> 30 employees trained on eco-conception basics, 15 on use of Life-Cycle Analysis software for new developments 			
		<ul style="list-style-type: none"> Develop a PLA card including dual interface version 	2013	<ul style="list-style-type: none"> On-going 			
		Implement 'best-in-class' practices for environmental care	<ul style="list-style-type: none"> Conduct a company-wide carbon footprint analysis 	2012	<ul style="list-style-type: none"> Two new sites performed carbon footprint measurements in 2012 (now up to 23 sites). Remaining small sites extrapolated to have a global footprint for the whole company 		
			<ul style="list-style-type: none"> Reduce GHG (Greenhouse gas) emissions by 10% in three years 	2013	<ul style="list-style-type: none"> Scope 1 & 2* were disclosed for French sites according to new French law Grenelle 2. Energy audits have been performed in several sites, leading to actions plans to reduce consumption 		

(*) company energy consumption

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Key Gemalto CSR stake	Global Compact principle	Key objective	Targets	Due date	2012 Performance/progress summary	
Social benefits of Gemalto's solutions		Increase our involvement in society	<ul style="list-style-type: none"> Implement a 'volunteering opportunities' stream in the Your World program 	2012	<ul style="list-style-type: none"> 13 'volunteering activities' organized in different sites worldwide 	
			New targets:			
			<ul style="list-style-type: none"> Define a 'cause' to focus our Community efforts worldwide Increase awareness of social benefits of our solutions 	2014	2014	<ul style="list-style-type: none"> eGovernment white paper published in 2012
Stakeholder dialogue and engagement & Gemalto sustainability image		Develop company reporting and communication about sustainability	<ul style="list-style-type: none"> Measure efficiency of Gemalto's communication regarding its CSR performance 	2012	<ul style="list-style-type: none"> Usage survey with key Gemalto users 	
			<ul style="list-style-type: none"> Develop a direct dialogue about Gemalto CSR with its main stakeholders 	2013-2014		
			New target:			
			<ul style="list-style-type: none"> Improve Sustainability Report and website 	2012-2013	<ul style="list-style-type: none"> Readability of the report improved (chapters, index) 	

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Conducting our
business with
integrity

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Corporate Governance and Economic Factors

Gematlo 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.

"Responsibility for Gemalto's sustainability structure is incorporated into the Board charter, and our sustainability management is organized accordingly."

Governance

Gematlo is committed to high standards of corporate governance, as the Board considers that this contributes to the Company's long-term success and supports sound decision making. The Board is accountable to the shareholders for Gemalto's corporate governance structure and for compliance with the Dutch corporate governance code, which sets out principles and best practices for Dutch listed companies. The Board agrees with the code's general approach and the vast majority of its principles and best practice provisions. In accordance with the code's 'apply or explain' principle, the departures from these provisions are listed in [Gematlo's 2012 Annual Report \(page 46\)](#).

As a Dutch company with shares listed on NYSE Euronext Amsterdam and Paris, Gemalto complies with Dutch corporate law, the Dutch Act on Financial supervision and Dutch corporate governance rules. It follows the regulations of the French *Autorité des Marchés Financiers* (AMF: French Financial Markets Authority) where applicable, and which are complemented by several internal procedures. The Dutch *Autoriteit Financiële Markten* (AFM: Netherlands' Authority for Financial Markets) is Gemalto's supervising authority.

The Board is responsible for Gemalto's sustainability structure and related activities, with an enhanced focus on Corporate Social Responsibility (CSR). This responsibility is incorporated into the Board charter, and our sustainability management is organized

accordingly. (For more details on Gemalto's Governance structure see [pages 46-50 of Gemalto's 2012 Annual Report](#)).

Code of Ethics for all employees

Gematlo 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, for example on the grounds of race, color, nationality, gender, age, religion, sexual orientation, and physical and mental disabilities.

We last updated and published our Code of Ethics in 2009. At the time, we asked all our existing employees to sign and endorse the Code. Today, we not only ask all new recruits to sign the Code, but include this as part of the integration process for employees brought into the company through our acquisitions.

At the end of 2012, the Gemalto Board validated a new Code of Ethics. This document includes additional chapters covering the UN Global Compact, and from now on will be the Code we use and refer to.

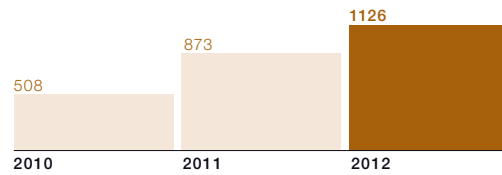
We have also complemented our Code of Ethics with coverage of specific departments. These include a Purchasing Code of Ethics, and an Internal Audit Code of Ethics introduced in 2010 and revised in 2012.

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Corporate Governance and Economic Factors continued

Employee training on business practices

Number of employees trained



From 2011, Trade compliance training sessions are included.

Preventing and detecting fraud

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

In 2007, with the help of an external consultant, Gemalto launched a Group Fraud Risk Assessment in a post-merger background and as part of a global 'Internal control' project. This led to a new senior management structure – the 'anti-fraud commission'. Its charter was approved by management on August 18, 2008, and amended on June 22, 2009. It meets formally each quarter, as well as on an 'ad hoc' basis.

The commission comprises the Group General Counsel, the EVP Human Resources, the Chief Information Officer, the Quality, HSE Security and World-Class Enterprise (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, which was complemented in 2011 with the release of the Investigation Protocol, providing guidance on how to run and manage the investigation work in the case of suspicion and/or fraud, and in 2012 with the release of the fraud reporting process;
- A series of training sessions on fraud related matters. In 2012 we organized 66 awareness and training sessions for 945 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). New eLearning programs around fraud matters were launched in 2012 (details in section below).
- The engagement in 2010 of two specialized forensic firms, also contracted in 2011 and 2012, to handle forensics surveys when needed.

Case study

Improving work ethics: Asia

In Asia, the Training & Development team launched a new program in 2012 called the '10 Must Steps for Work Ethics' (WE). Targeting all employees in Asia, the '10 Must Steps for WE' re-emphasizes the company's belief in the moral benefits of work and its potential to enhance employees' character.

The ten steps are: respect; organization; communication; teamwork; attendance; productivity; appearance; co-operation; attitude; and character. By following these simple steps, employees can participate in creating a culture of open and honest communication, continued learning, personal development and harmony.

Throughout the year, the '10 Must Steps for WE' program was included as one of the key topics in all Gemalto Orientation Sessions (GOS) for newcomers. Around 250 new employees were inducted in the ten steps process and ethos, while there were three separate sessions for existing staff. Participants worked in groups to share simple tips for practicing positive work ethics at Gemalto. There were also role plays and videos designed to reinforce the program's key messages.

"We believe the principle of 'work ethics' should underpin all our activities at Gemalto," says Ramya Ganesh, Training & Development Manager, Asia. "It is something all employees should be aware of and engaged with. Good work ethics help to boost the morale and reputation of our workforce and organization, and through this program we hope to create a more productive work environment, maintain staff trust, and provide ethical guidance to employees faced with difficult decisions."

“
We believe the principle of 'work ethics' should underpin all our activities at Gemalto - it is something all employees should be aware of and engaged with."
”

Ramya Ganesh
Training & Development
Manager, Asia

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Focus Article

Gender diversity

We believe that our workforce should reflect both the global span of our operations and our customers' diversity. When looking to fill Gemalto positions, we actively encourage applicants of every race, gender, religion, nationality, sexual orientation and age, compatible with the needs of the post in question.

As part of our commitment to gender diversity, in 2011 we set ourselves the target of encouraging 'the promotion of women to senior management positions'. We also

identified the appointment of new female Board members as a key objective for 2012.

In line with this goal, Yen Yen Tan from Singapore and Drina Yue from Hong Kong were nominated to the Gemalto Board in May 2012.

Yen Yen Tan has considerable experience in the technology sector, having been Vice President and Managing Director for Hewlett-Packard (HP) Singapore between 2005 and 2010, and General Manager for HP's ASEAN and India Global Software Division. She was Chairperson

of the Singapore Infocomm Technology Federation between 2009 and 2011, and Deputy Chairperson of the Singapore Government's Internet and Advisory Committee. With many years in senior sales and marketing positions in the Asia Pacific region, she currently fulfills numerous advisory roles for academic institutions and organizations.

Drina Yue brings a wealth of telecommunications experience to the Gemalto Board. She was head of Motorola's Asia Pacific Broadband Communications, Home & Network Mobility business between 2004 and 2010, and Chief of Staff to the President of Motorola's wireless infrastructure business in China. She also achieved five patents in telecommunications services in various roles with the American company BellSouth.

The appointments of Yen Yen Tan and Drina Yue are key milestones in the company's corporate responsibility journey. Their presence on the Board is a clear sign of Gemalto's commitment to improving gender diversity, while their Asian backgrounds help broaden the Board's perspective.

“

As a progressive, sustainable company, we are strongly focused on broadening gender diversity. In these two Board appointments we have met a key target for 2012, and put in place an important process of expanding the global scope of the Board to echo and enhance the international dimension of our business.”

*Philippe Cabanettes, EVP
Human Resources*



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As our risk landscape had been evolving over the past five years, it was decided in 2012 to redo a fraud risk map and subsequently redo a full up-to-date assessment of the key fraud risks, with specific attention to the risks which could have an impact on the objectives and/or the reputation of the Group. This exercise involved 88 managers, and the results were presented to management and then to the Board at the end of 2012.

Of all the internal audits we conducted during the year, 25 in 2012 (vs. 22 in 2011) were either focused specifically on fraud risk or partially motivated by fraud concerns. In addition from 2010, Internal Audit introduced data mining exercises in order to improve sampling and detect errors and irregularities.

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

Tackling bribery and corruption

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

In 2010, we published the Gemalto Purchasing CSR charter, which applies to both Gemalto and our suppliers. The Charter clearly states our obligation to fight corruption in all its forms. As a minimum, Gemalto also encourages its suppliers to join the United Nations Global Compact. In 2011 we developed a supplier CSR self-assessment questionnaire (SAQ) which we improve continuously. The aim of the SAQ is to establish whether suppliers have CSR policies and procedures in place, and to elicit information necessary to assess their performance against targets. Furthermore, some CSR audits were performed on suppliers in 2012.

In 2012 we initiated the exercise to revise in-depth the 'Agents' selection and relationship management' policy. It 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.

In 2012 we launched two eLearning programs, one on competition laws and another one on expense reports. Another program, this time on fraud (which includes corruption and bribery) was launched in January 2013.

Dedicated internal audit team

So that we can assess our internal risk management systems as well as perform reviews and evaluations where deemed necessary, the Company has a dedicated Internal Audit department. Since mid-2007 it has comprised eight permanent auditors, including the Internal Audit Director and Internal Audit Manager. Its methods and activities conform to a charter approved by the Audit committee (updated in 2012) and to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), the worldwide recognized professional body for internal audit.

The team has direct and unlimited access to Group operations, documents and employees. The Internal Audit Director reports directly to the Chief Financial Officer and has an open independent line of communication with the Audit committee Chairman and since 2012 with the CEO. He also holds regular private sessions with the Audit committee.

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On November 2, 2010, Gemalto's internal audit department was certified by the 'Institut Français de l'Audit et du Contrôle Internes' (IFACI) – the French representative of the IIA, on the basis of the IIA Standards ([for more details on Internal Audit, see page 29 of Gemalto's 2012 Annual Report](#)). This certification was confirmed in November 2011 and in November 2012.

Risk management

A distinctive feature of our business is that risk management is an intrinsic part of our offer. As some potential risks to our activities could impact our operational security, integrity and continuity, we see effective risk management as part of our responsibility to customers, as well as to investors, employees and other stakeholders. Our customers trust us to make it integral to our service and our culture.

The aim of our risk management and internal control is to expand our ability to achieve our objectives by:

- Safeguarding assets, cash flows and reputation;
- Effectively constraining threats to acceptable levels;
- Making informed decisions;
- Enhancing our capacity to exploit opportunities while trying to protect the interests of our stakeholders and our shareholders' investments.

We regard risk management as a responsibility that is shared by everyone in the Company, from senior management to the most junior employee. External stakeholders are also associated when required.

We have implemented a range of policies and processes with both internal and independent controls. These are 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 achievable ([for full details, see our 2012 Annual Report](#)).

To promote effective implementation we organize regular training and awareness sessions throughout the Company on topics such as security, internal control, ethics, anti-fraud, authority limits, contract management, trade compliance and competition rules.

Our internal organization is set up in such a way as to optimize our ability to manage risk Company-wide through dedicated processes:

- Risk assessment;
- Crisis and business continuity management.

Risk management process

Our risk management process involves:

- Mapping and anticipating the main identifiable risks;
- Prioritizing them against the Group's strategy and risk appetite;
- Allocating risk ownership;
- Developing and implementing mitigation plans that are proportionate to the risks involved, including transfer to insurance market;
- Communicating key control objectives to employees;
- Regularly checking the effectiveness of the process.

Identifying and assessing our major risks enables us to focus on those that matter and to align our action plans and resources accordingly. Risk assessment is carried out at all management levels:

Corporate level: major new investments, like major assets, acquisitions and developments, are analyzed from a risk perspective, and reviewed with the Segments. Risks are identified and considered for decision making with action plans developed and subsequently monitored.

Business level: risk assessments are performed on major bids and contracts as well as on new activities. Management reviews business performance quarterly.

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Risk category and function levels: following the group risk mapping exercise specific risk assessments have since been performed, for instance on fraud.

Site level: sites perform crisis risk assessment in line with the Gernalto crisis management framework. Production and personalization sites assess their security and industrial risks. This contributes to some certification requirements like ISO 27001.

Crisis and business continuity management

In today's climate, no business is immune to crisis. Gernalto has deployed a Crisis Management Framework which encompasses basic escalation and communication rules, guidelines for anticipation and action, and clarified roles and responsibilities. Around the globe, about one hundred crisis management leaders have been appointed and trained through simulation exercises. Gernalto also provides crisis management training with simulations for local crisis management teams.

Gernalto has developed business continuity responses to avoid or minimize disruption to customers and our business through greater standardization of production tools and processes, multi-sourcing strategies, IT availability and redundancy infrastructure. We have strengthened our business continuity capability by improving the centralization of pertinent data and implementing architecture for distributing this data seamlessly to back-up sites.

This proactive approach to crisis management and business continuity has enabled us to respond effectively to unforeseen events, minimizing their impact on our stakeholders and reputation.

In 2012, Gernalto continued to update and refine its crisis and business continuity management plans.

Culture of security

Security is Gernalto'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 four main strands:

- Business units and Research & Development;
- Sites and production;
- IT;
- Solutions.

Within each of these areas, we:

- Harmonize security policies and processes – building common security governance at all Gernalto sites;
- Target protection based on asset value – using risk assessment to protect sensitive data and validate solutions proposed by the business;
- 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;
- Develop incident prevention and management practices.

Regular review

At a corporate level, we maintain a full risk register that we constantly update. In 2012, 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 resilience. This is especially important in areas such as the internet and wireless connectivity, where security is paramount.

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Corporate Governance and Economic Factors continued

Gemalto's main financial indicators 2012:

€2.2bn

revenue,
up 11% vs. 2011

€306m

profit from operations,
up 20% vs. 2011

€353m

net cash,
up 14% vs. 2011

€3.14

adjusted basic earnings per share¹,
up 15% vs. 2011

You can find full details of these results, as well as Gemalto's financial management and control systems, in the [Company's 2012 Annual Report](#).

¹ Adjusted financial information.

Through regular assessments we also ensure that our internal security standards and policies meet or exceed regulatory requirements. Each year we use external tools to audit our quality and security systems against ISO and market-specific standards. At all R&D, production and personalization sites we maintain external certification through companies such as Visa and MasterCard as well as ISO 27001 for some of our sites. In 2012, we audited the security of the companies we have recently acquired and set up action plans where necessary.

Financial responsibility

As a Dutch-registered company with shares listed on NYSE Euronext 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; risk management review, the external auditor's performance, qualifications and independence; and internal audit performance.

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

Responsible supervision

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

Ever since its inception, Gemalto has been financially prudent. The Company has a conservative risk profile enabling it to weather global economic fluctuations. Taking cash flow volatility fully into

account, we have developed an appropriate financial structure for the Company. We have also secured a good return on our investments and devised effective risk management tools and procedures. We continue benefiting from a strong financial position with the flexibility this offers if necessary.

[For more information see our Annual Report 2012.](#)

Economic performance

In 2012, revenue of the Company for all its operations reached €2.25 billion. The largest part of the growth was provided by the Mobile Communication and Security segments which generated additional revenue of €204 million. Secure Transactions and Machine-to-Machine also contributed positively to revenue growth.

Across all segments, Platforms & Services activities grew by +26%, to account for €392 million in 2012, generating 40% of the total Company growth and further increasing their share of the Company's revenue. In the mobile payment and the government sectors substantial long-term contracts were signed and their deployments initiated.

Gross profit for the Company was up +15%, or €113 million, to €864 million. This represents a gross margin of 38.5%, higher by +1.2 percentage point on 2011. This gross profit improvement was driven by gross margin increases in the Mobile Communication and Secure Transactions segments as well as by revenue growth in Security. Globally, additional revenue came in at higher gross margin due to the greater proportion of Platforms & Services revenue and to an improved product mix, particularly in the Mobile Communication segment.

Operating expenses increased by 8% to €558 million, representing an essentially stable ratio to revenue of 25%. Expenses in operating resources grew in all segments, especially in research and development, to support project deployments and future growth opportunities. This resulted

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in a sequential increase in operating expenses, with €298 million for the second semester when excluding Other income.

Full year profit from all operations came in at €306 million, up a remarkable +20% on the previous year's performance that benefited from the one-time positive contribution from a gain on the re-measurement to fair value of Gemalto's investment in a Chinese JV. Driven by the positive developments in all main segments, the year-on-year positive variation in profit from ongoing operations reached +26%, settling at €305 million despite a €9 million decrease in profit from operations recorded in the Patents segment, related to ongoing litigation the Company initiated in the United States. Continuing deployments of fourth generation mobile networks, acceleration in the deployment of infrastructures enabling mobile payment services and increasing adoption of electronic identity programs supported the improvement. Platforms & Services activities contributed markedly to the profit increase through strong revenue growth and better absorption of operating costs, which had increased substantially in these activities since the beginning of the current long-term strategic plan in preparation for the strong involvement of Gemalto in mobile payment service deployments.

Adjusted profit before income tax was €297 million, +19% higher than the €249 million recorded in 2011.

As a result, adjusted net profit of the Company for all operations was €262 million in 2012, a +15% increase when compared to €228 million in 2011, and adjusted net profit margin increased to 11.7%. Basic adjusted earnings per share for all operations came in at €3.14, up 15%, and fully diluted adjusted earnings per share for all operations settled at €3.00, up 13%.

A full report on Gemalto's financial performance in 2012 can be found on [pages 12-15 of our Annual Report 2012](#).

Adjusted financial information for all operations

	Full year 2012		Full year 2011		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	2,245.5		2,015.4		+11%
Gross profit	864.4	38.5%	751.5	37.3%	+1.2 ppt
Operating expenses ¹	(558.1)	(24.9%)	(515.1)	(25.6%)	+0.7 ppt
JV deconsolidation gain	0.0		19.2	1.0%	
EBITDA ²	381.3	17.0%	319.8	15.9%	+19%
Profit from operations	306.3	13.6%	255.6	12.7%	+20%
ongoing operations	305.0		241.4		
other operations	1.2		14.3		
Net profit	261.6	11.7%	227.7	11.3%	+15%
Earnings per share (€) ³					
Basic	3.14		2.73		+15%
Diluted	3.00		2.65		+13%

¹ In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, and Other income (expense) net.

² EBITDA is defined as Profit from Operations (PFO) plus depreciation and amortization expenses, excluding the amortization and depreciation of intangibles resulting from acquisitions.

³ The full year 2012 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the 12-month period ended December 31, 2012, i.e. 83,310,429 shares taking into account the effect of the share buy-back program. The full year 2012 adjusted diluted earnings per share is determined by using 87,129,977 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding share-based instruments were exercised (5,382,234 instruments) and the proceeds received from the instruments exercised (€89,036,102) were used to buy back shares at the average share price of the full year 2012 (1,562,686 shares at €56.98).

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Nurturing our workforce

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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.

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

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 2012 we continued to recruit from around the world. 30% of our new employees, came from Europe, the Middle East and Africa (EMEA), 46% from Asia and 24% from North, South and Central America. Of the 69 nationalities recruited in 2012, the top five (in terms of numbers) were, in descending order, China, Brazil, Mexico, France and the Czech Republic. We were also pleased to welcome 214 graduates hired directly from schools and universities, 39% of whom were women.

Our geographical headcount therefore broadly matches our geographical revenue distribution. And by the end of 2012, 22% of our 'exempt employees'(*) were working at a site not in their country of origin. This includes 278 expatriated people of 43 different nationalities.

Our global turnover rate for 'exempt employees'(*) stands at 6.1% (broken down by region in the table below), while the turnover rate for 'exempt employees'(*) under the age of 30 is 11.6%, with the same regional variations.

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, and in 2012 we welcomed more people of different nationalities onto this scheme, with an impressive 35% female intake.

We're also working hard to encourage the promotion of female staff to more senior management positions. In 2012, women represented 44% of newly recruited staff, and 30% of new 'exempt employees'(*) (same as 2011).

Turnover rate of 'exempt employees'(*) in 2012

	Attrition % per area
EMEA (Europe, CIS, Middle East and Africa)	3.2
ASIA (Asia Pacific)	9.6
NORAM (North America)	7.1
LATAM (Latin America)	9.8
Worldwide	6.1

(*) 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.

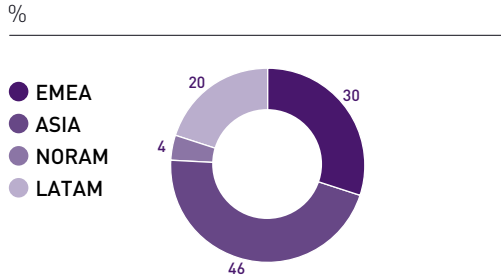
Non-exempt employees

'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.

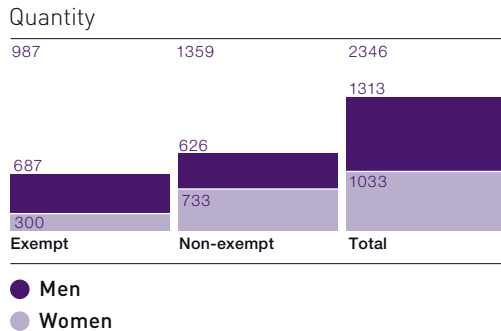
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Recruitment by region (***) in 2012



Recruitment by gender and by position in 2012



Employment status

95%

of our employees had a permanent contract in December 2012

(**) Area definitions:
EMEA: Europe, CIS, Middle East and Africa
ASIA: Asia Pacific
NORAM: North America
LATAM: Latin America

Developing our people

Gemalto is built on the ingenuity of its people. So we place strong emphasis on developing our teams to meet future needs and ensure our long-term survival and success. Our HR policies are therefore critical to 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 2012, we delivered a total of 256,800 hours of training worldwide, and 7,701 people received training across our regions. Our overall training satisfaction rate of 78% was consistent with our results in 2011. Through this investment of time and money in workforce training, we provide our employees with ongoing development opportunities and keep them motivated and engaged.

Training and promotion

Internal training and promotion form the backbone of Gemalto's HR philosophy. At the end of 2012, of the top 400 people in the company, 92.5% 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.

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 2012 we continued to harmonize our training processes and policies, including many of the new acquisitions in our corporate programs, with a view to achieving better integration of people and skills.

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. In 2012, we deployed for the third time our Discovery Leadership Program (DLP), bringing together 140 newcomers from around the world, along with our entire Senior Management team, for a series of workshops, presentations and innovative creativity exercises in Austin Texas, US. The aim was to increase understanding of our business objectives while building a valuable network for the future. Organized around the theme 'Keep Gemalto Inspired', the DLP 2012 allowed participants to pitch new business ideas to our management team, stimulating innovative thinking and providing valuable fresh perspectives.

Our 'Emerging Leadership Program', which targets 30 high-potential managers from all businesses and all regions, continued to operate successfully in 2012, with sessions in France and Dubai focusing on our business in the Middle East. In addition, through the 'Gemalto Technical Ladder', we enable our technical experts to develop their international career paths across different business units. During the year, 1,683 evaluations were carried out within 18 organizations from 27 countries. This was a significant increase from 2011, with 434 new employees joining our technical community through company acquisitions, new hires and internal moves.

Innovation cafés were set up during 2012. The idea behind the cafés is to enable advisors to present their technical work in other Gemalto sites, and to promote the importance of the Technical Community to the company as a whole. We also improved the process of identifying our Technical Ladder members. Senior promotions were directly defined in a pre-Board meeting: 34 people were promoted to Senior level with another six entering this level directly; 122 people progressed from Member to Certified; and another 82 employees joined the program as Certified.

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Focus article

All star recognition program

In 2009, the Gemalto Board of Directors set an ambitious, company-wide Profit from Operations (PFO) target of €300 million by 2013. Following strong financial performance in 2010 and 2011, our CEO Olivier Piou declared in March 2012 – halfway through the 2010-2013 development plan – that the company was on track to reach its PFO goals.

To mark this achievement, the Gemalto Board announced a new universal reward scheme called the All Star recognition program. Designed to involve Gemalto

employees more closely in the company's ambition and success, the All Stars scheme entitles Gemalto employees globally to receive free Gemalto shares which become available for sale in 2017.

Within the program, a Gemalto employee on an annual base salary of €24,000 will receive 25 Gemalto shares (equivalent today to €1,750). An employee on €72,000 will receive 100 shares. Eligibility extends to all Gemalto employees who had a company contract on March 8, 2012 (but not to those who joined the company on March 9 or after). In order to benefit from the scheme participants must still be employed by Gemalto on December 31, 2014, and the company must reach its PFO target in year 2013. On top of these 'presence and performance' conditions, all employees will have to pay their local taxes which vary depending on where in the world they work.

The All Stars scheme recognizes the hard work and dedication of Gemalto employees in recent years. It offers genuine financial benefits and will have an impact on employee retention – particularly in the BRIC countries, Africa and the Middle East where staff turnover is high. The program also demonstrates the extent

to which Gemalto looks after its people. Speaking in December 2012, Philippe Cabanettes, Gemalto HR EVP, described the scheme as "a declaration of love" from the Board to Gemalto employees. "Indeed, not only are we giving free shares to staff, we are also encouraging them to stay with us. In the present economic climate, when many companies are implementing widespread redundancies, the All Star scheme demonstrates our commitment to our employees' future."

Internally, the program has been well received, with 98% of staff opting in. Of the 2% that have decided not to participate, the majority are based in Singapore where local tax laws make the payment terms less beneficial, especially for employees transferring back to China before 2017. Externally, the scheme was recognized at the annual French HR&M industry awards, where it won the prize for 'best international sharing of company success' in 2012.

All Star Gemalto share allocation linked to annual base salary as of March 8, 2012:

Annual base salary

< 24,000 euros	25 Gemalto shares
< 36,000 euros	40 Gemalto shares
< 48,000 euros	55 Gemalto shares
< 60,000 euros	70 Gemalto shares
< 72,000 euros	85 Gemalto shares
≥ 72,000 euros	100 Gemalto shares



The All star recognition scheme is special because it is for all of our worldwide employees, not just senior management. It is a sign of our confidence in the company's strength and performance and an evidence of how we share and reward success."

Arnaud Soulié, VP
HR Shared Resources

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Focus article

Sustainable Development Day

Every year since 2008, Gemalto has held a Global Sustainable Development Day (GSDD) to help raise employees' awareness of CSR and provide opportunities for action and engagement. Previously each GSDD has focused on environmental issues, but in 2012 we decided to pursue a more people-oriented theme in order to address the social aspect of sustainability. The chosen theme for the year was Cultural Diversity.

As a company that has sites in 43 countries, Cultural Diversity is central to Gemalto.

Our workforce comprises 106 different nationalities, and around 20% of our 'exempt' employees work in a country that is not their country of origin. We view our Cultural Diversity as a major strength and competitive advantage, and in 2012 we decided to celebrate this core aspect of our work and culture.

Under the slogan "Let's make the most of it", GSDD 2012 aimed to help Gemalto employees understand and engage with the different behaviors and traditions that are inherent in

such a global organization. At corporate level, the company produced a short animation to introduce the concept of Cultural Diversity at Gemalto. We also created an online quiz designed to help employees find out about certain unique traditions, professional practices and tips for international success. To encourage further engagement, employees were invited to post short videos onto a dynamic 'cultural wall'. In total, over 1,000 people took part in the online quiz, there were over 1,300 views of the animation, and HR reported strong employee involvement and positive feedback.

Locally, 34 Gemalto sites around the world organized workshops and events to celebrate GSDD. In Asia, activities were held to raise awareness of cultural, gender and generational diversity, with 'global villages' showcasing different foods, languages, clothing, festivals and sports. In the US there was a 'potluck' buffet lunch, with a contest for best traditional dish and costume. In Latin America, a photo competition and 'send a postcard' initiative generated widespread involvement, with employees from different countries exchanging cultural messages. And in Europe, quizzes, lunches, recipe books, presentations and posters were used to bring people together to explore their culturally diverse backgrounds.



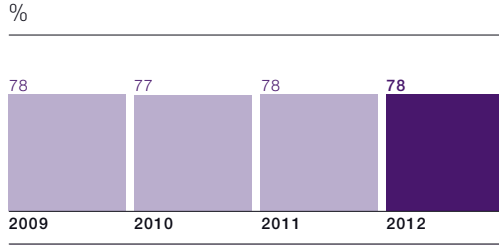
In LATAM people shared their 'stories' by postcard or photo and really got 'a sense of each other'. Cultural diversity is everywhere in Gemalto, but it is such an abstract concept. GSDD 2012 helped make it real and showed us all what it means to have a mixed and global workforce. It also showed that cultural diversity is an opportunity - something to celebrate."

Citlali Tellez,
Internal Communications, São Paulo, Brazil

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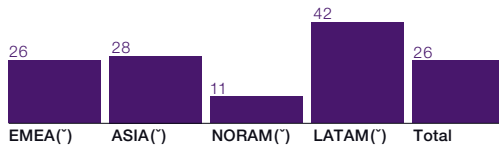
Employees continued

Training satisfaction



Average hours of training

Per person trained in 2012



In order to better prepare this technical community for the fast-moving technology challenges of the future, we have aligned our CITO training offer around our four new technology domains: Cloud Security, Smart Cities, Digital Money and Seamless Personal Transaction. This is to ensure that our R&D skills are up-to-speed and fully synchronized with our strategy.

Since 2011, our marketing employees have benefited from professional development programs:

- The Marketing Leadership Council (MLC) is an advisory group of 39 of Gemalto’s marketing managers from various business lines and marketing functions. The Council designs and implements best practices and methodologies for our marketers to leverage in their day-to-day business. It also designs and develops innovation around marketing training, and consults with business units on marketing plans and business opportunities.
- In 2012, the marketing community, comprising 500+ marketers, was invited to online conference sessions on new marketing practices addressing key opportunities for Gemalto: Competitive Positioning, Market Assessment, Planning, New Product Development and Customer Understanding.
- As a part of executive-level marketing training, in June 2012 Gemalto sent 35 marketing managers on a one-week immersive program on high technology strategies hosted by the Berkeley Haas School of Business at the University of California.

In 2012 we have created a dedicated catalog of CSR trainings at corporate levels, including 15 different trainings such as eco-design, cultural diversity and crisis management.

Case study

International Women's Day

The success of our company depends on the talents of its entire workforce, both men and women. We are committed to promoting and guaranteeing gender equality and to encouraging the promotion of women to senior management positions. As an expression of our commitment in this area, and in recognition women’s contribution to Gemalto’s success over the years, on March 8, 2012, Gemalto employees in France, Asia and the US celebrated International Women’s Day.

In Texas, US, we held a lunch in recognition of the 40 women who work at the Austin site. During the meal, the women around the table discussed a range of gender-related issues, including how to make Gemalto an employer of choice for working women. As part of this debate, they considered whether the key to improving gender diversity lies in better work-life balance, or whether something more fundamental needs to shift within corporate culture. By the end of the year, an additional 12 women were hired at Gemalto Austin – up 50% from 2011.

In Asia, employees took part in International Women’s Day for the first time ever as part of broader Gemalto

Diversity Programs. For instance, Beijing and Singapore sites held special celebrations to mark women’s achievements and contributions in the international arena. Activities included a contest to choose women ambassadors for Gemalto Asia, the sharing of stories and experiences, and fundraising for the Singapore Breast Cancer Foundation.

Events also took place at Meudon, La Ciotat and Gemenos in France. At all three sites, conference lunches were held featuring specialist guest speakers; the first, a researcher on Gender and Careers, spoke about the strategic importance and impact of gender diversity on company performance. The second, a woman pilot from the French Air Force, discussed her career achievements in a male-dominated field.

Over 100 people in Gemalto France attended the day’s events, and many said how inspired they were to meet such extraordinary women and hear about their achievements. In this way, the conferences succeeded in raising awareness of gender diversity and its relevance to Gemalto’s culture and business.

(*) See page 24 for area definitions.

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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 2013, 98% of Gemalto's 'exempt employees'(*) had completed their 2012 performance reviews (same level as last year). This rate is homogeneous through our regions (more than 97%) with an historical higher rate in Asia (100%). 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 – one that is regularly exploited, as evidenced by the high number of expatriates in Gemalto (close to 5% of our exempt workforce), and the high number of employees working in a country which is not their country of origin (22% of our exempt employees in 2012). We also encourage mobility across all our businesses. We do this through a range of communications tools and strategies, such as publishing internal positions and opportunities. Inter-business mobility is important for Gemalto, as our solutions often straddle two business areas. For example, our mobile payments solutions (making payments via a mobile device) require close collaboration between our Telecoms Business Unit and our Secure Transaction Business Unit. Employees who move between these units can provide the dual insight and expertise necessary to help deliver successful solutions.

Case Study

Asia Human Capital Award

In September 2012, Gemalto received the top prize at the prestigious Asian Human Capital Awards. The award recognizes innovative and successful employee practices adopted by companies operating in Asia, where Gemalto has developed 17 human resources programs that specifically address the region's uniqueness and culture.

The first European company to win the award, Gemalto was honored for its human capital strategy of Sustainable Innovation Leadership, which encourages promotion from within, career mobility and employee development, and fosters a culture of humanistic management and innovation. The award also acknowledged Gemalto's '3 Axis Mobility Program', which enables employees to move across geographical locations, functions and business units within the company.

The awards ceremony took place on September 19, 2012, at Resorts World Sentosa in Singapore. The event was attended by Singapore's Deputy Prime Minister, Tharman Shanmugaratnam, while the award itself was presented by Acting Minister for Manpower, Tan Chuan-Jin.



Being recognized by the Asian Human Capital Award is most encouraging. On top of Gemalto's global programs, our 17 Asian programs for leadership development, recognition and innovation enable employees to develop local and global careers. We are building a strong workforce and are pleased to be able to attract the top talent in the region."

Tan Teok Lee

Chief Innovation & Technology Officer
and Asia President of Gemalto

(*) See page 23 for 'exempt' definitions.

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Focus article

HR 8 Pillars

For the last five years, one of Gemalto's main focus areas in Human Resources (HR) has been the integration of newly acquired companies. This means we have had little opportunity to articulate and share with employees our overall HR strategy and approach. In 2012 we decided it was time to address this issue, and in October we launched a new program called the 'HR 8 Pillars'.

Designed to enhance employees' understanding of how we manage HR, the 'HR 8 Pillars' demonstrates how HR serves the needs of our people and supports our business objectives. In his internal announcement of the program, HR EVP Phillippe Cabanettes described the company's overall approach to HR as "visible, clear and fair", and explained that "the paramount principle... is to put [our] people at the center of every opportunity that arises at Gemalto."

The 'HR 8 Pillars' divides our HR strategy into eight clear strands. These are:

Promotion from Within

Promotion from Within is a fundamental strategy for developing our people to meet our long-term strategies of growth and innovation. It is about ensuring we have a sustainable leadership model and the core skills to carry us forward into the future. Our aim is to expand the Company using our internal resources, providing career and development opportunities that challenge our employees and help them grow.

Mobility

Mobility is fundamental to a global company like Gemalto. It is essential that our people are mobile – both mentally and physically – and have an in-depth understanding of the different business areas, functions and cultures in which we operate. Mobility supports our long-term corporate strategy of developing experienced management teams and technical experts in key international markets.

Management by Objectives

Management by Objectives is part of the Gemalto Performance Review. It is an essential tool that provides an important benchmark to guide people through their careers. It also ensures we keep an eye on the larger deliverables that are critical to our business success. Management by Objectives is a living agenda which we continually refer to and review to ensure our targets and goals remain relevant.

Recruitment

Our recruitment strategy is based on key criteria that help us to ensure a fair and ethical approach, while identifying the best available talent for the company. We recruit every year in more than 35 countries to feed our talent pipeline and bring in new people who, thanks to our philosophy and practices, will become the Gemalto leaders of tomorrow.

Compensation & Benefits

Gemalto's compensation and benefits strategy is very precise and uses rational methods to determine how we reward our employees. It is competitive and is benchmarked internally as well as externally, ensuring fairness, transparency, consistency and competitiveness in local markets.

Training

Gemalto's training offer aims to respond to what people need to accomplish their job today and evolve their careers for tomorrow. It is about developing our people to deliver our vision, helping them to succeed on a personal level while harnessing the motivation and drive this brings to further our success.

Diversity

Our customers, their markets and the solutions they need, are diverse. Understanding these needs requires an open-minded and diverse workforce. Our diversity strategy ensures we are behaving ethically, gives us a clear competitive advantage, and provides us with legitimate criteria from which to implement fair and equal employment practices.

Ethics & Community

Gemalto's Code of Ethics sets out the standards defining how we operate. It is the foundation of our HR strategy and governs our relationships with clients, suppliers, stakeholders and each other.

To help explain the 'HR 8 Pillars' internally, we devised a range of communications tools. These included a dedicated HR portal on the Gemalto intranet and a video providing a comprehensive program overview. We also held an 'HR & Me' event at every Gemalto site to give employees an opportunity to find out more about the 'HR 8 Pillars', engage with our HR strategy, and ask questions about how the program relates to them.



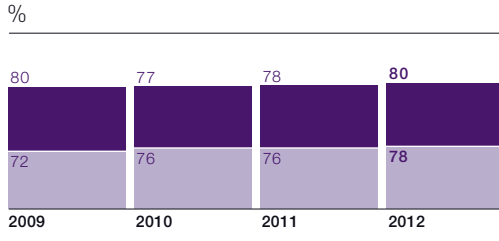
In Prague we held our HR & Me event in November. There were about 60 people in total and a manager from France flew in to speak about the global approach to HR. We talked about things like diversity at the Prague site and accommodating employees with young families. The discussions were really interesting, and people put forward ideas about how we should continue the engagement process."

*Hana Ponsan,
HR Manager, Prague*

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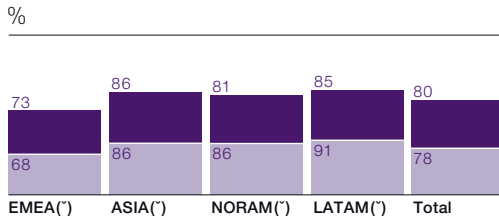
Employees continued

PeopleQuest: employees' satisfaction survey results



- Satisfaction rate
- Answer rate

PeopleQuest: employees' satisfaction rate per region in 2012



- Satisfaction rate
- Answer rate

Balancing career opportunities

The success of our company depends on the talents of our workforce. We are committed to promoting gender equality, and to encouraging the promotion of women to senior management positions. In France, we launched a program aimed at leveraging training to help encourage women's career development. It also examines ways to promote more women so that the number of female managers reflects the percentage of 'exempt'(*) women within the company.

Listening to employees

'PeopleQuest' is our annual employee survey. It tracks satisfaction across our global operations and is available online to all employees. In order to ensure the survey reflects the most pertinent concerns of our employees, in 2012 we added six additional questions to our traditional survey, giving a total of 42 questions divided into eight categories. The survey is translated into nine languages to encourage as much take-up and feedback as possible.

Each year, we use PeopleQuest results to create plans for the year ahead. We build these around initiatives designed to meet employees' expectations, aiming for specific improvement in areas where survey scores are lower. We then issue regular updates via our 'HR dashboard' on the Gemalto website. In 2012, over one hundred PeopleQuest-inspired actions were carried out, ranging from community activities and site anniversary celebrations to musical events, wellbeing days and sports competitions.

Case Study

Improving workplace accessibility: Cuernavaca, Mexico

The HR team in Cuernavaca, Mexico, made steps in 2012 to develop its inclusiveness policy and assess the working conditions and processes at its manufacturing site. With a view to creating work opportunities for people with disabilities, the team made contact with various governmental institutions, associations and NGOs that work to promote inclusiveness within the labor market.

Following in-depth consultations with these organizations, Gemalto Cuernavaca began to review its working environment, making necessary changes designed to better accommodate employees with mental or physical disabilities. In support of these changes, the team held awareness-raising workshops and devised a communications campaign to update and engage all employees. Training programs were also provided, including two sessions on 'inclusiveness and equity in gender', focus groups to elicit employee feedback, and general information on the scope and boundaries of people with mental disabilities in the workplace.

Following these developments, in September 2012 two employees with mental disabilities were hired at Gemalto Cuernavaca to help in the facilities and services department. Their performance has been well evaluated and they have

settled into their new roles and integrated positively with the Gemalto workforce.

In 2013-2014, the plan is to run a full site assessment in partnership with a company called All Accessible, which will enable Cuernavaca to meet new labor law requirements. On-going evaluation and monitoring will also be essential to ensure that adequate conditions are maintained.



The changes in our workforce policies and practices mean we are better positioned to recruit people with mental or physical disabilities. It is important we are an accessible site, and that we can offer employment opportunities to all people equally. We look forward to developing these processes further and making the company as diverse and inclusive as possible."

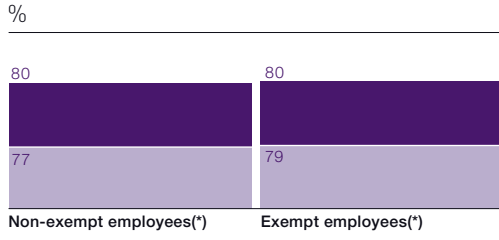
Raymundo Juarez Cospedes,
HR Manager, Cuernavaca

(*) See page 24 for area definitions.
(*) See page 23 for 'exempt' definitions.

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PeopleQuest: employees' satisfaction rate by position in 2012



- Satisfaction rate
- Answer rate

At 80% overall satisfaction, our 2012 PeopleQuest results showed a positive response, increasing two points from 2011. As part of the improvement in gender diversity measures, we compared the satisfaction results by gender and found no disparity; the global satisfaction result for men was 79% (+1pt) and for women 82% (+3pts). Respect for Gemalto's three values, People, Innovation and Customers, was again the highest-ranking criteria of satisfaction at 95%, constant with 2011. Trust in Gemalto's Future also scored highly among our exempt population at 92% (+3pts).

Through PeopleQuest 2012, employees selected charities to which they could each contribute one euro. These included UNICEF, Red Cross/Crescent and the World Wildlife Fund.

High participation levels in the survey suggest that employees understand the correlation between PeopleQuest and improved outcomes in their working lives. It also reaffirms the value of the survey as a key mechanism for listening and responding to our people. In order to continue improving the analysis of our results, and to better align actions to the needs of all employees, we also compared the satisfaction levels of 'exempt'(*) and 'non-exempt'(*) employees. In 2012, at corporate level we achieved total equality between these two populations at 80% exempt, 80% non-exempt. This shows that the actions put in place for our non-exempt employees allowed us to reverse the slight discrepancy observed in 2011 and achieve the same high levels of satisfaction among both groups.

Case Study

Breast Cancer Awareness

During October 2012, Gemalto employees in the UK and Mexico took part in separate initiatives to raise awareness and funds in the fight against breast cancer.

In the UK, the PeopleQuest Committee coordinated a 'Wear-it-Pink' day as part of the international Breast Cancer Campaign. Across all UK sites, around 400 employees came to work dressed fully or partially in pink, with participants making a small financial donation. Campaign posters were also put up to help inform and engage employees.

At Iztapalapa, Cuernavaca and Polanco in Mexico, employees showed their support for International Breast Cancer Awareness Day. Pink ribbons were worn and events were held to raise awareness of the disease, its cause, diagnosis, prevention and treatment. Activities ranged from internal communication campaigns, competitions and quizzes, to a fundraising 'race for the cure'.

At Iztapalapa and Cuernavaca, employees attended talks by the CIMAB Foundation and a local physician respectively, exploring the myths and realities of breast cancer. At both sites, women received special discounts for mammograms and ultrasounds at local clinics, while in the Polanco Sales Office conferences were held for employees and family members.

In addition to the money raised in Mexico through employee activities and participation, Gemalto donated €2,000 through the Your World Program to Cruz Rosa, an organization that supports women diagnosed with breast cancer.

(*) See page 23 for exempt definitions.

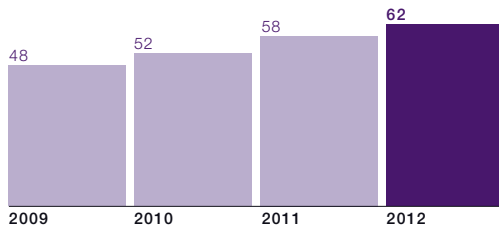
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Employees continued

Sites with OHSAS 18001 certification compared with ISO 9001 sites

%

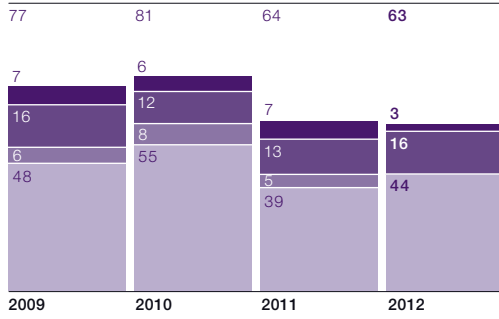
Company current target: 65%



Sites targeted by OHSAS 18001: all production sites and the two big non-manufacturing French ones in Meudon and La Ciotat.

Accident occurrence

Number of injuries with lost time (LTI)



- ASIA(*)
- LATAM(*)
- NORAM(*)
- EMEA(*)

Safety at work

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

In 2012, our two manufacturing sites in Mexico were certified OHSAS 18001. Overall, however, we had one site less than in 2011 as a result of our withdrawal from a joint-venture in China. Hence the total number of OHSAS 18001 certified sites is now 16 (15 in 2011).

Our 16 certified sites represent:

- 61% of the 26 main sites in the company and;
- 86% of their employees.

The 26 main sites comprise all manufacturing sites and the two big non-manufacturing sites at Meudon and La Ciotat in France. At company level, 65% of all employees are covered by OHSAS 18001 certification. Moreover, with our two new sites certified, we have reached our company target for OHSAS 18001 certifications.

Reducing injuries and associated lost time

Recorded accidents and injuries are a key indicator of safety system efficiency. In 2012, the number of accidents resulting in at least one lost working day stood at 63 across the company.

The total number of lost working days (LWD) decreased significantly from 1,295 in 2011 to 858 in 2012, representing a 34% reduction. It should also be noted that two accidents alone accounted for 20% of all LWD throughout the year.

Case Study

Health Week: Bogotá

Between 23 July and August 1, 2012, Gemalto employees in Bogotá took part in a week of health tests, activities and events. The aim of the week was to raise awareness of health issues and motivate employees to take control of their personal health and nutrition, improve their quality of life, and achieve a better work-life balance.

During the week, 58 employees participated in on-site medical tests. All participants received blood tests, 37 were eligible for optometry and audiometry assessments, and two had electrocardiograms. Medical examinations and vaccinations mandated by Colombian labor legislation were also carried out.

As part of the program, employees took part in discussions and workshops run by specialists in key health areas. There were talks on nutrition, with a live sushi demonstration to reinforce messages around healthy eating. There was also a lecture on the importance of ergonomics followed by massage sessions for all participants.

As a result of the health tests carried out during the week, several employees in Bogotá were diagnosed with carpal tunnel syndrome caused by bad posture. These employees were referred to health and social security institutions for further diagnosis and treatment. A course of action has been determined to alleviate their condition, including the purchase of ergonomic equipment by Gemalto.



Our week of tests and workshops really opened people's eyes to certain health issues and showed them the simple steps they can take to improve their health and nutrition. It also demonstrated how much the company values its people and their wellbeing."

Martha Vela,
Quality Assurance Officer, Bogotá

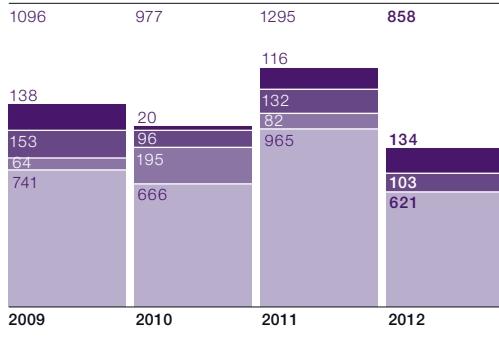
(*) See page 24 for area definitions.

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Accident severity

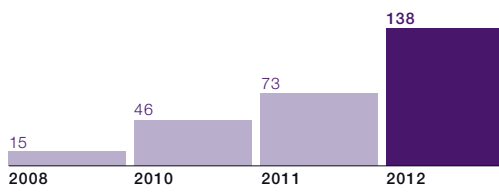
Number of lost working days (LWD)



- ASIA(*)
- LATAM(*)
- NORAM(*)
- EMEA(*)

Hazardous substances

Evolution of the number of substances concerned by REACH regulation



(*) See page 24 for area definitions.

¹ A 'business driver' is any employee who: has access to a Gemalto vehicle; is reimbursed for mileage/kilometers driven while using a private vehicle; or who may be required to drive a Gemalto vehicle as part of their duty.

In total, commuting accidents represent 36% of LWD. These are either accidents that occur between an employee's home and a Gemalto site car park; accidents in and around a site car park; or actual traffic accidents. The high incidence of these accidents underlines the importance of the Company's Defensive Driving training program, which is an initiative to reduce the number of employees injured on the road. The program targets business drivers¹ and consists of a half-day training class and driving test supervised by a certified trainer. By the end of 2012, about 51% of Gemalto business drivers had attended a training renewal session.

In 2012, as in 2011, 40% of LWD were related to 'light' injuries resulting in an absence of five days or less. Injuries resulting in less than 20 days absence ('light' and 'serious' injuries combined) accounted for 91% of LWD. These injuries related mainly to handling and moving activities, with more than 66% involving hands or feet.

Reducing risk from hazardous substances

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

In 2012 we responded to changes in the REACH regulations, working in partnership with numerous suppliers to monitor hazardous substances covered by REACH (up from 73 in 2011 to 138 in 2012). We also monitored a wider internal list of hazardous substances – close to 250 chemical substances or related compounds based on international regulations and customer or market requirements.

In addition to the usual Health & Safety training courses, we encourage local initiatives throughout the Company. These address specific work safety issues and promote good health practices – for more details, see the case study on pages 31, 32 and 33.

Case Study

Raising diabetes awareness: Mexico

In November 2012, the HSE team at Iztapalapa, Mexico, organised a day of action to help raise awareness of diabetes among staff.

Diabetes is a chronic disease which arises when the pancreas does not produce enough insulin, or when the body cannot effectively use the insulin it produces. This is associated with long-term damage to the body and the failure of various organs and tissues. It is estimated that between 10 and 17 million people suffer from diabetes worldwide.

To engage staff with the major causes and consequences of diabetes, the HSE team devised a range of activities to coincide with World Diabetes Day. These included blood tests for all employees, healthy menus for staff to take home, and a 'One Day without Sugar' challenge, aided by a 24-hour ban on all snacks and sweet drinks from on-site vending machines. A number of informative brochures were also produced explaining diabetes in depth.

On the day, 95 blood tests were carried out. Eighteen employees were identified as falling outside the healthy range, and the team will be monitoring those with high glucose levels on an on-going basis.



Diabetes is a major disease and people don't always know if they will be affected. We wanted to raise awareness among staff and show them how to engage with healthy, preventive activities, and above all to find out if they are at risk."

Yadira Montiel
HSE & Facilities Manager

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Caring for the world around us



Environment

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Environment

Environmental sustainability is an important topic for Gemalto. Since 2000 we've been developing ways to reduce the environmental impact of our operations. And we've been working with our stakeholders on other impacts linked to our markets.

"In 2012, Gemalto finished its worldwide carbon footprint measurement."

Our approach

Identifying risk, impacts and opportunities

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

- ISO 14001 international certification – which requires a yearly review of identified environmental risks and actual impacts in order to validate or update them;
- National and international regulations – which clearly identify priority areas and timelines for compliance. These directives often come from the European Union and address hazardous substances management in particular;
- Increasingly specific customer enquiries – not only about the eco-friendliness of our manufacturing processes or the content of the products we make, but also about other aspects such as the overall impact of our supply chain on global warming. For Instance, in 2012, 21% of the tenders we answered in the telecoms field included CSR inquiries.

Certified management systems

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

For over a decade, we progressively worked through an ISO 14001 roadmap. This first targeted main production sites. It then addressed main personalization centers including our biggest

non-manufacturing facilities at Meudon and La Ciotat in France, which today accommodate some 1,000 and 800 people respectively.

In 2012, the number of certified Gemalto sites remained unchanged at 20, with one new site certified and one site closed.

The 20 certified sites represent 77% of our 26 main sites (which comprise all manufacturing sites – production and personalization centers – and the two French headquarters) and 95% of our employees. At company level, 71% of all employees are covered by ISO 14001 certification. The certified sites – which include four in Asia and four in Latin America – are audited once or twice a year by ISO 14001-accredited companies. They assess the effectiveness of implemented Environmental Management Systems by reviewing their risk and impact analyses, the relevance of related improvement plans and their efficiency versus objectives. External auditors also evaluate our monitoring of legal requirements and our response to changes in regulation. Several of our sites are also certified through national schemes, for example Montgomeryville, US ('KEMA'), and our plant at Cuernavaca, Mexico ('Clean Industry').

The principal environmental risks and impacts of our operations are managed through site action plans. These previously focused on consumption (of energy, water, paper and manufacturing materials), waste management and pollution, in particular

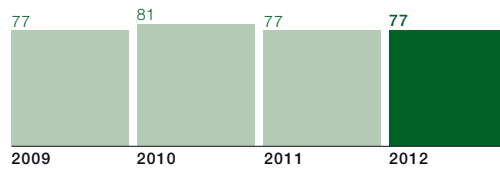
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Environment continued

Sites with ISO 14001 certification compared with ISO 9001 sites

%

Company current target: 77%



Sites targeted by 14001 certification: production sites and main R&D and personalisation sites.

regarding the laminated products, solvents and Volatile Organic Compound (VOC) emissions associated with printing technology. Today, as a result of the global carbon footprint initiative, site action plans also frequently include additional elements aimed at reducing our GHG emissions (especially in view of our freight and people transportation impacts).

Carbon footprint program

The Gemalto Carbon footprint program, launched in 2009, helps us to monitor and reduce the carbon emissions arising from our operations and limit our own contribution to global warming.

In the first half of 2012 we completed the measurement of our global carbon footprint. In total, our 23 'largest' sites were assessed and an extrapolation was made for smaller sites. We identified our main impacts and started to tackle the main sources of emissions and compensate part of the rest (carbon offset). In 2012 we offset 1,000 tons of CO₂ eq through CO₂ *Solidaire* French ONG.

Legal framework

We commit to comply fully with national and international regulations. Although some of the most significant directives come from the European Union (EU), their increase worldwide is an established trend. This mainly refers to Restriction of Hazardous Substances (RoHS), Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), Waste Electrical and Electronic Equipment (WEEE), battery and packaging waste management.

In 2012, we also carried out country-specific measurements following the implementation of the Grenelle II regulations in France.

Meeting customer demands

Of all our stakeholders, our customers are the most demanding when it comes to product and process 'eco-friendliness'. They regularly ask for information about the content of deliveries.

Sometimes this requires completing detailed checklists relating to undesirable substances. They also ask for evidence of compliance with regulations such as RoHS and REACH.

More and more customers have now defined a clear strategy for climate change management, with reduction targets for their greenhouse gas emissions. And in addition to their own company footprint, they are also interested in the CO₂ footprint of their specific products. Based on the product footprint modeling tool developed in 2011, we can now determine CO₂ emissions for a given order, taking into account the materials used, the location of fabrication sites and customer delivery address. In addition, in order to meet certain customer expectations, Gemalto is answering questionnaires from the Carbon Disclosure Project (CDP). In 2012 more than 10 million carbon compensated cards were produced. These offsets were achieved through investment in eco-schemes supported by offset companies such as Carbon Neutral and CO₂ *solidaire*.

Eco-design and green products

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

Historically, we've developed eco-friendly products for banking, telecoms 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, following basic eco-design principles, such as:

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- Reducing the materials needed with smaller products for:
 - Modules
 - GSM cards
 - Cards readers and token
 - Packaging
- Developing and using alternative eco-friendly materials:
 - Using chlorine-free materials – e.g. polyethylene terephthalate glycol-based (PETG) products that deliver less air pollution when incinerated, and ABS-molded products, that moreover reduce manufacturing waste compared to laminated technologies;
 - Developing biosourced card bodies based on polylactic acid (PLA);
 - For packaging, developing full cardboard models, and challenging the cost and quality of recycled raw materials;
 - Working on end-of-life issues for cards.

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

In 2012, we continued our eco-design project, training R&D and marketing staff working on readers, cards and packaging. We also focused on measuring the LCA of existing products.

During 2012, 40 of our products were analyzed, 30 employees were trained on eco-conception basics, and 15 were trained on our LCA software usage for new developments. We have now identified the main areas of improvement for our products, and a set of actions plans has been defined and validated for new product versions with reduced environmental impact. For instance:

- Carrying out technical/cost analysis of new eco-design packaging proposals;
- Including the Eco-design request in development process documentation;
- Using Eco-design tools for all new developments;
- Carrying out alternative material use study.

Case Study

Employees and the Environment: Meudon France

At Gemalto's Meudon site in France, the HSE team introduced two new programs in 2012 designed to enhance employee engagement with environmental issues.

The first, the Gemalto Meudon Cycling Club, was launched in April to encourage employees to cycle to work. Our carbon footprint analysis shows that people transportation is the major source of CO₂ emissions at our Meudon site, representing almost 70% of its total emissions. By giving people incentives to commute by bike, the program aims to reduce these emissions while also improving employee health and wellbeing.

Those who join the Cycling Club sign a charter committing themselves to basic security rules and cycling behaviors. In return, they receive free cycling kit and access to local repair and maintenance facilities. Members are also encouraged to participate in inter-company bike events. Fifty people signed the Cycling Club charter in 2012, and in September 32 employees took part in the Green Bike Challenge as part of European Mobility week.

The second program, launched in June, saw four beehives installed on the Meudon Campus rooftops. The aim is to raise awareness of

ecological issues and give employees a unique opportunity to engage with nature. A beekeeper visits regularly to inspect the hives, and employees can visit in groups to learn more about the bees and taste their honey.

Between June and December, around 630 pots of honey were offered to people within the company.



These initiatives provided wonderful opportunities for our employees to address two essential environmental issues. The Cycling Club helps make people aware of our transport emissions; the beehives offer protection to an endangered species and provide valuable lessons about their importance to our ecosystems."

*HSE Team,
Meudon, France*

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Progress on green product strategy

In 2012, we continued to implement our green product strategy. This included:

- The sale of around 250 million smaller SIM cards, mostly as 'plug only' but also as 'half cards' which reduce the amount of plastic required;
- The certification of our PLA banking card by VISA and MasterCard; additionally, we launched a new dual interface PLA card;
- The production of around 10 million carbon compensated banking cards.

We also continued to promote dematerialized e-solutions. For example, we carried out an evaluation of the environmental benefits of Gemalto's offers – particularly those for the Government Business Unit.

For the banking market, our 'PIN by SMS' application will allow us to fully eliminate the paper usage usually associated with this service.

When it comes to legal compliance, we continue to focus on improving processes to ensure that our products meet regulations. As for RoHS regulations, in past years we have 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 2012, we continued to focus our efforts on two main areas:

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

Case Study

PET bottle exchange: Iztapalapa, Mexico

In October 2012, Gemalto Iztapalapa manufacturing site introduced a new recycling campaign focused on Polyethylene terephthalate (PET), which is commonly used in beverage bottles. The aim of the campaign was to increase awareness of environmental issues and motivate employees to play an active role in the company's sustainable development.

During the campaign, employees were encouraged to exchange bottles made from PET for eco-friendly goods bought specially by the company, such as recycled supermarket bags, plants and T-shirts made from recycled cotton. The campaign coordinators used various communications channels to reinforce the message of 'reduce, reuse, recycle', and reminded participants that even after being disposed of the PET bottles could still have another valuable use.

Employees at Iztapalapa responded enthusiastically to the challenge, and within three days more eco-friendly products had to be purchased.

In total, 10,224 PET bottles were handed in and sold to a third party, who in turn will sell them on to other industries for reuse as raw materials. 165 each of T-shirts, bags and plants were given out in exchange for the bottles.



The aim of the campaign was to get employees engaged with an important environmental issue, and we were surprised and delighted with the results. Far more people took part than we expected and we hope this process will help to change attitudes and behaviors throughout the company."

Antonio Bonilla Ceballos,
HSE Engineer, Mexico

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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

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

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

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

Freight transportation also represents a significant factor in our global carbon footprint and in 2011 we set ourselves a target of reducing the environmental impact of our product delivery ([see Focus article page 42](#)).

Case Study

Developing Bio-Sourced payment options: Austria

As part of our commitment to deliver environmentally-friendly products and services, in October 2012 Gemalto launched the world's first bio-sourced payment card. Made from renewable material derived from corn, the card was developed in partnership with Raiffeisen, Austria's leading banking group, for its Austrian cardholders. The card is part of Gemalto's Clarista range of payment solutions and will be offered to users under the Raiffeisen Climate Protection Initiative.

The card material is easily recyclable and compostable and is designed to reduce the global ecological footprint of the production process. During the first phase of the project, the card will come with a prepaid balance and will use Gemalto's customized EcoPack packaging, which is also made from recycled material.

The launch of the Bio-Sourced card is another sustainability milestone in a long-standing innovation partnership between Gemalto and Raiffeisen; one that will help to further both companies' commitment to developing products and services which generate an ecological added value.



Gemalto's Bio-Source card... offers us a solution with all security and functionality requirements which fits perfectly with our company values."

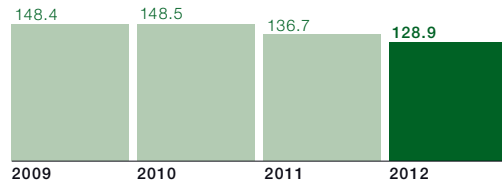
Johannes Schuster,
Member of the Managing Board
of Raiffeisen Zentralbank

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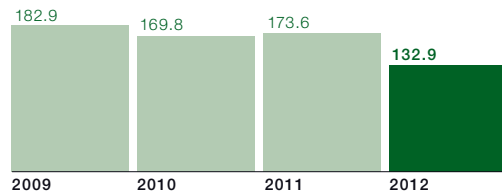
Energy consumption

Based on our 20 ISO 14001 certified sites (GWh)



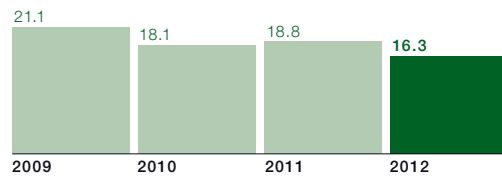
Water consumption

Based on our 20 ISO 14001 certified sites (thousand m³)



Water consumption per employee

Based on our 20 ISO 14001 certified sites (m³/person)



Energy consumption

In 2012, we continued to make significant progress in reducing our energy consumption:

- We reduced worldwide consumption of energy (electricity, fuel and gas measured in GWh) by 6% and by 3% on a constant basis. This was achieved through programs based on the results of specific energy audits in the majority of our manufacturing sites.
- Out of 18 sites, seven exceeded the 5% reduction objective, with the most positive impacts seen in Barcelona (Spain), Tczew (Poland), Fildersatdt (Germany), Shanghai (China), Cuernavaca (Mexico), and La Ciotat and Meudon (France).
- Some banking card production sites have increased their consumption as they significantly increased their production in 2012 compared to 2011 (for example Curitiba and Barueri in Brazil, and Singapore).

Water consumption

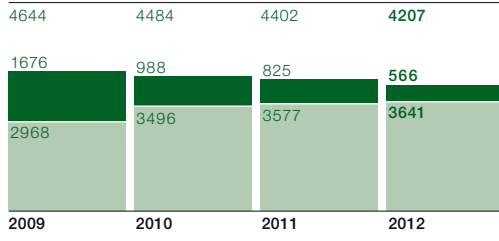
- Global water consumption in 2012 decreased globally by 30%, and by 13% on a constant basis. The main reason is the closure of one of our sites in China.
- Out of 18 sites, 10 exceeded the 5% reduction objective, with the most positive impacts seen in Tczew (Poland), Filderstadt (Germany), Shanghai (China), Singapore, Curitiba (Brazil) and Gémenos, La Ciotat and Meudon sites (France).
- There were negative impacts associated with a leak in Barcelona (Spain) and to an increase in wafer sawing in Pont-Audemer (France).

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Waste quantity

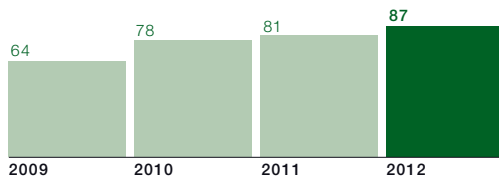
In our 20 ISO 14001 certified sites (tons)



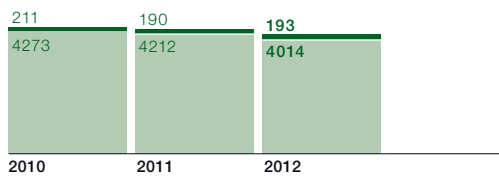
- Non-valorized waste
- Valorized waste

Valorized waste

In our 20 ISO 14001 certified sites (in % of weight)



Hazardous waste



- Quantity of Hazardous waste per year (ISO 14001 certified sites)
- Quantity of non hazardous waste per year (ISO 14001 certified sites)

Waste valorization

Valorization of waste from our production processes is often above 85%. This is because manufacturing yields are quite high, and both plastic and lead-frame skeleton waste is separated for recycling. Waste indicators for 2012 show positive results compared to 2011:

- The quantity of waste decreased by 5% globally, and by 2% on a constant basis;
- Out of 18 sites, six exceeded the 5% reduction target. Most sites reduced their impacts through miscellaneous continuous improvement actions;
- The global percentage of waste valorization shows a significant increase at 87% versus 81% in 2011;
- In parallel, we continue our efforts to reduce our waste production and this year we achieved a 5% reduction of our non hazardous waste.

Case Study

Energy saving initiatives in France and Spain

As part of Gemalto's leadership commitment to sustainability, it is crucial that our individual sites are able to monitor and reduce the carbon emissions arising from their operations. In 2012, teams in France and Spain expanded energy savings schemes designed to limit their carbon footprints and contributions to global warming.

In France, the Gémenos and La Ciotat sites have been running energy savings programs since 2003. These programs are based on regular energy audits which generate reports and suggestions for improvement. They also lead to the creation of dedicated taskforces to address key areas of energy reduction. Assessments of the sites' building structures, for example, have led to leaks being identified and repaired to minimise energy wastage. The teams have also adopted monitoring technology which allows them to follow energy consumption in real time at both sites. As a result, corrective actions have been tested and implemented – such as presence detectors to activate lights and shut down air conditioning at night.

Between 2010 and the end of 2012, these and other measures saved 5.773 KWh compared with

consumption in 2009, which corresponds to €410,000 in cumulative savings in Gémenos. In 2013, new schemes will be trialled and, if successful, deployed. For example, the teams are currently working on an electrical power reduction program aimed at making savings during periods of peak energy usage. They are also shifting to 'Green IT' by optimizing the power used in the sites' computer rooms.

In Spain, meanwhile, the HSE committee at our Barcelona site set out to achieve ISO 50001 certification as part of its commitment to energy savings and sustainability. ISO 50001 specifies requirements for establishing, implementing, maintaining and improving an energy management system. The aim of the certification process is to develop a systematic approach to continual improvement in energy performance, including energy efficiency, use and consumption.

In the second quarter of 2012, the team began implementing ISO 50001 in all areas of the plant, and by December Barcelona became the first Gemalto site to achieve full ISO 50001 certification. To accompany the implementation process, employees also participated in an energy efficiency awareness-raising initiative.

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Focus article

Freight transportation

Transport has been identified as one of the main sources of Gemalto’s carbon emissions, representing on average 20% of the company’s global carbon footprint. To address this issue, in 2011 we set ourselves the target of reducing the environmental impact of our products delivery. We also started to calculate the freight CO₂ emissions of our principal logistics suppliers, using ADEME (French Environment and Energy Management Agency) methodology.

Our carbon measurement tool for freight is used to track the main transportation

suppliers responsible for delivering Gemalto products to customers. Reporting coverage now extends to 14 Gemalto sites across Europe, Asia and Latin America.

Using a consistent reporting method, Gemalto has also launched quarterly reviews of key performance indicators (KPIs) to follow up performances and launch relevant action plans. Our policy is to promote transport modes and methods with the lowest associated CO₂ emissions. To this end we encourage:

- Sea-based freight transportation;
- Road over air when appropriate;

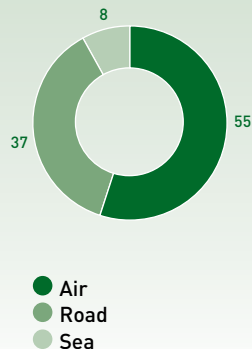
- The use of ‘consolidated’ trucks (containing freight from different companies) as opposed to ‘dedicated’ trucks (containing only Gemalto freight);
- Round trips (using the same truck to carry out multiple deliveries and returning to the original destination);
- ‘Milk runs’ (using the same truck for distribution and collection);
- The regrouping of orders at time of shipment.

As the pie chart illustrates, we changed the distribution of our transport modes during the year, increasing the use of sea and road by 1% and 5% respectively, and reducing air by 6%.

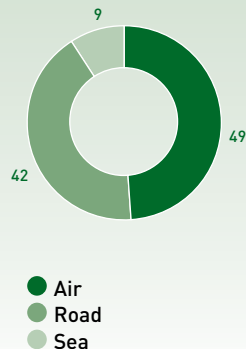
Despite our ‘just-in-time’ production strategy which favors quick transportation modes, the number of manufacturing sites shipping by sea, and the number of destinations covered by sea routes, increased in 2012: four sites in total (out of a possible 14), and close to 30 destinations.

With our CO₂ reporting method now established, in 2013 we will focus on extending our measuring and reporting activities to minor, mainly local transport suppliers. One of the main objectives for the year will be to deploy consolidated trucks as the standard mode of road freight transportation.

Transport mode repartition by weight H1 2011



Transport mode repartition by weight H1 2012



With the transport of freight, our principal aims are to reduce our overall environmental impact, ensure we report on this reduction clearly, and use the data we capture to deliver improvements internally. Through robust measurement and reporting, Gemalto is able to acquire detailed information that is unique for a major export company."

Isabelle Pannelier,
Corporate Transport Coordinator

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Focus article

Green offer

For many years we have incorporated sustainable solutions into our products. As part of this, we have devised a Life Cycle Assessment (LCA) program to help us quantify the environmental impact of our manufacturing and apply eco-design principles to new product development. We have also pioneered tools like our carbon footprint modeling scheme which helps customers calculate the CO₂ emissions associated with a product, identify where improvements can be made and establish plans for impact reduction.

In 2012, we created a new Bio-Sourced banking card using polylactic acid (PLA) which has been validated and endorsed by VISA and MasterCard (see below). And in order to meet increasing customer demands, our marketing team restructured its green offer, focusing on two key areas:

– Eco-friendly solutions for Telecoms

For mobile network operators we have developed a range of eco-friendly card-body forms. Our new SEED product, for example, is a plug-in-only SIM card which combines smarter and smaller card bodies and packaging. Employing new manufacturing technology, it is the first of its kind and

delivers more green benefits to clients and end-users than conventional formats.

Under the SEED offer, customers can either select the plug-in-only, non-ISO card option, or they can retain full ISO card functionality. If they choose this option, they can offset the CO₂ emissions associated with the card's production.

– Green offer for Banks

In 2012 we launched our Green offer for Banks, built around four key pillars:

Dematerialization

Our range of services helps reduce the paper consumption associated with delivering and activating cards, informing cardholders and providing issuers with electronic reporting solutions. These include a card carrier compiler tool which enables customers to frequently update online content, and a PIN-by-SMS service. Our Allynis Card Companion also links payment cards with smartphones to make it easy for banks to contact cardholders without using paper.

Alternative materials

Gematlo's MasterCard and Visa-approved Bio-Sourced bank card is made from PLA using renewable sources such as corn and can be

chemically recycled back to its initial resin over and over again without loss of quality. It is non-petroleum based, biodegradable, industrially compostable and non-toxic if incinerated.

Aware of the pressure on natural resources, we are now applying our PLA research to long-term projects, such as deriving PLA from agricultural waste or using recycled PLA.

Green Factory

As part of our global environmental policy, we embrace green manufacturing practices. All our major sites are ISO 14001 certified, and we promote eco-design through training and the use of LCA to evaluate the environmental impacts of our products. We also measure our sites' carbon footprints and offer a scheme enabling customers to offset unavoidable CO₂ emissions by supporting programs in countries particularly affected by climate change.

End-of-Life

With the introduction of PLA, Gemalto also seeks end-of-life alternatives for our banking customers. By acting as an intermediary between them and recycling companies, we can facilitate their end-of-life product management.



We're taking a real green approach to card production and packaging. It will take time, but we are starting to see a shift in customer demand."

Florent Abat

Cardbody and Packaging Field
Marketing Manager



using PLA we've created the first truly Bio-Sourced banking card, which really lets us enhance our clients' sustainability performance and credentials."

David Noel-Lardin

Banking Card Product Marketing Manager

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Developing valuable, responsible relationships



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Business Behaviors and Social Factors

As a signatory of the United Nations Global Compact we benchmark our policies and results against world-class companies, reviewing them annually against the Compact's ten principles.

"We value our customers very highly, and we do everything we can to foster constructive, durable relationships with them."

Human Rights

Gemalto supports and complies with The Universal Declaration of Human Rights and International Labor Organization (ILSO) Standards. As a signatory of the United Nations Global Compact (UNGC) we also benchmark our policies and results against world-class companies, reviewing them annually against the Compact's ten principles including those on human and labor rights.

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

Customers

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

A relationship based on trust

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

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

Customer survey

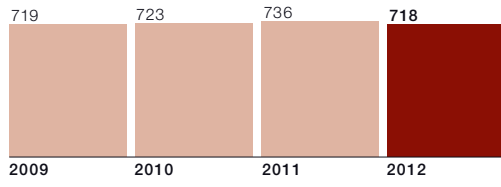
Every year we commission a customer listening program – the 'Tell Me' survey. This includes interviews with customers who rate their satisfaction with various aspects of our business. It enables us to take account of their views on sustainability, amongst many other topics, and hence affect our approach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

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Customers survey results*

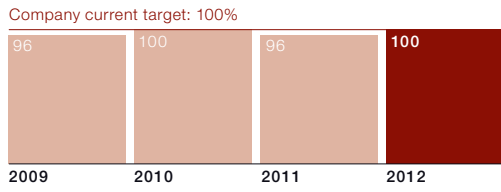
Satisfaction index over 1000



* Historical data are restated each year to match the panel variations.

Sites with ISO 9001 compared with those targeted

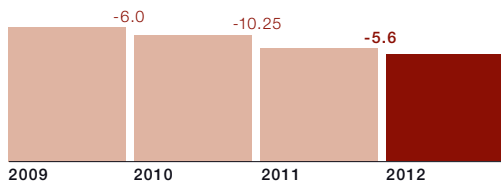
%



Sites targeted by ISO 9001 certification: production sites, main R&D and personalization sites and headquarters.

Reduction in significant claims by customers

%



In 2012, we held 250 Tell Me interviews. Our average score of 718 out of 1,000 rated us 'world class' against our global peer group for customer confidence. We also ranked 'best in class' against companies in other industry sectors.

Another key result from Tell Me is the high satisfaction level of our customers – 85% in 2012.

2012's Tell Me results also confirmed our main strengths:

- Quality and security of products delivered (especially in Secure Transactions and Security products);
- Managed services for classical solutions in Mobile Communications;
- Our customers:
 - recognize our strong service-oriented culture and see us as dedicated and available to them;
 - view us as the industry leader compared to the competition;
 - appreciate our technical skills and knowledge.

By the end of 2012, we had completed 70% of the customer-focused initiatives generated by Tell Me. 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.

Quality and reliability

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

For several years Gemalto has operated a proven and stable quality management system. We now have 26 sites with ISO 9001 quality certification. This represents 100% of our main sites and 76% of our employees worldwide. In 2012, ISO 9001 certification was awarded to two more sites in Jakarta (Indonesia) and Shanghai (China).

In 2012, we continued to develop our 'Lean Six Sigma' culture. Our 'World Class Enterprise Group', a worldwide, 60-staff unit, aims to protect stakeholders and continuously improve quality. The unit, whose members have undergone comprehensive training, also anticipates new regulations and standards to ensure Gemalto complies with best practice. We also ran the third edition of our 'Operations Excellence Award', another important quality program to identify the best contributions to customer satisfaction, quality, service and cost improvements.

We gave two gold awards this year. The first went to our manufacturing center in Barcelona for a revolutionary new method for reducing the setup time of our printing machines. The second went to a supply chain transport optimization program aimed at reducing both the environmental impact and cost of transportation. Alongside positive Tell Me results, over the last two years we have seen a 16% reduction in the overall number of significant customer claims.

Quality is central to our working methods. We operate on a 'make-to-order' rather than a 'make-to-stock' basis. This means we source raw materials according to customer requests. We make components based on functional specifications. And we create bespoke products tailored entirely to customer needs. Throughout 2012 we improved our Service Level Agreement (SLA) for the personalization of our banking products, focusing on punctuality and quality in the delivery of our products. Our Tell Me survey showed clearly that this parameter is now the most important to our customers, as indicated in our previous sustainability report.

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€177m

invested in R&D in 2012

1,700+

digital scientists

4,300

patents and patent applications in 2012

110

new inventions first filed in 2012

Innovation

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

Indeed, our commitment to innovation is such that in 2012, we invested over €177 million in R&D activities. The daily search for new ideas starts with our international team of over 1,700 digital scientists based in our worldwide network of 13 Research and Development centers. Their expert work is enhanced by the creativity of Gemalto's entire workforce who are encouraged to submit suggestions through our Business Innovation Garage (BIG) think-tank.

The BIG has been in place since 2007. Its success is such that in 2012 alone it received some 350 propositions. Of these, 15 projects were selected for further investigation. And after a process of analysis against a number of criteria, five 'incubation cells' were activated in order to develop prototypes which can subsequently be presented to our customers.

Suppliers

Our objective is to influence our suppliers so that any negative impacts they may have are kept to a minimum, and at the same time to attain a viable supply chain that supports our business objectives. By achieving both of these goals we maintain a truly sustainable situation for everyone involved.

Our approach

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

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

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Focus article

CSR supplier audits



As part of our efforts to improve the way we procure goods and services, in 2010 we introduced a Responsible Purchasing Model and conducted a procurement risk analysis. These measures are designed to influence our suppliers' business practices and minimize the social and environmental risks arising from their operations.

Within this program, in 2011 we developed a supplier CSR self-assessment questionnaire (SAQ). The aim of the SAQ is to establish whether suppliers have CSR policies and procedures in place, and to elicit information necessary to assess their performance against targets. It is sent to suppliers that show up 'orange' or 'red' in risk analysis, highlighting the

need for further enquiry or qualification. If, after we have received additional documentation, we are still concerned about a supplier's CSR risk potential, we carry out a rigorous company audit.

Each audit comprises site visits and interviews carried out by representatives of three separate Gemalto departments – Internal Audit, Purchasing and Quality, Health, Safety and Environment (QHSE) – as well as relevant managers from local Gemalto sites. During the interviews, suppliers are taken through an additional questionnaire covering areas such as CSR management, ethics, working conditions, environment and health and safety. Detailed on-site checks and assessments are also carried out.

Following each site visit, the Gemalto team compiles an audit report which highlights issues ranked 'minor', 'important' or 'critical', and identifies where a supplier is performing satisfactorily, where there are control deficiencies, and where there are actual breaches of CSR standards. We also develop detailed action plans and recommendations. Where issues are seen to be critical we insist that immediate actions are taken.

Based on SAQ results from 2011, we carried out five partial audits in 2012, and five full supplier audits – two in China and three in Russia. As part of our site visits and consultations, we conducted 12 questionnaires throughout the year. We also provided on-site training to enable our suppliers to understand the issues they face and how best to deal with them. For all of those suppliers audited in 2012, we will be following up with self-assessment progress-checks after six months and additional site visits after a year if necessary.

The auditing process helps our suppliers to understand what is expected of them and how they can align with our commitments. Specifically, it reinforces the non-binding pledges set out in the Gemalto Purchasing CSR Charter (which all suppliers were requested to sign in 2011) to improve the lives of workers, to contribute to environmental protection, and to ensure healthy, fair and transparent business relationships. While CSR is a relatively new concept for many of our suppliers, feedback from 2012 shows that the auditing process is proving a valuable and positive experience, enabling companies to save time and money, improve site security and develop more robust ethical practices.



Thank you very much for your... CSR audit in our factory. We appreciate your suggestions which are very helpful for us in the... improvement of the company. We will act according to the promises we made and spare no efforts to develop an excellent enterprise. You are warmly welcome to come back to us for further inspection and audit!"

Chinese supplier

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Gemalto's awards 2011-2012

Stock market performance:
BFM France 2012

Secure printing innovation:
Cartes 2012

Best contribution to R&D:
LTE Summit 2012

Excellent products:
PayNews, China 2012

Financial industry solution:
China 2012

Safety and Security in IT:
Computerworld 2012

Mobile Commerce:
Juniper Research 2012

M-Commerce:
Future Mobile Awards 2012

Security innovation:
Cloud Awards 2012

Smart Grid excellence:
TMC 2011

Innovation efficiency:
BearingPoint 2011

Secure cloud computing:
Cartes 2011

Best enabling technology:
LTE Summit 2011

Best innovator:
A.T. Kearney 2011

CSR Purchasing Charter

During 2012, we focused our efforts on communicating with our suppliers regarding the implementation and deployment of our CSR purchasing policy.

The first step was to get our CSR Purchasing Charter agreed and signed by our main corporate panel of suppliers covering 65% of our spending.

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

We are proud to see that 92% of our corporate suppliers have already signed this proposed CSR Purchasing Charter.

The second step was to insert an ethical clause in any new Gemalto contract, which represents a legal commitment to our CSR policy (now included in 82% of our corporate contracts with our main suppliers).

We also finalized our CSR risk analysis of our main suppliers and implemented the Gemalto SAQ (self-assessment questionnaire). The SAQ is designed to establish whether suppliers have CSR policies and procedures in place, and to elicit information necessary to assess suppliers' performance against targets.

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

The SAQ is sent to suppliers that show up 'orange' or 'red' during the CSR risk analysis, highlighting the need for further enquiry or qualification. Once suppliers have completed and returned the survey, we organize conference calls to verify answers and request further evidence to corroborate claims. If, after we have received additional documentation, we are still concerned about a supplier's CSR risk potential, we carry out a rigorous company audit ([see page 48 for more information](#)).

Consumers

As a Business-to-Business company, our prime objective is to satisfy our customers. But we can't do that unless we provide solutions that delight their end-users. So we make it an important part of our mission to reach out to consumers, find out about their concerns and come up with ideas they'll want to adopt.

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

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

Supporting our end-users

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

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

Practical, convenient advice

Our response is a consumer advice website – JustAskGemalto.com. 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 four editions of [JustAskGemalto](http://JustAskGemalto.com); a generic global site and localized versions for three of our key markets: the USA, France and Brazil.

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.

Site statistics

JustAskGemalto attracts tens of thousands of visitors a month and has had nearly three million visits since its launch. Every year we receive a large number of questions via the website on all areas of online and mobile security and services. 2012 was no exception, and in fact visitor numbers rose by more than 50% to over 700,000. Visitors tended to find answers to their questions from the existing information on the site, although we did receive 821 new questions. These questions, although down from the previous year (there were 1,066 in 2011) seemed to be more relevant, leading to the publication of an extra 157 digital security tips on the site.

On-line support for consumers

JusAskGemalto website	2009	2010	2011	2012
Questions asked from visitors	793	959	1066	821
New tips created and posted	117	139	77	157

Responsible solutions

Many of our solutions have a demonstrably positive benefit for society and for end-users.

eGovernment: benefiting society and the environment

Over the last decade, Gemalto has contributed to the modernization of state infrastructure, technology and processes in countries around the world. The main aim of our work in this area is to help transform the relationship between citizens and governments and support the transition to more sustainable societies. It is part of a long-term program of innovation and change included under the broad heading of 'e-Government'.

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

What's more, the shift to paperless procedures and smart card technology has a positive effect on the environment; each card lasts from five to ten years, has a relatively low carbon footprint and cuts back the bureaucracy and material waste associated with administrative processes.

For example, certain Green IT schemes have enabled administrations to improve administrative efficiency, and reduce social security red tape through the transition to paperless procedures. In addition, a country's tax payers can receive text warnings for payment deadlines, reducing late payments by 30%; smart card technology can modernize relationships between patients and healthcare professionals; and online tools can transform the public sector and deliver collaborative, inclusive and high-quality services for citizens and companies.

For further information see [Gemalto's white paper 'E-Gov 2.0 – Towards a sustainable society'](#), published in 2011.

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M2M: supporting safety

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

The automotive and road transport sectors also benefit from M2M, for example in tracking stolen vehicles and enabling intelligent traffic systems.

In addition, recent European legislation has promoted the use of M2M in automotive emergency call (eCall) systems which help to save lives and increase road safety. Designed to reduce emergency response time, the '112' eCall service is a pan-European, interoperable M2M system that allows vehicles (and passengers) to automatically call for help in the case of a road incident. As air bags or other in-vehicle sensors are triggered, Gemalto technology establishes a secure network connection and initiates a standardized '112' voice call with the nearest emergency call center. The system automatically sends key situation data, including exact incident location, time stamp, Vehicle Identification Number (VIN) and more, to emergency operators who dispatch appropriate services in real time. The solution can be activated manually by passengers when needed. Helping global automakers meet EU standards for eCall, Gemalto recently announced that it had collaborated in the launch of Japan's first eCall testing facility. It is the first such facility outside Europe, allowing Japanese automakers to locally test solutions destined for the European Union.

Case Study

Gemalto M2M technology helps preserve Amazon rainforest in Brazil

In 2012 Gemalto provided wireless connectivity for an innovative device used in a pilot program to thwart illegal deforestation in Brazil's Amazon rainforest. Developed by Cargo Tracck™, a technology leader in Brazil, the device uses Gemalto's Cinterion M2M technology, together with local cellular networks, to send location updates from sensors in trees to a central server. This allows officials to remotely track trees removed from protected areas.

The solution was deployed to detect unauthorized logging activities missed by traditional satellite surveillance and radio monitoring. Smaller than a deck of cards, the discreet device combines Gemalto's tiny module with cutting-edge localization algorithms and new Radiation Exchange Data (RED) technology that extends the range of wireless communications in low-signal areas. The solution is covertly installed in trees located in active harvesting areas and sends alarm notifications and exact location information to officials as soon as trees pass within 20 miles of a cellular network.

This enables law enforcement agents and the Brazilian environmental protection agency, IBAMA, to respond in real time, trace the loggers to sawmills and prevent the sale and profit from illegally harvested lumber. With the rugged durability and sophisticated power management system of Gemalto's Cinterion M2M solution, the device can operate reliably in the field for over a year without needing to recharge its batteries.

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M2M and the environment

M2M applications can have a wide range of positive impacts on the environment, for example through:

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

In addition, Gemalto's M2M track-and-trace technology, more commonly used in parcel logistics, has recently been used for the long-term management of trees in the Amazon rainforest. By providing wireless connectivity for sensors hidden in trees, updates about their location can be sent to a central server. This allows officials to remotely track those removed from protected areas and hence thwart illegal deforestation.

Digital solutions: enhancing lives in developing regions

Digital technology is having a positive effect on people's lives in many developing countries around the world. In Africa, for example, Gemalto's products are improving lives in countless ways which include:

- Storm warnings by SMS, protecting fishermen on Lake Victoria in East Africa;
- SMS messaging, reminding patients about their visits to HIV clinics and delivering test results;
- ePassports in Nigeria, South Africa, Senegal and the Ivory Coast, protecting people from identity theft and making it easier to complete transactions;
- eHealth cards in Gabon, improving access to healthcare and health insurance systems.

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

Mobile Financial Services: promoting digital democracy

Our solutions help make digital interactions secure and easy for billions of people all over the world, including those living in poverty, in remote areas and in other disadvantaged circumstances. We estimate that our Mobile Money solutions are available to a total of 67 million people. This is particularly true for our Mobile Financial Services (MFS). Because our solutions work on all devices, there is no limit to the consumers who can use them. This is particularly important in emerging economies, where most handsets are basic models. What's more, opening up financial services to anyone with a handset extends important life choices – which is especially significant for the five billion people worldwide without a bank account.

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Our Mobile Financial Services include:

- **Mobile Banking:** allowing people in developed and developing markets to gain secure access to banking services with any mobile device; and helping banks to deliver those services at lower cost, even without branches or internet coverage.
- **Mobile Money:** providing secure banking and payment services for unbanked people with any handset in developing and semi-developed markets – and offering small businesses access to the global village.
 - In Bangladesh, we are helping to accelerate the deployment of micro-banking across the country. Our solution aims to provide access to secure banking services for unbanked people who live in both rural and urban areas and represent 76% of Bangladesh's 150 million population. Their transactions are validated with biometric data, which offer the most convenient means of verifying identity and provide one of the highest degrees of digital security available today.
 - NetOne, a leading network operator in Zimbabwe, Africa, is deploying our solution so that its subscribers can make secure and easy peer-to-peer money transfers, pay utility bills and top-up prepaid mobile accounts.
 - In Latin America, Citibank and America Movil have teamed up to offer our mobile money solution to millions of people throughout the region, starting with Mexico, Guatemala and Colombia. This allows customers – including the unbanked – to use basic mobile phones to set up bank accounts, transfer money, withdraw cash from ATM, make purchases in store, receive payments and pay bills. In a second phase, the platform will be used by governments to distribute billions of dollars in subsidies to poorer people and for civil service payrolls.
 - In India, the Department of Posts (DoP) and BSNL have launched our Mobile Money Transfer Service, enabling people to use Post Offices to transfer money securely and quickly from one city to another, especially when they don't have a bank account.

Case Study

A driving force in sustainability: Fareham, UK

For many years, the Gemalto site in Fareham, UK, has put sustainability at the heart of its operations. Its environmental credentials are particularly well established. The site is ISO 14001 certified, has a C rating in its energy performance certificate, and in 2012 achieved a 50% reduction in energy consumption compared to 2011. And as a participant in the UK's carbon reduction commitment (CRC) tax scheme, Fareham has reduced its CRC payments from £80,000 to £35,000 a year and will soon be under the CRC limit.

In 2007, Fareham became the first Gemalto site to initiate carbon neutral card production through an offsetting investment scheme. It has developed the use of biodegradable PLA cards and low-energy PET cards and devised a number of programs to enable customers to reduce their carbon emissions.

Recently, Fareham has also become active in the local community and engaged with a number of social issues. The site's core activities in this area are linked to its prominent role within the Segensworth Business Forum (SBF) – a consortium which represents the interests of companies on the Segensworth Industrial Estate where Gemalto Fareham is located.

Through SBF, Gemalto Fareham has been working to improve health and safety and promote sustainable development among local businesses and residents. In 2012, SBF schemes included a local schools environmental award and the improvement of pavements and cycle-ways. Gemalto employees filled 80 shoeboxes of gifts for children in Bosnia as part of Operation Christmas Child, and donated four crates of food to the local Food Bank.

As a driving force within SBF, Gemalto has helped to introduce a local CCTV network which has resulted in a 50% reduction in crime on the estate. In addition, the company has taken a leadership role in developing an apprenticeship scheme to link local people to training opportunities.

The Fareham team has also set up an HR Forum and HSE Club to support smaller companies, providing access to expertise, knowledge, networking and guidance in key business areas.



SBF represents the interests and concerns of 180 companies employing around 6,500 people. By chairing SBF and taking an active role in its activities, Gemalto Fareham is helping to improve our trading environment, enhance competitiveness for all companies on the estate, and make strong and positive links with the local community."

Mark Sutton,
Gemalto UK Operations Director
and Segensworth Business
Forum Chairman

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Community involvement

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

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 involvement

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

We support employees' involvement in local non-profit organizations which focus on the environment or 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 Jury composed of a regional panel of local managers and employees.

The Jury selects 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.

Case Study

Supporting underprivileged youth: France

Since 2007 Gemalto has played an active role in Passeport Avenir, a major tutoring program which engages underprivileged young people in partnership with companies from the Information and Communication Technologies (ICT) sector.

Passeport Avenir was created in 2005 by SFR, one of France's leading mobile telecoms operators, and has subsequently received the backing of the French state. Enabling participants to enter one of France's prestigious *grandes écoles* or universities specializing in engineering and business, the program provides skills, training, and business-style mentoring to young people from depressed areas who might otherwise have limited opportunities.

Today, a total of 14 companies are involved in Passeport Avenir, including Alcatel-Lucent, Ericsson, Orange, SFR, Accenture, Qualcomm, Atos Origin, Capgemini, SNCF, Crédit Mutuel and F1 Hotels. In 2012, a total of 776 students were tutored as part of the program, with 70% receiving full scholarship support.

During the year, between 40 and 45 Gemalto employees volunteered as Passeport Avenir mentors. They provided support and advice to

individual students, offered valuable career guidance and generally helped to build participants' confidence and self-belief. Interview techniques, CV writing and career contacts were just some of the areas covered. At least 45 students received support from Gemalto in 2012.

Gemalto also took part in collective activities alongside other Passeport Avenir Association members. These included training days for new tutors hosted at Gemalto Meudon and La Ciotat, and visits to schools to deliver career-oriented workshops and talks.



Passeport Avenir embraces the concept of inclusion and diversity. It challenges the idea of social pre-determinism and shows that young people from disadvantaged backgrounds can access higher levels of education and training."

Valérie Godefroy,
Human Resources Manager, Meudon

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2012 Social investment

	2011	2012
Your World (supporting employee volunteering)	49,000	58,573
Other donations (*)	4,631	597
People Quest donation	8,575	8,976
Total	62,206	68,146

(*) Company part only.

Projects funded by Your World program

	2011	2012
EMEA (~)	15	23
NORAM (~)	8	9
LATAM (~)	23	19
ASIA (~)	3	6
Total	49	57

(~) See page 24 for area definitions.

In the five years since we first launched Your World, we have supported 304 projects worldwide. In 2012 we funded 57 projects (up from 49 in 2011) involving 436 Gemalto employees. The increased number of projects is the result of a newly-created strand within the Your World program called One-off Volunteer Initiatives (see details below). Additional funded team activities have also enabled more and more employees to get involved.

Your World initiatives 2012

Employee-led initiatives during the year included:

- Participating in the Shanghai United Foundation walkathon, with the ultimate goal of delivering eggs to children in poor areas (China);
- Supporting a solar energy project at Bounounko sewing school, Mali (Africa);
- Supporting Associació Amics d'El Xiprer, an organization which distributes hot meals to the needy in homeless hostels in Barcelona, Spain;
- Planting trees and grass to improve the facilities of El taller del maestro Prochavos, an institution that helps street children and children in risk;
- Providing basic computing and internet lessons for students from the Fundación Alianza en Favor de la Mujer, Mexico;
- Increasing organ and tissue donor awareness through a 5K/10K Run and 3K Walk, Montgomeryville, US.

Case Study

Foster care and Family Picnics: US

In the US, Gemalto employees were involved in two separate picnic events to help disadvantaged members of the community.

In Austin, Texas, the company held its third Annual Backyard Family Picnic. The aim of this initiative is to bring Gemalto staff and their families together, build team spirit and provide food for local people in need. Organized in partnership with the Capital Area Food Bank, the picnic was held outside the Austin offices on October 26. Each family was asked to bring five non-perishable food items as a donation to the Food Bank.

Food donations in 2012 exceeded previous years' efforts, totalling 517 lbs of canned and packaged goods. According to the Capital Area Food Bank, this was enough to provide roughly 550 meals for hungry people in Austin.

The second picnic took place in Montgomery, Pennsylvania, where Gemalto participated in the Annual Foster Parent Association Picnic. The idea behind the event is to create a fun day for disadvantaged young people, with food, games, entertainment and prizes provided for the adopted and foster children served by the Montgomery County Office of Children and Youth.

Twelve Gemalto employees volunteered at this year's picnic, cooking food, painting faces, running activities and helping to clean up afterwards. The day was a great success and provided further opportunity for Gemalto and local community members to get to know one another.



While there were no quantifiable targets for the picnic in Montgomeryville, all the young people who attended - most of whom have led difficult lives - seemed to have a great time. It was also a chance for us to get out into the community and show that Gemalto is a company that cares, a company that gives back."

Prakash Patel,
Senior Human Resources Generalist,
Montgomeryville

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Local volunteering

We believe that at every Gernalto site, it's our employees who best understand the needs of local communities. This is why each site offers employees the opportunity to organize local community activities, separate from the Your World program, either through volunteer-led community relations committees or HR managers. These committees and individuals devise volunteer events and help to target those issues that most affect local communities. Gernalto employees can then donate time, money, food and other items to local people in need.

Local donations highlights 2012:

Throughout the year, employees in the UK raised a total of £11,945 for various charities, including:

– Children in Need

To help raise money for this worthy cause, employees organised a charity cake bake and fundraising fancy dress events.

– Movember

Male employees grew moustaches during November to generate funds for charity and raise awareness of prostate and testicular cancer.

– Operation Christmas Child

Employees filled 80 shoeboxes with gifts for children in Bosnia.

In France, employees collected three truckloads of Christmas toys for underprivileged children. This is a project we undertake each year at our Gémenos, La Ciotat and Meudon sites in partnership with Le Secours Populaire, a French organization dedicated to fighting poverty and exclusion.

Case Study

Hurricane Sandy relief effort

Gernalto employees and families were among the millions of people affected by Hurricane Sandy, a Category 2 storm which hit the north-east coast of America in October 2012. The initial danger was severe, forcing the Gernalto Operations plant in Pennsylvania to close for a day, while floods and electrical failures continued for some time afterwards.

In keeping with the company's policy of making financial donations to specific causes and disaster relief in countries where we operate, Gernalto offered to match any funds donated by employees to help victims of the hurricane. In the US, the amount raised by staff was matched and contributed to relief efforts along the Eastern Seaboard.



The hurricane caused widespread damage and affected the lives of so many people in the US. We wanted to do what we could to help and our employees responded immediately. Hopefully the money we raised made a difference and went some way to aiding the relief work."

*Angelina Musser,
Human Resources Generalist,
Montgomeryville*

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Additionally, in 2012 we decided to offer one-off volunteering opportunities to employees throughout the company. These are intended for those members of staff who are not involved with any particular charity or program, but who would still like to make a difference every now and then. Throughout the year we organized 13 such events, the majority of which were in sites which don't yet have an established tradition of volunteering. As part of this scheme, in Germany employees took part in a national food collection initiative; in Finland, staff donated equipment and carried out repairs to an old people's home; and in Singapore a Christmas Day event was organized for local orphans.

PeopleQuest donation 2012

Each year we conduct an employee opinion survey ([see page 30 for more information](#)). We offer an incentive of one euro for each completed questionnaire, donated to organizations supported at Gernalto sites.

Disaster relief

Gernalto 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 Gernalto will respond to disasters that occur in countries where we operate. We 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 matching employees' donations and providing technical help and guidance. We only ever make donations to reputable not-for-profit, non-governmental organizations.

PeopleQuest donations 2012

(Euros)

<u>Organization</u>	<u>Donation</u>
UNICEF	4,106
WWF	2,591
Red Cross and Red Crescent	2,279
Total	8,976

Performance indicators

Area	Performance	Page
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Employee training	• Number of employees trained on business practices	15
	• Number of employees trained on fraud-related matters	15
Employees		
Demographic and diversity	• Recruitment by region (%)	24
	• Recruitment by gender and by position (%)	24
	• Recruitment by nationality (number of nationalities and list of top five nationalities)	24
	• % of employees with a permanent contract	24
	• Exempt employees working elsewhere than in their mother country (%)	28
	• % of expatriates within exempt population	28
	• % of graduate women hired directly from schools and universities	23
Developing human resources	• Training satisfaction (%)	27
	• Average hours of training per person trained (worldwide and by region)	27
	• Training budget (% of total salaries)	24
	• % of exempt employees with an annual interview (appraisal)	28
Listening to employees	• Employee satisfaction survey:	
	– Answer rate (worldwide/by region/by position)	30
	– Satisfaction rate (worldwide/by region/by position)	30
Employee turnover	• 'Exempt' turnover rate (worldwide/by region)	23
Talent attraction	• Number of graduates hired directly from schools and universities	23

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Health and safety	• OHSAS certification	
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* In ISO 14001 certified sites

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Glossary of digital security terms

3FF (Third 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 (Third Generation 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.

Big data: a collection of data sets so large and complex that they are difficult to process with traditional applications.

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

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

Cloud computing: computing by using servers, storage and applications that are accessed via the internet.

Contactless: a card that communicates by means of a radio frequency signal, eliminating the need for physical contact with a reader.

CRM: Customer Relationship Management.

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

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

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

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

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

eBanking: accessing banking services via the internet.

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

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

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

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

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

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

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

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

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.

IAM: Identity and Access Management.

ICAO (International Civil Aviation Organization): the UN agency which standardizes machine-readable and biometric passports worldwide.

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

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

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Glossary of digital security terms continued

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.

mCommerce: buying and selling goods and services using a mobile device connected to the internet.

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.

Mobile money: banking and payment services for unbanked users.

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

mPayment: using a mobile handset to pay for goods and services.

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

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.

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.

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 fat client does as much local processing as possible.

TSM (Trusted Service 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): a SIM with advanced software that 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.

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