2011 Corporate Social Responsibility Report

cisco

Multiplying impact through the power of networks.

Welcome to Cisco's seventh Corporate Social Responsibility (CSR) Report, covering the 2011 financial year (FY11). The report sets out our approach, objectives, and performance on CSR issues in five key areas: Governance and Ethics, Value Chain, Our People, Society, and Environment.

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How to Use This Report

We encourage you to use the complete report PDF, which includes all sections and allows full access to videos, search capabilities, and bookmarks. Alternatively, if you visit us online, you can access each section of our report individually. We've also created an Executive Summary, which provides an overview of our achievements in fiscal year 2011 (FY11).

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
- QuickTime

Watch the Video! Chairman and CEO John Chambers talks about the importance of corporate social responsibility to Cisco's business.

Network innovation, strategic decisions, and responsible actions all characterize a time of transformation at Cisco and rapid change in the markets and communities we serve globally.

As we navigate these transitions, Cisco remains deeply committed to corporate social responsibility (CSR)—to acting responsibly, operating sustainably, and contributing to the communities in which we work and live. We have witnessed the positive impact that CSR has had on our employees, communities, the environment, and also our business. That is why we believe that CSR is both our responsibility and a competitive differentiator.

This CSR report, our seventh, details our CSR efforts in the areas of governance and ethics, our people, society, our value chain, and the environment. The report also provides evidence on how we operate in a manner consistent with our continued support of the UN Global Compact and its 10 principles covering human rights, labor, the environment, and anti-corruption.

At the core of our CSR efforts, we use the same expertise, technology, and partnerships that we use in working with our customers. We believe this is the best way for us to have the greatest impact, because we know that an intelligent network is not only a powerful tool for doing business, but also for transforming lives, building communities, and protecting the environment.

For example, this year we completed our three-year engagement in Sichuan, China, where we built a human network of multiple partners to help the region recover and rebuild after the devastating 2008 earthquake. Working together, we implemented collaborative networking technologies in 66 healthcare facilities and 102 educational organizations. By using the same technology and business principles that we apply to working with our customers, we multiplied our impact across Sichuan, enabled seamless medical insurance claims processing for 60 million rural patients, and increased the reach of 21st century education to 135,000 students.

Environmental sustainability is enhanced through our products and solutions, which help Cisco and our customers reduce energy consumption and save money. For example, Cisco smart grid products, Cisco EnergyWise, Cisco Connected Workplace, Cisco TelePresence, and our teleworking solutions reduce greenhouse gas emissions across industry sectors such as utilities, buildings and transportation. Cisco's business and the environment benefit from these innovative solutions.

This year was clearly not without its challenges. We had to take some necessary but difficult steps to streamline our business in order to remain fully focused on delivering the best to our customers, shareholders, employees, partners, and the global community. That is why we instigated a series of decisive actions that included simplifying our organizational and operating model to make Cisco easier to work for and do business with, reducing annual costs by US$1 billion, and divesting or exiting from underperforming operations.

As we look to the future, we believe that no other company has our breadth and depth in networking. No one has our ability to innovate on such a broad scale, nor our global reach and geographic balance, nor our workforce of world class talent and expertise. And I'm particularly proud to say that no other company possesses our commitment to manage the social and environmental aspects of our business in our characteristically ethical and responsible way.

We believe that by integrating CSR into our business, we not only benefit the communities in which we work and the planet on which we live, but we also benefit our business. Our CSR engagements are opportunities to apply and showcase the power of the network, and the societal and environmental relevance of our products. We also build stronger relationships with our customers and partners, government and business leaders, and our employees through our CSR activities. And more than ever, Cisco's genuine, long-term commitment to CSR is a key influencer on how people feel about our company and brand.

I am proud that Cisco continues to change the way the world works, lives, plays, and learns. Therein lies the challenge and our opportunity to use the network to multiply our impact on both business and society. Cisco will meet that challenge.

John T. Chambers
Chairman and Chief Executive Officer

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You + networks = impact multiplied. That's our equation for a better life and a healthier planet. Why are we so determined to make it happen?

We believe technology is a powerful tool to bring people together to improve lives, build communities, and preserve the environment. It's why we apply the same technology and expertise we use to help our customers, to also help transform lives, communities and the planet—multiplying the positive impact.

We conduct our business in a way that respects and ultimately benefits people, communities and the planet. In his letter (see previous page), our Chairman and CEO John Chambers explains why that's good for society, good for business and good for Cisco.

While our corporate social responsibility (CSR) manifests itself in the way we run our business, our CSR program is also designed to help our nongovernmental organization (NGO), multilateral, public sector, and private sector partners connect with others—enhancing their ability to make a positive impact on the world.

Our CSR efforts focus on five key areas:

- **Governance and ethics:** promoting responsible business practices with every employee at every level of our business
- **Value chain:** embedding sustainability into routine business practices at every stage of the value chain product lifecycle
- **Employees:** building Cisco's people, a unique culture and organizational capacity
- **Society:** bringing people together to collaborate on innovative solutions to social issues including education, healthcare, economic empowerment, and critical human needs and disaster relief
- **Environment:** improving our customers' and our own environmental sustainability through technology and advocacy

We address social issues through technology product grants, cash grants, collaborative partnerships and our own expertise. We want to inspire Cisco employees, our NGO partners, and our broader set of stakeholders to combine the power of their people and technology networks to multiply the impact of their activities.

The Sustainable Business Practices team within Corporate Affairs oversees Cisco's multi-stakeholder engagement approach to CSR. We see the group's role as a super-networker, linking Cisco people to relevant CSR stakeholders around the world. They listen to a broad set of stakeholders throughout the year to understand emerging issues, learn best practices and identify CSR opportunities and challenges.

For example, in developing this report we put our technology to work in gathering real-time feedback on our CSR performance and reporting, an approach that allowed us to collect input from stakeholders around the world without a single person having to board a plane. Using Cisco TelePresence technology, we held CSR stakeholder discussions with 25 opinion leaders in 12 countries. This high-definition technology provides a rich lifelike feel to a virtual meeting, while limiting carbon emissions, increasing productivity, and enhancing the work-life balance of all those involved.

The Carbon Disclosure Project (CDP), the world's largest repository of greenhouse gas emissions reporting, used Cisco TelePresence at its September 2010 global launch event, connecting speakers on five continents with the speakers and audience in New York City. Like Cisco and Cisco's customers, CDP is changing how they work, reducing GHG emissions while being more productive and saving money.

We are enormously proud of the work our people and partners are doing around the world to multiply the positive impact of those striving for a better world. This report tells some of their stories and provides examples of how we are multiplying the impact of our CSR efforts by engaging technology and human networks.

Or to put that more succinctly:
You + networks = impact multiplied.

Tae Yoo
Senior Vice President, Corporate Affairs

Cisco, CSR, and Innovation

Innovation is at the heart of everything we do at Cisco. Our vision is for our technology to change the way people live, work, play, and learn. Of course, incremental changes can make a difference, but in our view it is the big ideas that are needed to disrupt the status quo and stimulate sustainable change.

We believe that the above philosophy is as important to social and environmental issues as to anything else. And by applying this ethos of innovation to Cisco's CSR activities, we are striving to develop solutions that help us and our customers address social issues and promote environmental sustainability.

The videos highlighted in this report and on our 2011 Cisco CSR Report website profile just some of our innovative solutions—from helping customers monitor and reduce their energy use with EnergyWise to improving work-life balance at Cisco through LifeConnections. Each video is introduced by one of the Cisco people behind the solution.

Watch the Video! The power of the network allows Cisco to multiply our impact on society, from connecting the world and improving education and healthcare, to enabling energy efficiency and helping people collaborate and work smarter.

About This Report

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. We encourage feedback from stakeholders, and we use this report to respond to those with whom we have engaged throughout the year. In FY11, feedback included requests for:

- More information about how Cisco is using products and services to drive the sustainability agenda.
- More transparency in social areas such as human rights and our value chain.
- A searchable PDF of the full report and better navigability of the report.

This year's report attempts to respond to these issues. Each section of the report leads with an explanation of a Cisco product and service and how it contributes to our CSR agenda. Our PDFs allow for easy navigation within the report (see How to Use This Report), and the Value Chain section provides more details on our efforts to manage labor issues throughout our value chain.

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.

Scope and Data

This report covers performance data and activities in our 2011 fiscal year, which runs from August 2010 through July 2011, related to all our operations around the world unless stated otherwise.

Assurance

The data in this report and the methodology for collecting it have been verified internally. We held focus groups with CSR thought leaders during 2011 to assess our CSR strategy and reporting, and we had extensive engagement with non-profit and nongovernmental organizations and CSR experts to gather their views on specific issues throughout the year.

About Cisco

- Cisco is headquartered in San Jose, California, USA, and has more than 460 offices in more than 165 countries.
- Approximately 13 percent of Cisco's annual revenue is invested in research and development (R&D).
- Cisco has more than 70,000 employees globally, one-third of whom are engineers.
- Almost 100% of our manufacturing is outsourced.
- We work closely with more than 1000 suppliers around the world that support our value chain in the Americas, Europe, and Asia-Pacific regions.

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Who We Are and What We Do

Cisco designs, manufactures, and sells innovative networking solutions related to the information and communications technology (ICT) industry, and provides services associated with these products and their use. We aim to solve our customers' most important business problems by delivering intelligent networks and technology architectures built on integrated products, services, and software platforms. Our vision is to change the way we work, live, play, and learn.

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

Our customers' success is at the core of our operational strategy and execution. During FY11, our customers included public sector organizations and enterprise businesses, service providers, commercial customers, and consumers.

Cisco's Vision

Changing the way we work, live, play, and learn.

Cisco's Mission

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

How a Network Works

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

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

The Internet infrastructure comprises primarily two types of devices: switches and routers. Switches are designed to identify and respond to a static MAC address. It switches traffic accordingly, typically between ports on the same device. A router is designed to identify and respond to the dynamic source and destination IP address of the particular IP packet and route traffic accordingly, across numerous devices.

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

Network Security

Security is a serious concern when it comes to using networks. Hackers, denial of service attacks, identity theft, and even cyber terrorism are very real dangers. As the foundations of network infrastructure, routers and switches are crucial in the efforts to detect and prevent such attacks. Business-class routers and switches, such as those produced by Cisco, incorporate features that address security, performance, reliability, and manageability. For example, Cisco integrated services routers include built-in firewalls, intrusion detection and prevention, and encryption, among other features. In addition, hackers can be tracked because source and destination addresses are identified in each IP packet. This helps to deter attacks in the first place.

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

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Watch the Video! Interactive and live training, which draws on the expertise of multiple Cisco business functions, reinforces the ethical conduct of Cisco employees globally.

Governance and Ethics

Cisco's commitment to ethical conduct and strong corporate governance has helped us build a robust company with a recognized corporate social responsibility (CSR) program. Our leadership team believes in the importance of all facets of CSR.

Governance & Ethics

We draw on the experience and expertise of employees around the company in developing our framework for ethical and responsible business conduct.

Our global CSR programs guide the ethical, social, and environmental efforts of individual business units, while helping Cisco maintain a strong reputation and supporting a successful business strategy.

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

Cisco Technology in Action: Cloud

The Product: As Internet-based (cloud) computing becomes more pervasive, Cisco is enabling customers to rapidly adopt cloud by using the network to connect the different worlds of cloud.

In its simplest form, cloud computing refers to making shared resources, software, and data available via the Internet. These elements are stored on remote servers that can be accessed by devices such as PCs and smart phones around the world. Public, private, and community organizations can offer access to cloud computing through their own purpose-built clouds.

Cisco's vision is a world of many clouds. Cisco enables organizations to build cloud offerings, and we connect and link different clouds through what we call a unified cloud fabric: namely, a network infrastructure that supports interconnectedness.

How Our Cloud Offering Supports Our Governance and Ethics Program: As the use of cloud computing has increased, privacy and data security have become serious concerns of customers, employees, and partners. It is crucial to our business that we maintain the trust of all these stakeholders as we enhance our cloud services. Cisco cloud security offerings help customers take a more holistic approach to cloud adoption that includes robust security measures. We offer:

- 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 on the cloud, enabling a trusted cloud environment

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

Governance

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

Management Approach

We collaborate on management decisions across the company. In FY11, Cisco went through significant structural changes that affected individual business units and the company's overall strategy. The changes are intended to simplify the way we run our business: to accelerate decision-making, increase management accountability, and improve our responsiveness to customers, partners, and employees as we clarify roles and responsibilities in each business unit.

An important significant change has been to reinforce our consistent customer focus around the world by reducing our cross-functional councils and boards from nine to three:

- The Enterprise Business Council (EBC) leads Cisco in transforming our enterprise, commercial, and small business market operations. It uses a cohesive strategy, fostering alignment between functions and simplifying the business. The EBC helps Cisco focus on the competition in these markets and improve revenue, profitability, market share, and productivity.
- The Service Provider Council seeks to establish and maintain Cisco's position as a trusted business partner to its service provider customers. These include telecommunications companies, cable operators, media companies, and network providers. The council helps these customers grow revenue, increase subscriber loyalty, improve competitiveness through sustainability, and manage costs as they address the growth of data traffic and use of devices on their networks.
- The Emerging Countries Council guides our entry and operations in emerging markets, and helps Cisco to contribute to sustainable economic development by being an effective partner to aid growth and development.

Corporate Governance

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

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

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

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

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

We have established a specific Policy Function within Cisco that centralizes corporate policies and approves changes. The function has launched a new Policy Central intranet site to make it easier for employees to access and understand our policies.

Risk Management

Cisco is founded and built on innovation. We continue to push boundaries in our efforts to connect the world and achieve long-term growth opportunities for our company. Managing inherent risks is essential as we enter new markets and introduce new products.

Watch the Video! Interactive and live training, which draws on the expertise of multiple Cisco business functions, reinforces the ethical conduct of Cisco employees globally.

The Board of Directors, acting directly and through its committees, is responsible for overseeing risk management. With the oversight of the Board, Cisco has implemented practices and programs designed to help manage the risks to which we are exposed in our business and to align risk-taking appropriately with our efforts to increase shareholder value. The business functions involved in risk management include:

- **Global Risk Sponsors:** This executive-level group that meets quarterly to review risks and opportunities and manage action and accountability. All of the members of this group are executives at Executive Vice President level and above.
- **Governance, Risk and Controls:** This team assists the Audit Committee and company management to carry out their financial responsibilities and internal controls. It also monitors risks and controls throughout the company in real time, and provides independent review and consulting to improve the management of Cisco's operations. As part of our Governance, Risk and Controls team, our Enterprise Risk Management group works across the business to identify, assess, govern and manage risks and Cisco's response to those risks.
- **Global IT Risk Management:** This team focuses on managing critical IT risks for Cisco, including IT service continuity, IT compliance, and embedding risk management into IT projects and processes.
- **Worldwide Brand Protection:** This function looks to preserve the integrity of Cisco's corporate brand by reducing potential damage caused by counterfeit and unauthorized market activity. Its activities include protecting routes to market, influencing intellectual property protection, and operating as the anti-counterfeit center of excellence within Cisco.
- **Global Safety, Security and Business Resiliency:** This group works to safeguard the physical safety and security of Cisco employees and facilities, and it responds to internal or external disruptions and threats that may affect our employees and our business. Our response plans prepare for worst-case scenarios, and our business continuity teams are focused on identifying and mitigating gaps with business continuity plans.
- **Supply Chain Risk Management:** This team works on the continuity of supply for our customers. It also builds resiliency into our products and global operations.

Business Resiliency Put to the Test in Japan

The Japan earthquake and subsequent tsunami and nuclear threat in March 2011 required companies and communities around the country to respond quickly and efficiently. Cisco's business resiliency and risk management operations went into immediate effect to check on the safety of employees and suppliers, as well as our business continuity.

As part of our business resiliency and risk management strategy, we establish local Incident Management Teams at high-risk sites. Cisco's Customer Crisis Team also prepared comprehensive action response and mitigation plans to minimize the impact to customers to the extent possible.

These teams implemented business continuity and risk mitigation plans for our operations and vendors around Japan in the wake of the disaster. The plans included impact assessments for our entire supplier and manufacturing base. There has been no significant impact to our supply chain. We continue to monitor the situation and remain in close contact with all of our Japanese suppliers.

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CSR Management

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

CSR Governance

The Sustainable Business Practices team monitors emerging CSR issues and identifies areas for potential action. The team draws on expertise from around the company, collaborating with relevant subject matter experts on strategies and initiatives that create long-term, sustainable benefits for our business and the global community.

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

Global Initiatives and CSR Frameworks

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

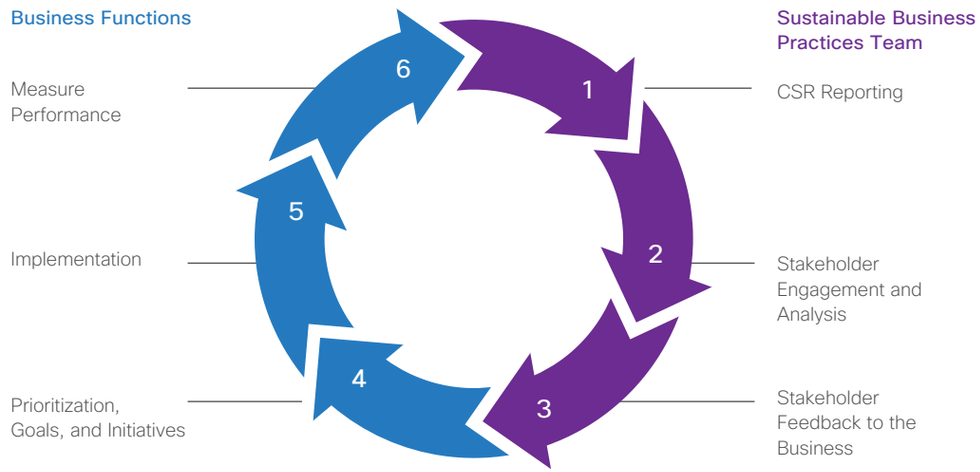
- UN Global Compact
- UN Millennium Development Goals
- Clinton Global Initiative
- World Economic Forum

Global CSR Management Standards and Guidelines

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

Our CSR Business Process

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



Stakeholder Engagement

Cisco values the input of external stakeholders in the development of our CSR strategy and initiatives, as well as the ongoing improvement of our CSR reporting. It helps us align our business more closely to society's needs and helps us prioritize issues, while gaining valuable insight into external perspectives and building ongoing relationships with key influencers.

Our Sustainable Business Practices team manages collaboration and feedback between Cisco and stakeholders.

Cisco values the input of external stakeholders in the development of our CSR strategy and initiatives, as well as the ongoing improvement of our CSR reporting.

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Key Stakeholders		
Stakeholder Group	**How We Engage**	**Examples of How Cisco is Responding to Issues Raised**
Communities	We engage with communities through our social investment programs, including partnerships with corporations, nonprofits, governments, and NGOs. Our employees also engage with their local communities through volunteering activities and local civic councils.	Water access is an area of increasing concern in the developing world. Through our Critical Human Needs portfolio, Cisco supports technology-based solutions to increase access to water and to increase sustainability of water projects and transparency about their effectiveness. We launched our focus on water last year, and so far have supported water.org, the Blue Planet Network, and Water for People. See the Society section of this report for more information.
Customers	We engage with customers as part of our everyday business operations through our sales and support services. Since 1992, we have conducted an Annual Customer Satisfaction Survey. Using the valuable input our customers give us, we establish the principal objectives for each of our functional areas.	Customers are asking more detailed questions about a broader number of environmental topics, including product energy efficiency and product carbon lifecycle impacts. Their interest has prompted changes to our standard business processes in the form of general-purpose supplier surveys, specific bid proposal questions, and required contract language. Customer interest remains strong in legislation areas such as the Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorisation and Restriction of Chemical Substances (REACH). See the Environment section for more information on how Cisco responds to these requirements.
Employees	We engage with employees informally every day through team meetings and internal communications, as well as more formally through quarterly “All Hands” meetings, annual leadership and sales meetings, and various focus groups. Our annual Employee Pulse Survey helps us understand satisfaction levels around the company and identify areas where we can improve.	Cisco’s FY11 Employee Pulse Survey found increased employee satisfaction in the Respect for People and Manager Index categories. Issues for improvement, however, included recognition and organizational alignment. Cisco is seeking to address these employee concerns using four key programs: Cisco Talent Connection, Cisco Performance Connection, Cisco, Certified Management Professional, and The Leader Playbook. See the Our People section of this report for more information.
Governments and Regulators	Our Global Policy and Government Affairs team works with governments to help develop and influence public policy and regulations related to our industry. Government representatives contribute to our blog on High-Tech Policy: Thoughts and Opinions on Government Affairs. We also work with governments on collaborative partnerships that focus on social issues, such as education and healthcare.	Cisco’s critical policy priorities include increasing broadband and next-generation network deployment globally, reforming the U.S. patent system, and encouraging continued innovation in network security. Visit our Government Affairs page for more information on our key policy priorities and trade associations.
Industry	Cisco participates in industry partnerships to promote the role of ICT in sustainability, respond to new regulations, and help develop standardized approaches to challenges. For example, Cisco is working with the International Electronics Manufacturing Initiative to standardize lifecycle assessments of electronics products.	Our industry engagement currently focuses on the industry response to conflict minerals and e-waste disposal and recycling, through collaboration with organizations such as the Electronics Industry Citizenship Coalition. See the Value Chain section of this report for more information partnering with industry groups.

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Key Stakeholders (continued)		
Stakeholder Group	**How We Engage**	**Examples of How Cisco is Responding to Issues Raised**
Investors and Analysts	We communicate our business and CSR performance to investors through our Annual Report and this CSR Report. We meet regularly with investors and welcome their views at the Annual Meeting of Shareholders, following their adherence to appropriate procedures. Cisco also provides CSR information to sustainability investment indexes such as the Dow Jones Sustainability Index. See our Investor Relations website for more information.	In FY11, we responded to questions about Cisco's human rights approach through this CSR report and other activities, including investor dialogue, blog updates, and other forms of communication.
Sales Business Partners	We conduct a quarterly and annual survey that is designed to capture Cisco's performance with our partners and to understand what we need to do to help partners grow their business. The results are reviewed by the Cisco management team and have helped us identify new programs and services that the partner needs, as well as understand their priorities for investments.	Some of the actions we have taken as a result of listening to our partners include: Fast Track program, which makes it easier to access and sell high-volume Cisco technology; an easy to use Quick Pricing Tool designed to quickly generate a bill of materials and estimate pricing for Cisco solutions; and partner support SMART Designs that provide standardized best practice designs, removing the guesswork from building network solutions. Read more from Andrew Sage, Vice President of Worldwide Small Business Sales.
Suppliers	Cisco works with our global suppliers to incorporate CSR into all aspects of the supply chain, from product design to manufacturing and shipment.	Our partnerships with suppliers aim to address the environmental and social issues that we both face in the value chain. See the Value Chain section of this report for more information.

Cisco Invites Global CSR Stakeholders to the Virtual Boardroom

Cisco technology is playing an important role in helping the world shift to a low-carbon economy. In FY11, the Sustainable Business Practices team showcased this potential to our CSR stakeholders. We did so by inviting 25 CSR experts from 12 countries to provide feedback on our CSR performance and reporting in three sessions that used Cisco TelePresence technology.

The three sessions included participants from academia, institutional investors, nonprofit organizations, and peer companies. These sessions revealed that stakeholders' primary concerns are that Cisco provide better disclosure on social and environmental challenges. Cisco's business is closely linked to sustainability, and we heard that our performance on climate change and energy efficiency is comparatively leading edge, but participants wanted to understand more about what we are doing to promote the use of our products and services to drive the sustainability agenda. They also asked us to provide clearer, bolder environmental targets and report performance against them, as well as improved transparency on human rights issues.

We were pleased that stakeholders recognize Cisco's strong sustainability performance. However, we understand that our challenge is to provide more information through our reports and public communications. With this CSR report, we aim to address some of these issues.

Material Issues

Ongoing stakeholder engagement helps us gain insight on key CSR issues and how they impact Cisco. In FY11, we carried out a formal third-party materiality analysis that assessed the social interest in 23 relevant issues together with their impact on Cisco and associated opportunities or risks.

As a result of these efforts, we have been able to prioritize issues with the highest impact on Cisco and the highest societal interest. We increased our focus on issues that we consider to have growing associated risks or opportunities. The materiality process is ongoing, and our CSR communications and reporting reflect this regular analysis.

Ethics

Ethical business conduct is crucial to helping us attract and retain customers, business partners, and talented employees. The world is changing, and new products and services carry new ethical challenges. When we conduct business ethically, we reduce the likelihood of civil and criminal penalties, as well as human rights breaches.

Code of Business Conduct

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

The Code requires:

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

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

Cisco's Ethics Office oversees compliance and revises the Code annually, as needed. Revisions to the Code in FY11 included expansion of the anticorruption and antibribery section to make the overall language more global. The changes are meant to align our Code with the new U.K. Bribery Act and global best practices.

The Ethics Office also raises awareness about business ethics among employees, business partners, and suppliers. It offers ethics training for employees, helping them recognize ethics-related situations. For example, some associations and nonprofit organizations seek the technical expertise of Cisco employees and ask them to serve on their boards. Cisco encourages community service, but stipulates that any decisions our employees make as board members need to be made independently, and without bias or conflicts of interest. When contacted by employees, the Ethics Office reviews organizations, the level of board member influence (as advisors rather than managers of operations), and how the Cisco employee would be compensated for board service. Also, if the boards are making any decisions related to purchasing IT products or services provided by Cisco or our competitors, Cisco employees must remove themselves from any involvement in those decisions.

Reporting Concerns

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

- Speaking to a manager or human resources representative
- Contacting the legal department or Ethics Office about legal or accounting questions
- Contacting the Ethics Office directly by email or webform (more than 70 percent of concerns are reported this way)
- Reporting concerns through our global helpline, which is run by a third party and available to people outside Cisco. The Ethics Line is available in more than 150 languages and open 24 hours a day. Calls can be made anonymously if preferred (in countries where this is permitted by law). Our Ethics@Cisco website contains dialing instructions for over 60 countries.

Reported concerns cover a broad range of subjects. In FY11, they included conflicts of interest, policy issues, release of proprietary information, use of company assets, gifts and gratuities, and computer network and information security, among others.

We make it a priority to investigate all concerns raised and take appropriate disciplinary action when warranted. Violations may result in disciplinary action, including termination of employment in certain cases.

Employee Training

Senior leaders and the Board of Directors mandate ethics training, and employees are increasingly requesting it, particularly topic-specific and interactive training. Our programs aim to reflect these requests.

Our online Ethics Resource Center offers training modules, a discussion forum, links to ethics and compliance policies, and videos. It includes our award-winning "Ethical Mindset" training video series.

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 FY11, all of Cisco's eligible employees completed recertification. Newly hired employees must certify within three weeks of joining Cisco. The certification is available online in 13 languages and in an Americans with Disabilities Act (ADA)-accessible version.

In FY11, we added two training videos to the certification after Cisco's Audit Committee requested more ethics training. The videos focus on the Code's comprehensive content and how employees can get ethics assistance. They use humorous scenarios to improve engagement. When employees were surveyed through questions embedded in the certification website, more than

85 percent of respondents said the videos enhanced their understanding and found the mix of humor and serious content effective. To support our global workforce, the videos play automatically with translated subtitles if the certification is accessed in any of the nine most frequently used languages.

We provide on-demand training tailored to specific employee groups when it is requested by business or regional management. These have included:

- A course on the U.S. Foreign Corrupt Practices Act for employees who interact with government representatives and officials, monitored by our dedicated public sector compliance team
- Advice for managers on talking to employees about ethics and handling disclosures made by employees
- 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 with senior managers addressing Cisco's commitment to ethical business practices
- Live training for employees joining our sales teams (Cisco Sales Associates)
- Mandatory training for Sales/Services employees in China

Ethical Business Partners

Business partners include resellers, systems integrators, distributors, sales agents, and consultants who support sales. Whether they operate under a direct contract or an indirect agreement, we expect all partners to meet our high ethical standards.

Before inviting a potential partner company to enter into a direct contract with Cisco, we evaluate its credentials and reputation through a vetting process that includes corporate and executive background checks as well as a review of its current and previous business dealings.

Cisco partners must follow the ethical guidelines set out in our document "Promoting Successful Business Relationships." Once contracted, Cisco direct partners must periodically undergo additional background investigations.

Cisco relies on our global network of business partners to be responsible for the integrity and ethical behavior of any of their respective subcontractors, agents, or other third parties.

In addition, we promote ethical behavior throughout our value chain through our Supplier Code of Conduct. To qualify as a Cisco supplier, companies must also sign Cisco's Ethics Policy.

Awards and Honors for Cisco's Ethics Program

Recognition from industry leaders and compliance experts helps us confirm best practices and strive for improvement. External benchmarking helps us keep our Code of Business Conduct aligned with current standards.

Recent Awards for Our Governance and Ethics Program

- Ethisphere's World's Most Ethical Companies 2011: Cisco was included on the list for the fourth consecutive year
- Ethisphere's "Ethics Inside": Cisco achieved this certification, which includes third-party verification of ethics and compliance programs, in 2008, 2009, 2010
- Corporate Secretary Magazine's Award for Best Overall Governance, Compliance and Ethics Program: Cisco was a winner 2009 and 2010
- EthicalQuote rankings: Cisco was ranked in the top five by Swiss CSR company Covalence in 2010 and 2011
- New York Festivals 2011: Cisco was a Gold World Medal winner for our Ethical Mindset training videos

Recent Awards for Our Code of Business Conduct

- Ethisphere's Code Review 2011: The Cisco Code of Business Conduct received an A grade

Privacy

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

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

We implement best practices to keep our networks, systems, and information protected. Twice yearly, we analyze and publish security trends, changing threats, and innovative ways to transform IT and business models for greater security, using the results to identify early warnings. For example, social media has rapidly become a key communication vehicle for businesses. But its use comes with threats such as malicious code, malicious advertising, regulatory and legal actions, and social engineering. For Cisco employees, we have developed a social media policy that establishes guidelines and answers frequently asked questions regarding what is expected of Cisco employees in terms of online conduct.

Privacy Compliance

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

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.

Assessing Suppliers

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

Collaboration on Privacy

We value the insights and collaboration of peers in our work to protect customer security, and we share our experience with them as well. In FY11, we launched an external Privacy Portal showcasing our program, which incorporates industry-leading privacy and security practices. For example, we recently included our top five tips to avoid the pitfalls of social media and shared our policy that provides guidance regarding expectations of employees in terms of online conduct.

We have also been 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 participates in, or is a member of, privacy associations and alliances, including:

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

Privacy by Design

The increase in cloud computing applications in recent years has been accompanied by growing customer concern about the personal information that these applications collect about them. 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 a core component of our products, services, and systems.

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

Human Rights

Cisco supports the United Nations Universal Declaration of Human Rights and the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. We regularly evaluate and address human rights issues within our business operations and in the communities in which we operate.

Cisco was pleased to see the 2011 publication of Professor John Ruggie's report, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect, and Remedy" Framework*, and the endorsement of these principles by the UN Human Rights Council in June 2011. Cisco supports Professor Ruggie's framework and guiding principles, which were developed to give companies guidance on promoting and protecting human rights throughout their operations. We anticipate that Professor Ruggie's framework will become a best practice tool for the management of human rights in companies around the world.

Additionally, we have collaborated with CSR organizations such as Business for Social Responsibility (BSR), as well as with peer companies that are considered leaders in the implementation of this framework, to help inform our approach to integrating the framework into management processes. We plan to continue to monitor the use of the "Protect, Respect, and Remedy" framework by third parties as we develop a roadmap in 2012 to apply the framework and guiding principles. We intend to draw on expertise across Cisco to develop the roadmap.

Responding to Human Rights Issues

Cisco evaluates and addresses human rights issues within its business operations regularly. Cisco's Board of Directors and our management invest significant effort reviewing our activities and policies on an ongoing basis with the aim that they promote, and are consistent with, our initiatives regarding the improvement of human rights around the world. We engage with a number of

stakeholders, including non-governmental organizations and industry peers, on human rights issues. As an example, some investors have taken an interest in Cisco's human rights approach. We aim to respond to questions through investor dialogue, blog updates, our CSR Report, and other forms of communication.

Cisco believes that the freedoms derived from connection, including access to information, are crucial to protecting and advancing human rights. We believe that a positive and important by-product of our products' ability to connect populations globally is the increasing provision of education and healthcare to people in remote and underserved communities. For example, Cisco Networking Academy operates in 165 countries, bringing ICT skills education to approximately 1 million students. We also work with humanitarian organizations such as NetHope, a collaboration of 32 humanitarian organizations, toward the goals of meeting the critical human needs of people in disaster areas and helping to protect human rights. See the Society section for more information.

For our employees, Cisco's mandatory Code of Business Conduct outlines the ethical principles that guide our day-to-day activities. Our employee policies and guidelines incorporate relevant laws and ethical principles, including those pertaining to freedom of association, non-discrimination, privacy, compulsory and child labor, immigration, and wages and hours. With regard to our supply chain, Cisco is a member of the Electronic Industry Citizenship Coalition (EICC). The EICC's Supplier Code of Conduct specifically addresses human rights issues, including forced or involuntary labor, child labor, wages and benefits, working hours, non-discrimination, respect and dignity, freedom of association, health and safety, protection of the environment, supplier management systems, supplier ethics, and supplier compliance with laws.

Freedom of Access to Information

Cisco strongly supports free expression and open communication on the Internet. We are proud to have played a leading role in helping to make Internet technology ubiquitous, allowing billions of people in nearly every nation to access information previously unavailable to them. Our goal in providing networking technology is to expand the reach of communications systems, and our products are built on open, global standards.

Supporting open standards. Adherence to open standards is critical in the efforts to overcome censorship. We fundamentally believe in and adhere to global standards. This is vitally important in enabling the world to stay connected because if products were not interoperable, the Internet's incredible power would be diminished.

We do not support attempts by governments to balkanize the Internet or create a "closed" Internet, because we believe that such attempts undermine the cause of freedom. We do not customize or develop specialized or unique filtering capabilities to enable different regimes to block access to information, nor do we supply the mediation equipment that allows interception of VoIP communications. The equipment we supply in China is the same equipment we provide worldwide, which includes industry-standard network management capabilities that are the same as those used by public libraries in the United States, allowing them to block inappropriate content for children. For more information on how a network works, see the Introduction section of this report.

Moreover, Cisco has not and will not sell video surveillance cameras or video surveillance management software in its public infrastructure projects in China. Our work on the Smart+Connected Communities project in Chongqing, China, is based on standard, unmodified Cisco routing and switching equipment, and does not include video surveillance hardware or software.

We believe that the threat to Internet freedom today does not reside in standardized equipment, but rather in efforts to force suppliers to adopt special protocols or standards that deviate from global norms and enable special censorship or filtering systems. We have worked in opposition to such efforts, and will continue to do so. See our Government Affairs website for evidence of this work and for more information.

We support the principles of the Global Network Initiative (GNI) applicable to operators of public Internet access networks. In particular, were we to operate such networks, which we do not today, we would insist upon the due process protections set forth in the GNI principles relative to supplying user information. Where we have offered to build such networks and operate them temporarily, we have included contractual terms specifically permitting us to act in this manner during any period in which we might operate the networks. We do operate some of the networks providing services that are used primarily by enterprises such as WebEx and Callway (which allows for bridging of telepresence services). In those circumstances, we support the GNI principles. The nature of Internet routing is such that service providers can always see the address of the sender of information and the address of the recipient, and, absent adequate encryption, the contents of messages and attachments. Individuals, companies, and countries make their own decisions with respect to how they operate networks, and indeed, both network security (both protection of the network itself from denial of service and other attacks, and protection of users from spam, hacking, and virus attacks) requires operators to have capabilities that can be used to block access to websites or copy and download users' communications. Cisco cannot shut down such networks—only network operators have that capability. What we do advocate is that users have access to workable encryption, and we have opposed efforts of some governments to block users from adequate encryption.

Please read more about our position on this issue from Mark Chandler, Senior Vice President, General Counsel, and Secretary.

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Our Value Chain program aims to help build the capabilities of suppliers to deliver strong performance on all CSR issues, including human rights. We audit suppliers with the aim of uncovering any supplier human rights violations, and we likewise work with suppliers to improve their performance in various other CSR areas. Cisco is committed to partnering with suppliers that share the same values about human rights and expects suppliers to address any issues identified as a top priority. See the Value Chain section for more information about the program, and about Cisco's response to human rights issues, including the use of juvenile labor, conflict minerals, and human trafficking and slavery.

Cisco's sales activities are conducted in strict compliance with U.S. export rules and regulations, which are informed and guided by human rights principles.

Looking Ahead

Cisco's established CSR governance approach reflects our company culture, business strategy, and structures. We will continue to review and refine this approach to learn from and incorporate examples of best practices from other companies and organizations.

In FY12, we aim to better align our CSR business processes with Cisco's overall business by encouraging closer collaboration through issues-based working groups and operating committees. By doing so, we will obtain timely cross-functional input from subject matter experts on challenges and opportunities, enabling us to provide better leadership and direction in our identification, management, and reporting of CSR issues.

Our strong culture of ethics and the Code of Business Conduct that have helped Cisco to earn its reputation as a trusted company and valuable partner will continue to support responsible and sustainable business practices as we face new challenges. We will continue to use insights from customers and suppliers as well as other stakeholders to review and strengthen our governance practices to meet these challenges.

Objectives for FY12
Continue to undertake robust stakeholder engagement on all CSR issues, including governance, to guide our CSR activities and resources.
Use credible research firms and indices, such as the Dow Jones Sustainability Index and Oekom Research, to benchmark Cisco against peer companies and CSR leaders.
Create issues-based working groups to inform our responses to recent CSR recent developments, such as the publication of the John Ruggie's report, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect, and Remedy" Framework*.

Watch the Video! Smart design reduces the environmental impacts of packaging. Cisco's design-led approach to packaging has reduced waste and decreased transportation costs.

Value Chain

We take a holistic approach to corporate social responsibility (CSR) in our value chain, managing sustainability issues at every stage of the lifecycle of our products. Working closely with suppliers is a priority to help maintain our high standards for ethics, labor rights, health and safety, and the environment throughout the value chain.

Value Chain

Our core business is designing innovative products and bringing them to market. Cisco's value chain is almost entirely outsourced, with a network of more than 1000 suppliers providing services that include the manufacture, testing, shipping, return, reuse, and recycling of our products. Clear communication and close collaboration with these suppliers are critical to our ability to deliver high-quality products to customers while meeting our CSR goals.

We communicate our expectations through our Supplier Code of Conduct, with which all suppliers must comply, and we monitor compliance through supplier self-assessments and third-party audits. Cisco also plays a broader role in raising standards throughout the ICT value chain by working directly with suppliers and by supporting industry initiatives designed to build sustainability capabilities.

Our strategy focuses on three key areas:

- Embedding sustainability into routine business practices at every stage of the value chain product lifecycle
- Working with our direct suppliers to make improvements in our immediate supply chain
- Partnering with industry consortiums to develop common standards and tools to address broader sustainability challenges in the ICT value chain

Our value chain management 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, and delivery. The suppliers to our value chain operations are numerous, complex, and globally dispersed. Three main types of suppliers are involved in our value chain:

- **Contract manufacturers:** A select group of suppliers that produce finished Cisco products
- **Component suppliers:** A much wider group of suppliers, often contracted directly by Cisco to provide parts to our contract manufacturers 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 end of life, where environmental impacts are the main focus (see Environment).

Preferred Suppliers

Fewer than 100 "preferred suppliers" account for the majority of our expenditure with value chain suppliers. These include all of our contract manufacturers and logistics service providers as well as some component and materials suppliers.

Preferred suppliers have committed to work closely with Cisco and to invest in a long-term, strategic relationship that delivers innovation and value to our customers. They have a high level of engagement with Cisco across all aspects of the business, including sustainability. To qualify and maintain their status, preferred suppliers must consistently achieve a high level of performance in key areas such as cost, quality, technology, fulfilment, and responsiveness. We are also introducing new criteria on sustainability as part of our scorecard process for monitoring their performance.

We focus our efforts on preferred suppliers because the majority of our value chain expenditures and new business opportunities go to them. We began our audit program and capability building efforts with our contract manufacturing suppliers, but now we are expanding our efforts to include component suppliers in our audits and scorecard process.

Cisco Technology in Action: Cisco TelePresence

The product: Cisco TelePresence combines high-definition audio and video for live, life-size, face-to-face interaction over the network.

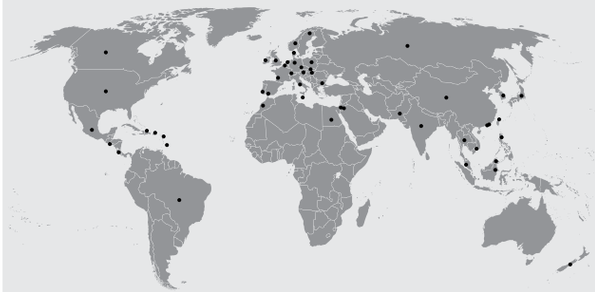
How we use telepresence to collaborate with suppliers: We encourage our preferred suppliers to install Cisco TelePresence facilities to enhance collaboration. Cisco TelePresence enables us to communicate better and address critical issues face-to-face without the need for travel. This supports our CSR program by allowing us to engage more effectively with suppliers' senior management to follow up on audit findings and any other issues. At the same time, it reduces travel costs and related carbon emissions.

Value Chain Profile

Map of Cisco value chain suppliers and facilities.

Mouse over any of the six regional labels below for an enlarged view.

North America | Asia/Pacific
Latin America | Europe
Africa | Middle East



Embedding Sustainability in Core Business Processes

We manage every stage of our value chain throughout the lifecycle of our products against four CSR or sustainability pillars:

- Social responsibility and human rights
- Environment
- Ethics and governance
- Health and safety

We aim to embed these pillars into routine business practices so that they are an integral part of every aspect of our own operations and our relationships with suppliers. Achieving this will further improve the management of our value chain and ensure business continuity by reducing risk (see Risk Management).

Cisco has adopted the Electronics Industry Citizenship Coalition (EICC) Code of Conduct for all value chain suppliers. It sets out our expectations of suppliers in each of the four pillars outlined above and related management systems. In FY11, we amended our four pillars to better align them with key elements of the Code. The Code is reviewed and updated regularly so that it continues to reflect best practices and take account of emerging issues. The next formal update will be in early 2012.

Compliance with the Supplier Code of Conduct is part of our contractual agreements with suppliers. In FY11, we further embedded sustainability into our relationship with preferred suppliers by developing new sustainability criteria that are being integrated into the business scorecard we use to establish their status as preferred suppliers and to monitor their performance. We consulted with our suppliers in developing these criteria to better target the most relevant issues. Our goal is for sustainability to be an integral part of the scorecard for preferred suppliers in FY12 and beyond, alongside other criteria such as quality and technical requirements.

Suppliers' performance against these metrics will be reviewed as part of their business reviews at least twice a year.

To integrate sustainability into core business processes and effectively raise awareness of our requirements among suppliers, it is essential that our supplier management teams understand sustainability and communicate about it confidently. This is increasingly important as these teams become responsible for monitoring sustainability performance as part of the scorecard.

In FY11, we developed and began rolling out a web-based training module on sustainability and the Supplier Code of Conduct for employees who engage regularly with suppliers. The rollout will continue during FY12. The training is based on a course developed by the EICC that we have customized to address Cisco programs and procedures. Supplier management teams will take refresher training as necessary to update themselves on changes to the Code and other emerging issues.

Cisco Value Chain Sustainability Guiding Principles

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

- Operate ethically and in compliance with applicable laws
- Value employees, embrace diversity, and promote a fair and respectful workplace
- Provide a safe and healthy workplace and strive to reduce the environmental footprint of products and operations
- Be an asset to local communities by supporting educational, healthcare and critical community needs, and economic development
- Promote the growth and use of diverse suppliers
- Maintain and improve management systems that govern responsible operations

Promoting Supplier Diversity

Promoting the growth and use of diverse suppliers (in the form of woman- and minority-owned businesses) within the value chain is both one of Cisco's Value Chain Sustainability Guiding Principles and an important element of the "social responsibility and human rights" pillar of our value chain strategy. Working with diverse suppliers gives us access to a broader range of innovative supply chain partners, enhances value chain competitiveness, and increases customer satisfaction.

We promote support for diverse suppliers throughout the value chain by:

- Using our relationships with our contract manufacturers to encourage them to use diverse component and materials suppliers on our approved supplier list wherever possible, and report on their related expenditure
- Encouraging other preferred suppliers to buy products and services from diverse suppliers, and periodically reporting their diverse expenditure to us
- Providing a range of mentoring and networking opportunities to help diverse suppliers develop their global businesses capability and competitiveness

The supplier diversity program is underpinned by the extensive involvement of our executive management team. Several of our senior executives have volunteered to mentor diverse suppliers and provide coaching and guidance to help them grow their business with Cisco and others. In FY11, our diverse suppliers achieved impressive results in expanding their global footprint and building their business capability and scalability. The achievements of diverse suppliers are recognized with an award at our annual Supplier Appreciation Event.

We also link our support for diverse suppliers to programs such as our Cisco Networking Academy for ICT skills and other programs that build business skills and capabilities. For more information on supplier diversity, see page E10.

Partnering with Suppliers to Improve Performance and Build Capability

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

Cisco Supplier Code of Conduct

1

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

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

2

Evaluate suppliers to identify higher risk facilities

Our risk assessment of each supplier facility is based on factors such as our budget with the supplier, the country where the facility is based (using external global risk indices), number of employees, and type of product or service provided.

3

Evaluate those facilities through self-assessments

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

4

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

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

5

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

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

6

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

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

Supplier Audits

All audits, whether EICC-validated or Cisco-sponsored, are conducted by third-party auditors at suppliers' facilities. Cisco representatives participate in selected audits where potential high-risk issues have been identified in the supplier's self-assessment or by other means. Audit criteria include environment, ethics, health and safety, labor standards, and related management systems. Auditors use the standard protocol and audit tools developed by the EICC. This includes:

- 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 local language separately from management

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

Audit Findings

In FY11, we completed a series of audits of supplier facilities, the findings of which are shown in the chart on the next page. As was the case last year, the majority of the findings related to labor, health, and safety. All major issues identified in these audits have been resolved, or have corrective action plans in place that we are continuing to monitor. We are also continuing to analyze the findings of a number of other audits conducted in FY11, the results of which will be published in our FY12 report.

We have conducted initial audits, and in many cases repeat audits, of all of our contract manufacturing suppliers' facilities, and in FY11 we began to focus more of our audits on component suppliers, which supply parts to our contract manufacturers.

Audit findings and corrective action plans enable us to identify trends and opportunities to help suppliers enhance their sustainability capabilities.

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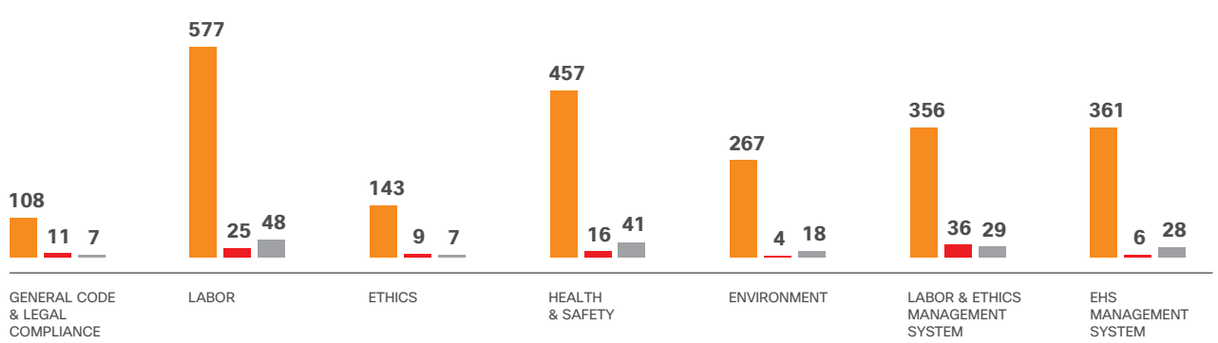
FY11 Supplier Audit: Summary of Findings



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

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

Examples of Audit Findings and Responses in FY11

Category	Finding	Response
Labor	Excessive overtime and consecutive days worked. Supplier is meeting local labor regulations on working hours, but not those set out in the EICC standard.	Supplier has agreed to implement measures to achieve compliance with EICC standard.
	Improper deductions from pay.	Supplier has withdrawn its policy of deducting wages as a penalty. Withheld wages have been refunded to workers.
Health & Safety	Dormitory area being used to store semi-finished goods.	Production goods were immediately removed and new controls have been implemented to regulate proper use of the dormitory area.
	Lack of appropriate controls for workers to prevent exposure to chemical agents.	A process has been established to strengthen controls, and training is being conducted for relevant workers and managers.
Environment	Wastewater discharged from compressors exceeded local limits.	New filters have been installed in the sewage system, and a specialist has been hired to improve the wastewater control system.
	No process in place to check if air emissions are compliant within legal limits.	A system for measuring air emissions has been established and documented as part of the overall Environment, Health, and Safety program. External lab tests are to be conducted on an annual basis to monitor performance.
Labor & Safety Management	No appropriate management system in place for labor and safety management.	Supplier has committed to establish an appropriate management system to meet this requirement.

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Capability Building

To improve sustainability performance globally, we work closely with our preferred suppliers to help them improve their performance. In FY11, we engaged with many of our preferred suppliers to communicate our sustainability priorities, understand their priorities and challenges, and identify opportunities where we can partner to improve overall sustainability performance. These discussions helped to align priorities and better prepare suppliers to implement programs that support Cisco's sustainability goals. The integration of sustainability metrics into our scorecards and business reviews for preferred suppliers will help to continue this engagement.

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

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

Watch the Video! Smart design reduces the environmental impacts of packaging. Cisco's design-led approach to packaging has reduced waste and decreased transportation costs.

Cisco's comprehensive Juvenile Labor Guidance document, for example, clarifies suppliers' obligations in relation to legally hiring and managing workers younger than 18 years of age. It sets out the requirements of key regulations and international conventions as well as specific examples of potential non-compliances. We began sharing the guidance document with suppliers in FY11 and will complete this process with existing suppliers in early FY12.

We aim to raise sustainability standards throughout the supply chain by working with our suppliers to help them improve their management systems and put in place similar processes to work with their own suppliers. Our Supplier Code of Conduct requires our Tier 1 suppliers (those with whom we have a direct relationship) to apply these same standards to their own suppliers. We also encourage them to join the EICC to participate in wider industry efforts to build capability and drive standardization.

The environment is another key focus of our capability-building activities. Helping suppliers improve their management of environmental issues and reduce their impacts can, in turn, help us reduce the overall impacts of our products throughout their lifecycle. In FY11, we worked closely with our logistics providers to improve environmental performance in the transportation of our products to customers. By shifting transport of one of our larger products from land to sea freight, and consolidating freight where possible, we achieved an estimated reduction of 33,000 tonnes in greenhouse gas emissions. Many of our logistics providers also replaced existing vehicles in their fleets with lower-carbon electric or hybrid vehicles. For more information on our approach to managing environmental issues throughout the lifecycle of our products, see the Environment section.

Working with Suppliers in China to Improve Wastewater Quality

In April 2010, the Institute of Public and Environmental Affairs (IPE), a Chinese NGO, found that a number of electronics manufacturing facilities supplying components to global ICT brands did not comply with regulations for emissions of heavy metals in wastewater.

One of our suppliers was implicated by the IPE's report, although it was not supplying products to us at the time of the investigation. After we saw the IPE report, we contacted the supplier and commissioned a third-party audit of its environmental procedures to understand how heavy metals had entered the wastewater and to determine if there was an ongoing problem. As a result of these studies, the supplier took appropriate corrective actions to improve its wastewater management system.

We used our experience from working with this facility to produce and share guidance with our other manufacturing suppliers to help them both understand our strict requirements and accurately assess their environmental performance. We continue to engage with IPE through the EICC to increase compliance with environmental regulations across the industry.

Working with Industry Groups

The toughest sustainability challenges facing the ICT supply chain cannot be resolved by one company alone. Cisco promotes responsible practices in the wider ICT value chain through industry collaboration and participation in global industry consortiums such as the EICC and the International Electronics Manufacturing Initiative (iNEMI). These forums enable Cisco to exchange ideas and pool resources with industry peers, share best practices, respond to stakeholder concerns, and influence the development of industry standards.

We have adopted the EICC Code of Conduct for our suppliers and currently are working with the EICC to develop the latest version of the Code, which is due for publication in FY12. The ethics and governance elements of the Code will be a key focus of this review to see that they adequately address the requirements of:

- The US Dodd-Frank Wall Street Reform and Consumer Protection Act (see Conflict Minerals).
- The 2010 California Transparency in Supply Chains Act
- The updated Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- The UK Bribery Act, which came into force in 2011

Due to come into effect in January 2012, the 2010 California Transparency in Supply Chains Act will require large retailers and manufacturers that do business in the state of California to provide information about their efforts to eradicate slavery and human trafficking from their supply chains. Cisco is a member of the EICC's new task force on Freely Chosen Employment that will recommend suitable tools to test compliance with the Act and revise the Supplier Code of Conduct, which already prohibits the use of forced, bonded, or child labor. We also support the EICC's goal to develop a business environment that enables substantial reduction of excessive overtime in manufacturing facilities based in China, an issue that was highlighted by NGO campaigns in FY11.

Through the EICC, we are developing common industry tools to support suppliers in improving sustainability performance. In FY11, Cisco helped create new training courses, including those on code of conduct awareness, occupational health and safety, and worker management communications, that focus on workers' rights and creating a positive working environment. Cisco invited some of its major suppliers to take part in pilots for these courses. We are also working through the EICC on the issue of conflict minerals (see below).

Our participation in iNEMI focuses on reducing the environmental impacts of the supply chain. For example, Cisco leads a work group to define standard methodologies and approaches to simplify lifecycle analyses for the ICT industry, as well as projects to identify alternatives to PVC and halogenated flame retardants in printed circuit boards. For more details on Cisco's activities in this area, see the Environment section.

Tackling Conflict Minerals

Increased scrutiny from campaign groups 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: Coltan or columbite-tantalite (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 are under the control of armed groups. The concern is that the mining and purchase of these minerals from the DRC and its adjoining countries may be directly or indirectly financing or benefiting armed groups in the region that are often accused of major human rights abuses.

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

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

Through our participation in the EICC Extractives Working Group, we are supporting industry initiatives to better understand the challenges of establishing a chain of custody for these minerals, and to develop tools to trace them back to their source. The working group brings together a wide range of stakeholders from miners, smelters, and brokers to capacitor makers and other manufacturers of electronic components and products.

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

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

Cisco is working with the EICC to develop a standard methodology for auditing the metals supply chain, which is intended to create a common way of collecting and reporting this information.

In addition to our participation in these industry efforts, we are engaging directly with our suppliers to understand their processes to track the source of metals and minerals used in their products. For more information on industry initiatives, see www.eicc.info.

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Looking Ahead

Stakeholders continue to ask companies for more information about the sustainability impacts of their supply chain, with NGO campaigns, customers, financial analysts, and new regulations requiring companies to demonstrate increased transparency.

A major focus in FY12 will be demonstrating that requirements and due diligence procedures are in place to meet new regulations such as the US Dodd-Frank Act and the California Transparency in Supply Chains Act. We will share our responses to these and other issues with stakeholders as they evolve.

Using our systematic approach (consistent with international standard ISO 26000), we will further integrate sustainability into existing value chain business processes by, for example, including sustainability criteria in our business scorecard for preferred suppliers.

We will continue to work closely with our suppliers to help build their sustainability capabilities, as well as contributing to industry efforts to promote standardization and implementation of best practices throughout the ICT supply chain. An important focus of this work in FY12 and beyond will be on improving labor practices in our supply chain, which remains a challenge.

Objectives for FY12	
Embedding Sustainability in Core Business Processes	Integrate sustainability questions into our business scorecard for preferred suppliers to better understand their performance, identify where they need support, and promote ongoing improvements
	Launch a Supplier Appreciation Award for Sustainability to recognize suppliers that demonstrate an outstanding commitment to sustainability
	Provide additional training on sustainability issues for employees who engage regularly with suppliers
Partnering with Suppliers to Improve Performance and Build Capability	Communicate and require suppliers to acknowledge the revised Supplier Code of Conduct
	Enact processes that meet the requirements of the US Dodd-Frank Act and the California Transparency in Supply Chains Act of 2010
	Partner with suppliers to identify and realize sustainability improvements
Working with Industry Groups	Continue to work through industry groups such as EICC and iNEMI to develop tools and standards to address global sustainability challenges

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Watch the Video! State-of-the-art facilities such as Cisco LifeConnections help to maintain the health, wellness, and work-life balance of employees.

Our People

Inspiring our employees is critical in fulfilling our vision. We want them to feel that working at Cisco is more than just a job. We depend on the ideas, energy, and commitment of our people, and we continue to focus our efforts on building an engaged, talented, and motivated workforce that will contribute to our ongoing success.

Our People

Our employees are experts in engineering, sales, and business support with diverse backgrounds, skills, and experience. At the end of FY11 we employed more than 71,000 people[1]. Over 17,000 are based at our headquarters in San Jose, California, and the others work in over 470 offices in 165 countries.

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

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

Cisco Technology in Action: Cisco Virtual Office

The Product: Cisco Virtual Office

How We Use Cisco Virtual Office to Support Our Employees: Cisco Virtual Office allows our people to work from home and improve their work-life balance by offering a seamless home office experience comparable to working in a Cisco office. It provides wired and wireless data connectivity, voice service capabilities, and support for video over broadband Internet access. Cisco Virtual Office gives our people more flexibility as well as reducing costs and providing workforce continuity during emergencies.

1. This number does not reflect the results of the workforce reduction or the sale of our Juarez manufacturing facilities.

Changes to Our Workforce

In response to the changing economic environment, we have transformed the way we operate. In FY11, we undertook a comprehensive action plan to simplify the organization, refine operations, and reduce annual operating expenses. This resulted in a global reduction in our workforce of 6500 people, including 2100 who took voluntary early retirement packages. This reduction represented 9 percent of our regular full-time workforce, and all functions were affected. The roles impacted by the workforce reduction were determined by the results of comprehensive workforce and functional business planning that took into account company priorities and product portfolios. Employees affected by the restructure received generous severance packages and outplacement assistance. We are committed to treating all of our employees with uncompromising integrity and respect throughout these difficult processes.

Affected employees had the opportunity to use Cisco Talent Connection to apply for the limited internal opportunities that were then available. In addition, our Career Transition Service provider continues to connect them to opportunities with select customers and partners through the Cisco Partner Placement Program.

In FY11, Cisco announced the sale of our manufacturing facility in Juarez, Mexico, to Foxconn, as part of our efforts to streamline operations. The deal closed in FY12.

Working Together

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

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

Communications

It is essential that all employees understand our goals and expectations, and we must listen to their feedback, especially in times of change. Our employee communications aim to foster a culture of openness, with the goal that our individual business functions are aligned with our internal vision, strategy, and execution.

Employees have an opportunity to engage with senior management and learn about the company's strategy through events such as:

- Annual virtual strategic leadership meetings for all employees of director and higher grade, and virtual sales meetings for our entire sales organization
- Quarterly companywide and leadership (managers only) meetings, earnings announcements and videos, and functional meetings
- The Cisco Employee Connection intranet site, which runs short surveys to help executives keep their fingers on the company's pulse
- The Cisco "Insight Series" with John Chambers to help employees understand how we are navigating the changes to our operations and workforce
- Dedicated resource pages on our intranet to help employees understand how we are simplifying operations

Pulse Survey

Our annual Pulse Survey is one of the most important listening tools at Cisco. It is a confidential, online survey for all employees that helps leaders pinpoint the most effective ways to improve the employee experience. The response rate remained high in FY11, with 81 percent of employees taking part in the survey, although this is a slight decline from the record 85 percent response rate we achieved in FY10.

Unfortunately, consistent with the slight decline in the overall participation rates, several of the individual categories were also down from FY10, as seen in the Pulse Survey results table. Similar to the previous two years, Recognition continued to be a low-scoring area, although it has improved from FY10. Organizational alignment also declined, reflecting the employee sentiment prior to the recent restructure. Results from the survey helped us identify opportunities for improvement, and we are working to develop long-term solutions to areas of employee concern. In response to the survey results, we are focusing on four key programs to address these challenges in FY12:

- **Cisco Talent Connection:** Identifies career movement opportunities and sources talent from within the company
- **Cisco Performance Connection:** Creates the platform for development opportunities and performance dialogue between managers and employees
- **Cisco Certified Management Professional:** A certification program, coming in FY12, that is designed to build excellence in leadership and management capabilities and inspire outstanding people management practices
- **The Leader Playbook:** A step-by-step resource for managers and directors to engage employees during times of transition

We saw an increase in Respect for People scores from 82 to 84 and a significant increase in our Manager Index from 77 to 83. The Manager Index refers to specific areas that managers can directly affect, such as supporting employees in balancing work and family life and fostering the fair treatment of employees within their teams. Pulse and function-level survey results have been available to all employees since 2009 to encourage openness and communication.

Pulse Survey Results

Category	2009 Scores[1]	2010 Scores[1]	2011 Scores[1]
Employee Engagement Index	87	82	79
Collaboration	86	85	85
Respect for People	83	82	84
Communication	77	79	79
Organizational Alignment	82	79	66
Inclusion Index	79	78	79
Innovation and Excellence	78	77	73
Manager Index	NA	77	83
Development	73	72	75
Recognition	65	65	68

1. Pulse asks employees to indicate their level of agreement on positively phrased statements using a five-point scale, with responses ranging from "Strongly Disagree" to "Strongly Agree". We consider 80 percent or above to be a positive result, 70-79 percent indicates room for improvement and below 69 percent identifies an area of opportunity.

Collaborative Leadership

The Cisco Center for Collaborative Leadership focuses on organizational transformation, executive talent management, and leadership development. Cisco's competency model, C-LEAD, defines what leadership looks like at Cisco and is named for five capabilities: Collaborate, Learn, Execute, Accelerate, and Disrupt.

In FY10, we launched a new Leadership Channel for our leadership and management, offering collaborative, technology-based events, blogs, moderated chats, and discussion forums with both Cisco and external global thought leaders. The channel connects world leaders and leadership gurus such as Madeleine Albright, former United States Secretary of State, and Deepak Chopra, doctor and spiritual leader, with Cisco's leaders through Cisco's collaborative technologies. In FY11, Bersin and Associates awarded Cisco's Leadership Channel with a Leader in Learning Award.

In FY11, Cisco developed the Emerging Markets Leadership Incubator to focus on developing leadership capabilities in emerging markets. The program will accelerate leadership skills in important growth markets for Cisco.

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A Safe and Healthy Work Environment

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

Health and Safety

The health and safety of our employees is crucial. The purpose of our Occupational Health and Safety Program is to identify and reduce the risk of injury and illness across our operations. We do this by standardizing health and safety management while allowing location teams to monitor effectiveness.

The majority of employee workplace injuries are ergonomic issues, and in FY11 we continued to focus on ergonomic-related injury awareness and prevention. Our office-based employees benefit from our Global Ergonomic Program that provides in-person and virtual support to help identify, measure, and reduce ergonomic risks.

We follow global regulatory and industry standards in our Lab Safety Program, using a risk-based approach that provides guidance on assessing, communicating, and managing lab-based safety hazards. Remote workers fall under our wider occupational health and safety scheme.

Our employee injury and illness rate for U.S. operations fell from 0.33 in FY10 to 0.30 per 100 full-time employees (FTEs) in FY11, and the rate of injuries and illnesses resulting in lost time decreased from 0.14 in FY10 to 0.03 per 100 employees in FY11, a return to our FY09 level.

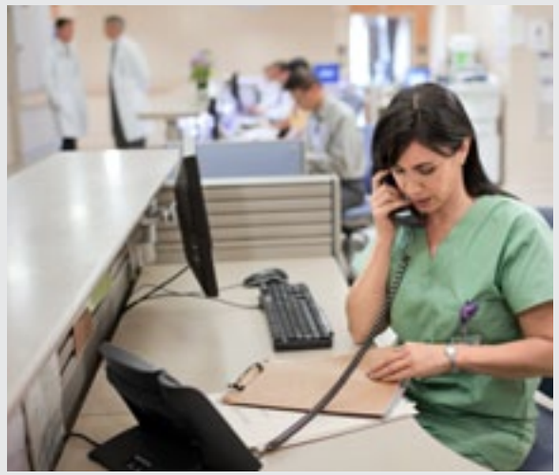
Cisco's Global Safety, Security, and Business Resiliency department is responsible for the protection of employees, property, revenue, and physical assets. This group manages significant global, regional, and local incidents such as tsunamis, earthquakes, and typhoons as well as social and political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

Health and Well-being

We provide health insurance covering medical, disability, and life benefits to eligible employees. Our programs cover common health-related issues such as pregnancy, healthy living, and condition management to encourage healthy, balanced lifestyles. Our Wellness Challenges, six-week programs that encourage healthy behaviors, are open to employees and their spouses or domestic partners. Past challenges have focused on eating healthfully, improving sleep habits, and increasing exercise. We offer participants US$100 per challenge, and there is no limit on the number of challenges employees and their spouses/partners can participate in, although they are only offered once per quarter.

U.S. employees have access to additional support programs from prenatal to eldercare assistance, and our San Jose headquarters offers a health center, pharmacy, fitness center, and vision center. Employees at our Research Triangle Park main campus in North Carolina can also visit an onsite clinic that's an extension of the San Jose health center. In addition, we provide a health and fitness center in Bangalore, India. Employee-led community and resource groups allow employees to share their experiences and offer support on a range of issues.

We are committed to helping our employees balance family and work demands. In FY11, we opened a new childcare center in Bangalore, India, which serves nearly 100 children, in addition to our existing onsite childcare centers at our headquarters in San Jose, California. Many of our sites around the world offer mothers' rooms that provide space for breastfeeding. We offer referral services for employees having difficulty balancing work and personal demands, a global employee tuition assistance program, and a child scholarship fund for the children of deceased employees.



Easing the Burden of Chronic Conditions

Cisco's Condition Management is a confidential voluntary program available to Cisco employees and their families with chronic conditions such as diabetes, heart disease, or asthma. By working with nurses, employees create a plan to manage their ongoing health needs. Nurses have helped Cisco employees improve their diet, maintain a healthy work-life balance, and develop effective exercise programs.

Watch the Video! State-of-the-art facilities such as Cisco LifeConnections help to maintain the health, wellness, and work-life balance of employees.

Flexible Working

Our employees have the opportunity to use Cisco technology to work flexibly. Cisco solutions such as Cisco Virtual Office, Cisco TelePresence, and Cisco WebEx all facilitate remote working and flexible work practices. These have been widely adopted by our employees:

- Telecommuting is used by 95 percent of employees, and the number of remote workers (employees primarily working from home) rose from 1100 in FY10 to 1232 in FY11.
- Remote working was expanded in FY11 to reach 90 percent of the regions in which we operate.
- Part-time opportunities are available in Europe and the United States, and some sites in the Asia Pacific region. The number of part-time workers at Cisco rose from 220 in FY10 to 225 in FY11.
- Our Off/On Ramp program also allows eligible employees to take a career break for one to two years and then return to the company, as long as they secure an open position before the end of their leave. Participating employees are not paid but are still eligible for company-paid benefits during the first year.

Fostering an environment of diversity and inclusion creates a culture that celebrates differences and unique ideas.

Supporting New Parents

In FY11, we opened a new center in India to offer our Bangalore-based employees better childcare facilities and enable them to visit their children during the day. The Cisco Globalization Childcare Center at the Cessna Business Park in Bangalore offers state-of-the-art, custom-designed facilities, including specialty classrooms, a music and movement room, a gymnasium, sleeping areas, and a language center focusing on language development. Children benefit from freshly prepared meals onsite and eat together with their teachers.

The center will enable Cisco to better support new parents as they return to work and provide the employees who use this resource the opportunity to grow professionally while balancing their personal commitments. We also offer subsidies for use of the childcare center based on the employee's salary and the number and ages of their children. We use an affordability index to make sure that employees pay no more than 15 percent of their Cisco base salary per child for each month of childcare and tuition.

An Open and Diverse Culture

Fostering an environment of diversity and inclusion creates a culture that celebrates differences and unique ideas. We recognize that inclusion and diversity of people and perspectives bring value to our business, foster an innovative environment, and help us to develop a workforce that mirrors our customers and communities.

We value diversity and seek to provide tailored support for employees. For example, we developed a Pacific Rim Asian Talent Development Pilot to help our Pacific Rim Asian employees develop their networks, improve presentation skills, and influence without the use of authority, taking into account Asian traditions and values. We will measure the success of this program by the number of Asian leaders at Cisco in the next 5 to 10 years.

In the U.K., we piloted JUMP, a personalized development program for non-management-level women. The program enables each participant to determine her own development goals, and incorporates individual mentoring and ongoing virtual follow-up. Participants complete three modules over nine months, covering leadership, career planning, and execution. Following a successful pilot in 2010, we now plan to extend the program into FY12 and to women in other locations.

Diversity Performance

In FY11, women made up 22 percent of our global workforce, a 2 percent decrease since FY10. The proportion of women in new hires also dropped slightly from 22 percent in FY10 to 19 percent in FY11. However, the number of women in senior roles of Vice President or above remained at 15 percent.

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In the United States in FY11, 45 percent of our employees reported that they were non-Caucasian, compared to 44 percent in FY10. The proportion of new hires who declared that they were non-Caucasian rose from 42 percent in FY10 to 47 percent in FY11. Non-Caucasians made up 24 percent of Vice Presidents in FY11 (compared with 22 percent in FY10).

Cisco Employees Celebrate Diversity

Cisco employees joined the global celebration of the UN World Day for Cultural Diversity on May 21, 2011. During the month of May, we invited employees to join millions of people worldwide in “doing one thing for diversity” by experiencing another culture, or making a difference for a cultural group. Approximately 300 employees around the world participated, sharing their efforts through our dedicated Voices of Cisco discussion thread and by uploading a photo or video to our “Do One Thing” photo gallery. Employees shared traditional meals with their teams and attended cultural events.

To further broad inclusivity, we work to make our products and systems accessible for employees with disabilities through the companywide Cisco Accessibility Initiative. This is a program that stresses the importance of creating accessible products, websites, and documentation. For more information, see Product Accessibility.

Awards and Recognition in FY11

Recognizing Our Company

- Winner of the Inclusive Culture category at the U.K. Opportunity Now Awards
- Awarded the Disability Matters Employer of Choice Award
- Cisco-Lawrenceville awarded the Gold Presidential Volunteer Service Award by the Atlanta Community Food Bank
- Recognized as one of the Best Companies to Work for by Fortune 100
- Recognized as one of the Top 25 Public Company Diversity and Inclusion Leaders by Racing Toward Diversity magazine
- Recognized by the Hay Group as one of the Top 20 Best Companies for Leadership
- Awarded the Alfred P. Sloan Award for Business Excellence in Workplace Flexibility

Recognizing Our People

- Cisco employee Sabrina Dar was nominated for the Business Leader of the Year by the Asian Women of Achievement Awards
- Young Women’s Christian Association of Silicon Valley’s 27th Annual Tribute to Women Awards honored three Cisco employees: Marilyn Nagel, Alison Gleeson, and Kathy Bries
- Cisco employee Akilah Smallwood was featured by U.S. Black Engineer and Information Technology magazine
- U.K. Women in Technology Awards recognized Nikki Walker and Bernadette Wightman
- Jaime Valles was named one of the Top 50 Technology Executives in Latin America at the HITEC Top 50 Latin American Symposium and Awards

Employee Opportunities

A highly skilled workforce is imperative to remain economically competitive and sustain our ongoing success. Our flexible learning opportunities enable us to respond to market conditions and support innovation. We recognize our employees’ core skills and address their development needs and career aspirations. Our formal and informal learning and development opportunities support employees’ ongoing success. This, in turn, helps us to retain top talent.

We offer a variety of standard and customized courses for management, technical, and professional development. In FY11, Cisco spent more than US$113 million on employee training and development. Eighty-two percent of employees participated in at least one course, collectively spending more than 2.4 million hours in learning and development training courses.

In FY11, we launched Cisco Performance Connection, a year-round performance management and development process that enables alignment and prioritization of work, and creates opportunities for development and performance dialogue between managers and employees. Discussions between managers and employees include setting performance and development goals at the start of the year, which sets a baseline for performance reviews thereafter.

To encourage talented employees to build their careers with Cisco, we promote opportunities for career progression within the company. Cisco Talent Connection is a platform for internal recruitment that establishes a marketplace of opportunities for employees and enables managers to respond quickly to changing business needs.

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Rewarding Our People

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

Compensation and Recognition

Our total rewards philosophy is focused on providing compensation, benefits, and long-term savings packages that are competitive in each of the markets where we operate. We align employee and company goals through our bonus program, which makes a direct link between the company's performance, the individual's performance, and employee pay.

Exemplary contributions from high performers are rewarded by cash and stock awards. Outstanding sales performance, collaboration and technology, and long-term service milestones are also recognized with awards.

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

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

Cisco Employee Benefits

- Adoption Assistance (U.S.)
- Autism Benefit (Global)
- Baby Gift Program (Global)
- Children's Scholarship Fund for the children of deceased employees (Global)
- Cisco Equipment Discount Program (U.S.)
- Death Benefits for Family (Global)
- Education Benefits: Employee Tuition Assistance (Global)
- Family Crisis Assistance (Global)
- Eldercare Program (Global)
- Employee Assistance Program (Global)
- Employee Bonus Program (Global)
- Employee Discount Program (U.S., Canada, and U.K.)
- Expert Medical Opinion (Outside U.S. only, launched in U.S. in FY12)
- Financial Education (U.S.)
- Flexible Work Practices (Global)
- Health & Wellness Programs (Multiple countries)
- Health Insurance: Medical, disability, and life benefits; dental and vision where prevalent (Global)
- Insurance: Healthcare Domestic Partner eligibility (Global)
- Onsite Cafeterias (Multiple locations)
- Onsite Childcare Centers (two centers in San Jose, CA, one in Bangalore, India, a and backup childcare program for Research Triangle Park, NC)
- Onsite Fitness Center (Multiple locations)
- Onsite Health Centers (San Jose, CA, Bangalore, India, HealthPresence in RTP)
- Onsite Pharmacy, Vision Center (San Jose, CA)
- Relocation Assistance (Global)
- Tax-Advantaged Long-Term Savings with company contribution (such as 401(k) retirement accounts)
- Off/On Ramp Program (Up to two years off work, unpaid but first year with medical benefits)
- Employee Stock Purchase Plan

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

- Adoption Leave: Paid
- Bereavement Time Off: Paid
- Educational Leave: Unpaid
- Jury Duty Time Off: Paid
- Pregnancy Disability Leave/Maternity Leave: Paid
- Military Leave: Differential Paid
- Paid Time Off (vacation): Paid
- Paternity Leave: Unpaid
- Personal Leave: Unpaid

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Looking Ahead

One of the biggest challenges Cisco is facing, and will continue to face in FY12, is the retention and engagement of our exceptional talent due to uncertain economic times and our recent transition to simplify our operations. We aim to continually show our employees how we invest in their success and reward their performance, and how our processes and practices for doing this are consistent and transparent. The Cisco leadership team is implementing a plan to address these challenges that focuses on key areas.

Objectives for FY12
Explicit, visible leadership commitment to a differentiated employee experience: Senior leaders will invite employees to help build “the Next Cisco” as it relates to their function. We have developed a playbook with information and checklists to support leaders in guiding their teams through transitions in a way that increases engagement.
Compensation and recognition: We offer total compensation that is higher than most of our comparator companies and differentiated rewards opportunities for our highest performers. We expect to introduce conservatively funded base pay increase and promotions programs in October, and would like to provide additional funding for these programs later in the year to align with any improvement in overall company results.
Manager-employee relationships: These relationships are critical to long-term employee engagement, and we will continue to focus on this through existing programs such as Cisco Performance Connection and Cisco Talent Connection for internal movement and promotion. Over the next three years our Learning and Development Solutions group aims to put 90 percent of our Directors and people managers through training at no cost to individual departments.

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Watch the Video! Cisco Networking Academy teaches students regardless of their background. Deaf Aid in Kenya, East Africa, is changing the way society perceives people with hearing difficulties.

Society

Information and communications technology (ICT) is changing the way people live and work. Networking and communications products provide access to essential information and services, promote economic development in underserved communities, and bring together people and ideas to encourage innovation.

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Society

We want Cisco products and services to benefit communities globally. In many parts of the world, poverty and inequality restrict access to ICT and its benefits. We are working to overcome these barriers, which we believe will help create more prosperous and healthy communities that also support our business growth.

In FY11, Cisco Systems, Inc. and the Cisco Foundation together made US$295 million in combined cash and in-kind contributions, equivalent to 3.77% of earnings before income tax. This includes Cisco Networking Academy in-kind contributions[1] of US$212 million which we are including in our corporate giving data for the first time in FY11, and which we will include in all future corporate giving totals. This addition of the Networking Academy to our total does not reflect new spending, but includes in-kind fair market value which had not been claimed previously. To allow comparison with previous years' data of US$138 million for FY10, the total combined cash and in-kind contributions from Cisco Systems, Inc. and the Cisco Foundation without Cisco Networking Academy in-kind contributions for FY11 were US$82.5 million, equivalent to 1.05% of earnings before income tax.

Our social investment strategy prioritizes the areas where we believe our technology and our people can make the biggest impact. The emphasis is on partnerships with others that make a lasting difference.

Improving the accessibility of our products for people with disabilities helps us expand the range of benefits to more people (see page E11). We can also make a difference in communities and local economies by supporting small and minority-owned businesses through our supplier diversity program (see page E10).

Cisco Technology in Action: Cisco WebEx

The product: Cisco WebEx technology enables users anywhere in the world with an Internet connection to participate in dynamic web-based meetings, share presentations and documents in real time, and promote collaboration without the need for travel.

How we use it to support our social investment strategy: Cisco WebEx is a valuable tool for us to engage with stakeholders and collaborate with partners on our social investment programs. It supports these programs by giving people interactive access to information, experts, and resources. For example, we use Cisco WebEx to deliver interactive Cisco Networking Academy courses, and to demonstrate how our technology can support collaborative work and learning. Appleseed Academy, an NGO partner in Israel that provides access to technology for disadvantaged communities in Israel, uses Cisco WebEx for conducting meetings and reporting on Community Knowledge Centers.

In addition, we have provided free use of Cisco WebEx for minority industry councils to help diverse suppliers access training and facilitate meetings to explore business opportunities. We use it for meetings with these suppliers, reducing time and money for travel. We also use it, along with Cisco TelePresence technology, to mentor partners and suppliers through our Executive Mentor Protégé Program.

Our Strategy

Our social investment strategy aims to maximize the positive impacts of our business. We focus on four areas where our products, services, and employees can make the biggest difference:

- Education
- Healthcare
- Economic Development
- Critical Human Needs and Disaster Relief

Our approach encourages innovation and entrepreneurship to create solutions that are scalable, replicable, and sustainable. By focusing on long-term solutions, we aim to have our contributions make a lasting difference.

We partner with those who share our values and align with our focus areas. In many instances, we work with them to improve their processes and effectiveness through the use of ICT.

As well as products and expertise, we provide cash investments, in-kind contributions, and employee time. We encourage our people to get involved through our employee volunteering program (see Employee Engagement). This helps to build leadership skills, teamwork, and loyalty among our employees.

External Recognition

In FY11, two of our education programs, Cisco Networking Academy and GETideas.org (see page E3), were recognized by the Computerworld Honors Program, which highlights organizations that create and use ICT to promote and advance public welfare and benefit society. Our Connecting Sichuan Initiative (see page E5), which helped rebuild the Sichuan region of China after the 2008 earthquake, was also named as a finalist in the Healthcare category.

Cisco received the 2010 State Department Award for Corporate Excellence for our economic development work in Palestine and in Israel (see page E6).

We also were awarded the Corporate Engagement Award of Excellence by the Points of Light Institute, a prestigious award for our corporate volunteer programs.

1. Total Cisco Networking Academy contributions in FY11 were equivalent to US$212 million. This is based on a conservative estimate of the total value of our in-kind contributions covering all components of our support, including those not approved by the Committee Encouraging Corporate Philanthropy (CECP) Corporate Giving Standard criteria. Total Cisco Networking Academy contributions based on CECP approved criteria were equivalent to US$121 million.

Education

We support education to encourage long-term, sustainable economic growth in a number of communities around the world. Our focus is on creating scalable and self-sustaining initiatives that transform the way education is delivered, and providing the skills that people need for ICT roles. We work with NGO partners to support education initiatives that use our core networking technologies and expertise in both developed and developing countries.

Cisco Networking Academy

The Cisco Networking Academy is a cloud delivered, scalable, high-quality ICT education program that helps students develop the practical skills needed to design, build, secure, and maintain computer networks.

During FY11, more than 1 million students were enrolled in Cisco Networking Academy courses at approximately 10,000 academies in 165 countries. Over 4 million students have participated in the program since it began in 1997. The Cisco Networking Academy program is a strong example of public-private partnerships at work, with all parties contributing to the establishment and success of an academy. Courses are made available through educational institutions, nonprofit organizations and NGOs, governments, and community centers that provide classroom space, computer lab equipment, and qualified instructors. Cisco provides free online, up-to-date ICT curricula, teacher training, and extended professional development opportunities.

Watch the Video! Cisco Networking Academy teaches students regardless of their background. Deaf Aid in Kenya, East Africa, is changing the way society perceives people with hearing difficulties.

As well as preparing students for internationally recognized qualifications such as Cisco CCNA certification, Networking Academy courses encourage innovation, problem solving, and entrepreneurial skills through real-life examples, case studies, games, and global competitions. In FY11, over 10,000 students in 82 countries competed in the NetRiders competition, with the top 15 participants visiting Cisco headquarters and meeting Cisco Chairman and CEO John Chambers. The Networking Academy online gaming site, Academy NetSpace, currently has more than 82,000 registered users from 168 countries. In addition, the Cisco Networking Academy Facebook community, with more than 200,000 fans, provides mutual support that helps reduce Cisco's operational costs associated with the Helpdesk.

The Networking Academy program underpins many of our initiatives to improve access to education and develop ICT skills as part of our wider commitment to economic development around the world. For example, it provides broadband and healthcare ICT courses through over 20 college and university locations as part of our Workforce Retraining Initiative in Michigan, U.S. (see page E5).

For more information, visit the Cisco Networking Academy website.

Worldwide Education Engagements

We work with partners, including governments and nonprofit organizations, on education projects that support social and economic goals. Our contributions include products, expertise, and cash grants to improve the quality and delivery of education. For example:

- **Central and South America and the Caribbean:** We work with Trust for the Americas, through the Partnership in Opportunities for Employment through Technology in the Americas (POETA), to improve the quality of life for people with disabilities. Our efforts help provide ICT training courses for instructors and students through a regional academy located in St. Vincent and the Grenadines and 10 local academies located in Costa Rica, Guatemala, El Salvador, Peru, Saint Lucia, and Grenada.
- **China:** We used our ICT expertise to transform the delivery and quality of education in the Sichuan region as part of our Connecting Sichuan Initiative, which was launched following the 2008 earthquake. By the end of FY11, multimedia and networking equipment had been installed in more than 1140 classrooms in over 100 schools across the region, connecting schools and enabling teachers to access teaching materials, share ideas, and mentor their peers via Cisco TelePresence technology, make courses more creative, and tailor courses to suit local needs. Rural students can now access expert teachers in city centers by attending virtual classes delivered over the network, helping to narrow the gap between urban and rural education standards. The initiative will provide a scalable and replicable blueprint to modernize the country's education system using ICT. For more information on our Connecting Sichuan Initiative, visit our website.
- **Global:** GETideas.org is an ongoing public-service online community developed by Cisco to encourage peer-to-peer dialogue between education thought leaders on the global challenges facing education. Over 2400 education leaders from more than 125 countries share ideas and resources on ways to transform the delivery and quality of education through practical case studies, featured resources, virtual roundtables, and blogs.

- **Philippines:** We run an intensive training and internship program for Cisco partner wi-tribe Telecoms, Inc. to meet the need for additional engineers to run its wireless network. More than 250 Networking Academy graduates applied and 19 were selected to attend a two-month course to strengthen their networking skills to meet the company's requirements. Fifteen were hired as shift engineers at the end of the internship.
- **Russia:** Our two-year Cisco Networking Academies for Public Service program aims to improve the quality and delivery of public services using ICT. Ten of these academies will provide ICT training for nearly 600 Russian students who will work on practical projects with approximately 300 public-sector agencies and organizations. Project partners include USAID and community education specialist PH International.
- **Slovakia:** We developed a partner ecosystem to provide Networking Academy students with support, including work experience and internships to improve their employment prospects. Cisco also launched a Net Community website with human resource specialist Adecco to help students network and search for job opportunities.
- **Tanzania:** Four Cisco employees volunteered to run a training workshop on ICT telephony, wireless, and network security, as well as soft skills such as communications, leadership, and team building. More than 100 university students, ICT professionals, and entrepreneurs participated. The workshop was part of our Developing Local Talent in Technology program, which aims to promote ICT as a career choice and increase awareness of Cisco among students and ICT professionals.
- **Turkey:** Since 2006, Cisco has partnered with the Youth Association for Habitat, the UN Development Program, Turkish Informatics Foundation, and Istanbul Technical University to deliver SPARK, a project to improve ICT expertise among youth while encouraging volunteerism. SPARK helps young people participate in the information-based global economy and realize their full potential through advanced ICT skills.
- **United States:** The Cisco Foundation continued to support the National Center for Learning Disabilities on the Response to Intervention Action Network, which provides help for over 620,000 children with learning difficulties. Cisco provided financial support, technical expertise, and equipment to help set up a website with information and networking opportunities for teachers and parents.
- **United States:** We made product and cash grants totaling US$1 million to support City Year's Whole School, Whole Child program, which aims to prevent students from dropping out of school early. Cisco networking technology is helping City Year improve training and collaboration between student mentors and expand the program to five underperforming elementary and middle schools in the San Jose, Calif., region, reaching over 2500 students. In addition to the product and cash contributions to City Year, Cisco provides employee volunteers to tutor students at these underserved schools.

Cisco Supports Teachers Without Borders in Mexico

A cash and product grant from Cisco helped Teachers Without Borders launch a national teacher training program in Mexico through a partnership with the Ministry of Education and the teachers' union SNTE. By the end of FY11, the program had reached nearly 4000 teachers and more than 100,000 students. It builds on the organization's free Certificate of Teaching Mastery course that teachers can take at their own pace to help them improve their professional knowledge, classroom techniques, and leadership skills.

Cisco supported Teachers Without Borders in developing an online platform called Maestros Sin Fronteras for Mexican teachers to communicate with each other and share resources and ideas. The platform was launched at the first Mexican Teacher Congress in 2009.

We have been working with Teachers Without Borders since 2003, supporting the nonprofit with US$2.5 million in cash and product donations.

Healthcare

ICT is transforming healthcare in developed and developing countries by helping to reduce costs for healthcare providers and increase access to quality healthcare for people in remote and rural areas. Solutions such as Cisco HealthPresence technology are opening up new opportunities for healthcare professionals to collaborate and share patient information confidentially regardless of location.

Connecting Sichuan

Through our Connecting Sichuan Initiative, we installed ICT infrastructure in 66 healthcare facilities including hospitals, township and community health centers, and public health organizations as part of our efforts to help rebuild and revitalize healthcare delivery following the 2008 earthquake in the Sichuan region of China. Examples include:

- Thirty-two “smart” hospitals that provide quick and easy access to patient information, such as laboratory tests and electronic health records, to help improve the speed and consistency of patient care
- Four telehealth networks equipped with Cisco TelePresence video conferencing technology that allow doctors to examine and treat patients remotely, making care more timely and reducing travel and medical costs
- Six regional healthcare cloud-based data centers to connect rural clinics with full-service hospitals and Department of Health resources across Sichuan
- Three mobile clinics equipped with medical and networking technologies that extend services, such as disease monitoring and other public health operations, to less accessible regions by using handheld devices

The facilities are used by more than 7000 healthcare practitioners supporting approximately 15,000 inpatients and 280,000 outpatients per month. Regional data centers enabled claims processing for nearly 60 million medical insurance records and supported management of more than 400,000 electronic health records.

As our Connecting Sichuan Initiative ended in FY11, we transitioned the work to the Sichuan provincial government. Our partners helped with program continuity by implementing solutions that can be reproduced and adopted easily elsewhere. We have established plans for ongoing support that involve government institutions and local leaders, with a focus on long-term impact. We also helped by:

- Encouraging Cisco employees to support programs through volunteerism and the China Civic Council
- Promoting Networking Academy courses to increase enrollment and ICT skills development
- Providing comprehensive solution guides to help transfer technologies and knowledge to other regions
- Establishing technical and leadership training programs, with a central leadership program at Peking University

We will continue to support the region and use the initiative as a blueprint to expand this model across China and to other markets.

Jordan Healthcare Initiative

Launched in FY11, the Jordan Healthcare Initiative is a strategic collaboration between Cisco and the Jordanian government, which uses ICT to improve the efficiency of and access to quality healthcare services in Jordan. In June 2011, a rural health clinic began using Cisco HealthPresence care-at-a-distance technology to connect patients and physicians at the Al-Mafraq Governmental Hospital in northeastern Jordan with specialists at Prince Hamzah Hospital in Amman for nephrology, cardiology, and dermatology consultations.

The correct management and use of the Cisco HealthPresence technology, in line with the facility’s expected future workflow, was as important to the deployment as the technology itself. Specialists and consultants worked with qualified local physicians to map expected future clinical workflow, and then created step-by-step guides for the technology’s use in that work, which was officially approved by a clinical committee.

Cisco conducted a thorough site survey to understand the facility’s overall needs, as well as onsite orientation and awareness sessions. These included knowledge transfer to local Jordanian clinicians through workshops and hands-on training.

After two months, patients who had remote access to specialists noticed improved diagnosis and treatment plans. Attending and specialist physicians indicated that they spent more time with patients and reached more of them without the need to travel, saving travel time and expense.

In FY12, we plan to implement Cisco HealthPresence at an additional rural hospital in an underserved location in Jordan. We also plan additional projects to address mobile health and clinical collaboration.

Workforce Retraining

Launched as a pilot in 2009, Cisco’s Workforce Retraining Initiative in Michigan, U.S., aims to create new opportunities for workers and spur economic growth through the Cisco Networking Academy program.

Similarly, the Health Information Networking course is helping to prepare people for new jobs in health information technology. It teaches students basic information on healthcare settings, security and privacy in healthcare, electronic health records systems, medical practice workflows and how to adjust workflows for electronic medical record implementations, among other things.

By the end of FY11, the Health Information Networking course had been taught at nine college and university locations across the state, and 145 students had completed the course. We aim to make the course available at Cisco Networking Academy facilities across the United States in FY12.

Cisco HealthPath Program

Launched in FY11, Cisco's HealthPath program is delivering online education and training for doctors and nurses on electronic health records at small and mid-sized practices in the United States. We believe that digital healthcare has tremendous potential in transforming patient care and reducing administrative costs.

Two courses are offered to help physicians and nurses understand certification of electronic health records systems, as well as federal requirements for obtaining incentives as a Medicaid or Medicare provider. The HealthPath courses are endorsed by a number of healthcare organizations that have provided online access, including two Regional Extension Centers, O-Hitec and CalHIPSO, as well as AmericanEHR Partners developed by Cientis Technologies and the American College of Physicians.

Economic Development

We aim to improve the quality of life for people from underserved communities. Our strategy is to use technology to contribute to the economic growth of communities and countries, and empower individuals by improving access to knowledge, skills, and financial services. Giving more people access to the network and the opportunities it provides helps to foster innovation and encourage investment that ultimately will help communities and individuals become more economically self-sufficient, while building trusting relationships with governments and NGOs, and creating new markets for our products and services.

Skills Training and Workforce Development

We support economic development in underserved populations by encouraging employment and entrepreneurship success through improved access to skills, information, and resources. This includes technical and leadership skills, financial literacy education, as well as links to employment, social and career networking, mentoring, and financing opportunities.

For example, we provided cash grants to help fund the development of One Economy's Digicon Staffing Portal, which provides opportunities for employment, entrepreneurship, and community service to Digital Connectors graduates. The Digital Connectors program provides ICT and leadership training for talented young people from underserved communities across the United States. Up to 1450 graduates from the program have used the portal to create professional profiles, learn about career opportunities, and apply for jobs advertised by a wide variety of organizations. One Economy can also use the portal to track graduates' progress, helping to measure the long-term social and economic impact of the program.

Cisco cash grants are also helping to fund the development and testing of World of Good's SMS Labor Link Initiative, which aims to improve the lives of low-income workers (particularly women) by providing access to information on labor rights, training, education, and financial literacy. Labor Link uses text and voice services to deliver information free of charge directly to recipients' mobile phones. The service has been piloted by over 1000 workers in Peru, and we aim to reach over 100,000 workers in Peru and elsewhere by 2015. World of Good also uses the service to collect information on issues such as compensation and working and living conditions, to help companies understand how to improve conditions in their supply chain.

Supporting Entrepreneurship in the Palestinian ICT Sector

We focus on long-term projects that build business skills and encourage entrepreneurial activity to help bring about sustainable solutions. Projects are often delivered through the Cisco Networking Academy to build ICT skills and expertise.

For example, a three-year initiative to support the development of the Palestinian ICT sector has grown into a self-sustaining business relationship with up to 40 Palestinian network engineers employed by Cisco. Ending in FY11, our US$10 million investment in the Palestinian ICT industry started as a project to demonstrate that Palestinian IT companies have the capability to provide low-cost and high-quality outsourcing support. The majority of participating companies have seen their business grow, with almost half reporting new business contracts with customers in the Middle East, North Africa, North America, and Western Europe.

We are also using the experience to develop and share a model for economic development of the ICT industry in developing countries. This has led to several spin-off projects in Israel and the Palestinian territories:

- Cisco is working with T2 Venture Capital, the Palestine ICT incubator, and USAID to connect Palestinian entrepreneurs to a global network of investors, partners, and customers as part of the Bedaya (Beginnings) program. Twelve Palestinian start-ups are being mentored by a team of networking and

entrepreneurial experts who provide in-person and virtual support. Additional support is provided for start-ups through the Olive Tree Seed fund.

- We provide cash grants to support Tamkeen.net, a 12-month program providing business, marketing, human resources, and leadership workshops to help 11 Palestinian software companies compete internationally. The program includes mentoring sessions with business leaders and venture capitalists.
- Cisco has committed US$5 million to the Middle East Venture Capital Fund L.P., which invests in Palestinian-based Internet, mobile, and software start-ups. Other investors include a mix of government organizations, foundations, and multinational corporations.
- We are supporting grassroots community development by connecting up to 90 schools and 30 youth clubs to the Internet and supporting up-and-coming local Internet service providers. We work with NGO partner Inveneo, which designs and implements low-cost Wi-Fi networks, and we have provided US$200,000 to support the program, including product donations.
- In Israel, Cisco is leading a coalition of 24 national and international ICT companies to help recruit and support promising Israeli Arab students and graduates to increase the number of Israeli Arabs in the ICT sector. Over 200 candidates have been selected to join the program, which helps with recruitment, training, mentoring, and integration. By the end of FY11, 54 candidates had been recruited by participating companies.

Increasing Access to Financial Services

More than 2 billion people around the world live on less than US$2 a day. The vast majority have no access to affordable, safe, and reliable financial products and services. As a result, they have no means to provide for themselves and their families, take advantage of business opportunities, or plan for the future. Cisco supports ICT-based solutions to help microfinance institutions expand the scale, efficiency, and social impact of their work in underserved communities, and improve their effectiveness by accurately measuring their impact.

For example, with funding from the Cisco Foundation, we are supporting Grameen Foundation's Progress Out of Poverty Index (PPI™), which is used by approximately 110 microfinance institutions and anti-poverty organizations to measure their effectiveness in moving clients out of poverty, and tailoring products and services to meet clients' needs. The PPI also encourages greater transparency and accountability in the sector as a whole by helping donors and investors to understand how well microfinance institutions are performing against their goals. The number of organizations using the PPI is growing rapidly and is expected to reach 250 by the end of 2012.

Guanghua Leadership Institute

As a partner of the Guanghua Leadership Institute, Cisco is demonstrating how ICT can boost productivity and spur economic growth in China. Courses such as the Government Leader Program and Enterprise Leader Program are raising awareness and understanding of the role of ICT in promoting economic growth and streamlining government services. The lessons are already being put into practice in some of China's top enterprises, where virtual meetings help to increase collaboration between workers and cut travel costs and carbon emissions. The Institute uses Cisco TelePresence technology to conduct virtual meetings between campuses in Shanghai and Beijing and with other universities in China and the United States.

Clinton Global Initiative

In FY11, as part of our four-year, US$10 million Clinton Global Initiative commitment to Africa, we helped start 15 Community Knowledge Centers in South Africa, joining 23 centers opened previously in Kenya, Rwanda, and Ethiopia. We have now committed to support our partners, including Appleseed Academy, Inveneo, and One Global Economy, in extending Community Knowledge Centers to other countries.

The centers offer courses on ICT, entrepreneurship, and language skills, along with other services ranging from telecommunications to office support. They are supported by community-based websites that provide locally relevant information on health, education, jobs, and business, as well as offering access to microloans and knowledge to improve agricultural productivity. The project has had a clear impact on local communities in spurring economic growth.

Working with Inveneo, we developed a solution to deliver affordable Wi-Fi broadband services to these centers, bypassing expensive fixed-line connections. Inveneo is now using this solution to connect schools and youth clubs and support local service providers in Palestine and Haiti.

Supporting Economic Growth in Jordan

In FY11, Cisco announced a US$10 million investment to support job creation, ICT education, and economic development in Jordan. The Jordanian ICT sector has grown rapidly from just 20 companies in 2002 to 450 in 2011, now totaling over 14 percent of the country's GDP and providing a significant export opportunity to boost economic growth. Our investment will continue to support small businesses that provide innovative products and services.

We are also participating in a multi-stakeholder collaboration including national, regional, and international organizations to encourage further investment in the Jordanian economy. For example, Jordan is a leading destination for medical tourism, and under the agreement we are working with the Jordanian government to encourage the development of an ICT-based healthcare ecosystem (see page E5).

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Critical Human Needs and Disaster Relief

We use our skills, expertise, and technology to help provide immediate relief following natural disasters and to support long-term recovery and rebuilding efforts. These efforts include funding for food, shelter, and medicine, as well as communications support, such as satellite-based networks and Cisco Network Emergency Response Vehicles that provide communications hubs to guide the quick and effective delivery of emergency aid. In the longer term, we support the rebuilding of ICT infrastructure and foster socioeconomic development by increasing access to services and resources.

NGO Partnerships

We work with leading humanitarian relief agencies including NetHope, CARE, the American Red Cross, and Red Cross affiliates throughout the world to respond to disasters and help meet critical human needs. Examples include:

- In the aftermath of the March 2011 Japan earthquake and tsunami (see highlight box), we provided cash and product grants to support NetHope, a collaboration of 33 humanitarian organizations, in providing emergency relief. We are working with the group to improve the humanitarian response to future disasters by examining how to improve collaboration between aid agencies and sharing information through social media and emergency communications.
- For more than a decade, Cisco has supported the American Red Cross through employee giving. We are part of the Annual Disaster Giving Campaign, which raises funds and resources to respond quickly when a disaster happens. For the past two years, the Cisco Foundation has committed at least US$500,000 to the Giving Campaign to help the American Red Cross respond more effectively to disasters in the United States and the rest of the world. We also participate in the “Ready When the Time Comes Program,” providing disaster relief training for employee volunteers for the American Red Cross to call on in emergencies.
- Over the past year, we have begun supporting technology-based solutions to increase access to water. We work with Water.org, the Blue Planet Network, and Water for People to support efforts to increase access to clean drinking water. Cisco’s ICT and networking support to these organizations helps them increase fundraising efforts and improve their operational effectiveness. For example, we helped fund the development of a Field Level Operations Watch mobile application for Water for People to improve data collection during field-based research.

Project Samudaya

Project Samudaya is a two-year, US$10 million effort to help reconstruction efforts in response to devastating floods that swept through the Indian state of Karnataka in October 2009. In launching the project, Cisco committed to construct a total of 3600 houses, two schools, and a healthcare center in five villages that had been flooded.

By the end of July 2011, villagers had returned to all five villages, over half of the houses had been constructed, and work had begun on the two new schools. English, science, math, and social science lessons are being delivered daily to children at four other schools using distance learning. Cisco employees are mentoring children through monthly events. Weekly Cisco HealthPresence sessions for villagers held at our campus in Bangalore, with local doctors from the RxDx Multispecialty Health Centre, were so successful that Cisco HealthPresence has been installed at the RxDx Multispecialty Health Centre where doctors are now conducting five sessions per week with affected communities.

Responding to Natural Disaster in Japan

Following the devastating earthquake and tsunami that hit Japan in March 2011, the Cisco Foundation made a US$250,000 cash grant to support immediate relief efforts by the American Red Cross, including medical care, shelter, and food. We also provided a US$125,000 corporate cash grant to support NetHope’s immediate relief efforts. The grant, coupled with technical support from Cisco’s Tactical Operations Team, helped to restore communications for 10 NetHope members working in Japan, which helped them to speed up delivery of supplies to over 500,000 victims and reunite families that had been separated in the aftermath of the earthquake.

Cisco’s Tactical Operations Team also worked with Cisco’s Customer Crisis Team to help our affected customers. The Cisco Customer Crisis Team donated satellite and mobile communications equipment to many evacuation centers.

Relief efforts were bolstered by over US$1.35 million in employee donations and matching gifts from the Cisco Foundation for a range of organizations, including the American Red Cross, the Canadian Red Cross, Doctors Without Borders, Mercy Corps, the Netherlands Red Cross, Oxfam, Save the Children, and Second Harvest Japan.

Employee Engagement

We encourage employees to engage in their local communities by supporting projects that they're passionate about and that align with Cisco's focus areas for social impact. Their skills and enthusiasm help build strong relationships with our communities and partners, and strengthen our reputation as an active corporate citizen. In FY11, employees volunteered 166,445 hours.

Encouraging volunteering helps improve the morale of employees and supports their leadership development. Employees are encouraged to include volunteering objectives in their personal development plans, and we encourage managers to organize volunteering projects as part of team-building events.

Our Community Relations team and employee-led Civic Councils identify volunteer opportunities, manage community product and cash grants, and maintain partnerships with nonprofit and nongovernmental organizations. The Cisco Foundation matches employee contributions of up to US$1000 per year per employee for more than 2000 approved organizations in over 40 countries.

Increasing Participation

We regularly monitor and refine our volunteering program, responding to feedback from employees, partners, and NGOs, so that it effectively meets the needs and priorities of our business, employees, and communities. For example, we are using feedback from interviews conducted with Cisco employees, partners, and NGOs during FY11 to review and improve our employee communications about these programs.

Community Connection, our global matching gifts and volunteering IT solution website, helps employees learn about organizations they can support, report volunteer hours, make donations, and request matching funds. In addition, through the Cisco Citizen Volunteer website, employees can use online tools including blogs, wikis, and a community calendar to search for volunteer opportunities.

Community Connection has helped more than double volunteer hours and increase employee donations by 77 percent since its launch in FY10. In March 2011, employees used Community Connection to coordinate their response to the Japan earthquake and tsunami. Cisco employees donated more than US$680,000 this way. Combined with matching funds from the Cisco Foundation, they raised over US$1.35 million for the Japan Earthquake and Tsunami Relief Campaign (see page E8).

Other employee volunteering highlights include:

- Over 230,000 hours volunteered for the year-long Volunteer Challenge launched in December 2009 to celebrate Cisco's 25th anniversary, beating our goal of 200,000 hours by 15 percent, and raising US$1.3 million in matching funds for service, significantly surpassing our goal of US$1 million.
- A 57 percent increase in the number of employees volunteering globally in FY11.
- Employees donated more than US$6.3 million, generating more than US$5.7 million in matching funds.

Local Initiatives

We encourage employees to support local initiatives that have a positive impact on their communities. These are some of the many projects our employees supported in FY11:

- **Global:** Employees contributed more than 21,000 hours and raised over US$3.2 million in food contributions during our annual two-month Global Hunger Relief campaign. In addition, 60 employees in Lawrenceville, Georgia, U.S., spent four days assembling more than 6000 cans of food into a nine-foot-tall sculpture to raise awareness of hunger among their colleagues before donating the food to local agencies.
- **Global:** Cisco engineer Brian Dickinson talked to 85 underserved schoolchildren in the United States, Singapore, Hong Kong, and Nepal about his experience climbing Mount Everest as part of a Cisco TelePresence science lesson led by Resource Area for Teaching (RAFT). During his time in Nepal, Brian donated toys and clothes to the NGO Early Childhood Development Centre in Kathmandu, where he hosted the lesson.
- **Kenya:** Nine Cisco U.K. employees traveled to western Kenya to volunteer in an impoverished community. Volunteers raised funds to buy solar panels for classroom power, constructed a sand filter to recycle water, built a house for a local family in need, and provided EcoSan (waste recycling) toilets for the local school.
- **Mexico:** Over 100 Cisco employees and customers participated in a fundraising bike ride in Mexico City, Guadalajara, and Monterrey. The project raised US$8050 for ANSER, an organization that works with children with cancer needing bone marrow transplants; Ilumina, an association supporting people with visual disabilities; and SerHumano, an organization supporting people in Mexico with HIV/AIDS.
- **Netherlands:** Twenty-eight new Cisco recruits spent a weekend renovating the headquarters of Gered Gereedschap, a Dutch NGO that collects and services old tools and machinery to improve the livelihoods of people living in developing countries.
- **United Kingdom and Ireland:** Seventy Cisco employees contributed their time and donated more than 200 gifts for sick children in hospitals across England, Ireland, and Scotland as part of Cisco's annual "Connected Santa" program. Using Cisco technology, children were able to talk to Santa via video links as they received their gifts. Santa also recorded personalized videos for children too ill to meet him. We plan to expand the program to Northern Ireland in FY12.

Supplier Diversity

Our support for diverse suppliers, which includes historically underutilized businesses such as women and minority-owned businesses (all of which are indirect or non-manufacturing suppliers to Cisco), supports our social investment strategy by contributing to economic development in underserved communities.

As well as being a regulatory requirement for Cisco in many of our markets, working with diverse suppliers supports our business by encouraging innovation. Customers also expect us to support diverse suppliers. In FY11, we responded to information requests on our diverse supplier expenditures from about 70 customers.

Building Capability

We support diverse suppliers through a range of initiatives that include the following:

- **Basic skills building:** Cisco funded scholarships for three minority business enterprises (MBEs) to participate in a four-day skills development program at the UCLA Management Development for Entrepreneurs Academy.
- **Executive Mentor Protégé Program:** Seven diverse supplier CEOs received mentoring from Cisco executives in FY11 (see highlight box).

We provide additional support to build suppliers' capacity using innovative programs such as the Cisco Networking Academy. For example, we are partnering with North Carolina Central University and a women-owned supplier, NWN Corporation, as part of our Adopt-an-Academy Program, which develops local talent and supports local businesses by offering job placements, mentoring, and work experience for Networking Academy students.

This is part of a wider initiative involving organizations such as historically black colleges and universities, Fort Bragg military base, and Cisco employee resource groups including Veterans Enablement and Troop Support, the Cisco Black Employee Network, and the Cisco Disabilities Awareness Network.

Cisco's Global Supplier Diversity Business Development group made several Cisco WebEx software grants to historically underutilized supplier industry councils to help promote supplier diversity. Councils use Cisco WebEx to provide education and training on how to become certified as a historically underutilized owned business, and to facilitate meetings between member companies and Cisco.

Executive Mentoring Supports Supplier Growth

Logistics supplier D.W. Morgan Company, Inc., has worked with Cisco for over a decade and has benefited from the Executive Mentor Protégé Program. Cisco executive sponsors worked with the company to identify its strengths and weaknesses and help it understand how to better meet the needs of customers like Cisco. Our involvement has helped the company expand its business with Cisco and seek new opportunities in Asia and Latin America.

The company has won multiple awards, and in May 2011, founder and CEO David W. Morgan was honored with a Lifetime Achievement Award at the National Minority Supplier Development Council Awards.

"We have been thrilled to participate in this innovative initiative for the past two years," he said. "In our experience, it's unprecedented to see a large enterprise take such an interest in nurturing the success of promising suppliers."

Increasing Supplier Diversity

Relationship-building and networking help us expand our supplier base and create a network of diverse suppliers that encourage closer and more effective partnerships.

Cisco Partner Operations Diversity Forums, held at national supplier diversity events in the United States, provide an opportunity for suppliers to meet with Cisco executives and other Fortune 500 company representatives to discuss potential business opportunities. In FY11, Cisco sponsored forums at the U.S. Hispanic Chamber of Commerce, Department of Commerce, Minority Business Development Agency, Minority Enterprise Development Week, National Minority Supplier Business Development Council (NMSDC), and Cisco's Partner Summit.

We also participated in global business missions where U.S.-based partners and suppliers joined Cisco on business trips to Australia, China, South Africa, and the United Kingdom. In FY11, NMSDC executives, Cisco representatives, and suppliers including D.W. Morgan Company, SeaAlaska, and Qivliq embarked on a nine-day business trip to Sydney, Australia, as part of the NMSDC's Global Link program. Their objectives included meeting with government officials and businesses, and having an opportunity to share experiences and meet potential partners at the Australian Indigenous Minority Supplier Council's inaugural National Conference and Business Opportunity Fair.

Nallawilli Solutions, a primarily Australian Indigenous owned ICT business, has been working closely with Cisco since its inception in 2011 to gain a better understanding of Cisco products and services with the aim of establishing business opportunities. With Cisco guidance, Nallawilli Solutions has been able to attain Select Partner accreditation.

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Product Accessibility

We want as many people as possible to benefit from the social and economic opportunities that our products and services provide. Making our products accessible to people with disabilities is an important part of achieving this ambition. Designing accessible products helps us to comply with the accessibility requirements of many of our customers, and it is also a competitive advantage.

The Cisco Accessibility Initiative is our company-wide initiative to have our products, websites, and documentation conform to accessibility regulations. We make accessibility a priority at every stage of the product lifecycle, from design to shipping and end use.

We also work with partners, suppliers, and customers to improve communications for people with disabilities through the use of our products. For example, we are working with video communications specialists Purple Communications and various customers to develop a unified video calling service to make it easier for users who are deaf or cannot speak to communicate using different networks and equipment. We are also working with the Kentucky School for the Deaf (see highlight box).

Using Cisco Technology to Improve Communications for Deaf Students

Cisco is working with the Kentucky School for the Deaf in the United States to provide Tandberg video communications equipment for the school's 150 students. The school's Director of Technology, Deby Trueblood, said, "Every piece of equipment we buy has to meet the needs of both the deaf and the hearing, and that's a hard job. Cisco built equipment just for us. It has two huge screens side by side—one for the interpreter and one for the presenter."

As only 3 percent of the Kentucky population are deaf compared with the national average of 10 percent, students have few opportunities to interact with other deaf people outside their school. Cisco's videoconferencing system helps them to reach students at schools in other states. Students benefit by having access to teachers at other schools too, and the schools are able to share limited resources by teaching specialist subjects by videoconference.

The school is also using the system to organize "virtual field trips" so the children can experience museums and other educational facilities by video link, saving the school significant costs for additional interpreters, food, and transportation.

Cisco is continuing to work with the school to make sure it gets the most out of the new technology.

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The economic downturn continues to put pressure on governments to cut costs and demonstrate value for money in public services, including education and healthcare. While this presents a challenge to our business, we believe it is an opportunity to use technology to increase efficiency while encouraging innovation and improving program outcomes.

We expect to see an ongoing transition toward ICT-enabled learning that delivers collaborative and customizable teaching with an emphasis on quality and value for money. Science, technology, engineering, and math training will be increasingly important focus areas, given their role in supporting innovation and competitiveness.

In economic empowerment, our twin goals will remain focused on contributing to the economic growth of communities and countries, and empowering individuals to achieve self-sufficiency through technology-based solutions. We will use public- and private-sector partnerships to facilitate widespread and equitable access to workforce/skills development, entrepreneurship resources, and financial services.

Continuing high rates of unemployment in many of our markets will make our workforce retraining and vocational education programs increasingly valuable. We will focus on these and the use of ICT to transform the delivery and quality of education through collaborative and cloud-based learning through Cisco Networking Academy programs and public-private partnerships.

We will continue to work toward transforming the delivery and quality of healthcare using the network as the platform. We believe our healthcare partnerships with national and local governments, NGOs, and commercial partners will play an important role in advancing healthcare systems and improving the quality of patient care. We plan to expand our care-at-a-distance and collaborative healthcare models to provide greater access to high-quality care in urban and rural communities.

We anticipate that our work to help meet critical human needs will also be increasingly important as food prices and stress on water supplies increase, and the rise in the number and severity of natural disasters puts strain on the ability of humanitarian and relief agencies to respond. To meet these challenges, we will continue to look for innovative opportunities to increase the efficiency, quality, and productivity of public services and disaster relief.

Objectives for FY12
Launch a new global volunteer program to raise awareness of Cisco's community programs, encourage more employees to get involved, and recognize exceptional contributions.
Incorporate the requirements of new U.S. legislation on accessibility into Cisco's best practices and corporate requirements, and raise awareness through training for our technology groups.
Maintain strategic relationships with the World Economic Forum and Clinton Global Initiative to inform our activities and share best practices.
Continue to support partners such as the Grameen Foundation to expand their Social Performance Management initiative, which enables poverty-focused organizations to accurately measure the social impact of program and service offerings.
We will continue to work with partners including Tamkeen.net and others to support development of entrepreneurship in the Palestinian ICT sector.
Enhance U.S. veterans programs across Cisco through existing channels such as employee resource groups (ERG) and mentoring programs. We are planning Veterans Day events and developing strategic partnerships with recognized veterans projects and associations.

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Watch the Video! Cisco EnergyWise gives companies a global view of energy management. Energy use can be controlled through the network, delivering economic and environmental savings.

Environment

Economic growth can be decoupled from energy usage through the use of information and communications technology (ICT). An improved standard of living for developing regions and underserved communities does not have to be at the expense of environmental sustainability. Developed economies can also benefit from innovative use of ICT to transform how people live, work, and learn.

Cisco Environmental Sustainability

This section of the Cisco Corporate Social Responsibility (CSR) report provides information regarding our environmental challenges and how we are managing them. Our environmental Key Performance Indicators (KPIs) and our Objectives for FY12 are provided at the end. A review of the organization of this section and the changes we made in response to stakeholder feedback is provided in Appendix 1.

For easier navigation within this section, please enable the Acrobat bookmarks pane if it is not already visible on the left.

Materiality

Based on input from stakeholders and results of life cycle assessments (LCAs) and other analyses of our products, Cisco prioritized environmental impact into five tiers as shown in Table 1.

This materiality is based on the overall impact of the ICT industry sector, which helps prioritize issues globally, as well as additional criteria aiding prioritization for Cisco: the impact from Cisco's operations, the impact from our supply chain, and the use of our products by our customers.

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

Another aspect of the energy and GHG emissions issue that is highly material to Cisco is the opportunity for Cisco products to help reduce GHG emissions in other industry sectors. According to a Gartner study and confirmed by the SMART 2020 report, ICT energy consumption is estimated to produce about 2% of all energy-related emissions. Through the use of ICT, emissions can be reduced in other industry sectors such as transportation and buildings: what's been called "The 98%."

Cisco has focused its energy/GHG efforts on the improvement of our operations, supply chain, product energy efficiency, and technology solutions that enable emissions reductions in other sectors for ourselves and our customers.

Cisco also works to minimize the environmental impact of our products by providing comprehensive product end-of-life services for our equipment. Cisco has built a worldwide network of qualified recyclers. Through several programs discussed in more detail in a later section, customers can return any Cisco equipment for credit or for recycling at Cisco's expense. With advanced recycling techniques, essentially all recycled products are directed into various commodity waste streams for processing and recovery. Our challenge is to promote awareness of our take-back and recycling programs among our channel partners and customers in the event that they do not have their own network of world-class recyclers.

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

Table 1: Materiality Tiers for Cisco Environment-related Issues

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

Principles

Governing principles for environmental sustainability at Cisco that inform policy development are:

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

Organization

Cisco utilizes an EcoBoard of senior executives representing key business functions to set Cisco's environmental strategy. The EcoBoard is a cross-functional body made up of vice presidents and senior vice presidents that is responsible for Cisco's environmental vision and strategy, including climate change. The EcoBoard meets quarterly. In FY11, EcoBoard membership included 14 business-unit and operational organizations, including Legal, Corporate Affairs/Sustainable Business Practices, Sales, Supply Chain Operations, Communications, Finance, Product Development, Marketing, Services, and IT. Each of our major geographic theatres is also represented. The EcoBoard establishes environment-related objectives for Cisco that address GHG emissions from operations; product energy efficiency; customer environmental requirements; customer solutions; and opportunities for employee education, awareness, and involvement. Laura Ipsen (Senior Vice President and General Manager of the SmartGrid Business Unit) is founder and co-chair of the EcoBoard. Laura reports to Marthin De Beer, who heads the Emerging Technologies Group.

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

Performance-Based Compensation

At Cisco, we believe that environmental sustainability can be a part of each employee's job. We are encouraging employees to have environmental sustainability-related goals in our online performance management tool, which documents the results of the performance review process and compensation and bonus decisions. Currently, about 300 Cisco employees have one or more environmental goals in their formal development plans that will be reviewed as part of the Cisco Performance Connection evaluation process. Cisco is working to increase the number of employees that have individual environmental performance goals. Each member of the EcoBoard promotes individual environmental performance goals for employees in their respective organizations. Incorporation of these goals in individual performance reviews effectively pushes the environmental agenda deeper into each functional area.

Environmental Management System

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

- Serves as a tool to improve environmental performance
- Provides a systematic way of managing an organization's environmental impacts, requirements, and programs

- Addresses immediate and long-term impacts of an organization's products, services, and processes on the environment
- Gives order and consistency for organizations to address environmental concerns through the allocation of resources, assignment of responsibility, and ongoing evaluation of practices, procedures, and processes and their impacts
- Focuses on the improvement of the system and environmental performance

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

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

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

Cisco's EMS is certified to the internationally recognized EMS standard, ISO 14001:2004. All of Cisco's ISO 14001 certified sites are audited by an independent third party. Sites that were part of an acquisition are included in the scope of the Corporate Environmental Policy and corporate environmental initiatives.

See Table 2 for our ISO 14001 certification KPIs.

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

All ISO 14001 certified sites have teams that pursue environmental goals. Examples of these efforts include:

- Waste reduction and recycling (25 sites)
- E-scrap management (corporate level and 21 sites)
- Energy management (corporate level and 10 sites)
- Environmental awareness (4 sites)
- Wastewater management (1 site)

In addition to the site operational teams, Cisco has our EcoBoard that sets goals, initiatives, and metrics that measure Cisco's environmental performance on an internal ISO 14001 dashboard. We use performance tracking, metrics, and governance to track our progress toward meeting our goals, as well as to guide us in finding ways to improve our EMS.

Audits are a key component of Cisco's EMS, providing regular assessments as to whether our environmental processes and commitments are implemented, and that 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 FY11, we conducted 33 site audits (14 of them virtually using Cisco TelePresence and Cisco WebEx).

Table 2: Cisco Environmental Management System ISO 14001 Certification

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Number of Cisco sites with ISO 14001 certification	23	23	25	26	28	Calendar year certifications assigned to fiscal year (e.g., CY2011 assigned to FY2011)
Employees at sites covered by ISO 14001 certification	74%	73%	70%	71%	69%	Head count-based metric calculated per 2010. Future reporting will be by real estate footprint (below).
Real estate portfolio with ISO 14001 certification	100%	96%	92%	92%	91%	Real estate footprint viewed as better measure of potential environmental impact. Candidate ISO 14K sites filtered by minimum size and engineering lab function.

Best Practices

An important component of our audit process is to identify best practices. These are shared across the business functions through our internal EMS newsletter and our ISO 14001 committee meetings, which include the ISO 14001 key partners. The best practices that were identified in FY11 include:

- A lab prototype in Netanya, Israel, that is ergonomically and environmentally designed using less floor space and about 20 percent less energy than a typical lab
- Implementation of databases for improved and easy access to Emergency Response Plans in Research Triangle Park, North Carolina
- Identification and management of critical electrical systems for data centers in Richardson and Allen, Texas
- An “exceptional workplace resources” vendor management process that promotes performance, environmental awareness, and minimization of environmental impact while vendors are onsite in Amsterdam

Life Cycle Assessment

Cisco focuses current LCAs on estimating greenhouse gas emissions associated with our products. Further discussion of this work is provided in a later section on Scope 3 emissions. LCA is a holistic approach to assessing the environmental impact of a system, process, or product from cradle to grave. At Cisco, LCA has the following benefits:

- Assess the materiality of various contributors to environmental impact
- Facilitate more informed material selection of alternative materials that are more environmentally friendly
- Understand the impact of product power consumption on product environmental footprint
- 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 transport modalities of our products to logistics centers and customers

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

Design for Environment

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

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

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

- Energy efficiency (minimum 80 percent efficient power supply and component)
- Hazardous materials (exclusion of hazardous materials based on Cisco’s Controlled Substances Specification)
- Design-for-recyclability and upgradeability
- Recycling marking (ISO11469, SPI codes)
- Packaging (reduction of materials and package volume)
- Design-for-longevity (designing products for long lifetimes)
- Product take-back

Employee Training

We have incorporated environmental design principles into our products, systems, and solutions. The goal is to improve designs in order to reduce the use of raw material, packaging, and transportation while enabling more effective recycling. The first step was 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, sponsored by the Cisco engineering leadership team, targeting all employees who have a significant role in defining product requirements or developing our products. Employees will learn about Cisco’s green initiatives and what they can do to contribute to these efforts. In FY11, this training was made available in Mandarin. The web-based training has been completed by over 1100 members of our product development community.

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

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In FY11, we developed a web-based training module on sustainability and the Supplier Code of Conduct for employees who engage regularly with suppliers. The rollout will continue during FY12. The training is based on a course developed by the Electronics Industry Citizenship Coalition (EICC), which we have customized to address Cisco programs and procedures. Supplier management teams will be required to take refresher training as necessary to update them on changes to the Code and other emerging issues.

Supply Chain

To identify and reduce supplier environmental impacts and support their improvement efforts, we have three supplier improvement programs:

- Supplier selection criteria
- Supplier performance monitoring/audit
- Supplier improvement programs

Supplier Selection Criteria

To be selected as part of Cisco's supply chain procurement team, suppliers must meet business performance criteria that include on-time performance, quality, and cost. Embedding sustainability into the process of supplier selection helps suppliers understand our sustainability goals and vision. This includes our Supplier Code of Conduct, and working directly with suppliers as well as through industry initiatives designed to build sustainability capabilities.

Sustainability, alongside other criteria such as quality and technical requirements, will be an integral part of the scorecard for preferred suppliers beginning in FY12.

Cisco has adopted the EICC Code of Conduct for all supply chain partners. Compliance with the Supplier Code of Conduct is part of our contractual agreements with suppliers and helps to drive environmental/sustainability performance further into the business scorecard process that we use to establish preferred supplier status. We consulted with our suppliers in developing these criteria to help target the most relevant issues. Cisco's goal is for sustainability, alongside other criteria such as quality and technical requirements, to be an integral part of the scorecard for preferred suppliers in FY12 and beyond.

Supplier Performance Monitoring

We monitor the environmental performance of our preferred suppliers using the business scorecard process mentioned in the previous section. For example, suppliers are scored as to whether they have measured and reported their GHG emissions to the Carbon Disclosure Project. Our goal for FY12 is to review supplier performance against sustainability metrics as part of business reviews at least twice a year. This will help our preferred suppliers better understand their environmental performance, identify where they need support, and promote improvements around GHG emissions, water, and waste. This topic is also discussed in the Value Chain section.

Supplier Improvement

Suppliers that have gaps in defined capabilities, as determined by the performance monitoring efforts, may go through a supplier improvement program. After FY12, we expect to have enough data to assess gaps within our supply chain and to work with suppliers to help raise their environmental awareness, capability, and performance.

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

We want to raise sustainability standards throughout the supply chain by working with our suppliers to help them improve their management systems and put in place similar processes to work with their own suppliers. Our Supplier Code of Conduct requires our Tier 1 suppliers—those with whom we have a direct relationship—to apply these same standards to their own suppliers. We also encourage them to join the EICC to participate in wider industry efforts to build capability and drive standardization. This topic is also discussed in the Value Chain section.

Below we have included supply chain related information for water, biodiversity, non-GHG emissions, effluents, and solid waste. Supply chain GHG and energy topics are discussed in the Energy and GHG section

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

We will address the water issue through its incorporation as a sustainability metric into our preferred supplier scorecard. This scorecard is used to determine supplier status and monitor performance. Performance against these metrics is reviewed at least twice a year.

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

Non-GHG Emissions: Cisco has no active programs addressing non-GHG emissions in our supply chain. As part of our Supplier Code of Conduct, all local environmental laws must be followed, including those governing air emissions. As we work with our manufacturing partners on CSR reporting, it is our expectation that all GRI performance indicators will be addressed.

Effluents: Effluents consist of waste that is released from industrial outfalls into the environment. Water quality is an important area of concern for our supply chain. Although our quantity of water use could be small, the quality of that water is vital. We are working with industry groups, such as the Institute of Public and Environmental Affairs (IPE) in China and the Electronics Industry Citizenship Coalition, to identify water scarcity and water quality issues that may occur within the supply chain.

In April 2010, the IPE identified electronics manufacturing facilities supplying components to global ICT brands that did not comply with regulations for emissions of heavy metals in wastewater. One of our suppliers was listed, although it was not supplying products to us at the time of the release. After learning of inclusion on this list, we contacted the supplier and commissioned a third-party audit of its environmental procedures to understand how heavy metals had entered the wastewater and to find out if there was an ongoing problem. The supplier took appropriate corrective actions to improve its wastewater management system.

We used our experience from working with this facility to produce and share guidance with our other manufacturing suppliers to educate them on our strict requirements and to help them perform accurate assessments of their environmental performance. We continue to engage with IPE through the EICC to increase compliance with environmental regulations across the industry. This topic is also discussed in the Value Chain section.

Solid Waste: We will be adding a solid waste performance measurement to our supplier scorecard process.

Employee Engagement

Cisco supports employee interest in the environment through several efforts:

- Virtual Earth Day: An annual activity consisting of a series of webinars on a variety of environmental topics either specific to Cisco or of general interest to our worldwide employee base.
- Think Green, Act Green: An internal, quarterly newsletter summarizing Cisco environmental activities for the period.
- Civic Councils: Cisco sponsors more than 30 Civic Councils at major Cisco sites around the world. These councils, discussed in more detail in the Society section, provide a means for groups of employees to volunteer in their local communities on social or environment-related programs.
- Employee Electronics Recycling (e-scrap): Yearly Cisco employees can bring in used electronics, which are 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 has begun installing electric vehicle charging stations for our employees, discussed in a later section on Scope 3/employee commuting.

For more information on these efforts, see Appendix 2.

Regulatory Fines

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

Our EMS certifications provide 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 have resulted in no significant fines or penalties greater than US$10,000 in the past five years.

Materials

GRI EN1: Materials used by weight or volume.

Packaging

The growing amount of municipal solid waste being added to landfills from product packaging has become an area of environmental concern. To minimize Cisco's impacts in this area, our packaging team designs packages to protect against shipping damage while minimizing material usage. Each design goes through rigorous drop and vibration testing because a product damaged in transit has both negative business and environmental impacts as it needs to be disposed of and a replacement product shipped.

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

- Packaging material optimization: Designing a package that provides protection for the product while reducing the overall amount of packaging material used.
- Space efficiency optimization: Because the environmental impact from transportation and logistics is greater than that from packaging material use, increasing space/cube efficiency that fills the same amount of space in a transportation vehicle with more units of product can reduce a unit's environmental impact.
- Decreasing product size: Our product designers look to decrease the size of the product in two ways:
  - Shipping our products configured
  - Designing our products with distribution in mind, taking into consideration characteristics such as protrusions, compactability, and fragility.
- More environmentally friendly materials: After reducing the overall material used for packaging, our packaging team then focuses on using recycled content and recyclable features.

An example of one of the packaging reduction projects from FY11 is the Cisco Nexus 2000 pack, in which we reduced the height of the accessory kit to shrink the size of the customer pack. This project reduced inbound and outbound shipping costs as well as packaging costs and had a weight savings of 1.84 oz of plastic and 6.1 oz of corrugated cardboard per unit.

More than 95 percent of our packaging parts are made of one material or using materials that are easily separable for recycling. However, the recycled content varies from item to item and also varies with geographic regions. The ability of our customers to recycle our packaging depends on the recycling facilities in place in their region. Except for antistatic bags, which constitute a very small percentage by weight of all packaging material, all Cisco packaging is designed to be easily processed by the local recycling infrastructure.

In FY11, Cisco continued to work with packaging suppliers to reduce the environmental impact of product packaging. These efforts included designing packaging to minimize excessive space and materials, creating multipacks in which we send our customers multiple units in a single box with a configured quantity of accessories and documentation, and enabling configured shipping to reduce the amount of packaging required for the same unit. We have also been working with our suppliers to get all of our corrugated materials certified by the Forest Stewardship Council (FSC) or similar agency.

Our packaging is designed with the intent to meet or exceed all applicable compliance regulations, including those in the European Union and Australia, and all of our packaging materials meet relevant environmental standards and do not use hazardous constituents. All Cisco engineered packages are subject to European packaging standards including CEN 13428:2004, CEN13430:2004, and CEN13431:2004.

As a result of all of these efforts, we reduced our packaging material by 1200 metric tonne during the FY11 and a total of 3000 metric tonne over the last three years.

Watch the Video! Smart design reduces the environmental impacts of packaging. Cisco's design-led approach to packaging has reduced waste and decreased transportation costs.

Product

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

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

Customers also have the option to order a "reduced material" accessory kit, which provides a minimum set of supporting material, and eliminates items that our customers may not need in their installation, such as console cables, large documents, and cable management brackets.

From projects initiated in FY11, Cisco has collectively eliminated 4.53 million pounds of material from our supply chain, through improvements including documentation, raw materials, and packaging.

Recycled Content

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

Packaging

Where possible, Cisco uses corrugated cardboard that is approximately 50 percent recycled content and thermoformed cushions that are made from 100 percent recycled polyethylene. However, this type of cushion is not suitable for every product, and therefore some products use foam cushions made from virgin material or recycled substitutes. Cisco products also use recyclable polyethylene bags for certain purposes (for protection and accessory kit subassembly consolidation), but we are reducing the thickness and quantity of bags shipped with products while maintaining adequate product protection.

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

Product

In addition to recycled packaging content, most products have material that has been recycled from other products. Electronic products consist mostly of circuit boards, steel, and plastics. In general, the enclosures and structures of our products utilize recycled materials consistent with safety and performance requirements. We use reground plastic in our IP phones where structural rigidity is not required, and we use recycled material in the steel that makes up enclosures of our products. Printed circuit boards typically use recycled material, such as copper, and most electronic components make use of recycled material that is reclaimed from electronics recycling.

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

All of our documentation specifications call for the use of chlorine-free paper with at least 10 percent post-consumer waste paper. In FY08, we added a provision to the approval process that all new vendors be FSC members. Because FSC membership requires complete chain of custody and reforestation for any materials, the environmental impact of virgin paper is minimal. However, we continue to apply the 10 percent recycled content criterion where possible, even to FSC member printers.

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

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

Energy and GHG Emissions

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

Cisco has made two GHG emission reduction goals:

- September 2006: Clinton Global Initiative (CGI) commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY2006 baseline).

  This CGI goal has been met and the commitment closed with CGI.
- 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 CY2012 (CY2007 baseline).

  Cisco is on track to meet this EPA Climate Leaders goal. This goal has not changed since the original announcement.

Cisco has been recognized for our greenhouse gas reporting by both Greenpeace and Carbon Disclosure Project (CDP).

- In December 2010, Greenpeace rated Cisco the #1 company in its Cool IT Challenge (v4). We were also rated #1 in the previous iteration of the Challenge. Cisco did particularly well on our GHG emission reporting, providing ICT solutions that our customers can use to reduce their GHG emissions, and calculating the impact of these solutions.

- In September 2010, Cisco was rated the top IT company in the world by CDP as reported in CDP's analysis of responses to CDP's investor survey. (Cisco was rated the #1 and #2 IT company in 2008 and 2009, respectively.) In September 2011, Cisco was once again ranked the #1 IT company in the world and was ranked #5 worldwide among all companies in all sectors. A copy of our 2011 survey response is available on the CDP website.

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

GRI EN4: Indirect energy consumption by primary source.

GRI EN16: Total direct and indirect greenhouse gas emissions by weight.

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

All prior-year Scope 1, 2, and Scope 3 business air travel emissions data vary to some extent from previously reported values, either in the most recent CDP survey or in our FY10 CSR Report, because of updates to emissions factors, methodology, and correction of minor errors found upon repeated review. To support

Table 3: Summary of Scope 1 and 2 GHG Emissions

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Total gross GHG emissions: Scope 1, metric tonne CO_2e	51,399	51,661	53,453	53,363	60,382	*Gross* is used consistent with Carbon Disclosure Project (CDP) terminology. Gross GHG emissions do not include reductions from renewable energy purchases.
Total gross GHG emissions: Scope 2, metric tonne CO_2e	461,456	539,867	590,755	597,257	610,832	
Total contractual GHG emissions: Scope 2, metric tonne CO_2e	395,720	296,417	235,520	339,630	367,513	*Contractual* is used consistent with CDP terminology. Contractual GHG emissions include reductions from renewable energy purchases.
Scope 1 and 2 emissions (gross) intensity, metric tonne CO_2e per million US$ revenue	14.7	15.0	17.8	16.2	15.5	
Scope 2 emissions from primary date	96.4%	97.1%	96.9%	98.6%	98.0%	
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	447,120	348,079	288,973	392,993	427,895	
Progress against reduction goal. Goal: reduce all Scope 1, 2, [and business-air-travel Scope 3] GHG emissions worldwide by 25 percent absolute by CY2012 (CY2007 baseline)	na	-22%	-35%	-12%	-4%	Cisco's corporate GHG reduction goal was set as part of U.S. EPA Climate Leaders program, which required a *calendar*-year baseline. The Climate Leaders program has since been discontinued. To avoid reporting both calendar and fiscal year data, Cisco is publicly reporting emissions using fiscal year data.

standardization and benchmarking across companies, Cisco uses the Greenhouse Gas Protocol Corporate Accounting Standard as the basis for our Scope 1, 2, and 3 (business air travel) emissions calculations. The EPA Climate Leaders program provides additional program guidance.

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

Each year, Cisco has an independent third-party review our GHG inventory, including all emissions relevant to our current GHG reduction goal, which includes Scope 1 and Scope 2 emission sources and Scope 3 business-air-travel emissions. In FY11, this limited assurance review was provided by WSP Environment & Energy in accordance with the ISO 14065 International Standard.

Use-weighted electricity emissions factors KPIs for all Cisco facilities as well as for our major data centers are provided in Table 4.

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 as well as benefiting the environment. A number of programs and projects are underway to help us reduce our present energy costs and future exposure to energy price fluctuations. These tactics help us stay competitive and reinforce our commitment to being environmentally responsible.

Table 4: Electricity Emissions Factors

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
International Energy Agency (IEA) world average EF, g CO_2e per kWh	508.4	504.5	500.0	500.0	500.0	Calendar year per IEA. Latest 2009 EF from IEA value used for 2009-2011.
Cisco, global average electricity EF (gross) g CO_2e per kWh	437.1	448.8	456.9	460.9	443.2	
Cisco, global average electricity EF (contractual) g CO_2e per kWh	375.4	246.4	182.2	262.1	266.6	
Cisco, major data center average electricity EF (gross) g CO_2e per kWh	397.5	401.3	418.8	435.4	435.0	

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

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

- Deploy an updated building space policy to reduce the amount of our office space through implementation of Cisco Connected Workplace products
- Improve the efficiency of our buildings, focusing on our engineering labs, which are Cisco's largest consumer of electricity and source of GHG emissions
- Purchase electricity from certified low-carbon and renewable sources where available
- Produce electricity from low-carbon, onsite technologies

Through these collective efforts, in FY11 Cisco estimates that it has conserved approximately 16.9 million kWh of energy and avoided GHG emissions by 7400 metric tonne CO_2e through an investment of US$1.9 million in energy conservation projects. Since FY09, we estimate that through our continued investment in energy projects, Cisco has conserved approximately 67 million kWh of energy and avoided 29,600 metric tonne CO_2e. More detail on these major reduction activities are provided in the following sections.

Building Space Policy and Cisco Connected Workplace

As a result of Cisco's new building space policy, we will expand the amount of Cisco Connected Workplace in our real estate portfolio because all new and renovation projects must comply with Cisco Connected Workplace requirements. By the end of FY11, Cisco Connected Workplace represented approximately 17.5 percent of Cisco's total office space. Cisco Connected Workplace is one of the most cost-effective GHG-reduction strategies that we are deploying in our real estate operations.

Labs

Because Scope 2 emissions from electricity consumption make up more than 85 percent of our worldwide total Scope 1 and 2 emissions, reducing electricity consumption is a priority for Cisco. Considering that over 60 percent of our electricity is used to power and cool equipment in our engineering labs, making our labs more energy efficient represents a large opportunity to reduce GHG and energy costs.

We have been evaluating and experimenting with different ways to reduce electricity consumption in our labs, such as retrocommissioning projects, increasing lab ambient temperature, and installing smart power distribution units (PDUs) to turn equipment off when not in use. In FY11, Cisco formed a lab energy management team to update our global lab energy strategy, coordinating three areas concerning lab energy use:

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

Table 5: Energy Totals

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Energy usage, GWh	1,282	1,438	1,533	1,524	1,629	
Indirect energy usage, GWh	1,054	1,203	1,293	1,296	1,378	Indirect energy usage is electricity consumption. Direct energy consumption is the sum of Cisco's natural gas and diesel usage for heating and back-up power generation and regular gasoline and diesel fuel used in Cisco's fleet.
Direct energy usage, GWh	228	235	240	228	250	
Electricity usage, GWh	1,054	1,203	1,293	1,296	1,378	
Natural gas usage, GWh	150	158	147	118	121	

Initial pilots have shown that significant energy can be saved through a combination of these efforts. This program is now being deployed across the lab community. When completed, we expect that this lab energy program to reduce Cisco's electricity costs by approximately US$9 million per year and reduce GHG emissions by over 30,000 metric tonnes CO_2e.

Data Centers

A review of Cisco's latest green data center is provided in a later section on cloud computing.

Building Energy Efficiency

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

- Incorporate efficiency into a new or majorly renovated space by following standards in accordance with the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) standards
- Use Cisco's new "green leasing" standards in selecting leased space and working with landlords to improve the energy efficiency of their buildings
- Identify and implement energy-efficiency projects throughout our global operations

We have made significant progress since our first LEED-certified building was built in August 2009 toward integrating green building standards into our real estate portfolio. By the end of FY11, 23 Cisco facilities had achieved LEED certification, 15 of them Gold or Platinum status. These include our new data center in Allen, Texas, and a renovated data center in Research Triangle Park, North Carolina, both of which achieved LEED Platinum certification in FY11. When we build or renovate significant new space, we will include LEED design standards in the project and pursue LEED or similar certification.

We worked closely with our real estate partner, Jones Lang LaSalle, to create "green leasing" terms and integrate these terms into our standard lease template in FY11. These terms vary depending on the size of the building and the length of the leasing contract, but in general, the larger the building and the longer the lease, the more stringent the green leasing terms. Sample terms in the green leasing template include:

- Temperature controls
- Sub-meters for major utilities
- Building recycling program
- No chlorofluorocarbons (CFCs) used in HVAC system
- Bicycle storage and facilities for cycling commuters to change for work
- Green building certification (e.g., LEED, BREEAM, ENERGY STAR)

Incorporating these terms into leases up front is important for Cisco because about half of Cisco's real estate footprint is leased rather than owned, and in many cases these leases exceed 10 years. In addition, if we do not specify any green leasing requirements at the time of leasing, it can be extremely difficult to incorporate the requirements later.

Not all of the terms in Cisco's green lease template are mandatory to implement in every lease. At a minimum, the template provides a tool for Cisco's real estate team to negotiate with the landlord to promote Cisco's sustainability goals that its leased facilities are healthy, efficient, and sustainable, both now and throughout the term of the lease.

Global Energy Management

Cisco maintains a global energy management team that meets on a biweekly basis to discuss energy efficiency and onsite power generation opportunities in our real estate portfolio. This team includes Cisco employees as well as our current facility manager partners, CB Richard Ellis (CBRE) and Johnson Controls (JCI), that manage the day-to-day maintenance of our buildings. Cisco incorporated energy-efficiency requirements as part of our facility management contracts. These new contracts were implemented in FY10. For each year of the five-year contract, our partners are required to identify and implement various energy-efficiency projects at Cisco facilities, including lighting-efficiency upgrades, retro-commissioning, and HVAC upgrades. In FY11, approximately US$1.9 million in energy-efficiency projects were identified and implemented.

Onsite Power Generation – Solar

In FY11, Cisco installed and commissioned solar photovoltaic (PV) systems at two of its data centers. The first system was installed in Allen, Texas, on Cisco's new data center, and the second system was installed in Research Triangle Park, North Carolina, on another data center. Both have a capacity of 100 kW. Cisco will use the experience gained through the use of these pilot systems to assess wider implementation.

Cisco solar array at Allen, Texas data center.

Purchasing Renewable Energy

The percent of electricity purchased from renewable energy sources for various regions is shown in Table 6.

Table 6: FY11 Electricity Usage from Renewable Sources

Region	Percent of FY11 electricity from renewable sources
Europe	64%
United States	27%
Global	26%

Cisco has increased renewable power purchases since FY06 by buying Renewable Energy Certificates (RECs) and entering into green power contracts with various electricity suppliers in the United States to reduce GHG emissions from Cisco operations. Purchased RECs are certified by Green-e, an independent auditor of renewable energy products, and are generated from hydropower projects in Washington; wind projects in Iowa, Texas, North Dakota, and New Mexico; and biomass projects in Tennessee and Kentucky. In addition, Cisco purchased approximately 89 million kWh through various European green power suppliers. We follow the guidelines from the U.K. Department for Environmental and Rural Affairs (DEFRA) and use the grid average when calculating emissions associated with this power.

Cisco participates in the U.S. EPA's Green Power Partnership. As of July 2011, Cisco was listed ninth among the National Top 50 and seventh among Fortune 500 companies in the EPA's green power ranking. This ranking is updated quarterly by the U.S. EPA.

Table 7: Renewable Energy

KPI	FY2007	FY2008	FY2009	FY2010	FY2011
Electricity from renewable sources, GWh	110	342	469	351	358
Electricity from renewable sources	10%	28%	36%	27%	26%
GHG emissions reduction from renewable energy, metric tonne CO_2e	65,736	243,450	355,235	257,627	243,319

Purchasing electricity generated from renewable and non-carbon sources has been an important component of Cisco's GHG reduction strategy. Cisco purchases renewable power where it is available in the local power market. Cisco currently purchases power from no- or low-carbon sources in both the United States and Europe and plans to support no- or low-carbon energy sources in other regions of the world as they become available in the marketplace. Cisco's global renewable electricity purchases are summarized in Table 7.

Operations Scope 3

GRI EN17: Other relevant indirect greenhouse gas emissions by weight.

Cisco has prioritized its Scope 3 operations-related efforts on reducing our business air travel, 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 we have expanded our efforts to address all life cycle emissions, including our supply chain, logistics, use phase, and end of life. Cisco provides a comprehensive response to Scope 3 questions on the CDP Investor survey. Cisco also initiated the GHGP Scope 3/Product ICT Sector Supplement under the auspices of the WRI and WBCSD.

The following sections provide additional detail on our Scope 3 emissions reporting and reduction activities. A later section provides an overview of the Cisco solutions that help our customers reduce their own Scope 1, 2, and 3 GHG emissions. Cisco uses many of these same solutions internally to test the effect on GHG emissions of our products at scale, as well as to understand the "soft" challenges to successful implementation—the necessary updates to business processes, management expectations, and employee behavior.

Scope 3 Business Air Travel

GRI EN29: Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Cisco believes that the global problem of climate change requires a significant reduction in emissions in absolute terms. For our operations, Cisco has made the following public commitments that impact Scope 3 emissions:

- September 2006: Clinton Global Initiative (CGI) commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY2006 baseline).

  This CGI goal has been met and the commitment closed with CGI.

- 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 CY2012 (CY2007 baseline).

  Cisco is on track to meet this EPA Climate Leaders goal, which has not changed since the original announcement.

This section reviews our progress meeting the EPA Climate Leaders goal and provides additional information concerning our Scope 3 emissions. Cisco's total global GHG emissions from business air travel over the last five fiscal years are shown in Table 8.

Because of EPA requirements, our reduction goal is stated in terms of calendar years. To avoid potential confusion from reporting very similar numbers for fiscal and calendar years, we report only emissions by fiscal year and use fiscal-year emissions internally for operational control and initiative planning. We will report against our CY12 EPA commitment in our FY13 CSR Report. Because of rolling updates to air flight data, prior-year business air travel emissions data vary slightly from values previously reported in either our 2010 CSR Report or our response to the Carbon Disclosure Project 2011 Investor survey.

We have not adopted different emissions factors for different classes of air service, for two reasons. First, Cisco's focus is on using Cisco ICT remote collaboration technologies to not travel. Reporting reduced emissions because a larger fraction of employees flew economy class this year compared to last moves the focus away from travel substitution. Second, we are unsure of the treatment of using different emissions factors for different classes of air travel for a given company. Even though Cisco is a large company, it is likely that scheduled air service has not been impacted by our reduction in air travel, even reductions measured in hundreds of thousands of flights per year. That is, the same number of planes are still flying. Of course, as more companies adopt these network technologies, the number of plane flights should decrease. Therefore, we have chosen not to complicate what is inherently a conceptual reduction by considering class of service flown in selecting emissions factors. We use DEFRA air travel emissions factors in our calculations.

Our FY11 Scope 3 air travel emissions data and calculations were reviewed by a representative of WSP Environment and Energy. Our Scope 3 emissions reporting process has been audited in the past by both Cisco's internal audit team and our external ISO 14001 auditor, but was not selected for either audit in FY11.

Reducing GHG Emissions from Scope 3 Business Air Travel

To replace physical travel and meet our EPA Climate Leaders reduction goal, Cisco is relying on Cisco remote collaboration technologies, including Cisco TelePresence, products from the acquisition of Tandberg, and Cisco WebEx desktop conferencing.

Worldwide utilization of general-use Cisco TelePresence units has remained steady at just under 50 percent based on a 10-hour day. Many Cisco TelePresence units are

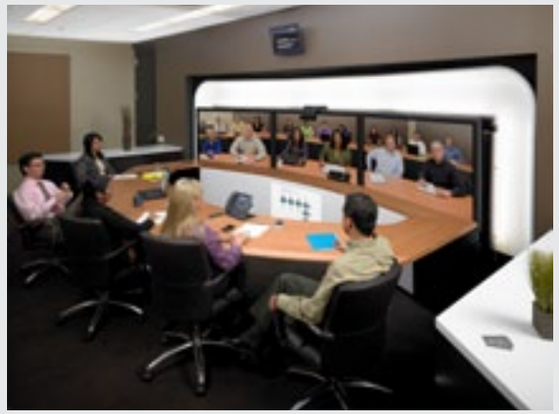
Table 8: Scope 3 Air Travel Greenhouse Gas Emissions

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Total air travel GHG emissions: Scope 3 metric tonne CO_2e	205,796	197,867	118,602	106,783	127,232	Primary air travel data adjusted to represent 100% of Cisco business-air-travel.
Scope 3 air travel emissions from primary data	98.0%	98.5%	97.9%	96.1%	98.2%	
Progress against reduction goal. Goal: reduce all [Scope 1, 2, and] business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY2012 (CY2007 baseline)	base year	+4%	-42%	-48%	-38%	See prior comment on Scope 1 and 2 portion of reduction goal.

booked at or over 100 percent capacity based on a 10-hour day. The larger, three-screen Cisco TelePresence systems have a higher utilization rate. For example, our CTS-3200 series units, which seat 18 people, have a utilization rate of about 65 percent based on a 10-hour day. Higher utilization of the larger Cisco TelePresence rooms is constrained by room availability or because of substantial time differences between endpoints. Table 9 illustrates our rollout of Cisco TelePresence across the company since September 2006, which is in the first quarter of our FY07.

EBC stands for Executive Briefing Center, one of numerous regional meeting facilities that Cisco uses for presentations to customers. Many executives have Cisco TelePresence units in their offices, typically the CTS-500. We also have rolled out thousands of Tandberg, desktop, hardware-based (e.g., EX60, EX90) and software-based (Movi), high-definition video conferencing units in a move to make high-definition video interaction pervasive at Cisco.

We have installed various Cisco TelePresence models at many locations to accommodate the different requirements of each site. This includes models that accommodate anywhere from one or two users in a private office setting to larger group meetings of up to 18 people. By having a range of Cisco TelePresence units available, more types of interactions can be virtualized, avoiding more physical travel and reducing travel expenses and GHG emissions. Up to 42 screens in multiple locations can be scheduled for an internal meeting using the Cisco TelePresence Multipoint Switch.



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

Table 9: Cisco-internal TelePresence Room Cumulative Deployment

Cumulative, as of End of Fiscal Year	Total Number of Cisco TelePresence Rooms	Total Number of Cities	Total Number of Countries
2007 (general use)	72	50	20
2008 (general use)	179	109	37
2009 (general use)	369	156	44
2010 (general use)	534	214	59
2011 (general use)	601	238	67
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

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Cisco WebEx and Cisco MeetingPlace products are also part of the suite of solutions our employees use to collaborate virtually with other Cisco employees, and our customers, partners, and other stakeholders. Table 10, our use of Cisco MeetingPlace and Cisco WebEx continues to grow, mirroring a similar growth in Cisco TelePresence use. A "people-hour," as used in the table, is one person attending a remote meeting for one hour, either by teleconference or via the web and a personal computer. Five people attending a two-hour meeting would equal 10 people-hours.

Table 10: Cisco WebEx and MeetingPlace Usage

Year	Total Web Conferencing (Millions of People-hours)
2007	4.7
2008	7.6
2009	13.3
2010	19.3
2011	23.0

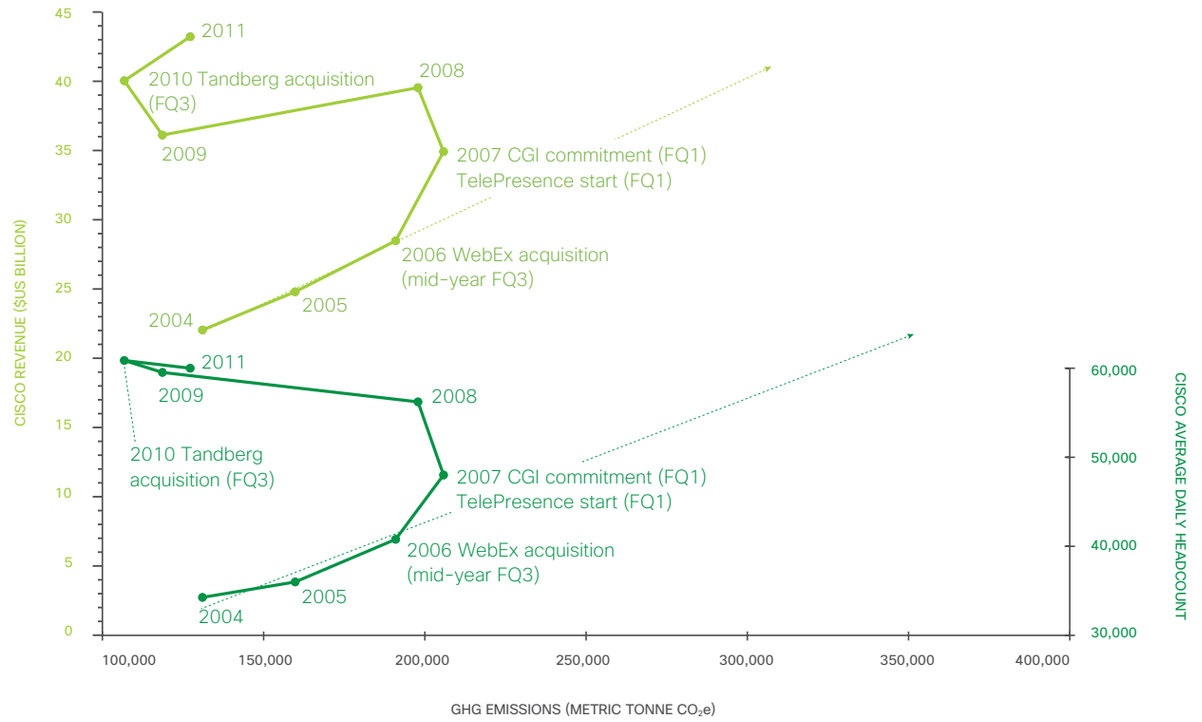
Cisco TelePresence and WebEx now interoperate (WebEx users see TelePresence video), expanding the types of remote collaboration experiences that are enabled by our network technologies.

Using Cisco TelePresence, Tandberg products, and web conferencing, Cisco has piloted and developed the business processes and management practices for virtual company meetings, executive operational reviews, department "all hands" meetings, our annual sales meeting, and our annual senior leadership "offsite" meeting, thereby expanding the types of interactions that can effectively be completed remotely. About 42 percent of our global ISO 14001 site audits were performed using Cisco remote collaboration solutions. This real-world experience guides product development and supports rollout of the supporting management practices. Use of and familiarity with these and related products continue to expand at Cisco for more functions and business activities. Decisions are made faster, cross-cultural communications are improved, stakeholder and customer feedback from around the world is better disseminated within the company, and products move to market faster.

Avoided GHG Emissions from Scope 3 Business Air Travel

It is difficult to project with certainty what might have happened to Cisco air travel emissions without widespread use of these collaborative technologies. However, in response to stakeholder inquiries, Cisco has compared changes to our actual air travel emissions against changes to revenue and headcount. Revenue and headcount are the two factors believed to be the primary drivers of air travel. In Figure 1, actual emissions on the x-axis are plotted against revenue (light green line, left axis) and headcount (dark green line, right axis).

Figure 1: Avoided CO_2 Emissions from Use of Remote Collaboration Technologies



The timing of Cisco's acquisition of WebEx in mid-FY06, the start of Cisco TelePresence use and our CGI air travel emissions reduction commitment in early FY07, and our Tandberg acquisition in the second half of FY10 are also shown. From FY04 to FY06, changes to GHG emissions were roughly proportional to changes in revenue and headcount. This observation is consistent with the fact that about two-thirds of Cisco's air travel emissions were from our sales and service organizations, both "high touch" business functions. The more products sold and the more customers Cisco serves, the more the potential for business travel.

The case for collaborative technologies to reduce physical travel and GHG emissions is unambiguous. With a 25 percent increase in revenue and headcount compared to FY07, in FY11 air travel emissions have dropped almost 40 percent on an absolute basis compared to FY07, exceeding our EPA Climate Leaders goal of a 25 percent absolute reduction. In prior years, Cisco worked to first overcome upward pressure on travel from business growth, and then achieved 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. Because of the economic downturn first seen toward the beginning of FY09, the emissions-reduction emphasis changed to growing customer relationships in spite of restrained travel. As the economy has slowly recovered, our travel has increased from last year, but we are still well below our committed goal. The net effect of our collaborative technologies has been a reduction in travel, carbon emissions, and travel costs with an increase in employee productivity and work-life integration, while maintaining and growing the customer relationships needed for continued revenue growth as the worldwide economy improves.

Replacing business air travel with remote collaboration requires more than just installing more technology. Business processes, management practices, and culture need to be adapted to take full advantage of these new network technologies. As experience with remote collaboration technologies increases, both within Cisco and among our customers and partners, remote interactions will progress from the exception of a few years ago, to standard practice within Cisco, and to the expected behavior worldwide in the future.

Scope 3 Employee Commuting

Teleworking

The employee skill sets developed to reduce business-air-travel and the accompanying business processes and management practices are also used to reduce employee travel between home and work, as well as between buildings at a Cisco site. The wide availability of sophisticated collaboration tools within Cisco permits employees to become well versed in integrating these technologies into daily business activities. Several Cisco technologies permit flexible working environments, including Cisco Virtual Office and Cisco OfficeExtend. Cisco Virtual Office is based on an 800-series, Cisco Integrated Services Router providing secure, wired and wireless voice, data, and video service for small commercial offices or an employee home. OfficeExtend is a simpler, remote wireless access point in the employee home that provides secure communications to a WLAN controller at the company campus.

As shown in Table 11, employees have rapidly adopted Cisco Virtual Office, which includes an Integrated Services Router and IP phone, to effectively work remotely. Although telecommuting or working in a flexible office space does not directly reduce air travel, it does afford opportunities to become more proficient in using collaborative technologies. This proficiency can be applied directly to business activities where remote collaboration does reduce air travel.

Table 11: Cisco Virtual Office Installations in Employee Homes

As of End of Calendar Year	Total Installations (Cumulative)
2005	1,467
2006	5,006
2007	8,234
2008	9,214
2009	13,457
2010	16,449
2011 (through July)	20,487

Electric Vehicle Charging Stations

In FY11, Cisco installed nine electric vehicle charging stations for use by Cisco employees and guests at several headquarters campus locations in San Jose. We are providing these charging stations to expand the employee base that could commute to work using a plug-in hybrid or an all-electric vehicle.

Electric vehicle charging at Cisco (San Jose, California)

The charging stations are located next to Buildings 10, 21, and J. Charging is currently free for registered employees and Cisco guests.

Scope 3 Life Cycle Emissions

Cisco's general use of life cycle assessment (LCA) techniques was discussed in an earlier section. Carbon footprinting, the LCA specifically focused on the environmental impact from GHG emissions, is the subject of multiple standards activities as well as increasing numbers of channel partner, service provider, and end-use customer inquiries.

ISO 14040:2006 provides the principles and framework for life cycle assessments as part of environmental management.

Cisco has adopted the five product life cycle stages defined by the Greenhouse Gas Protocol in its 2011 Product Life Cycle Accounting and Reporting Standard, which is based on the ISO 14040-series standards:

1. Material acquisition and pre-processing
2. Production
3. Distribution and storage
4. Use
5. End of life

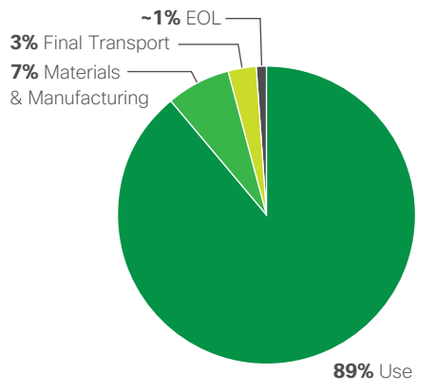
Cisco is committed to shaping our industry in this area through two avenues:

- Industry involvement
- Internal research to develop our capabilities

Our internal LCA studies have focused on our most common products, including IP phones, standalone switches/routers (which covers a substantial portion of our product line), and Cisco TelePresence. For our switching and routing systems, we have determined that the use phase dominates, with between 80 and 90 percent of the carbon life cycle impact. (There may be as much as a 25 percent uncertainty in these values due to variation in assumed product use.) Global emissions factors can vary by a factor of three, which impacts emissions factors and use phase emissions.

The results of a typical analysis for a mid-level, Layer 2/3, metro access switch is shown in Figure 2.

Figure 2: Distribution of GHG Emissions Across Life Cycle for Mid-Level, Layer 2/3, Metro, Access Switch (ME-3400)



In this analysis, a global average electricity emissions factor based on unit shipments was used. Larger core routers and switches are even more heavily weighted to the use phase. For lower power devices, especially consumer-premises equipment (CPE) that might have a shorter life time and might often be turned off or in a lower power, nonoperating mode, the percentage of emissions from the use phase is less.

Cisco actively participates in ICT industry efforts to work toward a common approach to assessing environmental impacts of products, including:

- GHG Protocol Scope 3 and previously referenced product accounting and reporting standards
- Greenhouse Gas Protocol Scope 3/Product ICT Sector Supplement (Cisco is a founding member and chapter editor)
- European Telecommunications Standards Institute (ETSI) LCA assessment of telecommunication equipment and service, DTS/EE-00014
- iNEMI Eco-Impact Evaluator Project to develop a simplified LCA tool for ICT products (Cisco is co-editor)
- Massachusetts Institute of Technology PAIA (Product Attribute to Impact Algorithm) program, developing a simplified, top-down footprinting methodology, that is sharing data and best practices with iNEMI
- Sponsorship of Stanford University civil engineering graduate program project and Massachusetts Institute of Technology internship on sustainability

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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 working toward practical and useful methodologies to assess the GHG emissions impact of our products.

Scope 3 Extended Operations Emissions (Supply Chain)

Cisco receives numerous inquiries from stakeholders concerning supply chain emissions. This interest is properly founded on the concern that GHG emissions "disappear" from Cisco's Scope 1 and 2 reporting when a business function, such as manufacturing or component supply, is subcontracted to a business partner. Cisco subcontracts assembly of our final products and also relies on a worldwide network of component suppliers and logistics providers. These business partners in turn rely on additional supply chain partners to support their respective contribution to Cisco's products.

While it might be theoretically possible to collect emissions data from these multiple tiers of partners for business activity specific to their Cisco business, it would be impractical. The scale of the data collection effort would be very large and entail many companies with which Cisco has no direct business relationship. To address stakeholder concerns about supply chain emissions, Cisco utilizes life cycle assessment techniques and software, discussed in the previous section, to understand the relative contributions of the various phases of product life.

To target supply chain emissions, we are using our business relationships to encourage our business partners to report to CDP. In February 2011, Cisco requested approximately 1500 business partners to report to CDP. It is Cisco's long-term objective for business partners to:

1. Report to CDP annually
2. Make their responses publicly available
3. Provide external review of reported GHG emissions data collection, analysis, and reporting
4. Set a GHG emissions reduction goal
5. Request that their business partners also report to CDP

Our open letter to our suppliers and business partners is available in Appendix 3.

We recognize that not all partners can complete all five steps in their first year of reporting. As such, we are currently tracking, via a subscription to CDP's Reporter Services software, what percentage of Cisco spend is with suppliers that report to CDP.

We currently are tracking CDP reporting KPIs from five categories of suppliers, as shown in Table 12.

We want to continue to push this approach to GHG reporting accountability to other categories of business partners. We will also start measuring against criteria 2-5 listed previously.

Table 12: Supply Chain Partners Reporting to CDP

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Suppliers Reporting to CDP						
· Contract manufacturing, by planned spend	na	63%	82%	100%	100%	Tier 1 partner. Goal: 100% (met)
· AVL component, by planned spend	na	54%	59%	69%	69%*	*Pending CDP Reporter Services 2011 data analysis; Tier 2 partner. Goal: 80%
· Logistics, by supplier count	na	na	na	50%	50%*	*Pending CDP Reporter Services 2011 data analysis; Tier 2 partner. Goal: 90%

Scope 3 Logistics

Logistics, the delivery of new products to our customers, is part of the transportation sector and includes shipment from our manufacturing sites to our end customers. This may include stops at warehouses and channel and distribution partners. The largest impact to Scope 3 emissions in product logistics comes from shipping by air. To minimize our impact from product transport, we are taking the following approach:

- We are engaging with our transport and logistics partners to set expectations for sustainability performance and regularly measure and score our partners on environmental performance. Our transport partners have led the industry in sustainable solutions, which includes fleet upgrades and introduction of biofuels. Our primary logistics partners with activities in North America are U.S. EPA SmartWay-certified.
- We work closely with our transport logistics partners to develop more efficient means of transporting our products. This includes packaging reduction, which therefore leads to package volume reduction and higher shipping efficiency, but also opportunities for shipping consolidation (which leads to fewer trips) and the opportunity to use alternative modes of transport.

To promote sustainability in our supply chain, there needs to be a strong partnership with our suppliers. This includes supporting 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.

Scope 3 Product Use Phase (Energy Efficiency)

GRI EN6: Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.

GRI EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

As global energy use has risen, so have GHG emissions. While the ICT industry accounts for only 2 percent of the world's GHG emissions, it too is growing as adoption and use of technology expand globally. Product energy efficiency (or cutting wasted energy usage by our products) is a big issue for Cisco because of the number and type of energy-consuming products that we sell each year. Some of these devices are replacements while others are additive, contributing to the emissions from IT equipment. The largest proportion of energy they consume, and thus their GHG emissions, is during the use phase of their life cycle. Product energy that efficiency has emerged as a key design criterion in our products with our increasing awareness of climate change issues.

Customers and regulators, too, are increasingly requiring products that minimize energy costs and GHG emissions. Every year the number of environmental sustainability-related inquiries from analysts, customers, shareholders, and NGOs continues to increase. Cisco tracks energy use regulations and certification programs of all countries in which we do business. Examples of various energy-efficiency regulations are listed in Table 13.

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. Product energy efficiency is a key part of all product design and generation improvements at Cisco (see Design for Environment).

Advocacy and Standards Development

Cisco actively engages with governments and standard-setting bodies around the world to monitor and influence the development of emerging product energy-efficiency requirements, particularly around climate change. Cisco believes that product energy-efficiency standards can promote innovation by being performance-based; by taking into account product functionality; and by relying on objective criteria, real-world data, and system-level efficiency.

Table 13: Selected Example Energy-Efficiency Regulations

General
• EU EuP Lot-6 on Standby
• EuP Lot 26 on Networked Standby Losses of EuPs
• E-standby and MEPs
• Mexico Energy Consumption Labeling Regulation
External Power Adapters
• EuP Lot 7 External Power Supplies
• California CEC Title-20 Appliance Energy Efficiency standards for EPS (+ various state level energy efficiency standards that mimic CEC standard)
• Australia MEPS for EPS-Minimum Energy Efficiency Standards for external power adapter (EPS) Efficiency level III (Mandatory)
• The Energy Independence and Security Act of 2007
• Korea MEPS
• Energy Star EPS specification Ver.2 for EPS Voluntary endorsement labeling standard for EPS
• Swiss Energy Regulation
Set-top Boxes
• Australia MEPS on Set-top Boxes
• EuP Lot 18 on Complex Set-top Boxes
• Swiss Energy Regulation Set-top Boxes without HD

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Cisco engages with these regulatory and standards bodies, directly and as part of industry groups, to influence the development of standards and requirements that are clear and effective. This engagement includes Cisco's engineering, suppliers, facilities, compliance, regulatory affairs, government affairs, and corporate affairs teams. We believe that these regulatory and standards activities when done properly bring clarity and consistency to the global marketplace, creating predictable requirements and a level playing field that reduces risk.

Improving Product Energy Efficiency

Cisco is working to qualify its most efficient products with the U.S. EPA ENERGY STAR program; to date the focus has been on set-top boxes: cable, satellite, IP, or other devices whose primary function is to receive television signals from a specific source and deliver them to a consumer display or recording device. ENERGY STAR qualified set-top boxes are at least 40 percent more efficient than conventional models. According to the EPA, if all set-top boxes in the United States met ENERGY STAR requirements, consumer energy cost savings would grow to about US$1.8 billion each year, reducing greenhouse gas emissions equivalent to those from more than 2 million vehicles. ENERGY STAR qualified set-top box products are listed on the program website.

In 2009, Cisco was coeditor for several of the Alliance for Telecommunications Industry Solutions (ATIS) standards, Energy Efficiency of Telecommunications Equipment: Methodology for Measurement and Reporting standards, specifically:

- Server and server blade (ATIS-0600015.01.2009)
- Transport/network systems (ATIS-0600015.02.2009)
- Router and Ethernet switch products (ATIS-0600015.03.2009)

Table 14: List of Energy-efficiency-related Initiatives & Organizations

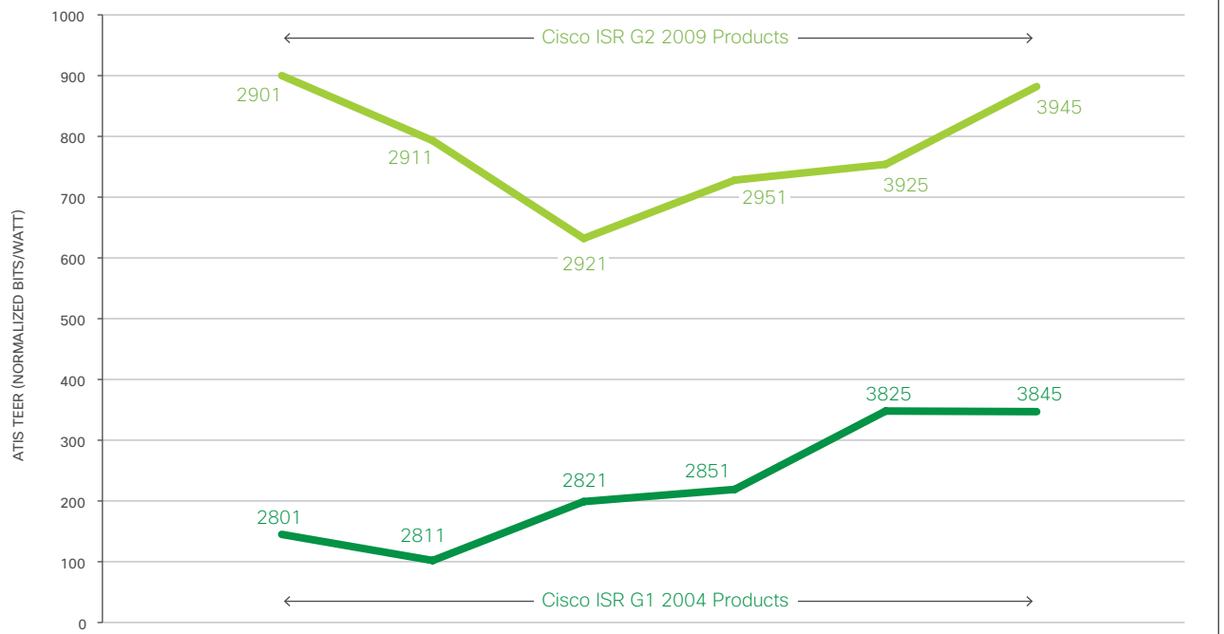
Organization	Area/Issue of Engagement
ATIS (North America)	Cisco is an active member of ATIS and engages with other member organizations to develop standards relevant to Telecom industry. In 2010, Cisco took a lead role in the development of the ATIS TEER standard for the measurement of product energy efficiency.
Australia and Korea MEPS	Energy performance requirements and maximum power consumption of Standby modes
ETSI (Europe)	Cisco is currently engaged with ETSI in the development of standards for energy efficiency and energy consumption for implementation of Broadband Code of Conduct.
EU/EuP (Europe)	Code of conduct that sets power consumption targets for external power supplies and reduced energy consumption during "network standby".
IEEE (worldwide)	Cisco was a major contributor to the IEEE 802.3az (Energy Efficient Ethernet) and IEEE 2030 (Smart Grid Interoperability) projects, both of which were published in the last year. Cisco continues to contribute to maintenance, revisions, and extensions for both of these programs.
ITU (worldwide)	Cisco is a major contributor to ITU-T SG5, Lead Study Group on ICTs and climate change. Cisco presented to ITU the ATIS TEER methodology, which was then incorporated into Measure L: Energy efficiency metrics and measurement for telecom equipment, creating the opportunity for a single worldwide metric.
METI (Japan)	Minimum energy efficiency requirement for networking router and switch product groups.
U.S. DOE, EPA Green Grid	Cisco has been actively working with the EPA to define ENERGY STAR standards for networking equipment. Cisco provided the initial framework about three years ago. Since then, Cisco has actively worked with Lawrence Berkeley National Labs, the EPA technical arm, on measurement methodologies and metrics. Cisco routinely provides feedback to the EPA on draft standards and actual power measurements on network products.
Climate Savers Computing Initiative (CSCI)	Cisco has been supporting CSCI on the exploration of issues and development of white papers on server power and network product energy efficiency.

These ATIS TEER standards created a framework for measuring product energy usage that takes into account product functionality and uses real-world loads to determine energy efficiency. This is important because it enables companies like Cisco to compare energy usage design improvements from product generation to generation, and it enables consumers to make more informed purchasing decisions.

Cisco is in the process of applying the router and switch standard to develop energy profiles for products within the enterprise and ISP router and switch product family categories. Representative models within the following product families have been tested:

Table 15: Cisco Product Families Tested Using the ATIS TEER Methodology	
CRS1 and CRS3	Nexus 7000
ASR 9000	15454
GSR	1900
Catalyst 6500	2800
Catalyst 4500	2900
Catalyst 2900	3900
Catalyst 3800	

Figure 3: Energy Efficiency Performance Improvements Between Two Generations of Cisco Integrated Services Routers



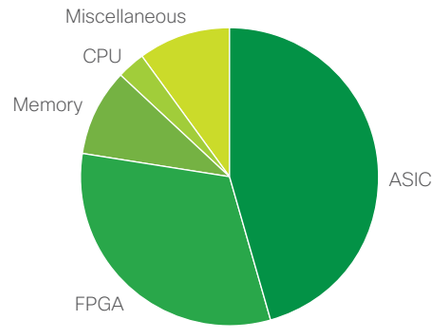
The products tested make up approximately 90 percent of Cisco products in ATIS TEER scope. In 2010, we collected baseline performance data for a representative product from each category. The goal is to measure products as new generations are released to gauge improvement between generations.

Figure 3 presents performance improvements per watt consumed from a selected sample set of Cisco products for which first- and second-generation energy performance was measured using the ATIS TEER standard. This is the same data used in our 2010 CSR Report, as next-generation products have not yet been released in other product lines. The results show that across the products measured, there was about a threefold increase in normalized bits/watt performance between the two generations of products.

From 2006-2010 Cisco was a major force behind Energy Efficient Ethernet (IEEE 802.3az) which specified an industry standard protocol to allow networked devices to save energy based on utilization. In 2011, Cisco has proposed and initiated a project to add a similar energy efficiency protocol for ultra high speed network interfaces within the project for enhanced 100Gb/s operation (IEEE P802.3bj).

Cisco is working to reduce energy demand by cutting the power used by the Application-Specific Integrated Circuits (ASICs) used 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 4, ASICs consume a significant percentage of board-level energy consumption.

Figure 4: Example of Board-Level Energy Consumption by Function



Cisco is developing energy savings approaches for these chips that include:

- Feature-based energy management: ASIC chips are often developed to be rich in features and capability so they can be used in a large number of product models. Cisco is developing new ASIC chips that are configurable to the specific features within the product using such ASIC chips. As an example, such a chip would not draw the power needed to manage 48 ports when it is placed in a 24-port switch.
- Voltage scaling: To compensate for the performance variation inherent in manufactured products, Cisco is scaling, or adjusting, the energy consumed by ASICs to achieve performance standards and minimize energy consumption. Cisco is adjusting the ASIC chip energy requirement (up and down) to compensate for any manufacturing variation in performance.
- Adaptive power management: This enables an ASIC to actively manage the energy it requires based on the load of work it is processing.

These ASIC energy management mechanisms will soon be available to designers to drive down the energy requirements for devices. These refinements have been shown, in lab tests, to reduce energy consumption between 10 and 30 percent.

Cisco has outlined in our Product Requirement Document a mandate that all power supplies be at least 85 percent efficient. As an example, improving the efficiency of the power supply for our Cisco Catalyst 6500 Series Switch from 80 to 90 percent can enable annual savings of more than 3500 kWh. See more details on how we cut power use for the Catalyst 6500 Series on the Cisco website.

Power supply efficiency is only a portion of the problem. Often in the electronics industry, power supplies are not designed for the specific operating parameters of individual products. Thus the power supply is operating at a low utilization, and the result is products using power supplies that manage and use more energy than the product requires. The opportunity for Cisco is to specify the actual range of power demands for a given product and then design the power supply to manage and provide power within this range. Members of Cisco's product design teams are engaged in efforts, such as the Climate Savers Computing Initiative, to identify the best approaches to resolving these problems.

Scope 3 Product End of Life

The last product life cycle phase defined in the GHG Protocol Product standard is end-of-life management. There are minimal emissions associated with this life cycle phase, mostly connected to the transport of the returned product and recycling. The GHG emissions benefit from recycling is reducing upstream emissions.

As Cisco introduces initiatives to increase the return of used or end-of-life products, we will need to study the relative environmental impact of earlier or later product retirement. Energy efficiency improves with each product generation, so earlier product retirement can decrease overall emissions (because 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 regard.

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Benchmarking GHG Emissions Reduction Goals

Some stakeholders have requested reduction goals beyond 2012. While we focus in the near term on executing for FY12 and meeting our EPA Climate Leaders commitment, we will review possible Cisco roles in meeting the global challenge of climate change. Figure 5 places our 25 percent reduction goal in the context of the 80 percent goal for developed countries highlighted by the Intergovernmental Panel on Climate Change (IPCC).

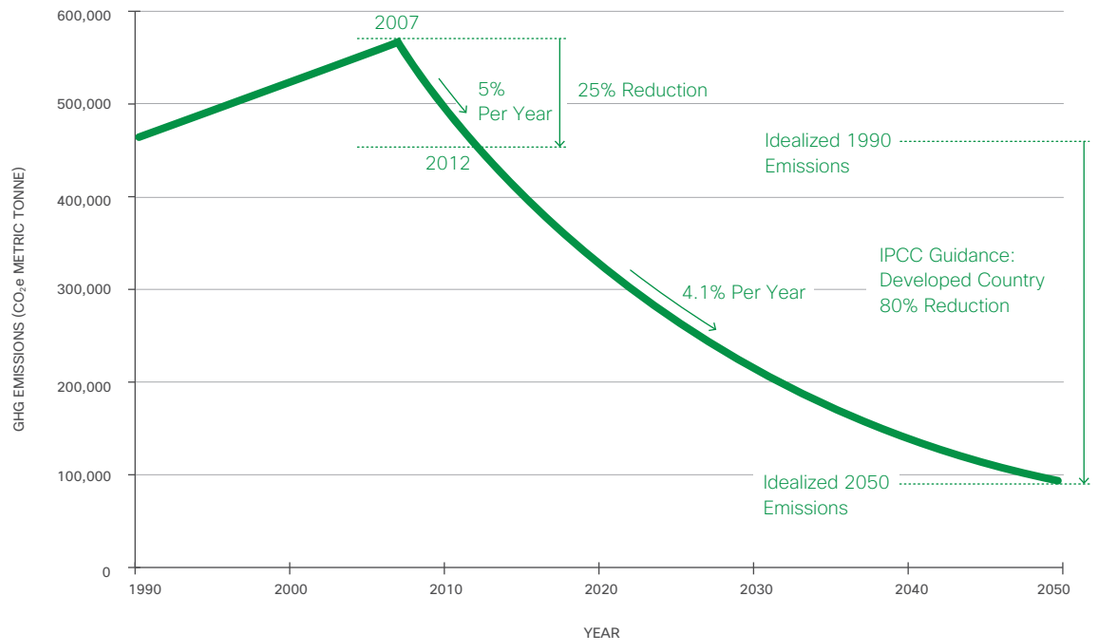
To estimate Cisco's 1990 emissions levels for the above figure, we assumed the average worldwide rate of emissions growth from 1990 to 2007 and calculated a generic 1990 baseline. Cisco's actual 1990 energy consumption data was not collected, so is not available and would be unrealistic to use as a baseline given how rapidly our business has grown. Our FY1990 revenue was only 0.2 percent of FY09 revenue. More discussion will be needed in FY12, informed by COP17, to better understand how emissions allocations for developed and emerging countries will affect expectations for Cisco's next reduction goal.

Cisco will continue to develop products that leverage network technologies and implement the recommendations of the SMART 2020 report. Roughly 75 percent of energy-related GHG emissions are from buildings and transportation. By advancing Cisco solutions discussed in this section, we are well positioned to reduce not only our own building and transportation emissions, but also the aggregated emissions of our customers.

The Enabling Effect–The 98%

In the previous sections, we provided an overview of our Scope 1, 2, and 3 emissions from our own operations, metrics addressing the emissions of our supply chain as well as other phases of the product life cycle. An additional consideration when accessing 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 enable reductions in GHG emissions in other industry sectors. For example, high-definition videoconferencing (ICT sector) can be used to simulate face-to-face interaction in order to avoid air travel (transportation sector), or energy monitoring and control of IP-enabled devices (ICT sector) can be used to reduce energy consumption in buildings (real estate, industrial sectors).

Figure 5: Idealized Greenhouse Gas Emissions Reduction Model



According to data from the International Energy Agency (IEA) and U.S. Energy Information Agency (EIA) summarized in Figure 6, about 75 percent of energy-related GHG emissions are from buildings and transportation.

Although the use of ICT products such as computers, data center devices, and network equipment consumes energy, there is substantial opportunity to use ICT products to reduce global energy-related GHG emissions and make the world more energy efficient. In FY09, Cisco sponsored and contributed to the SMART 2020 report, which identified opportunities for the ICT sector to develop and apply network technologies to reducing annual GHG emissions by 15 percent, which is a substantial positive impact considering that the ICT sector was projected to be responsible for only 3 percent of global emissions in 2020. Potential abatements are concentrated in the areas of transportation, buildings, power/energy, and industry. Innovative application of network technologies promotes change through our solutions, our products, and our operations.

Cisco sponsored and participated in a September 2010 follow-on study, with Boston Consulting Group and WSP Environment & Energy, which began to gather methods to quantify the enabling effect and test methods for applying ISO 14040 and various LCA techniques to this problem. The GHG Protocol Scope 3/Product ICT Sector Supplement mentioned previously is intended to fully develop this methodology for use by practitioners in the field.

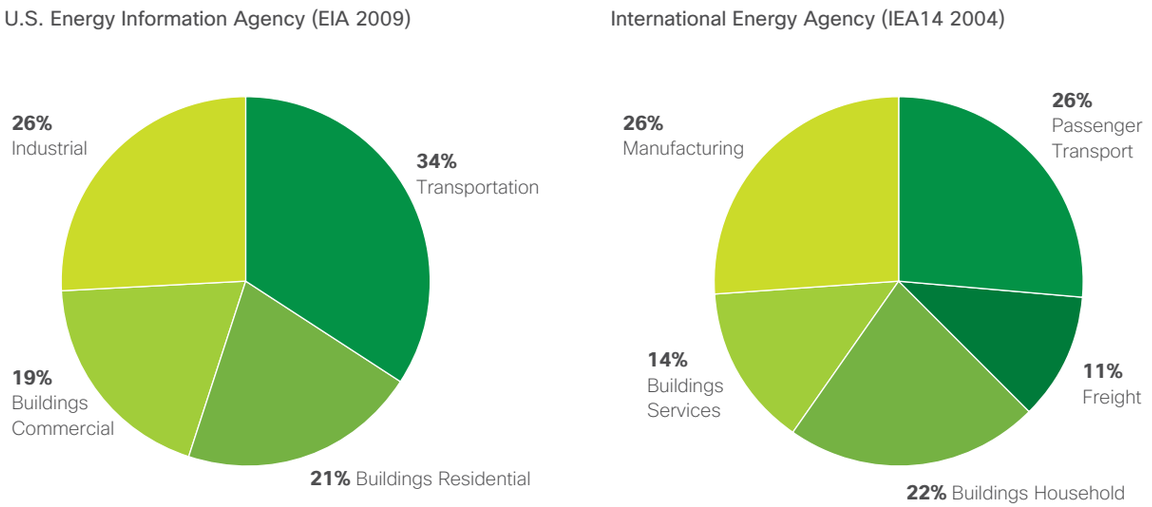
Cisco customers are looking for ways to reduce their energy-related costs and their carbon footprint. This creates market opportunities for Cisco. Cisco is researching, developing, piloting, and delivering network technologies that can help reduce GHG emissions by:

- Offering low-carbon ways to avoid business travel and employee commuting: Customers are rethinking their behaviors and finding innovative, network-enabled alternatives, such as web-based collaboration rather than travel, and telework rather than daily commuting.
- Providing connected energy management: Customers can employ the network as the platform to measure, monitor, report, and plan for greater energy efficiencies.

At Cisco, we are developing solutions for both mitigating and adapting to climate change. To help mitigate avoidable emissions, we are looking for ways to increase energy productivity or energy efficiency, 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. Fewer components mean less electricity used to operate both the ICT equipment and the HVAC equipment used for data center cooling. Fewer components also reduce emissions from the manufacture of underutilized equipment.

Cisco recognizes that the application of technology alone will not result in a drop in emissions. Changes in culture, management practices, and business processes are also needed to achieve the full potential of the technology. However, this evolution to collaborative technologies, smart buildings and work spaces, and connected energy management creates additional benefits, including faster decision making, improved cross-cultural communications, broader dissemination of information around the world, and increased ability to efficiently deploy scarce internal resources.

Figure 6: Industry Sector Breakdown of Greenhouse Gases from Energy Use



The following sections highlight Cisco customer solutions and R&D programs that not only address the key sources of energy-related GHG emissions shown in the previous pie chart, but also address the challenges associated with adapting to climate change.

Transportation

There are two use cases that utilize Cisco remote collaboration technologies: avoiding business air travel and avoiding employee commuting.

The figure in Appendix 4 depicts the business-as-usual (BAU) business 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, Cisco TelePresence, Cisco WebEx, and Tandberg, further extend the potential for remote collaboration. For instance, Tandberg and Cisco TelePresence products can both be endpoints in a single meeting. WebEx is integrated into Cisco TelePresence, so that WebEx attendees who may not be near a Cisco TelePresence room can still see the TelePresence video stream and hear the audio.

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. As an example of interoperability, Cisco sponsored the September 2010 (FY11) Carbon Disclosure Project Global Forum by connecting Cisco TelePresence screens on the auditorium stage in the Bank of America building in New York City with units at Walmart in Bentonville, and in Cisco offices in Washington DC, San Francisco, Beijing, São Paulo, Nairobi, and London.

The figure in Appendix 5 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 to 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 for 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—accessible when in full-screen mode–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.

The current PowerPoint revision is slightly ahead of the web version, which is being updated.

An additional standalone web-based calculator for TelePresence has also been released for mobile phones and web browsers.

Because of the additional, dedicated equipment, Cisco carefully studied the energy/GHG from Cisco TelePresence operation. Most of the energy/GHG cost is from the operation of the end-user equipment (screens, lighting, and local electronics), accompanying local HVAC, and vampire loads. Several orders of magnitude less power is used by network aggregation and backbone functions, as shown in work partly sponsored by Cisco (IEEE, UCSB).

As discussed previously, Cisco has driven industry efforts to push such calculations into the standards arena.

Buildings

Virtualization and Cloud Computing

According to a Forrester Consulting study commissioned in 2009 by VMware, firms initially deployed virtual servers in order to improve hardware utilization. Today these firms cite improved power and cooling efficiency as the motivation to adopt virtualization technology. Cisco data center solutions achieve resource savings of up to 70 percent through virtualization.

At the Cisco Efficiency Assurance Program website, information on power consumption can be found through the "planning" box, the calculators and planning tools being midway down the list of choices. A tutorial on the calculator is available. A product-specific calculator for the ASR 1000 Aggregation Services Router for service providers is also provided.

Cisco opened a new 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.

Our new data center incorporates numerous features to reduce environmental impact:

- Instead of hundreds of batteries typically used in older data centers, the uninterruptible power supply (UPS) room in the 5 MW data center (expandable to 10 MW) uses rotary flywheels, which require little energy to continue in motion, to start the diesel generators in case of power loss.
- 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, outside unchilled air 65 percent of the time, saving an expected US$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 submitted the data center for Gold certification by Leadership in Energy and Environmental Design (LEED). Developed by the U.S. Green Board Council, LEED provides builders with a framework for measurable green building design, construction, operations, and maintenance solutions.

The new data center is designed to achieve a Power Usage Effectiveness metric of 1.35. This metric was developed by the Green Grid an industry consortium to specifically measure data center energy efficiency. An interview showing various features of the data center was done by Data Center Knowledge in June 2011. The new 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, also serving as backup sites for one another. This enables both data centers to run real-time critical applications, such as Cisco WebEx, simultaneously in both places for world-class business resiliency.

This next-generation data center tightly integrates Cisco Unified Fabric, Unified Computing, and Unified Network Services into a holistic data center fabric designed to be simple, scalable, and highly secure, delivering any application across any location, within the data center, across data centers, and to the cloud.

EnergyWise

Cisco EnergyWise is an energy management technology that allows organizations to report and reduce the energy use of all IP-enabled equipment. Cisco EnergyWise is embedded in our switching and routing portfolio and helps improve operational efficiency and reduce energy costs and GHG emissions across the corporate infrastructure, potentially impacting any powered device. EnergyWise is a part of Cisco IOS software, but interfacing hardware is upgraded to enable the hardware to understand EnergyWise commands. The purpose of EnergyWise is to control power-over-Ethernet at the switch or, if the end-user hardware device has also been upgraded, at the end-user device itself.

Two schools in Lisbon (E. S. D. Dinis and E. S. Fonseca Benevides) were outfitted with SMART technologies, including Cisco EnergyWise. EnergyWise was used to control switches, WAPs, IP phones, PCs and laptops, IP cameras, IP-enabled projectors, and electronic whiteboards. At the E. S. D. Dinis school, a month of base operations (without EnergyWise) followed by a month of operations (using EnergyWise) demonstrated an approximate 25 percent energy reduction. This magnitude of reduction is thought to be possible in most buildings (and homes).

Through our developer network, Cisco has partnered with a half-dozen vendors of EnergyWise compliant power distribution units (PDUs). Each plug of the PDU is individually addressable for EnergyWise instruction and for power monitoring. Because almost every energy-using device has a power cord, EnergyWise compliant PDUs are a universal means for power monitoring and device control, regardless of vendor or date of manufacture.

Cisco EnergyWise won the Best of Interop 2009 award in the Green category for leadership in improving corporate energy efficiency and lowering operational costs with its energy-management architecture. For the average size Cisco customer, EnergyWise has the potential to reduce energy usage by 20 percent in the first phase of deployment and realize significant cost savings. A calculator for estimating energy savings is available on the Cisco website.

As part of Cisco's commitment to open standards and energy savings, Cisco has led a new working group within the Internet Engineering Task Force (IETF) to apply the principles used in EnergyWise in an open and interoperable manner that may be used without restriction by any developer in the industry.

Cisco Connected Workplace

Cisco Connected Workplace is a flexible work environment designed to support employee mobility and improve collaboration by providing a variety of workplace settings and enhanced technology tools. The initiative takes advantage of the fact that workplaces today are vacant up to 60 percent of the time because people are working away from their desks, collaborating formally and informally in person, and using rich remote technologies such as Cisco WebEx and Cisco TelePresence.

Watch the Video! Cisco EnergyWise gives companies a global view of energy management. Energy use can be controlled through the network, delivering economic and environmental savings.

Cisco Connected Workplace case studies show reduced costs associated with real estate, furniture, workplace services, and IT infrastructure. Such environments typically support 30 percent more employees than a traditional layout, thereby substantially reducing footprint demands and associated costs.

Utility/Smart Grid

Energy-related carbon dioxide emissions from the generation of electricity are about 40 percent of total energy-related GHG emissions. That is, industrial processes, buildings, and some transportation are powered directly by electricity and total about 40 percent of all energy-related emissions. Therefore, efficiency improvements in delivering electricity have significant potential to reduce GHG emissions.

In the electricity industry, the pace of change and opportunity for disruption are 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.

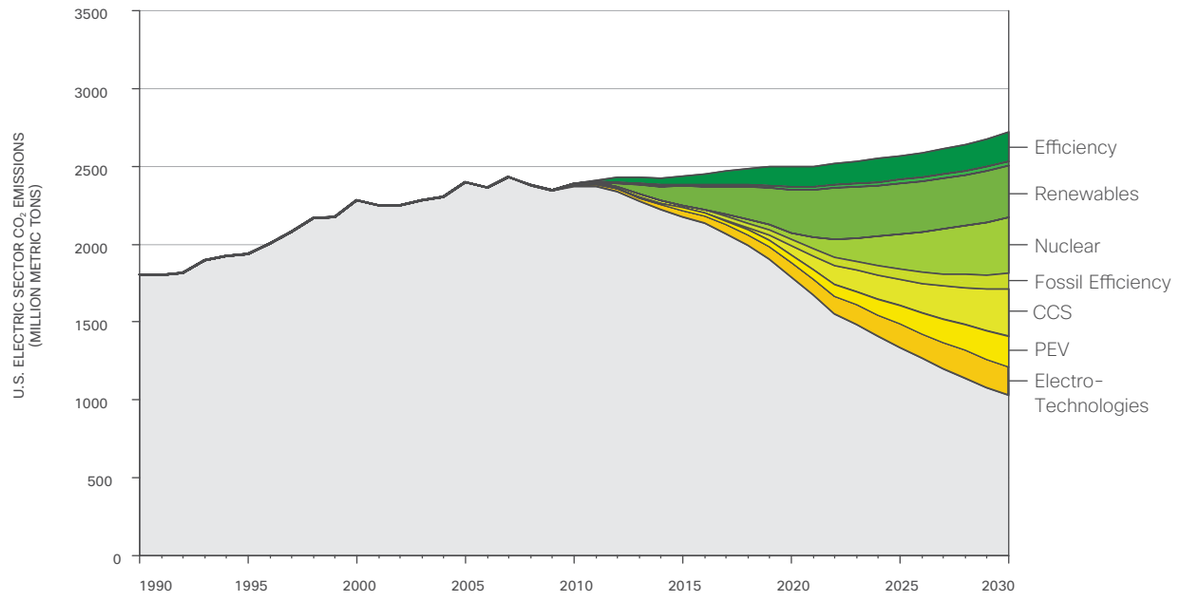
Improved network infrastructure will help utility companies optimize power supply and demand by routing power more efficiently and allowing demand-side management and two-way, real-time information exchange with customers. This information is critical for implementing dispersed renewable generation and 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 7.

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 in order to influence behavior to reduce energy consumption or shift demand in time to permit use of lower-carbon sources of electricity. Pilot projects, including a report sponsored by the U.S. Department of Energy Pacific Northwest Laboratory, have shown a 10 to 15 percent reduction in household energy use with smart grid technologies. Cisco is partnering with General Electric, Florida Power & Light, and Silver Spring Networks on Energy Smart Miami, a pilot to a comprehensive smart grid deployment. Cisco is participating in the Pecan Street Project to make the city of Austin, Texas, a test bed for clean energy and smart grid goals. Cisco is also a member of the GridWise Alliance, advocating for the adoption of smart grid technologies.

Figure 7: Contribution of Renewables and PEV to Projected Future Energy Supply

Low-carbon generation enables electrification and CO_2 reductions in other sectors of economy



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Integrated Solutions

Smart+Connected Communities

Cities currently account for 75 percent of the world's GHG emissions. Cisco has launched the Smart+Connected Communities initiative globally to take advantage of the thought leadership, ideas, and solutions incubated by the Connected Urban Development program and drive economic, social, and environmental sustainability to our customers around the world. Cisco's Smart+Connected Communities is a global initiative that uses the network as the platform to transform physical communities into connected communities that are run on networked information to enable economic, social, and environmental sustainability. The initiative is leveraging the network to deliver integrated offerings across real estate, transportation, safety and security, utilities, health, education, and government to improve community management, economic growth, citizen quality of life, and sustainable development.

A range of additional material is available on our Internet Business Solutions Group website concerning the role of the network in creating sustainable cities. A Forbes article provides an overview of the potential impact of IT on city development and living.

Planetary Skin

Two powerful trends are reshaping the world. The first trend is resource scarcity, the result of explosive growth in demand for resources (water, energy, food, fiber, minerals) driven by growing populations with rising incomes pushing against increasing constraints on the supply of these resources given environmental degradation, land use change, increasing variability of weather conditions and resource productivity, and the threat of catastrophic climate change. Further complicating this trend are the complex trade-offs in and between the different resource classes embedded in the land-water-energy-food-climate nexus. The second trend is data abundance, driven by an increase in low-cost sensor networks and network-enabled data collection systems; explosion of social media data; and data mining capabilities. Planetary Skin Institute (PSI) aims to address the challenge posed by the first trend with the opportunity presented by the second.

PSI is a global nonprofit research and development organization, initially incubated by Cisco and NASA, that aims to improve the lives of millions around the world by developing risk and resource management decision services. PSI partners with research and development partners to incubate replicable and scalable innovations that can significantly increase the resilience of communities; increase food, water, and energy security; and protect key ecosystems and biodiversity.

PSI aims to support the efforts of communities, governments, businesses, think tanks, international funding organizations, academic institutions, and other stakeholders by creating open-platform capabilities and tools that meaningfully advance the world's resource and risk management capabilities. PSI is committed to the development of global public goods that address the resource scarcity challenge, unpack the complexity of the water-food-energy-land nexus, and address the increasing impact of weather extremes. See more details on the Planetary Skin Institute website.

Connected Urban Development

Management of the Connected Urban Development (CUD) program, originally funded in September 2006 as a US$15 million Clinton Global Initiative pilot program, has been transferred to The Climate Group. Please visit the CUD website for information on its activities.

Cities currently account for 75 percent of the world's GHG emissions. Information and communication technology enables economic, social and environmental sustainability.

Water Use

GRI EN8: Total water withdrawal by source.

GRI EN9: Water sources significantly affected by withdrawal of water.

Because our headquarters are located in California, where water rights and usage are a significant issue, Cisco has always been conscious of water use in our operations. Since FY07, Cisco has been collecting water data for our major campus locations. Using the World Business Council for Sustainable Development water tool, we believe that three of these sites are located in water-scarce areas, and two sites are in water-stressed areas.

Key objectives of Cisco's water management program are to:

- Identify and respond to site-level water conservation opportunities for our operations
- Work with partners such as local governments, water utilities, and owners of our leased buildings to pursue and replicate best practices in our operations and beyond

Cisco's primary water impacts come from office building potable water and sanitation, landscaping, and cooling towers. Over the past year, we have continued measuring our water use so we can better understand the impact of our programs. Given the size and geographic dispersion of our operations, this has been a challenging task, as many of the locations where Cisco shares a building with other tenants do not have water submeters installed. In FY11, we were able to continue collecting and analyzing water data for 66 percent of our total real estate portfolio by area. See Table 16.

We are minimizing our water impacts through innovative approaches to both reductions 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 and uses reclaimed water for landscaping and similar applications. We have been able to make many changes to our landscaping practices, while also creating attractive and inviting landscapes for our customers, employees, and our surrounding communities. Over the last three years, we have accomplished the following water conservations projects:

- Use of recycled water: Our headquarters in San Jose, California, uses only recycled water for landscape irrigation and fountains, representing approximately 30 percent of our 700,000 cubic meters of water consumption.
- Installed irrigation controls: These controls track variables such as plant type and weather patterns to dispense the least amount of water needed via the drip system. This resulted in an approximate 8 to 10 percent water savings.
- Elimination of decorative fountains: We are taking many of our fountains or water features offline or converting them to landscaped beds with California native and drought-resistant plants.
- Installed water-efficient fixtures: Throughout the San Jose campus, low-flow toilets, flow restrictors on faucets, and waterless urinals have been installed.

We mitigate our impacts in water-scarce areas by incorporating resource constraints into our local office building and data center development plans. Cisco seeks to site our operations in areas where we can most successfully serve our customers while minimizing negative environmental impacts.

Because the production of electrical power is one of the largest uses of fresh water worldwide, the largest opportunity for Cisco to reduce our impact on water resources is by making our operations (and those of our suppliers) and products (our customer operations) more energy efficient.

Table 16: Water Use

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Total water use, m^3	1,725,618	1,570,831	1,690,348	1,753,269	1,790,061	Includes irrigation (where used) and potable water
Real estate portfolio covered by water reporting	59%	58%	65%	67%	66%	

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Biodiversity and Land Use

GRI EN11: Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

GRI EN12: Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

GRI EN13: Habitats protected or restored.

GRI EN14: Strategies, current actions, and future plans for managing impacts on biodiversity.

GRI EN15: Number of 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 support solutions, such as Cisco Connected Workplace, Cisco Virtual Office, and OfficeExtend are instrumental to our strategy. The flexibility of Cisco Connected Workplace and Cisco collaboration technologies reduces the demands for office space by more efficiently using existing space and enabling employees to work remotely while remaining productive. As mentioned previously, a space using Connected Workplace could accommodate approximately 30 percent more employees compared to a traditional office layout, substantially reducing office space and land use requirements and its associated impacts on the environment. See Table 17.

Cisco actively evaluates the biodiversity and land-use impacts of potential facility sites through environmental impact assessments required for permitting. For example, in Alviso, California, Cisco has a 20.4 acre-parcel of land that is a protected habitat for the burrowing owl and a rare plant species (Congdon's Tarplant). Protection activities that Cisco has implemented on this parcel 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 required seed collection and replanting within the habitat preserve area and ongoing maintenance over a five-year period.
- Implementing a burrowing owl mitigation plan that required preconstruction surveys for burrowing owls and the installation of 12 artificial burrows in the habitat preserve area, habitat maintenance measures to encourage owls to relocate to and remain in the preserve area, monitoring during construction activities, and a permanent perimeter fence around the preserve area.
- Locating grazing cattle on this habitat preserve area as a method of weed abatement and soil compaction to help facilitate wetlands establishment.

Table 17: Biodiversity and Land Use

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Real estate portfolio with biodiversity assessment	not reported	not reported	not reported	65%	63%	Includes International Union for Conservation of Nature (IUCN) Red List and national conservation list species with habitats in areas affected by operations. Owned property.

Non-GHG Emissions

GRI EN19: Emissions of ozone-depleting substances by weight

GRI EN20: NOx, SOx, and other significant air emissions by type and weight.

Because most of Cisco's production is outsourced to supply chain partners, our global operations primarily consist of standard office activities and research labs. This limits our non-GHG emissions to volatile organic compounds (VOCs) from occasional use of cleaning products, nitrous oxides (NOx) and sulfur oxides (SOx) from onsite fuel combustion, and the subsequent development of ozone from the photochemical reaction of NOx.

Table 18 summarizes other airborne emissions: VOCs, NOx, SOx and particulate matter. NOx and SOx emissions originate from combustion of fossil fuels in vehicle engines, boilers, or emergency generators that are occasionally tested onsite. These emissions are calculated based on fuel consumption collected in the past three fiscal years. As Cisco is working on reducing overall GHG emissions, we expect a proportional reduction of NOx and SOx emissions across our operations.

The actual quantities of VOC-based chemicals are minimal, and therefore monitoring is not required.

At locations across Northern California, Cisco complies with California Air Resources Board requests and does not use any mechanical equipment, such as gasoline-powered lawn mowers, after 11 a.m. on designated Spare the Air days, when air quality is poor in the Bay Area. In addition, we have instituted Summer Saturday Shift Work, which reduces equipment emissions due to improvements in maintenance staff productivity. Over the course of 32 weeks, we saved 44 hours per week of grounds crew time as a result of increases in efficiency.

In accordance with the 1987 Montreal Protocol on Substances That Deplete the Ozone Layer, we have been working with our supply chain partners to phase out ozone-depleting substances (ODS) in their manufacturing processes.

Table 18: Non-GHG Emissions

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	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 standard office activities and research labs, which may require the occasional use of cleaning products containing VOCs. Quantities of VOC-based chemicals are minimal and are not required to be monitored.
NOx, metric tonne	177	167	164	241	339	
SOx, metric tonne	0.67	0.71	0.73	0.84	1.05	
Particulate matter	negligible	negligible	negligible	negligible	negligible	

Effluents (Liquid)

GRI EN10: Percentage and total volume of water recycled and reused.

GRI EN21: Total water discharge by quality and destination.

GRI EN23: Total number and volume of significant spills.

We seek to site our operations in areas where we can successfully service our customers while minimizing our negative environmental impacts. Operations siting is an especially important consideration with our data centers. We currently cool most of our data centers by air movement. However, as equipment becomes more compact and consumes more power per unit area, we need to identify more efficient cooling mechanisms, and one of the options we are considering is water-based cooling.

We also work closely with the owners of our leased spaces to incorporate environmentally sound practices into lease agreements. Our green lease terms incorporate LEED criteria, allowing us to negotiate requirements such as water use measures into new leases as well as those up for renewal. Given the nature of office buildings, these changes often benefit all tenants and frequently provide cost savings to the landlord.

Cisco seeks out partners, such as local governments and utilities, that can provide support and best-practice sharing to help reduce water use (and effluents). We count on these experts and leaders as a resource in our own operational efforts. Cisco participates in the California Environmental Dialogue Longview Committee, a forum for frank and honest discussion about California's long-term strategic environmental, economic, and resource management issues. Table 19 shows Cisco's KPI for liquid effluents.

Waste

Controlled Substances

As a global supplier of electronic equipment to consumers and industry, Cisco is responsible for the management of materials within our products. Global environmental regulations and Cisco's interest in reducing the impact of the materials used within our products and supply chain have helped drive the development of products that use more environmentally friendly materials. Cisco has established substance requirements for products in our controlled substances specification. The purpose of this specification is to communicate Cisco's substance use and reporting requirements to suppliers and manufacturers. The specification outlines the restricted substances, exemptions to these restrictions, substances to be reported and phased out, and substances to be watched for potential inclusion on the restricted substances list. These include controlled substances associated with applicable global regulations such as RoHS and REACH. Brominated flame retardants (BFRs) and polyvinyl chloride (PVC) in electronics are examples of substances that Cisco monitors for reduction and substitution.

Cisco has been working with our research and development teams, manufacturing partners, industry standards technical committees, and academia to validate proposed alternatives for BFRs and PVC in our products. In the environment section of our 2009 and 2010 CSR Reports, Cisco set a 2011 target to confirm/validate alternatives for plastics containing BFR and PVC that are used in our products. Over the last 2 years we have performed material assessments, surveyed suppliers, and identified the areas within our business where we could have the greatest influence and success transitioning to BFR- and PVC-free materials. This issue is most relevant to Cisco as it relates to printed circuit boards, Cisco designed plastic parts, and cables. Findings from these efforts for each area are described in the following sections.

BFRs in printed circuit boards (PCBs): Cisco has performed its own reliability and signal integrity testing of new laminate alternatives via new material qualification processes and has qualified new halogenated flame retardant-free, PCB-laminate materials for use in 35 new products in the high-end switching and routing spaces. Cisco will continue to research new laminate materials as they become available and will continue to apply them to new products where performance requirements can be met.

Cisco supports the International Electronics Manufacturers Initiative (iNEMI) industry efforts focused on BFR reduction. Cisco is an active member of the HFR[1]-Free PCB Materials Project, chartered to study

Table 19: Effluents Spills and Discharge

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Spills and discharges	none	none	none	none	none	In FY2011, there were no reportable spills or discharges to the environment from Cisco facilities or operations worldwide.

1. HFR stands for halogenated flame retardant; bromine is a halogen.

whether alternative materials meet performance requirements concerning delamination, via and plated through-hole reliability, pad cratering, and solder joint reliability. We are also actively participating in the HFR Free Signal Integrity initiatives to similarly evaluate material options. Cisco co-chairs the HFR Free Signal Integrity Project, which focuses on critical electrical parameters of the alternative laminates.

BFRs and PVC in Cisco Designed Plastic Parts: In FY11 Cisco completed a survey of resin suppliers, the point in our supply chain where we have the greatest design and manufacturing control. We gathered information on the presence of BFRs and PVC within Cisco specified custom injection molded parts provided to or manufactured for Cisco. The survey showed that over 60 percent of resin compounds (by count) used in Cisco designed components are currently BFRs and PVC free. Cisco designed components that contain BFRs or PVC are generally small in mass (less than 25 grams) and used in products with relatively low sales volumes.

PVC in Cables: Cisco is driving reductions in cable PVC content through the iNEMI PVC Alternatives Project, which is focused on conducting cradle-to-grave life cycle assessments of PVC and non-PVC jacketing in cables to better understand the environmental trade-offs of standard, non-halogen, and bio-based cable jacketing. The preliminary findings of this work are under review and are scheduled to be released to iNEMI member organizations in late 2011. Cisco will continue its efforts to identify, test, and implement approved BFR and PVC alternatives in new products.

Cisco is also an active member of the High Density Packaging Users Group (HDPUG) BFR/PVC Free Cables and Wires Project, which is comparing the electrical, mechanical, performance, and manufacturability requirements of alternative materials with existing options; designing and manufacturing test samples; and conducting performance evaluations.

Separate from the above efforts, lead-based solder has been a key component of circuit boards and other electronic parts. Although lead solder is currently exempt from the RoHS Directive for networking infrastructure equipment, product conversion and testing efforts have allowed Cisco to make significant progress toward removing lead assembly solder from Cisco products. For the transition, we have developed a lead-free solder specification for components, interconnects, and printed circuit board reliability. We have also implemented lead-free data management systems, assessed supplier capabilities, tested the reliability of alternative substances, and developed a product conversion roadmap. In the interests of protecting product quality, we are working with global industry associations to develop highly reliable lead-free solder.

Product Take-Back, Reuse, and Recycling

GRI EN27: Percentage of products sold and their packaging materials that are reclaimed by category.

Our trade-in and take-back programs are designed to bring back to Cisco any item that Cisco or our acquired companies has put on the market. Cisco recycles essentially 100 percent of the electronics sent to our e-scrap recyclers. All commodity fractions go to downstream recyclers to be made into new products. Table 20 contains Cisco's reduce, reuse, and recycle KPIs.

During FY11, Cisco's Reverse Logistics Group refurbished, resold, or reused over 2000 metric tonne of products returned to Cisco; which equates to a 17.3 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]

Table 20: Product Trade-in and Return

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Product return, metric tonne	*	10,030	10,730	8,580	11,595	*Before FY2008, Cisco reported weight of material sent to Cisco's recyclers. Using process improvements started in FY2008; we are now reporting weight of material received from end users, which is the metric of primary concern to stakeholders.
Material to landfill**	*	0.46%	0.44%	0.33%	0.89%	*See comment directly above. **Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.

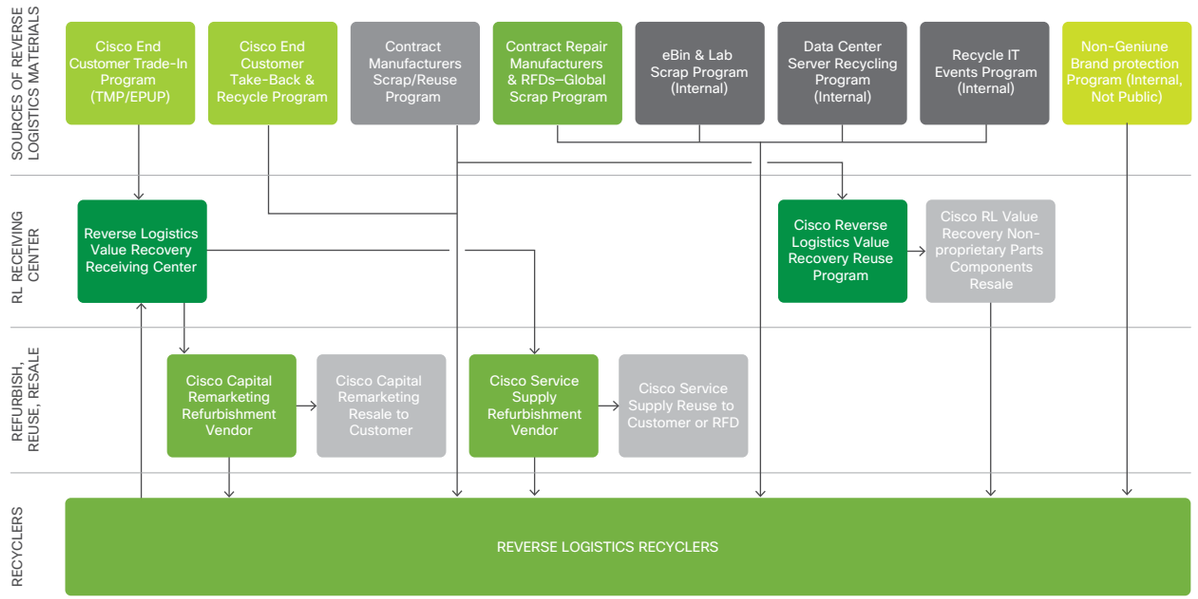
1. Cisco Connection Online registration required.

Cisco has nine different reverse logistics recycling programs to support our independent producer responsibility (IPR) efforts. These fall into three categories.

Table 21: Cisco Take-back, Reuse, and Recycling Programs

Category	Material Stream
Customer programs	· Cisco Technical Migration Program (TMP) · Exceptional Pick-Up Program (EPUP) · Take-back and Recycle
Programs for companies producing or repairing Cisco products	· Scrap/Reuse Program · Global Scrap Program
Internal programs for Cisco	· eBin/Lab Scrap · Cisco Data Center Server Recycling · Non-Genuine Materials · E-scrap events

Figure 8: Reverse Logistics Material Sources and Flow of Materials for Reuse and Recycling



A flow diagram of these reverse logistics material streams is shown in Figure 8. Note that the Cisco Technical Migration Program and Exceptional Pick-Up Programs are combined in one box in the upper left of this figure.

Each program or process is formally documented and is part of the contracting process with each of our contracted recyclers.

Cisco has trade-in programs for customers who are purchasing new equipment and have qualifying equipment to upgrade. Eligible customers receive an additional discount for returning working used equipment to Cisco for possible reuse. These programs are the single largest flow of materials back to Cisco's reverse logistics programs. And the trade-in programs provide the newest and best quality used equipment with the highest potential for refurbishment and reuse.

Engaging with our reuse/recycling programs is easy and straightforward. Customers go to the web portal, select the program that applies to them, and submit a pick-up request form. Cisco then contacts the customer and arranges the pick-up and logistics to return the materials to the appropriate location. The trade-in items are routed to a returns receiving center for analysis of each item to evaluate its reuse or refurbishment potential, and take back and recycle material is routed directly to a recycler.

Customer Programs: Our two customer trade-in programs are the Cisco Technical Migration and the Exceptional Pick-Up Program. All trade-in materials are routed to a receiving center where each item is analyzed for possible reuse. If there is demand for the specific product being received, it is refurbished before being sent for reuse to Cisco Capital Remarketing, Cisco Service Supply, or to an internal Cisco lab.

Reuse is always the first priority. Cisco has reused over US$200 million of Cisco equipment, calculated at standard cost, in each of our last three fiscal years. If an item does not qualify to be reused, it goes to one of our authorized recyclers.

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The Take-back and Recycle program is focused on Cisco branded items that do not qualify for either of our two trade-in programs. This program also accepts competitor equipment that has been displaced in the customer's network by newly purchased Cisco items. Take-back and Recycle equipment is typically old with no reuse value, or is damaged. These materials go to the closest Cisco approved recycling site. Currently, there are 27 recycling locations around the world, as shown in the map.

The number and location of Cisco authorized recyclers continue to expand based on the growth in our business and the requirements of local regulations.

Cisco Reverse Logistics Global Supply Base Locations

Mouse over any of the four regional labels below for an enlarged view.

North America | Latin America | Europe | Asia/Pacific

Programs for Companies Producing or Repairing Cisco Products: The Cisco manufacturing Scrap/Reuse programs takes all excess, obsolete, or damaged materials from our contract manufacturers, MPAs, OEMs, ODMs, and proprietary component suppliers. First, each load is reviewed by the Cisco Value Recovery group for possible reuse or resale. If Value Recovery does not want the materials, they go to Cisco 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 for which they have customers, and then sends 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. eBins are green plastic rolling bins, where materials are collected for recycling. Smaller labs may have only one eBin but large labs may have more than a dozen. Each bin has an owner, and when the bin is full the owner visits our recycling web portal and fills out a pick-up request. The recycler responds to arrange the date and time of pick up and delivers empty eBins.

Cisco Data Center Server Recycling serves data centers in 12 countries. When a data center no longer needs a server, it is offered to other Cisco data centers for possible reuse. When one of these servers reaches the end of its useful life, it is recycled, with all parts being shredded. Because these servers have sensitive data residing in their memory, they are no longer reused.

The Non-Genuine Materials program handles items that we occasionally receive in service returns which are non-genuine Cisco products. Non-genuine items also come to Cisco through law enforcement actions that seize fake Cisco equipment. When non-genuine equipment is found, we use a special witnessed protocol whereby the collected materials are properly destroyed.

We hold e-scrap events are held each year 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 hold an event as long as it has the employee volunteers to organize it and do the related collection and processing. In April 2011, we held our 16th e-scrap event, with 78 Cisco offices around the world participating and over 142 metric tonne of used electronics collected. In the years since Cisco started holding e-scrap events, our employees and contractors have helped Cisco recycle over 1617 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 in certain regions. Cisco contracts require the recycler to enforce our strict recycling processes upon subcontractors doing Cisco work. Cisco must approve of each prospective recycling company and each recycling location prior to sending any Cisco equipment for processing.

Each contracted recycler provides us with monthly reports delineating all cases opened and processed, lot by lot. When each lot is processed, the report includes a mass balance showing the weight as received and the weights of each fractional commodity separate from the lot.

Cisco holds quarterly business reviews with each of the contracted recyclers to review the past quarter's results. We also review all action items that were to be worked during the quarter and the focus areas for the next quarter. Cisco also does random spot site audits of the recycling facilities.

E-Scrap Recycling Process

Each load of e-scrap is weighed in on calibrated scales upon arrival. Next, each unit is demanufactured, and a high-level sort into "commodity fractions" separates the steel, aluminum, cardboard, plastic, wire/cable, and printed circuit boards. Certain fractions may then be shredded. Most Cisco printed circuit boards contain a rechargeable battery that is removed prior to shredding. After the shredding, an additional hand sorting is done to pull off any loose pieces of the commodity fractions. All fractions are sent to downstream or second-level recyclers to be made into new products again. Shredded printed circuit boards go to a secondary smelter where as many as 17 metals are harvested from the boards. These harvested metals re-enter the metals markets to make new products. Any batteries or packaging materials sent to recycling facilities are also sent to downstream recyclers.

Product Packaging End of Life

The environmental impact, including transportation and emissions, from a packaging take-back program outweighs the benefits of using the local recycling stream. This is primarily because packaging material logistics are significant, and thus packaging creation is local to the point of shipment. Therefore, Cisco takes the approach to design our packaging to be easily separable and as recyclable as possible so it can most easily be absorbed into local packaging material recycling programs.

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Solid Waste from Operations (Trash)

GRI EN22: Total weight of waste by type and disposal method.

GRI EN23: Total number and volume of significant spills.

GRI EN24: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

Cisco's Waste Reduction and Recycling Program is a key component of Cisco ISO 14001 certification and our global environmental policy. We routinely collect and recycle waste streams including batteries, CDs and diskettes, beverage containers, trash, wood and pallets, cardboard, mixed paper, confidential waste, packaging materials, toner cartridges, compost, polyurethane foam, landscape waste, mobile phones, food waste, and construction waste. Electronic waste collection programs are described in the previous section.

Table 22 shows our solid waste KPIs. Note that operational waste recycling performance depends on both Cisco performance and the availability of supporting services by local waste hauling and disposal vendors.

We encourage all Cisco facilities to take steps to reduce their operational waste. Initiatives at our San Jose headquarters, for example, diverted 79 percent of all waste streams in FY11.

Figure 9: Recycling Rates for Solid Waste from Major North American Operations (Trash)

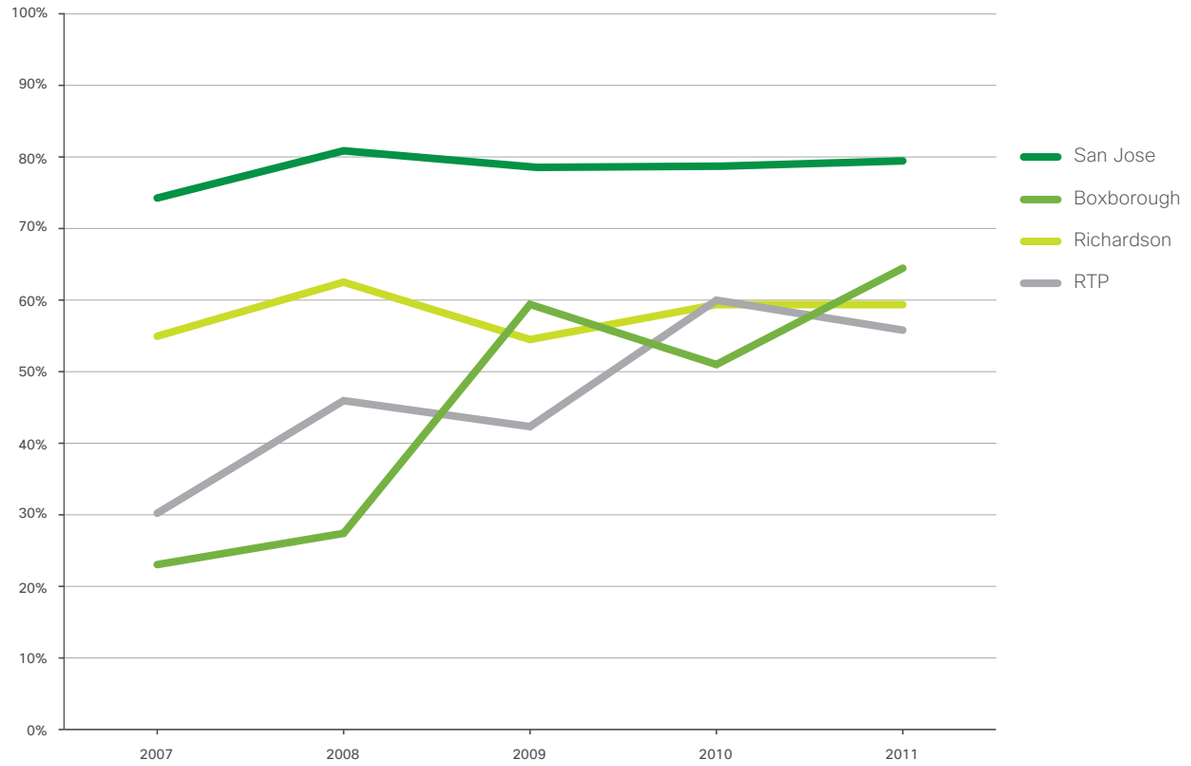
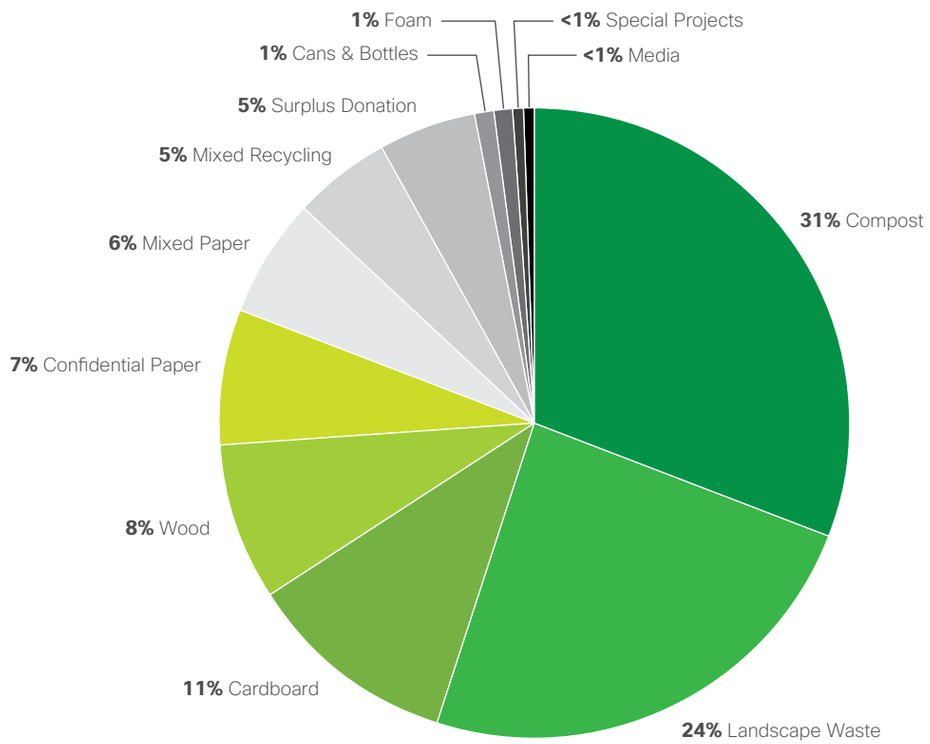


Table 22: Solid Waste from Operations (Trash)

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Total operational waste generated, metric tonne	7156	7409	6246	4845	4471	
Real estate portfolio covered by waste reporting	53%	53%	48%	46%	45%	Includes data for all Cisco campus locations in the U.S. and Canada.
Total operational waste recycled, metric tonne	4633	5023	4250	3443	3228	
Operational waste recycled	65%	68%	68%	71%	71%	

Figure 10: Breakdown of Solid Waste Streams (Trash) at San Jose, California Headquarters Campus



A breakdown of our waste stream for our San Jose site is provided in Figure 10 as an illustration of our key sources of operational waste, the complexity of proper waste stream segregation, and the need for local recycling services.

In addition to specific initiatives at individual facilities, Cisco has implemented programs at multiple sites that address the following kinds of waste streams:

Electronic waste: Building on our customer-focused product recovery efforts, Cisco has implemented an e-scrap program to collect and recycle electronics resulting from Cisco's operations. We place green bins in our labs for the collection and recycling of materials damaged in research and development. Cisco also hosts e-scrap events every year for our employees to bring in end-of-life electronics from home for proper recycling. Cisco will take back any electronic goods, regardless of whether it is a Cisco branded product.

Food waste: In addition to lessening the impacts of our office environments, we strive to reduce the environmental impacts of our cafeterias. Cisco partners with Bon Appétit Management Company, a leader in sustainable food service, to provide Cisco employees in North America with healthy, sustainable, and socially responsible food options. Our sustainable food purchasing initiatives date back to 1999 with the establishment of Bon Appétit's Farm to Fork program, an initiative to purchase food locally. This program promotes local farming and supports sustainable farming and harvesting techniques.

Composting: Cisco campuses in San Jose, California, and other North American locations host programs for composting and recycling food wastes where municipal facilities are available to process these materials. During FY11, the food waste separation program at Cisco's San Jose campus diverted more than 1416 tonne of food waste that otherwise would have been sent to local landfills. The waste was then turned into compost and made available by the municipality for purchase by gardeners. In addition, Cisco's facilities in San Jose and Research Triangle Park, North Carolina, recycle waste vegetable oil. This vegetable oil is converted into biodiesel fuel used to power traditional diesel vehicles.

Bottled water: In FY08, Cisco's North American offices disposed of 13.7 million plastic water bottles. In FY09, we ran a pilot water filtration program in Boxborough, Massachusetts, and several San Jose campus buildings that reduced our plastic water bottle consumption level to 11.6 million units. After fully implementing the water filtration program as well as a new beverage vending program throughout North America, the total plastic beverage units consumed at Cisco's facilities was substantially reduced. Through FY11, both of these programs are still in place throughout Cisco facilities, and as a result, each year we prevent millions of plastic bottles from entering landfills globally.

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Cisco's long-term objective for our CSR programs is to build sustainability into each business function. Sustainability is not an add-on. Like quality, sustainability can't be "inspected in" after the fact, so meeting our objective is critical for sustainability to scale throughout the business. Operating responsibility is being driven back to the affected business functions, with our EcoBoard focused on long-term strategy, sharing best practices, and promoting executive-level collaboration.

In this year's Environment section, we have introduced a reporting framework for consistent coverage of all GRI topics. This framework defines the responsibilities and challenges for each business function. We recognize that our performance and depth of reporting will need to continue to improve to meet the rising expectations of our stakeholders. We will report our progress for each of these activities in our 2012 CSR Report.

Objectives for FY12
Scale environmental sustainability reporting by our business partners. We will continue to promote CDP reporting among our supply base, and will develop a strategy to promote standardized GRI reporting by this supply base to address environmental impacts beyond energy and GHG emissions. We believe that the most credible analysts and advocacy groups are those that rely exclusively on publicly available information, and we want to continue this best practice for our operations and extend the model to our "extended operations" (supply chain). We don't believe it is productive or scalable for thousands of the largest companies worldwide to send custom surveys to each of their thousands of business partners and suppliers.
Starting in FY12, we will include partner CDP reporting status in our preferred vendor scorecards. We believe that the act of reporting is a powerful driver of increased attention to energy efficiency and GHG emissions. Cisco expects to work with our manufacturing partners to effect GHG emissions reductions, since reduction of supplier energy use may need changes to manufacturing processes that require Cisco involvement and approval. Also related to our supply chain, we will launch in FY12 a Supplier Appreciation Award to recognize suppliers with outstanding environmental sustainability performance.
In FY12, we will move our GHG emissions and air travel data and calculations to a new, enterprisewide sustainability information system (SIS). We will also apply the SIS to improve data collection and analysis related to all GRI environment performance indicators.
We will continue to invest in the development of the Scope 3/Product ICT Sector Supplement to the GHG Protocol standards, the supplement scheduled for initial release in 2012. We believe that practitioner-level standards, informed by companies with real-world carbon accounting experience, are essential for advocacy, OEMs, customers, and policymakers to realize the promise of ICT to improve energy efficiency and reduce GHG emissions. In FY12, Cisco will release a metric for the emissions impact of reduced employee commuting enabled by the use of our collaborative technologies. To date, we have relied on limited employee surveys to estimate this impact, but we want to report the impact based substantially on primary data, as we do for our air travel and operations GHG emissions. Cisco is exercising care in the development of this methodology to respect our policies protecting employee privacy.
We will be rolling out EnergyWise-enabled power distribution units in major engineering labs worldwide. This lab-retrofit effort started more slowly than originally planned as we waited for our development partners, such as Joulex, CyberSwitching, and FieldServer, to introduce EnergyWise compliant products into the marketplace. We believe that there will be substantial leverage in scaling energy monitoring and control, because EnergyWise is now included in Cisco routers and switches as part of their software.
Based on interest from employees, we are planning to expand in FY12 and FY13 the electric vehicle charging stations currently at our San Jose, California headquarters campus to other locations, such as Research Triangle Park, North Carolina (U.S.) and Bedfont Lakes, Feltham (U.K.).

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Objectives for FY12 (continued)

We have been challenged to improve meaningful measurement of product reuse and end-of-life recycling. Cisco sells products to many of the largest companies in the world. Some of these companies may prefer to manage their own recycling efforts, and may in fact use the same recyclers as Cisco. Inserting a return leg through Cisco to the recycler can decrease customer efficiency and increase overall emissions and costs. We are planning to engage key customers directly on this issue to improve Cisco's accountability on product reuse and the eventual final disposition of our products.

Also engaging our key customers, we want to leverage the GHG Protocol ICT Sector Supplement to aggregate GHG emissions savings and demonstrate the desired standardized reporting of the benefit of ICT to reduce GHG emissions. Just as we aggregate performance of our suppliers, users of Cisco's remote collaboration technologies can similarly aggregate the benefit of ICT.

We will be converting more of our buildings to the Cisco Connected Workplace setup, reducing the need to expand our real estate footprint as business growth continues. Along with (1) rationalizing lab space, (2) consolidation of our data centers and the outfitting of our new data centers with the latest Cisco and Cisco partner equipment, and (3) the planned upgrade of our Cisco Virtual Office equipment to the ECT 891, significant opportunity exists to reduce energy use and GHG emissions.

Our human resources function will engage with managers and employees to identify and document environmental sustainability goals in our online performance management system.

We have started to scope our next GHG emissions reduction goal. Our EPA Climate Leaders goal year is calendar year 2012, so we are planning to announce our next goal in our CDP 2012 submittal at the end of May 2012.

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Global Reporting Initiative Index

The Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines are a set of internationally recognized indicators covering a company's social, economic and environmental impacts.

This table covers the GRI G3.1 indicators found in our 2011 Corporate Social Responsibility Report, 2011 Annual Report, and company website. It includes all G3.1 core indicators including those that we do not report against. We have only included additional indicators if we report against them.

Based on an internal review, Cisco determines this to be a B level report against the GRI G3.1 guidelines.

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	Governance & Ethics
Profile		
2.1	Name of reporting organization	Cisco Systems, Inc
2.2	Primary brands, products, and/or services	Products & Services
2.3	Operational structure of the organization including main divisions, operating companies, subsidiaries and joint ventures	Corporate Overview
2.4	Location of organization's headquarters	Worldwide Contacts
2.5	Number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Worldwide Contacts
2.6	Nature of ownership and legal form	Restated Articles of Incorporation of Cisco Systems, Inc
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Worldwide Contacts, 2011 Annual Report, Corporate Overview
2.8	Scale of the reporting organization including: • Number of employees • Net sales • Total capitalization broken down in terms of debt and equity • Quantity of products or services provided	Corporate Overview, 2011 Annual Report
2.9	Significant changes during the reporting period regarding size, structure, or ownership, including: • Location of, or changes in operations, including facility operations, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations	Corporate Development, Cisco 2011 earnings, 2011 Annual Report
2.10	Awards received in the reporting period	CSR Awards and Recognition, Diversity Awards Archive

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GRI G3.1 Guideline (continued)		Location
Report Parameters		
3.1	Reporting period for information provided	Introduction/About This Report
3.2	Date of most recent previous report	CSR Report 2010
3.3	Reporting cycle	Cisco FY11
3.4	Contact point for questions regarding the report or its contents	csr_report@cisco.com
Report Scope and Boundary		
3.5	Process for defining report content, including: • Determining materiality • Prioritizing topics within the report • Identifying stakeholders the organization expects to use the report	Governance & Ethics/CSR Management
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Introduction/About This Report
3.7	State any specific limitations on the scope or boundary of the report	Only as noted in report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Cisco reports on all operations Introduction to Acquisitions
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	KPIs/Report Card
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	KPIs/Report Card, Society/Education/Networking Academy, Environment/Energy and GHG Emissions
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	KPIs/Report Card
GRI Content Index		
3.12	Table identifying the location of the Standard disclosures in the report	This table
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	We continue to explore the viability of external assurance
Governance, Commitments and Engagement		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, his or her function within the organization's management and the reasons for this arrangement)	Corporate Governance

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GRI G3.1 Guideline (continued)		Location
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance
4.4	Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body	Governance & Ethics/CSR Management, Our People/Working Together, Share Your Concerns
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organization's performance (including social and environmental performance)	Compensation and Management Development Committee Charter
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided	Corporate Governance
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	Corporate Governance
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance, and the status of their implementation	Governance & Ethics/Ethics, Code of Business Conduct, Supplier Code of Conduct
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Governance & Ethics, Corporate Governance, Code of Business Conduct
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Corporate Governance
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Governance & Ethics/Governance, Environment/The Enabling Effect
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance & Ethics/CSR Management
4.13	Members in associations and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	Environment/Advocacy and Standards Development, Society, Governance & Ethics/CSR Management, Governance & Ethics/Privacy, Value Chain/Working with Industry Groups
4.14	List of stakeholder groups engaged by the organization	Governance & Ethics/CSR Management
4.15	Basis for identification and selection of stakeholders with whom to engage	Governance & Ethics/CSR Management
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance & Ethics/CSR Management
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Governance & Ethics/CSR Management, Introduction/About This Report

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GRI G3.1 Guideline (continued)		Location
Performance: Economic		
	Disclosure on Management approach	Governance & Ethics, Society/Our Strategy, Annual Report 2011/Letter to Shareholders
Economic Performance Indicators		
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	KPIs/Report Card, 2011 Annual Report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Environment/The Enabling Effect
EC3	Coverage of the organization's defined benefit plan obligations	2011 Annual Report
EC4	Significant financial assistance received from government	Cisco does not receive financial government support
Aspect: Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	We provide competitive levels of compensation above local minimum wage requirements
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Not material: nearly 100% of our manufacturing is outsourced
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Not material: nearly 100% of our manufacturing is outsourced
Aspect: Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Society/Education, Society/Healthcare, Society/Economic Development, Society/Critical Human Needs and Disaster Relief, KPIs/Report Card
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Society/Education, Society/Healthcare, Society/Economic Development, Society/Critical Human Needs and Disaster Relief, KPIs/Report Card

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GRI G3.1 Guideline (continued)		Location
Performance: Environmental		
	Disclosure on Management approach	Environment/Principles
Environmental Performance indicators		
Aspect: Materials		
EN1	Materials used by weight or volume	Environment/Materials
EN2	Percentage of materials used that are recycled input materials	Environment/Materials/Recycled Content
Aspect: Energy		
EN3	Direct energy consumption by primary energy source	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN4	Indirect energy consumption by primary source	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN5	Energy saved due to conservation and efficiency improvements	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Environment/Energy and GHG Emissions/Scope 3 Product Use Phase (Energy Efficiency)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
Aspect: Water		
EN8	Total water withdrawal by source	Environment/Water Use
EN9	Water sources significantly affected by withdrawal of water	Environment/Water Use
EN10	Percentage and total water 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

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GRI G3.1 Guideline (continued)		Location
Aspect: Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment/Energy and GHG Emissions/Operations Scope 1 and 2
EN17	Other relevant indirect greenhouse gas emissions by weight	Environment/Energy and GHG Emissions/Operations Scope 3
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations
EN19	Emissions of ozone-depleting substances by weight	Environment/Non-GHG Emissions
EN20	NO_x, SO_x, and other significant air emissions by type and weight	Environment/Non-GHG Emissions
EN21	Total water discharged by quality and destination	Environment/Effluents (Liquid)
EN22	Total weight of waste by type and disposal method	Environment/ Waste/Solid Waste from Operations (trash)
EN23	Total number and volume of significant spills	Environment/Effluents (Liquid)
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Environment/ Waste/Solid Waste from Operations (trash)
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Environment/Biodiversity and Land Use
Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environment/Energy and GHG Emissions/Scope 3 Product Use Phase (Energy Efficiency)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Environment/Waste/Product Take-back, Reuse and Recycle
Aspect: Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Environment/Cisco 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
EN30	Total environmental protection expenditures and investments by type	Environment/Energy and GHG Emissions/Operations Scope 1 and 2/Reducing Emissions from Operations

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GRI G3.1 Guideline (continued)		Location
Performance: Labor Practices and Decent Work		
	Disclosure on management approach	Our People/Working Together, Our People/A Safe and Healthy Work Environment, Our People/An Open and Diverse Culture, Our People/Employee Opportunities, Our People/Rewarding Our People
Labor Practices and Decent Work Performance Indicators		
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region	Our People, Our People/Changes to Our Workforce, KPIs/Report Card
LA2	Total workforce by employment type, employment contract and region. Total number and rate of employee turnover by age group, gender, and region	Our People, Our People/Changes to Our Workforce, KPIs/Report Card
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Our People/Rewarding Our People
Aspect: Labor/management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	Zero
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	We meet all applicable laws, regulations and standards where we do business.
Aspect: Occupational Health and Safety		
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, KPIs/Report Card
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/Cisco Employee Benefits
Aspect: Training and Education		
LA10	Average hours of training per year per employee by employee category	Our People/Employee Opportunities, KPIs/Report Card
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Our People/Employee Opportunities
LA12	Percentage of employees receiving regular performance and career development reviews	Our People/Employee Opportunities
Aspect: Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Our People/An Open and Diverse Culture, KPIs/Report Card
LA14	Ratio of basic salary of men to women by employee category	

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GRI G3.1 Guideline (continued)		Location
Performance: Human Rights		
	Disclosure on management approach	Governance & Ethics/Ethics, Governance & Ethics/Human Rights, Value Chain
Human Rrights 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	Society/Our Strategy
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Governance & Ethics/Ethics, Value Chain
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees that are trained	Governance & Ethics/Ethics
Aspect: Nondiscrimination		
HR4	Total number of incidents of discrimination and actions taken	
Aspect: Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Supplier Code of Conduct, Value Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Child Labor		
HR6	Operations identified as having a significant risk for incidents of child labor, and measures taken to contribute to the elimination of forced or compulsory labor	Supplier Code of Conduct, Value Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Supplier Code of Conduct, Value Chain/Partnering with Suppliers to Improve Performance and Build Capability
Aspect: Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not material: nearly 100% of our manufacturing is outsourced
Aspect: Remediation		
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	

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GRI G3.1 Guideline (continued)		Location
Performance: Society		
	Disclosure on management approach	Society
Society Performance Indicators		
Aspect: Community		
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Governance & Ethics/CSR Management, Society/Our Strategy, Society/Employee Engagement
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	Governance & Ethics/Ethics/Code of Business Conduct
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Governance & Ethics/Ethics/Code of Business Conduct
SO4	Actions taken in response to incidents of corruption	Governance & Ethics/Ethics/Code of Business Conduct
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying	Global Policy and Government Affairs (GPGA)
Aspect: Anti-competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices, and their outcomes	Annual Report, Notes to Consolidated Financial Statements, Legal Proceedings
Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Annual Report, Notes to Consolidated Financial Statements, Legal Proceedings
SO9	Operations with significant potential or actual negative impacts on local communities	Zero
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Not material: Cisco does not have operations with significant potential or actual negative impacts on local communities

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GRI G3.1 Guideline (continued)		Location
Performance: Product Responsibility		
	Disclosure on management approach	Governance & Ethics/Human Rights, Environment
Product Responsibility Performance Indicators		
Aspect: Customer Health and Safety		
PR1	Life cycle 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	Environment/Waste
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	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Annual Customer Satisfaction Survey
Aspect: Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Marketing communications are regulated by national and international law, and are also subject to voluntary codes. Cisco's marketing communications are also governed by our Code of Business Conduct and by additional guidelines and best practices.
Aspect: Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Zero, Governance & Ethics/Privacy
Aspect: Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Annual Report, Notes to Consolidated Financial Statements, Legal Proceedings

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Our People Key Performance Indicators (KPIs)

Our People KPIs						
KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Employee Satisfaction	86%	87%	90%	84%	79%	Percentage of employees who consider Cisco a great place to work (average)
Voluntary employee attrition	4.5%	5.0%	3.2%	4.7%	8.6%[1]	Total voluntary attrition as percentage of ending headcount
Health and safety (U.S. and Canada operations only)	93	137	145	116	120	Number of nonfatal injuries and illnesses
Women	23%	23.5%	23.4%	22.9%	22%	Women as percentage of total global employees
	12.7%	15.5%	15.5%	15.4%	15.5%	Women in VP positions or above as percentage of global VP and above employees
Ethnic minorities (U.S. only)	43.7%	44.7%	45.6%	44.2%	45%	Ethnic minorities as percentage of total U.S. employees
	15.6%	22.2%	20.8%	21.9%	24%	Ethnic minorities in VP positions or above as percentage of U.S. VP and above employees

1. Includes employees in U.S. and Canada who took a voluntary early retirement. Without early retirement participants, voluntary attrition was 6.0%.

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Society Key Performance Indicators (KPIs)

Society KPIs						
KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Social Investment	116.8[1]	92	128.6	138.7	82.5 295[2]	Total corporate-wide and foundation cash and in-kind contributions ($ million)
Employee Volunteerism	130,000	88,870	78,000	148,355	166,445	Number of hours volunteered by employees
Cisco Networking Academy	625,000	700,000	800,000	900,000	1,000,000	Number of active students in Cisco Networking Academy courses
Leadership Fellows	17	20	13	2	2	Cisco leaders who share their expertise with nonprofit organizations
Social and economic investment	160+	165+	165+	165+	165+	Number of countries or regions where Cisco currently invests or manages programs
Strategic partners	34	41	58	70	67	Significant collaborations with corporate partners, nonprofits and NGOs

1. This number was mistakenly reported in FY07 as 166.8.
2. Including Cisco Networking Academy.

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Environment Key Performance Indicators (KPIs)

A summary of Cisco's environmental key performance indicators (KPIs) is provided in the following table. Assumptions and detailed calculation methodologies for each KPI are discussed in the Environment section.

Environment KPIs						
KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Environmental Management System						
Number of Cisco sites with ISO 14001 certification	23	23	25	26	28	Calendar year certifications assigned to fiscal year (e.g., CY2011 assigned to FY2011)
Employees at sites covered by ISO 14001 certification	74%	73%	70%	71%	69%	Head count-based metric calculated per 2010. Future reporting will be by real estate footprint (below).
Real estate portfolio with ISO 14001 certification	100%	96%	92%	92%	91%	Real estate footprint viewed as better measure of potential environmental impact. Candidate sites filtered by minimum size and engineering lab function.
Greenhouse Gas Emissions						
Scope 1 and 2 GHG Emissions						
Total gross GHG emissions: Scope 1, metric tonne CO_2e	51,399	51,661	53,453	53,363	60,382	*Gross* is used consistent with Carbon Disclosure Project (CDP) terminology. Gross GHG emissions do not include reductions from renewable energy purchases.
Total gross GHG emissions: Scope 2, metric tonne CO_2e	461,456	539,867	590,755	597,257	610,832	
Total contractual GHG emissions: Scope 2, metric tonne CO_2e	395,720	296,417	235,520	339,630	367,513	*Contractual* is used consistent with CDP terminology. Contractual GHG emissions include reductions from renewable energy purchases.
Scope 1 and 2 emissions (gross) intensity, metric tonne CO_2e per million US$ revenue	14.7	15.0	17.8	16.2	15.5	
Scope 2 emissions from primary data	96.4%	97.1%	96.9%	98.6%	98.0%	
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	447,120	348,079	288,973	392,993	427,895	
Progress against reduction goal. Goal: reduce all Scope 1, 2, [and business-air-travel Scope 3] GHG emissions worldwide by 25 percent absolute by CY2012 (CY2007 baseline)	na	-22%	-35%	-12%	-4%	Cisco's corporate GHG reduction goal was set as part of U.S. EPA Climate Leaders program, which required a *calendar* year baseline. The Climate Leaders program has since been discontinued. To avoid reporting both calendar and fiscal year data, Cisco is publicly reporting emissions using fiscal year data.

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Environment KPIs (continued)

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Electricity Emissions Factors (EF)						
International Energy Agency (IEA) world average EF, g CO_2e per kWh	508.4	504.5	500.0	500.0	500.0	Calendar year per IEA. Latest 2009 EF from IEA value used for 2009–2011.
Cisco, global average electricity EF (gross) g CO_2e per kWh	437.1	448.8	456.9	460.9	443.2	
Cisco, global average electricity EF (contractual) g CO_2e per kWh	375.4	246.4	182.2	262.1	266.6	
Cisco, major data center average electricity EF (gross) g CO_2e per kWh	397.5	401.3	418.8	435.4	435.0	
Scope 3 GHG Emissions						
Total air travel GHG emissions: Scope 3 metric tonne CO_2e	205,796	197,867	118,602	106,783	127,232	Primary air travel data adjusted to represent 100% of Cisco business-air-travel.
Scope 3 air travel emissions from primary data	98.0%	98.5%	97.9%	96.1%	98.2%	
Progress against reduction goal. Goal: reduce all [Scope 1, 2, and] business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY2012 (CY2007 baseline)	base year	+4%	-42%	-48%	-38%	Cisco's corporate GHG reduction goal was set as part of U.S. EPA Climate Leaders program, which required a *calendar*-year baseline. The Climate Leaders has since been discontinued. To avoid reporting both calendar and fiscal year data, Cisco is publicly reporting emissions using fiscal year data.
Suppliers Reporting to CDP						
· Contract manufacturing, by planned spend	na	63%	82%	100%	100%	Tier 1 partner. Goal: 100% (met)
· AVL component, by planned spend	na	54%	59%	69%	69%*	*Pending CDP Reporter Services 2011 data analysis; Tier 2 partner. Goal: 80%
· Logistics, by supplier count	na	na	na	50%	50%*	*Pending CDP Reporter Services 2011 data analysis; Tier 2 partner. Goal: 90%

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Environment KPIs (continued)

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Energy						
Totals						
Energy usage, GWh	1,282	1,438	1,533	1,524	1,629	
Indirect energy usage, GWh	1,054	1,203	1,293	1,296	1,378	Indirect energy usage is electricity consumption. Direct energy consumption is the sum of Cisco's natural gas and diesel usage for heating and back-up power generation and regular gasoline and diesel fuel used in Cisco's fleet.
Direct energy usage, GWh	228	235	240	228	250	
Electricity usage, GWh	1,054	1,203	1,293	1,296	1,378	
Natural gas usage, GWh	150	158	147	118	121	
Renewables						
Electricity from renewable sources, GWh	110	342	469	351	358	
Electricity from renewable sources	10%	28%	36%	27%	26%	
GHG emissions reductions from renewable energy, metric tonne CO_2e	65,736	243,450	355,235	257,627	243,319	
Water Use						
Total water use, m^3	1,725,618	1,570,831	1,690,348	1,753,269	1,790,061	Includes irrigation (where used) and potable water
Real estate portfolio covered by water reporting	59%	58%	65%	67%	66%	
Biodiversity and Land Use						
Real estate portfolio with biodiversity assessment	not reported	not reported	not reported	65%	63%	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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Environment KPIs (continued)

KPI	FY2007	FY2008	FY2009	FY2010	FY2011	Comments
Non-GHG Emissions						
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 standard office activities and research labs, which may require the occasional use of cleaning products containing VOCs. Quantities of VOC-based chemicals are minimal and are not required to be monitored.
NOx, metric tonne	177	167	164	241	339	
SOx, metric tonne	0.67	0.71	0.73	0.84	1.05	
Particulate matter	negligible	negligible	negligible	negligible	negligible	
Effluents (Liquid)						
Spills and discharges	none	none	none	none	none	In FY2011, there were no reportable spills or discharges to the environment from Cisco facilities or operations worldwide.
Product Trade-in and Return						
Product return, metric tonne	*	10,030	10,730	8,580	11,595	*Before FY2008, Cisco reported weight of material sent to Cisco's recyclers. Using process improvements started in FY2008; we are now reporting weight of material received from end users, which is the metric of primary concern to stakeholders.
Material to landfill**	*	0.46%	0.44%	0.33%	0.89%	*See comment directly above. **Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.
Operational Waste						
Total operational waste generated, metric tonne	7,156	7,409	6,246	4,845	4,471	
Real estate portfolio covered by waste reporting	53%	53%	48%	46%	45%	Includes data for all Cisco campus locations in the U.S. and Canada.
Total operational waste recycled, metric tonne	4,633	5,023	4,250	3,443	3,228	
Operational waste recycled	65%	68%	68%	71%	71%	

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Workforce by Job Function in FY11	
Workforce	Percentage
Engineering	28%
Sales	35%
Other Business Functions	37%

New Hires by Gender (Non-U.S.)					
	FY2007	FY2008	FY2009	FY2010	FY2011
Total Number of Hires	4982	4518	2536	4970	6373
Number of Female Hires	1029	1018	484	912	1093
Percent of Female Hires	21%	23%	19%	18%	17%

Cisco Employees by World Market Regions					
	FY2007	FY2008	FY2009	FY2010	FY2011
Asia Pacific	7,528	9,276	10,169	11,938	14,369
Emerging Markets	2,406	2,921	7,860	8,550	3,280
Europe	6,907	7,604	8,082	8,814	9,314
Japan	1,158	1,253	1,278	1,290	1,367
United States and Canada	33,494	35,832	38,156	39,173	38,494

New Hires by Gender and Ethnicity (U.S. Only)					
	FY2007	FY2008	FY2009	FY2010	FY2011
Total Number of Hires	5821	5441	4208	3837	3358
Number of Female Hires	1712	1643	1034	835	753
Percent of Female Hires	29%	30%	25%	22%	19%
Number of Non-Caucasian Hires	3108	2839	2191	1591	1525
Percentage of Non-Caucasian Hires	53%	52%	52%	42%	47%
Total Number of Female Caucasian Hires, and Male and Female Non-Caucasian Hires	3858	3533	1249	2035	1888
Total Percent of Female Caucasian Hires, and Male and Female Non-Caucasian Hires	66%	65%	57%	53%	56%

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Cisco Employee Benefits

- Adoption Assistance
- Autism Benefit (Global)
- Baby Gift Program (Global)
- Children's Scholarship Fund for the children of deceased employees (Global)
- Cisco Equipment Discount Program (U.S.)
- Death Benefits for Family (Global)
- Education Benefits: Employee Tuition Assistance (Global)
- Family Crisis Assistance (Global)
- Elder Care Program (Global)
- Employee Assistance Program (Global)
- Employee Bonus Program (Global)
- Employee Discount Program (U.S., Canada, and U.K.)
- Expert Medical Opinion (Outside U.S. only, launched in U.S. in FY12)
- Financial Education (U.S.)
- Flexible Work Practices (Global)
- Health and Wellness Programs (Multiple countries)
- Health Insurance: Medical, disability and life benefits; dental and vision where prevalent (Global)
- Insurance: Healthcare Domestic Partner eligibility (Global)
- Onsite Cafeterias (Multiple locations)
- Onsite Child Care Centers (two centers in San Jose, CA, one in Bangalore, India, and backup childcare program for Research Triangle Park, NC)
- Onsite Fitness Center (Multiple locations)
- Onsite Health Centers (San Jose, CA, Bangalore, India, HealthPresence in Research Triangle Park)
- Onsite Pharmacy, Vision Center (San Jose, CA)
- Relocation Assistance (Global)
- Tax-Advantaged Long-Term Savings with company contribution (ex. Retirement: 401(k))
- Off/On Ramp Program (Up to two years off work, unpaid but first year with medical benefits)
- Employee Stock Purchase Plan

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

- Adoption Leave: Paid
- Bereavement Time Off: Paid
- Educational Leave: Unpaid
- Jury Duty Time Off: Paid
- Pregnancy Disability Leave/Maternity Leave: Paid
- Military Leave: Differential Paid
- Paid Time Off (vacation): Paid
- Paternity Leave: Unpaid
- Personal Leave: Unpaid

Employee Learning and Development in FY11

Type	Amount
Total spent on employee training and development	$US113 million
Percent of employees participating in at least one course	82%
Total hours spent in learning and development courses	2.4 million

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Society

Number of Countries[1] with Active Networking Academy Sites, by Year	
Year (as of July 31)	**Number of Sites**
1997	7
1998	27
1999	71
2000	128
2001	142
2002	149
2003	155
2004	163
2005	164
2006	164
2007	164
2008	166
2009	168
2010	165
2011	165

1. For administrative purposes, we have defined some geographical areas as countries that are not autonomous states or are not recognized as countries by international bodies such as the United Nations. Examples of these include American Samoa, Hong Kong, and Puerto Rico.

Active Students by Education Level in FY11	
Education Level	**Percentage**
Upper secondary/high schools[1]	13%
Community colleges (two and three year)	35%
Four-year colleges/universities[2]	46%
Others[3]	6%

1. Includes grades 6 through 12.
2 Includes postgraduate.
3 Includes community and nonacademic sites; also includes postgraduate outside four-year institutions.

Cisco Financial Contributions Over Five Years (in Millions)					
Type	**FY2007**	**FY2008**	**FY2009**	**FY2010**	**FY2011**
Foundation total	US$8.8	US$10.7	US$10.1	US$10.5	US$12.3
In-kind total (corporatewide product and people)	US$49.0	US$37.9	US$83.7	US$96.7	$252.2
Cash total (Foundation cash and corporatewide cash)	US$67.7	US$54.1	US$44.9	US$42.0	US$42.9
Corporatewide giving total	US$116.8	US$92.0	US$128.6	US$138.7	US$82.5[1] US$295[1,2]
Contributions as a percentage of earnings before income tax (EBIT)[3]	1.5%	0.97%	1.25%	1.47%	1.05%[1] 3.77%[1,2]

1. Total Cisco Networking Academy contributions in FY11 were equivalent to US$212.6 million. This is based on a conservative estimate of the total value of our in-kind contributions covering all components of our support, including those not approved by the Committee Encouraging Corporate Philanthropy (CECP) Corporate Giving Standard criteria. Total Cisco Networking Academy contributions based on CECP approved criteria were equivalent to US$121.0 million. For additional details please see Society.
2. Includes Cisco Networking Academy.
3. Prior to FY10 these contribution percentages were based on the previous year's EBIT as was the industry standard. When that standard shifted, in our FY10, we shifted to use the current year EBIT as per direction from the Committee Encouraging Corporate Philanthropy.

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Cisco Networking Academy Student Profile											
Countries		Student			Cumulative Students Since Inception		Cisco Certification Ready Completions Since Inception		Instructors		Academies
	Total	Total (Theaters and Regions are shown as a % of Global)	% Increase from Prior Year	% Female	Total (Theaters and Regions are shown as a % of Global)	% Female	Total (Theaters and Regions are shown as a % of Global)	% Female	Total (Theaters and Regions are shown as a % of Global)	% Female	Total (Theaters and Regions are shown as a % of Global)
Global	165	1,000,000	10%	21%	3,750,000	19%	750,000	16%	20,000	17%	10,000
Asia Pacific	27	26%	6%	29%	23%	26%	25%	22%	17%	19%	14%
APAC	22	19%	6%	29%	16%	28%	15%	24%	12%	19%	9%
Greater China	5	7%	5%	28%	7%	23%	10%	20%	5%	20%	5%
Emerging Markets	115	40%	6%	23%	31%	23%	31%	19%	41%	19%	40%
Africa	40	5%	7%	28%	3%	28%	5%	29%	4%	15%	4%
Central and Eastern Europe	19	7%	12%	15%	6%	14%	6%	9%	10%	16%	10%
Latin America and the Caribbean	26	18%	5%	22%	16%	23%	14%	20%	16%	17%	12%
Middle East	19	7%	2%	34%	4%	31%	4%	21%	8%	25%	8%
Russia and CIS	11	2%	10%	19%	1%	18%	1%	12%	4%	26%	5%
European Market	22	19%	10%	10%	18%	10%	16%	8%	23%	12%	23%
Japan	1	1%	-13%	20%	1%	18%	1%	12%	1%	5%	1%
United States and Canada	4	14%	6%	14%	27%	14%	26%	11%	19%	20%	23%

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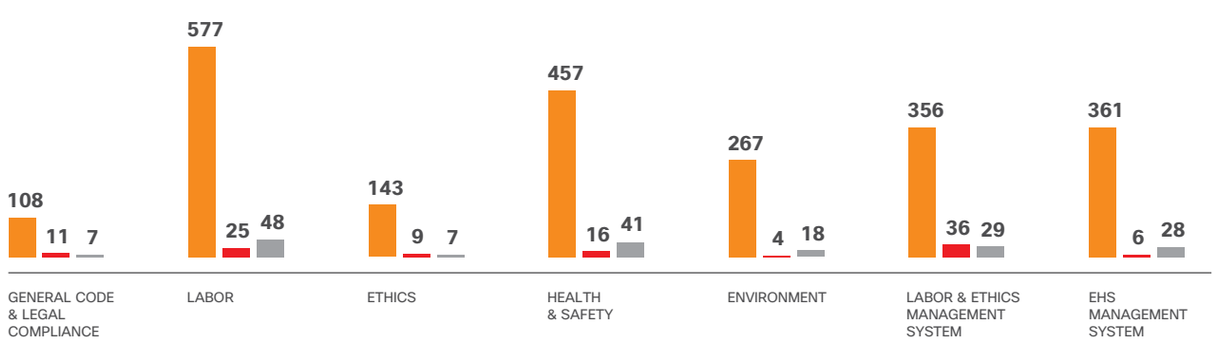
In FY11, we completed a series of audits of supplier facilities, the findings of which are shown in the chart below. As was the case last year, the majority of the findings related to labor, health, and safety. All major findings from these audits have been resolved. We are also continuing to analyze the findings of a number of other audits conducted in FY11, the results of which will be published in our FY12 report.

We have now conducted initial audits, and in many cases repeat audits, of all our contract manufacturing suppliers' facilities, and in FY11 we began to focus more of our audits on component suppliers, which supply parts to our contract manufacturers.

FY11 Supplier Audit: Summary of Findings



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

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

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> 1. About the Environment Section
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1. About the Environment Section

We have changed the organization of the Environment section based on stakeholder feedback, to create a structure that can be used year-to-year for our external reporting. We believe this approach will (1) help each Cisco business function focus better on its respective areas of responsibility and (2) help our stakeholders find their desired information more quickly. This change is also consistent with the evolution of environmental sustainability at Cisco. Our goal is to build CSR into every business function. We have concluded that this goal is best served by standardizing processes across the company, so that each business function can take more ownership for their part of the entire CSR business process while still retaining the necessary coordination among the affected groups.

Cisco receives hundreds of environment-related inquiries or surveys each year from a range of stakeholders, including:

- Analysts (financial, industry, socially responsible investment)
- Customers
- Employees
- Environmental advocacy groups
- Governments and national labs
- Industry groups
- Media
- Shareholders and investors
- Universities (researchers and students)

Surveys from these stakeholders can exceed 100 questions. However, many analysts and advocacy groups do not rely on surveys, and will only use publicly available information in their assessments. As a result, for this 2011 CSR environment section, we are presenting more detail in our reporting. Readers interested in a higher-level overview of Cisco's environmental practices should refer to the CSR Report Executive Summary.

As much as was practical, we included all environment-related information requested by our stakeholders in this PDF, or explicit reference has been made in the PDF to information posted on a publicly accessible web page. There are cases where business requirements dictate that information be accessible on a web page. For example, our legal compliance team posts RoHS, WEEE, and REACH information on standalone web pages on Cisco.com. Similarly, our product take-back and recycling program has web pages that our customers use to request product pickup. Rather than repeat information in this PDF, we make reference to these public web pages and explain how the information on each one fits into the environmental topic being discussed.

The Environment section generally follows the organization of the Global Reporting Initiative (GRI). There is a section for each of the major GRI environment topics, generally in the order presented in the GRI Indicator Protocols. These include:

- Materials
- Energy/GHG: We have combined greenhouse gas (GHG) emissions with energy, because we believe these two topics are most efficiently discussed together. Because of its materiality to Cisco, this topic is complex and includes sections on our Scope 1 and 2 emissions, product life-cycle Scope 3 emissions, and a description of Cisco solutions that help our customers improve energy efficiency and reduce their GHG emissions.
- Water use
- Biodiversity and land use: We include land use in this section to highlight its specific relevance to Cisco.
- Non-GHG emissions
- Effluents (Liquid)
- The waste topic has four parts, (1) controlled substances, (2) product take-back, reuse and recycling, often called end-of-life, (3) waste from product packaging, and (4) waste from operations ("trash").

There are a total of 30, GRI, environmental indicators under these main environmental topics. The are no GRI sector supplements applicable to Cisco's business. Any indicator protocol in this PDF file can be found by a simple search (such as "EN2:"or "EN16:"). We have also listed all environmental indicators in a GRI table in a separate PDF file. The body of this report is organized around the major GRI environmental topic areas listed above, structured in the following format:

- We explain the context of the issue in terms of global sustainability, outlining the issue or concern in a global or regional/local context. We want to share a common understanding of the issue across the range of stakeholders with whom we meet and work throughout the year.
- We explain Cisco's role in the issue. We want to put context around the problem, including its relative importance and how it relates to our own operations, our supply chain, our products, and our customers. This context supports statements of materiality and relative environmental impact.
- We explain Cisco's initiatives to address this problem: within the company, at our suppliers, for our customers, and with other partners.
- We explain our progress in addressing the issue.

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We have found that stakeholders prefer to have all the information for an issue in one place. Therefore, where it makes sense, we discuss the following areas within the context of each environmental topic:

- Regulations and standards
- Stakeholder engagement and feedback
- Risks and opportunities

For example, Cisco is working with the ENERGY STAR program on new guidelines for network equipment. We discuss these engagements in the Energy/GHG section under product energy efficiency. This permits the various groups within Cisco that work on Energy/GHG to assemble a more integrated story that we hope provides a clearer and more complete account of our activities in this area.

Some environmental information is also discussed in the Value Chain chapter, and cross-references are provided where appropriate. Although this results in some duplication, we learned from stakeholder feedback that this dual approach serves the broadest audience. The integrated energy/GHG section will continue to report the total impact of Cisco's operations, including suppliers ("extended" operations), in one place. For this multi-faceted, complex topic, we believe this provides the most transparent approach to reporting.

The balance of the environment section includes discussions of:

- Materiality
- Governance, including policy, our environmental management system (EMS), how we're organized, and how we engage our employees
- General information on our implementation processes

If you have further suggestions on improving the format and organization of this Environment section please write to csr_report@cisco.com.

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2. Employee Engagement

Our employees look to Cisco to participate in efforts to protect the world's ecosystems for future generations. Together, we are working to reduce our environmental impacts by engaging in partnerships and delivering solutions that help customers also reduce their environmental impact. These efforts help us meet the expectations of our stakeholders and also make good business sense, often reducing operating costs and business risks.

It is of utmost importance to our environmental vision and strategy that we engage and inspire our employees to become "green ambassadors" for the company. Our strategy relies on embedding a "green" consciousness into the company. We seek to inspire our employees to make their workplace more energy- and resource-efficient and to engender pride in Cisco's environmental actions. We also look to our employees for their creative contributions to meeting Cisco's environmental goals.

Cisco encourages employees to reduce our collective impact on the environment in a variety of ways. We offer annual electronic scrap (e-scrap) recycling worldwide, e-newsletter communications, and commuter incentives including our latest addition to our San Jose, California campus, electric car charging stations.

Virtual Earth Day

At Cisco, environmental sustainability is not just about CSR, but also about operational excellence, product innovation, and creating new business solutions and market opportunities. The company's green strategy engages with and learns from our customers and our employees about what they are doing at work and at home to protect the environment.

On April 21 and 22, 2011, hundreds of employees around the world joined the third annual Virtual Earth Day and attended sessions, via Cisco TV, Cisco WebEx, or Cisco TelePresence with Cisco's EcoBoard and our sustainability experts as they presented the company's vision, strategy, plans, and priorities. In these sessions, employees had an opportunity to:

- Have a discussion with Cisco's EcoBoard, a cross-functional leadership team, and hear them share the company's vision and strategy to create new market opportunities around green
- Learn how to improve the customer experience through a greener supply chain
- Participate in a discussion on the energy efficiency requirements for our next-generation products.
- Get involved and become part of Cisco's operational efforts to help the company achieve its environmental goals

"Think Green, Act Green"

The quarterly Cisco "Think Green, Act Green" e-newsletter has been in existence since February 2009. Produced by the Global Green Communications team at Cisco, "Think Green, Act Green" serves to keep employees informed about the company's environmental strategy, including the steps that Cisco is taking to reduce its carbon footprint. It consolidates information from internal sources across the company and includes news items, announcements of achievements and awards, links to external press coverage, green tips, and information from employees in the form of featured green pledges, videos, and wiki forum conversations. "Think Green, Act Green" currently reaches 700 subscribers; the Global Green Communications team plans to increase this number in FY12.

Civic Councils

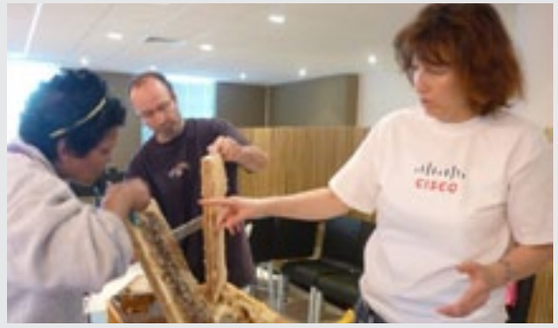
Cisco employees volunteer throughout the year, committing thousands of service hours to philanthropic groups, NGOs, and partner organizations around the world. Some of these efforts are focused specifically on improving the environment and educating others on the importance of biodiversity to all life on our planet. Some of these stories are described in the following sections.

Connected Bees

Cisco employees in the United Kingdom, France and the Netherlands take care of bees and produce honey onsite at Cisco's offices.

As sentinels of the environment, bees play a critical role in preserving our environment, our agriculture, and ultimately the food we eat. This project is a concrete action to preserve biodiversity by reintroducing wild, native bees into the urban environment.

In 2010, after two years getting established, the Paris office hive was harvested for 110 kg (242 lb) of honey, which won a gold medal at a regional honey contest. The 2011 harvest was slightly less, 92 kg (202 lb); primarily due to normal seasonal variation.



Cisco Connected Bees

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The French team's hive project is a cross-organization effort involving sales, finance, legal, engineering, marketing, and services and illustrates very well the One Cisco approach. Their high-tech approach to beekeeping has been given the name Cisco Connected Bees. French bee scientist Gerard Arnold has joined the project and has installed sensors so he can retrieve the hive's weight twice a day. In spring of 2011, Cisco IT installed a fully secure network (wired and wireless) allowing the Connected Bees team to install a Cisco video surveillance solution and some IP sensors. The result is that all Cisco employees can follow the evolution of the beehives in urban conditions in real time.

Bee fever is also spreading to other Cisco sites. As part of building consolidation at Green Park, Workplace Resources provided seed funding for a bee sustainability project. The 11-member Green Park team, mentored by member Phil Dean (a team lead whose family keeps bees) as well as the Reading Beekeepers Association and the Paris team, acquired its hives and bees. in the spring of 2011 and harvested its first 20 jars of honey in September. The group plans to establish hives at the Bedfont Lakes site and encourage other businesses in Green Park (several are interested) to start their own colonies—with the vision of a hive on every roof on every building in Green Park.

The Amsterdam site has amassed a team of 40, who will welcome their bees and hives in the spring of 2012. After tasting Green Park honey, engineers from RTP declared they will set up hives there as well.

Harvested honey is distributed to Cisco employees. Through this program we hope to raise further awareness of biodiversity and the need to protect the environment.

Environment Trust for Richmond

Sixty Cisco employees in the UK and Ireland volunteered with the Environment Trust to improve and enhance the natural spaces in and around the London borough of Richmond. The Environment Trust is an established landscape and buildings conservation charity focused on Richmond, whose purpose is to preserve and conserve open green spaces, wildlife, and the best of the built environment, and to raise awareness of the issues that affect their survival.

Cisco volunteering activities in FY11 have ranged from the annual rhododendron bash in Richmond Park to clearing the tributaries of the River Thames of rubbish and old bicycles. The local community has benefited from new open spaces such as Strawberry Hill House, which the teams have supported. Environment Trust is staffed by volunteers, and Cisco's match funding policy supports an outreach education project to educate local children on the delights of these green spaces and how to preserve them.

Community Harvest Project

In the United States, Cisco employees at Boxborough, Massachusetts, have been working with local farms since 2005 to increase sustainable agriculture while meeting community food demands for emergencies and low-income children and the elderly. In FY11 employees supported two farms through donating volunteer hours.

Waltham Fields Community Farm supports local hunger relief and food access efforts by providing fresh produce to emergency food programs in the greater Boston area, operating a special farmer's market for low-income residents of Waltham called the Waltham Fields Outreach Market, and engaging in farm-to-school distributions with the Waltham Public Schools. Its goal is to provide at least $40,000 of fresh, organically-grown vegetables through its food access programming each year.

The Community Harvest Project grows tens of thousands of pounds of tomatoes, broccoli, cabbage, squash, and other healthy foods for the Worcester County Food Bank, supporting over 80,000 children and elderly in the county.

Community Harvest Project

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Employee Electronic Recycling

In addition to Cisco's take-back, reuse and recycling program for our business and our customers, Cisco offers an electronics recycling program for employees. The e-scrap program helps employees recycle all electronic products from home that are the end of their useful life. The program prevents these items from being disposed of improperly to landfills. An annual collection event is held in April in conjunction with Earth Day. Employees bring their electronics to participating Cisco sites around the world. This returned material is sent to the same recycling vendors that manage Cisco's internal and customer recycling. In FY11, 78 Cisco sites worldwide participated and collected over 142 metric tonne of e-scrap. In the years since Cisco started e-scrap collection, our employees and contractors have helped Cisco recycle over 1,617 metric tonne of used electronics.

Commuter Incentives

Cisco supports the use of incentives to reduce carbon emissions from employee transportation. Through our incentives for using public transportation, we reduce traffic congestion, reduce commute-related pollutants, and reduce the stresses of drive-alone commuting.

Cisco employees who commute to work by public transit or formal vanpool can allocate a portion of their salary on a pre-tax basis through Cisco's Pre-Tax Commuter Incentives Program. Commuter Checks are transit vouchers that can be used at participating transit authorities toward the purchase of commuter passes. Cisco regular employees in five different San Francisco Bay area work locations are eligible to participate in this program.

An EcoPass is an additional incentive available to these employees. The EcoPass is a transit pass sticker to be placed on the employee's Cisco badge to receive unlimited free rides on all San Jose, California Valley Transit Authority bus and light rail lines. Cisco vendors, contractors, and regular employees with a work address in many San Francisco Bay area cities are eligible.

Cisco has begun installing electric vehicle charging stations for our employees, discussed in the section on Scope 3/employee commuting. In 2011, Cisco San Jose installed its first electric vehicle charging stations to support employees who have "gone green" when purchasing a new car.

Employee e-scrap waiting to be palletized and shipped to Cisco recyclers

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3. Global Supplier Management Letter

Valued Business Partners:

Earlier this month, the Carbon Disclosure Project (CDP) formally released the 2011 edition of their investor survey. Responses are due May 31, 2011. Cisco is requesting that each of our Suppliers respond to the CDP survey as outlined below, making your response publicly available via an option in CDP's Online Response System (ORS).

Cisco is committed to reducing greenhouse gas (GHG) emissions. In 2008, Cisco made a public commitment to reduce Cisco's worldwide Scope 1, 2, and Scope 3 business-air-travel GHG emissions by 25 percent absolute by calendar year 2012 (against a calendar year 2007 baseline). Cisco's stakeholders and customers are concerned about GHG emissions not only from Cisco's products and operations, but also from the operations of our business partners. Therefore, for the second year, we again invite our business partners to report to CDP.

It is Cisco's long-term objective for all business partners to:

1. Report to CDP annually.
2. Make their responses publicly available (credit will be given only for submittals publicly available).
3. Provide for some level of external review of your GHG emissions data collection, analysis and reporting.
4. Set a GHG emissions reduction goal (absolute preferred).
5. Request that your business partners also report to CDP in accordance with this email.

If you have not already received an invitation from CDP to respond to CDP's survey as part of their investor, public procurement, or supply chain programs, please contact CDP at respond@cdproject.net and request an account on their system at *no cost* to you. Although the questionnaire is distributed as a PDF file, your CDP submittal is made online through CDP's Online Response System (ORS).

Please report your GHG emissions to the Carbon Disclosure Project (www.cdproject.net). Cisco will obtain your reporting status and emissions information via an analytics package offered by CDP. You should not send your emissions information to Cisco. Several useful references are provided at the end of this email.

If you have any questions about Cisco's or your company's carbon reporting, please contact Cisco's Environmental Sustainability team at cisco-cdp-questions@external.cisco.com.

Regards,

Prentis Wilson
Vice President, Global Supplier Management
Customer Value Chain Management

REFERENCES

1. CDP 2011 questionnaire. Companies are encouraged to answer all questions. For first-time reporters, the minimum question set is highlighted in the PDF, the highlighting focusing on emissions numbers and numeric reduction goals.
2. CDP reports summarizing 2010 responses:
   Global 500
   S&P500
   Other reports are available online
3. Guidance to respond to the CDP survey
4. Guide to CDP's Online Response System (ORS)

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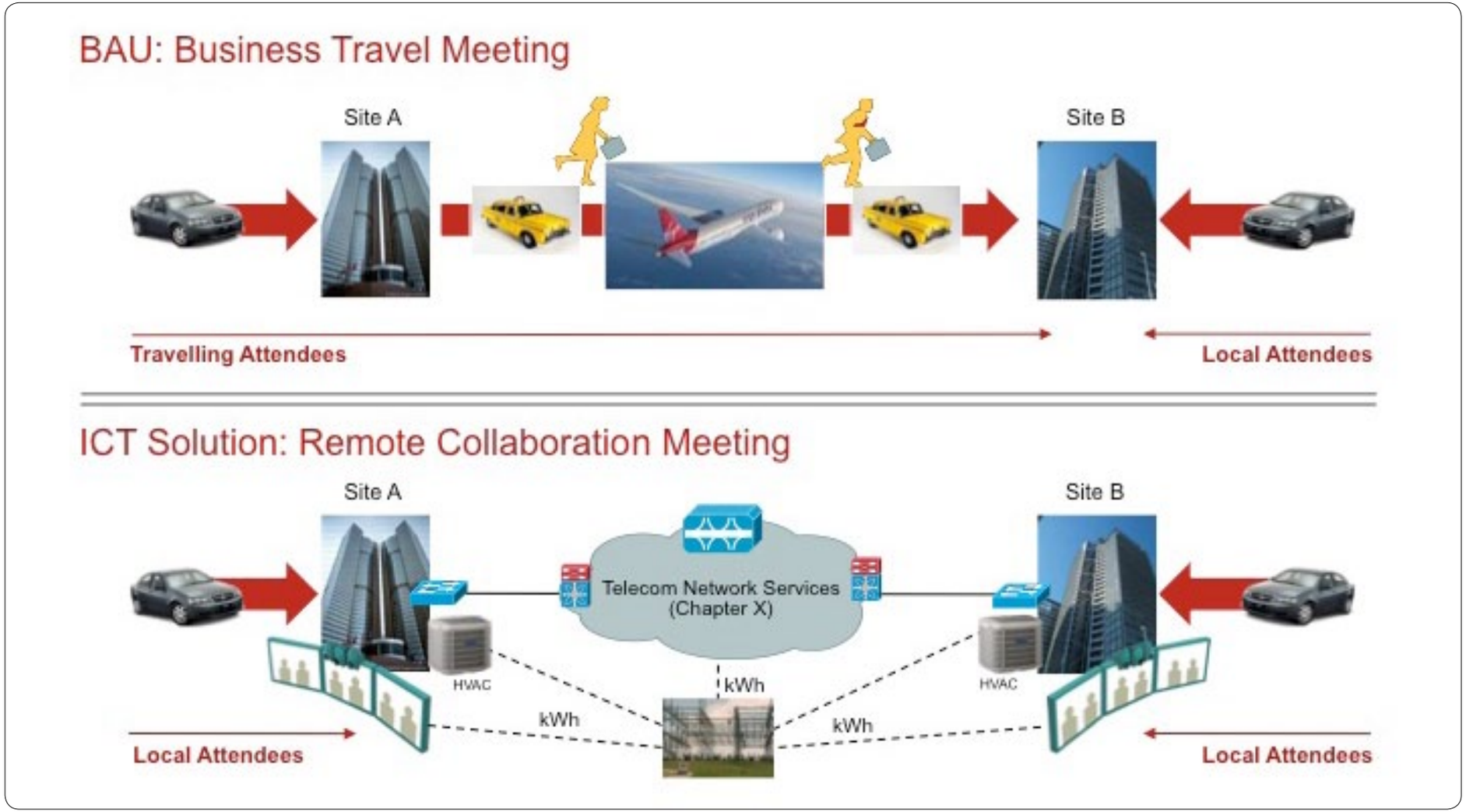
4. Comparison of BAU and ICT Solution for Remote Collaboration (Avoiding Business Travel)



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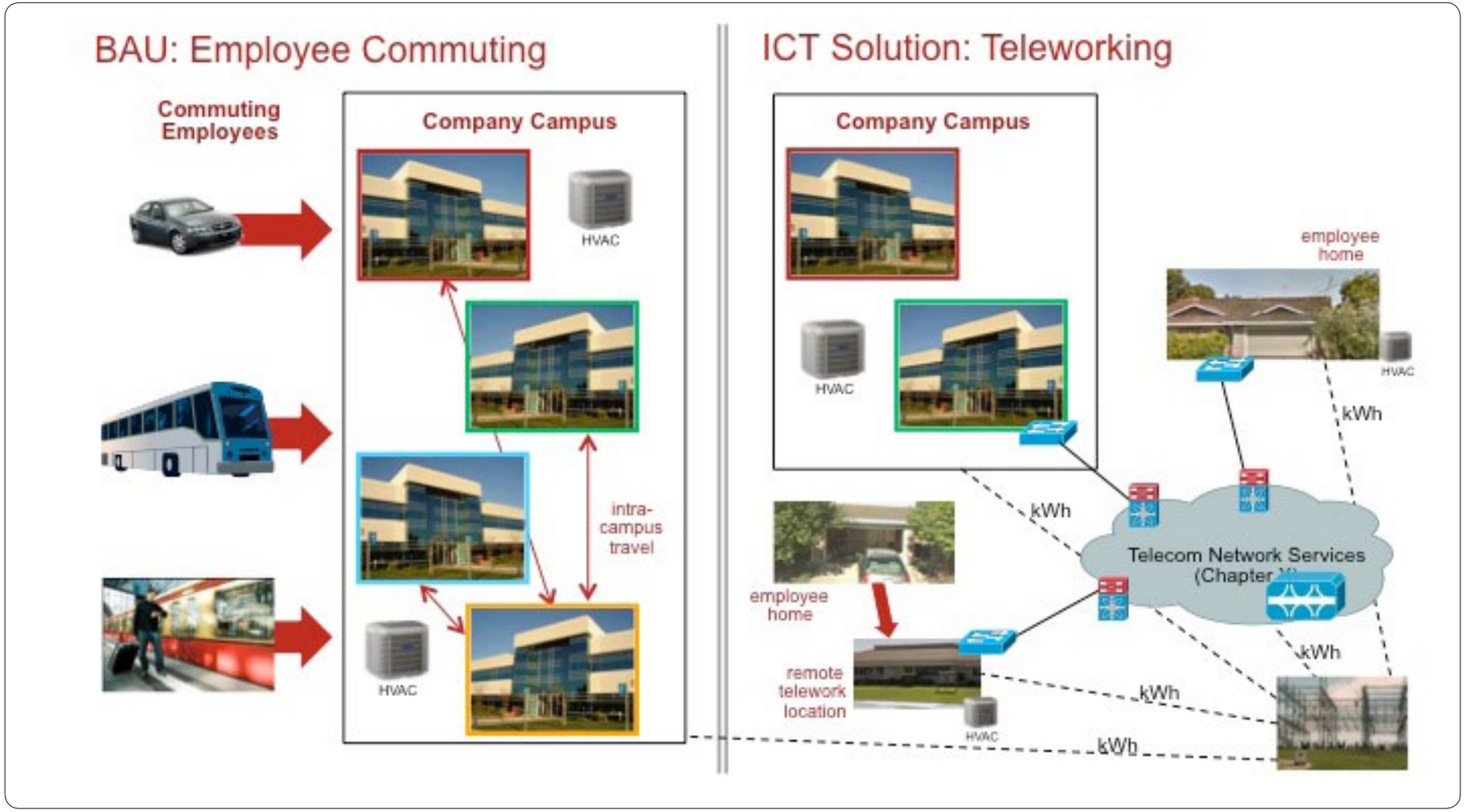
5. Comparison of BAU and ICT Solution for Teleworking (Avoiding Employee Commuting)



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