

# **Cisco's 2025 Task Force on Climate-related Financial Disclosures Response:**

## **2025 Report**

### **Introduction**

This refreshed analysis and disclosure has been prepared in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

References in this report to “we,” “our,” “us,” and similar terms refer to Cisco Systems, Inc. (“Cisco”).

### **I. Governance**

The highest level of oversight for climate-related issues resides with Cisco's Board of Directors (the “Board”). In addition, the Public Policy Committee (the “Committee”) of the Board oversees the company's initiatives, policies, programs, and strategies concerning public policy and certain related matters, as more fully set forth in the Committee's Charter. Such oversight by the Committee includes reviewing, as appropriate, the company's annual Purpose Report and related matters.

The Board receives quarterly updates from the Chief Sustainability Office and other management on Cisco's overall Corporate, Social Responsibility, and energy and sustainability strategy and the progress we are making under it.

Building further on its strong foundation of climate-related initiatives and goals that began nearly two decades ago, Cisco's Chief Sustainability Officer (CSO) is responsible for executing the enterprise-wide sustainability strategy, stewarding sustainability initiatives across Cisco, and driving progress toward its goals.

Cisco's People, Policy, and Purpose organization leads our social investment programs and champions our commitment to responsible business performance and transparency. In addition, Cisco has several cross functional committees which oversee various sustainability initiatives and help implement our strategy. A core reporting team is responsible for supporting the CSO and our enterprise-wide sustainability initiatives, setting and driving an environmental sustainability reporting strategy, engaging internal and external stakeholders, and researching and monitoring environmental sustainability trends. Cisco's Chief Sustainability Office works cross-functionally to steward our climate-related risks scenario analysis.

Business functions are also responsible for certain priorities, which align with the enterprise-wide sustainability strategy. Business function management teams set goals, implement plans, and measure performance to integrate identified priorities into the business strategy.

## **II. Strategy**

Climate change and greenhouse gas emissions (GHG) are high-priority topics among our stakeholders and are long-term strategic priorities for Cisco—not just to manage related risks, but also to help enable the transition to a future powered by multiple energy sources. Building upon nearly two decades of setting and achieving emissions goals, in September 2021, we set an ambitious long-term goal to reach net zero across our value chain (Scope 1, Scope 2, and Scope 3 emissions) by 2040, which has been validated by the Science-Based Targets initiative (SBTi) under its Net-Zero Standard.

Our strategy to achieve our net zero goal includes:

- continuing to increase the energy efficiency of our products through innovative product design;
- accelerating our use of renewable energy, including in the communities where our suppliers and customers operate;
- further embedding sustainability and circular economy principles across our business, including:
  - incorporating the circular economy principles of reuse and resource efficiency into how we design, source, make, deliver, and take back products;
  - collaborating with manufacturing, component, and logistics suppliers to manage and report GHG reduction targets, influencing improvements in performance year-over-year; and
  - evolving our business models to support multiple product lifecycles;
- embracing hybrid work; and
- investing in innovative carbon removal solutions.

## **Risks, Opportunities, and Scenario Analysis**

To better understand our climate-related risks and opportunities, and to help inform our strategy, we conducted an enhanced scenario analysis in 2023 and a refresh in 2025. This analysis examined two scenarios, a “low-carbon economy” (LCE) and a “high-carbon economy” (HCE) scenario, and we modeled them against future time horizons, including relevant years associated with our net zero goal (2030 and 2040). This analysis captures a

moment in time and is subject to change based on internal and external factors. The risks and opportunities referred to in this 2025 TCFD Report may not be considered material in the context of U.S. Securities and Exchange Commission (SEC) disclosure obligations and/or other applicable regulatory disclosures globally.

The HCE scenario represents inaction with respect to decarbonization, or a 4-degree Celsius temperature rise by the end of the century, while the LCE scenario represents a climate scenario aligned with a 2-degree Celsius temperature rise by the end of the century for physical risk modeling, and a 1.5-degree Celsius temperature rise for transition risk modeling.

	<b>LCE: Low-carbon economy scenario</b>	<b>HCE: High-carbon economy scenario</b>
<b>Assumed degrees of warming</b>	Transition risks: 1.5°C by end of the century Physical risks: Below 2°C by end of the century.	4-5°C by end of the century
<b>Scenario</b>	Transition risks and opportunities: Network for Greening the Financial System (NGFS) 1.5°C by end of the century. Physical risks: IPCC SSP-1, RCP2.6	Transition risks and opportunities: NGFS Current Policies scenario. Physical risks: IPCC SSP-5, RCP8.5

To identify and model risks and opportunities, physical assets selected for the physical risk analysis were prioritized based on a number of attributes, including location, to help identify the significance of the asset to the enterprise. For transition risks and opportunities, we considered benchmarking, cross functional surveys and internal interviews.

## Physical risks

Our analysis of physical risks focused on identifying potential impacts from climate-related physical hazards facing Cisco assets located worldwide, including Cisco-owned and leased facilities, logistics centers, data centers, contract manufacturers, and suppliers.

For each asset location, data was collected and processed to include in the physical risk modeling. Physical climate risk was quantified using the outputs of global climate models for historical baseline periods and for future periods using two scenarios aligned with Shared Socioeconomic Pathways (SSP1-2.6 and SSP5-8.5).

## Physical Risks Modeling:

Physical Risks	Risk definitions	Potential Impact
P1. Acute	Business and operations disruptions caused by increased severity and frequency of climate disasters and other extreme climate-related events.	<p>The most prominent hazards potentially facing Cisco's assets (under both scenarios) are extreme precipitation and wind events, and the flooding that both can cause.</p> <p>Hazards resulting from acute risks could lead to potential financial impacts associated with business interruption, downtime, emergency response, repair and maintenance, and relocation.</p> <p>Overall, locations in the Asia-Pacific region drive increases in Cisco's physical risk exposure for acute wind and precipitation events under both the LCE and HCE scenarios.</p> <p>Assets, employees, and business partners located within low-lying coastal areas and tropical regions are expected to face the greatest acute weather-related hazards by 2050.</p>
P2. Chronic	Business and operations disruptions caused by long-term shifts in climate patterns.	<p>Hazards resulting from chronic risks that drive the greatest potential increase in Cisco's financial exposure are extreme heat and drought by 2030 and 2050 under both scenarios. Extreme heat is projected to see the most significant increase in all hazards by 2050 in both scenarios.</p> <p>Cisco assets located in the Middle East and Asia are anticipated to face the greatest chronic physical hazards by 2050 (under both scenarios). These geographical locations are modeled to be highly susceptible to rising sea levels, increased temperatures, and/or changing precipitation patterns.</p>

Cisco defines short term as 0-1 year, medium term as 1-5 years, and long term as 5 years onwards. We considered all times in the modeling.

### Transition risks and opportunities

Our analysis of transition risks and opportunities compared Cisco's stated net zero goals and related pathway to global LCE and HCE scenarios for multiple future time horizons. The analysis focused on stress-testing Cisco's net zero goals against these scenarios, as well as modeling the potential financial impacts of the three transition risks and two opportunities below on Cisco's business.

Decarbonization pathways, internal data, market projections, and potential financial exposure and losses were modeled to understand Cisco's overall transition risk profile.

### Transition Risks Modeling:

Transition risks	Risk definitions	Potential impact
T1. Cisco investment in product decarbonization	Risk of potential high investments and costs associated with research and development of energy-efficient and low-carbon products required in line with a LCE.	Research and development (R&D) expenditures may need to increase to account for investments required to address product-related emissions and to reach our 2040 net zero goal for our full value chain. For this risk, the results indicate Cisco needs to spend more under a LCE scenario, whereas under a HCE we would not need to see this increase in product R&D investment.
T2. Customer preferences for low-carbon products	Shifting customer preferences toward low-carbon or energy efficient products, leading to changes in Cisco's market share, product offerings, and revenue distribution between product lines.	Continuing Cisco's efforts to improve product energy efficiency and carbon intensity remains important to help meet our net zero goals and support customer decarbonization efforts. Cisco's product use emissions sales intensity was estimated against consumer emissions expectations to show the potential impact of consumer expectations and grid decarbonization on net sales if Cisco does not improve product efficiency. Through 2040, the gap in consumer expectations versus Cisco's low carbon product offerings drives greater overall net sales at risk in the LCE scenario relative to the HCE scenario.
T3. Delayed grid decarbonization (or delayed adoption of clean energy sources)	Delayed grid decarbonization (or delayed adoption of low-carbon energy sources among users of Cisco products), threatening Cisco's progress on its net zero goals and leading to increased expenditures to meet those goals.	Expenditures on Renewable Energy Certificates (RECs) and offsets to meet Cisco's decarbonization targets are heavily dependent upon the potential rate of grid decarbonization.

Cisco defines short term as 0-1 year, medium term as 1-5 years, and long term as 5 years onwards. We considered all times in the modeling.

### Opportunities modeling:

Opportunities	Opportunity definitions	Potential impact
O1: Develop new sustainable product models	Enhance and expand the suite of Cisco's sustainability-focused solutions that facilitate decarbonization.	Cisco's greatest potential opportunity associated with products designed with sustainability in mind is under our net zero scenario, where projected revenue growth is expected to outpace the HCE and LCE scenarios as Cisco achieves both near-term and long-term SBTi targets.
O2: Position Cisco as a trusted climate partner	Continue to position Cisco as a trusted partner in providing products and services that assist customers with reaching their climate goals.	Cisco's revenue associated with sustainability-related solutions may increase in alignment with an improved climate reputation leading to benefits in both the LCE scenario and a case where we align with our planned net zero pathway.  Cisco can benefit by continuing to innovate and be a leader in sustainability.

Cisco defines short term as 0-1 year, medium term as 1-5 years, and long term as 5 years onwards. We considered all times in the modeling.

The climate risk assessment and scenario analysis refresh undertaken during this reporting period suggests we have low to moderate exposure for most climate-related risks within the short term, with potential increasing exposure to physical and transition risks in the future, depending on the trajectory of the global response to climate change. We continue to assess emerging climate-related risks and opportunities and integrate climate-risk management responsibility into roles within our business.

### III. Risk management

Risk management is a key part of our business practices. Cisco's Enterprise Risk Management (ERM) program works across the organization to identify, assess, govern, manage, and respond to risks, including climate-related risks. To ensure a comprehensive approach, Cisco's Board of Directors and its various committees oversee risks to the enterprise. The Audit Committee of the Board receives updates from the ERM program.

While the Board of Directors maintains overarching oversight, Cisco's management is responsible for the day-to-day risk management activities within the organization. The

Chief Sustainability Office and relevant business units are responsible for identifying, assessing, governing and managing climate-related risks and opportunities and discussing such risks and opportunities with senior management on an ongoing and continuous basis throughout the year. The Chief Sustainability Office uses customer input, information from hundreds of other stakeholder inquiries and technical analysis to help identify, assess, govern and manage risk covering short, medium, and long-term time horizons.

Cisco manages climate-related risks to our employees and assets through our risk management processes. For example, within our supply chain risk management function, Cisco monitors global climate-related hazards and determines the potential impact across the value chain, including impacts to Cisco's employees, physical assets, suppliers, and operations using internal risk assessment tools.

#### **IV. Metrics and targets**

The primary metric we use for GHG emissions reduction reporting and progress is metric tons of carbon dioxide equivalents. Cisco publicly discloses our GHG emissions on our Purpose Reporting Hub.

Cisco reports the progress we are making on our net zero goal through the following near-term targets:

- Reduce absolute Scope 1 and Scope 2 emissions by 90 percent by 2025<sup>1</sup> and
- Reduce absolute Scope 3 emissions from purchased goods and services, upstream transportation and distribution, and use of sold products by 30 percent by 2030.<sup>2</sup>

We track and report progress on our interim targets annually on our Purpose Reporting Hub.

Cisco also publicly discloses an overview of our operational energy consumption, annual water usage, and waste generation and management as part of the ongoing initiatives to minimize the environmental impact caused by day-to-day activities.

#### **Looking ahead**

As a result of our 2023 climate risk scenario analysis and our 2025 refresh, we continue to develop a deeper understanding of the impacts climate change will have on our business and our people. We believe effective climate risk management strategies will be important in our long-term sustainability and business strategies.

We remain focused on our 2025 and 2030 near-term targets and our 2040 long-term, SBTi-aligned net zero goal, and we are dedicated to advancing sustainability within our business so we can continue to Power an Inclusive Future for All.

### *Forward-Looking Statements*

*This report contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “momentum,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” “aim,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to (1) our goals, commitments, and programs; (2) our business plans, initiatives, and objectives; (3) our assumptions and expectations; (4) the scope and impact of our corporate responsibility risks and opportunities; and (5) standards and expectations of third parties are forward-looking. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in our most recent filings with the SEC on Form 10-K and Form 10-Q. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.*

*Cisco continuously strives for transparency in our reporting on our Purpose initiatives, goals, and progress. We set ambitious timelines and goals in an effort to maximize progress, and we strive to transparently report on our progress.*

*It takes time to integrate data from recent acquisitions into the data streams that support our analyses. Therefore, unless otherwise noted, the information included in this report includes data for acquisitions completed before the end of our previous fiscal year.*

### *Footnotes*



1 Compared to fiscal 2019. We intend to neutralize the remaining 10% of emissions by removing an equal amount from the atmosphere.

2 Compared to fiscal 2019. The baseline and progress reported for our 2030 goal includes: purchased goods and services from manufacturing, component, and warehouse suppliers; upstream transportation and distribution from Cisco purchased air transportation; and use of sold products.