



Communication on Progress Report 2012



Giesecke & Devrient
Creating Confidence.

Content



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Responsibility as a business principle



The past reporting year was categorized by considerable uncertainty in many markets. The main causes were the political upheavals taking place in a number of countries and global economic turmoil. Despite these difficult conditions, we were able to remain focused on innovation for the future and continued to fulfill our corporate responsibility above and beyond our day-to-day operational activities. We work with our employees and partners to ensure that our core corporate values of trust, quality, sustainability, responsibility, and integrity are upheld to the benefit of all of us. Everything we do is based on the belief that active responsibility inspires trust and creates confidence.

As a family-owned company, we take a long-term view. Accordingly, ongoing dialog with our stakeholders is not just a gesture; it reflects our awareness of our social responsibility and underpins everything we do. Over the past year, in conjunction with our stakeholders we have evaluated the individual elements of our corporate social responsibility (CSR) strategy and adjusted the weightings. We regard the consistently positive feedback from our stakeholders as confirmation of the strategic direction of our CSR activities. At the same time, we were able to gain insights into new expectations, which we will implement over the coming months and years.

Our second progress report addresses these plans and many of our other new and ongoing initiatives. For the first time, we are documenting the progress we have made compared to the first report, specifically in the areas of human rights, labor standards, environmental protection, and the fight against corruption. At the same time, we are renewing our commitment for another year as a participant of the UN Global Compact.

Dr. Karsten Ottenberg
Chairman of the Management Board, Giesecke & Devrient GmbH





About Giesecke & Devrient

Trust, security, and competence are the watchwords at Giesecke & Devrient (G&D) as an internationally leading technology provider. Innovative, customer-centric products, system solutions, and services make G&D a reliable partner for governments, central banks, security printers, government agencies, and other companies.

G&D is a global technology leader in banknote production and processing (Banknote business unit).

It supplies banks, mobile network operators, local public transit authorities, other companies, and original equipment manufacturers (OEMs) with end-to-end solutions comprising hardware, software, and services for mobile security applications, especially in telecommunications and electronic payments (Mobile Security business unit).

G&D also provides highly secure travel documents, ID systems, and health-care cards that serve not only as conventional identification documents,

but also as tools for authenticating and securing online business transactions (Government Solutions business unit).

Research and development have always been a top priority for G&D. The Group now has 1,063 developers working on new products and processes. R&D spending totaled around 119 million euros in 2011. G&D holds some 6,700 patents and patent applications worldwide.

A family-owned company with its roots in Germany, G&D was founded by Hermann Giesecke and Alphonse Devrient in Leipzig – a city with a rich printing and publishing heritage – as the “Officin für Geld- und Werthpapiere” in 1852. This year thus marks its 160th anniversary.

Key figures 2011

- Sales of 1,635 billion euros (of which 87 % generated outside Germany)
- 10,500 employees
- 58 subsidiaries, joint ventures, and associated companies
- In 32 countries on all continents

For more information, see the annual report: www.gi-de.com > About G&D > Company



Key progress in 2011/12

CSR strategy

- CSR issues reviewed, prioritized, and systematized via materiality process, materiality matrix created **p. 7/8**
- Discussions held with external specialists as part of initial CSR stakeholder dialogs around demographic change, creating a more sustainable value chain, and identity **p. 7, p. 15, p. 20, p. 25**

Employees

- Management Board resolution to increase the proportion of women in management positions, initial measures put in place **p. 13**
- Health management provision expanded with first pilot projects in Germany **p. 15**
- Further offerings introduced to enable a better work/life balance **p. 16**

Environment

- Calculation of carbon footprint to establish the environmental impact of our production processes and individual projects **p. 20**
- CO₂ reduction target of ten percent by 2016 compared with reference year 2010 **p. 21**
- Launch of Green Working Group focusing on resource conservation and a more sustainable supply chain **p. 21**

Compliance

- Code of Conduct revised to take into account social/ecological principles of the UN Global Compact, the UN Universal Declaration of Human Rights, the key principles of the International Labour Organization (ILO), and other standards **p. 9**
- Almost 100 suppliers audited in recent years with regard to CSR-related issues **p. 23**
- E-learning training sessions on compliance issues already conducted with 8,000 participants **p. 24**

Corporate Citizenship

- Launch of corporate volunteering program to support employee volunteer work **p. 26**

Our CSR strategy: Creating value

As a family-owned company, we are acutely aware of our corporate social responsibility. We therefore seek to reconcile the commercial, social, and environmental impact of our business activities. Doing business in a sustainable and responsible way is part of our corporate philosophy and fundamental to our value framework. In recent years, we have consolidated our existing corporate social responsibility (CSR) activities and focused on driving them forward.

Key aspects of our strategy

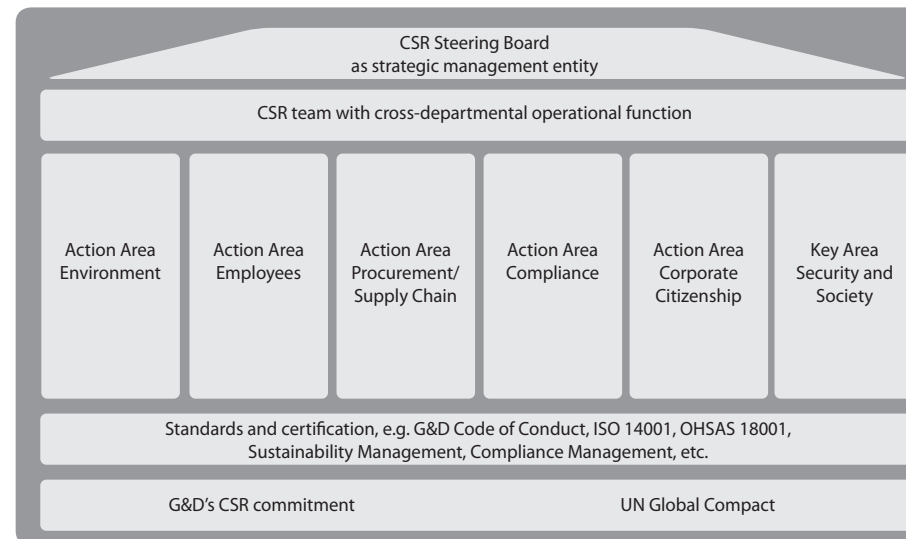
Responsible management of natural resources and forward-looking HR policies are at the heart of our social endeavors along with addressing the impact of technological developments on society. Our CSR strategy is divided into the five action areas of the environment, employees, procurement/supply chain, compliance, and corporate citizenship, plus the key area of security and society.

Responsibility is a management function

The Chairman of the Management Board is directly responsible for supervising the development and implementation of our CSR strategy. The Chairman is a member of the CSR Steering Board, the strategic entity that manages all CSR activities. The framework for these activities is provided by the ten principles of the UN Global Compact, to which G&D publicly committed itself two years

ago when it began participating in the Compact, and also by G&D's own formal commitment to corporate responsibility, which was adopted by the Management Board in early 2010.

G&D commitment
www.gi-de.com > About G&D > CSR Strategy and Management



Responsibility requires dialog

Our corporate claim – “Creating Confidence.” – is also the guiding principle of our conduct within wider society. The success of our company depends on the trust of our stakeholders in our products and in our commercial and social activities. We aim to nurture and strengthen this trust on a daily basis by acting responsibly and maintaining an open and transparent dialog.

(From the G&D Management Board’s formal commitment to CSR)

Dialog inspires confidence

G&D’s voluntary commitment to CSR includes maintaining an open and transparent dialog with society. In 2012, we engaged in initial discussions with a range of stakeholders:



Discussion with internal and external stakeholders about the materiality matrix in May 2012

- To help prioritize our CSR activities, we held a workshop with various stakeholders from politics, business, and independent special-interest groups. The results were incorporated in our **materiality matrix**. p. 8
- We held discussions with internal and external experts to examine challenges arising from **demographic change** and invited critical scrutiny of our planning in this area. p. 15
- We discussed the design of a more sustainable **shared value chain** with customers and suppliers. p. 20
- We launched a discussion and innovation platform called **“Identity – Talk in the Tower®”** to stimulate an international, interdisciplinary exchange on the subject of identity. p. 25

Valuable suggestions, new ideas, different viewpoints: dialog with stakeholders helps us to develop our CSR activities and improve processes and concepts while also enabling us to incorporate the latest developments and expectations into our business activities. We continue to engage with our stakeholders and are now planning to hold discussions on environmental issues.

Prioritizing our CSR activities

G&D set forth its CSR priorities by defining the environment and employees as main action areas, together with a focus on security and society. It further systematized and weighted this focus in 2011/12 via an interactive process involving surveys and workshops with employees and external stakeholders.

A representative group of G&D employees from around the world and across all grades and functions completed a questionnaire to rank the current and future importance of CSR issues. We also circulated ques-

tionnaires to experts from civil society, academia, politics, and business (customers and suppliers) in order to gain an external perspective to complement the internal view. The data collected was then discussed in a workshop with external stakeholders and selected internal stakeholders.

The results were plotted on a materiality matrix that prioritizes CSR issues on the basis of their relevance for G&D and for external stakeholders. It is possible to identify trends by establishing how important these issues are for G&D currently and in the future. The issues with the highest relevance are data security, data protection, and the security needs of society. External stakeholders from civil society, academia, and politics, plus customers and suppliers, additionally prioritize resource conservation and environmental protection, while internal stakeholders see health and safety as the issue with the next highest priority.

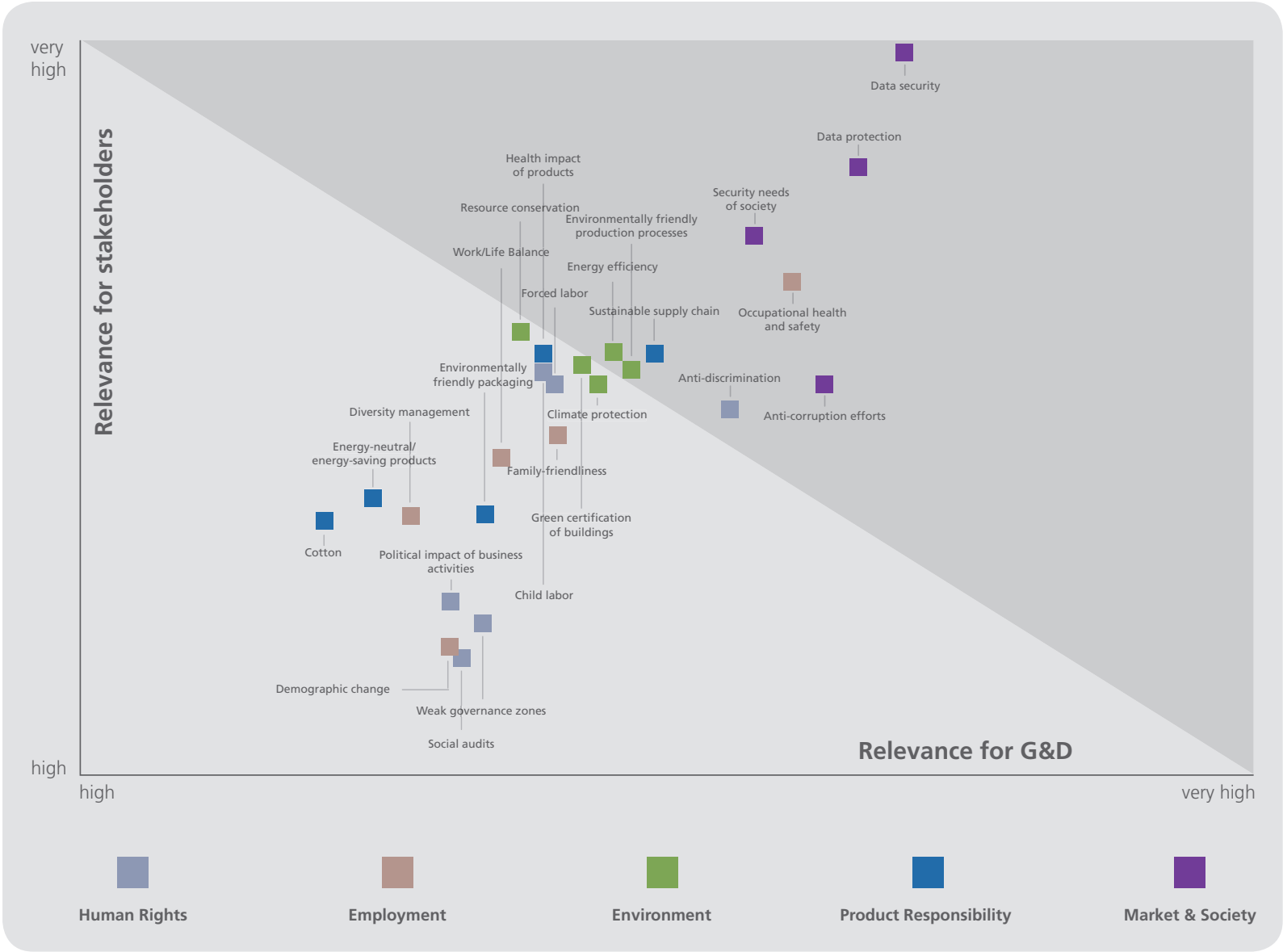
The development of a sustainable supply chain, environmental issues,

anti-discrimination, and fighting corruption are also deemed to be very important.

The results and expectations were analyzed and then discussed with the individual departments and the CSR Steering Board. They form the basis for strategic alignment of our CSR commitment over the coming years. The core areas identified are also explored in this progress report.

Materiality matrix:

We asked internal and external stakeholders to rate the importance of relevant CSR issues for G&D now and in the future. The points plotted on the matrix represent the average of the two ratings (current importance and future importance).





Systems and standards: How we manage CSR

Overarching systems

Sustainable and consistent management of operations within a global organization requires clear guidelines, programs, and management systems. Our five corporate values of trust, quality, sustainability, responsibility, and integrity form the framework for our sustainable activities.

The **G&D Code of Conduct** reflects these values as an overarching set of rules that apply to G&D around the world – at every location, in every business unit, and in our dealings with business partners and each other. It also incorporates the ten social and ecological principles of the UN Global Compact. We have added key aspects of the compliance management system established in recent years and included requirements in accordance with the OHSAS 18001 occupational health and safety standard. Furthermore, our Code of Conduct is now compatible with the core employment standards of the International Labor Organization (ILO) and the UN's Universal Declaration of Human

Rights. The updated Code of Conduct was issued to all employees worldwide in the spring of 2012.

Code of Conduct
www.gi-de.com > About G&D > CSR
> Compliance

Sustainability in a single system

We are currently rolling out **ISO 14001** and **OHSAS 18001**, across the Group and all our activities relating to protection of the climate, environment, resources, and health and safety are based on these management systems. They are complemented by Group-wide standards. All major production locations will be included by 2014.

We have incorporated planning and monitoring of our sustainability activities into a **sustainability management system** (previously the Green Sustainability/EHS program). Our indicators for the new system are based on Global Reporting Initiative (GRI) standards for sustainability reporting. We will be launching a pilot project

at one of our subsidiaries in 2012 to collect the relevant data. All locations will be included from 2013 onwards.

Internal compliance

To ensure compliance with the values and principles enshrined in the Code of Conduct and other guidelines, we have embedded a Group-wide **compliance management system** into our business processes. Compliance with the law is vital to G&D, given the need to ensure the highest security standards and complete confidentiality. For us, integrity also includes respecting competition, resisting political influence, and rejecting both active and passive corruption.

Since the beginning of 2011, our **compliance helpline** has provided a central point of contact for any employee, customer, or supplier with a question concerning legal requirements or company guidelines/policy. It is also a simple way of reporting suspected violations in the strictest confidence. The helpline can now be used from almost all locations.

Compliance is particularly successful when commitment is personal and explicit. Accordingly, the **Statement on Business Controls** is signed annually by the managing director of each G&D subsidiary and by division managers, along with their regional chief financial officer or division controller. The document contains declarations on combating corruption, data protection, labor standards, human rights, and environmental protection. Regional findings from the accompanying questionnaire are incorporated into our **risk map**, which is also reviewed each year. Based on this and other information, the risk map indicates compliance risks in the countries in which we operate.

The Compliance Office at our corporate headquarters in Munich submits a report on the compliance management system to the Supervisory Board. Individual incidents are notified separately and immediately to the Chairman of the Management Board so that appropriate action can be taken. The effectiveness of our integrated compliance manage-



ment system is currently undergoing assessment by auditors in accordance with Assurance Standard 980 of the Institute of Public Auditors. This verification process will be completed by the end of 2012.

External implementation

In order to maintain sustainable and responsible conduct throughout the entire value chain, we set very high standards for our suppliers. Potential partners must undergo a multi-stage selection process covering criteria, such as quality management, production site standards, and CSR-related aspects, as well as their financial situation and product quality. A

Compliance Questionnaire for G&D Business Partners and an **Agreement on Business Ethics** specifically address compliance issues. In accordance with the value we place on our relationships with specific "key suppliers," we have issued such suppliers with at least one of the two documents as a binding requirement.

Almost half of our key suppliers have answered the **Compliance Questionnaire** to date. We are working to increase this number by actively approaching the remaining suppliers. The Agreement on Business Ethics makes reference to the **Supplier Conduct Principles**. These oblige suppliers of the Mobile Security business unit to adhere to the same CSR standards that apply to G&D. We have set ourselves the target of ensuring that 75 percent of our key suppliers in this area commit to these rules by the end of 2012. Around 65 percent had already done so by June 2012. Our new Code of Conduct will be used as the benchmark for suppliers to all business units in the future. By the end of 2013, at least 80 percent of our key suppliers will be required to have completed the Compliance Questionnaire and/or the Agreement on Business Ethics, effectively making the G&D Code of Conduct applicable to their operations.



Human rights: Observing and respecting human rights

PRINCIPLE

1

Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE

2

Businesses should make sure that they are not complicit in human rights abuses.

G&D is committed to respecting human rights and actively promotes their protection worldwide. Our Code of Conduct, updated in early 2012, states: "We respect the personal dignity, privacy, and rights of every individual. We are opposed to discrimination and unequal treatment based on gender, ethnic origin, religion or ideology, disability, sexual orientation, or age." The Code of Conduct lays down the standards of responsible behavior expected from employees and applies to all organizational units and associated companies in which G&D directly or indirectly holds more than 50 percent of the shares. In order to further embed respect for human rights within the company, we revised the Code of Conduct during the reporting period to take account of the UN Universal Declaration of Human Rights and other standards. **(p. 9 Overarching systems)**

Internal and external responsibility

Our senior managers have a special responsibility to ensure compliance with company policies and guidelines worldwide. The comprehensive Statement on Business Controls, which covers human rights and other specific issues, must be completed annually

by senior managers and signed with legally binding effect. **(p. 9 Internal compliance)**

In order to help every employee worldwide to act in accordance with laws and internal corporate guidelines, we also conduct compulsory e-learning training sessions on compliance-related issues. **(p. 24 Employee anti-corruption training)**

We also expect our business partners and suppliers to respect human rights as a basic requirement. The Mobile Security business unit has developed extended standards of conduct – Supplier Conduct Principles – specifically for its suppliers, which they are required to accept. In the future, new key suppliers will be required to accept the revised G&D Code of Conduct, which will replace our existing qualification process and the Supplier Conduct Principles. New business partners will thus be committing themselves to comply with G&D's ethical principles on the protection of human rights. **(p. 10 External implementation)**

Focusing on equal opportunities

For us as a company, one of the most important action areas with regard to protecting human rights is the promotion of equal opportunities and implementing anti-discrimination measures. Our approach is supported by our employees and external stakeholders, who rated this issue highly in the materiality process. G&D launched a diversity project in 2011 to develop strategies for tackling discrimination on the basis of gender, age, or cultural background. We are working on programs and activities in these areas to ensure equal treatment.

G&D does not tolerate unlawful harassment or discrimination of any kind. Since September 2011, three complaints have been made to the Equal Opportunities Officer in Germany and all were investigated immediately. Two were dealt with and resolved directly; the third complaint was resolved with the assistance of the individual department involved.

To raise awareness of these issues, managers took part in a pilot workshop on the German General Equal Treatment Act in Munich at the end of July.



Focusing on equal opportunities for women

During the reporting period, we introduced specific measures to support the career opportunities and professional development of our female employees. The Management Board set forth a strategic objective for G&D to increase the proportion of women in the executive and global management team (comprising over 500 managers) to 15 percent by 2015. Our long-term aim is for the proportion of female managers to match the proportion of women in the G&D workforce in each country. We will look to achieve this through succession planning and placing more women in senior management roles. Progress has already been made on supporting women in key positions: a women's network has been established, a Group-wide leadership training program for women in middle management positions has been set up, and we are giving higher priority to this issue in our internal communications within the company. We also report our progress in detail on the Gender Dax website, an infor-

mation platform for highly-qualified women, having registered on the Gender Dax site in late 2011.

www.genderdax.de > Large companies > G&D

Women are also at the center of our development activities to promote talented junior employees. We are seeking to ensure that women make up at least 28 percent of our Talent Pool program, which nurtures the potential of outstanding employees and helps them to become technology specialists or managers. We have already exceeded this target in our trainee program, where three of the five participants are women.

In addition to gender diversity, we are also focusing on promoting equality in relation to age. A strategy for dealing with the impact of demographic change has been drawn up in this action area. **(p. 15 Demographic change)**

G&D will maintain its commitment to protecting human rights in its sphere of influence over the coming

reporting period. We are continuing to develop our diversity policy and will add specific measures to cover cultural diversity.





Labor standards: Showing appreciation – working together

PRINCIPLE

3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE

4

Businesses should uphold the elimination of all forms of forced and compulsory labor.

PRINCIPLE

5

Businesses should uphold the effective abolition of child labor.

PRINCIPLE

6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

In early 2012, we published our revised G&D Code of Conduct, which applies across the Group. The revisions included aligning the Code of Conduct with the principles of the International Labour Organization (ILO) and placing greater emphasis on fundamental labor standards, including freedom of association, non-use of forced or child labor, and a discrimination-free workplace. In addition, all employees are assured the same career opportunities. This is safeguarded by our diversity policy, which covers gender, age, and cultural diversity. **(p. 12 Focusing on equal opportunities)**

All G&D employees worldwide have received the new Code of Conduct. The internal audit department (Corporate Auditing) assesses compliance with the Code of Conduct as part of its audits. **(p. 9 Overarching systems)**

Further improving occupational safety

In the materiality matrix, G&D employees and external stakeholders rated occupational health and safety as the most important sustainability issue in the employee action area. We are already addressing the importance of this issue by organizing initiatives, such as occupational safety days, the first of which took place in Munich in the fourth quarter of 2011.

Some 600 employees attended the event and learned more about

potential risks in their day-to-day working life and on their way to and from work.

All our policies and strategies relating to environmental protection, health, and occupational safety have been brought together in our sustainability management system, formerly the environment, health, and safety (EHS) program. The relevant data from around the world is collected centrally in the system and evaluated. From 2013, we will also record the type and number of work accidents, first aiders, health programs and pre-

ventive measures, and the availability of company physicians.

The basis for this is provided by OHSAS 18001 (Occupational Health and Safety Assessment System). All production locations in Germany, Slovakia, Barcelona, China, and Turkey were certified in accordance with this standard during the reporting period. Other locations will be certified in early 2013. The standard will be extended to all major production sites by 2014.

Health management system

Existing occupational health and safety provisions have been expanded to include preventative measures that encourage healthy living. During the reporting period, G&D ran pilot projects in Munich on ergonomics in the workplace and inner balance, adding exercise and diet in the second half of 2012. Findings from the pilot projects in Munich will be used to adapt provisions to local conditions and the needs of employees in other locations.

Demographic change

It is also essential to ensure equal opportunities and eliminate discrimination in relation to age. The significant impact that demographic change will have on the workplace of the future is reflected both in our diversity policy's age-related aspects and in the materiality matrix: those surveyed see this issue experiencing the greatest increase in importance in the future. **(p. 8 Materiality matrix)**

G&D aims to respond to the effects of demographic change with holistic HR policies tailored to the different stages of life. We have developed a demographic strategy to help us do this. The strategy brings together our existing measures and strategically aligns them with the three pillars of managing talent, maintaining employee performance levels, and leadership and professional development. Check-ups covering each business area are a key feature of our demographic strategy. Each business unit will be analyzed individually with regard to the challenges facing it and activities developed to help counter



the impact of demographic change. This check-up process has already been piloted in one department. In March 2012, a stakeholder dialog on demographic change was held in which academics, occupational physicians, and HR strategists exchanged ideas with G&D's demographics experts and confirmed the strategy's direction. G&D will continue to take an active role in positively shaping the impact of demographic change on the Group and its employees.

Work/life balance

We want to make it easier for our employees to create a better balance between their work and private life. We aim to create a working environment in which an employee's family situation and private needs are not a hindrance. We believe that the performance of our employees depends on more than just the hours they spend at work – committed employees also need to take time out with the support of their employer. G&D therefore considers a healthy work/life balance and family-friendly policies to be highly relevant.

Innovative and flexible working time models allowed the number of part-time positions in Germany to be increased and the average length of parental leave to be shortened to 14 months. Employees also receive support to help them care for children and dependent relatives. Concrete proof of the progress made during the reporting period can be seen in the form of the new daycare center at the Louisenthal site (KitaLou) and the new sports hall for the daycare center at Königstein, as well as free advice on illness and caring responsibilities at our Munich and Leipzig locations. A highlight for our employees and their families was the G&D Family Day in Munich in June 2012, which attracted 5,000 visitors, including 1,000 children.

We also want to further increase the number of part-time employees in Germany. Our plans for an improved family-friendly workplace include holding more seminars on work/life balance, publishing reports on the intranet about combining work and caring responsibilities, and expanding our childcare provision. We are also considering introducing a new vacation program for children between the ages of 11 and 14.

G&D was once again awarded the "berufundfamilie" certificate in Germany for its commitment to family-friendly working practices. The third re-audit will take place in May 2013 in accordance with a new certification procedure for long-standing participants.

Part-time positions at G&D Germany

| To end of 2010 | To end of 2011 | Mid-2012 |
|----------------|----------------|----------|
| 7,4 % | 8,4 % | 9,2 % |



Employee involvement

One of the priorities of the G&D management team is to know how staff members view their employer and their associated expectations and then to take these views into consideration in the future. As a result of the last global employee satisfaction survey, carried out in 2010, a range of measures aimed at continuous improvement of working conditions, promoting collaborative working, and boosting equal opportunities were introduced across the Group, many of which are still being implemented. The next worldwide employee satisfaction survey will take place in 2013.

Developing managerial competence

In order to establish a value-based management culture and make our corporate values a long-term component of our global management and talent development program, we are participating in the "Verantwortung unternehmen" ("Taking responsibility") initiative run by the Eberhard von Kuenheim Foundation. In the

"Value-Based Management at G&D" project, our corporate values are specifically defined and explored in discussions with management staff and the challenges of integrating them into management practice are identified. The project also equips managers with the skills to incorporate the values into their own behavior. After the executive management team has completed the workshops, middle management will have the chance to take part. A corresponding value-based leadership training concept was successfully launched as a pilot project in Sweden during the reporting period. Going forward, the program will be implemented worldwide.

Our fourth 360-degree appraisal exercise for managers is also due to take place at the end of 2012. The previous survey in 2009 had a participation rate of 85 percent. The feedback process, which is mandatory for all managers, will now take the form of a revised questionnaire underpinned by the concept of value-based leadership.



We also plan to introduce a global Group-wide process for evaluating managerial staff in relation to specific tasks and objectives. We are currently working on a new concept for this process.

Selected activities in the action area employees

- Value-based leadership pilot project in Sweden
- Job sharing in Australia, India, Louisenthal, and Munich
- Part-time managers in Australia, Munich, Spain, Sweden, Switzerland, and in the USA
- Mentoring programs in Germany, India, Mexico, and the UK
- Informal network for women in Munich
- On-site daycare in Munich and Louisenthal
- Non-discrimination policy at all major locations
- Safety representative at all major locations
- Company physician at German, Mexican, Spanish, and UK locations

Focusing on health and safety

Scott O'Hara is not only HR director of G&D Australasia (GDAA), he is also responsible for health and safety at our Australian production sites in Melbourne and Sydney. As a safety officer, he has been implementing guidelines and measures based on international standards since 2002. He has set his sights on reducing health and safety risks at GDAA to a minimum.

In addition to new traffic management guidelines for production sites and regular safety training for departmental managers, O'Hara's team has introduced an online platform that restructures all health and safety and HR documents. "By sharing key information via the new document management system, we ensure compliant behavior and are able to disseminate important standards across the whole company." The new platform enables GDAA to systematically provide its employees with documents relating to 20 relevant guidelines and 15 sets of instructions. These cover topics, such as emergency procedures or dealing with risks and injuries. If a document is relevant to an employee – and the majority are – the employee has to confirm they have read it.

O'Hara has also introduced free health check-ups at GDAA based on a government program. "Half of our employees have already taken part since last year and had their blood pressure and cholesterol levels checked and been tested for diabetes. They have also received information about a balanced diet and healthier lifestyle." The program is set to continue in the future.



Environmental protection: Considering generations to come

PRINCIPLE

7

Businesses should support a precautionary approach to environmental challenges

PRINCIPLE

8

Businesses should undertake initiatives to promote greater environmental responsibility.

PRINCIPLE

9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Responsible use of resources and protection of our climate and the environment are core CSR elements and therefore a key action area of G&D's CSR policy. The G&D Code of Conduct includes a binding commitment to the fundamental principles of environmental protection. When prioritizing sustainability issues for our materiality matrix, all of those surveyed rated resource conservation, environmentally friendly production processes, and implementation of a sustainable supply chain as highly important. **(p. 8 Materiality matrix)**

A strong commitment to climate and environmental protection

The new Group-wide sustainability management system integrates the various worldwide activities and programs aimed at protecting the environment and climate ("Green Sustainability" and the EHS program "environment, health, and safety").

It defines binding principles to move the company closer towards our objective of a sustainable value chain and is based on the certified ISO 14001 and OHSAS 18001 management systems. Thirteen sites and subsidiaries are already certified to ISO 14001, which means we are on track for all our main production sites to be certified to ISO 14001 by the end



of 2014. Through Group-wide sustainability programs, we are also working on site optimization and efficiency gains to boost environmental and climate protection.

Global Compact principles as a supplier requirement

G&D also expects its business partners and suppliers to uphold environmental standards and use natural resources responsibly. In the future, acceptance of the new G&D Code of Conduct will be a precondition for approval as a new key supplier. **(p. 10 External implementation)**

Sustainability in the value chain

Issues such as water consumption and carbon emissions along the entire production and supply chain are set to become increasingly important in the future. That was the consensus reached in initial discussions held in May 2012 between G&D experts and selected customers, suppliers, and association representatives with the aim of making the shared value chain more sustainable.

To systematically improve our carbon footprint across all areas of our corporate activity, we have implemented a climate protection strategy and are cutting our CO₂ emissions. Establishing our corporate carbon footprint is an important milestone in this regard. Accordingly, we calculated the greenhouse gas emissions at our largest production sites during the reporting period.

On the basis of our carbon footprint, we have defined objectives and activities designed to reduce emissions and ensure resources are used more efficiently at our various locations. We have set ourselves the overall target of cutting CO₂ emissions by ten percent by 2016 compared with the reference year 2010. We will also publish our reduction targets as required by our participation in the Carbon Disclosure Project. Now that we have established Group-wide corporate carbon footprints, we intend to apply a similar focus to our water footprint.

Carbon Disclosure Project
www.cdproject.net

Green products and product carbon footprint

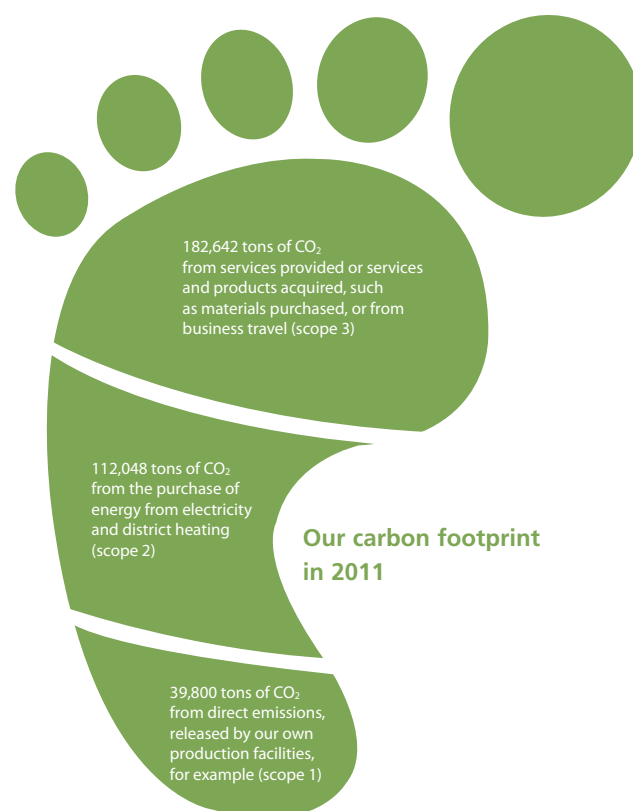
Alongside reduction of CO₂ emissions at the production sites and throughout all corporate processes, G&D is working on a green product policy, which is also a binding element of the G&D Code of Conduct. In product development, design, manufacturing, and packaging, we aim to combine outstanding technical quality with efficient use of raw materials and resource conservation. We are developing “green” products made of materials that are environmentally friendly, durable, and easy to recycle. These include payment cards made of recycled plastic and green SIM cards with a paper body.

We record greenhouse gas emissions via the product carbon footprint (PCF) to give us a clearer picture of the emissions released during our product manufacturing process, as well as those produced by our suppliers and

in the supply chain. Since April 2012, we have been able to calculate product-related values for all card products that are manufactured or personalized in four different locations.

During the reporting period, we also set up a Green Working Group in the Mobile Security business unit with the aim of improving resource conservation and enhancing the sustainability of the supply chain. Comprising employees from G&D headquarters and the subsidiaries, the working group will address “green issues” across all areas of the business – from research, procurement, and product management to production and distribution.

As a member of the International Card Manufacturing Association (ICMA), G&D also participates in the Greening of the Factory working group established in 2010. This group looks at ways to protect the environment and resources during the production of payment cards and SIM cards.



Our carbon footprint

By the end of 2011, we had put together a comprehensive picture of our overall carbon footprint and included all major production sites in our calculations. Our corporate carbon footprint (CCF) amounted to 334,500 tons of carbon dioxide in 2011. By way of comparison, some 800 million tons of carbon dioxide are emitted in Germany every year.

Our direct emissions, released by our own production facilities, for example (scope 1), amounted to 39,800 tons of CO₂ in 2011. Another 112,048 tons of CO₂ resulted from the purchase of energy (electricity, district heating; scope 2). The largest proportion of emissions came from services provided or services and products acquired, such as materials purchased, or from business travel (scope 3). In 2011, this figure totaled 182,642 tons.

We have set ourselves the goal of cutting scope 1 and 2 emissions by ten percent by 2016, compared with the reference year 2010 (when we first recorded our emissions). We will do this by taking the appropriate measures to reduce our carbon footprint and making more efficient use of energy.



Anti-corruption: Applying values – respecting rules

PRINCIPLE

10

Businesses should work against corruption in all its forms, including extortion and bribery.

G&D is committed to fighting corruption, including extortion and bribery, and to acting in accordance with all relevant laws. We pursue a policy of zero tolerance. Rule infringements are not tolerated and compliance violations are penalized accordingly.

The results of the materiality process support our stance. In the survey, internal and external stakeholders rated combating corruption as one of the most important sustainability issues for G&D. This strengthens our resolve to continue developing existing systems and activities, without losing sight of the need to consider other alternatives to help us reach our goals.

We have made significant progress in this area in recent years. Some of the most important milestones achieved are: setting up our compliance management system, comprising a Compliance Office, regional compliance advisors (regional CFOs), and compliance ambassadors (managing directors of subsidiaries), plus a helpline; updating the Code of

Conduct in the last reporting period; e-learning training sessions for our employees. **(p. 9 Internal compliance)**

Binding anti-corruption guidelines

The Code of Conduct is a key component of our zero tolerance policy and applies at every location, in every business unit, and in our day-to-day

dealings with business partners and with each other. The new Code of Conduct was published in the spring of 2012 following incorporation of the UN Global Compact principles and the rules that underpin our compliance management system, plus other standards.

The compliance helpline now covers nearly all locations. There were three notifications in the past year,

all of which turned out to be minor after detailed scrutiny.

The effectiveness of our compliance management system is currently being assessed by auditors in accordance with Assurance Standard 980 of the Institute of Public Auditors. Verification will be completed by the end of 2012.

The UK Bribery Act came into force over a year ago, setting a tough new benchmark for international companies. In response, we introduced our own ABC (anti-bribery and corruption) policy in July 2011.

Anti-corruption guidelines for our suppliers

Our business partners are bound by the same standards as those that apply to G&D. All our key suppliers are required to complete a special compliance questionnaire for G&D business partners. This integrated questionnaire is a valuable instrument for examining suppliers with regard to corruption, as well as their relationships and connections with

government officials. The aim is that by the end of 2013, at least 80 per cent of our key suppliers will have been analyzed using the Compliance Questionnaire and/or the Agreement on Business Ethics. **(p. 10 External implementation)**

We have carried out nearly 100 audits on CSR-related issues in recent years to check compliance with our guidelines.



Prevention is key

G&D's compliance management system follows a simple principle: prevent, investigate, act. For us, prevention is an essential tool for avoiding compliance violations. Managers of all G&D companies and companies in which G&D holds at least a 50-percent stake are required to implement, monitor, and, where necessary, improve internal anti-corruption rules. Internal monitoring and documentation is undertaken using the Statement on Business Controls.

(p. 9 Internal compliance)

G&D has also further refined its risk map based on the content of the Statement on Business Controls, the Corruption Perceptions Index compiled by Transparency International, and the results of reports from G&D subsidiaries. The risk map is updated every year.

Employee anti-corruption training

Communication and training sessions are an important part of G&D's anti-

corruption policy and ensure every employee worldwide is supported with regard to acting in accordance with laws and internal corporate guidelines. Around 8,000 of our 10,500-strong global workforce have taken part in e-learning seminars on compliance-related issues to date – an increase of 2,500 employees compared with the previous year's report. We are continuing to conduct training sessions on compliance issues in order to strengthen our compliance culture.

Internal reporting

Monitoring is also carried out as part of the compliance management system to ensure laws and internal regulations are adhered to with regard to anti-corruption. The Compliance Office reports to the Group's Management Board on a quarterly basis and reports annually to the Supervisory Board on the compliance management system. Individual incidents are reported separately and immediately to the Chairman of the Management Board so that appropriate action can be taken.

The helpline: reporting problems and obtaining support

The helpline set up in April 2011 is an important part of our corporate compliance management system. G&D employees can use it to contact the Compliance Office in Munich with any queries concerning legal or company requirements. Violations of legislation or corporate policies and guidelines can also be reported in this way. All queries are handled in the strictest confidence. The details of the person providing information are only disclosed with their consent. Any essential information that needs to be stored is held on a standalone laptop without any connection to internal or external networks.

"It is standard procedure for the Compliance Office in Munich to investigate all calls with the utmost discretion," says Günther Rubesch, head of the Compliance Office at G&D. "The facts are fully checked and further information is sought, if necessary." If a suspicion is confirmed, the accused party is informed of the allegation and given the opportunity to explain their position. If a compliance violation or breach of the law is indeed deemed to have taken place, the case is handed over internally to the department responsible. Of the three cases reported to the helpline during the past year, none was found to be significant after being thoroughly examined.

Security and society: Safeguarding values – shaping the future

As an international technology group, we safeguard transactions and the authenticity of identities and values. In doing so, we aim to address both the technological and the social challenges of our digital world. Data protection and data security are highly relevant to our core business and also very important on a societal level. This was confirmed by the internal and external surveys for our **materiality matrix (p. 8)**.

In 2012, we launched our “Identity – Talk in the Tower®” discussion platform to examine aspects of identity. International experts tackle a range of issues, including the impact that the technological revolutions of our time are having on us, what cultural norms and values are linked to identity, and who lays down the rules for data protection, anonymity, and transparency in our interconnected world. “Identity – Talk in the Tower®” is about enabling a creative and interdisciplinary dialog that opens up new perspectives on the topic of identity. The “Tower” in the initiative’s name

symbolizes the detachment from everyday business required for new perspectives.


The discussion platform was launched in Berlin on May 11. Selected international experts from a variety of fields, including philosophers, lawyers, political analysts, IT experts, and business people, developed an overview of the various aspects of identity. The group agreed to start with two expert groups – the Tower Task Forces – to investigate the most important issues in greater detail. The Task Forces will convene in the fall of 2012 to pursue the relevant topics. Their findings will be collated and discussed in a subsequent Tower Talk in the coming year.

“Identity – Talk in the Tower®” aims to contribute to the ongoing discussion about the future of identity by providing a platform for the international and interdisciplinary exchange of ideas.

www.identity-tower.com



Launch of “Identity – Talk in the Tower®” May 11th 2012



Corporate citizenship: Taking responsibility – supporting commitment

We are very much aware of our responsibility to the social environment in which we operate. We believe that all business activity involves accepting and exercising this responsibility. We have thus continued to develop our corporate citizenship activities in 2011/12 within the framework of the Giesecke & Devrient Foundation and also launched our corporate volunteering program.

The G&D Foundation in its first full year of operation

The G&D Foundation was set up in 2010 to bring together our corporate citizenship activities in the fields of education, culture, and intercultural exchange. The Foundation is endowed with 20 million euros. In 2011 – the Foundation's first full year of operation – it worked with the Goethe Institute to organize a language and cultural exchange visit to Germany for a group of young people from India. The visit will be repeated in 2012. The Foundation will also expand its partnership activities with other initiatives in various projects. In 2011, it provided support for the "Book-

mark" ("Lesezeichen") project, the Roland Berger Foundation's "Fit for Responsibility" scholarship program for school students, and the ZEIT Foundation's "Making More Immigrants Teachers" program for young people. The G&D Foundation also continued to fund the Museum of the Printing Arts in Leipzig and the "new responsibility foundation" ("stiftung neue verantwortung").

In 2013, the Foundation will organize language and cultural exchange visits for young people from Brazil and Mexico and will continue supporting the "Bookmark" project, the "Fit for Responsibility" scholarship program, and the "Making More Immigrants Teachers" program.

www.gi-de-stiftung.org
www.druckkunst-museum.de
www.stiftung-nv.de

Support for individual employee commitment

G&D set up a corporate volunteering program in early 2012 to encourage its employees to volunteer. Employees can register to volunteer on selected projects and can also propose their own projects. If an employee devotes up to two days of their vacation or free time to volunteering, G&D will allow them the same number of working days to pursue this activity.

The program has been very well received by our employees. All the volunteer places filled up very quickly on the first projects, which included an excursion with refugee families, redecorating a classroom, and visiting an adventure park with a group of children from different cultural backgrounds. The feedback from participants was extremely positive. The next set of projects will include renovating an adventure playground.

At a glance – G&D's CSR program

| | Systems and measures | Progress and outlook | Deadline | Details | Global Compact |
|--|---|--|---------------------------|----------|--|
| CSR strategy | Support for the UN Global Compact | Regular progress report as per the requirements of the UN Global Compact (joined 9/2010, first report 9/2011) | Annually | | |
| | Prioritization of CSR issues and action areas | Internal and external stakeholders surveyed (2011/12), materiality matrix created and results discussed with the individual departments (mid-2012). Objective: update in three years | Updated every three years | p. 7/8 | |
| | Flagship "security and society" project | Interdisciplinary and international "Identity – Talk in the Tower®" dialog platform launched (5/2012) | Will be continued | p. 25 | |
| | Raising awareness among employees and customers | CSR brochure for employees revised, regular updates on the intranet, CSR/sustainability area at the G&D Family Day in Munich (6/2012), online information at www.gi-de.com | Ongoing | | |
| Action area: Compliance / Procurement / Supply Chain | Group-wide Code of Conduct | Code of Conduct revised (e.g. to reflect the UN Global Compact principles, international standards, compliance management, and G&D values), sent to all employees worldwide, Corporate Auditing department assesses compliance with the Code of Conduct as part of its audits | 2012 | p. 9 | Principles 1–10 |
| | Group-wide compliance management system with Compliance Office in Munich | Audit of compliance management system (IDW PS 980): module 1 successfully completed, modules 2 and 3 in progress. Objective: complete audit by end of 2012 | 2012 | p. 23 | Principles 1–10, especially principle 10 |
| | | Anti-bribery and corruption policy implemented based on the UK Bribery Act (7/2011) | 2011 | p. 23 | Principles 1–10, especially principle 10 |
| | | Risk map based on the Statement on Business Controls, the Corruptions Perceptions Index (compiled by Transparency International), and the results of reports from G&D subsidiaries; compliance monitoring based on these results has commenced | Annually | p. 24 | Principles 1–10, especially principle 10 |
| | Training on compliance issues via international e-learning courses | Courses on compliance basics, Code of Conduct, anti-corruption, antitrust law, data protection, and dealing with business partners; 8,000 employees worldwide have participated in e-learning courses. Objective: more training modules and mandatory participation for all employees across the Group | Ongoing | p. 24 | Principles 1–10 |
| | Compliance helpline for employees, customers, and service providers | Nearly all locations can access the compliance helpline | 2012 | p. 23/24 | Principles 1–10 |
| | Statement on Business Controls (declaration concerning corruption, data protection, the environment, labor standards, and human rights) | Obtained from managing directors of the subsidiaries and division managers along with their regional finance officers or division controllers | Annually | p. 9 | Principles 1, 2, 5, 6, 7, 8, 10 |
| | Regular reports to Management Board and Supervisory Board | Reports address compliance violations, required action, and statistical data on compliance | Ongoing | p. 24 | Principles 1–10 |
| | Business partner selection process with Compliance Questionnaire and Agreement on Business Ethics with reference to Supplier Conduct Principles | Compliance questionnaire is part of the qualification process for key suppliers; previous response rate 47%; additional communication of Agreement on Business Ethics with reference to Supplier Conduct Principles in the Mobile Security business unit, response rate 65%. Objective: going forward all documents refer to the new Code of Conduct, 80% response rate for compliance questionnaire and/or Agreement on Business Ethics by end of 2013 | Ongoing | p. 10 | Principles 1–10, especially principle 10 |

| Action area: Employees | Systems and measures | Progress and outlook | Deadline | Details | Global Compact |
|------------------------|--|---|----------------------------------|----------|----------------|
| | Regular Group-wide employee satisfaction survey | Numerous activities derived from the 2010 employee satisfaction survey and implementation tracked by means of an electronic software tool. Objective: next employee satisfaction survey 2013 | Ongoing, recurring every 3 years | p. 17 | Principle 6 |
| | 360-degree feedback for managers worldwide | Last survey in 2009 with 85% participation rate. Objective: next survey planned for 2012; mandatory for all managers | Ongoing | p. 17 | Principle 6 |
| | Uniform approach to assessing managerial staff (performance management) across the Group | Concept design by 2012. Objective: roll-out in first countries from 2013 | 2013 | p. 17 | Principle 6 |
| | Value-based management culture | "Value-Based Management at G&D" project (in conjunction with the "Taking responsibility" initiative); value-based leadership training program undertaken by senior management; expansion to include middle management and finally Group-wide implementation | 2012/2013 | p. 17 | Principle 6 |
| | Personnel policy for different employee life phases to address demographic change | Strategy for demographic change with specialist workshops since 2012, stakeholder dialog with external participants (3/2012) | Ongoing | p. 15 | Principle 6 |
| | Diversity management for age, gender, culture | Gradual development of diversity management: Stage 1 Age (see Demographic Change), Stage 2 Gender: A women's network has been established to promote women in key roles (Germany), company-wide management training scheme started for women in middle management. Objectives: increase percentage of women in executive and global management roles to 15% by 2015. Long-term objective: percentage of women managers to match percentage of women in each workforce; expansion of diversity management to Stage 3: Cultural Diversity | 2015 | p. 12/13 | Principle 6 |
| | Health management | Expansion of occupational and health and safety provisions to include preventative measures that encourage healthy living; two out of four healthy living pilot projects (2011), remaining projects to take place in 2012. Objectives: certification of all major production sites to OHSAS 18001 by 2014 (see Action area: Environment). Long-term objective: company-wide implementation of health management | Ongoing | p. 15 | Principle 6 |
| | Group-wide collection of data on work accidents and measures that encourage healthy living | Key figures defined based on GRI (part of the sustainability management system); roll-out from 2013 | 2013 onwards | p. 15 | Principle 6 |
| | Comprehensive measures designed to enable work/life balance for parents | Flexible working time models, increase the number of part-time positions in Germany; new daycare center at the Louisenthal site; G&D Family Day in Munich (6/2012); advice for employees with children or dependent relatives. Objectives: further increase the number of part-time roles in Germany, "berufund-familie" re-audit in 2013; seminars and reports on the intranet (ePlanet) on work and caring | Ongoing | p. 16 | Principle 6 |
| | Trainee recruitment and development | National and international partnerships with universities expanded, e.g. with dual study programs in two universities in Ingolstadt and Munich | Ongoing | | |

| | Systems and measures | Progress and outlook | Deadline | Details | Global Compact |
|------------------------------------|---|--|--------------|----------|-----------------|
| Action area: Environment | Group-wide sustainability program Sustainability management system for planning and auditing sustainability activities boost efficiency | Green sustainability and EHS program (environment, health, and safety) transferred to the sustainability management system with corresponding metrics | 2012 | p. 19 | Principles 7, 8 |
| | Group-wide sustainability program to boost efficiency | Objective: introduction of programs to optimize standards and boost efficiency from an environmental, health, and safety standpoint, plus greater commercial efficiency | 2012 onwards | p. 20 | Principles 7, 8 |
| | Group-wide certification to ISO 14001 and OHSAS 18001 | 13 locations already certified to ISO 14001: Munich*, Louisenthal*, Königstein*, Leipzig*, Barcelona*, Nitra*, Nanchang*, Beijing*, Huangshi*, Itaquecetuba, Tokyo, Markham, Mexico City (* = also certified to OHSAS 18001). Objective: certification of all major production sites by 2014 | 2014 | p. 15/20 | Principles 7, 8 |
| | Corporate carbon footprint | Participation in the Carbon Disclosure Project (results published 7/2012); corporate carbon footprint of the largest production site has been established (carbon footprint published in annual report 4/2012). Objective: CO ₂ reduction of 10% by 2016 (based on 2010 figures) | 2016 | p. 20/21 | Principles 7, 8 |
| | Product carbon footprint | Product-related carbon footprint for card products manufactured or personalized in four different locations (4/2012) | 2012 | p. 21 | Principles 7, 8 |
| | Emissions neutrality | G&D Family Day run as climate-neutral event (6/2012) in conjunction with the Forest Carbon Group | Ongoing | | Principles 7, 8 |
| | Increasing usage of alternative materials and development of green products, e.g. green SIM cards | Green Working Group set up by the Mobile Security business unit; collects and prioritizes ideas | 2014 | p. 20 | Principles 7–9 |
| | Measures for conserving resources in production and processing | Installation of a new facility at the Malaysia site for lye recovery in banknote printing, thereby reducing energy consumption and waste | 2012 | | Principles 7–9 |
| | Analysis of additional environmental topic | Objective: address issues around water use and assess relevance for G&D | 2012 onwards | p. 20 | Principles 7, 8 |
| | Stakeholder dialog on environmental/climate protection | Objective: event planned to continue the dialog with stakeholders already started | 2012/2013 | | Principles 7–9 |
| Action area: Corporate citizenship | Giesecke & Devrient Foundation | Various funding projects, e.g. Museum of the Printing Arts in Leipzig and “new responsibility foundation” in Berlin (“stiftung neue verantwortung”); priorities for 2012: Roland Berger Foundation's “Fit for Responsibility” scholarship program; language and cultural exchange visit to Germany for young people from India | Ongoing | p. 26 | |
| | Corporate volunteering program | Started at beginning of 2012 in Germany; first three projects: excursion with refugee families, redecorating a classroom, and visiting an adventure park with a group of children from AKA (Active for Intercultural Exchange Association) | Ongoing | p. 26 | |

Activities completed in the previous progress report have not been included again here.



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