



2013 Corporate Social Responsibility Report



Welcome to Cisco's Ninth Annual Corporate Social Responsibility (CSR) Report.

Cisco's CSR strategy is to use our expertise, technology, and partnerships for social, environmental, and business impact. We report using a framework of five core pillars: Governance and Ethics, Supply Chain, Our People, Society, and Environment. This report covers our approach, our objectives, our progress, and our challenges around each of these pillars.



Governance and Ethics

We believe that ethical conduct and good governance are critical to making us a stronger, more resilient company.

Supply Chain

The manufacturing of our products is entirely outsourced. We work closely with our 600-plus suppliers to improve sustainability performance throughout the supply chain.

Our People

We share a vision of a more connected world through what we call "The Internet of Everything." We rely on our talented people to achieve this vision and we respect, recognize, and reward them with this vision in mind.

Society

We use our expertise, technology, partnerships, and financial resources to help build thriving communities that improve people's lives and support our business.

Environment

Cisco products that improve living standards, reduce resource waste, and save energy create new value for our customers through technology.



you + networks = impact^x

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How to Use This Report

The complete report PDF includes all sections and allows full access to videos, search capabilities, and bookmarks. We have also created an Executive Summary, which provides an overview of our achievements in fiscal year 2013 (FY13).

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.*
-  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

Executive Summary

Our separate Executive Summary combines the section overviews of this report to give you a high-level summary of our achievements in fiscal year 2013 (FY13).

* Interactive content may not be available on some devices.

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“It is up to all of us to get involved to ensure that the Internet, as the Internet of Everything unfolds, continues to be a powerful force for improving people’s lives.”

Dave Evans, Cisco’s Chief Futurist
#IoE
#CiscoCSR

Introduction

Cisco is the worldwide leader in IT that helps companies seize the opportunities of tomorrow by proving that amazing things can happen when you connect the previously unconnected.

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Introduction Overview

Founded in 1984, Cisco pioneered the development of Internet Protocol (IP)-based networking technologies. This tradition continues with the development of routing, switching, and other networking-based technologies such as collaboration, data center, security, service provider video products, and wireless. All of these technologies are made possible by the evolution of the network.

As innovators in the information and communications technology industry, Cisco and our valued partners sell Cisco hardware, software, and services to businesses of all sizes, governments, and service providers.

Cisco at a Glance

US\$48.6 billion net sales in FY13.

**\$48.6
BILLION**



165

Operations in more than 165 countries.

More than 75,000 employees.

75,000



100 percent of our manufacturing is outsourced.

More than 600 suppliers support our supply chain.

**600
SUPPLIERS**

Our Vision

Our vision is to change the way the world works, lives, plays, and learns.

Our Values

- Change the world
- Intensely focus on customers
- Make innovation happen
- Win together
- Respect and care for each other
- Always do the right thing

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Message from John T. Chambers, Chairman and CEO

In today's world, the only constant is change – and companies and countries that do not change are left behind. My perspective on change is to embrace it, lead it, and use it to shape desired outcomes.

We work closely with our customers and partners to anticipate change and transitions, to understand where the market is going, and to innovate to solve their toughest business challenges. This approach requires a vision, strategy, and solutions that address challenges while benefiting society and the environment. This is the course Cisco has followed since our formation, and it's all made possible through networks.

Networking technology connects people in meaningful ways and has the power to create new opportunities, deliver richer experiences, and boost economic growth

and wellbeing. At Cisco, one way we see that happening is through what we call the “Internet of Everything (IoE).” In simple terms, IoE is the intelligent connection of people, processes, data, and things on the network. IoE offers countries and governments around the world the opportunity to provide better, richer lives for their citizens and create new ways for companies to do business. Whether it's connected education and healthcare, smarter cities, more efficient government services, or increased job creation, we believe the societal benefits of IoE will impact our lives in ways never imagined. It's not the act of getting connected – or even the number of connections – that creates the value; rather, it's the outcomes the connections make possible. The speed of change today is unprecedented, and it is critical that companies and countries capitalize on the vast opportunities that the IoE offers.

With companies, individuals, and governments working together, we can help economies all over the world develop and grow equitably. Governments alone cannot solve the global challenges we face today; only through bringing together a diverse set of stakeholders can we tackle inequities in education and employment. Our role in the White House IT Training and Certification pilot, which helps transitioning U.S. military personnel with IT skills training, certification, and career placement, highlights the power of public-private partnerships in creating positive impact.

Our focus on creating value for society, the environment, and our business is reflected in the breadth of our commitments: from investing in our employees to improving labor standards in our supply chain, and from improving access to healthcare to reducing our environmental footprint. These are all

multiyear efforts that require a long-term view to achieve positive outcomes. In FY13, as an example, we introduced new five-year environmental goals designed to focus on the issues we believe are most critical to Cisco's environmental sustainability over the long-term – greenhouse gas emissions and energy consumption. CSR has always been one of the pillars of our culture, and I'm extremely proud of the global impact of our programs.

Given all that we have been able to achieve not only for our customers and partners, but for society and the environment, I am energized by the opportunity ahead as we work to become the number-one IT company. Ultimately, the success and impact of the Internet of Everything will be measured by the extent to which we're able to harness its benefits for humanity. With this in mind, we couldn't be more excited to see what the future holds. We are deeply committed to improving lives, communities, and the environment.

John T. Chambers
Chairman and Chief Executive Officer

[Join the discussion: #TomorrowStartsHere](#)

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Message from Tae Yoo, Senior Vice President, Corporate Affairs

In the age of the Internet of Everything, networked connections are more valuable and relevant than ever before. This applies to networked technology, but also to the people who collaborate to develop innovative solutions to the world's most pressing problems. Our CSR approach is to help create positive impact around the world by using our expertise, technology, and partnerships. Being socially and environmentally responsible is not only good for people and the planet, but essential to the long-term sustainability of our business.

In FY13, we continued to embed CSR objectives into our business functions, processes, and performance goals. We used benchmarking, analysis, and stakeholder dialogue to identify the issues most material to our business, which helps us focus efforts for the greatest impact. This year we gained valuable insights from CSR experts that we used to prioritize, set goals, and implement programs. We focus our CSR strategy on five areas where we can make the biggest difference. The first is governance and ethics, which underlies the other four: supply chain, our people, society, and the environment.

To promote governance and ethics companywide, we launched a new interactive learning platform for our Code of Business Conduct that helped our employees increase their understanding of and commitment to ethical

behavior. And we developed a new human rights policy and employee training to be rolled out in FY14.

As a global company with an extensive supply chain, we expect our suppliers to meet the same standards on ethics, labor, and environmental sustainability that we set for ourselves. In FY13, we promoted our Supplier Code of Conduct through our supplier business scorecard and audits, which have helped us identify areas for further capacity building and improvements. We are pleased to see a growing number of suppliers publishing CSR reports, setting goals, and reporting their greenhouse gas (GHG) emissions to the Carbon Disclosure Project, just as we do.

Our business and social impact depends on the diverse talents and expertise of our employees. In FY13, we launched efforts to connect employees with three values we want to exemplify: make innovation happen, always do the right thing, and make a positive impact on the world. We aligned our employee value proposition with these values to create a framework for our corporate culture and employee experience.

Because technology can play an important role in addressing some of society's biggest challenges, we devote resources to that end. I've seen firsthand in many countries how broadband connectivity advanced healthcare delivery, access to education, and economic empowerment. For example, our Jordan Healthcare Initiative connects medical specialists to patients at rural hospitals, saving patients the time and expense of travel, and enabling doctors and specialists to collaborate on patient care.

And because less than 10 percent of the population in developing countries has affordable, reliable broadband Internet service, we consider it crucial to help extend high-speed broadband to more communities and provide ICT training. Our Cisco Networking Academy program teaches these skills to one million students each year, of whom 20 percent are female, but in certain regions, like



Dr. Steven Knapp, President of George Washington University, presents the World Affairs Council Global Education Award to Cisco Senior Vice President Tae Yoo on behalf of Cisco Chairman and CEO John Chambers.

the Middle East, girls and women make up more than 35 percent. Public-private partnerships are critical to advancing broadband connectivity and building thriving communities.

Our efforts on behalf of the environment address the full range of stakeholder issues from water to biodiversity to land use. Our greatest focus, however, is on climate change, energy and GHG emissions, and product end of life. Our global efforts to reduce GHG emissions extend from our own operations in more than 90 countries to those of our supply base. The energy efficiency of our products allows our customers to reduce their own GHG emissions. We offer product takeback and recycling worldwide at no cost to customers. We are adopting circular economy principles to maximize the life of our products, offering trade-in credit to our customers, and refurbishing and remarketing gear to new customers. Our remarketing business grew by approximately 25 percent over last year.

In this report, we highlight our successes, discuss some of the challenges we face, and share what we have learned. As expectations continue to rise, we will continue to do the important work of listening to our stakeholders, aligning CSR to business strategy, setting goals, and measuring impacts, with the hope that we can all create a tomorrow full of opportunity and prosperity.

Tae Yoo
Senior Vice President, Corporate Affairs

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CSR and Our Business

We recognize that creating value for our customers, society, and the environment strengthens our business. Our commitment to CSR is increasingly important to how others perceive our brand, and our global CSR efforts help us create strong relationships built on trust with customers, investors, partners, and other stakeholders.

Cisco's technology enables intelligent connectivity – the connections between people, processes, data, and things that turn information into actions. Cisco networks enable businesses, individuals, and countries to create new capabilities, richer experiences, and economic growth. This is the Internet of Everything, and it is more than a business opportunity. It's an unprecedented chance to connect the unconnected.

Our networking technologies enable Cisco to deliver shared value for our customers, society, the environment, and our business. This shared value ranges from the use of collaboration tools that enable flexible working, emissions reductions, and cost savings to the opportunities that the Cisco Networking Academy program brings to its students, local economies, and our business.

Cloud computing, which makes shared resources, software, and data available to anyone with an Internet connection, is helping to multiply these benefits by enabling organizations and individuals to connect and collaborate globally.

There are challenges, of course, including our efforts to have the manufacturers of our products meet strict environmental standards and to responsibly source the materials that go into them. We are working diligently to address these challenges. In doing so, Cisco will become a stronger, even more responsible business, which we believe is critical to our long-term success.



Multiplying the Power of Networks at Istanbul University

You: Dr. Alper Cihain, a general surgeon and professor at Istanbul University in Turkey, has a long history of working at the intersection of healthcare and technology. During his career, he has seen technology change the way healthcare is delivered and create lifesaving medical advances. As a university administrator, he saw that neither his university nor the hospital network were using technology to its full potential.

Networks: Cihain worked with the university to develop the network infrastructure necessary to improve Istanbul University and its hospital system. As a university grounded in centuries of academic history, there was cultural resistance to making the necessary systems upgrades and infrastructure investments. Cihain saw the Cisco Networking Academy program as an opportunity to inspire a cultural change and simultaneously bring Istanbul University's academic programs to the forefront of ICT education.

Impact*: As the Cisco Academy on campus grew, a cultural shift began to ripple across the university. "When we train one person, it affects 10. And when we train 10, it affects 100," said Cihain. Today, Istanbul University has the necessary networking technology in place to remain a leading university, and it is attracting a student body with growing interests in ICT careers.

you + networks = impact^x

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Our CSR Strategy

We believe that Cisco has a responsibility to conduct our business in ways that benefit global communities and the environment, and we believe that our technology is a powerful enabler in transforming lives.

Our CSR strategy focuses on the areas where Cisco's expertise, technology, and partnerships can have the greatest impact:

- **Supply Chain:** working closely with suppliers to maintain high standards for ethics, labor rights, health, safety, and the environment
- **People:** helping our employees develop their talents and achieve their full potential in a collaborative, inclusive, and healthy workplace
- **Society:** working with other organizations to extend access to education and healthcare, respond to critical human needs and disaster relief efforts, create economic development opportunities, and help communities thrive
- **Environment:** improving our customers' and our own environmental sustainability through technology and advocacy

Our strong **governance and ethics** systems and commitment to ethical behavior underpin all business and CSR efforts.

We gather input from stakeholders on a year-round basis to help us understand the most important issues for society and our business. Find out more about our stakeholder engagement and materiality assessment in the [Governance and Ethics](#) section.

About This Report

This report covers our fiscal year 2013 (FY13), running from July 29, 2012, to July 27, 2013, and all of our operations around the world, unless stated otherwise.

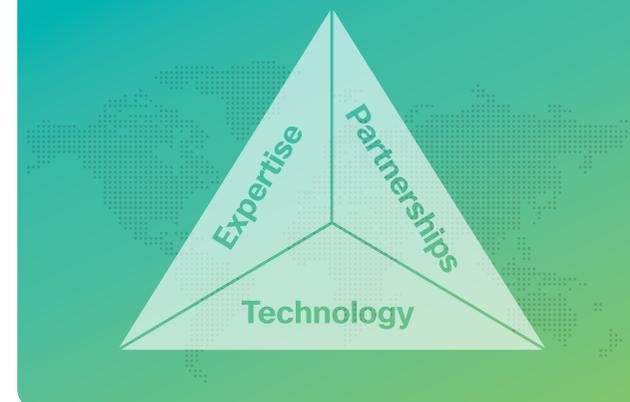
Our CSR strategy and reporting prioritize the issues that are most important to our business and to our stakeholders, identified through a formal materiality assessment (see page [B12](#)). The main sections of the report align with these high-level priorities: governance and ethics, supply chain, our 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 (see page [B8](#)). 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.

This interactive PDF enables easy navigation within the report (see [How to Use This Report](#)). Each section begins with an overview of our objectives, performance, and challenges. These overviews are consolidated in an [Executive Summary](#), which is available for download separately.

Assurance

The data in this report and the methodology for collecting it have been internally reviewed. We held stakeholder engagement sessions with CSR thought leaders during 2013 to assess our CSR performance and reporting, and we engaged extensively with nonprofit and nongovernmental organizations, advocates, academics, and CSR experts to gather their views on specific issues throughout the year.

Figure 1: Cisco's Corporate Social Responsibility Strategy



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) emissions-reduction goals presented on page [F17](#).

GRI Index

We align our reporting with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines and provide an index of conformance with the GRI G3.1 indicators on page [G1](#) of this report. We are listening to stakeholders and reviewing our materiality process, which will help us prepare for how we report against the GRI's G4 guidelines.

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Key Performance Indicators

Our stakeholders continue to request more refined key performance indicators (KPIs). In response, Cisco has identified the following KPIs. We continue to report performance metrics throughout the report and in our Global Reporting Initiative (GRI) index.

Table 1: KPIs		FY11	FY12	FY13
Governance and Ethics				
Eligible ¹ employees completing certification in the Cisco Code of Business Conduct		100%	100%	100%
Employees responding positively to the CSR statement in the Cisco Pulse Survey ²		81%	85%	86%
Supply Chain				
Key suppliers ³ publishing a CSR report:	Manufacturing partners	n/a	86%	86%
	Component suppliers	n/a	38%	52%
	Logistics providers	n/a	57%	100%
Key suppliers reporting greenhouse gas emissions through CDP:	Manufacturing partners	n/a	88%	100%
	Component suppliers	n/a	56%	100%
	Logistics providers	n/a	46%	74%
Our People				
Employee satisfaction (average percentage of employees who consider Cisco a great place to work)		79%	82%	86%
Percentage of female employees		22%	22%	23%
Number of employees		Over 71,000	Over 66,000	Over 75,000
Society				
Total corporate and Cisco Foundation cash and in-kind contributions (US\$)		\$295 million ⁴	\$294 million ⁴	\$297 million ⁴
Number of hours volunteered by employees		166,445	107,150	129,000
Environment				
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO ₂ e		416,927	251,672	312,525
Total air travel GHG emissions: Scope 3, metric tonne CO ₂ e		127,232	139,431	*
Product trade-in and return: Product return, metric tonne		11,595	13,324	12,539
Product trade-in and return: Material to landfill ⁵		0.89%	0.43%	0.33%

1. Excluding employees in France (who have a separate system), those recently joining Cisco through acquisitions, and those on a leave of absence.

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. We have changed the terminology throughout this document to refer to "key" suppliers rather than "preferred" suppliers. Key suppliers are defined as those that receive a business scorecard.

This is a slightly different group from those we refer to internally as "preferred" (see page [C5](#) for definition).

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

5. Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.

* To be updated later.

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Cisco is committed to honesty, integrity, and transparency. The company's ethics team encourages employees worldwide to uphold these principles, while making it easy for them to report ethical concerns if they arise. This is just one of the reasons Cisco is consistently ranked on Ethisphere's list of World's Most Ethical Companies.

[WATCH VIDEO](#)

Governance and Ethics



We believe that ethical conduct and good governance are critical to business success. Our approach to corporate and CSR governance reflects this belief and allows us to build a stronger, more resilient company. Our governance systems are designed to help us manage risks, plan for long-term continuity, and foster sustainable growth.

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Maintaining good governance practices involves everyone at Cisco. Cross-functional teams are responsible for overseeing corporate social responsibility (CSR) management, ethical conduct among employees and suppliers, privacy and data protection, and for respecting human rights.

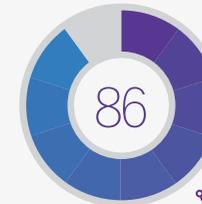
Our [Code of Business Conduct](#) sets out our expectation for everyone at Cisco to behave ethically in everything they do. Through regular training and a new interactive eBook version of the Code, we equip employees with the knowledge and skills to make the right decisions if they are ever confronted with an ethical dilemma.

2013 at a Glance

100%

100 percent of eligible employees completed certification to the Cisco Code of Business Conduct.

We conducted five sessions with stakeholders around the world to gain feedback on our approach to environmental, social, and supply chain issues that inform our CSR strategy.



86 percent of employees agreed or strongly agreed that Cisco's CSR program has a positive impact on the way that Cisco is perceived around the world.

We engaged with organizations that are setting best practices in CSR reporting and disclosure, such as the Global Reporting Initiative and the Sustainability Accounting Standards Board.



92 percent of employees feel that Cisco takes ethical business concerns seriously.

We formalized our human rights policy in alignment with the UN Guiding Principles on Business and Human Rights.



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2013 Progress toward Objectives

Objectives	Status
100 percent 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	●
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 percent of employees to respond positively to the CSR statement in our annual employee Pulse Survey ²	●
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	●

● Achieved ○ Ongoing

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.

2014 Objectives and Beyond

Objectives	Target Date
100 percent of eligible ¹ employees to complete annual certification to the Cisco Code of Business Conduct	End of FY14
Make human rights training available to all employees and mandatory for targeted groups	End of FY14
Continue formal and informal stakeholder engagements throughout FY14 to help us continue to improve our CSR programs	End of FY14
Augment and deepen engagement with key socially responsible investors for more meaningful dialogue on issues of importance to our investors	End of FY14
Maintain positive responses from at least 83 percent of employees to the CSR statement in our annual employee Pulse Survey ²	End of FY14
Complete a robust materiality assessment of the CSR issues that are important to our stakeholders	End of FY14
Expand the "Privacy by Design" concept that privacy is not an add-on, but rather a core component of the development of our products, services, and systems	End of FY14

Awards and Recognition

Carbon Disclosure Leadership Index	Dow Jones Sustainability Index	FTSE4Good Index ¹	Global 100 Most Sustainable Corporations in the World	Greenpeace Cool IT Leaderboard 6th Edition	oekom research Corporate Responsibility Rating
Ranked number one in the IT sector	Member of World and North American Indexes	Member of Global, Global 100, U.S., and U.S. 100 Indexes	Ranked number 20	Tied for number one	"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.

A full list of CSR awards is available on our [website](#)

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Governance

Strong governance, operations, processes, and systems provide the foundation for everything we do at Cisco and help us work together with a clear vision for the business. All of our corporate policies are available on our Cisco Policy Central platform.

Collaboration is at the heart of our approach, and we focus on simplicity, accountability, and empowerment. The goal is to improve efficiency, promote consistency, and build a more focused company that is easier to work for and to do business with. Since FY12, we have incorporated these themes into our communications, processes, and relationships with customers, employees, and partners. Our [Ease of Doing Business](#) score, measured by customer satisfaction surveys that we conduct to identify opportunities for meeting our customers' needs better, has improved as a result.

Corporate Governance

Cisco's corporate governance policies provide a framework for the proper operation of the company, consistent with our shareholders' best interests and the requirements of the law. A majority 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 following key committees of the Board of Directors are independent: Audit, Compensation and Management Development, and Nomination and Governance.

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.

Cisco's General Counsel serves as our Chief Compliance Officer.

Risk Management

Cisco's success is built on innovation. Our culture of innovation enables our research and development teams to continually push boundaries, ask difficult questions, and seek new ways to connect the world. This mindset has enabled us to pursue growth opportunities for our business that connect people, improve lives, and enhance communities around the world. Our focus on innovation makes risk management essential to our success as we enter new markets and introduce new products and services.

The Board of Directors, acting directly and through its committees, is responsible for overseeing risk management. 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. The Board's Audit Committee, which oversees our financial and risk management policies, receives regular reports on enterprise risk management (ERM) functions. As part of the overall risk oversight framework, other committees of the Board of Directors also oversee certain categories of risk associated with their respective areas of responsibility.

CASE STUDIES FROM THE UNITED STATES



Managing Hurricane Sandy

Cisco's Global Safety, Security & Business Resiliency (SSBR) team manages risk by monitoring incidents in an effort to protect Cisco employees and assets, with a goal of enabling a resilient future for Cisco, our customers, and our partners. The SSBR team brings together leadership, operations, volunteer, and incident management teams to address a broad range of incidents around the world. In FY13, SSBR managed 195 incidents through its targeted "Situation Watch" Protocol, where incidents are monitored and tracked and updates are communicated to potentially affected business units.

In FY13, SSBR responded to Hurricane Sandy on the east coast of the United States. The team began monitoring the storm as it moved through the Caribbean and issued a "Situation Watch" to a cross-functional team. This situation-specific announcement alerted Cisco to the impending storm and listed ways that Cisco people, facilities, or business interests could be impacted.

As Sandy grew into a hurricane and the extent of its potential impacts became more apparent, the SSBR team activated a Local Incident Management Team made up of business and subject matter experts, which met regularly through the duration of the storm. The team also activated an Emergency Operations Center for 36 hours to provide employees with resources and guidance throughout the storm. Six Cisco sites were temporarily closed for the safety of our people.

In the wake of the storm, Cisco mobilized Tactical Operations teams in New York and New Jersey to provide voice, video, and data capabilities to first responders on the ground. See also page [E21](#).



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Cross-functional teams regularly evaluate existing and emerging risks that could affect our business, our customers, and society. Our risk teams research and analyze external reports and market trends to improve our business planning practices.

We manage risk through our ERM Program, and the Risk and Resiliency Operating Committee is responsible for making informed decisions about risk and resiliency and promoting effective risk management systems throughout the company. The committee brings together working groups from across the business to evaluate risk and develop mitigation strategies based on detailed metrics and quarterly risk reports.

In FY13, we completed enterprise risk profiles for over 100 risk factors. Through this process, we prioritized and examined the most critical risks, supported quantification with metrics, and developed risk mitigation action plans. We validated the risk portfolio prioritization by reviewing it with senior executives, board members, and investment analysts. As a result, we have increased management focus on emerging business risks.

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 on our employees and our business. In FY13, our incident response management team responded to incidents such as Hurricane Sandy in the United States (see case study, page [B4](#)).

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.

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

The Government Affairs 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 (see case study on this page)
- 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 IP (VoIP) technology
- Maintaining freedom for service providers to develop innovative business models
- Balancing consumer privacy, network security, and Internet business
- Promoting reasonable intellectual property rights management

CASE STUDIES FROM AROUND THE WORLD



Promoting Global Development with Broadband Access

Broadband connectivity has a growing role in the global economy. Cisco believes that expanding broadband access in developing economies is critical for economic growth and the wellbeing of communities around the world. A 10 percent increase in broadband penetration can increase a country's GDP by 3.2 percent and increase productivity by 2 percent.¹ Furthermore, it is estimated that every new broadband job created leads to the development of between 2.5 and 4 additional jobs.

Cisco supports government policies that expand broadband access² in developing economies. In Korea and Singapore, government broadband programs have bolstered economic growth by expanding fixed broadband penetration by 2.5 percent and mobile broadband penetration by 7.4 percent. In developing countries, where fixed broadband penetration is about six percent, these increases are significant.

For policymakers looking to boost economic productivity and community wellbeing, Cisco encourages the development of national broadband strategies that bring together public and private sector stakeholders to develop a fair and competitive market for broadband distribution.

1. [Tae Yoo: The Importance of Broadband in the Developing World](#)
2. [The Key to Social and Economic Development? Broadband Adoption](#)



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- Reforming the U.S. tax system to be more competitive globally
- Reforming the U.S. high-skilled immigration system (see feature on this page)

We maintain an active [High Tech Policy blog](#) where we discuss public policy issues that are important to our business and provide insights into how we are working toward our policy goals. The blog details Cisco's positions on, and advocacy efforts for, policy priorities including those listed above and others such as education and cybersecurity. The blog allows all of our stakeholders to follow the conversations as well as contribute through comments and other social media interactions.

Cisco employees 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.

We also collaborate with peers and industry organizations to build trust and develop strong relationships with government leaders through industry associations around the world.

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 affect our operations in California, Georgia, Massachusetts, 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.

Cisco Joins Tech Leaders in Support of U.S. Immigration Reform

Immigration reform was the subject of much political debate in the United States in FY13. Cisco believes that immigration reform is critical to the success of U.S. businesses. Sound immigration policies help recruit the best, brightest, and most ambitious minds to come work in the United States while treating those who are already here with more compassion. Cisco supports a reduction in the green card backlog and an increase in the availability of H-1B visas for foreign workers with specialty skills. Cisco believes that reform is good for industry, for our company, and for our employees and their families.

In June 2013, Cisco Chairman and CEO John Chambers joined more than 100 tech leaders in calling on the U.S. Congress to pass immigration reforms that enable a more open and flexible U.S. immigration system for high-skilled workers. In their call to pass the Border Security, Economic Opportunity and Immigration Modernization Act of 2013 (S. 744), they wrote:

"America is the most prosperous country in the world. The U.S. technology sector employs over 6 million Americans and contributes \$1 trillion to our country's Gross Domestic Product. Our success stems from our historic diversity, and the constant infusion of new and innovative ideas fostered by our democratic system of education and innovation."

The bill passed in the U.S. Senate on June 27, 2013.



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CSR Management

We believe we have a responsibility to address the issues that are important not only to our business, but also to the people and communities with whom we interact. We use the insights and expertise of subject matter experts across the business as well as feedback from external stakeholders to manage CSR at Cisco.

In FY13, 86 percent of employees agreed or strongly agreed that Cisco's Corporate Social Responsibility activities positively impact the way Cisco is perceived around the world, up one point from FY12.

CSR Governance

Our CSR vision is stewarded by Tae Yoo, Cisco's Senior Vice President of Corporate Affairs. Under her leadership, Cisco engages in public-private partnerships and applies our expertise, technology, and partnerships for positive social and environmental impact around the world.

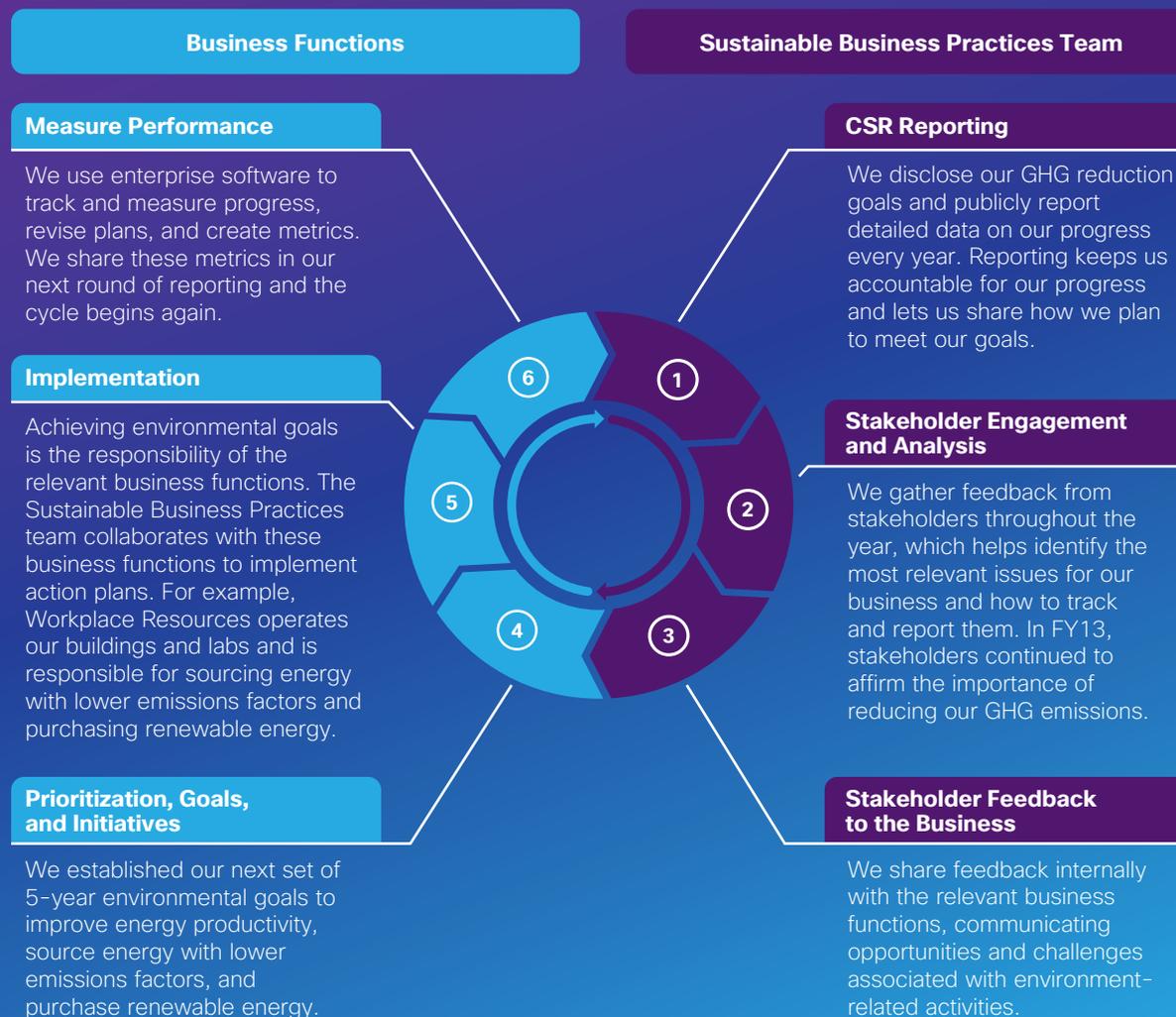
The Sustainable Business Practices team monitors emerging CSR issues and identifies areas for potential action. The team collaborates with Cisco's subject matter experts on strategies and initiatives that create long-term, sustainable benefits for our business and the global community. Its mission is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

Figure 1: CSR Business Process in Practice

Having a vision for how we go about setting and reaching goals helps us be more ambitious and bring together teams from across business functions to foster success. We use our six-step CSR Business Process to guide our reporting and stakeholder engagement, set goals, implement action plans, and measure progress toward those goals.

This graphic shows the business process used to address greenhouse gas (GHG) emissions. Read more about these and other environmental topics in [Environment](#).



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Global Frameworks and Forums

Several global frameworks and forums inform and guide our work on CSR, and enable us to learn from, and share best practices with, peers, nonprofits, and other institutions. These include:

- [Clinton Global Initiative](#)
- [UN Global Compact](#)
- [UN Millennium Development Goals](#)
- [World Economic Forum](#)

Members of our leadership team are actively engaged in these organizations, which helps us maximize what we learn from them as well as what we can contribute. Participation in these forums helps us take a long-term view of sustainable development, identify technological solutions to global problems, and create opportunities to collaborate within and across industries.

For example, our engagement with the World Economic Forum (WEF) takes place at many levels. John Chambers, Chairman and Chief Executive Officer, is a member of the International Business Council, one of three governing bodies, which provides intellectual stewardship to the Forum. Each year, members of our senior leadership team, including John Chambers and Tae Yoo, attend the annual WEF meeting in Davos, as well as regional meetings throughout the year. In addition, we serve on technology and community focused committees that make use of our expertise.

In FY13, reporting and disclosure were high on the agenda for CSR experts. The Global Reporting Initiative (GRI) released new guidelines, known as G4, that change the way companies think about materiality and disclosure. Meanwhile, the Sustainability Accounting Standards Board (SASB) has begun releasing sector-specific guidance on CSR risk disclosure and integrated reporting. Cisco is engaged with both organizations.

We also follow globally recognized CSR management standards and guidelines. Our CSR report conforms to version 3.1 of the GRI guidelines (see our GRI Index, page [G1](#)). We have also implemented ISO 14001 environmental management standards at many of our facilities, and our Business Management System training includes specifics on ISO 14001. This training is mandatory for relevant employees when it is specific to their responsibilities (see Environment, page [F11](#)).

External Partners

Collaboration with external partners is key to the success 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. See a list of our community partners [online](#).

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

- Working with education institutions around the world to deliver the Cisco Networking Academy in a globally consistent and locally relevant manner to more than 1 million students in more than 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 its 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. This input helps us align our business more closely with 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 a wide range of CSR issues. Insights from stakeholders, opinion leaders, and experts are analyzed and shared with the relevant teams within Cisco and with our business partners.

“It was helpful to see the suggestions that stakeholders have voiced in years past and how Cisco is addressing them.”

Kyle Whitaker, BMW Group

[Cisco’s 2013 Global Stakeholder Engagement Sessions](#)

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Table 1: How We Engage with Key Stakeholders		
Stakeholder Group	How We Engage	Examples of How We Are Responding to Issues Raised
Communities	<p>Social investment programs</p> <p>Partnering with governments, corporations, and nonprofits</p> <p>Employee volunteering and participation in Cisco civic councils in their local communities</p>	<p>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.</p>
CSR Opinion Leaders	<p>Stakeholder meetings to gain feedback on our CSR performance and reporting</p>	<p>In FY13, we hosted five sessions with 40 stakeholders from 12 countries focusing on the environment, society, and supply chain. Their feedback suggested that we had addressed a number of concerns raised in the previous year and helped us to identify new areas for improvement (see page B11).</p>
Customers	<p>Annual Customer Satisfaction Survey</p> <p>“We’re Listening” blog series keeping customers informed about what Cisco is doing to address their concerns</p> <p>Cisco Support Community for engaging with customers on Cisco technology and solutions</p>	<p>Cisco experts host webinars and forums where customers can ask about specific topics. In FY13, topics covered included collaboration, voice and video, data centers, network infrastructure, security, wireless, and mobility.</p> <p>By listening to customers, we are targeting improvements including proposal timing, product lead times, software updates, website search and navigation, and more.</p>
Employees	<p>Regular informal engagement through team meetings</p> <p>Internal communications</p> <p>Quarterly “All Hands” meetings</p> <p>Annual leadership and sales meetings</p> <p>Focus groups</p> <p>Employee Pulse Survey</p> <p>Annual ethics training and certification in Code of Business Conduct</p> <p>Cisco Birthday Chats</p>	<p>Employees provided feedback through our Employee Pulse Survey, which covers three categories that have the greatest impact on employee engagement at Cisco: Respect for People, Organizational Alignment, and Innovation and Excellence.</p> <p>We received multiple awards focused on our employee programs and benefits. In FY13, these included awards for best place to work, multicultural business opportunities, and disability advocacy. Read more on Cisco’s CSR Awards page.</p> <p>Cisco Birthday Chats are a tradition at Cisco. John Chambers hosts six chats each year, where employees have an hour-long question-and-answer session with him during (or near) their birthday month. They get to ask him challenging questions about the business or working at Cisco, and he has an opportunity to hear firsthand what is important to employees. Employees can participate in person, by TelePresence, or through Cisco TV.</p>
Governments and Regulators	<p>Contributing to policy development through our Government Affairs team and industry associations</p> <p>Partnering with governments on issues such as education and healthcare</p> <p>High Tech Policy blog: From Government Affairs</p>	<p>We worked on policy developments that affect our industry. See Public Policy (page B5) for a list of Cisco’s critical policy priorities, and visit our Government Affairs page for our position on these areas and more.</p> <p>We worked with government and a local university hospital in the Brazilian state of Sergipe to improve access to pediatric care for rural children (see Society, page E14).</p>
Industry	<p>Participation in industry working groups to promote the role of ICT in sustainability, respond to new regulations, and develop standardized approaches to challenges</p>	<p>We participated in the Electronic Industry Citizenship Coalition to address issues in the ICT supply chain such as conflict minerals and working hours (see Supply Chain, page C8).</p> <p>We worked with the International Electronics Manufacturing Initiative to standardize lifecycle assessments of electronics products (see Environment, page F10).</p> <p>We engaged with ICT industry working groups and organizations such as the SASB, the GRI, Business for Social Responsibility, and the UN Global Compact.</p>

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Table 1: How We Engage with Key Stakeholders (continued)		
Stakeholder Group	How We Engage	Examples of How We Are Responding to Issues Raised
Investors	Regular meetings with investors Quarterly earnings announcements Annual Meeting of Shareholders Annual Report Proxy Statement This CSR Report Sustainability indices Investor Relations website	Cisco's Investor Relations (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 collaborates with other internal groups and meets regularly with socially responsible investors (SRIs) and engages Cisco leaders in dialogue with SRIs as well. See a list of awards won by this 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 Promoting NGO efficiency and effectiveness through technology grants	We worked with the Blue Planet Network and Water for People to improve access to clean water in communities around the world. We supported the Grameen Foundation's Progress Out of Poverty Index to improve the delivery and impact of poverty alleviation programs such as microfinance. We worked to solve global challenges through influential coalitions such as the World Economic Forum and Clinton Global Initiative. For more on our engagement with nonprofits, see Society .
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 forums for partners to learn, share, and collaborate with their peers and Cisco experts Partner Education Connection promotes our partners' technological education and certification	Approximately 80 percent of our revenue flows through our sales channel partners, making our relationship with these partners essential to Cisco's business. Our blog site for channel partners encourages honest feedback and dialogue. The "Weekly Rewind" feature highlights partner success stories. Partners from around the world share how they are helping customers achieve their goals by using Cisco technology. In FY13, we held our 16th annual Partner Summit in San Diego for global partners.
Suppliers	Close collaboration to incorporate sustainability into all major aspects of the supply chain Supplier Code of Conduct and Supplier Ethics Policy Regular audits Training opportunities	We include sustainability criteria in our business scorecards for key suppliers. We work with suppliers through our auditing process, webinars, and other direct engagements to build their CSR capabilities. We mentor diverse suppliers and participate in global business missions to support their business development. For more on our engagement with suppliers, see Supply Chain .

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Bringing Global Stakeholders to the Virtual Table

In FY13, we held a series of five stakeholder meetings with 40 global stakeholders from 12 countries using Cisco TelePresence technology and thus eliminating the need for business air travel. The sessions brought together experts from the private sector, nonprofits, academia, and industry organizations for discussions on Cisco’s environment, society, and supply chain activities in the Asia Pacific Region, Europe and the Middle East, and the Americas.

Through these candid discussions, stakeholders offered feedback and suggestions on our performance and reporting efforts. Returning participants recognized improvements from FY12, but pushed us to go even further. Table 2 summarizes key themes in the feedback and outlines how we are responding. Our stakeholders set high standards for Cisco, and we strive to meet them. We are proud of the progress we have made.

Materiality Assessment

With input from our stakeholders, we assess the issues that are most important to our business and our stakeholders. This helps us prioritize our efforts to address the issues with the greatest potential impacts on our business, the environment, and society.

Our most recent assessment, conducted in July 2012, was based on findings from prior stakeholder engagement sessions and consulting from SustainAbility. Together we mapped out issues that were of potential concern to different stakeholder groups including customers, employees, investors, and the communities in which we operate. We ranked these against how much impact and influence Cisco had in each area. This process gave us a clear picture of the issues that are most material to our business. See the results in our Materiality Assessment on page [B12](#).

Table 2: CSR Stakeholder Feedback

Feedback	Ongoing Activities
Governance	
Articulate a clear CSR strategy and emphasize links between CSR initiatives and business success.	Our high-level strategy is articulated as You + Networks = Impact [®] . This represents the potential exponential reach of Cisco’s CSR efforts, achieved by the combined power of human networks and technology networks. In FY14, we will continue to engage a cross-functional team of subject matter experts to review, fine-tune, and clearly articulate our overall CSR vision and strategy.
Society	
Show how programs can be scaled up and provide metrics to measure the outcomes and impact of social investments, not just outputs.	This is a challenging area for all companies as there are no globally consistent metrics. We are, however, working with subject matter experts to model scaling opportunities. We believe scale can best be achieved through enabling technologies. We are also researching methods that will help us articulate the societal impact of our programs beyond just numbers of people reached or dollars donated.
Environment	
Provide greater transparency about Scope 3 environmental impacts and product lifecycles.	Additional discussion has been incorporated into the “Lifecycle Assessment” and “Scope 3” sections of this report (see Environment, pages F10 and F29). This includes the lifecycle impacts of five representative products and additional detail regarding product energy efficiency performance.
Supply Chain	
Provide a clearer picture of your supply chain and demonstrate how you are working with suppliers to build capability beyond monitoring performance.	The profile of our supply chain includes the main types of suppliers we engage with and the location of key manufacturing partners. We have increased our emphasis on building capability among suppliers, with more examples of this activity as well as increased transparency on monitoring suppliers (closely linked to capability building) through our business scorecard and audit process. Our goal is to see year-over-year measurable improvements.
Reporting	
Be more transparent about the challenges Cisco faces in implementing a CSR strategy to help others learn from Cisco’s experience. Use interactive features, including video, to bring CSR programs to life and provide a concise executive summary.	We have included more on the challenges we face and lessons learned throughout this report, as well as more case studies, videos, and infographics to better tell our CSR story. The overview pages of each section of this report can be downloaded as a separate Executive Summary PDF .

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Figure 2: Materiality Assessment

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 matrix, which visually represents priority issues for Cisco. We selected and assessed 27 issues.

MOUSE OVER CIRCLES BELOW FOR ALTERNATIVE VIEWS 



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We used this assessment throughout the year to guide strategic decisions in each of the three major issue areas: environment, society, and governance. For example:

- **Environment:** Water use ranked as less of a concern to Cisco than we had anticipated. This spurred internal conversations about how to balance our focus on water and other environmental issues. We used the assessment as a way to broaden our focus on water beyond operational use to global access to clean, safe water. Water is now a bigger part of the critical human needs portfolio.
- **Society:** Job creation and 21st-century skills ranked high in both their importance to Cisco and their importance to society. We focused on developing metrics that measure employability outcomes for participants in our social programs that seek to create jobs and give people 21st-century technical and business skills.
- **Governance:** We have had a long-standing commitment to protecting human rights. But the assessment helped us gain a deeper understanding of this issue and identify which aspects of human rights are most important for us to address. As a result, we have redoubled our commitment to promoting access to information and protecting privacy.

Our next review, scheduled for FY14, will help us refine the current assessment and better understand new and emerging issues. Our assessment process will also help us prepare for how we report against the GRI's G4 guidelines.

Award: Cisco Named One of the World's Most Ethical Companies for Sixth Year

For the sixth consecutive year, Cisco was included in the Ethisphere Institute's [World's Most Ethical Companies](#) ranking, which recognizes companies that excel at putting ethics into action. Cisco was one of 145 companies included in the ranking.

Ethics

We believe that our commitment to ethical conduct offers one of the strongest returns on investment across the company. It helps us attract and retain customers, business partners, and talented employees. As we enter new markets and offer new products and services, ethical challenges and concerns may arise. Our commitment to ethical behavior guides our business decisions and how we approach technological advances.

In FY13, employees were polled about Cisco's core values and asked which values resonate most with them. Across the board, they voted for "always do the right thing," and their comments made clear that this value is viewed as the foundation that makes our other corporate values, such as "change the world," "make innovation happen," and "focus intensely on customers," possible.

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 is available in 14 languages. It 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 FY13, we launched a new, interactive eBook version of the Code, making it easier to use and for employees to search for information as they need it. The new [COBC eBook](#) includes pop-up FAQs, links to other Cisco tools and resources, and an "Ask/Report" list of ways to get help on any topic. Pop-up definitions are provided for key terms to enable our employees to clearly understand the meaning of complex issues without having to refer to a glossary (see page [B14](#)).

In addition to the Code, we use other means to raise awareness about business ethics among employees, business partners, and suppliers. We offer 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 our gifts and entertainment policies.

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



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Employee Training and Awareness

Ethics are embedded in Cisco’s culture. Employee responses to the ethics questions in the annual Pulse Survey show a strong and stable ethical culture. Our training tools, including the “[Cisco Has a Speak-Up Culture](#)” video, help foster and demonstrate this culture.

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 FY13, all of Cisco’s eligible¹ employees completed recertification. Newly hired employees must certify within three weeks of joining Cisco.

Our internal ethics website provides training materials, videos, links to policies, and an ethics discussion forum for employees to share ideas and discuss issues. In FY13, we introduced a new video, “The ROI of Ethics,” to accompany the annual recertification process. It uses a business newscast format to highlight the business value of ethics from three perspectives: financial markets, product quality, and engagement and culture. The video highlights Cisco’s proactive approach to ethics. More than 68,000 employees saw the video and over 88 percent

of them rated it positively. Our strong ethics resources enable employees to address potential ethical concerns whenever they may encounter them.

Business and regional management can also request on-demand training for specific employee groups. In FY13, we conducted tailored, live training sessions with employee teams in global supplier management and human resources. These sessions built on existing training options 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
- 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
- Annual live training for employees in China

“We are always monitoring laws to stay current, that’s why we update our Code of Business Conduct every year. Regarding technology, protecting data and privacy will become more complex as we move into the Internet of Everything.”

Jeremy Wilson, Senior Manager, Ethics and Integrity

CASE STUDIES FROM THE UNITED STATES



Ethics on the Go

Cisco went into FY13 determined to modernize the Code of Business Conduct and make it less academic and more relevant to our business. The interactive COBC eBook is available to all employees and external stakeholders worldwide on www.cisco.com and is Americans with Disabilities Act (ADA) compliant.

The long-term benefits of this new platform are many. It includes touch-screen functions for mobile tablets and supplemental content tailored to employee job functions and roles.

The new data analysis capabilities that the eBook provides are vital to making the Code work for our employees. We don’t track individual usage data, but we do gather information about how the book is being used, how often it is being used, and what information employees access most. This data is helping us improve both the format and the content of the platform.

The new eBook became the default version of the Code for FY13 certification. More than 65,000 employees used it, and 91 percent gave it a positive score in feedback surveys.



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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Table 3: Employee Pulse Survey Results				
Question	FY11	FY12	FY13	
I have confidence that Cisco takes ethical business concerns seriously	90%	91%	92%	
The management team sets a good example of company values, culture, and the Code of Business Conduct	81%	84%	87%	
I know where to go to report an ethics question or concern	83%	87%	89%	
I can report concerns without fear of retaliation	75%	78%	77%	

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 members of 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 more than 60 countries.
- Disclosing gifts, entertainment, or potential conflicts of interest to the Ethics Office for review by using confidential tools.

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 16 percent of concerns were reported anonymously in FY13.

The main concerns employees raise are 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 if warranted in certain cases.

Privacy and Data Protection

As data networks and web-based information systems become increasingly ubiquitous, we understand that people want to feel confident that their data, information, and communications are secure. We continue working to improve our systems and processes to protect customer and employee data, and to raise awareness about the importance of privacy and data protection.

The new world of networked devices and communications is what we call the The Internet of Everything. It involves intelligent connections between people, processes, data, and things. The Internet of Everything holds great benefits for companies and people as information sharing and system responses become automated and happen at near-immediate speeds. It allows people to access personal or business information anywhere, any time, and on any device. The increasing connectivity of the Internet of Everything also raises new privacy concerns.

Cisco believes that transparency and choice are critical elements of protecting personal and business privacy, and we understand that people expect to know when data is being collected about them and how it will be used. They rightly expect to be given a choice about whether or not to have their data and information tracked, and they should be informed about the benefits they get from sharing personal information.

Like other companies, Cisco is responsible for appropriately informing people about how their data is being used and giving them the privacy choices they want and need. We design our products with privacy in mind, providing customers with a wide range of options in how they can implement our technology to achieve their personal and business goals, while respecting privacy.

We use best-practice security systems, such as Security Intelligence Operations, to keep our networks, systems, and information secure. We regularly analyze new security trends, changing threats, and innovations in IT security. This helps us identify new opportunities and early warnings where security threats may occur.

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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 the development of our products, services, and systems.

We have created guidelines for our engineers and product managers to help them understand the privacy and data protection needs of new applications. This helps the development teams 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.

Securing the Cloud

Cloud (Internet-based) computing is changing the way that people and organizations share information and data. Maintaining the trust of our customers, partners, and employees is critical to the long-term success of our business, and we build our cloud systems with this in mind. 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 our business as they are to our customers and partners. Sensitive personal and company data becomes 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 protection of proprietary information.

We assess potential security risks related to cloud solutions based on guidance developed by the Cloud Security Alliance, which promotes best practices for providing security assurance within cloud computing. Cisco security experts participate regularly in the Cloud Security Alliance.

Privacy Compliance

Regulatory privacy compliance protection is managed by a cross-functional team with representatives from our legal, IT, information security, sales, services, marketing, and HR departments. Training is a key component of our compliance program, and we provide appropriate 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.

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 FY13, 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. Cisco has also again certified its compliance with the U.S.-EU Safe Harbor framework with the U.S. Department of Commerce for both customer



and partner data and for employee data, which further demonstrates 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](#).

We also monitor data security risks and publish a 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.

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 and security associations and alliances that include:

- [Cloud Security Alliance](#)
- [Health Information Trust Alliance](#)
- [National Cyber Security Alliance](#)
- [Payment Card Industry Board of Advisors](#)
- [International Association of Privacy Professionals](#)

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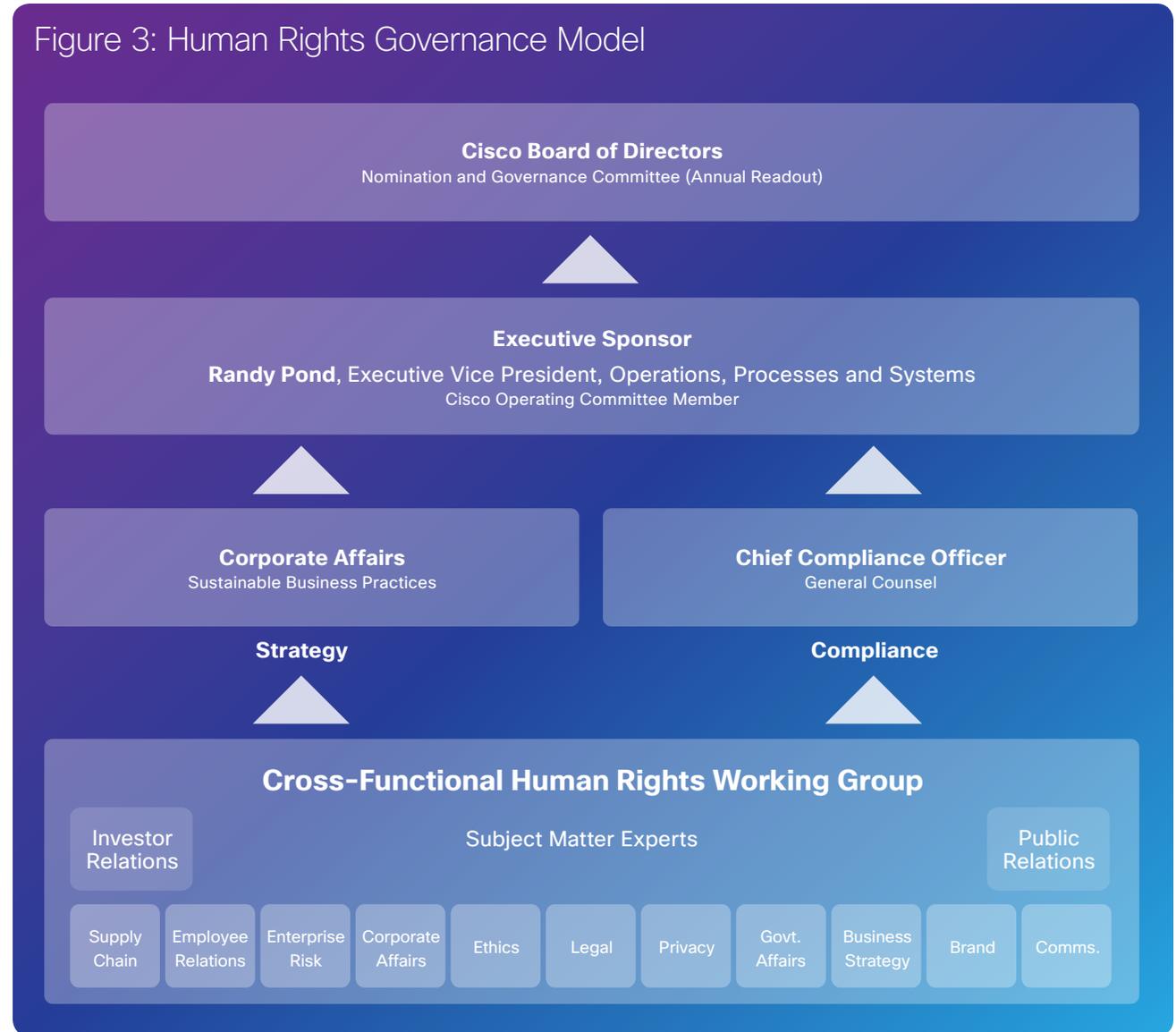
Cisco’s technology creates opportunities for connectivity, expression, and access to information to a growing number of people across the world. At the same time, we recognize our responsibility to realize these benefits in a manner that respects human rights through our operations, business relationships,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

Our approach and commitment to upholding and respecting human rights is governed by our [Human Rights Policy](#), which was published in December 2012. The policy is informed by international human rights frameworks, including the Universal Declaration of Human Rights (UDHR), the International Labor Organization (ILO) Core Labor standards, and the UN Global Compact. The policy is anchored in our commitment to applying the UN Guiding Principles on Business and Human Rights, which establish clarity on the relationship between state duty to protect human rights and the corporate responsibility to respect human rights.

Governance

Cisco has adopted a formal human rights governance structure to implement our commitment to human rights across the company. Our cross-functional human rights working group includes experts from across the business, including Supply Chain, Employee Relations, Ethics, Privacy, Government Affairs, Business Strategy, Communications, Investor Relations, and others. The human rights working group is overseen by our Corporate Affairs and Legal departments and is sponsored by Randy Pond, Executive Vice President for Operations, Processes and Systems. A report on our human rights performance will be made annually to the Nomination and Governance Committee of our Board of Directors.

Figure 3: Human Rights Governance Model



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Key Opportunities

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 one billion people have better Internet access thanks to Cisco's products, while 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 more than 4.75 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.



Nowhere was the potential for the Internet to support human rights more evident in FY13 than in Myanmar. Cisco is donating networking equipment to two universities – the University of Computer Studies in Yangon and the University of Computer Studies in Mandalay – that will use the equipment to support teaching programs with up to 15 faculty and staff. Our long-term vision is to work with the Myanmar government and other private and public organizations in the country to build a “Smart and Connected Myanmar.” Cisco has long believed that education and the Internet are two great equalizers in life and that establishing a strong foundation for both of these in Myanmar is fundamental for the future of the country. For more information on how networking technologies support positive social outcomes, see [Society](#).

Freedom of Expression and Privacy

As a technology leader, we believe that upholding the rights to freedom of expression and privacy are 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.

However, technologies, including ours, can be used by governments and organizations to both enable and impede communications, and to both protect and impair privacy.

Our goal in developing ICT systems is to expand access to information and promote innovation. To meet this objective, we build our products on open, global standards, which we believe are critical to overcoming censorship, protecting privacy, 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).

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. For network management purposes, network operators also require the ability to identify the protocols used for different types of traffic. 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.

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For these reasons, we believe that the threat to freedom of expression and Internet freedom today resides not in standardized equipment, but 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. Examples of our approach in practice include the following:

- 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 do not and will not supply video surveillance cameras or video surveillance monitoring software in our public infrastructure projects 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 [statements](#) in the Business & Human Rights Resource Centre for more information on this issue.
- Cisco does not participate in PRISM (the surveillance program operated by the United States National Security Agency), and we do not allow third parties access to our source code, nor do we ourselves monitor the communications of our customers or government organizations in the U.S., China, or anywhere else in the world.

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 technology and systems, 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 include 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 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.

Our technology and systems 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 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 many of our leading technologies ranging from wireline and wireless connections including local area network (WLAN) to video encoding/decoding and security/encryption services.

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 nonstandard 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.

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Employees

To safeguard the rights of our employees, we follow our Code of Business Conduct, which includes our commitment to uphold human rights. 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, freedom of expression, 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 the prevention of child and forced labor. Through our supplier audit process and capability-building programs, we partner with our suppliers to uncover 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 [Supply Chain](#).

Our Approach to Engagement on Human Rights

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 help achieve this, we regularly engage and collaborate with our stakeholders, including nonprofits, industry peers, investors, and CSR practitioners, to help us gauge expectations and understand the ongoing effectiveness of our work.

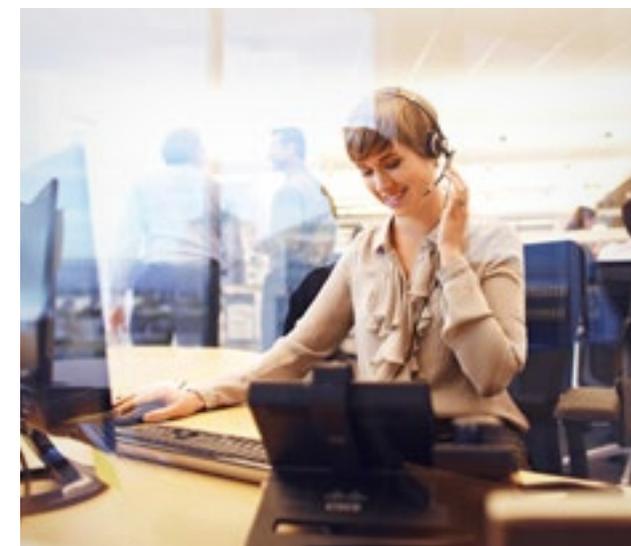
Examples of our collaboration in FY13 include:

Institute for Human Rights and Business (IHRB): Our ongoing dialogue with the Institute for Human Rights and Business, a global think tank focused on the relationship between business and human rights, has deepened our understanding of external expectations regarding potential areas of concern and our ability to address them. We appreciate the relationship and important perspectives IHRB brings on issues we are facing.

Business for Social Responsibility (BSR): Cisco continued its active participation in BSR's Human Rights Working Group in FY13. The group 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 including topics such as reporting, governance structures, training, and grievance/remedy frameworks. In addition, 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 [Supply Chain](#), page [C8](#).

Global Network Initiative (GNI): We continue to follow the achievements of the GNI, and are encouraged by its expanding membership and engagement across new industries. 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 relative to supplying user information during any period in which we might operate the networks. We 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), and 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 meetings led by the World Economic Forum in partnership with the Office of the High Commissioner on Human Rights to discuss how technology can assist in addressing human rights challenges.

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Our Roadmap for Human Rights

We continue to implement our human rights roadmap, which focuses on four critical areas: policy, governance, due diligence, and remediation. We have been sharing this tool with internal risk teams as we believe this assists Cisco in addressing human rights more systematically across our organization.

1. Policy

In FY13, we reviewed and updated our global human rights policy, which articulates our commitment to human rights and outlines our approach to managing issues such as privacy, data security, labor rights, and freedom of expression. We will undertake an annual policy review in FY14.

2. Governance

In FY13, our cross-functional human rights working group met on a quarterly basis to discuss implementation of Cisco's human rights roadmap. The group will continue to meet in FY14 with a special focus on engagement with stakeholders and human rights training for Cisco employees. We will continue to refine the governance model and processes to address emerging issues or organizational changes.

3. Due Diligence

In 2012, we conducted an assessment that confirmed human rights as an important issue for Cisco and our reputation. We also refined our approach to identifying

and addressing human rights risks through external engagements and participation in ICT and human rights forums such as the first UN Summit on Business and Human Rights in Geneva.

Also in FY13, we finalized a human rights training program that will allow our employees to gain greater clarity regarding human rights and the intersection with Cisco's operations and products. The training is an online, interactive module that will require relevant employees to certify its completion. We will implement this training in FY14. We also intend to engage proactively with key human rights stakeholders to remain abreast of important global trends that affect our human rights risk profile.

4. Remediation

In FY13, we integrated human rights into our current ethics "hotline" procedures, known as Cisco's Ethics Line. This will allow employees and any other stakeholders to submit questions related to human rights concerns by email or telephone. In FY14, we will review the types and numbers of human rights-related questions submitted through this system to assess how well employees are aware of this resource and to analyze the content of the questions for any patterns or areas of concern.



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Sustainability criteria in Cisco's supplier scorecards help us to better monitor supplier performance and to collaborate with our supply chain partners to optimize environmental and labor improvements.

[WATCH VIDEO](#)

Supply Chain



The manufacturing of our products is entirely outsourced. More than 600 suppliers provide components for, manufacture and test, deliver, take back, recycle, or enable reuse of Cisco products. Cisco works closely with suppliers to manage sustainability issues and improve their performance throughout the supply chain and at every stage of the product lifecycle.

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Supply Chain Overview

We expect our suppliers to meet the same high standards for ethics, labor rights, health and safety, and the environment that we apply to our own people and operations. All suppliers are expected to follow our [Supplier Code of Conduct](#). We focus our engagement on a group of approximately 130 suppliers that together represent more than 80 percent of our supply chain expenditure.

We work to improve sustainability standards and performance throughout our supply chain by:

- Embedding sustainability into core business practices by integrating the Code of Conduct into supplier contracts and assessing suppliers' sustainability performance through our business scorecard
- Engaging with suppliers to improve performance through audits, corrective actions, and follow-up engagement
- Partnering to build capability through training, tools, and regular dialogue

We also play a leadership role in raising standards throughout the ICT supply chain by participating in industry initiatives such as the Electronic Industry Citizenship Coalition (EICC).

Encouraging suppliers to improve disclosures about their performance helps us understand the challenges that suppliers face. This in turn helps us support them in building their capability and improving their performance.

Increasing transparency and addressing sustainability in the supply chain allows us to build customer trust, reduce costs, secure continuity of supply, respond to stakeholder needs, and protect our brand. Collaboration with suppliers also encourages innovation to develop more sustainable products for our customers (see [Building Suppliers' Environmental Capability to Make Our Products More Sustainable](#), page [C18](#)).

“Cisco’s supply chain work appears to focus on monitoring and supplier reporting. It would be great to see more engagement on the issues and their root causes. A lot of companies have focused on collecting data, but don’t use it effectively. Really analyze that data and how you can have an impact.”

Pam Muckosy, Impactt

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

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Supply Chain Overview

2013 at a Glance



100 percent of key manufacturing partners and logistics providers and 97 percent of key component suppliers responded to the sustainability survey related to our business scorecard.



Cisco joined the CDP Supply Chain Program and 77 percent of key suppliers reported their greenhouse gas (GHG) emissions to CDP, up from 50 percent in FY12.

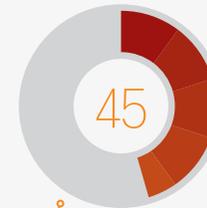


86 percent of key manufacturing partners published a CSR report; 100 percent of logistics providers and 52 percent of key component suppliers now publish a CSR report (up from 57 percent and 38 percent respectively in FY12).

A new industry standard reporting tool developed by Cisco and other EICC members is enabling suppliers, particularly component suppliers, to measure and share data on environmental impacts.



45 percent of key suppliers have set a GHG emissions reduction target.



100 percent of Cisco's manufacturing partner and logistics supplier managers completed web-based training on sustainability, which will be extended to component supplier managers in FY14.

“What is missing for me is an overall picture of Cisco’s supply chain. The [FY12] report covers manufacturing partners, component suppliers, and logistics partners, but it’s missing the overall picture of the supply chain. Some kind of supply chain mapping would help you show where risk is.”

Hidemi Tomita, Institute for CSR Innovation

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2013 Progress toward Objectives

Objectives	Status
Audit half of our high-risk manufacturing facilities and one-third of our high-risk component suppliers in FY13	
100 percent of key ¹ suppliers to complete Cisco's supplier sustainability survey, enabling assessment of their sustainability performance in our business scorecards in FY13 (see page C9)	
100 percent of key suppliers to report their GHG emissions through the CDP questionnaire in FY13 (objective changed, see page C11)	
100 percent of key suppliers to have goals in place to reduce GHG emissions and report progress toward their goals by end of FY15 (objective changed, see page C11)	
100 percent of key suppliers to report Cisco's share of their GHG emissions by end of FY15 (objective changed, see page C12)	
100 percent of manufacturing partners to publish a CSR report in FY13 (see page C10)	
75 percent of logistics providers to publish a CSR report in FY13	
100 percent of Cisco's supplier managers to complete web-based sustainability training in FY13 (see page C12)	
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	
Partner with suppliers to identify and realize sustainability improvements in FY13	

 Achieved  Partially Achieved²  Ongoing

2014 Objectives and Beyond

Objectives	Target Date
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	May 31, 2014
Increase percentage of key suppliers that set GHG emissions reduction goals in their CDP reports to: • 85 percent of key manufacturing partners • 75 percent of key logistics partners	End of FY15
85 percent of key component suppliers to report GHG emissions via CDP	End of FY14
Develop standards of measurement for allocating supplier level emissions down to the component level	End of FY14
100 percent of Cisco supplier managers to complete web-based training on sustainability	End of FY14
Develop and deploy a new training module on human rights in the supply chain as a supplement to Cisco's corporate human rights training	End of FY14

1. We have changed the terminology throughout this document to refer to "key" suppliers rather than "preferred" suppliers. Key suppliers are defined as those that receive a business scorecard. This is a slightly different group from those we refer to internally as "preferred" (see page [C5](#) for definition).

2. Partially achieved objectives are those that have either (1) almost been fully achieved and are therefore not being included in 2014 Objectives and Beyond, or (2) been reevaluated and replaced by a similar objective for FY14 and Beyond. Please see the text for full details and future plans.

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Our Supply Chain

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

Supply Chain Profile

We spend billions of dollars each year with more than 600 suppliers that manufacture finished products, provide logistical services, and provide over 80,000 different parts to make Cisco's core portfolio of products. We use approximately 80 manufacturing facilities, warehouses, and logistics hubs around the world (see Figure 1, page [C6](#)).

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 also 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 Takeback, Reuse, and Recycling](#), page [F44](#)).

Focus of Our Sustainability Supply Chain Program

We engage our more than 600 suppliers in different ways, depending on the nature of our business relationship with each supplier. All active Cisco suppliers are encouraged to have strong sustainability programs,

but our sustainability supply chain program focuses on approximately 130 suppliers that together account for more than 80 percent of our supply chain expenditure.

Suppliers making up the top 80 percent of our expenditure are subject to our audit process, in accordance with EICC guidance. Many of the suppliers in this group are considered "key" suppliers that have a close business relationship with Cisco and are assessed using a business performance scorecard (see page [C9](#)). Key suppliers include nearly all of our manufacturing partners and logistics service providers, as well as the component suppliers that we work with most closely.

Some suppliers are considered "key" even if they are not currently in the top 80 percent of expenditure, for example, emerging suppliers that we intend to increase our business with in the future. Similarly, if Cisco is in the process of exiting a relationship with a supplier, we may no longer consider that supplier "key" even if it is currently still in the top 80 percent of our expenditure.

Cisco Supply Chain Sustainability Guiding Principles

The following 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



Supply Chain and the Environment

Managing environmental impacts in our supply chain is integral to our engagement with suppliers, and we highlight this at relevant points throughout this section of the report. More information on many aspects of environmental performance related to our supply chain can be found in the Environment section, including objectives and performance on issues such as product content, packaging, and product takeback, reuse, and recycling (see page [F44](#)).



CLIMATE LEADERSHIP AWARDS

2013 Supply Chain Leadership Award Winner

Cisco Wins Climate Leadership Award for Supply Chain Leadership

The U.S. Environmental Protection Agency awarded Cisco the agency's 2013 Supply Chain Leadership Award for comprehensive efforts to manage GHG emissions in the supply chain. The award recognized Cisco's extensive external collaboration across our global supply chain on this issue.

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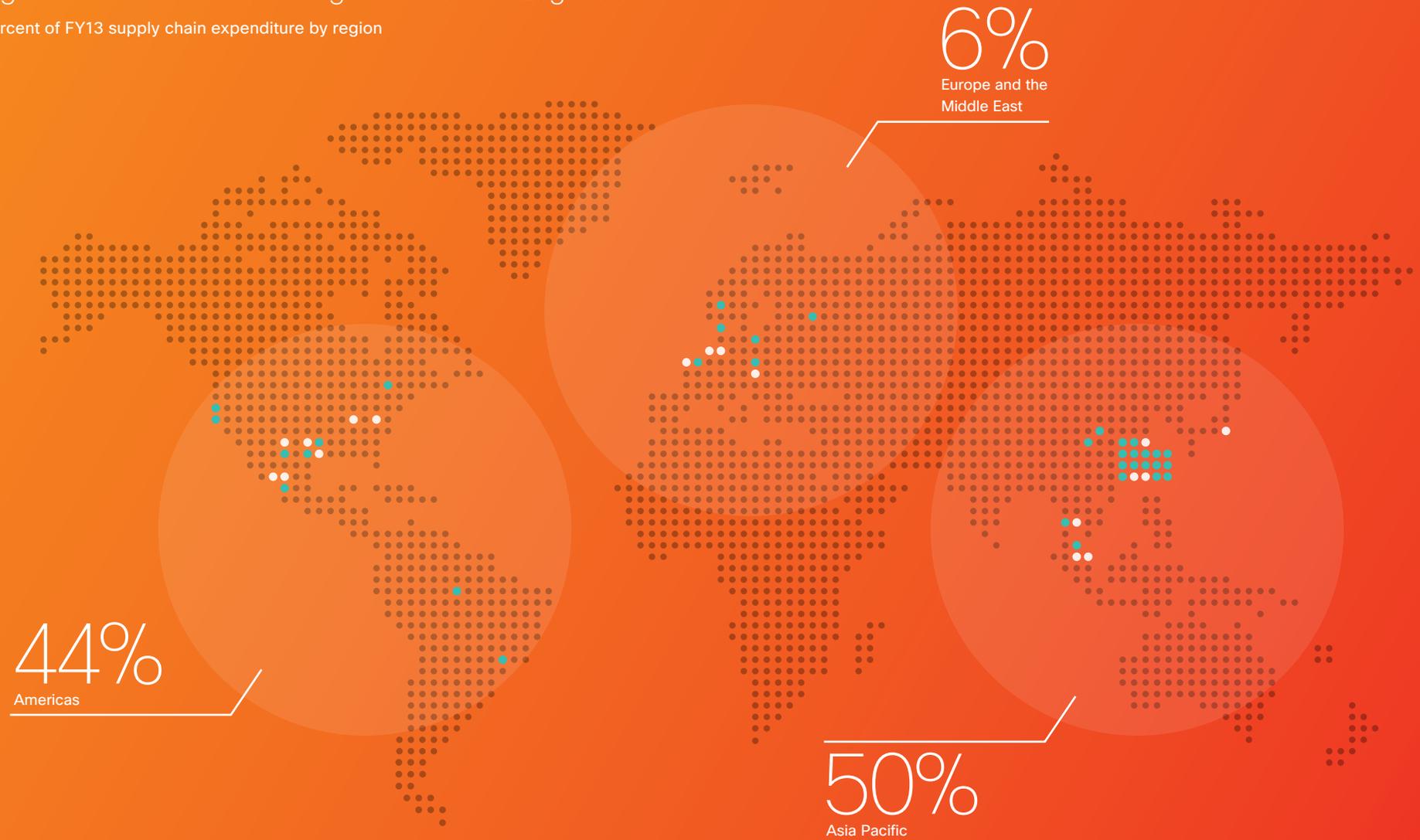
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Figure 1: Cisco Manufacturing Partners and Logistics

Percent of FY13 supply chain expenditure by region



- Manufacturing and fulfillment locations
- Logistics centers

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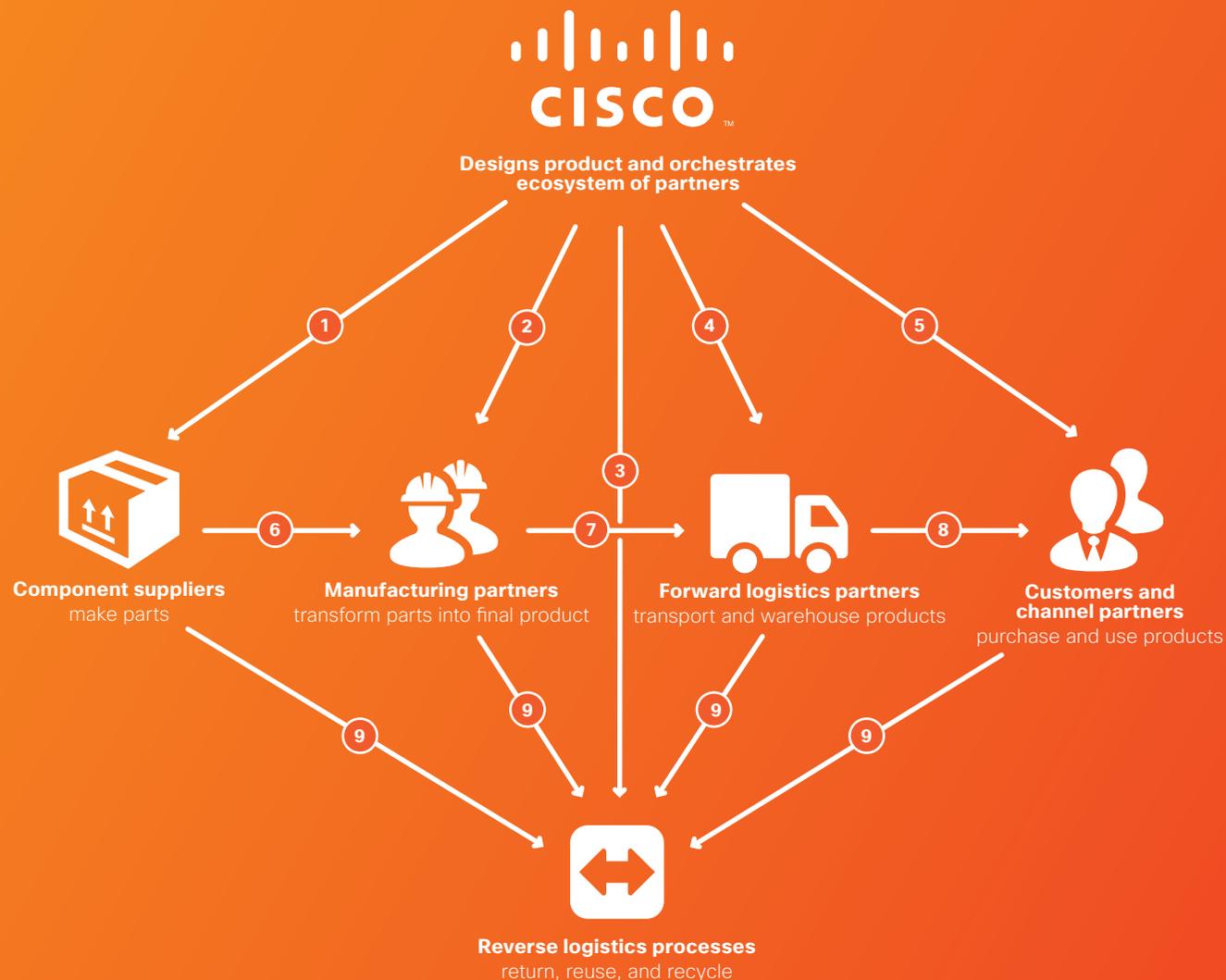
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Figure 2: Embedding Sustainability into the Supply Chain

For more on how we are reducing the environmental impacts of our products from design to end of life, see [Environment](#).



Cisco's business relationships with supply chain partners

- 1 Cisco qualifies components and creates an approved vendor list
- 2 Cisco works with manufacturing partners to set up assembly and test operations
- 3 Cisco works with reverse logistics and recycling partners to appropriately manage product and parts at end of life
- 4 Cisco works with logistics partners to set up warehouses and shipping routes
- 5 Cisco sells product directly to customers or through channel partners

Material flow to customers

- 6 Manufacturing partners receive parts from Cisco's approved vendor list
- 7 Finished products are transported and warehoused
- 8 Product is delivered to customers or channel partners

Material flow to end-of-life processes

- 9 Our trade-in and takeback programs are designed to bring back to Cisco any item that we have put on the market, as well as excess, obsolete, and damaged products and parts throughout our supply chain

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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 evaluation of suppliers' performance. These efforts help us improve the effective management of our supply chain, as well as reduce risks to business continuity (see Risk Management, page [B4](#)).

We set clear expectations through our Supplier Code of Conduct and hold key suppliers accountable through our business scorecard process. Those that perform well are rewarded with opportunities for further business with Cisco, and exceptional leaders are recognized through a supplier appreciation award (see feature on this page). Suppliers that systemically fail to comply with the Code of Conduct are subject to termination.

Supplier Code of Conduct

To work with Cisco, suppliers must formally acknowledge their commitment to the [EICC Code of Conduct](#), usually as part of their contractual agreements with Cisco. The Code sets out our expectations on social responsibility and human rights, the environment, governance and ethics, health and safety, and the implementation of related management systems. This includes an expectation that our suppliers extend the Code of Conduct to their own suppliers.

Educating suppliers about the Code and its requirements, so that they see it as an essential part of doing business with Cisco, is a priority. This is particularly challenging with smaller component suppliers that have not yet established strong sustainability programs. For these suppliers, we use training, direct engagement, and efforts with industry peers (see Developing a Scalable Approach, page [C9](#)).

EICC Code of Conduct

The EICC Code of Conduct was established to ensure worker safety and fairness, environmental responsibility, and ethical business.

Approach

The Code of Conduct provides guidelines for performance and compliance with critical CSR policies. EICC provides tools to audit compliance with the Code, and helps companies report progress.

Focus Areas

The Code of Conduct provides guidance in five critical areas of CSR performance:

- Environment
- Ethics
- Health and Safety
- Labor
- Management System

The Code is reviewed and updated regularly so that it continues to reflect best practices and account for emerging issues. The next review will begin in 2014 for implementation in 2015. We worked with the EICC to develop the latest version of the Code, published in FY12, which was revised 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.

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 (RoHS) (see Environment, page [F43](#)).



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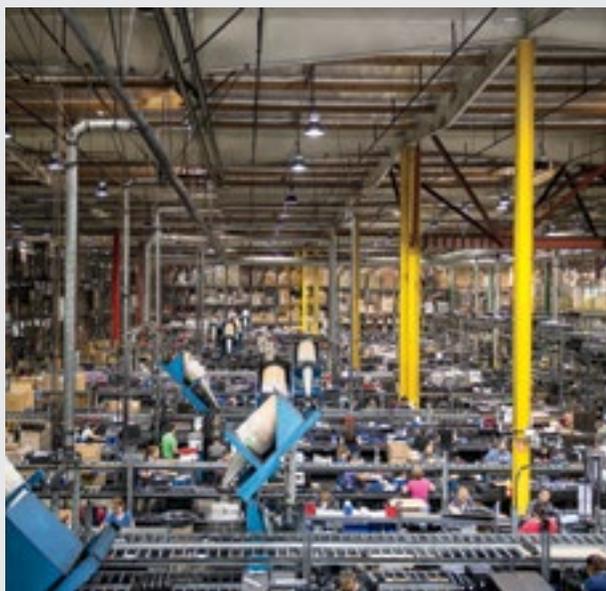
Supplier Award for Excellence in Sustainability

In September 2012, suppliers were again recognized for outstanding social and environmental sustainability performance with our “Excellence in Sustainability” award at Cisco’s annual Supplier Appreciation Event. Nominees for this award must report to CDP, issue a public CSR report, demonstrate industry leadership, achieve high sustainability scores on their business scorecards, and partner with Cisco to improve the sustainability of our supply chain or products, among other criteria. For the second year in a row, Cisco presented this award to UPS.

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Key Challenge: Developing a Scalable Approach to Improve Standards throughout the Supply Chain

Our key manufacturing partners and logistics providers are highly engaged in our supply chain sustainability program, and many have well-established sustainability programs. Engaging our key component suppliers is more challenging because this much larger group has such diverse business models and needs related



to sustainability support. While some have mature sustainability programs, many are smaller or less mature companies. In many cases, Cisco is not a major customer, so our influence may be limited.

To overcome this challenge, we are training our supplier managers to engage directly with suppliers on sustainability, as well as providing introductory training on key topics for suppliers starting out on their sustainability journey (see page [C12](#)) and targeted training for those with more advanced programs. We are also working through industry groups to align our efforts with peer companies and develop a scalable approach, although agreeing on an industry approach inevitably takes time.

We work with global industry consortia such as the EICC and the International Electronics Manufacturing Initiative (iNEMI) to pool resources with industry peers, share best practices, respond to stakeholder concerns, and influence the development of industry standards.

Cisco is leading the EICC initiative to develop a common framework for supplier capability building, and we play an active role in the EICC's working groups on extractives, environmental sustainability, and management tools. We also participate in the EICC's Asia Network and task forces on transparency and working hours.

Our participation in iNEMI focuses on reducing the environmental impacts of our products. For example, Cisco co-lead a working group to define standard methodologies and approaches for simplifying lifecycle analyses for the ICT industry, and we participated in projects to identify alternatives to polyvinyl chloride and halogenated flame retardants in printed circuit boards.

Supplier Scorecard

We use a business scorecard to monitor key suppliers' performance on a range of criteria, such as technology, cost, quality, responsiveness, and collaboration. Sustainability represents between 3 and 8 percent¹ of the total score (depending on supplier type), and suppliers' performance on sustainability metrics is reviewed at least once per year, and as often as quarterly, as part of regular business reviews. Suppliers must maintain strong scores to earn and retain their status as key 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 (see page [C13](#)) and identifying areas for building capability (see page [C17](#)).

Sustainability scores are based on suppliers' responses to a survey 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 CDP
- 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

“Component suppliers seem to be the real challenge, and I would like to see more explanation of what the challenges are and why.”

Margaret Burnett, Independent Sustainability Practitioner, Hong Kong

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

1. This range has been restated due to an error in the FY12 CSR Report.

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Improving Response Rates

We recognize that many suppliers are asked to complete multiple surveys, and we are working with others in our industry on ways to standardize the process to create greater efficiencies and a higher response rate. In FY13, Cisco was instrumental in developing a standard industry environmental data-sharing platform for EICC members and their suppliers, and from FY14 we will begin using this new industry tool to gather environmental information from suppliers instead of our own survey (see [Measuring and Allocating Suppliers' Carbon Footprint](#), page C11).

In FY13, we achieved a 100 percent response rate to the sustainability survey from our key manufacturing partners and logistics providers. We also increased the response rate from 81 to 97 percent among key component suppliers by following up more vigorously with non-respondents and working with them to understand and overcome challenges in providing the information we request. This engagement has helped us better align our data collection processes with existing public reporting standards used by many suppliers.

We have also begun tailoring survey questions to suit suppliers' varied business models and more accurately reflect their material issues. This means that a supplier that owns its manufacturing facilities answers questions about its own operations, whereas a supplier that outsources its manufacturing faces questions about holding suppliers accountable. For example, for those suppliers that primarily employ salaried design engineers, working hours is a more relevant topic for their suppliers than for their direct employees.

Table 1: Scorecard Sustainability Survey for Key Suppliers

Response Rate	FY12	FY13
Manufacturing partners	100%	100%
Logistics providers	100%	100%
Component suppliers	81%	97%

Promoting Transparency

We believe that increased disclosure on sustainability issues is important to increase transparency and raise standards throughout the industry supply chain. By identifying key risks and impacts, we can work with suppliers and peers to improve performance. However, suppliers can be reluctant to share sensitive information, particularly in areas where their performance is less strong.

Cisco is working through the EICC Transparency Task Force to develop a framework to help mature sustainability reporting by EICC members and suppliers. The framework promotes disclosure and demonstrates progress on the industry's most material issues.

In FY13, we focused on encouraging key suppliers to report their performance publicly in a CSR report: 100 percent of key logistics providers, 86 percent of key manufacturing partners, and 52 percent of key component suppliers published a CSR report. These figures represent a significant increase, although we missed our target for 100 percent of key manufacturing partners. The remaining 14 percent are engaging with the EICC Transparency Task Force, which is developing guidance on reporting, and they will reconsider producing reports once this guidance is complete.

Table 2: Scorecard Sustainability Survey Results

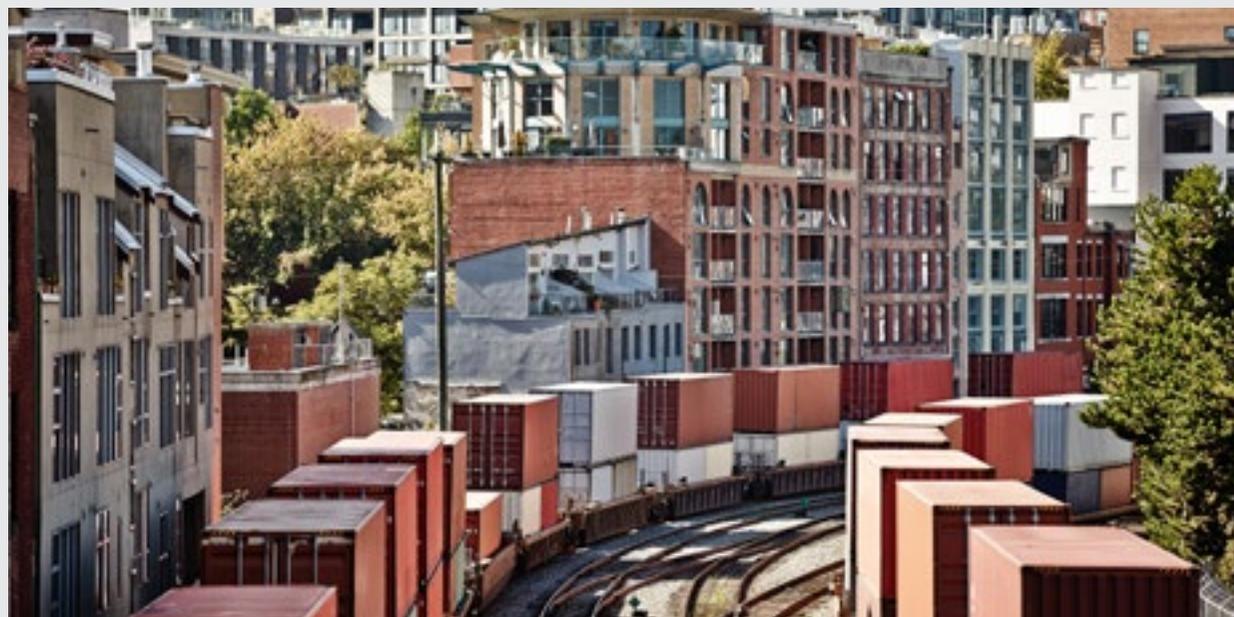
Key suppliers publishing a CSR report	FY12	FY13
Manufacturing partners	86% ¹	86%
Logistics providers	57%	100%
Component suppliers	38%	52%
Key suppliers reporting to CDP		
Manufacturing partners	88%	100%
Logistics providers	56%	100%
Component suppliers	46%	74%
Key suppliers that have set a GHG emissions-reduction target		
Manufacturing partners	Not tracked	71%
Logistics providers	Not tracked	67%
Component suppliers	Not tracked	41%
Key manufacturing partners and logistics providers providing GHG emissions related to Cisco products	100%	100%

1. This figure has been restated from 75 percent reported in the FY12 report to include original design manufacturers.

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We also encouraged key suppliers to report their GHG emissions through the CDP and to set reduction targets. Suppliers that demonstrate their ability to manage and reduce emissions are rewarded with higher sustainability scores on their supplier scorecards, which are tied to business awards. In FY13, we joined the CDP Supply Chain program and saw dramatic increases in reporting, with all key manufacturing and key logistics suppliers now disclosing their GHG emissions via CDP. The percentage of component suppliers reporting also increased from 46 percent to 74 percent. We hosted a webinar in FY13 for those that were new to CDP reporting or wanted to improve their CDP scores, and we will continue to encourage the remaining key suppliers to report via CDP.

The increased disclosure from our suppliers has helped us establish a baseline of their performance that will allow us to work with them more effectively to improve their sustainability performance. In FY14 we aim to use the improved data we get from the CDP Supply Chain program to help suppliers understand how to manage and reduce their emissions (see page [C17](#)). We understand from engaging with suppliers that it takes time for them to set GHG emissions reduction targets and that the essential first step of measuring and reporting their emissions can be a substantial challenge in itself, for many component suppliers in particular. Therefore we have revised our FY15 objective to have all key suppliers disclose GHG emissions-reduction targets to Cisco. Instead we are focusing on reporting of emissions for component suppliers while encouraging manufacturing partners and logistics providers to set targets and disclose these via CDP, because we believe that public disclosure is a more effective tool to help suppliers make the changes required to meet these targets.



Key Challenge: Measuring and Allocating Suppliers' Carbon Footprints

Supply chain impacts play an important role in understanding the carbon footprint of our products over their lifecycles. However, even if suppliers measure GHG emissions from their operations, it can be difficult to allocate these emissions to an individual product or customer.

Cisco is supporting industry efforts to develop standardized tools and best practices for measuring suppliers' carbon footprints and allocating GHG emissions to specific customers and products.

In FY13, we made significant progress by collaborating with peers through the EICC Environmental Sustainability Working Group to develop and launch an industry-standard environmental data-reporting tool, so suppliers can

securely share data on environmental impacts with EICC members who request it. The tool enables EICC members to collect metrics, goals, and progress updates on GHG emissions, energy, water, and waste in a standardized way to reduce duplication of effort for both customers and suppliers. Metrics are aligned with the indicators set out in the Global Reporting Initiative guidelines, and the tool includes a customer allocation metric, which suppliers can calculate according to the percentage of suppliers' business that each customer represents or other criteria.

We are also working to develop a standard for allocating a supplier's carbon footprint at the component level in conjunction with the EICC and iNEMI. The focus is on the most common and highest impact components, such as bare printed circuit boards, semiconductors, displays, and hard drives.

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All manufacturing partners and logistics providers now report Cisco's share of their GHG emissions. Many component suppliers are not able to provide this data because the range of components they manufacture is so extensive. In the future, we plan to focus on using lifecycle assessment techniques to gauge Cisco's share of their GHG emissions, as we believe this is more effective and will provide better data at the product level. To this end, we are helping to develop industry methodologies for product carbon footprint allocation for key components (see [Measuring and Allocating Suppliers' Carbon Footprint](#), page [C11](#)).

We also use the sustainability survey to ask suppliers to report any environmental or health and safety infractions (such as regulatory violations) and describe their remedial actions. We make clear that suppliers will not be penalized for disclosing this information. Our aim is to promote open, honest dialogue and to work together with suppliers to reach an acceptable resolution.

To make sure that findings from the survey are addressed appropriately, in FY14 we will integrate information gathered through the scorecard process into our existing risk assessment process, supplier monitoring, and improvement initiatives (see page [C9](#)). We also aim to improve sustainability data management systems to increase operational efficiencies, enable targeted supplier capability building, better align business decisions, and demonstrate on-the-ground progress on key issues.

Training Cisco Supplier Managers

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. To 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.

In FY13, all Cisco manufacturing and logistics supplier managers completed formal web-based training on sustainability. This training explains the business case for sustainability and the role of managers in engaging suppliers, as well as outlining the key points of the Supplier Code of Conduct and how Cisco monitors compliance. In FY14, we will extend this training to our component supplier managers. We will also develop and deploy a new training module on human rights in the supply chain, which will be a supplement to Cisco's corporate human rights training (see [Governance and Ethics](#), page [B21](#)).

Cisco's Supplier Code of Conduct is also noted in our overall Code of Business Conduct, which all eligible Cisco employees review every year during their certification (see [Governance and Ethics](#), page [B13](#)).



Promoting Supplier Diversity

Working with diverse suppliers (woman- and minority-owned businesses) supports our business by giving us access to a wider range of innovative supply chain partners, enhancing supply chain competitiveness, and reducing the risk of disruption in our supply chain by broadening our supplier base. It also contributes to improved satisfaction for customers, some of whom include supplier diversity in their procurement policies and bid packages.

By partnering with diverse suppliers to grow their businesses, we are also supporting economic empowerment for women, minorities, and disadvantaged communities. We offer a range of mentoring and networking opportunities to help diverse suppliers develop their global business capability and competitiveness. For more information on how our supplier diversity program supports economic empowerment, see [Society](#), page [E22](#).

To multiply the impact of our supplier diversity program, we also encourage our key suppliers to buy components, products, and services from diverse suppliers and to report their diverse expenditure as part of our supplier scorecard to increase accountability.

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Working with Suppliers to Improve Performance

In addition to our regular review of key 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 Figure 3).

Audits and corrective action plans can show us trends and opportunities to help suppliers enhance their sustainability capabilities. Where suppliers fall short, we help guide them to take corrective actions and raise their standards. We believe that this is the most effective way to embed sustainability awareness and promote improvement among suppliers.

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 when the supplier's self-assessment or other information raises potential high-risk issues. While most of our audits are announced in advance, we also conduct some unannounced audits. 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 dormitories
- Interviewing management
- Interviewing employees in their preferred language separately from management

Figure 3: Supplier Engagement Process

1 Introduction to the Code

We include the Supplier Code of Conduct in our agreements with suppliers, follow up as needed to see how well they understand Cisco's expectations, and communicate any changes to the Code as appropriate.

2 Supplier Screening

We identify suppliers representing the top 80 percent of our supply chain expenditure to include them in our evaluation process.

3 Self-Assessment

Suppliers identified for evaluation are asked to complete the EICC self-assessment for each facility that supplies Cisco. These self-assessments are used to identify facilities that are considered high-risk based on factors such as the type of activity at the facility and whether procedures are in place to manage labor and environmental risks.

5 Corrective Action and Capability Support

Priority issues must be resolved within 30 days. Other issues are expected to be closed within 180 days, except for certain issues that require long-term improvement plans. In these cases, suppliers must regularly update us on their progress. Evidence must be provided to document that issues have been resolved, and if needed we conduct a follow-up audit to confirm this. We continue to work closely with suppliers until their performance improves.

4 Site Audits and Scorecards

Facilities identified as high-risk are prioritized for audits based on the self-assessment, or any other significant factors we see that may warrant an audit. We share audit findings through EICC common audits where our needs align with those of other EICC member companies. Sustainability criteria in supplier scorecards incent transparency and good performance on critical issues.

The audit team produces a report of the audit that is shared with Cisco and the supplier. For any issues identified, the supplier must produce a corrective action plan and provide subsequent 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 certain issues that require long-term improvement plans.

The audit criteria include environment, ethics, health and safety, labor, and related management systems. In FY13, in line with the latest EICC audit protocol, we introduced criteria into our audits for our suppliers to report how they are monitoring their own suppliers. These changes will help to increase transparency and identify areas for improvement throughout the supply chain.

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Audit Findings

In FY13, we continued to increase the number of supplier audits, completing 52 audits of our supplier facilities compared with 32 in FY12. 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 in the past two years. We conducted more audits of component suppliers' facilities in FY13 to give us a better understanding of the potential sustainability issues in our supply chain and to extend our influence to improve performance. Our goal is to audit all high-risk manufacturing facilities every two years, and all high-risk component suppliers every three years. To reduce the burden of multiple audits for suppliers and increase the reach of our auditing activities, we participate in common industry audits with other members of the EICC. Of the 52 supplier audits completed in FY13, 35 were shared EICC audits.

Previously, we have reported the percentage of high-risk supplier facilities audited. This year, we are also disclosing the number of audits completed for the first time. We also continue to disclose detailed information on audit findings. We are not yet able to provide a meaningful year-on-year comparison of supplier performance based on audit findings because the audits cover a different population of suppliers each year, and some are full audits while others are following up on specific areas highlighted in previous audits. We are exploring ways to provide a meaningful year-on-year comparison in the future.

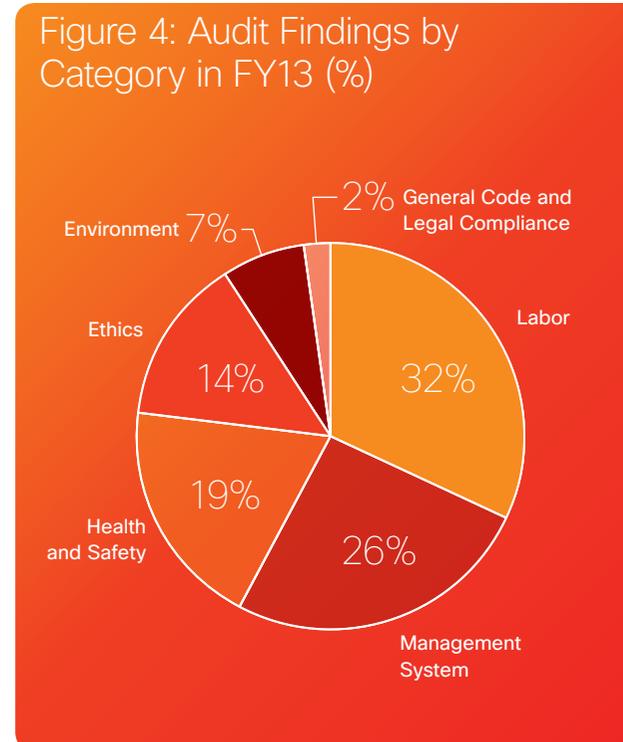
In FY13, the largest portion of findings (see Figure 4) was related to labor practices, as it was in FY12. We identified 14 priority areas for improvement, mainly related to working hours, which is a key focus for our industry (see Tackling Excessive Working Hours, page C17).

Table 3: Number of Audits Conducted			
	FY11	FY12	FY13
Manufacturing partner facilities	5	11	22
Component supplier facilities	8	21	30
Total	13	32	52

Table 4: Percentage of High-Risk Suppliers Audited			
	FY11	FY12	FY13
Manufacturing partner facilities	29%	65%	59%
Component supplier facilities	13%	27%	54%

The number of health and safety findings also was relatively high. In addition to aggressively managing corrective action plans related to these findings, we conducted a training webinar to educate suppliers on the most frequently identified health and safety issues (see page C17).

We had one priority finding for underage labor in FY13. A student from a supplier's partner vocational school who was younger than the required age of 16 used fraudulent identification to take part in a four-week work experience tour. The supplier took immediate action, explaining the situation to the student and paying his travel expenses to return to school. The supplier also established additional controls against the use of fraudulent identification.



Suppliers have resolved or are pursuing corrective action plans to resolve all the major issues identified in the FY13 audits. We work with suppliers to assess the adequacy of their corrective action plans and to monitor their implementation (see Table 6). We usually expect corrective actions to be resolved within three to six months, but some require monitoring over a longer period of time, such as corrective actions related to excessive working hours (see Tackling Excessive Working Hours, page C17). Seventy-three percent of corrective actions based on FY13 audit findings were closed by the end of the fiscal year.

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Table 5: Audit Findings in FY13

	Findings Identified as Priority ⁱ	Findings Identified as Major ⁱⁱ	Findings Identified as Minor ⁱⁱⁱ	Total Number of Audit Elements ^{iv,1}	% of Audit Elements Resulting in Findings
General Code and Legal Compliance	0	3	4	154	5%
Electronic industry Code of Conduct	0	3	4		
Compliance with laws	0	0	0		
Labor	14	85	50	1175	13%
Freely chosen employment	0	14	10		
Child labor avoidance	1	8	8		
Working hours	10	36	14		
Wages and benefits	3	12	10		
Humane treatment	0	7	2		
Nondiscrimination	0	6	1		
Freedom of association	0	2	5		
Ethics	0	57	5	462	13%
Business integrity	0	21	3		
No improper advantage	0	8	1		
Disclosure of information	0	0	0		
Intellectual property	0	3	0		
Fair business, advertising, and competition	0	8	0		
Protection of identity	0	9	1		
Responsible sourcing of minerals	0	3	0		
Privacy	0	3	0		
Nonretaliation	0	2	0		
Health and Safety	0	46	42	793	11%
Occupational safety	0	7	12		
Emergency preparedness	0	18	10		
Occupational injury and illness	0	6	6		
Industrial hygiene	0	8	7		
Physically demanding work	0	1	3		
Machine safeguarding	0	3	1		
Food, sanitation, and housing	0	3	3		

Table 5: Audit Findings in FY13 (continued)

	Findings Identified as Priority ⁱ	Findings Identified as Major ⁱⁱ	Findings Identified as Minor ⁱⁱⁱ	Total Number of Audit Elements ^{iv,1}	% of Audit Elements Resulting in Findings
Environment	0	10	24	520	7%
Environmental permits and reporting	0	1	3		
Pollution prevention and resource reduction	0	2	0		
Hazardous substances	0	3	17		
Wastewater and solid waste	0	3	0		
Air emissions	0	1	3		
Product content restrictions	0	0	1		
Management System	0	66	52	1115	11%
Company commitment	0	2	1		
Management accountability and responsibility	0	10	9		
Legal and customer requirements	0	4	3		
Risk assessment and risk management	0	10	5		
Improvement objectives	0	9	8		
Training	0	8	4		
Communication	0	5	6		
Worker feedback and participation	0	2	2		
Audits and assessments	0	5	2		
Corrective action process	0	4	5		
Documentation and records	0	1	2		
Supplier responsibility	0	6	5		

Notes to table:
 Audit finding: A non-conformance with the EICC Code of Conduct found during an audit. Criteria for categorization of findings are in accordance with the EICC Validated Audit Process Audit Operations Manual.
 i Priority finding: A major non-conformance with significant and immediate impact.
 ii Major finding: A significant failure in the management system that renders established processes or procedures ineffective.
 iii Minor finding: Typically an isolated or random incident that does not necessarily indicate a systemic problem with management systems.
 iv Total audit elements: The total number of audit criteria with the potential for a finding.

1. The EICC audit process was revised during FY13 and therefore some audits were carried out using the old version and some using the new version. A full EICC audit now has 114 elements across six categories, whereas the previous version had 184 elements across seven categories (the separate labor and environment management system categories have been combined into one overall management system category). Our total of 52 audits includes both full EICC audits as well as targeted follow-up audits to confirm closure of corrective actions.

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Examples of Common Audit Findings and Responses in FY13

We highlight some specific examples of findings from our audits in FY13 in the following table and explain how we required suppliers to respond by strengthening their management systems and building their capability.

Table 6: Sample Audit Findings and Responses		
Category	Finding	Response
Labor	Insufficient communication of labor requirements to labor agents and service providers	We have conducted training on the EICC Code requirements for labor agents and service providers and asked them to sign a declaration committing them to follow the code.
Labor	Overtime hours and consecutive days worked without a break in excess of regulatory requirements	Suppliers have enhanced their management systems to monitor working hours, alert managers to overtime exceeding the maximum working hours set by the EICC, and increase management accountability. They have also increased the number of workers to share the workload during peak seasons.
Health and safety	Lack of control measures to limit workers' exposure to occupational health and safety risks	Suppliers have set up internal assessment processes to emphasize occupational health and safety risks and have introduced employee training to improve awareness.
Health and safety	Inadequate or ineffectively managed emergency signals or alarms and inadequate fire drill training for workers	Emergency preparedness and fire drills are now mandatory for all workers in the facility.
Environment	Inadequate control or governance of waste treatment vendors	Suppliers have established audit plans and will monitor corrective actions for waste treatment vendors.
Ethics	Inadequate procedures and risk assessment to monitor ethics performance	Facility managers have been made accountable for ethics performance, and written policies and risk assessment procedures have been established. Management has increased ethics communications and training for workers and supervisors.
Supplier management	Insufficient procedures to enforce the requirements of the EICC Code of Conduct in the next tier of suppliers	Suppliers have provided their own suppliers with training on EICC Code requirements and asked them to sign a declaration committing them to the code.
Management system: Management accountability and responsibility	Inadequate management review of performance against the EICC Code of Conduct and insufficient documentation of managers' and workers' labor and ethics responsibilities	Facility managers have been made accountable for EICC Code performance and have developed a CSR manual to establish clear responsibilities for managers and workers.

CASE STUDIES FROM AROUND THE WORLD



Translating Audit Recommendations into Practical Improvements

With Cisco's support, one of our suppliers producing components in China has made significant strides in improving working conditions and health and safety performance. Based on an audit conducted by our external auditor, we worked with the supplier to develop an effective corrective action plan. As a result, the supplier has improved controls for a number of risk factors.

By enhancing systems for monitoring working hours, the supplier now keeps better track of overtime and redistributes work accordingly. Average overtime hours have almost been halved over the last two years as a result. The supplier also implemented practical improvements to create a safer and healthier work environment, including installing 38 eyewash stations, changing the chemical agent used in the gluing process, and introducing new equipment that reduces the physical strain involved in heavy work. Stronger health and safety management and reporting is helping the supplier measure performance and target improvements.

The supplier is now planning to train managers, supervisors, and workers in the EICC Code, as well as emphasizing the importance of the code with its own key suppliers.

A manager at the supplier organization commented: "Thank you and your audit provider for spending so much time and energy to help us improve our CSR system. Your prompt reply is much appreciated when we run into trouble. Your suggestions in the audit and improvement activities are very valuable; we have learned a lot from that. They helped us improve our working conditions and CSR concept."

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Key Challenge: Tackling Excessive 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. 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. We take this issue very seriously.

Monitoring working hours is an important element of our supplier audit and scorecard process. Nevertheless, many suppliers still exceed the 60-hour maximum required by the EICC. We remain committed to working collaboratively with our supply chain partners to better understand and manage the circumstances that contribute to periods of excessive working hours.

We have ongoing dialogue with suppliers about how they are working to reduce overtime issues, and we continue to monitor their performance. In FY13, we developed a working hour tracker tool based on the template created by the EICC. All suppliers requiring corrective actions on working hours following our audits are expected to use this tool to send us weekly updates on compliance with EICC working hour requirements. By the end of FY13, we had asked 23 suppliers to start using the tool, and 14 suppliers had begun submitting data.

We will continue to work with the EICC Working Hours task force to set standards and to require our suppliers to contain overtime within acceptable limits. The task force is currently developing training for suppliers on managing working hours, as well as analyzing data and sharing best practices based on members' supplier audit findings.

CASE STUDIES FROM AROUND THE WORLD



Key Challenge: Preventing Exploitation of Student Workers in China

In China, vocational schools require students to complete an internship as part of their qualification. There have been incidents where schools have exploited student workers, having them work in factories without any education or training, or working overtime and night shifts in violation of Chinese laws.

We are working through the EICC to help establish industry standards to protect student workers. The EICC Asia Network is partnering with Nanjing University and an NGO called the Labour Education and Service Network to develop improved audit protocols and tool kits to help suppliers evaluate the level of risk associated with the vocational schools with which they work. Best practices for management of student workers will also be shared among suppliers.

Partnering to Build Capability

Regular engagement helps us strengthen our relationships with suppliers and build their sustainability capabilities. Using Cisco solutions such as Cisco TelePresence and Cisco WebEx, we are able to provide training and discuss sensitive issues face-to-face with suppliers around the world. We are exploring how we can make further use of our technology and leverage other Cisco and industry platforms to support improvements in the supply chain, for example, through Labor Link (see case study, page C18).

Cisco's tailored support includes talking about sustainability issues with our suppliers' senior managers, discussing audit findings and appropriate corrective actions, conducting regular reviews of their sustainability performance, and providing feedback for suppliers

Table 7: Webinar Attendance in FY13

Topic	Suppliers Attending
CSR reporting	86
CDP reporting	105
Health and safety	126
Conflict minerals (three separate sessions)	494

producing their first CSR reports. In addition, we try to demonstrate how to integrate CSR into day-to-day business operations by working to improve our own practices, such as reporting GHG emissions via CDP and setting ambitious GHG reduction goals. For more information, see [Environment](#).

Our new online [supplier sustainability portal](#) gives suppliers easy access to a virtual training library that helps them address specific needs. It includes guidance documentation and information on topics such as juvenile labor, conflict minerals, and our specification on controlled substances for our products.

In FY13, we piloted a series of webinars using WebEx conferencing technology to train suppliers in CSR reporting and aspects of the EICC Code of Conduct that had been highlighted as areas for improvement in audit findings (see Table 7).

These webinars, held in English and Mandarin, allowed us to articulate Cisco's expectations for key suppliers and better understand awareness levels. We drew on our own expertise and experiences and asked exemplary suppliers to share their journeys and best practices during the sessions. We also paired up individual suppliers to enable them to share best practices and learn from each other.

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In FY14, we aim to tailor our support to better meet specific supplier needs. To this end, we are collaborating with industry peers through the EICC to develop a framework to help us better identify suppliers' capability gaps and provide appropriate resources.

Cisco also works with the EICC to develop common industry training, tools, and standards to support suppliers in improving their sustainability capabilities and performance. In FY13, as part of the EICC Learning & Capability Building Work Group, Cisco led the refresh of industry training materials on health and safety and contributed to the development of training materials for customers' commodity managers that is due to be completed in FY14.

Cisco also co-presented a webinar for EICC members and suppliers to learn about the new industry tool we helped develop that facilitates sharing of environmental data between suppliers and customers (see [Measuring and Allocating Suppliers' Carbon Footprint](#), page [C11](#)).

We encourage suppliers to join the EICC and participate in wider industry efforts to promote standardization and build capability. In FY13, we nominated two suppliers to participate in a program aimed at empowering workers within our supply chain. The project, managed by the NGO Verité and sponsored by the Walt Disney Company, comprises two modules: one focusing on workers' ability to identify and deal with health and safety hazards, and the other on improving life skills and employee wellbeing.

We also worked with one of our suppliers to pilot Labor Link, a new tool designed to increase the transparency of our supply chain and empower workers within it (see case study on this page).

Key Challenge: Building Suppliers' Environmental Capability to Make Our Products More Sustainable

Environmental sustainability is a 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.

We are working with suppliers as well as product engineers to source components that are more energy efficient and contain less hazardous material, in accordance with our environmentally conscious design standard. This standard highlights techniques for efficient chip and board design, design for recyclability, and efficient use of product and packaging materials.

For more information on our approach to managing environmental issues throughout the product lifecycle, see [Environment](#).

"I would like to see Cisco using its technology to drive improvements in the supply chain, for example, by providing a peer-to-peer platform for suppliers to encourage dialogue within the supply base or using new technologies for worker outreach."

Pam Muckosy, Impactt

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

CASE STUDIES FROM AROUND THE WORLD



Giving Supplier Workers a Voice with Labor Link

We are using technology to promote transparency and communication with workers in the supply chain through Labor Link, a tool developed by the nonprofit [Good World Solutions](#) with Cisco's support.

Labor Link enables workers to give direct feedback on factory and working conditions anonymously using their mobile phones. We began a pilot of Labor Link with one of our suppliers in FY13, surveying 1200 workers to gather information on worker-management communication, worker training, community needs, and worker demographics. Nearly 450 workers responded confidentially by listening to recorded questions and answering using their telephone keypads. The results helped to assess worker satisfaction and provided useful insights for both Cisco and the supplier.

The tool can be used to help validate audit findings and determine potential areas to assist suppliers with building their capabilities. "It is a unique means to identify opportunities for continuous improvement, particularly around worker satisfaction," says Tom Rausch at Good World Solutions.

Labor Link can also be used to send workers information via their mobile phones. Providing information on topics such as labor issues, health, education, and financial literacy can help workers improve their lives.

Cisco has supported Good World Solutions since FY10, beginning with seed funding to develop Labor Link and test it with 100 apparel workers in Peru. Labor Link has been deployed in three industry sectors since then, reaching more than 20,000 workers in nine countries (Bangladesh, Brazil, China, Colombia, India, Mexico, Peru, Sri Lanka, and Uganda). For more information on our support of nonprofits, see [Society](#), page [E17](#).

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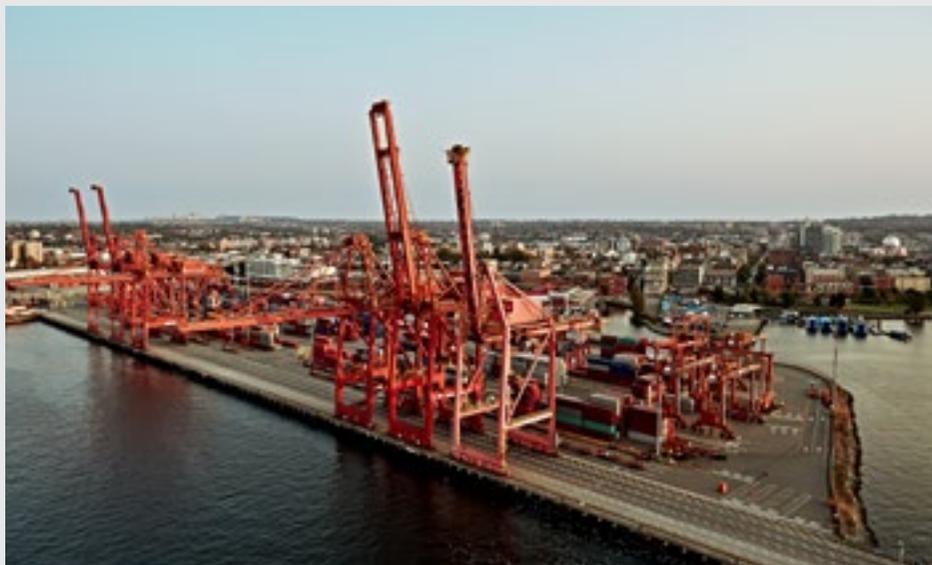
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Key Challenge: Due Diligence on Conflict Minerals

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 (Dodd-Frank 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.

In August 2012, the final rule regarding sourcing of conflict minerals under Section 1502 of the Dodd-Frank Act was approved by the U.S. Securities and Exchange Commission (SEC). This rule imposes requirements on publicly traded companies subject to the SEC to report annually the presence of conflict minerals originating in the DRC or adjoining countries in

the products they manufacture or contract to manufacture, where the conflict minerals are necessary to the functionality or production.

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

Cisco is committed to sourcing components and materials from suppliers that share our values around human rights, ethics, and environmental responsibility and to taking all steps to comply with legislation.

Our [policy](#) on Sourcing of Minerals Originating in the Democratic Republic of the Congo or adjoining countries asserts 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. Cisco supply chain partners and suppliers are required to commit to the EICC Code of Conduct, which includes a provision related to the responsible sourcing of minerals. 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.

In FY13 we started rolling out our supplier conflict minerals due diligence survey, based on the industry questionnaire developed by the EICC, to determine whether suppliers have implemented sourcing policies and understand what programs they need to have in place to trace the source of minerals used in the products they manufacture. Cisco has committed resources to educating our global suppliers, partners, and stakeholders on the subject of conflict minerals. We have introduced training on conflict minerals, which is available on our supplier portal together with frequently asked questions and information on regulatory, industry, and customer resources. Suppliers can also record their completion of the training on the portal.

Supporting an Industry-Wide Approach

Suppliers can disclose and communicate about smelters in their supply chain, and we can also report this information to our customers, through the EICC’s [Conflict-Free Sourcing Initiative \(CFSI\)](#).

We support an industry-wide approach to the complex issue of conflict minerals through our partnership with the CFSI, which engages a wide range of stakeholders, miners, smelters, and companies from various industries, and partners with leadership groups and representatives from industry, government, and civil society. Partnering allows us to share information, develop guidance, and exchange best practices on conflict minerals in the supply chain.

Cisco has also adopted the [CFSI’s standard industry tools and templates](#), which suppliers can use to disclose which smelters are in their supply chain and we can then use to report this information to customers. The accompanying Conflict-Free Smelter Program offers companies and their suppliers an independent, third-party audit tool with a compliance protocol that determines which smelters and refiners can be validated as “conflict-free.”

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CISCO CONNECTED WOMEN INSPIRE AND MOTIVATE
 In honor of International Women's Day 2013, Cisco Asia Pacific employees chimed in with some inspiring words about what it means to them to be women in the technology workforce and how they manage their success.
[WATCH VIDEO](#)

Our People



At Cisco, we all contribute to a shared vision of creating a more connected world through what we call “The Internet of Everything.” Our collective technical, creative, and professional skills create innovative solutions to respond to our customers’ needs. Our continued success depends on our ability to attract and retain talented and highly skilled people who have the desire to perform at their absolute best.

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Our People Overview

Our Employee Value Proposition focuses on making Cisco a great place to work for our more than 75,000 employees. We emphasize an inclusive, collaborative culture and flexible work environment that values innovation. We provide numerous development opportunities, as well as a comprehensive portfolio of employee offerings and differentiated benefits.

The five key pillars of our people strategy are:

- **Working Together:** We promote a culture of honest, transparent communication, seek ongoing input from our employees, and provide extensive opportunities to collaborate and innovate.
- **A Safe and Healthy Work Environment:** We invest in our employees' health and wellbeing, offer flexible work practices, and provide a safe workplace.
- **An Inclusive and Diverse Culture:** We recruit a diverse workforce and foster an inclusive culture where everyone feels welcomed, valued, respected, and heard.
- **Providing Training and Development Opportunities:** We offer wide-ranging training, mentoring, and development programs and encourage our employees to build a career with Cisco.
- **Rewarding Our People:** We provide a competitive rewards package, including wide-ranging benefits, and we recognize our employees' achievements and contributions.

External rankings and awards received in FY13 continue to endorse Cisco as a great company for individuals from all backgrounds to work for, and more importantly, surveys show that our employees agree. We also know there are always areas where we can improve, and we continue to act upon employees' feedback to improve their experiences at Cisco. Our most recent employee survey highlights recognition and development opportunities as key challenges, which we will continue to address in FY14.

“Our values represent how our employees work together. When we all focus on our values, we're able to make them come to life for Cisco. That influences our ability to provide great customer service, deliver on our brand promise, and make Cisco a great place to work.”

Kathleen Weslock, Senior Vice President and Chief Human Resources Officer

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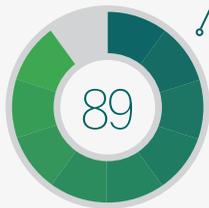
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Our People Overview

2013 at a Glance



89 percent of employees are proud to work at Cisco.

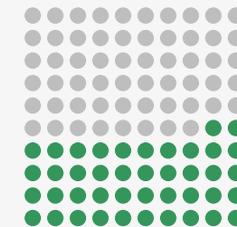
Spent US\$153 million on more than 3.1 million hours of learning and development activities for our employees.

3.1 MILLION HOURS



23,500 employees participated in our biannual company meeting through our Jabber and other collaborative communication technologies.

Launched a Diverse Interviewer Panel initiative to increase the likelihood of recruiting diverse candidates.



Ranked number 42 on the Fortune "100 Best Companies To Work For" list.



Opened a new LifeConnections Health Center on our Bangalore Campus.

Emergency Response Teams responded to 224 medical incidents and 123 building drills and evacuations globally.



Cisco employees and dependents earned more than \$13.4 million in health incentives for participating in wellness programs.

\$13.4 MILLION

86 percent of employees feel that their teams value diversity.



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2013 Progress toward Objectives

Objectives	Status
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	○

● Achieved ○ Ongoing

2014 Objectives and Beyond

Objectives	Target Date
Launch a new People strategy focused on: <ul style="list-style-type: none"> • Talent: Deliver innovative and consistent career development and employee experience • Leadership: Build diverse and global leadership capabilities and pipeline • Culture: Inspire employees to embrace culture, values, and integrity • Organizational Effectiveness: Deliver organizational transformation through Work Force Planning and Organizational Health Analytics 	FY14 – FY16
Improve our employee survey scores in the areas of Development, Organizational Alignment, and Recognition	End of Q3 FY14
Launch a new performance management program	End of FY15
Increase diversity awareness with an emphasis on gender awareness	Ongoing
Launch new rewards and recognition program that highlights employee contributions	End of Q2 FY14

CASE STUDIES FROM THE UNITED STATES



Recruiting U.S. Veterans

Many veterans find it hard to gain employment when they leave the military. The unemployment rate among young veterans is 18 percent, and we are looking at how we can help decrease that number.

“We have our own language and acronyms [in the military], and civilian companies have their own language as well,” said Courtney Beard, a combat-tested Air Force veteran who now works for Cisco as a network consulting engineer. A veterans program helped Beard revise her résumé so her military intelligence job made sense to a civilian.

Jonathan Nichols, a program manager in the Cisco Global Services Practice, has been so impressed with veterans like Beard that he has hired 11 more. “They are disciplined, motivated, and have practical experience,” he said.

Read about Courtney’s stories on our blog:

- [From the Battlefield to the IT Field: My Story of Transition](#)
- [Cisco Employee Honored as Military Veteran at the White House](#)



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Working Together

Collaboration, innovation, and creativity are vital to our company's success. We nurture these strengths in our employees by promoting open communication, fostering a culture of listening, and creating a diverse and inclusive working environment where everyone can share their ideas. We are the worldwide leader in connecting people, whether through the Internet, video, or voice, and Cisco's networking solutions enable our connections, no matter where we are in the world.

Employee Communications

With employees located at 370 sites in 100 countries on six continents, working both virtually and in our offices, a primary objective is keeping leaders, managers, and employees connected. We use communications that allow employees everywhere to interact with our leaders, engage with Cisco's strategy, transformation goals, and culture, and stay informed about key news regarding Cisco and working at Cisco. We keep employees informed, have candid dialogue, answer questions, treat concerns respectfully, and bridge physical distance with our technologies. In the 2013 employee survey, more than 80 percent of our employees said that our top management is approachable, and close to 80 percent said they are kept informed about developments at the company.

Key Challenge: Managing Volume of Communications

Our culture of open communication is a key part of how our leaders connect with their teams. As a result, managing the amount of communications we produce throughout the company is a challenge. Over the last year, we've put processes in place to better align our communications so that employees get the most relevant information. This effort will continue to be a focus area for us.

We engage with employees in a variety of ways:

- Our intranet site, Cisco Employee Connection, is often the first place employees go for business updates, company announcements, and information to help them do their jobs.
- The "We Are Cisco" web community promotes peer-to-peer engagement and gives employees an opportunity to chat, share, and get to know each other wherever they are in the world.
- WebEx Social technology helps team members collaborate, communicate, and share important information no matter where they are located.
- Cisco TV allows employees to watch company events from their desktops or home offices when they are unable to attend in person.
- Cisco TelePresence, using high-definition video technology, enables users in multiple locations to interact in real time at company meetings as if they are in the same room.
- Cisco Jabber lets employees access applications such as instant messaging, voice, video, voice messaging, desktop sharing, and conferencing on any device.
- Our social media sites promote open, two-way communication. Cisco reaches more than 8.2 million people through social media, and many of our executives and functional areas have their own Twitter handles and Facebook pages.

Engaging Employees through Shared Values

Cisco's company values, reaffirmed in FY13, are the six most important principles we want to exemplify as a company. We've aligned our Employee Value Proposition with our six company values to create a framework for our Employee Experience (see Figure 1) and printed the values on our employees' badges to help people understand how these values are linked with their personal and professional growth.

Figure 1: Employee Experience



We want employees to live our values, and in FY13 we sent a powerful message by asking them to recognize and share examples of how that's happening. In the summer of 2013, we asked our employees to share personal stories about how they are living our Cisco values by submitting their own one-sentence slogan about the difference Cisco makes globally. Find out what our employees created in this [two-minute video](#).

Empowering Our Leaders to Engage with Employees and Each Other

Open and transparent communication is critical for leaders to build trust within their organizations. At Cisco, this starts with Chairman and CEO John Chambers. His candid and accessible approach sets the tone for how all of our managers and leaders interact with their teams.

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We expect leaders and managers to inspire their employees and champion our company culture. We use a combination of collaborative tools, events, and communication programs to provide the resources they need to successfully manage the business and their teams. These include:

- Management Central is a one-stop online resource for people managers that offers key information, tips, and tools such as the Cisco Leader Playbook, which helps them communicate with their teams.
- Our quarterly “Learn about LIVE” event series provides an opportunity for people managers to learn about the topics that will help them to be successful in their roles. Each session combines presentations, discussion panels, and practical resources to help leaders apply what they have learned.
- The Senior Leadership Experience (SLX) Program for directors and senior managers includes the annual Forum, quarterly events that provide context on the company strategy and address timely topics, and online tools and materials to help these leaders stay connected and aligned with the business priorities. The SLX Program focuses on tools the next generation of managers needs to run our business more effectively.
- Our Annual Executive Leadership Community Offsite and quarterly meetings for vice presidents and above. These events set the company direction with the most senior leaders of the company. They provide our leaders with the information they need to build their business plans and create a forum where they can engage with their peers for increased collaboration. These events also set clear expectations for business performance and team management.

Seeking Input from Our Employees

Listening to our employees helps us build a better company. We give employees the opportunity to speak to their managers and leaders and ask questions in a variety of ways, including through blogs, performance reviews, social media, and informal gatherings. We also gain valuable quantitative feedback through surveys. We regularly ask our employees in surveys and company meetings how we can make their work more satisfying, then we ask our Employee Engagement and Experience teams to respond to their feedback.

Tapping into Employees’ Ideas

Giving employees opportunities to collaborate and innovate in situations outside their usual work settings is a key part of our strategy to develop better products and solutions. Employees are able to influence Cisco’s product development, services, and strategies through our interactive forums and innovation events. In FY13, 85 percent of employees participating in our employee survey said they feel encouraged to come up with new and better ways of doing things.

Our crowdsourcing tool, Innovus, encourages employees to share ideas and help solve problems during campaigns or “jams.” In FY13, during a jam to help shape our Inclusion and Diversity strategy, employees from across the globe submitted more than 500 ideas, made more than 600 comments, and contributed 5539 votes on the ideas they preferred.

Employees can contribute and help shape new product ideas, sales models, markets, and solutions through our online Idea Zone (I-Zone). This forum is our employees’ creative playground for exploring and sharing ideas to create the next big thing. To date, employees have contributed more than 5100 ideas with 9500 comments to I-Zone. The most compelling ideas are taken up by our Action Learning Forum to develop further.



Our employees produce creative work every day, but to really stretch them, we create opportunities to innovate that are outside of their usual day jobs. Innovation events include:

- **Hackathon:** More than 100 of Cisco’s best Information Technology engineers gathered for HackIT II in April 2013, a 24-hour session of problem-solving and competition. Teams from San Jose and North Carolina competed to design, code, and build innovative solutions to real-world ICT problems.
- **Winnovation Challenge:** More than 500 employees worldwide have participated in this challenge over the past three years, proposing a host of innovative technology ideas for our customers.
- **GeekFests:** Engineers run these one-day collaborative sessions to think creatively about the future of Cisco’s products and identify working solutions for real-time business problems.
- **iSpark:** More than 350 employees submitted their most innovative product ideas at the 2013 iSpark event in India. The top 10 ideas were presented to a technical panel as potential new products. Employees voted for their favorite ideas, and winners received cash prizes.

Pulse Survey

Our Pulse employee survey is one of the most important listening tools at Cisco. Feedback from this confidential online survey for all employees helps leaders pinpoint employee concerns in 10 categories (see Table 1).

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Table 1: Pulse Survey Results

Category	FY10 Scores	FY11 Scores	FY12 Scores	FY13 Scores (Interim Survey)
Collaboration	85	85	87	87
Respect for People	82	84	86	87
Manager Index	77	83	84	85
Employee Engagement Index	82	79	82	84
Communication	79	79	82	83
Inclusion Index	78	79	82	83
Innovation and Excellence	77	73	78	80
Development	72	75	77	78
Organizational Alignment	79	66	73	77
Recognition	65	68	72	74

In FY13, we asked a sample of our global employees to participate in an interim survey, following our full survey in FY12. Among the 24 percent of our total workforce who responded, 89 percent said they are proud to work at Cisco, 82 percent felt highly engaged, and 87 percent felt that their contributions make a difference.

We consider scores above 80 percent as positive results and scores from 70 to 79 as good results with room for improvement. We also benchmark ourselves against other large high-tech companies to understand our performance.

To better understand how we can improve in low-scoring areas, we organize follow-up surveys and focus groups. We try to use these findings to make changes that

improve our business. We also conduct in-depth analysis to improve our understanding and help us address specific areas. For example, the Inclusion & Diversity Index allows us to collate survey results on respect, fair treatment, ability to voice opinions, performance, and rewards in order to analyze how well Cisco is fostering an inclusive work environment and inform business change. Data from the Index is used in executive reviews, and action plans are created to address weaknesses.

We conduct segmentation-based analysis, called Persona Research, to increase our understanding of employees who are having a disproportionately positive or negative influence. This analysis enables us to address these segments with solutions that support inclusivity and to increase the relevance of our program offerings.

Key Challenge: Responding to Employee Feedback

In FY13, scores improved in Development, Organizational Alignment, and Recognition, our three lowest scoring areas, as a result of plans we implemented following FY12 survey results. However, all three still have room for improvement, and we will address them again in FY14.

A Safe and Healthy Work Environment

Technology enables our employees to work almost anytime and anywhere. This gives them a great deal of freedom and flexibility, but it means that work can encroach on their personal time. That is why it's more important than ever that we help make their lives easier, encourage them to take time for themselves and their families, and stay fit and healthy, as well as look after their safety at work. We invest in employees' health and wellbeing through a combination of benefits, resources that encourage a culture of wellbeing, and flexible work practices.

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.

Injury and Illness Rates

The majority of employee workplace injuries result from ergonomic issues, and in FY13 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

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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.

We are currently designing improvements to our Occupational Health and Safety program. We are actively working to improve the way that we collect and report this data, which often has long lead times before numbers can be finalized or requires revisions after the fact.

Table 2: Health and Safety Data (U.S. operations only)		
Category	FY12	FY13
Total incident rate (per 100 full-time equivalent employees)	0.25 ¹	0.23 ²
Lost workdays (per 100 full-time equivalent employees)	0.4 ³	0.7 ²

1. In last year's report, we reported that the total incident rate in FY12 was 0.22. This was an estimate based on available data at the time of publication.
 2. This figure is an estimate based on available data at time of publication.
 3. In last year's report, we reported that the FY12 total lost workdays was 0.008. This was an estimate based on available data at the time of publication.

Emergency Response

Cisco's Global Safety, Security, and Business Resiliency department is responsible for the protection of the company's employees, property, and information in the event of an emergency. Their work includes conducting annual Incident Management Drills to monitor the company's readiness to respond to a crisis.

In the event of a disaster, our Crisis Communication Team provides timely information to employees and their families as well as customers, partners, and

shareholders. A Disaster Alert posted on the Cisco Employee Connection website gives up-to-date information on the crisis, how it impacts Cisco, how employees can help, and how people in the region can seek help.

In FY13, we developed a new Emergency Notification System, which can send Cisco employees an SMS text to their work or personal mobile phone, place a call to their work or home phone, or send an email alert. Employees can then respond to the alert to let us know they are safe or if they need further support or guidance. This system will streamline, automate, and accelerate Cisco's emergency response capabilities. Its global rollout began in summer of 2013.

When an onsite emergency strikes, Cisco's Security and Facilities Operations Centers dispatch Emergency Response Teams to respond to the incident. We have more than 120 of these teams, made up of more than 3200 volunteer employees and contingent workers. They are trained to be first responders to a variety of emergency situations, from assisting with building evacuations to administering first aid and dealing with cardiac arrest. More than 480 automated external defibrillators are located in Cisco offices around the world for use in such a situation. Our Emergency Response Teams responded to 224 medical incidents and 123 building drills and evacuations globally in FY13.

Health and Wellness

We invest in creating a culture of health and wellness and offer programs to support our employees worldwide. All Cisco employees and their immediate families have access to a range of global benefits to help them in times of need.

Our Employee and Family Assistance program provides confidential counseling services that offer personal and emotional support on a wide range of issues, fully paid



by the company on a short-term basis. Additionally, referral services are available for areas such as childcare, education, college assistance, eldercare, adoption, parenting, and legal and financial assistance.

Through our Expert Medical Opinion program, Cisco employees and their families with serious, complex, or rare medical conditions can get a confidential, independent second opinion from physicians with expertise on their medical condition. This program is provided at no cost to employees.

In addition, each country provides local benefits to give employees and their families access to quality healthcare, disability and life insurance, and time away from the office. Cisco also provides all employees with travel-related benefits to keep them safe during business travel.

In the United States, our wellness programs provide employees with the opportunity to participate in an online health assessment, lifestyle management programs, health coaching, programs to manage chronic conditions, community fitness events, and more. They also have access to information and resources in the areas of nutrition, fitness, sleep, life balance, and preventive care. Financial incentives of up to \$800 per year for employees, and \$400 per year for spouses and domestic partners, are available for taking part in wellness activities. In FY13, Cisco employees and dependents earned more than \$13.4 million in health incentives for participating in wellness programs, and 50 percent of employees completed a health assessment.

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For added convenience, Cisco provides onsite health and medical care for Cisco employees and their families in some regions. Onsite health facilities are available at our San Jose headquarters; at Research Triangle Park, North Carolina (enabled by Cisco HealthPresence solution); and in Bangalore, India (see feature on this page). In addition, Cisco's telehealth solutions connect employees located worldwide to a primary care doctor or specialist. Onsite fitness facilities at our five largest U.S. locations feature high-end cardiovascular and strength training equipment, group exercise classes, sports leagues, and access to outdoor walking and jogging paths. All of our onsite cafeterias feature fresh, seasonal, and nutritious menu items to give employees healthy food options.

Flexible Working

For Cisco, productivity is measured not by time spent in an office, but by results. Globalization requires employees to adapt when and where they work, and our collaborative technology helps them do this while balancing family commitments and other personal

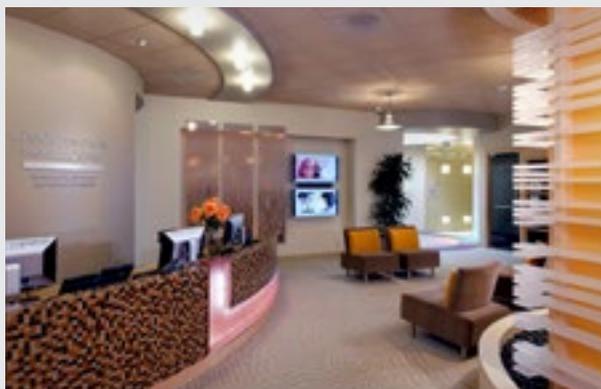
responsibilities. At Cisco, we have fully embraced flexible work practices with transparent policies regarding telecommuting, remote, and flex-time work options.

Telecommuting is used to some extent by almost all of our employees, and the number of remote workers rose 12 percent in FY13 compared with the previous year. Part-time opportunities are available in Europe, the United States, and parts of the Asia Pacific region.

Flexible work practices are a crucial part of Cisco's employee engagement strategy, and we continue to invest in technologies that enable this flexibility. Cisco technologies such as IP phones, WebEx, Jabber, Cisco TelePresence, and Virtual Office allow employees to work together at any time and in any place. Our technology infrastructure enables greater access to information and improved data security from a wide range of devices, resulting in increased productivity and flexibility. These tools give employees more control over their schedules, making it easier to manage their personal and professional responsibilities.

We also embed flexible work practices in many of our offices with thousands of collaborative, inviting work environments, which are functional and fun for our employees worldwide. As part of our Connected Workplace strategy, we offer open-plan workstations, touchdowns for computer access, privacy rooms, lounges, e-café's, and recreation spaces fitted with technology that meets employees' needs. These are available to all without booking ahead. This welcoming environment is designed to increase collaboration and encourage innovation. Many users report significantly higher levels of satisfaction, teamwork, and productivity.

Employees have named workplace flexibility one of their top priorities and one of the best things about working at Cisco, according to Cisco's annual employee survey, exit surveys, and focus group feedback. And it shows: Cisco has seen greater employee productivity, retention, and engagement, reinforcing that Cisco is a great place to work.



LifeConnections Health Centers

The state-of-the-art LifeConnections Health Center at our San Jose campus features medical, fitness, and childcare centers. Providing comprehensive services, the Health

Center offers integrated primary and family medical care; chiropractic, acupuncture, and physical therapy; onsite health coaching and counseling services; X-ray and lab services; a vision center; and a full-service pharmacy. The dental center, which offers primary and cosmetic dentistry, opened in the summer of 2013.

The Health Center offers free screenings, events, and webinars to inspire employees and their families to lead healthy lives. It also works with external providers and academic institutions to offer specialized services, such as Stanford teledermatology, providing employees with access to expert dermatologists. The LifeConnections Health Center is visited regularly by approximately 7000 employees, averaging over 2200 visits per month.

Patients at the Health Center receive a personalized, unhurried experience in spacious, modern, and serene surroundings. The Center helps employees save money, billing them at a 20 to 30 percent lower rate than community doctors. For employees in our largest health

plans, preventive care is covered at 100 percent, and their deductible is waived when they use the Health Center for injury and illness visits. For members who use our Preferred Provider Organizations, generic prescriptions are free.

The LifeConnections Clinic at our North Carolina campus offers primary care; immunizations and medical travel advice; and injury, illness, and chronic condition visits via Cisco's telehealth platform. The LifeConnections Health Center at Bangalore, opened in October 2012, offers onsite primary care, physiotherapy, nutritional counseling, emergency services, and an onsite ambulance. Feedback about the experience and convenience has been extremely positive.

All of the LifeConnections centers use Cisco's integrated network, voice and video technologies, and HealthPresence, Cisco's innovative telehealth solution with high-definition video, audio, and biometric data capture, enabling patients to consult with a physician located remotely.

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An Inclusive and Diverse Culture

Building an inclusive and diverse organization is a business imperative for Cisco. The rich mix of perspectives and experiences our people bring to the company enables us to better understand the needs of our customers around the world and create innovative solutions to meet these needs. We want to lead our industry in Inclusion and Diversity (I&D).

Key Challenge: Improving Representation

Over the past few years we have made important strides in diversifying our population, particularly in positions of leadership. Key challenges include attracting more women, who continue to be significantly underrepresented in the ICT field, and increasing the presence of underrepresented minorities in the workforce.



Embedding a Culture of Inclusion and Diversity

At Cisco, all employees and functions are responsible for promoting a culture of inclusion and diversity (I&D). To help our employees behave inclusively, we communicate to them what inclusion means in practice and its importance to Cisco. Within their first three days at Cisco, all employees are introduced to Cisco's commitment to a culture of I&D.

As part of Cisco Performance Connection (for more information, see Development Opportunities, page [D16](#)), all employees are required to set an I&D performance goal that holds them accountable for inclusive behavior. The Cisco Performance Connection I&D guide includes short videos to make I&D concepts come alive, matrices

that identify inclusive behaviors, and a self-assessment to help employees understand where they are on their journey from awareness to understanding, action and advocacy, with steps to move to the next phase.

We offer a number of I&D training modules to help employees develop new leadership and diversity skills, and to be active participants in creating a more inclusive environment. These include videos, workshops, and training courses to help managers and team members develop I&D awareness, understand and manage unconscious bias, practice inclusive behaviors, and learn ways to communicate supportively and directly. One example is our Minds Wide Open training, which helps employees understand how unconscious bias plays into their judgments, decisions, and behaviors as well

as teaching practical tools to increase their awareness, challenge their habitual actions, and change the course of their decisions.

Employee representatives take part in I&D Leadership Teams and act as I&D Ambassadors, who reinforce I&D communications and expectations and help promote the success of our strategy and programs. We reward employees for exceptional contributions to I&D programs and Employee Resource Organizations (see Employee Support, page [D14](#)) through additional professional development opportunities, recognition letters, and our annual I&D Ambassador Recognition Program.

Our holistic diversity framework is embedded throughout the business. Our global I&D Coalition, comprising I&D and HR representatives from across functions and

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regions, advises and supports Cisco executives at the functional and regional level. In FY13, we formed the Integrated Workforce Planning Initiative, which requires all of Cisco's top business functions to review I&D metrics, goals, and plans with the company's top executives as part of a broader talent planning review. As a result of this requirement, I&D is considered as part of holistic talent planning rather than separately, highlighting its importance as a business driver and its relevance to each area of talent planning.

The Inclusion Index in our Pulse survey improved by one point to 83 in FY13. Of those responding to the survey, 86 percent felt that their team has a climate in which diverse perspectives are valued and that senior leadership emphasizes the value of a diverse workforce.

Recruitment

Developing an inclusive workplace starts with recruitment from a diverse pool of candidates. A diverse recruiting strategy is embedded into recruiting processes at the university, professional, and executive levels, and we run programs to encourage internal hiring managers to seek out diverse talent for a wide range of roles at Cisco. We use social media and mobile technology to reach a wide group of candidates, build strong personal relationships with diverse communities through our Employee Resource Organizations, and draw from the networks of various partner organizations.

We support programs that aim to increase the presence of underrepresented groups within certain fields. For example, in the United States our scholarship program with the National Consortium for Graduate Degrees for Minorities in Engineering and Science aims to improve access to top minority talent, and the Girls/Women in Technology Initiative encourages more girls to study and consider careers in science, technology, engineering, and mathematics. We also participate in the INROADS

Examples of Our Partner Organizations:

- The Anita Borg Institute's (ABI) Grace Hopper Celebration of Women in Computing (GHC), U.S., India
- Diversity in Asia Network (DIAN), APJC
- Catalyst, U.S., EMEAR, India, Canada
- Diversity Best Practices, U.S.
- The National Society of Black Engineers (NSBE), U.S.
- Society of Women Engineers (SWE), U.S.
- Technology Out & Equal, U.S.
- Hispanic IT Executive Council (HITEC), U.S.
- The Society of Hispanic Professional Engineers (SHPE), U.S.
- 100,000 Jobs Mission Coalition, U.S.
- Stonewall, U.K.
- Employers Forum on Disability, U.K.

and The National Consortium for Graduate Degrees for Minorities in Engineering and Science (GEM) programs, which support underrepresented minorities at the university level. The INROADS program develops and places talented underserved youth in business and industry and prepares them for corporate and community leadership. We plan to expand participation in INROADS to Mexico during FY14.

To increase the likelihood of hiring a diverse candidate, we launched the Diverse Interviewer Panel initiative in FY13. A diverse interviewer panel also helps candidates see themselves fitting in at the company. All of our recruiters and hiring managers have access to a hiring talent website and an interactive hiring e-learning training program to help them develop fair and effective interview skills. Our Executive Talent Insertion program strategically recruits diverse leaders to bring fresh ways of thinking and operating to Cisco.

Equality for All

We want to make sure that all individuals at Cisco are treated equally and have equal opportunities to succeed, regardless of race, gender, disability, sexual orientation, veteran status, or other underrepresented minority status. Of the employees responding to our FY13 Interim Pulse Survey, 86 percent said their manager ensures fair treatment to everyone on the team.

Gender

In early 2013, our CEO John Chambers called upon Cisco's senior employees to find ways of bringing more women into leadership roles. First he asked all vice presidents and senior directors to identify three or four things they would do differently to increase the number of women in our work environment. Then two executive sponsors were assigned to report on the initiative's progress on a quarterly basis to the Operating Committee. A strategy and execution plan has been put in place for FY14 to act on these findings.

Other initiatives to promote the career development of women at Cisco include:

- WebEx Social for Women uses Cisco's social networking platform as a forum for discussing relevant issues, such as career development and work/life balance.
- An annual "Women in Technology" forum is devoted to the development and advancement of women in technology. Approximately 1400 employees from the United States, China, India, the U.K., and Israel attended the second annual forum in March 2013. Attendees gained practical knowledge for their career development and an expanded network of allies.

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- The Cisco Empowered Women’s Network, launched in June 2013, is a global community of highly motivated, professional female employees, customers, and partners. The group aims to increase the representation of motivated women in the ICT industry; provide women with tools to enrich and advance their careers; galvanize leaders to prioritize the empowerment of women in their organizations; and contribute to advancing women in the global community.
- Focused training programs include Development, Authenticity, Readiness and Excellence (DARE), designed for early-in-career women to understand the critical role authenticity plays in creating resilience and building a future career at Cisco, and JUMP Women’s Development Program, a development program for women in entry-level management positions. The JUMP program helps participants develop leadership and career planning skills over nine months. An initial pilot in the U.K., France, and Spain during FY13 resulted in a 30 percent movement rate for participants. Based on this success, we are rolling out the program to other regions during FY14.

We also track gender diversity at all phases of recruitment, from application to interview and hire. This helps us develop action plans addressing any areas where additional effort is needed. We have also conducted external research to identify top-performing women in sales for a sales hiring initiative.

Sexual Orientation and Gender Identity

To reinforce Cisco’s culture of equality across the workforce, we have created a climate where gay, lesbian, bisexual, and transgender (GLBT) individuals are embraced as part of the Cisco family and valued for their contributions. The Cisco Safe Space Program advances the company’s goal of creating an environment in which all are treated with dignity and respect and able

to bring their true selves into the workplace. Training focuses on better understanding and being an advocate for co-workers with differences that are not immediately recognized, such as GLBT individuals.

Cisco was among the first companies to offer inclusive benefits and policies for GLBT employees and domestic partners, including a GLBT tax true-up, which equalizes the cost impact to U.S. employees who cover benefits for same-sex partners who do not qualify as tax dependents. Employees who have not been limited in legal recognition of their partnerships have been compensated by Cisco for the special burden of federal taxes owed on those benefits and for the tax they owe on our contribution toward that tax bill. Other benefits for GLBT employees and domestic partners include medical benefits for transgender and transitioning employees, and gender transition support for transitioning employees and their immediate colleagues.

Ethnicity

In the United States we have made steady progress in diversifying the ethnicity of our workforce over the past five years throughout various levels of the organization (see Table 4).

Nearly half of Cisco’s U.S. workforce identify themselves as non-white. As is often the case in the technology industry, a great majority of our non-white employees are of South Asian and Pacific-Rim Asian descent. However, people of Pacific Rim and South Asian descent remain underrepresented in senior positions at Cisco in the United States. To address this, we run a Pac-Rim Asian Leadership Development Program to help employees from this group who are on the verge of becoming directors to develop skills such as executive presence, effective presentation, and networking proficiency. We are assessing this initiative for applicability to other underrepresented groups at Cisco.

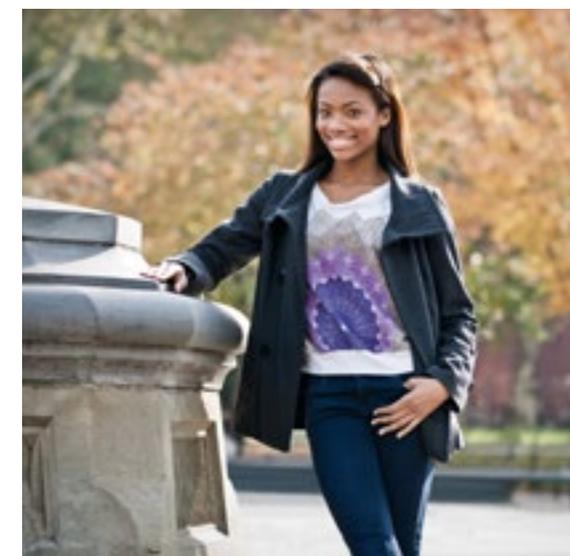
CASE STUDIES FROM AROUND THE WORLD



International Girls Day in Information Communications Technology

On April 25, 2013, more than 2100 teenage girls around the world went to “work” at 82 Cisco offices as part of International Girls Day in Information Communications Technology. The girls met with senior executives and women leaders to see firsthand the opportunities the ICT sector has for them, and more than 550 Cisco employees volunteered to make this day a success.

In addition, Cisco was invited to attend the global ICT Girls Day event at the European Parliament, along with three winners of a challenge to design an app for an Android-based mobile device. The winning app design promoted healthy eating with the aid of a virtual pet and included a series of challenges to tempt the player away from unhealthy foods. Cisco engineers in Brussels are now working on turning this design into a reality.



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Analysis of our U.S. workforce during FY13 highlighted the need for a greater focus on our African American and Hispanic/Latino talent segments, and we plan to address this issue in FY14. We are currently investigating greater and deeper partnerships with the National Action Council for Minorities in Engineering (NACME) and Hispanic IT Executive Council (HITEC) to leverage their programs, resources, and training. NACME aims to increase the number of successful African American, American Indian, and Latino women and men in science, technology, engineering, and mathematics (STEM) education and careers. HITEC's prime goal is to advance the role of Hispanic people in ICT leadership and to provide current and future Hispanic ICT leaders with the skill sets, professional development, and networking opportunities to become executive leaders.

Racial and ethnic minorities vary in different countries, making it difficult to report global performance in this area. As a result, we have reported on race and ethnicity only for the United States, which is home to the largest portion of our workforce. However, we will expand our demographic analysis into other regions in FY14.



Table 3: Gender Diversity Performance

	FY09	FY10	FY11	FY12	FY13
Percent of female employees globally	23%	23%	22%	22%	23%
Percent of female new hires globally	23%	20%	19%	23%	23%
Percent of female managers globally (including directors)	19%	19%	20%	20%	20%
Percent of female vice presidents globally	15%	15%	16% ¹	16% ¹	16%
Percent of female employees in the U.S.	26%	25%	25%	25%	26%
Percent of female managers in the U.S. (including directors)	22%	22%	22%	22%	23%
Percent of female vice presidents in the U.S.	17%	18%	18%	18%	19%

1. Restated due to an error in last year's report.

Table 4: Ethnicity Diversity Performance

	FY09	FY10	FY11	FY12	FY13
Percent of non-Caucasian employees in U.S. operations	44% ¹	44%	45%	46% ¹	46%
Percent of non-Caucasian new hires in U.S. operations	40% ¹	43% ¹	46%	52%	48%
Percent of non-Caucasian vice presidents in U.S. operations	21%	22%	24%	26%	24%

1. Restated due to an error in last year's report.

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Disability

Cisco is building a culture that empowers people with disabilities through our commitment to increasing accessibility, accommodation, and opportunity. Our technology and workplace flexibility help our employees with physical limitations make important contributions to our work.

For the fifth year in a row, Cisco has been honored by Disability Matters in the workplace category, celebrating our inclusive working practices for those with disabilities and their families. In FY13, Cisco hosted the inaugural Disability Matters Asia Pacific Conference on our campus in Bangalore, India.

Veterans

Cisco is a founding member of the 100,000 Jobs Mission, a coalition of more than 100 corporations committed collectively hiring 200,000 veterans by 2020. Since March 2011, the coalition has already hired more than 78,000 veterans. We have invested more than \$2 million to help software development company Futures, Inc. create cloud-based job portals that match military job codes with civilian job openings.

Veterans and members of their families are encouraged to enroll in Cisco Networking Academy courses at almost 2000 locations nationwide, where they can learn about information and communications technology. Our Operation HomeForce app on Facebook lets users find job openings for a veteran they know, and then make it easy for the veteran to apply. We also support our veteran employees through our Veterans Enablement and Troop Support (VETS) Employee Resource Organization. For more information on how our support has benefited one veteran, see the case study on page [D4](#).

Employee Support

Cisco Employee Resource Organizations (EROs) are global, virtual groups representing the diverse cultures and interests of our employees. Our EROs provide mentoring programs, recruitment and networking

CASE STUDIES FROM THE UNITED STATES



Supporting People with Disabilities

Luis Lima, customer service manager at Cisco, has a mobility disability related to Charcot-Marie-Tooth disease (CMT). Lima’s condition makes it challenging for him to maneuver in our many buildings. He uses our Unified Communications and Video technologies, a key component of our workplace flexibility program, to conduct his daily work. These allow him to attend meetings without having to move from site to site, which can be painful, and avoid losing productivity while traveling.

“If you focus on your performance, you’ll be a valuable asset,” Lima said. “Important companies search, hire, retain, and support their human assets, and I’ve never felt disabled at Cisco.”



opportunities, community outreach, and support for wider company inclusion and diversity initiatives. By connecting people across Cisco, EROs help to increase employee engagement while contributing to innovation and fostering business partnerships. We currently have nine EROs with participation from employees around the globe. EROs include Cisco’s Asian Affinity Network; Conexión, for Latinos; Cisco Black Employees Network; Cisco Disability Awareness Network; Cisco Connected Women; and the Early in Career Network.

In addition, we support many global inclusion and diversity professional organizations that offer leadership development programs and additional resources such as training and networking opportunities to our employees (see page [D11](#)).



Inclusion and Diversity Awards

Some of the awards we have received over the past year include:

- Ranked number 21 on the World’s Best Multicultural Workplaces list by Great Place to Work Institute
- Disability Matters Workplace Award for the fifth consecutive year in the U.S.
- Asia Pacific Disability Matters Workplace Award
- Top 100 companies providing opportunities for veterans by *US Veterans* magazine
- Top Diversity Employer by *Hispanic Network* magazine
- Top Diversity Employer for African Americans by *Black EOE Journal*
- Top 100 companies for working mothers in the U.S. by *Working Mother* magazine
- “Best Companies for Multicultural Women” in the U.S. by *Working Mother* magazine
- Ranked number 6 in the Top 50 Organizations for Multicultural Business Opportunities by DiversityBusiness.com
- Scored 100 percent in “Best Places to work for LGBT Equality” in the U.S. by Human Rights Campaign
- Top 100 companies in the U.S. providing opportunities for Latinos by *Latino* magazine
- HITEC Top 100 companies by the Hispanic IT Executive Council in the U.S.
- Asian American Women’s Alliance Recognition for CAAN, the Cisco Asian American Network
- Cisco Conexión ranked in the top five EROs in corporate America by *Latina Style* magazine

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Training and Development Opportunities

Cisco is founded on our people's abilities to create, innovate, and come up with solutions to challenges faced by our business and by our customers. To develop our business, we must make sure that our people have the opportunity to develop too, honing their skills and building the careers they want and deserve.

Training

We offer a variety of programs and training courses for management, technical, professional, and career development, starting from the first day of an individual's career at Cisco. We are a global company, and our career development opportunities are designed to be global as well.

In FY13, Cisco spent more than \$153 million on training and development, compared with \$139 million in FY12, and our employees collectively spent more than 3.1 million hours on learning and development. While we did not meet our goal to provide capability training to 90 percent of directors and people managers by FY14, we are continuing to work toward this objective and enhance the portfolio of training opportunities to employees across the business.

Our flexible learning portfolio includes web-based training, virtual classes, and rich media on demand, which employees can access through our online Learning and Development Community. We encourage employees to rate courses or other resources they use to help us improve the training materials we offer and enable colleagues to search for the most highly rated content.

The Cisco Manager and Advanced Manager Series offers training for those with less than three years' management experience. In response to feedback from participants, we have shortened this training program to 60 days and increased its flexibility by allowing managers more choice



Career Growth for Engineers

Fostering a learning culture within the engineering community is one of Cisco's primary strategic learning and development objectives. We want our engineers to be engaged, productive, innovative, and inspired. In FY13, Cisco provided more than 889,000 hours of training to our engineering community with a focus on product development, innovation, and management and leadership development. Programs included:

- Websites focused on specific technologies and Learning Roadmaps combining formal training classes and informal learning opportunities that provide engineers

of participation times and making more use of WebEx sessions. We also offer a Director Series that develops directors' abilities to lead large-scale initiatives, operate as enterprise leaders, and engage and inspire others.

Our training programs emphasize collaboration, which is imperative to our business success, and several programs are specifically designed to help employees work together more effectively. Cisco's Center for Collaborative Leadership offers programs for employees at different levels. We added several new elements to the program, including a Leadership Channel for directors and higher-ranking employees, featuring live and prerecorded programming, virtual office hours, blogs, moderated chats, and discussion forums with Cisco and external thought leaders, as well as an extensive library of respected information resources. The Leadership Channel is designed to inspire our executive team and promote support of Cisco's next-generation leaders.

with more than 500 opportunities to build knowledge and skills in cutting-edge technologies such as cloud, big data, security, application development, and network programmability. A total of 29,776 learners registered for technical training in FY13.

- Conferences and expositions allow our engineers to share knowledge and new ideas, inspire innovation and creativity, encourage employee development, and provide insight into company direction and customer needs. In FY13, more than 200 internal learning events reached more than 20,000 employees in the Cisco Development Organization. We target more than 170 engineers at the level of vice president and above with community-based learning through our Executive Leadership Connection program, bringing them together every 60 days for dialogue around core business and leadership challenges.
- High-potential directors and managers complete a six-month action learning Leadership Breakthrough program where they experience intense leadership simulations and work in cohorts on real business opportunities, culminating in presentations to leadership where winning recommendations are approved as business initiatives with funding and resource commitments.

We also added programs to develop leadership and collaborative capabilities in emerging markets, specifically China and Singapore.

To further improve global collaboration, our Cross-Cultural Connection program offers a structured curriculum and forum encompassing education, exposure, experience, and social learning to help employees develop into global leaders. We also have a Cultural Competency Tool, developed from extensive research and interviews with local business people, that gives our employees quick access to knowledge on how to conduct business effectively with people from more than 60 countries. In our FY13 employee survey, 82 percent of employees said that they know which skills they will need in the future to be a valuable contributor to Cisco, and 85 percent agreed that they knew how to use available resources such as training to improve their skills.

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Development Opportunities

Managers and employees meet three times a year to set performance, development, and career goals, and discuss progress as part of the Cisco Performance Connection, our year-round performance management and development process. Employees and managers are also able to request and provide feedback from and about colleagues throughout the year using a tool on the program's website.

In addition to formal training programs, stretch assignments and job rotation options give employees opportunities to build new skill sets and experiences, while fulfilling short-term company needs.

Mentoring continues to be an important part of our culture at Cisco. On their first day at work, employees are assigned a mentor who is not part of their reporting chain to help them quickly integrate into the business and become proficient in their new job. Employees are encouraged to identify further mentors through the Global Mentoring Connection, a website that provides guidance and tools to develop successful mentoring relationships through mentoring programs including:

- eMentorMe, a platform that intelligently matches mentor to mentee
- Cross-cultural mentoring, connecting employees from different world regions
- One-to-one or group mentoring, to help employees develop and enhance their skills and knowledge in their current and future jobs
- Reverse mentoring, where a junior employee mentors a more senior employee to provide both employees with a fresh perspective, develop trust and awareness, and update skills

FY13 employee survey results showed that more employees feel there are readily available development opportunities, that they are supported by their manager

Key Challenge: Improving Cisco Performance Connection

Employee Satisfaction with Cisco Performance Connection was one of the lowest scoring areas in our employee survey in FY13. As a result, we have been conducting extensive analysis to understand employee concerns about Cisco Performance Connection and how we can improve. We are exploring alternative process design options and will seek feedback on these, with a view to launching a new performance management process in FY15.

to pursue them, and that they receive ongoing feedback that helps them improve professionally. However, this remains an area where we aim to improve further.

Career Progression

We want our employees to progress their careers within the company, and we aim to fill as many job openings with internal candidates as possible. We do this through twice-yearly compensation reviews and our Talent Connection Program, which helps employees and managers match skills with suitable vacancies as they arise. Using our CareerPath tool, employees can search a global database of job openings and apply for positions where they believe there is a match. In addition, they can complete a career profile and opt for a Cisco recruiter to contact them when trying to fill an opening. This program allows our recruiters to proactively source internal talent, rather than posting an opening to a job board and hoping a strong candidate is actively seeking a new role.

In FY13, more than 30 percent of our job openings globally were filled by internal candidates, and we promoted more than 9000 employees, or 12.5 percent of our total employee base. In our 2013 employee survey, 74 percent of employees said they are confident they can meet their career goals at Cisco, up six percentage points from 2011.

CASE STUDIES FROM AROUND THE WORLD



Development in Action

Hao Sun, a manager in global supply chain management in Shanghai, China, has been given opportunities to develop his executive and leadership communication skills as a result of his midyear Cisco Performance Connection review.

According to Sun, those discussions “find your strengths and the areas you need to improve and find support to enhance your capabilities. My manager told me he would work with me to get me to the next level.” He has been given opportunities to work on his executive and leadership communication skills by representing his department at events and attending training. Sun said, “I believe at Cisco I will keep learning and grow within the team and the company.”

Venkateswara Mannem Rao had been working as an escalation engineer in our Security Technology Group in India for two and a half years when he decided to join the Talent Connection program. He said that he wanted to “take a new step in my career and find a role that would develop me.” The HR team contacted him about a number of possible opportunities, and one in particular appealed to him. Within two hours of sharing his interest in the role, a Cisco recruiter contacted him to help him through the application process. He is delighted with his new role as a developer and advises his colleagues: “If you want to take the next step in your career, fill out the career path profile and join the Cisco Talent Connection program.”

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Rewarding Our People

We believe in sharing Cisco's success with our employees. Our "Total Rewards" philosophy includes competitive performance-based pay, as well as benefits such as promoting flexible work practices, affordable and comprehensive health coverage, and an array of employee and family assistance programs. We want our people to feel rewarded professionally and personally, as well as financially. Giving our employees the recognition they deserve for their achievements is an important part of this.

Compensation and Benefits

Our rewards strategy is to provide compensation, benefits, and long-term savings packages that are competitive in each of the markets where we operate. We aim to provide "total cash" (inclusive of base pay and bonus) at or near the top quartile of market based upon competitive benchmarking of our peer companies at all Cisco work locations. Cisco's FY13 total compensation to employees – including salary, benefits, bonus, commissions, and stock awards – totaled approximately \$13.5 billion.

We believe that every Cisco employee, whether an engineer, sales employee, or administrative assistant, contributes to the company's performance and that every employee should be able to benefit from the company's success. Every Cisco employee worldwide is given performance incentives, including eligibility for an annual bonus. In addition to cash bonuses, we reward many of our employees with stock incentives.

Providing employees with the opportunity to balance their personal and work commitments makes for a more productive, happier, and more loyal workforce. We also provide culturally relevant time-off programs for employees globally.

In the United States, for example, we offer our employees 20 days of paid personal time off each year, with the possibility of accruing for future years, as well as 10 paid holidays. Additional time off may be taken in special circumstances, such as bereavement. Our Off/On Ramp program gives employees the opportunity to take between one and two years unpaid time off work for personal reasons.

We provide a range of benefits and programs to help our employees and their families deal with personal challenges. These include free and confidential professional support for employees and family members through our Employee Assistance Program, as well as issue-specific support through initiatives such as Elder Care, Cancer Support Network, and Adoption Assistance.

Further benefits include:

- Tax-efficient retirement savings support with company contributions
- An Employee Stock Purchase Plan, in which about 70 percent of eligible full- and part-time employees participate
- Health and wellness benefits (see page [D8](#))
- Childcare centers in San Jose and Bangalore offices
- Educational leave and tuition assistance
- Income replacement benefits and continuation of healthcare coverage for citizen soldiers in the United States when called to active duty

In FY13, we introduced "What Cisco Offers You" to help educate employees about the benefits available to them and to help them make the most of these opportunities. The site showcases the benefits, programs, and services that make Cisco a great place to work, and helps employees understand how to use them.

What We Offer

Total Rewards include:

- Competitive performance-based pay
- Comprehensive health coverage
- Long-term savings packages
- Employee stock purchase plan
- Time-off policies
- Health and wellness benefits through our HealthConnections program
- Employee support programs
- Development and career progression opportunities
- Flexible work practices
- A positive work environment
- Recognition of achievements



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Recognizing Achievements

Through the Cisco Achievement Program, we provide cash bonuses to employees who make an exceptional contribution to achieving business objectives for their team or company. In FY13, \$40.17 million was distributed to approximately 35,000 employees in the form of these awards.

In FY14, we plan to replace this program with Connected Recognition, a new program that was developed as a response to employees’ desires for more frequent recognition, to reinforce our cultural values, and to generate positive interactions and connections among employees. Connected Recognition empowers employees to nominate their peers who exemplify our values (see Working Together, page D5). We anticipate that the introduction of Connected Recognition in FY14 will help us continue to improve our performance in this area by increasing the frequency and reach of recognition and creating a larger number of recognition experiences.

In FY13 we reinstated our Service Anniversary Program to celebrate employees when they reach key milestones in their years of service, including their first, fifth, and tenth anniversaries at the company. Employees can choose anniversary gifts, and we encourage colleagues to post messages, photos, and videos on our Celebration website. We rolled this program out retroactively, so that all employees who reached an anniversary after July 2008 were able to claim their “thank you” gift.

Other programs designed to recognize and reward our employees include:

- The Chairman’s Choice Awards, celebrating outstanding achievements by individuals or teams across the company related to culture, innovation, or business impact

CASE STUDIES FROM AROUND THE WORLD



Celebrating One Another at the Olympics

Before the start of the London 2012 Olympic and Paralympic Games, for which Cisco provided the network infrastructure and helped to “make the Games possible,” we invited employees to create a video on the topic of “What do you make possible in your daily life, for your family, friends, and community, or at work?” After a global panel of judges picked five favorites, nearly 4500 of our employees cast their votes for the winner, who earned an all-expense-paid trip to the London games with his family.

At the opening of the Games, our employees came together virtually for We Are Cisco celebrations, featuring our version of a torch relay that traveled around the world to six Cisco sites and culminated in a celebration at the Olympic Village. Our site representatives were selected based on the inspirational stories of what they make possible through their work at Cisco.

- The Patent Program, rewarding employees who apply for patents on the software and hardware they develop for the company
- Monthly NOVA and SuperNOVA awards for our Notable, Outstanding, and Valued Administrators
- The Barbarian Awards for outstanding sales performance, as well as other function-specific programs that recognize employees for contributing to realizing their function’s objectives
- Status as Fellows and Distinguished Engineers for Cisco’s highest-level technical experts, who are given advancement opportunities paralleling executive-level positions



Fun Fund

We believe that having fun with their colleagues helps our employees be more fully engaged by creating an environment that fosters innovation, creativity, and collaboration. In FY13, we launched the Fun Fund to informally, and regularly, promote fun and recognition for employees. Each quarter, Cisco gives each manager \$50 per employee (or the local equivalent) for the Fun Fund to spend on celebrating and recognizing their team. Managers can spend the money in any way they wish: some host cooking challenges, while others run team-building exercises to help nonprofit organizations.

We think that the best source of inspiration for our employees is their own colleagues. Every week, we recognize employees’ contributions by featuring at least two inspirational Cisco employees on the homepage of Cisco Employee Connection. These stories are among the most popular on our intranet and are part of a two-article series called “What Employees Make Possible” and “Builders of Tomorrow” that focuses on engineers.

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TEACH FOR AMERICA: ROBUST NETWORKS HELP TEACHERS TRANSFORM EDUCATION

Cisco has contributed millions of dollars in networking products and collaboration technologies to Teach For America, helping the organization grow to serve more than 650,000 students in 36 states.

WATCH VIDEO

Society



Cisco has a long-standing commitment to making a positive contribution to society. We use our expertise, technology, partnerships, and financial resources to help build thriving, prosperous communities that improve people's lives and support our business over the long term.

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Society Overview

We invest in scalable and self-sustaining programs that use technology to meet some of society's biggest challenges. Our programs are focused on four issue areas where we believe Cisco can add the most value and make a significant and lasting impact:

- **Education:** using Cisco networking and cloud-computing technologies to improve education outcomes, increase student engagement and performance, and provide information and communications technology (ICT) training to people, including those in underserved communities, around the globe
- **Healthcare:** improving access to care for children and families in remote regions through the use of networking technology
- **Economic empowerment:** promoting financial inclusion, workforce development, and entrepreneurship in disadvantaged populations globally, while supporting diverse businesses and efforts to build strong ICT sectors in developing economies
- **Critical human needs and disaster response:** supporting efforts to improve access to food, clean water, and shelter, and to help communities recover following natural disasters

Cisco supports and partners with nonprofits, nongovernmental organizations (NGOs), and governments around the world whose missions align with these four areas. We invest through corporate giving and bolster our contribution by

applying our technology and encouraging employees to share their expertise through volunteering. Our goal is to help nonprofits and NGOs build capacity and improve efficiency so that more of their resources go directly to the people they support.

We also look for ways to increase our contribution to society through the way we do business. By supporting diverse suppliers as part of our procurement strategy, we promote economic empowerment in underserved communities. And building accessibility into the design of our products helps to provide people with disabilities the opportunity to enjoy the benefits our networking technologies offer.

In all these ways, we aim to create resilient communities that will not only benefit people but also help our business to thrive by creating economic stability; giving us access to new markets, customers, and sources of innovation; and building a healthy pipeline of well-educated talent for our global operations, as well as those of our customers and partners.

“Cisco’s philosophy for social investments matches our approach to development, to create long-term solutions that are embedded in local communities and there to stay for the long run. It was great to see that Cisco is investing talent, products, and financial resources into these kinds of programs.”

Simona Haiduc, Opportunity International

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

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Society Overview

2013 at a Glance

\$297 MILLION

Cisco and the Cisco Foundation provided a total of US\$297 million to community programs in cash and in-kind contributions.

1300

Cisco HealthPresence¹ has connected, virtually, more than 1300 patients in rural areas of Jordan to specialists in the capital of Amman since FY11.

12345678910

Cisco ranked sixth among U.S. companies for our commitment to supplier diversity by DiversityBusiness.com.

Employees volunteered 129,000 hours to support their communities, up 20 percent from FY12.



One million students participated in the Cisco Networking Academy program. Ninety percent of students responding to exit surveys said the training helped them find a new or better job or an educational opportunity.

\$2.49 MILLION

Cisco and our employees responded to emergencies and natural disasters across the globe with over \$2.49 million in direct aid and communications support from our Tactical Operations team.

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.

“The Networking Academy is a fascinating model with major implications for the education sector. I would love to know what this means for the future of higher education.”

Ann Florini, Singapore Management University and Brookings Institute

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

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2013 Progress toward Objectives

Objectives	Status
Collaborate more closely with the Cisco Networking Academy program to encourage military personnel interested in an ICT career to obtain their basic CCNA certificate ¹	○
Engage our more than 80 partners in the 100,000 Jobs Mission, a coalition of companies committed to collectively hiring 200,000 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	○
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	●
Strengthen the self-sufficiency of our Community Knowledge Center model and complete the transition of ownership to government and local NGO partners	●

● Achieved ○ Ongoing

1. Cisco CCNA certification

2014 Objectives and Beyond

Objectives	Target Date
Increase access to specialized pediatric care in the state of Sergipe, Brazil, by supporting remote consultations between rural family health clinics and university hospitals	End of FY14
Use our technology to support a digital picture archiving and communications system (PACS) and collaboration among healthcare clinicians in Jordan	End of FY14
Expand the number of physician specialties utilizing the pediatric telehealth network at Lucile Packard Children's Hospital and increase the number of patients seen	End of FY14
Encourage women and girls to pursue education and careers in technology fields through the Networking Academy program and participation in events like Girls in ICT Day	End of FY14
Expand the use of Cisco NetSpace by establishing new partnerships that enable us to deliver content via the platform	End of FY14
Reach 150,000 employee volunteer hours	End of FY14
Connect U.S. military veterans to jobs by providing Cisco WebEx technology to facilitate virtual interviews at military bases and by supporting further development and adoption of the Pipeline job skills matching platform, h2h.jobs	End of FY14

Performance Summary	FY09	FY10	FY11	FY12	FY13
Total corporate and Cisco Foundation cash and in-kind contributions	\$128 million	\$139 million	\$295 million ¹	\$294 million ¹	\$297 million ¹
Number of hours volunteered by employees	78,000	148,355	166,445	107,150	129,000
Number of active students in Cisco Networking Academy courses	800,000	900,000	1,000,000	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.

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Figure 1: Our Society Strategy



Our Society Strategy

Our society strategy focuses on areas where we believe our expertise, technology, financial resources, and partnerships can make the biggest impact. We seek to improve education and healthcare access globally, equip people with the knowledge and skills to become economically self-sufficient, and boost society's ability to meet critical human needs and respond to disasters.

Employee Engagement

Our people's extensive technical and business skills bring value to programs within and outside Cisco. We encourage employees around the world to give their time and share their expertise to support local community programs they are passionate about. Employee volunteering is one of the most effective ways for Cisco to support and build relationships with communities and local partners, and to strengthen our reputation as a good corporate citizen.

Volunteering gives our people the opportunity to support their communities and widen their horizons, helps them develop leadership skills, and promotes team-building. Employees are encouraged to include volunteering in their annual personal development plans.

In FY13, employees volunteered 129,000 hours, a 20 percent increase from FY12. Community Connection, our technology platform for our matching gift and volunteer programs, helps employees find nonprofits to support, report volunteer hours, make gifts, and request matching

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funds from the Cisco Foundation. Global Cisco Civic Councils, run by employees, champion social investment in their local communities and work with our Community Relations team to identify volunteer opportunities, manage product and cash grants at the local level, and build and maintain partnerships with local nonprofits and NGOs. Feedback from employees, partners, and nonprofit organizations helps us to refine our employee volunteering program.

Our annual VolunteerX campaign, introduced in FY12, promotes employee volunteering by challenging different corporate functions and regions to compete for \$25,000 in grants for the organization of their choice by getting more of their people involved. In FY13, the campaign culminated with 25 events hosted with executive involvement in 10 countries to celebrate achieving the campaign goal. Major Cisco campuses in San Jose, California; Research Triangle Park, North Carolina; and Lawrenceville, Georgia, host annual Employee Volunteer Fairs that introduce employees to local nonprofits and opportunities. Volunteer and Civic Council of the Year Awards recognize employees and councils for their work in each region. Award winners receive \$5000 grants for the organization of their choice.

The Cisco Foundation also provides up to \$1000 annually per employee to match their cash gifts and volunteer hours (matched at \$10 per hour and donated to the charity). Employees can choose to contribute to over 2900 approved organizations in 40 countries as part of the matching program. In FY13, Cisco employees and matching gifts from the Cisco Foundation contributed over \$10 million to charities.



In FY13, our annual Global Hunger Relief Campaign raised over \$4 million through employee donations and matching gifts, enough to provide 16 million meals. Employees also volunteered 38,800 hours at hunger relief organizations during the campaign.

[WATCH VIDEO](#)

CASE STUDIES FROM AROUND THE WORLD



France Employees Create a Buzz

Employees from Cisco's Paris office were concerned about the decline of bee populations and presented this topic at one of their monthly environmental meetings in 2009. Technical Marketing Engineer Gilles Clugnac explained that, without cross-pollination by bees, many plants – including food crops – would not survive and thus human food production would be threatened.

Inspired by Clugnac's presentation, employees formed "Connected Bees." They took beekeeping training on weekends; ordered equipment, three beehives and 90,000 bees; and installed their hives in May 2010. They have been harvesting over 200 pounds of honey each year since then.

The Connected Bees program allows employees to pursue their passion and demonstrates to customers and partners Cisco's commitment to employee engagement and environmental sustainability. Additional Connected Bees groups have since formed in Great Britain and the Netherlands and keep in sync using collaboration tools (emails, regular web conferences, an internal collaborative social network, and an external Facebook Cisco Connected Bees community).

The Connected Bees team is working on figuring out how Cisco technologies could help scientific research on bees using sensors connected in real time with the network to a data center where information is shared using a collaborative platform. A real IoT application!



CASE STUDIES FROM AROUND THE WORLD



Bringing Holiday Cheer to Sick Children

The holidays are a difficult time of year for hospitalized young children and their families. Cisco employees in Canada, Germany, Ireland, the United Kingdom, and the United States have participated in the Connected Santa program since 2009, bringing holiday cheer to hundreds of children across the globe.

Through Cisco TelePresence video technology, young patients and their families can share their Christmas wishes with Santa at the North Pole via a video link installed in the hospital. Cisco employees, dressed up like Mrs. Claus and Santa's elves, speak to the children and families in person and send this information to Santa via WebEx so he "knows" the children when they meet. Cisco employees also donate gifts that are given to the children on the day of the visit.

Using Cisco technology, Connected Santa volunteers spread a little hope and cheer to children and families who need it at a difficult time in their lives.



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Education

Education is a global equalizer. With education, people and communities around the world can become self-sufficient and prosper. By investing in education in the communities that need it most, we are working toward our corporate vision of changing the way people work, live, play, and learn.

Demand for skilled workers to design, build, maintain, and secure computer networks is increasing as the [Internet of Everything](#) grows. Our investment in ICT education is opening doors to new jobs and entrepreneurial ventures, and strengthening local economies.

We support ICT skills education through the Cisco Networking Academy program and partner with governments, nonprofits, and NGOs with expertise in education and an understanding of local needs and culture.

Cisco Networking Academy

Since 1997, we have reached more than 4.75 million students through the Networking Academy program, our largest and longest-running corporate social responsibility initiative. In partnership with schools, community colleges, universities, and other organizations, this program prepares students for entry-level jobs in ICT fields, furthers their education, and allows them to earn globally recognized Cisco certifications. It also creates a skilled pool of networking professionals for the industry to draw from.

How It Works

Using cloud computing technology, Networking Academy online e-learning courses provide technical training to students around the world. The courses teach critical thinking skills that inspire innovation and problem solving. We expose students to real-world business problems in an engaging blended learning (online and in classroom) model to help them learn to make business decisions and apply their technical expertise. The business skills they develop while pursuing their ICT training give many students the confidence to start their own ICT businesses. For an example, see the case study to the right on this page.

We continue to seek ways to enhance the Networking Academy program for students and for instructors. For example, we provide professional development opportunities for teachers through free online ICT courses. In FY12, we introduced a new business model that enables academies to select instructor training, day-to-day support, and other resources from global partners that meet their unique needs, rather than through a regional Cisco Academy center. In FY13, this has grown into a strong network of more than 400 Academy Support Centers and Instructor Training Centers that provide flexible, academy-specific support for more than 10,000 local academies.

Also in FY13, we completed the rollout of the Cisco NetSpace cloud-based teaching and learning environment, transferring more than 23,000 Networking Academy instructors to this new online environment with enhanced content and collaboration features. As the new users provided suggestions, we developed a formal

CASE STUDIES FROM AROUND THE WORLD



Inspiring Entrepreneurship through ICT Training

Stephen Ondieki lives in the slum community of Kibera, Kenya, where most people live on less than \$1 per day. Through the local Cisco Academy, Ondieki learned ICT skills that now enable him to earn \$8 per day at his computer repair shop.

The mix of technical, critical thinking, and business skills that he developed through Networking Academy courses gave him the confidence to start his own business. This was an opportunity for Ondieki to improve his own life, and to give back to the community by sharing his skills.

His repair shop doubles as a hangout for young people, whom he mentors and teaches about IT and networking. He hopes that his story and support will inspire them to follow their passions and build a better future: "They see me overcoming the same challenges they face, and they're motivated to try to make some changes themselves."



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mechanism to improve the NetSpace environment in response to this feedback, while providing support for instructors through webinars, online training, and a “train-the-trainer” model. Using the built-in course delivery, collaboration, and customization capabilities of NetSpace, we introduced three new or revised curricula this year: IT Essentials, Health Information Networking, and Cisco CCNA Routing and Switching.

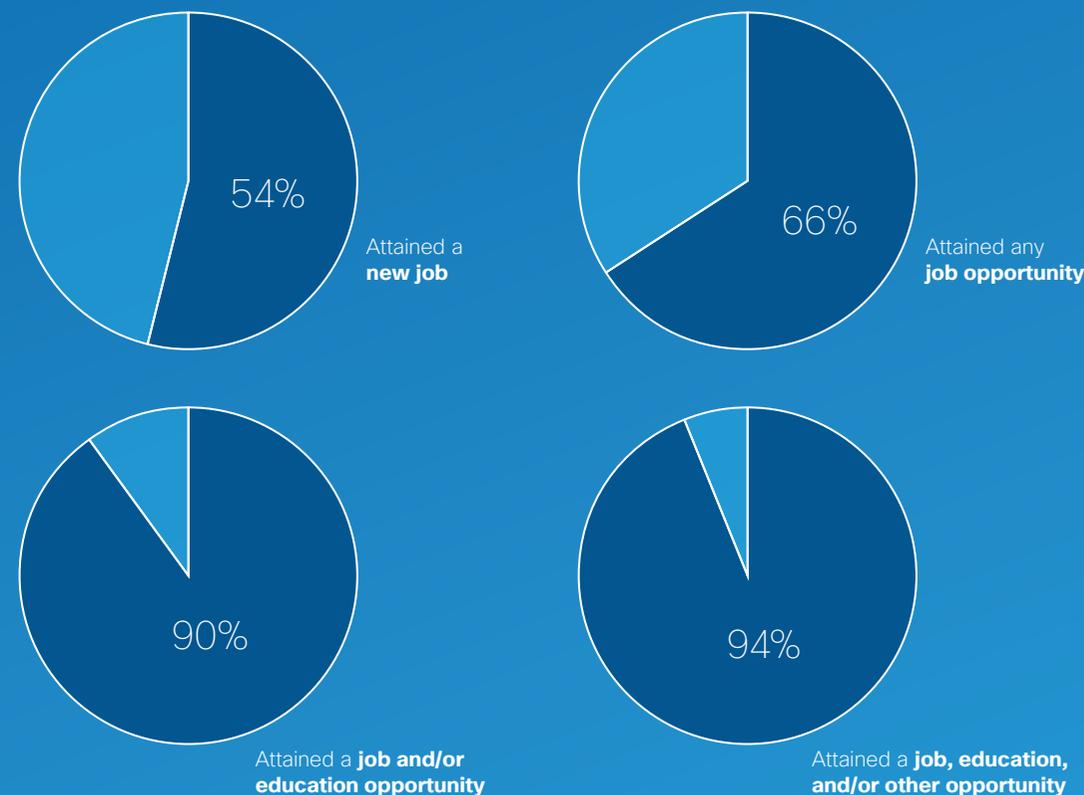
Impact

In FY13, over 1 million students participated in the Cisco Networking Academy program through 10,000 academies in 165 countries. Over 590,000 members of the Cisco Networking Academy Facebook community use the platform to connect, collaborate, and share ideas.

We are proud of the impact that Networking Academy has on students’ lives. In exit surveys of students completing courses through Cisco CCNA4 or higher from FY11 through FY13, 90 percent reported that participating in Networking Academy led to job or educational opportunities including a new job, a better job or promotion, increased responsibilities, higher salary, deciding on a program of study, or pursuing more education. Also, 94 percent indicated that the skills they learned were important for their jobs, 94 percent said their new skills were important to their overall career, and 93 percent agreed that the Networking Academy program has had a positive impact on their lives.

Figure 2: Cisco Networking Academy Student Career Outcomes (Global)

Percentages reflect those students who believe Cisco Networking Academy helped them attain the stated opportunities. Based upon 8695 exit surveys of students who have completed courses through CCNA4 or higher from FY11 to FY13



Job Opportunities

- Obtained a new job
- Obtained a better job or higher status*
- Obtained increased job responsibilities*
- Obtained a higher salary

Education Opportunities

- Pursued more education
- Decided on a program of study
- Pursued higher degree than intended

Other Opportunities

- Received a scholarship
- Received financial reward
- Completed an internship or practicum
- Received recognition or awards
- Obtained IT certifications
- Made contacts in IT
- Increased conference participation
- Other

Source: ERS, data as of July 31, 2013
 Survey data are from FY11 through FY13
 * Includes students already employed

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Key Challenge: Measuring the Lasting Impact of the Cisco Networking Academy Program

Measuring social impact and program outcomes is a challenge for all companies and nonprofits because in addition to the many outcomes we measure directly, many social impacts can be intangible or very long-term, and often it is difficult to attribute the benefit to one program in particular.

We have developed a well-functioning learning environment that captures data about current Cisco Networking Academy students. But gathering data about former students has been much more difficult because they needed to opt in to our exit surveys during enrollment, and only about half did so. Measuring success is also difficult because students come to the program at different stages of life – high school, college, or work – and have very different goals that often change over time.

In Cisco NetSpace, students are now included in exit surveys unless they choose to opt out, and participation has increased to 88 percent. Higher response rates will allow us to evaluate the data in more meaningful ways than our previous research did, and better capture the long-term impact of the Networking Academy program.

CASE STUDIES FROM AROUND THE WORLD



Breaking the Cycle of Poverty in South Africa

Two decades after the end of apartheid in South Africa, its scars still linger for young people growing up in rural townships. Faced with pervasive unemployment and a lack of economic or educational opportunities, few children grow up expecting a better life for themselves and their families. Less than 5 percent of the country's 9000 high schools offer ICT training and most classrooms lack modern technology.

Ntombozuko (Soso) Luningo grew up in a rural village in South Africa's Eastern Cape province. Her local school didn't offer ICT training, but after school she walked to a nearby school built by the Nelson Mandela Foundation, which did. She then earned a scholarship to CIDA City Campus in Johannesburg, which provides higher education to students from historically disadvantaged backgrounds for little or no cost.

Cisco has partnered with CIDA for over a decade, providing the Cisco Networking Academy curriculum, instructor training, and networking lab equipment to launch an ICT Academy in 2003. Luningo became a student there and in 2007, she achieved her Cisco CCNA certification in addition to her bachelor's degree, and began a successful ICT career.

Luningo became the youngest, and only female, IT technician at the Queens Casino in Queenstown, and her strong ICT skills meant she was quickly promoted, earning enough to build a home for herself in Johannesburg and another for her parents in the village where she grew up. After two years at the casino, she returned to CIDA City Campus as a Networking Academy instructor, helping students to develop computer skills that open doors to economic opportunity. "I love training at CIDA," she says, "because there are different students every year. Having those faces look up to you to learn something new is refreshing."



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CASE STUDIES FROM AROUND THE WORLD



Supporting a Smart and Connected Myanmar

In FY13, Cisco took first steps toward building a presence in Myanmar. This included the launch of Cisco Networking Academy facilities at the University of Computer Studies, Yangon (UCSY) and the University of Computer Studies, Mandalay (UCSM), working with the U.S. Agency for International Development (USAID).

The academies will help Cisco achieve its vision of a “Smart and Connected Myanmar” by equipping local citizens with the necessary skills to design, build, and maintain network infrastructure. Equipment and resources will be provided to train up to 15 educators at each university to teach the Networking Academy curriculum.

Program partner and former Rector of UCSY, Ni Lar Thein, said, “We are delighted to be the first educational institution in Myanmar to host the prestigious Cisco Networking Academy program. IT and communications skills are going to be very important for our country as we embark on our march to modernization. We have seen how technology has transformed economies around the world and we want to be a catalyst for the transformation of Myanmar.”



CASE STUDIES FROM AROUND THE WORLD



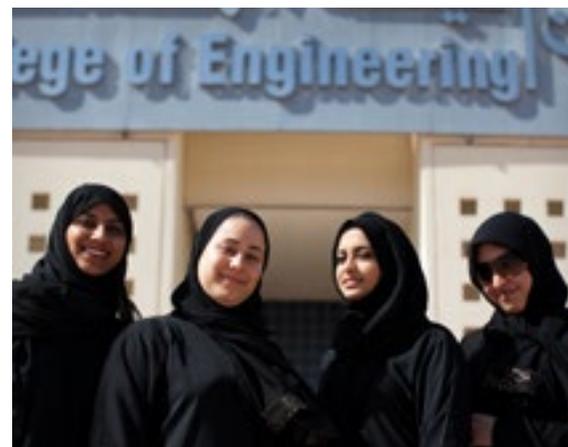
Creating Career Opportunities for Women in Saudi Arabia

In Saudi Arabia, unemployment is high among women. An estimated 30 percent of female Saudi job seekers cannot find employment even though 78 percent of unemployed women have university degrees. Globally recognized certifications like Cisco CCNA can help to improve employability in sought-after ICT roles.

We have had a Cisco Academy in place at Effat University, a private women’s college in Saudi Arabia, since 2004. Most students have found jobs or gone on to pursue further education.

The programs have challenged traditional views about women’s abilities, and over time the Saudi job market has begun to change, with more companies considering women for jobs traditionally held by men. Government programs incentivize companies to hire women, and many financial institutions now have offices where men and women work together.

Akila Srirete, director of the academy and chair of the Computer Science Department at Effat, says, “It’s not only about education; it’s about behavior. When my students finish, they are more comfortable talking to men, thinking about issues, and being outside.”



CASE STUDIES FROM AROUND THE WORLD



Cisco Sponsors ICT Skills Competition at WorldSkills 2013 in Leipzig, Germany

Cisco sponsors WorldSkills, a biennial summit of vocational education and training that brings together more than 1000 participants under the age of 22 from 54 national teams to compete for gold medals in 60 skill areas from web design to cooking to aircraft maintenance.

At WorldSkills 2013 in Leipzig, Germany, 90 percent of competitors in the IT Network Systems Administration category were Networking Academy students. All the judges in the category were Networking Academy instructors and two of the three medal winners were Networking Academy students. Ten of the 12 medal winners in this category at the last four global competitions were Networking Academy students.

In FY13, we donated €50,000 in cash and €250,000 worth of in-kind lab equipment to WorldSkills, as well as other support such as management resources, marketing, and technical services.

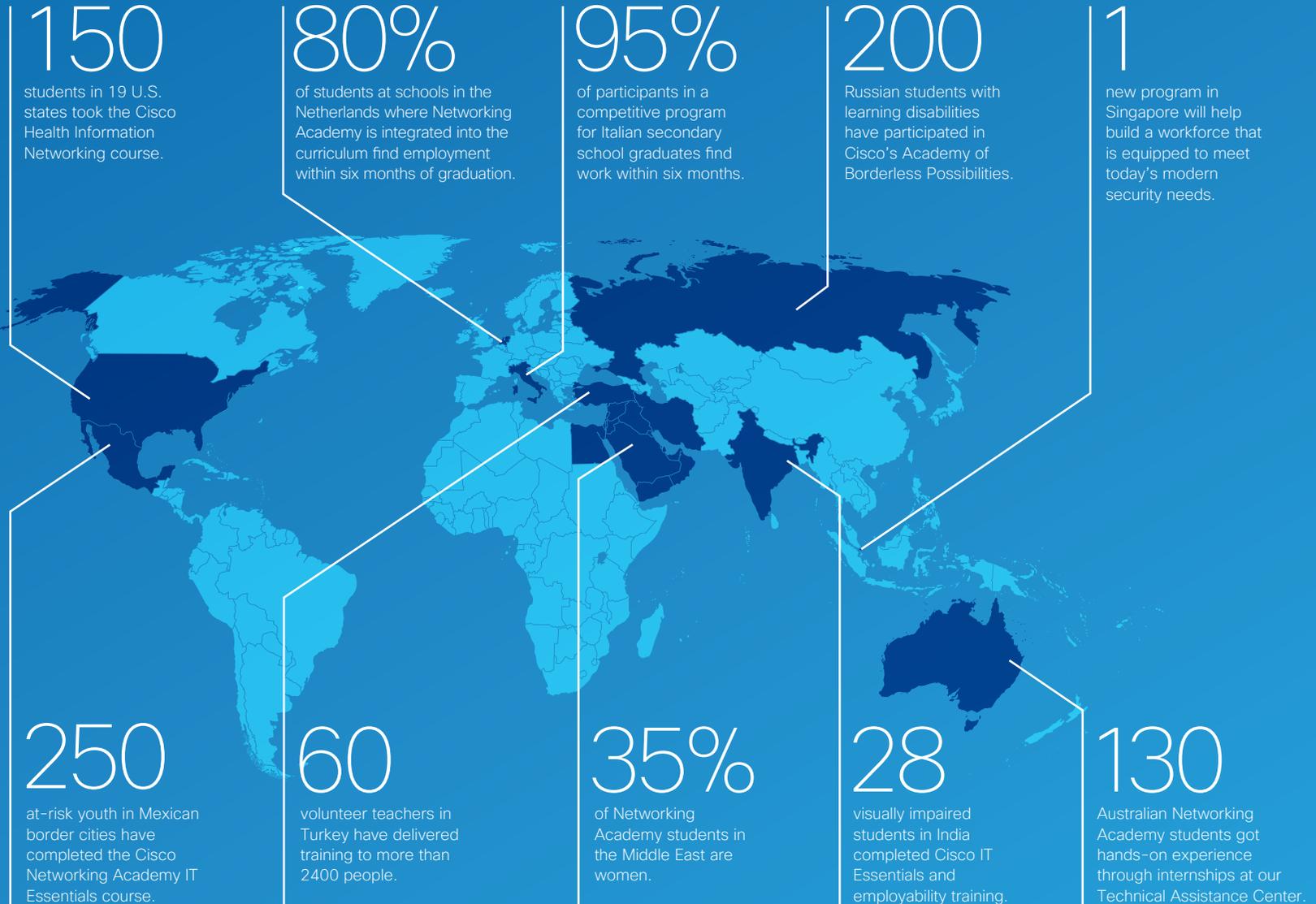


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Figure 3: Cisco Networking Academy Program Around the World

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Education Partnerships

As a technology company, Cisco views science, technology, engineering, and math (STEM) education as a business imperative. According to the [National Math + Science Initiative](#), demands for skilled IT workers will only grow. In the United States alone, jobs in computer systems design and related services are expected to grow by 45 percent between 2008 and 2018, but among 2011 U.S. high school graduates, only 45 percent were ready for college-level math and only 30 percent were ready for college-level science.

Early STEM education is essential for developing a workforce with the skills in math and critical thinking needed to support the Internet of Everything. But without adequate academic support and resources, many students interested in STEM fields do not pursue them through high school and beyond. Cisco provides expertise, products, and cash grants to help our partners use technology-based solutions to deliver STEM education more effectively and better engage students.

We invest in education programs targeting students as young as 11 to encourage them to pursue further education and careers in STEM fields. In the United States, we partnered with Futures Inc. to develop and disseminate STEM Pipeline, a web-based STEM career-planning tool. Now, students in Pennsylvania and North Carolina use it to find out about STEM careers that fit their interests and skills, relevant local training and resources, and the types of jobs available. A study of 900 high school students by Duke University's Center for Child and Family Policy found that using the STEM Pipeline increased student interest in STEM careers from 24 percent to 49 percent among low academic performers.

We provided \$250,000 in FY13 to continue the development of a Spatial Temporal (ST) Math program by the MIND Research Institute, a nonprofit that helps students master key math concepts and build problem-solving skills. The ST Math program uses visual,

CASE STUDIES FROM THE UNITED STATES



Three Cisco Volunteers Recognized by Citizen Schools

In August 2013, Citizen Schools, one of Cisco's longtime nonprofit education partners, recognized three Cisco volunteers as "[Cisco Citizen Teachers of the Year](#)" for their dedication in FY13.

Citizen Schools offers 10-week after-school apprenticeships, and more than 125 Cisco employees have volunteered as "citizen teachers." Through their service, more than 700 young people have gained mentors and developed stronger interests in science, technology, engineering, and math (STEM) careers.

Citizen Schools recognized Kimone Gooden, Business Development Manager; Denise Lombard, Director of Global Procurement Services; and Doug Reagan, Strategic Account Manager, for their service. Gooden and Lombard taught "Women in Technology" with other members of Cisco's Connected Women San Jose employee resource organization, and Reagan taught video documentaries.

"Sharing my knowledge and my time to guide and influence these young students to go after what they are passionate about and to share all the incredible opportunities technology has to offer is truly a gift to me," said Lombard.



interactive gaming software to help students learn math skills despite language barriers and learning disabilities, and Cisco helped MIND put the software online so it could be delivered to more students in more schools. Since moving to the web-based version, MIND has expanded its reach from 55,000 students to 500,000,

CASE STUDIES FROM THE UNITED STATES



Improving Collaboration at Teach For All

Teach For All is a growing network of 30 partner organizations with a shared vision of expanding educational opportunity in their countries. Each partner develops leaders to teach in their nation's most high-need classrooms and to work throughout their lives to increase opportunity for children. Since 2010, Cisco has provided Teach For All with technology support, including Cisco WebEx, to more effectively transfer knowledge and innovations across the network by strengthening the connection between Teach For All staff and its network partners around the world. Teach For All now employs WebEx as a key tool in increasing and accelerating the growth of its partners. In one year alone, Teach For All used WebEx to host nearly 900 meetings and connect almost 4000 people in 30 countries. This increased collaboration has significantly enhanced the way that Teach For All organizations work together on a day-to-day basis.



and from 3500 teachers to 16,000. The results are impressive. In a pilot of ST Math at 14 schools in Arizona, the number of students meeting or exceeding standards on state standardized tests increased by 6.9 percent, compared with 3.6 percent in schools without the program. The ST Math pilot also showed benefits in

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helping to narrow the achievement gap for students in traditionally underperforming demographics (78 percent of students in the pilot are Hispanic or Latino, 81 percent from low-income families, and 29 percent are English Language Learners).

In April 2013, Cisco’s Senior Vice President for Public Sector, Patrick Finn, joined President Obama and leaders from nine other major technology companies and education nonprofits at the White House Science Fair to launch US2020, an initiative for connecting students of all ages to mentors working in STEM fields. Cisco’s goal for US2020 is to increase the number of employees volunteering at least 20 hours per year as STEM mentors by 20 percent by 2020. The initiative hopes to create millions of opportunities for students from kindergarten through college to discover science and technology through hands-on projects and academic coaching.

Healthcare

Access to quality healthcare is essential for everyone. ICT is transforming global healthcare by improving efficiency and reducing costs for providers and increasing access to care in remote areas.

In developing and developed countries alike, remote communities often can’t access quality care. Using Cisco networking technology, we hope to help substantially improve the state of healthcare by enabling medical staff to see patients remotely.

Using Technology to Extend Access to Healthcare

Collaborative technologies like Cisco TelePresence, WebEx, and Cisco HealthPresence¹ enable “care-at-a-distance,” extending the geographic reach of doctors and other healthcare providers and allowing them to

interact with patients and their local healthcare providers virtually. Using handheld cameras and stethoscopes, local healthcare providers can provide patient information to doctors and specialists in remote locations and regardless of geography. High-quality video and audio systems create a realistic face-to-face experience between the patient and physician or nurse.

The efficiencies and increased access to care made possible by networking technologies also help support the movement toward universal health coverage around the world. Cisco believes that health is a fundamental human right and that equity of access to care is paramount. Integrated health services made possible through virtual provider networks help support the development of universal health coverage. Our work in China and Brazil (see page E14) aims to advance those countries’ goals in this area.

Since FY11, in partnership with the Jordanian government, Cisco HealthPresence¹ has connected more than 1300 patients and their local healthcare providers in rural areas of Jordan with specialists at the Prince Hamzah Hospital in Amman. In FY13, mobile units were set up using Cisco TelePresence and networking equipment to reach patients in remote areas. More than 230 patients have been screened by this method to date.

We also partnered with the Royal Medical Services agency, which provides healthcare for more than a third of the country’s citizens, to enable physicians and clinicians based in Amman and Tafilah to communicate



Collaborative technology enables the Jordan Healthcare Initiative to extend the reach of its medical providers, increasing patient access to quality healthcare and improving communication and follow-up care.

WATCH VIDEO

CASE STUDIES FROM AROUND THE WORLD



Using Technology to Create a Lasting Impact in Sichuan, China

Our Connecting Sichuan program aimed to use ICT to help improve healthcare for rural people affected by the 2008 Sichuan earthquake in partnership with the Chinese government. The three-year initiative, completed in FY12, has rebuilt and revitalized healthcare delivery and put in place cloud-based networking technology so healthcare professionals can collaborate and share patient information.

The technology deployed through Connecting Sichuan played an important role in responding to the Ya’an earthquake in April 2013. Mobile clinics used networking technology to enable patient consultations with major hospitals in Chengdu and Beijing. At the earthquake’s epicenter in the town of Longmen, a mobile clinic treated 2201 patients, performing and offering services which included 21 major surgeries, 198 ultrasound tests, and 173 digital radiology exams.

Wenchuan Hospital uses a mobile clinic to offer free screening to local residents. Between March and October 2012, the clinic screened more than 35,000 people, helping local doctors to diagnose medical problems including hypertension, diabetes, and bladder and kidney stones. The Sichuan Department of Health has replicated the model through a network of Health Emergency Response Centers in 18 cities.



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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more effectively and visualize radiology images and reports in co-locations. From March to July 2013, the program facilitated 1700 remote image transfers with clinician-to-clinician virtual collaboration for 156 clinical cases.

In FY14, we plan to launch a new program with MERGE Healthcare, Optimiza, and the Jordan Ministry of Health to develop a services exchange that will enable radiology images to be viewed through a secure cloud-based exchange platform. The goal is to help enable archiving and sharing of radiology pictures and reports, and to help promote consultations and collaboration among physicians, radiologists, and specialists in underserved areas.

Helping to Improve Children's Healthcare

Pediatric healthcare is a focus of our health programs. Two out of three deaths among children younger than six could be prevented with effective primary care, but there is a global shortage of pediatricians, especially in rural areas.

In FY13, we partnered with the United Foundation for Children's Health (UFCH) to launch Connected Healthy Children-China. We donated over \$163,000 in cash and provided Cisco WebEx and other technology solutions to help UFCH improve healthcare delivery for children in underserved regions of China. Within the first few weeks of a pilot at the Chengdu Children's Welfare Institute, 15 children had received diagnoses for complex congenital heart diseases, liver tumors, skin diseases, and lymphatic malformations.

In Brazil, where 70 percent of the population relies on public healthcare, we began implementing Connected Healthy Children-Brazil in FY13 to help reduce the disparity of access to specialized care between urban and rural areas. In the northeastern state of Sergipe, we

are partnering with the state's only University Hospital in Aracaju to use telehealth systems to support remote consultations. Advanced telepresence and collaboration systems will connect Family Health Clinics in Tobias Barreto and Lagarto with pediatric specialists at the Federal Medical University campus in Lagarto and the University Hospital in Aracaju, while a team enabled with mobile technology will provide specialist access to even more remote areas.

Even the United States is experiencing a severe shortage of pediatric care. More than 15 million children live in regions with fewer than 22 pediatricians and family doctors for every 100,000 children. In parts of Northern California, it can take up to nine months for children to see a pediatric specialist, and they often must travel long distances to do so. At the Lucile Packard Children's Hospital in Palo Alto, California, Cisco HealthPresence¹ is improving access to care by connecting physicians to patients at the Pediatric Group of Monterey. For more information, see case study on this page.

In FY13, we expanded the program to the California Pacific Medical Center in San Francisco, where over 180 remote consultations have already been conducted. Participating parents reported 100 percent satisfaction with the quality of their child's exam, and 68 percent reported that they did not have to wait as long for an appointment. Insurance reimbursement for these virtual consultations in Monterey and San Francisco is nearly 100 percent – an important factor for sustainability and success of the telehealth model.

Supporting Health Training and Collaboration

While network technology can bring greater efficiency and cost savings to healthcare providers, Cisco recognizes that health workers need training to get the most out of the technology.

CASE STUDIES FROM THE UNITED STATES



Putting Cisco HealthPresence¹ into Practice in California

Dr. William Kennedy, a pediatric urologist at Lucile Packard Children's Hospital at Stanford University in Palo Alto, California, piloted the Cisco HealthPresence¹ program.

His patients used to wait a month or more for an appointment. More than a third of them used to miss a full day of school for visits and over half of their parents missed entire days of work or more to travel to Palo Alto for appointments. Dr. Kennedy himself lost precious time driving to Monterey and back, a 2.5-hour commute each way.

By using telehealth technology, Dr. Kennedy is able to see more patients, reduce wait times, and improve patient satisfaction. "HealthPresence allows for faster and more convenient treatment for my patients. It's amazing how much the children like it!" he said. "They warm up to me more quickly when I pop up on-screen than when I appear in person. Children are less intimidated by a doctor on TV. Parents are amazed at the quality of the audio and high-definition video. It's so realistic that within minutes, they forget they're interacting with me via telepresence and just become much more relaxed."

The initial challenge of obtaining sufficient broadband connectivity at the hospital to enable high-definition video was overcome by securing grants from the California Telehealth Network, a coalition of healthcare, technology, and government agencies dedicated to improving healthcare infrastructure and benefiting underserved patient populations.

Watch this [video](#) to learn more.



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From October 2010 to January 2013, Cisco HealthPath provided online training about electronic health records (EHR) to doctors and nurses at small and mid-sized clinics throughout the United States. HealthPath training helped doctors and nurses learn to structure and use EHR systems in accordance with U.S. law. In total, 975 physicians, nurses, and administrators from almost every U.S. state registered for the HealthPath website.

Economic Empowerment

Cisco invests in economic empowerment for underserved communities around the world because it's good for society as well as business.

We invest in technology-based solutions that help people access the knowledge they need to make informed decisions for themselves and their families; in skills development for individuals and capacity building for entrepreneurs; and in products and services to help people become financially independent. These in turn help us build long-term relationships with governments, nonprofits, and communities while creating new sources of innovation, talent, and suppliers, as well as new markets for our business.

Workforce Development

Developing basic skills and gaining experience is essential for low-income and underserved populations to launch successful careers and maintain a stable income. Cisco supports organizations that recruit students and workers from the most disadvantaged areas of the world to provide skills training and help them find meaningful employment. Many of the people served by these organizations report being able to earn two to three times the average local salary. They use that money to pay school fees for themselves, siblings, and children, to cover basic household needs, and to save for the future.

Digital Divide Data (DDD) is an innovative nonprofit that provides low-income young people, women, and disabled persons with the skills needed for sustainable career development. It provides career and life-skills coaching in addition to ICT training. DDD employs its participants in paid jobs performing online ICT for public and private sector clients, as well as providing workers with health insurance and scholarships to pursue university education. Cisco's technology and financial investments in DDD have helped it expand operations and replicate the program at scale beyond its origins in Cambodia and Laos to additional countries in Africa and Latin America. Since 2001, DDD has trained and employed about 2000 people, and 550 have graduated from the full four-year program.

Cisco also supports Samasource, an organization that trains women, youth, and refugees living in poverty in Asia, Africa, and Latin America to do paid work providing outsourcing services to clients. All Samasource workers previously earned less than a living wage.¹ Cisco product and cash grants are helping Samasource to train workers more efficiently, increase workers' skills, improve quality assurance for new contracts, and measure social impact. To date, Samasource has served 3500 workers and brought broader benefits to more than 10,000 dependents while maintaining a 97 percent client retention rate. Samasource aims to reach 100,000 workers and dependents by 2016.

Supporting Veterans' Transition to the Workforce

In FY13, we continued to support the 100,000 Jobs Mission, a coalition of more than 100 businesses, and growing, dedicated to hiring 100,000 veterans by 2015 (this was recently increased to 200,000 jobs by 2020).

Military veterans exhibit strong leadership and teamwork skills, but their military experiences are often difficult to match with civilian job descriptions after they return

CASE STUDIES FROM AROUND THE WORLD



Expanding Opportunities for Deaf Youth in Kenya

The typical Digital Divide Data (DDD) worker in Kenya is from an urban slum, is between ages 18 and 24, and had an income of less than \$2 per day before starting work at DDD. Furthermore, he or she has only a high school diploma and less than six months of work experience. Half of DDD workers are women, and about 10 percent are disabled. Jobs with DDD provide workers with more stable incomes and the training is linked to an eight-fold increase in lifetime earnings.

On a recent trip to Kenya, our portfolio manager met Kibwana, a young man first introduced to DDD through a Cisco partnership with the DeafAid Academy. For deaf people in Kenya, getting an education, skills training, and employment is particularly difficult, so the DeafAid Academy provides IT skills training, including Cisco's IT Essentials course, to deaf people. Kibwana is one of 13 deaf students at DDD receiving IT skills training, earning a salary for the work he does, and pursuing an education. Kibwana is working toward his Cisco CCNA certification, which he hopes will help him fulfill his educational and career goals and create a stable future for his family.

Watch this [video](#) to learn more.



1. A living wage is defined as the minimum wage that can meet basic needs to maintain a safe, decent standard of living within the community.

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from service. Beginning in FY12, we provided funding to Futures Inc., a software-as-a-service provider, to create a cloud-based job search platform called the Pipeline, which uses sophisticated matching technology to translate military skills into civilian jobs. Active duty military personnel, reservists, and veterans can access the Pipeline at h2h.jobs.

In April 2013, Cisco Chairman and CEO John Chambers joined First Lady Michelle Obama at the White House to announce the IT Training and Certification pilot program, which is using the designated U.S. IT Pipeline to help transitioning U.S. military personnel fast-track through IT training and certifications from Cisco and other IT companies and then match them to high-demand civilian IT jobs. By the end of FY13, we had exceeded our goal of registering 1000 military service members for the pilot, and many were already completing their coursework and certifications, and finding work.

We are also encouraging our suppliers and business partners to post opportunities through the U.S. IT Pipeline, as research has shown that 80 percent of veterans are more interested in working for small and medium-sized businesses than large corporations.

In August 2012, the U.S. Army used Cisco WebEx and Pipeline technology to facilitate three job search events. Job seekers were pre-matched to participating employers, and 52 percent of candidates received job offers. Employer and soldier feedback was overwhelmingly positive: 91 percent of employers said they met candidates better matched to the skills they needed, and 96 percent of soldiers found it a more effective model for job fairs. To support military personnel who are interested in ICT careers, there are 18 Cisco Academies on major U.S. military bases. In FY13, we created new materials to recruit military personnel into our training programs. Over 41,000 military personnel have completed ICT training through our Networking Academy program and are better equipped for career



For people transitioning out of the military, Cisco Networking Academy can open doors to a new civilian career. Clint Abrams, a former Army sergeant, says he had no idea he would end up in an IT career. But he used the GI Bill to pay for his Networking Academy courses and parlayed his knowledge into a new job as a customer support engineer in Cisco's Technical Assistance Center. [WATCH VIDEO](#)

opportunities once their military service is over. For more information about our support for veterans, see Our People, page [D14](#).

Community Knowledge Centers

In FY13, Cisco completed its Clinton Global Initiative commitment to establish a network of Community Knowledge Centers (CKCs) across sub-Saharan Africa that offer ICT, entrepreneurship, and language courses through local organizations such as schools, health clinics, and community centers.

In partnership with governments, Appleseeds Academy, Invaneo, One Global Economy, and other nonprofits and NGOs, Cisco started 18 CKCs, providing everything from manager training, computing infrastructure, ICT and entrepreneurship curricula, and online portals to house community-relevant information in local languages. Another critical success factor is CKC manager training on how to offer revenue-generating services to create a sustainable business model, as well as training on how to market those services to the community. Based on this experience, Cisco developed a CKC Cookbook that has led to the development of 89 additional CKCs. The institutional knowledge and best practices being transferred to local communities and organizations in Ethiopia, Kenya, Rwanda, South Africa, and Uganda will help with the establishment of new CKCs.

CASE STUDIES FROM AROUND THE WORLD



Bringing the Internet to Rural Communities in Mexico

We partnered with One Global Economy (OGE), a nonprofit that works to bring the Internet to impoverished communities, to support the development of an information portal called Infofacil in Mexico. Infofacil provides locally relevant information and facilitates communications about health, education, and wellbeing to more than 1 million users.

Cisco also has partnered with OGE and Choice Humanitarian in rural Guanajuato to build three Community Knowledge Centers (CKCs) that offer locally relevant content. The CKCs in El Garbanzo, San Agustin, and Victoria support broadband connectivity for seven computers in each center, and all have small video cameras and a printer available for users. Two young people were selected and trained by OGE to teach others in technology and business skills, including public speaking, bookkeeping, and raising capital. The CKCs benefit more than 1300 people.

Overall, the program has fostered leadership and ICT skills among youth, supported financially sustainable CKCs, connected people with locally relevant and best practice content, and linked communities to outside resources and opportunities.



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To date, the 107 existing CKCs in sub-Saharan Africa have served about 190,000 people. Mission Measurement, a consultancy focusing on creating value through social change, reported in September 2012 that CKC users were twice as likely to seek economic advancement opportunities as non-users and that 20 percent of CKC users were successful in finding jobs, compared with only 12 percent of non-users.

In addition to positive employment outcomes, the program has offered additional benefits for communities as well as for Cisco. Nyangwete, a remote village near Lake Victoria in Kenya, had one of the highest HIV infection rates in the country. Since 2010, the HIV/AIDS death rate in the village of 20,000 has dropped by 80 percent. Village Chief Alloyse Ongere attributes this decline to access to the Internet through the local CKC, among other things. For the first time, community members have access to prevention education and information about proper medication and healthcare.

For Cisco, the CKCs have provided insight into local issues. This gives us access to new markets, improves customer relationships, and facilitates the expansion of Internet service providers into rural areas. This builds Cisco's business base and creates additional business-to-business opportunities in the long-term.

In Brazil, since the launch of the first Praça/Nave do Conhecimento CKC in the Nova Brasilia community of Rio de Janeiro in December 2011, 14 more centers have now been established in underserved neighborhoods and slums across the city as part of a mayoral initiative. Cisco collaborates with the office of the Secretary of Science and Technology, which runs the centers, to offer Networking Academy courses. We anticipate providing ICT skills to more than 550 young people by January 2014. In partnership with the Secretary of Science and Technology, Cisco is also supporting the Casa Rio Digital

Initiative, which has 20 locations throughout Rio and has trained more than 150 students. Both initiatives connect marginalized communities with the broader economy and reach underserved populations.

Supporting Financial Inclusion and Entrepreneurship

Traditional financial products and services are inaccessible to more than 2 billion people who live on less than \$2 a day. This makes it difficult for people to break the cycle of poverty, understand how to manage their money, save for the future, provide for their families, or start business ventures. We know that technology is the key to providing this access on a widespread and equitable basis.

Good World Solutions' Labor Link initiative, a mobile technology platform that increases transparency in global supply chains by connecting workers – who now have mobile phones – directly to the companies that buy their products. Companies can use Labor Link to provide workers with access to relevant and actionable information on health, financial literacy, and education. Companies can track working conditions in real time, measure livelihoods and social impact, and design programs to support communities and improve working conditions. Through the platform, workers can report anonymously on working support and job satisfaction. Cisco investments began with funding to design Labor Link, and supported the development, piloting, and full implementation of the platform. Since 2010, Labor Link has scaled from 100 workers to nearly 20,000 and been replicated in nine countries (Bangladesh, Brazil, China, Colombia, India, Mexico, Peru, Sri Lanka, and Uganda) and sectors (apparel, agriculture, and ICT/electronics). In FY13, Cisco implemented a Labor Link pilot with one of our own supply chain manufacturers (see Supply Chain, page [C18](#)).

CASE STUDIES FROM AROUND THE WORLD



Grameen Foundation's TaroWorks Solution Facilitates Sustainable Beekeeping in Africa

Honey Care Africa, a social enterprise that promotes sustainable beekeeping and economic development, relies on the Grameen Foundation's TaroWorks platform for data collection and management decision-making.

Honey Care provides microfinance, training, and other services to beekeepers in Africa. When field workers visit honey farms monthly to monitor the health of hives, they often require access to data from previous visits. Honey Care also tracks the progress of individual hives in the supply chain to plan for and meet consumer demand.

TaroWorks gives Honey Care Africa real-time access to data on all of its hives and their expected honey supply. Using this data, Honey Care can manage field staff more effectively, plan production more reliably, and resolve problems shortly after they arise.



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Cisco supports entrepreneurs around the world through partnerships with nonprofits that work with micro, small, and medium-size enterprises to help people launch new businesses and foster self-sufficiency and economic growth.

Cisco supports the Grameen Foundation’s TaroWorks initiative, a cloud-based platform providing services compatible with mobile devices. The initiative enables TaroWorks clients to collect real-time data, manage field operations and customers, and measure impacts, no matter how remote their customers, field agents, and beneficiaries may be. For example, VisionSpring – which makes affordable eyeglasses available to poor, hard-to-reach communities around the world – is using TaroWorks to collect real-time demographic, satisfaction, and poverty level information on their customers, which enables them to more effectively target and reach their customers. Honey Care Africa is using TaroWorks to monitor its operations and network of farmers and beehives (see case study, page E17), which will boost their ability to successfully grow and scale. Cisco’s early investment and involvement is helping to promote the long-term financial sustainability of TaroWorks. In less than one year of full-scale implementation, TaroWorks has 25 customers in nine countries and a pipeline of 70 potential customers.

In FY13, Cisco continued its support of Living Goods, a nonprofit organization that operates a network of mainly female micro-entrepreneurs, called agents, who earn a livelihood from selling affordable health products such as mosquito nets, clean cook stoves, and basic medications. Agents also educate families on critical health issues such as maternal and child health, nutrition, and hygiene.

Cisco’s initial investment in FY12 helped Living Goods develop a mobile technology platform to manage its network of agents, help agents communicate and share health advice with the families they serve, and increase demand for the products they sell. This has dramatically lowered the cost to market products and monitor impact. To date, Living Goods is working with nearly 1000 agents in Uganda and Kenya, has treated more than 75,000 children, and has supported more than 15,000 pregnant mothers (see case study at right).

In Israel, where Arab citizens are vastly underrepresented in ICT careers, Cisco is leading Ma’antech, a coalition of 38 ICT companies that helps place qualified Israeli-Arab engineers in the Israeli ICT sector. For the third year in a row, we exceeded our goal, placing over 700 Israeli-Arab engineers in jobs and doubling the number of Israeli-Arabs working in the industry. In FY13, we announced a further \$1 million investment over the next three years. On a visit to Israel in March 2013, U.S. President Barack Obama was introduced to the program firsthand. In a press conference that afternoon, he remarked, “I was with President Peres this morning before I came here, looking at a high-tech exhibit that was taking place in Jerusalem. And there was actually a program that a U.S. company, Cisco, had set up, where it was hiring young Arab engineers and Palestinian engineers because they were so well qualified, so talented, and there was a great hunger for those kinds of skills.”

CASE STUDIES FROM AROUND THE WORLD



Creating Livelihoods and Improving Community Health through Living Goods

Our portfolio manager visited Living Goods staff, agents, and the families they serve in Uganda. Uniformly, the agents report that people in their communities appreciate their support and feel comfortable discussing personal and family health problems with them because of the relationships they have developed. Living within the communities they serve enables agents to act quickly. For example, on receiving a call from a woman whose son was ill, an agent went to the sick child’s home, diagnosed his illness as malaria, and administered the first round of medication within minutes. Pregnant and new mothers shared how they receive pre- and post-natal health advice on their mobile phones, and act on that advice to improve their own and their babies’ health. Another mother reported how the automated text messages she receives remind her to give her daughter the proper dose of malaria treatment. Still other women shared how clean cook stoves are saving them money on cooking fuel.

The agents, too, are benefiting in multiple ways. Not only are they earning incomes to support themselves and their families, but the business and health skills training they receive will also equip them to be economically self-sufficient throughout their working lives. They spoke of the pride they feel in being able to support their neighbors and communities.



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Critical Human Needs and Disaster Relief

Cisco partners with and supports nonprofit organizations around the world that help meet critical human needs including food, potable water, shelter, and disaster response.

We use our networking skills, expertise, and technology to help these organizations operate more efficiently and free up resources to help more people. We also respond to natural disasters by providing short-term cash and product grants to relief organizations.

Focus on Water

Water resource issues are a particular priority for Cisco because of the immense impacts that water scarcity and poor water quality have on communities around the world. A child dies from a water-related illness every 21 seconds, children miss more than 443 million school days each year due to water-related illness, and women and girls spend more than 152 million hours a year collecting and purifying water for domestic use.

We support organizations that protect water quality and provide increased access to potable water in water-scarce regions, including the Blue Planet Network¹ and Water for People. We supported the Blue Planet Network (BPN) to create the AnalytiX online database that nearly 100 funders, nongovernmental organizations, and others use to monitor, evaluate, and report on project outcomes. Our funding has allowed BPN to improve the system and train people in its use. BPN partners in 27 countries such as India, Vietnam, Uganda, Nicaragua, Egypt, and Guatemala have used the platform to log information about more than 250 projects worth over \$38.5 million, a 327 percent increase since 2009.

1. In August 2013, Blue Planet Network merged with the East Meets West Foundation.

Figure 4: Cisco Social Investment Criteria and Process



CASE STUDIES FROM AROUND THE WORLD



AidMatrix

AidMatrix is a nonprofit that provides technology solutions, consulting services, and training to support supply chain management, volunteer management, and fundraising technologies for humanitarian relief organizations. Cisco has supported AidMatrix in developing SCM4Good, a web-based platform for supply chain and donated goods management. When piloting the tool, CARE International was able to reduce its warehouse management costs by more than \$2 million annually and serve 500,000 people. A new Cisco grant made in FY13 will help AidMatrix develop a handheld field tool that streamlines and tracks distributions to the beneficiary level and reconfigures the current supply chain software for mobile handheld devices and tablets. AidMatrix predicts that the tool could result in increased savings or reduced operating costs of as much as \$1.3 million, meaning that more resources would be available to directly benefit victims of disasters and humanitarian crises.

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Our funding for Water for People supported the development of a Field Level Operations Watch (FLOW) mobile application to collect and analyze data from the field, which increases the transparency, accountability, and sustainability of water projects in developing regions. Working with the Akvo Foundation, the nonprofit scaled the platform as an open-source tool to expand access and make it more user friendly for the 69 organizations in 28 countries that now use it.

The Liberian Water and Sanitation Program used FLOW to develop a baseline map of more than 10,000 water access points across Liberia. Previously, no data of this kind existed. With this new information, the government of Liberia developed a strategic plan to improve water quality and sanitation. Other agencies, NGOs, and nonprofits are using the data to improve their planning procedures as well.

Responding to Emergencies

Natural disasters caused significant destruction around the world in FY13. Cisco provides support to organizations that offer emergency relief in the wake of disasters and humanitarian crises. We offer employee networking and technology expertise, cash and product grants, employee donations, and matching gifts through the Cisco Foundation. In doing so, we partner with local, national, and international humanitarian agencies such as NetHope, CARE, Feeding America, Oxfam, Habitat for Humanity, the American Red Cross, and Red Cross affiliates around the world.

Financial Assistance

We respond to natural disasters with targeted fundraising campaigns that engage our employees in supporting recovery efforts.

- In October 2012, Hurricane Sandy caused destruction up and down the East Coast of the United States and in the Caribbean, leaving large areas of New Jersey and New York City without power and under water for weeks. Employee donations and Foundation matching gifts to 16 relief organizations totaled \$612,000. Cisco made an additional donation of \$1 million to the American Red Cross in the days following the storm.
- In April 2013, the Lushan earthquake in Sichuan, China injured thousands and killed at least 196 people. Employee donations and Foundation matching gifts supporting four organizations totaled \$36,000. Cisco made an additional corporate contribution of \$160,000 to Give2Asia to benefit the China Foundation for Poverty Alleviation.
- In May 2013, a tornado devastated the town of Moore, Oklahoma. Cisco employees rallied in support of the community there, with six relief organizations receiving \$85,000 in employee contributions and Foundation matching funds.
- In June 2013, severe flooding in Northern India's Uttarakhand region devastated homes and infrastructure, leaving thousands dead or missing. Over 100,000 people were evacuated from the region. In the weeks following, \$100,000 was donated to six relief organizations through employee contributions and matching gifts.



Supporting Nonprofit Partners

Across all of our society commitments, Cisco uses technology to help nonprofit organizations scale their programs and make their operations more efficient.

Our best practice guidelines help us set up successful partnerships with nonprofits from the start. We approach each new partnership as a long-term engagement with the expectation that we will invest the necessary time and resources to help the program achieve its objectives. We start by developing a clear vision, strategy, detailed execution plan, and objectives to measure long-term success. We also establish governance and operating structures with our partners to define roles and responsibilities, set clear expectations, and enable effective decision-making.

To help us monitor and measure the impact of our partnerships, we implemented a new Social Impact Tracking Platform in FY13. Nonprofits receiving grants now have a tool that enables them to report against clear metrics, and for Cisco it helps us track progress during the grant period, undertake corrective action where needed, and measure the impact of our investments. Tracking these metrics also gives the organizations valuable information to help with strategic planning by identifying effective practices to scale up, challenges to resolve, and impacts on the communities and individuals they serve.

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Tactical Operations

Communications infrastructure is essential for effective emergency response. When natural disasters disable or destroy normal communications networks, Cisco's Tactical Operations team can mobilize to provide support in challenging environments. Cisco Network Emergency Response Vehicles and other solutions bring networking and communications capabilities over satellite, 4G, and other backhaul channels to disaster sites in an emergency. This includes communications trailers, portable Emergency Communications Kits, smaller vehicles with satellite and other capabilities, and more. The Cisco Disaster Incident Response Team is a group of volunteers who support the Tactical Operations team on disaster deployments and have been specially trained to respond quickly to emergencies and support communications during crises.

By responding to emergencies and natural disasters within the first few days, Cisco often enables recovery and relief agencies to get communications up and running faster than government or local providers can. Our response teams include engineers who design and install communications equipment, and operations coordinators who manage logistics and planning. This specialized support removes much of the burden for agencies that would otherwise have to travel long distances to use or acquire communications equipment, and redirect funds and staff away from direct relief.



Discover why organizations are installing ClearCaptions on their Cisco Unified IP Phones (with Cisco Unified Communication Manager) to accommodate users who have hearing loss.

WATCH VIDEO 



Tactical Operations Honored by Computerworld

In FY13, Cisco Tactical Operations was selected from over 700 nominations as a Computerworld Honors Laureate in the "Safety and Security" category. The awards honor companies, organizations, and individuals whose innovative technology solutions are having a positive impact on society.

The Tactical Operations team helps us build relationships with local public sector agencies, nonprofits, other companies, customers, employees, and communities. In FY13, the Tactical Operations team responded to five major emergencies:

- Hurricane Sandy
- The Boston Marathon bombing
- The West Fertilizer Company explosion in West, Texas
- An EF5 tornado in Moore, Oklahoma
- Famine and infrastructure needs at Kenya's Dadaab refugee camp

CASE STUDIES FROM AROUND THE WORLD



Tactical Operations in Kenya

The Dadaab refugee camp in eastern Kenya is the largest refugee camp in the world, housing more than 450,000 people. A famine in 2011 brought more than 1000 new people to the camp each day, causing major overcrowding, disease, and hunger. Relief organizations, already challenged in their daily operations, faced extra struggles meeting the needs of these new refugees. With NetHope and local service providers, Cisco has supported building network infrastructure that was previously unavailable in this remote area by providing architecture design and network support services.

There are over 20 humanitarian organizations onsite that need to communicate regularly and reliably with each other and their home offices. Network and voice service infrastructure allows them to call between offices and communicate with camp guards.

In FY13, we added new services to the infrastructure, such as Voice over IP, videoconferencing, and network management services. Additional shared data, voice, and video services will be installed in FY14. We also established community development programs, including a Community Knowledge Center. For more information about Community Knowledge Centers, see page [E16](#).



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Product Accessibility

We seek to design products that meet the needs of people with disabilities so that everyone can benefit from the social and economic opportunities our technology can bring.

Through the Cisco Accessibility Initiative, we consider product accessibility at all stages of the lifecycle from design and shipping to product use. We regularly refresh products, packaging, and documentation and offer training to product managers to emphasize the importance of accessibility. In FY13, more than 75 project managers completed the training. Delivering accessible products also helps us comply with legislation and meet the needs of many of our customers, including state and federal governments.

A mandatory record-keeping process for Cisco products took effect on January 1, 2013 that will allow us to monitor accessibility throughout a product's lifecycle. We also continued our support of the DeafTEC initiative in California by rolling out training for educators and employers. DeafTEC is a resource for high schools and community colleges that educate deaf and hard-of-hearing students in STEM-related programs and for employers hiring deaf and hard-of-hearing individuals. In FY13, we conducted our first training session and have two more planned for FY14.

Communications technology poses unique challenges for deaf and blind people. Organizations such as the Center for Sight and Hearing use Cisco technologies to enhance their clients' quality of life. One example is the use of videoconferencing for deaf people with high enough resolution to capture sign language gestures. "We needed a video solution with the highest frames per second to not only transmit our hand gestures in real time, but also to capture the many minute movements in American Sign Language," says Ann Gronlund, communications specialist at the Center for Sight and Hearing. Using Cisco WebEx technology, the center now is able to connect to the people it serves in more effective ways.

Learn more about [Cisco product accessibility](#).

Supplier Diversity

Cisco spends millions of dollars every year on products and services from suppliers. Using diverse suppliers in our supply chain supports the economic empowerment of underserved communities and brings significant business benefits to Cisco.

Working with diverse suppliers gives us access to a wider group of innovative partners, enhances our competitiveness, reduces the risk of supply chain disruptions, and improves customer satisfaction. By supporting companies that are reflective of the people and communities who use our products, we look to provide the best suppliers and most innovative companies with the opportunity to participate in our supply chain. For more information, see [Supply Chain](#), page [C12](#).

Promoting Diverse Suppliers in Our Supply Chain

Diverse suppliers are those that are at least 51 percent owned and operated by a minority or historically disadvantaged group. These include the groups defined by the U.S. federal government: Small Business, Veteran-Owned Small Business, Service-Disabled Veteran-Owned Small Business, Historically Underutilized Business (HUB) Zone Small Business, Small Disadvantaged Business, Women-Owned Small Business, Disabled Veteran-Owned Small Business, Minority-Owned Business, and Women-Owned Business Enterprises. Cisco actively solicits all of these groups to give them the greatest opportunity to supply us with goods or services.

CASE STUDIES FROM THE UNITED STATES



External Recognition for Cisco's Supplier Diversity Program

In FY13, Cisco was ranked sixth among the top 50 U.S. companies providing multicultural and diverse business opportunities by DiversityBusiness.com, up from 12th place the previous year. This is the fifth year Cisco has been included in the ranking, which is based on feedback from over 650,000 women- and minority-owned businesses.

Each year, DiversityBusiness.com also recognizes individual supplier diversity champions. In FY13, Mark Williams, Cisco's Business Development Manager, Americas Channel Distribution, was honored for his advocacy and efforts to promote supplier diversity in Cisco's distribution channel.

Williams designed and leads the Diverse Specialty Distribution (DSD) Program to promote supplier diversity in our distribution chain. The program has helped to increase Cisco's distribution, and since its inception in 2007, the number of participants has more than quadrupled and DSD sales have tripled.

For example, the DSD Program has helped to develop TelecoBuy.com, a subsidiary of the minority-owned World Wide Technology, Inc., into a major Cisco distributor. Cisco gold partners can purchase products and services through [Telecobuy.com](#) for resale, which helps them meet their own requirements for internal and end-user diversity spending. [Telecobuy.com](#) ranks third in DiversityBusiness.com's Top 500 Diverse Owned Companies.

See our full list of [supplier diversity awards here](#).

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Supplier diversity is a regulatory requirement in many of the markets where we operate, 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 our customers and partners who are suppliers to state and federal agencies.

Supplier diversity is also a prerequisite, independent of regulatory obligations, for many of our customers. In FY13, we responded to information requests about our supplier diversity spending from 77 companies.

Supporting Capability Building and Business Development Opportunities

We identify potential new diverse suppliers, connect them to the Cisco business units that can use their products and services, and help them secure new business from Cisco and other ICT companies through the Cisco Global Supplier Diversity Business Development (GSDBD) program.

We also support diverse suppliers by helping them build their capabilities and secure wider business development opportunities by connecting them with potential customers. Cisco Partner Operations Diversity Forums, for example, enable diverse suppliers to meet with

executives from Cisco and other Fortune 500 companies and to discuss potential business opportunities with customers. Our support for diverse suppliers varies from country to country depending on local needs and opportunities.

Australia

In Australia, Cisco is a member of Supply Nation, formerly known as the Australian Indigenous Minority Supply Council, which supports the growth and development of indigenous-owned suppliers. Member companies work with Supply Nation to meet their Reconciliation Action Plan procurement goals, and the group provides networking opportunities for companies and indigenous-owned suppliers. We attend supplier meetings and business fairs, such as Supply Nation’s annual conference and business fair. In FY13, Cisco employees participated as expert panelists in two workshops at the conference.

At the FY13 National Minority Supplier Development Council (NMSDC) conference in Denver, Colorado, we co-hosted a delegation of Australian suppliers and partners from Supply Nation together with Cummins, IBM, and Pfizer. As a result of this networking opportunity, four Australian indigenous-owned firms united with three U.S.-based diverse firms and one Canadian diverse-owned firm to form joint ventures.

Canada

In FY14, we plan to focus more strongly on supplier diversity in Canada. Cisco is a charter, corporate, and board member of the Canadian Aboriginal and Minority Supplier Council (CAMSC), a nonprofit membership organization composed of major multinational corporations operating in Canada. CAMSC’s mission is to promote and facilitate procurement opportunities between major corporations in Canada and suppliers of all sizes owned and operated by Canadian Aboriginals and Minorities.

Diverse Supplier Profile: Woodtech

Woodtech, one of Cisco’s innovative and minority-owned suppliers, is a U.S.-based custom wood manufacturer and design firm that specializes in large, complex projects with unique, intricate requirements. It supplies the custom tables for our Cisco TelePresence videoconferencing system. Woodtech marries traditional craftsmanship with precision machining and specializes in realizing each client’s unique vision for conference tables, reception stations, private offices, architectural walls, and furniture. These attributes make Woodtech a preferred vendor for many Fortune 500 companies.

As a small company, Woodtech faces many of the competitive pressures of an industry that is increasingly relying on computer-generated designs and overseas labor. Its commitment to quality and service has enabled Woodtech to overcome these pressures and grow tremendously since its founding in 1994. In FY13, Cisco invited Woodtech to be part of our Executive Mentor Protégé Program. We believe that our executive support and mentorship will help Woodtech continue to navigate through these barriers and challenges, enhance its capabilities, and grow globally to support Cisco and other multinational customers.



In Australia, Cisco’s work to bring businesses run by indigenous people into the supply chain is promoting economic growth. Cisco is collaborating with these companies and encouraging business development, contributing to improved economic vitality in Aboriginal communities.

[WATCH VIDEO](#)

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We also support women-owned businesses in Canada through our membership in WeConnect Canada. WeConnect hosts conferences, business fairs, and networking events that help connect women-owned businesses to potential business partners like Cisco.

South Africa

In South Africa, we participate in the South African Supplier Diversity Council, a group of 27 companies working to promote the growth of black-owned companies. The council is a platform for sharing best practices and building relationships with black-owned suppliers. As a member of the group's Management Advisory Council, we helped to develop a database of certified suppliers and member companies.

United States

To build skills and capability, Cisco sponsors business leaders from diverse suppliers to attend the Management Development for Entrepreneurs Academy at the University of California, Los Angeles. During this four-day workshop, participants develop ideas and design strategic improvement projects to implement at their businesses. Since 2002, we have sponsored 69 people from 45 diverse companies to attend the Academy.

Our Executive Mentor Protégé Program enables CEOs from diverse suppliers and partners to receive mentoring from Cisco executives over the course of two years. CEOs from 22 companies have participated in the program since 2009, many of whom credit the program with helping them secure significant new business. For more information, see our diverse supplier profiles on page [E23](#) and on this page.

At the U.S. Department of Commerce Minority Business Development Agency (MBDA) Minority Enterprise Development Week conference in Washington, D.C., we hosted a networking forum attended by 28 Cisco partners and customers that sell our products to federal agencies. We also participate in the National Minority Supplier Development Council. In FY13, we hosted a forum at its conference that was attended by 81 Cisco customers, distributors, and diverse suppliers and partners.

Cisco supports women-owned businesses as a corporate member of WeConnect International and the Women's Business Enterprise National Council (WBENC). These organizations promote women-owned businesses by connecting them to multinational companies through networking events, business fairs, and conferences. In FY13, we participated in the WBENC annual conference and business fair in Minneapolis, Minnesota, holding individual meetings with diverse suppliers and partners, as well as hosting a booth and contributing to an expert panel.

In FY13, Cisco awarded WebEx product grants worth more than \$20,000 to eight nonprofit organizations in the United States that promote the development of diverse businesses. These grants will help recipient organizations expand their reach and presence through more efficient communications and networking opportunities.

Diverse Supplier Profile: Wintec

Wintec Industries is a woman- and minority-owned diverse supplier that provides hub services for Cisco memory products and strategic inventory. For the past six years, Wintec has been an active participant in our supplier diversity initiatives, including the Executive Mentor Protégé Program. Wintec's participation in the program has helped it better understand customer needs and enhance its capabilities to grow the business from a focused manufacturer into a global hub service provider. For example, in FY13 Wintec proposed a systematic solution and an innovative cost model that brings benefits to Cisco in terms of inventory management and cost reductions. The new solution has helped us fulfill urgent supply chain requests more effectively.



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Creating new value for our customers using sustainable Cisco technologies, products and solutions.

Environment



We believe Cisco technologies can improve living standards, reduce resource waste, and save energy. We call this creating new value for our customers through sustainable technologies, products, and solutions. Through our continued efforts to understand impacts on the environment from our products, our operations, and our supply chain we work to not only reduce negative externalities but create new opportunities for greater efficiencies.

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Environment Overview

Through sustainable technologies we are creating value for our customers, society, and the planet.

Energy consumption and greenhouse gas (GHG) emissions are the most important and complex environmental issues for Cisco. Energy consumption includes our own operations, the extended operations of our supply chain partners, and the energy used by the products we market. In February 2013, we announced five new GHG reduction goals, which we aim to achieve by 2017. These goals are focused on improving the energy efficiency of our operations.

Improving the energy efficiency of our products is also a priority because energy consumed during their use accounts for up to approximately 90 percent of their life cycle carbon footprint. This means that innovation in our products and services that promote energy efficiency and waste reduction can reduce GHG emissions by users of our products. Innovation is at the core of Cisco's environmental sustainability initiatives. In developing advanced products, 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 network technologies that create new business and social value. For example, our remote collaboration solutions enable "Dematerialization," or replacing the physical with the virtual, reducing business travel and employee commuting, which decreases costs for our customers and our employees. Remote collaboration also increases productivity, improves employee work-life balance and job satisfaction, and reduces GHG emissions.

Our aim is to build environmental sustainability into each business function and process and, ultimately, into every business decision our employees make around the world. We believe 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.

"We now use Cisco WebEx and Cisco TelePresence for many of our meetings and they run more smoothly and are more effective than before, and our global organization functions better as a result. That's how Cisco products are helping CDP better accomplish our mission."

Marcus Norton, Carbon Disclosure Project

[Cisco's 2013 Global Stakeholder Engagement Sessions](#)

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Environment Overview

2013 at a Glance

We achieved our FY12 Scope 1, 2, and business-air-travel Scope 3 GHG emissions reduction goal of 25 percent absolute.



We set new and aggressive Scope 1, 2, and business-air-travel Scope 3 GHG emissions reduction goals for FY17.

\$13.7 MILLION

In FY13, Cisco spent \$13.7 million on energy efficiency initiatives, including our global Lab Energy Management Program.

Cisco purchased 425 million kWh of energy through Renewable Energy Certificates in FY13.

425 MILLION kWh

\$7.7 MILLION

We cut 634 metric tonne of packaging and saved \$7.7 million in material and freight costs by improving packaging efficiency.



We achieved a 28 percent absolute reduction in Scope 1 and 2 GHG emissions worldwide from a FY07 baseline.



\$360 MILLION

#1

Cisco was tied for #1 across all sectors on CDP's 2013 climate survey and tied for #1 on Greenpeace's Cool IT Challenge (v6).

Customers returned 12,539 metric tonne of Cisco products for reuse and recycling, and we reused over \$360 million of Cisco equipment.

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2013 Progress toward Objectives

Objectives	Progress	Status
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 end of CY12	This goal was met in 2012, and the commitment has been closed.	●
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 FY13. 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 in late 2013 following final review by the Steering Committee and World Resources Institute.	○
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). 100 percent of our contract manufacturers, 93 percent of global transport providers, and 80 percent of our component suppliers responded to the Carbon Disclosure Project 2012 survey.	○

● Achieved ○ Ongoing

2014 Objectives and Beyond

Objectives	Target Date
Reduce total Cisco Scope 1 and 2 GHG emissions worldwide by 40 percent absolute by FY17 (FY07 baseline)	FY17
Reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline)	FY17
Reduce Cisco's FY17 net, consumption-weighted electricity emission factor to half of the latest International Energy Agency world average emission factor publicly available before the end of FY17	FY17
Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline)	FY17
Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17	FY17
To address Supply Chain GHG emissions Cisco has an ongoing initiative, with accompanying goals, to encourage our suppliers to report their Scope 1 and 2 emissions to the Carbon Disclosure Project. The status of existing, supplier reporting goals is provided in Table 14. We will continue to report these existing supply chain goals and add new categories of suppliers – and accompanying CDP-reporting goals – to our performance reporting. For more information see the Supply Chain section.	Ongoing

you + networks = impact^x

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Key Performance Indicators (Base Year, if applicable, and last 5 years reported)

Performance Summary	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13	Comments
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO ₂ e	436,489	272,880	376,141	416,927	251,672	312,525	Values from 2012 CSR Report have been updated.
Percent progress against reduction goal. Goal: Reduce total, Cisco, Scope 1 and 2, GHG emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-37%	-14%	-4%	-42%	-28%	Cisco's new corporate GHG reduction goal was announced in February 2013.
Total Scope 3 air-travel GHG emissions, metric tonne CO ₂ e	199,104	108,580	96,442	114,707	125,605	139,741	All emissions recalculated using DEFRA 2014 emissions factors (Ricardo-AEA/ Carbon Smart); radiative forcing not included.
Percent progress against reduction goal. Goal: Reduce total, Cisco, business-air-travel, Scope 3 emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-46%	-51%	-42%	-37%	-30%	FY2012 was goal year for first, five-year goal of -25%
Product return, metric tonne	n/a	10,730	8,580	11,595	13,324	12,539	
Returned material sent to landfill	n/a	0.44%	0.33%	0.89%	0.43%	0.33%	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.

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.
* To be updated later.

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Environmental Sustainability

This section describes our environmental sustainability opportunities and challenges and how we manage them to improve our environmental performance. It is organized according to the GRI G3.1 reporting framework. This framework sets out the principles and standard disclosures organizations can use to report environmental performance and impacts.

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. These priorities are based on the impact from Cisco’s operations, the impact from our supply chain, and the use of our products by our customers in combination with the overall impact of the ICT industry sector. This materiality ranking is unchanged from FY12 except for the renaming of the “Controlled substances” issue, and related report section, to “Hazardous materials.” This change was made because the section includes discussion of our efforts to reduce use of materials identified as potentially hazardous but not controlled by existing regulations. We did not receive comments from stakeholders or uncover new data that required any further updates.

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 important because, depending on the product and assumptions made, energy consumption can make up anywhere from 80 to 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 end of life (EOL) services for our equipment. Cisco has built a worldwide network of qualified recyclers. Through several programs, discussed in more detail later in this section, customers can return any Cisco equipment for credit or for recycling at Cisco’s expense. Using advanced 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 Takeback program 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) G3.1 performance indicator categories. Materiality also is discussed in the [Governance and Ethics](#) section and is based on research performed by SustainAbility. A discussion comparing these two approaches to environmental materiality is provided in [Appendix 1](#).

Principles

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

- Cisco integrates environmental responsibility throughout our business while meeting customer expectations with respect to product function, delivery, quality, service, and EOL management.

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”)
	Hazardous materials
	Water use
	Biodiversity and land use
5	Non-GHG airborne emissions

- 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 G3.1 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.

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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 and goal setting, 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. We use 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 achieve practical and effective solutions to global environmental challenges.

We believe 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

Key executives, in tandem with business functions that are covered by our environmental management system, create and implement operational change. Cross-functional teams promote environmental sustainability through 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

In a new effort to drive sustainability performance deeper into our organization, our executive leaders have established their own environmental sustainability goals which are rolled out across their organizations. Employees are encouraged to link their individual goals to company priorities and management team goals, such as environmental sustainability. Performance against these goals influences 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. An EMS:

- Serves as a tool to improve environmental performance
- Provides a systematic way to manage environmental impacts, requirements, and programs of an organization
- 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 is 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 a priority for our business.

Cisco's EMS is [certified](#) to the international 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 certify 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, materiality of the issues, and the mitigation of the associated negative environmental impacts. Figure 1 shows Cisco's ISO 14001 certified site locations.

Scope and Implementation

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. Table 2 shows Cisco's KPIs for our ISO 14001 certification.

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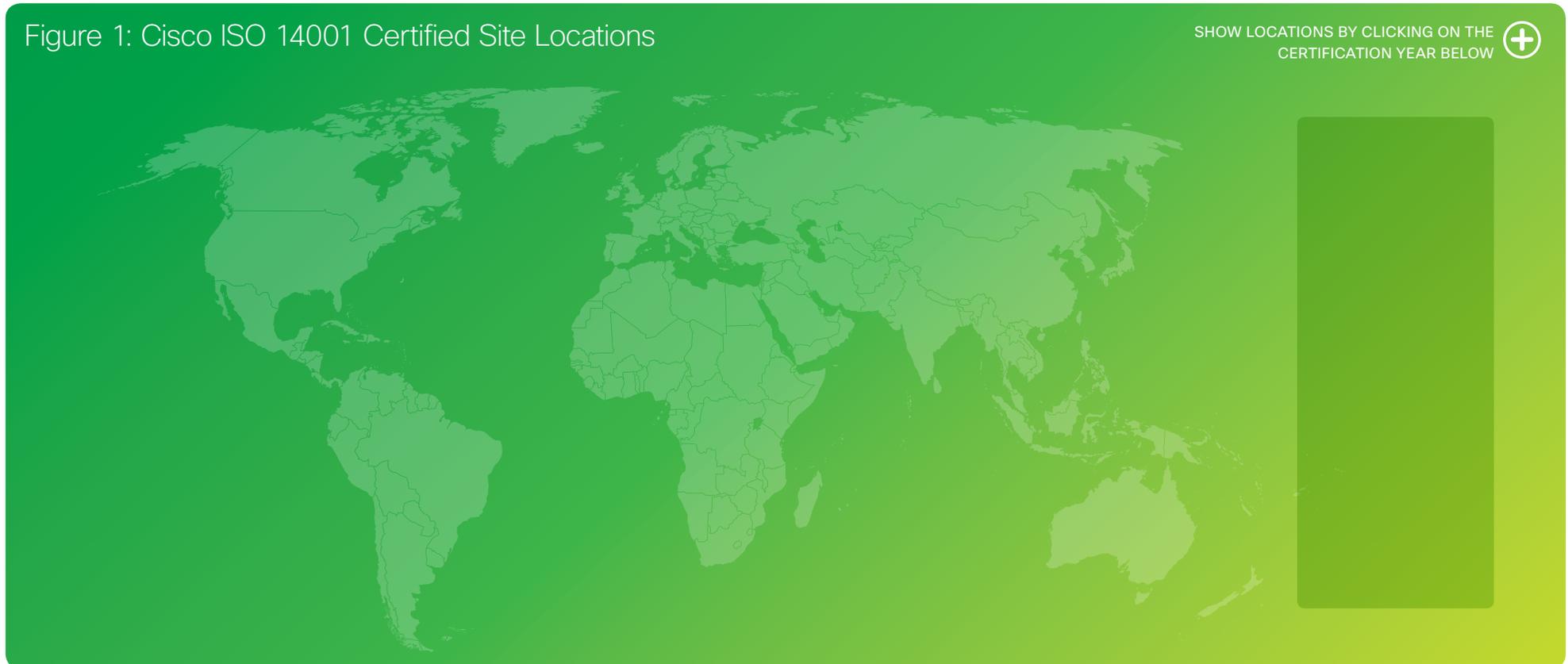
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Table 2: Cisco Environmental Management System ISO 14001 Certification

KPI	FY09	FY10	FY11	FY12	FY13	Comments
Number of Cisco sites with ISO 14001 certification	26	27	28	30	30	Calendar year certifications are assigned to fiscal year (e.g., CY13 assigned to CY13). Values from 2012 CSR Report have been updated.
Percent of real estate portfolio with ISO 14001 certification	100%	96%	95%	95%	93%	Reporting methodology updated in FY11; all years have been recalculated. 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.

Figure 1: Cisco ISO 14001 Certified Site Locations

SHOW LOCATIONS BY CLICKING ON THE CERTIFICATION YEAR BELOW 



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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; when possible these also align with corporate-level programs. 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. Our 30 ISO 14001 certified sites have a total of 58 site ISO 14001 Aspect Teams that address material site-specific environmental impacts. Table 3 lists the number of Aspect Teams per region that report on site specific goals and activities:

Cisco's primary corporate sustainability activities (such as GHG and energy management, product environmental compliance, and supply chain management) are all included in our certified EMS and are part of the internal

and external audits performed annually. In CY13 we did not incorporate the corporate level programs into the internal ISO 14001 dashboard due to organizational changes, but the programs were a part of our internal and external audit plans. This will enable us to internally track key corporate environmental performance goals, initiatives, and metrics. We use performance tracking, metrics, and governance to monitor our progress toward meeting our goals and to guide us in finding ways to improve our EMS.

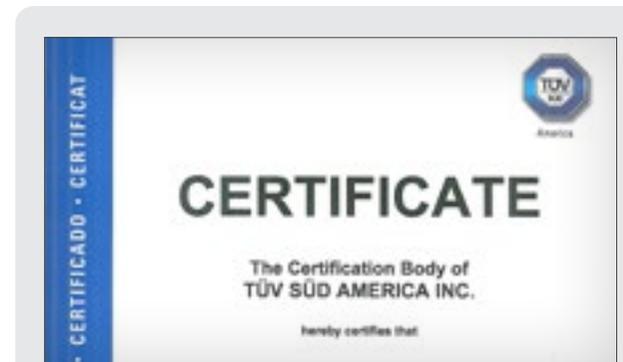
While challenges exist balancing site-by-site ISO certification and company growth, we continue to improve the linkage between site work and corporate-level goals to enable the EMS to capture all the material environmental activities done globally. In addition, Cisco's EMS aligns closely with the company's GHG and energy management program and supports the company's enterprise-wide Sustainability Information System (SIS). The SIS helped Cisco automate and expand sustainability

Table 3: Aspect Teams per Region					
Aspect Teams	Global Teams	Americas	Europe and Emerging Markets (EUEM)	Asia Pacific, Japan, China (APJAC)	Total
Waste Reduction and Recycling		8	8	7	23
E-scrap Management*	√	8	9	3	20
Energy Management*	√	0	1	7	8
Green Initiative**	√	5	1	0	6
Wastewater Management		1	0	0	1
		22	19	17	58

* These Aspect Teams have site-specific activities and goals but also support a corporate level/global goal.

** Utilized at smaller sites, typically includes activities around employee engagement, energy management, e-scrap management, waste reduction and recycling, and local green activities unique to that site.

This section is bookmark enabled.



[See Certificate](#)

Best Practices

An important component of our audit process is identifying best practices. These are shared across business functions through our internal EMS newsletter and our ISO 14001 committee meetings, which include the ISO 14001 key partners. During FY13 Cisco's ISO 14001 internal audit program identified 2 Best Practices and 33 Positive Comments. The best practices include:

Waste Reduction

Boxborough's Waste Reduction and Recycling Aspect Team won the large businesses MASS Recycle bronze award for the continued improvement and growth of its onsite waste program. Compost bins were added in all of the break rooms, which account for more than 40 percent of the site's waste stream, as was an expanded plastics recycling program. Clear signage was put in place throughout the campus to clarify what goes in which recycling bin. These are basic improvements that can be adopted by sites across the company to improve their recycling programs.

Energy Management

Many Cisco labs have incorporated day-to-day changes into their operational processes to improve energy management. Two of these processes are of special note: an automatic turn off and manual turn on requirement for equipment to decrease energy usage overnight, weekends, or whenever the equipment is not in use, and adoption of energy management software to track energy usage and review performance regularly. A "How Green Are We" report summarizes the energy and cost savings for the period, identifies potential issues, and shares this information with local management.

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data collection, improve the accuracy of that data, and focus limited resources on more important tasks, such as evaluating and implementing mitigation projects. The role of Cisco's SIS continues to expand since its initial deployment to include financial management of energy budgets, monitoring of sub-metered energy data, and tracking of fleet fuel data.

Internal audits of Cisco's EMS provide regular assessments as to whether our environmental processes and commitments have been implemented and how well we are improving our EMS at our certified sites. 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 FY13, we conducted 29 internal audits, and 7 of them were virtual audits using Cisco TelePresence or Cisco WebEx.

As mentioned above, Cisco participates in annual external audits by a third-party registrar for independent verification and certification of our EMS to the ISO 14001:2004 standard. These identify areas of improvement and performance, while providing external validation and verification of our EMS processes and programs.

The data and processes described here continue to be incorporated in the ISO 14001 internal audit plan to provide additional verification of the validity of the data reported. In calendar year 2013 this internal audit will include nine different teams and will verify the data gathering process for 126 environmental statements in the 2012 CSR Report. Verification of data, as well as processes, is key to reporting valid data and is a proactive process to identify data gaps. This will continue as part of the scope of Cisco's ISO 14001 internal audit program.

Life-Cycle Assessment

Cisco uses life-cycle assessments (LCA) to estimate GHG emissions associated with our products. This work is described in more detail in Scope 3 Life Cycle Emissions, page [F30](#). LCA is a holistic approach for assessing the environmental impact of a system, process, or product. LCA analyses can cover all or selected life cycle phases including cradle-to-grave, cradle-to-gate, and gate-to-gate. LCA helps Cisco:

- 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 6.0 and other publicly available data sources, such as 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 (DfE) principles in our product design standards. The benefits of this approach include:

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

We have incorporated a DfE approach into our standard design processes that focuses on the following areas:

- Energy efficiency (minimum 80 percent efficient power supply and efficient component selection)
- Hazardous materials; see Hazardous Materials, see below.
- Design-for-recyclability and upgradeability
- Recycling marking on plastic components (ISO 11469, SPI codes) for ease of sorting during recycling
- Packaging (reduction of materials and package volume)
- Design-for-longevity
- Compatibility with product takeback programs

In FY13, approximately 96 percent of newly released products incorporated DfE principles through the product requirements document.

Hazardous Materials

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

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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 (RoHS) requirements and other environmental mandates. For additional and more frequently updated information, visit Cisco's [Materials](#) webpage.

In addition, for up-to-date, product-level RoHS information, visit our self-service [Product Approvals Status \(PAS\) tool](#).¹

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 us 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 also have implemented lead-free data management systems, assessed supplier capabilities, tested the reliability of alternative substances, and developed a product conversion roadmap. In the interest of protecting product quality, we are working with global industry associations to develop highly reliable lead-free solder.

Halogenated Flame Retardants and Polyvinyl Chloride

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 polyvinyl chloride (PVC) and non-regulated halogenated flame retardants (HFRs). Cisco has been working with manufacturing partners, industry

standards technical committees, and academia to validate proposed alternatives for HFR and PVC. We have continued to identify, confirm, and qualify alternatives for plastics containing HFRs that are used in our products. Over the last three 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 HFR- and PVC-free materials. This issue is most relevant to Cisco as it relates to printed circuit boards, plastic parts that we have designed, and cables. Findings from these efforts for each area are described in the following sections.

HFRs in Printed Circuit Boards (PCBs)

In FY12, 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 HFRs for use in new high-end switching and routing products. Cisco qualified several halogen-free laminates that are available for use. The cost, design flexibility, and performance of these qualified laminates make them attractive for a growing percentage of Cisco products, and we are encouraging our business units and suppliers to select these laminates for new designs.

In FY13, Cisco continued to qualify more halogen-free PCB laminate materials and has increased their use in many new products. We will continue to research new laminate materials as they become available and apply them to new products where quality and performance requirements can be met.

HFRs in Cisco-Designed Plastic Parts

Cisco is monitoring the plastic resins used in Cisco-designed plastic parts. In FY13, we continued to gather and refine information on the presence of halogenated flame retardants in Cisco-designed plastic parts provided to or manufactured for Cisco through design documentation and surveys with our manufacturers. Our research found that approximately 84 percent of

resin compounds (by component volume) used in Cisco products either do not contain a flame retardant or utilize a halogen-free flame retardant. In addition, as part of the design-for-environment guidelines, the use of alternatives to HFRs in plastics is recommended for new designs.

PVC in Cables

Cisco helped lead reductions in cable PVC content through the iNEMI PVC Alternatives Project, which is focused on understanding the environmental trade-offs of standard, non-halogen, and bio-based cable jacketing. Cisco continues to monitor the industry for PVC-free cabling materials and regularly works with 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 also is a 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.

Batteries

Products or parts containing batteries are designed in such a way that the batteries can be removed by the end user or a service technician and more easily recycled. In addition, symbols indicating that batteries should be recycled are on the batteries or products containing batteries.

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, they are more effectively recycled. The first step was

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to incorporate environmental design features into our product requirements document. To support these goals, we implemented companywide 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 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 sustainability initiatives and what they can do to contribute to these efforts. This web-based training is available in English and Mandarin and has been completed by over 1400 members of our product development community. In addition, we have developed webinars on product sustainability and continue to educate our design and planning community on detailed areas of the DfE approach.

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.

Cisco works in collaboration with the [Electronic Industry Citizenship Coalition \(EICC\)](#) to develop common industry training, tools, and standards to support suppliers in improving their sustainability capabilities and performance. In FY13, as part of the EICC Learning & Capability Building Work Group, Cisco led the refresh of industry training materials on health and safety and contributed to the development of training for commodity managers, due to be completed in FY14.

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 management of our supply chain and reduce the associated environmental impacts. Key components of these efforts are outlined in the following sections. For more information, see the [Supply Chain](#) section.

Supplier Code of Conduct

Cisco has adopted the EICC Code of Conduct for all supply chain partners and requires that they comply with it, usually as part of our contractual agreements with them. Requiring supplier compliance with the EICC Code of Conduct helps us further weave environmental sustainability into the business scorecard process that we use to establish supplier status. The Code of Conduct sets expectations with regard to social responsibility, human rights, environment, governance and ethics, 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. For more information, see the [Supply Chain](#) section.

Controlled Substances Specification

Cisco regularly updates and shares with suppliers its Controlled Substances Specification. All suppliers are required to review, accept, and comply with our Controlled Substances Specification as part of our compliance with environmental regulations, including RoHS requirements; see [Hazardous Materials](#), page [F10](#).

Supplier Scorecard

In FY12, we integrated sustainability criteria into our overall business scorecard for key¹ suppliers. The scorecard is used to establish supplier status and to

monitor supplier performance on a range of criteria, such as technology, cost, quality, responsiveness, and collaboration.

Sustainability represents between three and eight percent² of the total score (depending on supplier type), and suppliers' performance on sustainability metrics is reviewed at least once per year, and as often as quarterly, as part of regular business reviews. Suppliers must maintain strong scores to earn and retain their status as key 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 sustainability is important to our business 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. Sustainability scores are based on supplier survey responses on a range of criteria tailored to the type of supplier, including:

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

Cisco's supplier scorecard is discussed further in the [Supply Chain](#) section.

Training Cisco Supplier Managers

Our long-term objective is to build sustainability into standard business processes so that each business

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function considers sustainability as a regular part of its business activities and decisions, where relevant.

To integrate sustainability into core business processes and raise awareness of our requirements among suppliers, it is essential that our supplier management teams understand sustainability and communicate about it confidently. In FY13, all of our manufacturing and logistics supplier managers completed formal web-based training on sustainability, which explains the business case for sustainability and the role of managers in engaging suppliers, as well as outlines the key points of the Supplier Code of Conduct and how Cisco monitors compliance. In FY14, we will extend this training to component supplier managers.

For more detail on Cisco supplier manager training, see [Employee Training](#), page [F11](#) or [Training Cisco Supplier Managers](#) in the [Supply Chain](#) section.

Training Our Suppliers

Engaging with key suppliers helps us support their capability building and identify opportunities where we can partner to improve their performance and support Cisco's sustainability goals.

Regular engagement helps us strengthen our relationships with suppliers and build their sustainability capabilities. Using Cisco solutions such as Cisco TelePresence and WebEx, we are able to discuss and resolve sensitive issues with suppliers around the world.

Cisco's tailored support includes talking about sustainability issues with our suppliers' senior managers, discussing audit findings and appropriate corrective actions, conducting regular reviews of their sustainability performance, and providing feedback for suppliers producing their first CSR report. 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, such as our continued commitment to reporting through the CDP

and setting ambitious GHG reduction goals. For more information on our newly set environmental goals, see [Energy and GHG Emissions](#), page [F17](#).

Our new online supplier sustainability portal gives suppliers easy access to tools and information on specific issues, creating a virtual training library for suppliers. This includes guidance documentation on issues such as reporting to CDP, health and safety, and controlled substances. For more information, see [Partnering to Build Capability](#) in the [Supply Chain](#) section.

Supplier Audits

Environmental management of our suppliers is outlined in the Supplier Code of Conduct and is included as part of the audit and continued 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.

A third-party auditor performs all audits at the supplier's facility using the EICC validated audit process. Cisco representatives participate in selected audits where potential high-risk issues have been identified in the supplier's self-assessment or by other means. Although most of our audits are announced in advance, we are beginning to conduct some unannounced audits. 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 issues that require long-term improvement plans.

The audit criteria include environment, ethics, health and safety, labor, and related management systems. In FY13, in line with the latest EICC audit protocol, we introduced criteria into our audits for our suppliers to report how they are monitoring their own suppliers. This will help to increase transparency and identify areas for improvement throughout the supply chain. For more information, see [Supplier Audits](#) in the [Supply Chain](#) section.

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 [Energy and GHG](#), page [F17](#).

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 has 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 supplier scorecard. More information is available in the [Supply Chain](#) section.

Biodiversity: Cisco has no active programs addressing biodiversity issues in our supply chain. As we work with

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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, and through the supplier scorecard process, we monitor the quantity of water that our suppliers are discharging from their facilities. Although we believe the quantity of water discharged is 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 solid-waste performance measurements to our supplier scorecard.

Employee Engagement

Cisco supports employee interest in the environment through several efforts:

- **Virtual Earth Day:** This annual activity consists 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 summarizes 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.
- **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 also has begun installing electric vehicle charging stations for our employees in certain of our locations; this program is described in more detail in Scope 3 Employee Commuting, page [F29](#).

We actively engage our employees in the achievement of our corporate sustainability objectives by linking individual goals to company goals. Employees are encouraged, as part of their individual performance goal setting, to identify linkages to company priorities and management team goals. Both Cisco presidents have established their own environmental sustainability goals which roll out across their organizations and align individual and business objectives with our environmental sustainability improvement goals.

OneFuture is a sustainability forum open to all employees to help unleash the skills, imagination, and capabilities within Cisco to meet the needs of our changing world. OneFuture focuses on four core areas where we encourage our employees to envision the future direction and develop creative solutions to get us there. The four areas of focus include:

- **Energy solutions:** Aim to highlight execution activities where Cisco can develop a strategy and vision for new marketplaces.
- **Circular economy:** Work with the Ellen MacArthur Foundation to provide a coherent framework for a transition to a restorative economy.
- **Operational excellence:** Drive sustainability efforts across the business, sharing ideas (projects), new innovations, and decision-making with accountability on progress.

- **People and partnerships:** Engage and collaborate with a wide range of subject matter experts including economists, scientists, technical architects, and behavior change specialists.

Currently there are over 1,800 contributing members within the OneFuture community.

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 \$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 is an environmental concern to Cisco. To address Cisco's impacts in this area, our packaging team designs packages to protect against shipping damage while minimizing material usage.

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

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Products that are damaged in transit have both negative business and environmental impacts because they need to be disposed of and replacement products shipped. Each packaging design goes through rigorous drop and vibration testing to achieve the adequate level of product protection while minimizing materials usage. Once basic packaging and material requirements have been met, Cisco evaluates four additional aspects of environmental package design, as shown in Figure 2.

Cisco complies with applicable packaging regulations that restrict the use of heavy metals and dangerous substances in our packaging. For a broader discussion, see Hazardous Materials, page [F10](#).

Packaging Material, Space Efficiency, and Distribution Optimization

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.

In FY13, Cisco continued to apply the four dimensions of environmental packaging design as part of its release process for both new products and some legacy product offerings. To accelerate results, the ongoing Pack It Green Initiative¹ partnered with Cisco to prioritize, design, and implement improvements across the supply chain and to our customers.

Product packaging efficiencies were measured for all shippable products. In our FY12 CSR report, Cisco defined a packaging efficiency metric as the total, the total weight of the product packaging over the total weight of the entire product (including the packaging); or a percent of shipped weight of packaging. Product “tiers” were defined based on subcategories of obtained total product and packaging weight. Packaging efficiency ratios for each tier were compared to one another to identify the largest opportunities for packaging and

Figure 2: Four Dimensions of Environmental Packaging Design



fulfillment optimization. Comparing these results with volume information enabled Cisco to select which product tiers to focus on in FY13.

Detailed investigations, including multiple customer surveys and a six sigma green belt project, were performed to determine the most critical root causes of losses of efficiencies for the targeted tiers. Some of the notable sources identified include:

- Lack of internal and external awareness of alternative sustainable packaging and fulfillment solutions and their corresponding environmental and operational benefits
- Packaging and fulfillment design limitations imposed by legacy processes, materials, and tools

- “One size fits all” packaging and fulfillment design strategies to meet varying customer needs

In FY13, Cisco addressed these challenges in the following ways:

- Increased business participation in Pack It Green by 300 percent
- Promoted the expansion of known, sustainable packaging and fulfillment solutions across the business
- Kicked off the development of new strategies for transport of goods by marrying new material technologies, system capabilities, and customer feedback

1. Pack It Green is a cross-functional, cross-product movement of Cisco employees with a mission to eliminate excess environmental waste and costs associated with the packaging and fulfillment of Cisco’s products, while at the same time improving the overall customer experience. “BU Champs” work to identify opportunities, sponsor pilot and best practices projects, and assist in educating others.

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In total, this work has resulted in savings of approximately 634 metric tonne and \$7.7 million of packaging material and freight.

Sustainable Packaging and Fulfillment Solutions

Cisco's sustainable packaging and fulfillment solutions result in a minimum set of supporting materials and, in some cases, can even eliminate items that customers may not require. These fall into several categories:

- Primary Product Configurable Options: Primary product configurable options have helped to reduce and eliminate packaging for years at Cisco. Primary product packaging is generally designed so that its internal optional components can ship installed to that product whenever possible.
- Secondary Product Configurable Options: Secondary product configurable options allow customers to order cables, brackets, and similar components within the same carton, but not typically installed to the primary product.
- Multipack Products (Ecopack Products): Like products are sold in a specific volume under a unique product identifier or PID.
- Bulk Pack: Like products are shipped in a carton optimized for an order of the specified size.
- E-Delivery: Software and licensing certificates are delivered electronically.
- Dense Pack: Optimized supply chain packaging enables efficient transport of goods between our virtual factories.

Best practices developed for these categories are regularly incorporated into our product design process through our design-for-environment guidelines; see Design for Environment, page [F10](#).

These packaging strategies not only reduce our material usage, but also help reduce GHG emissions through lower transportation weights. To learn more about Cisco's efforts in this area, see Scope 3 Logistics, page [F32](#).

Environmentally Friendly Materials

Most of our packaging parts are made either of 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 metallized antistatic bags, which make up a small fraction of all packaging material, all Cisco packaging should be easily recyclable in most markets. In FY13 Cisco continued to substitute this metallized antistatic bag with a fully recyclable antistatic bag. Today, most of our optical module spares now ship with this alternative recyclable bag.

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 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 us identify opportunities to reduce or eliminate waste. Over the past four years, Cisco has used product dematerialization projects to identify and remove noncritical or duplicative items that sometimes ship with our products. These efforts have included the removal of unnecessary accessory kit items, such as documentation, bags, and hardware, from our products. And product design with the minimal amount of materials, compatible with performance and reliability, is a key requirement for our products.

Similar to our Sustainable Packaging and Fulfillment Solution, best practices developed in our dematerialization projects are incorporated into our product design cycle. One example is the pointer card,

a small printed card that replaces large documents with links for accessing product documentation and software on the web.

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 made from 100 percent recycled polyethylene are used on some 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 can use recyclable polyethylene bags for protection and for consolidation of accessory kit subassemblies, but we are reducing the thickness and quantity of the bags we ship with our products while maintaining adequate product protection.

Although Cisco promotes the use of recyclable packaging whenever possible, some applications require the use of dissimilar materials joined together that cannot easily be recycled; for example, metallized static-shielding bags (ESD bags). When these nonrecyclable materials are needed, we minimize the quantity and amount of material used in the bags. Cisco continues to evaluate internal reuse programs for these materials. Where the amount and type of protection required permits, we use alternatives like antistatic recyclable poly bags.

Products

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

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(a product of the excess material manufacturing) in certain portions of our IP phones. 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 optimize the amount and type of auxiliary items shipped 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.

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. 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.

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

We have incorporated new DfE guidelines, including design-for-recyclability and recycling marking (SPI codes) to aid separation, identification, and recycling of materials. For example:

- 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) G3.1 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 achieved 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 by FY09 (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 end of CY12 (CY07 baseline). This goal was met in 2012, and the commitment has been closed.

In February 2013, Cisco [announced](#) a set of five new goals related to its operational energy use and GHG emissions. We believe formal goals should address the most material environmental issues – which for Cisco are GHG and energy. Experience with our past goals and suggestions from stakeholders helped to inform the establishment of our new goals:

1. Reduce total Cisco Scope 1 and 2 GHG emissions worldwide by 40 percent absolute by FY17 (FY07 baseline)
2. Reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline)

3. Reduce Cisco's FY17 net, consumption-weighted electricity emission factor to half of the latest International Energy Agency (IEA) world average emission factor publicly available before the end of FY17
4. Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline)
5. Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17

Cisco has been recognized for our GHG reporting by Greenpeace and CDP.

- In April 2013, Greenpeace rated Cisco #1 in its Cool IT Challenge Leaderboard (v6). We were rated #2 in the previous iteration of the Leaderboard. Cisco did particularly well on reporting our GHG emissions, addressing our energy footprint with updates to our energy and GHG goals, providing ICT solutions that our customers can use to reduce their GHG emissions, and calculating the impact of these solutions.
- In September 2013, [Cisco tied for the top spot](#) – along with six other companies – on CDP's Global 500 with a disclosure score of 100 and an "A" performance rating. We were alone in first place in the IT sector. We also were at the top of the S&P 500 assessment, tied with two other U.S.-based companies. These rankings are based on information [submitted to CDP](#) in June 2013.¹ We also have been on the Carbon Disclosure Leadership Index (CDLI) for six years in a row. For a long-term problem like climate change, consistently high rankings over an extended period are strong evidence of a company's commitment to improving greenhouse gas (GHG) emissions disclosure and performance.

In April 2013, Cisco was recognized as the 2013 Uptime Institute [Green Enterprise IT Award](#) (GEIT) winner in the

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Green Digital Infrastructure category. The awards go each year to companies that significantly improve energy productivity and resource use in IT. Cisco was cited for its implementation of a global Lab Energy Management program in FY12 and FY13.

In February 2013, Cisco also was recognized for its leadership in addressing GHG emissions in its supply chain through the EPA Climate Leadership awards. For more information, see the [Supply Chain](#) section.

For additional information about awards Cisco received in 2013 for its CSR efforts, visit our [website](#).

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 4 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 FY12 CSR Report, because of updates to emissions factors, methodology, structural adjustments from acquisitions or divestitures, and correction of

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Table 4: Summary of Scope 1 and 2 GHG Emissions							
KPI	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13	Comments
Total gross GHG emissions: Scope 1, metric tonne CO ₂ e	50,578	52,560	52,515	60,718	65,832	55,811	Gross is used consistent with CDP terminology. Gross GHG emissions do not include reductions from renewable energy purchases.
Total gross GHG emissions: Scope 2, metric tonne CO ₂ e	451,647	575,555	581,252	599,528	628,164	666,393	
Total contractual GHG emissions: Scope 2, metric tonne CO ₂ e	385,911	220,320	323,626	356,209	185,840	256,714	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 ₂ e per million dollars of revenue	14.4	17.4	15.8	15.3	15.1	14.9	Gross intensity is a measure of operational efficiency commonly used by many Cisco stakeholders.
Scope 2 emissions from primary data, percent	96.0%	96.8%	98.5%	97.9%	97.9%	96.3%	
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO ₂ e	436,489	272,880	376,141	416,927	251,672	312,525	Values from 2012 CSR Report have been updated.
Percent progress against reduction goal. Goal: Reduce total, Cisco, Scope 1 and 2, GHG emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-37%	-14%	-4%	-42%	-28%	Cisco's new corporate GHG reduction goal was announced in February 2013.

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.

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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.

Cisco has reported to the CDP every year since the survey has been distributed. The 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 goals, which includes Scope 1

and Scope 2 emission sources and Scope 3 business-air-travel emissions. In FY13, this limited assurance review was provided in accordance with the ISO 14064-3 International Standard.

Table 5 provides use-weighted electricity emission factor 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 its global facilities and data centers are both 17 percent lower than the global average. When factoring in Cisco's purchases of renewable energy, Cisco's average, contractual emission factor drops even lower and is 68 percent lower than the global average. This is not only a reflection of Cisco locating the majority of its facilities in grid locations where low-carbon to no-carbon grid electricity is available, but also due to Cisco's strong engagement with utilities and green power providers to procure renewable energy for its facilities. The ongoing 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

Table 5: Electricity Emissions Factors

KPI	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13	Comments
IEA world average emission factor, g CO ₂ e per kWh	507.1	502.3	502.3	502.3	502.3	528.7	Calendar year per IEA. Latest 2010 emission factor from IEA value used for 2010-2013.
Cisco, global average electricity emission factor (gross), g CO ₂ e per kWh	439.1	454.9	458.8	443.2	428.7	438.1	Values from 2012 CSR Report have been updated.
Cisco, major data center average electricity emission factor (gross), g CO ₂ e per kWh	394.9	418.8	435.4	435.0	423.0	438.2	
Cisco, global average electricity emission factor (contractual), g CO ₂ e per kWh	375.2	174.1	255.5	263.3	126.8	168.8	
Percent progress against reduction goal. Goal: Reduce Cisco's FY17, net, consumption-weighted, electricity emission factor to half of the latest IEA world average emission factor publicly available before the end of FY17.	-26%	-65%	-49%	-48%	-75%	-68%	

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.

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energy-related programs and projects were implemented in FY13 that helped Cisco reduce its energy costs and GHG emissions. In addition, in FY13 Cisco approved \$57.5 million in funding to implement a suite of energy efficiency and renewable energy projects throughout our real estate portfolio between FY14 and FY17. This funding will not only help us achieve our new set of energy and GHG reduction goals, but help us stay competitive and reinforce our commitment to being environmentally responsible.

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
- Improve the efficiency of our buildings, with a focus on our engineering labs, which are Cisco's largest consumers 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 FY13 we conserved approximately 76.5 million kWh of energy and avoided 34,000 metric tonne CO₂e through an investment

of \$13.7 million in energy conservation projects. Since FY09, we estimate this strategy has conserved approximately 177 million kWh of energy and avoided 72,800 metric tonne CO₂e; these projects are described in more detail in the next sections. Table 6 shows Cisco's KPIs for energy and GHG emission reduction projects.

See Table 7 for a summary of all of our energy-related KPIs.

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 (CCW) in our real estate portfolio by requiring that all new and renovation projects must comply with CCW design specifications. By the end of FY13, CCW represented approximately 29.6 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 we increase our headcount. In addition, in FY13 we approved a master plan to revitalize our San Jose headquarters by implementing various facility upgrades and converting



Bedfont Lakes Customer Briefing Center, Feltham, United Kingdom

eight of our buildings into the CCW environment from FY13 to FY17. This plan will decrease Cisco's building-related energy use and GHG emissions by increasing the density in our remaining buildings and reducing our facility footprint by approximately 1 million square feet.

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

Table 6: Energy and GHG Emission Reduction Projects					
KPI	FY09	FY10	FY11	FY12	FY13
Number of projects implemented	31	21	19	26	103
Annual energy savings, million kWh/yr	12.4	7.4	16.8	15.6	76.5
Total estimated annual CO ₂ e savings, tCO ₂ e/yr	5,500	3,300	7,400	7,300	34,000

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Table 7: Energy Totals

KPI	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13	Comments
Energy usage, GWh	1,254	1,500	1,491	1,613	1,750	1,763	
Indirect energy usage, GWh	1,029	1,265	1,267	1,353	1,465	1,521	Indirect energy usage is electricity consumption.
Direct energy usage, GWh	225	235	224	260	285	241	Direct energy consumption is the sum of Cisco's natural gas and diesel usage for heating and backup power generation and regular gasoline and diesel fuel used in Cisco's fleet.
Electricity usage, GWh	1,029	1,265	1,267	1,353	1,465	1,521	
Natural gas usage, GWh	148	143	115	118	144	111	
Energy use per unit of revenue, GWh of energy consumed per billion dollars in revenue	35.92	41.54	37.24	37.31	37.99	36.26	Note: Energy use per unit of revenue is one of our five new goals; we have reported historical values where available.
Percent progress against reduction goal. Goal: Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline)	n/a	+15.6%	+3.7%	+3.9%	+5.8%	+0.1%	

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.

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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.

As a result, we have executed a global Lab Energy Management program from FY12 to FY13 to reduce electricity consumption in our labs in the following areas:

- Infrastructure: Improving air flow management, ventilation, cooling, and similar building infrastructure systems

- Lab technology: Installing approximately 11,000 smart power distribution units (PDUs) to monitor power and control the use of our lab equipment
- Change management: Deploying multiple employee engagement strategies to educate our employees and provide incentives for labs to actively monitor and conserve energy

All three objectives were important to the success of the Lab Energy Management program, but the change management track was crucial. Our lab employees manage the lab equipment on a daily basis, and without their buy-in and commitment, the program would

not have been a success. We deployed a number of employee engagement strategies to achieve the level of commitment necessary, including:

- Energy champion: We recruited employees who work in the labs to be “on-the-ground” change agents and help drive a more personal energy conservation message throughout Cisco.
- Digital signage: In over 200 of our largest labs, we installed digital signs that show informative content such as lab energy consumption statistics, tips on how to save energy in labs, and winners of energy conservation awards.

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- Enterprise collaboration platform: We utilized Cisco WebEx Social technology and set up an online community that allowed lab employees to network with one another, ask questions, get feedback, submit ideas, and stay informed on the overall program.
- Energy management plans and performance goals: We developed detailed energy management plans and performance goals that labs and employees could adopt and get credit for their energy conservation accomplishments from their own business unit.
- Rewards and recognition: We created regular opportunities for employees to be rewarded and recognized for exemplary energy conservation efforts. For example, we recognized the employees of eight labs that achieved at least 60 percent energy

savings during Cisco's FY13 year-end shutdown period. Reward programs have been standardized so they can be easily and effectively applied during any global opportunity for extended power down, from Thanksgiving holiday in the United States to Lunar New Year in China.

- Education and training: We created over 10 online courses to provide detailed training on the various tracks and technology components of the program and teach employees how to participate in the program to maximize energy reductions.
- Program branding and marketing: To increase program adoption and participation, we created a formal marketing and communications plan that included imagery, taglines, and messaging campaigns.

This multimillion-dollar strategy was approved for funding at the end of FY11 and was deployed across the lab community in FY12 and FY13. When the program was completed at the end of FY13, it had achieved annualized electricity savings of approximately \$8 million and avoided approximately 30,000 metric tonne CO₂e.

Cisco plans on continuing many aspects of the Lab Energy Management program, in particular the change management tracks, to help achieve our next set of energy and GHG reduction goals. A continuation plan has already been developed and implemented so that the results achieved during the program are retained and expanded.

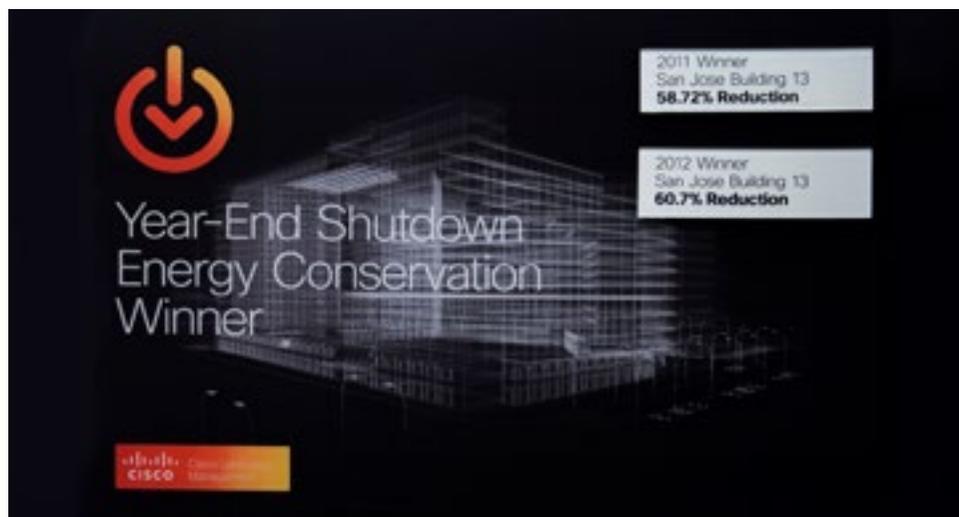
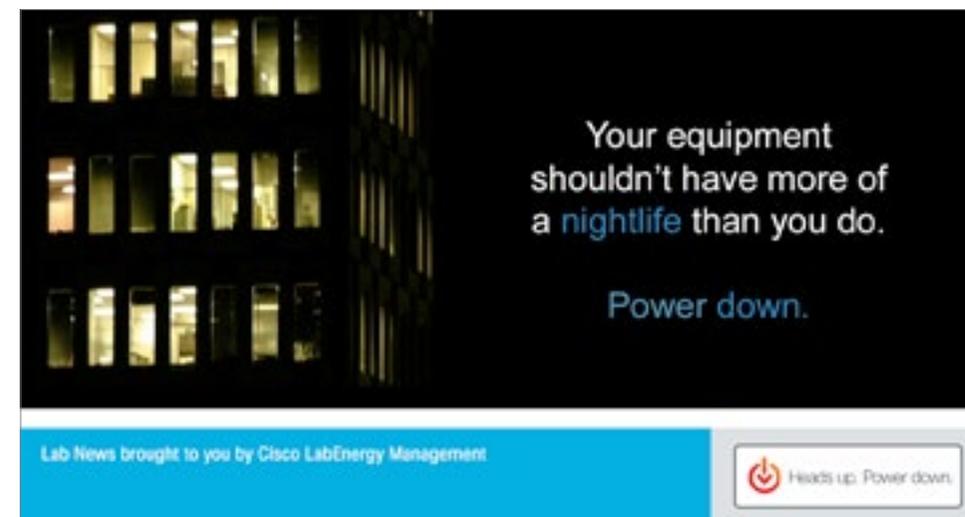


Photo: Ned Bagno



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Data Centers

In the last two years, Cisco has opened new energy-efficient data centers in Research Triangle Park, North Carolina, and in Allen, Texas. The data centers are designed to achieve a Power Usage Effectiveness (PUE) metric of 1.41 and 1.35 at full load, respectively. Both have achieved a Leadership in Energy and Environmental Design (LEED)-NC Gold Certification (v2.2) from the U.S. Green Building Council. In these data center designs, Cisco incorporated numerous features to reduce energy consumption and environmental impacts, including:

- Chimney rack hot-air isolation for improved cooling efficiency
- Waterside and airside economization
- Variable frequency drives on major equipment, including pumps, chillers, and computer-room air handler units
- Higher-voltage electrical service distribution of 480/277V; rack distribution of 415/230V
- 100 kW solar photovoltaic cells on building roofs
- Heat recovery from data hall for office space use (North Carolina)
- LED exterior lighting



Cisco data center, Research Triangle Park, North Carolina

- Low-E glass windows
- Reclaimed water use in cooling towers (North Carolina)
- Non-chemical water treatment system
- Water-efficient plumbing
- Occupancy sensors integrated with lighting and temperature controls
- Landfill diversion during construction

For more information on the design and construction of our latest green data centers, visit our website to select from a list of [case studies](#).

Building Energy Efficiency

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

- Incorporate efficiency into new or significantly renovated spaces by following standards in accordance with the U.S. Green Building Council LEED standards
- 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 toward integrating green building standards into our real estate since our first LEED-certified building was built in August 2009. By the end of FY13, 23 Cisco facilities had achieved LEED certification, 16 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 both achieved LEED Gold certifications. It also includes our latest renovation project in Bangalore, India, completed in July 2012, where Building 16 received one of the highest-rated Platinum LEED ID+C scores in the world (96 points). We now incorporate LEED elements into the design standards for new construction and renovation projects.



Cisco LEED Platinum-certified facility, Bangalore, India

Cisco worked closely with our 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. Green leases provide corporations with a valuable opportunity to communicate and implement sustainability goals as well as to provide a foundation for measurement. We applied these standards globally in FY11. In FY13, we negotiated green leasing terms into ten lease agreements representing over 300,000 square feet of leased office space. 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 used in HVAC system
- Bicycle storage and facilities in which cycling commuters can change for work
- Green building certification (LEED, BREEAM, ENERGY STAR)

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Incorporating these terms into leases is important for Cisco because approximately 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 difficult to incorporate these requirements later.

Not all of the terms in Cisco's green lease template are mandatory for every lease. At a minimum, the template is a tool for Cisco to negotiate with the landlord to promote Cisco's sustainability goals in its leased facilities, namely for the landlord to provide facilities that are healthy, efficient, and sustainable now and throughout the term of the lease.

Global Energy Management

Cisco maintains a global energy management and sustainability team that actively identifies and manages energy efficiency and onsite power generation opportunities across our global real estate portfolio. This team includes Cisco employees as well as dedicated energy managers from our current facility management partners, CB Richard Ellis and Johnson Controls, which manage the day-to-day operation and maintenance



Solar array at Cisco's Allen, Texas data center

of our buildings. Cisco incorporated energy-efficiency requirements as part of our facility management contracts. For each year of the five-year contract, our partners are required to identify and implement various energy-efficiency projects at Cisco facilities. In FY13, approximately \$13.7 million in energy-efficiency projects were identified and implemented across many Cisco facilities, including:

- Improving lighting efficiency
- De-lamping vending machines
- Installing variable frequency drives
- Performing building- and lab-specific energy audits
- Improving lab air distribution with blanking panels and diffusers
- Retrocommissioning facilities
- Upgrading HVAC systems

Onsite Power Generation: Solar

In FY11 and FY12, Cisco installed and commissioned solar photovoltaic (PV) systems at our data centers in Allen, Texas, and Research Triangle Park, North Carolina. Both pilot systems have a capacity of 100 kW. In FY13,

these systems collectively produced 270,000 kWh of electricity for Cisco, saving \$16,000 and avoiding 170 metric tonne CO₂e of GHG emissions. Cisco evaluated additional locations for installing solar PV systems in FY13, and as a result, Cisco has begun to implement more than a megawatt of new onsite solar PV within our real estate portfolio and expects to install additional capacity in FY15 and beyond if prices for this technology remain at their current levels or decrease.

Onsite Power Generation: Cogeneration

Cisco installed a 425 kW cogeneration system on its campus in Bedfont Lakes, U.K., which became operational in FY13. This system supplies both normal and emergency power to a critical lab facility on the campus as well as cooling through an absorption chiller. By operating the waste-heat recovery capabilities, the system reduced GHG emissions by more than 800 metric tonne CO₂e in FY13. In addition, the team is now evaluating using residual heat from the chiller cycle for under-floor heating in a planned childcare center. Based on the results of this project, Cisco is evaluating additional locations where similar systems would provide economic and environmental benefit.

Table 8: FY13 Electricity Usage from Renewable Sources

Region	Percent of FY13 Electricity from Renewable Sources					
	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13
Europe	31.4%	62.6%	65.4%	64.4%	61.8%	73.0%
United States	9.5%	41.2%	28.6%	27.4%	43.6%	40.3%
Global	10.7%	37.0%	27.7%	26.5%	37.7%	34.4%

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.

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Purchasing Renewable Energy

The percent of electricity purchased from renewable energy sources for various regions is shown in Table 8. This year we have added historical data to this table to accompany our new renewable energy goal; see goal number five, page [F17](#).

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. In FY13, Cisco purchased 425 million kWh of RECs and green power that was 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. Additionally, Cisco purchased approximately 98 million kWh through various European green power suppliers. We continue to follow the guidelines from DEFRA, and we use the grid average emission factor when calculating emissions associated with green power purchased in Europe.

Cisco participates in the U.S. EPA's [Green Power Partnership](#). As of July 2013, Cisco was listed twelfth among the National Top 50 and ninth 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 our GHG reduction strategy. Cisco purchases renewable power where it is available in the local power market. We currently purchase power from no- or low-carbon sources in the United States and Europe, and have recently established purchasing contracts for renewable power in India starting in FY14. We plan 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 9.

Operations Scope 3

GRI EN17: Other relevant indirect GHG emissions by weight.

Cisco has prioritized its Scope 3 operations-related efforts on reducing 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 reducing 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.

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 its 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 by FY09 (against a FY06 baseline). This goal was met in 2009 and the commitment closed.
- 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 end of CY12 (CY07 baseline). This goal was met in 2012 and the commitment closed.
- February 2013: Cisco [announced](#) a new goal to reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).

Table 9: Renewable Energy						
KPI	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13
Electricity from renewable sources, GWh	110	469	351	358	552	523
GHG emissions reduction from renewable energy, metric tonne CO ₂ e	66,000	355,000	258,000	243,000	442,000	410,000
Percent progress against reduction goal. Goal: Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17	10.7%	37.0%	27.7%	26.5%	37.7%	34.4%

1. Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.

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Table 10: Scope 3 Air-Travel Greenhouse Gas Emissions							
KPI	FY07 Baseline Year ¹	FY09	FY10	FY11	FY12	FY13	Comments
Total Scope 3 air-travel GHG emissions, metric tonne CO ₂ e	199,104	108,580	96,442	114,707	125,605	139,741	All emissions recalculated using DEFRA 2014 emissions factors (Ricardo-AEA/Carbon Smart); radiative forcing not included.
Percent Scope 3 air-travel emissions from primary data	98.0%	97.9%	96.1%	98.2%	98%	98%	Primary air-travel data adjusted to represent 100 percent of Cisco business air travel.
Percent progress against reduction goal. Goal: Reduce total, Cisco, business-air-travel, Scope 3 emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-46%	-51%	-42%	-37%	-30%	FY2012 was goal year for first, five-year goal of -25%

¹ Our annual CSR reports include data for the last five fiscal years and, for GHG/energy, our goal base year.
* To be updated later.

This section reviews our progress in meeting our Scope 3 emission goals. Cisco's total global GHG emissions from business air travel over the last five fiscal years (including our baseline year FY07) are shown in Table 10.

To date we have not adopted different emissions factors for different classes of air service, for two reasons. First, our focus is on using 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 how to treat 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 changed 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.

A limited assurance review of our FY13 Scope 3 air-travel emissions data and calculations was performed by a third party. Our Scope 3 emissions reporting process has been audited in the past by both our internal audit team and our external ISO 14001 auditor, and was included in the scope of an internal GHG and energy management audit in FY13.

Reducing GHG Emissions from Scope 3 Business Air Travel

To replace physical travel and meet our business air travel reduction goal, we rely on Cisco remote collaboration technologies, including Cisco TelePresence, products from the acquisition of Tandberg, and Cisco WebEx desktop conferencing.

Worldwide utilization of general-use immersive Cisco TelePresence units has increased slightly from last year, from just under 50 percent to 56 percent, both percentages based on an eight-hour day. Many Cisco TelePresence units are booked at or over 100 percent capacity. The larger, three-screen systems have the highest utilization rate. For example, our CTS-3200 series units, which seat up to 18 people, have a 75% utilization rate based on an eight-hour day (down slightly from 80% reported in our 2012 CSR Report). Higher utilization of

the larger Cisco TelePresence rooms is constrained by room availability or substantial time differences between endpoints.

Table 11 illustrates our rollout of Cisco TelePresence across the company since September 2006, the first quarter of FY07. An Executive Briefing Center (EBC) refers to one of numerous regional meeting facilities that Cisco uses for presentations to customers. Some



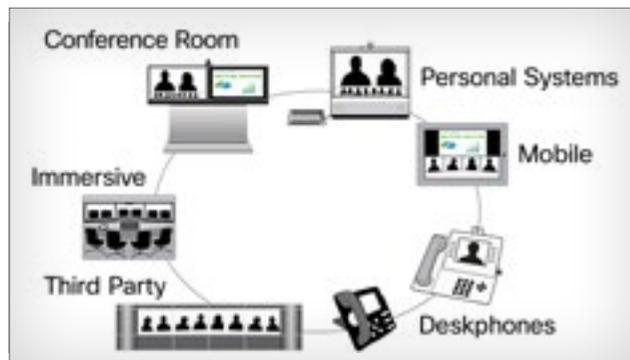
Cisco TelePresence CTS-3000 unit (6 users) connecting with a TelePresence CTS-3200 unit (18 users)

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employees have Cisco TelePresence units in private offices, typically the CTS-500 model, and these private units are also tallied in Table 11 along with the Cisco TelePresence units in our EBC facilities.

As of the end of FY13 and in addition to the Cisco TelePresence units reported in Table 11, about 8,100 Cisco employees also have personal, high-definition videoconferencing capability – either hardware-based (e.g., C40, EX90, MX200, Profile) and/or software-based (Movi). This substantial installed base of personal Cisco TelePresence units, located in Cisco buildings and/or at employee homes, leverage video bridge capability available in our Cisco TelePresence Server product, further increasing the options for remote collaboration among Cisco employees and our customers and stakeholders our stakeholders. Using our bridge products, all Cisco and third-party standards-based video endpoints can attend any given videoconference.



Endpoints compatible with Cisco TelePresence Server.

In addition to the Cisco TelePresence units in Table 11 and the personal videoconferencing capability mentioned previously, Cisco also has provided about 400 desktop videoconferencing units in the buildings that have implemented Cisco Connected Workplace (shared office space). Many employees have also installed [Cisco Jabber Video](#) software (externally hosted “Movi”) on their laptops or compatible software on their phones or tablets.

Table 11: 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
2013 (general use)	1097	263	72
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
2013 (private or EBC)	460	90	27

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. Our Cisco TelePresence Server product can be configured in a four-blade cluster for up to 96 high-definition (720p/30 fps) endpoint screens, although our standard, internal implementation is limited to 48 screens for any given videoconference meeting. 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 and commuting expenses and GHG emissions.

We also use Cisco WebEx to collaborate virtually with other Cisco employees, our customers, our partners, and other stakeholders. Table 12 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 using the web and a personal computer. Five people attending a two-hour meeting would equal 10 people-hours.

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Table 12: Cisco WebEx Usage

Fiscal 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
2013	30.9

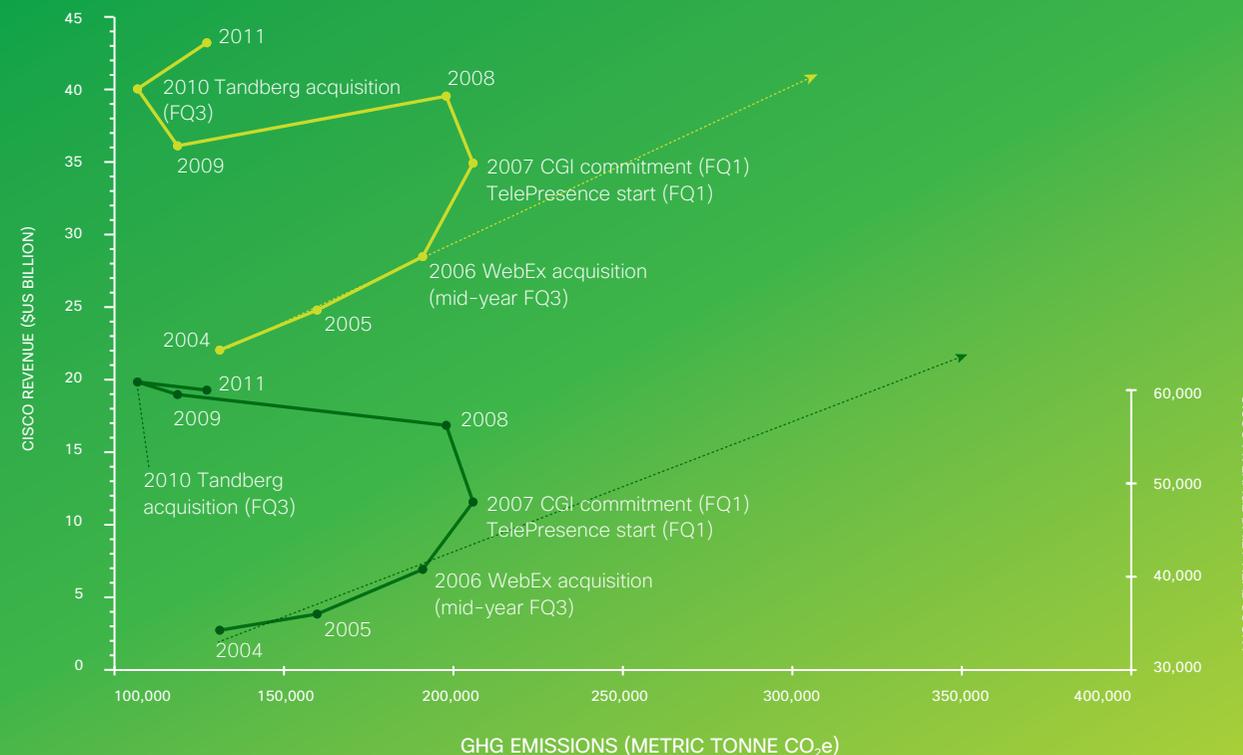
Cisco TelePresence and WebEx now interoperate (WebEx users see TelePresence video), expanding the types of remote collaboration experiences that are made possible with our network technologies.

We use TelePresence, Tandberg products, and web conferencing 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 one quarter 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.

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.

Figure 3: Avoided CO₂ Emissions from Use of Remote Collaboration Technologies (data through 2011)



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 3, actual emissions on the x-axis are plotted against revenue (light green line, left axis) and headcount (dark green line, right axis). These plots clearly show a bending of the curve toward reduction and away from business-as-usual emissions growth.

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 also are 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 greater the potential for business travel.

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Air-travel emissions are provided in Table 10, page F26. 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 over the last several years, but we successfully met our FY12 reduction 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 balance while at the same time maintaining and growing the customer relationships needed for continued revenue growth.

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 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 also are 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 provides 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 13, 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 reduces air travel.

Table 13: 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
2013 (through July)	23,396

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 prevent people from purchasing electric vehicles is the limited range. 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 40 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 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 FY13, we installed a total of 121 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
- Lawrenceville, Georgia
- Boxborough, Massachusetts
- Bedfont Lakes, U.K.
- Green Park, U.K.
- Lysaker, Norway
- Amsterdam, Netherlands

Additional stations and sites are planned and funded for FY14. Cisco has directly contributed to saving 23,085 gallons of fuel, \$51,804 in fuel costs, and 64 metric tonne of CO₂e in GHG emissions as a result of employees and guests using these stations. These figures are expected to increase as electric vehicles become more prevalent

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Electric vehicle charging at Cisco (San Jose, California)

in society and as Cisco expands the number of charging stations in its real estate portfolio. In May, Cisco joined the U.S. Department of Energy EV Everywhere Grand Challenge. Participation in this program helps promote the installation of workplace charging stations through the sharing of information and best practices.

Scope 3 Life Cycle Emissions

Cisco's general use of life-cycle assessment (LCA) techniques was discussed in an earlier section (see Life-Cycle Assessment, page F10). Carbon footprinting, the LCA specifically focused on the environmental impact from GHG emissions, is the subject of multiple standards activities as well as increasing inquiries from channel partners, service partners, and customers.

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:

- Material acquisition and preprocessing
- Production
- Distribution and storage
- Use
- End of life

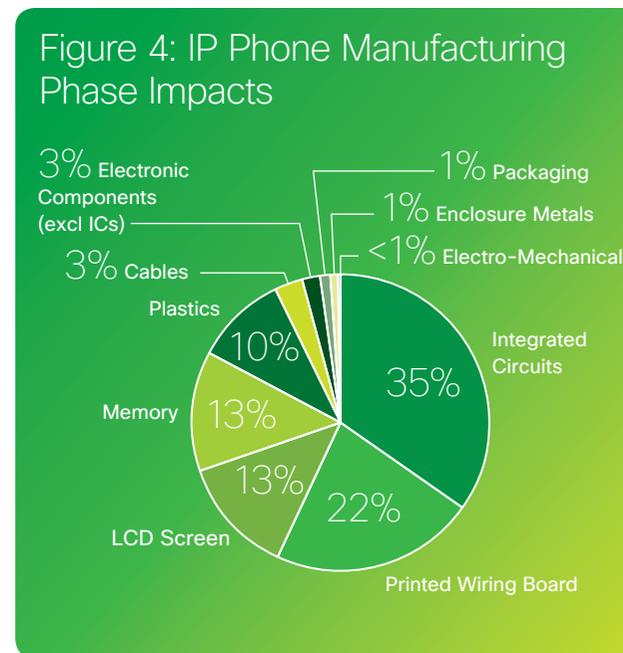
Cisco is committed to shaping our industry in this area through two avenues:

- Internal research to develop our capabilities
- Industry engagement

Our internal LCA studies (see Figure 5, next page) 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 product families, we have determined that the use phase accounts for between 80 and 90 percent¹ of the carbon life cycle impact.

Larger-core routers and switches are even more heavily weighted to the use phase. For lower-power devices, like consumer equipment that might have a shorter lifetime and often be turned off or in a lower-power nonoperation mode, the percentage of emissions from the use phase is lower but still the largest contributor.

In FY12, Cisco increased its capability to perform LCAs. Tools were developed to automate the electronic component bill-of-materials analysis of products by 90 percent using design files and standardized life cycle models. In FY13, Cisco focused on specific areas within its LCA analysis to further improve data availability and accuracy in the materials and manufacturing phases. Figure 4 shows the manufacturing phase carbon footprint



of a Cisco IP Phone. The largest impact areas identified in this phase (integrated circuits, bare printed circuit boards, displays, and assembly and test processes) are also the most challenging to collect accurate data for modeling. To address this challenge, Cisco is working with industry peers and suppliers to collect more data and improve calculations.

Cisco participates in several ICT industry efforts 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)

1. There may be as much as a 25 percent uncertainty in these values due to variation in assumed product use. Additionally, global emissions factors can vary by a factor of three, which impacts emissions factors and use phase emissions. This analysis used a global average electricity emissions factor.

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Figure 5: Breakdown of GHG Emissions by Life-Cycle Phase for Select Product Categories



Note: Negative EOL values indicate material credits associated with recycling and reuse of materials

- [European Telecommunications Standards Institute \(ETSI\) LCA assessment of telecommunication equipment and service, DTS/EE-00014](#)
- [International Electronics Manufacturers Initiative \(INEMI\) Eco-Impact Evaluator Project \(completed in FY13\) to develop a simplified LCA tool for ICT products \(Cisco is co-editor\)](#)

- High Density Packaging Users Group (HDPUG) PWB Environmental Life Cycle Analysis project focusing on developing a model for the manufacturing of bare circuit boards
- Sponsorship of Stanford University civil engineering graduate program project and MIT internship on 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.

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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. We subcontract the assembly of our final products and also rely 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 products.

To target supply chain emissions, we are using our business relationships to encourage our suppliers to report to CDP. In FY13, Cisco joined the CDP Supply Chain Project, and 75 percent of key suppliers report their GHG emissions to CDP, up from 50 percent in FY12. We encourage our suppliers to:

1. Report carbon emissions through CDP annually
2. Set a GHG emissions reduction goal

3. Report Cisco’s share of the supplier’s GHG emissions (dependent on supplier type)

A follow-up communication to suppliers was sent in April 2012 as part of a Cisco Supplier and Manufacturing Partner newsletter. An example of this communication is shown 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, through 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 14.

We want to continue to push this approach to other categories of business partners. We also will start measuring against Cisco’s objectives for key suppliers, outlined earlier in this report.

Scope 3 Logistics

Where possible, Cisco uses unique multipack product identifier (PIDs) packaging solutions. Also referred

to as “eco-pack PIDs,” these solutions are growing more popular for several of our high-volume products. Multipack PIDs have shown to reduce total packaging weight per unit by up to 11.8 percent of their equivalent single-product packaging options.

Cisco’s Aironet products are a great example of multipack success. In FY13, over 563,000 Aironet products offering multipack PIDs shipped with this option, translating into a multipack PID adoption rate of 22 percent. This represents an estimated 97 metric tonne of avoided packaging waste. In FY14, we will continue to work with our customers and internal infrastructure teams to further improve this adoption rate for Aironet and other Cisco products. For more information on Cisco’s packaging efforts, see [Materials](#), page [F14](#).

We continue to expand our electronic fulfillment (or “e-Delivery”) capabilities on our software and licensing products. In FY13 we experienced an 83 percent rise in total electronic fulfillment of software and licensing order lines, representing 74 percent of these products’ revenue stream, an increase of 8 percent and 10 percent,

Table 14: Supply Chain Partners Reporting to CDP						
KPI	FY09	FY10	FY11	FY12	FY13	Comments
Contract manufacturing, by percent of spend	82%	100%	100%	100%	100%	Tier 1 partner Goal: 100 percent
Approved Vendor List (AVL) components, by percent of planned spend	59%	69%	data unavailable	80%	82%	Tier 2 partner. Goal: 80 percent
Global transportation, by percent of spend	n/a	50%	data unavailable	93%	97.6%	Tier 1 partner. Goal: 90 percent

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respectively, quarter over quarter. Electronic adoption of products offered both electronically and physically also rose 1 percent year over year, ending FY13 at a record high of 89 percent of the total available market. Of our top 50 customers in this space, 98 percent of their orders were fulfilled through e-Delivery. Overall, it is conservatively estimated to have saved over 60 metric tonne of paper, CDs, and packaging in FY13.

To promote sustainability in our supply chain, we need to have strong relationships with our suppliers, and we must support them with their efforts in 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 (Product 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. Product energy efficiency (or reducing our products’ wasted energy usage) is an important focus 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 inquiries related to environmental sustainability we get 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 and complies with or exceeds all applicable regulatory requirements.

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 and less vulnerable to regulatory compliance concerns. Product energy efficiency is a key part of product design and generation improvements at Cisco; see Design for Environment, page [F10](#).

Advocacy and Standards Development

Cisco actively engages with governments, regulatory agencies, and standard-setting bodies around the world to monitor and influence the development of emerging product energy-efficiency requirements and standards, particularly around climate change. We believe that these activities, when done properly, bring clarity and consistency to the global marketplace and create predictable requirements that reduce risk and enable companies to focus on the environmental issues important to their business. Specifically, we believe 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 has been working closely with the EPA to define [ENERGY STAR](#) standards for relevant products since 2008. In September 2013 the EPA released Version 1.0 ENERGY STAR specification for Small Network Equipment; its objective is to differentiate more efficient products across six types of network equipment found in homes and small offices. The EPA estimates that if all small network equipment sold in the United States met ENERGY STAR requirements, the energy cost savings would grow to more than \$590 million each year, and prevent more than 2.6 million metric tonne of annual GHG emissions. Cisco is working to qualify in scope products with this and other existing ENERGY STAR certification programs. To date, this includes set-top boxes, enterprise servers, IP phones, and small network equipment. Cisco ENERGY STAR-qualified products are listed on the program [website](#).

Cisco considers ENERGY STAR certifications to be a useful means to promote product energy efficiency improvements. However, we believe that an approach that addresses product energy efficiency across an entire product system is a better way to measure and promote product energy efficiency. ENERGY STAR standards and certifications generally apply to a single point of power supply conversion at the front end of the total system. In contrast, the [Alliance for Telecommunications Industry Solutions](#) (ATIS) Telecommunications Energy Efficiency Ratio (TEER) measurement method covers all power conversion and power distribution from the front end of the system all the way to the data wire plug, including Application-Specific Integrated Circuits (ASIC). For more on what Cisco is doing with ATIS TEER and ASIC, see [Improving Product Energy Efficiency](#), page [F34](#).

Table 15 highlights several illustrative examples of energy efficiency initiatives and organizations that Cisco participates in.

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Table 15: 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 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 founding member of the Electronic Industry Citizenship Coalition (EICC) and contributes to the development and revision of the EICC Code of Conduct.
EU/ErP (Europe)	Cisco is an important stakeholder that helps with the development of energy using product (ErP) 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 ICT 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 for more than four years to define ENERGY STAR standards for networking equipment: SNE, LNE, Telephony, Servers. Cisco also has actively worked with Lawrence Berkeley National Labs, the EPA/DOE technical arm, Navigant, NRDC, and Ecova 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.
Telecom Regulatory Authority of India (TRAI)	TRAI is an Indian government regulatory organization for the telecom industry; in 2011 it released recommendations and guidance on energy efficiency metrics and measurement. Cisco provided extensive document reviews and recommendations on how to align with existing and widely adopted ATIS/ANCI and ITU-R relevant documents.

Figure 6: Total System Power Efficiency* (percent improvement)



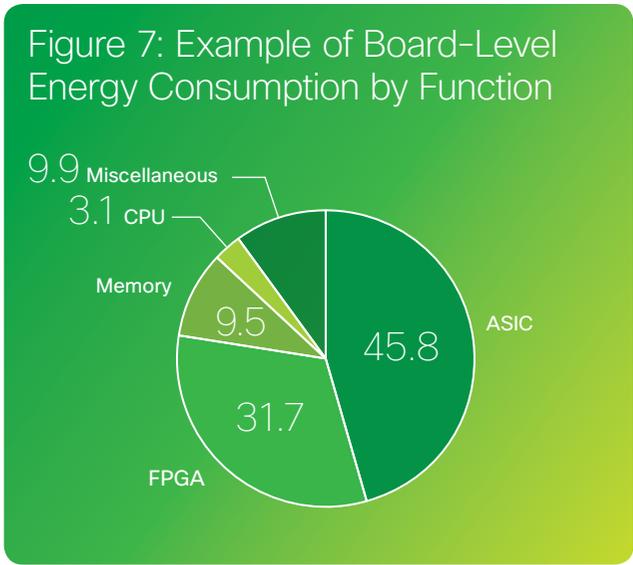
* Total internal system power conversion and distribution from plug to ASIC; covers the complete internal power system conversion.

Improving Product Energy Efficiency

When Cisco looks at product energy efficiency, we consider the entire system power performance. We measure the efficiency loss as electricity passes through each component (or function). This can include for example the external power supply, front-end line card, point of load, and the ASICs. Over the last eight years we have aggressively reduced our product energy consumption while increasing performance. For example, from CY05 to CY13 we have increased circuit card power from 500W to 1350W and gone from 8kW to 28kW chassis using conventional fan tray cooling methods. These improvements have resulted in a total available power increase of 2.5 times while increasing our total system power efficiency by 40 percent over the same period; see Figure 6. Our vision is to develop common power designs and specifications across Cisco technologies to continue the improvement of system power efficiency.

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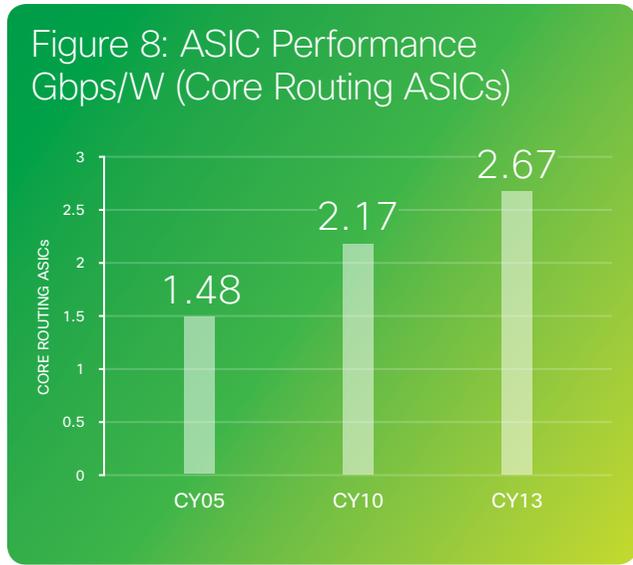
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As part of this system power efficiency approach Cisco is working to reduce energy demand for ASICs found in most Cisco products. ASICs are designed for a particular application in a particular product. Lower-cost, higher-volume products that Cisco 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 7, ASICs account for a significant percentage of board-level energy consumption.

Cisco is developing energy savings approaches for its ASIC 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.

Cisco ASIC power reduction techniques have shown a cumulative power reduction of 20 percent since 2008; see Figure 8.

In 2009, Cisco was co-editor for several of the ATIS TEER standards and Energy Efficiency of Telecommunications Equipment: Methodology for Measurement and Reporting standards, and specifically those regarding:

- Servers and server blades (ATIS-0600015.01.2009)

- Transport/network systems (ATIS-0600015.02.2009)
- Router and Ethernet switch products (ATIS-0600015.03.2009)

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 across the entire product. 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.

These ATIS TEER standards have been incorporated into the Network Equipment-Building System (NEBS) design guidelines applied to telecommunications equipment in the United States. NEBS is the most common set of safety, spatial, and environmental design guidelines applied to telecommunications equipment and is an industry, but not a legal, requirement. All Cisco products that have entered the market since 2011 go through the ATIS TEER testing.

Cisco has used the ATIS TEER standard to develop energy profiles for representative models and products within the family categories listed in Table 16.

Table 16: Cisco Product Families Tested Using the ATIS TEER Standard	
CRS1	Catalyst 1900
CRS3	Catalyst 2800
NCS 6008	Catalyst 2900
GSR	Catalyst 3800
ASR 9000	Catalyst 4500
15454	Catalyst 6000
Nexus 7000	Catalyst 6500

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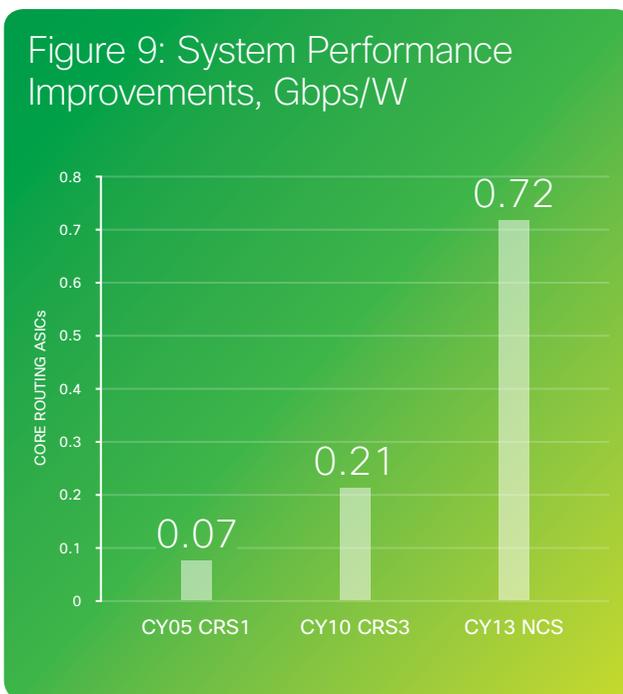
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The products tested make up approximately 90 percent of Cisco products in ATIS TEER scope. Figure 9 presents system performance improvements, Gbps per watt consumed, for a sample of our core router products (CRS1, CRS3, NCS) for which first-, second-, and third-generation energy performance was measured using the ATIS TEER standard. The results show that in these products, there was an 8.8-fold increase in normalized bits-per-watt performance between the three generations of products, with only a 2.5-fold increase in power usage.



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 for Cisco products, 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. For more information on our product EOL recycling programs, see Product Takeback, Reuse, and Recycling, page F44.

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 usually improves with each new 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.

Benchmarking GHG Emissions Reduction Goals

Our previous 25 percent absolute reduction goal exceeded the annual reduction needed to meet reductions suggested by the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. We set our next five-year goals based on guidance from The 3% Solution report, named for the annual emissions reduction thought to be needed through 2020 to meet IPCC guidance. According to the IPCC Annex 1, developed countries need to reduce GHG emissions by 25 to 40 percent below 1990 levels by 2020, and 80 to 95 percent below 1990 levels by 2050. Such a stabilization pathway was said to provide a “reasonable

chance” of averting warming beyond 2°C above pre-industrial temperature that would lead to catastrophic consequences on human and ecological systems.

As part of the development of our FY17 GHG goal we used the EPA Goal Evaluation Model. The model predicted that industry revenues will grow significantly through the FY17 goal year, and also predicted that the industry emissions normalized to millions of dollars will increase 16.5 percent over the same period. These two projections combined indicate a business-as-usual increase in absolute emissions. Any goal that includes a reduction in absolute emissions is considered aggressive based on the EPA model. Our current GHG goal is a 40 percent reduction in absolute emissions by FY17 (FY07 baseline).

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.



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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).

According to data from the IEA and [U.S. Energy Information Administration](#) (EIA), summarized in Figure 10, about 75 percent of energy-related GHG emissions are from buildings and transportation.

Although the use of ICT products consumes energy, there is substantial opportunity to use them 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 applications of network technologies promote 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. We are 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 fewer 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 also are 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 internal resources.

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 10, but also address the challenges associated with adapting to climate change.

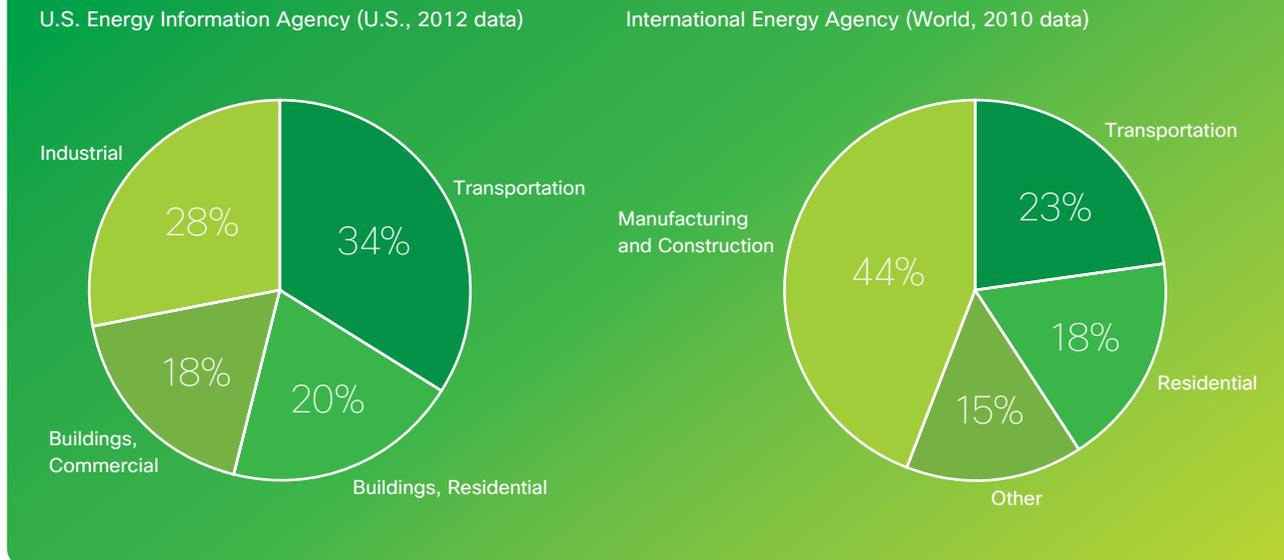


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Figure 10: Industry Sector Breakdown of Greenhouse Gases from Energy Use



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 technologies, further extend the potential for remote collaboration. For instance, Tandberg devices and Cisco TelePresence products can both be endpoints in a single meeting! 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 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](#)).

1. Cisco has combined all videoconferencing equipment under the Cisco TelePresence name.

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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 also can 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 also would 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 an independent third party, 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 can achieve resource savings of up to 70 percent through virtualization.

At the Cisco Efficiency Assurance Program [website](#), information on product power consumption can be found in the “planning” box. This includes an energy consumption calculator and other planning tools. A [tutorial](#) on the calculator is available.

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.

This data center incorporates numerous features to reduce the environmental impact from operations:

- The uninterruptible power supply 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 56 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. 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 superior 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 to any location: within the data center, across data centers, and to the cloud.

Cisco EnergyWise

The Cisco EnergyWise Suite is a family of products and services for customers to reduce energy costs and optimize the energy consumption of their data center and distributed office environments by monitoring, measuring, and managing the energy of all IP connected systems. Using Cisco EnergyWise Management software along with Cisco EnergyWise Discovery and EnergyWise Optimization Services, customers can monitor and analyze energy consumption and utilization of their network-connected IT assets. EnergyWise Management also provides customers active power management capabilities to reduce overall energy costs.

Brunel University in West London and the Council Rock School District in Newtown, Pennsylvania, have both used Cisco EnergyWise technologies for an energy management solution for their Ethernet switches, wireless APs, IP phones, PCs and laptops, IP cameras, IP-enabled projectors, and electronic whiteboards. These institutions were able to save \$143,000 and \$200,000 annually in energy costs, respectively. Another customer, Triton Federal Solutions, projects savings of \$320,000, a reduction of energy consumption by 725 MWh, and a reduction of carbon emissions by 304 metric tonne



Cisco EnergyWise 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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over five years. The Austrian food store chain MPREIS is using EnergyWise to reduce IT energy costs as part of its sustainable business model.

Cisco Connected Workplace

CCW is a flexible work environment designed to support employee mobility and improve collaboration. It 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.

CCW 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.

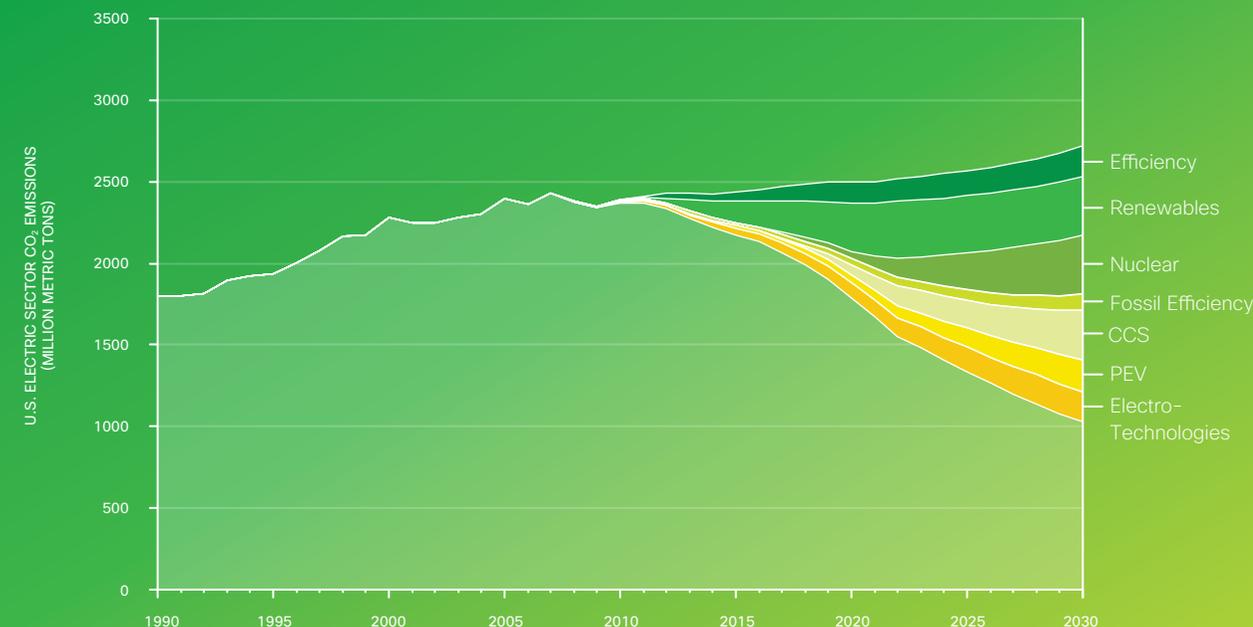
Improved network infrastructure will help utility companies optimize power supply and demand by routing power more efficiently and by allowing demand-side management and two-way, real-time information exchange with customers. This information is critical for implementing dispersed renewable generation 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 11.

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 their behavior to reduce energy consumption or shift their 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 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.

Figure 11: Contribution of Renewables and Plug-in Electric Vehicle (PEV) to Projected Future Energy Supply

Low-carbon generation enables electrification and CO₂ reduction in other sectors of economy



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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. 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.

Water Use

GRI EN8: Total water withdrawal by source.

GRI EN9: Water sources significantly affected by withdrawal of water.

Based on the materiality assessment discussed previously, water use is not a focus area. Cisco’s primary water impacts come from office building potable water and sanitation, landscaping, and cooling towers and result in significantly less water consumption per employee than the average person uses each year in the United States. However, because our facilities are located in regions where water rights and usage are an issue of concern, we have been conscious and careful of water use in our operations. Since FY07, we have been collecting and tracking water usage 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 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

It is important to note that because the production of electrical power is one of the largest uses of fresh water worldwide, the greatest 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.

In FY13, we 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 improved our ability to track water consumption data for much of our real estate operations. Given the size and geographic dispersion of our operations throughout the world, this was a challenging task, as many of the locations where Cisco shares a building with other tenants do not have water sub-meters installed. In FY13, we were able to collect water data for 68 percent of our total real estate portfolio by area, as shown in Table 17.

Table 17: Water Use						
KPI	FY09	FY10	FY11	FY12	FY13	Comments
Total water use, m ³	1,690,348	1,753,269	1,763,536	2,311,548	2,300,266	Includes irrigation (where used) and potable water.
Real estate portfolio covered by water reporting	65%	67%	68%	71%	68%	

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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.

In FY13 we continued to support and maintain a number of water conservation initiatives throughout our campus locations, many of which started as early as FY08. Examples of these initiatives include:

- 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 showerheads, 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 limiting negative environmental impacts.

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 CCW, Cisco Virtual Office, and OfficeExtend, are instrumental to our strategy. The flexibility of CCW 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 CCW 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. In FY13 Cisco approved a master plan to convert eight of our buildings into the CCW work environment by FY17. By doing this, we will increase the density in our remaining buildings and reduce our facility footprint by approximately 1 million square feet. Table 18 shows Cisco's KPI for biodiversity and land use.

Table 18: Biodiversity and Land Use						
KPI	FY09	FY10	FY11	FY12	FY13	Comments
Percent of real estate portfolio with biodiversity assessment	not reported	65%	63%	61%	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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Cisco also evaluates the biodiversity and land-use impacts of facility sites through environmental impact assessments required for permitting and 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 us to complete preconstruction surveys for burrowing owls.



Burrowing owl in Cisco developed habitat preservation area in Alviso, California

- Installing 12 artificial burrows in the habitat preserve area, implementing habitat maintenance measures to encourage owls to relocate to and remain in the preserve area, monitoring the owls during construction activities, and installing a permanent perimeter fence for protection of 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.

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 19 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 used and tested onsite.

Table 19: Non-GHG Emissions

KPI	FY09	FY10	FY11	FY12	FY13	Comments
Volatile organic compound (VOC) emissions	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	164	241	339	381	341	
SOx, metric tonne	0.73	0.84	1.05	1.11	1.00	
Particulate matter	negligible	negligible	negligible	negligible	negligible	

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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 the San Francisco Bay Area.

In accordance with the 1987 Montreal Protocol on Substances That Deplete the Ozone Layer, we also have worked with our supply chain partners to phase out ozone-depleting substances (ODS) in their manufacturing processes.



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 serve our customers while limiting 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 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 20 shows Cisco's KPI for liquid effluents.

Waste

Product Takeback, Reuse, and Recycling

GRI EN27: Percentage of products sold and their packaging materials that are reclaimed by category.

Our trade-in and takeback programs are designed to bring back to Cisco any item that Cisco or our acquired companies have put on the market. Cisco recycles nearly 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 21 contains Cisco's reduce, reuse, and recycle KPIs.

Table 20: Effluent Spills and Discharges						
KPI	FY09	FY10	FY11	FY12	FY13	Comments
Spills and discharges	none	none	none	none	none	In FY13, there were no reportable spills or discharges to the environment from Cisco facilities or operations worldwide.

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Table 21: Product Trade-in and Return

KPI	FY09	FY10	FY11	FY12	FY13	Comments
Product return, metric tonne	10,730	8,580	11,595	13,324	12,539	
Refurbish, resell, and reuse rate, percent	-	-	17%	25%	25%	Data unavailable prior to FY11.
Returned material sent to landfill	0.44%	0.33%	0.89%	0.43%	0.33%	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.

Cisco complies with applicable electronics recycling regulations. Cisco’s products are labeled with a crossed-out “wheelie bin” symbol to encourage end users to reuse or recycle electronics instead of disposing of them in the trash.

During FY13, Cisco’s Reverse Logistics Group refurbished, resold, or reused over 3182 metric tonne of products returned to Cisco, a 25 percent 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 22.

A flow diagram of these reverse-logistics material streams is shown in Figure 12. 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.

Customer Programs

Cisco has trade-in programs for customers that 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. These 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.

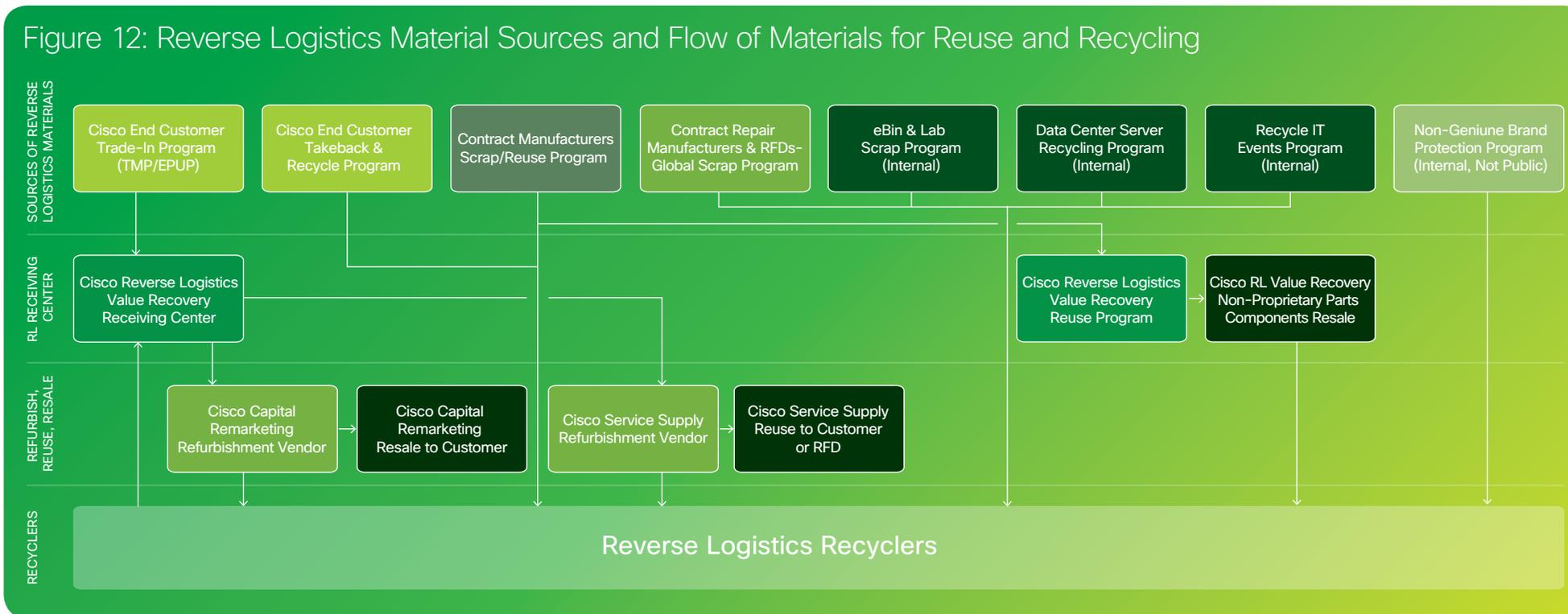
Table 22: Cisco Takeback, Reuse, and Recycling Programs

Category	Material Stream
Customer programs	<ul style="list-style-type: none"> • Cisco Technical Migration Program (TMP) • Exceptional Pick-Up Program (EPUP) • Cisco Takeback and Recycle Program
Programs for companies producing or repairing Cisco products	<ul style="list-style-type: none"> • Scrap/Reuse Program • Global Scrap Program
Internal programs for Cisco	<ul style="list-style-type: none"> • 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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The traded-in items are routed to a returns receiving center for analysis of each item to evaluate its reuse or refurbishment potential; items that are not capable of reuse or refurbishment are routed to a recycler.

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.

Reuse is always the first priority. In FY13, Cisco reused over \$360 million of Cisco equipment, calculated at standard cost. This amount has been above \$200 million for each of the last four fiscal years. If an item does not qualify to be reused, it goes to one of our authorized recyclers.

The Cisco Takeback 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

equipment from other manufacturers that has been displaced in the customer’s network by newly purchased Cisco items. The equipment is typically old and has no reuse value, or it is damaged. These materials go to the closest approved recycling site. Currently, there are 31 recycling locations around the world, as shown in Figure 13, page F48. The number and location of Cisco authorized recyclers continue to expand based on the growth in our business and the requirements of local regulations.

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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 it is not economically viable to reuse or resell the materials, the materials are sent to approved e-scrap recyclers.

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 that are economically viable to reuse, 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 eBin 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 eBin has an owner, and when the eBin 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.

The Cisco Data Center Server Recycling Program serves data centers in 11 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. These servers are not reused because they have sensitive data residing in their memory.

The Non-Genuine Materials Program handles items that we occasionally receive in equipment returns that are non-genuine Cisco products. Non-genuine items also come to Cisco through law enforcement actions that seize counterfeit Cisco equipment. When non-genuine equipment is found, we use a special witnessed protocol whereby the collected materials are properly destroyed.

We hold annual 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 2013, we held our 18th e-scrap event, with 118 Cisco sites around the world participating and over 207 metric tonne of used electronics collected. Since Cisco started holding these events, our employees and contractors have helped recycle over 2018 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 provide global recycling coverage. Cisco contracts require recyclers to enforce our strict recycling processes upon their 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 on 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 on calibrated scales upon arrival. Next, each unit is de-manufactured, 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. 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 sent to downstream recyclers.

Product Packaging End of Life

We have not adopted a packaging takeback program, as the environmental impact, including transportation and emissions, from a packaging takeback 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 of designing our packaging to be easily separable and as recyclable as possible so it can be easily absorbed into local packaging material recycling programs.

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Figure 13: Cisco Reverse Logistics Locations



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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.

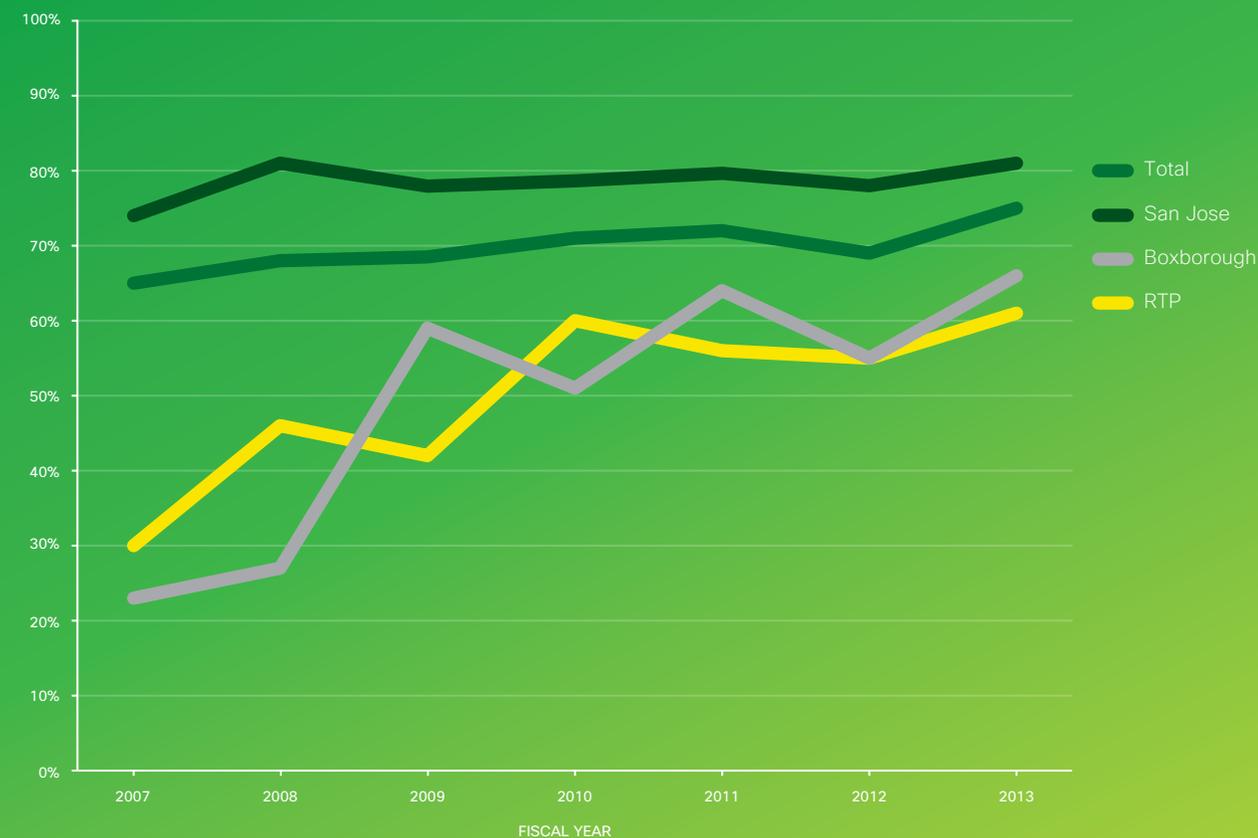
Cisco's Waste Reduction and Recycling Program is a key component of our ISO 14001 certification and global environmental policy. We routinely collect and recycle waste streams, including batteries, CDs and diskettes, beverage containers, trash, wood and pallets, cardboard, mixed paper, confidential waste, 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. Figure 14 shows our trash recycling rates for solid wastes for some of our major campus locations.

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 led the way by diverting 81 percent of all waste streams in FY13. In addition, 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 FY13, the food waste separation program at the San Jose campus diverted approximately 800 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.

Table 23 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 addition, a breakdown of our waste stream for the San Jose site in Figure 15 illustrates our key sources of operational waste, the complexity of proper waste stream segregation, and the need for local recycling services.

Figure 14: Recycling Rates for Solid Waste from Major North American Operations (Trash)



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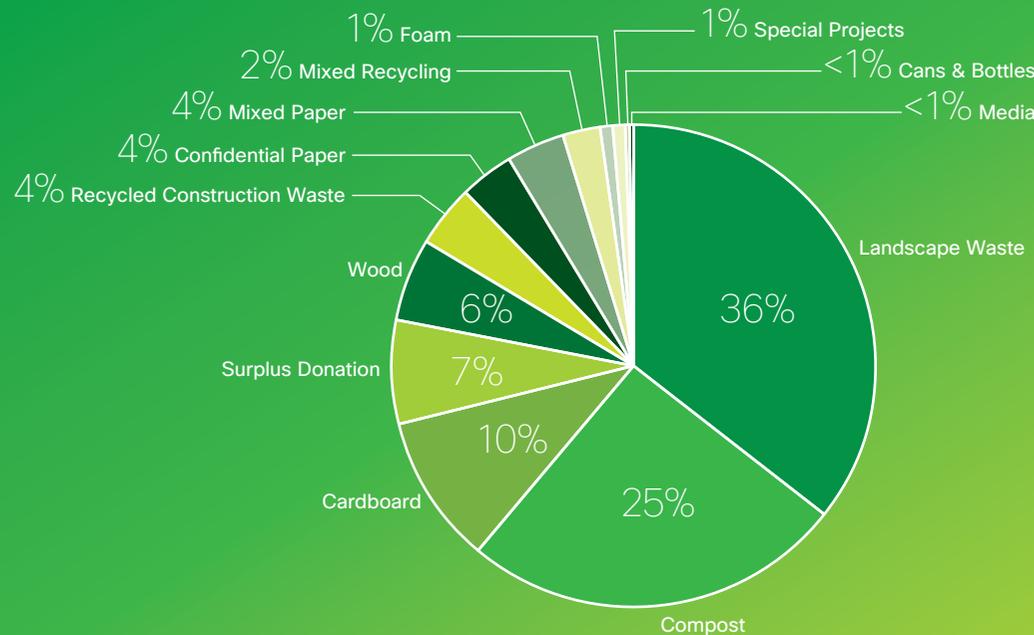
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Table 23: Solid Waste from Operations (Trash)

KPI	FY09	FY10	FY11	FY12	FY13	Comments
Total operational waste generated, metric tonne	6,246	4,845	4,643	4,524	5,015	
Percent real estate portfolio covered by waste reporting	48%	46%	51%	58%	52%	Includes all U.S. and Canada Cisco campuses.
Total operational waste recycled, metric tonne	4,250	3,443	3,345	3,119	3,772	
Operational waste recycled, percent	68%	71%	72%	69%	75%	

Figure 15: Breakdown of Solid-Waste Streams (Trash) at San Jose, California, Headquarters Campus



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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 governance, economic, labor, human rights, society and environmental impacts.

"(The) GRI's [mission](#) is to make sustainability reporting standard practice for all companies and organizations. Its Framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance."

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This table covers the GRI G3.1 indicators found in Cisco's 2013 Corporate Social Responsibility Report, 2013 Annual Report, and company websites.

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	Section Overviews , Executive Summary , Governance and Ethics/Materiality Assessment
Profile		
2.1	Name of reporting organization	Cisco Systems, Inc.
2.2	Primary brands, products, and/or services	Cisco Products and Services
2.3	Operational structure of the organization including main divisions, operating companies, subsidiaries, and joint ventures	About Cisco
2.4	Location of organization's headquarters	Cisco Systems, Inc. Corporate Headquarters 170 West Tasman Drive San Jose, CA 95134 USA
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 , Cisco Corporate Overview
2.6	Nature of ownership and legal form	FY13 Annual Report
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	FY13 Annual Report , Cisco Corporate Overview
2.8	Scale of the reporting organization including: <ul style="list-style-type: none"> • Number of employees • Net sales • Total capitalization broken down in terms of debt and equity • Quantity of products or services provided 	FY13 Annual Report , Cisco Corporate Overview
2.9	Significant changes during the reporting period regarding size, structure, or ownership, including: <ul style="list-style-type: none"> • 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 	FY13 Annual Report
2.10	Awards received in the reporting period	CSR Awards , Diversity Awards , Investor Relations Awards

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Contents	GRI G3.1 guideline (Continued)	Location
Introduction	Report Parameters	
Governance & Ethics	3.1 Reporting period for information provided	Introduction/About This Report
Supply Chain	3.2 Date of most recent previous report	Cisco Fiscal Year 2012
Our People	3.3 Reporting cycle	Annual Cisco Fiscal Year 2013
Society	3.4 Contact point for questions regarding the report or its contents	csr_report@cisco.com
Environment	Report Scope and Boundary	
GRI Index	3.5 Process for defining report content, including: • Determining materiality • Prioritizing topics within the report • Identifying stakeholders the organization expects to use the report	Governance and Ethics/CSR Management , Governance and Ethics/Stakeholder Engagement , Governance and Ethics/Materiality Assessment
> Strategy and Analysis	3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Introduction/About This Report
Performance: Economic	3.7 State any specific limitations on the scope or boundary of the report	Only as noted in report
Performance: Environmental	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	2013 Annual Report
Performance: Labor Practices and Decent Work	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/Assurance Assumptions and techniques are explained throughout the sections
Performance: Human Rights	3.10 Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	No major changes – any adjustments are explained within the sections
Performance: Society	3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	No major changes – any adjustments are explained within the sections
Performance: Product Responsibility	GRI Content Index	
	3.12 Table identifying the location of the Standard disclosures in the report	This table
Appendix	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 CSR report.

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Contents	GRI G3.1 guideline (Continued)	Location
Introduction	Governance, Commitments and Engagement	
Governance & Ethics	Governance	
Supply Chain	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
Our People	4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, his or her function within the organization's management and the reasons for this arrangement) Corporate Governance, John T. Chambers, Chairman and Chief Executive Officer
Society	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
Environment	4.4	Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body Governance and Ethics/Ethics, Share Your Concerns
GRI Index	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) As addressed in the Compensation Discussion and Analysis of Cisco's 2013 Proxy Statement, 70% of the three major components of annual compensation (base salary, variable cash incentive awards and long-term, equity-based incentive awards) for each of Cisco's named executive officers is performance-based. See Cisco's 2013 Proxy Statement .
> Strategy and Analysis	4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided Corporate Governance, Code of Business Conduct
Performance: Economic	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 For a description of the qualifications of Cisco's Board of Directors, see pages 5-8 of Cisco's 2013 Proxy Statement. The Nomination and Governance Committee is responsible for overseeing, reviewing and making periodic recommendations concerning Cisco's corporate governance policies, and for recommending to the full Board of Directors candidates for election to the Board of Directors. For a more detailed description, see pages 12-13 of Cisco's 2013 Proxy Statement .
Performance: Environmental	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 Introduction, Executive Letters, Code of Business Conduct, Supplier Code of Conduct
Performance: Labor Practices and Decent Work	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 For Cisco's corporate governance policies and practices, see page 9 of Cisco's 2013 Proxy Statement . For an overview of "The Role of the Board of Directors in Risk Oversight," see page 10 of Cisco's 2013 Proxy Statement . See Cisco's Code of Conduct
Performance: Human Rights	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance As noted on page 10 of Cisco's 2013 Proxy Statement, the Lead Independent Director is responsible for presiding over the annual self-evaluation of the Board of Directors. Cisco's 2013 Proxy Statement
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Introduction	Commitments to External Initiatives		
Governance & Ethics	4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	Not reported	
Supply Chain	4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance and Ethics/Global Frameworks and Forums , Governance and Ethics/External Partners , Governance and Ethics/Human Rights , Supplier Code of Conduct	
Our People	4.13 Members in associations and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic 	Governance and Ethics/Global Frameworks and Forums , Governance and Ethics/Human Rights , Supply Chain/Partnering to Build Capability , Our People/An Inclusive and Diverse Culture , Support for Community Partners , Environment	
Society			
Environment	Stakeholder Engagement		
GRI Index Strategy and Analysis > Performance: Economic Performance: Environmental Performance: Labor Practices and Decent Work Performance: Human Rights Performance: Society Performance: Product Responsibility	4.14 List of stakeholder groups engaged by the organization	Governance and Ethics/Stakeholder Engagement Stakeholder comments are included in each section	
	4.15 Basis for identification and selection of stakeholders with whom to engage	Governance and Ethics/Stakeholder Engagement	
	4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance and Ethics/Stakeholder Engagement	
	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 and Ethics/Stakeholder Engagement , Governance and Ethics/How We Engage with Key Stakeholders Stakeholder comments are included throughout the report	
	Performance: Economic		
	Disclosure on management approach	Introduction/Executive Letters , Annual Report 2013/Letter to Shareholders	
Appendix	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	FY13 Annual Report
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Not reported
	EC3	Coverage of the organization's defined benefit plan obligations	See pages 111-115 of Cisco's 2013 Annual Report

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GRI G3.1 guideline (Continued)		Location
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: 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: 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
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Society
Performance: Environmental		
Disclosure on management approach		Environment/Overview , Environment/Environmental Sustainability/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 (Product Energy Efficiency)

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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, 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
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	NOx, SOx, 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)
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)

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GRI G3.1 guideline (Continued)		Location
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 (Product Energy Efficiency)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Environment/Waste/Product Takeback, 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/Environmental Sustainability/Regulatory Fines
Aspect: Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Environment/Energy and GHG Emissions/Operations Scope 3/ Scope 3 Business Air Travel, Environment/Materials/Packaging/Packaging Material, Space Efficiency, and Distribution Optimization
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, Environment/Materials/Packaging/Packaging Material, Space Efficiency, and Distribution Optimization
Performance: Labor Practices and Decent Work		
Disclosure on management approach		Our People, Supply Chain
Labor Practices and Decent Work Performance Indicators		
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Our People/An Inclusive and Diverse Culture
LA2	Total number and rate of employee turnover by age group, gender, and region	Not Reported
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, 2013 Annual Report
Aspect: Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	Not Reported

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GRI G3.1 guideline (Continued)		Location
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 , Our People/Health and Wellness
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/Training and Development 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/Training and Development Opportunities
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Our People/Training and Development 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 Inclusive and Diverse Culture
LA14	Ratio of basic salary of men to women by employee category	Not reported
LA15	Return to work and retention rates after parental leave, by gender	Not Reported
Performance: Human Rights		
Disclosure on management approach		Governance and 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	Supply Chain/Embedding Sustainability in Core Business Processes , Supply Chain/Working with Suppliers to Improve Performance
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Supply Chain/Our Supply Chain

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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 and Ethics/Ethics , Governance and Ethics/Human Rights
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	Supply Chain/Embedding Sustainability in Core Business Processes
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/Working with Suppliers to Improve Performance
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/Working with Suppliers to Improve Performance
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: 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
Aspect: Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not material: 100% of our manufacturing is outsourced

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GRI G3.1 guideline (Continued)		Location
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	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Society/Employee Engagement, Society/Cisco Networking Academy/Impact
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	Governance and Ethics/Risk Management
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Governance and Ethics/Code of Business Conduct
SO4	Actions taken in response to incidents of corruption	Governance and Ethics/Ethics, Governance and Ethics/Code of Business Conduct
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying	Governance and Ethics/Public Policy, Global Policy and Government Affairs (GPGA)
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Governance and 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	2013 Annual Report
Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	2013 Annual Report
SO9	Operations with significant potential or actual negative impacts on local communities	Not material

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GRI G3.1 guideline (Continued)		Location
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Not material
Performance: Product Responsibility		
Disclosure on management approach		Not Reported
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 life cycle, by type of outcomes	Supply Chain/Cisco Supply Chain Sustainability Guiding Principles , Supply Chain/Embedding Sustainability in Core Business Processes , Supply Chain/Audit Findings
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	Not Reported
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Governance and Ethics/How We Engage with Key Stakeholders , 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	Not Reported
Aspect: Compliance		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	2013 Annual Report

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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")
	Hazardous materials
	Water use
	Biodiversity and land use
5	Non-GHG airborne emissions

SustainAbility's assessment of materiality, discussed in the [Governance and Ethics](#) 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.

There is general agreement between the two materiality assessments:

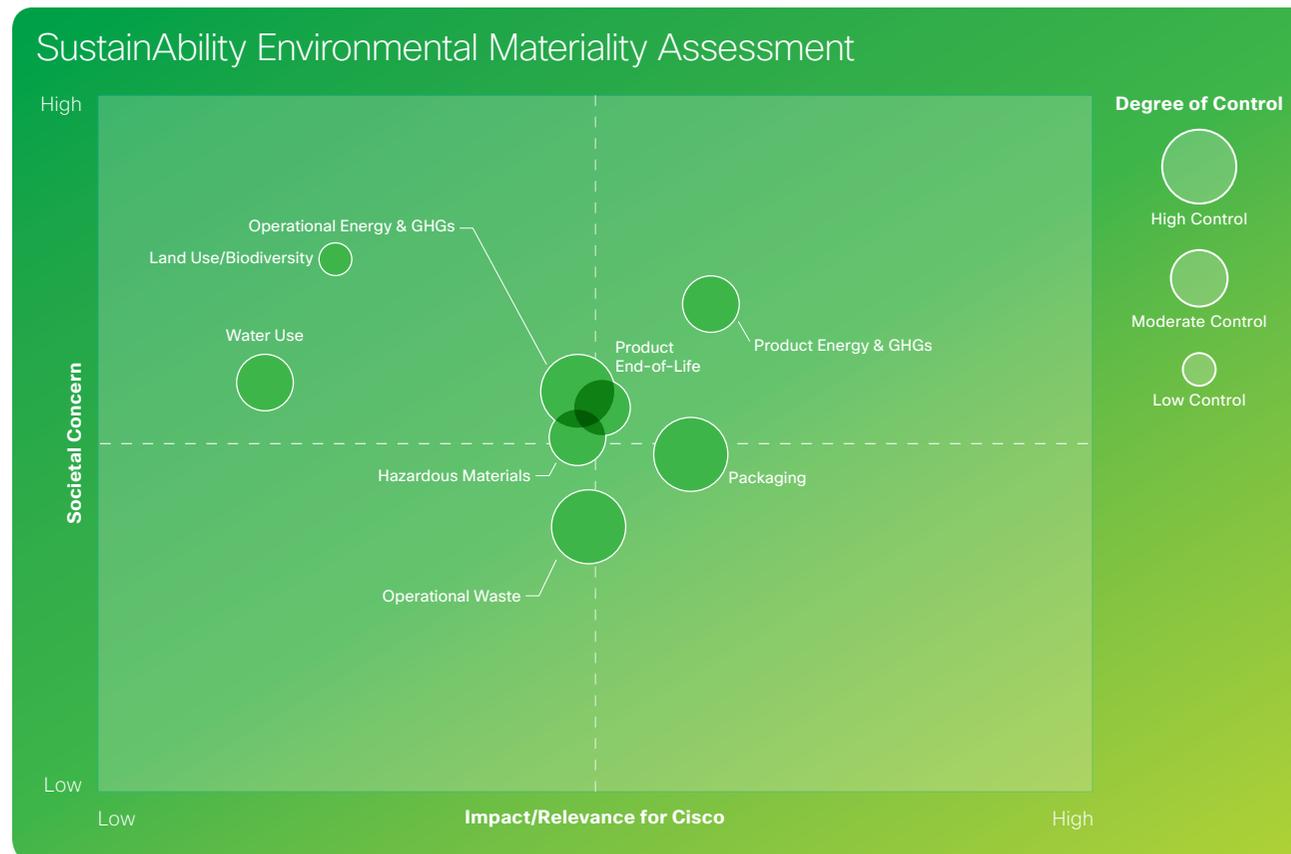
- Energy/GHG emissions related both to operations and our products, product EOL, and packaging are Cisco's highest priorities in both assessments.
- Hazardous waste in the SustainAbility assessment is ranked more highly than Cisco's original ranking (from 2011 and updated slightly for 2012). We interpret 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

by 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 ranks 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](#).



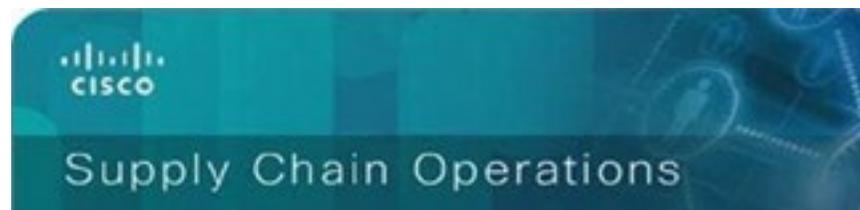
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2. Global Supplier Management Letter



9 April 2013

Dear Valued Business Partners and Suppliers:

Cisco is committed to reducing greenhouse gas (GHG) emissions. In 2012, Cisco met our public commitment to reduce Cisco's worldwide Scope 1, 2, and Scope 3 business-air-travel GHG emissions by 25 percent absolute by 2012 (against a 2007 baseline). We have recently announced our new five-year reduction goals ([Reference 5](#)).

Cisco, our stakeholders and our own customers are concerned about GHG emissions, both from Cisco's products and operations and from the operations of our suppliers and business partners. **Therefore, for the fourth year, we are again extending to our partners and suppliers an invitation to report to CDP.**

Your organization will receive an invitation to report from CDP in one of two ways:

- On February 13, 2013, the Carbon Disclosure Project (CDP) formally released the 2013 edition of its Investor Survey (sent to large, public companies listed on many of the world's stock exchanges). Responses are due on May 31, 2013 for those companies that have already received an invitation directly from CDP.
- In April, CDP will release the Supply Chain Survey to other companies, public and private, identified as suppliers and partners by companies participating in CDP's supply chain program. Responses to the Supply Chain Survey will be due on July 31, 2013. The Investor and Supply Chain surveys are similar.

By copy of this letter, Cisco is requesting that our partners and suppliers respond to the CDP survey, making your response publicly available via the option provided for this purpose in CDP's Online Response System (ORS).

It is Cisco's long-term objective for all suppliers and partners to:

1. Report to CDP annually.
2. Make your responses publicly available.
3. Set a GHG emissions reduction goal (absolute reduction goals are preferred).
4. Provide for some level of third-party review of your GHG emissions data collection, analysis and reporting.
5. Request that your suppliers and business partners also report to CDP in accordance with this email.

By the middle of April, if you have not received an invitation from CDP to respond to CDP's survey, please contact CDP at respond@cdproject.net. 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) via CDP's Online Response System (ORS). Cisco will obtain your reporting status and emissions information via an analytics package offered by CDP. Do **not** send your emissions information to Cisco. Several useful references are provided at the end of this email.

Please forward this request to the appropriate party within your company. 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.

Best regards,
Cisco Supply Chain Operations

REFERENCES:

1. CDP 2013 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](#).
2. CDP reports summarizing 2012 responses:
 - a. Global 500: <https://www.cdproject.net/CDPResults/CDP-Global-500-Climate-Change-Report-2012.pdf>
 - b. S&P 500: <https://www.cdproject.net/CDPResults/CDP-SP500-2012.pdf>
 - c. Other reports are available at: <https://www.cdproject.net/en-US/Results/Pages/reports.aspx>
3. Guidance to respond to the CDP Survey: <https://www.cdproject.net/Documents/Guidance/CDP2013ReportingGuidance.pdf>
4. Guide to CDP's Online Response System (ORS): <https://www.cdproject.net/Documents/Guidance/guidance-to-using-the-online-response-system.pdf>
5. [Cisco Blog: Cisco Announces New Greenhouse Gas Reduction Goals:](http://blogs.cisco.com/csr/cisco-announces-new-greenhouse-gas-reduction-goals/)

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3. Comparison of BAU and ICT Solution for Remote Collaboration (Avoiding Business Travel)

BAU: Business Travel Meeting



ICT Solution: Remote Collaboration Meeting



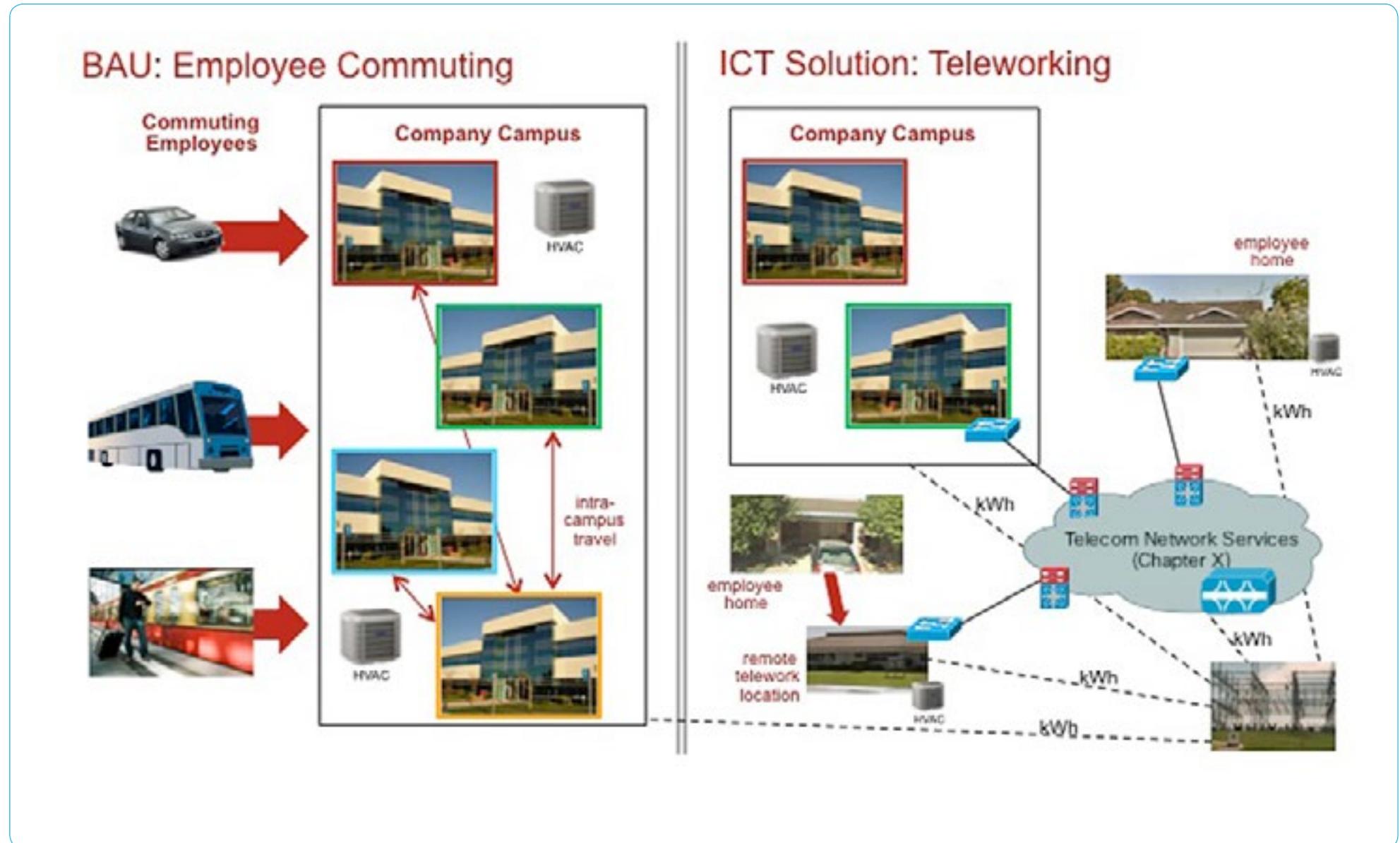
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4. Comparison of BAU and ICT Solution for Teleworking (Avoiding Employee Commuting)





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