

## CSR and Our Value Chain

Cisco's value chain is the network of integrated Cisco and partner activities that creates valuable products and services for our customers. Our value chain is demand driven, distributed, global, and collaborative. While focused on improving operational excellence and driving down costs, we balance traditional supply chain goals with a strategic focus on meeting specific customer needs, capturing new market adjacencies, and delivering value to customers faster and more reliably.

The sustainability of Cisco manufacturing operations and products depends on the activities and impacts of our value chain, demanding a collaborative approach to value chain management. Cisco's global network of supply chain partners supports our hybrid production model that is 95 percent outsourced. Cisco and our partners collectively manage the challenges of producing and transporting more than 35,000 components, as well as designing, fabricating, delivering, and managing the lifecycle of approximately 225 Cisco hardware product families.

As an integrated part of meeting Cisco's global commitment to our customers, our Customer Value Chain Management (CVCM) group oversees our value chain activities around the world. In FY09, the organization coordinated with more than 600 suppliers across more than 34 countries to deliver more than 24.5 million high-quality, reliable network hardware products.

### Cisco Product Final Fabrication



We are committed to ensuring that all Cisco products can be sourced, manufactured, and sold anywhere, any time in an environmentally and socially responsible manner. To that end, we integrate environmentally and socially responsible practices throughout our value chain using industry collaboration, contract terms and monitoring programs, supplier diversity initiatives, and effective management systems.

We recognize that sustainable value chain practices are also good business practices. By reducing carbon emissions, waste production, and natural resource demand in FY09, Cisco's Global Value Chain Management group realized more than \$12 million in annual cost savings by applying sustainable practices and manufacturing efficiencies. Each of our value chain partners provides valuable services to our business, and we aim to provide effective management of social and environmental impacts and to support diversity throughout our supply base.

This section of the *CSR Report* describes Cisco's approach to increasing the sustainability of our value chain, focusing on these key aspects:

- Our vision and strategy
- Industry collaboration
- Accountability
- Environmental sustainability
- Supplier diversity

# Our Vision and Strategy

Value chain activities cut across the end-to-end value chain organization and include internal collaboration with our product design and engineering, government affairs, and corporate affairs organizations. Consequently, we take a holistic, coordinated approach to value chain management, focusing on all nine major nodes of activity associated with meeting our customers' expectations for Cisco quality solutions.



Looking across our value chain, we have identified the key social and environmental issues that are essential to the sustainability of our operations, products, and supply chain partners. Our value chain social responsibility activities are organized around four pillars:

Labor	Ethics and Intellectual Property Protection	Human Health and Safety	Environment
Protecting worker rights	Reflecting the highest standards of business integrity	Maintaining high standards of health and safety in the workplace	Ensuring efficient use and preservation of natural resources

These four pillars of our value chain social responsibility program, and the effective management systems that underpin them, form the basis of the [Cisco Supplier Code of Conduct](#), which conforms to the [Electronic Industry Code of Conduct](#) developed by the [Electronic Industry Citizenship Coalition](#) (EICC). The Supplier Code of Conduct and other supplier performance expectations are integrated throughout our supplier engagement process, including requests for proposal, procurement contracts, supplier business reviews, and our supplier appreciation event.

Cisco was recognized in FY09 by AMR Research as one of the top five supply chain companies, based on financial data and peer assessments.

**AMR Research Supply Chain Rankings: Cisco Named Number 5 in 2009**

1. Apple
2. Dell
3. Procter & Gamble
4. IBM
- 5. Cisco Systems**
6. Nokia
7. Wal-Mart Stores
8. Samsung Electronics
9. PepsiCo
10. Toyota Motor

- Ranking of Fortune Global 500 companies that have best demonstrated leadership in applying "Demand Driven" principles to drive business results

- Based on both Innovation and Operational Excellence

AMR Research

## Industry Collaboration

Collaborating with organizations in and outside our industry is a fundamental part of our approach to managing our value chain. By exchanging ideas and pooling resources with companies that share our perspective on social responsibility, we are able to have a greater impact on the value chain.

Our collaboration with the EICC, which Cisco joined in 2005, is central to our value chain social responsibility activities. Today the EICC is a network of more than 40 multinational corporations from all parts of the electronics supply chain. From its initial goal of developing a common code of conduct to its expanded focus on working hours, responsible sourcing of minerals, environmental issues, and other electronics industry concerns, the EICC provides a forum where we can talk freely with suppliers, customers, and competitors about issues that impact our supply chains on a daily basis.

Cisco continued its active role in the EICC in FY09 by maintaining a position on the Board of Directors and participating in some of the organization's workgroup activities. In particular, Cisco played an important role in developing the EICC's web-based training modules for supplier managers and in planning a training event for more than 200 supplier representatives in Shenzhen, China. As a member of the EICC Board of Directors, Cisco led the development of more robust membership guidelines for the organization and, in accordance with the new guidelines, adopted the EICC's Code of Conduct verbatim as our own supplier code, with an addendum that highlights Cisco expectations that go beyond the EICC code's requirements.

Cisco is also a member of the [Global e-Sustainability Initiative](#) (GeSI), which is committed to promoting sustainability within the information and communications technology (ICT) industry. GeSI collaborates with the EICC on supply chain initiatives, including activities around supplier training, supplier audits, and traceability of minerals. Because GeSI's membership is primarily telecommunications companies and service providers, its focus is broader than the global supply chain. In FY09, GeSI concentrated on climate change, energy efficiency, e-waste, and advocacy on the most material issues in the ICT industry. Cisco served on the GeSI Board of Directors and contributed to all the key work streams, including the creation of the landmark Smart 2020 report on the potential for ICT to abate 15 to 20 percent of global greenhouse gas (GHG) emissions by 2020.

Cisco is committed to collaborating with industry partners and academia to harness the innovation and business benefits of shared tools and standard methodologies that can improve the environment. This year we acted on that commitment by co-chairing the [International Electronics Manufacturing Initiative](#) (iNEMI) Eco-Impact Evaluator project. The purpose of this project is to develop a simplified tool to easily derive key ICT equipment environmental data. Cisco plans

to incorporate the iNEMI tool's output into Cisco's design for environment processes that are implemented by our value chain and engineering organizations. A further example of collaboration is our efforts as co-chair of the [Alliance for Telecommunications Industry Solutions \(ATIS\)](#), where we are partnering with industry peers and sharing results learned during our own lead-free solder reliability testing. A new specification for lead-free communication products is being developed under an ATIS working group.

Cisco also looks beyond the ICT industry to participate in the development of standards and best practices that could affect our social responsibility activities in the value chain. One example is our involvement in the [World Resources Institute](#) and [World Business Council for Sustainable Development Greenhouse Gas Protocol](#) for Scope 3 emissions. This initiative brings together representatives from companies, government agencies, nongovernmental organizations, and other experts to develop a consensus standard on the measurement and reporting of supply chain and product GHG emissions. Cisco is actively involved in this initiative, leading one working group in developing the standards around measuring and calculating emissions, and participating in another group focused on boundary setting and reporting. Cisco's participation in this program stems from our interest in having a positive impact on the environment throughout the value chain, while also ensuring that standards are practical and feasible.

# Accountability

We have several mechanisms that enable us to hold ourselves accountable to our commitment of ensuring that all Cisco products are sourced, manufactured, and sold in an environmentally and socially responsible manner. Among these mechanisms are the Cisco Supplier Code of Conduct, supplier assessment and audits, social responsibility training, and supplier appreciation.

# Supplier Code Of Conduct

The Cisco [Supplier Code of Conduct](#) is central to promoting social and environmental responsibility in the Cisco value chain. The code is communicated to all suppliers through the Cisco contracting process. All suppliers must agree to the code's core principles in order to work with Cisco. The code is organized around these precepts:

Labor	Ethics	Health and Safety	Environment
<ul style="list-style-type: none"> <li>• Freely chosen employment</li> <li>• Working hours</li> <li>• Wages and benefits</li> <li>• Humane treatment</li> <li>• Nondiscrimination</li> <li>• Freedom of association</li> </ul>	<ul style="list-style-type: none"> <li>• No improper advantage</li> <li>• Disclosure of information</li> <li>• Intellectual property</li> <li>• Fair competition</li> <li>• Protection of identity</li> <li>• Community engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational safety</li> <li>• Emergency preparedness</li> <li>• Occupational injury and illness</li> <li>• Industrial hygiene</li> <li>• Physically demanding work</li> <li>• Machine safeguarding</li> </ul>	<ul style="list-style-type: none"> <li>• Permits and reporting</li> <li>• Pollution prevention</li> <li>• Hazardous substances</li> <li>• Wastewater</li> <li>• Solid waste</li> <li>• Air emissions</li> <li>• Product content</li> </ul>
Management Systems			
<ul style="list-style-type: none"> <li>• Company commitment</li> <li>• Accountability and responsibility</li> <li>• Legal and customer requirements</li> <li>• Risk management</li> <li>• Performance management</li> <li>• Training</li> </ul>		<ul style="list-style-type: none"> <li>• Communication</li> <li>• Worker feedback and participation</li> <li>• Assessment and audits</li> <li>• Correction action process</li> <li>• Documentation and records</li> </ul>	

Cisco's code is informed by a robust process within the EICC that allows external stakeholders to provide input on the EICC's Electronic Industry Code of Conduct structure and content. Proposed changes are then voted on by EICC membership to identify elements where there is significant agreement. This collaboration allows the code to evolve by taking into account the insights of many industry partners.

## Supplier Assessment and Audits

We recognize that a supplier code of conduct only has power if it comes with enforcement provisions. Cisco uses a supplier assessment process to monitor conformance to the expectations outlined in our code. Our process works to:

- Determine which suppliers' facilities may have the greatest risk of variance from Cisco's code and expectations
- Evaluate those supplier facilities through a supplier self-assessment process
- Audit facilities where appropriate with the assistance of third-party auditors
- Work with suppliers on noncompliance items through a corrective action process

In FY09, Cisco continued our supplier assessment program by screening for suppliers that present risks of not meeting our expectations around value chain social responsibility. This risk assessment evaluates each supplier based on the geographic location of its facilities, the type of activities at the plant, and Cisco's relationship with the supplier. The risk assessment identifies suppliers that were of particular concern and then asked those suppliers to complete a self-assessment questionnaire. The self-assessment questionnaire requests information from the supplier on its overall corporate environmental health and safety, labor and ethics programs, and an individual facility's activities.

Information gathered through the self-assessment questionnaire was used to identify facilities that required more detailed evaluation. These suppliers were approached to provide more information or to undergo a detailed third-party audit. Cisco uses audit firms that have demonstrated an understanding of our code and that have experience auditing electronics manufacturing facilities. The audits were conducted using the audit methodology and reporting structure developed by the EICC for its Validated Audit Program.

In FY09, our supplier audits focused on first-tier facilities that build and test our products. The audits identified approximately 30 major and minor instances of noncompliance. The three most common major findings related to:

- Working hours
- Labor and ethics management systems
- Emergency preparedness and response

These findings reflect challenges we found in previous supplier audits, as well as the EICC's findings from piloting its Validated Audit Program in China. We are working in different ways to address these findings, such as engaging with the EICC task force on working hours, sharing best

practices on management systems, and working with our supply chain risk team to identify links with our business continuity program. Cisco is also working with suppliers on individual cases of noncompliance by creating corrective action plans and monitoring progress on those plans.

In FY09, we made use of the insight of a key customer who joined our efforts in following up on a Cisco post-corrective action plan for a high-volume, multiproduct electronics manufacturing services partner site. The customer's participation served to increase visibility into how we are meeting our shared social responsibility goals. In addition, this engagement reinforced our belief that a sustainable value chain is core to business success and reconfirmed Cisco's eligibility for preferred supplier status with the customer.

## Training

Building knowledge and capabilities is critical to long-term change and integration of social and environmental responsibility in the value chain. Just as we provide internal training to Cisco commodity managers and senior leaders concerning CSR programs, we also take every opportunity to educate our supply base on social responsibility issues. Our approach includes building on the EICC's learning and capability-building initiatives. In FY09, Cisco participated in EICC's development of web-based training modules for company commodity managers and suppliers. In late FY09, we began adapting the EICC training tools to reflect our internal programs. We plan to roll out the training tools in FY10 as part of a more expansive training curriculum.

In addition, Cisco suppliers were invited to participate in the annual EICC Supplier Summit in Shenzhen, China, in June 2009. Attendees learned about the EICC Code of Conduct, the EICC audit process, and general social responsibility issues. More than 100 supplier representatives attended the summit, including more than 20 representatives from Cisco suppliers in China.

## Appreciation

A key part of keeping Cisco accountable to our commitments is recognizing those suppliers who have demonstrated outstanding performance. Cisco hosts an annual supplier appreciation event at our headquarters in San Jose. We invite only suppliers who have demonstrated commitment to the standards of excellence through innovation, quality, productivity, process efficiencies, and sustainability. The event aims to enhance partnerships with suppliers at the earliest stages of the end-to-end value chain, and provide them with additional alignment with our value chain business plans.

"We strive to meet the challenge of managing a socially responsible value chain through continued focus on our key social and environmental impacts. We have moved forward substantially in FY09 and are committed to driving incremental improvement over the long term."

— Edna Conway, Cisco  
Senior Director,  
Advanced Compliance  
& Social Responsibility,  
Customer Value Chain  
Management

## Looking Ahead

In FY10, Cisco will enlarge our accountability plans to include more "best-in-class" methods of sustainable value chain management. This includes increasing direct engagement with key suppliers on labor, environmental, health, and ethics issues, and participating in the EICC's expanding supplier assessment activities. Our goal for FY10 is to complete assessments of all our first-tier electronics manufacturing services partner sites, so we can emphasize a more targeted approach to evaluating and auditing suppliers in the future. We will also continue to identify best practices for resolving areas of supplier noncompliance with our code, including examining impacts of our own business requirements. Cisco considers the common areas of noncompliance to be a serious concern and long-term challenge, and aims to further invest in supplier training and capability building in FY10 and beyond.

Five Key Environmental Impacts
- Greenhouse gas emissions
- Energy use and sources
- Water availability and quality
- Land use and waste
- Substances management

# Environmental Sustainability

Cisco products and solutions offer the greatest opportunity for us to make a positive contribution to environmental sustainability. To take full advantage of that opportunity, Cisco works closely with value chain partners to manage the environmental impacts associated with Cisco products throughout the entire product lifecycle, targeting our five key environmental impacts (see box at left).

To ensure alignment with other Cisco business functions, senior leaders within the Cisco value chain group participate in the Cisco EcoBoard and its Green Task Force. (See the CSR and the Environment section for more information about the EcoBoard.) The group also partners with Cisco engineering and product development teams to integrate environmental criteria into the development process. The Cisco New Product Introduction and Product Design Methodology processes that were jointly implemented by the value chain and product development groups are two examples of this collaborative approach. Each of these processes incorporates design criteria addressing our value chain's five key environmental impacts. Cisco sourcing teams also incorporate supplier social and environmental performance in evaluating inclusion in our value chain.

## Product Design

Cisco integrates supply chain and sustainability considerations from the very beginning of the product lifecycle. Energy efficiency, materials, and end-of-life management are key aspects of product design. Our development engineers and value chain product operations teams coordinate to drive sustainable product design from one end of the value chain to the other. We strive to comply with environmental laws and regulations restricting the use of certain substances, and proactively minimize the amount of hazardous substances in our products. Key initiatives for materials management include:

- Moving to lead-free solder
- Substituting for brominated flame retardant (BFRs) and polyvinyl chloride (PVC) in our products
- Implementing Cisco's Comprehensive Global Battery Specification throughout the supply chain for all batteries used in Cisco products

Cisco recognizes that there are trade-offs in product design decisions. While we are working to reduce the environmental impacts of the value chain, we are committed to ensuring that our high standards of product quality and reliability are not compromised, and we are working with leaders in global industry associations and with our value chain partners to develop reliable and sound solutions.

To learn more about Cisco materials management, see the CSR and the Environment section.

### Focus of the Cisco Green Supply Chain Questionnaire

- **Carbon emissions, energy availability, and energy use:** Emissions and energy use associated with manufacturing facilities and goods transport
- **Water availability and quality:** Volume of fresh water used and recycled in manufacturing and waste water disposal
- **Land use and waste:** Volume of solid waste generated and recycled in manufacturing
- **Hazardous materials:** Adherence to Cisco's Controlled Substances Specification and regulatory requirements

## Sourcing and Manufacturing

As a virtual manufacturer, Cisco coordinates extensively with our value chain partners to monitor the use of controlled materials and comply with chemical and hazardous substance directives such as the European Union's [RoHS](#) and [REACH](#) regulations, as well as Cisco's Controlled Substances Specification, which outlines requirements for materials used in components and manufacturing processes throughout Cisco's value chain.

Cisco is gathering environmental performance data from electronics manufacturing services partners to better understand issues like the carbon emitted, the water used, and the waste generated in the manufacture of Cisco products. Recognizing that energy usage in manufacturing has a major impact, we have been working with suppliers since 2008 to reduce energy use in processing for select product platforms. Cisco estimates the resulting impact of this initiative to be a 5000 MWh reduction in energy use per year, which equates to a reduction of 3000 tonnes of CO<sub>2</sub> emissions, a \$12 million savings in the first year, and a \$6 million annual savings in subsequent years.

In addition, Cisco is working to reduce water use at manufacturing sites. One targeted area is the washing of printed circuit boards during the manufacturing process. In the washing process, clean water is added into the system and the waste water left behind needs to be treated or disposed of correctly. In FY09, 86 percent of Cisco printed circuit boards were produced without washing, and we have committed to completely eliminating water washing of printed circuit boards by early FY10. Cisco estimates that the elimination of water wash for this remaining 14 percent of our circuit boards will save 20 million gallons of water and over \$1 million on an annualized basis.

Cisco is also actively deploying Cisco collaboration solutions to supplier sites to help suppliers reduce their carbon footprint. At the end of FY09, Cisco had rolled out [Cisco TelePresence™](#) solutions to 50 percent of manufacturing partner sites, enabling partners to significantly reduce their business travel and related GHG emissions and increase their ability to address value chain business challenges swiftly and efficiently.

Looking beyond carbon and water, we launched a plan in FY09 to collect baseline measurements from each of our global electronics manufacturing services partners and internal manufacturing sites on all five key value chain environmental impacts. Our questionnaire is summarized in the sidebar above. By analyzing the responses, we were able to create an assessment of each site's status and opportunities for additional positive impact.

With a solid foundation of baseline data and an awareness of the complexity of site locations, the diversity of products produced, and the processes used at each site, Cisco will work with sites to capitalize on unique opportunities for potential gains and improved performance in our five key environmental impact areas.

## Packaging

Cisco works with suppliers to reduce the packaging-related environmental impacts of Cisco products. By reducing our packaging volume and expanding the use of recyclable packaging materials, we can reduce environmental effects, optimize our logistical processes, and increase customer satisfaction.

We do, however, face a key challenge in reducing our packaging impacts: Given the volume of products we ship, reusable packaging or post-consumer packaging reclamation would be resource intensive and negate many of the potential resource benefits. As a result, our focus is on finding ways and working with suppliers to use less raw material by reducing the size and weight of packaging, and to incorporate more sustainable content in packaging.

More than 95 percent of our packaging parts are made of one material or are easily separable for recycling. The ability of our customers to recycle our packaging, however, depends on the recycling processes in place in their region. More than 99 percent of our packaging (by weight) can be recycled in regions with robust recycling processes in place.

In FY09, Cisco used 55 million pounds of material in packaging. Our most common material by weight is corrugated cardboard. Other key materials include foam, plastic, and wood. Recycled content of our packaging parts varies from item to item, and by geographic region. On average, our corrugated cardboard contains approximately 33 percent recycled content. Use of recycled paper is standard practice at Cisco. Where practical, we also encourage our print vendors to use natural inks.

During FY09, the value chain organization coordinated with our engineering and services organizations and packaging suppliers to implement more than 40 improvement projects aimed at reducing the environmental impact of packaging. One such initiative was the expansion of an FY08 pilot, an accessory election program that allows customers the option of not receiving unnecessary documentation or accessories such as cables. Other efforts have focused on:

- Converting from physical paper documents (licenses, warranties, and regulatory information) to soft copies on a single CD
- Eliminating nonrecyclable antistatic bags and replacing them with recyclable antistatic bags
- Reducing the size of clear plastic bags used in packaging by at least 50 percent, while retaining their protective qualities
- Reducing the size of packaging boxes
- Designing packaging to minimize excessive space and materials and enable multipacking
- Pre-installing product components

These efforts affected more than 66 percent of our products by volume, resulting in a 4 million pound annualized reduction of materials.

We recognize that we have more to do in the area of packaging. We saw an increase in sustainability-focused innovation in FY09, and we will continue to make incremental improvements. Moreover, meeting customers' shared environmental goals, maintaining adequate product protection, and reaping the benefit of what would equate to over \$21 million in annualized cost savings based on projects begun this year provided ample evidence that an environmentally sound value chain is "good business."

## Product End-Of-Life Management

Our Value Chain Customer Operations group works with customers to maximize product take-back for reuse, refurbishment, and recycling. Cisco requires our electronics manufacturing services partners, contract repair manufacturers, and distribution depots to submit unused end-of-life or excess materials and products for reuse or recycling.

Upon receipt, some products are wiped clean of data, refurbished, and resold by the Value Recovery group to begin a second life. In FY09, we saved \$155 million by finding customers, many of them internal to Cisco, for reclaimed products. If they are not refurbished, products are sent to a recycler that demanufactures, shreds, and sorts materials into fraction commodities that are either sold or given to downstream recyclers for use in new products.

In FY09, we recycled practically all electronics that were returned to us. Only 0.5 to 1 percent of materials were sent to a landfill. These included items such as broken pallets, wet cardboard, and shrink wrap. The CSR and the Environment section discusses Cisco's waste management initiatives in detail.

Cisco will continue to partner with suppliers to promote environmental sustainability throughout our value chain and product lifecycle. In FY10, Cisco plans to expand our value chain environmental data assessment efforts.

**Defining Diverse Suppliers**

Cisco defines "diverse suppliers" as businesses owned by minorities, women, people with disabilities, and military veterans, as well as companies in historically underutilized business zones (HUBzones) and certain classifications of small businesses.

## Supplier Diversity

Promoting supplier diversity makes good business sense. Cisco works with diverse and small suppliers to develop and retain competitive advantage while having a positive impact on economic development.

Diverse suppliers constitute a small but important and increasing part of Cisco's supplier base. Relationships with diverse and small suppliers give Cisco access to worldwide skills and markets, as well as to diverse viewpoints and experiences. These relationships also promote economic empowerment within various communities and stimulate economic growth globally.

Cisco's supplier diversity program is also driven by customer interest. The vision of the Global Supplier Diversity Business Development (GSDBD) program is to promote our leadership position in the ICT industry through the inclusion of diverse suppliers. We strive to increase our customers' satisfaction through the growth and promotion of this program. In FY09, about 50 of our customers required that we report to them about supplier diversity.

The GSDBD program is led by a cross-functional team of Cisco employees involved in company operations throughout the world. The team's strategic approach is to provide leadership and promote the inclusion and adoption of supplier diversity initiatives. It oversees global collaboration and aims to increase supplier diversity within all the company's tools and processes

The GSDBD program solicits, trains, mentors, and tracks diverse business enterprises that compete to provide Cisco with goods and services. Through global programs, management solutions, and communications strategies, we are expanding supplier development opportunities and changing the experience of the diverse supplier community.

## Sourcing from Diverse Suppliers

Our Strategic Sourcing Management Team has adopted an “inclusion commitment” that pledges to include at least one diverse supplier in every bidding process in which we engage. To this end, we have established training modules available to all Cisco employees on the GSDBD website. The goal is to enable internal teams to effectively do business with the GSDBD team and our diverse suppliers.

Cisco engages our diverse suppliers through results-focused processes and infrastructure organized around three themes: Engage, Collaborate, and Accelerate. Key components of our work with diverse suppliers include:

- [Executive Mentor Protégé Program \(EMP2\)](#): This initiative pairs Cisco executives with diversity-supplier CEOs to mentor them on Cisco’s expectations, business strategy, and potential opportunities for stronger partnership.
- [The UCLA Management Development for Entrepreneurs Academy](#): This four-day program, through the University of California at Los Angeles, offers entrepreneurs an opportunity to develop essential skills necessary to increase their business’s productivity and profitability.
- [Supplier Mentoring Program](#): Through this program, members of Cisco’s Supplier Diversity team mentor select certified diverse suppliers to enhance their abilities to partner with Cisco.
- [Global Supplier Diversity Business Development Program at Cisco Live Networkers Event](#): Cisco invites a group of minority diverse suppliers to an exclusive one-day event at Cisco Live, our annual education and training event for IT, networking, and communications professionals. Through this program, Cisco solicits information that enables us to better understand the needs of our diverse suppliers and to tailor our programs in different regions.
- [GSDBD Newsletter](#): Cisco sends a quarterly newsletter to all of our minority and diverse suppliers, customers, and diversity nonprofit organizations, informing them about Cisco’s programs and services, and providing them with updates on matchmaking and business opportunities.
- [Diverse Specialty Distributor Program](#): Cisco is developing a channel distribution solution that aims to include diversity in the supply chain and meet customer requirements by using diverse specialty distributors. In FY09, the diverse specialty distributor pilot gained full program status, and usage accelerated. Open to U.S. Gold partners, the program has been approved for FY10.

In FY09, our key initiatives were to:

- Deploy and execute global programs, including the expansion of diverse channel partners who are participating in the [Cisco Certified Refurbished Equipment Program](#)
- Create and launch diversity management solutions, such as the [Diverse Specialty Distributor Program](#)
- Pursue our marketing communications strategy, including the [GSDBD Newsletter](#)
- Design and build global infrastructure through new processes and tools
- Increase supplier diversity educational opportunities, such as the [UCLA Management Development for Entrepreneurs Academy](#), [Executive Mentor Protégé Program](#), and [How to Do Business with Cisco](#)

## Supplier Diversity Governance

In FY09, we established our Global Supplier Diversity Council, formalizing a network of employees who have been active in Cisco's diverse supplier program for years and who are members of the worldwide cross-functional team leading the GSDBD. The council has 15 employees from Australia, Canada, China, India, South Africa, the United Kingdom, and the United States. They range from manager to vice president and come from diverse areas of the business, such as sales, government affairs, human resources, and employee resource groups. The members sit on external councils and boards throughout the world. The council held its first meeting in June 2009 and plans to meet quarterly.

The Global Supplier Diversity Council oversees the implementation of the vision and strategy of the GSDBD program. In FY10, the council's vision is to enhance Cisco's global leadership position through collaborative partnerships and the inclusion of diverse suppliers. Its FY10 goals will be to design and build a global infrastructure through:

- Integrating diverse suppliers into Cisco's local supply chain
- Raising awareness of opportunities to engage diverse suppliers throughout Cisco's operations
- Advocating and communicating change
- Including diverse suppliers with Cisco's external partners
- Developing and using supplier diversity best practices and business cases

## Supplier Diversity Outreach and Stakeholder Engagement

In FY09, Cisco aimed to further the global reach of our supplier program. We conducted business missions to Australia and the United Kingdom along with the National Minority Supplier Development Council, seeking business opportunities with other suppliers and government agencies, including possibilities for the upcoming 2012 Summer Olympic Games in London. Cisco is also active in South Africa, where we announced a Black Economic Empowerment initiative in 2007 involving the sale of equity to South Africans of African, Indian, and mixed-race origin.

Cisco employees sit on the boards of at least 19 diverse supplier organizations in at least 7 countries around world, including: Australia, Canada, China, India, South Africa, the United Kingdom, and the United States.

Cisco sponsors a range of [U.S.-based](#) and [global](#) organizations that promote supplier diversity at events and conferences. They include:

- National Minority Supplier Development Council (NMSDC)
- Women Business Enterprise National Council
- Australian Indigenous Minority Supplier Council
- Black Enterprise
- California Black Chamber of Commerce
- Canadian Aboriginal and Minority Supplier Council
- Industry Council for Small-Business Development
- Minority Supplier Development United Kingdom
- Minority Supplier Diversity China
- National Association of Women Business Owners of Silicon Valley
- Northern California Minority Supplier Diversity Council
- Quantum Leaps (women-owned businesses)
- Reservation Economic Summit
- Rocky Mountain M Supplier Diversity Council (RMMSDC)
- U.S. Hispanic Chamber of Commerce
- U.S. Pacific Asian American Chamber of Commerce
- University of California, Los Angeles, Management Development for Entrepreneurs Program
- WEConnect International (women-owned businesses)
- WEConnect United Kingdom, China, India

Awards and recognition for the Cisco Supplier Diversity Program in FY09 included:

- DiversityBusiness.com: Champions of Diversity, Garth Scully award winner
- DiversityNXT Gen Corporation Award to AT&T, Cisco partner
- DiversityNXT Solution Supplier Award to Genesis Networks, Cisco partner
- DiversityPlus: Women in Power Issue, Denise Coley
- Minority Enterprise Advocate: Article, Denise Coley and Randy Pond
- Minority Enterprise Executive Council (MEEC): Corporation of the Year award winner
- MEEC: Supplier Diversity Person of the Year, Denise Coley award winner
- NMSDC Annual Report: Cisco featured in 2009 Annual Report
- RMMSDC: Supplier of the Year Award to PlastiComm Industries, Inc., Cisco partner
- Sales Video: Best in the World, Best for the World, Denise Coley, GSDBD selected
- WEConnect International Visionary Award to Cisco

## Looking Ahead on Supplier Diversity

Meeting our customers' business needs is directly related to having an inclusive group of diverse suppliers that reflect the evolving demographics of the regions in which we work. Our goal is to be recognized as a leader in supplier diversity through our partnerships with the best suppliers.

In FY10, we will continue to deploy and execute global programs that support the success of our diverse supplier partners and expand diverse supplier inclusion. We aim to create additional sales opportunities through supplier diversity and to integrate supplier diversity within Cisco's policies, processes, and systems. In addition, Cisco will focus our efforts in FY10 on:

- Introducing supplier diversity goals across all of Cisco's business units
- Ensuring that all Cisco's diverse suppliers are certified by an authorized third party
- Requiring all contracts with our top 10 "Evergreen" prime suppliers to report their rate of spending with diverse second-tier suppliers
- Enhancing supplier diversity reporting, scorecards, and metrics

In FY10, Cisco will also expand our GSDBD mentoring system to reflect three levels:

- **Level 1 Business Function Mentor Program:** One of Cisco's business functions will guide a supplier through six points of interest over the course of one year: (1) reviewing suppliers' corporate analysis, (2) establishing an annual strategic plan, (3) developing supplier performance management, (4) creating monthly and quarterly coaching strategies, (5) facilitating internal relationship building, and (6) promoting companies internally and externally. This level is appropriate for new diverse suppliers that recently received opportunities to do business with Cisco.
- **Level 2 Executive Mentor Protégé Program:** Cisco executives act as corporate advocates in mentoring and increasing the effectiveness of working relationships with the CEOs of diverse suppliers. Similar to Level 1, Cisco executives will guide a CEO through six points of interest over the course of one year.
- **Level 3 Advanced Partnership Mentor Program:** Cisco guides diverse suppliers through the six points of interest and engages them in strategic alliances (internal and external), distribution program, partnering or joint venture, and customer roundtables. This level is designed for suppliers that have serviced Cisco for at least five years, exceed revenues of \$50 million, and have reached NMSDC-Corporate Plus or WBENC-America's Top Corporations for Women's Business Enterprises status.