2012 Corporate Social Responsibility Report

Diana Nassar

Learn More!

Daniel Omar Mora Franco

Learn More!

Stella Stefanova

Learn More!

you + networks = impact

Welcome to Cisco's eighth Corporate Social Responsibility (CSR) Report. Within this report, we share our approach, objectives, and performance on our core CSR pillars: Governance and Ethics, Supply Chain, Our People, Society, and Environment.

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How to Use This Report

We encourage you to use the complete report PDF, which includes all sections and allows full access to videos, search capabilities, and bookmarks. Alternatively, if you visit us online, you can access each section of our report individually. We've also created an Executive Summary, which provides an overview of our achievements in fiscal year 2012 (FY12).

Interactive Elements

This document contains interactive elements on mouse over and click. Look for these icons throughout this document.

Mouse over or click for interactive content. Icons appear in various colors.

Mouse over to get more details then click to play video.

Bookmarks

This pdf is bookmark enabled. We have pre-populated bookmarks in the Environment section only.

Recommended Software

- Adobe Acrobat* Version 7.0 and above
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Fiscal year 2012 was a year in which we did what we said we would do. We completed a significant reorganization that simplified our business and solidified our focus on promoting the growth of networks and the Internet through our five foundational priorities:

1. Core routing, switching, and services
2. Data center, virtualization, and cloud technologies
3. Video
4. Collaboration
5. Architectures for business transformation

Our strategy is to solve our customers' business challenges and fuel their growth by delivering intelligent networks and technology and business architectures, built on integrated products, services, and software platforms.

In a macroeconomic environment that remains challenging for Cisco and our peers, we have once again reinvented ourselves. We continue to improve processes to make it easier to do business with Cisco. Our leaders are held more accountable and our employees are more empowered, fostering continued innovation.

Our business innovation underpins our CSR performance, which is outlined in this, our eighth, CSR Report. When innovation occurs, the barriers that stifle economic growth and stall environmental sustainability are broken down. With companies, individuals, and governments working together, we can level the playing field and help economies develop and grow equitably. I firmly believe that education and the Internet are the two great equalizers in life, and through the use of technology we are transforming lives. Cisco's true value is not in what we make, but in what we make possible.

Amazing things can—and do—happen when the previously unconnected are connected, whether that is in the areas of healthcare, education, environment, or supply chain. Providing these connections creates a phenomenal impact in corners of the world untouched by digital media. Our own vision for CSR, You + Networks = Impact^{x}, shows how our key internal and external stakeholders use the power of networks to multiply social impact.

I want to acknowledge the importance of networks in this equation. Yes, this refers to the technology that Cisco creates, but we're also referring to the human networks that we help bring together. And that is important because partnerships between business, governments, and nongovernmental organizations are as crucial as our technology to creating impact multiplied.

Our role as the official Network Infrastructure Supporter for the London Olympics and Paralympics is an excellent example of our ability to strategically partner to facilitate incredible outcomes and experiences. In this case, we partnered with the British government, the London Organising Committee of the Olympic and Paralympic Games (LOCOG), National Broadcasting Company (NBC), and British Telecom (BT). The 1800 Wi-Fi hot spots and 80,000 data connections we provided for the London Olympics had a capacity four times larger than the network infrastructure in any previous Olympic Games and helped connect 10 million spectators, 76,000 volunteers, and 22,000 athletes and coaches, enabling experiences in ways never before possible.

On top of these achievements, Cisco's five-year post-Olympic engagement will contribute to education and innovation in the U.K., showcasing how technology can transform businesses and communities. In particular, our legacy will help to rejuvenate the underserved area of East London that surrounds the Olympic Park.

Among a host of other initiatives, we have committed to developing additional Networking Academies in East London, bringing IT employment skills and opportunities to thousands of students. We also will donate up to 30 percent of the networking equipment used at the Games to schools in the area, and our "Building a Brilliant Future" project will help to harness the inspiration of the Games to develop the U.K.'s science, technology, engineering, and mathematics (STEM) skills base.

In fiscal 2013 we will look to continue to drive profitable growth, realign resources to focus on innovation, and make investments in strategic areas of the business. We remain focused on what we can control and influence. Cisco is a great company with exceptional talent and leadership, the capacity to adjust to challenges and opportunities, a strong culture, and a passion for customer success. CSR has always been and will always be one of the pillars of Cisco's culture, and I am extremely proud of the global impact of our CSR programs. We are deeply committed to improving lives, communities, and the environment.

you + networks = impact^{x}

John T. Chambers
Chairman and Chief Executive Officer

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Creating shared value for society, the environment, and our business defines corporate social responsibility (CSR) at Cisco.

As our Chairman and CEO John Chambers noted in his letter, our business innovation is a key CSR differentiator for Cisco: The technology, partnerships, and expertise that we use to help our customers is also utilized to multiply positive impacts for society and the environment.

Through networks, both people- and technology-based, we can make amazing things happen, while helping to address pressing issues such as access to healthcare, under-performing education systems, or increasing greenhouse gas emissions.

We have witnessed the power of human and technology networks time and again. Throughout this report, we present case studies that show how these networks create opportunities to help Cisco multiply impact for society, the environment, and our business.

For example, more than 4.25 million students have participated in the Cisco Networking Academy since 1997, the result of partnerships with over 10,000 educational institutions, governments, nonprofits, nongovernmental organizations, and community centers in 165 countries. Many of these students go on to pursue further education, successful ICT careers, or business ownership, advancing economic growth in communities worldwide.

Cisco's Connecting Sichuan initiative has shown the way partnerships with national and local governments, nonprofits, and the private sector can create new opportunities for advancing healthcare systems by improving access to healthcare for rural communities as well as improving clinical and management efficiency for entire regions.

All of these engagements help our business by developing trusted relationships, strengthening markets for our products and services through local capacity building, and incubating Cisco solutions and best practices.

All this is made possible through networks.

Throughout our 28-year history, we have been committed to being a responsible global citizen and to conducting ourselves in a way that respects and ultimately benefits people, communities, and the environment.

Cisco is committed to building and maintaining strong relationships with our stakeholders. In FY12, we continued our successful global stakeholder engagement program, utilizing our Cisco TelePresence solution to dialogue with and gather feedback from 28 CSR thought leaders in 13 countries. We gathered this critical input without anyone getting on an airplane, thus supporting our environmental goals of reducing greenhouse gas emissions.

As part of this engagement, we've begun to target specific regions, and in July we hosted our first separate dialogue with Brazilian CSR experts following the United Nations Conference on Sustainable Development. This session helped us to consider the outcomes of the conference on our CSR programs and report (see page B13). We will continue to host regional dialogues in the future.

This global and regional focus is only part of our CSR stakeholder engagement at Cisco. Throughout the year we host one-on-one and group stakeholder engagements that focus on a broad range of environmental, social, and governance topics.

Our stakeholder engagement continues to be led by our Sustainable Business Practices team within Corporate Affairs. The team is also responsible for Cisco's CSR reporting, which focuses on five key pillars:

- **Governance and Ethics:** Promoting responsible business practices with every employee at every level of our business
- **Supply Chain:** Embedding CSR into routine business practices at every stage of the product lifecycle
- **People:** Developing Cisco's people; an inclusive, diverse, and engaging culture; and organizational capacity
- **Society:** Bringing people together to collaborate on innovative solutions to social issues including education, healthcare, economic empowerment, and critical human needs and disaster relief
- **Environment:** Improving our customers' and our own environmental sustainability through technology and stakeholder engagement

In this report, we provide updates to each of these five pillars, detailing our approach to addressing issues through collaborative partnerships, the expertise of our people, Cisco technology, and our financial resources.

Our CSR efforts are the result of connecting people around the world and the opportunities that those connections create. I'm proud of what we, together with our partners, have achieved this year and excited about what opportunities tomorrow holds for multiplying our impact. I welcome your feedback on our CSR performance and reporting.

you + networks = impact^{x}

Tae Yoo

Tae Yoo
Senior Vice President, Corporate Affairs

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Cisco, CSR, and Innovation

Cisco is founded and built on innovation. Our vision is for our technology to change the way people live, work, play, and learn. Of course, incremental changes can make a difference, but in our view, it is the big ideas that are needed to disrupt the status quo and stimulate sustainable change. Cisco's true value is not just in what we make, it's in what we make possible. Cisco is the network, and the network is the platform on which innovation is built.

We believe that this philosophy is as important to environmental, social, and governance issues as it is to anything else. And by applying this ethos of innovation to Cisco's CSR activities, we are striving to develop solutions that help Cisco and our customers and partners address social issues and promote environmental sustainability. We believe technology is good not just for business or socializing; we believe it is also a powerful way to improve lives, build thriving communities, and protect the environment.

The videos highlighted in this report and on the accompanying website profile just some of our innovative solutions, from supplier scorecards that help to integrate sustainability into our supply chain, to comprehensive ethics advice provided to our employees around the world. All videos are available at this link.

Visit Cisco's blog page, or the following topic-specific entries, for real-time information about innovation at Cisco:

- Corporate Social Responsibility
- Collaboration
- Connected Life Exchange
- Data Center and Cloud

you + networks = impact^{x}

This equation encapsulates CSR at Cisco: Impact Multiplied.

Breaking Down the Equation
You: refers to anyone who has the ability or desire to multiply social or environmental impact. This could mean employees, nonprofits, or public sector leaders.

Networks: refers to both human networks (individuals and organizations) and technology networks (hardware and applications).

Impact^{x}: represents the potential exponential reach of Cisco's CSR efforts, achieved by the combined power of human networks and technology networks.

Throughout this report, we include case studies that highlight the Cisco *Impact Multiplied* equation in action.

About Cisco

- Cisco is headquartered in San Jose, California, USA, and has more than 475 offices in more than 165 countries.
- Cisco has more than 66,000 employees globally, one-third of whom are engineers.
- Approximately 13 percent of Cisco's annual revenue is invested in research and development (R&D).
- Almost 100 percent of our manufacturing is outsourced.
- We work closely with more than 600 suppliers around the world that support our supply chain.

Who We Are and What We Do

Cisco designs and sells innovative networking solutions related to the information and communications technology (ICT) industry and provides services associated with these products and their use. We work with a network of suppliers and partners to manufacture our equipment (see Supply Chain, page C1).

Founded in 1984, Cisco has pioneered the development of Internet Protocol (IP)-based networking technologies. Our products include routing, switching, and other network-based technologies, such as application networking services, collaboration, home networking, security, storage area networking, telepresence systems, unified communications (such as WebEx), unified computing, video systems, and wireless. We also provide a range of technical support and advanced services.

Our customers' success is at the core of our operational strategy and execution. We sell to and support a range of customers, from public sector organizations and enterprise businesses to service providers, commercial customers, and consumers. We aim to solve their most important business problems by delivering intelligent networks and technology architectures built on integrated products, services, and software platforms.

Cisco's Vision
Changing the way we work, live, play, and learn.

Cisco's Mission
To shape the future of the Internet by creating unprecedented value and opportunity for customers, employees, investors, and partners.

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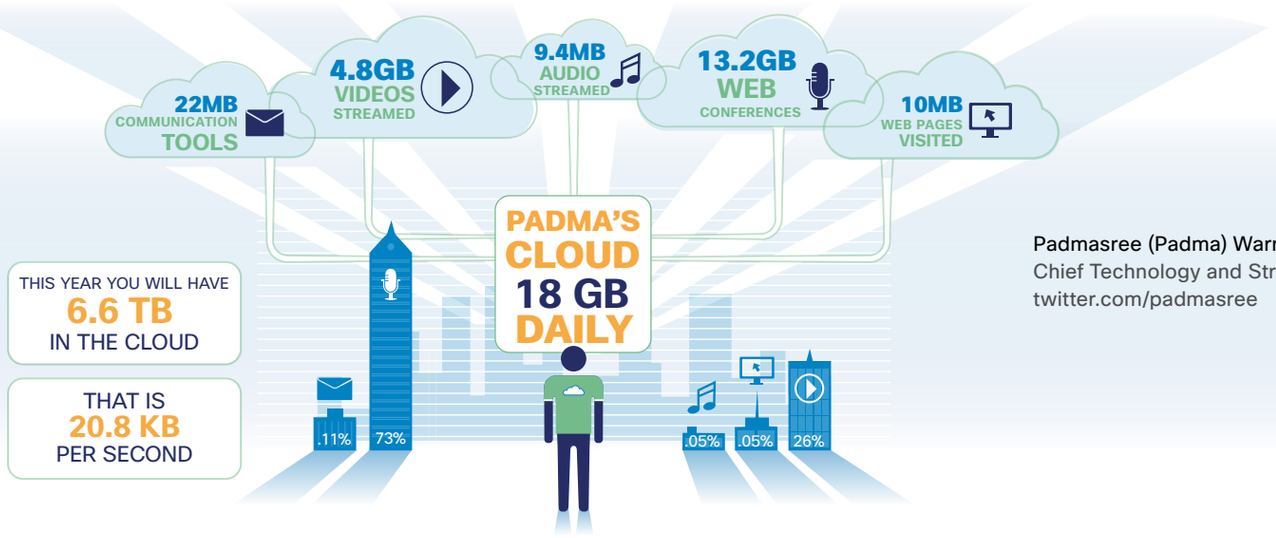
PICTURE YOUR WORKDAY IN THE CLOUDS

Regardless of your impact, your world tomorrow will not be served by one giant cloud. Businesses and individuals will choose different solutions: Some will build private clouds; others will build public clouds; some may prefer hybrid solutions; others will consume cloud services to create a world of many clouds. By 2015, we will create the equivalent data of 92.5 million Libraries of Congress in one year.



Padmasree (Padma) Warrior
Chief Technology and Strategy Officer
twitter.com/padmasree

Cloud Computing Takes Off

Cisco Global Cloud Index (2011–2016) estimates that by 2016 global data center traffic will nearly quadruple from 2011. Nearly two-thirds of that traffic will live in or pass through the cloud, and Asia Pacific will generate the most cloud traffic. In its simplest form, cloud computing refers to making shared resources, software, and data available via the Internet. These elements are stored on remote servers that can be accessed by devices such as PCs and smart phones around the world.

How Big Is Your Cloud?
In the illustration above, Padmasree Warrior, Cisco's Chief Technology and Strategy Officer, sets out her personal cloud usage. Figure out your usage at http://cisco.com/go/worklifecloud.

Cisco's Role
Cisco enables organizations to build cloud offerings using the network to connect and link different clouds. We deliver simplified, scalable, highly secure architectures needed for cloud computing. Find out more about our cloud solutions.

Public, private, and community organizations can offer access to cloud computing through their own purpose-built clouds. We are putting these solutions into practice in our own business, achieving cost savings and supporting remote workers through Cisco's private cloud.

Cisco is also harnessing the power of cloud computing to extend access to education and support sustainable development programs through, for example, the Cisco Networking Academy and healthcare programs (see Society, page E7). Learn more about Cloud and the Digital Divide.

We recognize the risk to customers' privacy that exists as a result of the expanding cloud platform, and we work hard to design features into our products to address those concerns (see Governance and Ethics, page B16).

Cisco's Cloud Computing website features a range of videos dedicated to cloud. Watch "Protecting All Types of Clouds" for more information on how Cisco protects privacy.

Watch the Video!
Cisco Chief Information Officer, Rebecca Jacoby, offers her insight on private clouds.

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How a Network Works

Internet Protocol is a series of specifications set out by various standards organizations, primarily the Internet Engineering Task Force (IETF). The IETF publishes specifications that, among other things, detail how information is organized into IP "packets" to be transported across the Internet. Each IP packet is unique to an IP address.

Every device (for example, a computer, printer, or smart phone) has an IP address assigned to it that identifies the device's location and how it interacts with the broader network (through unique IP packets). Each IP packet has a source and destination address, which is called an IP address, and a static address that uniquely identifies a device, called a MAC (Media Access Control) address.

The Internet infrastructure comprises primarily two types of devices: switches and routers. Switches are designed to identify and respond to a static MAC address. It switches traffic accordingly, typically between ports on the same device.

A router is designed to identify and respond to the dynamic source and destination IP address of the particular IP packet and to route traffic accordingly across numerous devices.

Most switches are very localized. The traffic flowing inside a switch and the decisions a switch makes about network traffic are based specifically on the switch ports inside one device. Routers, however, are typically "network-aware" and make sophisticated decisions about inter-networking based on current conditions in the network, including (but not limited to) route availability, route congestion, and opportunities for multicast (the delivery of a message or information from one source to multiple destinations in a single transmission). Each router utilizes a continuously updated routing table that gives the routers a real-time updated network "map" that allows the routers to work in parallel to manage the flow of IP packets within the network. The decisions that a router is able to make on specific traffic flows can add substantially to the manageability, efficiency, and scalability of a network.

Network Security

Security is a serious concern when it comes to using networks. Hackers, denial-of-service attacks, identity theft, and even cyber terrorism are very real dangers.

As the foundations of network infrastructure, routers and switches are crucial in efforts to detect and prevent such attacks. Business-class routers and switches, such as those produced by Cisco, incorporate features that address security, performance, reliability, and manageability. For example, Cisco Integrated Services Routers include built-in firewalls, intrusion detection and prevention, and encryption, among other features. In addition, hackers can be tracked because source and destination addresses are identified in each IP packet, helping to deter attacks in the first place.

Internet routing allows service providers to see the address of the sender of information and the address of the recipient. Without adequate encryption, service providers can also see the contents of messages and attachments. Both forms of network security (protection of the network itself from denial-of-service and other attacks, and protection of users from spam, hacking, and virus attacks) require network operators to have capabilities that can be used to block access to websites or to copy and download users' communications.

Estimates of the Growing Network

- From 2010 to 2015, mobile data traffic will grow at a compound annual growth rate (CAGR) of 92 percent
- By 2014, video will quadruple all IP traffic
- By 2015, the amount of content traversing the Internet annually will be 540,000 times the amount in 2003
- By 2015, video-on-demand traffic will triple
- By 2020, 50 billion devices will be connected to the Internet
- By 2016, 62 percent of all workloads will be processed in the cloud
- A city the size of San Francisco will be built every month for the next two decades

Source: VNI, Cisco IBSG, *Cisco Global Cloud Index (2011-2016)*

"Cisco's networking capability is the most important thing that Cisco does. It's not that you just give money; you show how to make a network and make an impact by working together with everybody."

Marina Rosenfeld
Associação Cidade Escola Aprendiz, Brazil

Cisco's 2012 Global Stakeholder Engagement Sessions

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About This Report

This report covers our fiscal year 2012 (FY12), running from July 31, 2011, to July 28, 2012, and is related to all our operations around the world, unless stated otherwise. Our CSR strategy and reporting prioritize the issues that are most important to our business and to our stakeholders, identified through a formal materiality assessment (see page A10). The main sections of the report align with these high-level priorities: governance and ethics, supply chain, our people, society, and the environment.

We encourage feedback from stakeholders, and we use this report to respond to those with whom we have engaged throughout the year. In FY12, feedback included requests for:

- Clearer reporting of Cisco's priorities and material issues
- A concise set of key performance indicators
- An honest assessment of CSR challenges facing Cisco

We respond to these requests throughout this report. Each section leads with a snapshot that gives readers an overview of our objectives, performance, and challenges. These snapshots are consolidated in an Executive Summary, which is available for download. This interactive PDF enables easy navigation within the report (see How to Use This Report).

Changes to our approach can take time, but we aim to be open and transparent about our progress, as well as about the challenges we face.

Assurance

The data presented in the environment section of this report is subject to internal and external audit as part of Cisco's Environmental Management System (EMS) and in accordance with ISO 14001 requirements. External assurance is provided for, at a minimum, all data supporting any public commitment, such as our greenhouse gas (GHG) reduction goal presented in Table 3 and Table 8 of the Environment section.

The data in this report and the methodology for collecting it have been internally reviewed. We held focus groups with CSR thought leaders during 2012 to assess our CSR strategy and reporting, and we engaged extensively with nonprofit and nongovernmental organizations and CSR experts to gather their views on specific issues throughout the year.

Headquarters, San Jose, CA, USA

Bedfont Lakes, Feltham, United Kingdom

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Material Issues

Cisco engages with different stakeholders in a variety of ways throughout the year, including one-on-one and group engagements (see Governance and Ethics, page B10). The feedback that we receive from these engagements informs our CSR strategy and approach. In FY12, we also collaborated with SustainAbility to capture in one place our most material issues. SustainAbility's research, in partnership with GlobeScan, has helped us prioritize the issues that have the biggest impact on Cisco's business, on society, and on the environment.

External assessments are vital because they help us balance internal and external priorities. SustainAbility's materiality assessment is predominantly an "outside-in" view of Cisco's material issues. It is not created to align perfectly with our strategic sustainability investments but rather to give us insight into balancing our existing portfolio and identifying emerging issues.

The terms and definitions in this assessment are those used by the researchers based on their research frameworks and are not necessarily the terms used internally at Cisco.

From this process, we have identified our most material issues (shown in the top right quadrant of the matrix on the following page). These are:

- **21st-Century Skills:** Promoting and embedding essential skills for the digital age, including ICT literacy, critical thinking and problem solving, communication, collaboration, creativity and innovation (see Society, page E1)
- **Job Creation:** Creating and promoting high-quality ICT jobs (see Society, page E1)
- **Freedom of Expression:** Promoting the positive use of ICT to open up access to government and encourage transparency through free speech and the ability to organize (see page B18)
- **Ethical Sourcing:** Adopting and using transparent, ethical standards for sourcing and resiliency of labor and raw materials for direct operations and throughout our supply chain (includes conflict minerals, rare earths, factory conditions, etc.) (see Supply Chain, page C1)
- **Human Rights:** Promoting fair working conditions and both workplace and general human rights through supply chain monitoring, auditing and policies, and policies governing interaction with authoritarian governments (see Governance and Ethics, page B17)
- **Corruption and Bribery:** Implementing policies against unlawful, unethical conduct to secure direct business, preferential treatment, or both, particularly in weaker states of the developing world (see Governance and Ethics, page B14)
- **Accelerating Entrepreneurship and Small and Medium Enterprises:** Enabling entrepreneurial activity and enterprise growth through technology, especially in the developing world (see Society, page E12)
- **Product Energy and Greenhouse Gases:** Reducing energy use and greenhouse gas emissions of current and future portfolios of products and solutions (see Environment, page F24)
- **Digital Inclusion:** Expanding affordable, equitable access to ICT services across people, communities, and geographies in order to promote connectivity and as a prerequisite for enhanced educational, economic, and health outcomes (see Society, page E1)
- **Access to Healthcare:** Increasing access to healthcare delivery through ICT (see Society, page E10)
- **Water Use:** Managing the company's direct and indirect water footprint to mitigate water scarcity risk in operations and throughout our supply chain (see Environment, page F38)
- **Disaster Relief:** Effective response to natural and manmade disasters (in the form of products, solutions, and services, as well as philanthropy) (see Society, page E14)
- **Digital Security and Privacy:** Designing and adapting network security as it relates to personal privacy and potential online threats (including cybercrime, economic espionage, military espionage, and cyber warfare) (see Governance and Ethics, page B18)
- **Supplier Diversity:** Promoting community and economic development as well as supply chain security through the diversity and resiliency of our key suppliers (see Society, page E18, and Supply Chain, page C10)
- **Packaging:** Optimizing selection, use, disposal, and impact of packaging material (see Environment, page F11)
- **Education Performance:** Improving education performance and persistence through improved pedagogy and innovative applications of ICT (see Society, page E7)

This is an extensive and diverse list of issues requiring input from people and regions covering the breadth of Cisco's business. In our regular business operations and CSR program, Cisco addresses each of these issues, and we report on our work throughout this report.

Our materiality process is ongoing, and our CSR communications and reporting will continue to reflect this evolving process.

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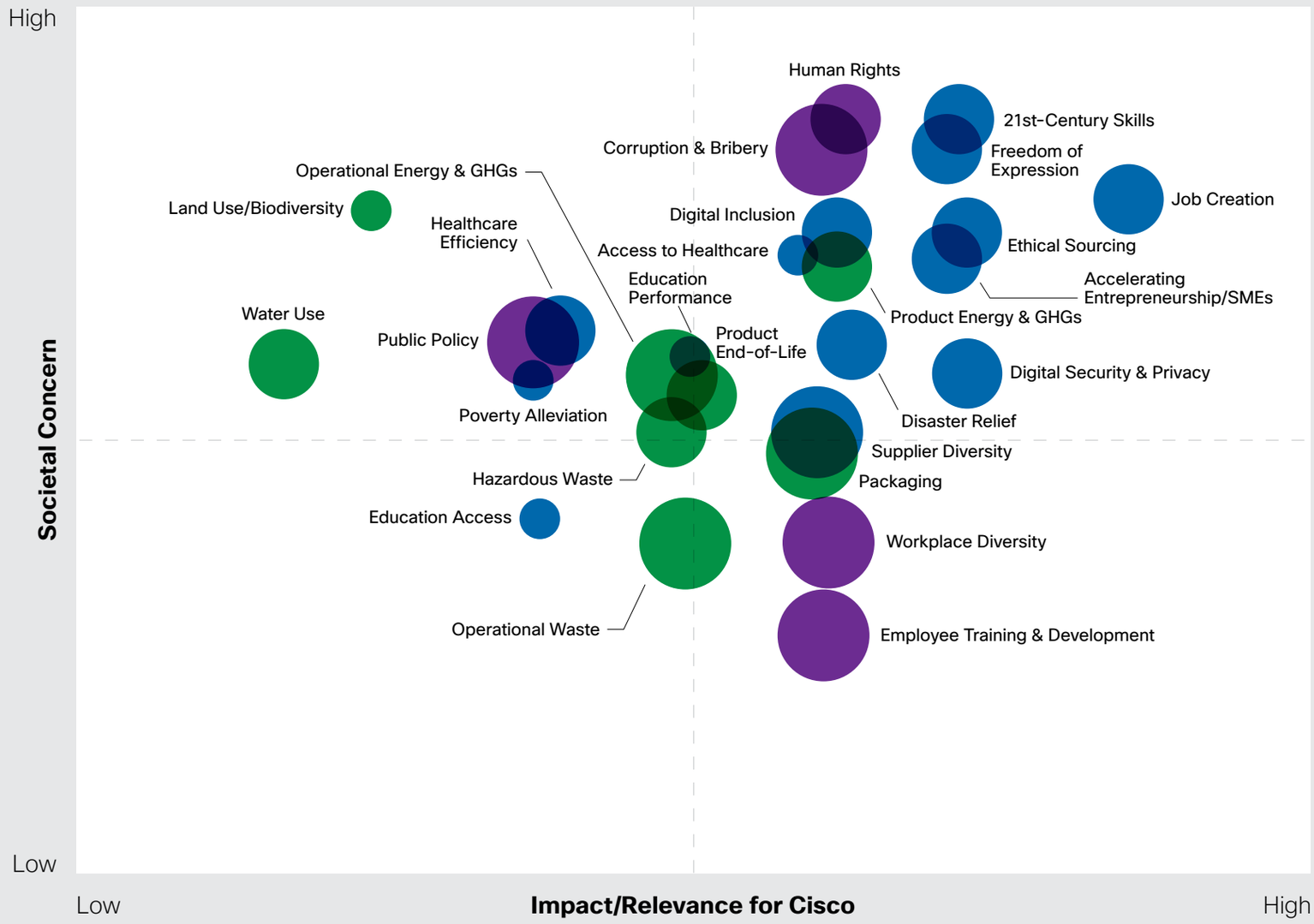
Materiality Matrix

Mouse over circles below for alternative views

With our input, SustainAbility developed a list of issues with high relevance to Cisco. Each issue was then assessed based on the level of societal concern, the potential business impact, and our ability to control or influence outcomes related to the issue. The results are captured in this materiality matrix, which visually represents priority issues for Cisco. We selected and assessed 27 issues.



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Key Performance Indicators

Our April 2012 stakeholder engagement sessions revealed a request for a set of more refined key performance indicators (KPIs). In response, Cisco has identified the following KPIs as the most significant to our business. We continue to report all performance metrics throughout our report, but these KPIs identify the CSR performance areas on which Cisco is most strategically focused.

KPI	FY10	FY11	FY12
Governance and Ethics			
% of eligible[1] employees completing certification to the Cisco Code of Business Conduct	100%	100%	100%
% employees responding positively to the CSR statement in the Cisco Pulse Survey[2]	n/a	81%	85%
Supply Chain			
% Preferred suppliers publishing a CSR report:			
Manufacturing partners	n/a	n/a	75%
Component suppliers	n/a	n/a	38%
Logistics providers	n/a	n/a	57%
Our People			
Employee satisfaction (average percent of employees who consider Cisco a great place to work)	84%	79%	82%
Rate of injury and illness (per 100 full-time employees) for U.S. operations	0.33	0.30	0.22
% of female employees	23%	22%	22%
Society			
Total corporate and Cisco Foundation cash and in-kind contributions (US$)	$139 million	$295 million[3]	$294 million[3]
Number of hours volunteered by employees	148,355	166,445	107,150
Environment			
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	376,141	416,927	251,672
Total air travel GHG emissions: Scope 3, metric tonne CO_2e	106,783	127,232	139,431
Product trade-in and return: Product return, metric tonne	8,580	11,595	13,324
Product trade-in and return: Material to landfill[4]	0.33%	0.89%	0.43%

1. Excluding employees in France (who have a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, interns, and contractors who must abide by our Supplier Code of Conduct.
2. Pulse statement is: "Cisco's Corporate Social Responsibility activities, which focus on environmental, social, and governance issues, positively impact the way Cisco is perceived around the world." Positive result means employees agree or strongly agree.
3. Includes Cisco Networking Academy in-kind contributions, which we included in our corporate giving data for the first time in FY11.
4. Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.

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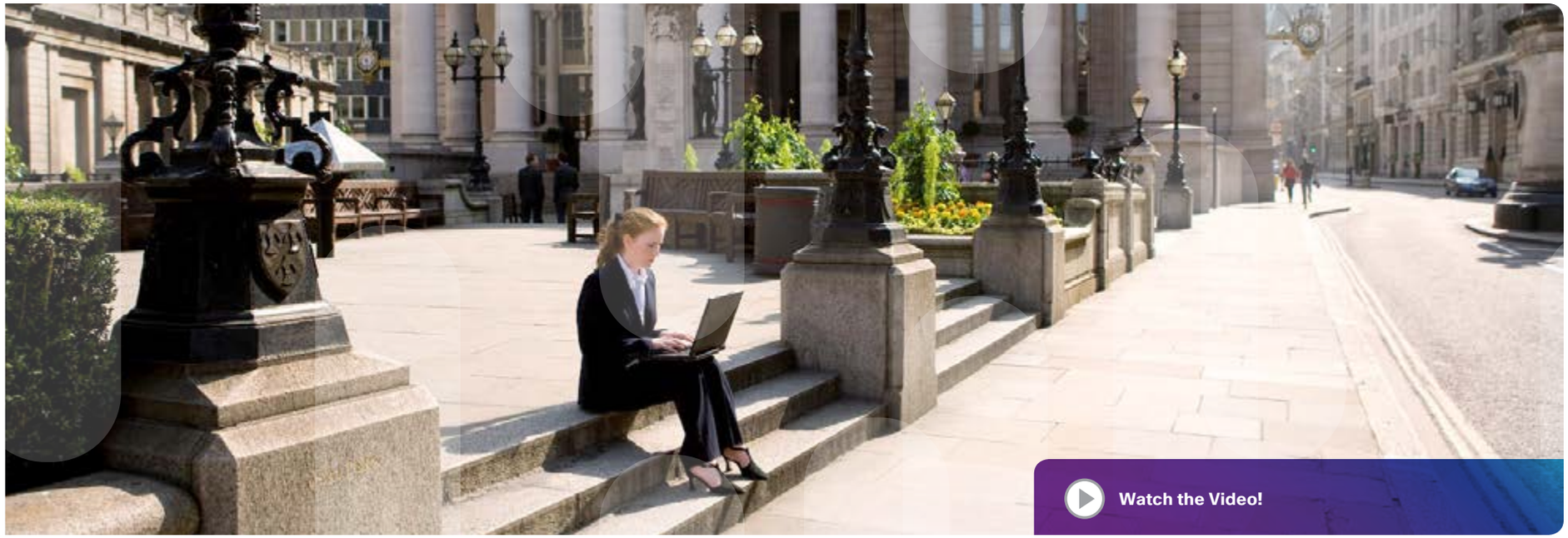

Governance and Ethics

Cisco's commitment to ethical conduct and strong corporate governance has helped us build a robust company with a recognized corporate social responsibility (CSR) program. Our leadership team is committed to CSR, and we aim to contribute to sustainable development goals through our core business.

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Overview

These first three pages give readers an overview of Cisco's objectives, key challenges, progress, and performance with regard to Governance and Ethics. We have used this overview as part of our Executive Summary, which can be downloaded here.

Collaboration is the key to our approach. We draw on the experience and expertise of employees around the company as well as insights from external stakeholders in developing our framework for ethical and responsible business conduct.

Ethical behavior makes our company more resilient. The overriding objective of our Code of Business Conduct and governance is that all Cisco employees maintain high ethical standards in all their business activities.

Our global CSR programs guide the ethical, social, and environmental efforts of individual business units while helping Cisco maintain a strong reputation and supporting a successful business strategy. Working with public and private partners is essential for delivering CSR programs that make a difference on a global scale.

Performance Summary

Question	FY10	FY11	FY12
% of eligible[1] employees completing certification to the Cisco Code of Business Conduct*	100%	100%	100%
% employees responding positively to the CSR statement in the Cisco Pulse Survey[2]*	n/a	81%	85%
% employees completing the Pulse Survey who have confidence that Cisco takes ethical business concerns seriously	91%	90%	91%
% employees completing the Pulse Survey who believe that the management team sets a good example of company values, culture, and the Code of Business Conduct	81%	81%	84%
% employees completing the Pulse Survey who know where to go to report an ethics question or concern	83%	83%	87%
% employees completing the Pulse Survey who feel that they can report concerns without fear of retaliation	72%	75%	78%

1. Excluding employees in France (who have a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, interns, and contractors who must abide by our Supplier Code of Conduct.
2. Pulse statement is: "Cisco's Corporate Social Responsibility activities, which focus on environmental, social, and governance issues, positively impact the way Cisco is perceived around the world." Positive result means employees agree or strongly agree.

* Corporate key performance indicator (KPI). For our complete list of KPIs, see Introduction

Progress Toward Objectives

Objective	Progress in FY12	Status
Continue to undertake robust stakeholder engagement on all CSR issues, including governance, to guide our CSR activities and resources	Held a series of externally facilitated focus groups for opinion leaders to help us better understand stakeholder views on Cisco's CSR governance, performance, and reporting (see page B13).	●
Use credible research firms and indices, such as the Dow Jones Sustainability Index and oekom research AG to benchmark Cisco against peer companies and CSR leaders	Included in sustainability rankings by leading research firms and indices (see box, page B3). We are also supporting think tank and consultancy SustainAbility's Rate the Raters project to understand and recommend how to improve the transparency of corporate sustainability ratings.	●
Create issues-based working groups to inform our responses to recent CSR developments, such as the publication of John Ruggie's report, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect, and Remedy" Framework*	Established an internal cross-functional working group on human rights and joined Business for Social Responsibility's human rights working group. Continued to participate in cross-functional working groups to inform our management of issues related to privacy, ethics, risk, and supply chain.	●

● **Achieved** ○ **Ongoing**

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Responsible Investor Ratings for Cisco				
Carbon Disclosure Project (Sep 2011): Top IT company and ranked #5 company across all industry sectors	**Dow Jones Sustainability Index:** Member of World and North American Indexes	**FTSE4Good Index:** Member of Global, Global 100, U.S., and U.S. 100 indexes[1]	**Greenpeace Cool IT Challenge (Feb 2012):** #2 IT company	**oekom research Corporate Responsibility Rating:** "Prime" status

1. FTSE Group confirms that Cisco has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Addressing Key Challenges

We regularly review and refine our established governance approach to respond to stakeholders, reflect best practices, and strengthen our company culture, business strategy, and management structures.

At the end of FY11, we set out to do a comprehensive review and refocus of our entire business. FY12 has therefore been a challenging year, but the changes introduced will make it easier for stakeholders to engage and work with Cisco. Simplicity is central to this approach, and the simplification of our Code of Business Conduct is a prime example (see page B14). We updated the Code to make it even easier to use, reduced the length of the document, and added reference tools to help employees find specific policies or topics.

The Code remains the foundation of our strong culture of ethics, and it supports responsible and sustainable business practices as we enter new markets and face new challenges. We will continue to use insights from customers, suppliers, and other stakeholders to review and strengthen our governance practices to meet these challenges.

Cisco's General Counsel has taken on the additional role of Chief Compliance Officer to promote ethical conduct in everything we do and to see that issues such as human rights are being addressed at the highest level of the company.

The new UN Guiding Principles on Business and Human Rights set out expectations for businesses to respect human rights. We are committed to respecting the human rights of our employees and our suppliers' workers.

Responding to concerns about the privacy and security of data is increasingly critical for Cisco as we strengthen our contribution to cloud computing, which changes the way people and organizations store and share information. This is even more important in markets such as healthcare, which can bring extensive social benefits, but only if patients and doctors are confident that their personal information is secure. Our robust data security measures are continually evolving to meet new challenges, and we work to raise awareness about potential security risks among employees and other organizations, including customers (see page B16).

Stakeholders have told us they want to see Cisco identify our CSR priorities and set out a clearer vision, tying CSR to our core business by demonstrating how our technology is contributing to our CSR commitments and wider sustainable development goals. We conducted a detailed materiality assessment in FY12 based on a wide range of inputs from internal and external stakeholders, and we have published a list of our most material issues (see page A10). We also recognize the need to show clear direction and set more long-term objectives to demonstrate progress.

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Objectives for FY13 and Beyond
100% of eligible[1] employees to complete annual certification to the Cisco Code of Business Conduct
Collaborate with peer companies in the ICT sector to develop human rights training for employees
Develop, implement, and communicate a formal human rights policy and governance model, aligning with the UN Guiding Principles on Business and Human Rights and best practices
Continue with formal and informal stakeholder engagements throughout FY13, including additional regional sessions, with the goal of yearly improvement of our CSR implementation
Augment and deepen engagement with key socially responsible investors as we continue a meaningful dialogue on issues of importance to our investors.
83% of employees to respond positively to the CSR statement in our annual employee Pulse Survey[2]

1. Excluding employees in France (who have a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, interns, and contractors who must abide by our Supplier Code of Conduct.
2. Pulse statement is: "Cisco's Corporate Social Responsibility activities, which focus on environmental, social, and governance issues, positively impact the way Cisco is perceived around the world." Positive result means employees agree or strongly agree.

The Cisco Network Emergency Response Vehicle (NERV) is a mobile communication center, supported by a highly trained team, that is designed to establish interoperable communications in emergency situations.

NERVs are deployed by the Cisco Tactical Operations (TacOps) team. The team establishes IP-based communications for first responders, government agencies, relief organizations, and others who require mission-critical connectivity to respond effectively. Read more

you + networks = impact^{x}

You: In the second half of 2011, Thailand was hit by floods that devastated local communities, affected component suppliers, and directly impacted our team of 100 employees and 30 regular contractors in the Bangkok and Chonburi offices. We activated our Thailand incident management team to minimize adverse impacts on our business and encouraged our network of employees in Thailand and beyond to support the impacted communities.

Networks: We immediately contacted all of our people in the affected areas to confirm that they were safe, provide them with emergency information, and offer crisis support, including temporary accommodation for some employees whose homes were flooded. We used Cisco technology and the expertise of Cisco teams to partner with the Thai government in supporting national disaster relief efforts. Our disaster response teams set up Tandberg telepresence units in four command centers that formed a central communications hub for those coordinating relief efforts in the Prime Minister's Operations Center. These units were also used to connect people stranded by the floods with doctors and hospitals for medical assistance. Cisco's Asia Pacific leader issued an appeal to employees across the region to support the efforts of their colleagues in Thailand through fundraising and donations.

Impact^{x}: In addition to donations of equipment, expertise, and 600 survival kits, Cisco employees contributed donations to Habitat for Humanity and Save the Children through our employee giving program. These funds were matched by the Cisco Foundation, raising nearly US$50,000 for relief efforts. Our business continuity plans helped to minimize adverse business impacts, and we supported our employees and the communities devastated by these floods.

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Governance

We believe in the power of collaboration. That philosophy is reflected in Cisco products, systems, and services and in our approach to corporate governance. This approach helps us manage risks effectively, enabling business continuity and sustainable growth.

Management Approach

Simplicity, accountability, and empowerment are at the heart of our plans to improve efficiency, promote consistency, and build a more focused company that is easier to work for and to do business with. In FY12, we embedded these themes in our communications, processes, and relationships with customers, employees, and partners. In particular, Gary Moore, Cisco's President and Chief Operating Officer, has provided clear updates regarding how Cisco is addressing these commitments. (Read more.) The results are already evident with an increased Ease of Doing Business score in our customer satisfaction survey.

Cisco includes a question in our employee Pulse Survey regarding the effectiveness of our CSR activities. We asked employees to respond to the statement: "Cisco's Corporate Social Responsibility activities, which focus on environmental, social, and governance issues, positively impact the way Cisco is perceived around the world." A large proportion of employees (85 percent of those surveyed) agreed or strongly agreed with the statement.

Corporate Governance

Cisco's corporate governance policies are designed to foster ethical conduct and help us comply with regulatory requirements and applicable laws for publicly listed companies.

A majority of the members of our Board of Directors are independent directors who meet regularly without the presence of Cisco management. Our Board has adopted clear governance policies for:

- Board composition
- Board meetings and materials
- Board committees
- Stock ownership guidelines for non-employee directors and executive officers
- Management responsibilities

All members of the Board's Audit, Compensation and Management Development, and Nomination and Governance committees are independent directors.

Our internal audit function is responsible for overseeing Cisco's operational and financial processes. It reports regularly to the Audit Committee. See our Corporate Governance website for further information.

In FY12, the Corporate Policy function (which centralizes corporate policies and approves changes) joined our Ethics Office and Cisco's General Counsel took on the additional role of Chief Compliance Officer to embed our commitment to ethical conduct across Cisco.

Risk Management

Cisco is founded and built on innovation. We continue to push boundaries in our efforts to connect the world and achieve long-term growth opportunities for our company. Managing risk is essential as we enter new markets and introduce new products. Risks associated with data privacy and security, for example, have changed with the growth of cloud computing (see page B16), and the increased use of IT and social media by consumers.

We regularly re-evaluate existing and emerging risks that may affect our business. Risk is assessed and addressed by relevant functions (such as Corporate Affairs, IT, or supply chain), and our risk teams undertake extensive research and detailed analysis of external reports and forecasts of market trends to assist business planning.

In FY12, we conducted a detailed risk-mapping exercise and enhanced our metrics to measure risk management maturity ratings. We aim to increase collaboration on risk management throughout the company through the Enterprise Risk Management Program, which promotes effective governance of risk across the company, and the Risk and Resiliency Operating Committee.

The Risk and Resiliency Operating Committee is an integrated, cross-functional decision-making committee that pursues informed decisions on risk and resiliency and promotes excellence in risk governance. It manages collaboration between a wide range of company functions to address risks that no single function can resolve. Its decisions are informed by a series of working groups that report to the committee each quarter.

> "It would have been good to see more about how sustainability fits with your core business strategy and ties into governance and your main product lines."
>
> **Natalie Falzon**
> **Telstra, Australia**
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

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Business resiliency is a core part of our risk management activities. Our strong incident management and business continuity programs enhance Cisco's ability to rapidly respond to internal and external disruptions or threats and to maintain or recover operations with a goal to limit, to a practical extent, the impact to our employees and our business. In the second half of 2011, our incident response management responded to floods that devastated communities in Thailand (see page B4).

The Board of Directors, acting directly and through its committees, is responsible for overseeing risk management and business resiliency. Under the Board's oversight, Cisco has implemented practices and programs designed to help manage business risks and to align risk-taking appropriately with our efforts to increase shareholder value.

Public Policy

Cisco engages with governments at many different levels to help shape public policy and regulations that support the technology sector and help governments meet their goals. We recognize that stakeholders want to know our position on public issues, so we are now including information about public policy in this report.

Cisco's Global Policy and Government Affairs (GPGA) team develops and influences pro-technology public policies and regulations. Working collaboratively with industry stakeholders, association partners, and government leaders, the GPGA team builds relationships with government leaders to influence policies that affect Cisco's business and overall IT adoption, looking to help shape policy decisions at a global, national, and local level.

The GPGA team is composed of former elected officials, legislators, parliamentarians, regulators, senior U.S. government officials, and government affairs professionals who help Cisco promote and protect the use of technology around the world.

Current policy priorities include:

- Increasing broadband and next-generation network deployment globally
- Promoting wireless networking and increasing spectrum allocations for wireless use
- Encouraging continued innovation in network security
- Reforming the U.S. patent system
- Limiting regulation of Voice over Internet Protocol
- Maintaining freedom for service providers to develop innovative business models
- Balancing consumer privacy, network security, and Internet business
- Promoting reasonable intellectual property rights management

Cisco employees and partners are guided by our Code of Business Conduct, which stipulates expectations regarding political activities and interactions with government entities and their employees or representatives. See our Government Affairs website for our positions on these and other areas.

Collaborating with Industry Organizations

We collaborate with peers to build trust and develop strong working relationships with government leaders through industry associations, including:

- Aspen Institute
- Business Council for International Understanding
- California Chamber of Commerce
- Canadian Advanced Technology Alliance
- Civil Justice Association of California
- Computing Technology Industry Association
- Council of the Americas
- DIGITALEUROPE
- European American Business Council
- Information Technology Industry Council
- Joint U.S.-China Collaboration on Clean Energy
- Joint Venture: Silicon Valley Network
- Milpitas Chamber of Commerce
- National Conference of State Legislatures
- National Foreign Trade Council
- National Governors Association
- North Carolina Citizens for Business and Industry
- San Jose/Silicon Valley Chamber of Commerce
- Silicon Valley Leadership Group
- Stanford Institute for Economic Policy and Research
- TechAmerica
- TechNet
- Telecommunications Industry Association
- U.S.-China Business Council
- U.S. Information Technology Association
- Wi-Fi Alliance
- Wireless Communications Association International

Cisco House, 2012 Olympics
Photography by Sean Ebsworth Barnes

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Political Support

Cisco does not make donations to federal candidates for office. We occasionally make corporate contributions in support of local and state ballot measures on issues such as transportation or education that impact our operations in California, Massachusetts, Georgia, North Carolina, and Texas. Cisco fully complies with all reporting requirements regarding such contributions.

Employee Political Action Committee

Cisco's employee-sponsored political action committee (ePAC) enables U.S. employees to contribute to the campaigns of U.S. federal and state elected officials and political candidates who champion Cisco and our industry's public policy priorities and business objectives. All campaign contributions made by Cisco's ePAC are made according to a plan that supports Cisco's policy objectives and is approved annually by the ePAC board. Contributions made by ePAC are public and transparent. ePAC's contributions are reported online by the Federal Election Commission and California Secretary of State.

We encourage civic engagement and provide educational opportunities for employees on specific issues as well as opportunities to meet with political candidates through town hall meetings and other forums.

CSR Management

Cisco manages CSR activities by engaging the insight and expertise of internal subject matter experts and external stakeholders. This helps us focus on the areas that are most important to our business and the people and communities with whom we interact.

Tae Yoo, Cisco's Senior Vice President of Corporate Affairs, is the catalyst behind Cisco's CSR vision. She heads our CSR strategy, which engages public-private partnerships and leverages Cisco's business, technical, and financial assets for sustainable social impact in communities around the world. Ms. Yoo also leads our social investment programs in education, healthcare, critical human needs, and economic development.

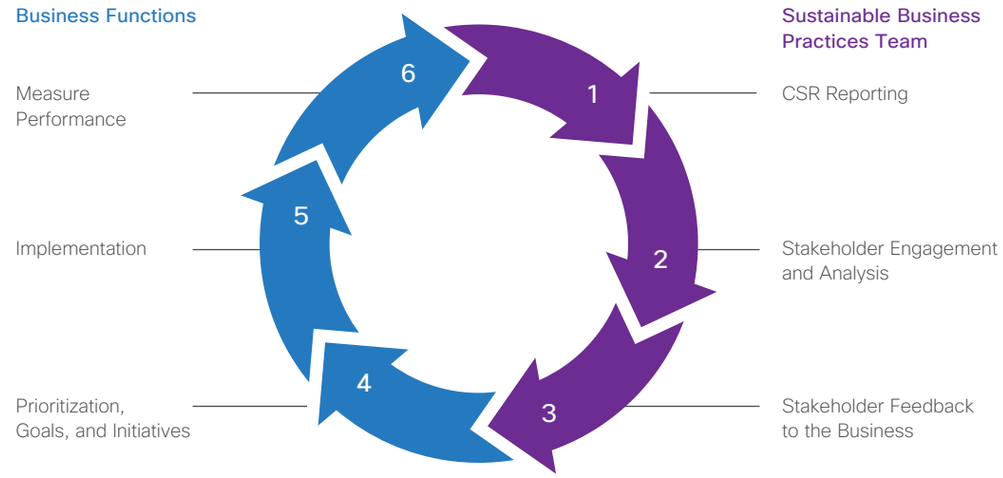
CSR Governance

The Sustainable Business Practices team monitors emerging CSR issues and identifies areas for potential action. The team collaborates with Cisco's subject matter experts on strategies and initiatives that create long-term, sustainable benefits for our business and the global community. Its mission is to build sustainability into normal business processes and engage employees in all business functions within Cisco.

The team is responsible for CSR reporting, stakeholder engagement, and benchmarking. It also works with executive leadership to review performance, help prioritize CSR issues and programs, and set goals.

Our CSR Business Process

Cisco's CSR Business Process helps us set goals, develop and implement policies, and monitor and report on performance.



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Global Frameworks and Forums

Several global frameworks and forums inform and guide our work on CSR. These include:

- Clinton Global Initiative
- UN Global Compact
- UN Millennium Development Goals
- World Economic Forum

Global CSR Management Standards and Guidelines

- Global Reporting Initiative (GRI): CSR reporting guidelines (see our GRI Index)
- ISO 14001: Environmental management standard (see Environmental Management System, page F6)

Franklin Institute Honors John Chambers with Bower Award for Business Leadership

Cisco Chairman and CEO John Chambers was honored in FY12 by the Franklin Institute with the Bower Award for Business Leadership. The award recognizes outstanding leadership in American business, promoting sound economic practice and high ethical standards while serving as an inspiration to industry leaders.

Chambers received the award for "shaping Cisco Systems, Inc., into one of the world's most widely respected and successful technology companies, providing business and consumer technologies that allow millions of people to connect to each other through computer networking and the Internet, and for his leadership by example in corporate responsibility and personal philanthropy."

In addition, Chambers has been widely recognized for his and Cisco's CSR leadership, including receiving the U.S. State Department's top CSR award (ACE) twice, from Secretary of State Hillary Clinton in 2010 and Secretary of State Condoleezza Rice in 2005. He received the first ever Clinton Global Citizen Award from former U.S. President Bill Clinton in 2007 and was also awarded the Woodrow Wilson Award for Corporate Citizenship in 2004 and the prestigious Excellence in Corporate Philanthropy Award (an award given by CEOs to their CEO peers) in 2006.

Rio+20: Contributing to the Debate

Cisco supported the sustainable development aims of the Rio+20 Earth Summit in June 2012 and contributed to the debate at the accompanying UN Global Compact Corporate Sustainability Forum.

Our focus was on the role of technology in disaster risk reduction and resilience building. Cisco is a member of the UN Office for Disaster Risk Reduction Private Sector Advisory Group and leads the private sector team on the UN Making Cities Resilient campaign. We presented examples of public-private partnerships, including the use of technology to address urbanization challenges in Korea and the Planetary Skin Institute in Brazil, which addresses issues of resource scarcity and in which Cisco has been involved from the start (see Environment, page F37).

Cisco is also a corporate partner in the Regeneration Roadmap project. Launched at the Summit, the Regeneration Roadmap project is a collaborative and multi-faceted initiative developed by CSR research company GlobeScan and think tank SustainAbility. The project aims to promote sustainable development within the next generation, focusing in particular on how the private sector can improve sustainability strategy, increase credibility, and deliver widespread results more quickly.

Following the Rio+20 Summit, we held a stakeholder engagement session with opinion leaders in Brazil to gauge their views on how Cisco can contribute to sustainable development. We also asked them to comment on our CSR performance and reporting more generally. Stakeholders recognized that Cisco's strength is using our technology to support sustainable development.

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External Partnerships
Collaboration with external partners is key to the implementation of our CSR programs around the world. This collaborative approach is well established at Cisco. We aim to continue to develop and share best practices for public-private partnerships to increase our impact.

Cisco works with a wide range of global and local partner organizations, from nonprofits and governments to peer companies. A list of our community partners is available online.

Evidence of this collaborative approach can be found throughout this report as we work with others to further global sustainable development goals, improve CSR standards in our supply chain, and make our products more sustainable. Examples include:

- Partnering with schools and other institutions through our longest-running CSR initiative, Cisco Networking Academy, to reach more than 4 million students in over 165 countries
- Working together with peer companies and suppliers through the Electronic Industry Citizenship Coalition (EICC) to develop a common approach to tackling the issue of conflict minerals in the ICT supply chain
- Working with the World Resources Institute and the World Business Council for Sustainable Development to initiate the Greenhouse Gas Protocol (Scope 3) Product ICT Sector Supplement
- Supporting the Committee to Encourage Corporate Philanthropy through membership and collaboration in their mission to "lead the business community in raising the level and quality of corporate philanthropy"

Stakeholder Engagement
Cisco values the input of external stakeholders in developing our CSR strategy and initiatives as well as in continuing to improve our CSR reporting. Their input helps us align our business more closely to society's needs and prioritize issues while gaining valuable insight into external perspectives, building ongoing relationships with key influencers, and providing learning opportunities.

Our Sustainable Business Practices team manages collaboration and feedback between Cisco and stakeholders on CSR issues. Insights from stakeholders, opinion leaders, and experts are analyzed and shared with the relevant teams within Cisco and with our business partners.

> "Cisco has great, concrete short-term goals. They can strengthen their CSR strategy by adding long-term, more aspirational objectives."
>
> **Linda Qian**
> **Intel, U.S.**
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

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How We Engage With Key Stakeholders (continued)

Stakeholder Group	How We Engage	Examples of How Cisco Is Responding to Issues Raised
Communities	· Social investment programs · Partnerships with corporations, nonprofits, governments, and NGOs · Employee volunteering and participation in civic councils in their local communities	· Cisco and the Cisco Foundation provide cash, products, and people to help organizations create scalable, replicable, and sustainable solutions that use Internet and network technology to benefit individuals and communities around the world. See more on our support for community partners.
CSR Opinion Leaders	· Stakeholder meetings to gain feedback on our CSR performance and reporting	· See page B13 for more information about the meetings and their findings. Feedback from stakeholders suggested that we had begun to address a number of concerns raised in the previous year.
Customers	· Annual Customer Satisfaction Survey · "We're Listening" blog engages customers and partners about their experience with Cisco and how we can improve	· In FY12, Cisco won one of Forrester Research's "Voice of the Customer Awards," which recognize organizations that excel in collecting, analyzing, and acting on feedback from their customers. Forrester Research highlighted efforts that we have made to make it easier to do business with Cisco. In particular, the award recognized improvements that we made to our online customer support website, resulting in 81 percent of issues now being resolved online, avoiding 356,000 cases per month.
Employees	· Regular informal engagement through team meetings · Internal communications · Quarterly "All Hands" meetings · Annual leadership and sales meetings · Focus groups · Employee Pulse Survey · Annual ethics training and certification to Code of Business Conduct	· Asking employees to provide feedback through our Employee Pulse Survey, achieving an 83 percent response rate in FY12. · Responding to the findings of the FY11 Employee Pulse Survey. See Our People, page E6. · Being recognized by multiple awards focusing on employee programs and benefits. These included awards for best place to work, multicultural business opportunities, disability advocacy, and intern and MBA graduate hiring practices. Read more on Cisco's CSR Awards webpage.
Governments and Regulators	· Contributing to policy development through our Global Policy and Government Affairs team and industry associations · Partnerships with governments on social issues such as education and healthcare · Blog on High-Tech Policy: Thoughts and Opinions from Government Affairs	· Engaging on policy developments that affect our industry. See Public Policy (page B6) for a list of Cisco's critical policy priorities, and visit our Government Affairs page for our position on these areas and more. · Partnering with the Jordanian government on a healthcare initiative that uses ICT to improve the efficiency of and access to healthcare services in Jordan. See Society, page E11. · Focusing on social impact through our Tactical Operations team. For example, the Cisco Network Emergency Response Vehicle (NERV) is a mobile communications center that is designed to establish interoperable communications in emergency situations. The employees on this team work with governments, NGOs (such as NetHope), and the United Nations to set up and manage vital communications capabilities following natural disasters.

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How We Engage With Key Stakeholders (continued)

Stakeholder Group	How We Engage	Examples of How Cisco Is Responding to Issues Raised
Industry	· Participation in industry partnerships to promote the role of ICT in sustainability, respond to new regulations, and develop standardized approaches to challenges	· Participating in the Electronics Industry Citizenship Coalition to address issues in the ICT supply chain such as conflict minerals and working hours. See Supply Chain, page C18. · Working with the International Electronics Manufacturing Initiative to standardize lifecycle assessments of electronics products. See Environment, page F8. · The Internet has become an essential vehicle for everyday communication, but access to the Internet is still not universal. Cisco partners with TechNet, a coalition of ICT companies dedicated to advancing the industry's public policy agenda and bringing network access to everyone around the world, especially the disadvantaged.
Investors and Analysts	· Regular meetings with investors · Annual Meeting of Shareholders · Annual Report · Proxy Statement · This CSR Report · Sustainability investment indices · Investor Relations website	· Cisco's Investor Relations team aims to communicate with transparency and integrity. We strive to be a superior resource for Cisco's investors and analysts and to be strategic partners for management. · The IR team shares investor views on key sustainability issues–from human rights to executive compensation–with Cisco executives and members of Cisco's Board of Directors. · IR engages in ongoing, cross-functional collaboration with internal groups such as corporate affairs, sustainable business practices, the ethics program office, the Cisco Foundation, legal and compliance, and others. · IR meets regularly with socially responsible investors (SRIs) and engages Cisco leaders in dialogue with SRIs as well. See a list of awards won by our Investor Relations team online.
Nonprofits	· Meetings with CSR opinion leaders · Working with partners to deliver community and CSR programs · Providing technology skills and expertise through employee volunteering · Driving NGO efficiency and effectiveness through technology grants	· Partnering with nonprofits such as Appleseeds Academy, Inveneo, One Global Economy, Feeding America, Habitat for Humanity, and a range of local partners to establish a network of Community Knowledge Centers in sub-Saharan Africa · Working with NetHope and Inveneo to assist with humanitarian efforts at the Dadaab refugee camp in Kenya by setting up a high-speed wireless Internet connection · Supporting the Grameen Foundation's Progress Out of Poverty Index, which aims to improve the delivery and impact of poverty alleviation programs such as microfinance · Working to solve global challenges through influential coalitions such as the World Economic Forum and Clinton Global Initiative For more on these and other partnerships with nonprofits, see Society, page E5.

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How We Engage With Key Stakeholders (continued)

Stakeholder Group	How We Engage	Examples of How Cisco Is Responding to Issues Raised
Sales Channel Partners	· Quarterly and annual surveys to understand our performance and how we can help partners grow their business · Channels blog · Facebook · Cisco Channels Twitter account · YouTube · Partner Community: provides a secure, engaging, and cohesive forum for partners to learn, share, and collaborate with their peers and Cisco experts	· Partner Education Connection provides training on products, tools, and solutions to promote our partners' businesses, and their continued technological education and certification. Any employee of an authorized Cisco Channel Partner company can request access. The majority of courses on are free, and partners report that it helps decrease travel expenses while increasing productivity and sales.
Suppliers	· Close collaboration to incorporate CSR into all aspects of the supply chain · Supplier Code of Conduct and Supplier Ethics Policy · Regular audits	· Including sustainability criteria in our performance scorecards for preferred suppliers · Working with suppliers through our auditing process and other engagement to build their CSR capabilities · Mentoring diverse suppliers and participating in global business missions to support their business development See Supply Chain, page C11, for more on our engagement with suppliers.

Watch the Video! Sustainability criteria in Cisco's supplier scorecards help us to better monitor supplier performance and to collaborate with our supply chain partners, such as D.W. Morgan, to optimize environmental and labor improvements.

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Cisco Invites Global CSR Stakeholders to the Virtual Boardroom

In FY12, we held a series of meetings with 28 CSR opinion leaders representing academia, customers, government, industry and sustainability organizations, investors, peer companies, and NGOs. For the second year, we used Cisco TelePresence technology to bring stakeholders together virtually to avoid travel-related carbon emissions. Participants from 12 countries joined four sessions covering Asia Pacific, the Americas, Europe, and (following the Rio+20 Earth Summit) Brazil.

Participants recognized that our reporting had improved, and those who had taken part in our FY11 feedback sessions confirmed that Cisco had listened and responded to their feedback. The following table summarizes the feedback received and our responses:

Feedback	Cisco's Response
Improve disclosure on social and environmental challenges	In this report, we have included an overview of key challenges in the introductory pages of each section.
Show how we are promoting the use of our products and services to drive the sustainability agenda	The Society and Environment sections of this report outline how we are promoting the use of products such as our remote collaboration, EnergyWise, data center, and smart grid products and solutions to improve the sustainability of our operations and those of our customers.
Set clearer, bolder environmental targets and report performance against them	We continue to look to external frameworks such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP) to benchmark our CSR program and goals. From this insight, we believe we are in a solid position, but we recognize that there is more to be done. See our Environment video for insight on Cisco's performance from CDP Executive Chairman Paul Dickinson.
Improve transparency on human rights issues.	We have published a human rights policy and included in this report an extensive discussion on human rights and Cisco's Human Rights Roadmap, which will align to the UN Guiding Principles (see page B21).

Stakeholders also recommended a number of further improvements to help Cisco maintain its reputation as a CSR leader. These include articulating a holistic CSR approach and a more succinct list of KPIs, identifying and focusing on our most material issues, and being more candid about the challenges we face.

Stakeholders were impressed to see that Cisco's CSR and business strategies are closely aligned, and they wanted to see this connection strengthened in our reporting. We aim to address their feedback in this report.

Material Issues

The findings of our engagement with stakeholders were fed into our latest detailed materiality assessment in July 2012. This assessment was conducted by the think tank and consultancy SustainAbility using a methodology that also draws on research by GlobeScan. It has helped us to prioritize those issues with the potential to have the greatest impact on Cisco's business, the environment, and society. From this process, we have identified our most material issues (see Introduction, page A10).

Cisco CTS-3000 TelePresence unit (6 users) with CTS-3200 TelePresence (18 users)

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Ethics

Ethical business conduct is crucial in helping us attract and retain customers, business partners, and talented employees. As the world changes, new products and services carry new ethical challenges. Integrity remains one of our most fundamental core values and drives our commitment to uphold high standards on ethics and human rights.

Cisco Named One of the World's Most Ethical Companies for Five Years Running

For the fifth consecutive year, Cisco was included in the Ethisphere's World's Most Ethical Companies. Cisco was one of 145 companies awarded with this title in 2012 for our ethics and compliance programs.

See our website for more CSR awards and recognition.

Code of Business Conduct

The Cisco Code of Business Conduct defines our expectations for our employees' ethical behavior. All employees must follow this Code, which provides information about our policies and procedures, guidelines for decision-making, and real-life examples of potential work-related ethical dilemmas.

The Code requires:

- Honest and ethical conduct
- Full, accurate, and timely disclosures to government agencies and in other public communications where appropriate
- Protection of confidential and proprietary information belonging to Cisco, our customers, and our suppliers
- Compliance with all applicable government laws, rules, and regulations
- Prompt reporting of potential violations

In FY12, we updated the Code to make it even easier to use. In response to employee feedback, we reduced the length of the document and added reference tools to help employees find specific policies or topics. We also began to embed short videos in the new document that explain how to put the Code into practice. For example, the new "It's just a mooncake" video in the Gifts and Entertainment section shows that something as simple as giving or accepting a gourmet holiday pastry as a business gift must be done properly.

The Cisco Supplier Ethics Policy sets similar expectations for our business partners. Both require compliance with all applicable regional and national laws and regulations.

The Ethics Office also raises awareness about business ethics among employees, business partners, and suppliers. It offers ethics training for employees, helping them recognize ethics-related situations. For example, during the holiday season every year, we conduct an internal communications campaign to remind employees about the gifts and entertainment policies.

Reporting Concerns

We encourage employees and other stakeholders to promptly report concerns to us about suspected unethical behavior. The ways they can do this include:

- Speaking to a manager or human resources representative.
- Contacting team members in our Legal or Ethics offices directly.
- Contacting the Ethics Office by email at ethics@cisco.com or through our anonymous webform, channels that account for more than 70 percent of reported concerns.
- Reporting concerns through our global helpline, which is run by a third party and available to people outside Cisco. Around 15 percent of concerns are reported using the helpline. The Cisco Ethics Line is available in more than 150 languages and open 24 hours a day. Calls can be made anonymously, if preferred (in countries where this is permitted by law). Our Ethics@Cisco website contains dialing instructions for over 60 countries.

In FY12, the Ethics team launched two new online tools for employees to disclose gifts and outside business interests. These tools make it easier for our employees to get prompt reviews and decisions about approval for these more common issues and for the Ethics team to respond and track these centrally.

We make clear to employees that they will not face retaliation if concerns are raised in good faith, and fear of retaliation is low. Only 18 percent of concerns were reported anonymously in FY12.

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In FY12, the main concerns raised related to conflicts of interest, gifts and entertainment, and human resources issues. We make it a priority to investigate all concerns. Violations may result in disciplinary action, including termination of employment in certain cases.

Ethics is embedded in Cisco's culture. Employee responses to the ethics questions in the annual Pulse Survey show a strong and stable ethical culture (see table).

Pulse Survey Results

Question	FY10	FY11	FY12
I have confidence that Cisco takes ethical business concerns seriously	91%	90%	91%
The management team sets a good example of company values, culture, and the Code of Business Conduct	81%	81%	84%
I know where to go to report an ethics question or concern	83%	83%	87%
I can report concerns without fear of retaliation	72%	75%	78%

Employee Training and Awareness

Each year, we require all regular employees (in countries where this is permitted by law) to recertify compliance with the Code of Business Conduct, to refresh their commitment to ethical conduct, and to get updated information on any changes Cisco has made to the Code. In FY12, all of Cisco's eligible[1] employees completed recertification. Newly hired employees must certify within three weeks of joining Cisco. The certification is available online in 13 languages and in an Americans with Disabilities Act (ADA)-accessible version.

Our internal ethics website provides training, links to policies, and other resources, as well as a discussion forum for employees on ethics topics. It includes our ethics training videos and online modules. We introduced a new training video in FY12, "Everyday Ethics," to accompany the certification process for all employees. The resulting increased awareness has contributed to an increase of more than 700 percent over FY11 in the number of inquiries and disclosures of outside business interests.

We provide on-demand training tailored to specific employee groups when it is requested by business or regional management. In FY12, we provided live training for more than 1000 employees in global supplier management, recruitment, and employee relations. This builds on existing ethics training such as:

- An anticorruption course for employees who interact with government representatives and officials, monitored by a public sector compliance team in the Legal department (see box)
- A program for human resource professionals, designed to provide the tools they need to act as ethics advocates and respond to employee questions related to the Code of Business Conduct
- A quarterly course for new recruits addressing Cisco's commitment to ethical business practices
- Live training for employees joining our sales teams (Cisco Sales Associates)
- Annual live training for employees in China

In FY12, we established a new Code of Certification Ethics for Cisco employees and external IT professionals taking Cisco certification training (approximately 2 million globally at any given time). The Code covers ethics related to study preparation and testing, protecting information, and professional conduct related to their Cisco certification. We have developed a series of training videos to accompany the Code.

When Does a Gift Become a Bribe?

In July 2012, we introduced new training on anticorruption, delivered by video with a follow-up test of 10 questions.

Focusing on the difference between an acceptable business gift and a bribe, the training sets out what employees should look out for. While the specific criteria of anticorruption laws and regulations vary around the world, the key factor is reciprocation. This means that if a gift, favor, or hospitality is given with the expectation of getting something back (such as obtaining or retaining business), it becomes a bribe, not a gift.

All employees who interact with government or public officials will be required to complete this training in FY13.

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

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Privacy and Data Protection

People are understandably concerned about how their personal information is used and shared, and they want to feel confident that data communicated or stored online is secure. Cisco works regularly to enhance robust processes and systems that protect customer and employee data and to raise awareness about the importance of data protection and privacy.

We implement best practices to protect our networks, systems, and information. Twice yearly, we analyze and publish security trends, changing threats, and innovative ways to transform IT and business models for greater security, using the results to identify early warnings. Our Privacy Portal showcases our program.

Securing the Cloud

The growing popularity of cloud (Internet-based) computing is changing the way organizations and individuals share data. It is crucial to our business that we maintain the trust of our customers, partners, and employees as we build our offerings in this area. Our cloud security offerings include:

- Capabilities to help cloud service providers and subscribers secure their cloud infrastructure
- Cloud-based email, web, and threat intelligence security for customers
- Secure cloud access to help organizations control access to resources and software hosted in the cloud, enabling a trusted cloud environment

These security services are as important to Cisco as they are to our customers and partners. Sensitive personal and company data become susceptible to various security threats as new technology is used to build cloud offerings. We use our cloud security offerings to help Cisco maintain the integrity of our own operations, reducing risks and improving the privacy of proprietary information.

Privacy by Design

Designing privacy into our products helps Cisco maintain a market-leading position for our applications. “Privacy by Design” is the concept that privacy is not an add-on, but rather a core component of our products, services, and systems.

We have created guidelines for our engineers and product managers to make sure they understand the privacy and data protection needs of new applications. This helps the development team design features and functionality that make it easier for Cisco, customers, and users to comply with legal and business requirements to protect personal information.

Our supplier review program assesses service providers to mitigate potential risks, especially with respect to cloud solutions. We base our assessment on guidance developed by the Cloud Security Alliance, an organization promoting the use of best practices for providing security assurance within cloud computing.

Privacy Compliance

Compliance with regulations on privacy and data protection is managed by a cross-functional team with representatives from our legal, IT, information security, sales, marketing, and HR departments. Training is a major component of our compliance program, and we provide comprehensive privacy and security training for employees specific to their responsibilities. Online privacy training modules and resources are available to all employees and contractors via our internal privacy portal. Our quarterly “Privacy Corner” newsletter raises global awareness of emerging privacy trends and regulations.

Privacy and security standards are part of our Code of Business Conduct. Our cross-functional program for reporting and tracking incidents provides a standard, global process to report, categorize, monitor, refer, and investigate alleged incidents.

In FY12, Cisco was again awarded TRUSTe’s Privacy Seal. This seal indicates that our privacy policy and programs meet best practices for transparency, accountability, and choice regarding the collection and use of personal information. The award was also expanded to include compliance with the U.S.-EU Safe Harbor framework. This supports the Safe Harbor Certification we achieved for customer and partner data in FY12 and for employee data in FY11, which provides assurance that we take data protection seriously and will continue to improve internal controls to safeguard personal information.

Promoting Security Awareness

We have embedded security into corporate initiatives and into our Code of Business Conduct to encourage employees to integrate security into their daily activities. Through the Cisco Security Education Program, we are using our own experience to help other organizations increase awareness of security to protect privacy, intellectual assets, and computing resources. Promoting the right behaviors is a key focus, for example, through campaigns to raise awareness of risks associated with social networking. Regular updates and tips can be found on the Cisco security blog.

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We also monitor data security risks and publish a weekly Cyber Risk Report that highlights current security activity. The report addresses seven major risk-management categories: vulnerability, physical, legal, trust, identity, human, and geopolitical. Cyber Risk Reports are powered by Cisco Security Intelligence Operations, our advanced security infrastructure.

Collaboration on Privacy

We value the insights and collaboration of peers in our work to protect customer security, and we share our experience with them, as well. Cisco participates in, or is a member of, privacy associations and alliances, including:

- Cloud Security Alliance
- Health Information Trust Alliance
- International Association of Privacy Professionals
- National Cyber Security Alliance
- Payment Card Industry Board of Advisors

Protecting Children Online

Online privacy is particularly important for younger Internet users as their safety is a primary concern. Cisco supported National Cyber Security Awareness Month in October 2011 by posting a series of blogs with top tips, including guidance for parents on steps to help their children stay safe online. See, for example, our tips on social networking safety. Cisco also offers parental controls on home networking products such as our Linksys router to enable parents to restrict children's access to certain websites.

Human Rights

Cisco's technology creates opportunities for connectivity, expression, and access to information to a growing number of people across the world. At the same time, we recognize our responsibility to realize these benefits in a manner that respects human rights through our operations, business relationships, products, and services.

We support the Universal Declaration of Human Rights and the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anticorruption. All our activities are conducted in strict compliance with applicable laws, including U.S. export rules and regulations. Our human rights approach is coordinated by our Corporate Affairs department, and compliance is overseen by our General Counsel and Chief Compliance Officer, Mark Chandler.

Our Key Opportunities and Challenges

Information and communications technology (ICT) plays a powerful role in shaping the way we connect, communicate, and collaborate with one another. From the way we access and share information to the way we protect it, ICT can be a positive force for creating new opportunities and advancing human rights.

We use our networking technologies to create new opportunities for more people across the world. At the most general level, more than 1 billion people have better Internet access thanks to Cisco's products. Our Cisco Networking Academy brings technology education, 21st-century skills, and improved job prospects to students in more than 165 countries. To date, we have empowered and prepared over 4 million students for careers in the ICT field. We also partner with humanitarian organizations such as NetHope, a collaboration of 32 humanitarian organizations, to meet critical human needs in disaster-stricken areas. Thanks to Cisco technology, a NetHope technologist can now quickly set up Internet communication and provide this critical lifeline to people affected by natural disasters.

Our networking technologies are also being used to improve access to quality healthcare. We have partnered with the Government of Jordan to create the Jordan Healthcare Initiative (JHT), which uses our "care-at-a distance" technology solutions to provide healthcare to remote, rural populations and underserved individuals and communities. We also invested US$50 million over three years in Connecting Sichuan, a public-private partnership that helped revitalize healthcare, education, and the workforce in Sichuan Province following the 2008 earthquake. We helped design healthcare solutions that all work in concert with a collaborative delivery network. Thanks to this partnership, our advanced communication and collaboration technologies are now giving rural patients and healthcare providers easier, more affordable access to urban doctors, facilities, and professional training. Similar solutions have also been developed to advance education and economic development through the Connecting Sichuan partnership. See the Society section of this report for more information.

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Freedom of Expression

We live in an age where our technologies can be used by governments and organizations, both to enable and to impede communications, and both to protect and to impair privacy.

As a leading provider of network equipment, we believe that upholding the right to freedom of expression is fundamental to our business and society. We strongly support freedom of expression and open communication on the Internet, and we are proud of our role in helping to make Internet technology ubiquitous, allowing billions of people in nearly every nation across the world to access information previously unavailable to them.

Our goal in providing networking technology is to expand the reach of communications systems. To meet this objective, we build our products on open, global standards, which we believe are critical to overcoming censorship and keeping the world connected.

By making our products interoperable, we strengthen the Internet's capacity to be a positive force for society. Our work across the world is guided by the following principles:

- We do not participate in business activities that would aid repression.
- We do not support attempts by governments to balkanize the Internet or create a "closed" Internet, as such attempts undermine fundamental human rights, including the right to freedom of expression.
- We do not customize or develop specialized or unique filtering capabilities to enable regimes to block access to information.
- We do not supply nor do we support mediation equipment that allows the interception of telephone calls made over the Internet using Voice over Internet Protocol (VoIP).

We believe that the threat to freedom of expression and Internet freedom today does not reside in standardized equipment, but rather in efforts to adopt special protocols that deviate from global norms and efforts to enable special censorship or filtering systems. We have worked in opposition to such efforts and will continue to do so. For example, in March 2012, we committed to not responding to a public tender published by the Government of Pakistan to build and implement a national-level Internet filtering and blocking system. We also do not supply video surveillance monitoring software or systems in China. We are strongly committed to a standards-based global Internet that maximizes the opportunities for freedom of expression, and we do not customize our equipment to help any government to censor content, track Internet use by individuals, or intercept Internet communications. Read our statement to the Business & Human Rights Resource Centre for more information on this issue.

A full appreciation of the human rights issues associated with network equipment requires an understanding of the

equipment's core features. The nature of Internet routing is such that in order to deliver messages and content, service providers generally can see the addresses of the senders and recipients of information and, in the absence of adequate encryption, the contents of messages and attachments. Individuals, companies, and countries make their own decisions with respect to how they operate networks and network security in terms of protecting the network itself from denial of service and other attacks and protecting users from spam, hacking, and virus attacks. This requires operators to have capabilities that can also be used to block access to particular websites or copy and download users' communications. We cannot shut down such networks—only network operators have that capability. We advocate that users should have access to workable encryption, and we have opposed the efforts of some governments to block users from adequate encryption.

Product Use

We believe our role in providing more people across the world with access to the Internet is hugely important, and that operating in most countries brings more benefits than if we were not present. In all countries where we do business, our network technologies, whether they are sold directly or through local partners and service providers, include the same standard Internet-access equipment and network management capabilities that are used by public libraries in the United States, which includes such capabilities as blocking inappropriate content for children.

We also believe in an open Internet where people can access the same information no matter where they are in the world. We design our products and services to enable this access while safeguarding human rights. Despite these efforts, it has been alleged that some customers in some countries have misused our technology. In some cases, awareness of the fact that a government does

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not respect the open Internet is confused with complicity in efforts to limit communications or repress freedom, even where the equipment being supplied is standards-based, non-customized access equipment necessary to facilitate communications. One example is the use of Cisco's routing equipment in China, where we were falsely accused in 2002 to have taken part in designing customized technologies used to censor the Internet and track opponents of the Chinese government. We have strongly denied these allegations. Read our blog for more information on this issue.

Our networking equipment can also play an important role in helping to promote public safety—through crime prevention assistance, for example—but we recognize that there is a growing concern about the use of networking equipment for improper surveillance that would violate an individuals' privacy rights. For instance, concerns have been raised about our work on the "Smart+Connected Communities" project in Chongqing, China. This project is based on standard, unmodified Cisco routing and switching equipment and does not include video surveillance hardware or software. We have not and will not sell video surveillance cameras or video surveillance management software in general public infrastructure projects in China.

Global Standards

We believe that open and global product standards play a very important role in protecting and respecting human rights. For this reason, we work with policy makers and participate in standard-setting bodies, working groups, and industry coalitions to create and maintain a secure global standard for wireless local area network (WLAN) connection.

China, however, uses a local national standard known as WLAN Authentication and Privacy Infrastructure (WAPI) to provide secure access to the Internet rather than the IEEE 802.11 standard, which is now universally used in Wi-Fi networks globally. Although the International Organization for Standardization (ISO) has rejected the Chinese government's application to make WAPI an international standard, WAPI continues to be used as the default standard in China despite concerns that WAPI remains incompatible with internationally recognized standards. While our equipment supports the globally recognized Wi-Fi standard, suppliers and users of our equipment in China are able to add WAPI to our equipment. We would not be able to sell our equipment and provide the benefits of an open Internet in China if WAPI could not be added. Many western vendors of handsets and infrastructure, however, comply directly with and incorporate the WAPI protocols in their products, enabling this non-standard encryption to proliferate. Our efforts to oppose WAPI are rendered meaningless when other vendors incorporate the code. Nevertheless, we continue to maintain our efforts to push for international standards that are used to pursue a safe and secure open Internet.

Employees

To safeguard the rights of our employees, we follow our Code of Business Conduct, which was expanded in FY12 to include freedom of expression and privacy. We also rely on our many employee policies and guidelines that incorporate relevant laws and ethical principles—including those pertaining to freedom of association, nondiscrimination, privacy, compulsory and child labor, immigration, fair pay, and working hours—to guide our day-to-day activities and business decisions.

Supply Chain

To help protect the rights of workers in our supply chain, we maintain a Supplier Code of Conduct, which describes our expectations on key human rights issues, including child and forced labor. Through our supplier audit process and capability-building programs, we partner with our suppliers to uncover any human rights violations and work with them to improve their performance. Our top priority is to partner with suppliers that share the same values we have about human rights. For more information about our supply chain program—including our positions on slavery and human trafficking and conflict minerals—see the Supply Chain section of this report.

Our Approach

As our business grows and reaches more people across the world, we must continue to identify and enhance the way we address our key human rights opportunities, risks, and challenges. To achieve this, we regularly engage and collaborate with our stakeholders, including non-governmental organizations (NGOs), industry peers, investors, and CSR practitioners, to help us gauge expectations and understand the ongoing effectiveness of our work.

Examples of our collaboration in FY12 include:

Business and Human Rights Resource Center: We respond to questions from the Business and Human Rights Resource Center, an NGO and portal that reports on positive and negative human rights impacts of companies across the world. We appreciate the Center's contributions to advancing the field of business

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and human rights, and our dialogue helps us better understand issues of concern and how we can most effectively address them.

Business for Social Responsibility (BSR): In FY12, we joined the Human Rights Working Group set up by BSR, which serves as a forum for companies from all industries to share ideas, exchange best practices, and discuss challenges they face in the area of human rights. Cisco hosted the group's July 2012 meeting, and we have separately engaged BSR to inform our approach to integrating human rights into our management processes.

Electronic Industry Citizenship Coalition: Cisco is a founding member of the Electronic Industry Citizenship Coalition (EICC). The EICC Code of Conduct specifically addresses human rights issues, including forced or involuntary labor, child labor, wages and benefits, working hours, nondiscrimination, respect and dignity, freedom of association, health and safety, protection of the environment, supplier management systems, supplier ethics, and supplier compliance with laws. For more information about our involvement with the EICC, see the Supply Chain section of this report.

Global Network Initiative (GNI): We follow closely the achievements of the GNI, and we have had different levels of direct and indirect engagement with GNI leaders, board members, company members, and the executive director over the years.

We support the principles of the GNI applicable to operators of public Internet access networks. Where we have offered to build such networks and operate them temporarily, we have included contractual terms specifically permitting us to act in accordance with the due process protections set forth in the GNI principles

"Our goal in providing networking technology is to expand the reach of communications systems, and our products are built on open, global standards. We do not support attempts by governments to balkanize the Internet or create a "closed" Internet because such attempts undermine the cause of freedom. In fact, adherence to open standards is critical in the efforts to overcome censorship."

Mark Chandler
Senior Vice President, General Counsel and Secretary
Cisco

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relative to supplying user information during any period in which we might operate the networks. We do operate some of the networks providing services that are used primarily by enterprises such as WebEx and Callway (which allows for bridging of telepresence services). In those circumstances, we also support the GNI principles.

Other Stakeholder Engagement Efforts: In addition to developing our internal approach to human rights, Cisco participated in the Stockholm Internet Forum in Sweden and engaged with Freedom House and several Socially Responsible Investors on Internet freedom and governance issues in the past year.

Looking Ahead: A Roadmap for Human Rights:
In FY12, we developed a roadmap to address human rights more systematically across our organization. This roadmap applies the framework and recommendations put forward by the Guiding Principles on Business and Human Rights developed by UN Special Representative John Ruggie and endorsed by the UN Human Rights Council.

Our human rights roadmap covers four critical areas: policy, governance, due diligence, and remediation. With the help of BSR, we reviewed best practice approaches by leading peer ICT and non-ICT companies to understand how they could be applied to our roadmap. We also began a review of human rights stakeholders to better understand their expectations, and we believe that these insights will further inform our efforts going forward.

1. **Policy**
In FY12, we created a global human rights policy that articulates our commitment to human rights and outlines our approach in relevant impact areas. The executive sponsor of the policy is Randy Pond, Executive Vice President of Operations, Processes, and Systems.

2. **Governance**
In FY12, we established a new human rights governance model that coordinates oversight of human rights issues across different functions throughout the company. Our new governance model will be managed by a cross-functional human rights working group consisting of subject matter experts from across the company. Led by Cisco's Corporate Affairs department, this working group will be responsible for defining, communicating, and executing our human rights strategy and roadmap, and it will report to our executive sponsor and our Chief Compliance Officer, who will in turn report to the Audit Committee and Board of Directors.

3. **Due Diligence**
In FY12, we reviewed our own approach to identifying and addressing human rights risks, and we benchmarked 10 leading companies across a range of industries to understand best practices in this area. Our benchmark included a review of publicly available resources to understand human rights approaches at other companies, and it was augmented by in-person interviews with key practitioners and stakeholders.

4. **Remediation**
Our goal is to develop a mechanism for reporting questions related to human rights that is similar to our current ethics "hotline" procedure, and we aim to begin developing this system in FY13. Once it is in place, employees and stakeholders will be able to raise human rights concerns by email or telephone.

"I was impressed with the CSR program and thought it was very robust and well connected to the business."

Laurie Ginsberg
Aspen Institute, U.S.

Cisco's 2012 Global Stakeholder Engagement Sessions

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Supply Chain

We expect our suppliers to meet the same high standards on ethics, labor rights, health and safety, and the environment that we apply to our own people and operations. Cisco works closely with suppliers to manage these sustainability issues and improve their performance throughout the supply chain and at every stage of the lifecycle of our products. We look to use our relationships with our network of suppliers and peer companies to multiply the impact we can have on sustainability in the information and communications technology (ICT) supply chain.

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Overview

These first five pages give readers an overview of Cisco's objectives, key challenges, progress, and performance with regard to Supply Chain. We have used this overview as part of our Executive Summary, which can be downloaded here.

The manufacturing of our products is nearly entirely outsourced. More than 600 suppliers provide components for, manufacture and test, deliver, take back, recycle, or enable reuse of Cisco products. Clear communication and close collaboration with these suppliers is critical to our ability to deliver high-quality products to customers while meeting our CSR goals.

We communicate our expectations of our suppliers through our Supplier Code of Conduct, with which all suppliers are expected to comply, and we monitor compliance through supplier self-assessments, sustainability criteria in supplier scorecards, and third-party audits. Regular engagement helps us strengthen our relationships with suppliers and build their sustainability capabilities. Using Cisco solutions such as Cisco TelePresence, we are able to discuss sensitive issues face-to-face with suppliers around the world. In addition, we aim to provide a practical example to suppliers on how to integrate CSR into their day-to-day business operations by working to improve our own practices.

We focus our performance monitoring, audit program, and capability building efforts on around 200 preferred suppliers (see page C8) with which we spend approximately 75 percent of our supply chain expenditure.

Cisco also plays a broader role in raising standards throughout the ICT supply chain by working directly with suppliers and with peer companies through industry initiatives such as the Electronic Industry Citizenship Coalition (EICC).

We recognize that our customers and other stakeholders, such as investors, have a growing interest in sustainability issues in the supply chain. Increasing transparency and addressing sustainability in the supply chain help us to build customer trust, reduce costs, secure continuity of supply, and protect our brand. Collaboration with suppliers also encourages innovation to develop more sustainable products for our customers (see Environment, page F9).

Our strategy is to multiply our positive impact on sustainability standards and performance throughout the supply chain by:

- Embedding sustainability into routine business practices at every stage of the product lifecycle that touches our supply chain
- Working with manufacturing partners, component suppliers, and logistics partners to build their capabilities for managing sustainability impacts and to improve performance
- Partnering with industry consortia to develop common standards and tools to address broader sustainability challenges in the ICT supply chain

"The discussion about sustainability and CSR in Cisco's supply chain gives the reader an understanding of the lifecycle impacts of Cisco's products and how Cisco is addressing them."

Andy Jones
Amcor, Australia

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you + networks = impact^x

You: Cisco is committed to improving sustainability performance throughout the supply chain. One of our key focuses in FY12 has been to better understand our suppliers' sustainability performance so we could target improvements more effectively. To this end, we included sustainability criteria in our business scorecards for preferred suppliers for the first time, and we are encouraging our suppliers to report their performance publicly in a CSR report and to disclose their greenhouse gas (GHG) emissions through the Carbon Disclosure Project.

Networks: Cisco is encouraging these improvements by collaborating with our network of suppliers and a network of peer companies through industry initiatives such as the EICC and the International Electronics Manufacturing Initiative (iNEMI). We continue to monitor labor and environmental performance through audits against our Supplier Code of Conduct. We are also working with others in our industry to adopt a standardized approach for measuring and monitoring suppliers' sustainability performance and to tackle industry-wide challenges such as working hours and conflict minerals.

Impact^x: By the end of FY13, we aim to have established a reliable baseline of preferred suppliers' sustainability performance. This will enable us to work with them more effectively to improve their overall sustainability performance. For example, our goal is for 100 percent of our preferred suppliers to have set reduction targets on GHG emissions and to begin reporting progress toward these targets within the next three years. By working together with these networks of suppliers and peers, we can have a much bigger impact on sustainability in the supply chain than any one company could have alone.

Preferred Supplier Performance Summary

Indicator	FY12[1]
% Preferred suppliers publishing a CSR report, by count*	
· Manufacturing partners	75%
· Component suppliers	38%
· Logistics providers	57%
% Preferred suppliers responding to Cisco's supplier sustainability survey (for scorecard), by count	
· Manufacturing partners	100%
· Component suppliers	81%
· Logistics providers	100%
% High-risk manufacturing partners audited, by facility count	65%
% High-risk component suppliers audited, by count	27%
% Preferred suppliers reporting to Carbon Disclosure Project, by count	50%
% Preferred suppliers providing GHG emissions related to Cisco products, by count	
· Manufacturing partners	100%
· Component suppliers	30%
· Logistics providers	100%

1. This is the first year we have published data on these indicators. In future years, we will report year-on-year performance to show trends.

* Corporate key performance indicator (KPI). For our complete list of corporate KPIs, see Introduction.

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Progress Toward Objectives

Objective	Progress in FY12	Status
Embedding Sustainability in Core Business Processes		
Integrate sustainability questions into our business scorecard for preferred suppliers to better understand their performance, identify where they need support, and promote ongoing improvements	Deployed sustainability criteria in business scorecards for all contract manufacturers, logistics partners, and preferred component suppliers.	●
Launch a Supplier Appreciation Award for Sustainability to recognize suppliers that demonstrate an outstanding commitment to sustainability	Award launched in September 2011. Won by one of our logistics partners, UPS, in recognition of its exceptional sustainability commitment. Award will be repeated annually.	●
Provide additional training on sustainability issues for employees who engage regularly with suppliers	Continued to provide sustainability training to supplier-facing employees through webinars and other informal engagements. Launched a new web-based training module, which has been rolled out initially to logistics and manufacturing supplier managers.	●
Partnering with Suppliers to Improve Performance and Build Capability		
Communicate and require suppliers to acknowledge the revised Supplier Code of Conduct	Required all suppliers to affirm their acceptance of the Code and sent a supplemental communication to all suppliers after the Code was revised to make them aware of the changes.	●
Enact Processes That Meet the Requirements of:		
· U.S. Dodd-Frank Act	Published a policy on conflict minerals and initial guidance for suppliers on compliance with the Dodd-Frank Act, and developed a survey to assess suppliers' readiness to comply.	●
· California Transparency in Supply Chains Act of 2010	Published a statement on Cisco.com that describes our position on slavery and human trafficking and explains how our commitment to freely chosen labor is embedded in our supply chain practices.	●
Partner with suppliers to identify and realize sustainability improvements	Collaborated with logistics partners to optimize routes and shift transport mode from air to sea (see Environment logistics, page F27). Helped build suppliers' capabilities to measure, manage, and publicly disclose sustainability impacts to establish a baseline for performance (including indicators such as working hours and injury and illness rates) before working more closely with them to promote on-the-ground improvements.	○
Working with Industry Groups		
Continue to work through industry groups such as the EICC and iNEMI to develop tools and standards to address global sustainability	Contributed to EICC working groups to develop industry-standard tools on issues such as working hours (see page C15) and conflict minerals (see page C17) in the supply chain. Co-led iNEMI's Eco-Impact Evaluator project to develop an estimator tool that will establish a unified format for requesting lifecycle assessment information from suppliers.	●

● **Achieved** ○ **Ongoing**

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Addressing Key Challenges

Stakeholders continue to ask companies for more information about the sustainability impacts of their supply chain as nongovernmental organization (NGO) campaigns, customers, financial analysts, and new regulations require companies to demonstrate increased transparency. We answer the most commonly asked questions in this report.

We are working with our preferred suppliers on the best approach to managing key sustainability impacts. Sustainability criteria now account for at least 5 percent of the business performance scorecard that determines preferred status for our suppliers. We ask suppliers to disclose their performance on sustainability issues to help us increase transparency in our supply chain.

We will continue to refine the scorecard process to gather more consistent data, and we will help suppliers improve their capability for calculating and reporting their impacts. For example, we ask all of our manufacturing partners and logistics providers to provide data on Cisco's share of their GHG emissions to help us understand the impacts related to our products and to help suppliers reduce these impacts. We make a similar request of our preferred component suppliers, but not all of them are able to provide this data. We are also encouraging preferred suppliers to report their carbon emissions through the Carbon Disclosure Project and to set reduction targets.

The sustainability scorecard response rate was 100 percent among manufacturing partners and logistics providers but 81 percent among preferred component suppliers. To achieve a 100 percent response rate in FY13, we will work with suppliers to understand and help them overcome challenges in completing the survey and providing the data we ask for, and we will follow up more vigorously with non-respondents. We recognize that many suppliers are asked to complete multiple surveys, and we are working with others in our industry to explore ways to standardize the process to create greater efficiencies and a higher response rate.

To support the self-assessment scorecard process, we more than doubled the number of site audits we conducted to monitor suppliers' performance in FY12, covering 65 percent of manufacturing partner facilities and 27 percent of component suppliers identified as high risk. Our engagement with suppliers initially focused on manufacturing partners and logistics providers, but we are now increasing visibility further down the supply chain by auditing more component suppliers and including them in the scorecard process. The most frequent audit findings in FY12 still relate to labor issues, specifically working hours, which remains a significant supply chain challenge in the ICT industry.

We are increasing transparency by publishing supply chain sustainability performance metrics in this report for the first time (see page C13), and we will continue to do so in future years to enable year-on-year comparisons.

The toughest sustainability challenges cannot be resolved by one company alone. Cisco continues to support industry efforts to tackle issues such as working hours and conflict minerals and to develop standards and share best practices throughout the shared ICT supply chain. Working with the EICC to develop tools to address these issues will be an important focus in FY13, as will helping our suppliers implement a due diligence process to comply with the conflict minerals provisions of the U.S. Dodd-Frank Act.

> "Provide more on what you're doing in the supply chain. What didn't work? What are your successes?"
>
> **Dr. Margaret Burnett**
> **Sustainability Practitioner, Hong Kong**
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

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One of our top priorities is to increase transparency further down the supply chain. By understanding the impacts of the entities that are suppliers to our manufacturing partners and component suppliers, we can work with our suppliers to reduce risk and improve performance. To address this, we are introducing criteria into our audits for our suppliers to report how they are monitoring their own suppliers in line with the revised EICC audit protocol launched at the end of FY12. This will help to identify areas for improvement throughout the supply chain.

Cisco's response to these challenges is provided in more detail throughout this section.

We also have set objectives on packaging reductions, product take-back, and recycling. These are outlined in the Environment section (page F11).

Objectives for FY13 and Beyond
Audit half of our high-risk manufacturing facilities and a third of our high-risk component suppliers in FY13
Partner with suppliers to identify and realize sustainability improvements in FY13
100% of preferred suppliers to complete Cisco's supplier sustainability survey, enabling assessment of their sustainability performance in our business scorecards in FY13
100% of preferred suppliers to report their GHG emissions through the Carbon Disclosure Project questionnaire in FY13
100% of preferred suppliers to have goals in place to reduce GHG emissions and report progress against their goals by end of FY15
100% of preferred suppliers to report Cisco's share of their GHG emissions by end of FY15
100% of manufacturing partners to publish a CSR report in FY13
75% of logistics providers to publish a CSR report in FY13
100% of Cisco supplier managers to complete web-based training on sustainability in FY13
Establish a due diligence process to assess whether tantalum, tin, tungsten, and gold in our products are being sourced from conflict-free minerals, and publish a conflict minerals report by May 31, 2014, as required by the U.S. Dodd-Frank Act

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Our supply chain operations encompass everything involved in the development, manufacture, distribution, and take-back of our products. This includes product design, demand management and planning, sourcing, order management, manufacturing, delivery, and reverse logistics.

We aim to embed sustainability criteria and improve performance at every stage (see table below). For more on how we are reducing the environmental impacts of our products from design to end of life, see the Environment section (page F8).

Embedding Sustainability at Every Stage of Our Supply Chain

	Design / Develop >	Plan / Order >	Source / Make >	Deliver >	End of Life
Role	Cisco designs and develops products.	Cisco works with suppliers to plan the production of products.	Cisco assesses component suppliers against our standards. Manufacturing partners then source parts from suppliers on Cisco's approved vendor list and make finished products.	Logistics service providers transport finished products to our customers.	Cisco connects customers with our take-back suppliers, which bring trade-in products back to Cisco for possible refurbishment, resale, or reuse. Damaged or very old products are sent directly to recycling partners for disassembly and recycling of materials.
Embedding Sustainability	"Design for Environment" principles are incorporated in our product requirements document template. These include improving the energy efficiency of our products, reducing packaging, and designing products for ease of recycling (see Design for Environment, page F8).	Our product reuse team is part of the planning team, which aims to fill orders with used equipment where possible.	Sustainability is a core part of our criteria for assessing the performance of our component and manufacturing suppliers. We monitor compliance with our Supplier Code of Conduct and the Cisco Controlled Substances Specification, and we work with suppliers to improve their performance.	In addition to assessing logistics providers against our Code of Conduct and scorecard, we work with them to reduce their environmental impacts.	We promote the return; refurbishment, remarketing, and reuse; and recycling of our products through our trade-in and take-back programs.
In Practice	Our quality team works with suppliers to understand the availability of alternative materials with lower environmental impacts. Once a new material has been tested for reliability, the team encourages designers to use these components in our products.	Rather than shipping accessories such as cables and power supplies with our products as standard procedure, we make these items orderable options that customers can request only if needed.	Sustainability is integrated into the business scorecard we use to assess suppliers' performance. Our engagement with suppliers through our scorecard and audit processes enables us to build capability in the supply chain by, for example, encouraging suppliers to develop robust labor management systems.	We work with logistics providers to reduce the impacts of their fleets by optimizing shipping routes, shifting transport mode from air to sea, and improving fuel efficiency, where possible.	More than 99 percent of the electronics sent to our e-scrap recyclers is recycled. Cisco is also exploring new business models with our customers and partners to raise utilization of our products and extend their useful life.

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We spend billions of dollars each year with the more than 600 suppliers that manage our manufacturing and logistics and provide over 80,000 different parts to make Cisco's core portfolio of products.

Our suppliers are numerous, complex, and globally dispersed. The majority of our expenditure is with three types of suppliers:

- **Manufacturing partners:** A select group of suppliers that produce finished Cisco products
- **Component suppliers:** A much wider group of suppliers that are often contracted directly by Cisco to provide parts to our manufacturing partners according to our specifications
- **Logistics service providers:** A small number of suppliers that we use to distribute our products to customers

We work with suppliers to collect and recycle our products at the end of their useful life, where environmental impacts are a significant concern (see Product Take-back, Reuse, and Recycling, page F42).

Around 200 "preferred suppliers" account for approximately 75 percent of our supply chain expenditure. These preferred suppliers include our manufacturing partners and the logistics service providers that deliver our products to customers, as well as some component and materials suppliers. We use approximately 80 manufacturing facilities, warehouses, and logistics hubs around the world (see map on this page).

Preferred suppliers have committed themselves to working closely with Cisco and to investing in a long-term, strategic relationship that delivers innovation and value to our customers. They have a high level of engagement with Cisco in all aspects of the business, including sustainability.

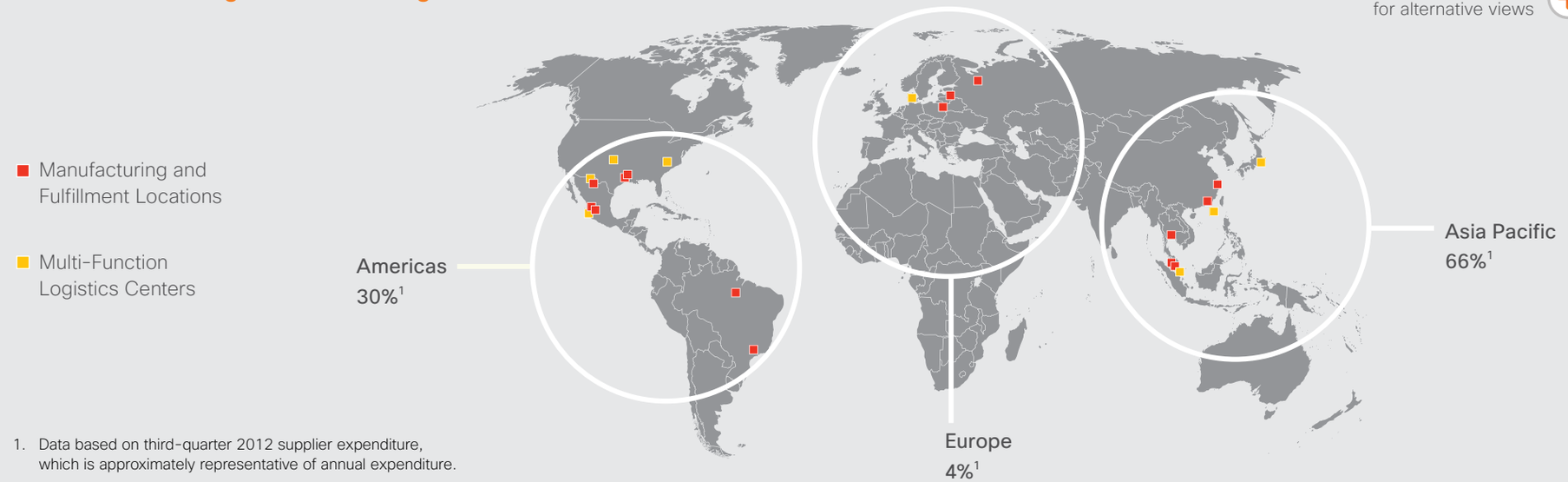
Preferred suppliers qualify and maintain their status by consistently achieving a high level of performance on our business scorecard in key areas such as cost, quality, technology, fulfillment, and responsiveness. In FY12, we introduced sustainability criteria as part of our scorecard process for monitoring their performance (see page C9).

Embedding Sustainability in Core Business Processes

We are embedding responsible supply chain practices into routine business processes to promote sustainability as a key criterion in our assessment of and ongoing relationships with suppliers. This helps us improve the effective management of our supply chain. It also looks to reduce risks related to business continuity (see Risk Management, page B5).

Cisco Manufacturing Partners and Logistics

Mouse over regions below for alternative views



1. Data based on third-quarter 2012 supplier expenditure, which is approximately representative of annual expenditure.

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Supplier Code of Conduct

We have adopted the code of conduct of the Electronic Industry Citizenship Coalition (EICC) as the Cisco Supplier Code of Conduct. This Code outlines our expectations of suppliers with regard to social responsibility and human rights, the environment, ethics and governance, health and safety, and related management systems. It also requires our suppliers to extend the Supplier Code of Conduct to their own suppliers.

Suppliers must formally acknowledge the requirements of the Code, usually as part of their contractual agreements with Cisco.

The Code is reviewed and updated regularly so that it continues to reflect best practices and take account of emerging issues. We worked with the EICC to develop the latest version of the Code, which was published in FY12. We communicated the latest version of the Code to our suppliers and have asked for their continued commitment. Revisions to the Code include additional content on:

- Freely chosen employment, humane treatment, and freedom of association
- Responsible sourcing of minerals
- Business integrity and improved disclosure of information
- Processes that communicate Code requirements to their own suppliers and that monitor their supplier compliance to the Code

These revisions aim to comply with the requirements of the 2010 California Transparency in Supply Chains Act, the U.S. Dodd–Frank Wall Street Reform and Consumer Protection Act, the U.K. Bribery Act, and the updated Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The related EICC supplier assessment tools and validated audit protocol are also being updated accordingly.

In addition to the Code, suppliers must also comply with the Cisco Controlled Substances Specification, which acknowledges their compliance with certain environmental regulations, such as the EU Restriction of Hazardous Substances Directive (see Environment, page F41).

Supplier Scorecard

In FY12, we integrated sustainability criteria into our overall business scorecard for preferred suppliers. The scorecard is used to establish preferred supplier status and to monitor supplier performance.

Sustainability now represents between 5 and 8 percent of the total score (depending on supplier type), alongside many other criteria such as technology, cost, quality, responsiveness, and collaboration. Suppliers complete a survey, and their performance on sustainability metrics is reviewed at least once per year as part of regular business reviews. Suppliers must maintain strong scores to earn and retain their status as preferred suppliers, and those that perform particularly well often gain more business from Cisco.

By integrating sustainability into business reviews, we aim to show suppliers that Cisco takes sustainability in the supply chain seriously and that they must have an acceptable level of sustainability performance to do business with Cisco. This process provides a channel for regular communication with suppliers on sustainability issues and complements our site audits as a way of monitoring performance and identifying areas for building capability.

The scorecard encourages suppliers to track and disclose environmental and labor impacts, helping us improve transparency on sustainability issues in the supply chain. The survey also asks suppliers to report any environmental or health and safety infractions (such as regulatory violations) and to describe the remedial actions that were taken. We make clear that these are not part of their score and that suppliers will not be penalized for

Cisco Supply Chain Sustainability Guiding Principles

These overarching principles apply to our own operations and those of our global suppliers:

- Operate ethically and in compliance with applicable laws
- Value employees, embrace diversity, and promote a fair and respectful workplace
- Provide a safe and healthy workplace and strive to reduce the environmental footprint of products and operations
- Be an asset to local communities by supporting education, healthcare, and basic human needs programs as well as ongoing economic development
- Promote engagement with and development of diverse suppliers
- Strengthen management systems that govern responsible operations

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disclosing this information. Our aim is to promote open, honest dialogue and to work together with suppliers to resolve any issues.

We consulted suppliers as we developed the sustainability criteria for the scorecard, integrating their feedback into the process. We also took into account existing industry standards and guidelines such as those published by the Carbon Disclosure Project, the Global Reporting Initiative, the Occupational Safety and Health Administration, and the Greenhouse Gas Protocol.

The sustainability part of the score is based on a range of criteria that are tailored to the type of supplier, including:

- Providing data and setting goals on environmental impacts such as water and waste, and reporting GHG emissions through the Carbon Disclosure Project
- Reporting data on labor issues such as injury and illness rates, working hours, and employee turnover
- Demonstrating commitment to sustainability by, for example, publishing a CSR report with clear goals and metrics and by participating in sustainability-related industry groups

We continue to refine the scorecard criteria on specific issues such as working hours and to expand the guidance that we offer as part of this process to improve the accuracy and relevance of the data we gather.

In FY12, we achieved a 100 percent response rate from our preferred manufacturing partners and preferred logistics providers, but only 81 percent from preferred component suppliers. Our focus in FY13 will be to achieve a 100 percent response rate from all preferred suppliers to provide accurate baseline data. We aim to report the percentage of preferred suppliers that meet or exceed our requirements in future years when we have more reliable data.

Training Cisco Supplier Managers

To integrate sustainability into core business processes and effectively raise awareness of our requirements among suppliers, it is essential that our supplier management teams at Cisco understand sustainability and communicate about it confidently. This is important because our long-term objective is to build sustainability into standard business processes so that each business function considers sustainability as a regular part of its business activities and decisions.

In FY12, we conducted targeted training sessions for all employees who work on our Supplier Management teams. Cisco's Supplier Code of Conduct is also noted in our overall Code of Business Conduct (COBC), which all eligible employees review every year during COBC certification (see Governance & Ethics, page B14).

We have also launched a formal web-based training module on sustainability for supplier managers. It explains the business case for sustainability and the role of managers in engaging suppliers, and it outlines the key points of the Supplier Code of Conduct and how Cisco monitors compliance. We initially rolled out the training to manufacturing and logistics supplier managers, and it will be mandatory for component supplier managers in FY13. Additional training on specific topics will also be developed to supplement this training.

Promoting Supplier Diversity

Promoting the growth and use of diverse suppliers (in the form of woman- and minority-owned businesses) within the supply chain is one of Cisco's Supply Chain Sustainability Guiding Principles. Working with diverse suppliers gives us access to a wider range of innovative supply chain partners, enhances supply chain competitiveness, and increases customer satisfaction. Broadening our supplier base also contributes to business continuity by reducing the risk of disruption in our supply chain.

We directly support diverse suppliers by providing a range of mentoring and networking opportunities to help them develop their global business capability and competitiveness, and we indirectly support them throughout the supply chain by encouraging our preferred suppliers to buy components, products, and services from diverse suppliers and to report their diverse expenditure to us. (For more on our supplier diversity program, see Society, page E18.)

Scorecard Results FY12

	Preferred Manufacturing Partners	Preferred Logistics Providers	Preferred Component Suppliers
Survey response rate	**100%** (FY13 goal: 100%)	**100%** (FY13 goal: 100%)	**81%** (FY13 goal: 100%)
Supplier publishes a CSR report	**75%** (FY13 goal: 100%)	**57%** (FY13 goal: 75%)	**38%** (goal not currently established)

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Partnering with Suppliers to Improve Performance and Build Capability

In addition to our regular review of preferred suppliers' sustainability performance through our business scorecard (see page C9), we monitor their compliance with the Supplier Code of Conduct and help them improve their performance through audits and follow-up actions (see chart on next page).

Audit findings and corrective action plans enable us to identify trends and opportunities to help suppliers enhance their sustainability capabilities. We highlight some specific examples of typical audit findings and the actions we are taking in the table of examples on page C14. We also provide guidance for suppliers on specific issues, encourage them to participate in industry training, and work directly with suppliers to build their capabilities.

We generally follow a six-step process for communicating our Supplier Code of Conduct to suppliers, monitoring compliance, and helping them improve performance.

Supplier Audits

All audits, whether sponsored by Cisco or by multiple companies via the EICC validated audit process, are conducted by a third-party auditor at the supplier's facility. Cisco representatives participate in selected audits where potential high-risk issues have been identified in the supplier's self-assessment or by other means. While most of our audits are announced in advance, we are beginning to conduct some unannounced audits.

The audit criteria include environment, ethics, health and safety, labor, and related management systems. Auditors use the standard protocol and audit tools developed by the EICC. These include:

- Reviewing documentation, including policies and procedures, personnel records, time sheets, and relevant permits
- Conducting a site tour to assess conditions in different areas, including production lines, cafeterias, resting areas, and dorms, if applicable
- Gathering information from management
- Interviewing employees in their preferred language separately from management

The audit team produces a report based on the audit that is shared with Cisco and the supplier. For any issues identified, the supplier must produce a corrective action plan and subsequently provide evidence that the corrective actions have been implemented. Action must be taken on priority issues within 30 days, and all findings are expected to be addressed within 180 days except for certain issues that require long-term improvement plans.

Audit Findings

In FY12, we more than doubled the number of audits we completed of supplier facilities. Our auditing efforts focus on manufacturing partners and component suppliers as these have been identified as higher risk than logistics partners.

All of our manufacturing partners' high-risk facilities have been audited at least once over the past two years. We also met our goal of increasing the number of audits of component suppliers' facilities, which made up two-thirds of our audits in FY12, and we plan to audit more component suppliers in FY13 to give us a better understanding of the potential sustainability issues in our supply chain. Our goal is to audit half of our high-risk manufacturing facilities and a third of our high-risk component suppliers every year.

This year, we are reporting the percentage of high-risk supplier facilities audited, and we are disclosing more detailed information on audit findings. Most of the findings (see chart, page C13) in FY12 were related to labor practices and health and safety, and in particular to working hours (see box, page C15) and emergency response procedures. Following the communication of our guidance on juvenile labor, we had no major findings related to child labor.

Percent of High-Risk Suppliers Audited

	FY11	FY12
Manufacturing partner facilities	29%	65%
Component suppliers	13%	27%

Plans are in place for correcting all the major issues identified in the FY12 audits. We work with suppliers to review and agree on corrective action plans and to monitor their implementation (see table of common audit findings and responses, page C14).

"Although reporting on supply chain issues is better than in the past, I miss more details on audit findings. It would be good to know what percentage preferred suppliers account for in Cisco's supply chain expenditure."

Philipp Ruehle
oekom research AG, Germany

Cisco's 2012 Global Stakeholder Engagement Sessions

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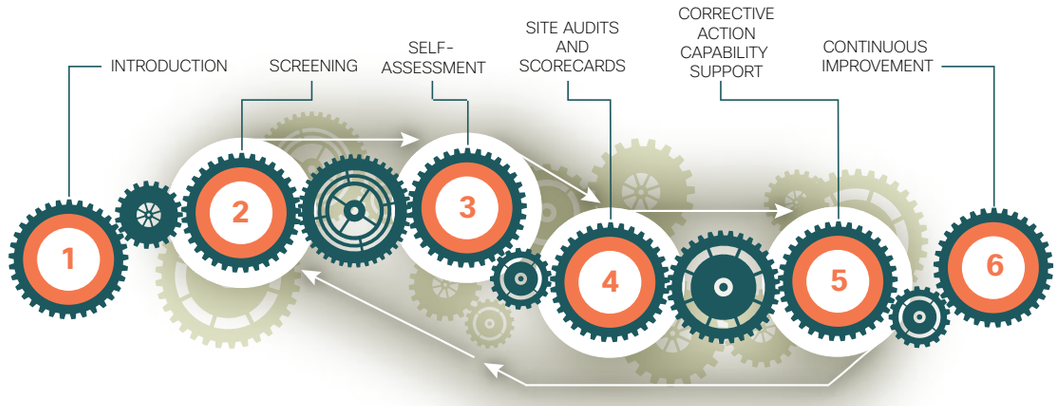
Cisco Supplier Code of Conduct

Supplier Engagement Process



1

Share our Supplier Code of Conduct with suppliers and communicate our expectations on how it should be applied

We include the Code in our agreements with suppliers, and we communicate any changes to the Code as appropriate.

2

Evaluate suppliers to identify higher-risk facilities

Our risk assessment of each supplier facility is based on factors such as our budget with the supplier, the country where the facility is based (using external global risk indices), number of employees, and type of product or service provided. Preferred suppliers are evaluated every year to help us prioritize which sites to audit.

3

Evaluate those facilities through self-assessments

Suppliers identified as high risk are asked to complete a self-assessment for each facility that supplies Cisco.

4

If warranted, commission an audit of facilities, either via the EICC-validated audit process or using Cisco-sponsored third-party auditors

We prioritize facilities to audit based on the results of our risk assessment and the subsequent self-assessment, or if we identify any other significant factors that may warrant an audit. We participate in joint EICC audits where our needs align with those of other EICC member companies. Facilities are generally audited every two years. Some are audited more frequently, depending on audit results or relevant information that comes to light between scheduled audits.

5

Work with suppliers on corrective action plans to resolve issues raised by audit findings

Priority issues must be resolved within 30 days. Other issues are expected to be closed within 180 days, with the exception of certain issues that require long-term improvement plans. In these cases, suppliers must regularly update us on progress.

6

Validate that issues have been resolved and continue to monitor and talk with suppliers

Documentary evidence must be provided to demonstrate that issues have been resolved and, if needed, we will conduct a follow-up audit to confirm this. We engage with suppliers to understand the corrective actions they are taking and continue to work with them until their performance improves.

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FY12 Supplier CSR Audit: Summary of Findings

	Findings Identified as Major	Findings Identified as Minor	Total Number of Audit Elements
Labor	63	58	1402
Freely chosen employment	5	8	
Child labor avoidance	0	18	
Working hours	37	12	
Wages and benefits	17	14	
Humane treatment	1	3	
Non-discrimination	2	1	
Freedom of association	1	2	
Health and Safety	41	34	1142
Occupational safety	7	4	
Emergency preparedness	16	8	
Occupational injury or illness	6	5	
Industrial hygiene	4	9	
Physically demanding work	2	5	
Machine safeguarding	3	2	
Food, sanitation, and housing	3	1	
Environment	15	21	643
Environmental permits and reporting	4	2	
Pollution prevention and resource reduction	0	1	
Hazardous substances	4	16	
Wastewater and solid waste	4	1	
Air emissions	3	0	
Product content restrictions	0	1	
Labor and Ethics Management System	41	58	856
Company commitment	3	1	
Management accountability and responsibility	6	10	
Legal and customer requirements	3	8	
Risk assessment and risk management	7	13	
Performance objectives with implementation plans and measures	1	10	
Training	7	2	
Communication	6	3	
Worker feedback and participation	1	2	
Audits and assessments	4	4	
Corrective action process	1	5	
Documentation and records	2	0	

FY12 Supplier CSR Audit: Summary of Findings

	Findings Identified as Major	Findings Identified as Minor	Total Number of Audit Elements
Environment, Health, and Safety Management System	11	21	868
Company commitment	0	1	
Management accountability and responsibility	1	3	
Legal and customer requirements	0	1	
Risk assessment and risk management	3	2	
Performance objectives with implementation plans and measures	1	3	
Training	2	4	
Communication	0	0	
Worker feedback and participation	1	1	
Audits and assessments	1	5	
Corrective action process	2	0	
Documentation and records	0	1	
Ethics	8	6	361
Business integrity	1	1	
No improper advantage	0	1	
Disclosure of information	0	0	
Intellectual property	1	1	
Fair business, advertising, and competition	4	2	
Protection of identity	2	1	
General Code and Legal Compliance	6	4	269
Electronic industry code of conduct	6	3	
Compliance with laws	0	1	

Major nonconformance: A significant failure in the management system that renders established processes or procedures ineffective.

Minor nonconformance: Typically an isolated or random incident that does not necessarily indicate a systemic problem with management systems.

Total audit elements: The total number of audit criteria with the potential for a finding.

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Examples of Common Audit Findings and Responses in FY12

We highlight some specific examples of findings from our audits in FY12 in the following table and explain how we required suppliers to respond by strengthening their management systems and building their capability.

Category	Finding	Response
Labor: Working hours	Overtime hours and consecutive days worked without a break exceed regulatory requirements.	Suppliers have enhanced their management systems to monitor working hours and have implemented a control mechanism to alert managers to overtime exceeding the maximum working hours set by the EICC and to increase management accountability.
Labor: Wages and benefits	Contracted workers are not compensated correctly for overtime by labor agencies or outsourced companies.	Suppliers have implemented requirements for labor agencies to correctly calculate compensation for overtime for contract workers.
Labor: Freely chosen employment	The agency used for hiring contract workers was retaining some migrant workers' passports for safekeeping, although the agency stated that this was by request from the workers.	The agency has documented the request by foreign workers asking the agency to retain their passports for safekeeping, clearly stating that the workers are able to retrieve their passports when needed.
Labor: Freely chosen employment	Line leaders set limits for toilet use during a shift.	This practice was withdrawn immediately, and line leaders were provided with training on the importance of labor welfare.
Labor: Child labor avoidance	No procedure in place to respond to the discovery of underage workers.	A new procedure has been established that documents the process to be followed if underage workers are found.
Health and Safety: Occupational injury and illness	Lack of analysis of root causes of health and safety incidents.	Suppliers' management personnel have been assigned responsibility for health and safety. Procedures for analyzing root causes of incidents and corrective action plans have been implemented.
Health and Safety: Emergency preparedness	Emergency signals or alarms are inadequate or managed ineffectively, and fire drill training for workers is inadequate.	Suppliers' health and safety managers have been made accountable for risk assessment, emergency preparedness, and effective training.
Environment: Hazardous substances	Handling procedures for chemicals and hazardous materials are not adequately implemented throughout the facility.	Training on the handling of hazardous materials is now mandatory for all production workers.
Environment: Wastewater and solid waste	Inadequate wastewater controls.	Mechanism to monitor wastewater discharge level has been established and tested.
Labor and Ethics management system: Management accountability and responsibility	Lack of formal labor and ethics management system.	Supplier has established a management system which includes a CSR committee with representatives from business units and relevant functions.
Labor and Ethics management system: Training	Inadequate training and communication to workers on labor and ethics management system.	Supplier has implemented communications on labor and ethics management through a worker welfare committee.

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Capability Building

To improve sustainability performance globally, we work closely with our preferred suppliers to help them improve their performance. In FY12, we continued to engage with many of our preferred suppliers to communicate our sustainability priorities, understand their priorities and challenges, and identify opportunities where we can partner to improve overall sustainability performance. These discussions helped to align priorities and better prepare suppliers to implement programs that support Cisco's sustainability goals.

The integration of sustainability metrics into our scorecards and business reviews for preferred suppliers helps us identify areas for capability building. For example, one of Cisco's priorities is to help suppliers understand how to allocate GHG emissions to each product or component to support their customers' calculations of product lifecycle impacts. To this end, we have recently begun working with the Massachusetts Institute of Technology and members of the EICC to develop approaches that different types of suppliers can use to calculate this data.

We identify areas for improvement and opportunities to partner through our audits of suppliers' performance, and we focus on any specific issues raised by stakeholders. Where suppliers are not meeting our requirements, we help them take appropriate corrective actions and work with them to raise standards. We believe that this is the most effective way to embed sustainability awareness and promote ongoing improvement among suppliers.

Our tailored support includes talking about sustainability issues with our suppliers' senior managers, discussing audit findings and appropriate corrective actions, and conducting regular reviews of their sustainability performance.

In FY12, we provided guidance for suppliers producing their first CSR reports by directing them to the Global Reporting Initiative framework. We supported our suppliers in reporting their climate impacts through the Carbon Disclosure Project, and we provided guidance documentation for specific issues, such as the California Transparency in Supply Chains Act, juvenile labor, and waste management in China, as well as an updated specification on controlled substances for our products. We also published preliminary guidance documentation on conflict minerals and engaged with suppliers to assess their awareness of the issue and understand their knowledge of the origin of their materials. This will continue to be a key focus in FY13 (see page C17).

Cisco aims to raise sustainability standards throughout the supply chain by working with suppliers to help them improve their management systems and implement similar processes when working with their own suppliers. The Cisco Supplier Code of Conduct requires all suppliers with which we have a direct relationship to apply these same standards to their own suppliers. This includes all of the manufacturing partners, logistics partners, and component suppliers on our approved vendor list.

Focus on Working Hours

The issue of excessive working hours in the ICT supply chain has been highlighted in recent years by NGO campaigns and the media. We take this issue extremely seriously.

Monitoring working hours is an important element of our supplier audit process and scorecard for preferred suppliers. In FY13, we will require our manufacturing partners to provide a breakdown of their average monthly working hours using a tracker tool we are developing. Our manufacturing partners have systems in place to record working hours. We have ongoing dialogue with them about how they are working to reduce overtime, and we continue to monitor their performance.

Our site audits found that average working hours per week have dropped from around 80 hours per week in FY11 to between 68 and 72 in FY12. This still exceeds the 60-hour maximum required by the EICC. We also found that while a rest day for every seven-day working week is generally observed by most of the facilities audited, this is not guaranteed, especially during peak seasons.

Reducing overtime remains one of the biggest supply chain challenges for our industry because many factors contribute to excessive overtime, including production demands, availability of labor, and wages. The complexity of this challenge is highlighted by the increase in turnover experienced by some suppliers that are reducing their working hours, as workers leave to go to companies that will offer them more hours. We will continue to work through the EICC Working Hours task force (see page C18) to set standards and to require our suppliers to contain overtime within acceptable limits.

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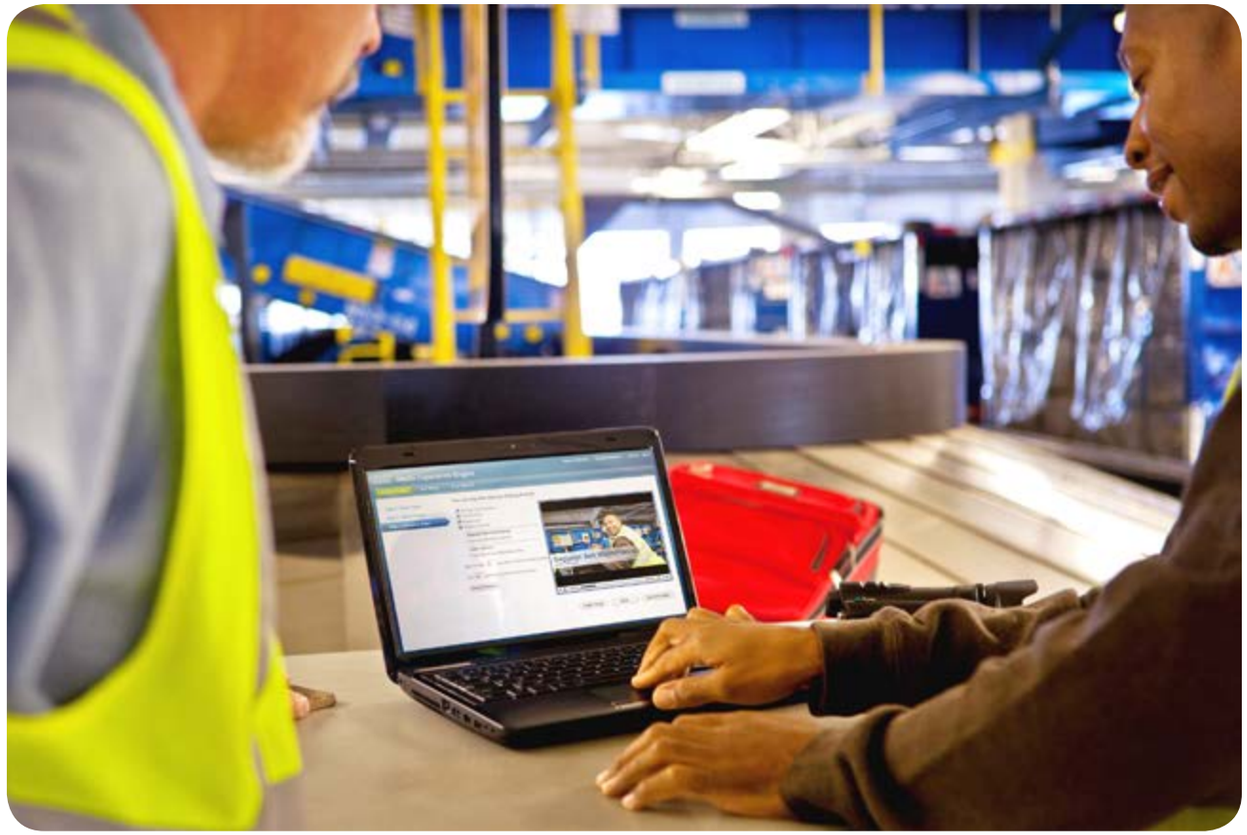
We use our network of suppliers to pair up individual suppliers to enable them to share best practices and learn from each other. We also encourage suppliers to join the EICC and participate in wider industry efforts to promote standardization and build capability. For example, we nominate suppliers to participate in industry training initiatives. In FY12, three of our suppliers in China completed EICC training on worker-management communication, and one supplier in Malaysia completed EICC training on health and safety.

Environmental sustainability is another key focus of our capability-building activities. Helping suppliers improve their management of environmental issues and reduce their impacts can, in turn, help us reduce the overall impacts of our products throughout their lifecycle.

For example, we monitor the list of noncompliances with wastewater regulations published by the Institute of Public and Environmental Affairs, a Chinese NGO, and we act promptly in any case where a Cisco supplier is mentioned to reiterate the standards we require and help the supplier develop effective environmental management systems. We have provided additional guidance on waste and wastewater management to suppliers in China to help them understand requirements, and we encourage suppliers to complete training on environment, health, and safety developed by the EICC.

At the product level, we are working with suppliers as well as product engineers to source components that are more energy efficient and contain less hazardous material. For more information on our approach to managing environmental issues throughout the lifecycle of our products, see the Environment section (page F8).



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Tackling Conflict Minerals

The Issue: Increased scrutiny from NGOs and growing interest from governments have put a spotlight on the use of certain metals in the electronics industry, specifically those derived from potential "conflict minerals," namely columbite-tantalite (known as "coltan," refined to produce tantalum), wolframite (refined to produce tungsten), cassiterite (refined to produce tin), and gold.

The Democratic Republic of the Congo (DRC) is among the world's primary sources of these minerals, and many of the mines and transportation routes in the area are under the control of armed groups. The concern is that the mining and purchase of these minerals from the DRC and its bordering countries may be directly or indirectly financing or benefiting armed groups in the region that are often accused of major human rights abuses.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in July 2010, puts the burden on companies to know and disclose the source of these metals in their products. It requires any company that makes products containing these metals to conduct a reasonable country-of-origin inquiry and due diligence process of their supply chain and to publish a report disclosing whether those minerals originated from the DRC or its bordering countries.

This regulation, and the underlying issue, is not exclusive to the electronics industry. It affects many other industries that use these metals in their products, including the aerospace, automotive, and jewelry industries. Resolving this issue demands extensive collaboration with many participants within and outside the ICT supply chain.

Our Response: In FY12, we published a policy on conflict minerals, asserting our commitment to source minerals in a manner that respects human rights and our support for the goals and objectives of the Dodd-Frank Act. We also provided training sessions for relevant Cisco employees on our requirements under the Act.

The policy requires suppliers to certify that all products supplied to Cisco do not contain tantalum, tin, tungsten, or gold that are necessary to their production or functionality or, if products do contain these minerals, that they originate from smelters that have been validated as "conflict free" by an independent private-sector party. The revised Supplier Code of Conduct also includes a requirement for suppliers to exercise due diligence on the source and chain of custody of these minerals.

We informed suppliers of our requirements on conflict minerals in FY12 and published preliminary guidance documentation for them. We also met with approximately 20 suppliers, including all our manufacturing partners, to assess their awareness of the issue and their knowledge of the origin of their materials.

We are now rolling out a survey, based on the industry questionnaire developed by the EICC, to assess supplier awareness of the requirements of the Act and their readiness to comply.

Supporting an Industry-Wide Approach

We continue to support an industry-wide approach to the complex issue of conflict minerals. Through our participation in the EICC Extractives Working Group, we support industry initiatives to better understand the challenges of establishing a chain of custody for these minerals and to develop a clear process to trace the minerals back to their source. The working group brings together a wide range of stakeholders, from miners, smelters, and brokers to capacitor makers and other manufacturers of electronic components and products.

Two key initiatives have come out of this engagement and are now underway:

- An in-region sourcing program that traces minerals from the mine to the smelter
- A conflict-free smelter assessment program that certifies smelters and refiners that source only conflict-free minerals

Cisco worked with the EICC to develop a standard methodology for auditing the metals supply chain, which is intended to create a common way of collecting and reporting this information. We also asked suppliers to list the smelters from which they source tin, tantalum, tungsten, and gold so these smelters can be included in the EICC conflict-free smelter validation program. (For more information on industry initiatives, see www.eicc.info.)

Cisco's Three-Stage Approach to Validating Conflict-Free Sourcing of the Regulated Minerals

Trace Minerals to the Smelter	Conflict-Free Smelter Validation	Validate and Report
Collecting and evaluating supplier responses to the EICC-GeSI industry Conflict Minerals Reporting Template	Working through industry consortia to develop and implement audit protocols for smelters	Obtaining an independent private-sector audit of Cisco's Conflict Minerals Report to verify our conflict-free status before filing with the U.S. Securities and Exchange Commission

- Working with suppliers to identify conflict-free solutions
- Publishing a Conflict Minerals Report by May 31, 2014, as required by the Dodd-Frank Act

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Working with Industry Groups

Cisco promotes responsible practices in the wider ICT supply chain through industry collaboration and participation in global industry consortia such as the EICC and iNEMI. These forums enable Cisco to exchange ideas and pool resources with industry peers, share best practices, respond to stakeholder concerns, and influence the development of industry standards.

We play an active role in the EICC's working groups on extractives, environmental sustainability, learning and capability building, and management tools, and we contribute to regular revisions of the Supplier Code of Conduct. We participate in the EICC's task forces on working hours, freely chosen employment, Asia, and governance, the last of which aims to improve the effectiveness of the EICC itself.

Cisco is a founding member of the Stanford Initiative for the Study of Supply Chain Responsibility. Established in FY12, this research initiative aims to explore the relationship between global supply chain social and environmental responsibility and business performance, to share best practices, and to develop a supply chain sustainability maturity model for the industry.

Labor Standards

In FY12, we continued to work with peers in the EICC to promote socially responsible labor practices, focusing in particular on working hours and compliance with the 2010 California Transparency in Supply Chains Act. The Act, which came into force in January 2012, requires large retailers and manufacturers that do business in the state of California to provide information about their efforts to eradicate slavery and human trafficking from their supply chains.

Cisco is a member of the EICC's task force on Freely Chosen Employment, and we have published a position statement on this issue in line with EICC recommendations and have strengthened our Supplier Code of Conduct in this area. We require our manufacturing partners to provide us with documentation of their policy and supporting management system to allow us to assess their compliance with the Act. We document and track their commitment and monitor their conformance through our supplier audit process, which now includes specific requirements on compliance with the Act.

Slavery and human trafficking are covered in our Code of Business Conduct training for Cisco employees, and we also provide resources to help employees understand the requirements and respond to related requests from our customers.

We support the EICC's goal to reduce excessive overtime in manufacturing facilities based in China. In FY12, we participated in the EICC Working Hours task force to analyze average working hours based on EICC members' supplier audit findings and to share best practices. The EICC is also developing training for suppliers on managing working hours.

Training, Tools, and Standards

In collaboration with the EICC, we are developing common industry training, tools, and standards to support suppliers in improving their sustainability performance.

Cisco contributes to the development of industry training courses. In FY12, we encouraged our suppliers to complete the EICC e-learning course on CSR and to participate in face-to-face training offered through the EICC on specific issues such as occupational health and safety and worker-management communications.

Our participation in iNEMI focuses on reducing the environmental impacts of the materials that make up our products. For example, Cisco leads a working group to define standard methodologies and approaches for simplifying lifecycle analyses for the ICT industry, and we participate in projects to identify alternatives to polyvinyl chloride and halogenated flame-retardants in printed circuit boards. We are also helping to develop standardized approaches for collecting key environmental performance indicators from suppliers through the EICC Environmental Sustainability Working Group. For more details on Cisco's activities in this area, see the Environment section (page F9).

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Our People

We work hard to inspire and engage our employees. We want them to feel that working at Cisco is more than just a job. The ideas, energy, and commitment of our employees propel our success. We continue to focus our efforts on building an engaged, talented, and motivated workforce.

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Overview

These first three pages give readers an overview of Cisco's objectives, key challenges, progress, and performance with regard to Our People. We have used this overview as part of our Executive Summary, which can be downloaded here.

Our employees are experts in engineering, sales, and business support, and they have diverse backgrounds, skills, and experience. At the end of FY12, we employed more than 66,000 people. More than 15,000 are based at our headquarters in San Jose, California, and our global workforce works from more than 475 offices across 165 countries.

Collaboration lies at the heart of our employee strategy, which focuses on five areas:

- **Working together:** Embedding a collaborative working culture
- **A safe and healthy work environment:** Focusing on our people's safety and promoting their physical and mental well-being
- **An open and diverse culture:** Engaging our employees and promoting inclusion and diversity
- **Employee opportunities:** Realizing the full potential of our employees through development and training opportunities
- **Rewarding our people:** Rewarding employees through competitive, performance-based compensation and benefits

Performance Summary

	FY08	FY09	FY10	FY11	FY12
Employee satisfaction (average percent of employees who consider Cisco a great place to work)*	87%	90%	84%	79%	82%
Rate of injury and illness (per 100 full-time employees) for the United States*	0.37	0.34	0.33	0.30	0.22
Percent of female employees*	24%	23%	23%	22%	22%
Percent of non-Caucasian employees in the United States	44%	46%	44%	45%	45%

* Corporate key performance indicator (KPI). For our complete list of KPIs, see Introduction.

you + networks = impact^{x}

You: In 2012, Cisco's Connected Women in Technology ERG and the Engineering Talent team successfully collaborated to organize the Women in Technology Forum.

Networks: Around 300 employees attended the Forum at our San Jose headquarters, with additional participants joining from worldwide locations such as China, India, the Netherlands, the U.K., Bulgaria, and Israel via Cisco TelePresence, Cisco TV, and WebEx.

Impact^{x}: In total, more than 1400 employees attended the event, which featured keynote addresses from senior women Cisco executives as well as panel discussions, workshops, and networking events aimed at supporting women employees in developing their careers. Connected Women ERG chapters organized complementary events at various Cisco sites, including Research Triangle Park in North Carolina, New York City, Lawrenceville and Atlanta in Georgia, Boxborough in Massachusetts, Oslo, and Mexico City. Attendees came away with practical advice for developing their careers and expanded their network of contacts. All of the participants were challenged to share what they had learned with their co-workers after the forum.

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Progress Toward Objectives

Objective	Progress in FY12	Status
Explicit, visible leadership commitment to a differentiated employee experience: Senior leaders will invite employees to help build "the Next Cisco" as it relates to their function. We have developed a playbook with information and checklists to support leaders in guiding their teams through transitions in a way that increases engagement.	Rolled out the Cisco Leader Playbook, a quarterly online resource that includes manager and team discussion guides and activities on specific topics such as organizational change and giving back.	●
Compensation and recognition: We offer total compensation that is higher than most of our peer companies and provide differentiated reward opportunities for our highest performers. We expect to introduce conservatively funded base pay increase and promotion programs in October 2012, and we would like to provide additional funding for these programs later in the year to align with any improvement in overall company results.	Introduced initiatives to help employees feel recognized and rewarded for their work, including: · Reinstating a midyear bonus advance for senior managers and below · Implementing a one-time discretionary stock distribution that allowed managers to reward high-achieving technical talent with company shares · Adjusting base salaries to reduce pay gaps, especially in countries with fast-moving labor markets · Paying company bonuses that were, on average, higher than those paid by our peer companies	●
Manager-employee relationships: These relationships are critical to long-term employee engagement, and we will continue to focus on this through existing programs for internal movement and promotion, such as the Cisco Performance Connection and Cisco Talent Connection. Over the next three years, we aim to put 90 percent of our directors and people managers through training at no cost to individual departments.	Training on employee engagement completed by approximately 24 percent of directors and people managers, putting us on track to reach 90 percent by FY14.	○

● **Achieved** ○ **Ongoing**

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Addressing Key Challenges

As we expand into new markets and develop new technology, it is vital that our workforce is equipped to capitalize on opportunities. This means developing dynamic managers who have the flexibility to move between teams and functions. Retraining our talent and developing transferable skills are important to supporting our growth efforts because we need a flexible workforce that can respond to new demands. Our challenge is to build a talent pipeline of future leaders and to develop our employees' core capabilities and transferable skills. By meeting this challenge, we will also retain talent because we will be able to move the best and brightest people into new and developing areas of the business.

We want to fully engage our employees in our organizational transition. We aim to differentiate ourselves from our competitors by improving employee engagement and retention as we introduce changes that will improve our operations. Initiatives will focus on the areas of talent acquisition and management, career development, employee engagement, and employee benefits.

> "We seem to have lost some of the camaraderie and fun that we had 10 years ago. In part, I believe it is the result of our size; however, I would like to see us try to focus more on having fun as a team."
>
> **Cisco Employee**
>
> FY12 Pulse Survey

The results of our FY12 employee Pulse Survey showed improvement in all categories between FY11 and FY12, but we can still do more to make sure that employees feel rewarded for their performance. We will continue to build on initiatives to enhance compensation and recognition, such as introducing twice-yearly compensation reviews in FY13.

We understand that supporting a culture of inclusion and diversity generates new ideas and enables us to serve our customers better. But our figures from FY07 to FY12 do not show the growth in diversity around the company that we would like to see, with many of our key metrics decreasing or staying relatively flat over the past five years (see page D10). To address this, we are continuing to support initiatives such as employee resource groups (ERGs) and our Executive Talent Insertion program, and expanding our inclusion and diversity focus across functions and regions (see page D9). We have also added diversity categories in the annual Pulse Survey for U.K. and U.S. employees to help identify further opportunities.

Objectives for FY13 and Beyond
Maintain employee engagement level at 82 percent or higher in FY13
Introduce twice-yearly compensation reviews in FY13
Provide capability training for 90 percent of directors and people managers by FY14

Awards and Recognition

In FY12 Cisco was included in *Fortune* magazine's "100 Best Companies to Work For" list for the 15th consecutive year. We were ranked thirty-second among companies with more than 10,000 employees, and the 2012 list highlighted Cisco's generous employee benefits. We consider this continuing recognition to be a considerable achievement given the transition and other challenges that Cisco has experienced in recent years.

Cisco also was recognized on *Working Mother* magazine's "100 Best Companies" list in 2011. The magazine applauded our benefits package for U.S. employees, which includes child-care and school-age child assistance programs. *Working Mother* also ranked Cisco seventh out of 25 companies on its "Best Companies for Multicultural Women" list in 2012.

In FY12, Human Rights Campaign, a civil rights organization working to achieve equality for lesbian, gay, bisexual, and transgender Americans, awarded Cisco a 100 percent rating in its Buyer's Guide for Workplace Equality. Cisco has achieved this rating for nine consecutive years.

For a full list of awards, click here.

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Working Together

Communication and collaboration are at the heart of our working environment. We promote the use of flexible, cross-functional teams that work together on new business opportunities. Our Collaboration Across Cisco program recognizes exceptional cross-functional teamwork and provides teams with opportunities to be recognized throughout the company. This is one of many ways that we encourage collaboration.

Our collaborative technologies continue to change the way employees work and communicate with one another across business functions, markets, and regions by facilitating collaboration, regardless of location.

Employee Communications

We foster a culture of openness and transparency, using communications programs to equip our people managers with the means to understand our business strategy and convey it to their teams.

Our Management Central website provides tools and information to support managers in their jobs and keep them informed and aligned with business developments. The site uses discussion forums, videos, and podcasts to promote collaboration among Cisco managers globally. Over 10,000 managers have access to Management Central, which sees an average of 2400 visits per day. Management Central is supported by Leadership Quarterly, an interactive quarterly forum for managers to engage with John Chambers and other senior leaders on business relevant topics. We also offer a virtual training program to help managers communicate more effectively with employees, customers, and partners.

It is essential that all employees understand our goals and expectations. Employees have opportunities to engage with senior management and learn about the company's strategy through events such as:

- Annual virtual strategic leadership meetings for all employees of director and higher grade, and virtual sales meetings for our entire sales organization
- The Cisco Employee Connection intranet site, which runs regular short surveys of employee views on particular topics
- The Cisco "Insight Series" with John Chambers to help employees understand how we are navigating the changes to our operations and workforce
- Dedicated resource pages on our intranet to explain how we are simplifying operations

In FY12, we rolled out the Cisco Leader Playbook, a quarterly resource designed to increase engagement around our business goals. It provides a tool kit including content, discussion guides, and team activities to encourage dialogue between managers and their teams that has had a positive impact on employee engagement levels. Engagement is included in all managers' development objectives, and managers can record the outcome of engagement activities in the Cisco Performance Connection, providing acknowledgment and reward for their success.

Enabling Collaboration

Our suite of collaboration tools and technologies allow employees to stay in touch and connect across our operations. They offer flexibility, promote a positive work-life balance, foster a sense of community, and improve productivity.

More than 14,000 Cisco TelePresence systems are in use worldwide, including applications that allow participants to join using mobile devices. Cisco WebEx provides desktop and application sharing capabilities, video, and instant messaging. And Cisco Jabber technology enables employees to access a range of applications such as instant messaging, voice, video, voice messaging, desktop sharing, and conferencing on any device.

> "Senior executives have made significant efforts in communicating the strategy to employees and explaining the company position when tough times are ahead."
>
> **Cisco Employee**
>
> FY12 Pulse Survey

Used together, these technologies allow thousands of employees to participate in virtual meetings from their desktops and interact with executives and colleagues. Company meetings, for example, include a live audience, a virtual audience joining from other Cisco sites by telepresence, and a live broadcast on Cisco TV. Video on demand is made available after the event for those who cannot attend in real time. A live moderated chat using Jabber allows executives to answer employee questions submitted online. Approximately 16,600 people participated in the May 2012 company meeting, representing 25 percent of Cisco's employees.

Cisco's WebEx Social allows employees to create a customized online resource of information they need to do their jobs. It uses a social networking model to suggest relevant content, resources, and subject matter experts to individual users. It allows users to follow the activities of co-workers and to share and track projects. There are over 88,000 unique visitors and approximately 35,000 regular users who use it as part of their work routine to connect and collaborate.

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Pulse Survey

We regularly seek input from employees to understand what motivates them and to learn how we can improve job satisfaction. Our annual Pulse Survey is one of the most important listening tools at Cisco. It is a confidential, online survey for all employees that helps leaders pinpoint employee concerns in 10 categories (see table).

In FY12, 83 percent of employees took part in the survey, up 2 points from the previous year. Results improved in all categories, including our focus areas for FY12. These included Employee Engagement (up 3 points to 82), Development (up 2 points to 77), and Organizational Alignment (up 7 points to 73). Creating a diverse and inclusive environment is critical to Cisco (see page D9) and we also saw an increase in the Inclusion Index, up by 3 points from 79 in FY11 to 82 in FY12. Other significant increases include Innovation and Excellence (up 5 points to 78).

We benchmark measure ourselves against other large high-tech companies to understand our performance. In FY12, on average our scores were 7 points higher than the industry benchmark.

We take employees' views seriously. We organize follow-up surveys and focus groups to gain a better understanding of how we can improve in low-scoring areas, and we work to introduce changes accordingly. In FY12, scores improved in a number of areas where we implemented improvement plans following FY11 survey results. For example, following the introduction of more in-depth midyear career discussions as part of the Cisco Performance Connection review process, 86 percent of employees responded positively to the statement, "In the last 12 months, I have had a meaningful career development discussion with my manager," up 5 points from FY11.

Pulse Survey Results

Category	FY10 Scores	FY11 Scores	FY12 Scores
Employee Engagement Index	82	79	82
Collaboration	85	85	87
Respect for People	82	84	86
Communication	79	79	82
Organizational Alignment	79	66	73
Inclusion Index	78	79	82
Innovation and Excellence	77	73	78
Manager Index	77	83	84
Development	72	75	77
Recognition	65	68	72

Employees can see the results for the whole company as well as individual functions on an employee Pulse website. Managers are expected to share their results and discuss improvement plans with their team. In FY12, we organized a Learn About Live virtual training session to help managers understand their results, create plans to address areas of opportunity, and showcase examples of best practices from high scorers in different parts of the business.

In FY13, we will focus on improvements in the following areas:

- **Organizational alignment:** We will continue to engage with employees on our organizational realignment and link employee performance with company and functional goals through Cisco Performance Connection year-end reviews.
- **Recognition:** While recognition was up 4 points in FY12, there is still room for improvement. We will continue initiatives introduced in FY12 to enhance compensation and recognition, and we will introduce twice-yearly compensation reviews in FY13.

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A Safe and Healthy Work Environment

We are committed to providing the best working environment for our employees' health and well-being. We do this by using our collaborative technology to offer people the freedom to choose how, when, and where they work and by providing a wide range of health and well-being programs.

Occupational Health and Safety

The health and safety of our employees is central to our business. Our Occupational Health and Safety Program aims to identify and reduce the risk of injury and illness across our operations by standardizing health and safety management while allowing local teams to monitor effectiveness.

The majority of employee workplace injuries are ergonomic issues, and in FY12 we continued to focus on ergonomic-related injury awareness and prevention. Our office-based employees benefit from our Global Ergonomic Program that provides in-person and virtual support to help identify, measure, and reduce ergonomic risks.

We follow global regulatory and industry standards in our Lab Safety Program, using a risk-based approach that provides guidance on assessing, communicating, and managing lab-based safety hazards.

Our employee injury and illness rate for U.S. operations fell from 0.30 in FY11 to 0.22 per 100 full-time employees (FTEs) in FY12, and the rate of injuries and illnesses resulting in lost time decreased from 0.03 in FY11 to 0.008 per 100 employees.

Cisco's Global Safety, Security, and Business Resiliency department is responsible for the protection of employees, property, revenue, and physical assets. This group manages significant regional and local incidents, such as tsunamis, earthquakes, and typhoons as well as social and political unrest, which can affect some of our operations (see Risk Management).

Over 120 emergency response teams, made up of more than 2800 employee volunteers, are located in Cisco offices worldwide. They are trained to be first responders in the event of a variety of emergency situations, from assisting with building evacuations to administering first aid. Their medical training can include potentially life-threatening situations such as cardiac arrest, and over 460 automated external defibrillators are located in Cisco offices around the world. Our emergency response teams responded to approximately 160 medical incidents and 120 building evacuations globally in FY12.

Health Benefits

We provide insurance programs to eligible employees, including health, dental, vision, disability, and life insurance benefits. Our programs cover health-related matters such as pregnancy, healthy living, and condition management to encourage healthy, balanced lifestyles.

U.S. employees have access to additional support programs from prenatal care to eldercare assistance, and our San Jose headquarters offers a health center, pharmacy, fitness center, and vision center. Onsite health facilities are also available in Research Triangle Park in North Carolina and in Bangalore, India. The fitness center in San Jose provides customized exercise programs, personal training services, and group classes. Over 4000 employees regularly visit the center, averaging over 1000 visits per day. Onsite fitness facilities are also available at our campuses in Richardson, Texas; Research Triangle Park, North Carolina; Boxborough, Massachusetts; and Lawrenceville, Georgia.

"I think Cisco is a great place to work because I feel that the work I do here can actually make a difference. I see areas where there is opportunity for improvement and I feel enabled and empowered to make the changes to improve the business."

Cisco Employee

FY12 Pulse Survey

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Cisco's HealthConnections program promotes healthy living choices among Cisco employees and their families. Employees can earn financial incentives of up to US$800 per year and spouses or partners can earn up to $400 per year by taking part in activities such as completing an annual personal health assessment and participating in health coaching, online healthy living programs, month-long wellness challenges, and condition management programs. More than 60 percent of employees have completed a health assessment over the past four years, and approximately 45 percent of employees take one every year. Health coaches support employees in areas such as diet, weight management, stress management, smoking cessation, and exercise programs. Coaching also is available via telephone, email, and, for San Jose-based employees, Cisco TelePresence. A supporting website acts as a hub for all health-related programs and contains information on health-related topics.

Cisco HealthPresence technology connects the San Jose health center with employees at 80 Cisco sites worldwide. In FY12 Cisco launched Stanford Telederm, connecting Cisco employees with leading dermatologists at the Stanford Medicine Outpatient Center using HealthPresence, saving Cisco employees time and money. Physicians can conduct remote consultations to identify and diagnose a range of potential health conditions.

Also in FY12, Cisco launched an Expert Medical Opinion program to support employees and their families facing serious medical conditions, including major surgery. The program gives Cisco employees access to a team of experienced physicians to help them make informed decisions about different care options, and it provides access to independent second opinions.

We recognize that serious diseases such as cancer can have life-changing consequences, and in FY12 we relaunched the Cisco Cancer Support Network. This employee-led community provides Cisco employees and their families with access to resources and information about cancer. The network is staffed by employee volunteers and has a formal operating structure that includes a global leadership team, executive sponsors, and an online collaborative forum to share information.

Flexible Working

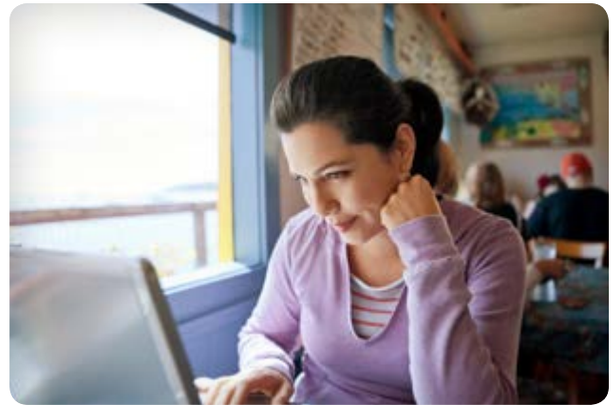
How, when, and where people want and need to work is changing. Our collaborative technology supports employees in balancing work, family, and other personal responsibilities. Feedback shows that employees rank workplace flexibility as one of their most important benefits and that they view it as one of the best things about working at Cisco.

Supporting flexible working is increasingly important as we seek to attract and recruit future talent. According to research conducted by Global Workplace Solutions, 57 percent of people aged 18 to 25 prefer to work flexibly and to choose when they work, and 78 percent prefer to be mobile rather than work in a static environment.

Cisco has generally offered most of our employees a strong degree of flexibility in terms of working hours and telecommuting practices. Technology such as Cisco Virtual Office, Cisco TelePresence, and Cisco WebEx make it possible for employees to access real-time business information and collaborate with colleagues and customers at any time and in any place while saving time and travel costs. These have been widely adopted by our employees:

- Telecommuting is used by 95 percent of employees, and the number of full-time remote workers rose from 1077 in FY11 to 1110 in FY12, an increase of 3.06 percent.
- Part-time opportunities are available in Europe, the United States, and parts of the Asia Pacific region. The number of part-time workers at Cisco rose by 28.3 percent to 254 in FY12.

> "New products and new technologies provide endless learning opportunities and keep things challenging and exciting. No time to be bored; always something new to learn."
>
> **Cisco Employee**
>
> FY12 Pulse Survey



Our Off/On Ramp program allows eligible employees to take a career break for one to two years and then return to the company as long as they secure an open position before the end of their leave. Participating employees are not paid, but they are still eligible for company-paid benefits during the first year.

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An Open and Diverse Culture

Fostering an environment of inclusion and diversity creates a culture that celebrates differences and unique ideas. Each employee brings his or her own life experiences, culture, talent, and perspective to Cisco. Together our diverse employees generate new ideas, promote better decision-making, and create a workforce that mirrors our customers and the world at large.

Cisco's Global Inclusion and Diversity Board is responsible for integrating inclusion and diversity into our business processes and operations at all levels. Members serve as executive sponsors for a range of diversity programs and ERGs.

All Cisco employees and functions are responsible for promoting a culture of inclusion and diversity, and relevant goals are included in annual performance reviews. Our self-assessment tool helps employees gauge their success in meeting these important goals.

Recruitment

We have a dedicated diversity recruiting oversight manager and a global diversity recruitment strategy that aims to increase the diversity of the candidate pool for executive, professional, and university hires. We partner with a range of diverse organizations, societies, and community groups to connect with potential employees such as the National Society of Black Engineers, Society of Women Engineers, Anita Borg Institute for Women In Technology, Diversity Woman, European Professional Women's Network, Hispanic IT Executive Council, Employers Forum on Disability, Stonewall, and Workplace Pride.

For example, in the United States our scholarship program with the National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc., aims to improve access to top minority talent. In FY12, Cisco also participated in the Information Technology Senior Management Forum's Executive Protégé Program that provides mentoring and networking opportunities for African-American midlevel IT managers. It is the only national mentoring program in the United States focused on cultivating executive talent among African-American IT professionals.

We support the Girls/Women in Technology Initiative that aims to encourage more girls to study and consider careers in science, technology, engineering, and mathematics. We partner with the National Center for Women & Information Technology. Cisco's Connected Women Technology Network organizes hands-on practical exercises to give young women an introduction to how technology, including Cisco products, can be used to respond to real-world problems like earthquakes.

As well as partnering with diverse organizations, we use a wide variety of programs to identify and recruit diverse talent outside and within Cisco. The Executive Talent Insertion program aims to increase the recruitment of diverse leaders to Cisco in engineering, finance, sales, and operations. We are looking to staff interview panels that better represent the diversity of our workforce to provide diverse perspectives in assessing talent.

Employee Support

We value diversity and seek to provide tailored support for employees from all backgrounds in fulfilling their potential. For example, our JUMP development program for female entry-level management positions helps participants develop their leadership skills. An initial pilot in the U.K., France, and Spain resulted in a 30 percent promotion or movement rate for participants. Based on its success, we are rolling out the program more broadly to other regions with participants completing three modules over nine months, covering leadership, career planning, and execution.

Cisco has a long-established community of employee networks and ERGs that represent the diverse cultures and interests of our employee population (see feature box). They provide mentoring programs, community

Employee Resource Groups in Action

Cisco ERGs are important advocates and role models for our inclusion and diversity initiatives. By connecting employees across Cisco, the ERGs help to increase employee engagement and improve retention, while contributing to innovation and fostering business partnerships. Members act as external ambassadors for Cisco's inclusive culture among our customers, business partners, and potential recruits.

The Cisco Black Employee Network (CBEN) is a global ERG with chapters in the United States, Europe, Nigeria, and South Africa. In FY12, BEN volunteers mentored a group of students from the Gwinnett School of Mathematics, Science, and Technology in Lawrenceville, Georgia, as part of their Senior Capstone Experience program. They guided students through the challenge to invent the "device of the future," which would combine the functions of a cellphone, media player, learning device, and e-wallet.

Cisco BEN members also are involved in the Junior Achievement Fellows mentoring program, teaching teams of students business and entrepreneurship skills. Since 2011, BEN has supported The 100 Black Men of America, an NGO dedicated to educating and empowering African-American children and teenagers. BEN members work with 100 Black Men of America executives on joint mentoring opportunities and on exploring how the organization, and its members, can benefit from Cisco technology.

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outreach, recruitment and networking opportunities for diverse employee groups and support for wider company inclusion and diversity initiatives. For example, the Cisco Disability Awareness Network ERG supports and promotes the needs of employees, partners, customers, and community members with disabilities.

Nearly 40 percent of women at Cisco locations in the United States participated in an ERG in 2011. There are more than 40 global chapters of the Cisco Connected Women ERG, as well as our Connected Women Technology Network ERG. The Connected Women ERGs hosted hundreds of presentations, workshops, and webinars to foster networking, mentoring, work-life balance, and career development in FY12.

Our diversity figures have remained relatively constant since FY08. In FY12, women made up 22 percent of our global workforce, the same as FY11 and a small decrease from 23 percent in FY10. The number of women in senior roles of vice president or above has also remained relatively constant at 15 percent.

Our biggest improvement has been in the number of non-Caucasians serving as vice president or above. The 26 percent of non-Caucasian vice presidents in FY12 compared with 24 percent in FY11, a steady rise from 22 percent in FY08.

We recognize that we must do more to improve this performance. That's why we have expanded the functional and geographical leadership on diversity and inclusion around the world to incorporate:

- The Americas Sales Inclusion Leadership Team
- Cisco Services Inclusion and Diversity Ambassador Program
- Finance Inclusion and Diversity
- Operations, Processes and Systems Inclusion and Diversity
- Europe, Middle East, Africa, and Russia Inclusion and Diversity
- Japan Inclusion Leadership Team
- India Operations Inclusion and Diversity

Diversity Performance

	FY08	FY09	FY10	FY11	FY12
Percent of female employees	23%	23%	23%	22%	22%
Percent of female new hires	27%	23%	20%	19%	23%
Percent of female vice presidents	16%	15%	15%	15%	15%
Percent of non-Caucasian employees in U.S. operations	45%	46%	44%	45%	45%
Percent of non-Caucasian new hires in U.S. operations	52%	52%	42%	46%	52%
Percent of non-Caucasian vice presidents in U.S. operations	22%	21%	22%	24%	26%

In FY12, we introduced additional diversity categories in the annual Pulse Survey for U.K. and U.S. employees to better capture and understand their needs and identify opportunities to support minority groups. They include optional categories for military veterans, lesbian, gay, bisexual, and transgender employees as well as for employees of Middle-Eastern, Irish, South Asian, and Pacific Rim Asian descent.

We also broadened our optional disability categories to better assess the needs of our workforce and identify opportunities to guide product accessibility. The Cisco Accessibility Initiative stresses the importance of creating accessible products, websites, and documentation (see Product Accessibility, page E17).

In Japan we organized our first diversity week to raise awareness of inclusion and diversity as a strategic advantage for our business and demonstrate senior leadership commitment. Nearly 900 participants explored topics such as diverse talent, working parents, and flexible work practices. A "More Together" week in France provided information and training on inclusion and diversity to support minority employees in achieving personal and business goals.

We are committed to promoting greater diversity among our employees and to creating an inclusive workplace by focusing on the recruitment, retention, development, and promotion of diverse talent. We will also continue to work with diverse organizations to connect with potential employees from all backgrounds.

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Employee Opportunities

A highly skilled workforce is imperative if we are to remain economically competitive and sustain our success. We recognize our employees' core skills and provide flexible learning opportunities to address their development needs and career aspirations. Our formal and informal learning and development opportunities support employees' success and encourage innovation. This, in turn, helps us retain top talent who have the necessary skills to respond to market developments.

Career Development

We offer a variety of training courses for management, technical, and professional development. International and rotational assignments develop employee and leadership capabilities and build a mindset that understands the needs of global markets.

The Cisco Performance Connection is a year-round performance management and development process. Managers and employees meet three times a year to discuss performance and agree upon development goals. Development opportunities include professional and technical certifications and external training, which is supported through Cisco's tuition reimbursement program. In FY12, Cisco spent more than $142 million on training and development, up from $113 million in FY11. Ninety-one percent of employees participated in at least one course, collectively spending more than 2.9 million hours in learning and development training courses, an increase from 82 percent and 2.4 million hours respectively in FY11.

Our ERGs also provide opportunities for employee development by conducting regular development activities, including webinars and discussions on leadership, networking, and relationship building.

We promote opportunities for career progression from within the company and aim to fill 60 percent of job openings with internal candidates. During FY12, Cisco promoted approximately 10,900 employees, or 16.8 percent of our total employee base. Our CareerPath website allows employees to search a global database and to match job openings with their résumés. It is supported by Talent Connection, an internal website that creates a marketplace for employees and managers to match their skills with a broad range of suitable vacancies across different functions as they arise.

Supporting Employees Affected by Reorganization

In FY12, we completed the comprehensive action plan to simplify our organization announced in FY11 (see Cisco's 2011 Corporate Social Responsibility Report for more information about support offered to affected employees). The total workforce reduction as a result of this action was 6500 people, including 2100 who took voluntary early retirement, or 9 percent of our full-time workforce.

The Cisco Partner Talent Placement Program connects Cisco employees impacted by our reorganization with vacancies at our partners. Through this program, we connect our partners with interested and eligible Cisco employees through recruitment specialists, using a website where Cisco partners can post suitable positions, search and match eligible talent to job openings, access résumés, and contact employees directly. Over 220 employees were placed with Cisco partners as a result.

Securing Our Technical Leadership

It is vital that we invest in our technical capabilities to equip our engineering community with the skills and qualities to support our business and lead the development of new products and services. In FY12, Cisco delivered over 500,000 hours of training to our engineering community with a focus on product development, innovation, and management and leadership development. Some our initiatives in FY12 included:

- Strengthening technical and leadership capabilities in India by launching the Network Science Fundamentals and Technical Leadership Incubation programs which aim to develop our pipeline of emerging technical leaders. We also established the Engineering India Leadership Program to build an engineering center of excellence.
- Developing a "Technical Leader" role-based training program to provide career development opportunities for Cisco's top technical talent. We also developed a similar "Product Manager" program covering all levels of product management, from on-boarding to developing general management skills.
- Delivering a customized business and finance-based training program to our senior technical community to better integrate the business and technology components of our strategy and build our organizational capabilities.

The Engineering Community Learning Network (CLN) Program inspires and supports collaboration, innovation, and creative thinking by bringing our global engineering communities together. The volunteer-led network has hosted over 200 training events that have connected 17,000 engineers to share invaluable knowledge and expertise. In FY12, we also focused on improving the delivery of technical training across functions through the CLN. As a result, we had more than 20,000 "repeat learners."

In addition to our core enterprise management and leadership development, we made a concerted investment to focus on building coaching skills for managers, providing a leadership styles assessment for all people managers at all levels, and providing executive coaching for 25 percent of all director-level engineers globally.

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Rewarding Our People

We believe in sharing our success with our employees. Our competitive performance-based pay and benefits reward innovation, collaboration, and profitability.

Our total rewards philosophy focuses on providing compensation, benefits, and long-term savings packages that are competitive in each of the markets where we operate. We aim to provide salaries (inclusive of base pay and bonus) in the top 25 percent of remuneration offerings, based on a benchmark of 45 comparator companies. Cisco's FY12 total compensation to employees—including salary, benefits, bonus, commissions, and stock awards—totaled approximately $13.2 billion.

We align employee and company goals through our bonus program, which makes a direct link between the company's performance, the individual's performance, and employee pay. Exemplary contributions from high performers are rewarded by cash and stock awards. Outstanding sales performance, collaboration and technology, and long-term service milestones are also recognized with awards.

The Chairman's Choice Awards honor and celebrate outstanding achievements by individuals or teams across the company in one of three areas: culture, innovation, or business impact. The Cisco Achievement Program offers cash awards to encourage and reward exceptional contributions to the achievement of business unit and company goals. In FY12, more than 41,500 Cisco Achievement Program awards—one-time cash payments—were issued to employees globally.

Additional benefits for eligible employees include tax-efficient retirement savings support with company contributions, tuition assistance, paid time off and paid holidays, family leave, and an employee stock purchase plan, as well as a range of health and wellness benefits.

> "Cisco is a company with great people at all levels, a clear culture, and a drive to achieve success. People are valued, listened to, and engaged."
>
> **Cisco Employee**
>
> FY12 Pulse Survey

Cisco Employee Benefits

- Adoption Assistance (U.S.)
- Autism Benefit (Global)
- Baby Gift Program (Global)
- Children's Scholarship Fund for the children of deceased employees (Global)
- Cisco Equipment Discount Program (U.S.)
- Death Benefits for Family (Global)
- Education Benefits: Employee Tuition Assistance (Global)
- Family Crisis Assistance (Global)
- Eldercare Program (Global)
- Employee Assistance Program (Global)
- Employee Bonus Program (Global)
- Employee Discount Program (U.S., Canada, and U.K.)
- Expert Medical Opinion (Global)
- Financial Education (U.S.)
- Flexible Work Practices (Global)
- Health & Wellness Programs (Multiple locations)
- Health Insurance: Medical, disability, and life benefits; dental and vision where prevalent (Global)
- Insurance: Healthcare Domestic Partner eligibility (Global)
- Onsite Cafeterias (Multiple locations)
- Onsite Childcare Centers (two centers in San Jose, CA; one in Bangalore, India; and a backup childcare program for Research Triangle Park, NC)
- Onsite Fitness Center (Multiple locations)
- Onsite Health Centers (San Jose, CA; Bangalore, India; and HealthPresence in RTP)
- Onsite Pharmacy, Vision Center (San Jose, CA)
- Relocation Assistance (Global)
- Tax-Advantaged Long-Term Savings with company contribution (such as 401(k) retirement accounts) (Global)
- Tuition Assistance Program (U.S.)
- Off/On Ramp Program (Up to two years off work, unpaid but first year with medical benefits) (Global)
- Employee Stock Purchase Plan (Global)

Cisco provides culturally relevant leave-of-absence and time-off programs for employees globally. Examples of these programs in the United States include:

- Adoption leave: paid
- Bereavement time off: paid
- Educational leave: unpaid
- Jury duty time off: paid
- Pregnancy disability leave/maternity leave: paid
- Military leave: differential paid
- Paid time off (vacation): paid
- Paternity leave: unpaid
- Personal leave: unpaid

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Society

Information and communications technology (ICT) brings people together to spur innovation and improve livelihoods. By enabling collaboration between individuals and organizations, our technology provides access to essential information and services that help to promote economic empowerment and improve the delivery and quality of healthcare and education to underserved communities.

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Overview

These first four pages give readers an overview of Cisco's objectives, key challenges, progress, and performance with regard to Society. We have used this overview as part of our Executive Summary, which can be downloaded here.

Cisco supports projects that bring people together through technology to encourage innovation and entrepreneurship, deliver critical goods and services, improve education and healthcare, and create economic opportunities for people around the world. Creating more prosperous and healthy communities benefits people and our business. We aim to make a lasting difference and partner with organizations that use technology to multiply the impact of their programs and services and to improve their processes and effectiveness.

Our social investment strategy prioritizes the areas where we believe human and technology networks have the biggest potential to multiply our impact and achieve scalable and sustainable solutions, covering:

- Education
- Healthcare
- Economic empowerment
- Critical human needs and disaster relief

We contribute cash and in-kind contributions[1] of our products and expertise, and we encourage employees to volunteer their time to support organizations in their communities around the world. Volunteering helps to build leadership skills, teamwork, and loyalty among our employees (see page E16).

Improving the accessibility of our products for people with disabilities helps us expand the benefits of technology to more people (see page E17). We can also make a difference in underserved communities and local economies by supporting small and minority-owned businesses through our supplier diversity program (see page E18).

Performance Summary

	FY08	FY09	FY10	FY11	FY12
Total corporate and Cisco Foundation cash and in-kind contributions*	$92 million	$128 million	$139 million	$295 million[1]	$294 million[1]
Number of hours volunteered by employees*	88,870	78,000	148,355	166,445	107,150
Number of active students in Cisco Networking Academy courses	700,000	800,000	900,000	1,000,000	1,000,000

1. Includes Cisco Networking Academy in-kind contributions, which we included in our corporate giving data for the first time in FY11.

* Corporate key performance indicator (KPI). For our complete list of KPIs, see Introduction

Networking Academy students with their instructor at the CIDA ICT Academy, South Africa

1. Includes Networking Academy software, support, expertise, training, and design.

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Progress Toward Objectives

Objective	Progress in FY12	Status
Launch a new global volunteer program to raise awareness of Cisco's community programs, encourage more employees to get involved and recognize exceptional contributions.	Launched Cisco Volunteer[X], a year-long program that challenges employees to volunteer a combined 150,000 hours and raise at least $1 million in matching funds by May 2013. Winning regions and functions will receive $25,000 grants for the nonprofit organization of their choice. Introduced a Volunteer of the Year Award program, with the first awards presented in September 2012.	●
Incorporate the requirements of new U.S. legislation on accessibility into Cisco's best practices and corporate requirements and raise awareness through training for our technology groups.	Integrated the requirements of the 21st-Century Video Accessibility Act into our product design processes. We also conducted regular refresher training with technology groups to emphasize the importance of accessibility and raise awareness of new regulatory requirements.	●
Maintain strategic relationships with the World Economic Forum and Clinton Global Initiative (CGI) to inform our activities and share best practices.	Attended eight World Economic Forum meetings: • Participated in expert councils on education systems, climate change, digital health and infrastructure, and urban development. • Helped identify and recognize innovative companies with the potential to impact society. • Contributed to the Global Information Technology Report. Attended four CGI meetings. Worked with local partners and government agencies in four African countries to transfer ownership of dozens of Community Knowledge Centers to local organizations as part of our CGI commitment.	○
Continue to support partners such as the Grameen Foundation to expand its Social Performance Management initiative, which helps poverty-focused organizations accurately measure the social impact of program and service offerings.	Supported the expansion of the Grameen Foundation Progress Out of Poverty Index™ (PPI™), which, it is estimated will be used by 200 organizations serving 20 million clients by the end of 2012.	○
Continue to work with partners including Tamkeen.net and others to support development of entrepreneurship in the Palestinian ICT sector.	Continued to support the Palestinian ICT sector through cash grants, mentoring, and investments in venture capital and seed funds.	●
Enhance U.S. veterans programs across Cisco through existing channels, such as employee resource groups (ERGs) and mentoring programs. Plan Veterans Day events and develop strategic partnerships with recognized veterans projects and associations.	Established a Director of Veterans Programs to coordinate veteran initiatives across Cisco, including employee volunteering, education, and recruitment. Partnered with Futures Inc., a software development company, to create a specialized job portal for veterans. Joined the 100,000 Jobs Mission, a coalition of U.S. companies committed to collectively hiring 100,000 veterans by 2020.	○

● **Achieved** ○ **Ongoing**

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you + networks = impact^x

You: The Cisco Networking Academy is a powerful example of how we combine human and technology networks to multiply our impact. More than 4.25 million students have participated in the Cisco Networking Academy since it began in 1997, completing over 110 million online assessments.

Networks: We partner with more than 10,000 educational institutions, nonprofits, NGOs, governments, and community centers in 165 countries that provide classroom space, computer lab equipment, and qualified instructors. Cisco provides free, cloud-delivered online curricula and interactive activities, network simulation, visualization tools, and online assessments to prepare students for entry level ICT positions and promote entrepreneurship.

Impact^x: The Networking Academy provides a steady supply of ICT professionals around the world, with students going on to pursue successful ICT careers and to start their own businesses. It encourages economic growth in communities and supports many of our initiatives to improve ICT education as part of our wider commitment to economic development around the world.

Addressing Key Challenges

The struggling global economy is continuing to put pressure on charitable and community organizations, which face a growing demand for their services while experiencing a decline in funding and resources. Likewise, governments at all levels are under pressure to cut costs and demonstrate value for money spent on public services including education and healthcare, adding to the demand on nonprofit organizations and nongovernmental organizations (NGOs).

While this presents a challenge to our business growth, we believe there is also an opportunity to use technology to help public and private partners increase efficiency and cut costs while encouraging innovation and improving program outcomes. We will continue to focus on projects that use technology to achieve scalable, replicable, and sustainable outcomes.

Partnerships are vital to our approach, and we aim to improve our reporting to collect and validate data on how our partners are performing against their goals. This will enable us to measure the impact of our investments.

Improving ICT education delivery: We expect demand for ICT skills to continue to grow, given the growth in networking opportunities and continuing high rates of unemployment in many of our markets forcing people to explore new career paths. This demand will make vocational education programs increasingly valuable for students and for our business. We will continue to focus on this, and the use of ICT to transform the delivery and quality of education, through the Cisco Networking Academy program and public-private partnerships that focus on science, technology, engineering, and math (STEM). These are increasingly important focus areas for governments given their role in supporting innovation and competitiveness.

The rapid expansion and the global reach of Cisco Networking Academy has motivated us to change how we support the 10,000 academy locations around the world, to focus on their long-term sustainability and flexibility. In FY12, we launched a new Networking Academy business model that enables local academies to choose instructor training, day-to-day technical support, workforce support, and other resources from global partners that meet their unique needs. Previously, local academies were assigned to a "regional academy" in their geographic area for support.

> "How can ICT help combat poverty and contribute to social equity? This is one area I would like to see you really expand on in the future."
>
> **Prof. Sudhakar Yedla**
> **Indira Gandhi Institute of Development Research (IGIDR), India**
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

We expect the new business model to strengthen the relationship between Cisco and the individual Networking Academy locations and to increase the sustainability of the program. In FY12, we also continued rolling out the new Cisco NetSpace interactive learning environment, which incorporates new content and collaboration features designed to increase student and academy success. The first academy locations began using the NetSpace learning environment in July 2012, and all academy locations are expected to adopt the new platform by July 2013. In the coming years, we will continue to refine both the new business model and Cisco NetSpace to improve the provision of Networking Academy courses and more effectively meet the needs of individual academies and students.

Building capacity to transform healthcare: Experience from our Connecting Sichuan initiative shows the role partnerships with national and local governments, NGOs, and private-sector partners can play in advancing healthcare systems and improving the quality of patient care. Using the network as the platform established a blueprint for enabling partners in their efforts for improving the delivery and quality of healthcare.

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We have expanded our care-at-a-distance and collaborative healthcare models to the country of Jordan for providing greater access to high-quality care in remote rural communities, and we continue to explore ways to transform healthcare delivery models elsewhere.

Our experience demonstrates the importance of building and maintaining strong relationships with government partners for the long-term sustainability of our healthcare partnerships. This is particularly important as we expand into regions of economic and political uncertainty, where there can be a high turnover of government officials and limited numbers of healthcare workers trained in connected healthcare technology. To address this challenge, we will focus on providing ongoing support and training for healthcare professionals, and we will work with government officials to demonstrate the value of our partnerships when seeking buy-in from decision makers.

Supporting nonprofits in meeting critical human needs: Population growth and climate change will continue to put pressure on food prices and water resources. We have also seen a rise in the number and severity of natural disasters, which puts additional pressure on the ability of humanitarian and relief agencies to respond. A consistent issue for our partners in developing countries is lack of consistent and reliable access to ICT and the Internet.

To meet these challenges, we will continue to look for opportunities to improve Internet reliability and expand the use of ICT to support partners and increase the efficiency, quality, and productivity of organizations that meet basic human needs and respond to disasters.

Objectives for FY13 and Beyond
Collaborate more closely with the Cisco Networking Academy to encourage military personnel interested in an ICT career to obtain their basic CCNA certificate
Engage our more than 80 partners in the 100,000 Jobs Mission, a coalition of companies committed to collectively hiring 100,000 veterans by 2020
Continue to strengthen the new business model for supporting local Networking Academy programs that was introduced in FY12
Transition all Networking Academy instructors to the new learning platform, Cisco NetSpace, to increase collaboration and opportunities for students globally
Introduce new learning material to the Networking Academy community via Cisco NetSpace
Continue to support and engage in programs that increase the number of students studying STEM subjects at primary and secondary school levels through partnerships with nonprofit organizations and NGOs
Strengthen the self-sufficiency of our Community Knowledge Center model and complete transition of ownership to government and local NGO partners
Create Cisco Accessibility Executive Sponsors to champion accessibility among Cisco Technology Groups, continue to work with the National Technical Institute for the Deaf and other partners to incorporate accessibility features into Cisco products, and roll out training for educators and employers in California to support the DeafTEC initiative

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Cisco in Action

The map provides examples of our social initiatives from around the world.

Click on the social initiatives below for more information

- Employee Volunteering
- Critical Human Needs and Disaster Relief
- Education—North America
- Education—Latin America
- Education—Eurasia and Africa
- Healthcare
- Economic Empowerment

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Education

The growth of innovations like e-commerce and cloud computing have increased demand for people qualified to design, build, manage, and secure computer networks. Yet many people lack access to education that can prepare them for such employment.

Cisco supports education to encourage long-term, sustainable economic growth in developed and developing countries. Our focus is on creating scalable and self-sustaining initiatives that use the power of human and technology networks to multiply our impact and transform the way education is delivered and to provide the skills that people need for ICT roles. This in turn supports our own business growth and enables further expansion of technology and its benefits. By building stronger, better-educated communities, we can increase the pool of trained professionals who will be able to create, install, and use our products now and in the future.

We work with education partners, including governments, nonprofits, and NGOs, to support education initiatives that use our core networking technologies and expertise to create replicable, scalable, and sustainable solutions. At the same time, we help nonprofits improve the efficiency and effectiveness of their operations so they can direct more resources to education delivery, allowing us to reach more people.

Cisco Networking Academy

Cisco Networking Academy is our largest and longest-running education program, reaching millions of students from diverse backgrounds. It uses cloud computing technology (see Introduction, page A7) to deliver scalable, high-quality ICT education that supports long-term, sustainable growth by preparing students for entry-level ICT roles and provides skilled networking professionals to support local economies.

Creating a London 2012 Games Legacy

As official supporter and network infrastructure provider to the London 2012 Olympic and Paralympic Games, Cisco launched a five-year London 2012 legacy program focused on promoting science, technology, engineering, and math (STEM) skills and digital innovation to help grow the U.K.'s hi-tech industry.

Focusing on education, Cisco announced plans to create additional Networking Academies across East London to train thousands of students to enter the ICT industry. We partnered with education NGO the Pearson Foundation to launch the "Out of the Blocks" science and math education program, with content inspired by the Olympic and Paralympic games, in every secondary school in the U.K., reaching 17,000 teachers.

In the run up to London 2012 we also sponsored two national schools competitions with STEMNet–an education initiative funded by the U.K. government–to encourage young people across the U.K. to consider STEM subjects and take their first steps toward a career in technology.

Finally we partnered with JANET (the U.K.'s National Research Network), Ravensbourne College in East London, and the Royal Shakespeare Company to broadcast an interactive social media version of the play iCinna to all secondary schools in the U.K. to excite students on the possibilities created by new applications of digital media. Nearly 9000 students at 140 schools participated.

To encourage digital innovation, Cisco Chairman and CEO John Chambers and British Prime Minister David Cameron jointly launched the British Innovation Gateway Initiative (BIG), a five-year program that aims to bring together Internet startups, businesses, investors, technologists, and innovation experts to support innovation and entrepreneurship in the U.K.'s high-tech industry. As part of BIG, Cisco will work with partners to open two innovation centers in the Olympic boroughs of East London. With Cisco's support, these will link to other world-class innovation centers across the U.K. in a new National Virtual Incubator, enabling entrepreneurs to network, exchange ideas, and access mentorship and funding.

The Olympic Park itself will form part of our wider plans to transform the area and showcase how technology can improve local businesses and communities based on our Smart + Connected Communities Initiative.

We also launched the BIG Awards, an annual open innovation competition that will be held over the next five years to identify and offer financial and mentor support for the next generation of the U.K.'s digital entrepreneurs and startups.

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The Networking Academy program is a powerful example of how we use public-private partnerships to foster human and technology networks that together can have a much larger impact. We partner with educational institutions, nonprofits, NGOs, governments, and community centers that provide classroom space, computer lab equipment, and qualified instructors. Cisco, in turn, provides free online, up-to-date ICT curricula and professional development opportunities for teachers.

In FY12, 1 million students were enrolled in Cisco Networking Academy courses in 10,000 academies in 165 countries. Since the program began in 1997, 4.25 million students have participated, completing over 110 million online assessments. The Cisco Networking Academy Facebook community had more than 380,000 members at the end of FY12, a 56 percent increase from FY11. This online community empowers students to help each other by enabling them to connect and collaborate with their peers and brings value to Cisco by reducing operational costs associated with our help desk.

In addition to preparing students for internationally recognized Cisco certifications, entry-level jobs, and continuing education, Networking Academy courses encourage innovation, problem solving, and entrepreneurial skills through realistic simulations, hands-on learning, case studies, games, and global competitions. Cisco Aspire, for example, is an educational game that provides realistic business and networking scenarios in an engaging virtual environment where students make business and technical decisions to complete projects for clients. The Passport21 to Entrepreneurship offering exposes students to scenarios that help them develop critical business and financial skills and gives them confidence and skill sets that are useful to start their own business.

> "I think that the Networking Academy can help with so many people, but I missed information about how you are including disadvantaged people. I want Cisco to be more of a facilitator in its programs."
>
> **Claudia Medronho Naumann**
> University of Rio de Janeiro, Brazil
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

Supporting other aspects of our social programs:
The Cisco Networking Academy underpins many of our initiatives to improve ICT education as part of our wider commitment to economic development around the world.

For example, the Cisco Health Information Networking course is helping to prepare people for new jobs in health information technology. Delivered through Cisco Networking Academy, the program teaches students basic information about healthcare settings, security and privacy, electronic health records systems, and medical practice workflows, among others. In FY12, 159 students at 21 academy locations in 12 states participated in the Health Information Networking course.

Since 2006, Cisco has partnered with the Habitat Centre for Development and Governance, the UN Development Program, Turkish Informatics Foundation, and Istanbul Technical University to deliver SPARK, a project to improve ICT expertise among disadvantaged

ICT Education for Veterans

Military veterans possess many traits that are valuable in the workplace, including leadership and teamwork skills, a strong work ethic, and experience working under pressure. However, veterans' experiences often can't be easily matched to the job descriptions posted by corporations.

In FY12, we partnered with Futures Inc., a software development company, to create a specialized job website for veterans that matches military job skill codes to corporate job openings, making it easier for veterans to find jobs that are well-suited to their skills.

Military personnel interested in an ICT career can take classes that prepare them for entry-level jobs, certifications, or further education at one of 21 Cisco Networking Academy programs located at major military bases across the U.S. By the end of FY12, approximately 33,000 U.S. military personnel had completed Cisco Networking Academy courses, giving them a greater chance of finding job and career opportunities once their military service is over.

Cisco supports veterans through education and employment opportunities and is a founding member of the 100,000 Jobs Mission, a coalition of more than 80 corporations committed to collectively hiring 100,000 veterans by 2020.

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youth while encouraging volunteerism. Young people from across Turkey are selected to become trainers in the program and develop computer networking skills within the Cisco Networking Academy framework. These young instructors then provide networking skills to disadvantaged and unemployed young people in their cities. Since the program was launched, more than 2400 people have been trained by a team of 60 volunteer instructors, who in turn have advanced their own IT skills. More than 20 of these instructors have gone on to secure employment in the IT sector, with one starting his own IT company.

In FY12, we launched a new initiative in the Asia Pacific region in response to growing interest from students who wanted to use their skills to benefit their communities. One hundred and fifty Networking Academy students from 10 countries volunteered to become IT Ambassadors and use their new ICT skills to improve lives in rural, remote, and underserved communities.

With our continued commitment to expanding ICT and networking opportunities to underserved people and communities in FY12, we launched new academies targeting students with disabilities in Hungary, Kenya, and Russia.

We are also working to increase the participation of women in the ICT industry. Globally, in FY12, 20 percent of Networking Academy students and 17 percent of instructors were female. The Middle East region has the highest percentage of female students at 30 percent. For more information, visit the Cisco Networking Academy website.

Global Education Engagements

We invest in nonprofit organizations and NGOs that promote science, technology, engineering, and math (STEM) education, particularly among underserved populations. Through expertise, product grants, and cash grants, we target technology-based solutions that help our partners deliver and administer education programs more effectively and efficiently by building capacity and encouraging collaboration. This frees up resources, multiplying our impact by allowing our partners to reach more people in more communities.

For example, GETideas.org is a public-service online community developed by Cisco to encourage peer-to-peer dialogue between education thought leaders on the global challenges facing education. More than 2900 education leaders from 167 countries share ideas and resources on ways to transform the delivery and quality of education through practical case studies, featured resources, virtual roundtables, and blogs. In FY12, 65,994 unique visitors used the site.

We also support local education initiatives such as Teach for All, launched in 2007 by Teach for America. Teach for All is a network of independent social enterprises in 24 countries that recruit high-performing young teachers to teach in underserved communities for two years. Cisco has provided product support, including WebEx, to facilitate collaboration between Teach for All employees and member organizations. By May 2012, Teach for All had hosted more than 600 WebEx meetings connecting more than 2400 people in 30 countries. These online meetings deepen engagement and save money by reducing the need for travel.

> "It would be good if you tied your social impacts into your business practices more and show how your activities add value to communities."
>
> **James Taplin**
> **Forum for the Future, U.K.**
>
> Cisco's 2012 Global Stakeholder Engagement Sessions

In July 2011, Cisco made a $250,000 grant to help MIND Research Institute test and scale its Spatial Temporal (ST) Math Program across the United States. MIND is a nonprofit organization that helps children with limited language skills from underserved areas achieve academic success. Its ST Math program is a highly visual, game-based software program that helps students learn math despite language barriers and, in some cases, learning disabilities. Cisco supported initial work to convert the program into an online format, increase the number of grade levels supported by the software, and, more recently, deploy it in five Silicon Valley schools, where it increased math proficiency scores by an average 11.2 points compared to 4.2 points at nonparticipating schools. Cisco also supported scaling MIND's ST Math program to 14 schools in Phoenix and Yuma, Arizona.

For more examples of our education programs around the world, see the map on page E6.

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Healthcare

ICT is transforming healthcare by helping to improve efficiency and reduce costs for healthcare providers and by increasing access to healthcare for people in remote and rural areas. Networking technology such as Cisco HealthPresence connects patients and doctors regardless of distance, providing a way for localized healthcare services to multiply their impact by reaching more people and enabling them to increase the delivery of quality healthcare services in developed and developing countries alike.

Cisco HealthPresence[1] provides "care-at-a-distance," allowing patients to interact remotely with doctors in a clinical setting. Nurses working with the patients use hand-held cameras and stethoscopes to provide information to physicians and specialists at the hospital, while high-definition video and audio provides a high-quality face-to-face experience between the patient and the healthcare provider.

Assessing the Impact of Cisco Connected Healthcare Technology

Cisco's Connecting Sichuan three-year initiative aimed to rebuild and revitalize healthcare delivery following the 2008 earthquake in the Sichuan region of China. The initiative provided a framework for the use of cloud-based networking technology to open up new opportunities for healthcare professionals to collaborate and share patient information regardless of location.

The initiative has had a significant impact on patient care. According to a study by Peking University in FY12:

- 80 percent of physicians and directors at township health centers reported that the greatest impact was improved quality of care for patients
- 100 percent of physicians agreed that their medical expertise had improved through training delivered through collaborative technology
- 95 percent of physicians agreed that cloud-based regional healthcare delivery had made their healthcare practice more efficient, giving them more time to spend with patients
- 93 percent of patients were satisfied with the services they received from the mobile units, which include physical checkups and telehealth services

Lessons from the Connecting Sichuan initiative are being used to guide our Jordan Healthcare Initiative (see case study).

Awards and Recognition

In FY12, Cisco received the Best Corporate Citizenship Award from the 21st-Century Business Herald and 21st-Century Business Review for the Connecting Sichuan initiative. GBC Health, a coalition of more than 200 companies, awarded Cisco the Application of Core Competence Award at its Business Action on Health Awards conference.

Cisco Connecting Sichuan Healthcare Services and Facilities	Data by the End of 2011
Healthcare facilities equipped with ICT technologies	66
Operations centers	2
Regional healthcare data centers	6
Medical insurance records supported by data centers	60 million
Health records supported by data centers	400,000
Practitioners using healthcare facilities equipped with Cisco technologies	7000
Inpatients supported	15,000 per month
Outpatients supported	280,000 per month

1. Cisco networking and collaboration products are not intended for use in emergency situations or for real-time patient monitoring. Cisco technology enables enhanced communications to occur across geographies; availability varies based upon regulatory status country by country.

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Cisco HealthPath Program

The HealthPath program delivers online education and training on electronic health records (EHR) for doctors and nurses who practice at small and mid-sized clinics in the United States. Courses help physicians and nurses understand and learn how to structure EHR systems to achieve meaningful use in accordance with guidelines outlined in 2009 U.S. law.

A number of healthcare organizations have partnered with Cisco to support online access to HealthPath courses, including the Oregon Health Information Technology Center, the Oregon Community Health Information Network, and the California Health Information Partnership and Services Organization, as well as AmericanEHR Partners, which was developed by Cientis Technologies and the American College of Physicians.

By the end of FY12, 830 clinicians from almost every U.S. state had registered on the Cisco HealthPath website, including physicians, nurses, and administrators.

Connected Healthcare at Lucile Packard Children's Hospital at Stanford

More than 15 million U.S. children live in areas where there are fewer than 22 pediatricians and family physicians for every 100,000 kids. In Northern California, families sometimes wait as long as nine months to see a pediatric specialist. Children and families who live in communities without specialists often must travel long distances to get the care they need. In developing countries, access to pediatric care is even more difficult.

Dr. William Kennedy, a pediatric urologist at Lucile Packard Children's Hospital at Stanford University in Palo Alto, California, routinely drove four-hour round-trips for remote patient visits and wanted a better way to serve his patients. In 2012, Packard Children's partnered with Cisco to provide remote pediatric care with the help of Cisco HealthPresence[1] technology. The solution connects Packard Children's to the Pediatric Group of Monterey, saving Dr. Kennedy valuable hours. He now is able to spend more time with patients, and families no longer have to miss significant time from work and school to receive care for their children.

Packard Children's is the first facility to use Cisco HealthPresence in a dedicated way for specialized children's care. It provides a model that has the potential to benefit children's health in a wide range of communities.

1. Cisco HealthPresence is not intended for use in emergency situations or for real-time patient monitoring.

Jordan Healthcare Initiative

The Jordan Healthcare Initiative is a strategic collaboration between Cisco and the Jordanian government to improve the efficiency of and access to quality healthcare services in Jordan. It launched in FY11, when a rural health clinic began using Cisco HealthPresence[1] technology to connect patients and physicians at the Al-Mafraq Governmental Hospital in northeastern Jordan with specialists at Prince Hamzah Hospital in Amman. By the end of FY12, we were in the final phase of expanding the initiative to provide the same services for patients at the Queen Rania Governmental Hospital in southern Jordan.

As a result of this initiative, rural patients now have access to specialists through collaborative technology. Specialists who would not have otherwise had ready access to remote patients have expanded their reach to deliver improved diagnosis and treatment plans. Physicians can spend more time with patients and can reach more people without the need to travel, saving travel time and expenses. Between June 2011 and July 2012, 286 remote consultations took place between patients at Al-Mafraq Governmental Hospital and specialists in nephrology (32 percent), cardiology (28 percent), and dermatology (40 percent). At least 14 percent of the consultations were for children.

In FY12, we also completed the design and planning phase for a clinician-to-clinician collaboration project that will connect two Royal Medical Services hospitals (a senior specialist site in Amman and a junior doctor site in the rural south) and allow radiologists to project stored images and share patient data. We also are equipping a mobile mammography screening clinic with Cisco networking and collaboration technology to enable the Jordan Breast Cancer Program and the King Hussein Cancer Centre to collaborate across the region.

1. Cisco HealthPresence is not intended for use in emergency situations or for real-time patient monitoring. Cisco HealthPresence enables consultations to occur across geographies; availability varies based upon regulatory status country by country.

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Economic Empowerment

ICT supports economic empowerment in underserved communities by connecting people with workforce training, employment, and economic opportunities. Our strategy is to support organizations and initiatives that use people- and technology-based networks to multiply their contribution to the economic growth of communities and countries, empower individuals by improving their access to knowledge and skills, and facilitate financial inclusion. This includes technical, finance, and leadership skills, along with links to employment opportunities, social and career networking, mentoring, and financing.

Giving more people access to the network and the opportunities it provides helps to foster innovation and encourage investment that can ultimately help communities and individuals become economically self-sufficient. At the same time, we are building trusting relationships with governments, nonprofits, and NGOs, and creating new markets for our products and services. These partnerships enable us to multiply our impact, reaching more individuals and communities.

Supporting Financial Inclusion

More than 2 billion people around the world live on less than $2 a day. The vast majority have no access to affordable, safe, and reliable financial products and services, making it extremely difficult to save for the future, provide for their families, or take advantage of opportunities to improve their income.

Cisco supports ICT-based solutions to help microfinance institutions and other poverty-focused organizations expand the scale, efficiency, and social impact of their work in underserved communities, as well as improve their effectiveness by accurately measuring their impact.

Funding from the Cisco Foundation supports the Grameen Foundation's Progress Out of Poverty Index (PPI), which aims to improve the design, implementation, and impact of programs that alleviate poverty. The PPI is used by approximately 150 microfinance institutions and poverty-alleviation organizations in 45 countries to measure their effectiveness and to tailor their products and services to meet their clients' needs. The Grameen Foundation aims to have 200 organizations serving 20 million clients using the tool by the end of 2012.

The PPI also encourages greater transparency and accountability in the sector as a whole by helping donors and investors to understand how well poverty-alleviation organizations are performing in relation to their goals.

Supporting Entrepreneurship

Globally, Cisco supports a variety of initiatives aimed at supporting entrepreneurship for micro, small-, and medium-sized enterprises. The goal of these initiatives is to help individual entrepreneurs become economically self-sufficient and contribute to the economic growth of their communities and countries.

In FY12, Cisco made a cash grant to support the Grameen Foundation's Social Enterprise Accelerator for Mobile Microfranchising Initiative. The initiative provides mobile technology, capital, training, and support to help people start their own mobile microfranchising businesses. Launched as a pilot in late 2009, the program has had a significant impact on the work of social enterprises like PT Ruma in Indonesia, which has recruited 12,500 women entrepreneurs serving more than 1.3 million customers. Cisco's support will help the Grameen Foundation scale the initiative to new industry sectors and communities around the world, introduce new features such as a mobile marketplace, and adapt the solution to a cloud-based environment.

Also in FY12, Cisco made an initial investment in Living Goods, which operates a network of micro-entrepreneurs who sell affordable health-related products designed to improve the health, wellbeing, and productivity of the world's poor, including clean cook stoves, mosquito nets, medicines, soap, and fortified foods. Cisco's support will enable Living Goods to develop and implement a mobile technology platform, allowing the organization to respond more quickly to the needs of local populations and increase the scale, efficiency, and effectiveness of its network of agents.

Networking Academy Student, Kingdom of Saudi Arabia

Community Knowledge Centers

Cisco has partnered with governments, Appleseeds Academy, Inveneo, One Global Economy, and other nonprofits and NGOs to set up a network of Community Knowledge Centers across sub-Saharan Africa that are owned and operated by local organizations such as schools, health clinics, and community centers. They offer courses on ICT, entrepreneurship, and language skills, along with tailored services ranging from telecommunications to office support. Community-based "Beehive" websites available via the centers provide locally relevant information on health, education, jobs, and business, as well as offer access to microloans and knowledge to improve agricultural productivity.

The project had a positive impact on local communities, with over 190,000 individuals using the services of 95 Community Knowledge Centers in Kenya, Rwanda, Ethiopia, and South Africa by the end of FY12.

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Measuring the Impact of Our Support for Entrepreneurs in the Palestinian ICT Sector

Political and economic challenges in the Palestinian Territories have made it difficult for the local ICT sector to attract investors and access global opportunities. Cisco invested $15 million from 2008 to 2011 to help stimulate long-term, sustainable growth in the Palestinian ICT industry by promoting education, workforce development, and investment through a partnership with public and private organizations.

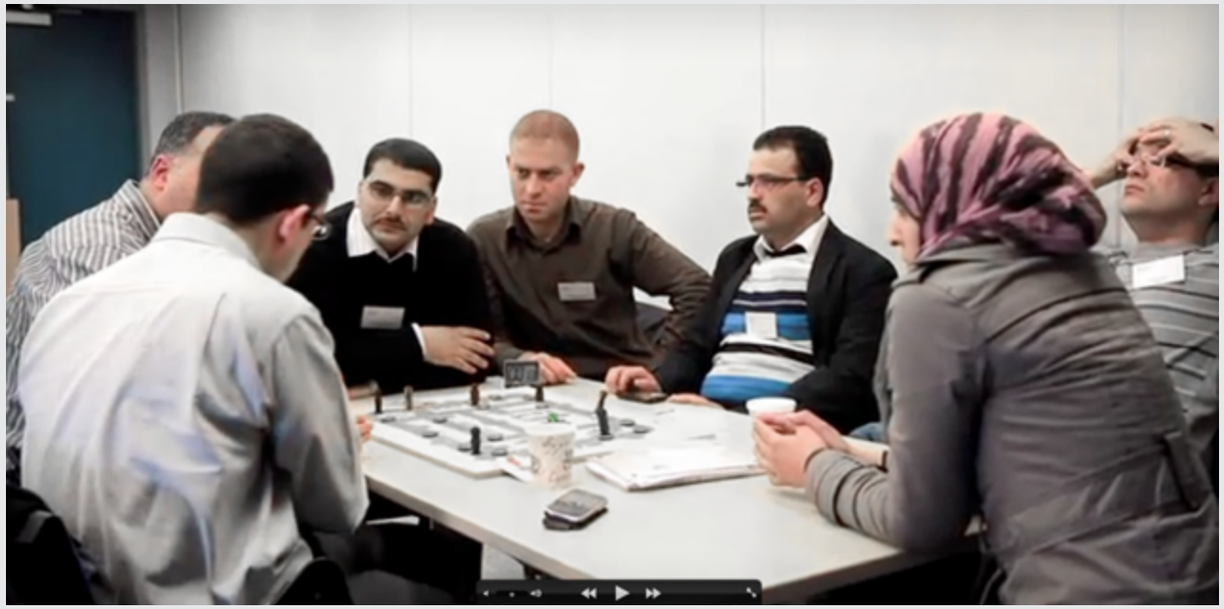
Beginning as a small outsourcing project between Cisco Israel and three Palestinian ICT firms to demonstrate that they have the capability to provide low-cost and high-quality outsourcing support, the initiative has become self-sustaining. Most of the participating companies have seen their businesses grow and have created new business contracts with customers in the Middle East, North Africa, North America, and Western Europe.

In FY12, a report by consultants Mission Measurement on the impact of Cisco's Palestinian Investment Commitment found that:

- The ICT sector in the Palestinian Territories grew from 0.8 percent of Palestine's GDP in 2008 to 6.4 percent of GDP in 2011
- Palestinian ICT firms reported a 64 percent increase in international client work from 2009 to 2012 and a 100 percent increase in the number of signed contracts with new international clients
- Firms reported a 19 percent improvement in access to finance and international markets since 2009

The survey by Mission Measurement also found that 45 percent of outsourcing buyers in the United States, Europe, and the Middle East are aware of the ICT outsourcing capabilities in the Palestinian Territories.

In FY12, we continued to support the Palestinian ICT sector by investing venture capital and seed funding in promising ICT opportunities. The Palestinian Investment Commitment included:



- $6 million committed to the Abraaj Palestine Growth Capital Fund to support investments in ICT businesses
- $5 million committed to the Middle East Venture Capital Fund, sponsored by Sadara Ventures, which is the first venture capital fund focusing on the Palestinian Territories
- $1 million for outsourced research and development work provided by three Palestinian companies: Exalt, Asal Technologies, and Global Software Services, Inc.
- $750,000 to support Tamkeen.net, a 12-month program providing business, marketing, human resources, and leadership workshops to help nine Palestinian software companies compete internationally
- $250,000 to the Bedaya (Beginnings) Seed Fund that aims to connect Palestinian entrepreneurs to a global network of investors, partners, and customers and to provide mentoring support for 12 Palestinian start-ups
- $250,000 to support start-ups through the Olive Tree Seed Fund
- $200,000 for monitoring and evaluation

We also provided products and a cash donation of $200,000 to connect schools and youth clubs to the Internet and to support up-and-coming local Internet service providers. Our partner Inveneo is working with local providers to design and implement low-cost Wi-Fi networks.

Cisco is also leading Ma'antech, a coalition of 30 ICT companies helping newly qualified Israeli-Arab engineers find roles in the Israeli ICT sector. Arab citizens constitute 20 percent of the population in Israel, but make up less than 0.4 percent of the high-tech industry workforce. By the end of FY12, more than 380 people had been recruited by Ma'antech partners, exceeding our first year goal of 100. The coalition's goal for FY13 is to recruit 300 more people.

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As part of our commitment to creating sustainable and replicable solutions, we have begun to transfer ownership of the program to local nonprofits, NGOs, and government organizations.

We support the Community Connectors program, operated by One Global Economy and Appleseeds Academy, which trains people aged 15 to 21 in technology, leadership, marketing, and digital media to help their communities become more technologically literate. The skills they gain can also help them get jobs and pursue further education. One Global Economy estimates that 500 Community Connectors will be trained in Kenya and South Africa by the middle of 2013.

Supporting Jordan's ICT Industry

In late FY11, Cisco announced a $10 million commitment to making venture capital investment to support job creation and economic development in the Jordanian ICT sector.

By the end of 2011, Jordan's ICT industry contributed over 14 percent of the country's GDP and provided a significant export opportunity to boost economic growth. We expect that our investments will support small businesses that provide innovative products and services. The first phase of investments is due to be announced in FY13.

We are also working with local ICT companies to realize the significant opportunities arising from our Jordan Healthcare Initiative (see page E11). In October 2011, Cisco partnered with Jordan's Information and Communications Technology Association (int@j) and the King Abdullah II Fund for Development to launch Jordan's first Healthcare ICT Task Force. The task force is an open forum of Jordanian healthcare ICT companies working to advance the country's healthcare ICT capacity and promote the industry on a local, regional, and international scale. Our goal is to help guide and support task force programs.

Critical Human Needs and Disaster Relief

We use our networking skills, expertise, and technology to support nonprofit organizations that help to provide critical human needs including food, potable water, shelter, and disaster response.

Our strategy is to support programs and solutions that use the power of technology to help nonprofits and NGOs multiply their impact by providing services more effectively and efficiently and freeing up resources to help more people in more regions. We also provide short-term cash and product grants to assist organizations in providing immediate relief following natural disasters and supporting long-term recovery and rebuilding efforts.

Nonprofit and NGO Partnerships

We partner with organizations that can demonstrate a proven commitment to using technology to scale their programs and services and multiply their impact throughout the world. These include leading humanitarian relief agencies such as NetHope, CARE, Feeding America, the American Red Cross, and Red Cross affiliates throughout the world, as well as local nonprofit organizations.

Water is a priority area for Cisco, and we have supported Water.org, the Blue Planet Network, and Water For People with technology-based solutions that improve their operational effectiveness. For example, we helped the Blue Planet Network create AnalytiX, an online database that members can use to monitor, evaluate, and report on project outcomes. A Cisco grant supported work to improve the database and provide field training to promote its use. AnalytiX is used by Blue Planet Network partners in India, Vietnam, Uganda, Nicaragua, Egypt, and Guatemala to upload information on more than 250 projects totaling over $3 million.

Courtesy of Feeding America

Feeding America

Since 2009 Cisco has contributed $1.675 million in cash, products, and employee time to support Feeding America, which delivers food to approximately 37 million Americans through a network of 202 member food banks. The economic downturn has increased the number of people relying on food assistance, putting the organization under increasing pressure.

Cisco-supported technology projects, such as the Athena Technology Program, have helped to streamline Feeding America operations and save money across its entire network by reducing transportation, purchasing, marketing, and IT costs. The Transportation Optimization Project, funded in part by Cisco, is expected to reduce transportation costs across the entire Feeding America network and free staff to spend their time identifying cost-cutting measures instead of managing deliveries. Estimates suggest this could save as much as $1.5 million over five years, enough to provide 12 million meals.

Thousands of Cisco employees are also part of the Feeding America network, volunteering at and donating to member food banks nationwide. Many Feeding America network food banks were among the 139 food and water agencies worldwide to benefit from Cisco's 2011 Global Hunger Relief Campaign, which raised $4.1 million through employee contributions and matching funds.

Click here to view our Feeding America video.

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We also helped to fund the development of a Field Level Operations Watch (FLOW) mobile application for Water for People to improve data collection and analysis during field-based research. In FY12, we worked with Water for People to identify Akvo, an international NGO that uses information technology to promote international development, to scale the platform as an open source tool, expand its features, and make it more user friendly for the 500 organizations that have expressed interest in implementing the application. We have also added water programs to our annual employee fundraiser, the Global Hunger Relief Campaign.

Responding to Emergencies

Cisco provides short-term emergency relief to support the work of nonprofits and NGOs responding to natural disasters and related humanitarian crises. This includes employee networking and technology expertise, cash and product grants, employee donations, and matching gifts from the Cisco Foundation. We encourage employees to make a difference not only through corporate giving but also by using their skills for hands-on impact.

Cisco's Tactical Operations team can mobilize and respond to natural disasters when normal communications infrastructures have been degraded or destroyed. The team responded to the Waldo Canyon Fire in Colorado in FY12 and to the Japanese earthquake and tsunami and Queensland, Australia, flooding in FY11. Trained to work in challenging environments, the team responds with Cisco Network Emergency Response Vehicles and other satellite-based communications equipment during the acute phase of an emergency. A key part of this capability is the Cisco Disaster Incident Response Team of Cisco volunteers, who are specially trained to provide quick response and incident support during crisis situations.

Supporting Sustainable and Resilient Cities

More than half the global population lives in cities, which represent up to 80 percent of global economic power and growth. Cities are highly complex systems, vulnerable to problems associated with land and housing, disaster and recovery, crime, pollution, and traffic. The exchange of knowledge and close collaboration between the public and the private sector is crucial to building communities that are resilient to these challenges.

Cisco has been an active leader of innovative public-private partnerships to build urban resilience. For instance, in Brazil, NASA and Cisco established the Planetary Skin Institute (PSI) to address complex issues of resource scarcity and land change. PSI and Brazil's Ministry of Science, Technology & Innovation are undertaking a multiyear program to track the development of Brazil's National Early Warning System for Natural Disasters before scaling this capability through other areas of Latin America.

In San Francisco and Amsterdam, Cisco's Urban EcoMap enables citizens and businesses to compare their individual climate-relevant behaviors, creating a direct link between personal action and the overall resilience of the city. It helps people understand the impact of their transport, energy use, and waste, and to set goals to live more sustainably.

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Employee Engagement

We encourage employees to engage with their local communities and support projects they are passionate about and that align with Cisco's CSR focus areas. Volunteering on projects that use their networking skills and enthusiasm helps employees build strong relationships with our communities and partners and strengthens our reputation as an active corporate citizen. Partner organizations benefit from our employees' expertise to improve the way they operate and free up resources.

Our Community Relations team works with Cisco Civic Councils (groups of employee leaders who champion social investment in their local communities) to identify volunteer opportunities, manage community product and cash grants, and maintain partnerships with nonprofit and nongovernmental organizations. The Cisco Foundation matches employee contributions of up to $1000 per year per employee and volunteering at $10 per hour up to $1000 per year per employee (and up to $10,000 for employee volunteer teams) for more than 2600 approved organizations in over 40 countries.

Skills-based volunteering supports our employees' leadership development. Each Civic Council is led by an executive as well as a chair and co-chair, positions that present opportunities to develop skills required for Cisco's performance framework, C-LEAD (Collaboration, Leadership, Execution, Acceleration, and Disruption). We encourage employees to include volunteering objectives in their personal development plans, and we encourage managers to organize service projects as part of team-building events.

In FY12, employees volunteered 107,150 hours, compared with 166,445 in FY11. Cisco experienced a very high rate of volunteerism in FY11 due in part to a volunteer challenge in celebration of the company's 25th anniversary.

Increasing Participation

In FY12, we launched Cisco Volunteer^{X}, a yearlong program that aims to encourage Cisco's leaders to support their communities and inspire volunteering among employees companywide. Launched at our annual senior leader meeting in May 2012, more than 1000 people volunteered over 2700 hours to support 36 different projects at 20 locations worldwide. We aim to reach 150,000 companywide volunteer hours and raise at least $1 million in matching funds by May 2013.

Competition among functions and regions is encouraged, with the winning function and region each receiving $25,000 grants for the organization of their choice.

We continue to measure and refine our volunteer program by responding to feedback from employees, partners, and nonprofits and NGOs. Community Connection, our global matching gifts and volunteering IT solution, helps employees find organizations to support, report volunteer hours, make donations, and request matching funds.

We use Community Connection to track service hours and monitor volunteering trends to align our community service program with employee interests. This online tool has helped to more than double reported volunteer hours and increase employee donations by 77 percent since its launch in FY10.

Annual Employee Volunteer Fairs at our San Jose, California; Research Triangle Park, North Carolina; and Lawrenceville, Georgia campuses allow Cisco employees to meet local nonprofits to learn more about service opportunities. Volunteer and Civic Council of the Year Awards recognize exceptional contributions in each Cisco operating region. Winners receive a $5000 grant for the organization of their choice.

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Product Accessibility

We want as many people as possible to benefit from the social and economic opportunities that our products and services provide. Therefore, making our products accessible to people with disabilities is important to us, and we are committed to designing and delivering products and technologies to meet the needs of every user. Designing accessible products helps us comply with legislation and meet the accessibility requirements of many of our customers, including federal and state governments.

The Cisco Accessibility Initiative is our program to conform Cisco products, websites, and documentation with accessibility regulations. Accessibility plays an important role at every stage of the product lifecycle, from design to shipping and end use. This also applies to existing products. As a result, we conduct regular product refreshes and training with product managers to emphasize the importance of accessibility.

Furthermore, we work closely with partners, suppliers, and customers to improve communications for people with disabilities through the use of our products. For example, since 2010 we have partnered with Purple Communications to provide specialized communications solutions for individuals who are deaf or hard of hearing. Developments include a video interpreting service allowing deaf and hard-of-hearing people to communicate using Cisco IP Phones fitted with video capabilities. Another solution is Purple Communication's ClearCaptions technology that displays captioned text on Cisco IP Phones.

In FY12, Cisco joined the National Technical Institute for the Deaf's DeafTEC initiative to provide training to educators and employers on how to teach and employ deaf and hard-of-hearing people in science, technology, engineering, and math (STEM) fields. It is one of a number of initiatives between the Institute and Cisco that aim to increase the accessibility of Cisco technology for the deaf and hard of hearing (see below).

Helping to Educate the Hard of Hearing

The National Technical Institute for the Deaf (NTID) is one of the nine colleges of the Rochester Institute of Technology (RIT). Approximately 800 deaf or hard-of-hearing students are enrolled with the Institute, with 500 more receiving support at other RIT colleges. Instructors use a variety of communication methods while teaching, including sign language, finger spelling, printed and visual aids, and real-time captioning services.

Cisco has supported the Institute since FY10, when we funded the installation of Cisco TelePresence technology that enables staff and students to meet and collaborate with other deaf community members.

We collaborate with the Institute to explore new and imaginative ways to incorporate features for deaf and hard-of-hearing users into existing Cisco technology and future products. A team of specialists, for example, is researching ways to allow Cisco TelePresence to respond to visual communications such as American Sign Language.

Other research is exploring how smartphones and Internet technology can be adapted to allow a person who is deaf to make a 911 emergency call. Another team is designing a signing avatar system that can be used in educational settings or workplaces to provide a bridge between visual and spoken languages.

Recently, two NTID students who were participating in a placement program with Cisco completed projects demonstrating how to integrate text and captioning solutions into products such as Cisco Unified IP Phones and Cisco TelePresence. They also scoped ways to caption Cisco TelePresence video conferences to allow persons with hearing disabilities, or those operating in a second language, to read conversations in real time during a video conference.

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Supplier Diversity

Supplier diversity brings competitive advantage by encouraging innovation and helping us develop products that meet our customers' varied needs (see Supply Chain, page C10). It also supports our social investment strategy by contributing to economic development in underserved communities by partnering with minority-, women-, disabled and veteran-owned businesses as well as companies in historically underutilized business zones (HUBZones).

Procuring goods and services from diverse suppliers is a regulatory requirement in several of our markets, including Australia, South Africa, and the United States:

- In Australia, we prepare a Reconciliation Action Plan that is designed to promote business opportunities for Aboriginal and Torres Strait Islander Australians.
- In South Africa, we submit information on black-owned suppliers in line with the government's Broad-Based Black Economic Empowerment initiative.
- In the United States, our customers expect us to support diverse suppliers to help them meet regulatory obligations such as those imposed by the California Public Utilities Commission. This requires Cisco customers, including utility companies, to develop and implement programs to increase the use of women-owned and minority-owned businesses. Supporting supplier diversity is also a requirement for suppliers to state and federal agencies.

In FY12, we responded to information requests on our diverse supplier expenditure from more than 70 customers.

Building Capability

We established the Cisco Global Supplier Diversity Business Development (GSDBD) program more than 14 years ago to increase diversity in our supply chain. The program identifies potential suppliers and connects them with Cisco functions that can use their products and services. We organize a range of initiatives to increase the use of diverse suppliers in our supply chain and help them secure new business:

- **Basic skills building:** Since 2002, Cisco has sponsored 69 people from 45 diverse businesses in the Management Development for Entrepreneurs Academy. Established in 1990, the academy is a four-day skills development program at the University of California–Los Angeles in which participants work with students to develop a strategic business improvement project for their business. In FY12, only one diverse business qualified for our scholarship. However, we hope that more diverse businesses will be able to participate in this program in FY13.
- **Executive Mentor Protégé Program:** In FY12, seven CEOs from diverse suppliers received mentoring from Cisco executives. Twenty-two companies have participated in the program since 2009. Many of the participants credit the program with helping them secure significant new business. For example, minority-owned businesses Telamon Corporation and Genesis Network Telecom Services secured multimillion-dollar contracts with a leading U.S. telecommunications provider following their participation in the program, with mentoring support from Cisco.

In FY12 we helped develop a new national mentoring program to support diverse Cisco partners in HUBZones throughout the United States. Due to be launched in FY13, the program will act as a blueprint to support initiatives in Cisco markets internationally.

We provide additional support for diverse suppliers through initiatives such as the Cisco Networking Academy program. As well as providing ICT and networking training to build suppliers' capabilities, we help suppliers secure new talent through job placements, mentoring, and work experience for Networking Academy students. Cisco employee resource groups such as Veterans Enablement and Troop Support, the Cisco Black Employee Network, and the Cisco Disabilities Awareness Network help us create a network of diverse suppliers and partners by working closely with external diversity organizations.

Australia: We are a member of the Australian Indigenous Minority Supply Council (AIMSC), which aims to support the growth and development of indigenous-owned suppliers. The Council helps member companies meet their Reconciliation Action Plan procurement goals and provides a forum for companies and indigenous-owned suppliers to meet and network. Although we are not a major purchaser in Australia, we attend supplier meetings organized by the Council, and Cisco representatives have spoken at the Council's annual conference. We promote the Council and indigenous-owned ICT partners to our customers where practical.

In FY12, we contributed to the development of the Council's First Steps training program, which supports companies looking to increase their procurement from indigenous-owned suppliers. We also invited indigenous-owned ICT companies to visit Cisco to learn more about our technology and see if they would like to apply to become a Cisco preferred supplier. By the end of FY12, we were working with two AIMSC-registered suppliers to provide mentoring support.

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South Africa: In South Africa, we are one of 20 members of the South Africa Supplier Diversity Council, which aims to promote the development of black-owned companies. The Council supports member companies in their diverse supplier procurement goals by providing a forum to share best practices and meet black-owned suppliers. We participate on its Management Advisory Council, and we helped develop a database of certified suppliers for use by member companies.

Networking

Cisco Partner Operations Diversity Forums provide an opportunity for suppliers to meet with Cisco executives and other Fortune 500 company representatives to discuss potential business opportunities. In FY12 we sponsored two forums in partnership with the National Minority Supplier Development Council (NMSDC) and the U.S. Department of Commerce Minority Business Development Agency.

We also participated in a global business mission in which U.S.-based partners and suppliers joined Cisco on a business trip to South Africa to meet with government officials, local businesses, and potential partners.

Qivliq, a subsidiary of Alaska's native-owned NANA Development Corporation and a recent graduate of Cisco's Executive Mentor Protégé Program, attended two business missions to Australia through our partnership with the NMSDC's Global-Link program in FY11. Qivliq's participation in our mentor program and related business missions led to the opening of a new location in Perth, Australia, in FY12.

The NMSDC's Global-Link program aims to create and tap into a worldwide network of suppliers from traditionally excluded groups. Global-Link marks a significant effort by NMSDC to develop non-governmental organizations in several countries that can provide linkages between historically excluded businesses and corporate buyers.

Cisco is also a corporate member of WeConnect International, WeConnect Canada, and the Women's Business Enterprise National Council (WBENC) as we seek to increase our procurement from women-owned businesses. WEConnect International and its global affiliates promote women-owned businesses by connecting them with multinational companies committed to increasing supplier diversity. Cisco supports events, including trade shows and conferences.

External Recognition for Cisco's Supplier Diversity Program

In FY12, Cisco ranked 12th among the top 50 U.S. companies providing multicultural business opportunities. It is the fourth year Cisco has been included in the ranking by DiversityBusiness.com, which is based on feedback received from more than 650,000 women- and minority-owned businesses.

See more CSR awards and recognition on our website.

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Environment

We believe information and communications technology (ICT) can both improve living standards and reduce resource waste including energy. We continue to develop our understanding of the impact on the environment from our operations, our supply chain, and our products so that we can not only reduce negative externalities but create opportunities for greater efficiencies.

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Overview

This section gives readers an overview of Cisco's environmental performance, progress, key challenges, and objectives for FY13. We have used this overview as part of our Executive Summary, which can be downloaded here.

Energy and greenhouse gas (GHG) emissions are the most important and complex issues for Cisco. The issue of energy consumption includes not only our own operations but also the extended operations of our supply chain partners that we use for manufacturing, component supply, and logistics. Product life cycle analyses indicate that the use phase can make up about 90 percent of the carbon footprint of typical network products. In addition, we believe that through management and reduction of our operational footprint as well as innovation in our products and services that promote energy efficiency and waste reduction, we can help reduce GHG emissions in other industry sectors. According to a Gartner study and as reported in the SMART 2020 report, ICT energy consumption is estimated to produce about 2%. However, through the use of ICT, GHG emissions can be reduced in other industry sectors, such as transportation and buildings, or what's been called "The 98%" (see page F32).

Innovation is at the core of Cisco's environmental sustainability initiatives. With advanced products and solutions and updated business processes, we are multiplying the impact of the network to create sustainable business models and increased economic opportunity.

Cisco is changing the way we work, live, play, and learn through innovative network technologies that create new business and social value. One example is our remote collaboration solutions. "Dematerialization," or replacing the physical with the virtual, reduces business travel and employee commuting, which decreases costs for our customers, Cisco, and all of our employees. Remote collaboration also increases productivity, improves employee work-life balance and job satisfaction, and reduces GHG emissions.

At Cisco, the interplay between innovative business practices and sustainability is being embedded in every business function. Just as we learned in the 1970s and 1980s that quality must be managed as a core business function, so it is with sustainability. Like the commitment to quality, sustainability must become part of every business practice and decision. Just as industry discovered that improved quality ultimately benefits the bottom line, Cisco believes that improved sustainability creates net benefits to our business, our customers, and the planet. Our relationship with our customers is now based on cost, quality, delivery, service, and sustainability.

you + networks = impact^x

You: Cisco employees have been rapidly adopting teleworking and remote collaboration technology to reduce the frequency with which they travel and the resulting carbon emissions. Customers, nonprofits, and public sector leaders are also increasingly utilizing the technology to deliver environmental and work-life balance benefits.

Networks: Cisco's remote working technology—including Virtual Office, OfficeExtend, Cisco TelePresence, and Cisco WebEx—enables desktop sharing as well as voice and high-definition video sharing among multiple locations.

Cisco has installed about 1400 room-based TelePresence units in Cisco offices in about 250 cities in 70 countries. We've also installed thousands of desktop video endpoints and thousands of video-enabled IP phones, and we used more than 20 million hours of Cisco WebEx desktop conferencing in 2012 alone.

Over 22,000 Cisco employees telework using Cisco Virtual Office, which extends Cisco's own network into employee homes, permitting secure access to voice, video and data; improved business resiliency; and reduced GHG emissions and employee costs from commuting.

Impact^x: Using Cisco's suite of collaborative technologies, Cisco has averaged savings of over $100 million each year through reduced business travel while improving employee productivity, speeding decision making, and increasing employee satisfaction and retention through improved work-life balance.

In addition, Cisco met its goal to reduce all Scope 1, 2, and business-air-travel-related Scope 3 GHG emissions worldwide by 25 percent absolute by 2012 (from a 2007 baseline). This 25 percent absolute reduction was accomplished even with a revenue increase of more than 30 percent over the same period, demonstrating the ability to decouple economic growth from GHG emissions.

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Performance Summary

Key Performance Indicator	FY07	FY08	FY09	FY10	FY11	FY12
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	429,411	330,989	272,880	376,141	416,927	251,672
Progress against reduction goal. Goal: reduce all Scope 1, 2, [and business-air-travel-related Scope 3] GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)	base year	-23%	-36%	-12%	-3%	-41%
Total air-travel GHG emissions: Scope 3, metric tonne CO_2e	205,796	197,867	118,602	106,783	127,293	139,431
Progress against reduction goal. Goal: reduce all [Scope 1, 2, and] business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)	base year	-4%	-42%	-48%	-38%	-32%
Product trade-in and return: Product return, metric tonne	*	10,030	10,730	8,580	11,595	13,324
Product trade-in and return: Material to landfill**	*	0.46%	0.44%	0.33%	0.89%	0.43%

*Before FY08, Cisco reported weight of material sent to recyclers. Starting in FY08; we report weight of material received from end users, which is a more relevant metric for stakeholders.
**Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.

Progress Toward Objectives

Objective	Progress in FY12	Status
Scale environmental sustainability reporting by our business partners (supply chain)	We continue to make significant advancements in our supply chain engagement and reporting (see the Supply Chain section of this report).100 percent of our contract manufacturers, 93 percent of global transport providers, and 80 percent of our component suppliers responded to Carbon Disclosure Project's 2012 survey.	○
Include partner CDP reporting status in our preferred vendor scorecards	We deployed sustainability criteria in business scorecards for all contract manufacturers, preferred component suppliers, and logistics partners.	●
Move all GHG emissions, air travel, and sustainability data to a new, enterprise-wide sustainability information system (SIS)	We are taking a phased approach to SIS rollout and have incorporated all Scope 1 and 2 source data into the SIS; along with tracking all energy and stainability related projects in Cisco's facilities, we anticipate adding Scope 3 air-travel data in the next phase of implementation. The role of the SIS has also been expanded to include financial management of energy budgets and monitoring of sub-metered energy data, which helps us identify and create solutions to reduce GHG and cost.	○
Continue investment in the development of the Scope 3/Product ICT Sector Supplement to the Greenhouse Gas Protocol (GHGP) standards	As a founding member of the GHGP ICT Sector Supplement, Cisco has contributed significantly to its development during FY12. Additionally, as a member of the Steering Group, Cisco is co-editor of the section on transport substitution. The Sector Supplement is expected to be published for the second Steering Group review in mid-November 2012.	●
Roll out EnergyWise-enabled power distribution units in Cisco engineering labs worldwide	In FY12, we launched the lab energy program. Installation of EnergyWise-compliant power distribution units will continue in FY13. To date, we have installed over 5,000 units and have identified over USD$5 million in energy savings potential.	○
Expand the electric vehicle charging stations currently at our San Jose, California, headquarters campus to other locations	Cisco installed its first electric vehicle charging station in FY11, and by the end of FY12, it had installed a total of 23 stations. The stations are available for use by Cisco employees and guests at no cost at the following locations: San Jose, California; Research Triangle Park, North Carolina; Bedfont Lakes, U.K.; Green Park, U.K.; Netanya, Israel.	○

● **Achieved** ○ **Ongoing**

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Addressing Key Challenges

The key challenges for Cisco are the same for much of the ICT industry. As a sector, the carbon footprint of our operations is not large, but it is growing as emerging markets adopt ICT and as the number of user or consumer-premises equipment increases, both in developed and emerging markets. We believe that our products help to reduce carbon emissions, both in our own operations and globally. We intend to model this opportunity by using our products to support the type of operational and product efficiency that is needed to reduce carbon emissions globally.

In this year's Environment section, we have continued to organize our reporting according to the GRI reporting framework we introduced in our FY11 report. This framework defines the responsibilities of each business function. We understand that our performance and reporting must continue to improve to meet the rising expectations of our stakeholders.

"I liked the focus on a great variety of environmental issues and thought that reporting was very inclusive and transparent. There is a lot of potential for the ICT sector to drive sustainable business and help improve society, and Cisco definitely seems to be moving in this direction."

Prof. Sudhakar Yedla
Indira Gandhi Institute of Development Research (IGIDR), India

Cisco's 2012 Global Stakeholder Engagement Sessions

Responsible Investor Ratings for Cisco

Carbon Disclosure Project: In FY12, Cisco was ranked the number-one IT company in the world based on our June 2011 responses to the Carbon Disclosure Project 2012 investor survey. We were also ranked fifth across all sectors.

Greenpeace Cool IT Challenge Leaderboard (v5): Cisco is #2, released in February 2012.

Objectives for FY13 and Beyond

We will continue rolling out EnergyWise-enabled power distribution units (PDUs) in major engineering labs worldwide, with a goal to exceed 13,000 units on line and delivering energy savings. This installation will represent the largest global deployment of EnergyWise devices and will provide use cases and demo capabilities to other users interested in reducing energy costs.

Expand the quantity and usage of electric vehicle charging stations at the San Jose campus and other global locations, based on interest from employees. Complete a pilot in our European region to include electric vehicle options on employee automobile lease plans.

Continue the rollout of our enterprise-wide sustainability information system to incorporate additional activity data.

Cisco has completed two GHG emission reduction goals, whose status is described under Energy and GHG Emissions and in Table 3 and Table 8.

In February 2013, Cisco announced a new set of five GHG-related reduction goals

1. Reduce total, Cisco, Scope 1 and 2, GHG emissions worldwide by 40% absolute by FY2017 (FY2007 baseline).
2. Reduce Cisco, business-air-travel, Scope 3 emissions worldwide by 40% absolute by FY2017 (FY2007 baseline).
3. Reduce total, Cisco, operational energy use per unit of revenue by 15% by FY2017 (FY2007 baseline).
4. Reduce Cisco's FY2017, net, consumption-weighted, electricity emission factor to half of the latest IEA world average emission factor publicly available before the end of FY2017.
5. Use electricity generated from renewable sources for at least 25% of our electricity every year through FY2017.

Cisco has an ongoing initiative, with accompanying goals, to encourage our suppliers to report their Scope 1 and 2 emissions to Carbon Disclosure Project. The status of existing, supplier, CDP-reporting goals is provided in Table 12. We will continue to meet these existing supply chain reporting goals and add new categories of suppliers—and accompanying CDP-reporting goals—to our performance reporting.

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Environmental Sustainability

This section of the Cisco CSR report provides information on our environmental opportunities and challenges and how we are managing them.

Materiality

Based on input from stakeholders, results of life-cycle assessments (LCAs), and other analyses of Cisco products, we prioritized environmental impact into five tiers, as shown in Table 1. This materiality is based on the overall impact of the ICT industry sector, which helps prioritize issues globally, as well as the impact from Cisco's operations, the impact from our supply chain, and the use of our products by our customers. This materiality ranking is unchanged from FY11; we did not receive comments from stakeholders or uncover new data that required any update. We did reorder the presentation of Tier 3 items to highlight visually that product end-of-life (EOL) and packaging address essentially the same topic, although product EOL is viewed as a greater concern due to potential health impact.

Energy and GHG emissions are the most important and complex environmental issues for Cisco. The issue of energy consumption includes not only our own operations but also the extended operations of our supply chain partners because we outsource business functions such as contract manufacturing, component supply, and transport logistics. Product energy efficiency is material to Cisco because life-cycle assessment of electronic products indicate that the use phase, depending on the product and assumptions made, can make up more than 90 percent of the carbon footprint of typical network products.

Another aspect of the energy and GHG emissions issue that is highly material to Cisco is the opportunity for Cisco products to help reduce GHG emissions in other industry sectors.

We have focused our energy/GHG efforts on improving our operations, supply chain, product energy efficiency, and technology solutions to facilitate emissions reductions for our business and our customers.

Cisco also works to minimize the environmental impact of our products by providing comprehensive product EOL services for our equipment. Cisco has built a worldwide network of qualified recyclers. Through several programs, which are discussed in more detail later on, customers can return any Cisco equipment for credit or for recycling at Cisco's expense. Using leading-edge recycling techniques, all recyclable products and materials are directed into various commodity waste streams for processing and recovery. Our challenge is to promote awareness of our take-back and recycling programs among our channel partners and customers.

Discussions of issues listed in Table 1 are provided under the appropriate topic of the Environment section.

Table 1 is structured around the Global Reporting Initiative (GRI) performance indicator categories. Materiality is also discussed in the Introduction section and is based on research performed by SustainAbility. A discussion comparing these two approaches to environmental materiality is provided in Appendix 1.

Table 1: Materiality Tiers for Cisco Environment-Related Issues

Tier	Environment Topic
1	Product energy efficiency
	Energy consumption (operations)
2	Waste (product EOL)
3	Waste (product packaging EOL)
	Water pollution (liquid effluents)
	Transport emissions (from product logistics)
4	Waste (operational "trash")
	Controlled substances
	Water use
	Biodiversity and land use
5	Hazardous waste
	Non-GHG airborne emissions

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Principles

Cisco policies are developed under the following governing principles for environmental sustainability:

- Cisco integrates environmental responsibility into all aspects of our business while meeting customer expectations with respect to product function, delivery, quality, service, and EOL management
- Cisco works with its suppliers ("extended operations") to integrate environmental responsibility into all life cycle phases of Cisco products
- Cisco uses the Global Reporting Initiative (GRI) performance indicators to define the minimum scope of our environmental impact assessment, reporting, and initiatives. All GRI indicators are accorded due diligence to support a meaningful impact assessment.
- Cisco provides complete, accurate, and public environmental reporting for our stakeholders
- Cisco maintains the following governance for our environmental sustainability efforts:
  - Cisco actively seeks out stakeholder engagement and analysis on materiality assessment, reporting, and the results of our initiatives
  - Our EcoBoard is an executive-level forum to ratify strategy and goals, share best practices, and provide opportunities for employee education, awareness, and engagement
  - Cisco seeks and maintains ISO 14001 certification for sites with significant potential for environmental impact
  - Cisco uses our CSR Business Process to govern reporting, stakeholder engagement, feedback to the business, initiative prioritization, implementation, and metrics for environmental sustainability issues
- The risk from increasing GHG concentrations in the Earth's atmosphere is real and significant. Cisco supports the reduction of global GHG emissions through improvements to our products and operations and through the actions of our suppliers. Cisco develops and uses our own products to demonstrate at-scale innovative and cost-effective methods for reducing GHG emissions, helping our customers to do likewise.
- Cisco uses its position as a respected global leader and an industry bellwether to environmental advocacy groups, standards bodies, and policymakers to effect practical and effective solutions to global environmental challenges
- Cisco believes that the most effective leadership is done by example. We will continue to improve our environmental impact assessment, reporting, and initiatives and to encourage our supply chain and business partners to further develop best practices for their own operations.

Organization

The EcoBoard, in tandem with business functions that are covered by our environmental management system, create and implement operational change. These teams promote environmental sustainability through cross-functional collaboration and a wide-reaching network of contacts across the business, including our customers. The teams focus on corporate-level initiatives that directly enhance Cisco's environmental performance.

Performance-Based Compensation

At Cisco, we believe that environmental sustainability can be a part of each employee's job. Our employees can place environmental sustainability-related goals in our online performance management tool, which documents the results of the performance review process and impacts compensation and bonus decisions.

Environmental Management System

An environmental management system (EMS) refers to the management of an organization's environmental impacts and programs in a comprehensive, systematic, and planned manner. It includes the organizational structure, planning, and resources used for developing, implementing, and maintaining a policy for environmental performance, as well as for setting environmental objectives and targets. An EMS:

- Serves as a tool to improve environmental performance
- Provides a systematic way of managing an organization's environmental impacts, requirements, and programs
- Addresses immediate and long-term impacts of an organization's activities, products, services, and processes on the environment
- Gives order and consistency for organizations to address environmental concerns through the allocation of resources and assignment of responsibility, as well as through ongoing evaluation of practices, procedures, and processes and their impacts
- Focuses on the improvement of the system and environmental performance

Cisco seeks to decrease our negative impacts while enhancing our positive impacts on the environment, and this concept and foundation are set out in our Corporate Environmental Policy. This policy, in conjunction with our EMS, provides an environmental performance framework that permits us to monitor and manage the environmental impacts that we find to be of greatest material importance for our business.

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Cisco's EMS is certified to the internationally recognized EMS standard ISO 14001:2004. Cisco sites for ISO 14001 certification are selected based on a set of criteria that includes:

- Facility size and lab area
- Building headcount capacity or persons housed
- Primary facility function

These criteria enable us to apply resources to the certification of sites that we believe will make the greatest contribution to managing and reducing Cisco's environmental impacts. Once a site has been certified, an analysis is performed to evaluate its associated environmental impacts. This includes an evaluation of corporate functional areas; the associated products, activities, or services at that location; and the environmental impacts associated with the generation or use of materials, impacts on air and water, and depletion of natural resources. All of this information is incorporated into the calculation of an environmental score, which then guides the prioritization of facilities and the mitigation of the associated environmental impacts.

All of Cisco's ISO 14001 certified sites are audited by an independent third party. Sites that were part of an acquisition are included in the scope of the Corporate Environmental Policy and corporate environmental initiatives. See Table 2, on the next page, for our ISO 14001 certification KPIs.

The EMS is used to identify the most significant environmental impacts at each Cisco site and to set relevant corporate and local environmental objectives or targets. Based on potential impacts, site teams adopt one or more initiatives to implement at a given site. All ISO 14001 certified sites have teams that pursue environmental goals.

The site operational teams report on goals, initiatives, and metrics that measure Cisco's environmental performance on an internal ISO 14001 dashboard. Per the following:

- Waste reduction and recycling (25 sites, shown in Table 2, support this initiative and report on site-specific goals within the dashboard)
- E-scrap management (all sites support this initiative; 20 sites report on site-specific goals within the dashboard)
- Energy management (all sites support this initiative; 9 sites report on site-specific goals within the dashboard)
- Environmental awareness (5 sites support this initiative and report on site-specific goals within the dashboard)
- Wastewater management (1 site supports this initiative and reports on site-specific goals within the dashboard)

In addition, Cisco has started a Corporate Green Initiatives section of the internal ISO 14001 dashboard that will begin reporting in FY13 on corporate environmental performance goals, initiatives, and metrics. We use performance tracking, metrics, and governance to track our progress toward meeting our goals and to guide us in finding ways to improve our EMS.

In addition, in FY12 Cisco modified its process to monitor and report sustainability metrics in its internal operations by integrating a new, enterprise-wide sustainability information system into its network. The SIS system helped Cisco automate and expand sustainability data collection, improve the accuracy of that data, and focus limited resources on more important tasks, such as evaluating and implementing mitigation projects. In addition, the role of Cisco's SIS system has expanded since its initial deployment to include financial management of energy budgets, monitoring of sub-metered energy data, and tracking of fleet fuel data. We anticipate adding Scope 3 air-travel data in the next phase of implementation.

Audits are a key component of Cisco's EMS, providing regular assessments as to whether our environmental processes and commitments are implemented and how well we are improving our EMS at our certified sites.

Best Practices

An important component of our audit process is identifying best practices. These are shared across the business functions through our internal EMS newsletter and our ISO 14001 committee meetings, which include the ISO 14001 key partners. One best practice identified in FY12 is the institution of a sustainability award for preferred suppliers that includes a set criteria and selection process. Additionally, environmental sustainability criteria have been incorporated into the standard template for the preferred supplier scorecard. This new process not only recognizes the supplier in an area important to Cisco but also internally reinforces that environmental sustainability is integrated into our culture and business processes.

The frequency of these audits depends on set criteria, such as the size and operational activities at the site, in addition to the results of previous year-over-year findings. Typically, within a three-year period, every site receives one onsite audit and one virtual audit. In FY12, we conducted 24 site audits, and 8 of them were virtual audits using Cisco TelePresence and Cisco WebEx.

The data and processes utilized in the environmental portion of the CSR report have been incorporated in the ISO 14001 internal audit plan for calendar year 2012 to provide additional assurance of the validity of the data reported. This will continue as part of the scope of Cisco's ISO 14001 internal audit program.

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Table 2: Cisco Environmental Management System ISO 14001 Certification

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Number of Cisco sites with ISO 14001 certification	25	25	27	28	30	31	Calendar year certifications assigned to fiscal year (e.g., CY12 assigned to FY12).
Percent of employees at sites covered by ISO 14001 certification	74%	73%	73%	73%	71%	71%	Headcount-based metric calculated per 2011. Future reporting will be by real estate footprint (see next row of table).
Percent of real estate portfolio with ISO 14001 certification	100%	100%	96%	96%	95%	95%	Real estate footprint is viewed as a better measure of potential environmental impact than a headcount-based metric. Candidate ISO 14001 sites are filtered by minimum size and engineering lab function.

Life-Cycle Assessment

Cisco focuses current LCAs on estimating GHG emissions associated with our products. This work is described in more detail in a later section on Scope 3 Life Cycle Emissions. LCA is a holistic approach for assessing the environmental impact of a system, process, or product from cradle to grave. At Cisco, LCA helps us:

- Assess the materiality of various contributors to environmental impact
- Facilitate more informed selection of alternative materials that are environmentally preferable
- Understand the impact of product power consumption on product environmental footprints
- Compare assembly and test scenarios to help develop more energy-efficient manufacturing processes
- Inform packaging and accessory kit reduction projects on the trade-offs of alternative materials and the environmental impact improvement of reducing materials
- Understand the relative carbon efficiency of different modes of transport for getting our products to logistics centers and customers

To aid in performing LCA work in various areas, we utilize tools and data sources such as PE International's GaBI 5.0 and ecoinvent. In addition, we use data from the International Energy Agency (IEA), the U.K. Department for Environment, Food and Rural Affairs (DEFRA), and the Greenhouse Gas Protocol (GHGP).

Design for Environment

Although the largest impact of most of our products comes from energy consumption, many other factors related to materials, transportation, and disposal are considered during the design stage to reduce the environmental impact of our products. We employ design-for-environment principles in our product design standards. The benefits include:

- Increasing the energy efficiency of our products
- Shipping our products with less material
- Shipping our products with a tighter packaging footprint
- Designing our products for ease of recycling

We have incorporated design-for-environment into our product requirements document template, which focuses on the following areas:

- Energy efficiency (minimum 80 percent efficient power supply and component)
- Hazardous materials (exclusion of hazardous materials based on Cisco's Controlled Substances Specification)
- Design-for-recyclability and upgradeability
- Recycling marking (ISO 11469, SPI codes)
- Packaging (reduction of materials and package volume)
- Design-for-longevity (designing products for long lifetimes)
- Product take-back

In FY12, approximately 96 percent of new products incorporated design-for-environment principles through the product requirements template.

Employee Training

We have incorporated environmental design principles into our products, systems, and solutions. The goal is to improve designs so that they use less raw material, packaging, and transportation and, at the same time, to enable more effective recycling. The first step was to incorporate environmental design features into our product requirements document. To support these

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goals, we implemented company-wide informational and training events, such as Virtual Earth Day and video-on-demand classes. These show employees how they can contribute to our environmental goal of reducing carbon emissions by creating new products like SmartGrid, improving upon existing product designs, and working with our supply chain to make upstream operations more environmentally conscious.

Cisco launched a web-based course, sponsored by the Cisco engineering leadership team, targeting all employees who have a significant role in defining product requirements or developing our products. Employees who take this training learn about Cisco's green initiatives and what they can do to contribute to these efforts. In FY12, this training was made available in Mandarin. The web-based training has been completed by over 1400 members of our product development community.

To further embed environmental practices as part of our standard business operations, Cisco offers employee training on our business management system, which includes an explanation of our EMS and environmental policy and how it applies to each employee.

In FY12, we developed a web-based training module on sustainability and the Supplier Code of Conduct for employees who engage regularly with suppliers. The rollout will continue during FY13 and will become mandatory for component supplier managers. The training is based on a course developed by the Electronic Industry Citizenship Coalition (EICC). We have customized this training course to address Cisco programs and procedures. Supplier management teams will be required to take refresher training as necessary to update them on changes to the Code and other emerging issues.

Supply Chain

We are embedding responsible supply chain practices into routine business processes to make sustainability a key criterion in our assessment of, and ongoing relationships with, our suppliers. This helps us improve the effective management of our supply chain and reduce the associated environmental impacts. Key components to these efforts are outlined in the next section; for more detail see the Supply Chain section of our CSR report.

Supplier Code of Conduct

Cisco has adopted the EICC Code of Conduct for all supply chain partners and requires that they comply with this Code of Conduct as part of our contractual agreement. Requiring supplier compliance with the EICC Code of Conduct helps us further weave environmental sustainability performance into the business scorecard process that we use to establish preferred supplier status. This Code sets expectations with regard to social responsibility and human rights, the environment, ethics and governance, health and safety, and related management systems. The Code is reviewed and updated regularly so that it continues to reflect best practices and take account of emerging issues. In addition to the Code, suppliers must also comply with the Cisco Controlled Substances Specification as part of our compliance program with environmental regulations such as the EU Restriction of Hazardous Substances Directive (see Controlled Substances). For more information regarding Cisco's Supplier Code of Conduct, see the Supply Chain section of the CSR report.

Supplier Scorecard

In FY12, we integrated sustainability criteria into our overall business scorecard for preferred suppliers. The scorecard is used to establish supplier status as preferred and to monitor their performance.

Sustainability now represents between 5 and 8 percent of the total score (depending on supplier type), alongside other criteria such as technology, cost, quality, responsiveness, and collaboration. Our suppliers' performance on sustainability metrics is reviewed as part of regular business reviews at least once a year. Suppliers must maintain strong scores to earn and retain their status as preferred suppliers.

By integrating sustainability into business reviews, we aim to show suppliers that Cisco takes sustainability in the supply chain seriously and that they must have an acceptable level of sustainability performance to do business with Cisco.

The scorecard encourages suppliers to track and disclose environmental and labor impacts, helping us improve transparency on sustainability issues in the supply chain. The sustainability part of the score is based on a range of criteria that are tailored to the type of supplier. Such criteria include:

- Providing data and setting goals on environmental impacts such as, GHG emissions, water and waste, and reporting GHG emissions through the Carbon Disclosure Project
- Reporting data on labor issues, such as injury and illness rate, working hours, and employee turnover
- Demonstrating commitment to sustainability by publishing a CSR report with clear goals and metrics and by participating in sustainability-related industry groups

We aim to publish more detailed data on individual scorecard criteria in the 2013 CSR Report. Cisco's Supplier Scorecard is discussed in greater detail in the Supply Chain section of the CSR Report.

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Training Cisco Supplier Managers

To integrate sustainability into core business processes and raise awareness of our requirements among suppliers, it is essential that our supplier management teams at Cisco understand sustainability and communicate about it confidently. For more detail on Cisco supplier manager training, see the Employee Training in the Environment section or Training Cisco Supplier Managers in the Supply Chain section of the CSR report.

Supplier Audits and Capability Building

Environmental management of our suppliers is outlined in the Supplier Code of Conduct and is included as part of the audit and continuous improvement process. The environmental factors that we focus on are GHG emissions, water use and discharge, solid waste, and hazardous materials management. Helping suppliers improve their management of environmental issues and reduce their impacts can, in turn, help us reduce the overall impacts of our products throughout their life cycle.

In FY12, we continued to engage with many of our preferred suppliers to communicate our sustainability priorities, understand their priorities and challenges, and identify opportunities where we can partner to improve overall sustainability performance. These discussions helped to align priorities and better prepare suppliers to implement programs that support Cisco's sustainability goals.

The integration of sustainability metrics into our scorecards and business reviews for preferred suppliers helps us identify areas for capability building. One focus priority is to help suppliers understand how to allocate GHG emissions to each product or component to support their customers' calculations of product life cycle impacts.

Cisco aims to raise sustainability standards throughout the supply chain by working with suppliers to help them improve their management systems and to put in place similar processes to work with their own suppliers. For more information on these efforts see Supplier Audits and Capability Building in the Supply Chain section of the CSR report.

The text that follows includes supply chain–related information for water, biodiversity, non-GHG emissions, effluents, and solid waste. Supply chain GHG and energy topics are discussed in the Energy and GHG section.

Water: Water quality and availability are of concern to Cisco not only in its operations but also within the supply chain. Water consumption in our supply chain wholly depends on the type of supplier. For Cisco's suppliers that manufacture finished goods, water is a very small component of environmental impact. However, water consumption may be greater for other supplier types. For example, pure water requirements for semiconductor manufacturing become stricter as wafer technologies advance. We work with industry groups, such as the EICC, to identify water scarcity issues that may occur within our supply chain.

We address supply chain–related water issues through the Supplier Code of Conduct, the supplier audit process, and the sustainability metrics in our preferred supplier scorecard. More detail is provided on these topics in the Supply Chain section of the CSR report.

Biodiversity: Cisco has no active programs addressing biodiversity issues in our supply chain. As we work with our manufacturing partners on CSR reporting, it is our expectation that all GRI performance indicators will be evaluated to determine their materiality.

Non-GHG Emissions: Cisco addresses non-GHG emissions in our supply chain through our Supplier Code of Conduct, which states that all local environmental laws must be followed, including those governing air emissions. As we work with our manufacturing partners on CSR reporting, it is our expectation that all GRI performance indicators will be addressed.

Effluents: Effluents consist of waste that is released from industrial outfalls into the environment. Water quality is an important area of concern for our supply chain. Although our quantity of water discharged could be small, the quality of that water is vital. We are working with industry groups like the EICC to identify water quality issues that may occur within our supply chain.

Solid Waste: We have added a solid-waste performance measurement to our supplier scorecard.

Employee Engagement

Cisco supports employee interest in the environment through several efforts:

- Virtual Earth Day: An annual activity consisting of a series of webinars on a variety of environmental topics either specific to Cisco or of general interest to our worldwide employee base
- Think Green, Act Green: An internal, quarterly newsletter summarizing Cisco environmental activities for the period
- Civic councils: Cisco sponsors more than 30 Civic Councils at major Cisco sites around the world. These councils, discussed in more detail in the Society section, provide a means for groups of employees to volunteer in their local communities on social or environment-related programs
- Employee electronics recycling (e-scrap): Once a year, Cisco employees can bring in any used electronics to have them recycled using the same vendors and processes used in Cisco's business

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- Employee commuter incentives: Cisco encourages employee use of mass transit at some sites through programs that allow eligible employees to use pre-tax dollars to purchase mass-transit passes. Cisco has also begun installing electric vehicle charging stations for our employees, discussed in more detail later in the section on Scope 3 Employee Commuting.

Regulatory Fines

GRI EN28: Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.

Our EMS certifications provide a regular assessment of our environmental compliance. Our culture is one of transparency and collaboration, and employees are encouraged to raise concerns or report issues without fear of retaliation. We investigate any allegation of noncompliance to determine root causes and implement corrective actions, if needed, to prevent their recurrence. Cisco's proactive approach and close attention to environmental requirements resulted in no significant fines or penalties greater than US$10,000 in the past five years.

Materials

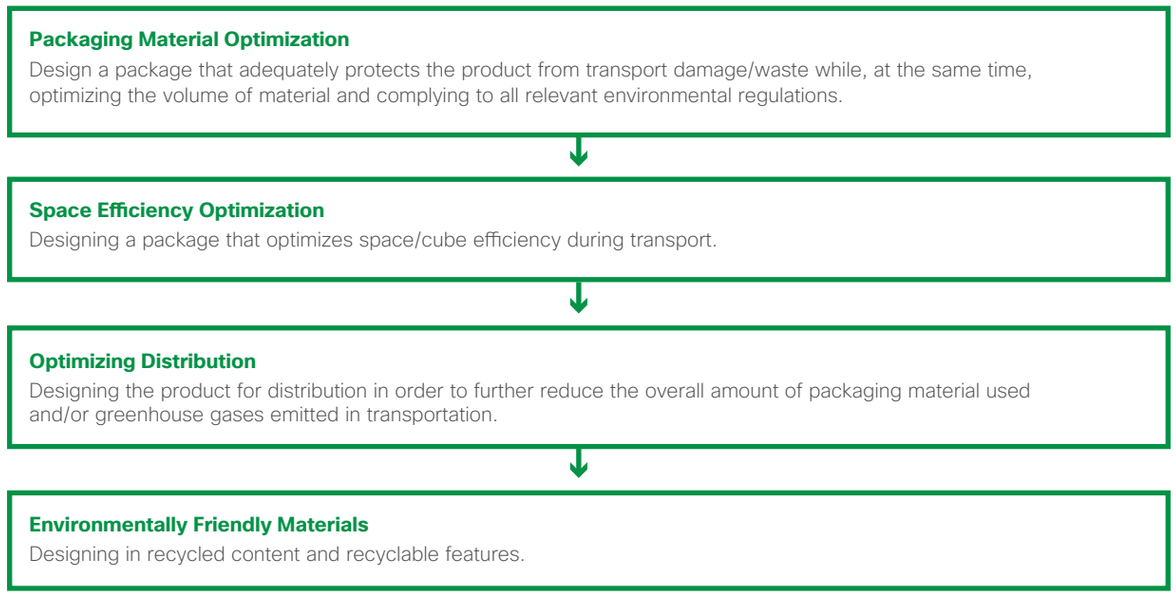
GRI EN1: Materials used by weight or volume.

Packaging

The growing amount of municipal solid waste being added to landfills from product packaging has become an area of environmental concern. To minimize Cisco's impacts in this area, our packaging team designs packages to protect against shipping damage while minimizing material usage.

After the basic packaging and material requirements have been met, Cisco evaluates four additional aspects of environmental package design (see Figure 1):

Figure 1: Four Dimensions of Environmental Packaging Design



Packaging Material and Space Efficiency Optimization

Products that are damaged in transit have both negative business and environmental impacts because they need to be disposed of and replacement products need to be shipped. Each packaging design goes through rigorous drop and vibration testing to achieve the adequate level of product protection while minimizing materials usage.

Packages are subject to CEN13428:2004, CEN13430:2004, and CEN13431:2004 standards. Cisco packaging is designed to comply with all applicable regulations, including those in the EU and Australia. In addition, our packaging is manufactured from nontoxic or nonhazardous constituents. Concentrations of heavy metals present in packaging waste (Directive 94/62/EC) are reported by suppliers of package components to verify they fall within or below levels cited by the EU Directives. For a broader discussion on Cisco's efforts to use more environmentally friendly materials, see the Controlled Substances section.

In FY12, Cisco continued to apply its latest packaging design strategies to new and existing products. For example, our switching product lines (Catalyst 3750, Catalyst 3560, Catalyst 2360, Catalyst 2300, and Catalyst 2350) included the following updates:

- Replacement of the legacy EPE endcaps with molded EPS endcaps, with an option to utilize recycled EPS endcaps in some areas

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- Reduction of the number of corrugated packaging components
- Introduction of the option to use 1.5 lb/ft^3 or 1.7 lb/ft^3 recycled foam in regions where the material is available

Overall, this work contributed to an annual usage reduction of 757,000 pounds of paper and plastic, and an increase of up to 6.7 percent in the overall packaging efficiency ratios for some of our highest volume sales of Catalyst 3750 products. Packaging efficiency is defined as the total weight of the product packaging over the total weight of the entire product (including the packaging). In FY13, Cisco will begin measuring all of its packaging improvement projects using this metric.

In total, our packaging improvement projects reduced 466 metric tonne of corrugated cardboard, plastic, and paper in our shipments in FY12.

Distribution Optimization

During product design, packaging engineers work with the design teams to reduce protrusions and decrease the fragility of the product as well as to increase its compactability. These efforts aim to reduce the size of the product for an overall reduction in packaging use.

Configurable options also help to reduce and eliminate packaging. For many years, Cisco has been shipping primary products configured whenever possible. However, recently we have broadened the scope of this work by creating configurable options for secondary items such as cables and brackets. For example, customers might opt not to order an RJ45 cable in their accessory kit rather than it being shipped by default. This fulfillment strategy results in a minimum set of supporting material and eliminates items that customers may not need in their installation. To understand more about Cisco's efforts to reduce packaging and distribution waste (multipack and electronic fulfillment), see the Scope 3 Logistics section.

Environmentally Friendly Materials

Most of our packaging parts are made of either one material or multiple materials that are easily separable for recycling. However, the recycled content varies from item to item and with geographic regions. The ability of customers to recycle our packaging depends on the recycling facilities in place in their region. Except for antistatic bags, which make up a tiny fraction of all packaging material, all Cisco packaging should be recyclable in most markets. This year, we have sourced, qualified, and begun using a fully recyclable antistatic bag. We will expand the use of this new alternative in FY13.

The plastic used in Cisco packaging falls into categories identified by codes 1 to 7. Polyethylene (codes 2 and 4) is the predominant material. Many but not all of the plastic components are labeled. Cisco products use polyethylene bags for many purposes, such as protection or consolidation of accessory kit subassemblies. Over the years, Cisco has reduced the thickness of many bags such as these to eliminate waste while still protecting the product.

Products

Understanding the materials that make up our products helps Cisco identify opportunities to reduce or eliminate waste. Over the past three years, Cisco has used product dematerialization projects to identify and remove unnecessary items that ship with our products. These products include removing excess or unnecessary accessory kit items, such as documentation, bags, and hardware, from our products.

Dematerialization projects are cross-functional, collaborative efforts that reduce the auxiliary material previously included with most products and also allow for further packaging reductions. Best practices developed on these projects have been incorporated into our product design cycle. One example is known as the pointer card, a small printed card that provides the customer with links for accessing product documentation and software on the web. The pointer card has replaced large documents within accessory kits in many product families.

Recycled Content

GRI EN2: Percentage of materials used that are recycled input materials.

Packaging

Generally, Cisco product packaging uses corrugated cardboard that includes some recycled content. In addition, thermoformed cushions that are made from 100 percent recycled polyethylene can be found on some of our products. However, this type of cushion is not suitable for every product, and therefore some products use foam cushions made from virgin material or recycled substitutes. Cisco products also use recyclable polyethylene bags for protection and accessory kit subassembly consolidation, but we are reducing the thickness and quantity of the bags we ship with our products while maintaining adequate product protection.

Cisco's intention is to encourage and promote the use of recyclable packaging. There are some applications that require use of dissimilar materials joined together that cannot easily be recycled, such as metallized static shielding bags, or ESD bags, but in those cases we minimize the quantity and amount of material used and evaluate internal reuse programs for them. An alternative is to use antistatic, recyclable pink poly bags in place of ESD bags where the amount and type of protection required permits.

Products

In addition to recycled packaging content, most products have material that has been recycled from other products. Electronic products consist primarily of circuit boards, steel, and plastics. In general, the enclosures and structures of our products utilize recycled materials that are consistent with safety and performance requirements. We use reground plastic in our IP phones

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where structural rigidity is not required, and we use recycled material in the steel that makes up enclosures of our products. Printed circuit boards typically use recycled material, such as copper, and most electronic components make use of recycled material that is reclaimed from electronics recycling.

Our dematerialization efforts help us optimize the amount and type of auxiliary items that we ship with our products without compromising the customer experience or product quality. For items that we can't eliminate or minimize further, we work toward using as many recyclable and recycled materials as possible. For example, recycled content documentation is a Cisco standard.

Many of our documentation vendors are Forest Stewardship Council (FSC) certified. Because FSC membership requires complete chain of custody and reforestation for any materials, the environmental impact of virgin paper is minimal.

Our print vendors use state-of-the-art processes to minimize their environmental impact, and we encourage our vendors to use natural inks where practical (on boxes or large print diagrams, for instance). However, where clarity is important (safety materials, operating instructions), the vendor is expected to use a type of ink that does not bleed or fade.

Along with documentation, Cisco optimizes the thickness and types of plastic bags shipped with our products. This allows us to use the appropriate size, type, and thickness of bags for the items that they are protecting and to be as efficient as possible with the plastic bags we ship with our products.

We have incorporated new guidelines in our design-for-environment process to help make it easier to recycle the materials that make up our products. For example:

- For ease of separation, all mechanical parts greater than 100 grams consist of one material
- Plastic parts greater than 25 grams are designed with material coding, as per ISO 11469, so plastic material types can be more easily identified at the recycler
- All plastic parts are free of metal inlays and can be separated with common tools, improving recyclability

Energy and GHG Emissions

This section reviews Cisco's environmental impacts and our initiatives concerning energy and GHG emissions. The Global Reporting Initiative (GRI) indicator protocols place GHG emissions under the Emissions, Effluents, and Waste category. Because Cisco GHG emissions are almost all directly associated with the use of energy (typically electricity), we report GHG emissions with energy.

Cisco has made two GHG emission reduction goals:

- September 2006: Clinton Global Initiative (CGI) commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY06 baseline). This CGI goal was met in 2009, and the commitment has been closed.
- June 2008: EPA Climate Leaders commitment to reduce all Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline). Refer to Table 3 and Table 8 for our performance against this goal. This goal has not changed since the original announcement. Cisco will report its final CY12 reduction figures in next year's FY13 CSR Report.

Cisco has been recognized for our GHG reporting by Greenpeace and the Carbon Disclosure Project (CDP).

- In February 2012, Greenpeace rated Cisco #2 in its Cool IT Challenge Leaderboard (v5). We were rated #1 in the previous iteration of the Leaderboard. Cisco did particularly well on reporting our GHG emissions, providing ICT solutions that our customers can use to reduce their GHG emissions and calculating the impact of these solutions. We scored lower on advocacy and dropped a position.
- In September 2011, Cisco was ranked the #1 IT company in the world by CDP based on Cisco's response to CDP's investor survey. In 2011, Cisco also placed in the global Top 10 (all sectors) for the first time, scoring 98 out of 100. Cisco was also rated the #1 IT company in 2009, and the #2 IT company in 2008 and 2010. Cisco has been on the Carbon Disclosure Leadership Index (CDLI) for the past five years. Cisco responded to the FY13 CDP Investor survey, and we will report those results in our FY13 CSR report.

In December 2011, the Sustainability Real Estate Roundtable recognized Cisco's Workplace Resources organization for its work on more sustainable leasing strategies.

For additional information about awards Cisco received in 2012 for its CSR efforts, visit our website.

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Operations Scope 1 and 2
GRI EN3: Direct energy consumption by primary energy source.

GRI EN4: Indirect energy consumption by primary energy source.

GRI EN16: Total direct and indirect GHG emissions by weight.

See Table 3 for our Scope 1 and 2 GHG emissions KPIs.

All prior-year Scope 1, 2, and 3 business-air-travel emissions data vary to some extent from previously reported values, either in the most recent CDP survey or in our FY11 CSR Report, because of updates to emissions factors, methodology, structural adjustments from acquisitions or divestitures, and correction of minor errors found upon repeated review. To support standardization and benchmarking across companies, Cisco uses the GHG Protocol Corporate Accounting and Reporting Standard as the basis for our Scope 1, 2, and 3 business-air-travel emissions calculations. The EPA Center for Corporate Climate Leadership provides additional program guidance.

Table 3: Summary of Scope 1 and 2 GHG Emissions

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Total gross GHG emissions: Scope 1, metric tonne CO_2e	50,462	50,879	52,560	52,515	60,718	65,832	*Gross* is used consistent with Carbon Disclosure Project (CDP) terminology. Gross GHG emissions do not include reductions from renewable energy purchases.
Total gross GHG emissions: Scope 2, metric tonne CO_2e	444,684	523,560	575,555	581,252	599,528	628,164	
Total contractual GHG emissions: Scope 2, metric tonne CO_2e	378,948	280,110	220,320	323,626	356,209	185,840	*Contractual* is used consistent with CDP terminology. Contractual GHG emissions include reductions from renewable energy purchases.
Scope 1 and 2 emissions (gross) intensity, metric tonne CO_2e per million dollars of revenue	14.2	14.5	17.4	15.8	15.3	15.1	
Scope 2 emissions from primary data, percent	96.3%	97.0%	96.8%	98.5%	97.9%	97.9%	
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	429,411	330,989	272,880	376,141	416,927	251,672	
Progress against reduction goal, percent. Goal: reduce all Scope 1 and 2, GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)	na	-23%	-36%	-12%	-3%	-41%	Cisco's corporate GHG reduction goal was set as part of U.S. EPA Climate Leaders program, which required a *calendar*-year baseline. The Climate Leaders program has since been discontinued. To avoid reporting both calendar and fiscal year data, Cisco is publicly reporting emissions using fiscal year data.*

*New GHG reduction-related goals covering the FY13-17 period are described under Addressing Key Challenges.

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Cisco has reported to the CDP every year the survey has been distributed. CDP is an independent, not-for-profit organization that holds the largest repository of GHG emissions data in the world. The CDP questionnaire and our answers provide a comprehensive view of the following topics related to climate change: risks and opportunities, actual emissions, reduction goals, avoided emissions, and regulatory and policy activities.

Each year, Cisco has an independent third party review our GHG inventory, including all emissions relevant to our current GHG reduction goal, which includes Scope 1 and Scope 2 emission sources and Scope 3 business-air-travel emissions. In FY12, this limited assurance review was provided by WSP Environment & Energy in accordance with the ISO 14064-3 International Standard.

Table 4 provides use-weighted electricity emission factor (EF) KPIs for all Cisco facilities, as well as for our major data centers. As the table shows, Cisco's average (gross) electricity emission factor for both its global facilities and data centers are 14% percent and 15% percent lower than the global average, respectively. This is a reflection of Cisco locating the majority of its facilities in grid locations where low-carbon to no-carbon grid electricity is available. The challenge in future years will be to prevent these average emission factors from increasing as Cisco grows in emerging markets where low-carbon and no-carbon electricity is not readily available.

Reducing Emissions from Operations

GRI EN5: Energy saved due to conservation and efficiency improvements.

GRI EN7: Initiatives to reduce indirect energy consumption, and reductions achieved.

GRI EN18: Initiatives to reduce greenhouse gas emissions, and reductions achieved.

GRI EN30: Total environmental protection expenditures and investments by type.

Reducing our energy consumption and enabling a diverse energy supply for our facilities makes good business sense and benefits the environment. A number of energy-related programs and projects were implemented in FY12 that helped Cisco reduce its energy costs and GHG emissions. We continue to evaluate and implement similar projects throughout our real estate portfolio that help us reduce our GHG emissions, reduce energy costs, and future exposure to energy price fluctuations. These tactics help us stay competitive and reinforce our commitment to being environmentally responsible.

Table 4: Electricity Emissions Factors

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
International Energy Agency (IEA) world average EF, g CO_2e per kWh	508.4	504.5	500.0	500.0	500.0	500.0	Calendar year per IEA. Latest 2009 EF from IEA value used for 2009–2012.
Cisco, global average electricity EF (gross) g CO_2e per kWh	437.1	448.8	456.9	460.9	443.2	428.7	
Cisco, global average electricity EF (contractual) g CO_2e per kWh	375.4	246.4	182.2	262.1	266.6	126.8	
Cisco, major data center average electricity EF (gross) g CO_2e per kWh	397.5	401.3	418.8	435.4	435.0	423.0	

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See Table 5 for a summary of all of our energy-related KPIs.

Our strategy to reduce energy consumption and GHG emissions from our operations is to:

- Continue to deploy global space policy and the Cisco Connected Workplace, which increases the utilization of our office space and our ability for remote collaboration
- Improve the efficiency of our buildings, with a focus on our engineering labs, which are Cisco's largest consumer of electricity and biggest source of GHG emissions
- Purchase electricity from certified low-carbon and renewable sources, where available

Through this strategy, Cisco estimates that in FY12 it conserved approximately 15.6 million kWh of energy and avoided 7,300 metric tonne CO_2e through an investment of $1.6 million in energy conservation projects. Since FY09, we estimate this strategy has conserved approximately 94.3 million kWh of energy and avoided 41,900 metric tonne CO_2e; these projects are described in more detail in the next sections.

Global Space Policy and Cisco Connected Workplace

As a result of Cisco's new building space policy, which was approved in FY11, we have expanded and will continue to expand the use of Cisco Connected Workplace in our real estate portfolio because all new and renovation projects must comply with Cisco Connected Workplace requirements. By the end of FY12, Cisco Connected Workplace represented approximately 19.5 percent of Cisco's total office space. This is one of the most cost-effective GHG-reduction strategies that we are deploying in our real estate operations because it helps increase the utilization and limit the growth of our office space, even as Cisco increases its headcount.

Labs

Reducing electricity consumption is a priority for Cisco because Scope 2 emissions from electricity consumption make up more than 91% percent of our worldwide total Scope 1 and 2 emissions. Considering that over 60% percent of our electricity is used to power and cool equipment in our engineering and services labs, making our labs more energy efficient represents a large opportunity to reduce GHG and energy costs.

We have been executing a global program to reduce electricity consumption in our labs in three areas:

- Improve the energy efficiency of the building infrastructure that supports our labs
- Install and utilize power monitoring and control technologies for our lab equipment
- Develop and execute a sustainable lab employee engagement program

Table 5: Energy Totals

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Energy usage, GWh	1,249	1,404	1,500	1,491	1,613	1,750	
Indirect energy usage, GWh	1,024	1,173	1,265	1,267	1,353	1,465	Indirect energy usage is electricity consumption.
Direct energy usage, GWh	225	231	235	224	260	285	Direct energy consumption is the sum of Cisco's natural gas and diesel usage for heating and back-up power generation and regular gasoline and diesel fuel used in Cisco's fleet.
Electricity usage, GWh	1,024	1,173	1,265	1,267	1,353	1,465	
Natural gas usage, GWh	147	153	143	115	118	141	

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This $16.8-million strategy was approved for funding at the end of FY11 and is now being deployed across the lab community. When completed, we expect this lab energy program to reduce Cisco's electricity costs by approximately $9 million per year, to reduce GHG emissions by over 30,000 metric tonne CO_2e, and to provide a return on its investment of less than 2 years.

Initial projects have shown that significant energy can be saved through a combination of these efforts. This program is now being deployed across the global lab community with over $5 million of energy savings in projects identified or underway.

Data Centers

Cisco opened a new green data center in Research Triangle Park, North Carolina, in early FY12 to replace an existing disaster recovery facility that was rapidly approaching its limits for space, power, and cooling. Rather than build a traditional disaster recovery facility that would remain idle most of the time, Cisco IT designed a data center that could support nonproduction applications most of the time and be quickly repurposed for disaster recovery, if needed. The dual-purpose infrastructure costs significantly less to operate, uses much less energy, and reduces Cisco's impact on the environment compared with a new data center solely dedicated for disaster recovery and needlessly running in standby mode.

Cisco data center, Research Triangle Park, North Carolina

Besides being a dual-purpose data center, Cisco IT incorporated numerous features that also reduce our environmental impact, including:

- Chimney rack hot-air isolation for improved cooling efficiency
- Waterside economizer, used on average 41 percent of the time
- Variable frequency drives (VFDs) on major equipment, including pumps, chillers, and computer-room air handler (CRAH) units
- Higher-voltage electrical service distribution of 480/277V; rack distribution of 415/230V
- 100 kW solar photovoltaic cells on building roof
- Heat recovery from data hall for office space use
- LED exterior lighting
- Low-E glass windows
- Reclaimed water use in cooling towers
- Non-chemical water treatment system
- Water-efficient plumbing
- Occupancy sensors integrated with lighting and temperature controls
- Landfill diversion during construction

The new data center is designed to achieve a Power Usage Effectiveness metric of 1.35 at full load and has achieved a Leadership in Energy and Environmental Design (LEED)-NC Gold Certification (v2.2) from the U.S. Green Building Council. For more information on the design and construction of Cisco's latest green data center, please read our full case study on the project.

Building Energy Efficiency

Cisco takes three parallel approaches to making our real estate portfolio as energy efficient as possible:

Cisco LEED Platinum-certified facility, Bangalore, India

- Incorporate efficiency into a new or significantly renovated space by following standards in accordance with the U.S. Green Building Council LEED standards
- Rigorously apply Cisco's "green leasing" standards in selecting leased space and work with landlords to improve the energy efficiency of their buildings
- Identify and implement energy-efficiency projects throughout our global operations

We have made significant progress since our first LEED-certified building was built in August 2009 toward integrating green building standards into our real estate portfolio. By the end of FY12, 26 Cisco facilities had achieved LEED certification, 17 of them Gold or Platinum status. These include our newest data center in Allen, Texas, and a renovated data center in Research Triangle Park, North Carolina, which achieved LEED Platinum and LEED Gold certification, respectively. It also includes our latest renovation project in Bangalore, India, completed in July 2012, where Cisco's Bangalore 16 building received one of the highest-rated Platinum LEED ID+C scores in the world (96 points). LEED elements are incorporated into Cisco's design standards for every new construction or renovation project.

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Cisco worked closely with our outside legal counsel and real estate partner to create "green leasing" terms and to integrate these terms into our standard lease template in the United States and Canada in FY09. Green leases provide corporations with a valuable opportunity to communicate and implement sustainability goals as well as to provide a foundation for measurement of the same. We applied these standards globally in FY11. Since then, we have implemented ten green lease agreements representing 158,714 square feet of leased office space across Cisco's real estate portfolio. The green leasing terms in our standard template vary depending on the size of the premises and the length of the lease agreement, but in general, the larger the premises and the longer the lease, the more comprehensive the green leasing terms. Sample terms in the green leasing template include:

- Temperature controls
- Sub-meters for major utilities
- Building recycling program
- No chlorofluorocarbons (CFCs) used in HVAC system
- Bicycle storage and facilities in which cycling commuters can change for work
- Green building certification (e.g., LEED, BREEAM, ENERGY STAR)

Incorporating these terms into leases up front is important for Cisco because about half of Cisco's real estate footprint is leased, and the leases are often long-term commitments. In addition, if we do not specify any green leasing requirements at the time of leasing, it can be extremely difficult to incorporate the requirements later.

Not all of the terms in Cisco's green lease template are mandatory to implement in every lease. At a minimum, the template is a tool for Cisco's real estate team to negotiate with the landlord to promote Cisco's sustainability goals in its leased facilities to ensure they are healthy, efficient, and sustainable both now and throughout the term of the lease.

Global Energy Management

Cisco maintains a global energy management and sustainability team that meets on a biweekly basis to discuss energy efficiency and onsite power generation opportunities in our real estate portfolio. This team includes Cisco employees as well as dedicated energy managers from our current facility management partners, CB Richard Ellis (CBRE) and Johnson Controls (JCI), which manage the day-to-day operation and maintenance of our buildings. Cisco incorporated energy-efficiency requirements as part of our facility management contracts. These new contracts were implemented in FY10. For each year of the five-year contract, our partners are required to identify and implement various energy-efficiency projects at Cisco facilities. In FY12, approximately $1.6 million in energy-efficiency projects were identified and implemented in many Cisco facilities, including:

- Improving lighting efficiency
- Installing LED exit signs
- De-lamping vending machines
- Installing variable frequency drives (VFDs)
- Performing building and lab specific energy audits
- Improving lab air distribution with blanking panels and diffusers
- Retro-commissioning facilities
- Upgrading HVAC systems

Onsite Power Generation: Solar

In FY11 and FY12, Cisco installed and commissioned solar photovoltaic (PV) systems at data centers in Allen, Texas, and Research Triangle Park, North Carolina. Both pilot systems have a capacity of 100 kW. Cisco will use the experience gained through the use of these pilot systems to assess wider implementation. In FY12, these systems collectively produced 270,000 kWh of electricity for Cisco, saving $16,000 and avoiding 170 metric tonne of CO_2e of GHG emissions. Cisco is actively evaluating additional locations for installing solar PV systems, but the bulk of our effort and resources continue to be focused on implementing those energy-efficiency projects that have been shown to have a greater return on investment and a larger reduction of Cisco's GHG emissions.

Cisco solar array at the Allen, Texas, data center

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Onsite Power Generation: Cogeneration

In FY12, Cisco started a project to install a 425 kW cogeneration system on its campus in Bedfont Lakes, U.K. This system will become operational in FY13, and it will supply both normal and emergency power to a critical lab facility on the campus as well as providing significant cooling through an absorption chiller. By operating the waste-heat recovery capabilities, the system is expected to reduce GHG emissions by more than 704 metric tonne CO_2e per year. In addition, the team is now evaluating using the residual heat remaining after the chiller cycle for under-floor heating in a planned child care center.

Purchasing Renewable Energy

The percent of electricity purchased from renewable energy sources for various regions is shown in Table 6.

Table 6: FY12 Electricity Usage from Renewable Sources

Region	Percent of FY12 Electricity from Renewable Sources
Europe	62%
United States	44%
Global	38%

Cisco has increased renewable power purchases since FY06 by buying Renewable Energy Certificates (RECs) and by entering into green power contracts with various electricity suppliers in the United States to reduce GHG emissions from Cisco operations. In FY12, Cisco purchased 457 million kWh of RECs certified by Green-e, an independent auditor of renewable energy products, generated by wind projects in Texas and the eGRID Midwest Regional Organization West (MROW) region. Cisco purchased approximately 94 million kWh through various European green power suppliers. We continue to follow the guidelines from the U.K. Department for Environment, Food and Rural Affairs (DEFRA), and we use the grid average emission factor when calculating emissions associated with green power purchased in Europe.

Table 7: Renewable Energy

KPI	FY07	FY08	FY09	FY10	FY11	FY12
Electricity from renewable sources, GWh	110	342	469	351	358	552
Percent of electricity from renewable sources	11%	29%	37%	28%	27%	38%
GHG emissions reduction from renewable energy, metric tonne CO_2e	66,000	243,000	355,000	258,000	243,000	442,000

Cisco participates in the U.S. EPA's Green Power Partnership. As of July 2012, Cisco was listed sixteenth among the National Top 50 and eleventh among Fortune 500 companies in the EPA's green power ranking. This ranking is updated quarterly by the U.S. EPA.

Purchasing electricity generated from renewable and non-carbon sources is an important component of Cisco's GHG reduction strategy. Cisco purchases renewable power where it is available in the local power market. Cisco currently purchases power from no- or low-carbon sources in both the United States and Europe, and it plans to support no- or low-carbon energy sources in other regions of the world as they become available in the marketplace. Cisco's global renewable electricity purchases are summarized in Table 7.

Operations Scope 3

GRI EN17: Other relevant indirect GHG emissions by weight.

Cisco has prioritized its Scope 3 operations-related efforts on reducing our business-air-travel emissions and developing business processes, management practices, information systems, and standardized methodologies for using network technologies to reduce air travel. During this time, Cisco actively participated in the development of the Greenhouse Gas Protocol (GHGP) Scope 3 and GHGP Product accounting standards led by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

Scope 3 emissions cover a broad range of activities, and while our Scope 3 reporting has been primarily focused on the reduction of emissions related to business air travel, we have expanded our efforts to address life cycle emissions, including our supply chain, logistics, product use phase, and end of life. Cisco provides a comprehensive response to Scope 3 questions on the CDP Investor survey. Cisco also initiated the GHGP Scope 3/Product ICT Sector Supplement under the auspices of the WRI and WBCSD.

The following sections provide additional detail on our Scope 3 emissions reporting and reduction activities. A later section provides an overview of the Cisco solutions that help our customers reduce their own Scope 1, 2, and 3 GHG emissions. Cisco uses many of these same solutions internally to understand, at scale, the effect of our products on GHG emissions. We also better understand the "soft" challenges to successful implementation—the necessary updates to business processes, management expectations, and employee behavior that are the key to widespread adoption.

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Scope 3 Business Air Travel

GRI EN29: Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Cisco believes that the global problem of climate change requires a significant reduction in emissions in absolute terms. For our operations, Cisco has made the following public commitments that impact Scope 3 emissions:

- September 2006: Clinton Global Initiative (CGI) commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY06 baseline)

This CGI goal was met in 2009 and the commitment closed with CGI.

- June 2008: EPA Climate Leaders commitment to reduce all Scope 1 and 2 and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)

Cisco is on track to meet this EPA Climate Leaders goal, which has not changed since the original announcement.

This section reviews our progress meeting the EPA Climate Leaders goal and provides additional information concerning our Scope 3 emissions. Cisco's total global GHG emissions from business air travel over the last five fiscal years are shown in Table 8.

Because of EPA requirements, our reduction goal is stated in terms of calendar years. To avoid potential confusion from reporting very similar numbers for fiscal and calendar years, we report only emissions by fiscal year and use fiscal-year emissions internally for operational control and initiative planning. We will report against our CY12 EPA commitment in our FY13 CSR Report. Because of rolling updates to flight data, prior-year business air-travel emissions data vary slightly from values previously reported in either our 2011 CSR Report or our response to the CDP 2012 Investor survey.

There are two reasons we have not adopted different emissions factors for different classes of air service. First, Cisco's focus is on using Cisco ICT remote collaboration technologies to avoid travel. Reporting reduced emissions because a larger fraction of employees flew economy class this year compared to last year moves the focus away from travel substitution. Second, we are unsure of the treatment of using different emissions factors for different classes of air travel for a given company. Even though Cisco is a large company, it is likely that scheduled air service has not been impacted by our reduction in air travel, even reductions measured in hundreds of thousands of flights per year. (That is, the same number of planes are still flying.) Of course, as more companies adopt these network technologies, the number of plane flights should decrease. Therefore, we have chosen not to complicate what is inherently a conceptual reduction by considering class of service flown in selecting emissions factors. We use DEFRA air-travel emissions factors in our calculations.

Our FY12 Scope 3 air-travel emissions data and calculations were reviewed by a representative of WSP Environment and Energy. Our Scope 3 emissions reporting process has been audited in the past by both Cisco's internal audit team and our external ISO 14001 auditor, but it was not selected for audit by either in FY12.

Reducing GHG Emissions from Scope 3 Business Air Travel

To replace physical travel and meet our EPA Climate Leaders reduction goal, Cisco is relying on Cisco remote collaboration technologies, including Cisco TelePresence, products from the acquisition of Tandberg, and Cisco WebEx desktop conferencing.

Table 8: Scope 3 Air-Travel Greenhouse Gas Emissions

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Total Scope 3 air-travel GHG emissions, in metric tonne CO_2e	205,796	197,867	118,602	106,783	127,293	139,431	Primary air-travel data adjusted to represent 100 percent of Cisco business air travel.
Percent Scope 3 air-travel emissions from primary data	98.0%	98.5%	97.9%	96.1%	98.2%	98.2%	FY12 estimated; to be confirmed.
Percent progress against reduction goal. Goal: Reduce all business-air-travel-related Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)	base year	-4%	-42%	-48%	-38%	-32%	FY07 base year; see prior comment on Scope 1 and 2 portion of reduction goal.*

*New GHG reduction-related goals covering the FY13-17 period are described under Addressing Key Challenges.

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Worldwide utilization of general-use Cisco TelePresence units has remained steady at just under 50 percent, based on an eight-hour day. Many Cisco TelePresence units are booked at or over 100 percent capacity. The larger, three-screen Cisco TelePresence systems have the highest utilization rate. For example, our CTS-3200 series units, which seat 18 people, have a utilization rate of about 65 percent based on a 10-hour day. Higher utilization of the larger Cisco TelePresence rooms is constrained by room availability or substantial time differences between endpoints. Table 9 illustrates our rollout of Cisco TelePresence across the company since September 2006, which was in the first quarter of our FY07.

EBC stands for Executive Briefing Center and refers to one of numerous regional meeting facilities that Cisco uses for presentations to customers. Many executives have Cisco TelePresence units in their offices, typically the CTS-500. We also have rolled out thousands of Tandberg, desktop, hardware-based (e.g., EX60, EX90), and software-based (Movi) high-definition videoconferencing units in a move to make high-definition video interaction pervasive at Cisco.

We have installed various Cisco TelePresence models at many locations to accommodate the different requirements of each site. This includes models that accommodate anywhere from one or two users in a private office setting to larger group meetings of up to 18 people in a single room connecting with multiple TelePresence suites of varying sizes. Up to 42 screens in multiple locations can be scheduled for an internal meeting using the Cisco TelePresence Multipoint Switch. By having a range of Cisco TelePresence units available, more types of interactions can be virtualized and more physical travel can be avoided, reducing travel expenses and GHG emissions.

Cisco WebEx and Cisco MeetingPlace products are also part of the suite of solutions our employees use to collaborate virtually with other Cisco employees, our customers, our partners, and other stakeholders. Table 10 shows that our use of these products continues to grow, mirroring a similar growth in the use of Cisco TelePresence. A “people-hour,” as used in the table, is one person attending a remote meeting for one hour, either by teleconference or via the web and a personal computer. Five people attending a two-hour meeting would equal 10 people-hours.

Table 9: Cisco-internal TelePresence Room Cumulative Deployment

Cumulative, as of End of Fiscal Year	Total Number of Cisco TelePresence Rooms	Total Number of Cities	Total Number of Countries
2007 (general use)	72	50	20
2008 (general use)	179	109	37
2009 (general use)	369	156	44
2010 (general use)	534	214	59
2011 (general use)	601	238	67
2012 (general use)	956	254	69
2007 (private or EBC)	26	6	3
2008 (private or EBC)	53	12	7
2009 (private or EBC)	179	47	21
2010 (private or EBC)	334	73	26
2011 (private or EBC)	433	98	28
2012 (private or EBC)	453	95	28

Cisco CTS-3000 TelePresence unit (6 users) with CTS-3200 TelePresence (18 users)

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Table 10: Cisco WebEx and MeetingPlace Usage

Calendar Year	Total Web Conferencing (in millions of people-hours)
2007	4.7
2008	7.7
2009	13.9
2010	18.5
2011	23.0
2012	23.4

Cisco TelePresence and WebEx now interoperate (WebEx users see TelePresence video), expanding the types of remote collaboration experiences that are made possible with our network technologies.

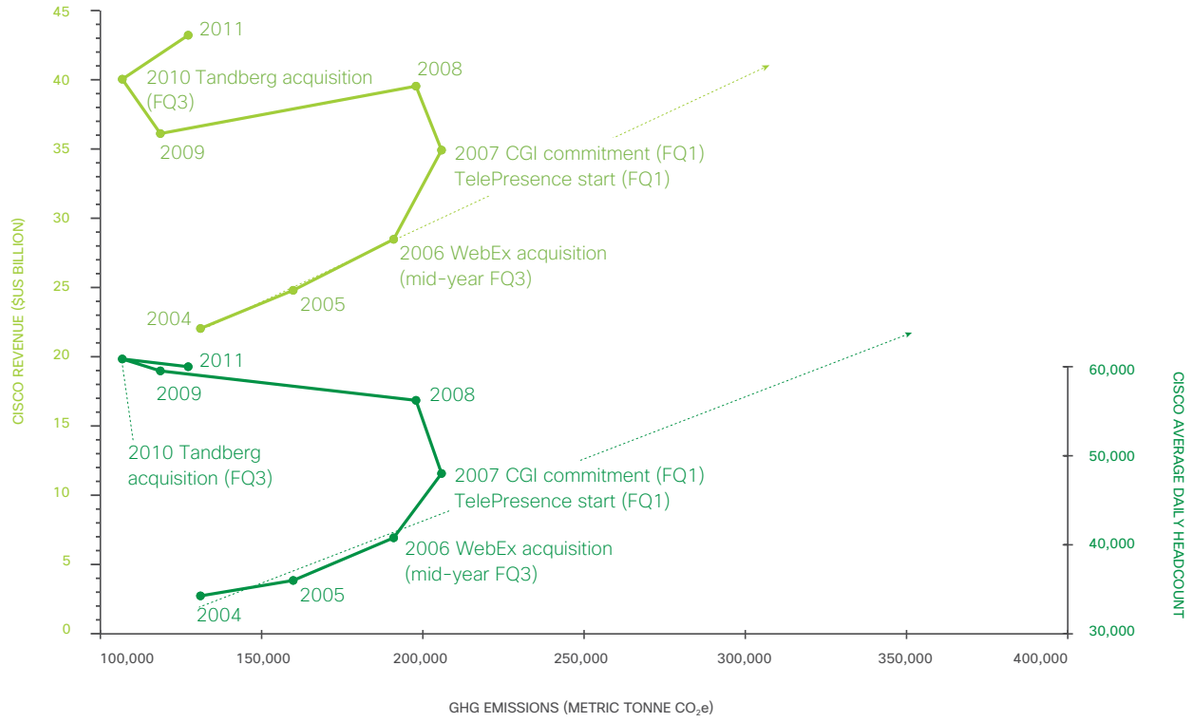
Using Cisco TelePresence, Tandberg products, and web conferencing, Cisco has piloted and developed the business processes and management practices for virtual company meetings, executive operational reviews, department "all hands" meetings, our annual sales meeting, and our annual senior leadership "offsite" meeting, thereby expanding the types of interactions that can effectively be completed remotely. About a third of our global ISO 14001 site audits were performed using Cisco remote collaboration solutions. This real-world experience guides product development and helps with the rollout of supporting management practices. Use of and familiarity with these and related products continue to expand at Cisco for more functions and business activities. Decisions are made faster, cross-cultural communications are improved, stakeholder and customer feedback from around the world is better disseminated within the company, and products move to market faster.

Avoided GHG Emissions from Scope 3 Business Air Travel

It is difficult to project with certainty what might have happened to Cisco air-travel emissions without widespread use of these collaborative technologies. However, in response to stakeholder inquiries, Cisco has compared changes to our actual air-travel emissions against changes to revenue and headcount. Revenue and headcount are the two factors believed to be the primary drivers of air travel. In Figure 2, actual emissions on the x-axis are plotted against revenue (light green line, left axis) and headcount (dark green line, right axis).

Cisco's acquisition of WebEx in mid-FY06, the start of Cisco TelePresence use and our CGI air-travel emissions reduction commitment in early FY07, and our Tandberg acquisition in the second half of FY10 are also shown. From FY04 to FY06, changes to GHG emissions were roughly proportional to changes in revenue and headcount. This observation is consistent with the fact that about two-thirds of Cisco's air-travel emissions were from our sales and service organizations, both "high touch" business functions. The more products sold and the more customers Cisco serves, the more the potential for business travel.

Figure 2: Avoided CO_2 Emissions from Use of Remote Collaboration Technologies (data through 2011)



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The case for collaborative technologies to reduce physical travel and GHG emissions is unambiguous. With a 25 percent increase in revenue and headcount compared to FY07, in FY12 air-travel emissions have dropped more than 30 percent on an absolute basis compared to FY07, exceeding our EPA Climate Leaders goal of a 25 percent absolute reduction. In prior years, Cisco worked to first overcome upward pressure on travel from business growth and then to achieve absolute reductions in emissions compared to the base year. As a result of this earlier effort, we experienced an initial reduction in air-travel emissions starting in FY08. As the economy has slowly recovered, our travel has increased from last year, but we are still well below our committed goal. The net effect of our collaborative technologies has been a reduction in travel, carbon emissions, and travel costs and an increase in employee productivity and work-life integration while at the same time maintaining and growing the customer relationships needed for continued revenue growth as the worldwide economy improves.

Replacing business air travel with remote collaboration requires more than just installing more technology. Business processes, management practices, and culture need to be adapted to take full advantage of these new network technologies. As experience with remote collaboration technologies increases, both within Cisco and among our customers and partners, remote interactions have progressed from being the exception of a few years ago to becoming standard practice currently within Cisco, and we anticipate they will be expected behavior worldwide in the future.

Scope 3 Employee Commuting

Teleworking

The employee skill sets developed to reduce business air travel and the accompanying business processes and management practices are also used to reduce employee travel between home and work, as well as between buildings at a Cisco site. The wide availability of sophisticated collaboration tools within Cisco permits employees to become well versed in integrating these technologies into their daily business activities. Several Cisco technologies permit flexible working environments, including Cisco Virtual Office and Cisco OfficeExtend. Cisco Virtual Office is based on an 800-series Cisco Integrated Services Router providing secure, wired and wireless voice, data, and video service for small commercial offices or an employee's home. OfficeExtend is a simpler, remote wireless access point in the employee's home that provides secure communications to a WLAN controller at the company campus.

As shown in Table 11, employees have rapidly adopted Cisco Virtual Office, which includes an Integrated Services Router and IP phone, to effectively work remotely. Although telecommuting or working in a flexible office space does not directly reduce air travel, it does afford opportunities to become more proficient in using collaborative technologies. This proficiency can be applied directly to business activities where remote collaboration does reduce air travel.

Table 11: Cisco Virtual Office Installations in Employee Homes

As of End of Calendar Year	Total Installations (Cumulative)
2005	1,467
2006	5,006
2007	8,234
2008	9,214
2009	13,457
2010	16,449
2011	20,487
2012 (through July)	22,767

Electric Vehicle Charging Stations

Electric vehicles are becoming more common, particularly in locations where Cisco has major operations, including California and North Carolina. One of the biggest concerns that prevents people from purchasing electric vehicles is the limited range of the vehicles and the likelihood of running out of charge. Deployment of charging stations is progressing, with models that include public stations, stations affiliated with retail outlets, and for-fee charging stations. However, because charging is still a very time-consuming process (it takes approximately 2 hours to provide 50 miles of charge), the workplace is a logical place for charging stations.

Providing charging stations on our campuses for employees and guests has a few key benefits for Cisco. As an employee service, it can assist with employee satisfaction, recruiting, and retention. Supporting electric vehicle adoption also aligns with Cisco's Environmental Sustainability strategy and can help reduce Scope 1 emissions related to Cisco's fleet operations. Cisco installed its first electric vehicle charging station in FY11. By the end of FY12, the company will have installed a total of 23 stations available for use by Cisco employees and guests at no cost at several campus locations, including:

- San Jose, California
- Research Triangle Park, North Carolina
- Bedfont Lakes, U.K.
- Green Park, U.K.
- Netanya, Israel

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Electric vehicle charging at Cisco (San Jose, California)

Additional stations and sites are planned and funded for FY13. Cisco has directly contributed to saving 4415 gallons of fuel, $11,204 in fuel costs, and 23,622 pounds of CO_2e in GHG emissions as a result of employees and guests using these stations in FY12. These figures are expected to increase as electric vehicles become more prevalent in society and as Cisco expands the number of charging stations in its real estate portfolio.

Employee bicycle sharing at Cisco (San Jose, California)

Employee Bicycle Sharing

In FY12, Cisco started a pilot employee bicycle sharing program at its Research Triangle Park campus. The program provides a quick, easy, and healthy way for Cisco employees and badged contractors to get around the RTP campus. It also gives our employees a way to reduce their individual GHG footprint while supporting Cisco's goal to reduce its overall GHG emissions. Users must first register for the program, and then they can use their mobile phones to check out a bike whenever they want to use one. Cisco will evaluate the program throughout FY13, and the company hopes to expand the program if employee participation remains high and program feedback is positive.

Scope 3 Life Cycle Emissions

Cisco's general use of life-cycle assessment (LCA) techniques was discussed in an earlier section. Carbon footprinting, the LCA specifically focused on the environmental impact from GHG emissions, is the subject of multiple standards activities as well as increasing numbers of channel partner, service provider, and end-use customer inquiries.

ISO 14040:2006 provides the principles and framework for life-cycle assessment as part of environmental management.

Cisco has adopted the five product life cycle stages defined by the GHGP in its 2011 Product Life Cycle Accounting and Reporting Standard, which is based on the ISO 14040-series standards:

1. Material acquisition and preprocessing
2. Production
3. Distribution and storage
4. Use
5. End of life

Cisco is committed to shaping our industry in this area through two avenues:

- Internal research to develop our capabilities
- Industry engagement

Our internal LCA studies have focused on our most common products, including IP phones, standalone switches/routers (which cover a substantial portion of our product line), and Cisco TelePresence. For many of our products, we have determined that the use phase accounts for between 80 and 90 percent of the carbon life cycle impact. (There may be as much as a 25 percent uncertainty in these values due to variation in assumed product use.) Global emissions factors can vary by a factor of three, which impacts emissions factors and use phase emissions.

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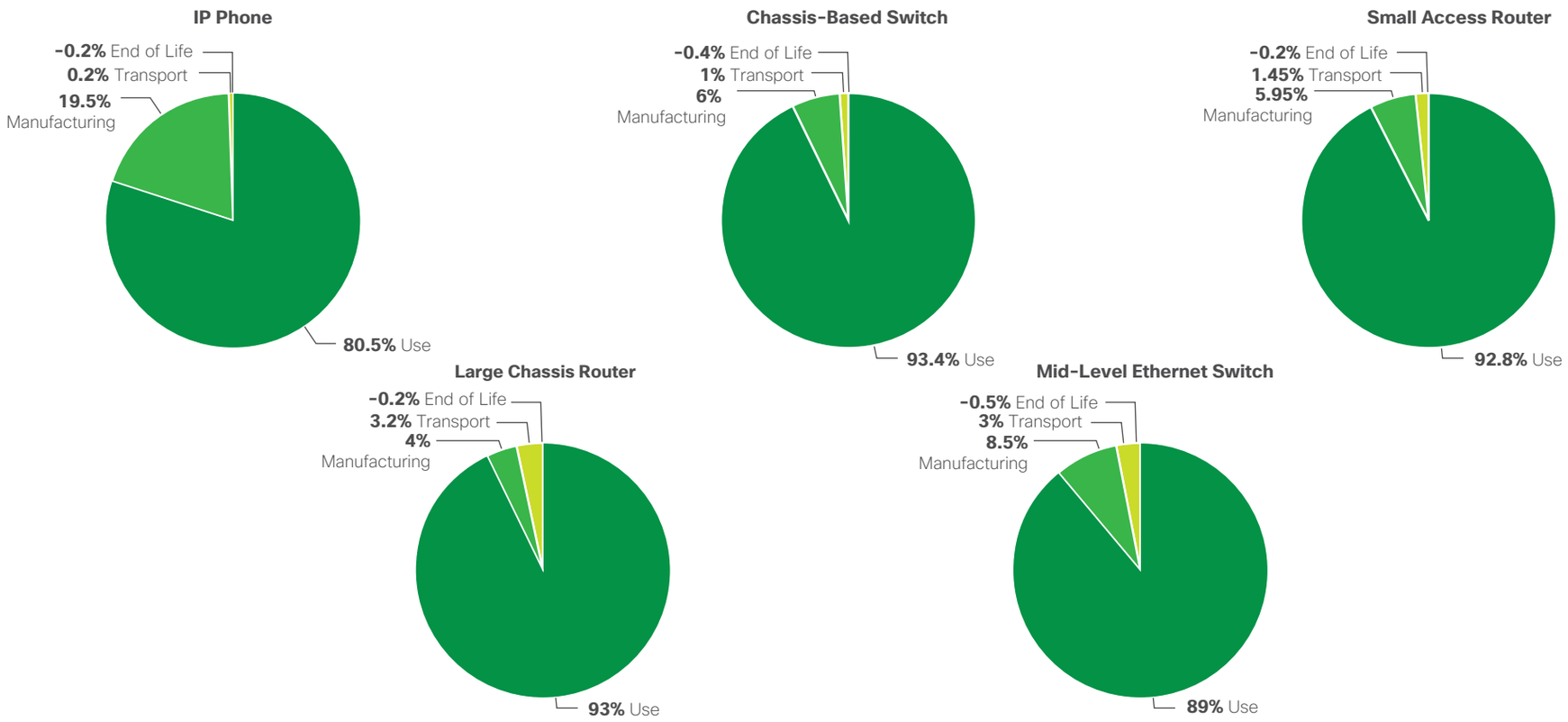
Figure 3: General GHG Emissions Breakdowns of Cisco's Most Common Products



This analysis used a global average electricity emissions factor based on unit shipments. Larger-core routers and switches are even more heavily weighted to the use phase. For lower-power devices, especially consumer-premises equipment (CPE) that might have a shorter lifetime and might often be turned off or in a lower-power, nonoperation mode, the percentage of emissions from the use phase is lower.

In addition, Cisco has been increasing its capability to balance the complexity and time of performing LCAs.

Tools have been developed to speed up the bill-of-materials analysis portion of the electronic components of our products by 90 percent through automated analysis of our design files and standardized life cycle models while maintaining accuracy with manual analyses.

Cisco actively participates in ICT industry efforts that are working toward a common approach to assessing environmental impacts of products, including:

- GHGP Scope 3 and previously referenced product accounting and reporting standards
- GHGP Scope 3/Product ICT Sector Supplement (Cisco is a founding member and chapter editor and is participating in the European Commission's pilot for ICT Footprint)
- European Telecommunications Standards Institute (ETSI) LCA assessment of telecommunication equipment and service, DTS/EE-00014
- International Electronics Manufacturers Initiative (iNEMI) Eco-Impact Evaluator Project to develop a simplified LCA tool for ICT products (Cisco is co-editor)

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- Massachusetts Institute of Technology (MIT) PAIA (Product Attribute to Impact Algorithm) program, which is developing a simplified, top-down carbon footprint methodology and is sharing data and best practices with iNEMI
- Sponsorship of Stanford University civil engineering graduate program project and MIT internship on sustainability

In FY12, Cisco has participated and presented in many forums on LCA, including:

- iNEMI Eco Impact Evaluator Article in *onBoard Technology* magazine
- Presented a lecture on LCA types and approaches for electronics for the University of Wisconsin at Madison
- Institute of Electrical and Electronics Engineers (IEEE) International Symposium on Sustainable Systems, 2012, Boston, "Life-Cycle Assessment of a Modular Router: Analysis, Uncertainty and Applications"
- MIT Global Leaders in Environmental Assessment and Performance, 2012, Boston, "Embracing Product Sustainability"

The collective intent of these efforts is to build and share knowledge, apply life cycle concepts to our product design and operations, build engagement with academia, and support the ICT sector in working toward practical and useful methodologies to assess the GHG emissions impact of our products.

Scope 3 Extended Operations Emissions (Supply Chain)

Cisco receives numerous inquiries from stakeholders concerning supply chain emissions. This interest is properly founded on the concern that GHG emissions "disappear" from Cisco's Scope 1 and 2 reporting when a business function, such as manufacturing or component supply, is subcontracted to a business partner. Cisco subcontracts the assembly of our final products and also relies on a worldwide network of component suppliers and logistics providers. These business partners, in turn, rely on additional supply chain partners to support their respective contributions to Cisco's products.

We ask our manufacturing partners and logistics providers to give us information regarding our share of their GHG emissions to help us understand the impacts related to our products and help suppliers reduce these, but currently fewer than half of our preferred component suppliers are able to provide this data. To address this information gap, Cisco utilizes life-cycle assessment techniques and software, discussed in the previous section, to understand the relative contributions of the various phases of product life.

To target supply chain emissions, we are using our business relationships to encourage our suppliers to report to CDP. In February 2011, Cisco asked approximately 1500 suppliers to report to CDP. It is Cisco's objective for preferred suppliers to:

1. Report carbon emissions through CDP annually (with 100 percent of suppliers reporting by FY13)
2. Set a GHG emissions reduction goal (by FY15)
3. Report Cisco's share of the supplier's GHG emissions (by FY15)

A follow-up communication to suppliers was sent in April of 2012 as one of our Cisco Supplier and Manufacturing Partner newsletters. An example of this communication that contains relevant excerpts is available in Appendix 2.

We recognize that not all partners can complete all three objectives in their first year of reporting. As such, we are currently tracking, via a subscription to CDP's Reporter Services software, what percentage of Cisco expenditures is with suppliers that report to CDP.

We currently are tracking CDP reporting KPIs from three categories of suppliers, as shown in Table 12.

We want to continue to push this approach to GHG reporting accountability to other categories of business partners. We will also start measuring against Cisco's objectives for preferred suppliers, which we outlined earlier in this report.

Table 12: Supply Chain Partners Reporting to CDP

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
· Contract manufacturing, by percent of spend	na	63%	82%	100%	100%	100%	Tier 1 partner. Goal: 100% (met).
· Approved Vendor List (AVL) components, by percent of planned spend	na	54%	59%	69%	69%*	80%	*FY11-specific metric unavailable; Tier 2 partner. Goal: 80% (met).
· Global transportation, by percent of spend	na	na	na	50%	50%*	93%	*FY11-specific metric unavailable; Tier 1 partner. Goal: 90% (met).

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Scope 3 Logistics

Logistics, or the delivery of new products to our customers, is part of the transportation sector and includes shipment from our manufacturing sites to customers. This may encompass how products are packaged and delivered. The largest impact to Scope 3 emissions in product logistics comes from shipping by air. To minimize our impact from product delivery, we are taking the following approach:

- Where possible, Cisco uses a volume or multipack ("eco-pack" or "bundle pack") packaging solution, which continues to gain traction on several of our high-volume products. Multipack has been shown to reduce total packaging weight by up to 2 percent compared to its equivalent single-product packaging option. For volume products like our branch routers, where it is estimated that we ship over 4.5 million pounds of packaging each year, this can make a big difference.

Cisco's Aironet products are a great example of multipack success. In FY12, 40 percent of the Aironet products that offered multipack shipped with this option. This translates to an estimated 172 tons of avoided packaging use. In FY13, Cisco has committed to working with our customers to further improve this adoption rate, not only for the existing Aironet multipack but for all existing multipacks. For more information on Cisco's packaging efforts, see the Materials section:

- We continue to expand our electronic fulfillment (or "e-Delivery") capabilities on our software and licensing products to enable software, document, and license download options and to reduce materials included in packages sent. By the end of FY12, 76.9 percent of total software and licensing order lines were fulfilled electronically, representing 67 percent of their revenue, an increase of 34 percent and 37 percent respectively year over year. Electronic adoption of products offered both electronically and physically also rose 6 percent year over year, ending FY12 at 87.6 percent of the total available market. Of our top 50 customers in this space, 96.7 percent of their orders were fulfilled via e-Delivery. Overall, it is conservatively estimated to have saved over 46 metric tonne of material (paper, CDs, and packaging) in FY12 alone.
- In FY12, Cisco kicked off a massive effort to optimize transportation methods used for products traveling in between our global facilities. A careful refinement of our demand and supply practices on some of our highest-volume product lines led teams to convert air-based shipments to sea-based shipments whenever possible. The result was a staggering 96 percent reduction in CO_2 emissions for the impacted products.
- We are engaging with our transport and logistics partners to set expectations for sustainability performance, and we regularly measure and score our partners on environmental performance. Our transport partners have led the industry in sustainable solutions, which includes fleet upgrades and the introduction of biofuels. Our primary logistics partners with activities in North America are all U.S. EPA SmartWay-certified.
- We work closely with our transport logistics partners to develop more efficient means of transporting our products. This includes packaging reduction, which leads to package volume reduction and higher shipping efficiency, and also provides opportunities for shipping consolidation, which leads to fewer trips and the opportunity to use alternative modes of transport.

To promote sustainability in our supply chain, we need to have strong partnerships with our suppliers, and we must support them with public reporting and setting reduction goals. In the second half of FY11, we began scoring suppliers on providing sustainability performance data and any important initiatives that have led to reduction in the environmental impact of delivering our products. For more information on sustainability in supplier scorecards, see the Supply Chain section.

Scope 3 Product Use Phase (Energy Efficiency)

GRI EN6: Initiatives to provide energy-efficient or renewable energy–based products and services, and reductions in energy requirements as a result of these initiatives.

GRI EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

As global energy use has risen, so have GHG emissions. While the ICT industry accounts for only "2%" of the world's GHG emissions, its proportion is growing as adoption and use of technology expands globally. Product energy efficiency (or reducing our products' wasted energy usage) is a big issue for Cisco because of the number and type of energy-consuming products that we sell each year. Some of these devices are replacements; others are additive, contributing to the emissions from IT equipment. Throughout their life cycle, our products consume the largest proportion of energy, and release the most GHG emissions, during the use phase. Product energy efficiency has emerged as a key design criterion in our products in light of our increasing awareness of climate change issues.

Customers and regulators are increasingly requiring products that minimize energy costs and GHG emissions. Every year, the number of environmental sustainability–related inquiries from analysts, customers, shareholders, and NGOs continues to increase. Cisco tracks the energy-use regulations and certification programs of all countries in which we do business. Table 13 provides a broad overview by country of mandatory and voluntary energy-efficiency requirements and standards for products relevant to Cisco.

For these reasons, improving product energy efficiency represents more than just a regulatory requirement for Cisco; it is a significant opportunity for us to help customers save on energy costs, reduce global energy demand, and lower GHG emissions, in addition to making our products more competitive. Product energy efficiency is a key part of all product design and generation improvements at Cisco (see Design for Environment).

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Advocacy and Standards Development

Cisco actively engages with governments and standard-setting bodies around the world to monitor and influence the development of emerging product energy-efficiency requirements, particularly around climate change. Cisco believes that product energy-efficiency standards can promote innovation by being performance-based; by taking into account product functionality; and by relying on objective criteria, real-world data, and system-level efficiency.

Cisco engages with regulatory and standards bodies, directly and as part of industry groups, to influence the development of standards and requirements that are clear and effective. This engagement includes Cisco's engineering, suppliers, facilities, compliance, regulatory

Table 13: Relevant Worldwide Energy-Efficiency Standards

	Cable Modem	Data Center	Display & TV	EPS & BC	Horizontal Standard	Mobile	PC & Tablet	Routers & Switches	Servers	Set Top Box
Argentina			●							○
Australia				●	●		○			●
California			●	●						○
Canada			●	●						●
Chile			○							○
China			○	○					○	○
Europe	○	○	●		●		○	○	○	
Hong Kong			○				○			
Israel					○					
Japan			○	○	○		●	●	●	
South Korea				●	○		○		○	
Mexico					●					
New Zealand				●						
Russia			○		○					
Switzerland			●	●	●					●
Thailand			○	○	○					
Turkey			●		●					
USA	○	○	●	●	○	○	○	○	○	●
Vietnam			●							

● **Mandatory requirements currently in effect** ○ **Voluntary standard or new standard under development**

Brazil and India are also delveloping their energy efficiency regulations

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affairs, government affairs, and corporate affairs teams. We believe that these regulatory and standards activities, when done properly, bring clarity and consistency to the global marketplace and create predictable requirements and a level playing field that reduces risk.

Improving Product Energy Efficiency

Cisco is working to qualify its most efficient products with the U.S. EPA ENERGY STAR program. To date, the focus has been on set-top boxes: cable, satellite, Internet protocol, or other devices whose primary function is to receive television signals from a specific source and deliver them to a consumer display or recording device. ENERGY STAR–qualified set-top boxes are at least 40 percent more efficient than conventional models. According to the EPA, if all set-top boxes in the United States met ENERGY STAR requirements, consumer energy cost savings would grow to about $1.8 billion each year, reducing GHG emissions equivalent to those from more than 2 million vehicles. ENERGY STAR–qualified set-top box products are listed on the program website. Additionally, Cisco has been providing feedback to the U.S. EPA ENERGY STAR program regarding their ENERGY STAR specification for computers.

In 2009, Cisco was co-editor for several of the Alliance for Telecommunications Industry Solutions (ATIS) standards and Energy Efficiency of Telecommunications Equipment: Methodology for Measurement and Reporting standards, and specifically those regarding:

- Server and server blade (ATIS-0600015.01.2009)
- Transport/network systems (ATIS-0600015.02.2009)
- Router and Ethernet switch products (ATIS-0600015.03.2009)

Table 14: Energy Efficiency–Related Initiatives and Organizations

Organization	Area/Issue of Engagement
Alliance for Telecommunications Industry Solutions (ATIS)	Cisco is an active member of ATIS and engages with other member organizations to develop standards relevant to the telecom industry. In 2010, Cisco took a lead role in the development of the Telecommunications Equipment Energy Efficiency Rating, or ATIS TEER, standard for the measurement of product energy efficiency.
Minimum Energy Performance Standards—MEPS (Australia and Korea)	Energy performance requirements and maximum power consumption of standby modes.
European Telecommunications Standards Institute (ETSI)	Cisco is engaged with ETSI in the development of standards for energy efficiency.
Electronic Industry Citizenship Coalition (EICC)	Cisco is a major contributor and signatory to the Broadband Code of Conduct.
EU/EuP (Europe)	Cisco is an important stakeholder that helps with the development of energy using product (EuP) regulations and voluntary agreements for Europe.
International Telecommunication Union—ITU (worldwide)	Cisco is a major contributor to the ITU-T SG5 Lead Study Group on ICTs and climate change. Cisco presented to ITU the ATIS TEER methodology, which was then incorporated into Measure L, energy-efficiency metrics and measurement for telecom equipment, creating the opportunity for a single worldwide metric.
Ministry of Economy, Trade and Industry—METI (Japan)	Minimum energy efficiency requirement for networking router and switch product groups.
U.S. Department of Energy (DOE), Environmental Protection Agency (EPA), Green Grid	Cisco has been actively working with the EPA to define ENERGY STAR standards for networking equipment. Cisco provided the initial framework about four years ago. Since then, Cisco has actively worked with Lawrence Berkeley National Labs, the EPA technical arm, on measurement methodologies and metrics. Cisco routinely provides feedback to these organizations on best practices, draft standards, and actual power measurement procedures for relevant products.

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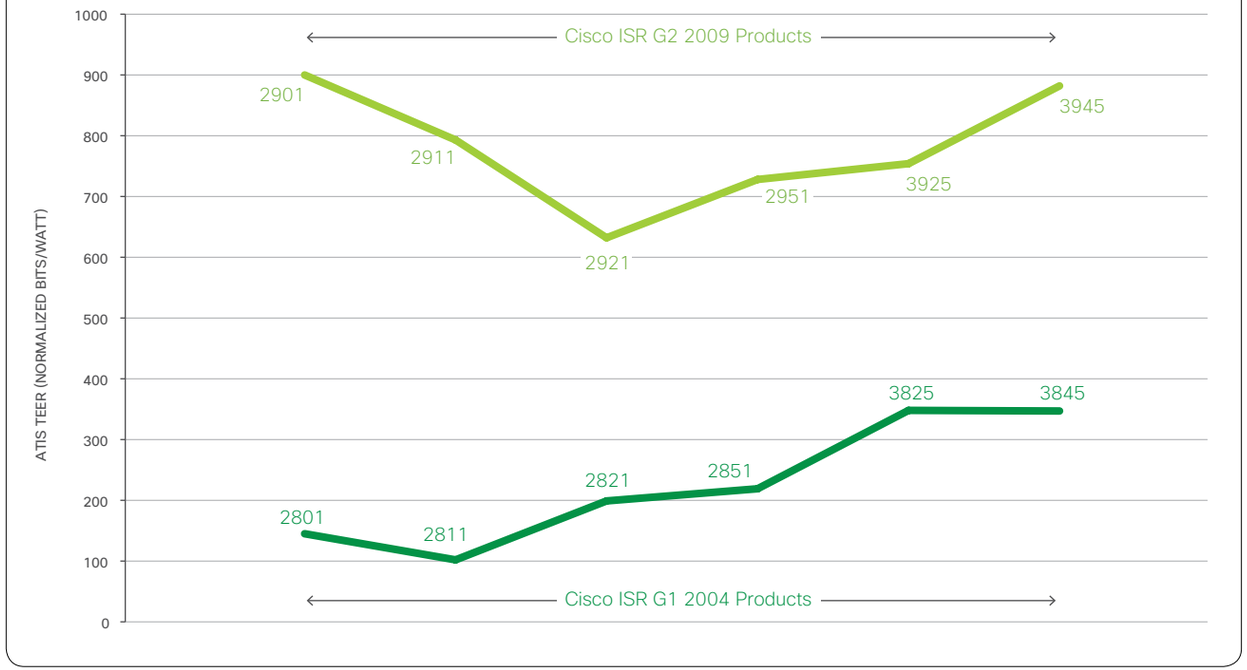
These ATIS TEER standards created a framework for measuring product energy usage that takes into account product functionality and uses real-world loads to determine energy efficiency. This is important because it allows companies like Cisco to compare energy-usage design improvements from product generation to generation, and it helps consumers make more informed purchasing decisions.

Cisco is in the process of applying the router and switch standard to develop energy profiles for products within the enterprise and ISP router and switch product family categories. Representative models have been tested from each of the product families listed in Table 15.

Table 15: Cisco Product Families Tested Using the ATIS TEER Methodology

CRS1	Catalyst 2800
CRS3	Catalyst 2900
GSR	Catalyst 3800
ASR 9000	Catalyst 4500
15454	Catalyst 6000
Nexus 7000	Catalyst 6500
Catalyst 1900	

Figure 4: Energy Efficiency Performance Improvements Between Two Generations of Cisco Integrated Services Routers



The products tested make up approximately 90 percent of Cisco products in ATIS TEER scope. In 2010 and 2011, we collected baseline performance data for a representative product from each category listed in Table 15. The goal is to measure products as new generations are released to gauge improvement between generations.

Figure 4 presents performance improvements per watt consumed from a selected sample set of Cisco products for which first- and second-generation energy performance was measured using the ATIS TEER standard. This is the same data used in our 2011 CSR Report, as next-generation products have not yet been released in other product lines. The results show that across the products measured, there was roughly a threefold increase in normalized bits-per-watt performance between the two generations of products.

From 2006 to 2010, Cisco was a major force behind Energy Efficient Ethernet (IEEE 802.3az), which specified an industry standard protocol to allow networked devices to save energy based on utilization. In 2011, Cisco proposed and initiated a project to add a similar energy efficiency protocol for ultra-high-speed network interfaces within the project for enhanced 100Gbps operation (IEEE P802.3bj).

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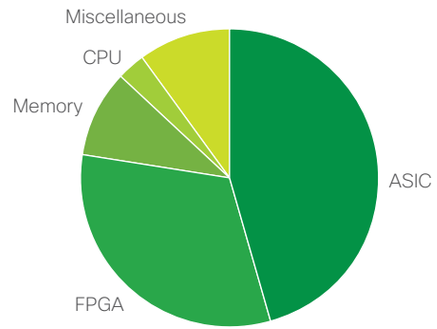
Cisco is working to reduce energy demand by cutting the power used by the Application-Specific Integrated Circuits (ASICs) found in most Cisco products. ASICs are designed for a particular application in a particular product. Lower-cost, higher-volume products that Cisco sells use off-the-shelf OEM-designed ASIC chips. For the enterprise and data center switches (Cisco Nexus and Cisco Catalyst series), Cisco designs its own ASIC chips. As shown in Figure 5, ASICs consume a significant percentage of board-level energy consumption.

Figure 5: Example of Board-Level Energy Consumption by Function



Cisco is developing energy savings approaches for these chips that include:

- Feature-based energy management: ASIC chips are often developed to be rich in features and capability so they can be used in a large number of product models. Cisco is developing new ASIC chips that are configurable to the specific features within the product using such ASIC chips. As an example, such a chip would not draw the power needed to manage 48 ports when it is placed in a 24-port switch.
- Voltage scaling: To compensate for the performance variation inherent in manufactured products, Cisco is scaling, or adjusting, the energy consumed by ASICs to achieve performance standards and minimize energy consumption. Cisco is adjusting the ASIC chip energy requirement (up and down) to compensate for any manufacturing variation in performance.
- Adaptive power management: This enables an ASIC to actively manage the energy it requires based on the load of work it is processing

These ASIC energy-management mechanisms will soon be available to designers to drive down the energy requirements for devices. These refinements have been shown, in lab tests, to reduce energy consumption between 10 and 30 percent.

Cisco has included a requirement in our product requirements document that power supplies be at least 85 percent efficient. Power supplies are the devices that power computers, servers, and other electronic devices. They convert AC power from electrical plugs into DC power typically used by ICT equipment. In FY12, all new power supply awards that fall within the scope of the 80 PLUS certification were rated silver or higher. The 80 PLUS performance specification requires multi-output power supplies in computers and servers to have 80 percent or greater energy efficiency at 20 percent, 50 percent, and 100 percent of their rated load. As an example, improving the efficiency of the power supply for our Cisco Catalyst 6500 Series Switch from 80 to 90 percent can provide an annual savings of more than 3500 kWh. For more details on how we cut power use for the Catalyst 6500 Series, see the Cisco website.

Power supply efficiency addresses only a portion of the problem. Often in the electronics industry, power supplies are not designed for the specific operating parameters of individual products. Thus, the power supply is operating at a low utilization, and products end up using power supplies that manage and use more energy than the products require. Cisco sees this as an opportunity to specify the actual range of power demands for a given product and then design the power supply to manage and provide power within this range. Members of Cisco's product design teams are engaged in efforts, such as the Climate Savers Computing Initiatives within the Green Grid industry consortium, to identify the best approaches to resolving these problems.

Scope 3 Product End of Life

The last product life cycle phase defined in the GHGP Product Life Cycle Accounting and Reporting Standard is end-of-life (EOL) management. There are minimal emissions associated with this life cycle phase, and most of them are connected to the transport of the returned product and the recycling process. The largest opportunity for reduction of GHG emissions from recycling is in reducing upstream emissions.

As Cisco introduces initiatives to increase the return of used or EOL products, we will need to study the relative environmental impact of earlier or later product retirement. Energy efficiency improves with each product generation, so earlier product retirement can decrease overall emissions since the use-phase emissions dominate the product life cycle. However, creating new products introduces other environmental impacts. A similar dynamic exists in the auto industry. Overall, is it better to retire a relatively new 30-mpg car for a 50-mpg car? We will use LCA techniques to inform our strategy in this area.

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Benchmarking GHG Emissions Reduction Goals

Figure 6 places our 25 percent reduction goal in the context of the 80 percent goal for developed countries highlighted by the Intergovernmental Panel on Climate Change (IPCC).

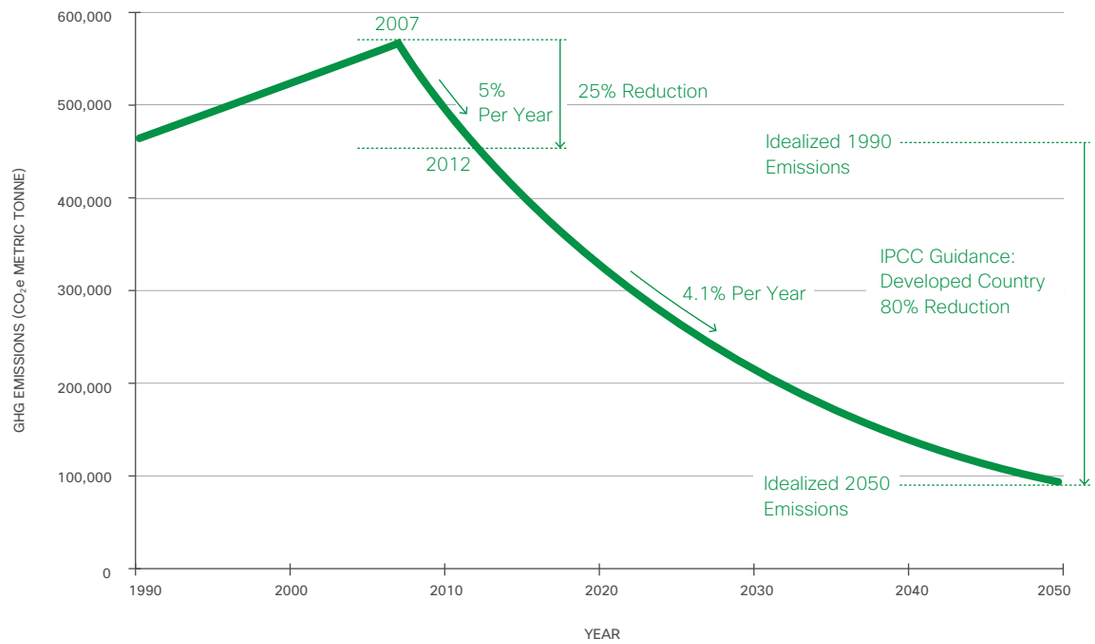
To estimate Cisco's 1990 emissions levels for Figure 6, we assumed the average worldwide rate of emissions growth from 1990 to 2007 and calculated a generic 1990 baseline. Cisco's actual 1990 energy consumption data is not available because it was not collected, and it would be unrealistic to use this data as a baseline given how rapidly our business has grown. Our FY1990 revenue was only 0.2 percent of FY09 revenue. More discussion will be needed in FY13, informed by COP17, to better understand how emissions allocations for developed and emerging countries will affect expectations for Cisco's next reduction goal.

Cisco will continue to develop products that leverage network technologies and implement the recommendations of the SMART 2020 report. Roughly 75 percent of energy-related GHG emissions are from buildings and transportation. By advancing the Cisco solutions discussed in this section, we are well positioned to reduce not only our own building and transportation emissions, but also the aggregated emissions of our customers.

The Enabling Effect–The 98%

In the previous sections, we provided an overview of our Scope 1, 2, and 3 emissions from our own operations and offered metrics for addressing the emissions of our supply chain as well as other phases of the product life cycle. An additional consideration when assessing the carbon footprint of a product or service over its life cycle is the so-called enabling effect. The term "enabling" is used where ICT sector products and services can be used to achieve reductions in GHG emissions in other industry sectors. For example, high-definition videoconferencing (ICT sector) can be used to simulate face-to-face interaction and avoid air travel (transportation sector), or energy monitoring and control of IP-enabled devices (ICT sector) can be used to reduce energy consumption in buildings (real estate, industrial sectors).

Figure 6: Idealized Greenhouse Gas Emissions Reduction Model



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According to data from the International Energy Agency (IEA) and U.S. Energy Information Agency (EIA), summarized in Figure 7, about 75 percent of energy-related GHG emissions are from buildings and transportation.

Although the use of ICT products such as computers, data center devices, and network equipment consumes energy, there is substantial opportunity to use ICT products to reduce global energy-related GHG emissions and make the world more energy efficient. In FY09, Cisco sponsored and contributed to the SMART 2020 report, which identified opportunities for the ICT sector to develop and apply network technologies to reducing annual GHG emissions by 15 percent, which is a substantial positive impact considering that the ICT sector was projected to be responsible for only 3 percent of global emissions in 2020. Potential abatements are concentrated in the areas of transportation, buildings, power/energy, and industry. Innovative application of network technologies promotes change through our solutions, our products, and our operations.

The GHGP Scope 3/Product ICT Sector Supplement mentioned previously is intended to fully develop this methodology for use by practitioners in the field.

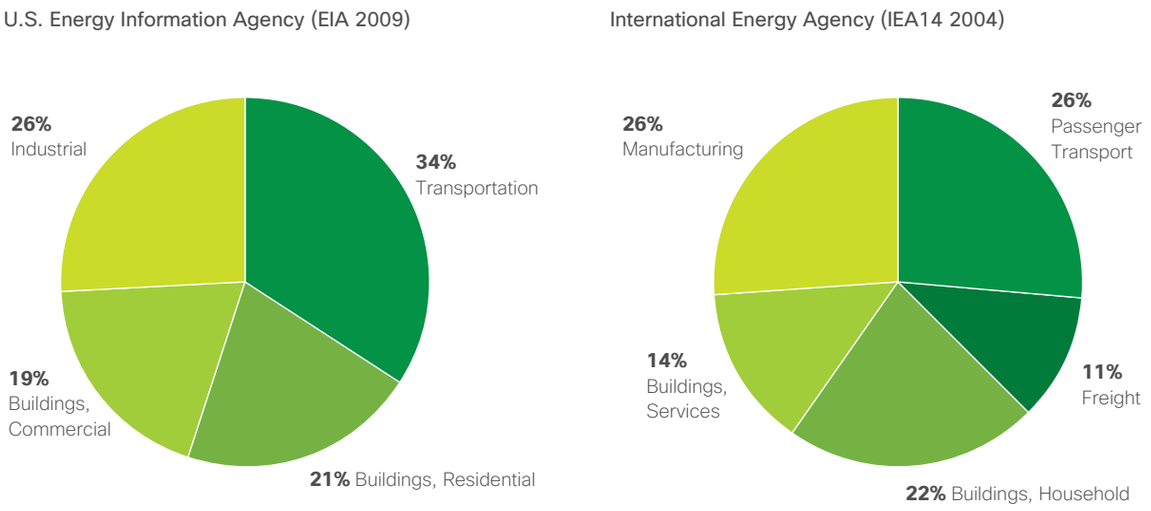
Cisco customers are looking for ways to reduce their energy-related costs and their carbon footprint. This creates market opportunities for Cisco. Cisco is researching, developing, piloting, and delivering network technologies that can help reduce GHG emissions by:

- Offering low-carbon ways to avoid business travel and employee commuting: Customers are rethinking their behaviors and finding innovative, network-enabled alternatives, such as web-based collaboration as an alternative to travel, and teleworking as an alternative to daily commuting.
- Providing connected energy management: Customers can employ the network to measure, monitor, report, and plan for greater energy efficiencies.

At Cisco, we are developing solutions for both mitigating and adapting to climate change. We are looking for ways to increase energy productivity and energy efficiency, which helps reduce avoidable emissions by slowing growth in energy demand and reducing the rate of increase in global GHG emissions from increasing energy use. Cisco data center virtualization technologies, for example, significantly reduce the number of data center components. Using fewer components means less electricity is used to operate both the ICT equipment and the HVAC equipment used for data center cooling. Using few components also reduces emissions due to the manufacture of underutilized equipment.

Cisco recognizes that the application of technology alone will not result in a drop in emissions. Changes in culture, management practices, and business processes are also needed to achieve the full potential of the technology. However, this evolution to collaborative technologies, smart buildings and work spaces, and connected energy management creates additional benefits, including faster decision-making, improved cross-cultural communications, broader dissemination of information around the world, and increased ability to efficiently deploy scarce internal resources.

Figure 7: Industry Sector Breakdown of Greenhouse Gases from Energy Use



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Subsequent sections of this report highlight Cisco customer solutions and research and development programs that not only address the key sources of energy-related GHG emissions shown in Figure 7, but also address the challenges associated with adapting to climate change.

Transportation

There are two use cases that employ Cisco remote collaboration technologies: avoiding business air travel and avoiding employee commuting.

The figure in Appendix 3 depicts the business-as-usual meeting (requiring travel) and the remote collaboration meeting (utilizing ICT) that provides voice, desktop sharing, and high-definition video among multiple locations.

The increasing interoperability of our remote collaboration products, such as Cisco TelePresence, Cisco WebEx, and Tandberg, further extend the potential for remote collaboration. For instance, Tandberg devices and Cisco TelePresence products can both be endpoints in a single meeting.[1] WebEx can be connected to a Cisco TelePresence meeting so that WebEx attendees who may not be near a Cisco TelePresence room can participate in the meeting. Cisco TelePresence exchanges, similar to telephone switchboards, are now in place with partners such as AT&T, BT, and Tata so that Cisco TelePresence calls can be made both within a single company and between companies through the exchanges.

The figure in Appendix 4 depicts the second use case for transport substitution: business-as-usual employee commuting (requiring travel) and teleworking using many of the same technologies used to avoid business travel (plus high-definition, video-capable broadband in the home). The left side of the figure depicts car, bus, and rail commuting to a multi-building campus. The teleworking depiction on the right side of the figure shows a campus with fewer buildings, augmented by employees working from home or from nearby satellite offices used by one or more companies.

Several calculators have been released to estimate the enabling effect of Cisco solutions. Cisco has developed calculators for Remote Collaboration, Cisco Virtual Office/Telecommuting, Connected Buildings, and Connected Workplace. We've collected these interactive calculators into a single PowerPoint file. Each calculator has eight or nine tabs at the top that are accessible when in full-screen mode and are divided between inputs (on left) and results (on right). Results are net emissions. The input tabs and the provided DOMANI validation letters provide an explanation of assumptions. There is also a web implementation of the telepresence tab of this spreadsheet. An additional standalone web-based calculator for telepresence has also been released for mobile phones and web browsers.

Because of the need for additional, dedicated equipment, Cisco carefully studied the energy/GHG cost of the Cisco TelePresence operation. Most of this cost is from operation of end-user equipment (screens, lighting, and local electronics), the local HVAC system, and vampire loads. Several orders of magnitude less power is used by network aggregation and backbone functions, as shown in work partly sponsored by Cisco (IEEE, UCSB).

Buildings

LEED Accreditation

Where Cisco products can be shown to save energy, provide an innovative solution to an energy problem, or both, these products can contribute to achievement of LEED credits under certain LEED rating systems. For example, under LEED v3 Commercial Interiors, EAc4.4 Optimize Energy Performance, Equipment and Appliances, credit is given to appliances if they are specified with an ENERGY STAR label. Cisco ENERGY STAR servers will meet these criteria. Additionally, equipment like the Cisco EnergyWise management system can also help achieve credit in multiple rating systems if it can be shown to contribute to overall energy savings at a building level. For example, if a customer uses the EnergyWise software and calculates that it contributes to an 18 percent cost savings, those savings can be included in an Energy Model, which is required in the LEED NC rating system for New Buildings. Those savings would also potentially improve the ENERGY STAR score of an existing building, which helps achieve a LEED EB (Existing Buildings) rating.

Virtualization and Cloud Computing

According to a Forrester Consulting study commissioned in 2009 by VMware, firms initially deployed virtual servers to improve hardware utilization. Today, these firms cite improved power and cooling efficiency as the motivation to adopt virtualization technology. Cisco data center solutions achieve resource savings of up to 70 percent through virtualization.

At the Cisco Efficiency Assurance Program website, information on power consumption can be found in the "planning" box, and the calculators and planning tools are midway down the list of choices. A tutorial on the calculator is available. A product-specific calculator for the ASR 1000 Aggregation Services Router for service providers is also provided.

In FY11, Cisco opened a green data center in Allen, Texas, with an architecture deploying Cisco's entire data center technology portfolio spanning computing, switching, and data storage access to support Cisco's internal private cloud. All of these technologies are available to our customers to improve the efficiency of their data center operations.

1. Cisco has combined all videoconferencing equipment under the Cisco TelePresence name.

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This data center incorporates numerous features to reduce environmental impact:

- The uninterruptible power supply (UPS) room in the 5 MW data center (expandable to 10 MW) uses rotary flywheels, which require little energy to continue in motion, to start the diesel generators in case of power loss, instead of the hundreds of batteries typically used in older data centers.
- The data center is cooled by an air-side economizer design that reduces the need for mechanical chilling by using ambient air when the outside temperature is low. Cisco calculates the facility can use filtered, unchilled outdoor air 65 percent of the time, saving an expected $600,000 per year in cooling costs.
- A lagoon captures rainwater to irrigate the indigenous, drought-resistant landscape plants
- Solar cells on the roof generate 100 kW of power for the office spaces in the building
- Cisco received LEED Gold certification for the data center in early FY12

The data center is designed to achieve a Power Usage Effectiveness metric of 1.35. This metric was developed by the Green Grid industry consortium to measure the efficiency of data center facility design. An interview showing various features of the data center was done by Data Center Knowledge in June 2011. The data center is paired with a second one in Richardson, Texas, to form what we call a Metro Virtual Data Center. Together, the data centers form a virtualized, dynamic IT services cloud, and they serve as backup sites for one another. This enables both data centers to run real-time critical applications, such as Cisco WebEx, simultaneously in both places for world-class business resiliency.

This next-generation data center tightly integrates Cisco Unified Fabric, Unified Computing, and Unified Network Services into a holistic data center fabric designed to be simple, scalable, and highly secure and to deliver any application across to any location, within the data center, across data centers, and to the cloud.

Cisco EnergyWise

Cisco EnergyWise is an energy management technology that allows organizations to report and reduce the energy use of all IP-enabled equipment. Cisco EnergyWise is embedded in our switching and routing portfolio and helps improve operational efficiency and to reduce energy costs and GHG emissions across the corporate infrastructure, potentially impacting any powered device. EnergyWise is a part of Cisco IOS software, but interfacing hardware is upgraded to enable the hardware to understand EnergyWise commands. The purpose of EnergyWise is to control power-over-Ethernet at the switch or, if the end-user hardware device has also been upgraded, at the end-user device itself.

Brunel University in West London and the Council Rock School District in Newtown, Pennsylvania, were both outfitted with SMART technologies, including Cisco EnergyWise. EnergyWise was used to control switches, WAPs, IP phones, PCs and laptops, IP cameras, IP-enabled projectors, and electronic whiteboards. Through the use of EnergyWise-enabled products, these institutions were able to save $140,000 and $200,000 annually in energy costs. This kind of reduction is thought to be possible in most buildings (and homes).

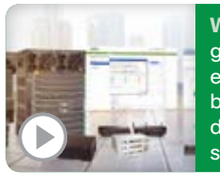
Through our developer network, Cisco has partnered with several vendors of EnergyWise-compliant power distribution units (PDUs). Each plug of the PDU is individually addressable for EnergyWise instruction and for power monitoring. Because almost every energy-using device has a power cord, EnergyWise-compliant PDUs are a universal means for power monitoring and device control, regardless of vendor or date of manufacture.

Cisco EnergyWise won the Best of Interop 2009 award in the Green category for leadership in improving corporate energy efficiency and for lowering operational costs with its energy-management architecture. For the average-sized Cisco customer, EnergyWise has the potential to reduce energy usage by 20 percent in the first phase of deployment and to realize significant cost savings. A calculator for estimating energy savings is available on the Cisco website.

As part of Cisco's commitment to open standards and energy savings, Cisco has led a new working group within the Internet Engineering Task Force (IETF) to apply the principles used in EnergyWise in an open and interoperable manner that may be used without restriction by any developer in the industry.

Examples of EnergyWise product footprint, partnerships, and implementation growth in FY12 are:

- As of FY12, there are 30 EnergyWise partners actively selling the product
- In FY12, we created a program to make the benefits of EnergyWise more easily accessible. With the purchase of Cisco Catalyst 4500, 3750, or 3560 series switches, an EnergyWise software license is provided for use with Joulex, Nimsoft (CA Technologies) or Verdiem software.
- Cisco partnered with Xerox to develop a simple network management protocol (SNMP) translation to control printers using EnergyWise and any SNMP-capable device



Watch the Video! Cisco EnergyyWise gives companies a global view of energy management. Energy use can be controlled through the network, delivering economic and environmental savings.

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- Cisco partnered with Joulex and NuLeds to demonstrate LED lighting control via EnergyWise
- Cisco launched an energy-optimization service (EoS) in advanced services to allow customers to get energy services (audits and controls) directly from Cisco using EnergyWise
- Internally we launched the lab energy services using EnergyWise on PDUs to monitor the energy of labs across Cisco

Cisco Connected Workplace

Cisco Connected Workplace is a flexible work environment designed to support employee mobility and improve collaboration by providing a variety of workplace settings and enhanced technology tools. The initiative takes advantage of the fact that workplaces today are vacant up to 60 percent of the time because people are working away from their desks, collaborating formally and informally in person, and using rich remote technologies such as Cisco WebEx and Cisco TelePresence.

Cisco Connected Workplace case studies show reduced costs associated with real estate, furniture, workplace services, and IT infrastructure. Such environments typically support 30 percent more employees than a traditional layout, thereby substantially reducing footprint demands and associated costs.

Utility/Smart Grid

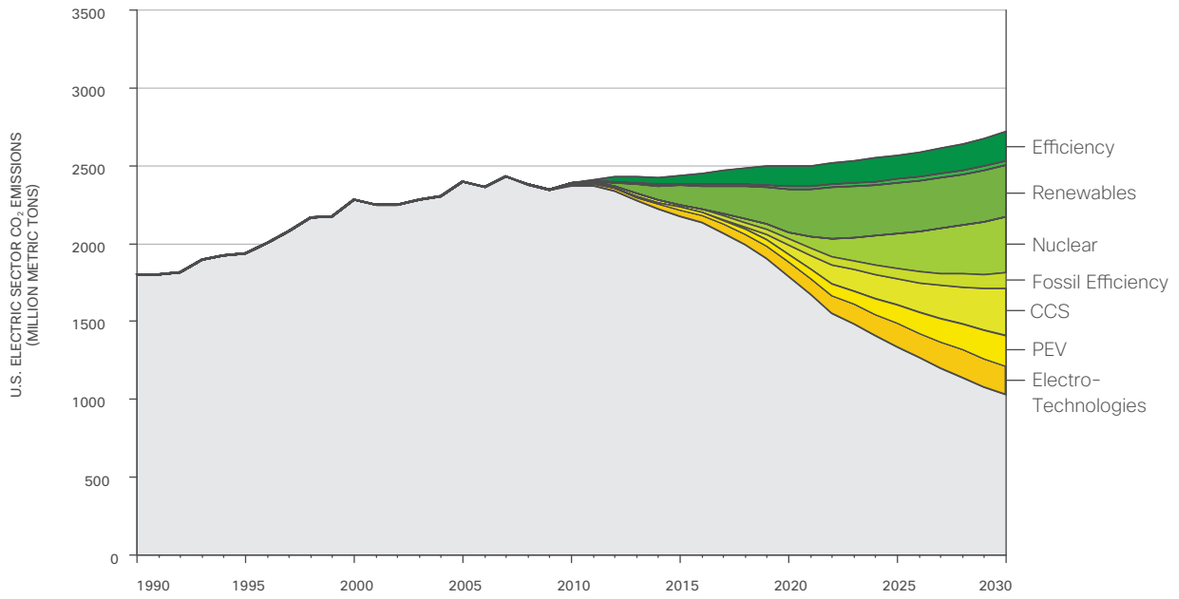
Energy-related carbon dioxide emissions from the generation of electricity are about 40 percent of total energy-related GHG emissions. That is, industrial processes, buildings, and some transportation are powered directly by electricity and total about 40 percent of all energy-related emissions. Therefore, efficiency improvements in delivering electricity have significant potential to reduce GHG emissions.

In the electricity industry, the pace of change and opportunity for disruption is accelerating. Thirty years of energy policy and industry structural changes are combining with accelerated social and technological evolution. This is creating significant pressure for fundamental changes in the design, operation, structure, and regulation of the electric industry. Strategies to aid these changes require alignment among policy, economics, and technology in what Cisco calls Gridonomics.

Improved network infrastructure will help utility companies optimize power supply and demand by routing power more efficiently and by allowing demand-side management and two-way, real-time information exchange with customers. This information is critical for implementing dispersed renewable generation and adding plug-in hybrid and electric vehicles to the utility grid. An Electric Power Research Institute (EPRI) report projects the role of both technologies in the low-carbon electricity mix through 2030, as shown in Figure 8.

Figure 8: Contribution of Renewables and Plug-in Electric Vehicle (PEV) to Projected Future Energy Supply

Low-carbon generation enables electrification and CO_2 reductions in other sectors of economy



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Renewables and plug-in electric vehicles (PEVs) are seen to constitute a significant part of the projected generation mix in 2030, but only if enabled by smart grid technologies.

Combined with smart meters and time-of-day pricing, customers will see how power is being used to influence behavior to reduce energy consumption or shift demand in time to permit use of lower-carbon sources of electricity. Pilot projects, including a 2010 report sponsored by the U.S. Department of Energy Pacific Northwest Laboratory, have shown a 10 to 15 percent reduction in household energy use with smart grid technologies. Cisco is partnering with General Electric, Florida Power & Light, and Silver Spring Networks on Energy Smart Miami, a pilot for a comprehensive smart grid deployment. Cisco is participating in the Pecan Street Project to make the city of Austin, Texas, a test bed for clean energy and smart grid goals. Cisco is also a member of the GridWise Alliance, advocating for the adoption of smart grid technologies.

Integrated Solutions

Smart+Connected Communities

Cities currently account for a significant percentage of the world's GHG emissions. Cisco has launched the Smart+Connected Communities initiative globally to take advantage of the leadership, ideas, and solutions incubated by the Connected Urban Development program and to promote economic, social, and environmental sustainability to our customers around the world. Cisco's Smart+Connected Communities is a global initiative that uses the network as the platform to transform physical communities into connected communities that are run on networked information. The initiative is leveraging the network to deliver integrated offerings across real estate, transportation, safety and security, utilities, health, education, and government to improve community management, economic growth, citizen quality of life, and sustainable development.

A range of additional material is available on our Internet Business Solutions Group website concerning the role of the network in creating sustainable cities. A Forbes article provides an overview of the potential impact of IT on city development and living.

Planetary Skin

Two powerful trends are reshaping the world. The first trend is resource scarcity, which is the result of an explosive growth in demand for resources (water, energy, food, fiber, minerals) as growing populations with rising incomes push against increasing constraints on the supply of these resources due to environmental degradation, land use change, increasing variability of weather conditions and resource productivity, and the threat of catastrophic climate change. Further complicating this trend are the complex trade-offs in and between the different resource classes embedded in the land-water-energy-food-climate nexus. The second trend is data abundance, which is created by an increase in low-cost sensor networks and network-enabled data collection systems, the explosion of social media data, and data mining capabilities. Planetary Skin Institute (PSI) aims to address the challenge posed by the first trend with the opportunity presented by the second.

PSI is a global nonprofit research and development organization, initially incubated by Cisco and NASA, that aims to improve the lives of millions of people around the world by developing risk- and resource-management decision services. PSI collaborates with research and development partners to incubate replicable and scalable innovations that can significantly increase the resilience of communities; increase food, water, and energy security; and protect key ecosystems and biodiversity.

PSI aims to support the efforts of communities, governments, businesses, think tanks, international funding organizations, academic institutions, and other stakeholders by creating open-platform capabilities and tools that meaningfully advance the world's resource- and risk-management capabilities. PSI is committed to the development of global public goods that address the resource scarcity challenge, reduce the complexity of the water-food-energy-land nexus, and address the increasing impact of weather extremes. See more details on the Planetary Skin Institute website.

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Water Use

GRI EN8: Total water withdrawal by source.

GRI EN9: Water sources significantly affected by withdrawal of water.

Because our headquarters are located in California, where water rights and usage are a significant issue, Cisco has always been conscious of water use in our operations. Since FY07, Cisco has been collecting water data for our major campus locations. Using the World Business Council for Sustainable Development water tool, we believe that three of these sites are located in water-scarce areas and that two sites are in water-stressed areas. Key objectives of Cisco's water management program are to:

- Identify and respond to site-level water conservation opportunities for our operations
- Work with partners such as local governments, water utilities, and owners of our leased buildings to pursue and replicate best practices in our operations and beyond

Cisco's primary water impacts come from office building potable water and sanitation, landscaping, and cooling towers. In FY12, we have continued measuring our water use so we can better understand the impact of our programs, and we integrated a new Sustainability Information System (SIS) that has greatly improved our ability to track water consumption data for the majority of our real estate operations. Given the size and geographic dispersion of our operations, this has been a challenging task, as many of the locations where Cisco shares a building with other tenants do not have water sub-meters installed. In FY12, we were able to increase the collection of water data to 71 percent of our total real estate portfolio by area, as shown in Table 16.

We are minimizing our water impacts through innovative strategies for reduction and reuse. Although our efforts to date have recognized the importance of a locally relevant approach to water management, we are now acting to institutionalize water management systems. Wherever appropriate, Cisco reduces water consumption within the operation of its buildings and uses reclaimed water for landscaping and similar applications. Over the years, we have been able to make many changes to our landscaping practices while creating attractive and inviting landscapes for our customers, employees, and our surrounding communities.

Throughout our campus locations in FY12, we have continued to support and maintain a number of water conservation initiatives that were started as early as FY08, including:

- Utilizing irrigation controllers throughout the San Jose main campus
- Using recycled water for irrigation and fountain displays
- Installing variable-frequency drives in our cooling towers
- Installing two-way valves for toilets, sink aerators, low-flow shower heads, and pre-rinse spray valves for kitchen sinks
- Converting decorative fountains into landscaped beds planted with native drought-resistant plants
- Replacing turf with planter beds that require little water, and installing drip irrigation lines to improve irrigation efficiency
- Utilizing a water harvesting system at our Bangalore, India, campus to capture rainwater for filtering and use

We mitigate our impacts in water-scarce areas by incorporating resource constraints into our local office building and data center development plans. Cisco seeks to site our operations in areas where we can most successfully serve our customers while minimizing negative environmental impacts.

It is important to note that because the production of electrical power is one of the largest uses of fresh water worldwide, the largest opportunity for Cisco to reduce our impact on water resources is by continuing to make our operations, our suppliers' operations, and our products more energy efficient.

Table 16: Water Use

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Total water use, m^3	1,725,618	1,570,831	1,690,348	1,753,269	1,763,536	1,908,953	Includes irrigation (where used) and potable water
Real estate portfolio covered by water reporting	59%	58%	65%	67%	68%	71%	

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Biodiversity and Land Use

GRI EN11: Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas.

GRI EN12: Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

GRI EN13: Habitats protected or restored.

GRI EN14: Strategies, current actions, and future plans for managing impacts on biodiversity.

GRI EN15: Number of International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

GRI EN25: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

At Cisco, land use for facilities and office-based operations represents our primary impact on biodiversity. Cisco mitigates our impact by reducing the demand for physical office space. Cisco employee telework programs and other support solutions, such as Cisco Connected Workplace, Cisco Virtual Office, and OfficeExtend, are instrumental to our strategy. The flexibility of Cisco Connected Workplace and Cisco collaboration technologies reduces the demand for office space by more efficiently using existing space and enabling employees to work remotely while remaining productive. As mentioned previously, a space using Cisco Connected Workplace could accommodate approximately 30 percent more employees compared to a traditional office layout, substantially reducing office space and land use requirements and the associated impacts on the environment (see Table 17).

Cisco actively evaluates the biodiversity and land-use impacts of potential facility sites through environmental impact assessments required for permitting. In addition, Cisco generates an annual biodiversity summary report that summarizes GRI EN11-15 and EN25 for all existing Cisco owned land and property. For example, in Alviso, California, Cisco has a 20.4-acre parcel of land that is a protected habitat for the burrowing owl (ICUN Redlist Category Least Concern) and a rare plant species (Congdon's Tarplant). Protection activities that Cisco has implemented on this land include the following:

- Developing and implementing a wetland mitigation plan that created 0.77 acres of wetlands in the habitat preserve area and establishing a five-year monitoring program and maintenance program
- Implementing a rare plant species mitigation plan to protect Congdon's Tarplant. This plan requires seed collection and replanting within the habitat preserve area and ongoing maintenance over a five-year period.
- Implementing a burrowing owl mitigation plan that required preconstruction surveys for burrowing owls and the installation of 12 artificial burrows in the habitat preserve area, habitat maintenance measures to encourage owls to relocate to and remain in the preserve area, monitoring during construction activities, and a permanent perimeter fence around the preserve area
- Locating grazing cattle on this habitat preserve area as a method of weed abatement and soil compaction to help facilitate wetlands establishment

Table 17: Biodiversity and Land Use

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Percent of real estate portfolio with biodiversity assessment	not reported	not reported	not reported	65%	63%	61%	Includes International Union for Conservation of Nature (IUCN) Red List and national conservation list species with habitats in areas affected by operations. Owned property.

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Non-GHG Emissions

GRI EN19: Emissions of ozone-depleting substances by weight.

GRI EN20: NOx, SOx, and other significant air emissions by type and weight.

Because most of Cisco's production is outsourced to supply chain partners, our global operations primarily consist of standard office activities and research labs. This limits our non-GHG emissions to volatile organic compounds (VOCs) from occasional use of cleaning products, nitrous oxides (NOx) and sulfur oxides (SOx) from onsite fuel combustion, and the subsequent development of ozone from the photochemical reaction of NOx.

Table 18 summarizes other airborne emissions: VOCs, NOx, SOx, and particulate matter. NOx and SOx emissions originate from the combustion of fossil fuels in vehicle engines, boilers, or emergency generators that are occasionally tested onsite. These emissions are calculated based on fuel consumption collected in the past three fiscal years. As Cisco is working on reducing overall GHG emissions, we expect a proportional reduction of NOx and SOx emissions across our operations.

The actual quantities of VOC-based chemicals are minimal, and therefore monitoring is not required.

At locations across Northern California, Cisco complies with California Air Resources Board requests and does not use any mechanical equipment, such as gasoline-powered lawn mowers, after 11 a.m. on designated Spare the Air days, when air quality is poor in San Francisco Bay Area. In addition, we have instituted Summer Saturday Shift Work, which reduces equipment emissions due to improvements in maintenance staff productivity. Over the course of 32 weeks, we saved 44 hours per week of grounds crew time as a result of increased efficiency.

In accordance with the 1987 Montreal Protocol on Substances That Deplete the Ozone Layer, we have worked with our supply chain partners to phase out ozone-depleting substances (ODS) in their manufacturing processes.

Table 18: Non-GHG Emissions

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Volatile organic compound (VOC) emissions	negligible	negligible	negligible	negligible	negligible	negligible	Because most of Cisco's production is outsourced to supply chain partners, Cisco's global operations primarily consist of offices and research labs, which may require the occasional use of cleaning products containing VOCs. Quantities of VOC-based chemicals are minimal and are not required to be monitored.
NOx, metric tonne	177	167	164	241	339	381	
SOx, metric tonne	0.67	0.71	0.73	0.84	1.05	1.11	
Particulate matter	negligible	negligible	negligible	negligible	negligible	negligible	

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Effluents (Liquid)

GRI EN10: Percentage and total volume of water recycled and reused.

GRI EN21: Total water discharge by quality and destination.

GRI EN23: Total number and volume of significant spills.

We seek to site our operations in areas where we can successfully service our customers while minimizing our negative environmental impacts. Operations siting is an especially important consideration with our data centers. We currently cool most of our data centers by air movement. However, as equipment becomes more compact and consumes more power per unit area, we need to identify more efficient cooling mechanisms, and one of the options we are considering is water-based cooling.

We also work closely with the owners of our leased spaces to incorporate environmentally sound practices into lease agreements. Our green lease terms incorporate LEED criteria, allowing us to negotiate requirements such as water use measures into new leases as well as those up for renewal. Given the nature of office buildings, these changes often benefit all tenants and frequently provide cost savings to the landlord.

Cisco seeks out partners, such as local governments and utilities, that can provide support and share best-practices to help reduce water use (and effluents). We count on these experts and leaders as a resource in our own operational efforts. Cisco participates in the California Environmental Dialogue Longview Committee, a forum for frank and honest discussion about California's long-term strategic environmental, economic, and resource management issues. Table 19 shows Cisco's KPI for liquid effluents.

Waste

Controlled Substances

As a global supplier of electronic equipment to consumers and industry, Cisco is responsible for the management of materials within our products. Global environmental regulations and Cisco's interest in reducing the impact of the materials used in the manufacturing of our products and in our supply chain have helped spur the development of products that use environmentally preferable materials. Cisco has established substance requirements for products in our controlled substances specification. The purpose of this specification is to communicate Cisco's substance use and reporting requirements to suppliers and manufacturers. The specification outlines the restricted substances, exemptions to these restrictions, substances to be reported and phased out, and substances to be watched for potential inclusion on the restricted substances list. These include controlled substances associated with applicable global regulations such as Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). For additional information on RoHS and REACH, please refer to our product stewardship web page.

In addition, for up-to-date, product-level, RoHS declarations please use our self-service Product Approvals Status (PAS) tool. Cisco Connection Online registration is required.

Two examples of substances outside the current scope of global regulatory requirements that Cisco monitors for reduction and substitution in the manufacturing of its electronics are brominated flame retardants (BFRs) and polyvinyl chloride (PVC).

Cisco has been working with our research and development teams, manufacturing partners, industry standards technical committees, and academia to validate proposed alternatives for BFRs and PVC in our products. We have continued to identify, confirm, and endorse alternatives for plastics containing BFR and PVC that are used in our products. Over the last 2 to 3 years, we have performed material assessments, surveyed suppliers, and identified the areas within our business where we could have the greatest influence and success transitioning to BFR- and PVC-free materials. This issue is most relevant to Cisco as it relates to printed circuit boards, Cisco-designed plastic parts, and cables. Findings from these efforts for each area are described in the following sections.

Table 19: Effluent Spills and Discharges

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Spills and discharges	none	none	none	none	none	none	In FY12, there were no reportable spills or discharges to the environment from Cisco facilities or operations worldwide.

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BFRs in Printed Circuit Boards (PCBs)

In 2011, Cisco performed its own reliability and signal integrity testing of new laminate alternatives by way of new material qualification processes. As a result, Cisco qualified new PCB laminate materials that do not have halogenated flame retardants for use in new products in the high-end switching and routing spaces. In 2012, Cisco continued to qualify more halogen-free PCB laminate materials and has increased the use of these materials on many new products. Cisco will continue to research new laminate materials as they become available and will continue to apply them to new products where performance requirements can be met.

Cisco supports the International Electronics Manufacturers Initiative's (iNEMI) industry efforts focused on BFR reduction. Cisco is an active member of the HFR-Free PCB Materials Project (HFR stands for halogenated flame retardant; bromine is a halogen), which was chartered to study whether alternative materials meet performance requirements concerning delamination, plated through-hole reliability, pad cratering, and solder joint reliability. We also are actively participating in the HFR-Free Signal Integrity Initiative to similarly evaluate material options. Cisco co-chairs the HFR-Free Signal Integrity Project, which focuses on the critical electrical parameters of the alternative laminates.

BFRs and PVC in Cisco-Designed Plastic Parts

Cisco is monitoring the plastic resins used in Cisco-designed plastics. In FY12, we continued to gather information on the presence of BFRs and PVC in Cisco-designed plastic parts provided to or manufactured for Cisco. Our research found that over 75 percent of resin compounds (by part volume) used in Cisco products use resins that are BFR- and PVC-free. Those Cisco-designed components that do contain BFR or PVC are generally small in mass (less than 25 grams) and are used in products with relatively low sales volumes. Cisco will continue to research and propose BFR- and PVC-free alternatives in our products and as part of the design-for-environment guidelines; the use of BFR- and PVC-free alternative materials in plastics is recommended for all new designs.

PVC in Cables

Cisco is helping to lead reductions in cable PVC content through the iNEMI PVC Alternatives Project, which is focused on conducting cradle-to-grave life-cycle assessment of PVC and non-PVC jacketing in cables to better understand the environmental trade-offs of standard, non-halogen, and bio-based cable jacketing. Cisco also is monitoring the industry for PVC-free cabling materials and has invited cable manufacturers and resin suppliers to present on industry updates and challenges. Cisco will continue its efforts to identify, test, and implement PVC-free cabling as opportunities arise.

Cisco is an active member of the High-Density Packaging Users Group (HDPUG) BFR/PVC-Free Cables and Wires Project, which is comparing the electrical, mechanical, performance, and manufacturability requirements of alternative materials with existing options; designing and manufacturing test samples; and conducting performance evaluations.

Cisco has recently qualified several BFR-free laminates that can now be used in place of materials containing BFRs. The cost, design flexibility, and performance of these qualified BFR-free laminates makes them attractive for a growing percentage of Cisco products, and we are actively encouraging our business units and suppliers to select BFR-free laminates for new designs. Thus, we expect to see increasing use of these BFR-free materials.

Separate from the efforts just mentioned, lead-based solder has been a key component of circuit boards and other electronic parts. Although lead solder is currently exempt from the RoHS Directive for networking infrastructure equipment, product conversion and testing efforts have allowed Cisco to make significant progress toward removing lead assembly solder from Cisco products. For the transition, we have developed a lead-free solder specification for components, interconnects, and printed circuit board reliability. We have also implemented lead-free data management systems, assessed supplier capabilities, tested the reliability of alternative substances, and developed a product conversion roadmap. In the interests of protecting product quality, we are working with global industry associations to develop highly reliable lead-free solder.

Product Take-Back, Reuse, and Recycling

GRI EN27: Percentage of products sold and their packaging materials that are reclaimed by category.

Our trade-in and take-back programs are designed to bring back to Cisco any item that Cisco or our acquired companies has put on the market. Cisco recycles 100 percent of the electronics sent to our e-scrap recyclers. All commodity fractions go to downstream recyclers to be made into new products. Table 20 contains Cisco's reduce, reuse, and recycle KPIs.

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Table 20: Product Trade-in and Return

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Product return, metric tonne	*	10,030	10,730	8,580	11,595	13,324	*Before FY08, Cisco reported weight of material sent to Cisco's recyclers. Using process improvements started in FY08, we are now reporting weight of material received from end users, which is the metric of primary concern to stakeholders.
Refurbish, resell, and reuse rate, percent	–	–	–	–	17%	25%	Data unavailable prior to FY11
Returned material sent to landfill	*	0.46%	0.44%	0.33%	0.89%	0.43%	*See comment above. Landfilled material consists only of non-electronic waste materials, such as broken pallets, wet cardboard, and shrink wrap, accompanying Cisco product returned by customers for recycling.

During FY12, Cisco's Reverse Logistics Group refurbished, resold, or reused over 3328 metric tonne of products returned to Cisco, a 25 percent reuse rate. This represents a 45 percent increase from our FY11 reuse rate.

Information regarding all Cisco e-scrap recycling and our recycling programs is provided in the following description and supplemented by our reverse logistics recycling web portal.[1]

Cisco has nine different reverse-logistics recycling programs to support our independent producer responsibility efforts. These fall into three categories, as shown in Table 21.

Table 21: Cisco Take-Back, Reuse, and Recycling Programs

Category	Material Stream
Customer programs	· Cisco Technical Migration Program (TMP) · Exceptional Pick-Up Program (EPUP) · Take-Back and Recycle Program
Programs for companies producing or repairing Cisco products	· Scrap/Reuse Program · Global Scrap Program
Internal programs for Cisco	· eBin/Lab Scrap Program · Cisco Data Center Server Recycling Program · Non-Genuine Brand Program · E-scrap events

1. Cisco Connection Online registration required.

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A flow diagram of these reverse-logistics material streams is shown in Figure 9. Note that the Cisco Technical Migration Program and the Exceptional Pick-Up Program are combined in one box in the upper left of this figure.

Each program or process is formally documented and is part of the contracting process with each of our contracted recyclers.

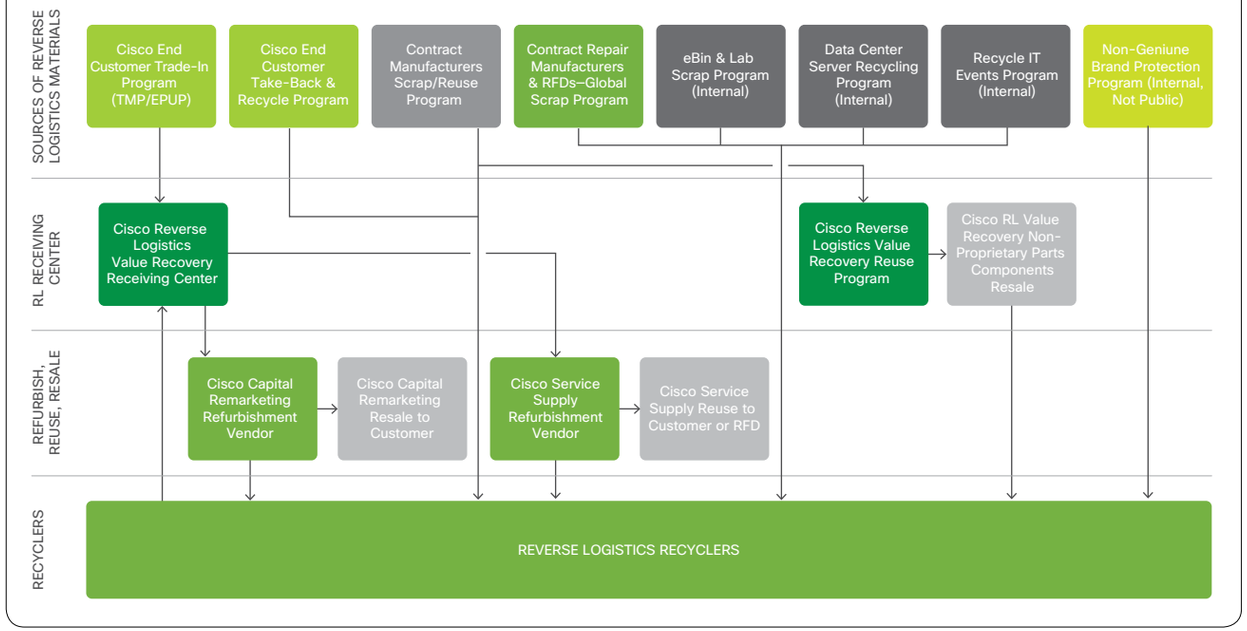
Cisco has trade-in programs for customers who are purchasing new equipment and have qualifying equipment to upgrade. Eligible customers receive an additional discount for returning working used equipment to Cisco for possible reuse. These programs are the single largest flow of materials back to Cisco's reverse-logistics programs. And the trade-in programs provide the newest and best-quality used equipment with the highest potential for refurbishment and reuse.

Engaging with our reuse/recycling programs is easy and straightforward. Customers go to the web portal, select the program that applies to them, and submit a pick-up request form. Cisco then contacts the customer to arrange the pick-up and work out the logistics for returning the materials to the appropriate location. The trade-in items are routed to a returns receiving center for analysis of each item to evaluate its reuse or refurbishment potential, and take-back and recycled material is routed directly to a recycler.

Customer Programs

Our two customer trade-in programs are the Cisco Technical Migration and the Exceptional Pick-Up Program. All trade-in materials are routed to a receiving center where each item is analyzed for possible reuse. If there is demand for the specific product being received, it is refurbished before being sent for reuse to Cisco Capital Remarketing, Cisco Service Supply, or an internal Cisco lab.

Figure 9: Reverse-Logistics Material Sources and Flow of Materials for Reuse and Recycling



Reuse is always the first priority. In FY12, Cisco reused over US$286 million of Cisco equipment, calculated at standard cost. This amount has been above US$200 million for each of the last three fiscal years. If an item does not qualify to be reused, it goes to one of our authorized recyclers.

The Take-Back and Recycle program is focused on Cisco branded items that do not qualify for either of our two trade-in programs. This program also accepts competitor equipment that has been displaced in the customer's network by newly purchased Cisco items. Take-back and recycle equipment is typically old and has no reuse value, or it is damaged. These materials go to the closest Cisco-approved recycling site. Currently, there are 29 recycling locations around the world, as shown in the map.

The number and location of Cisco authorized recyclers continue to expand based on the growth in our business and the requirements of local regulations.

Programs for Companies Producing or Repairing Cisco Products

The Cisco manufacturing Scrap/Reuse Program takes all excess, obsolete, or damaged materials from our contract manufacturers, MPAs, OEMs, ODMs, and proprietary component suppliers. First, each load is reviewed by the Cisco Value Recovery group for possible reuse or resale. If Value Recovery determines it is not economically viable to reuse or resell the materials, the materials go to Cisco-approved e-scrap recyclers.

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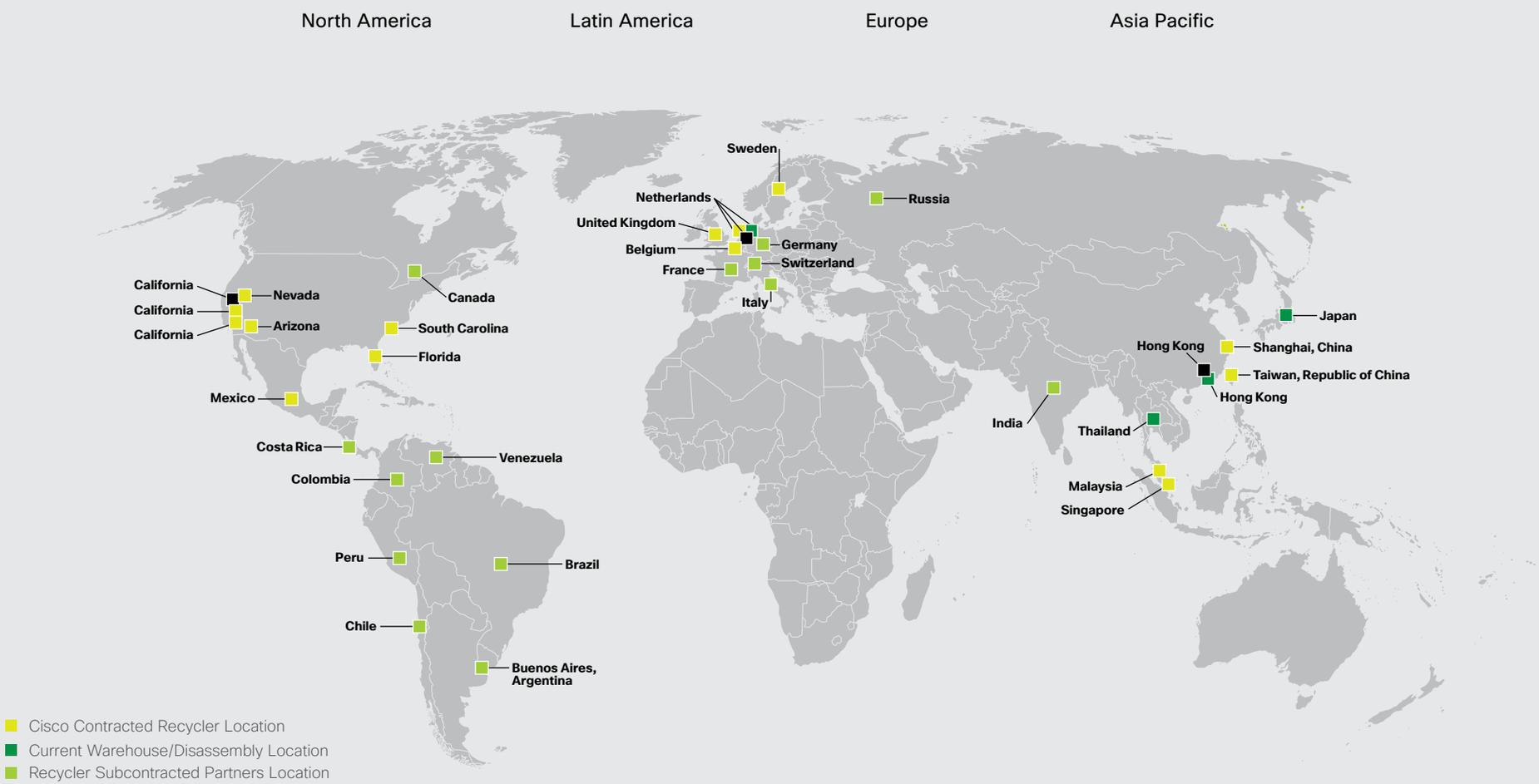
Cisco's contracted repair manufacturers and distribution depots use the Global Scrap program for their excess, obsolete, or damaged materials. Again, the Cisco Value Recovery team reviews all items and retains any for which they have customers, sending the remainder to our approved recyclers.

Internal Programs for Cisco

The largest of Cisco's internal programs is the eBin/Lab Scrap Program. The eBin program began at our San Jose campus, where 185 labs produce a large amount of e-scrap, and now includes all Cisco labs and offices worldwide. The eBins are green plastic rolling bins where materials are collected for recycling. Smaller labs may have only one eBin, and large labs may have more than a dozen. Each bin has an owner, and when the bin is full, the owner visits our recycling web portal and fills out a pick-up request. The recycler responds to arrange the date and time of pick up and to deliver empty eBins.

Cisco Reverse Logistics Global Supply Base Locations

Mouse over 4 region names below for enlarged views



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The Cisco Data Center Server Recycling Program serves data centers in 12 countries. When a data center no longer needs a server, it is offered to other Cisco data centers for possible reuse. When one of these servers reaches the end of its useful life, it is recycled, with all parts being shredded. Because these servers have sensitive data residing in their memory, they are not reused.

The Non-Genuine Materials Program handles items that we occasionally receive in service returns which are non-genuine Cisco products. Non-genuine items also come to Cisco through law enforcement actions that seize fake Cisco equipment. When non-genuine equipment is found, we use a special witnessed protocol whereby the collected materials are properly destroyed.

We hold annual e-scrap events called Recycle IT Days for our employees. Cisco employees and contractors can bring in their e-scrap from home and have Cisco pay to have the materials recycled properly. Any Cisco office location can host a recycling day event. In April 2012, we held our 17th e-scrap event, with 128 Cisco sites around the world participating and over 193 metric tonne of used electronics collected. Since Cisco started holding e-scrap events, our employees and contractors have helped recycle over 1810 metric tonne of used electronics.

E-Scrap Recyclers

Cisco currently has four contracted e-scrap recyclers. Each recycler has several company-owned facilities. Each recycler also has several subcontracted recyclers to assure global recycling coverage. Cisco contracts require the recycler to enforce our strict recycling processes upon subcontractors doing Cisco work. Cisco must approve of each prospective recycling company and each recycling location prior to sending any Cisco equipment for processing.

Each contracted recycler provides us with monthly reports delineating all cases opened and processed on a lot by lot basis. When each lot is processed, the report includes a mass balance showing the weight as received and the weights of each fractional commodity separated from the lot.

Cisco holds quarterly business reviews with each of the four contracted recyclers to review the past quarter's results and to go over all action items that were to be worked during the quarter and the focus areas for the next quarter. Cisco also does random spot site audits of the recycling facilities.

E-Scrap Recycling Process

Each load of e-scrap is weighed in on calibrated scales upon arrival. Next, each unit is demanufactured, and a high-level sort into "commodity fractions" separates the steel, aluminum, cardboard, plastic, wire/cable, and printed circuit boards. Certain fractions may then be shredded. Some Cisco printed circuit boards contain a rechargeable battery that is removed prior to shredding. After the shredding, an additional hand sorting is done to pull off any loose pieces of the commodity fractions. All fractions are sent to downstream or second-level recyclers to be made into new products again. Shredded printed circuit boards go to a secondary smelter where as many as 19 metals are harvested from the boards. These harvested metals re-enter the metals markets to make new products. Any batteries or packaging materials sent to recycling facilities are also sent to downstream recyclers.

Product Packaging End of Life

The environmental impact, including transportation and emissions, from a packaging take-back program outweighs the potential benefits when compared with using the local recycling stream. This is primarily because packaging material logistics are significant, and thus packaging creation is local to the point of shipment. Therefore, Cisco takes the approach to design our packaging to be easily separable and as recyclable as possible so it can be easily absorbed into local packaging material recycling programs.

Solid Waste from Operations (Trash)

GRI EN22: Total weight of waste by type and disposal method.

GRI EN24: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

Cisco's Waste Reduction and Recycling Program is a key component of Cisco ISO 14001 certification and our global environmental policy. We routinely collect and recycle waste streams, including batteries, CDs and diskettes, beverage containers, trash, wood and pallets, cardboard, mixed paper, confidential waste, packaging materials, toner cartridges, compost, polyurethane foam, landscape waste, mobile phones, food waste, and construction waste. Electronic waste collection programs are described in the previous section.

Table 22 shows our solid waste KPIs. Note that operational waste recycling performance depends on both Cisco performance and the availability of supporting services by local waste hauling and disposal vendors. In FY12, Cisco continued implementation of a global, enterprise sustainability information system (SIS) to improve completeness and quality of sustainability-related data, as well as calculated metrics and public reporting.

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We encourage all Cisco facilities to take steps to reduce their operational waste and recycle any materials that can be recycled in each location. For example, initiatives at our San Jose headquarters are leading the way by diverting 78 percent of all waste streams in FY12.

A breakdown of our waste stream for our San Jose site is provided in Figure 11 as an illustration of our key sources of operational waste, the complexity of proper waste stream segregation, and the need for local recycling services.

In addition to specific initiatives at individual facilities, Cisco has implemented programs at multiple sites that address the following kinds of waste streams:

Food waste: In addition to lessening the impacts of our office environments, we strive to reduce the environmental impacts of our cafeterias. Cisco partners with Bon Appétit Management Company, a leader in sustainable food service, to provide Cisco employees in North America with healthy, sustainable, and socially responsible food options. Our sustainable food purchasing initiatives date back to 1999 with the establishment of Bon Appétit's Farm to Fork program, an initiative to purchase food locally. This program promotes local farming and supports sustainable farming and harvesting techniques.

Figure 10: Recycling Rates for Solid Waste from Major North American Operations (Trash)

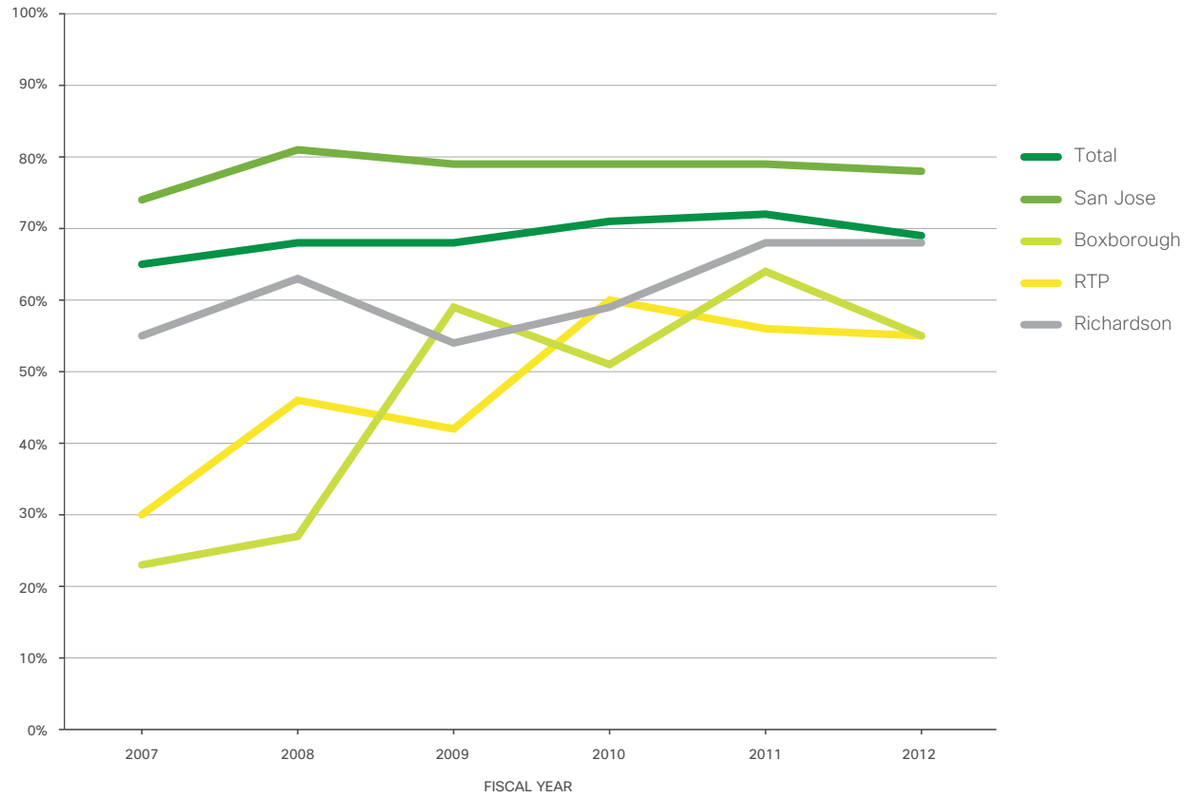

Table 22: Solid Waste from Operations (Trash)

KPI	FY07	FY08	FY09	FY10	FY11	FY12	Comments
Total operational waste generated, metric tonne	7156	7409	6246	4845	4643	4524	
Percent real estate portfolio covered by waste reporting	53%	53%	48%	46%	51%	58%	Includes all U.S. and Canada Cisco campuses.
Total operational waste recycled, metric tonne	4633	5023	4250	3443	3345	3119	
Operational waste recycled, percent	65%	68%	68%	71%	72%	69%	Cisco added a new site with lower diversion rates to its recycling portfolio, reducing the corporate average.

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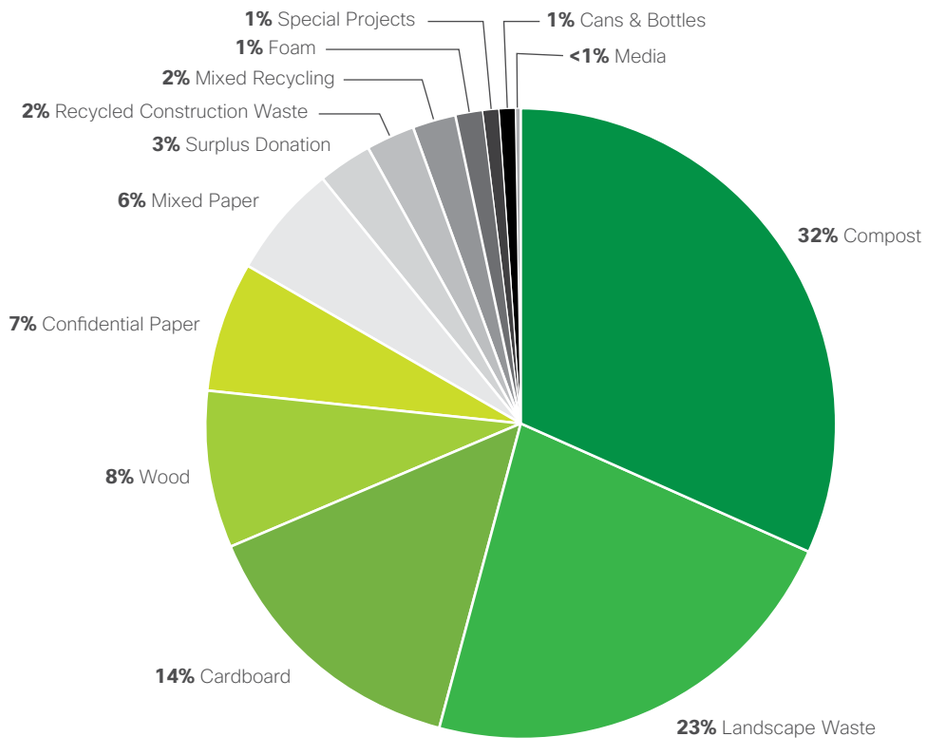
Figure 11: Breakdown of Solid-Waste Streams (Trash) at San Jose, California, Headquarters Campus



Composting: Cisco campuses in San Jose, California, and other North American locations host programs for composting and recycling food wastes where municipal facilities are available to process these materials. During FY12, the food waste separation program at Cisco's San Jose campus diverted more than 713 metric tonne of food waste that otherwise would have been sent to local landfills. The waste was then turned into compost and made available by the municipality for purchase by gardeners. In addition, Cisco's facilities in San Jose and Research Triangle Park, North Carolina, recycle waste vegetable oil. This vegetable oil is converted into biodiesel fuel used to power traditional diesel vehicles.

Bottled water: In FY08, Cisco's North American offices disposed of 13.7 million plastic water bottles. In FY09, we ran a pilot water filtration program in Boxborough, Massachusetts, and several San Jose campus buildings that reduced our plastic water bottle consumption level to 11.6 million units. After fully implementing the water filtration program and a new beverage vending program throughout North America, the total plastic beverage units consumed at Cisco's facilities was substantially reduced. Through FY12, both of these programs are still in place at Cisco facilities, and as a result, each year we prevent millions of plastic bottles from entering landfills globally.

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Global Reporting Initiative Index

The Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines are a set of internationally recognized indicators covering a company's social, economic, and environmental impacts.

The table in this section covers the GRI G3.1 indicators found in our 2012 Corporate Social Responsibility Report, 2012 Annual Report, and company website. It includes all of the G3.1 core indicators, including those that we do not report against. We have only included additional indicators if we report against them.

Based on an internal review, Cisco determines this to be a B level report against the GRI G3.1 guidelines.

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GRI G3.1 Guideline		Location
Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	CEO Letter
1.2	Description of key impacts, risks, and opportunities	Introduction/Materiality, Governance & Ethics
Profile		
2.1	Name of reporting organization	Cisco Systems, Inc.
2.2	Primary brands, products, and/or services	Products & Services
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Corporate Overview
2.4	Location of organization's headquarters	Worldwide Contacts
2.5	Number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Worldwide Contacts
2.6	Nature of ownership and legal form	Restated Articles of Incorporation of Cisco Systems, Inc.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Worldwide Contacts, FY12 Annual Report, Cisco Overview
2.8	Scale of the reporting organization including: • Number of employees • Net sales • Total capitalization broken down in terms of debt and equity • Quantity of products or services provided	Cisco Overview, FY12 Annual Report
2.9	Significant changes during the reporting period regarding size, structure, or ownership, including: • Location of, or changes in, operations, including facility operations, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations	Corporate Development, Cisco FY12 Earnings, FY12 Annual Report
2.10	Awards received in the reporting period	CSR Awards and Recognition, Diversity Awards Archive
Report Parameters		
3.1	Reporting period for information provided	Introduction/About This Report
3.2	Date of most recent previous report	2011 CSR Report
3.3	Reporting cycle	Cisco FY12
3.4	Contact point for questions regarding the report or its contents	csr_report@cisco.com

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Report Scope and Boundary		
3.5	Process for defining report content, including: • Determining materiality • Prioritizing topics within the report • Identifying stakeholders the organization expects to use the report	Introduction/Material Issues, Governance & Ethics/CSR Management
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Introduction/About This Report
3.7	State any specific limitations on the scope or boundary of the report	Only as noted in report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Cisco reports on all operations Introduction to Acquisitions
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Introduction, Environment
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	Environment/Energy and GHG Emissions
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Introduction, Environment/Energy and GHG Emissions
GRI Content Index		
3.12	Table identifying the location of the Standard disclosures in the report	This table
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also, explain the relationship between the reporting organization and the assurance provider.	Introduction/Assurance We continue to explore the viability of external assurance for the entire CSR report.
Governance, Commitments, and Engagement		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks such as setting strategy or organizational oversight	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, state his or her function within the organization's management and the reasons for this arrangement)	Corporate Governance
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance
4.4	Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body	Governance & Ethics/CSR Management, Our People/Working Together, Share Your Concerns
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organization's performance (including social and environmental performance)	Compensation and Management Development Committee Charter

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4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided	Corporate Governance
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	Corporate Governance
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance, and the status of their implementation	Governance & Ethics/Ethics, Code of Business Conduct, Supplier Code of Conduct
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Governance & Ethics, Corporate Governance, Code of Business Conduct, Supply Chain
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Corporate Governance
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Governance & Ethics/Governance, Environment/The Enabling Effect
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance & Ethics/CSR Management
4.13	Members in associations and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	Environment/Advocacy and Standards Development, Society, Governance & Ethics/CSR Management, Governance & Ethics/Privacy and Data Protection, Supply Chain/Working with Industry Groups
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization	Governance & Ethics/CSR Management
4.15	Basis for identification and selection of stakeholders with whom to engage	Governance & Ethics/CSR Management
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance & Ethics/CSR Management
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Governance & Ethics/CSR Management, Introduction/Material Issues

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Performance: Economic		
	Disclosure on management approach	Governance & Ethics, Society, FY12 Annual Report/Letter to Shareholders
Economic Performance Indicators		
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	FY12 Annual Report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Environment/The Enabling Effect
EC3	Coverage of the organization's defined benefit plan obligations	FY12 Annual Report
EC4	Significant financial assistance received from government	Cisco does not receive financial government support
Aspect: Market Presence		
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation	We provide competitive levels of compensation above local minimum wage requirements
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Not material: nearly 100% of our manufacturing is outsourced
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Not material: nearly 100% of our manufacturing is outsourced
Aspect: Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Society/Overview, Society/Education, Society/Healthcare, Society/Economic Empowerment, Society/Critical Human Needs and Disaster Relief
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Society/Overview, Society/Education, Society/Healthcare, Society/Economic Empowerment, Society/Critical Human Needs and Disaster Relief

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	Disclosure on management approach	Environment/Principles
Environmental Performance Indicators		
Aspect: Materials		
EN1	Materials used by weight or volume	Environment/Materials
EN2	Percentage of materials used that are recycled input materials	Environment/Materials/Recycled Content
Aspect: Energy		
EN3	Direct energy consumption by primary energy source	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN4	Indirect energy consumption by primary source	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN5	Energy saved due to conservation and efficiency improvements	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Environment/Energy and GHG Emissions/Scope 3 Product Use Phase (Energy Efficiency)
EN7	Initiatives to reduce indirect energy consumption, and reductions achieved	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
Aspect: Water		
EN8	Total water withdrawal by source	Environment/Water Use
EN9	Water sources significantly affected by withdrawal of water	Environment/Water Use
EN10	Percentage and total volume of water recycled and reused	Environment/Effluents (Liquid)
Aspect: Biodiversity		
EN11	Location and size of land owned, leased, or managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas	Environment/Biodiversity and Land Use
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environment/Biodiversity and Land Use
EN13	Habitats protected or restored	Environment/Biodiversity and Land Use
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Environment/Biodiversity and Land Use
EN15	Number of IUCN Red List Species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Environment/Biodiversity and Land Use

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GRI G3.1 Guideline (continued)		**Location**
Aspect: Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions, by weight	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN17	Other relevant indirect greenhouse gas emissions, by weight	Environment/Energy and GHG Emissions/Operations Scope 3
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
EN19	Emissions of ozone-depleting substances, by weight	Environment/Non-GHG Emissions
EN20	NO_x, SO_x, and other significant air emissions, by type and weight	Environment/Non-GHG Emissions
EN21	Total water discharged, by quality and destination	Environment/Effluents (Liquid)
EN22	Total weight of waste, by type and disposal method	Environment/Waste/Solid Waste from Operations (Trash)
EN23	Total number and volume of significant spills	Environment/Effluents (Liquid), Environment/Waste/Solid Waste from Operations (Trash)
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Environment/Waste/Solid Waste from Operations (Trash)
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Environment/Biodiversity and Land Use
Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environment/Energy and GHG Emissions/Scope 3 Product Use Phase (Energy Efficiency)
EN27	Percentage of products sold and their packaging materials that are reclaimed, by category	Environment/Waste/Product Take-Back, Reuse and Recycling
Aspect: Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Environment/Materials/Regulatory Fines
Aspect: Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and of transporting members of the workforce	Environment/Energy and GHG Emissions/Operations Scope 3/Scope 3 Business Air Travel
Aspect: Overall		
EN30	Total environmental protection expenditures and investments by type	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations

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GRI G3.1 Guideline (continued)		**Location**
Performance: Labor Practices and Decent Work		
	Disclosure on management approach	Our People/Working Together, Our People/A Safe and Healthy Work Environment, Our People/An Open and Diverse Culture, Our People/Employee Opportunities, Our People/Rewarding Our People
Labor Practices and Decent Work Performance Indicators		
Aspect: Employment		
LA1	Total workforce, by employment type, employment contract, and region	Our People
LA2	Total number and rate of employee turnover, by age group, gender, and region	Our People/An Open and Diverse Culture
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Our People/Rewarding Our People
Aspect: Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	Zero
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	We meet all applicable laws, regulations, and standards where we do business
Aspect: Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Not reported
LA7	Rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities, by region	Our People/A Safe and Healthy Work Environment
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Our People/A Safe and Healthy Work Environment, Our People/ Rewarding Our People/ Cisco Employee Benefits
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported
Aspect: Training and Education		
LA10	Average hours of training per year per employee, by employee category	Our People/Employee Opportunities
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Our People/Employee Opportunities
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Our People/Employee Opportunities
Aspect: Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Our People/An Open and Diverse Culture
LA14	Ratio of basic salary of men to women, by employee category	Not reported

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GRI G3.1 Guideline (continued)		**Location**
Performance: Human Rights		
	Disclosure on management approach	Governance & Ethics/Ethics, Governance & Ethics/Human Rights, Supply Chain
Human Rights Indicators		
Aspect: Investment and Procurement Activities		
HR1	Percentage and total number of significant investment agreements that include human rights, clauses or that have undergone human rights screening	Not reported
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Governance & Ethics/Ethics, Supply Chain
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees that are trained	Governance & Ethics/Ethics
Aspect: Nondiscrimination		
HR4	Total number of incidents of discrimination, and actions taken	Not reported
Aspect: Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Supplier Code of Conduct, Supply Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Child Labor		
HR6	Operations identified as having a significant risk for incidents of child labor, and measures taken to contribute to the elimination of forced or compulsory labor	Supplier Code of Conduct, Supply Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Supplier Code of Conduct, Supply Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Not material: Nearly 100% of our manufacturing is outsourced
Aspect: Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people, and actions taken	Not material: Cisco's operations do not uniquely impact indigenous people

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GRI G3.1 Guideline (continued)		**Location**
Aspect: Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not material: Nearly 100% of our manufacturing is outsourced
Aspect: Remediation		
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	Not reported
Performance: Society		
	Disclosure on management approach	Society
Society Performance Indicators		
Aspect: Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Governance & Ethics/CSR Management, Society, Society/Employee Engagement
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	Governance & Ethics/Ethics/Code of Business Conduct
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Governance & Ethics/Ethics/Code of Business Conduct
SO4	Actions taken in response to incidents of corruption	Governance & Ethics/Ethics/Code of Business Conduct, Governance & Ethics/Ethics
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying	Global Policy and Government Affairs (GPGA), Governance & Ethics/Public Policy
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions, by country	Governance & Ethics/Public Policy
Aspect: Anti-Competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices, and their outcomes	FY12 Annual Report, Notes to Consolidated Financial Statements, Legal Proceedings
Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	FY12 Annual Report, Notes to Consolidated Financial Statements, Legal Proceedings
SO9	Operations with significant potential or actual negative impacts on local communities	Zero
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Not material: Cisco does not have operations with significant potential or actual negative impacts on local communities

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GRI G3.1 Guideline (continued)		**Location**
Performance: Product Responsibility		
	Disclosure on management approach	Governance & Ethics/Human Rights, Environment/Life-Cycle Assessment, Environment/The Enabling Effect
Product Responsibility Performance Indicators		
Aspect: Customer Health and Safety		
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not reported
PR2	Total number of incidents of non compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes	Zero
Aspect: Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and service subject to such information requirements	Not reported
PR4	Total number of incidents of non compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Zero
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Annual Customer Satisfaction Survey
Aspect: Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Marketing communications are regulated by national and international law and are also subject to voluntary codes. Cisco's marketing communications are also governed by our Code of Business Conduct and by additional guidelines and best practices.
PR7	Total number of incidents of non compliance with regulations and voluntary codes concerning market communications, including advertising, promotion, and sponsorship by type of outcomes	Zero
Aspect: Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Zero, Governance & Ethics/Privacy and Data Protection
Aspect: Compliance		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	FY12 Annual Report, FY12 Cisco Form 10-K

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1. Comparison of SustainAbility Materiality Matrix and Table 1 of Environment Section

Table 1: Materiality Tiers for Cisco Environment-Related Issues

Tier	Environment Topic
1	Product energy efficiency
	Energy consumption (operations)
2	Waste (product EOL)
3	Waste (product packaging EOL)
	Water pollution (liquid effluents)
	Transport emissions (from product logistics)
4	Waste (operational “trash”)
	Controlled substances
	Water use
	Biodiversity and land use
5	Hazardous waste
	Non-GHG airborne emissions

SustainAbility’s assessment of materiality, discussed in the Introduction section and reproduced on this page, was organized around issue categories whose boundaries don’t correlate exactly with GRI performance indicators. Cisco’s materiality ranking, discussed in the Environment section and reproduced on this page, uses GRI performance indicators as part of our standardization of our CSR reporting.

In general, there is general agreement between the two materiality assessments:

- Energy/GHG emissions—related both to operations and our products, product EOL, and packaging are most material in both presentations
- Hazardous waste in the SustainAbility assessment is ranked more highly than Cisco’s original ranking (from 2011 and updated slightly for 2012). We interpret the underlying concern of survey respondents to be the same for hazardous waste and product EOL. However, we place issues controlled by legal requirements in Tier 5 since compliance is a given. Stakeholder feedback has consistently indicated that a company’s commitment to sustainability is measured voluntary action, and not simple legal compliance. We therefore treat issues of legal compliance, such as RoHS, REACH and WEEE, separately to mainstream sustainability initiatives.
- SustainAbility rank land use, biodiversity, and water use lower in relevance to Cisco. These issues are similarly placed in the lower Tier 4 as defined by the GRI performance indicators.

Materiality is the foundation upon which Cisco’s sustainability strategy and initiatives are built.

If you have comments or need further clarification, please send us an email.

SustainAbility Environmental Materiality Assessment

Mouse over circles below for alternative views

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2. Global Supplier Management Letter

February 22nd, 2012

Informational Update from Cisco Global Supplier Management

Dear Valued Supplier Partner,

Cisco is committed to reducing greenhouse gas (GHG) emissions. In 2008, Cisco made a public commitment to reduce Cisco's worldwide Scope 1, 2, and Scope 3 business-air-travel GHG emissions by 25 percent absolute by calendar year 2012 (against a calendar year 2007 baseline). Cisco's stakeholders and customers are concerned about GHG emissions not only from Cisco's products and operations, but also from the operations of our business partners. Therefore, for the third year, we again invite our business partners to report to CDP.

The Carbon Disclosure Project (CDP) formally released the 2012 edition of their investor survey on February 9th, 2012. Responses are due May 31st, 2012. Cisco is requesting that each of our suppliers respond to the CDP survey as outlined below, making your response publicly available via an option in CDP's Online Response System (ORS).

Cisco's long-term objective is for all business partners to:

1. Report to CDP annually.
2. Make your responses publicly available (credit will be given only for submittals made publicly available through CDP).
3. Have an objective third party review and verify your GHG emissions data collection, analysis and reporting.
4. Set a GHG emissions reduction goal (absolute reduction goals are preferred).
5. Request that your business partners also report to CDP in accordance with this email.

If you have not received an invitation from CDP to respond to CDP's survey as part of their investor, public procurement, or supply chain programs, please contact CDP via email respond@cdproject.net and request an account on their system at no cost to you. Although the questionnaire is distributed as a PDF file, your CDP submittal is made online through CDP's Online Response System (ORS).

Please report your GHG emissions directly to the Carbon Disclosure Project (www.cdproject.net). Cisco will obtain your reporting status and emissions information via an analytics package offered by CDP. You should not send your emissions information to Cisco. Several useful references are provided at the end of this email.

If you have any questions about Cisco's or your company's carbon reporting, please contact Cisco's Environmental Sustainability team at (cisco-cdp-questions@cisco.com).

Thank you for your ongoing support of Cisco's business.

Regards,

Your Cisco Global Supplier Management team

REFERENCES

CDP 2012 questionnaire. Companies are encouraged to answer all CDP survey questions. The minimum question set to meet Cisco requirements is highlighted in the following markup of CDP's survey.

CDP reports summarizing 2011 responses:

Global 500: https://www.cdproject.net/CDPResults/CDP-G500-2011-Report.pdf

S&P500: https://www.cdproject.net/CDPResults/CDP-2011-SP500.pdf

Other reports are available at: https://www.cdproject.net/en-US/Results/Pages/All-Investor-Reports.aspx

Guidance to respond to the CDP survey:
https://www.cdproject.net/Documents/Guidance/2012/FirstTimeResponderGuidance.pdf and
https://www.cdproject.net/Documents/Guidance/CDP2012ReportingGuidance.pdf

Guide to CDP's Online Response System (ORS):
https://www.cdproject.net/Documents/Guidance/2012/GuidanceORS.pdf

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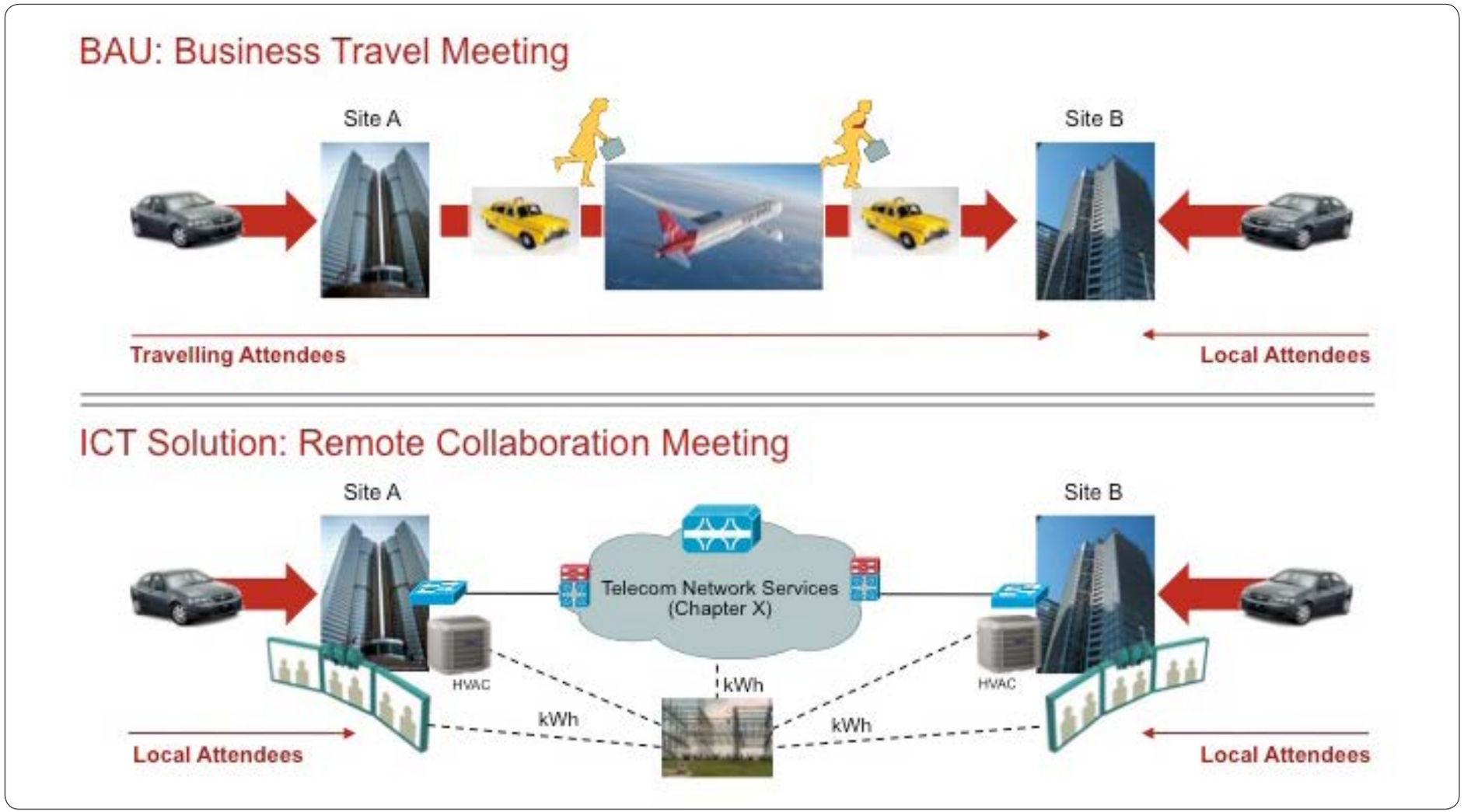
3. Comparison of BAU and ICT Solution for Remote Collaboration (Avoiding Business Travel)



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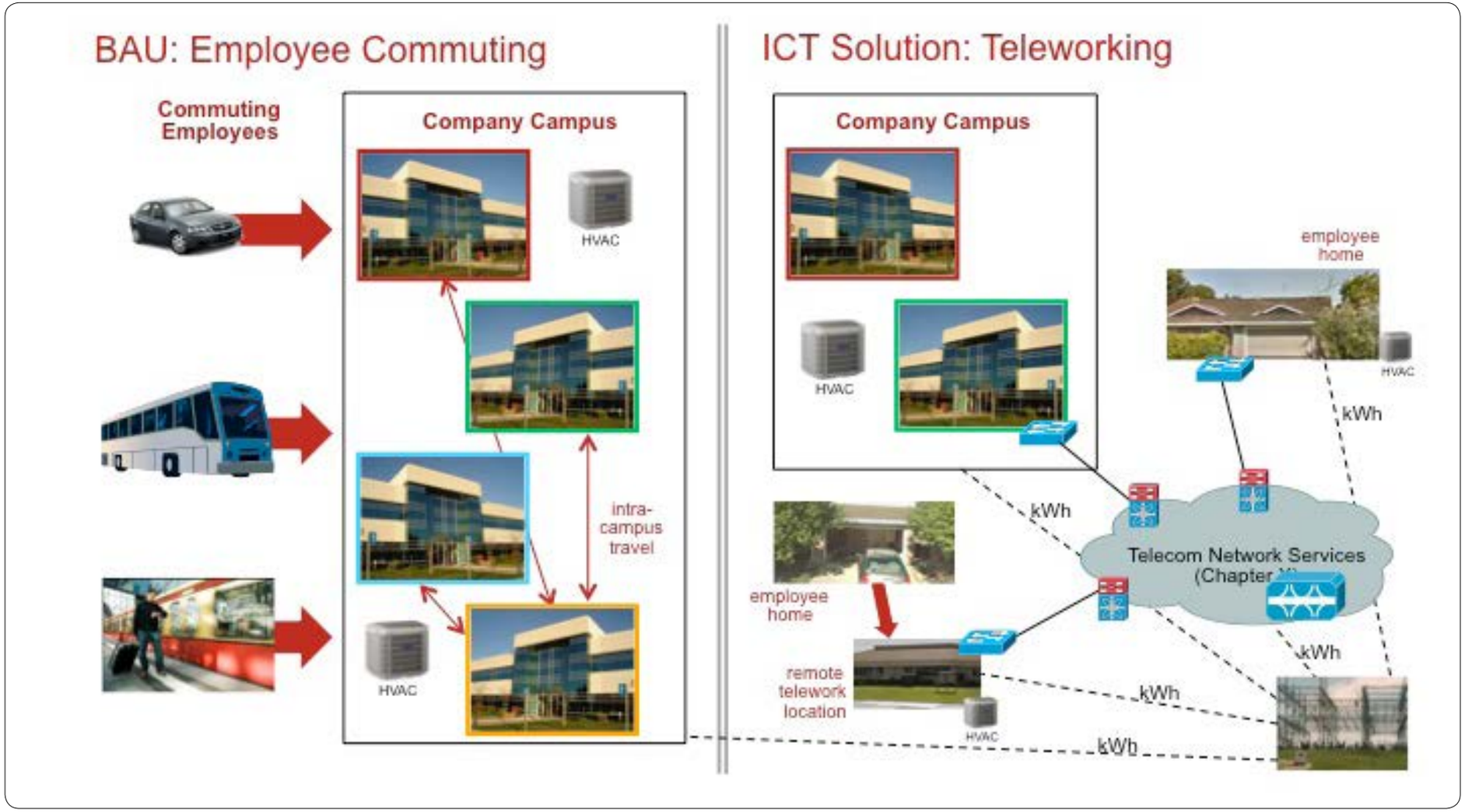
4. Comparison of BAU and ICT Solution for Teleworking (Avoiding Employee Commuting)



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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