

# Cisco 2022 Task Force on Climate-Related Financial Disclosures (TCFD) Response

Dated as of December 8, 2022

Building on our new net-zero commitment [announced in September 2021](#), we are in the process of reviewing and updating our assessment.

In the past, we have considered many factors (including scenario analysis) in our TCFD response, and we will continue this approach in future assessments.

Our latest assessment is as follows:

## Analysis

TCFD documentation specifies two kinds of reporting. The first is four widely adoptable recommendations for disclosure on governance, strategy, risk management, and metrics and targets.

Metrics	Sub Metric	Definitions	Disclosure
Governance	Board oversight	Describe the Board’s oversight of climate-related risks and opportunities.	The Environmental, Social, and Public Policy Committee of the Board of Directors (the “Board”) of Cisco Systems, Inc. (the “Company”) oversees Cisco’s initiatives, policies, programs, and strategies concerning environmental sustainability and other key corporate social responsibility (CSR) and public policy matters. The Compensation Committee of the Board oversees the development and implementation of the Cisco’s practices, strategies, and policies used for recruiting, managing, and developing employees (i.e., human capital management). These practices, strategies, and policies focus on diversity and inclusion, workplace environment and safety, and corporate culture. In addition, the Board receives updates on Cisco’s overall CSR strategy, including ESG matters, from management.
	Management’s role	Describe management’s role in assessing and managing climate-related risks and opportunities.	

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Metrics	Sub Metric	Definitions	Disclosure
Strategy	Risks and Opportunities	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Physical risks from climate change are enveloped by factors already considered in current continuity-of-supply assessments. As part of our response to COVID-19, Cisco has demonstrated substantial resilience to potential physical risks to operations (Cisco-owned or -leased facilities) from climate change, where most of our workforce easily switched to teleworking. Our collaboration technology and associated culture facilitated this ready migration. Adverse weather and other environmental factors can affect our employees in their personal lives, potentially impacting business operation or productivity.
	Impact on Organization	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Transitional climate risks and opportunities have affected our products and services activities through changes in product regulation and standards (risks) and creation of and access to new markets (opportunities). Risks associated with the changing regulations or standards (e.g. product efficiency, labeling, take back) could impact Cisco sales if we do not continue to monitor and manage our compliance with these requirements.
	Resilience of Strategy	Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy, and financial planning.	Cisco operations and supply chain are relatively energy, water, and land efficient with limited presence in coastal regions that may be affected by climate change.
Risk Management	Risk Assessment Process	Describe the organization's processes for identifying and assessing climate-related risks.	Climate-related input is provided to the enterprise risk management (ERM) process, the results of which are presented regularly to the Board. Cisco includes climate risk assessment details in our response to CDP's annual carbon questionnaire
	Risk Management Process	Describe the organization's processes for managing climate-related risks.	Cisco uses public goals to address identified environment-related risks, taking advantage of existing ESG materiality assessment and performance reporting processes.
	Integration into Overall Risk Management.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate-related input is provided to the ERM process, the results of which are presented to the Board.

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Metrics	Sub Metric	Definitions	Disclosure
Metrics and Targets	Climate-Related Metrics	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Cisco reports climate-related metrics in our annual sustainability reporting. We establish goals based on sustainability materiality and use the goal approval and release process to establish management consensus and commitment. The seniority of management engaged in this process depends on the required resources and coordination across business functions.
	Scope 1,2,3 GHG Emissions	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our Scope 1, 2, and 3 emissions are reported as part of our annual sustainability reporting and are available on our <a href="#">ESG Reporting Hub</a> .
	Climate-Related Targets	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Cisco's environmental goals, including those related to GHG emissions reduction are provided in our <a href="#">ESG Reporting Hub</a> . Our goals are designed to reduce significant environmental impacts, reducing risk.

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The second kind of TCFD-specified reporting is a description of climate-related risks and opportunities as depicted in the Recommendations of the TCFD as provided for Cisco in the tables below.

Risks		Potential Impact
Transition Risks	Policy and Legal	<p>Because of the potential scope of impact on the business, monitoring and complying with relevant regulations in the regions where we operate is a core business requirement. We have internal compliance, legal, and governmental affairs teams that specifically monitor global regulations and their potential impact on the business. For example, Cisco continuously evaluates fuel and energy taxes globally to identify business risks. Currently, there are no regulatory requirements that we consider result in a material impact to Cisco's business. However, we do consider the impact from potential future regulations to be relevant enough to continuously monitor for this risk.</p> <p>The Company believes that the risk related to legal requirements of each current environmental-related or pending climate change-related law and/or regulation, as presently enacted or drafted, as applicable, is not significant and incurs no more than insignificant incremental cost to the Company related to its costs for existing compliance programs or voluntary climate change-related data gathering and reporting efforts. However, the Company cannot predict whether new laws or regulations related to climate change that may be proposed and implemented in the future could impose material costs or otherwise materially impact its business: This remains a risk that the Company continues to monitor and assess.</p>
	Technology	Continued development of more energy-efficient products may require incremental investment, although managing energy consumption and heat removal is a longstanding design objective as customers fit increased network functionality into locations with fixed power and space.
	Market	Continued and growing demand for information technologies seems likely with business models and success tied to increasing traffic and use of secure networks, applications, analytics, and connectivity. Required material and components for Cisco products will be assessed for any unusual cost pressures from climate change.
	Reputation	As Cisco has been working to reduce its own GHG emissions for over 15 years and has a proven track record of success with its past commitments related to reducing its own emissions, Cisco does not anticipate significant reputational risk related to emissions from its own operations. Additionally, the Company does not believe that its products contribute to any customer's GHG emissions in a way that is significantly different than any of its competitors' products and thus does not anticipate there to be any significant reputational risk related to GHG emissions of its products. Additionally, the Company communicates certain ESG-related initiatives, goals, and/or commitments regarding environmental matters, diversity, responsible sourcing and social investments, and other matters, in our annual Purpose Report, on our website, in our filings with the SEC, and elsewhere. Our actual or perceived failure to achieve our ESG-related initiatives, goals, or commitments could negatively impact our reputation or otherwise materially harm our business.
Physical Risks	Acute	Cisco is not thought to be significantly exposed to acute physical risks from increased severity of extreme weather events.
	Chronic	Cisco is not thought to be significantly exposed to chronic physical risks from increased severity of extreme weather events. A potential impact is logistics and disruptions to the supply chain should transportation facilities and lanes be unavailable for extended periods. While impact on the business physical plant may be manageable, impacts on personnel (housing, water, power, commuting) will need ongoing [re]assessment.

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Cisco climate-related opportunities and potential financial impact listed below.

Opportunities	Climate-Related Opportunity	Potential Impact
Resource Efficiency	<p>Reduced use of virgin material; increased use of recycled material.</p> <p>Improved energy efficiency in operations and extended operations (supply chain).</p>	<p>Improved material resource efficiency through implementation of circular economy principles may reduce costs and provide alternative sources of supply.</p> <p>Investments to meet Cisco Scope 1 and 2 reduction goals have averaged about 3-1/2 years payback, ranging from less than 1 year to over 5 years. Improved energy efficiency in the supply chain to meet our absolute GHG reduction goal may similarly reduce cost.</p>
Energy Source	Low-carbon/renewable sources of electricity.	Reduced operating costs and less exposure to future fossil fuel price increases. Circumstances can vary in regulated vs. unregulated markets.
Products and Services	<p>More energy-efficient products.</p> <p>Cisco solutions that facilitate improved resource buildings, reduced business travel, and teleworking.</p>	<p>Substantially more efficient products, such as the 8000-series routers, may provide an incentive for customers to upgrade and retire legacy network gear. This incentive may be higher for a customer that has adopted sustainability or GHG reduction goals such as Net Zero. Many such customers have also committed to 100 percent renewables, which could reduce the GHG emissions impact of higher energy consumption.</p> <p>Remote collaboration products like Webex by Cisco, AnyConnect VPN, and TelePresence can reduce emissions related to business travel, whether by reducing flights taken or limiting daily commutes to work.</p> <p>Cisco's Smart Building solutions help customers create smart and sustainable buildings and workspaces to support hybrid work. These solutions can help customers reduce their energy use through low-voltage Power over Ethernet (PoE) smart switches that provide network-based monitoring and control of temperature, lighting, air quality, and other building characteristics.</p>
Markets	Acceleration or step change in cultural norms virtualizing many aspects of life.	Refer to "Products and Services" above.
Resilience	<p>Use renewable energy and adopt energy efficiency measures.</p> <p>Resource substitution.</p>	To help achieve our new Scope 1 and 2 goals, we plan to invest approximately US\$60 million from fiscal 2023 to fiscal 2025 to reduce our emissions through a combination of energy efficiency, renewable energy, and electrification projects, and neutralize any remaining Scope 1 and 2 emissions (no more than 10 percent) by investing in carbon sequestration. Increasing our use of renewable electricity is the most critical part of our strategy to meet our goals. See the renewable energy section for more information on our use of renewable energy.