

Corporate Social Responsibility 2016 Report

Accelerating Global Problem Solving





“I truly believe that we are at our best when we combine our business strength with our desire to do good things in the world.”

Chuck Robbins, CEO

Message from Chuck Robbins

Welcome to Cisco’s FY16 CSR report, which covers my first full year as CEO of Cisco—a year in which I believe our CSR programs have strengthened more than ever. This year we committed to positively impact the lives of one billion people by 2025. This is an ambitious goal, but one I truly believe that we can achieve.

One of the ways in which we have sought to make a difference is through our work with cities. In October 2015, I had the pleasure of attending the launch of Cisco’s first “Lighthouse City” in Washington, DC. As this effort comes to life over the next few years, it will illustrate how transformative our technology can be in the lives of so many. The smart city infrastructure we’re building there—from smart streetlights to water monitors—will make sustainable lifestyles more achievable for thousands of people. We’re also making additional investments in our Cisco Networking Academy® program in the city to enable more people to get trained in the skills needed to participate in the digital economy.

Our work in Washington, DC is just one example of the problem-solving power that makes Cisco unique. With the momentum we have built over the last several years, we now have the opportunity to empower even more people to confront the big global issues that face all of us, and develop solutions that have the potential to scale, replicate, and be sustainable. To do that requires a commitment to education and economic empowerment—two things I am deeply passionate about. In FY16, and in the years ahead, we are committed to delivering more digital skills training and investing in innovative, early stage nonprofit solutions that use technology to address social and environmental challenges.

Living Goods is another example of our commitment to improving lives, and shows what’s possible when technology and social impact come together. This nonprofit social enterprise empowers health entrepreneurs in Kenya and Uganda to deliver life-saving products to the doorsteps of the poor. With Cisco funding, they developed a mobile technology platform to support their business and grow from 400 to 4000 community health workers over the past 4 years. These health workers now serve 3 million clients, and the program has driven huge social benefits, lowering child mortality by 25 percent at an annual cost of less than \$2 per person while creating livelihoods for thousands of women.

While we are committed to making a difference in the lives of people around the world, we are also committed to improving what we do at Cisco. For instance, we continue to make our own operations more sustainable. Starting in FY14 and by the end of our 4-year program in FY17, we will have implemented over 450 energy efficiency and renewable energy projects—100 this past year alone—with a net present value of \$69 million over 10 years. When these projects are complete, they will collectively avoid 140 GWh of energy each year. We are also piloting an Internet-of-Things (IoT) factory of the future with a manufacturing partner, using thousands of sensors to measure the energy consumption of systems and equipment as part of a range of initiatives to reduce the footprint of our extended operations.

Our customers are facing many challenges of their own, and we are partnering with them on our energy management solutions, remote collaboration solutions, teleworking and mobility, and cloud services that help them solve business, environmental, and social problems. Our circular economy program is working to increase used product returns for resale or recycling; study leasing and as-a-service models to facilitate return and reuse; implement IoT technologies for improved asset tracking, maintenance, and operations; and improve product and packaging design.

All that we are doing is only possible due to the dedication of our incredible team at Cisco, and I am thankful for their efforts. I am also proud that we now have a higher level of diversity in our senior leadership team than ever before, which reinforces our commitment to promoting a more diverse workforce. We continue to work hard toward attracting more diverse talent into our workforce, and our leading metrics on hiring are showing good progress.

In the pages ahead, you'll be able to dig in to all the details on our CSR work over the past year—work that is core to who we are. As you read through this report, I hope you'll see that Cisco's social and environmental programs address fundamental issues that are important to people all over the world. As we do this work, we're also holding ourselves accountable by continuing to support and report our progress toward the universal principles embodied in the United Nations Global Compact.

I truly believe that we are at our best when we combine our business strength with our desire to do good in the world. As we see more and more people and things connect in the years ahead, we will have even more opportunities to change the world for good, and I can't wait to see what we will accomplish.

Sincerely,



Chuck Robbins
Cisco CEO



Accelerating Global Problem Solving

For the past 20 years, we have been applying our technology and expertise to accelerate global problem solving and positively impact people, society, and the planet. We’ve shown the value of investing in early stage technology to scale solutions to social and environmental challenges. We’ve also shown how working with our technology partners and peers can open the door to innovation and progress and help grow inclusive, prosperous economies.

“Today, technology and data intelligence are enabling us to change the way we address—and ultimately solve—our most pressing social and environmental challenges. As a company, we strive to inspire and connect people, and invest in opportunities that accelerate global problem solving, empowering people everywhere to work toward eradicating poverty, unemployment, climate change, and hunger.”

Tae Yoo, Senior Vice President, Corporate Affairs and CSR

We aim to:

- Empower global problem solvers by catalyzing an innovative and entrepreneurial ecosystem.
- Advance positive social and environmental change through technology-based solutions and partnering with multiple stakeholders.
- Promote sustainable outcomes across our business operations, supply chain, and customer base through good business practices and transformative solutions.

Everyone has the potential to become a global problem solver—to innovate as a technologist, think as an entrepreneur, and act as a social change agent. Within our core focus areas of people, society, and the planet, we have identified CSR priorities that are most relevant to Cisco’s business and where we can make the greatest impact. You can read more about these priorities in the pages that follow.

We accelerate global problem solving through our technology and expertise to positively impact people, society, and the planet.

 <p>People</p> <p>Enabling people to reach their full potential in a digital economy</p> <ul style="list-style-type: none"> <li style="background-color: white; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Ethical conduct <li style="background-color: white; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Our people <li style="background-color: white; border-radius: 15px; padding: 5px;">Building skills and entrepreneurship 	 <p>Society</p> <p>Scaling inclusive social and economic impact in countries around the world</p> <ul style="list-style-type: none"> <li style="background-color: white; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Building knowledge and the digital foundation <li style="background-color: white; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Human rights <small>(ethics, labor, data security/privacy, digital rights)</small> <li style="background-color: white; border-radius: 15px; padding: 5px;">Responsible sourcing and manufacturing 	 <p>Planet</p> <p>Advancing environmentally sustainable growth in a connected world</p> <ul style="list-style-type: none"> <li style="background-color: white; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Energy and greenhouse gas reduction <li style="background-color: white; border-radius: 15px; padding: 5px;">Product end of life
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People

Ethical conduct

Our people

Building skills and
entrepreneurship

People

We enable people to reach their full potential in a digital economy.

This starts with our commitment to ethical conduct and to the governance structures that ensure we walk the talk, which enable us to earn the trust of our stakeholders.

We invest in the welfare and talents of our employees so they can flourish as global problem solvers. Cisco's "Our People Deal," which is focused on connecting everything, innovating everywhere, and benefiting everyone, enables them to make a meaningful difference in communities worldwide. In FY16, our employees contributed \$12 million in charitable donations, including matched funds, and volunteered more than 187,000 hours. We have set a goal of 80 percent employee engagement by 2020 in giving of time, money, and expertise.

We are also nurturing the talents of problem solvers around the world. In FY16, the Cisco Networking Academy® program reached more than 1 million students in 170 countries, equipping them with the IT skills necessary to thrive in the digital economy. We plan to increase this number to 2 million students in the next 5 years. By helping students connect with employers seeking IT talent, this program also benefits our business, our customers, and our partners and communities worldwide. In the last 10 years, we have helped 1.4 million students obtain new jobs.

Table 1. Our People Performance Highlights

Priorities	Goals/Performance	FY16 Progress	FY17 Plans
Ethical conduct	100% of eligible ¹ employees to complete annual certification to the Cisco Code of Business Conduct	99.8% completed annual certification	Continue working toward 100% employee certification
Our people	80% employee engagement (volunteering and donations) by 2020	FY16 established baseline; 36% engagement	Increase employee engagement experience through new giving platform
Building skills and entrepreneurship	Achieve a milestone of 2 million Networking Academy® students per year by 2021	1.09 million students in Networking Academy in 170 countries	Target: 1.25 million Networking Academy students

¹ Excludes employees in France (which has a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, and interns; also excludes contractors, who must abide by our Supplier Code of Conduct.



“Our commitment to ethical conduct—and to the governance structures that ensure we walk the talk—provide the foundation for us to earn trust.”

Mark Chandler,
Senior Vice President,
General Counsel and Chief
Compliance Officer

Ethical Conduct

Doing business honestly, ethically, and with integrity helps us build long-term, trusting relationships with our employees, customers, suppliers, and stakeholders worldwide. Our Code of Business Conduct and ethics training mean our employees understand that we pride ourselves in high ethical standards. We have been recognized by the Ethisphere Institute as one of the World’s Most Ethical Companies® for nine consecutive years.

Four key elements of our ethics policy include:

- Our Code of Business Conduct (COBC) educates our employees about unlawful or unethical conduct that may be wrongly used to secure direct business or preferential treatment. We have zero tolerance for corrupt behavior among our employees.
- Our global anti-corruption policies enable our employees and partners around the world to understand how to comply with local and international laws.
- Cisco does not make any political contributions to candidates that run for U.S. federal or state elected office, and we are transparent about any policy engagements we undertake on behalf of the technology industry’s public policy priorities and interests.
- Our Ethics Office provides our employees with a safe platform to report concerns regarding ethical behavior, and we encourage employees to do so in good faith. In FY16 the Office received 871 cases in total; over half were questions seeking further guidance on integrity and ethics questions. This is an increase from 584 cases in FY15, which we believe demonstrates employee confidence in the process and enhanced awareness of Cisco’s commitment to business integrity and ethics.

Ethisphere Institute recognized Cisco as one of the World’s Most Ethical Companies® for the ninth consecutive year.

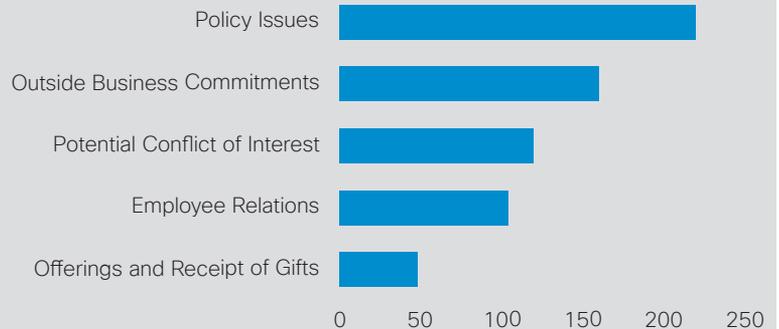


Employee Certification

FY16 Progress

99.8%

Ethics Helpline: Top 5 Case Types for FY16



The requirements of our Code of Business Conduct are extended to our supply chain through our Supplier Code of Conduct. For more information, see [Responsible Sourcing and Manufacturing](#).



“As a company, Cisco emphasizes a culture that provides our employees with the most innovative experience, where they can learn, live their passions, and be their best selves.”

Francine Katsoudas
Senior Vice President and
Chief People Officer

Our People

We believe working at Cisco creates an environment where our employees have the opportunity to build their careers and change the world for the better. [Our People Deal](#) is how we enable an agile, innovative and learning culture at Cisco. As a market leader, Cisco’s technology, reach, and access give employees the opportunity to “connect everything, innovate everywhere, and benefit everyone.”

Developing Our People

Three principles drove our approach to developing our people in FY16:

- **Focus on teams:** All of our biggest breakthroughs as a company come from our best teams. We have built a dedicated Human Resources team to serve teams and their leaders, as well as develop the analytics to understand the characteristics of best teams and how they work. In addition, we rolled out Team Space, an online platform that supports teams to do their best work.
- **Identifying individual strengths:** We recognize the incredible diversity of each employee and we are committed to helping them understand their strengths so they can be at their best. Through a new assessment process, we are helping employees and their leaders leverage and combine their individual strengths and increase performance.
- **Agile listening:** We created a new listening strategy that moves us away from the annual survey process to listening on an ongoing basis through many means, both internal and external. We have implemented new tools to make it easier for employees to provide feedback more frequently and for the business to listen and respond.

At the beginning of FY16 we launched our second People Leader Feedback survey, asking our people how their leaders were living up to their commitments. Almost 35,000 people provided their feedback, and individual reports were provided to 7800 leaders (91% of our leadership population).

Developing Skills

Our employees benefit from over 40 professional skills courses, as well as technical learning specific to their functional organization. In FY16, 10,713 employees took advantage of professional skills courses, totaling approximately 164,100 hours of learning, and more than 34,100 people took advantage of our internal Learning Portal.

As we continue to roll out our [Talent Cloud](#) it will provide an ecosystem of applications and platforms that help employees, team leaders, and enterprise leaders gain insights on skills and strengths to support career choice, flexibility, and mobility.

Total Rewards

In FY16 our total compensation was approximately \$14 billion. Our compensation packages are designed to be innovative, personal, fair, simple, and based on our shared values. The reward options allow managers to deliver a greater reward experience that increases engagement and recognizes employee performance.

Employee Volunteer Hours

2016 Progress
(hours/year)



As a founding signer of the White House Equal Pay Pledge, Cisco is proud to be taking a national leadership role in sharing best practices and advancing pay parity for all workers. Cisco's [Pay Parity initiative](#) emphasizes our longstanding commitment to fair pay for everybody, regardless of gender, race, or ethnicity. It is an integral part of [Our People Deal](#). We also support:

- Family-friendly leave
- Employee volunteering, with a standard five days off every year for volunteering activities
- Childcare services in many locations
- Family days at major sites

Employee Engagement

In FY16, Cisco employees volunteered more than 187,100 hours, a 20-percent increase over FY15. Also in FY16, employee donations and matched funds amounted to nearly \$12 million for nonprofit organizations.

- We launched Time2Give, which allows regular Cisco employees to take 5 days off per year to volunteer at a nonprofit or charity of their choice. Around the world, 3000 employees have already engaged in meaningful volunteer experiences through this program.
- We re-launched our regional, employee-run Cisco Citizen Network (formerly Civic Councils), in which local chapters support employee engagement and volunteerism in cities and regions around the world.
- More than 8500 employees participated in our Be the Bridge annual giving campaign, generating over \$4.5 million in direct employee donations and matching funds from the Cisco Foundation for 406 community partners.

10,713

employees
took advantage of
professional skills courses

“To reap the potential rewards of digital transformation, the world will need millions of people to fill information and communications technology jobs in every country, and in almost every field.

We must work together to develop regional expertise and capacity that enables all people—regardless of socioeconomic background or gender—to succeed and lead in the digital economy.”

Tae Yoo, Senior Vice President, Corporate Affairs and CSR

Building Skills and Entrepreneurship

In our quest to “positively impact one billion people by 2025,” we want to make sure that the impact is meaningful and sustainable. Skills and entrepreneurship are core to accelerating global problem solving.

We are committed to building skills that empower people to thrive in the digital economy:

- **Digital skills development:** Building foundational digitization skills required to thrive in the digital economy.
- **Co-creation:** Partnering with universities and social change agents to co-develop curriculum, experiences, and engagement models.

During FY16, more than 1 million students developed skills through Cisco Networking Academy. We aim to double the number of students to 2 million annually. In an industry that has been historically dominated by men, we are proud that 20 percent of Networking Academy students worldwide are female. This percentage is much higher in individual countries, such as 55 percent of students in Kuwait, 41 percent in Jordan, 33 percent in the Philippines, 31 percent in China, and 28 percent in Mexico.

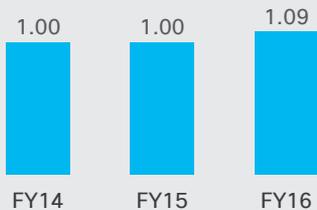
We work with more than 9600 educational institutions, including high schools, universities, community colleges, and nonprofits, in more than 170 countries to provide in-depth and hands-on technology training.

We are also committed to building entrepreneurship capabilities to enable innovation and job creation:

- **Innovation capacity grants:** Providing funding to culturally responsive and socially focused programs and initiatives that cultivate leaders and entrepreneurs.
- **Innovation challenges and investments:** Investing in experiential learning opportunities to identify a range of early stage innovation investments, from concepts to startups.

Students in Cisco Networking Academy

FY16 Progress (students enrolled, in millions)



FY16 highlights include:

Cisco partnered with Founder.org to sponsor \$50,000 in awards to student entrepreneurs who are working on ideas that apply the concepts of digitization to produce viable products or services that benefit society and the environment. [Read more.](#)

Together with the Rice Business Plan Competition (RBPC), the Cisco Innovation Challenge aims to recognize, promote, and accelerate the adoption of breakthrough technologies, products, and services that will capture value and benefit society. The first prize of \$100,000 in the 2016 RBPC went to Neopenda (www.neopenda.com), Columbia University. [Read more.](#)

Supported by Cisco-managed funds at the Silicon Valley Community Foundation, Cisco is collaborating with Arizona State University on a pilot program that provides culturally responsive entrepreneurship and technology programing designed for Latino youth interested in driving social and economic development. [Read more.](#)



Society

Building knowledge and the digital foundation

Human rights (ethics, labor, data security/privacy, digital rights)

Responsible sourcing and manufacturing

Society

We scale inclusive social and economic impact in countries around the world.

Through original research and thought leadership, Cisco strives to drive momentum for the digital revolution by understanding and sharing insights related to economic opportunity, economic impact, and advancing positive social change.

We are enabling social enterprises and nonprofits to accelerate early stage, technology-based solutions for critical human needs and disaster relief, education, and economic empowerment. We focus on solutions that can be scaled to benefit millions in underserved communities around the world.

We believe it is our responsibility to continue to improve how we integrate human rights principles and practices across our value chain, from global Internet governance to the rights of our employees and of the extended supplier workforce that manufactures our products.

We are committed to maintaining the trust of our stakeholders by advocating for global standards, improving product security, and protecting data privacy to enable widespread access to information and freedom of expression.

Throughout our global supply chain, our commitment to respecting human rights includes driving conformance to ethical standards that promote safe working conditions and responsible labor practices for the thousands of workers around the world that manufacture our products. We also seek to lead on challenging issues such as addressing human rights in the extended supply chain by supporting the power of collective action with industry peers.

Table 2. Society Performance Highlights

Priorities	Goals/Performance	2016 Progress	2017 Plans
Building knowledge and the digital foundation	Positively impact 1 billion people by 2025	Positively impacted 78 million people by the end of FY16	Continue working toward 100 million people/year
Human rights	Implement the UN’s Guiding Principles on Business and Human Rights	Updated human rights policy and training	Conduct stakeholder engagement on Internet governance Roll out updated human rights training to employees
Responsible sourcing and manufacturing	Advance human rights of the most vulnerable workers in the supply chain	Drove education and adoption of Electronic Industry Citizenship Coalition (EICC) Code requirements	Conduct formal human rights impact assessment of the supply chain
	Promote an inclusive business environment for diverse suppliers across Cisco procurement categories	Developed a unified supplier diversity strategy and training program for direct and indirect procurement	Execute internal training program and formally embed diversity in procurement processes

“To make a significant and lasting impact, Cisco works with nonprofits, non-governmental organizations (NGOs), and community-based organizations around the world.

Together, we have the power to inspire, connect, and deliver on new opportunities and rich experiences that can open doors to innovation and progress while growing global economies and increasing well-being.”

Tae Yoo, Senior Vice President, Corporate Affairs and CSR

Building Knowledge and the Digital Foundation

Extending access to the Internet to bring about positive social and environmental change is a core goal at Cisco. We focus on organizations and solutions that have the potential to benefit millions of people in underserved communities around the world. In FY16, we provided cash and in-kind contributions of \$309 million. Our cash grants alone have positively impacted 78 million people as reported by our nonprofit partners. We have also set a goal of positively impacting 1 billion people by 2025.

We are committed to building knowledge to inform and drive the digital revolution through research and solutions forums:

- **Research and thought leadership:** We strive to drive momentum for the digital revolution by understanding and sharing insights related to economic opportunity, economic impact, and advancing positive social change.
- **Solution forums:** We are bringing together innovators, thought leaders, and change agents to develop and accelerate solutions to social and environmental challenges.

We are committed to building an environment that enables new digitized services, tools, and support models to create positive social and environmental change:

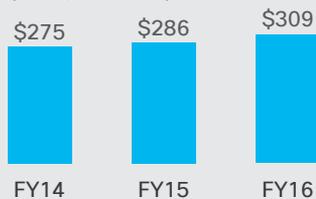
- **Critical human needs:** Directing essential resources (food, water, and shelter) to those in need and responding to disasters to save lives and restore communities.
- **Education:** Expanding reach, improving outcomes, and increasing student engagement in STEM, as well as improving teacher professional development.
- **Economic empowerment:** Connecting the underserved to opportunities and resources that lift people out of poverty and move them toward financial self-sufficiency.

An example of our research and thought leadership is seen in our work with Gartner. A recent study with Gartner provided additional evidence that reinforces the importance of technical education and professional certification as necessary components on the road to digitization.

An example of our investment in critical human needs is in our response to the refugee crisis in the Middle East and Europe. We are leveraging our own core competencies: encouraging and matching the generosity of our employees to provide financial support to NGOs; donating Cisco equipment to establish Wi-Fi hotspots and connectivity for refugees on the move and in camps; providing volunteer time and in-kind technical support through our Tactical Operations, Disaster Incident Response, and Central European teams; and awarding cash grants to strategic nonprofit partners to provide Internet-based information and coordination services to refugees and NGOs on the ground.

Total Corporate and Cisco Foundation Cash and In-Kind Contributions

FY16 Progress
(USD, millions)



“We are focused on driving respect for human rights throughout our value chain—from global Internet governance to the rights of our employees and those of our suppliers.”

Mark Chandler, Senior Vice President, General Counsel and Chief Compliance Officer

Executive Sponsor of Cisco’s Human Rights Working Group

Human Rights

Respecting human rights is a cornerstone of how we conduct business. Our human rights program encompasses our full value chain: advocating and defending freedom of expression and rights to privacy through Internet governance and global product standards; being an inclusive employer that respects diversity; and respecting the working conditions, welfare, and human rights of workers in our supply chain.

Our Human Rights Policy was first published in 2012 and our Human Rights Working Group includes experts from functions across the business, including Supply Chain, Privacy, Government Affairs, Business Strategy, Inclusion and Collaboration, and Investor Relations. It is promoted through product security requirements, human resources policies, and Cisco’s Code of Business Conduct and Supplier Code of Conduct.

Digital Rights and Privacy

We advocate for strong freedom of expression and privacy protections, which we believe are fundamental to successful business innovation and a thriving society.

“Data security by design” means that security is not an add-on but a core component of the development of our products, services, and systems. Our Trust and Transparency Center provides information and resources to customers and other interested parties on our approach.

Employee Awareness

At the end of FY16, more than 25,000 of our employees had completed human rights training.

Inclusion and Collaboration

Our Office of Inclusion and Collaboration works toward attracting the full spectrum of diverse talent. During FY16, our overall global workforce diversity increased, with women now representing 24% of our workforce versus 23% in FY15. We interviewed more diverse candidates, which increased diverse hiring this year—up over 4% for women, 13% for African-American/Black candidates, 14% for Hispanic/Latino candidates, and 30% for candidates representing American Indian, Native Hawaiian, or multiracial candidates.

Supply Chain Engagement

Our Supplier Code of Conduct and supporting audit and capability-building programs set our expectations for key human rights issues, including the prevention of child and forced labor and promoting higher labor standards across the industry. We also continue to work toward having a conflict-free supply chain.

Workforce Diversity: Overall by Gender

FY16 Progress

Diverse hiring increases in FY16:

↑4% Women

↑30% American Indian,
Native Hawaiian,
or Multiracial

↑13% African-American

↑14% Hispanic/Latino



“We have a profound responsibility to deliver superior technology solutions in an ethical and environmentally responsible manner. As a global supply chain, we’ve embraced sustainability as part of our values and operating model to adapt, innovate, and transform the way we deliver business outcomes to our customers.”

John L. Kern, Senior Vice President, Supply Chain Operations

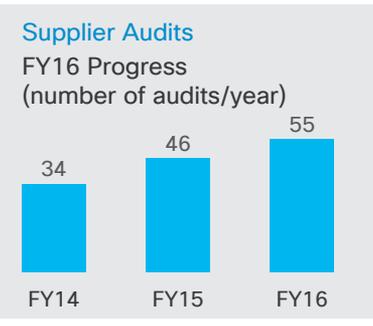
Responsible Sourcing and Manufacturing

Sustainability is a core element of our integrated supply chain strategy, which we drive through our outsourced network of manufacturing and logistics partners. We focus on supply chain initiatives that align to our largest risks and on impacts that align to our business strategy.



We promote our sustainability requirements through the EICC Supplier Code of Conduct (the Code). All suppliers must commit to the Code and adhere to its requirements to do business with Cisco.

During FY16, we focused our efforts on the following key areas:



↑20%
Increase in number of audits of manufacturing partner and component supplier facilities during FY16

- Supply chain labor standards:** We conducted 55 audits of manufacturing partner and component supplier facilities during FY16, up 20 percent over last year. Based on audit findings, our FY17 engagement priorities are to use digital solutions to give workers a voice, driving ethical responsible sourcing practices deeper into the supply chain. We aim to benefit supply chain component and manufacturing workers by implementing Cisco technology and capabilities by 2020 that improve the identification of root cause issues and align with the Code.
- Supplier diversity:** A more diverse supplier base broadens partnering opportunities and offers a richer mix of the skills and perspectives needed to solve today’s complex challenges. We improved employee awareness through trainings, and streamlined processes and tools to focus on procurement areas where we can have the most impact. Our goal is to expand cultural adoption of supplier diversity engagement between internal business functions, key suppliers, and industry stakeholders by enhancing consideration of diverse suppliers in procurement decisions.
- Ethical sourcing of raw materials:** We are closely engaged with our suppliers and have received due diligence reporting from suppliers representing more than 99.4 percent of our direct spend. In 2015, 83 percent of the identified smelters and refiners in our supply chain for current products on the market had been audited or are active in the Conflict-Free Smelter Program (CFSP) audit process, a major increase of 47 percent over the previous year. We also recognize that we must play a role in addressing human rights challenges in the extended supply chain that provides the raw materials upon which our industry relies.
- Supply chain environmental programs:** Please see our [Planet](#) section for more details.



Planet

Energy and greenhouse
gas reduction

Product end of life

Planet

We advance environmentally sustainable growth in a connected world.

Our vision is to build sustainability into our business functions and processes. In FY16, we completed more than 100 energy-efficiency and renewable energy projects. We are on target to reduce greenhouse gas (GHG) emissions from our worldwide operations by 40 percent absolute by the end of FY17 compared to our FY07 baseline.

We are investing in transformative solutions and sharing energy efficiency best practices with our customers and partners. Our products improve building energy management; facilitate remote collaboration to improve productivity and reduce business travel; promote teleworking and office mobility, also increasing the utilization of company real estate; and enable energy-efficient cloud computing for businesses and their customers worldwide. We are also extending our energy efficiency programs into our supply chain by piloting an Internet of Things (IoT) factory-of-the-future solution with a manufacturing partner.

We are using circular economy principles to: increase used product returns for reuse, resale, or recycling; study leasing and as-a-service models to facilitate product return; implement IoT technologies for improved asset tracking, maintenance, and operations; and improve product and packaging design.

Table 3. Environment Performance Highlights

Priorities	Goals/Performance	FY16 Progress	FY17 Plans
Energy and GHG reductions	Reduce total Cisco Scope 1 and 2 GHG emissions worldwide by 40% absolute by FY17 (FY07 baseline)	-34%	Continue investment in energy efficiency and renewable energy projects
	Use electricity generated from renewable sources for at least 25% of our electricity every year through FY17	77.1%	Increase portfolio of buying green power from utilities, purchasing Renewable Energy Credits (RECs), and entering into renewable energy power purchase agreements
	Avoid 1 million metric tonne cumulative of supply chain GHG emissions from 2012 to 2020, metric tonne CO ₂	391,399	Improve GHG tracking across the supply chain; continue collaboration with supply chain on energy efficiency and renewable energy initiatives
Circular economy (product end of life)	Product return, metric tonne	12,609	Continue Send IT Back used product return pilot



Energy and Greenhouse Gases

We divide our energy- and greenhouse gas (GHG)-related efforts into four areas:

- **Operations:** GHG emissions from our operations
- **Extended operations (supply chain):** GHG emissions from our supply chain
- **Products:** GHG emissions from the electricity used to power our products
- **Solutions:** GHG emissions saved or avoided through the use of Cisco solutions

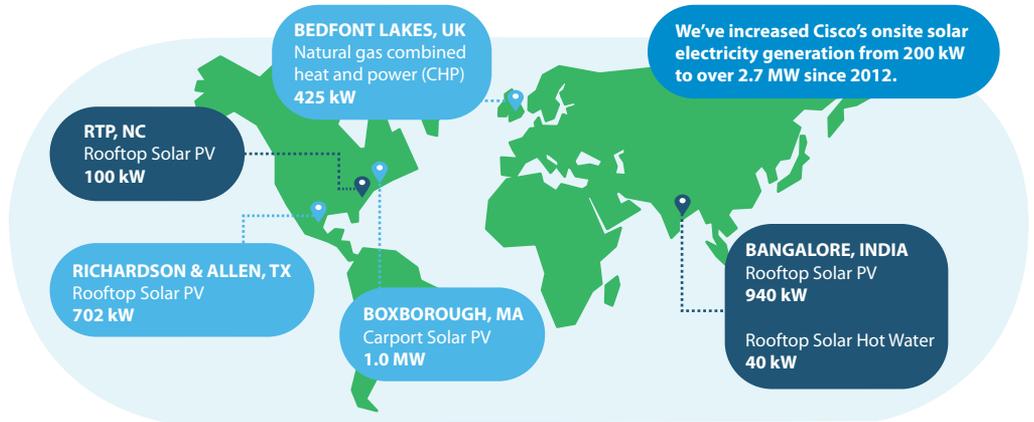
“We are reducing our own carbon footprint in our operations, supply chain, and products to manage our impact on the environment, while also developing IT solutions to help address climate change.”

Rebecca Jacoby,
Chief Operating Officer

Operations

We have set goals for GHG in our operations: the carbon content of our electricity, climate change commitment in our supply chain, and the use of Cisco solutions to reduce travel. Our goal to reduce worldwide GHG emissions from operations by 40 percent was based on the work of scientists contributing to Intergovernmental Panel on Climate Change reporting.

Cisco’s Onsite Renewable Energy Generation Portfolio



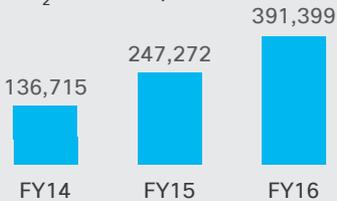
Scope 1 and 2 GHG Emissions Reduction (Global)

FY16 Progress (metric tonne CO₂e)



Supply Chain Emissions Avoided

FY16 Progress (cumulative metric tonne CO₂e avoided)

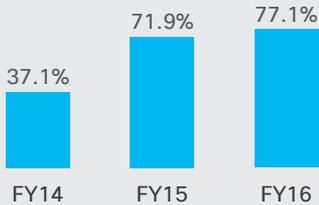


Extended Operations (Supply Chain)

To address supply chain contributions to climate change, we have driven supplier tracking and reporting of GHG emissions to CDP. All of our key manufacturing partners and logistics providers, as well as 92 percent of key component suppliers, have set goals and report to CDP. To have a direct stake in supplier GHG reduction, in FY16 we announced a supply chain emissions goal of avoiding 1 million metric tonne cumulative of supply chain GHG emissions from 2012 to 2020. We are also piloting an IoT factory-of-the-future solution with a manufacturing partner in which we are using thousands of sensors to measure energy consumption of systems and equipment. Through this pilot we are learning how to apply IoT principles to customer manufacturing facilities worldwide.

Electricity Usage from Renewable Sources (Global)

FY16 Progress
(percent progress against reduction goal)



U.S. Environmental Protection Agency

Cisco received the [2016 EPA Climate Leadership Award](#) for Supply Chain Leadership

Products

We are improving product power consumption from plug to port, with a goal to achieve a 6- to 7-percent increase in system energy efficiency to a target of 92 percent by 2020. We do this by optimizing facility input voltage and improving power conversion from bus to board to point of load, and through the energy efficiency of our ASICs, which are major consumers of power in our products. In product performance testing of four different generations of high-end routing and data-center switching products, there was a 38-fold increase in bits-per-watt throughput between the 4 generations of products, with only a 2.5-fold increase in power usage.

Solutions

Cisco offers solutions in four areas that help our customers be more sustainable:

- **Energy management:** Cisco Asset Manager, built on our JouleX platform, leverages the IoT to track and manage energy consumption across a business and around the world.
- **Remote collaboration:** Cisco TelePresence® video conferencing, Cisco WebEx® desktop conferencing, Cisco Spark™, Cisco Unified Communications, Cisco Jabber®, and Cisco Jabber Guest allow employees to meet with each other and with customers and partners around the world without the productivity loss, work-life impact, or GHG emissions of physical travel.
- **Teleworking and mobility:** Cisco Virtual Office and Cisco OfficeExtend provide highly secure wired and wireless voice, data, and video service for employee homes (or any small commercial office). In addition to saving time, employees avoid GHG emissions from commuting. More than a third of Cisco employees have installed Cisco's teleworking solutions.
- **Cloud and data center:** Cisco data center server, switch, and router products enable energy-efficient compute and connectivity provisioning in the cloud, where the future growth of consumer, government, and business IT use will be centered.

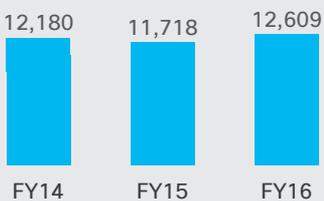


“We need to move away from linearity and embrace circularity. Through careful design and innovative business models, technical and biological materials can flow continuously within the economy, rather than be used once and discarded, safeguarding valuable stocks and decoupling growth from finite natural resources.”

Chris Dedicoat,
Executive Vice President,
Global Sales

Product Trade-In and Returns

FY16 Progress (metric tonne)



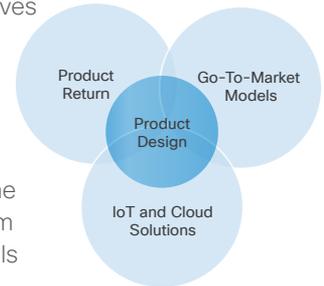
Product return mobile app



Send IT Back

Circular Economy (Product End of Life)

Product end of life is a priority issue for Cisco, as seen in our CSR materiality assessment. We discovered in our efforts to address product end of life that the larger opportunity is the circular economy. With this insight, we are developing initiatives to implement circular economy principles at Cisco.



We believe the network is the platform for the connectivity, technologies, and applications that enable monitoring, data collection, analytics, and decision making—key components of a circular economy. Cisco has been a Global Partner of the Ellen MacArthur Foundation (EMF) Circular Economy program since 2011. The EMF program works across industry verticals to discover how to build circular principles into product and service life cycles to create a more sustainable economy. Cisco’s circular economy strategy has four elements that involve a range of business functions: product return, go-to-market models, IoT and cloud solutions, and product design.

Product Return

Cisco currently receives about 12,000-13,000 tonne/year of used Cisco product that is used for life extension through our service contracts, for development in our labs, or to support our demonstration loan program, or that is remanufactured to like-new condition for resale or recycled.

Cisco is working with suppliers, customers, employees, and communities to develop, pilot, and implement circular economy principles. To improve return rates, we have introduced the Send IT Back mobile app to facilitate the return of used gear from our customers. Today, less than 15 percent of our used products are returned to Cisco for reuse, resale, or recycling. We believe there is an opportunity to increase this product return rate to as much as 50 percent of new product sales in the coming years.

Key Product Return Initiatives

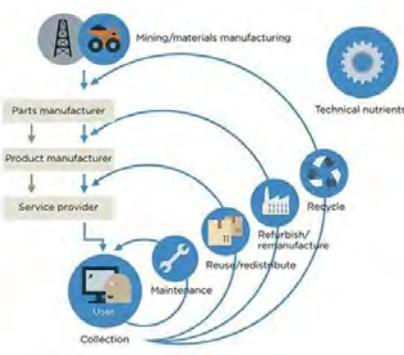
- Product return from customers, channels, distributors
 - Remanufacture or recycle
 - Integrated reverse sales / return / supply / sales with full cost accounting
- Business functions involved:** Sales, global partners, manufacturing, remanufacturing

Go-to-Market Models

Retaining ownership of our products through their life cycle allows Cisco to extend their useful life, optimize utilization, and recover more value at the end of each use phase. As Cisco shifts its business model to focus more on software and subscriptions, we see more opportunity to accelerate the impact of our circular economy initiatives.

Go-to-Market Models

- Customer does not take title to equipment
 - Lease = customer receives equipment for fixed duration
 - XaaS (X as a Service) = customer receives functional service for fixed duration
- Business functions involved:** Sales, global partners, finance, product business units



**Circular economy technical cycle
(courtesy Ellen MacArthur
Foundation)**

IoT and Cloud Solutions

Keeping equipment in its highest state of utility and managing flows of physical materials requires the ability to track and manage the asset throughout its life cycle and across ownership transitions. Adoption of IoT and cloud solutions will facilitate this. In FY16, Cisco made several significant acquisitions in IoT, cloud, and security solutions. We also supported IoT-related standards development:

Cisco is a founder and board member of the [LoRa Alliance](#), which creates specifications for security and interoperability of wireless technology. [LoRa validation](#) is being adopted by many IoT infrastructure projects for smart cities, utilities, and other industry sectors. In FY16 Cisco's IoT acquisitions included [Jasper](#), a cloud-based platform that enables companies to rapidly launch and manage IoT services, and [ParStream](#), which enables customers to analyze large amounts of data and store it in near-real time anywhere in the network.

The circular economy is highly reliant on the cloud and network security. Cisco continues to invest in cloud security solutions to help customers adopt secure, cloud-based business models faster and more confidently, including [Cloudlock](#), which provides monitoring, compliance, and threat protection services, and [Sourcefire](#), a leader in intelligent cybersecurity solutions.

Role of IoT and Cloud Solutions

- IoT = information layer over physical flow of materials in circular economy
- Cloud = distributed infrastructure supporting information layer

Business functions involved: Product business units, sales, IT

Product Design:

Designing products to be maintained and upgraded to extend their life is a focus of improving their circularity. These design features also facilitate greater opportunity for remanufacture and resale of products, and for harvesting more value from components and materials during demanufacture. Other core Cisco product design innovations, such as increasing product functionality, improving energy efficiency, and reducing the use of materials through miniaturization, together with more intensive use of products through our software and subscription services, also improve circularity.

Circular Economy Product Design Principles

- Maintainability
- Remanufacturing
- Reuse and resale
- Harvesting value in components and commodities during demanufacturing (recycling)

Business functions involved: Manufacturing, product business units



Americas Headquarters

Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters

Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters

Cisco Systems International BV Amsterdam,
The Netherlands

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