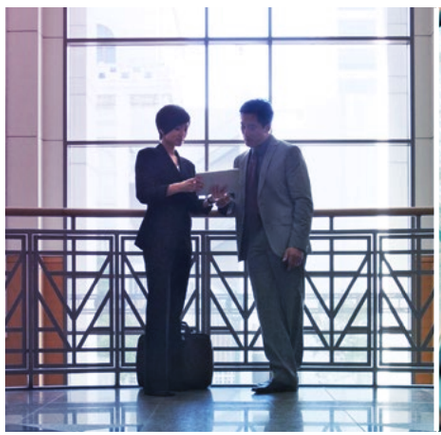
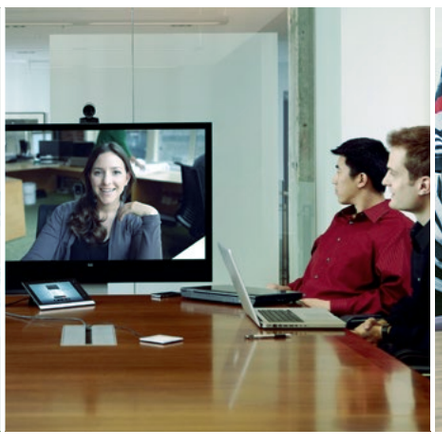
2014 Corporate Social Responsibility Report

cisco
TOMORROW starts here.

Hear from Our Leaders and Learn About Corporate Social Responsibility (CSR) at Cisco

We are entering a new era where everyone and everything is connected. Creating intelligent and highly secure connections is at the heart of what we do. Our technology brings people together to tackle global challenges faster and more effectively.



Governance and Ethics

Find out about our approach to CSR, our commitment to good governance and ethical conduct, and how we respect human rights.

Supply Chain

Read how we embed sustainability into supplier assessments, engage with suppliers to build capability, and work with others to help address industrywide challenges.

Our People

Find out how we offer engaging development opportunities, recognize achievements, and foster an inclusive and healthy workplace to help employees achieve their full potential.

Society

Read how we use our expertise and technology and work with partners to help communities thrive, focusing on education, healthcare, economic development, disaster response, and critical human needs.

Environment

Learn how we are working to improve our own environmental performance and using our technology to help our customers reduce their impacts.

Contents

Executive Summary

Our separate Executive Summary combines the section overviews of this report to give you a high-level summary of our achievements in fiscal year 2014 (FY14).

How to Use This Report

The complete report PDF includes all sections and allows full access to videos, search capabilities, and bookmarks.

Interactive Elements
This document contains interactive elements on mouse over and click. Look for these icons throughout this document:

- Mouse over or click for interactive content.*
- Click to play video.

Bookmarks
This PDF is bookmark-enabled. We have prepopulated bookmarks in the Environment section only.

Recommended Software
Adobe Acrobat* Version 7.0 and above.

* Interactive content may not be available on some devices.

Introduction

Cisco has been a pioneer in networking technologies since our inception in 1984. We continue to evolve and innovate to solve our customers' most important business challenges and to catch market transitions. Our unrelenting focus on innovation has enabled us to maintain our position as a market leader for nearly 30 years.

From routing and switching hardware to collaboration, security, and video software, we build the solutions our customers need to succeed. We sell our products and services to businesses of all sizes, governments, and service providers.

Through the Internet of Everything, we are creating new capabilities, richer experiences, and unprecedented economic opportunities for individuals, organizations, and countries. We believe that amazing things happen when you connect the unconnected.

Overview

The Internet of Everything

Networking technology connects people, processes, data, and things in meaningful ways. This is what we call the "Internet of Everything" (IoE). About 13 billion things and 40 percent of the world's population are already connected. IoE is creating new ways to do business and improve people's lives. The benefits are extensive, from connected education and healthcare to smarter cities, more efficient government services, and job creation.

2014 at a Glance

US$47.1 billion net sales in FY14.

$47.1 BILLION

165

Operations in more than 165 countries.

More than 74,000 employees.

74,000

More than 600 suppliers worldwide.

26,000 engineers focused on innovative research and development (R&D).

US$6.3 billion (13.4% of our FY14 revenue) invested in R&D.

$275 MILLION

US$275 million in cash and in-kind donations contributed to community programs by Cisco and the Cisco Foundation.

Message from John T. Chambers

Chairman and CEO

Our approach to Corporate Social Responsibility (CSR) is to use our expertise, technology, and partnerships to create positive impact around the world. CSR has always been one of the pillars of our culture, and I'm extremely proud of the global impact of our programs.

Our focus on creating value for society, the environment, and our business is reflected in the breadth of our commitments. From investing in our people to improving labor standards in our supply chain. From improving access to healthcare to reducing our environmental footprint. This is all made possible by the network.

Networking technology connects people in meaningful ways. It has the power to deliver new opportunities and rich experiences, which connect people around the world. Networking technology also grows global economies and increases well-being.

At Cisco, one way we see this happening is what we call the "Internet of Everything." In simple terms, the Internet of Everything is the intelligent connection of people, processes, data, and things. This will be the most exciting phase of the Internet yet, and I believe its impact on society will be five to ten times greater than the impact of the Internet to date.

The Internet of Everything offers countries around the world the opportunity to provide better, richer lives for their citizens and to create new ways for companies to do business. Whether it's connected education and healthcare, smarter cities, more efficient government services, or transforming job creation, we believe the societal benefits of the Internet of Everything will impact our lives in ways never imagined. It's not the act of getting connected—or even the number of connections—that creates the value. Rather, it's the outcomes those connections make possible.

With companies, individuals, and governments working together, we can help economies worldwide. Governments alone cannot solve the global challenges we face today. But by bringing together a diverse set of stakeholders, we can tackle many of the inequities in education and employment.

For example, our role in the White House Information Technology (IT) Training and Certification program highlights the power of public-private partnerships. The program provides IT skills training, certification, and career placement to help U.S. military personnel transition into the job market quickly.

In FY13, we introduced new 5-year environmental goals designed to focus on the two areas we believe are most critical to Cisco's environmental sustainability over the long term. These are greenhouse gas emissions and energy consumption. Our focus is not only on our customers and partners, but also on society and the environment.

Ultimately, the success and impact of the Internet of Everything will be measured by the extent to which we're able to harness its benefits for humanity. With this in mind, I couldn't be more excited to see what the future holds. We are deeply committed to improving lives, communities, and the environment.

John T. Chambers
Chairman and Chief Executive Officer

Our Vision

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

Our Values

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

Message from Tae Yoo

Senior Vice President, Corporate Affairs

Each day, people around the world face many challenges: access to quality education, unemployment, poverty, and climate change, to name a few. At Cisco, we've learned that when we bring people together, they find innovative solutions to address these problems. And when you add technology to the mix, we can multiply our impact and uncover even greater opportunities.

There has never been a better time to combine human and technology innovation to help people and the planet. Everything is coming online, and we're connecting more of our world every day. At this very moment, 7 billion devices are connected to the Internet, and that number is expected to increase to 50 billion by 2020. These connections are creating massive amounts of data, disrupting the way businesses and nonprofits operate, and giving people greater intelligence for decision making. This is the Internet of Everything, and it's making networked connections more valuable and relevant than ever before.

With these connections comes opportunity: for education, for jobs, for environmental sustainability, and for economic growth. We need millions of people to fill information and communications technology (ICT) jobs in every country, in almost every field, and to harness the potential of the Internet of Everything. Our Cisco® Networking Academy® program teaches these skills to 1 million students each year in 170 countries, providing greater economic opportunities for individuals and building a pipeline of innovators for the future workforce.

Building tomorrow's workforce is a major focus of our CSR initiatives going forward. Unemployment is high in many countries, especially among young people. Yet, companies are desperate to find people with the technical know-how, the creativity, and the problem-solving skills they need to fuel innovation and grow. You'll see in this report how we are working to prepare people to fill these jobs and bridge the gap for employers.

Beyond workforce development, we are committed to being a good corporate citizen, particularly in the communities where we operate. We are working to cut our energy use, and with it our greenhouse gas emissions; to strengthen our CSR governance and metrics; and to extend our high standards for sustainability into our global supply chain. We foster diversity in our company and help our employees thrive in their careers while balancing their personal lives. Our pride in community inspired us to support nearly 2300 nonprofit organizations in FY14 through employee volunteerism, donations, and expertise, as well as through product and cash grants, to create positive impact in the world.

Being socially and environmentally responsible is not only good for people and the planet; it is essential to the long-term sustainability of our business. We are enormously proud of the work our employees and partners are doing around the world. This report tells some of their stories and shows how technology has the amazing ability to benefit humanity.

Tae Yoo
Senior Vice President, Corporate Affairs

Our CSR Strategy

We focus on the areas where Cisco's expertise, technology, and partnerships can have the greatest impact.

Governance and Ethics

Our commitment to ethical conduct and good governance makes us a stronger, more resilient company.

Supply Chain

We work closely with the suppliers who make our products to maintain high standards for ethics, labor rights, health, safety, and the environment.

Our People

We offer engaging development opportunities, recognize achievements, and foster an inclusive and healthy workplace to help employees achieve their full potential.

Society

Using our expertise and technology, we work with partners to extend access to education and healthcare, create economic development opportunities, respond to disasters and critical human needs, and help communities thrive.

Environment

We improve our own environmental performance, as well as our customers', by developing products that improve living standards, reduce resource waste, and save energy.

CSR and Our Business

We are committed to being a responsible company and making a positive contribution to society and the environment. This helps us inspire trust in our brand, develop strong relationships with our stakeholders, and create long-term value for society and our business.

Like everything else we do, CSR at Cisco is founded on ethical business practices and effective governance. We strive to work with suppliers and stakeholders to manufacture and operate responsibly; create an engaging workplace for our employees; and develop technologies that have positive social, environmental, and business impacts.

Of course there are challenges. And we work diligently to address these challenges. By doing so, Cisco will become a stronger, even more responsible and resilient business. We regularly talk with our stakeholders to help us understand their views on the most important social and environmental issues for them, for the information and communications technology (ICT) sector, and for our business.

IMPACT MULTIPLIED

Cisco CSR programs positively affect people, our planet, and the future. Several CSR partners share how Cisco support has helped them multiply their impact with technology.

WATCH VIDEO

About This Report

This is our tenth CSR report. It covers our 2014 fiscal year (FY14), from July 28, 2013 to July 26, 2014. Data includes all of our operations around the world, unless otherwise stated. The report sets out our approach, objectives, and progress on each of the five core pillars of our CSR strategy: Governance and Ethics, Supply Chain, Our People, Society, and Environment.

In our CSR strategy and reporting, we prioritize the CSR issues that are most important to our business and our stakeholders. These issues are identified through a formal CSR materiality assessment (see page B6).

We encourage feedback from stakeholders and use this report to respond to what we have heard during the year. Changing our approach can take time given the complexity of our business, but we aim to be open and transparent about our progress and the challenges we face.

This interactive PDF enables you to navigate easily through the report (see How to Use This Report). The overviews at the beginning of each section are available for download in a separate Executive Summary.

Regional reports are planned for Brazil, Mexico, France, and Germany to provide relevant environmental, social, and governance details for local stakeholders.

> "By converging people, processes, data, and things, the benefits the Internet of Everything delivers to humanity are seemingly infinite."
>
> Tae Yoo, SVP of Corporate Affairs, Cisco

Innovation Grand Challenge

Our new Innovation Grand Challenge recognizes, promotes, and rewards innovators, entrepreneurs, and early-stage startup businesses that can help us connect the unconnected. The global competition aims to accelerate the adoption of breakthrough technologies and products that contribute to the growth and evolution of the Internet of Everything. Three winning innovators share a US$250,000 prize.

Assurance

We engage extensively with stakeholders and CSR experts throughout the year. We listen to their feedback to assess and enhance our CSR approach, performance, and reporting.

The data in the Environment section is subject to internal and external audits in line with our Environmental Management System and ISO 14001 requirements. Data that supports public commitments, such as our goals to reduce greenhouse gas (GHG) emissions, is subject to external assurance.

GRI Index

We align our reporting with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. See page G1 for an index of conformance with the GRI G3.1 indicators. Environmental indicators are also embedded throughout the environment section for reference. The CSR materiality assessment we conducted in April 2014 (see page B6) will help us prepare to report against the GRI's G4 guidelines in our next report.

Key Performance Indicators

Our key performance indicators (KPIs) are summarized in Table 1. These also are included in the relevant sections of the report and GRI table, alongside additional metrics and performance outcomes.

Table 1. KPIs		FY12	FY13	FY14
Governance and Ethics				
Eligible[1] employees completing certification in the Cisco Code of Business Conduct		100%	100%	100%
Employees responding positively to the CSR statements in the Cisco Pulse Survey[2]		85%	86%	83%
Supply Chain				
Key suppliers[3] publishing a CSR report:	Manufacturing partners	86%	86%	100%
	Component suppliers	38%	52%	52%
	Logistics providers	57%	100%	100%
Key suppliers reporting GHG emissions through the CDP:	Manufacturing partners	88%	100%	100%
	Component suppliers	56%	100%	100%
	Logistics providers	46%	74%	86%
Our People				
Number of employees		Over 66,000	Over 75,000	Over 74,000
Percentage of female employees		22%	23%	23%
Employees agree that management sets a good example of Cisco values, culture, and Code of Business Conduct		84%	87%	84%
Society				
Total corporate and Cisco Foundation® cash and in-kind contributions (US$)		$294 million	$297 million	$275 million[5]
Number of hours volunteered by employees		107,150	129,000	136,000
Environment				
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e		251,672	312,525	305,656
Total air travel GHG emissions: Scope 3, metric tonne CO_2e		125,605	139,530	157,868
Product trade-in and return: Product return, metric tonne		13,324	12,539	12,180
Product trade-in and return: Material to landfill[4]		0.43%	0.33%	0.30%

1. Excluding employees in France (which has a separate system), those recently joining Cisco through acquisitions, and those on a leave of absence.
2. Two additional CSR statements were included in the FY14 Pulse Survey (see page D4). Positive result means employees agree or strongly agree.
3. For definition of key suppliers, see page C4.
4. Landfilled material consists only of nonrecyclable materials such as broken pallets, wet cardboard, and shrink wrap.
5. Total giving decreased in FY14 because Cisco made several large one-off contributions for specific, time-bound initiatives in prior years and because the value of in-kind contributions through the Cisco Networking Academy program was slightly lower this year.

Governance and Ethics

Good governance and ethical conduct provide the foundation for everything we do at Cisco. They help us earn trust, manage risks, foster sustainable growth, and build a resilient business. Collaboration is at the heart of our approach. We aim to tackle challenging issues head on, make our communications and processes simple, hold everyone accountable, and empower all our employees to do what's right.

Our Code of Business Conduct (COBC), as well as our internal ethics resource center and tailored training, helps employees make ethical decisions. Cisco has been named one of the World's Most Ethical Companies for seven years running by the Ethisphere Institute.

The success of our business depends on earning the trust of our customers, our partners, and our stakeholders. That's why we place such importance on strong governance practices and ethical conduct.

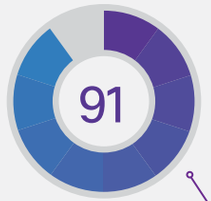
Governance and Ethics Overview

We rely on our employees to uphold our values and follow the expectations we put in our COBC. In addition, we consult with stakeholders and experts to keep focused on the most important areas from business and social perspectives. Some of these include providing expertise to public policy debates for our industry, raising awareness about the importance of privacy and data protection, and respecting human rights around the world. Cisco strives to contribute to a better society.

2014 at a Glance

100%

100 percent of eligible employees completed certification to the COBC.



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

24 internal and external stakeholders provided input to our updated CSR materiality assessment, identifying priority CSR issues for Cisco.

Our Human Rights Roadmap was updated to align with the United Nations (UN) Guiding Principles on Business and Human Rights.

“Ethical companies provide strong returns to shareholders. It is not just the financial reports that matter. Shareholders want to invest in ethical companies. Companies want to do business with ethical companies. Talented people want to work for ethical companies.”

Prat Bhatt, Senior Vice President, Corporate Controller

Governance and Ethics Overview

2014 Progress Toward Objectives

Objectives	Status
100 percent of eligible[1] employees to complete annual certification to the Cisco COBC.	●
Make human rights training available to all employees and mandatory for targeted groups.	●
Continue formal and informal stakeholder engagements throughout FY14 to help us continue to improve our CSR programs.	●
Augment and deepen engagement with key socially responsible investors for more meaningful dialogue on issues of importance to our investors.	●
Maintain positive responses from at least 83 percent of employees to the CSR statement in our annual employee Pulse Survey.[2]	●
Complete a robust materiality assessment of the CSR issues that are important to our stakeholders.	●

● Achieved

1. Excluding employees in France (which has a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, interns, and contractors who must abide by our Supplier Code of Conduct.
2. Two additional CSR statements were included in this year's Pulse Survey (see page D4).

2015 Objectives and Beyond

Objectives	Target Date
100 percent of eligible[1] employees to complete annual certification to the Cisco Code of Business Conduct.	End of FY15
Maintain a quarterly review and update of our Human Rights Roadmap, which aligns to the UN Guiding Principles on Business and Human Rights.	End of FY15
Engage with diverse stakeholder groups to inform our CSR strategy, performance, and reporting.	End of FY15
Augment and deepen engagement with key socially responsible investors for more meaningful dialogue on issues of importance to our investors.	End of FY15
Maintain an average positive response from at least 83 percent of employees to the CSR statements in our annual employee Pulse Survey.	End of FY15
Continue evaluating and refining our CSR materiality assessment.	End of FY15

Awards and Recognitions[1]

CDP Global 500 Climate Change Leaders	Dow Jones Sustainability Index	Ethisphere Institute's World's Most Ethical Companies	FTSE4Good Index[2]	The 2014 Global 100 Most Sustainable Corporations in the World	oekom Research Corporate Responsibility Rating
Tied for first place. Scored 100 for disclosure and "A" rating for performance	Member of World and North American Indices	Included for seventh consecutive year	Member of Global, Global 100, U.S., and U.S. 100 Indexes	Ranked number 11	"Prime" status

1. A full list of CSR rankings and awards is available on our website.
2. FTSE Group confirms that Cisco has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Governance

Our Board of Directors has adopted clear governance policies that we believe provide a framework for the operation of the company in line with our shareholders' best interests and legal requirements. Our operational and financial processes are overseen by our internal audit team, which reports regularly to the Board Audit Committee. Full details about our corporate governance processes, policies, and Board committees are available in our Annual Report and on our Investor Relations website.

Risk Management

We encourage our research and development teams to continually push boundaries, ask difficult questions, and seek new ways to connect the world. This culture of innovation allows us to pursue growth opportunities for our business that connect people and improve lives. But it also makes robust risk management essential as we enter new markets and introduce new products and services.

The Board of Directors, acting directly and through its committees, is responsible for overseeing risk management. Under the Board's oversight, Cisco has implemented practices and programs designed to help manage business risks and to align risk taking appropriately with our efforts to increase shareholder value. Working groups from across the business report risks and mitigation strategies directly to the Board's Audit Committee, which oversees our financial and risk management policies.

Business resiliency is a core part of our risk management activities. Our strong incident management and business continuity programs allow us to respond quickly to internal and external disruptions or threats as they look to minimize the impact on our employees and our business.

CSR Management

Our CSR program aims to address the sustainability issues that are most relevant to our business and focus on where we can have the biggest impact. We regularly listen to subject matter experts across the business and gather feedback from external stakeholders.

CSR Governance

Our CSR activities are stewarded by Tae Yoo, Cisco's SVP of Corporate Affairs. Under her leadership, Cisco engages in public-private partnerships that apply our expertise, technology, and relationships for positive social and environmental impact worldwide. She is the author of several articles about the role of technology and collaboration in driving social change.

Public Policy

Cisco engages with governments at many different levels to help shape public policy and regulations that support the technology sector. Our Global Government Affairs team works with industry stakeholders, association partners, and government leaders to influence global, national, and local policies that affect our business.

Examples of our policy priorities include:

- Increasing broadband and next-generation network deployment
- Encouraging continued innovation in network security
- Reforming the U.S. patent system
- Limiting regulation of voice over IP technology

Details of our position on these issues can be found on our Cisco Public Policy Engagements website. Our High Tech Policy blog also offers insights into how we are working toward our policy goals and enables our stakeholders to contribute to the discussion.

Political Support

Cisco does not make political contributions to candidates for U.S. federal or state elected office. We occasionally make corporate contributions in support of local and state ballot measures on issues such as transportation or education that affect our operations in California, Georgia, Massachusetts, North Carolina, and Texas. Cisco fully complies with all reporting requirements regarding such contributions. Cisco's employee-sponsored political action committee (ePAC) enables eligible U.S. employees to contribute to the campaigns of U.S. federal and state elected officials and political candidates who champion the technology industry's public policy priorities.

Employee Pulse Survey

- 83 percent of employees agree that Cisco's CSR activities, which focus on environmental, social, and governance issues, positively influence the way Cisco is perceived around the world.
- 80 percent are proud of Cisco's involvement in their community and social causes.
- 86 percent believe that Cisco encourages and supports employees to become more involved in the community.

Global Partners and Forums

We partner with a wide range of global and local organizations, including governments, nonprofits, and peer companies, to extend the impact of our CSR programs around the world. Global organizations such as the World Economic Forum (WEF) influence our CSR strategy and help us learn from and share expertise and best practices with others.

Cisco sponsored the 2014 WEF Global Information Technology Report, "Rewards and Risks of Big Data," which explores the next evolution of the Internet and using big data for social benefit. Our contribution to the report highlights the role of IP networks in the Internet of Everything and explains some of the associated technology and policy challenges. More details, a video, and the full report can be found on Cisco's High Tech Policy blog.

In January 2014 at the WEF's annual meeting in Davos, Switzerland, Cisco Chairman and CEO John Chambers spoke on a panel about The New Digital Context, which considered the societal, economic, and technological forces that are reshaping the digital landscape. Tae Yoo, SVP of Corporate Affairs, also hosted a discussion on how technology can aid humanity through The Power of a Connected World.

Figure 1. Our CSR Business Process

CSR Business Process

We have a robust CSR business process. Our Sustainable Business Practices (SBP) team sits within Corporate Affairs. It supports the development of our CSR strategy by managing our reporting, engaging with external stakeholders, feeding their insights back into the business, and helping business units prioritize CSR issues (see Figure 1).

The SBP team acts as a catalyst for CSR improvements by collaborating with others throughout the business to design programs that create long-term, sustainable benefits for our business and society. Our CSR efforts are embedded in our business activities and distributed among local CSR teams and relevant functions such as supply chain, engineering, and ethics and integrity. These business functions set goals, implement plans, and measure performance.

CSR Materiality Assessment

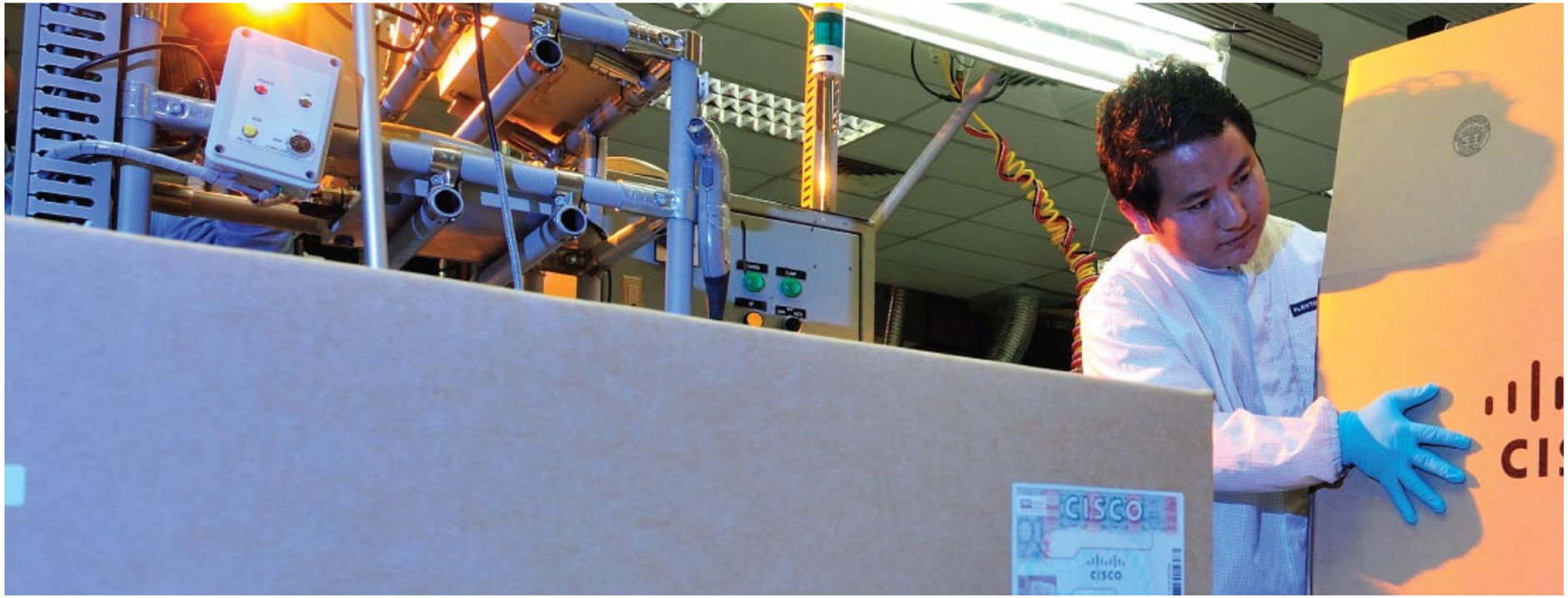
We use a CSR materiality assessment to understand and report which environmental, social, and governance (ESG) issues are most important to our stakeholders and our business. This process helps us prioritize our CSR efforts.

Our latest assessment is based on stakeholder interviews conducted in early 2014. We engaged with SustainAbility, a think tank and strategic advisory firm that looks to catalyze business leadership on sustainability. They interviewed 17 internal stakeholders from across the business and seven external experts and opinion leaders from peer companies, investors, nonprofits, and social enterprises. We asked more internal stakeholders to participate this year to gain further strategic insights from those who know our business best.

We researched and defined the 13 issues identified through the assessment and began the process of mapping the relative importance of each issue to Cisco and our stakeholders (see Table 1). We will take into account how much impact and influence we can have in each area. We are using the findings to focus our investment and engagement and to improve transparency and reporting as needed.

Table 1. CSR Materiality Analysis

Environment	Society	Governance
Energy and Greenhouse Gases	Digital Inclusion	Ethical Conduct
Environmental Performance Solutions	Digital Rights	Human Capital
Packaging	Digital Security and Privacy	Inclusion and Diversity
Product End of Life	Economic Empowerment	Supply Chain Labor Standards
Water Pollution	Ethical Sourcing	



Stakeholder Engagement

We build relationships with stakeholders and key influencers through regular dialogue. Understanding their views helps us prioritize issues and better align our business with society's needs. We use their insights to help us develop our CSR strategy, programs, and reporting. In FY14, we conducted perception studies specifically on CSR and Environmental Sustainability at Cisco with a broad group of stakeholders, including our customers. In addition, a group of senior leaders from Cisco met with seven influential human rights organizations and shared with them the progress made on our Human Rights Roadmap. They also discussed current trends and future ICT human rights issues.

See Table 2 for further examples of how we engage with different stakeholder groups throughout the year.

For details on our human rights stakeholder engagement dialogue, see Human Rights.

Table 2. Engagement with Key Stakeholders

Stakeholder Group	Engagement
Communities	Cisco and the Cisco Foundation provide cash, products, and expertise to benefit individuals and communities around the world working with governments, corporations, and nonprofits (see Society).
CSR opinion leaders	We engage with opinion leaders regularly to inform our thinking on CSR issues. In FY14, global opinion leaders contributed to our CSR materiality analysis (see page B6). In addition, we are engaged with organizations such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). For details on our human rights stakeholder engagement dialogue see Human Rights.
Customers	We keep customers informed about our technology and solutions through the collaborative Cisco Support Forum, where experts host webinars and discussions to respond to specific customer questions. We conduct an annual global customer satisfaction survey. Customer satisfaction scores are tied to the corporatewide employee bonus. We also respond to customer feedback and outline the actions we are taking through the We're Listening blog.
Employees	Working both virtually and in our offices, a primary objective is keeping leaders, managers, and employees connected. Open communication is encouraged during annual leadership and sales meetings, quarterly "all hands" meetings, and training for new employees. We gather formal feedback through the annual Pulse Survey (see Our People).
Governments and regulators	We contribute to policy development through industry associations and by sharing our views on key issues on our Public Policy Engagement page and High Tech Policy blog (see Public Policy, page B4). We work with governments on issues such as education and healthcare, where our technologies can bring societal benefit (see Society). In FY14, we engaged with the U.S. Department of Energy on set-top box design (see Environment).
Industry	We participate in industry working groups such as the Electronic Industry Citizenship Coalition (EICC) to promote the role of ICT in sustainability, respond to new regulations, and develop common approaches to challenges like conflict minerals and working hours (see Supply Chain).
Investors	We communicate with investors through regular meetings, quarterly earnings announcements, our Annual Meeting of Shareholders, our Annual Report, our Proxy Statement, Sustainability indices, this CSR Report, and our Investor Relations website. Our Investor Relations team meets regularly with socially responsible investors (SRIs) and shares investor views with Cisco executives and Board members.
Nonprofits	Cisco and the Cisco Foundation provide cash, products, and people to support organizations with scalable, replicable, and sustainable solutions that use networking technology to benefit individuals and communities around the world (see Society and the CSR website).
Sales channel partners	Approximately 80 percent of our revenue flows through our sales channel partners. We use quarterly surveys and hold an annual global Partner Summit to understand how we can help partners grow their businesses. Our Partner Community forums and Partner Education Connection enable partners to learn, share, and collaborate with their peers and Cisco experts. We also use online channels such as Facebook, Twitter, and our Channels blog to communicate with partners.
Suppliers	We work closely with suppliers to raise sustainability standards and performance throughout our supply chain. These efforts include working with suppliers through our scorecard and auditing process, webinars, and other direct engagements to build their CSR capabilities. We also mentor diverse suppliers and provide training opportunities (see Supply Chain).

CASE STUDIES
FROM AROUND THE WORLD

The Builders of Tomorrow

Innovation is crucial for the long-term sustainability of our business. Our Tech Fund allows us to explore and implement innovations to meet evolving market needs. Since 2011, the fund has invested US$20 million in 22 projects covering a wide spectrum of innovations. These range from researching disruptive technologies to improving the way home networks connect devices to developing connected vehicles. The benefits of these innovative vehicle and transport network connections include fuel efficiency, traffic management, collision avoidance, and more.

The opportunities are endless and will influence the future of collaboration and networking. The Builders of Tomorrow are our engineers today. #TomorrowStartsHere

Ethics

We expect our employees to act with integrity in everything they do. Our Code of Business Conduct (COBC) guides all our decisions.

In a poll about Cisco's core values, "always do the right thing" was the one that resonated most with employees across the company. They see this value as the foundation without which we could not achieve our other corporate values (see page A3).

Our reputation for behaving ethically enables us to build long-term, trusting relationships. Customers, partners, and stakeholders worldwide trust the quality of our products and services. Talented employees want to work for us. Responses to the ethics questions in our annual Pulse Survey indicate a strong and stable ethical culture (see Table 3).

Code of Business Conduct

Our user-friendly COBC E-Book sets out our expectations for employees and advises them on appropriate behavior. Interactive elements include an ethics decision tree to help guide employees faced with difficult decisions, educational videos, pop-up FAQs and definitions, and links to other Cisco tools and resources. Some content is tailored to employee job functions and roles. The COBC is offered in 14 languages.

Each year, we require all regular employees (in countries where this is permitted by law) to recertify compliance with the COBC, to refresh their commitment to ethical conduct, and to make them aware of any changes Cisco has made to the Code. In FY14, all of Cisco's eligible employees[1] completed recertification. Newly hired employees must certify within three weeks of joining Cisco.

We understand that corruption is a particular concern for many stakeholders, as it erodes trust and inhibits economic growth. Our Global Anti-Corruption Policies enables our employees and partners around the world to understand how to comply with local and international laws.

"At Cisco, our approach to business ethics begins with the belief that compliance is everyone's job and does not reside in any one department or with any one person. We invest heavily in proactive communication, education, and systems to help our 74,000+ employees and 40,000 business partners, operating across 165 countries, understand our ethical standards and their responsibility to live up to them."

Roxane Marenberg, Vice President and Deputy General Counsel

1. Excluding employees in France (which has a separate system), those recently joining Cisco through acquisitions, those on a leave of absence, interns, and contractors who must abide by our Supplier Code of Conduct.

Employee Training and Awareness

Our internal ethics website provides training materials and videos such as "Cisco Has a Speak-Up Culture," links to policies, and an ethics discussion forum for employees. We provide tailored training for specific employee groups to help them manage issues relevant to their roles. Examples include targeted courses for people joining Sales teams, Human Resources professionals, and employees who interact with government officials. Business and regional management can request additional training for their teams.

Anti-corruption training is mandatory for most Legal staff; employees in Sales, Marketing, and Services; channel partners; distributors; and sales-supporting consultants. In addition, live ethics, compliance, and anti-corruption training was provided by experts from Legal, Compliance, and Finance to Sales teams in Russia, China, Japan, Korea, and Thailand.

Table 3. Employee Pulse Survey Results

	FY11	FY12	FY13	FY14
I have confidence that Cisco takes ethical business concerns seriously	90%	91%	92%	91%
The management team sets a good example of company values, culture, and the COBC	81%	84%	87%	84%
I know where to go to report an ethics question or concern	83%	87%	89%	90%
I can report concerns without fear of retaliation	75%	78%	77%	80%

How to Report a Concern

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

- Speak to a manager or Human Resources representative
- Contact members of our Legal or Ethics offices directly
- Contact the Ethics Office by email at ethics@cisco.com or through our anonymous web form
- Call our global Ethics Helpline, available 24 hours a day in more than 150 languages
- Disclose gifts, entertainment, or potential conflicts of interest confidentially to the Ethics Office using relevant tools

No one will face retaliation if they raise a concern in good faith.

Concerns raised mainly relate to conflicts of interest, gifts and entertainment, and Human Resources issues. We investigate all concerns and anyone found to have violated our COBC may face disciplinary action, including termination of employment if warranted in certain cases.

Find out more on our website.

Privacy and Data Security

Mounting public scrutiny means privacy and data security are among the more pressing issues facing the ICT industry. The Internet of Everything (IoE) brings significant benefits to society, but also raises privacy concerns. People can now access and share personal or business information in real time anywhere, at any time, on any device. This makes securing data more difficult and increases the design challenges for technology companies like Cisco.

Our privacy policy is based on respect for our customers and a commitment to protect the information that they have shared. We review and improve the policy on a regular basis to adapt to the changing requirements of our customers, the Internet, and global business environments.

We continue to update and enhance our systems to protect customer, employee, and company data. We also work to raise awareness about the importance of privacy and data protection. Best-practice security systems keep our networks, systems, and information highly secure. We build privacy into the design of our products, give customers choices about the data they share, and are transparent about how their data is used. Cisco will continue to work with our customers, consumers, and policymakers at all levels to put in place policies designed to protect privacy and security as networking technology continues to evolve.

Privacy by Design

"Privacy by Design" means privacy is not an add-on but a core component of the development of our products, services, and systems. A dedicated Cisco team provides guidance and targeted training on designing with privacy in mind throughout the business. We host a Global Security Education event to showcase resources, training, and videos on privacy issues to our employees worldwide.

Our guidelines for engineers and product managers help them understand how to integrate privacy and data protection into new products and applications. This helps them design features and functionality that make it easier for Cisco, customers, and product users to protect personal information and comply with relevant regulations.

Securing the Cloud

Internet-based, or "cloud," computing is changing the way people and organizations share information. Our cloud systems include capabilities that help companies secure access to their cloud, and we protect them using best-practice security systems, such as Security Intelligence Operations. We analyze emerging trends, threats, and innovations in IT security to help us identify new opportunities and early warnings where security threats may occur.

These security services are as important to our business as they are to our customers and partners. Our supplier review program assesses service providers to mitigate potential risks for cloud solutions in particular. We use our cloud security services to help Cisco maintain the integrity of our own operations. This helps reduce risks and improve the protection of proprietary information.

We assess potential security risks related to cloud solutions based on guidance developed by the Cloud Security Alliance. Cloud computing introduces new security risks and concerns around technology and business processes. To succeed, organizations must address cloud security concerns. Learn more about our cloud journey from John N. Stewart, Senior Vice President, Chief Security and Trust Officer.

#CiscoSecurity

Compliance

Compliance with privacy regulations is managed by a team of representatives from our Legal, IT, Information Security, Sales, Services, Marketing, and Human Resources functions. Our global program for reporting and tracking incidents provides a standard process to report, categorize, monitor, refer, and investigate alleged incidents.

Training is a key component of our compliance program. We make online privacy training modules and resources available to all employees and contractors through our internal privacy portal. We also provide specific privacy and security training relevant to their roles. Privacy and security standards are part of our COBC and accompanying training.

In FY14, Cisco retained the Privacy Seal by TRUSTe, an independent third party whose mission is to accelerate online trust among consumers and global organizations. This demonstrates that our privacy policy and programs meet best practices for transparency, accountability, and choice in the collection and use of personal information. We also recertified our compliance with the U.S.-EU Safe Harbor framework with the U.S. Department of Commerce for customer, partner, and employee data.

Providing Choice

Transparency and choice are important to enable people and organizations to protect the privacy of their data. We understand that people expect to know what data is being collected about them and how it will be used. They rightly expect to be given a choice. We believe they should also be informed about the benefits of sharing personal information.

Like other companies, Cisco must inform employees about how their data is used and the choices available to them. Our products offer customers a range of options in how they can use our technology to achieve their personal and business goals, while respecting privacy.

Promoting Security Awareness

We expect employees to integrate security into their day-to-day activities. Security is part of our COBC and accompanying training. For Cisco, it is also a business imperative to promote security outside our own operations.

Through the Cisco Security Education Program, we are using our experience to help other organizations increase security awareness. Promoting the right behaviors, such as how to use social networking safely, is a key focus. The Cisco Security blog offers regular updates and tips, and we publish weekly Cyber Risk Reports that highlight current digital security concerns and activity. The reports address seven major risk management categories: vulnerability, physical, legal, trust, identity, human, and geopolitical.

We collaborate with peers to share our experiences through organizations such as:

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

CASE STUDIES
FROM AROUND THE WORLD

The Cisco Networking Academy Introduction to Cybersecurity

Cisco Networking Academy program delivers a comprehensive learning experience to help students develop ICT skills for career opportunities, continuing education, and globally recognized career certifications.

In the age of the IoE, the networked connections of people, processes, data, and things create a greater need for a robust security infrastructure. The network is used for everything from storing an organization's confidential data, to storing personal financial and health information. More connections make data more vulnerable to attacks, creating a growing need for individuals with cybersecurity skills.

The Cisco Networking Academy program's Introduction to Cybersecurity course covers trends in cybersecurity and career opportunities available in this field. Cybersecurity refers to the people, products, and processes that protect electronic data from those with malicious intent. This course introduces students to a variety of networking professionals who discuss the exciting and growing industry of cybersecurity.

The course modules define cybersecurity, explain why it is important, and introduce some of the products and processes used to secure data.

Learn more online.

Human Rights

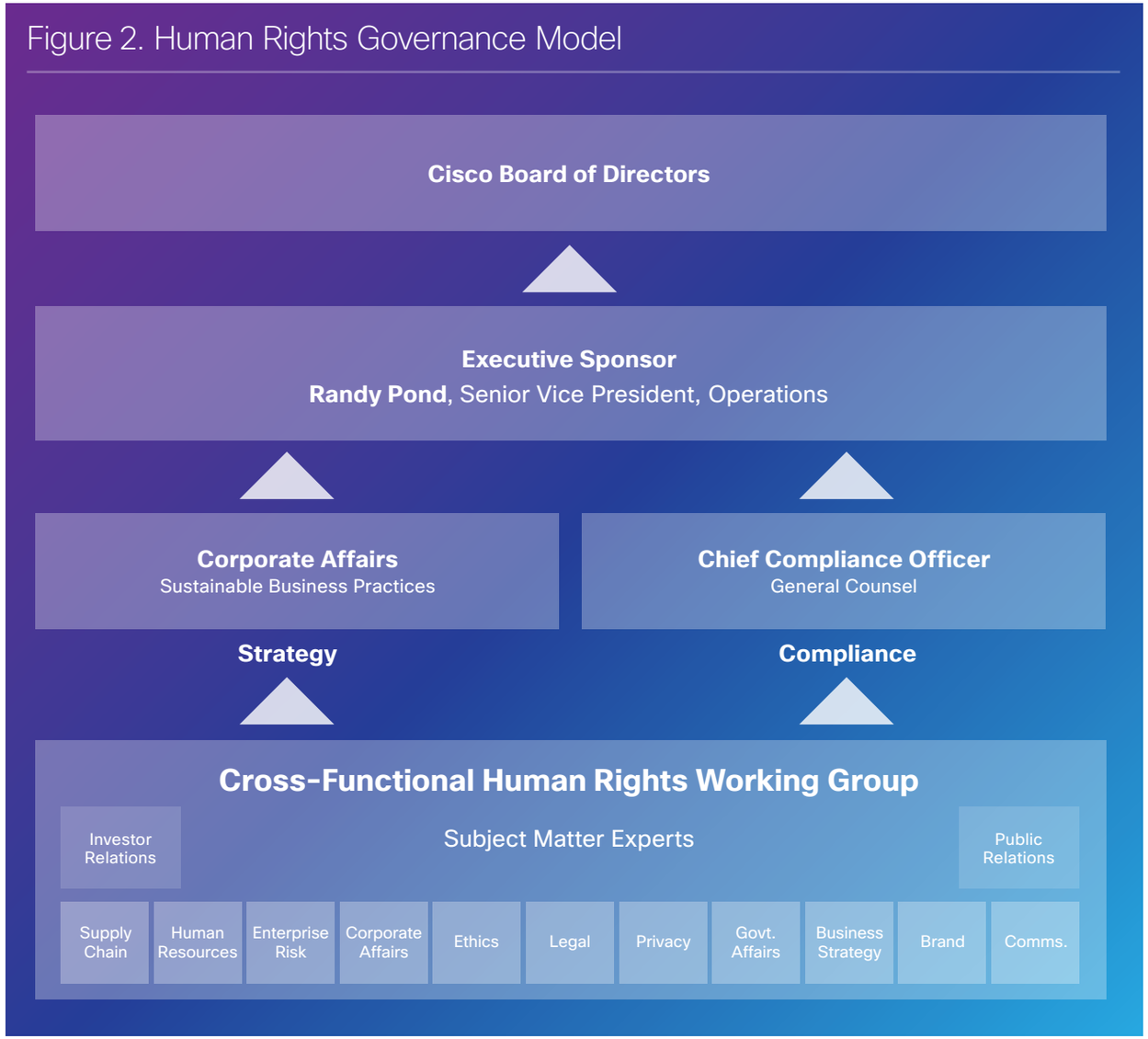
Cisco's technology creates opportunities for connectivity, expression, and access to information to a growing number of people across the world. At the same time, we recognize our responsibility to realize these benefits in a manner that respects human rights through our operations, business relationships,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

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

Governance

Cisco has adopted a formal human rights governance structure to implement our commitment to human rights across the company. Our cross-functional Human Rights Working Group includes experts from across the business, including Supply Chain, Ethics, Privacy, Government Affairs, Business Strategy, Communications, Investor Relations, and others. The Human Rights Working Group is overseen by our Corporate Affairs and Legal departments and is sponsored by Randy Pond, Senior Vice President, Operations (see Figure 2).

Figure 2. Human Rights Governance Model



Key Opportunities

Information and communications technology (ICT) plays a powerful role in shaping the way we connect, communicate, and collaborate with one another. From the way we access and share information to the way we protect it, ICT can be a positive force for creating new opportunities and advancing human rights.

We use our networking technologies to create new opportunities for more people across the world. At the most general level, more than 1 billion people have better Internet access thanks to Cisco's products, while our Cisco Networking Academy program brings technology education, 21st-century skills, and improved job prospects to students in more than 165 countries. To date, we have empowered and prepared approximately 5 million students for careers in the ICT field. We also partner with humanitarian organizations such as NetHope, a collaboration of 41 humanitarian organizations, to meet critical human needs in disaster-stricken areas.

Together with USAID and World Learning, Cisco is partnering in a program that promotes networking systems training which can help to achieve economic development in Myanmar. The University of Computer Studies in Yangon, the University of Computer Studies' Centre of Excellence, and the University of Computer Studies in Mandalay have joined the Cisco Networking Academy program. The program has trained 20 faculty members and more than 100 students in Myanmar. Cisco has long believed that education and the Internet

Cisco, USAID, and World Learning have implemented an ICT networking skills-development program to create sustainable ICT training through Cisco Networking Academy program.

are two great equalizers in life, and establishing a strong foundation for both of these in Myanmar is fundamental for the future of the country. For more information on how networking technologies support positive social outcomes, see Society.

Freedom of Expression and Privacy

As a technology leader, we believe that upholding the rights to freedom of expression and privacy are fundamental to our business and society. We strongly support freedom of expression and open communication on the Internet, and we are proud of our role in helping to make Internet technology ubiquitous, allowing billions of people in nearly every nation across the world to access information previously unavailable to them.

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

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

By making our products interoperable, we strengthen the Internet's capacity to be a positive force for society. Our work across the world is guided by the following principles:

- We do not participate in business activities that would aid repression.
- We do not support attempts by governments to balkanize the Internet or create a "closed" Internet, as such attempts undermine fundamental human rights, including the right to freedom of expression.
- We do not customize or develop specialized or unique filtering capabilities to enable regimes to block access to information.
- We do not supply nor do we support mediation equipment that allows the interception of telephone calls made over the Internet using Voice over Internet Protocol (VoIP).

"Technology is a powerful tool to advance development while contributing to sustainable and inclusive economic growth. This collaboration with Cisco brings innovative technology and education to build on the strengths and capacity of the country. The initiative provides ICT skills training and increases the number of job-ready graduates for the country's emerging ICT sector."

Chris Milligan, U.S. Agency for International Development (USAID) Mission Director for Burma

A full appreciation of the human rights issues associated with network equipment requires an understanding of the equipment's core features. The nature of Internet routing is such that in order to deliver messages and content, service providers generally can see the addresses of the senders and recipients of information and, in the absence of adequate encryption, the contents of messages and attachments. Individuals, companies, and countries make their own decisions with respect to how they operate networks and network security in terms of protecting the network itself from denial of service and other attacks and protecting users from spam, hacking, and virus attacks. This requires operators to have capabilities that can also be used to block access to particular websites or copy and download users' communications. For network management purposes, network operators also require the ability to identify the protocols used for different types of traffic. We cannot shut down such networks—only network operators have that capability. We advocate that users should have access to workable encryption, and we have opposed the efforts of some governments to block users from adequate encryption.

For these reasons, we believe that the threat to freedom of expression and Internet freedom today resides not in standardized equipment, but in efforts to adopt special protocols that deviate from global norms and efforts to enable special censorship or filtering systems. We have worked in opposition to such efforts and will continue to do so. We do not and will not supply video surveillance cameras or video surveillance monitoring software in our public infrastructure projects in China. We are strongly committed to a standards-based global Internet that maximizes the opportunities for freedom of expression, and we do not customize our equipment to help any government to censor content, track Internet use by individuals, or intercept Internet communications.

Product Use

We believe our role in providing more people across the world with access to the Internet is hugely important and that operating in most countries brings more benefits than if we were not present. In all countries where we do business, our technology and systems, whether they are sold directly or through local partners and service providers, include the same standard Internet-access equipment and network management capabilities that are used by public libraries in the United States, which include such capabilities as blocking inappropriate content for children.

We also believe in an open Internet where people can access the same information no matter where they are in the world. We design our products and services to enable this access while safeguarding human rights.

Despite these efforts, it has been alleged that some customers in some countries have misused our technology. In some cases, awareness of the fact that a government does not respect the open Internet is confused with complicity in efforts to limit communications or repress freedom, even where the equipment being supplied is standards-based, noncustomized access equipment necessary to facilitate communications.

Our technology and systems can also play an important role in helping to promote public safety—through crime prevention assistance, for example—but we recognize that there is a growing concern about the use of networking equipment for improper surveillance that would violate individuals' privacy rights.

Internet Security

Today's security challenges are real and significant. We want governments to detect and disrupt terrorist networks before they inflict harm on our society, our citizens, and our systems of government. We also want to live in countries that respect their citizens' basic human rights. The tension between security and freedom has become one of the most pressing issues of our day.

As a matter of policy and practice, Cisco does not work with any government, including the United States government, to weaken our products. When we learn of a security vulnerability, we respond by validating it, informing our customers, and fixing it. We react the same when we find that a customer's security has been impacted by external forces, regardless of what country or form of government or how that security breach occurred. We offer customers robust tools to defend their environments against attack, and detect attacks when they are happening. By doing these things, we have built and maintained our customers' trust.

A failure to establish a clear and transparent set of rules will produce a fragmented Internet, limiting free speech and global economic growth. A serious effort to address these issues can build confidence, and most importantly, result in the promise of the next generation of the Internet being met, a world in which the connection of people and devices drives greater freedom, prosperity, and opportunity for all the world's citizens.

Read more about Internet security in a blog post by Mark Chandler, SVP, General Counsel and Secretary.

Global Standards

We believe that open and global product standards play a very important role in protecting and respecting human rights. For this reason, we work with policy makers and participate in standards-setting bodies, working groups, and industry coalitions to create and maintain a secure global standard for many of our leading technologies, ranging from wireline and wireless local-area network (WLAN) connections to video encoding/decoding and security/encryption services. China, however, uses a local national standard known as WLAN Authentication and Privacy Infrastructure (WAPI) to provide secure access to the Internet rather than the IEEE 802.11 standard, which is now universally used in Wi-Fi networks globally. Although the International Organization for Standardization (ISO) has rejected the Chinese government's application to make WAPI an international standard, WAPI continues to be used as the default standard in China despite concerns that WAPI remains incompatible with internationally recognized standards. While our equipment supports the globally recognized Wi-Fi standard, suppliers and users of our equipment in China are able to add WAPI to our equipment. We would not be able to sell our equipment and provide the benefits of an open Internet in China if WAPI could not be added. Many western vendors of handsets and infrastructure, however, comply directly with and incorporate the WAPI protocols in their products, enabling this nonstandard encryption to proliferate. Our efforts to oppose WAPI are rendered meaningless when other vendors incorporate the code. Nevertheless, we continue to maintain our efforts to push for international standards that are used to pursue a safe and secure open Internet.

Employees

To safeguard the rights of our employees, we follow our COBC, which includes our commitment to uphold human rights. We also rely on our many employee policies and guidelines that incorporate relevant laws and ethical principles—including those pertaining to freedom of association, nondiscrimination, privacy, freedom of expression, compulsory and child labor, immigration, fair pay, and working hours—to guide our day-to-day activities and business decisions.

To help protect the rights of workers in our supply chain, we maintain a Supplier Code of Conduct, which describes our expectations on key human rights issues, including the prevention of child and forced labor. Through our supplier audit process and capability-building programs, we partner with our suppliers to uncover human rights violations and work with them to improve their performance. Our top priority is to partner with suppliers that share the same values we have about human rights. For more information about our supply chain program, including our positions on slavery and human trafficking and conflict minerals, see Supply Chain.

Our Approach to Engagement on Human Rights

As our business grows and reaches more people across the world, we must continue to identify and enhance the way we address our key human rights opportunities, risks, and challenges. To help achieve our goals, we regularly engage and collaborate with our stakeholders, including nonprofits, industry peers, investors, and CSR practitioners, to help us gauge expectations and understand the ongoing effectiveness of our work.

Examples of our collaboration in FY14 include:

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

Business for Social Responsibility (BSR): Cisco continued its active participation in BSR's Human Rights Working Group in FY14. The group serves as a forum for companies from all industries to share ideas, exchange best practices, and discuss challenges they face in the area of human rights, including topics such as reporting, governance structures, training, and grievance/remedy frameworks. In addition, we have separately engaged BSR to inform our approach to integrating human rights into our management processes and to collaboratively create an employee training module and facilitate the stakeholder sessions in July 2014.

Electronic Industry Citizenship Coalition (EICC): Cisco is a founding member of the EICC. The EICC Supplier Code of Conduct specifically addresses human rights issues, including forced or involuntary labor, child labor, wages and benefits, working hours, nondiscrimination, respect and dignity, freedom of association, health and safety, protection of the environment, supplier management systems, supplier ethics, and supplier compliance with laws. For more information about our involvement with the EICC, see Supply Chain, page C6.

Global Network Initiative (GNI): We continue to follow the achievements of the GNI, and are encouraged by its expanding membership and engagement across new industries. We support the principles of the GNI applicable to operators of public Internet access networks. Where we have offered to build such networks and operate them temporarily, we have included contractual terms specifically permitting us to act in accordance with the due process protections set forth in the GNI principles relative to supplying user information during any period in which we might operate the networks. We operate some of the networks providing services that are used primarily by enterprises such as WebEx and Callway (which allows for bridging of TelePresence services), and in those circumstances, we also support the GNI principles.

Our Roadmap for Human Rights

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

1. Policy

We review and update our global Human Rights Policy each year. The policy articulates our commitment to human rights and outlines our approach to managing issues such as privacy, data security, labor rights, and freedom of expression.

2. Governance

In FY14, our cross-functional Human Rights Working Group met on a quarterly basis to discuss implementation of Cisco's Human Rights Roadmap. The group will continue to meet in FY15 with an ongoing focus on engagement with stakeholders, refining the governance model and processes to address emerging issues and organizational changes. The Human Rights Working Group will review all feedback from our human rights stakeholder engagement sessions.

3. Due Diligence

In 2014, we conducted a CSR materiality assessment that highlights several human rights issues as important for Cisco and our reputation. These issues included digital security and privacy, ethical sourcing, and supply chain labor standards. We refined our approach to identifying and addressing human rights risks through external engagements and participation in ICT and human rights forums such as the BSR working group, relevant conferences, and peer collaborations.

Also in FY14, we finalized a human rights training program that will allow our employees to gain greater clarity regarding human rights and the intersection with Cisco's operations and products. The training is an online interactive module that will require relevant employees to certify its completion. We first launched the training in FY14 and will be tracking and reporting on it in FY15.

4. Remediation

In FY14, we continued to integrate human rights into Cisco's Ethics Line. This will allow employees and any other stakeholder to submit questions related to human rights concerns by email or telephone. We will review the types and numbers of human rights-related questions submitted through this system to assess how well employees are aware of this resource and to analyze the content of the questions for any patterns or areas of concern.

Human Rights Stakeholder Engagement

In July 2014, five Cisco senior leaders met with experts from seven global human rights organizations to:

- Learn about the organizations' perspectives on human rights priorities
- Present our company's approach to human rights
- Increase transparency and understanding of human rights issues in ICT

Cisco representatives from corporate affairs, investor relations, legal, operations, and supply chain attended the meeting, which was held in our Washington, D.C. office and facilitated by human rights experts from BSR. Participants from Boston, New York, and San Jose joined via Cisco TelePresence.

The discussion covered substantive issues such as privacy, freedom of expression, product use, public policy efforts, and collaborative initiatives. It was mutually beneficial and we expect it will lead to more dialogue. Engaging with the human rights community provides Cisco an opportunity to learn more about how our products and services can be used to address some of the world's greatest challenges, such as data security, disaster response, and access to education and healthcare.

Areas discussed as potential topics for future sessions included human rights in the supply chain, due diligence, employee training, and collaboration with hardware companies.

Supply Chain

A highly dynamic and complex supply chain builds the Cisco products that empower businesses and enable collaboration around the world. We work closely with suppliers to manage sustainability issues and improve performance throughout the supply chain and at every stage of the product life cycle.

More than 600 suppliers make components, manufacture, test, deliver, take back, recycle, or enable reuse of Cisco products. We expect all our suppliers to meet the same high standards for ethics, labor rights, health and safety, and the environment that we set for ourselves. These standards are outlined in our Supplier Code of Conduct.

We are exploring ways to apply the Internet of Everything (see page A2) in our supply chain. We see opportunities for technology to improve compliance, save energy, cut climate impacts and material use, and get direct feedback from factory workers.

A highly connected supply chain will help us detect and respond to emerging issues faster and will enhance collaboration.

Supply Chain Overview

Our goal is to increase transparency in the supply chain and help suppliers improve their sustainability performance. To do this, we:

- Embed sustainability into core business practices for selecting and assessing suppliers
- Engage with key suppliers to understand the challenges they face, improve performance, and build capability
- Work with others to tackle industrywide challenges, through initiatives such as the Electronic Industry Citizenship Coalition (EICC)

By doing so, we seek to build customer trust, reduce costs, secure continuity of supply, respond to stakeholder needs, and protect the Cisco brand.

Managing environmental impacts in our supply chain is an important part of our engagement with suppliers. We highlight this at relevant points throughout this section of the report. Information on environmental performance related to our supply chain can also be found in the Environment section (see page F11).

2014 at a Glance

Enhanced monitoring of working hours for high-risk suppliers.

100 percent of Cisco supplier managers completed sustainability training.

Conducted due diligence on mineral sourcing and published our first Conflict Minerals Report.

Increased focus on capability building through collaboration and corrective actions.

58 percent of key suppliers have goals to cut greenhouse gas (GHG) emissions, up from 45 percent in 2013.

Supply Chain Overview

2014 Progress Toward Objectives

Objectives	Status
100 percent of key suppliers[1] have goals in place to reduce GHG emissions and report progress toward their goals by end of FY15 (objective changed).	◑
100 percent of key suppliers report Cisco's share of their GHG emissions by end of FY15 (objective changed).	◑
Establish a due diligence process to assess whether tantalum, tin, tungsten, and gold in our products are being sourced from conflict-free minerals and publish a Conflict Minerals Report by May 31, 2014, as required by the U.S. Dodd-Frank Act.	●
Partner with suppliers to identify and realize sustainability improvements in FY14.	●
100 percent of Cisco supplier managers complete web-based training on sustainability in FY14.	●
Develop and deploy a new training module on human rights in the supply chain as a supplement to Cisco's corporate human rights training in FY14.	◑
86 percent of key component suppliers report GHG emissions via CDP in FY14.	●
Develop standards of measurement for allocating supplier-level emissions down to the component level in FY14.	◑

● Achieved ◑ Partially Achieved[2]

1. Key suppliers are defined as those that receive a business scorecard (see page C4 for definition).
2. Partially achieved objectives are those that have (1) been almost fully achieved and are therefore not included in 2015 Objectives and Beyond, or (2) been reevaluated and replaced by a similar objective for FY15 and Beyond. See the text for details and future plans.

2015 Objectives and Beyond

Objectives	Target Date
100 percent of key suppliers report their GHG emissions to CDP.	End of FY16
Increase percentage of key suppliers that set GHG emissions-reduction goals in their CDP reports to 75 percent.	End of FY16
Establish a GHG emissions reduction goal for our supply chain operations.	End of FY15
Enhance our supplier engagement by further integrating the Supplier Code of Conduct into day-to-day business operations.	End of FY15
Require all supply chain employees to complete Cisco's corporate human rights training.	End of FY15
Work with university partners to incorporate sustainability into business education for supply chain professionals.	End of FY15
Gather real-time feedback from supplier workers and management to enhance transparency on labor conditions in the supply chain.	End of FY15

"We view sustainability as an integral part of operating a world-class supply chain. We are collaborating with academic and other organizations to promote this thinking among the next generation of supply chain professionals."

John L. Kern, SVP, Supply Chain Operations

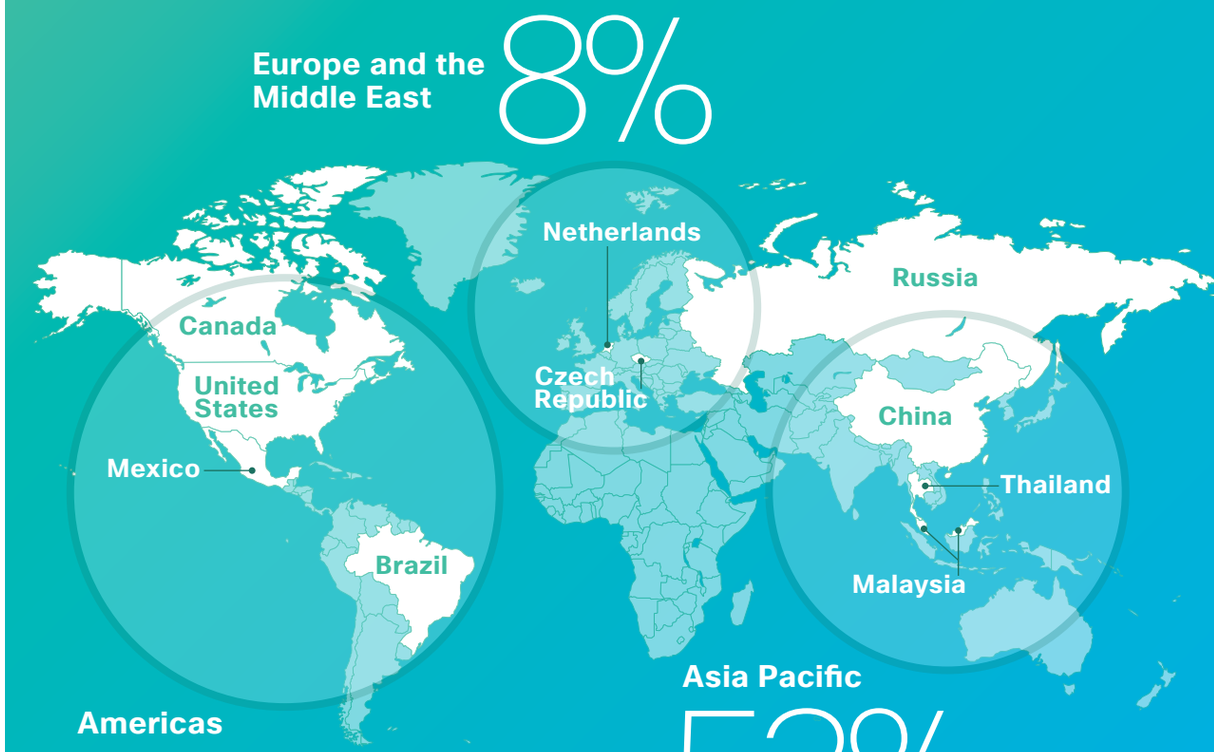
Our Supply Chain

The manufacturing of our products is entirely outsourced. More than 600 suppliers around the world make finished Cisco products, supply approximately 80,000 parts that go into our products, provide logistical services, and collect and recycle products at the end of their useful life. We spend billions of dollars each year with these suppliers, the majority with:

- **Manufacturing partners:** 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 manufacturing partners according to our specifications
- **Logistics service providers:** A small number of suppliers that distribute our products to customers

We encourage all suppliers to have strong sustainability programs. We focus our audit and engagement efforts on approximately 130 suppliers that account for more than 80 percent of our supply chain expenditure. Many of these suppliers—nearly all of our manufacturing partners and logistics service providers, and some component suppliers—are considered "key" due to the nature of their business relationships with Cisco. We assess key suppliers using a business performance scorecard (see page C8).

Figure 1. Cisco Manufacturing Around the World



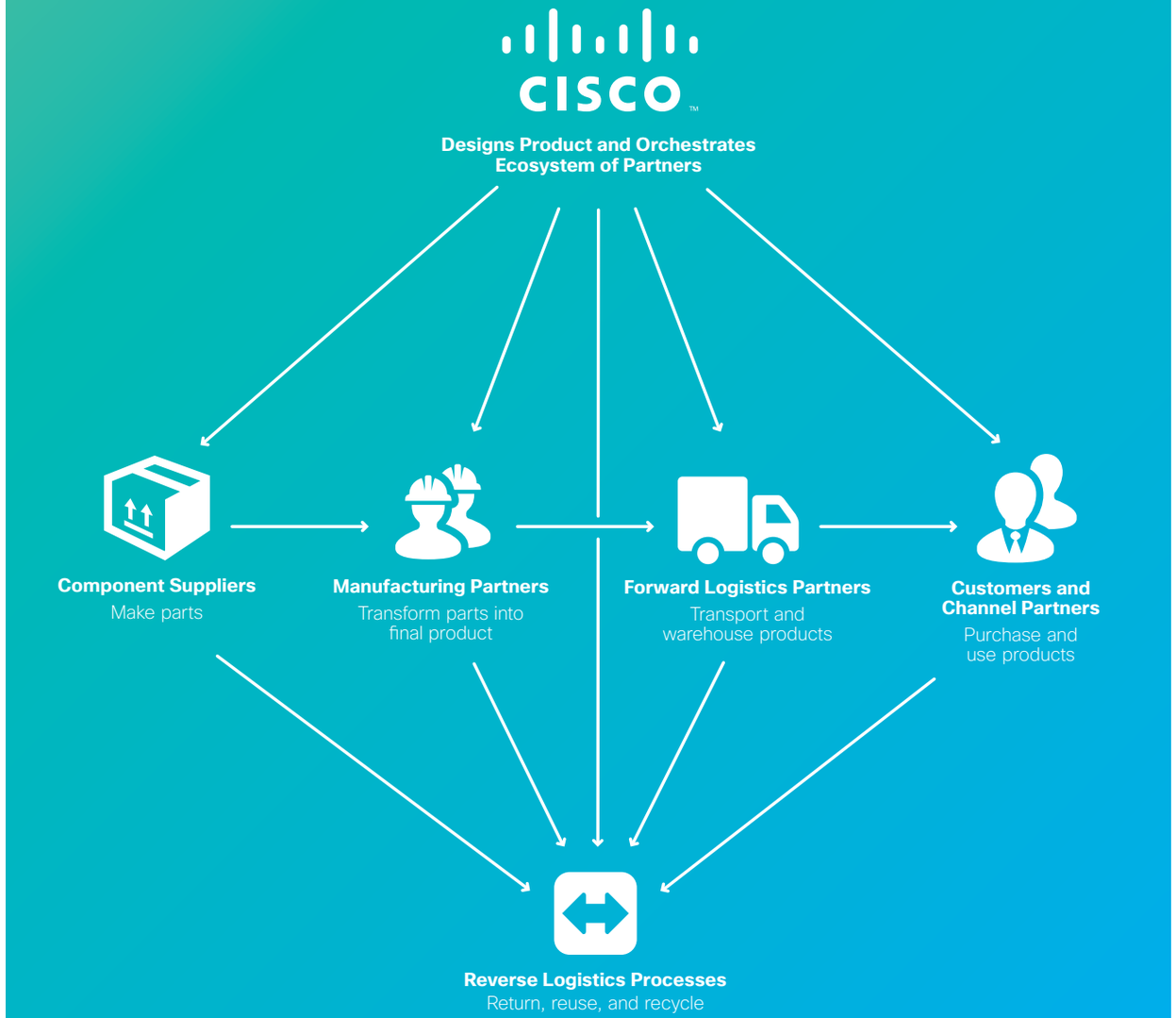
Recent trends in spend are a result of Cisco's efforts to concentrate our supply chain closer to customer locations and to become more risk-resilient.

Supply Chain Sustainability Guiding Principles

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

- Operate ethically and in compliance with applicable laws
- Value employees, embrace diversity, and promote a fair and respectful workplace
- Provide a safe and healthy workplace and strive to reduce the environmental footprint of products and operations
- Be an asset to local communities by supporting education, healthcare, and basic human needs programs, as well as ongoing economic development
- Promote engagement with and development of diverse suppliers
- Strengthen management systems that govern responsible operations

Figure 2. Embedding Sustainability into the Supply Chain



Embedding Sustainability in Core Business Practices

Sustainability is one of the main criteria we use to assess how our suppliers are doing. We reward suppliers that perform well with opportunities for additional business with Cisco, and we recognize their achievements through our Supplier Appreciation Awards. We aim to help our suppliers improve, but we will not work with those that systematically fail to comply with our standards.

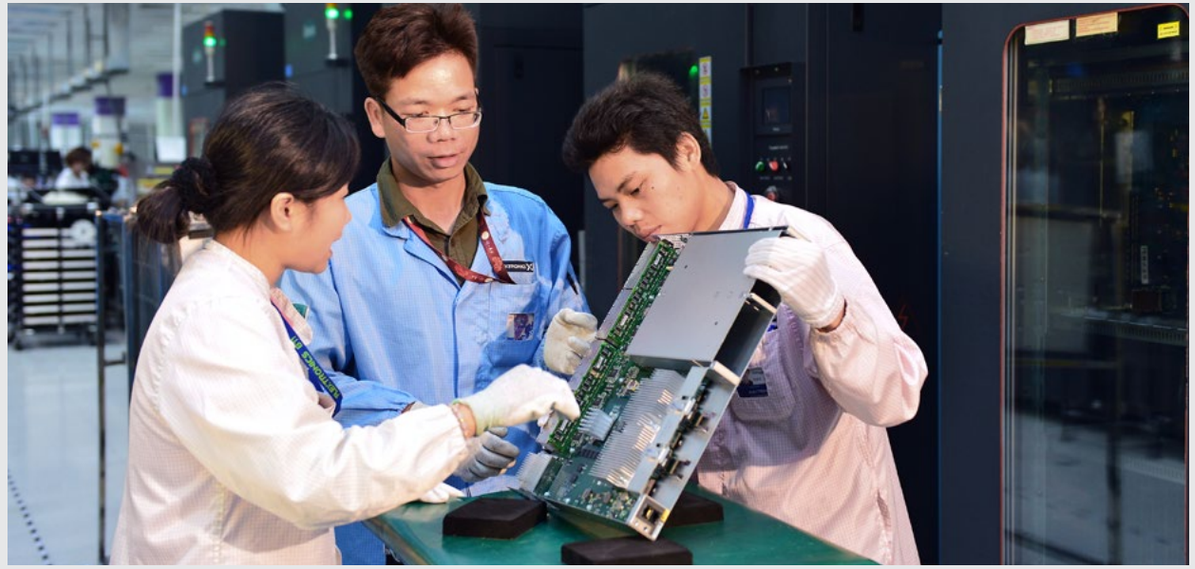
Supplier Code of Conduct

All suppliers must acknowledge their commitment to the EICC Supplier Code of Conduct. We also expect them to extend the Code to their own suppliers.

The Code is designed to promote worker safety and fairness, environmental responsibility, and ethical business. EICC members review and update the Code regularly to reflect best practices and address emerging issues.

We want suppliers to understand that following the Code is essential to be eligible to do business with Cisco. Our key manufacturing and logistics providers are highly engaged. But educating smaller component suppliers that don't have strong sustainability programs can be more of a challenge (see Engaging Component Suppliers to Improve Standards, page C7).

Suppliers must also comply with the Cisco Controlled Substances Specification. It requires compliance with environmental regulations such as the European Union (EU) Restriction of Hazardous Substances Directive (RoHS) (see Environment, page F10).



Key Challenge: Targeting Environmental Impacts and Related Costs in the Supply Chain

Engaging with suppliers to reduce their environmental impacts can help us meet our own sustainability goals, improve performance, and reduce the costs of our products across their life cycle.

In FY14, we responded to customer feedback to focus on environmental initiatives that provide direct cost savings. For example, we are expanding our Pack It Green packaging program and continue to prioritize reductions in GHG emissions and energy use. FY14 achievements include:

- Saving 1494 metric tonne of GHG emissions, 888 metric tonne of material, and US$6.3 million annually through our Pack It Green packaging program
- Working with one of our customers to optimize the way we deliver "spare" products such as cables and memory upgrades, which has saved 130 metric tonne of packaging material and US$2.2 million
- Transporting products by sea rather than air where possible, saving 70,000 metric tonne of GHG emissions
- Working with customers and suppliers to recover products for reuse within Cisco, reducing the need to purchase new equipment and saving in material costs

We aim to build on this progress by streamlining all related programs into a cohesive approach to reducing our GHG emissions.

Other environmental criteria in our Supplier Code of Conduct and audits include non-GHG emissions, waste and effluents, and compliance with all relevant local environmental laws. Biodiversity has not been identified as a significant issue in our supply chain as a whole. However, we expect manufacturing partners to report performance on all Global Reporting Initiative (GRI) indicators that are material to them.

For more information, see Environment, page F16.

Key Challenge: Tackling Excessive Working Hours

Reducing overtime remains one of the greatest supply chain challenges for our industry. We take this issue very seriously. Many factors contribute to excessive overtime, including production demands, availability of labor, and wages.

We closely monitor working hours through our supplier scorecard and audits. But many suppliers still exceed the 60-hour maximum set by the EICC. We are committed to working with suppliers to better understand and manage the circumstances that contribute to periods of excessive working hours.

We identify noncompliance related to working hours through audits. As part of their corrective actions, relevant suppliers send us weekly updates on compliance with EICC working-hour requirements using an automated tracking system. In FY14, we focused on engaging with 20 suppliers. Of these:

- 4 report that at least 95 percent of their workers are working 60 hours or fewer per week in compliance with the EICC standard
- 11 report that 70 percent of their workers are in compliance
- 18 report that less than 5 percent of workers work longer than 72 hours per week
- 19 report that more than 90 percent of workers meet the EICC requirement to have a rest day every week

We take part in the EICC Working Hours task force to set standards, share best practices, and develop training for suppliers on managing working hours.

Key Challenge: Engaging Component Suppliers to Improve Standards

We have numerous key component suppliers. Engaging them on sustainability can be challenging. Some have well-established sustainability programs, but many are smaller or less mature companies. We often have limited influence because Cisco is not among their major customers.

Coaching and dialogue are helping to overcome this challenge. We provide targeted training for suppliers starting out on their sustainability journey and for those with more advanced programs. Cisco is leading the EICC's program to develop an industry framework for supplier capability building. We also train our own supplier managers to talk with suppliers directly about sustainability (see below).

Key Challenge: Preventing Exploitation of Student Workers in China

As a member of the EICC's Asia Network, Cisco is helping to establish best practices to protect student workers in China from being exploited. In partnership with Nanjing University and a nongovernmental organization (NGO) called the Labour Education and Service Network, the EICC has developed a toolkit for the responsible management of student interns in China. The toolkit offers a practical guide and checklist for managers. It includes legal information and best practices for protection of student interns and effective cooperation between schools and enterprises using student workers.

Training Cisco Supplier Managers

We train our supplier managers to increase their awareness about sustainability and embed it as part of our regular business decisions. The training:

- Explains the business case for sustainability
- Describes the role of managers in engaging suppliers
- Outlines our Supplier Code of Conduct compliance monitoring procedures

In FY14, we enhanced this training to explicitly cover human rights in the supply chain. All supplier managers will be expected to complete our new corporate human rights training in FY15.

All Cisco manufacturing, logistics, and, for the first time, component supplier managers completed formal web-based training on sustainability in FY14. The Supplier Code of Conduct also is noted in our Code of Business Conduct, which is subject to annual recertification for all eligible employees (see Governance and Ethics, page B8).

Supplier Scorecard

We use a business scorecard to monitor key suppliers' performance on a range of criteria, including technology, cost, quality, responsiveness, and collaboration. Sustainability represents between 3 and 8 percent of a supplier's total score. The scorecard asks for:

- Data and goals on environmental impacts
- GHG reporting through CDP
- Data on labor issues, such as injury and illness rates, working hours, and employee turnover
- A public commitment to sustainability through reporting or participation in relevant industry groups

Survey questions are tailored to each type of supplier. We assess suppliers' sustainability performance at least once per year as part of regular business reviews. Suppliers must maintain strong scores to earn and retain their status as key suppliers.

To address findings from the survey appropriately, we are developing a formal process to more effectively integrate sustainability aspects into our business decisions and to include targeted capability-building initiatives in our regular engagement with suppliers.

Suppliers are often asked to complete multiple surveys by different customers. To reduce the burden on them, we are working with our peers to standardize processes.

We already use the EICC Supplier Code of Conduct and audit protocol. In FY14, more than 80 percent of our audits were shared EICC audits. In FY14, we began using a standard industry platform for sharing environmental data, which Cisco helped develop. EICC members can use it to collect metrics, goals, and progress updates from suppliers on GHG emissions, energy, water, and waste in a standardized way. This reduces duplication of effort.

Our own customers are asking more questions about sustainability in the supply chain. Customer interest has increased over the past five years, and sustainability is now frequently included in formal requests for proposals. In FY14, we surveyed more than 5000 customers on their interest in environmental sustainability and how we could do better—or help them do better. Of these, 40 percent already include sustainability in their procurement requirements and a further 25 percent expect to do so within the next five years.

For more information on the sustainability customer survey, see the Environment section, page F5.

Table 1. Scorecard Sustainability Survey Results

Key suppliers publishing a CSR Report	FY12	FY13	FY14
Manufacturing partners	86%	86%	100%
Logistics providers	57%	100%	100%
Component suppliers	38%	52%	52%
Key suppliers reporting to CDP			
Manufacturing partners	88%	100%	100%
Logistics providers	56%	100%	100%
Component suppliers	46%	74%	86%
Key suppliers that have set a GHG emissions-reduction target			
Manufacturing partners	Not tracked	71%	100%
Logistics providers	Not tracked	67%	62%
Component suppliers	Not tracked	41%	56%
Key manufacturing partners and logistics providers providing GHG emissions data related to Cisco products	100%	100%	100%

"Manufacturing our products responsibly is a core value for Cisco. We convey the importance of social and environmental performance clearly to our suppliers from day one. We push ourselves to continually improve. We expect the same from our suppliers and monitor their progress through our performance scorecard."

Jeff Gallinat, SVP, Global Manufacturing Operations

Promoting Transparency

Improving transparency in the supply chain is a critical step to help us address some of our most significant sustainability issues: supply chain labor standards, life cycle environmental impacts, and ethical sourcing. To target our work with suppliers and peers to improve performance effectively, we need to identify key risks and impacts. Supply chain transparency is also something our stakeholders want to see. Both customers and governments are demanding it (see Key Challenge: Due Diligence on Conflict Minerals for our response to new U.S. regulations, page C14).

To help us understand key impacts in our supply chain and how they are managed, we:

- Encourage suppliers to publish CSR reports describing how they manage their most significant sustainability impacts
- Require suppliers to report GHG emissions and targets via CDP and our scorecard (see page C8)
- Conduct site audits of high-risk supplier facilities (see content starting on page C10)
- Obtain direct feedback from factory workers using tools like Labor Link (see feature, this page)

By the end of FY14, 56 percent of our key component suppliers had set goals to reduce their GHG emissions, up from 41 percent in FY13. All of our key manufacturing partners and 62 percent of our logistics providers have set such goals, and all are able to provide data on GHG emissions related to Cisco products.

To gain an accurate picture of the life cycle impacts of our products, we also need to understand the impacts associated with our supplier GHG emissions. In FY14, we used supplier-specific GHG reporting programs to lay the foundation for estimating Scope 3 supply chain GHG emissions down to the component level. Please refer to the Environment section for more information on our efforts in FY14 and objectives for FY15 (see Environment, page F3).

We encourage suppliers to share information, even in areas where they are not performing well. For example, we ask suppliers to report any environmental or health and safety infractions, as well as remedial actions, through the scorecard. We make it clear that they will not be penalized for disclosing this information. Our aim is to promote open, honest dialogue and to work together with suppliers to reach an acceptable outcome.

Promoting Supplier Diversity

Working with diverse suppliers (woman- and minority-owned businesses) supports our business by:

- Giving us access to a wider range of innovative supply chain partners
- Enhancing supply chain competitiveness and reducing the risk of disruption in our supply chain by broadening our supplier base
- Contributing to improved satisfaction for customers, some of which include supplier diversity in their procurement policies and bid packages

We offer a range of mentoring and networking opportunities to help diverse suppliers develop their global business capability and competitiveness and support their economic empowerment (see Society, page E15). We also encourage our key suppliers to buy components, products, and services from diverse suppliers and to report their expenditure with diverse suppliers through our scorecard.

CASE STUDIES FROM AROUND THE WORLD

Giving Supplier Workers a Voice with Labor Link

The Labor Link tool, developed by the nonprofit Good World Solutions with Cisco's support, is helping to increase transparency in the supply chain by getting feedback directly from workers.

Factory workers can use Labor Link to comment on working conditions anonymously using their mobile phones. These inputs help validate supplier audit findings and identify areas for capability building. Labor Link also can be used to send workers useful information via their mobile phones on topics such as labor issues, health, education, and financial literacy.

Cisco has supported the development of Labor Link since 2010 when it launched as a pilot program involving 100 apparel workers in one country. It has now expanded to reach 95,000 people working in apparel and electronics factories and on farms across 10 countries. In May 2014, Cisco and Good World Solutions presented insights from the Labor Link program at the Stanford University Responsible Supply Chains conference. For more information about our support for nonprofits, see Society (page E13).

Heather Franzese, Executive Director of Good World Solutions, says: "Cisco is pioneering a new model of worker engagement, using mobile technology to get direct, anonymous feedback from workers on their working conditions, job satisfaction, and individual and community needs. Labor Link mobile survey data informs Cisco's capability-building strategy in a way that's more responsive to local needs."

Working with Suppliers to Build Capability

We believe the most effective way to enhance supplier capabilities is through continuing dialogue and support built around our robust audit process. We use audits to monitor suppliers' compliance with the EICC Code of Conduct, assess their performance, and identify opportunities to help them improve (see Figure 3). Where suppliers fall short, we help to set out corrective actions and follow up to see that these are put into practice.

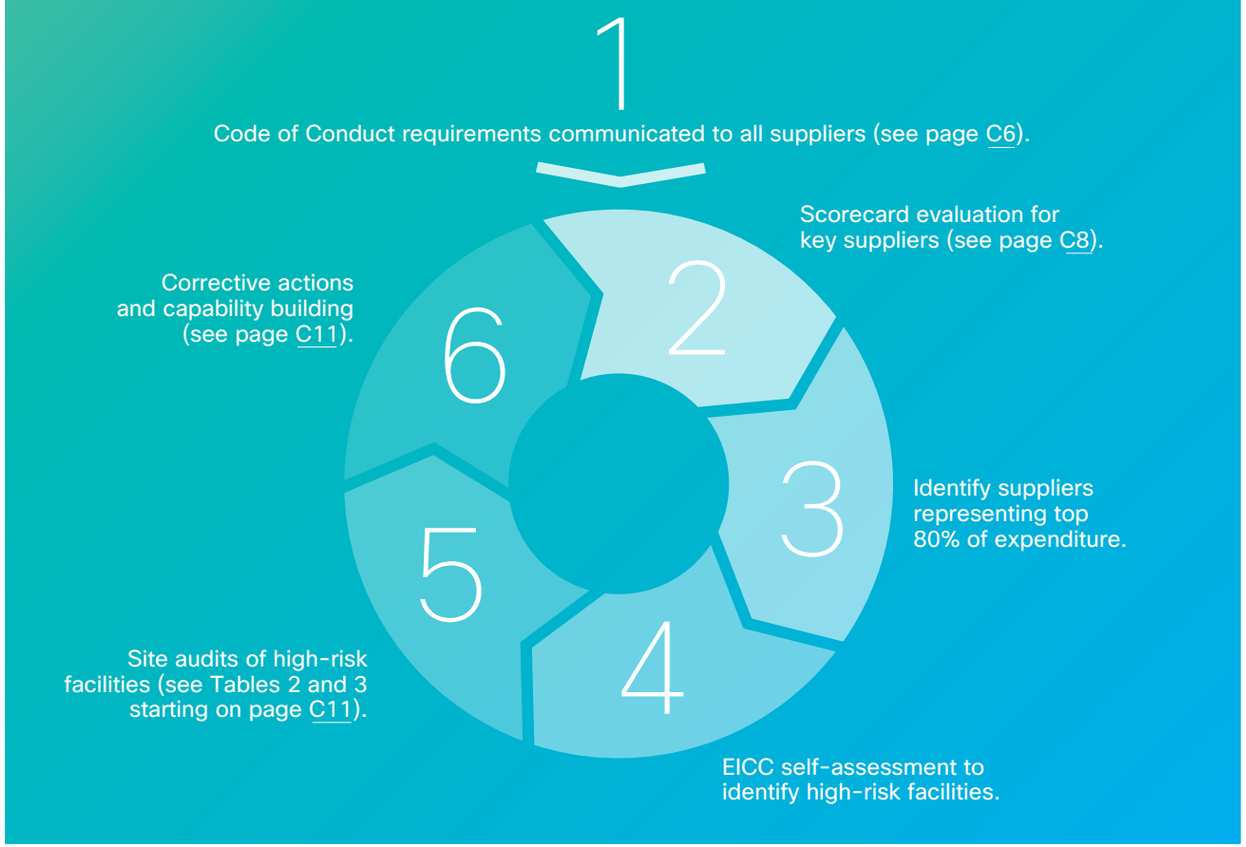
We engage with suppliers regularly to strengthen our relationships and build their sustainability capabilities. Cisco TelePresence® and Cisco WebEx® video and web conferencing systems enable us to provide training and discuss audit findings, corrective actions, and other sensitive issues "face to face" with suppliers around the world. Suppliers can access guidance and training on the Code of Conduct and specific topics such as conflict minerals on our supplier sustainability website.

We also encourage suppliers to join the EICC and participate in wider industry efforts to promote standardization and build capability. With other major brands, Cisco supported the development of the EICC's supplier learning website. This has the potential to reach thousands of workers across the industry.

Engaging to Improve Performance

In FY14, we refined our strategy to dedicate more resources to supplier capability building rather than focusing on the number of new audits conducted. This enables us to engage with suppliers and share best practices that are more likely to result in sustained improvements in performance. Our engagement with suppliers included collaborating on improvements to working hours tracking, worker engagement practices, and CSR reporting.

Figure 3. Supplier Engagement Process



We completed audits of 34 supplier facilities in FY14. We collaborated closely with all 34 facilities to help them put robust corrective actions in place to close performance gaps (see Table 4 on page C11). Suppliers have resolved or are pursuing corrective plans to resolve all the major issues identified in the FY14 audits. We engage third-party auditors to review progress, and we follow up with additional site visits to validate corrective actions before these are closed (see Tables 2 and 3 on page C11).

Although the overall number of audits decreased from FY13, we have achieved our ongoing goal to audit all high-risk manufacturing facilities at least once every two years and all high-risk component suppliers every three years. We also met our commitment as a member of the EICC to audit at least 25 percent of our high-risk suppliers overall.

Table 2. Number of Audits Conducted

	FY11	FY12	FY13	FY14
Manufacturing partner facilities	5	11	22	12
Component supplier facilities	8	21	30	22
Total	**13**	**32**	**52**	**34**

Table 3. Percentage of High-Risk Suppliers Audited

	FY11	FY12	FY13	FY14
Manufacturing partner facilities	29%	65%	59%	60%
Component supplier facilities	13%	27%	54%	31%

Table 4. Audit Findings and Responses in FY14

Category	Finding	Response
Labor		
Working hours	Ineffective policy or procedure to manage and control working hours: Overtime and consecutive days worked without a break are beyond regulatory requirements.	Suppliers enhanced management systems to monitor working hours and alert line managers of any cases of overtime, increased management accountability, and improved resource planning during peak production seasons. Suppliers regularly submit information on working hours to Cisco through an automated tracking tool (see page C7).
Wages and benefits	Social insurance does not cover all workers.	Suppliers set up plans to purchase insurance for workers, improved communications with workers who do not want to enroll, and made it mandatory for all new hires to enroll for social insurance.
Freely chosen employment	Lack of policy and procedure in place on slavery and human trafficking: Insufficient communication of labor requirements to labor agents and service providers.	Suppliers established and implemented policies, provided training on EICC Code of Conduct to labor agents and service providers, and required them to sign a declaration of commitment to the EICC's Code on Freely Chosen Employment.
Health and Safety		
Occupational safety	Lack of effective controls on proper use of personal protective equipment and limit worker exposure to occupational health and safety risks.	Suppliers established processes to assess potential risks and implement preventative actions, and strengthened training to improve worker awareness.
Emergency preparedness	Lack of controls for emergency exits.	Suppliers established regular checks on the emergency exits and strengthened fire drills.
Occupational injury and illness	First aid kits not monitored frequently enough; investigation reports and corrective actions not submitted to labor authority in a timely manner.	Suppliers put proper procedures in place for renewal of first aid and safety kits and put a dedicated person in charge of investigation and reporting.
Environment		
Hazardous substances	Inadequate management of hazardous materials and vendor providing waste treatment services.	Suppliers provided training to workers handling hazardous materials, enhanced operating procedures, and strengthened management procedures and training for waste treatment vendor.
Ethics		
No improper advantage	Lack of policy on gifts for suppliers and customers.	Suppliers established policies and procedures to clearly set out requirements and monitor excessive gifts or benefits.
Management System		
Supplier responsibility	Inadequate procedures to manage supplier compliance with EICC Code of Conduct.	Suppliers established an audit plan for their own high-risk suppliers, conducted audits, and followed up to check whether corrective actions had been taken.

Audit Process

We prioritize high-risk supplier facilities for site audits. We identify high-risk facilities using the EICC self-assessment process, based on the type of activity and procedures to manage labor and environmental risks at each facility.

Audits are conducted by a third-party auditor at the supplier's facility. They are typically announced in advance, but we also conduct some audits unannounced. We share audit findings through EICC common audits where our needs align with those of other EICC member companies.

Auditors use the standard protocol and audit tools developed by the EICC. They include: reviewing documentation, conducting site tours, and interviewing management and employees separately. Audit criteria cover all aspects of the EICC Code of Conduct and include suppliers' monitoring of their own suppliers. Audit findings are shared with Cisco and the supplier.

Compliance Practitioners Association

Supporting Effective Social Compliance Auditing

Leaders from Cisco and other organizations are supporting the Compliance Practitioners Association (CPA) to strengthen auditing of social responsibility and working conditions. The CPA seeks to bolster the audit profession through continuous education and a commitment to ethical behavior. Such an independently run professional auditors' association will support efforts to improve factory working conditions. The initial focus is on auditing factories in China. The CPA aims to raise standards of professional conduct to improve the quality of auditing and, in doing so, drive performance improvements among suppliers in the long term.

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

We require evidence that issues have been resolved and, if needed, we conduct a follow-up audit to check. We continue to work closely with suppliers until their performance improves. During FY14, 78 percent of outstanding corrective action plans were closed within the EICC prescribed timeframe.

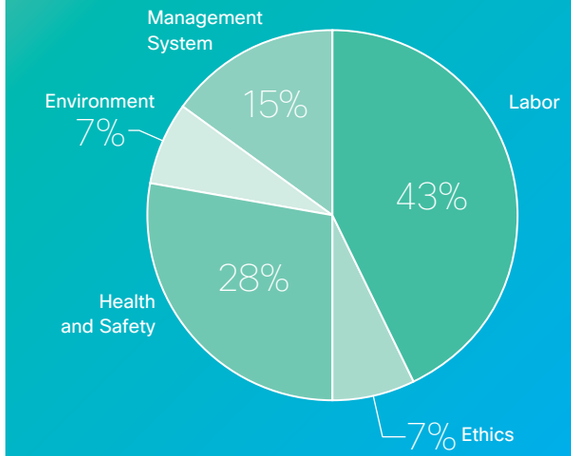
Audit Findings

In FY14, labor practices continued to make up the largest portion of findings, particularly in relation to working hours (see Figure 4). Our new online tool is helping us monitor and address this issue more effectively (see Key Challenge: Tackling Excessive Working Hours, page C7).

The proportion of findings related to health, safety, and environment has increased in FY14. This is likely due to the inclusion of additional questions in these areas in the latest EICC audit protocol. The most common findings relate to maintenance of emergency exits.

Findings related to ethics and management systems have decreased. Most of our key suppliers have developed ethics policies and effective management systems. Their understanding of the requirements of the EICC Code of Conduct has also improved. Based on the FY14 audit findings, the next challenge in this area is to help suppliers extend these requirements to their own suppliers more effectively. For more detailed audit findings, see Table 5 on page C13.

Figure 4. Audit Findings by Category in FY14



Looking Forward

Cisco respects the principles embodied in the Universal Declaration of Human Rights as reflected in our Human Rights Policy and is committed to conducting business in a manner that ensures the ethical treatment of all workers in our supply chain. As part of that commitment, freely chosen employment has always been an important element of our Supplier Code of Conduct. The treatment of foreign workers, including indebtedness from excessive recruitment fees and the holding of travel documents and other means of restricting employee movement, has become a growing concern, especially in southeast Asia. In response, the EICC's task force on forced labor and human trafficking has developed more detailed code language and audit protocols to promote an industrywide solution. In FY15, Cisco is placing renewed emphasis on this important issue in our supplier engagement and training activities, as well as implementing the EICC enhanced standards as part of our audit program.

Table 5. Categorization of Audit Findings in FY14

	Findings Identified as Priority[i]	Findings Identified as Major[ii]	Findings Identified as Minor[iii]	Total Number of Audit Elements[iv]	% of Audit Elements Resulting in Findings
Labor	**19**	**60**	**38**	**1174**	**10%**
Freely chosen employment	0	12	13		
Child labor avoidance	1	2	6		
Working hours	15	29	9		
Wages and benefits	3	12	4		
Humane treatment	0	0	3		
Nondiscrimination	0	1	1		
Freedom of association	0	4	2		
Ethics	**0**	**9**	**11**	**461**	**4%**
Business integrity	0	2	2		
No improper advantage	0	3	3		
Disclosure of information	0	0	0		
Intellectual property	0	1	0		
Fair business, advertising, and competition	0	2	1		
Protection of identity	0	0	1		
Responsible sourcing of minerals	0	0	3		
Privacy	0	0	0		
Nonretaliation	0	1	1		
Health and Safety	**0**	**54**	**24**	**838**	**9%**
Occupational safety	0	11	2		
Emergency preparedness	0	16	7		
Occupational injury and illness	0	7	7		
Industrial hygiene	0	9	2		
Physically demanding work	0	2	0		
Machine safeguarding	0	2	5		
Food, sanitation, and housing	0	7	1		

Table 5. Categorization of Audit Findings in FY14 (Continued)

	Findings Identified as Priority[i]	Findings Identified as Major[ii]	Findings Identified as Minor[iii]	Total Number of Audit Elements[iv]	% of Audit Elements Resulting in Findings
Environment	**0**	**10**	**8**	**632**	**3%**
Environmental permits and reporting	0	1	1		
Pollution prevention and resource reduction	0	1	0		
Hazardous substances	0	7	6		
Wastewater and solid waste	0	1	0		
Air emissions	0	0	1		
Product content restrictions	0	0	0		
Management System	**0**	**19**	**22**	**595**	**7%**
Company commitment	0	0	0		
Management accountability and responsibility	0	1	1		
Legal and customer requirements	0	3	1		
Risk assessment and risk management	0	3	2		
Improvement objectives	0	4	2		
Training	0	0	3		
Communication	0	0	1		
Worker feedback and participation	0	0	2		
Audits and assessments	0	4	0		
Corrective action process	0	1	2		
Documentation and records	0	0	1		
Supplier responsibility	0	3	7		

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

Key Challenge: Due Diligence on Conflict Minerals

The Issue

Increased scrutiny from NGOs and growing interest from governments have put a spotlight on the sourcing of certain minerals used in electronics and other industries. The concern is that proceeds from the mining of these minerals in conflict regions, such as the Democratic Republic of the Congo (DRC), are directly or indirectly financing or benefiting armed groups accused of major human rights abuses.

Resolving this issue demands extensive collaboration. The mines from which minerals are sourced are several tiers away from companies like Cisco in the supply chain. Improving transparency in the mineral supply chain is a critical first step.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010 requires any company that makes products containing conflict minerals and the metals derived from them to conduct a reasonable country-of-origin inquiry and due diligence process of their supply chain. From June 2014, relevant companies must publish a report, as part of their filing to the U.S. Securities and Exchange Commission, disclosing whether those minerals originated from the DRC or its bordering countries.

"Conflict minerals" include columbite-tantalite ("coltan"), wolframite, cassiterite, and gold, which are refined to produce tantalum, tungsten, tin, and gold ("3TG" metals), respectively.

Our Response

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

Our Conflict Minerals Policy asserts our commitment to source minerals in a manner that respects human rights and our support for the goals and objectives of the Dodd-Frank Act. Our Supplier Code of Conduct also includes the responsible sourcing of minerals and requires suppliers to conduct appropriate due diligence. We have communicated the policy to all suppliers. In FY14, we provided training sessions to educate suppliers, strengthen their capabilities, and improve data quality. Suppliers can also access training and guidance on conflict minerals on our supplier website.

We support an industrywide approach to the complex issue of conflict minerals through our participation in the EICC's Conflict-Free Sourcing Initiative (CFSI). Cisco has adopted the CFSI's standard industry tools and templates, which suppliers can use to disclose which smelters are in their supply chain, and which we can then use to report this information to customers. The accompanying Conflict-Free Smelter Program (CFSP) determines which smelters and refiners can be validated through independent audits as "conflict-free."

We rely on our direct suppliers to evaluate their own supply chains to understand which smelters or refineries provide the 3TG metals in our products. To do this, we use the reporting template developed by the CFSI.

In our first year of reporting, our suppliers identified 1366 smelters and refineries that they used to source 3TG metals. Of these, 66 were found to comply with the CFSP's assessment protocols. These statistics provide insight into the extent of the significant challenge our industry faces, particularly as relatively few smelters and refiners have been verified so far as conflict-free.

We are working with other CFSI members to verify the status of the other facilities and encourage more smelters and refineries to comply with the CFSP. We are also working with suppliers to improve the accuracy and completeness of the data they provide and to better understand the sourcing strategies they are implementing to eliminate the use of noncertified smelters.

For more information about our conflict minerals due diligence processes, see our Conflict Minerals Report.

Our People

Our employees contribute significantly to our shared vision to create a more connected world. Cisco's success depends on our ability to attract, retain, and develop talented people. We offer attractive benefits and career opportunities, and foster an inclusive work culture that promotes innovation and inspires our employees to perform at their best.

We respect and care for each other through an open environment that offers our employees opportunities to learn and grow. We encourage employees to gain new skills and experience, and to develop their careers at Cisco. Open communication, within offices and across cities, helps us work well together and always strive to do the right thing.

Collaboration is at the heart of our culture. Cisco technologies enable people to collaborate with colleagues around the world. Employees share ideas, brainstorm solutions, and recognize achievements to help us succeed together. Our technologies also promote flexible working that can enhance health and well-being by enabling people to better balance work and personal commitments.

Our People Overview

We want our people to feel they are helping to change the world. Our values underpin the company culture and support a great employee experience.

The five key pillars of our People strategy are:

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

2014 at a Glance

Launched Connected Recognition, a fast, easy, and fun way for employees to recognize their colleagues for exhibiting Cisco values.

10 Ranked number 10 on the World's Best Multinational Workplaces list by Great Place to Work institute.

87 percent of employees are proud to work at Cisco.

Introduced an enhanced Occupational Health and Safety management system.

Launched more ways to support career development, including a Career Development website, Career Days, and Career Advisory program.

55 Ranked number 55 on the *Fortune* "100 Best Companies to Work For" list.

Our People Overview

2014 Progress Toward Objectives

Objectives	Status
Launch a new People strategy by end of FY15 focused on: • Talent: Deliver innovative and consistent career development and employee experience. • Leadership: Build diverse and global leadership capabilities and pipeline. • Culture: Inspire employees to embrace culture, values, and integrity. • Organizational effectiveness: Deliver organizational transformation through Work Force Planning and Organizational Health Analytics.	○
Improve our employee survey scores in the areas of development, organizational alignment, and recognition[1]	◑
Launch a new performance management program by end of FY15.	○
Increase diversity awareness with an emphasis on gender awareness.	○
Launch new rewards and recognition program that highlights employee contributions.	●

● Achieved ◑ Partially Achieved[1] ○ Ongoing

1. Our employee survey was amended this year, so trending data at the category level is not possible. Trends for individual questions within categories were mixed, with some showing improvements and others remaining stable or declining.

2015 Objectives and Beyond

Objectives	Target Date
Launch a new People strategy focused on: • Talent: Deliver innovative and consistent career development and employee experience. • Leadership: Build diverse and global leadership capabilities and pipeline. • Culture: Inspire employees to embrace culture, values, and integrity. • Organizational effectiveness: Deliver organizational transformation through Work Force Planning and Organizational Health Analytics.	End of FY15
Launch a new performance management program.	End of FY15
Introduce a capability-assessment model and leadership accountability to provide managers with the capabilities they need to develop their teams.	End of FY15
Establish a differentiated compensation model that rewards behaviors and outcomes that support business success.	End of FY15
Strengthen recruitment by building a clear picture of what Cisco offers prospective employees.	End of FY15
Develop a talent plan for key strategic roles, with a priority on internal talent progression.	End of FY15
Transition to an enterprisewide approach to drive awareness, increase our workforce diversity, and integrate inclusion into key business and talent systems, policies, and practices.	End of FY15

Flexible Work Environments

In annual surveys, employees repeatedly say workplace flexibility is one of the best things about working at Cisco. Thousands of workers in Connected Workplace environments all over the world report significantly higher levels of satisfaction, teamwork, and productivity. These benefits help us attract and retain top talent. Our flexible work practices also help us meet our environmental goals by reducing the need for air and car travel. Ninety-one percent of employees say their managers support their efforts to balance work and personal life. See more on the Cisco website.

Working Together

We use our technology to enable employees to work together wherever they are in the world. Listening to our people and encouraging them to share ideas helps us evolve and enhance the company.

With approximately 74,000 employees located at 380 sites in 165+ countries on six continents, it's important that we stay connected. Cisco leaders regularly talk with people through formal "all-hands" meetings and personal interactions. They use our Cisco TV, WebEx,® TelePresence,™ and Jabber® technologies to speak with people anywhere in the world in real time.

Through our Global Site Strolls program, Chairman and CEO John Chambers and other senior executives join virtual meetings via videoconference with small groups of employees. In the first year, Site Strolls at 45 sites worldwide gave employees the opportunity to interact personally and informally with senior leaders.

We expect all our managers to keep employees informed and to promote open communication within their teams. Our online Management Central portal provides information, tips, and tools to help them do this.

Listening to our employees is just as important as speaking to them. We take full advantage of Cisco technologies to enable employees to ask questions and let us know what they think. Blogs, social media, and our crowdsourcing tool, Innovus, help us connect. Employees also have the opportunity to speak to Cisco management in person—at company meetings or informal gatherings or through their managers. We share feedback with relevant departments throughout the company, and update employees on how we are responding.

Pulse Survey

One of our most important listening tools is the annual Pulse Survey. We have run this confidential online survey for the past six years. In FY14, 75 percent of our employees worldwide participated in the survey.

We consider scores of 80 or above to be positive, and scores of 70–79 to be good but with room for improvement. Scores in most categories and key questions remain good or very good (see Table 1), and our scores in nearly all categories remain significantly higher than those of our peer companies.

We simplified and shortened the survey in FY14. These changes mean that we cannot provide meaningful comparisons with previous years for the overall category scores. But we can provide trend data for certain individual questions that remained the same. This data is included in relevant sections throughout this report.

In FY14, we also improved our process for reporting and responding to Pulse Survey results (see feature, page D5). We will use the findings to refine the way we engage with employees, enhance their experience, and improve our business.

Table 1. Pulse Survey Results FY14

Category	Score (%)
Development	77
Employee engagement	79
Immediate manager	84
Inclusion and diversity	80
Innovation	76
Integrity and ethics	90
Leadership climate	69
Organizational agility	77
Respect for people	78
Rewards and recognition	67
Strategic alignment	73
Team climate	82

> "I am always impressed how our leaders make great efforts to engage with employees, despite the challenging schedules they hold. I appreciate their candor and genuine willingness to listen to the thoughts, ideas, and concerns we have."
>
> Site Stroll participant, North Carolina

Tapping Into Innovation

We encourage all our people to share their ideas for products, solutions, markets, and better ways of doing business through our online SmartZone. Our dedicated Action Learning Forum develops the most compelling ideas.

To stretch our employees' imaginations, we create opportunities to get them out of their day-to-day situations and reward their innovation. Engineers gather for daylong events such as "Hackathons" and "GeekFests," where they work on solutions to real business problems and think creatively about future products. The IT Global Innovation Program rewards and recognizes our IT people who push the boundaries of what's possible and keep us ahead of the curve. In China, Thinkubation 2.0 encourages engineers to be more creative and to take risks. Our inaugural Internet of Everything Innovation Challenge inspired employees to develop an innovative app. Six finalists pitched their ideas to Cisco decision makers. Choosing a winner was so tough that they picked three. Each winner was rewarded with a US$5000 prize and will see their idea added to Cisco's product development roadmap.

Employee Pulse Survey

- 87 percent are proud to work for Cisco, compared with 89 percent in FY13.
- 84 percent are excited about the way their work contributes to Cisco's success.
- 84 percent agree that management sets a good example of Cisco's values, culture, and Code of Business Conduct.

Key Challenge: Responding to Employee Feedback

Our FY13 Pulse Survey highlighted three lower-scoring areas in need of attention: development, organizational alignment, and recognition. We have worked in FY14 to improve our employee experience in these areas and are pleased to see employees express more positive views in the latest survey.

Following a significant focus on career-development support (see page D10), 75 percent of employees feel they can meet their career goals at Cisco, up one point from FY13. We believe this score will further improve next year as new programs become better established.

Our new Connected Recognition program has been well-received (see page D11). We hope to see improvements in survey scores on Rewards and Recognition next year as a result of this program. We will monitor our employees' experiences over the year and continue to look for ways to improve their experience in this area.

"I am proud to work in an organization that is not only brave enough to state where they have overlooked an issue, but is actively and openly talking about how they will make necessary changes to correct the problem."

Jaclyn Lanasa, Regional Sales Manager

A Safe and Healthy Work Environment

We invest in the health, safety, and wellness of our employees because we care about their well-being. We want our employees to stay productive and creative. We offer world-class medical and wellness resources, technologies that support flexible work practices, and a wide range of benefits.

Occupational Health and Safety

In FY14, we implemented an Occupational Health and Safety management system to standardize our safety programs globally. The system is modeled on the internationally recognized OHSAS 18001 standard. Through this process, we have improved our methods for identifying hazards, assessing risk, and applying controls consistently across our operations. Local teams continue to monitor effectiveness, engage with management, and drive improvement. See Table 2 for key data.

Ergonomics continues to be our greatest occupational safety risk. We support office-based employees through our Global Ergonomic Program, which helps them identify, measure, and reduce ergonomic risks. Our Lab Safety Program follows global regulatory and industry standards to assess, communicate, and manage lab-based safety hazards.

Emergency Response

More than 3200 people are part of 120 Emergency Response Teams worldwide, ready to respond in emergency situations. They are trained to administer first aid, help evacuate buildings, and provide other assistance.

We conduct annual Incident Management Drills to be prepared for a real emergency. In the event of a disaster, we keep our employees and others informed through the Cisco Employee Connection website. In certain countries, people can sign up to receive text, email, or voice alerts through our Emergency Notification System. They also can reply to let us know if they are safe or need help.

Health and Wellness

We aim to create a healthy workplace that encourages employees to stay well. Simple, fun, and effective programs help them deal with challenges that affect their ability to be focused and productive.

Trained counselors provide personal and emotional support on a wide range of issues through our free, confidential Employee and Family Assistance program. We also offer specialized support on issues such as care for the elderly, adoption, and dealing with cancer. Our Expert Medical Opinion program gives Cisco employees and their families the opportunity to receive a free second opinion on medical conditions from independent experts.

We provide state-of-the-art fitness facilities at our five largest U.S. locations. We offer onsite health and medical care in San Jose, California; Research Triangle Park, North Carolina; and Bangalore, India, including:

- Primary and family medical care
- Chiropractic, acupuncture, and physical therapy
- X-ray and lab services
- Vision and dental care
- A pharmacy and access to external specialists in areas such as dermatology

Employees located elsewhere can connect with a primary care doctor or specialist through our telehealth technologies.

During our Wellness Week in October 2013, we offered free screening services, consultations, and a range of workshops at Cisco sites in the United States and India to help employees prioritize health and wellness. Sessions included body mass index spot checks, health quizzes, cooking competitions, and talks on weight management, aerobic exercise, and women's wellness.

CASE STUDIES FROM THE UNITED STATES

Enabling Health and Wellness

In the United States, we provide a wide range of programs to help people take charge of their health. They can complete an online health assessment that helps them develop personalized wellness programs; track participation in fitness activities; receive support from expert health coaches; and access resources on nutrition, fitness, sleep, life balance, and preventive care. We also encourage people to participate in wellness challenges and offer financial incentives for taking part in health and fitness activities.

Our U.S. Health Centers help employees save money, billing them at a 20 to 30 percent lower rate than community doctors. For employees in our largest health plans, preventive care is covered at 100 percent, and their deductible is waived when they use the Health Center for injury and illness visits. For members who use our Preferred Provider Organizations, generic prescriptions are free.

Table 2. Health and Safety Data

	FY12	FY13	FY14
Total incident rate, per 100 full-time-equivalent (FTE) employees	0.25	0.23	0.38
Lost work days, per 100 FTE employees	0.4	0.7	3.67[1]

1. The overall incident rate increased year over year; however, it is within the expected range based on industry and our own injury data over the past five years. The increase in lost work days was due to a small and isolated number of ergonomic and slip-and-fall incidents. The EHS team is using this information to evaluate and improve our accident-prevention programs.

Flexible Working

We live and work in a fast-paced global economy where people increasingly need to juggle personal and professional demands on their time.

We invest in collaborative technologies to help employees balance their commitments and work effectively with colleagues around the world. Our IP phones and WebEx, Jabber, TelePresence, and Virtual Office technologies enable employees to work together at any time and in any place. These services improve employee well-being and enhances productivity.

Cisco Connected Workplaces, which combine open-plan workstations with privacy rooms, lounges, e-cafés, and recreation spaces, enable employees to work flexibly within the office, too. These functional but inviting "creativity zones" promote collaboration and innovation. Many users report significantly higher levels of satisfaction and teamwork. We have already converted several million square feet of office space into Connected Workplaces and are rolling these Workplaces out across the business.

An Inclusive and Diverse Culture

We harness our people's diverse experiences and backgrounds to better understand the needs of global customers, drive innovation, and enhance employee engagement. We work to create a culture where everyone feels welcomed, valued, respected, and empowered. We aspire to lead our industry in inclusion and diversity.

Creating an Inclusive Culture

A network of inclusion and diversity (I&D) teams at global, functional, and regional levels lead our efforts to promote a culture of I&D across Cisco. We emphasize the importance of I&D to every employee within their first few days of working with us and help them understand what it means in practice.

Our online guide includes short videos to bring I&D issues to life, a self-assessment tool to help employees become ambassadors for I&D, and suggestions about actions they can take. We also provide training, videos, and workshops to help improve awareness, address unconscious bias, practice inclusive behaviors, and learn how to communicate supportively.

Employee Pulse Survey

- 89 percent of employees feel they can bring their authentic self to work, whatever their background or belief, compared with 82 percent last year who felt they could succeed at Cisco without sacrificing aspects of their personality or culture.
- 86 percent of employees feel their team fosters a climate in which diverse perspectives are valued, the same as FY13.

All employees must set a relevant goal that holds them accountable for inclusive behavior as part of their annual performance review process. Those who make a significant contribution to our inclusive culture are recognized through the I&D Ambassador Recognition Program.

More than 13,000 Cisco employees in 42 countries participate in one of nine Employee Resource Organizations (EROs) that support Cisco's diverse communities: Early Career Network; Cisco Asian Affinity Network; Connected Black Professionals; Connected Disabilities Awareness Network; Conexion—Latino Community; Connected Women; Gay, Lesbian, Bisexual, Transgender & Advocates; Indians Connecting People; and Veterans Enablement and Troop Support. EROs welcome anyone who supports their community. EROs use their connections to help Cisco reach into diverse communities, meet diversity goals, and create value for the company.

We embed I&D considerations into our core talent review and planning processes through our Integrated Workforce Planning Initiative, and at all levels of our recruiting processes. To reach a wide group of candidates, we use social media and mobile technology, and draw on our EROs' and partners' connections with diverse communities. We provide an e-learning training program for our recruiters and hiring managers to help them develop fair, effective, and inclusive interview skills. We also are committed to further improving the percentage of our panels that include diverse interviewers.

In FY14, we ran three training sessions for our internal recruiters worldwide to improve their abilities to source diverse candidates.

We want all individuals at Cisco to be treated equally and have equal opportunities to succeed, regardless of race, ethnicity, gender, disability, sexual orientation, or veteran status.

We have received numerous awards for our diversity efforts at international, national, and local levels. Many awards are given to us year after year. A full list of our awards can be found on our Inclusion and Diversity website.

Generations

Every generation has different learning and communication styles, work-life balance needs, and preferred ways for their contributions to be recognized. We strive to accommodate the differing life stages of our employees with our flexible work culture.

We help our employees work productively and positively together regardless of age by raising their awareness of different generations' needs and preferences. Examples include a "Millennial Bootcamp," and "Communicating and Engaging with Millennials" training for managers.

Sexual Orientation and Gender Identity

We embrace gay, lesbian, bisexual, and transgender (GLBT) individuals as part of the Cisco family. For 10 years running, the Human Rights Campaign has awarded Cisco a score of 100 percent for our inclusive approach.

Wherever legally practicable, we provide equal benefits such as insurance, maternity/paternity leave, and adoption-related benefits for GLBT employees. We also provide training through our Cisco Safe Space Program for Employee Relations professionals to manage concerns related to GLBT issues sensitively and for any employees who want to be advocates for their GLBT co-workers.

In the United States, we are adjusting our compensation and payroll practices to take advantage of new allowable benefits after the Supreme Court struck down the discriminatory Defense of Marriage Act and California's Proposition 8 in 2014. We continue to provide our own equalizing benefits for employees who cannot yet access equal treatment in their states.

In December 2013, India's Supreme Court reinstated Section 377 of the Penal Code, which criminalizes homosexuality. We strongly oppose this ruling and sent an email to all employees in India stating our unwavering support, appreciation, and protection for GLBT employees and allies.

In FY14, we extended our industry-leading medical benefits for transgender and transitioning employees by providing free gender-transition planning and support for transitioning employees and their managers and immediate colleagues. We have supported five gender transitions since this program launched in 2009.

Disability

We want Cisco to be as accessible as possible. We are committed to removing barriers for disabled employees, customers, partners, and suppliers. Our Accessibility Design and Evaluation Lab in San Jose, California, works with accessibility experts and people with disabilities to design and build products that can be used by all people.

Our offices, labs, and systems are designed to accommodate employees with disabilities. We take their needs into account when developing employee resources and experiences. Our Cisco Maps app includes integrated assistive technology to help our employees navigate Cisco buildings, resources, and services. Our technologies, workplace flexibility, and Connected Disabilities Awareness Network help disabled employees make important contributions to our work and feel included.

In FY14, Cisco's Connected Disability Awareness Network (CDAN) in India was honored by the Disability Matters Conference for the Workplace category, recognizing our achievements in workplace accessibility for people with visual disabilities.

Product Accessibility

We do not want anyone to be excluded from the benefits of connected technology. Through the Cisco Accessibility Initiative, we strive to design products that meet the needs of people with disabilities.

Accessibility is considered in the design, shipping, and use of our products. We monitor our progress and regularly refresh products, packaging, and documentation. Product managers complete training on the importance of accessibility. In FY14, we extended training on accessibility guidelines for web and mobile applications to more than 1000 product managers, developers, sales personnel, and other employees. From February 2014, all new Cisco web-based products and sites must comply with the World Wide Web Consortium's latest Web Content Accessibility Guidelines (W3C WCAG 2.0 Level AA).

In FY14, the Cisco Accessibility team and Cisco Collaboration Technology Group came together to develop and enhance the accessibility of desktop collaboration endpoints through the Cisco DX Series. The three models incorporate Talkback and Explore by Touch features. Specifications were developed based on accessibility testing and customer feedback. Learn more about Cisco product accessibility.

Ethnicity

Cisco must have a mix of employees that mirrors the markets where we do business in order to drive innovation and relevance with our customers.

We have an opportunity to increase ethnic diversity. We are focused on attracting and developing talent and providing an inclusive culture that encourages retention.

We strive to achieve these efforts through strategic sourcing for university and professional hiring, internal development programs, and Employee Resource Organizations.

In addition, Cisco partners with several professional organizations to accelerate our ethnicity strategy. Examples include: the Hispanic Association on Corporate

CASE STUDIES FROM THE UNITED STATES

Partnership with The Executive Leadership Council (ELC)

To develop and empower black talent, Cisco partners with The Executive Leadership Council (ELC) to create an inclusive business leadership pipeline and drive leadership development.

Approximately 100 of Cisco's top leaders have attended The ELC's annual 2-day event. Cisco shows its commitment through a high degree of executive participation and by leading several leadership development sessions for Cisco employees including: Cisco Functional Circles, "Blue Sky" Brainstorming Discussion with Emerging Leaders, The ELC Senior Exec Panel, and Career Innovation.

Participants find value and are benefiting from attending. One participant stated:

"This atmosphere catalyzes the development of The ELC mentoring relationships that are bound to positively affect career progression. It provides attendees with an opportunity to obtain candid career advice from others who have 'been there' or who can offer an outsider's perspective."

Responsibility (HACR), IT Senior Management Forum (ITSMF), and the Hispanic IT Executive Council (HITEC), among others. Cisco has established scholarship programs with the National Society of Black Engineers (NSBE), the Society of Hispanic Professional Engineers (SHPE), and the National Consortium for Graduate Degrees for Minorities in Engineering and Science.

Gender

At Cisco, women make up just under a quarter of our global employees. We aim to increase their numbers by attracting more women to the business, providing an inclusive culture that encourages retention, and helping women move into leadership roles.

We use strategic sourcing for university and professional hiring, internal development programs, Employee Resource Organizations, and strategic partnerships to achieve these efforts.

Programs include:

- **JUMP and DARE for Women:** These leadership-development programs are focused on high-potential women at many levels of the organization and include career planning, mentoring, and skills development. Both programs show Cisco's commitment to building a pipeline of female talent.
- **Gender Allies:** Women are paired with male allies through our new Cisco Men for Inclusion program. The men who take part in the program are trained to use their influence to support female colleagues and spark stronger collaboration with women.
- **Women of Impact Conference:** In March 2014, 3000 employees, customers, and partners attended this full-day conference held across 52 sites in 27 countries to gain practical advice on career development, to interact with leaders, and to expand their network of allies and mentors. Approximately 8000 new connections were made, and 94 percent of attendees felt the time was a worthwhile investment in their career.
- **Cisco Empowered Women's Network** is a global community of highly motivated professional women that provides a forum for Cisco customers, partners, and employees to network motivate, and empower each other through energizing and engaging events held during Cisco Live!, with 450 attendees in 2014 and sustained through ongoing events. The charter is to increase the representation of motivated women in the IT industry, to provide women with tools that will enable them to enrich and advance their careers, to galvanize leaders to prioritize the empowerment of women in their organizations, and to provide opportunities to "pay it forward" by empowering women in the global community.

CASE STUDIES FROM AROUND THE WORLD

Inspiring Girls and Racial and Ethnic Minorities to Pursue ICT Careers

Not enough girls show an interest in science, technology, engineering, and mathematics (STEM) education, which contributes to low representation of women in the ICT field. Increasing the pipeline of technical talent to include more females and racial and ethnic minorities is critical to the success of our business and the technology industry overall.

Mentors can be influential in motivating girls to study science and technology. Cisco has pledged to encourage 20 percent of our workforce to spend 20 hours a year on STEM mentoring by the year 2020. Because a particular emphasis is placed on encouraging women, girls, and racial and ethnic minorities to enter STEM, this effort is part of our wider commitment as a founding member of the US2020 initiative (see Society, page E9).

In June 2014, 220 senior executives from nine Cisco offices in India, Singapore, the United Kingdom, and the United States met with STEM students, answered their questions, and shared advice. Exciting experiments got students interested in STEM subjects.

On International Girls in ICT Day in April 2014, Cisco offices worldwide opened their doors to more than 2200 girls aged 13 to 18. Hundreds of employees used presentations, panels, and regional TelePresence sessions to show that Cisco values diversity and that girls can thrive in ICT careers.

Watch this video to learn more.

Diversity Data

We have published workforce diversity statistics in our Corporate Social Responsibility Report since 2005. This year we have expanded the data to include additional gender, race, and ethnicity information from Cisco's 2014 EEO-1 report. Our 2014 EEO-1 submission can be found online.

Table 3. Gender Diversity

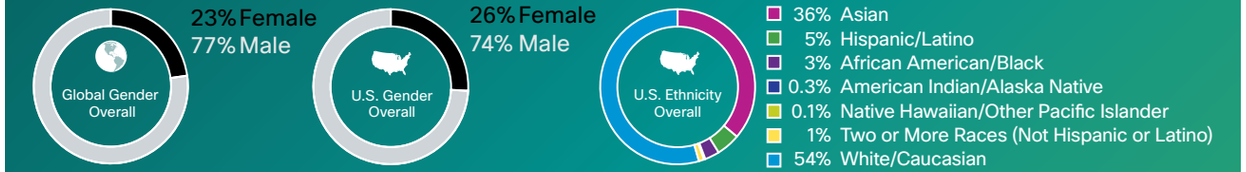
	FY12	FY13	FY14
Female employees globally	22%	23%	23%
Female new hires globally	23%	23%	23%
Female managers globally (including directors)	20%	20%	19%
Female vice presidents globally	16%	16%	17%
Female employees in the United States	25%	26%	26%
Female managers in the United States (including directors)	22%	23%	22%
Female vice presidents in the United States	18%	19%	18%

Table 4. Ethnic Diversity

	FY12	FY13	FY14
Percent of non-Caucasian employees in U.S. operations	46%	46%	46%
Percent of non-Caucasian new hires in U.S. operations	52%	48%	44%
Percent of non-Caucasian vice presidents in U.S. operations	26%	24%	28%

Figure 1. FY14 Workforce Diversity Snapshot

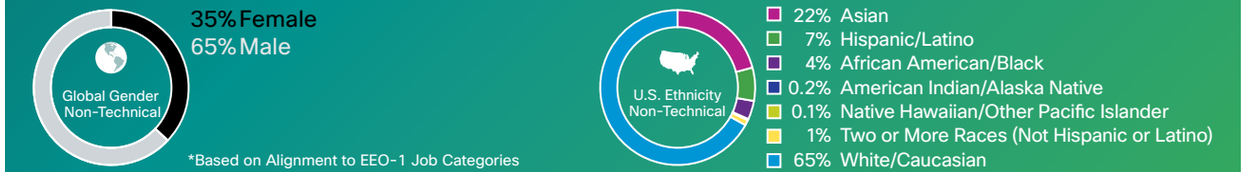
Workforce Diversity – Overall



Workforce Diversity – Technical*

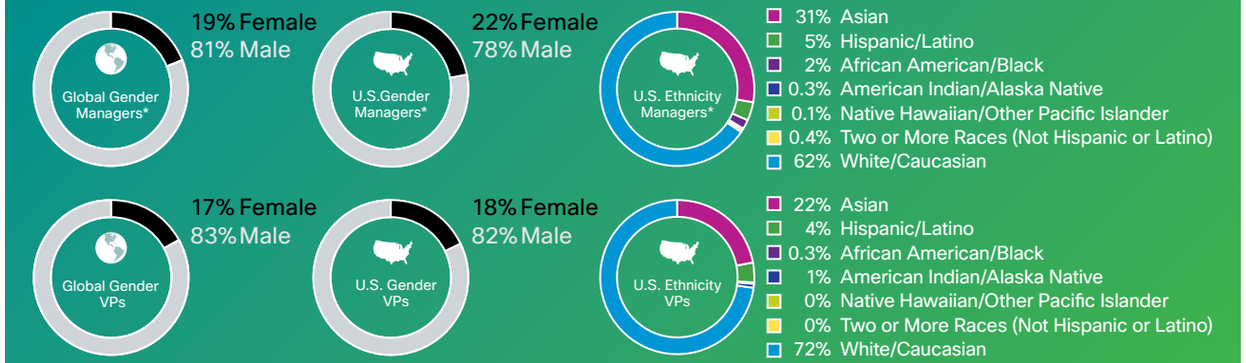
*Based on Alignment to EEO-1 Job Categories

Workforce Diversity – Non-Technical*



*Based on Alignment to EEO-1 Job Categories

Workforce Diversity – Leadership Managers* and VPs



*People managers, directors, and senior directors

Training and Development Opportunities

We invest in our employees' professional development from their first day at Cisco and at all levels of the company. Learning opportunities nurture the skills needed to create and implement Cisco's business strategy. These opportunities also give employees the tools they need to build their careers at Cisco.

Skills Development

We give everyone at Cisco opportunities to learn new skills, whatever their role, function, grade, or location. In FY14, we spent more than US$155 million on more than 2.9 million hours of training and development for our people.

Our Professional Skills program offers more than 200 courses to improve core competencies and build leadership capabilities. We provide different learning environments to suit employee needs, from web-based training and virtual classes to classroom training, workshops, and short tutorials. We provide specialized training for engineers. In FY14, more than 28,000 of them took part in 842,000 hours of training on topics including product development, innovation, and management. We also conducted approximately 100 events that allowed participating engineers to share knowledge and ideas and to be inspired.

We offer support at various levels for all our leaders. In FY14, we added two follow-up sessions to the Manager and Advanced Manager Series to support participants in applying the program's concepts back on the job. Employees who took part in the Advanced Manager Series increased their productivity by up to 18 percent.

We also introduced programs for leaders in India as part of our focus on developing capabilities in emerging markets. A new Leadership Pipeline program aims to develop senior managers and directors for specified critical roles across the business. In FY14, almost 1500 directors, managers, and technical leaders participated in Leadership Development training. In addition, our Cross-Cultural Connection program aims to improve global collaboration and develop global leaders.

In addition to formal training programs, stretch assignments and job rotation options give employees opportunities to build new skills while fulfilling short-term company needs. Mentoring is also important. All employees are assigned a mentor on or before their first day to help them understand Cisco's culture and become proficient in their new job. We encourage them to work with mentors through a range of programs, including one-to-one, group, cross-cultural, and reverse mentoring. Our Global Mentoring Connection website makes it easy to find appropriate mentors.

Career Progression

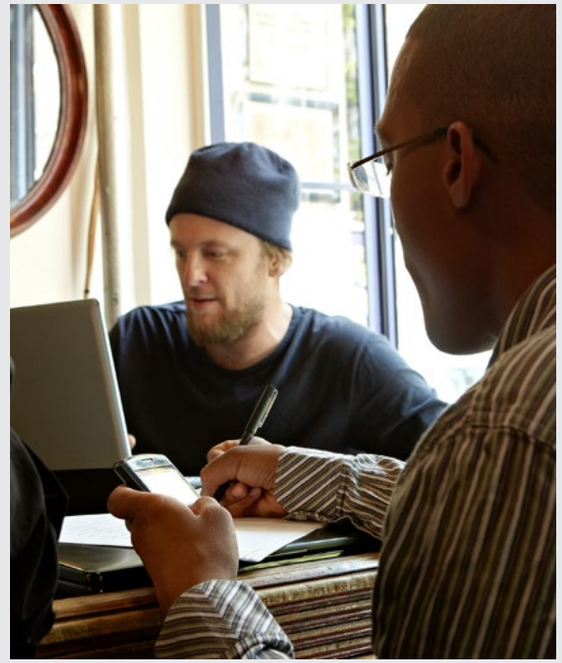
We want our employees to have long, thriving careers at Cisco. We provide resources to help them do so. In FY14, we conducted a range of events to help employees understand the opportunities available to them, including Career Days, Learning Days, University Days, and other events tailored to people at specific sites. Employees can also access coaching from professional career advisors through our new Career Advisory Services.

Our new Career Development website provides information that people can use to progress in their careers at Cisco. Employees can take advantage of a Career Navigator tool and a 3-step guide to Plan Your Career; learn about available assignments to gain new experience; and connect with mentors, peers, and advisors. Almost 35,000 employees visited the site in the first six months after it was launched. It complements our existing Talent Connection Program, which helps employees find and apply for available jobs around the business to help us fill as many openings as possible with internal candidates.

Thinking Big at the Innovation Academy

Cisco is built on innovation. But it is not always clear how to challenge employees to "think big." In FY14, we asked them. Interviews and workshops with employees helped us identify five key elements to promote innovation: questioning, observing, networking, experimenting, and associating. We launched the Cisco Innovation Academy to develop these skills.

The online academy is available to all employees. Users can take a test to assess which of these skills they need to develop. Then they can access e-learning courses, webinars, videos, apps, and other tools to strengthen their skills, and join online discussions to share ideas with their peers. Within weeks of establishing the academy, thousands of employees were already using it to learn and share ideas. We plan to roll out an Innovation Enablement Center to champion initiatives developed through the academy.



Key Challenge: Improving Cisco Performance Connection

Employees meet with their managers three times a year to set performance, development, and career goals and to discuss progress through our Cisco Performance Connection process. They also can request feedback from colleagues throughout the year.

Cisco Performance Connection was one of the lowest scoring areas in our FY13 employee survey. We conducted extensive analysis to understand employee concerns and how to improve and have been testing alternative processes. We plan to launch a new performance management process in FY15.

Cisco Pulse Survey

- 71 percent of employees feel there are readily available internal development opportunities, compared with 65 percent in FY13.
- 79 percent receive ongoing feedback from their managers about how to improve, the same as FY13.

Rewarding Our People

We want to share Cisco's success with our employees and recognize their indispensable contributions. Our "Total Rewards" philosophy includes competitive performance-based pay, comprehensive health coverage, and other benefits such as employee and family assistance programs.

Our rewards strategy is to provide compensation, benefits, and long-term savings packages that are competitive in each of the markets where we operate. We aim to provide "total cash" (inclusive of base pay and bonus) at or near the top quartile of market, based upon competitive benchmarking of our peer companies, at all Cisco work locations. Cisco's FY14 total compensation to employees was approximately US$14 billion. This figure includes salary, benefits, bonus, commissions, and stock awards.

Everyone at Cisco contributes to our performance and should have an opportunity to benefit from our success. We give performance incentives to our employees worldwide, including an annual cash bonus and stock incentives for eligible employees.

Our internal "What Cisco Offers You" website gives employees information about the benefits available to them and helps them take advantage of these opportunities. We also consider a positive work environment and an appropriate work-life balance to be part of every employee's experience at Cisco. We aim to excel in all areas of the employee experience and offer culturally relevant time-off programs.

In our FY13 Pulse Survey, employees told us they wanted more recognition for their work. We responded with a new global recognition program (see Connected Recognition, this page).

CASE STUDIES
FROM AROUND THE WORLD

Connected Recognition

Employees can now recognize colleagues who exemplify Cisco's values through our new Connected Recognition program. Launched in January 2014, the program aims to make recognition fun and easy.

Anyone at Cisco can nominate a co-worker who has gone above and beyond to make an outstanding contribution to Cisco's success. These nominations help us give our employees timely recognition for their efforts. Awards range from gift cards of US$25 (or the local equivalent) to US$5000 in cash. Cisco covers projected taxes associated with these awards, with an aim of enabling employees to enjoy the full value of their awards. There is no limit to the number of awards an employee can receive.

The program was designed to respond to our employees' desire for more frequent recognition, while reinforcing our cultural values and generating positive interactions between employees. Nominations and recognition can be kept private if desired. Since the program's launch, 65 percent of employees have been recognized in some way by their managers or peers.

Society

We use our expertise, technology, and resources to make a positive contribution to society. Connecting the unconnected is what we do. We work with others to build thriving communities, improve people's lives, and support the long-term success of our business.

To make a significant and lasting impact, we invest in scalable, self-sustaining programs in the areas where Cisco can add the most value. We focus on improving access to healthcare; promoting skills development and entrepreneurship; supporting programs that use technology to improve education outcomes; and helping nonprofits deliver food, clean water, shelter, and disaster relief.

The Cisco Networking Academy is our flagship CSR program, and it helped 1.2 million students obtain new jobs between 2005 and 2013. The program prepares students for jobs and aims to support their long-term employability.

We also encourage employees to share their expertise and support their communities through volunteering and donations. In FY14, Cisco employees volunteered more than 136,000 hours; their donations and matched funds contributed over US$11.4 million to nonprofit organizations.

Society Overview

We work with nonprofits, governments, and educational and healthcare institutions to meet some of society's biggest challenges.

We seek to:

- Improve access to education and healthcare
- Equip people with the knowledge and skills to become economically self-sufficient
- Enhance society's ability to meet critical human needs and respond to disasters

Cisco contributes technology, funding, and expertise to support these programs and help our long-standing partners build capacity to extend their impact. Our core business activities also make a difference to society. We support diverse suppliers and promote economic empowerment in underserved communities. We also integrate accessibility into the design of our products to enable people with disabilities to enjoy the benefits of our technologies.

Building strong communities supports the growth of our business by creating economic stability; by giving us access to new markets, customers, and sources of innovation; and by building a healthy pipeline of well-educated talent.

Our Society Strategy

Technology	Expertise	Partnerships	Cash

Cisco's CSR vision is to combine technology and human creativity to solve social issues and help communities thrive.

Education

We train people in ICT and support programs that use technology to improve education outcomes.
See page E6.

Economic Empowerment

We promote skills development, job creation, entrepreneurship, and financial inclusion in underserved communities.
See page E9.

Healthcare

We use networking technology to improve access to healthcare in remote regions and enable health professionals to share expertise.
See page E12.

Critical Human Needs and Disaster Response

We help partners improve access to food, clean water, and shelter, and support communities affected by natural disasters.
See page E13.

Society Overview

2014 at a Glance

$275 MILLION

US$275 million in cash and in-kind donations contributed to community programs by Cisco and the Cisco Foundation.

US$674,400 in direct aid for disaster relief worldwide through employee donations and matching gifts.

$674,400

1 million students participated in the Cisco Networking Academy program; 88 percent say the training helped them find a new or better job or an educational opportunity.[1]

More than 6900 children have received medical consultations using Cisco video technologies across all of our healthcare programs since inception.

Employees volunteered 136,000 hours to support their communities, up more than 5 percent from 2013.

>5%

1. Based on exit surveys from 10,565 students completing courses through Cisco CCNA® 4 or higher from FY12 to FY14.

"Each day, people around the world face many challenges. We've learned that when we bring people together, they find innovative solutions to address these problems. And when you add technology to the mix, we can multiply our impact and uncover even greater opportunities."

Tae Yoo, Senior Vice President, Corporate Affairs

Society Overview

2014 Progress Toward Objectives

Objectives	Status
Increase access to specialized pediatric care in the state of Sergipe, Brazil, by supporting remote consultations between rural family health clinics and university hospitals.	○
Use our technology to support a digital picture archiving and communications system (PACS) and collaboration among healthcare clinicians in Jordan.	●
Expand the number of physician specialties using the pediatric telehealth network at Lucile Packard Children's Hospital and increase the number of patients seen.	●
Encourage women and girls to pursue education and careers in technology fields through the Networking Academy™ program and participation in events like Girls in ICT Day.	●
Expand the use of Cisco NetSpace™ online learning environment by establishing new partnerships that enable us to deliver content via the platform.	●
Reach 150,000 employee volunteer hours.[1]	◑
Connect U.S. military veterans to jobs by providing Cisco WebEx technology to facilitate virtual interviews at military bases and by supporting further development and adoption of the Pipeline job skills matching platform, h2h.jobs.	●

● Achieved ◑ Partially Achieved ○ Ongoing

1. Partially achieved objectives are those that have (1) been almost fully achieved and are therefore not included in 2015 Objectives and Beyond, or (2) been reevaluated and replaced by a similar objective for FY15 and Beyond. See the text for details and future plans.

2015 Objectives and Beyond

Objectives	Target Date
Provide at least 7 million meals for people in need through employee donations to our annual Global Hunger Relief Campaign.	End of FY15
Reach 145,000 employee volunteer hours.	End of FY15
Engage 500 employees in 10,000 STEM volunteer hours as part of our 7-year commitment to the US2020 initiative.	End of FY15
Support 5500 remote patient visits worldwide through Cisco collaboration technologies.	End of FY15
Connect 7000 US military veterans to ICT training, credentials, and job opportunities through Phase 2 of the IT Training and Certification Program and similar state initiatives.	End of FY15
Reach 250,000 factory and farm workers through the Labor Link mobile platform developed by Good World Solutions and supported by Cisco.	End of 2015
Reach 70 social enterprise customers supporting 80,000 farmers and microentrepreneurs and 3 million poor beneficiaries through our support for Grameen Foundation's TaroWorks initiative.	End of 2015
Integrate diverse suppliers/partners and business solutions into the sales department to meet customer requirements.	Ongoing

Performance Summary

Performance Summary	FY12	FY13	FY14
Total corporate and Cisco Foundation cash and in-kind contributions (USD)	$294 million	$297 million	$275 million[1]
Number of hours volunteered by employees	107,150	129,000	136,000
Number of active students in Cisco Networking Academy courses	1 million	1 million	1 million

1. Total giving decreased in FY14 because Cisco made several large one-off contributions for specific, time-bound initiatives in prior years and because the value of in-kind contributions through the Cisco Networking Academy program was slightly lower this year.

MEET THE FUTURE ARCHITECTS OF THE INTERNET OF EVERYTHING

More than 5 million students around the world have expanded their horizons and launched careers in ICT through the Cisco Networking Academy program. International Networking Academy NetRiders competitions allow them to test their skills and help them stand out in the job market.

WATCH VIDEO

Employee Engagement

We encourage employees to support local community programs by donating their time. Volunteering helps our people gain new perspectives, develop leadership skills, and work better as a team. Many employees include volunteering in their personal development plans.

In FY14, Cisco employees volunteered more than 136,000 hours, more than a 5 percent increase over FY13. Employees can easily track and record their volunteer hours through Community Connection, our internal matching gifts platform. Employees use Community Connection to find nonprofits to support, make donations, and request matching funds from the Cisco Foundation.

The Foundation matches up to US$1000 for cash donations and US$1000 for volunteering (at $10/hour) per employee per year. Employees can choose from nearly 2900 approved organizations in 45 countries to receive matched funds for their own cash donations and volunteer hours (at US$10/hour). In FY14, employee donations and matched funds contributed a combined total of over US$11.4 million to nonprofit organizations.

In FY14, we extended eligibility for matching funds to organizations nominated by just one employee rather than by 10. This means more employees can support small, local programs they are passionate about. All organizations are subject to thorough reviews to determine eligibility with our giving policies.

Regional Cisco Civic Councils, run by employees, work with our Community Relations team to identify volunteer opportunities, manage product and cash grants, and build strong relationships with local nonprofits and nongovernmental organizations (NGOs).

In FY14, many of our U.S. volunteers supported efforts to promote science, technology, engineering, and math (STEM) education as part of our contribution to the US2020 initiative (see page E9).

CASE STUDIES FROM AROUND THE WORLD

Cisco Support for Comic Relief Raises More Than Just a Smile

Cisco employees in the United Kingdom and Ireland have volunteered their time and expertise to raise more than £1 million for Comic Relief over the past 15 years. Comic Relief's annual campaigns are centered on comedy and sports. They raise funds for a range of nonprofits in more than 70 countries.

In 2014, more than 100 employees were involved in organizing fundraising events for Sports Relief. They raised approximately £200,000 through a series of sponsored events including a sprint-distance triathlon and a virtual pub quiz at 14 Cisco offices. Our U.K. CEO, Phil Smith, also recruited CEOs from other companies to participate in a separate triathlon at the London 2012 Olympic Park through the Leaderboard Challenge.

Cisco also provides technical support. We invested £360,000 in equipment for Comic Relief's annual telethons, which makes it possible to collect millions of pounds through public donations in just a few hours. Cisco was recently honored with a "Business Charity" award for its support of Comic Relief.

CASE STUDIES FROM AROUND THE WORLD

Mentors Matter for Australian Women in ICT

Globally, women are underrepresented in ICT careers, and Australia is no exception. Shae Howard, a Cisco Partner Business Consultant in Sydney, knows firsthand how important role models can be for young women launching their careers. She is helping them advance in ICT by volunteering with the Lucy Mentoring Program.

Participants in the program receive about 40 hours of guidance and mentorship from senior ICT professionals. But Shae saw an opportunity to take the program a step further. She recruited six colleagues to join her as mentors in a new group experience that provides an extra 20 to 30 hours of support and gives young women exposure to more opportunities in the field.

Read more about the Lucy Mentoring Program on our website.

WHY I VOLUNTEER: CISCO EMPLOYEES TELL THEIR STORIES

Cisco has a strong culture of giving. Cisco employees explain why they give their time and talent to support their communities.

WATCH VIDEO

Education

Education helps people better their lives by giving them the skills and knowledge they need to succeed. We use our technology and resources to change the way people learn and to improve access to education in underserved communities all over the world.

Training people in ICT is a key focus for Cisco. It is critical for digital inclusion, builds a talent pipeline for our industry, and offers great opportunities for entrepreneurs. As the Internet of Everything takes off, so will demand for skilled workers in ICT.

Cisco Networking Academy

Since 1997, the Cisco Networking Academy program has equipped more than 5 million students with valuable ICT skills. In FY14 alone, 1 million were enrolled. The program prepares students for entry-level ICT jobs and aims to support their long-term employability.

Students can access courses online using cloud-computing technology and work toward globally recognized Cisco certifications. The training is designed to foster critical thinking, innovation, and problem solving. Learning how to apply their skills to real-world business problems encourages many budding entrepreneurs to start their own ICT businesses.

Approximately 9000 academies in 170 countries are supported by more than 500 Academy Support Centers and Instructor Training Centers. Courses are delivered in partnership with schools, community colleges, universities, and other organizations through a blend of online and classroom learning.

The Cisco NetSpace online learning environment enables 20,000 Networking Academy instructors to collaborate wherever they are in the world. This cloud-based platform supports course delivery in the classroom and facilitates a global learning community. Over 810,000 students and instructors use the Networking Academy Facebook community to connect, collaborate, and share ideas.

The Cisco Networking Academy program helped 1.2 million students obtain new jobs between 2005 and 2013. In exit surveys of students completing courses through Cisco CCNA 4 or higher from FY12 through FY14, 97 percent said the program has had a positive impact on their lives, and 88 percent reported that it led to job and/or educational opportunities including a new job, a better job or promotion, increased responsibilities, higher salary, deciding on a program of study, or pursuing more education.

We know the skills students gain from the Networking Academy will give them a great start in their ICT careers. To understand the impact of our investment in the program, we want to find out more about what former students do once they have completed their courses.

It can be challenging to get follow-up information. Over the past two years, we have worked to make our exit surveys and data collection more effective. By automatically including students unless they opt out, we increased the proportion who are willing to take part in surveys to 95 percent in FY14. We also are using social media to reach former students to further improve survey response rates. So far, response rates have remained around 5 percent (compared with industry norms of between 2 and 10 percent). We are continuing our efforts to enhance information on student outcomes.

> "Top of mind for me is how we can all come together for a collaborative approach to solving our world's most pressing issues, such as education, healthcare, and the global economy."
>
> John Chambers, Chairman and CEO

Figure 1. Cisco Networking Academy Student Career Outcomes (Global)

Percentages reflect those students who believe Cisco Networking Academy helped them attain the stated opportunities. Based upon 10,565 exit surveys of students who completed courses through Cisco CCNA 4 or higher from FY12 to FY14.

CASE STUDIES FROM AROUND THE WORLD

Mexican Brothers Launch ICT Careers by Winning Networking Academy Competition

Jesús Israel Nava won Cisco's NetRiders national competition in Mexico in 2012 using skills he learned through the Networking Academy program. His younger brother Andrés Illescas followed in his footsteps to win in 2013. Both young men aim to use the competition to launch their ICT careers.

Networking Academy students compete for the annual NetRiders competition by showing off their skills through written tests and simulation activities to solve real-world ICT problems.

Jesús's victory helped him secure his dream job as a networking consulting engineer for Advanced Services at Cisco Mexico. Andrés was so determined to win he spent up to 14 hours a day preparing for the competition. He believes the competition will make his résumé stand out when he leaves school and embarks on a career in ICT: "Everything included in the test is something I'll do in the future."

Find out more on our website.

CASE STUDIES FROM AROUND THE WORLD

Cisco Challenge for Social Innovation

In FY14, we hosted our first annual social innovation competition in France: *Le Défi Cisco* (the Cisco Challenge). We worked with two nonprofit organizations, Ashoka and Aristote. More than 50 Cisco employees helped to run the competition and mentor the teams.

The winning team of Networking Academy students used the Internet of Everything to improve pedestrian safety for visually impaired people by bringing the traditional white cane into the 21st century. The idea was inspired by a team member's visually impaired uncle.

The innovative cane acts like a guide dog, interacting with the surrounding environment, sensing obstacles, and warning the user. It can also provide information on local shops and businesses using tagging technology.

Competition entries were evaluated based on their originality, potential social or environmental impact, and feasibility. The team was awarded €70,000 in cash, technology, and Cisco mentorship to make their idea a reality. In June 2014, the group received the Pepite Award, a National Prize for Innovation from the French Ministry of Education, and met with French President François Hollande.

Watch a video about these young innovators.

CASE STUDIES FROM AROUND THE WORLD

Connecting ICT Students to Internships in Italy

Youth unemployment in Italy is a chronic problem, rising above 43 percent in June 2014 for 15- to 24-year-olds. Cisco is helping skilled young people find work through the Junior Networking program. Launched in 2009, the program helps fill the gap between secondary school ICT classes and ICT careers. Those taking part gain Cisco CCNA training, followed by 5- or 6-month internships with one of 40 companies. Since 2010, 150 students have participated; 97 percent of them have found jobs in ICT.

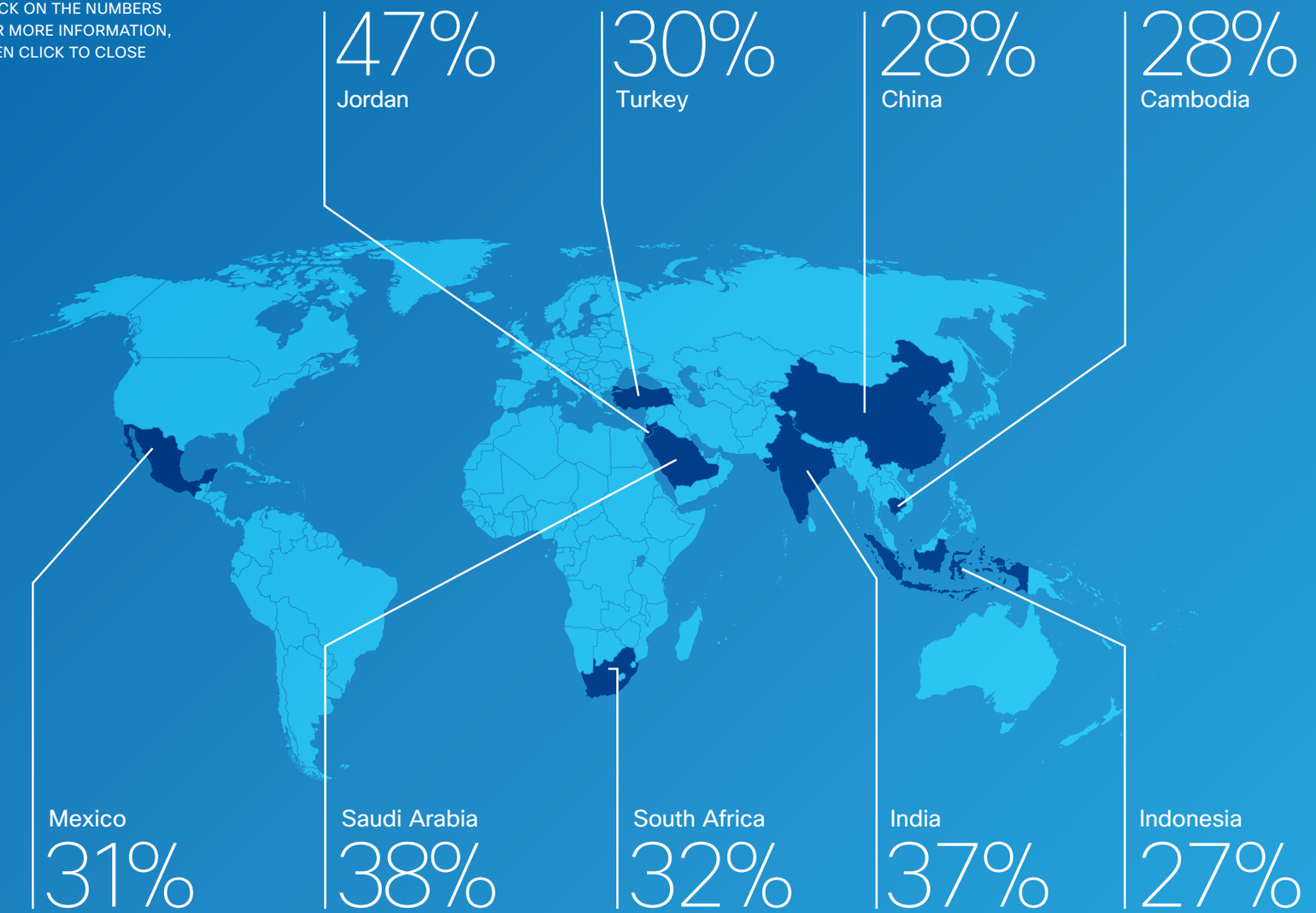
Learn more on our website.

1.2 MILLION The Cisco Networking Academy program helped 1.2 million students obtain new jobs between 2005 and 2013.

Figure 2. Percentage of Female Students in Cisco Networking Academy Courses Around the World

We are committed to increasing the number of women and girls going into ICT careers. Globally, 20 percent of Networking Academy students are female.

CLICK ON THE NUMBERS FOR MORE INFORMATION, THEN CLICK TO CLOSE



Education Partnerships

Science, technology, engineering, and math (STEM) education is a business imperative for Cisco. Many students don't have access to the resources that can equip or inspire them to pursue STEM careers. We use our expertise, product donations, and cash grants to help our nonprofit partners engage students and deliver STEM education more effectively. These programs introduce children as young as 11 to STEM fields and encourage them to pursue relevant further education and careers.

The US2020 program, born out of a White House call for STEM mentorship, aims to create opportunities for students from kindergarten through college to discover science and technology through hands-on projects and academic coaching. Cisco joined the launch of US2020 at the White House Science Fair in 2013 with nine other technology companies and education nonprofits. The 7-year program aims to connect students of all ages with mentors working in STEM careers. In FY14, 844 U.S. Cisco employees have signed up as mentors and volunteered more than 8500 hours to support US2020.

Cisco also sponsored the US2020 City Competition, which challenged cities to develop innovative models for increasing STEM mentorship and hands-on student projects. Seven winning city coalitions will share US$1 million in financial, consulting, and staff support from US2020 partners to start local STEM mentorship movements.

We continue to work with MIND Research Institute, which aims to revolutionize math education through visual learning. Cisco has provided business expertise, business development support, and more than US$4 million in cash and product grants since 2004. This is supporting the development and scaling of MIND's game-based Spatial Temporal (ST) Math program to help students master key math concepts and build problem-solving skills. MIND used our latest grant in FY13 to extend ST Math to 6000 students at 22 schools in Virginia. This brings its total reach to 630,000 students and 25,000 teachers in 35 states. Students using ST Math have improved their math results at double or triple the rate of students not using ST Math. In FY14, Cisco received the MIND Research Institute's National Partner in Innovation Award.

CASE STUDIES
FROM AROUND THE WORLD

Making a Connection with Children in Northern Canada

Our Connected North program, launched in FY14, uses Cisco TelePresence collaborative technology to enhance education in remote communities in Canada's far north. The territory of Nunavut, in northern Canada, has school dropout rates of approximately 75 percent and the highest incidence of youth suicide in the world.

Using TelePresence technology, students can connect with teachers, experts, and other youth from around the world. This helps to create more engaging classroom experiences and enhance student participation. More than 90 percent of participating students say that these virtual learning sessions make school more fun, and the school principal reports an increase in attendance.

BUILDING CAREERS IN CAMBODIA
Our partnership with Passerelles numériques Cambodia is helping young people who learn ICT skills earn up to five times the average monthly salary.
WATCH VIDEO

To support the link between STEM education and employment skills, Cisco endorsed the Davos Declaration on the Grand Coalition for Digital Jobs at the World Economic Forum Annual Meeting in January 2014. We have been invited to serve on the advisory group that is developing strategies to fight the e-skills gap in Europe. We also are active participants in the European Commission's E-Skills for Jobs campaign.

Economic Empowerment

We depend on thriving economies for business growth. We make cash investments and donate Cisco products to innovative nonprofit organizations that use technology to help people in underserved communities gain skills, find meaningful employment, start their own businesses, and access knowledge needed to make informed decisions for themselves and their families.

Skills Development and Employment

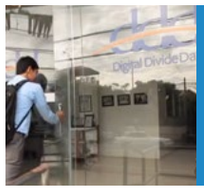
We work with nonprofits to enhance the employability of individuals in underserved communities around the world. These organizations provide training and employment for students and workers, particularly women, to help them gain the skills and experience they need to find long-term employment and stable incomes. On average, the people who participate in these programs earn more than double the average local salary. The extra income enables them to live more comfortably, send their children to school, and save for the future.

Supporting Employment Skills for Underserved Populations

ICT training, education, jobs, career counseling, and life skills coaching from our nonprofit partner Digital Divide Data (DDD) give low-income young people the skills they need for sustainable careers. DDD employs disadvantaged youth in paid ICT jobs serving public- and private-sector clients and provides them with health insurance and scholarships toward a university education. To date, DDD has hired more than 2000 young people. Half of them are women and 10 percent have disabilities. DDD helps workers move out of poverty, support their families, and boost their livelihoods. The average salary of DDD employees is three to four times the local average, and total earnings over their lifetime increase by an estimated US$175,000. By gaining jobs, education, training, and career counseling, DDD workers can continue to move up the career ladder. Many go on to pursue successful careers at other companies, government organizations, and nonprofits.

Since 2010, Cisco has provided US$850,000 in cash investments and product grants that are helping DDD work more efficiently and build capabilities to reach more disadvantaged youth in other parts of the world. Our support in FY14 is enabling DDD to enhance the reliability of its services and extend its reach in Africa, Latin America, and the United States.

In Israel, we are leading the Ma'antech program to place Israeli-Arab engineers, who are underrepresented in the Israeli ICT sector, in high-quality jobs. Working with 41 other ICT companies, collectively we have placed more than 950 Israeli-Arab engineers in ICT jobs, doubling the number in the sector since we launched



CLOSING THE DIGITAL DIVIDE IN CAMBODIA
Meet Socheat Keo, a one-time computer novice who now oversees 400 technology employees for Digital Divide Data.
WATCH VIDEO

Ma'antech in 2011. In FY14, we announced a further investment of US$1 million over the next three years. This investment will be used to run diversity workshops and recruiting services for member companies, provide mentoring and skills development programs, and support entrepreneurship. More than 30 Cisco employees have volunteered as mentors.

Helping Veterans Transition to Civilian Work

Veterans have strong leadership and teamwork skills. But their experiences are often difficult to match with civilian job descriptions when they retire from military service. We work with Futures, Inc. to help veterans find jobs through a cloud-based platform called the Pipeline, which matches military skills to civilian jobs. Active-duty military personnel, reservists, and veterans can access the job-matching tool through the US Military Pipeline. From January 2013 to the end of FY14, more than 215,000 veterans and military personnel found work through the Pipeline.

Our financial support in FY14 helped Futures, Inc. develop a new Pipeline feature tailored to the United Service Organization (USO) and a pilot for a veterans' credentialing program in Michigan. In addition, the Pipeline has been used at 17 military hiring events to prematch applicants to job openings that fit their skills and interests. At the Hiring Heroes Fair in Raleigh, North Carolina, in May 2014, 51 percent of applicants who were interviewed received job offers.

CASE STUDIES FROM THE UNITED STATES

Returning Marine Takes on a New Challenge in ICT

U.S. Marine Andrew Marsh knew he had the leadership skills to succeed in any civilian job. The addition of a globally recognized ICT certification is making his résumé really stand out.

Andrew had a bachelor's degree in computer science before joining the military. He was keen to get back into the ICT sector following four years of service. But he found it difficult to demonstrate to potential employers that the skills he had gained as a U.S. Marine could be transferred to a civilian role. He used the US IT Pipeline to find a qualification that would help him get the type of job he wanted and enrolled in the IT Training and Certification program supported by Cisco. Within just a few months, he had gained three useful industry certifications.

Andrew believes the program is helping him get recognition for his skills and knowledge. "So many [veterans] sell themselves short because they do not have a way to validate their experience and apply for more advanced positions. If they had been able to articulate their skills to the potential employer, they would have a higher paying job that is a better fit to their skills."

Andrew attained a job as a storage and virtualization consultant with a technology firm that supports defense and intelligence agencies. Watch the video.

In April 2013, we launched a veterans' program that uses Pipeline technology to fast-track transitioning military personnel through ICT training and certifications from Cisco and similar companies and then matches them to high-demand civilian jobs. Nearly 400 veterans enrolled in training as part of the pilot program, and 59 percent of those who had transitioned out of the military say it helped them get a new job. Of those employed, 81 percent say their new job was what they hoped for, or better.

The Cisco Networking Academy curriculum is offered on 21 U.S. military bases, helping soldiers learn the skills needed to deploy and manage the military ICT infrastructure in the field. More than 51,000 military personnel have completed Networking Academy training and are better equipped for career opportunities once their service is over.

Supporting Financial Inclusion and Entrepreneurship

More than 2 billion people live on less than US$2 a day. Without access to financial services it is hard to break the cycle of poverty. Technology is helping to connect people to these services so they can save for the future, provide for their families, start business ventures, and become financially stable.

HERfinance provides financial literacy training to low-income factory workers and helps them gain access to basic financial services such as bank accounts. In FY13, Cisco provided US$75,000 to support a partnership between nonprofits Good World Solutions and Business for Social Responsibility. The grant was used to monitor and evaluate HERfinance training outcomes through direct dialogue with factory workers via mobile devices using Labor Link (see Supply Chain, page C9). A pilot program in 11 garment and footwear factories in India has already reached more than 10,000 workers. Preliminary results show that 73 percent of participants feel more confident talking about finances, 68 percent are using new financial products, and 100 percent have a financial plan for the future.

Cisco also supports social enterprises and entrepreneurs around the world. For example, we work with nonprofits to help people launch new businesses and foster self-sufficiency and economic growth.

In FY14, we announced a US$6 million investment in Badia Impact Fund to support early-stage technology innovations in Jordan. This investment is part of the US$10 million commitment we made in 2011 to fund a sustainable model of job creation and economic development in the country. The goal is to mobilize capital to bring new technology to market, create jobs, and accelerate innovation. Mixed Dimensions is one of the startups benefitting from an investment by Badia Impact Fund. Its technology platform for gaming and 3D application developers is used by 16,000 developers in 110 countries, and this funding will help it expand, creating new jobs in Jordan.

We support the Grameen Foundation's TaroWorks program, which uses mobile technology to help social enterprise clients collect real-time data, manage field operations and customers, and measure impacts. One client, Root Capital, provides loans and financial education for small agricultural businesses. Root Capital is using TaroWorks to better understand the needs of its loan recipients and beneficiaries through a survey of 7500 farmers in Africa. The survey will measure poverty levels and identify local challenges, crop preferences, and management practices to help Root Capital better meet farmers' needs and improve the efficacy of their loans. Cisco's investments in TaroWorks have helped scale the program. It now has 37 social enterprise customers in 16 countries, which support 50,000 microentrepreneurs and benefit 2 million people.

Cisco also supports Living Goods, a nonprofit that gives entrepreneurs (mainly women) an opportunity to make a living in their communities as agents for affordable health products and information. The agents sell mosquito nets, clean-burning cook stoves, and basic medications. They also educate their communities about public and family health issues. Our initial grant helped Living Goods develop a mobile platform to manage and support agents. Additional funding in FY14 is being used to develop new applications, including a health diagnosis and treatment guide for agents to use with customers. Living Goods works with more than 1100 agents in Uganda and Kenya. Its agents have treated more than 563,000 children and supported mothers through nearly 154,000 pregnancies.

Our Global Impact

Read more stories about our worldwide impact online.

Healthcare

Technology is helping to connect people to healthcare in remote or underserved regions. We are using Cisco networking technology to improve access to quality healthcare for people who need it most.

Cisco TelePresence, WebEx, and HealthPresence®[1] collaborative technologies enable "care at a distance" by extending the reach of doctors and other healthcare providers through virtual interactions. Using handheld cameras and stethoscopes, healthcare providers can provide patient information to doctors and specialists remotely. High-quality video and audio systems also facilitate face-to-face interactions with remote patients.

Much of our healthcare work focuses on pediatric care as part of our Connected Healthy Children program. For more information about other healthcare initiatives, visit our website.

Extending Access to Pediatric Care

Two out of three deaths among children under six could be prevented with effective primary care. But there is a global shortage of pediatricians, especially in rural areas. We are using technology to increase access to and delivery of care to children worldwide. To date, more than 6900 children have received medical consultations through our healthcare programs.

In FY14, we launched our children's health partnership with the Virtual Pediatric Network. Our goal is to pilot high-definition video collaboration to help improve the way doctors make care decisions about children with cancer. It is often difficult for experts spread around the globe to collaborate regularly, especially on rare diseases such as some pediatric cancers. Cisco's TelePresence videoconferencing will enable oncologists to meet virtually to discuss cases, identify treatments, and develop best practices for cancer care. Five medical centers and a genomics research institute in the United States are involved in the initial pilot. As consultations go forward, we will measure the effectiveness of physician interactions, the ability to share genomic data, and the quality of treatment plans.

Our Connected Healthy Children programs in China and Brazil, launched in FY13, are helping children in remote rural areas to access quality healthcare. In partnership with the United Foundation for Children's Health (UFCH), the program has facilitated more than 100 patient visits in the Sichuan Province of China; 72 children have received remote diagnostic consultations and 15 children have received diagnosis and treatment. In Brazil, there is a major gap in access to specialized care between children in urban and rural areas. The program uses Cisco technology to connect Family Health Clinics in the towns of Tobias Barreto and Lagarto, in the northeastern state of Sergipe, to pediatric specialists at the Federal Medical University campus in Lagarto and the University Hospital in Aracaju. Each clinic can "see" 80 to 100 patients per month. A roving team uses mobile technology to extend support to even more remote areas.

Access to pediatric care is a problem in the United States, too, where more than 15 million children live in regions with fewer than 22 pediatricians and family doctors for every 100,000 children. Children in Northern California often have to wait up to nine months and travel long distances to see a specialist. We completed a pilot program in FY14 to test the use of telehealth technology at the Lucile Packard Children's Hospital in Palo Alto, California, to overcome this challenge. We used Cisco HealthPresence[1] technology to connect remote patients to physicians at the Pediatric Group of Monterey and California Pacific Medical Center.

Since the program began, physicians have used HealthPresence[1] to see more than 300 patients. The 1-year pilot program, completed in February 2014, enabled the first 266 health visits, including 117 new consultations, 87 established patient visits, 49 postoperative visits, and 13 preoperative virtual exams. The percentage of patients waiting a month or more to see a doctor fell from 53 to 37 percent. Patients and their families reported 100 percent satisfaction with the quality of the exam and more than 97 percent overall satisfaction with the experience. Following the success of the pilot program, the hospital has taken over management of the effort and has decided to expand the program by adding telehealth capabilities at several new regional clinics.

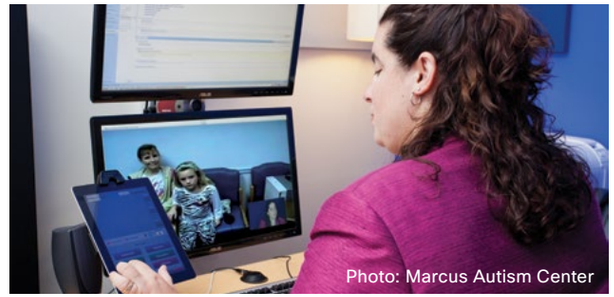


Photo: Marcus Autism Center

Key Challenge: Overcoming Unforeseen Circumstances in Brazil

At Cisco, we are determined not to let unforeseen challenges get in the way of progress. Shortly after we launched Connected Healthy Children–Brazil, lightning struck and damaged the equipment at one of the two family health clinics participating in the program, making it unusable for remote patient visits. Repairs are underway at the site, but a labor dispute in Brazil made it impossible to schedule and coordinate visits at both clinics. These factors have slowed the rollout of the program, but we are using our culture of problem solving to find new solutions. The Connected Healthy Children team sought permission to step in as healthcare coordinators to schedule at least a small number of appointments for patients until the labor dispute is resolved.

1. Cisco networking and collaboration products are not intended for use in emergency situations or for real-time patient monitoring. Cisco technology enables enhanced communications to occur across geographies; availability varies based on regulatory status country by country.

Critical Human Needs and Disaster Relief

We support nonprofit organizations around the world that help meet critical human needs for food, drinking water, and shelter, and we support relief efforts following natural disasters.

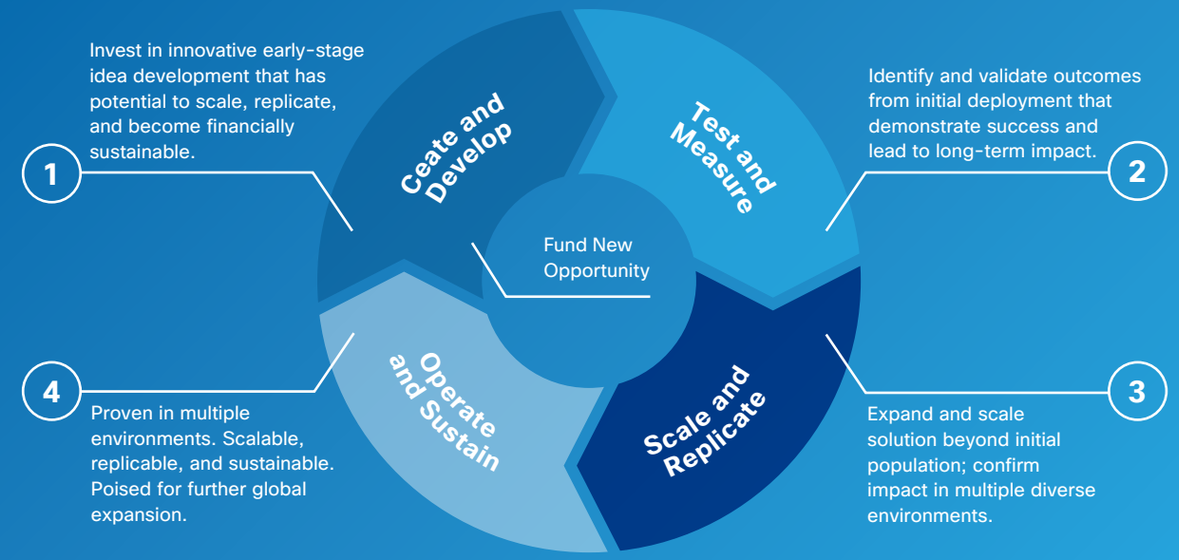
Meeting Critical Resource Needs

We help nonprofits provide basic resources to communities in need and to make their organizations more financially sustainable and effective in the long term. This enables them to have a lasting impact on the communities they serve.

For example, Water For People is using the Field Level Operations Watch (FLOW) mobile application developed with Cisco's support to improve field-level data collection and analysis. This increases transparency, accountability, and sustainability of water projects in developing regions.

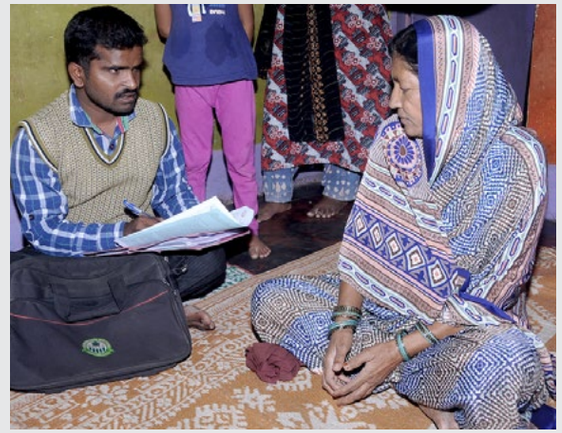
FLOW is used by 116 organizations in 35 countries. In India, Water For People used FLOW to support its school sanitation and menstrual hygiene programs, which have already benefited students in nearly 50 schools.

Figure 3. Cisco Social Investment Criteria and Process



Criteria

- Innovative solution
- Replicable, scalable
- Path to financial sustainability
- Technology-based
- Targets >65% economically underserved
- Measurable social outcomes



Supporting Nonprofit Partners

Cisco uses technology to help nonprofit organizations scale their programs and make their operations more efficient. Our best-practice guidelines help us set up successful partnerships from the start. We approach each new partnership as a long-term engagement, with the expectation that we will invest the necessary time and resources to help the program achieve its goals. We start by developing a clear vision, strategy, plan, and objectives to measure long-term success. We also establish governance and operating structures with our partners to define roles and responsibilities, set expectations, and facilitate effective decision making.

To help us measure the impact of our partnerships and see that grants are used effectively, we launched a new Social Impact Tracking Platform in FY13. Nonprofit partners use the tool to report the impact of their programs. This helps us track progress during the grant period, undertake corrective action where needed, and measure the value of our investments. Tracking these metrics also gives our partners information to help with strategic planning by identifying effective practices to scale up, challenges, and impacts on the communities and individuals they serve.

In FY14, the platform helped us determine that 79 percent of beneficiaries reached through our strategic, global cash grant investments were from economically and/or socially disadvantaged populations, exceeding our goal of 65 percent.

Responding to Emergencies

Every year, natural disasters cause devastation around the world. We support organizations such as NetHope, CARE, Feeding America, Habitat for Humanity, and the American Red Cross to help communities recover and rebuild.

Our Tactical Operations team provides emergency communications infrastructure to help coordinate relief efforts. Trained employee volunteers in the Cisco Disaster Incident Response Team support the team, using Cisco Network Emergency Response Vehicles, Emergency Communications Kits, and other technology to provide satellite, 4G, and other communications channels in regions affected by disasters. By responding to emergencies and natural disasters within the first few days, Cisco often enables recovery and relief agencies to get communications up and running faster than government or local providers can.

In FY14, Tactical Operations responded to Typhoon Haiyan in the Philippines, the Washington Navy Yard shooting in the United States, and the St. Mary's College fire in Leyland, United Kingdom. We also provide funding through employee fund-raising. In FY14, we ran campaigns to support relief efforts following Typhoon Haiyan in the Philippines and flooding in Mexico and the Balkans region. Employees contributed US$337,300 to these campaigns and matching funding from the Cisco Foundation brought the total raised to US$674,400.

Cisco also participates in working groups that promote cooperation between public- and private-sector organizations that work on disaster relief coordination and technical standards, including the United Nations Working Group on Emergency Telecommunications.

CASE STUDIES FROM THE UNITED STATES

Photo: Community Solutions

Reducing Chronic Homelessness

Chronic homelessness is a problem across the United States. Many homeless families and individuals are unable to break the cycle of poverty. Cisco supported Community Solutions' 100,000 Homes Campaign to find homes for chronically homeless people across the country. The campaign met its goal a month ahead of schedule. By June 2014, homes had been found for more than 101,000 people, including 30,000 veterans.

Cisco's initial grant of US$75,000 in FY12 supported the Sharing Innovations Initiative that helped participating communities share best practices. Average monthly housing placement rates for chronically homeless individuals increased from 1.6 percent to 5.1 percent in just six months. This is more than double the program target of 2.5 percent per month.

In FY14, we made a further investment of US$225,000 to help Community Solutions deploy a Performance Management and Communications Platform to support efforts to tackle homelessness in 25 communities.

CASE STUDIES FROM AROUND THE WORLD

Emergency Response in the Philippines

Cisco Tactical Operations deployed 11 people on three teams to the Philippines between November 2013 and January 2014 to reinstate communications in the wake of Typhoon Haiyan. The first team was on the ground within four days of the typhoon hitting land. On arrival in Guiuan, they found that every building in the town had been damaged or destroyed.

They acted quickly to set up satellite communications equipment. Soldiers used this equipment to find out what was happening in other locations and help direct relief efforts where they were most needed. The teams also supported air traffic control in safely coordinating humanitarian aid flights. They then traveled to Borongan, where they installed satellite communications equipment to help the military and local police run the relief effort from a local community center and enable other Philippine government agencies to establish their own relief operations.

The Tactical Operations teams also supported the UN Emergency Telecommunications Cluster—a global network of organizations that provide common communications services in humanitarian emergencies—and international NGOs like NetHope and the International Office for Migration.

Find out more on our website.

A LifeLine in a Crisis

Cisco is working with nonprofit One World South Asia and India to extend a LifeLine to communities struck by disaster. The LifeLine program already uses mobile technology to give farmers in India information on crops and markets to help boost their harvests and income. Our product and cash grants will enable One World South Asia to use LifeLine to provide a communications helpline in a crisis and provide access to financial resources and guidance on growing medicinal plants and conserving endangered local plants. The program is being piloted in India's Uttarakhand region, where devastating floods damaged agricultural communities in June 2013.

Supplier Diversity

Cisco spends billions of dollars with suppliers every year. Where appropriate, we source products and services from diverse suppliers and support diverse partners in our sales channel. This supports economic empowerment in underserved communities and benefits our business by giving us access to a wider group of innovative partners (for more on the business benefits, see Supply Chain, page C9).

Promoting Diverse Businesses

Diverse businesses are those that are at least 51 percent owned and operated by a minority or historically disadvantaged group. These include the nine groups defined by the U.S. federal government (see box at right). Cisco actively solicits all of these groups to give them the greatest opportunity to supply us with goods or services.

Many of our customers want to know about our expenditure with diverse suppliers and our support for diverse partners. In FY14, we responded to information and reporting requests from more than 80 customers.

Supplier diversity also is a regulatory requirement in markets such as:

- **Australia:** We prepare a Reconciliation Action Plan that is designed to promote business, education, and employment opportunities for Aboriginal and Torres Strait Islander Australians.
- **Canada**: There are no federal requirements about supplier diversity in Canada, but an increasing number of provincial, territorial, and municipal policies require greater focus on diversity initiatives, including aboriginal procurement policies in Manitoba, Nunavut, and Ontario, and a Social Procurement Framework in the city of Toronto, Ontario.
- **South Africa:** We submit information about black-owned suppliers in line with the government's Broad-Based Black Economic Empowerment initiative.
- **United States:** We help customers meet regulatory obligations to increase the use of women-owned and minority-owned businesses, such as those imposed on utility companies and suppliers to state and federal agencies.

Capability Building and Business Development

We connect diverse suppliers and channel partners with relevant Cisco business units and other potential customers through the Cisco Global Supplier Diversity Business Development (GSDBD) program. They meet executives from Cisco and other Fortune 500 companies to discuss potential business opportunities at our Partner Operations Diversity Forums.

Cisco supports women-owned businesses as a corporate member of WeConnect International and the Women's Business Enterprise National Council (WBENC). These organizations promote women-owned businesses by connecting them to multinational companies through networking events, business fairs, and conferences.

We also help diverse businesses build their capabilities and develop their businesses through tailored local programs in Australia, Canada, South Africa, and the United States.

Australia

Cisco is a member of Supply Nation, which supports the growth and development of indigenous-owned suppliers. Member companies work with Supply Nation to meet their Reconciliation Action Plan procurement goals, and the group provides networking opportunities for companies and indigenous-owned and Torres Strait Islander suppliers. We participate in annual supplier meetings and business fairs through Supply Nation. In FY14, Cisco led a workshop on Tier 2 sourcing at the conference in Sydney, Australia.

IN FY14

Cisco ranked sixth among the top 50 U.S. companies providing multicultural and diverse business opportunities by Diversitybusiness.com. Cisco has been included in the ranking for six years running. It is based on feedback from more than 650,000 women- and minority-owned businesses. See more about Cisco's supplier diversity awards through FY14 on our website.

Diverse Business Classifications

- Small Business
- Veteran-Owned Small Business
- Service-Disabled Veteran-Owned Small Business
- Historically Underutilized Business (HUB) Zone Small Business
- Small Disadvantaged Business
- Woman-Owned Small Business
- Disabled Veteran-Owned Small Business
- Minority-Owned Business
- Women-Owned Business Enterprise

Canada

Cisco is a member of the Canadian Aboriginal and Minority Supplier Council (CAMSC). This coalition of multinational companies aims to promote procurement opportunities with major corporations for suppliers owned and operated by Canadian Aboriginals and Minorities. In FY14, we participated in two major CAMSC events. At the annual Business Achievement Awards gala, Nitin Kawale, president of Cisco Canada, was the keynote speaker. We also sponsored and moderated a panel at the CAMSC Diverse Partner's Technology Forum.

South Africa

We participate in the South African Supplier Diversity Council, a group of more than 20 businesses working to promote the growth of black-owned companies. This group shares best practices and builds relationships with black-owned suppliers.

United States

Since 2002, we have sponsored 71 people from 47 diverse suppliers to complete a 4-day workshop on leadership skills and strategy at the Management Development for Entrepreneurs Academy at the University of California, Los Angeles.

Cisco executives mentor CEOs from diverse suppliers through our Executive Mentor Protégé Program. The 2-year program helps participating CEOs to secure significant new business (see case study).

In FY14, Cisco awarded WebEx product grants worth more than US$21,000 to nine nonprofit organizations to help them support more diverse businesses. At the National Minority Supplier Development Council's conference, we cohosted our largest annual Partner Operations Diversity Forum with more than 100 participants in attendance. We also cohosted the first annual International Minority Business Enterprise Day for more than 145 participants from 75 diverse businesses.

See more about our efforts to support diverse businesses on our website.

CASE STUDIES FROM THE UNITED STATES

ProSys Raises Its Profile with Support from Cisco

With Cisco's support, one of our diverse partners, ProSys, has gained visibility among potential customers. The women-owned business, based in Atlanta, Georgia, secured a US$14.7 million contract to sell Cisco technology to a major multinational company.

ProSys designs thousands of technology solutions for private sector, government, and educational customers each year. The company's CEO participates in the Executive Mentor Protégé Program. In 2013, the company earned recognition as the Cisco South Commercial Partner of the Year. ProSys won the award for its excellence in bringing together custom ICT solutions and engineering expertise with innovative technology applications and best-in-class products.

Environment

We believe our information and communications technology (ICT) can improve the world's standard of living, improve the use of resources, and improve energy efficiency, delivering new value to our customers and society.

Innovation is at the core of Cisco's environmental sustainability initiatives. For our customers, this means changing the way people work, live, play, and learn through networking technologies that create new business and social value.

Within Cisco, we're building environmental sustainability into each business function and process. We believe that improved sustainability creates net benefits to our business, our customers, and the planet.

Environment Overview

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

Improving the energy efficiency of our products is a priority because the energy consumed during their use accounts for up to 90 percent of our products' life cycle carbon footprint. This means that innovation in our products and services that promote energy efficiency and waste reduction can reduce GHG emissions by users of our products. In developing innovative products and solutions, we are using the power of the Internet to create sustainable business models for our customers.

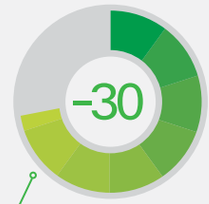
2014 at a Glance

Cisco launched a 4-year, more than US$50 million[1] EnergyOps Program (operational energy) to meet Cisco's new Scope 1, 2, and Scope 3 business-air-travel GHG emission reduction goals to be achieved by FY17.

#1

Cisco tied for #1 across all sectors on CDP's 2014 climate survey; and we celebrated our seventh year on CDP's Disclosure Leadership Index and our fourth year on the Performance Leadership Index.

Cisco achieved a 30 percent absolute reduction in Scope 1 and 2 GHG emissions worldwide, from a FY07 baseline.



$360 MILLION

Customers returned 12,180 metric tonne of Cisco products for reuse and recycling, and we reused over $360 million of Cisco equipment.

In FY14, Cisco spent $9.6 million on energy efficiency and renewable energy initiatives as part of the global EnergyOps Program.

$9.6 MILLION

1. Currency amounts reported in the Environment section are U.S. dollars unless otherwise noted.

This section is bookmark enabled.

Environment Overview

2014 Progress Toward Objectives

Objectives	Status
Complete the development of the ICT Sector Supplement to the Greenhouse Gas Protocol (GHGP) standards. Cisco is a founding member of the GHGP ICT Sector Supplement effort. A member of the Steering Group, Cisco is also co-editor of the chapter on transport substitution. The ICT Sector Supplement is expected to be published in early 2015 following final review by stakeholders.	●
Continue customer and stakeholder engagement on environment sustainability issues. We completed a customer listening survey, inviting 5,000 customers to provide their views on environmental sustainability issues and priorities.	●
Scale reporting of GHG emissions to CDP by our supply chain. We continue to make significant advancements in our supply chain engagement and reporting. 100 percent of our contract manufacturers, 87 percent of our component suppliers, and 95 percent of global transport providers responded to the CDP 2014 survey.	○

● Achieved ○ Ongoing

2015 Objectives and Beyond

Objectives	Target Date
Reduce total Cisco Scope 1 and 2 GHG emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).	FY17
Reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).	FY17
Reduce Cisco's FY17 net, consumption-weighted electricity emission factor to half of the latest International Energy Agency world average emission factor publicly available before the end of FY17.	FY17
Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline).	FY17
Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17.	FY17

"We believe that technology has a tremendous role to play in minimizing our carbon footprint, but we need to deal with the physical footprint of this technology in a different way. Cisco's focus on the circular economy helps us to work together with our clients, and look at new ways to help clients manage the life cycle of their technology more effectively."

Colin Curtis, Director of Sustainability, Dimension Data

Environment Overview

Key Performance Indicators (KPIs; Base Year, if Applicable, and Last 5 Years Reported)

Performance Summary	FY07 Baseline Year[1]	FY10	FY11	FY12	FY13	FY14	Comments
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e.	436,489	376,141	416,927	251,672	312,525	305,656	Values from 2012 CSR Report have been updated.
Percent progress against reduction goal. Goal: Reduce total, Cisco, Scope 1 and 2, GHG emissions worldwide by 40% absolute by FY17 (FY07 baseline).	base year	-14%	-4%	-42%	-28%	-30%	Cisco's new corporate GHG reduction goal was announced in February 2013.
Total Scope 3 air-travel GHG emissions, metric tonne CO_2e.	199,104	96,442	114,707	125,605	139,530	157,868	All emissions recalculated using the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA) 2014 emissions factors (Ricardo-AEA/Carbon Smart); radiative forcing not included.
Percent progress against reduction goal. Goal: Reduce total, Cisco, business-air-travel, Scope 3 emissions worldwide by 40% absolute by FY17 (FY07 baseline).	base year	-51%	-42%	-37%	-30%	-21%[2]	FY12 was goal year for first, 5-year goal of -25%.
Product return, metric tonne	n/a	8,580	11,595	13,324	12,539	12,180	
Returned material sent to landfill	n/a	0.33%	0.89%	0.43%	0.33%	0.30%	Landfilled material consists only of nonelectronic waste materials, such as broken pallets, wet cardboard, and shrink wrap, accompanying Cisco products returned by customers for recycling.

1. Our annual CSR reports include data for the past five fiscal years and, for GHG/energy, our goal base year.
2. If air travel from the approximately 5,000-employee NDS acquisition is excluded, FY14 value is -25%.

Environmental Sustainability

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

Environmental Sustainability Materiality

Our environmental sustainability materiality assessment is based on input from stakeholders, results of life-cycle assessments (LCAs), and other analyses of Cisco products. We prioritized environmental impacts into five tiers, as shown in Table 1. These priorities are based on the impact from Cisco's operations, the impact from our supply chain, and the use of our products by our customers in combination with the overall impact of the ICT industry sector. This environmental sustainability materiality ranking is unchanged from FY13. We continue to receive feedback from our customers and other stakeholders that our priorities have been correctly identified. In addition, we saw the continuation of a 5-year trend of steadily increasing customer interest in sustainability as reflected in RFPs, surveys, and other customer inquiries we answer throughout the year.

In FY14 Cisco invited about 5000 customers across all regions and market segments to complete an online survey on environmental sustainability. We have surveyed our customers previously. Customer feedback from this survey confirmed the priority of our environmental sustainability issues. The top three issues identified by the customer listening survey are:

- Product energy efficiency
- Sustainable product fulfillment, an issue category that includes electronic delivery of software, documentation, and product packaging
- Product takeback and recycling

Our efforts in each area can be found in the cross-references to the relevant sections of this Environment chapter.

Energy and GHG emissions are the most important and complex environmental issues for Cisco. The issue of energy consumption includes not only our own operations, but also the extended operations of our supply chain partners with whom we outsource business functions such as contract manufacturing, component supply, and logistics. Product energy efficiency is important because, for most Cisco products, the use phase makes up from 80 to 95 percent of the product's carbon footprint. Product delivery and packaging also represent an opportunity for us to reduce impacts related to logistics and material usage.

We have focused our energy and GHG efforts on improving our operations, supply chain, product energy efficiency, and technology solutions to facilitate emissions reductions for our business and our customers. We recognize there's an opportunity for our products to help reduce GHG emissions in other industry sectors. We also work to minimize the environmental impact of our products by providing comprehensive product end-of-life (EOL) services for our equipment. Cisco has built a worldwide network of qualified recyclers through several programs, discussed in more detail in the Product Takeback, Reuse, and Recycling section.

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

Table 1 is structured around the GRI G3.1 performance indicator categories. Corporate Social Responsibility Materiality is discussed in the Governance and Ethics section and is based on research performed by an external consultancy.

Table 1. Sustainability Materiality Tiers for Cisco Environment-Related Issues

Tier	Environment Topic
1	Product energy efficiency
	Energy consumption (operations)
2	Waste (product EOL)
3	Waste (product packaging EOL)
	Water pollution (liquid effluents)
	Transport emissions (from product logistics)
4	Waste (operational "trash")
	Hazardous materials
	Water use
	Biodiversity and land use
5	Non-GHG airborne emissions

Principles

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

- Integrate environmental responsibility throughout our business while meeting customer expectations with respect to product function, delivery, quality, service, and EOL management.
- Work with our suppliers ("extended operations") to integrate environmental responsibility into all life cycle phases of our products.
- Use the GRI G3.1 performance indicators to guide our environmental impact assessment, reporting, and initiatives. Although we focus our investment on Tier 1 and 2 issues, all GRI indicators are accorded due diligence in assessing impact and implementing improvement programs.
- Provide complete, accurate, and public environmental reporting for our stakeholders.

Cisco maintains the following governance for our environmental sustainability efforts:

- We actively seek out stakeholder engagement and analysis on sustainability materiality assessment, reporting, and the results of our initiatives.
- Our Sustainability Executive Team (SET) governs our major environmental initiatives. SET is organized around specific tracks. Each track is sponsored by an executive from the affected business function. All tracks are co-sponsored by the executive that chairs SET.
- We maintain ISO 14001 certification for sites with significant potential for environmental impact.
- We use our CSR Business Process to govern reporting, stakeholder engagement, feedback to the business, initiative prioritization, goal setting, implementation, and metrics for environmental sustainability issues.

The risk from increasing GHG concentrations in the earth's atmosphere is real and significant. Cisco supports the reduction of global GHG emissions through improvements to our products and operations and through the actions of our suppliers. We use our own products to demonstrate at-scale innovative and cost-effective methods for reducing GHG emissions, helping our customers to do likewise.

Cisco uses our position as a respected global leader and an industry bellwether to achieve practical and effective solutions to global environmental challenges.

We believe that the most effective leadership is done by example. We will continue to improve our environmental impact assessment, reporting, and initiatives and encourage our supply chain and business partners to further develop best practices for their own operations.

Organization

Key executives, in tandem with business functions that are covered by our environmental management system, create and implement operational change. Teams focus on corporate-level initiatives that directly enhance Cisco's environmental performance.

- The SET is responsible for Cisco's strategy, initiatives and performance for major environmental initiatives. The Sustainable Business Practices team, within Corporate Affairs, manages the strategy, funding, resources, organization, schedule and execution of each SET track, as well as environment-related issues not requiring SET engagement. The executive sponsor of SET is Randy Pond, SVP, Operations.
- Cisco's Enterprise Risk Management process, which assesses business risk and reports to the Audit Committee of our corporate board, includes environmental sustainability in its audit checklist.

Cisco's overarching CSR objective is to build sustainability into each business function and process.

Performance-Based Compensation

In our continued effort to drive environmental sustainability, performance deeper into our organization, our two Cisco Presidents have established environmental sustainability goals, which are rolled out across their organizations. Employees are able to link their individual goals to company priorities and management team goals, such as established for environmental sustainability. Performance against these goals is used for compensation and bonus decisions.

Environmental Management System

An environmental management system (EMS) refers to the management of an organization's environmental impacts and programs in a comprehensive, systematic, and planned manner. An EMS:

- Serves as a tool to improve environmental performance
- Provides a systematic way to manage environmental impacts, requirements, and programs
- Addresses immediate and long-term impacts of an organization's activities, products, services, and processes on the environment
- Gives order and consistency for organizations to address environmental concerns through the allocation of resources and assignment of responsibility, as well as through ongoing evaluation of practices, procedures, and processes and their impacts
- Focuses on the improvement of the system and environmental performance

Cisco seeks to decrease our negative impacts while increasing our positive impacts on the environment. This concept is explained in our Corporate Environmental Policy. This policy, in conjunction with our EMS, provides an environmental performance framework that permits us to monitor and manage the environmental impacts that we find to be a priority for our business.

Cisco's EMS is certified to the international EMS standard ISO 14001:2004. Cisco sites for ISO 14001 certification are selected based on a set of criteria that includes:

- Facility size and lab area
- Building headcount capacity or persons housed
- Primary facility function

These criteria enable us to apply resources to certify sites that we believe will make the greatest contribution to reduce environmental impact. After a site has been selected for certification, 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, sustainability materiality of the issues, and the mitigation of the associated negative environmental impacts. Figure 1 shows Cisco's ISO 14001 certified site locations.

Scope and Implementation

All of Cisco's ISO 14001 certified sites are audited by an independent third party. Sites that were part of an acquisition are included in the scope of the Corporate Environmental Policy and corporate environmental initiatives. Table 2 shows Cisco's key performance indicators (KPIs) for our ISO 14001 certification.

Figure 1. Cisco ISO 14001 Certified Site Locations

This section is bookmark enabled.

Table 2. Cisco Environmental Management System ISO 14001 Certification

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Number of Cisco sites with ISO 14001 certification	27	28	30	30	28	Decrease due to closure of two sites (Chatswood, Australia and Monza, Italy). Calendar year certifications are assigned to fiscal year (e.g., CY14 assigned to FY14).
Percent of real estate portfolio with ISO 14001 certification	96%	95%	96%	93%	93%	Real estate footprint is viewed as a better measure of potential environmental impact than a headcount-based metric. Candidate ISO 14001 sites are filtered by minimum size and engineering lab function.

The EMS is used to identify the most significant environmental impacts at each Cisco site and to set relevant corporate and local environmental objectives or targets. Based on potential impacts, site teams adopt one or more initiatives to implement; when possible these initiatives also align with corporate-level programs. All ISO 14001–certified sites have teams that pursue environmental goals. The site operational teams report on goals, initiatives, and metrics that measure Cisco's environmental performance on an internal ISO 14001 dashboard. Our 28 ISO 14001 certified sites have a total of 59 ISO 14001 Aspect Teams that addressed site-specific environmental impacts during CY14. While the Monza site closed and is now considered part of Vimercate, Italy, for a majority of this year Monza tracked its own site Aspect Teams before moving and is included in the data provided. Table 3 lists the number of Aspect Teams per region that report on site-specific goals and activities.

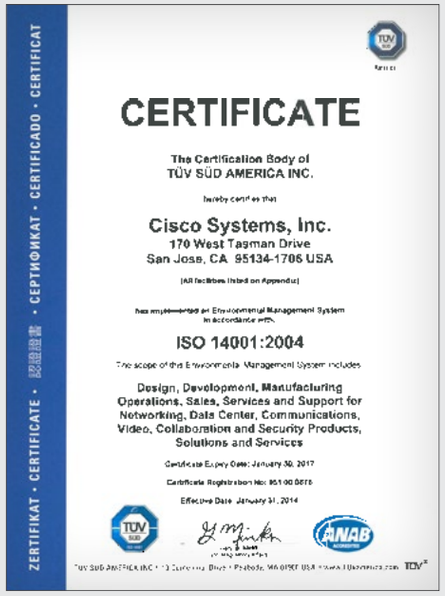
Table 3. Aspect Teams per Region

Aspect Teams	Global Teams	Americas	Europe and Emerging Markets (EEM)	Asia Pacific, Japan, China (APJC)	Total
Waste reduction and recycling		8	8	7	23
E-scrap management[1]	√	8	9	3	20
Energy management[1]	√	0	1	7	8
Green initiative/environmental awareness[2]	√	6	1	0	7
Wastewater management		1	0	0	1
Total per Region		**23**	**19**	**17**	**59**

1. These Aspect Teams have site-specific activities and goals but also support a corporate-level/global goal.
2. Used at smaller sites, these teams typically include activities around employee engagement, energy management, e-scrap management, waste reduction and recycling, and local green activities unique to that site.

Cisco's primary corporate sustainability activities (such as GHG and energy management, product environmental compliance, and supply chain management) are included in our certified EMS and are part of the internal and external audits performed annually. In CY14 we did not include the corporate-level programs in the internal ISO 14001 dashboard due to organizational changes, but the programs were a part of our internal and external audit plans. This will enable us to internally track key corporate environmental performance goals, initiatives, and metrics. We use performance tracking, metrics, and governance to monitor our progress toward meeting our goals and to guide us in finding ways to improve our EMS.

While challenges exist in scaling site-level ISO certification with changes due to acquisitions and company growth, we continue to improve the linkage between the sites and corporate-level goals to enable the EMS to capture globally environmental activities material to sustainability. In addition, Cisco's EMS aligns closely with the company's GHG and energy management program and supports the company's Sustainability Information System (SIS). The SIS helps Cisco expand our sustainability data collection, improve the accuracy of that data, and focus limited resources on more important tasks, such as evaluating and implementing mitigation projects.



Link to EMS Certificate

Audits Identify Best Practice

An important component of our audit process is identifying best practices. These are shared across business functions through our internal EMS newsletter and our ISO 14001 committee meetings, which include the ISO 14001 key partners.

Energy Management Best Practice
A total of 337 racks had cold aisles enclosed throughout the St. Leonard's Sydney, Australia labs which allowed a decrease in the number of required computer room air conditioning units for the three labs from 18 down to 14. This resulted in an estimated daily energy reduction of 674 kWh and a GHG reduction of 2.44 metric tonne per day.

The audit program also identified 23 Positive Comments. The positive comments were identified in various processes and/or activities at nine different certified sites around the globe.

Internal audits as part of Cisco's EMS provide regular assessments as to whether our environmental processes and commitments have been implemented and how well we are improving our EMS at our certified sites. The frequency of these audits depends on 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 3-year period, every site receives one onsite audit and one virtual audit. In FY14, we conducted 26 internal audits, seven of them were virtual audits using Cisco TelePresence or Cisco WebEx, and five were "hybrid" audits including an onsite and remote auditor using Cisco TelePresence or WebEx.

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

The data and processes for the environmental portion of our CSR Report were incorporated in the ISO 14001 internal audit plan to provide additional verification of the validity of the data reported. In CY14 this internal audit included nine different teams and verified the data-gathering process for about 130 environmental statements in the 2013 CSR Report. Verification of data, as well as processes, is key to reporting valid data and is a proactive process to identify data gaps. This will continue as part of the scope of Cisco's ISO 14001 internal audit program.

Employee Training

To support our goal to incorporate environmental design principles into our products, systems, and solutions, 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 the Cisco DX80 and Cisco TelePresence SpeakerTrack 60, Cisco TelePresence products, improving upon existing product designs, and working with our supply chain to make upstream operations more environmentally conscious.

Cisco continues to expand our sustainability coursework targeted to employees who have a significant role in defining product requirements or developing our products and packaging. In FY14, sustainability initiatives such as Pack It Green and One Future have sponsored live learning sessions with both internal and external experts covering topics that inspire and promote expansion of new and existing sustainability best practices and design-for-environment (DfE) principles. We will revamp our product development community webinar in FY15, which has been completed by over 1400 employees, to reflect evolving DfE principles.

To further embed environmental practices into our standard business operations, Cisco offers employee training on our business management system, which includes our EMS and environmental policies. We also offer training for our IT and engineering employees to provide information on how they can actively reduce energy use within Cisco's labs and data centers.

Cisco works in collaboration with the Electronic Industry Citizenship Coalition (EICC) to develop common industry training, tools, and standards to support suppliers in improving their sustainability capabilities and performance. For more information on Cisco's engagement with EICC (see Supply Chain).

Life-Cycle Assessment

Cisco uses life-cycle assessments (LCA) to estimate GHG emissions associated with our products. This work is described in more detail in Scope 3 Life Cycle Emissions, page F28. LCA is a holistic approach for assessing the environmental impact of a system, process, or product. LCA analyses can cover all or selected life cycle phases, LCA helps Cisco:

- Assess the materiality of various contributors to environmental impact
- Facilitate more informed selection of alternative materials that are environmentally preferable
- Understand the impact of product power consumption on product environmental 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 modes of transport for moving our products from manufacturing to logistics centers and to our customers

To aid in performing LCA work in various areas, we utilize tools and data sources such as PE International's GaBI 6.3 and other publicly available data sources, such as the International Energy Agency (IEA), the United Kingdom Department for Environment, Food and Rural Affairs (DEFRA), and the Greenhouse Gas Protocol (GHGP).

Design for Environment

We have incorporated environmental design principles into our products and manufacturing processes so that less raw material, packaging, and transportation are used, and product refurbishment and recycling are more effective. To this end, environmental design features were incorporated into our product requirements document.

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

- Energy efficiency (minimum 80 percent efficient power supply and efficient component selection)
- Hazardous materials
- Design-for-recyclability and upgradability
- Recycling marking on plastic components (ISO 11469, SPI codes) for ease of sorting during recycling
- Packaging and fulfillment (reduction of materials and package volume as well as logistics impacts)
- Design for longevity
- Compatibility with product takeback programs

Cisco's DfE principles are derived from a combination of sources, including formal requirements (for example, ECMA-TR370) and other best practices developed within our business. Examples of DfE guidelines to aid separation, identification, and recycling of materials include:

- Mechanical parts greater than 100 grams consist of one material.
- Plastic parts greater than 25 grams are designed with material coding, as per ISO 11469, so plastic material types can be more easily identified at the recycler.
- All plastic parts are free of metal inlays and can be separated with common tools, improving recyclability.

In FY14, approximately 97 percent of newly released products incorporated DfE principles.

Hazardous Materials

As a global supplier of electronic equipment to consumers and industry, Cisco conforms to applicable regulations for product, packaging, and battery materials. Global environmental regulations and Cisco's interest in reducing the impact of the materials used in the manufacturing of our products and in our supply chain have helped spur the development of our Controlled Substances Specification. The purpose of this specification is to communicate Cisco's substance use and reporting requirements to engineering, component suppliers, and manufacturing partners. The specification outlines the controlled substances and any conditions of use, regulatory restrictions, such as Restriction on Hazardous Substances (RoHS), substances to be reported and phased out, and substances under study for potential inclusion on the controlled substances list. For additional information on RoHS and other material related regulations visit Cisco's Materials webpage. In addition, for up-to-date, product-level information, visit our self-service Product Approvals Status (PAS) tool[1]

1. Note: Cisco.com registration is required.

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

Halogenated Flame Retardants and Polyvinyl Chloride

Two examples of substances outside the current scope of global regulatory requirements that Cisco monitors for reduction and substitution in the manufacturing of our electronics are polyvinyl chloride (PVC) and nonregulated halogenated flame retardants (HFRs). Cisco has been working with manufacturing partners, industry standards technical committees, and academia to validate proposed alternatives for HFRs and PVC. We have continued to identify, confirm, and qualify alternatives to plastics containing HFRs used in our products. Over the past three years, we have performed material assessments, surveyed suppliers, and identified the areas within our business where we could have the greatest influence and success transitioning to HFR- and PVC-free materials. This issue is most relevant to Cisco as it relates to printed circuit boards, plastic parts that we have designed, and cable insulation. Findings from these efforts for each area are described in the following sections.

HFRs in Printed Circuit Boards (PCBs)

In FY12, Cisco performed our own reliability and signal integrity testing of new laminate alternatives by way of new material qualification processes. As a result, we qualified new PCB laminate materials that do not have HFRs for use in new high-end switching and routing products. Cisco qualified several halogen-free laminates that are available for use. The cost, design flexibility, and performance of these qualified laminates make them attractive for a growing percentage of Cisco products, and we are encouraging our business units and suppliers to select these laminates for new designs.

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

HFRs in Cisco Designed Plastic Parts

Cisco is monitoring the plastic resins used in the parts we design. To date, we have gathered and refined information on the presence of HFRs in Cisco designed plastic parts provided to or manufactured for Cisco through design documentation and surveys with our manufacturers. Our research found that approximately 86 percent of resin compounds (by component volume) used in Cisco products either do not contain a flame retardant or use a halogen-free flame retardant. In addition, as part of the DfE guidelines, the use of alternatives to HFRs in plastics is recommended for new designs.

PVC in Cable Insulation

Cisco worked on the iNEMI PVC Alternatives Project to reduce cable insulation PVC content. This effort focused on understanding the environmental trade-offs of standard, nonhalogen, and bio-based cable jacketing.

Cisco also is a member of the High-Density Packaging Users Group (HDPUG) Brominated Flame Retardant (BFR)/Polyvinyl Chloride-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. Cisco complies with applicable packaging regulations that restrict the use of heavy metals and dangerous substances in our packaging.

Batteries

Batteries in Cisco products are generally used to maintain information in system memory when the device is powered off. These products are designed so the batteries can be easily located and recycled. Product labels provide an indication that the product contains a battery. This information alerts our recyclers that a battery should be removed before further processing.

Supply Chain

We have embedded, and continue to improve, responsible supply chain practices as part of our routine business processes to make environmental sustainability a key criterion in our assessment of, and ongoing relationships with, our suppliers. Discussion of these practices is provided in the Supply Chain and Environment sections of this CSR Report as indicated below:

- Supplier Code of Conduct
- Supplier Audits
- Supplier Scorecard
- Training Cisco Supplier Managers
- Working with Suppliers to Build Capability
- Scope 3 Cradle-to-Gate Emissions
- Scope 3 Supply Chain GHG Emissions Prioritization

Employee Engagement

In FY14, Cisco encouraged and supported employee interest in the environment in the following activities:

- Virtual Earth Day: This annual activity consists of a series of webinars on a variety of environmental topics either specific to Cisco or of general interest to our worldwide employee base.
- Think Green, Act Green and Environmental Management Newsletter: Internal, quarterly newsletters summarize Cisco's environmental activities for the period.
- Year-end shutdown: Cisco requires that the majority of our employees take time off at the end of December. This is a great opportunity to engage our employees on the importance of turning equipment off, especially lab and ICT equipment, before the shutdown begins. In FY14, this shutdown period was 9 days in length and resulted in approximately $1 million in energy savings and 3700 tonne CO_2 equivalent (tCO_2e) in avoided GHG emissions.
- Employee electronics recycling (e-scrap): Once a year, on Cisco's Recycle IT Day, employees can bring in any used electronics to have them recycled using the same vendors and processes used in our business. See page F41, Internal Programs for Cisco.

- Employee commuter incentives: The San Francisco Shuttle Pilot program provides transportation to employees and contractors living in San Francisco to our headquarters in San Jose. In FY14, Cisco provided about 50,000 rides to and from work, which prevented about 2.4 million miles from being driven by employees.

  Cisco encourages employee use of mass transit at some sites through programs that allow eligible employees to use pretax dollars to purchase mass-transit passes.

  Cisco continues to install additional electric vehicle (EV) charging stations for our employees and visitors in certain locations. The EV charging program is described in more detail in Scope 3 Employee Commuting, page F27.
- Amsterdam Green Community: This team, which consists of volunteers from multiple departments, is focused on ways to reduce energy usage, waste, and travel at the Cisco Amsterdam campus.

Corporate sustainability objectives can be linked to individual goals in Cisco's online performance management system. Employees are encouraged, as part of their individual performance goal setting, to identify connections to company priorities and line-management goals. Both Cisco presidents have established environmental sustainability goals which roll out across their organizations and align individual and business objectives with our environmental sustainability improvement goals.

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

- Energy solutions: Aim to highlight execution activities where Cisco can develop a strategy and vision for new marketplaces
- Circular economy: Work with the Ellen MacArthur Foundation to provide a coherent framework for a transition to a restorative economy
- Operational excellence: Drive sustainability efforts across the business, sharing ideas (projects), new innovations, and decision making with accountability on progress
- People and partnerships: Engage and collaborate with a wide range of subject matter experts including economists, scientists, technical architects, and behavior-change specialists

At the end of FY14, there are about 2300 contributing members within the OneFuture community.

Regulatory Fines

GRI EN28: Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations.

Our EMS certifications provide a regular assessment of our environmental compliance. We emphasize the importance of transparency in all business decisions. As part of Cisco's Code of Business Conduct 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 fines or penalties greater than $10,000 in the past five years.

Materials

GRI EN1: Materials used by weight or volume.

Packaging

The growing amount of municipal solid waste being added to landfills from product packaging is an environmental concern to Cisco. To address Cisco's impacts in this area, our packaging designs minimize material usage while protecting against damage during shipping, warehousing, and other handling. Packaging engineers work with the product design teams to reduce protrusions, the overall fragility of the product, and the product's external dimensions to reduce the overall amount of packaging required.

Products that are damaged in transit have both negative business and environmental impacts. Customer dissatisfaction increases while resource use, energy, and materials increase because the damaged product requires repair or replacement. Each packaging design goes through rigorous drop and vibration testing to confirm the required level of product protection. Once basic packaging and material requirements have been met, Cisco evaluates four additional aspects of environmental package design, as shown in Figure 2.

Packaging Material, Space Efficiency, and Distribution Optimization

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

In FY14, Cisco continued to apply the four dimensions of environmental packaging design as part of our release process for both new products and some legacy product offerings. Pack It Green is a cross-functional, cross-product movement of Cisco employees with a mission to eliminate excess environmental waste and costs associated with the packaging and fulfillment of Cisco's products, while at the same time improving the overall customer experience. "BU Champs" work to identify opportunities, sponsor pilot and best practices projects, and assist in educating others. The Pack It Green Initiative continues to view our packaging challenges from the product fulfillment level in order to prioritize, design, and implement improvements that go beyond just the packaging itself.

Product packaging efficiencies were measured for all shippable products. On page F12 of the Environment section of our FY12 CSR report, Cisco defined our packaging efficiency metric as the total weight of the product packaging over the weight of the product plus its packaging. Packaging efficiency ratios within each category or tier of product combined with shipment volumes were compared to one another to identify the best opportunities for packaging and fulfillment optimization. This methodology continued to be used in FY14 to prioritize improvement efforts.

Detailed investigations, including customer surveys and a Six Sigma "green belt" process improvement project, were performed to determine the most critical root causes of losses of efficiencies for the targeted product tiers.

In FY14, Cisco continued to address the identified losses of efficiencies in the following ways:

- Increased business participation in Pack It Green by 27 percent
- Expanded sustainable packaging and fulfillment solutions best practices across the business
- Continued development of new strategies for transport of goods by marrying new material technologies, system capabilities, and customer feedback

Figure 2. Four Dimensions of Environmental Packaging Design

In total, this work has resulted in approximately 888 metric tonne of material (corrugated board, plastic, wood, and other packaging materials) saved annually. In addition, these changes are expected to save $6.3 million annually through material and freight cost reductions.

Sustainable Packaging and Fulfillment Solutions

Cisco's sustainable packaging and fulfillment solutions result in a minimum set of items in each shipment and, in some cases, can even eliminate items that customers don't require. All of these packaging and fulfillment strategies not only reduce our material usage, but also help reduce GHG emissions through lower transportation weights. To read more about Cisco's efforts in this area, see Scope 3 Logistics, page F31.

Categories and FY14 highlights in this area are outlined in Table 4.

Best practices developed for these categories are regularly incorporated into our product design process through our design-for-environment guidelines; see Design for Environment, page F10.

Products

Understanding the materials that make up our products, and balancing this with regulatory requirements and our customers' needs, help us to identify opportunities to reduce or eliminate waste. A key requirement for our product designs is minimizing materials while still achieving performance and reliability targets.

Recycled Content

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

Packaging

Generally, Cisco product packaging uses corrugated cardboard that includes some recycled content. In addition, thermoformed cushions made from 100 percent recycled polyethylene are used on some products. However, this type of cushion is not suitable for every product, and therefore some products use foam cushions made from virgin material or recycled substitutes.

Almost all Cisco packaging for new products is made either of one material or multiple materials that are separable for recycling[1]. Customer, municipal, and regional recycling practices vary depending on the market. What is easily recycled in one market may not be as easily recycled in an emerging market or a remote location. The ability of customers to recycle our packaging depends on the recycling facilities in place in their region. In addition, customers may also not have internal processes to handle separately each category of recyclable material.

Cisco legacy products, including those produced by acquisitions, may not incorporate all current best packaging practices. A similar challenge also exists for packaging provided by a Cisco supplier that is delivered intact to the end customer. Based on planned volume, customer input, and projected savings, Cisco redesigns some existing packaging designs to reduce the volume of material used and to improve recyclability. As products go end-of-life, Cisco's overall packaging becomes more resource efficient and recyclable.

The plastic used in Cisco packaging falls into categories identified by codes 1 to 7. Polyethylene (codes 2 and 4) is the predominant material. Many but not all of the plastic components are labeled.

Although Cisco promotes the use of recyclable packaging whenever possible, some applications require the use of dissimilar materials joined together that cannot easily be recycled, for example, metallized anti-static bags (also known as ESD or electrostatic discharge bags). When these not-easily-recyclable materials are used, we minimize the quantity of, and amount of material used in, the bags.

Products

In addition to recycled packaging content, most products have material that has been recycled from other products. Electronic products consist primarily of electronic circuit boards, steel, and plastics. There is a robust global secondary market in recycled metals such as steel and copper, but Cisco does not require a minimum percentage of recycled content in new product manufacturing because the secondary markets don't offer granularity in material specification at an economic cost.

We use reground plastic (a product of the excess material manufacturing) in certain portions of our IP phones. In addition, we have begun to assess the possible use of recycled plastics within both our IP phones and storage product lines.

For product documentation, we encourage our vendors to use natural inks where practical. However, where clarity is important, such as in safety materials and operating instructions, the vendor is expected to use a type of ink that does not bleed or fade. We also scrutinize the amount of printed text required within a document, making it a goal to move as much as possible into an electronic format while balancing regulatory requirements. Finally, we continue to scope the requirements of Forest Stewardship Council (FSC) certified sourcing, with many of our vendors already certified or using FSC certified paper.

1. A notable exception are electrostatic discharge (ESD) bags, which have a metalized coating on the plastic that make recycling impractical.

Table 4. Sustainable Packaging and Fulfillment Solutions: Focus Areas

Category	Benefits	FY14 Example
Primary product configurable options	Reduce packaging and shipping costs by integrating product, subcomponents, and accessories into one carton.	New packaging for Cisco UCS® blade servers enabled us to ship the blades and chassis together. This project is expected to save Cisco over $2.2 million annually and eliminate 737 metric tonne of waste, plus increase operations efficiencies for our resellers.
Secondary product configurable options	Reduce materials, packaging, and shipping costs by providing customers with a way to opt out of receiving cables, brackets, and similar items.	Customers can choose not to receive: • UCS storage product power cables • Aironet® wireless access point mounting brackets and clips We intend to expand the availability of such options to address growing sustainability-minded customer demands. However, widespread customer awareness and adoption of such options remains a challenge.
Bulk packaging	Reduce packaging and shipping costs, and increase operations efficiency, by shipping like products in a carton selected during packing based on the order quantity.	The high-volume cable spares bulk-pack models piloted in FY13 were adopted by many business units in FY14. Over 128 cable products are fulfilled using the model. Return on investment (ROI) is estimated at $2.2 million and 130 metric tonne of anticipated annual savings from the FY14 efforts alone. The success of the bulk-pack models inspired a pilot on memory spares in FY14. By partnering with customers to meet their packaging and labeling requirements, Cisco successfully launched our first bulk-packed memory spares modules on the UCS product line.
Electronic delivery of software, licenses, and product documentation	Increase dematerialization and operations efficiency. Reduce CDs, paper, and packaging. Reduce packaging and fulfillment costs.	As a result of its success in FY13, the eDelivery program discontinued tracking electronic fulfillment adoption for software and license spares. However, opportunities abound to reduce software, licenses, and product documentation that ship with our product hardware. In FY14, our security and storage products began to ship with pointer cards that direct customers to online documentation, eliminating CDs and paper documentation. Cisco will support CD-based product documentation by exception-only in FY15.
Multipack products (or ecopack products)	Reduce packaging and shipping costs, and increase operations efficiencies, by selling “bundles” of like products in specific volumes. Increase customer satisfaction; identified as a significant issue by customers in our 2013 Sustainability Customer Survey, page F5.	We continued to investigate possible solutions to address end-to-end fulfillment challenges for our channel partners. As a result, in FY15, we are asking executives to solve critical challenges that are preventing widespread adoption of this most efficient manner to fulfill high-volume products.
Dense packaging	Reduce packaging and shipping costs by optimizing supply chain packaging between our factories.	We reassessed high-volume switching products for dense packaging optimization in FY14, achieved further optimization within the year, and identified future opportunities for FY15.
Packaging reuse and recycling within our supply chain and to our customers	Reduce packaging and related costs.	In FY14 storage products lead this category. We now reuse many of our Nexus® and UCS blade server chassis pallets received from suppliers for shipment to our customers. Cisco products use recyclable polyethylene bags for moisture protection or consolidation of accessory kit subassemblies. Over the years, we have reduced the thickness and size of many bags, and we have regularly encouraged suppliers to reuse these and any electrostatic discharge (ESD) bags. In addition, Cisco continues to substitute metallized antistatic bags with a fully recyclable antistatic bag when possible, particularly for high-volume products (for example, optical modules).

Energy and GHG Emissions

This section reviews Cisco's environmental impacts and our initiatives concerning energy and GHG emissions. The GRI G3.1 indicator protocols place GHG emissions under the Emissions, Effluents, and Waste category. Because Cisco's GHG emissions are almost all directly associated with the use of energy (typically electricity), we report GHG emissions with energy.

Cisco has successfully met two GHG emission reduction goals to date:

- September 2006: Clinton Global Initiative (CGI) commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute by FY09 (against a FY06 baseline).

  This CGI goal was met in 2009 and the commitment has been closed.

- June 2008: U.S. Environmental Protection Agency (EPA) Climate Leaders commitment to reduce all Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by end of CY12 (CY07 baseline).

  This goal was met in 2012 and the commitment has been closed.

The June 2008, 25 percent absolute reduction goal exceeded the annual reduction needed to meet reductions suggested by the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. We set our next 5-year goals based on guidance from The 3% Solution report, named for the annual emissions reduction thought to be needed through 2020 to meet IPCC guidance. According to the IPCC Annex 1, developed countries need to reduce GHG emissions by 25 to 40 percent below 1990 levels by 2020, and 80 to 95 percent below 1990 levels by 2050. Such a stabilization pathway was said to provide a "reasonable chance" of averting warming beyond 2°C above preindustrial temperature.

As part of the development of our FY17 GHG goal we used the EPA Goal Evaluation Model. The model predicted that ICT industry revenues will grow significantly through the FY17 goal year, and it also predicted that the industry emissions normalized to millions of dollars will increase 16.5 percent over the same period. These two projections combined indicate a business-as-usual increase in absolute emissions. Any goal that includes a reduction in absolute emissions is considered aggressive based on the EPA model. Our current GHG goal is a 40 percent reduction in absolute emissions by FY17 (FY07 baseline), an additional 15 percent reduction from our 2012, 25 percent reduction goal (that we met).

In February 2013, Cisco announced a set of five new goals related to our operational energy use and GHG emissions. We believe formal goals should address the issues that our environmental sustainability materiality assessment determined to be most relevant, which for Cisco are GHG and energy. Experience with our past goals and suggestions from stakeholders helped to inform the establishment of our new goals:

1. Reduce total Cisco Scope 1 and 2 GHG emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).
2. Reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).
3. Reduce Cisco's FY17 net, consumption-weighted electricity emission factor to half of the latest International Energy Agency (IEA) world average emission factor publicly available before the end of FY17.
4. Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline).
5. Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17.

Cisco decided early in our GHG reduction efforts to make 5-year commitments because the scale of the problem and solution doesn't lend itself to a short term planning and actions approach[2] Without a long time horizon, large investments, which have a potential for a big payoff, don't get done. With our latest goal setting exercise we secured a 5-year spending plan of more than $50 million for operational energy efficiency projects (not including products or supply chain). We believe Cisco demonstrates a best practice approach around goals setting, by:

- Committing to realistic longer time-horizon goals, befitting the scale of the problem
- Consistent and precise wording of goals with clear measurement methodology
- Consistent and transparent reporting (5 years plus baseline year data in our CSR Report in a format that does not change from year to year)
- Third-party assurance for all goal-related reporting

Cisco has been recognized for our GHG reporting by CDP and the EPA Climate Leaders:

- In September 2013, Cisco tied for the top spot on CDP's Global 500 with a disclosure score of 100 and an "A" performance rating. We share the top spot overall with six other companies worldwide that also received a maximum score. We were alone in first place in the ICT sector. We were also at the top of the S&P 500 assessment, tied with two other companies.
- These rankings are based on information submitted to CDP in June 2013. This represents our sixth year on the Carbon Disclosure Leadership Index (CDLI); and our fourth on the Carbon Performance Leadership Index (CPLI). For a long-term problem like climate change, consistently high rankings over an extended period are strong evidence of a company's commitment to improving GHG emissions disclosure and performance.

1. In our annual CSR Report we include CDP scoring released in September of the same year (2014); which is technically after the fiscal year covered by this report. We do this because the scoring is for Cisco work completed in the covered fiscal year and represents the most recent and relevant information available.
2. Sadly, many organizations that publish rankings and ratings do not share this long-term perspective, subtracting points unless annual goals are in place.

- Scoring for CDP 2014 was announced in our FY15 and will be included in next year's CSR Report.
- In February 2014, Cisco also was recognized for our Excellence in GHG Management (Goal Achievement) through the EPA Climate Leadership awards. Cisco received the award for meeting our 5-year 25 percent GHG reduction goal.
- In September 2013, Cisco was recognized as a Green Power Partner of the Year by the U.S. EPA.

Additional information about awards Cisco received in 2014 for our CSR efforts are available on our website.

Operations Scope 1 and 2

GRI EN3: Direct energy consumption by primary energy source.

GRI EN4: Indirect energy consumption by primary energy source.

GRI EN16: Total direct and indirect GHG emissions by weight.

Table 5 lists our Scope 1 and 2 GHG emissions. Scope 2 emissions typically represent over 93 percent of overall Scope 1 and 2 emissions and as a result, identifying and implementing projects that specifically reduce Scope 2 emissions is a major focus area for Cisco as part of our overall energy and GHG reduction strategy. In FY14, our Scope 1 and 2 GHG emissions were 30 percent less absolute than our FY07 baseline, solid progress against our plan to meet a 40 percent absolute reduction by FY17.

Table 5. Summary of Scope 1 and 2 GHG Emissions

KPI	FY07 Baseline Year[1]	FY10	FY11	FY12	FY13	FY14	Comments
Total gross GHG emissions: Scope 1, metric tonne CO_2e	50,578	52,515	60,718	65,832	55,811	49,901	
Total gross GHG emissions: Scope 2, metric tonne CO_2e	451,647	581,252	599,528	628,164	666,393	709,021	Gross is used consistent with CDP terminology. Gross GHG emissions do not include reductions from renewable energy purchases.
Total contractual GHG emissions: Scope 2, metric tonne CO_2e	385,911	323,626	356,209	185,840	256,714	255,755	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 dollars of revenue	14.4	15.8	15.3	15.1	14.9	16.1	Gross intensity is a measure of operational efficiency commonly used by many Cisco stakeholders.
Scope 2 emissions from primary data, percent	96.0%	98.5%	97.9%	97.9%	96.3%	97.1%	
Total contractual GHG emissions: Scope 1 and 2, metric tonne CO_2e	436,489	376,141	416,927	251,672	312,525	305,656	
Percent progress against reduction goal. Goal: Reduce total, Cisco, Scope 1 and 2, GHG emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-14%	-4%	-42%	-28%	-30%	Cisco's new corporate GHG reduction goal was announced in February 2013.

1. In the interests of transparency, our reporting policy for environmental metrics is to show the baseline year, data for the past five, completed years, the goal, and progress against the goal. Table format and goal wording does not change year to year.

Historical Scope 1 and 2 emissions data often vary from previous publicly reported values, either in the most recent CDP survey or in our FY13 CSR Report, because of updated emissions factors, adjustments for acquisitions or divestitures, or correction of any errors found during review. To support standardization and benchmarking across companies, Cisco uses the GHG Protocol Corporate Accounting and Reporting Standard as the basis for our Scope 1 and 2 calculations. The EPA Center for Corporate Climate Leadership provides additional program guidance.

Each year, an independent third party provides a limited assurance review of our GHG inventory, including all emissions relevant to our current GHG reduction goals, namely Scope 1 and Scope 2 emission sources. This limited assurance review is provided in accordance with the ISO 14064-3 International Standard.

See Table 6 for a summary of all of our energy-related KPIs. Indirect energy or electricity represents 88 percent of overall energy consumption. Additionally, although energy consumption has continued to rise year-over-year since FY07 at Cisco, a general trend throughout the ICT sector, Cisco has been able to slow the growth of our energy consumption by implementing the various projects described in this section.

Table 6. Energy Totals

KPI	FY07 Baseline Year[1]	FY10	FY11	FY12	FY13	FY14	Comments
Energy usage, GWh	1,254	1,491	1,613	1,750	1,763	1,791	
Indirect energy usage, GWh	1,029	1,267	1,353	1,465	1,521	1,572	Electricity is the only indirect energy source used by Cisco.
Direct energy usage, GWh	225	224	260	285	241	219	Direct energy consumption is the sum of Cisco's natural gas and diesel usage for heating and backup power generation and regular gasoline and diesel fuel used in Cisco's fleet.
Electricity usage, GWh	1,029	1,267	1,353	1,465	1,521	1,572	
Natural gas usage, GWh	148	115	118	144	111	104	
Energy use per unit of revenue, GWh of energy consumed per billion dollars in revenue	35.92	37.24	37.31	37.99	36.26	37.99	Note: Energy use per unit of revenue is one of our five new goals; we have reported historical values where available.
Percent progress against reduction goal. Goal: Reduce total Cisco operational energy use per unit of revenue worldwide by 15 percent by FY17 (FY07 baseline)	n/a	+3.7%	+3.9%	+5.8%	+0.1%	+5.8%	

Table 7 provides use-weighted electricity emission factor KPIs for all Cisco facilities, as well as for our major data centers. Including the effect of renewable energy purchases, Cisco's global average contractual emissions factor is 162.7 percent below the world average. This favorable comparison reflects locating facilities where low-carbon grid electricity is available and our engagement with utilities and green power providers to procure renewable energy. The ongoing challenge in future years will be to prevent our global, average emission factor from increasing as Cisco grows in emerging markets where low-carbon and no-carbon electricity is less readily available.

Reducing Emissions from Operations

GRI EN5: Energy saved due to conservation and efficiency improvements.

GRI EN7: Initiatives to reduce indirect energy consumption, and reductions achieved.

GRI EN18: Initiatives to reduce greenhouse gas emissions, and reductions achieved.

GRI EN30: Total environmental protection expenditures and investments by type.

Reducing our energy consumption and GHG emissions and enabling a diverse energy supply for our operations make good business sense, help us stay competitive, and benefit the environment. Our overall strategy to accomplish this is to:

- Continue to deploy global space policy and the Cisco Connected Workplace, which increases the utilization of our office space (see example Cisco Connected Workplace layout)
- Improve the efficiency of our buildings, with a focus on our engineering labs, Cisco's largest consumers of energy and greatest source of GHG emissions
- Use electricity from certified low-carbon and renewable sources

Table 7. Electricity Emissions Factors

KPI	FY07 Baseline Year	FY10	FY11	FY12	FY13	FY14	Comments
IEA world average emission factor, g CO_2e per kWh	507.1	502.3	502.3	502.3	528.7	536.0	Latest 2011 International Energy Agency (IEA) emission factor used for FY14. Prior years used latest IEA factors available at time of prior-year reporting.
Cisco, global average electricity emission factor (gross), g CO_2e per kWh	439.1	458.8	443.2	428.7	438.1	451.1	The increase from FY13 to FY14 is due to the increase in the world average emissions factor and a decrease in the availability of hydroelectric power in India.
Cisco, major data center average electricity emission factor (gross), g CO_2e per kWh	394.9	435.4	435.0	423.0	438.2	447.9	
Cisco, global average electricity emission factor (contractual), g CO_2e per kWh	375.2	255.5	263.3	126.8	168.8	162.7	
Percent progress against reduction goal. Goal: Reduce Cisco's FY17, net, consumption-weighted, electricity emission factor to half of the latest IEA world average emission factor publicly available before the end of FY17.	-26%	-49%	-48%	-75%	-68%	-70%	

In FY13 Cisco approved more than $50 million in funding to implement a suite of energy efficiency and renewable energy projects throughout our real estate portfolio between FY14 and FY17. In FY14, we avoided approximately 27.2 million kWh of energy consumption and 14,100 metric tonne CO_2e by investing $9.6 million to implement 90 energy efficiency and renewable energy projects. We estimate that implementing energy efficiency and renewable energy projects has avoided approximately 237 million kWh of energy and avoided 97,700 metric tonne CO_2e for Cisco since FY09[1].

Table 8 shows the energy savings associated with our GHG reduction projects implemented from FY10 to FY14.

Global Space Policy and Cisco Connected Workplace

As a result of Cisco's new building space policy approved in FY11, we continue to expand the use of Cisco Connected Workplace (CCW) in our real estate portfolio by requiring that all new buildings and renovation projects comply with CCW design specifications. By the end of FY14, CCW represented approximately 31 percent of our total office space. CCW is a very cost-effective GHG-reduction strategy because of the leverage of increased average occupancy or space utilization. In FY13 we approved a master plan to convert eight of our buildings to the CCW environment through FY17. This conversion will decrease the number of buildings using energy and increase the utilization of our remaining buildings. We expect to have reduced our facility footprint by approximately 1 million square feet after the planned conversion is complete.

Example of Cisco Connected Workplace Layout

For more on Cisco Connected Workplace, watch this video.

Labs

Over 60 percent of our operational electricity is used to power and cool equipment in our engineering and services labs. Making our labs more energy efficient represents the largest opportunity to reduce Cisco's GHG emissions and energy costs.

To reduce lab energy consumption, we are implementing the following steps:

- Infrastructure: Improving air flow management, ventilation, cooling, and similar building infrastructure systems
- Rationalization: Evaluating lab operations, removing unused equipment, and using virtual machines to increase server utilization
- Lab technology: Installing smart power distribution units (PDUs) and Cisco EnergyWise to monitor power and control the use of our lab equipment

Table 8. Energy and GHG Emission Reduction Projects

KPI	FY10	FY11	FY12	FY13	FY14
Number of projects implemented	21	19	26	103	90
Annual energy savings, million kWh/yr	7.4	16.8	15.6	76.5	27.2
Total estimated annual CO_2e savings, tCO_2e/yr	3,300	7,400	7,300	34,000	14,100

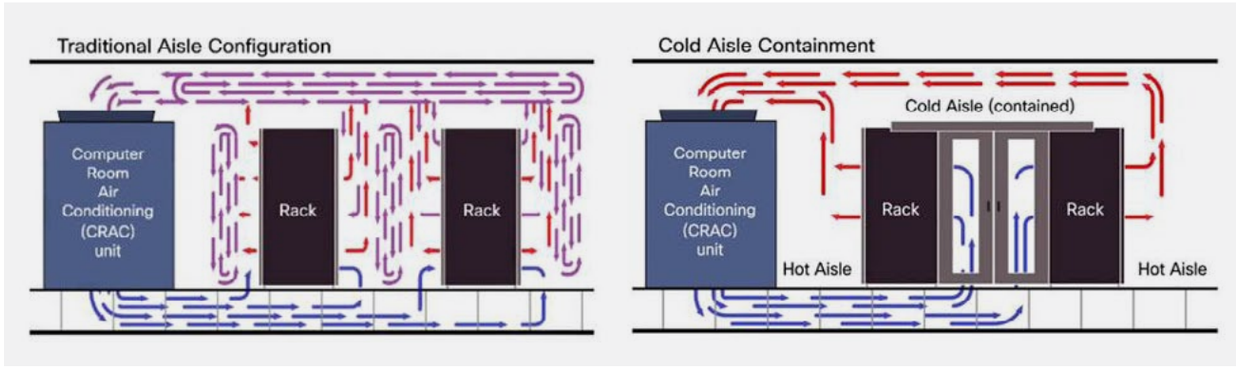
1. Our first 5-year goal was announced near the end of FY08.

- Change management: Deploying multiple employee engagement strategies to educate our employees and provide incentives for labs to actively monitor and conserve energy

As an example, reconfiguring one of our St. Leonards, Australia labs to a cold aisle containment layout, as shown in the nearby figure, saves about $150,000 per year in electricity costs. Our lab energy management program was recognized by the Uptime Institute, receiving its' 2013 Green Enterprise IT Award in the Green Digital Infrastructure category.

Using the following steps, we continue to engage our lab employees to sustain the energy reduction achieved in previous years:

- Energy champions: We engaged hundreds of engineers who volunteered to be "on-the-ground" change agents to drive a personal energy conservation message throughout our global network of labs.
- Digital signage: We used over 200 digital signs installed at our largest labs to show lab energy consumption statistics, tips on how to save energy in labs, and winners of energy conservation awards.
- Energy management plans and performance goals: We developed detailed energy management plans and performance goals that labs and employees could adopt and get credit for their energy conservation accomplishments from their own business unit.
- Rewards and recognition: We created regular opportunities for employees to be rewarded and recognized for exemplary energy conservation efforts. For example, we recognized employees of 10 labs that achieved at least 65 percent energy savings and 19 buildings that achieved at least 40 percent energy savings during Cisco's FY14 year-end shutdown period.
- Education and training: We created online courses to teach employees how to reduce energy consumption in their labs.



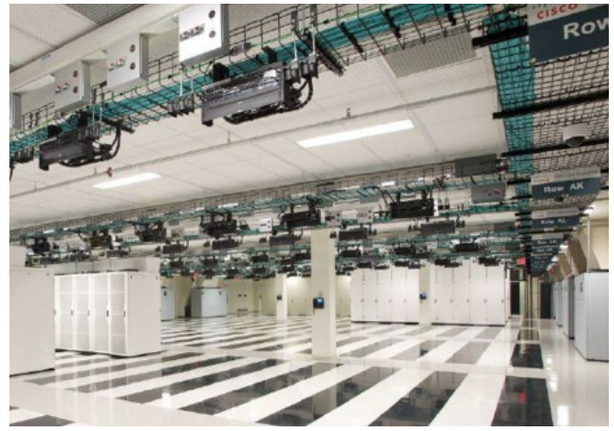
Traditional vs. Cold Aisle Computer Room Configuration

Data Centers

In the past two years, Cisco has opened new energy-efficient data centers in Research Triangle Park, North Carolina, and Allen, Texas. These data centers are designed to achieve a Power Usage Effectiveness (PUE) of 1.41 and 1.35 at full load, respectively. Both have achieved a Leadership in Energy and Environmental Design (LEED)-NC Gold Certification (v2.2) from the U.S. Green Building Council. In these data center designs, Cisco incorporated numerous features to reduce energy consumption and environmental impacts, including:

- Chimney rack hot-air isolation for improved cooling efficiency
- Waterside and airside economization
- Variable frequency drives on major equipment, including pumps, chillers, and computer-room air handler units
- Higher-voltage electrical service distribution of 480/277V; rack distribution of 415/230V
- 439 kW solar photovoltaic cells on building roofs
- Heat recovery from data hall for office space use (North Carolina)
- LED exterior lighting
- Low-E glass windows
- Reclaimed water use in cooling towers (North Carolina)
- Nonchemical water treatment system
- Water-efficient plumbing
- Occupancy sensors integrated with lighting and temperature controls
- Landfill diversion during construction

Case studies are available on our website on the design and construction of our data centers.



Cisco Data Center, Research Triangle Park, North Carolina

Building Energy Efficiency

Cisco takes three parallel approaches to improve energy efficiency in our real estate portfolio:

- Identify and implement energy-efficiency projects throughout our global operations
- Incorporate efficiency into new or significantly renovated spaces following U.S. Green Building Council LEED standards
- Apply Cisco's "green leasing" standards in selecting leased space and work with landlords to improve the energy efficiency of their buildings

We have made significant progress toward integrating green building standards into our real estate since our first LEED-certified building was built in August 2009. By the end of FY14, 30 Cisco facilities had achieved LEED certification, 22 of them Gold or Platinum status. These LEED facilities include the data centers in Allen, Texas, and Research Triangle Park, North Carolina, which both achieved LEED Gold certifications. Another new LEED facility is a renovation project in Bangalore, India, which received one of the highest-rated Platinum LEED ID+C scores in the world (96 points).

Cisco worked closely with our legal department and real estate partner to create "green leasing" terms and to integrate these terms into our standard lease template. Green leases provide corporations with a valuable opportunity to communicate and implement sustainability goals as well as to provide a foundation for measurement.

We applied these standards globally in FY11. In FY14, we included green leasing terms into 16 negotiated lease agreements representing over 466,000 square feet of office space. The green leasing terms in our standard template vary by size of the premises and length of the lease agreement, but in general, the larger the premises and the longer the lease, the more comprehensive the green leasing terms. Sample terms in the green leasing template include:

- Temperature controls
- Submeters for major utilities
- Building recycling program
- No chlorofluorocarbons used in HVAC system
- Bicycle storage and facilities in which cycling commuters can change for work
- Green building certification (LEED, BREEAM, ENERGYSTAR)

Incorporating these terms into leases is important for Cisco because approximately half of Cisco's real estate footprint is leased, and the leases are often long-term commitments. In addition, if we do not specify any green leasing requirements at the time of leasing, it can be difficult to incorporate these requirements later.

Not all of the terms in Cisco's green lease template are mandatory for every lease. At a minimum, the template is a tool for Cisco to negotiate with the landlord to include Cisco's sustainability principles in the leased facilities.

Energy Management

Cisco maintains a Global Energy Management and Sustainability (GEMS) team that leads sustainability initiatives across Cisco's 23 million square feet of global real estate. This team includes Cisco employees as well as energy managers working for our facility partners that manage day-to-day operation and maintenance of our buildings. The GEMS team manages Cisco's global annual utility budget, identifies and implements demand side and supply side energy solutions such as energy efficiency upgrades and onsite renewable energy projects, embeds sustainability criteria into our building design standards and engages Cisco employees to participate in energy conservation. Currently, the GEMS team is managing a more than $50 million, 4-year global EnergyOps program to implement hundreds of efficiency and renewable energy projects consistently across Cisco's real estate portfolio to help achieve our FY17 energy/GHG reduction goals. In FY14, 90 energy efficiency and renewable energy projects worth approximately $9.6 million in funding were identified and implemented by this team across many Cisco facilities, including:

- Increasing lighting efficiency by updating lighting controls and using high efficiency T8 bulbs and LED technologies
- Installing variable frequency drives and premium-efficiency motors and pumps in our HVAC systems
- Installing solar window film to reduce heat gain and improve occupant comfort

Learn how Cisco improved energy efficiency at its Shanghai, China campus. Read Blog.

Installed Window Film Reduces Energy Costs, San Jose, California

This section is bookmark enabled.

- Installing waterside economization and dry cooler technologies to improve free cooling utilization
- Improving insulation of heating and cooling piping, valves, and pumps
- Improving hot and cold aisle containment within our labs
- Implementing Cisco's EnergyWise-as-a-service and energy management control policies on our production IT environment
- Continuing an employee engagement campaign to promote, educate, and incentivize our employees to conserve energy

Dry Cooler Unit Saves $280,000 per Year, Ontario, Canada

Heat Exchanger Saves over $400,000 per Year in Energy Costs, San Jose, California

Onsite Power Generation: Solar

In FY14, Cisco installed and commissioned three solar photovoltaic (PV) systems at our facilities in Allen, Texas, Richardson, Texas, and Bangalore, India, which increased our total onsite solar PV capacity from 200 kW to 1.7 MW. Collectively these systems will produce annually 2.0 million kWh of electricity for Cisco, saving over $380,000 and preventing more than 1150 metric tonne CO2e of GHG emissions each year over the 25-year life of the systems. Watch a time-lapse video of the solar-panel installation at Richardson, Texas.

We also evaluated additional locations for installing solar PV systems in FY14, and as a result, began implementing an additional 966 kW solar PV carport system at our Boxborough, Massachusetts campus at the beginning of FY15. This project is expected to be completed in FY15.

Onsite Power Generation: Cogeneration and Fuel Cells

Cisco installed a 425 kW cogeneration system on our campus in Bedfont Lakes, United Kingdom that became operational in FY14. This system supplies both normal and emergency power to an important lab facility on campus as well as cooling through an absorption chiller. By using the waste-heat recovery capabilities, the system reduced GHG emissions annually by more than 800 metric tonne CO_2e. In FY14, we evaluated additional locations for both cogeneration and fuel cell installations but have not yet found a location where the return on investment is competitive with other energy-efficiency and renewable-energy projects. We will continue to evaluate cogeneration and fuel cells for economic onsite power generation.

Solar Project at Cisco Data Center, Allen Texas

Solar Project at Cisco Data Center, Richardson Texas

Solar Project at Cisco Office Building, Bangalore India

Purchasing Renewable Energy

Purchasing electricity generated from renewable or other low-carbon sources is an important component of our GHG reduction strategy. Cisco purchases renewable power where it is available in the local power market. We have purchased power from no- or low-carbon sources in the United States and Europe since 2006. In FY14, we established a new procurement process to acquire 5 percent of the electricity we purchase through the Indian Energy Exchange (IEX) from eligible renewable energy sources located in India. We plan to support no- or low-carbon energy sources in other regions of the world as they become available in the marketplace. Cisco's global renewable electricity purchases are summarized in Table 9.

Cisco has increased renewable power purchases since FY06 by buying Renewable Energy Certificates (RECs) and by entering into green power contracts with various electricity suppliers in the United States. In FY14, Cisco purchased 484 million kWh of Green-e Certified RECs and green power that was certified by Green-e, generated by wind projects located in Texas and the eGRID Midwest Regional Organization West (MROW) region. Additionally, Cisco purchased approximately 97 million kWh through various European green power suppliers. We continue to follow the guidelines from DEFRA and use the country-specific grid average emission factor when calculating emissions associated with green power purchased in Europe.

Cisco participates in the U.S. EPA's Green Power Partnership. In the July 2014 EPA green power rankings, Cisco was listed fifteenth among the National Top 100, eleventh among Fortune 500 companies, and fifth in the Top 30 Tech and Telecom companies. This EPA ranking is updated quarterly. In addition, Cisco was awarded the EPA Green Power Partner of the Year in September 2013, which was the second time since 2008 that Cisco was recognized with this prestigious award.

The percent of electricity purchased from renewable energy sources for various regions is shown in Table 10.

Table 9. Renewable Energy

KPI	FY07 Baseline Year	FY10	FY11	FY12	FY13	FY14
Electricity from renewable sources, GWh	110	351	358	552	523	583
GHG emissions reduction from renewable energy, metric tonne CO_2e	66,000	258,000	243,000	442,000	410,000	453,000
Percent progress against reduction goal. Goal: Use electricity generated from renewable sources for at least 25 percent of our electricity every year through FY17	10.7%	27.7%	26.5%	37.7%	34.4%	37.1%

Table 10. FY14 Electricity Usage from Renewable Sources

Region	Percent of FY14 Electricity from Renewable Sources					
	FY07 Baseline Year	FY10	FY11	FY12	FY13	FY14
Europe	31.4%	65.4%	64.4%	61.8%	73.0%	64.5%
United States	9.5%	28.6%	27.4%	43.6%	40.3%	43.9%
Global	10.7%	27.7%	26.5%	37.7%	34.4%	37.1%

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Operations Scope 3

GRI EN17: Other relevant indirect GHG emissions by weight.

Scope 3 emissions cover a broad range of activities, including our supply chain, logistics, product use, and product end of life. Cisco provides comprehensive information on our Scope 3 emissions in response to Question 14 of the 2014 CDP Investor survey. Cisco has set a Scope 3 air travel GHG emissions reduction goal and is focusing our Scope 3 operations-related efforts on reducing business-air-travel emissions. As part of this effort, we have developed and are using business processes, management practices, information systems, and standardized assessment methodologies for using Cisco network technologies to reduce air travel. Cisco is also the editor of the Transport Substitution chapter of the GHGP ICT Sector Supplement under the auspices of the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

The following sections provide additional detail on our Scope 3 emissions reporting and reduction activities.

Scope 3 Business Air Travel

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

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

- September 2006: Cisco made a commitment at the Clinton Global Initiative (CGI) annual meeting to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute by FY09 (against a FY06 baseline). This goal was met in 2009 and the commitment closed.
- June 2008: EPA Climate Leaders commitment to reduce all Scope 1 and 2 and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by end of CY12 (CY07 baseline). This goal was met in 2012 and the commitment closed.
- February 2013: Cisco announced a new goal to reduce total Cisco business-air-travel Scope 3 emissions worldwide by 40 percent absolute by FY17 (FY07 baseline).

Cisco's total global GHG emissions from business air travel over the last five fiscal years (including our baseline year FY07) are shown in Table 11. Travel reduction to meet our first 5-year goal were aided by budget reductions due to the economic downturn beginning in late 2008. Since then, Cisco has been entering new markets that require developing new and expanded partnerships, which has pushed travel up. In FY15, we will reinvigorate the discussion to better leverage our remote collaboration technologies for these new opportunities.

To date, we have not adopted different emissions factors for different classes of air service, for two reasons. First, our focus is on using remote collaboration technologies to avoid travel. Reporting reduced emissions because a larger percentage of employees flew economy class this year compared with last year moves the focus away from the goal of travel substitution. Second, we are unsure how to characterize emissions factors for different classes of air travel for a single company. Even though Cisco is a large company, it is likely that scheduled air service has not been changed by our reduction in air travel, even reductions measured in hundreds of thousands of flights per year. Of course, as more companies adopt collaborative network technologies, the number of plane flights should decrease. Therefore,

Table 11. Scope 3 Air-Travel Greenhouse Gas Emissions

KPI	FY07 Baseline Year	FY10	FY11	FY12	FY13	FY14	Comments
Total Scope 3 air-travel GHG emissions, metric tonne CO_2e	199,104	96,442	114,707	125,605	139,530	157,868	All emissions recalculated, starting with our 2013 CSR Report, using DEFRA 2014 emissions factors (Ricardo-AEA/Carbon Smart); radiative forcing not included.
Percent Scope 3 air-travel emissions from primary data	98.0%	96.1%	98.2%	98%	98%	98%	Primary air-travel data adjusted to represent 100 percent of Cisco business air travel.
Percent progress against reduction goal. Goal: Reduce total, Cisco, business-air-travel, Scope 3 emissions worldwide by 40% absolute by FY17 (FY07 baseline)	base year	-51%	-42%	-37%	-30%	-21%[1]	FY12 was goal year for first 5-year goal of 25 percent.

1. If air travel from the approximately 5,000-employee NDS acquisition is excluded, FY14 value is -25%.

we have chosen not to complicate what is inherently a conceptual reduction by not considering class-of-service flown in selecting emissions factors.

Each year, an independent third party provides a limited assurance review of both our Scope 3 air-travel emissions data and our calculations. For our FY13 CSR Report, in response to a comment during the external assurance process, we updated the emissions factors used in the calculation to the latest DEFRA emissions factors and applied them to all years reported in Table 11, including our base year. This change in emissions factors is the reason the total Scope 3 emissions in metric tonne have changed from those reported in our earlier CSR reports. Emissions factors used are from DEFRA 2014 and depend on length of flight segment but not on class of service.

We don't apply different emissions factors across the time frame in which we report because Cisco's focus is on substituting the use of ICT for physical air travel, i.e., actual travel reduction. If we varied the emissions factors, we believe that, for transparency, we would also need to report the total annual emissions from air travel using constant emissions factors to remove any effect of a modernizing air fleet as the likely reason for the reduced emissions factors.

During our initial 5-year goal period that ended in FY12, Cisco had to overcome upward pressure on travel from business growth and then work to achieve absolute reductions in emissions compared to the FY07 base year. As a result of this earlier effort, we experienced our first reductions in air-travel emissions, measured on an annual basis, starting in FY08. As the economy has recovered our travel did increase over the past several years, although we successfully met our FY12 reduction goal.

Our Scope 3 air-travel emissions reporting business process has been audited in the past by both our internal ISO 14001 audit team as well as our external ISO 14001 auditor. All numeric claims made in the Environment chapter of the 2013 CSR Report, including Scope 3 air travel, were subject to a multi-day, detailed, bottom-up audit in FY14 conducted by our internal ISO 14001 audit team.

Reducing GHG Emissions from Scope 3 Business Air Travel

To replace physical travel and meet our business air travel reduction goal, we rely on Cisco remote-collaboration technologies, including Cisco TelePresence videoconferencing, Cisco WebEx desktop conferencing, Cisco Unified Communications, and Cisco Jabber collaboration software.

Our rollout of Cisco remote-collaboration technologies across the company continues, but the rate of adoption has matured. Therefore, we are no longer trending adoption metrics that we have included in our previous CSR reports. These technologies include:

- **Immersive Cisco TelePresence videoconferencing:** Cisco has more than 1500 Cisco TelePresence rooms deployed in our offices worldwide.
- **Personal Cisco TelePresence videoconferencing:** Hardware-based (for example, DX80, MX300) personal video totals more than 8000 units. Software-based (Cisco Jabber) videoconferencing is available to all Cisco employees using Cisco assigned laptops.
- **Cisco Connected Workplace videoconferencing:** Cisco Connected Workplace is Cisco's shared office space solution. Many small, flexible-use rooms for 1-2 people have smaller videoconferencing units installed, totaling more than 400 units worldwide.
- **Cisco WebEx desktop conferencing:** WebEx is available to all Cisco employees using Cisco assigned laptops. Cisco TelePresence and Cisco WebEx now interoperate. For example, WebEx users can see and hear—and can be seen and heard in—Cisco TelePresence rooms, expanding the types of remote collaboration enabled by Cisco technology.

  Use of WebEx is pervasive at Cisco. Essentially all Cisco employees using Cisco assigned laptops are eligible to have a WebEx account. Hosting and attending WebEx meetings with other employees, our customers, our partners, and other stakeholders is as common (and easy) as using the telephone.

Cisco TelePresence 3200 Series Unit (18 Users) Connecting with Multiple TelePresence Units (on Screens)

This section is bookmark enabled.

1. Refer to the Scope 3 Business Air Travel section in the Environment chapter of our 2013 CSR Report.

We use Cisco TelePresence, Cisco Jabber, and Cisco WebEx for virtual company meetings, executive operational reviews, department "all hands" meetings, and our annual senior leadership "offsite" meeting, thereby expanding the types of interactions that can be conducted remotely. Additionally, about one-quarter of our annual global ISO 14001 site audits are performed using Cisco remote collaboration solutions. This real-world experience guides product development and helps with the rollout of supporting management practices.

The net effect of our adoption of collaborative technologies has been a reduction in travel, carbon emissions, and travel costs, plus an increase in employee productivity and work-life balance. At the same time, we maintained and grew the customer relationships we need for continued revenue growth.

However, replacing business air travel with remote collaboration requires more than just installing technology. We also had to adapt business processes, management practices, and culture to take full advantage of these new network technologies. As experience with remote collaboration technologies increased, both within Cisco and among our customers and partners, remote interactions have progressed from being the exception of a few years ago to now being a standard practice within Cisco. We anticipate they will be expected behavior worldwide in the near future.

Scope 3 Business Air Travel: Avoided GHG Emissions

The Transport Substitution chapter of the draft GHG Protocol ICT Sector Supplement distinguishes between emissions reductions and avoided emissions. Emissions reductions are actual, measured, absolute changes to emissions. Avoided emissions project what might have happened if an action hadn't been done. Cisco focuses on emissions reductions, but we receive inquiries about avoided emissions, so a brief discussion is provided.

It is difficult to project with certainty what might have happened to Cisco air-travel emissions without the widespread adoption of our collaborative technologies. To estimate avoided emissions, Cisco has compared changes in our actual air-travel emissions against changes in revenue and headcount. Revenue and headcount are two factors thought to correlate with changes to the amount of air travel. Our data indicated that, from FY04 to FY06 and before the acquisition of WebEx and the introduction of Cisco TelePresence, changes to GHG emissions were roughly proportional to changes in revenue and headcount. The revenue side of this observation is consistent with the fact that about two-thirds of Cisco's air-travel emissions were originally from our sales and service organizations, both "high-touch" business functions. The more products sold, the more customers Cisco serves, and the greater the potential for business travel. In addition, in the past, if someone was hired, it was likely they would become travelers.

Scope 3 Employee Commuting

Teleworking

The employee skill set 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 collaboration tools within Cisco permits employees to become well versed in integrating these technologies into their daily business activities. Several Cisco network technologies permit flexible working environments, including Cisco Virtual Office and Cisco OfficeExtend. Cisco Virtual Office provides wired and wireless voice, data, and video service for an employee's home or small commercial offices. OfficeExtend is a simpler, remote wireless access point in the employee's home that provides the same, highly secure communications to a wireless local-area network (WLAN) controller at the connected Cisco campus.

Over 25,000 Cisco employees have adopted Cisco Virtual Office, which includes a Cisco 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, especially important for a 24/7 global company. This proficiency can be applied directly to business activities where remote collaboration reduces air travel.

Electric Vehicle Charging Stations

Electric vehicles purchases by Cisco employees continue to increase, particularly in locations where Cisco has major operations, such as California and North Carolina. One concern that often prevents people in general from purchasing electric vehicles is so-called "range anxiety." Because charging can be a time-consuming process, (taking about 2 hours to get 40 miles of charge), the workplace is a logical place for charging stations.

Providing charging stations on our campuses for employees and guests has key benefits for Cisco. As an employee service, it can assist with employee satisfaction, recruiting, and retention. Supporting electric vehicle adoption also aligns with our sustainability strategy and can help reduce Scope 1 emissions related to our fleet operations. We installed our first electric vehicle charging station in FY11. By the end of FY14, we had a total of 163 stations with 303 charging ports available for use by Cisco employees and guests at no cost at several campus locations, including:

- San Jose, California
- Research Triangle Park, North Carolina
- Lawrenceville, Georgia
- Boxborough, Massachusetts
- Bedfont Lakes, United Kingdom
- Green Park, United Kingdom
- Lysaker, Norway
- Amsterdam, Netherlands

In addition to these stations provided by Cisco, we have also been working with property owners at our leased facilities to include electric vehicle charging for all occupants of their facilities.

Promoting Electric Vehicles: By offering electric vehicle charging, Cisco sparks employees to reduce emissions. Read Blog.

Electric Vehicle Charging at Cisco (San Jose, California)

Because emissions from the electricity used to charge employee EVs are less than commuting in a fossil-fuel powered car, Cisco has directly contributed to saving about 450 metric tonne of CO_2e in GHG emissions as a result of employees and guests using these onsite recharging stations. These figures are expected to increase as more employees buy electric vehicles and we expand the number of charging stations in our real estate portfolio to meet the additional demand.

In FY14, we joined the U.S. Department of Energy EV Everywhere Grand Challenge, which helps promote the installation of workplace charging stations through the sharing of information and best practices. We also participate in webinars and one-on-one discussions with other companies who want to learn more about workplace charging to share our experience and help expand the electric vehicle charging network. These outreach sessions included a webinar for the NCPEV Task Force in June 2014.

Scope 3 Life Cycle Emissions

Cisco's general use of life-cycle assessment (LCA) techniques was discussed in an earlier section, (Life-Cycle Assessment, page F10). Carbon footprinting, the LCA specifically focused on the environmental impact from GHG emissions, is the subject of multiple standards activities as well as increasing inquiries from channel partners, service provider partners, and customers. ISO 14040:2006 provides the principles and framework for life-cycle assessment as part of environmental management.

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

- Material acquisition and preprocessing
- Production
- Distribution and storage
- Use
- End of life

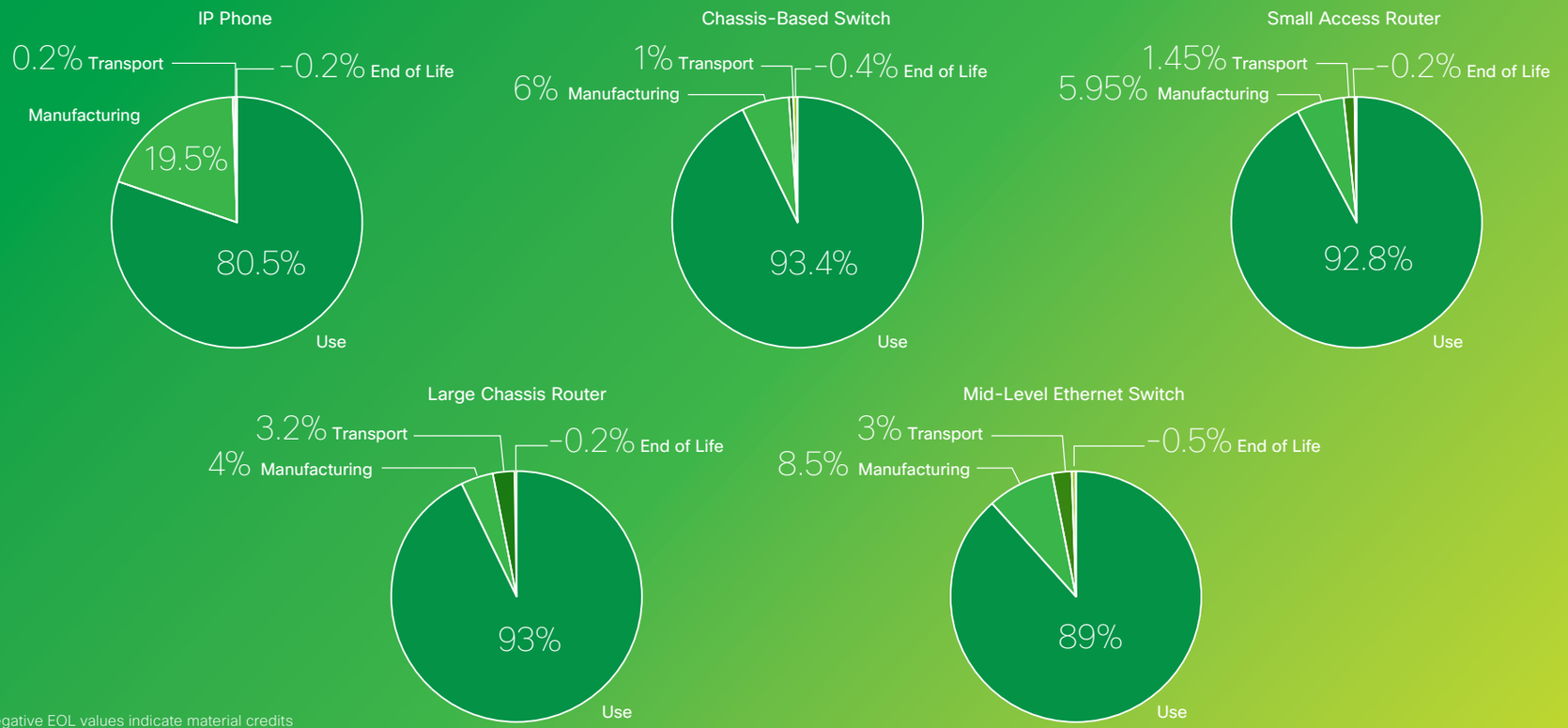
Cisco is committed to shaping our industry in this area through two avenues:

- Internal research to develop our capabilities
- Industry engagement

Our LCA work has focused on our most common products, including IP phones, standalone switches, and routers, which cover a substantial portion of our product line. We also have done LCAs on Cisco TelePresence videoconferencing to determine the net benefit from using ICT as a substitute for travel. For many of our product families, we have determined that the use phase accounts for between 80 and 90[1] percent of the carbon life cycle impact as shown in Figure 3.

Larger core routers and switches life cycle emissions can approach 95 percent from the use phase, because power is higher relative to weight. For lower-power devices—like endpoint devices that might have a shorter lifetime, can be turned off, and whose use is compatible with idle or standby modes—the percentage of emissions from the use phase is lower but still the largest contributor.

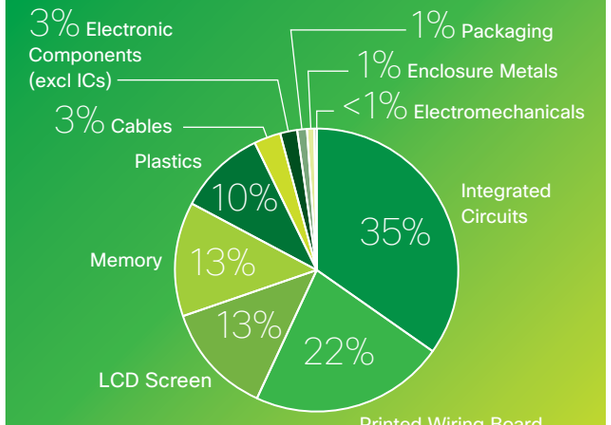
Figure 3. Breakdown of GHG Emissions by Life-Cycle Phase for Select Product Categories



Note: Negative EOL values indicate material credits associated with recycling and reuse of materials

1. Global emissions factors can vary by a factor of three, which impacts use-phase emissions. This analysis used the global average electricity emissions factor.

Figure 4. IP Phone Manufacturing Phase Impacts



In FY12, Cisco improved our capability to perform LCAs. We developed tools to automate the electronic component bill-of-materials analysis of products using design files and standardized life cycle models. Since then, we have focused on specific areas within our LCA analysis to further improve data availability and accuracy in the materials and manufacturing phases. Figure 4 shows the manufacturing phase carbon footprint of a Cisco IP Phone. The largest impact areas identified in this phase (integrated circuits, bare printed circuit boards, displays, and assembly and test processes) are also the most challenging for which to collect accurate data to support LCA modeling. To address this challenge, we are working with industry peers and suppliers to collect more data and improve calculations.

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

- GHGP Scope 3 and previously referenced product accounting and reporting standards
- GHGP 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
- International Electronics Manufacturers Initiative (iNEMI) Eco-Impact Evaluator Project (completed in FY13) to develop a simplified LCA tool for ICT products (Cisco was co-editor)
- High-Density Packaging Users Group (HDPUG) PWB Environmental Life Cycle Analysis project focusing on developing a model for the manufacturing of bare circuit boards
- Sponsorship of Stanford University civil engineering graduate program project and MIT internship on sustainability

The collective intent of these efforts is to build and share knowledge, apply life cycle concepts to our product design and operations, build engagement with academia, and support the ICT sector in working toward practical and useful methodologies to assess the GHG emissions impact of our products.

Scope 3 Cradle-to-Gate Emissions

Cisco receives numerous inquiries from stakeholders concerning supply chain emissions. This interest is properly founded on the concern that GHG emissions from subcontracted activities do not appear in Cisco's Scope 1 and 2 reporting. We subcontract the assembly of our final products and also rely on a worldwide network of component suppliers and logistics providers. These business partners, in turn, rely on additional supply chain partners to support their respective contributions to Cisco products.

To address the "subcontracting" of our GHG emissions, each year, we invite our suppliers to report to CDP. Because we strongly support CDP's mission, for the last several years, we've published a facsimile of the letter to our suppliers requesting them to report to CDP. Our March 2014 letter is provided as Appendix 1. The status of supplier reporting to CDP is shown in Table 12. We continue to expand our request to report to CDP to more categories of suppliers that support Cisco's business.

28 suppliers that reported to CDP in FY13 did not do so in FY14. We continue to work with suppliers to embed sustainability reporting into their annual business cycles.

Table 12. Supply Chain Partners Reporting to CDP[1]

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Contract manufacturing, by percent of spend	100%	100%	100%	100%	100%	Tier 1 partner. Goal: 100 percent
Approved Vendor List (AVL) components, by percent of spend	69%	69%	80%	86%	87%	Tier 2 partner. Goal: 80 percent
Global transportation, by percent of spend	50%	50%	93%	98%	95%	Tier 1 partner. Goal: 90 percent

1. Cisco's top-level metric for supply chain reporting to CDP is based on total Cisco spend within each supplier category. In the Supply Chain section, the supply chain objectives and Table 1 introduce a related goal and metric based on "key" suppliers, or those suppliers with whom Cisco has direct relationships and a reasonable ability to influence behavior.

Scope 3 Supply Chain GHG Emissions Prioritization

Cisco is using emissions data reported to CDP to understand the types of components and manufacturing processes that contribute the most to cradle-to-gate emissions so that we can prioritize our GHG emissions reduction efforts with our suppliers. Because a few suppliers still don't report to CDP, we substitute estimates or other data as available to support this prioritization.

We generally allocate supplier emissions by supplier revenue (i.e., Cisco spend). For example, if our spend with a supplier is one percent of that supplier's revenue, then we allocate one percent of that supplier's Scope 1 and 2 emissions to Cisco-related activities.

We include final manufacturing, assembly, and test as an additional category of spend so these steps in the product life cycle are included in our cradle-to-gate prioritization. In addition to prioritizing our supplier-emissions reduction initiatives, this data can also be used to benchmark or validate data lookups used in life-cycle assessments. We continue to refine our understanding of the relative contribution to total GHG emissions of the various product life-cycle phases so our investments in GHG reduction efforts are properly targeted.

Scope 3 Logistics

A key initiative over the past several years has been to optimize our global virtual factory-to-factory freight movement of goods, specifically "shifting" transportation modes from air to ocean whenever possible while still meeting customer expectations on lead time. In FY14, these efforts saved more than 77,000 metric tonne of CO_2e emissions, and have since been built into a playbook that helps to drive best practices in this area for both new and legacy supply chain maps.

The Sustainable Packaging and Fulfillment Solutions, page F14, describes our packing reduction and electronic delivery efforts that also promote freight weight reduction and reduced GHG emissions from product shipping.

To promote sustainability in our supply chain, we need to maintain strong relationships with our suppliers, and we must support them with their efforts to publicly report and set reduction goals. Since FY11, we have been scoring suppliers on providing sustainability performance data and on any important initiatives that have led to reductions in the environmental impact of delivering our products. For more information on sustainability in supplier scorecards, see Supplier Scorecard section in the Supply Chain chapter.

Scope 3 Product Use Phase (Product Energy Efficiency)

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

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

As global energy use has risen, so have GHG emissions. While the ICT industry accounts for about 2 percent of the world's GHG emissions from energy, we expect ICT energy consumption to grow faster than GDP.[1] Product energy efficiency is an important focus for Cisco because of the number and type of energy-consuming products that we sell each year. Some of these devices are replacements; others are additive, contributing to the growth in emissions from ICT equipment. Throughout their life cycle, our products consume the largest proportion of energy, and release the most GHG emissions, during the use phase. Product energy efficiency has emerged as a key design criterion in our products in light of our increasing awareness of climate change issues, and is one of the most important sustainability issues identified by our customers, see page F5.

Customers and regulators are increasingly requiring products that minimize energy costs and GHG emissions. Every year, the number of inquiries related to environmental sustainability we get from analysts, customers, shareholders, and nongovernmental organizations (NGOs) increases. Cisco tracks the energy-use regulations and certification programs of all countries to assure compliance as requested by our customers. For these reasons, improving product energy efficiency represents more than just a regulatory requirement for Cisco; it is a significant opportunity for us to help customers save on energy costs, reduce global energy demand, and lower GHG emissions in addition to making our products more competitive.

Advocacy and Standards Development

Cisco engages with governments, regulatory agencies, and standards-setting bodies in key jurisdictions to monitor and influence the development of emerging product energy-efficiency requirements and standards, particularly around climate change. We believe that these activities, when done properly, bring clarity and consistency to the global marketplace and create predictable requirements that reduce risk and enable companies to focus on the environmental issues important to their business. Specifically, we believe that product energy-efficiency standards can promote innovation by being performance based; by taking into account product functionality; and by relying on objective criteria, real-world data, and system-level efficiency.

1. Jonathan Koomey, *Growth in Data Center Electricity Use 2005 to 2010*, Analytics Press, August 2011, www.analyticspress.com/datacenters.html; and Gartner 2007, http://www.gartner.com/newsroom/id/503867

Table 13. Energy Efficiency-Related Initiatives and Organizations

Organization	Area/Issue of Engagement
Alliance for Telecommunications Industry Solutions (ATIS)	Cisco is an active member of ATIS and engages with other member organizations to develop standards relevant to the telecom industry. In 2010, Cisco took a lead role in the development of the ATIS TEER standard for the measurement of product energy efficiency.
Minimum Energy Performance Standards (MEPS) (Australia and Korea)	Energy performance requirements and maximum power consumption of standby modes.
European Telecommunications Standards Institute (ETSI)	Cisco is engaged with ETSI in the development of standards for energy efficiency.
Electronic Industry Citizenship Coalition (EICC)	Cisco is a founding member of the EICC, sits on its board, and contributes to the development and revision of the EICC Code of Conduct.
EU/ErP (Europe)	Cisco is an important stakeholder that helps with the development of energy using product (ErP) regulations and voluntary agreements for Europe.
International Telecommunication Union (ITU) (worldwide)	Cisco is a major contributor to the ITU-T SG5 Lead Study Group on ICT and climate change. Cisco presented to ITU the ATIS TEER methodology, which was then incorporated into Measure L, energy-efficiency metrics and measurement for telecom equipment, creating the opportunity for a single worldwide metric.
Ministry of Economy, Trade and Industry (METI) (Japan)	Minimum energy efficiency requirement for networking router and switch product groups.
U.S. Department of Energy (DOE), Environmental Protection Agency (EPA), Green Grid	Cisco has been actively working with the EPA for more than four years to define ENERGY STAR standards for networking equipment: SNE, LNE, telephony, and servers. Cisco also has actively worked with Lawrence Berkeley National Labs, the EPA/DOE technical arm, Navigant, NRDC, and Ecova on measurement methodologies and metrics. Cisco routinely provides feedback to these organizations on best practices, draft standards, and actual power measurement procedures for relevant products.
Telecom Regulatory Authority of India (TRAI)	TRAI is an Indian government regulatory organization for the telecom industry. In 2011 it released recommendations and guidance on energy efficiency metrics and measurement. Cisco provided extensive document reviews and recommendations on how to align with existing and widely adopted ATIS/ANCI and ITU-R relevant documents.

We have been working closely with the EPA to define ENERGY STAR standards for relevant products since 2008. In 2013 the EPA released Version 1.0 ENERGY STAR specification for Small Network Equipment; its objective was to differentiate more efficient products across six types of networking equipment. The EPA estimates that if all small network equipment sold in the United States met ENERGY STAR requirements, the energy cost savings would grow to more than $590 million each year and prevent more than 2.6 million metric tonne of annual GHG emissions. Cisco is working to qualify in-scope products with this and other existing ENERGY STAR specification programs. To date, this includes set-top boxes, enterprise servers, IP phones, and small network equipment (SNE). We are actively engaged in the development of an ENERGY STAR specification for large network equipment (LNE) which will cover a significant portion of our routing and switching products. A list of Cisco ENERGY STAR-qualified products is available on the ENERGY STAR program website.

Cisco considers ENERGY STAR specifications to be a useful means to promote product energy efficiency improvements. However, we believe that an approach that addresses product energy efficiency across an entire product system is a better way to measure and promote product energy efficiency. ENERGY STAR standards generally apply to a single point of power supply conversion at the front end of the total system. In contrast, the Alliance for Telecommunications Industry Solutions (ATIS) Telecommunications Energy Efficiency Ratio (TEER) measurement method covers all power conversion and power distribution from the front end of the system to the data wire plug, including application-specific integrated circuits (ASIC). For more on what Cisco is doing with ATIS TEER and ASIC, see Improving Product Energy Efficiency, page F33.

Table 13 highlights several illustrative examples of energy efficiency initiatives and organizations that Cisco participates in.

Figure 5. Total System Power Efficiency* (Percent Improvement)

* Total internal system power conversion and distribution from plug to ASIC; covers the complete internal power system conversion.

Figure 6. Example of Board-Level Energy Consumption by Function

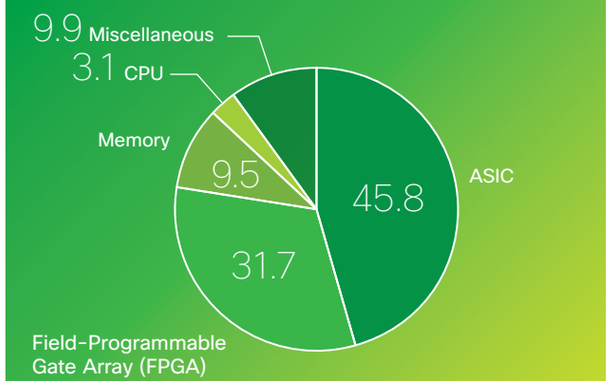


Figure 7. ASIC Performance Gbps/W (Core Routing ASICs)

Improving Product Energy Efficiency

When Cisco evaluates product energy efficiency, we consider the entire system power performance. We measure the efficiency loss as electricity passes through each component (or function). This can include for example the external power supply, front-end line card, point of load, and ASICs. Over the past nine years we have aggressively reduced our product energy consumption while increasing performance. For example, products with release dates from CY05 to CY15, we have increased circuit card power from 500W to 1350W and gone from 8kW to 28kW chassis using conventional fan tray cooling methods. These improvements have resulted in a total available power increase of 2.5 times while increasing our total system power efficiency by 46 percent over the same period (Figure 5). Our vision is to develop common power designs and specifications across Cisco technologies to continue the improvement of system power efficiency.

As part of this system power efficiency approach, we are working to reduce energy demand for ASIC found in most Cisco products. ASIC are designed for a particular application in a particular product. Lower-cost, higher-volume products that we sell use off-the-shelf original equipment manufacturer (OEM)-designed ASIC chips. For our enterprise and data center switches, Cisco Nexus and Cisco Catalyst® switches, we design our own ASIC chips. As shown in Figure 6, ASICs account for a significant percentage of board-level energy consumption.

We are developing energy savings approaches for our ASIC chips that include:

- Feature-based energy management: ASIC chips are often developed to be rich in features and capability so they can be used in many products. We are 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, we are scaling, or adjusting, the energy consumed by ASICs to achieve performance standards and minimize energy consumption. We are adjusting the ASIC chip energy requirements (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.

Our ASIC power-reduction techniques have shown a cumulative power reduction of 40.7 percent (gigabits per second per watt consumed [Gbps/W]) since 2005; see Figure 7.

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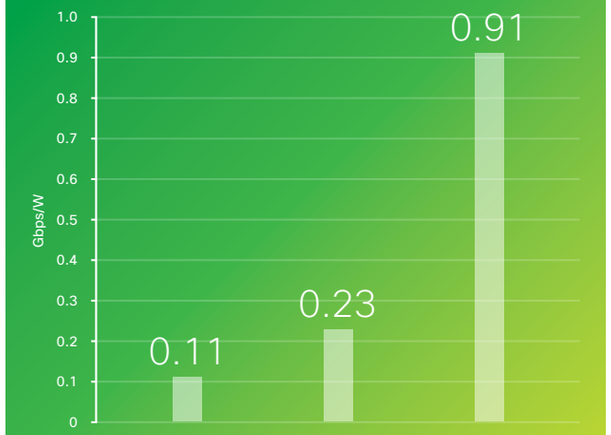
Figure 8. System Performance Improvements, Gbps/W



In 2009, Cisco was co-editor for several of the ATIS TEER standards and Energy Efficiency of Telecommunications Equipment: Methodology for Measurement and Reporting standards, and specifically those regarding:

- Servers and server blades (ATIS-0600015.01.2009)
- Transport and network systems (ATIS-0600015.02.2009)
- Router and Ethernet switch products (ATIS-0600015.03.2009)

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

These ATIS TEER standards have been incorporated into the Network Equipment Building System (NEBS) design guidelines applied to telecommunications equipment in the United States. NEBS is the most common set of safety, spatial, and environmental design guidelines applied to telecommunications equipment, and compliance is an industry, but not a legal, requirement. All Cisco products that have entered the market since 2011 have gone through the ATIS TEER testing.

We have used the ATIS TEER standard to develop energy profiles for representative models and products within the following product families:

- Cisco ASR 9000 Series Aggregation Services Routers
- Cisco ASR 5000 Series Aggregation Services Routers for Mobile Packet Solutions
- Cisco Catalyst 1900 Series, 2800 Series, 2900 Series, 3800 Series, 4500 Series, 6000 Series, and 6500 Series Switches
- Cisco CRS-1 and CRS-3 Carrier Routing Systems
- Cisco Network Convergence System (NCS) 6008 Router
- Cisco ONS 15454, NCS 4016, NCS 2000 Series Multiservice Provisioning Platforms
- Cisco Nexus 7000 Series Switches

The products tested make up more than 90 percent of Cisco products that are in ATIS TEER scope. Figure 8 presents system performance improvements, in Gbps per watt consumed, for a sample of our core router products (CRS-1, CRS-3, NCS) for which first-, second-, and third-generation energy performance was measured using the ATIS TEER standard. The results show that in these products, there was an 8.5-fold increase in normalized bits-per-watt performance between the three generations of products, with only a 2.5-fold increase in power usage.

Scope 3 Product End of Life

The last product life cycle phase defined in the GHGP Product Life Cycle Accounting and Reporting Standard is end of life (EOL) management. There are minimal emissions associated with this life cycle phase for Cisco products, and most of them are connected to the transport of the returned product and the recycling process. The largest impact of recycling on GHG emissions is reducing upstream emissions. For more information about our product, takeback, and recycling programs, see Product Takeback, Reuse, and Recycling, page F38.

As Cisco introduces initiatives to increase the return of used or EOL products, we will need to study the relative environmental impact of earlier or later product retirement. Energy efficiency usually improves with each new product generation, so earlier product retirement can decrease overall emissions since the use-phase emissions dominate the product life cycle. However, creating new products introduces other environmental impacts. A similar dynamic exists in the automotive industry. For example, is it better to retire a relatively new 30-mpg car for a 50-mpg car? We will use LCA techniques to inform our strategy in this area.

Water Use

GRI EN8: Total water withdrawal by source.

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

Our water use represents significantly less water consumption per employee than the average person uses each year in the United States. However, because some of our facilities are located in regions where water rights and usage are an issue of concern, we have been conscious and careful of water use in our operations. Since FY07, we have been collecting and tracking water usage data for our major campus locations. Using the World Business Council for Sustainable Development's water tool, we found that three of our 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

Our environmental sustainability materiality assessment determined that operational water use (office building potable water, sanitation, landscaping, and cooling towers) is not a significant impact area for our business. However, because the production of electrical power is one of the largest uses of fresh water worldwide, the greatest opportunity for Cisco to reduce our impact on water resources globally is by continuing to make our products more energy efficient.

In FY14, we continued measuring our water use so we can better understand the impact of our programs, and we were able to collect water data for 72 percent of our total real estate portfolio by area, as shown in Table 14. We have made great strides in improving our ability to track water consumption for much of our real estate operations, but this continues to be an ongoing challenge given the size and geographic dispersion of our operations and the fact that many of the locations where Cisco shares a building with other tenants do not have water submeters installed.

Wherever appropriate, Cisco reduces water consumption within the operation of our buildings and uses reclaimed water for landscaping and similar applications. Over the years, we have been able to make many changes to our landscaping practices while creating attractive and inviting landscapes for our customers, employees, and surrounding communities.

In FY14, we continued to support and maintain several water conservation initiatives throughout our campus locations, many of which started as early as FY08. Examples of these initiatives include:

- Using irrigation controllers throughout the San Jose main campus
- Using recycled water for irrigation and fountain displays
- Installing variable-frequency drives in our cooling towers
- Installing two-way valves for toilets, sink aerators, low-flow showerheads, and pre-rinse spray valves for kitchen sinks
- Converting the last of our decorative fountains at our Research Triangle Park, North Carolina, campus into landscaped beds planted with native drought-resistant plants

Research Triangle Park, North Carolina, Decorative Fountain (Before)

Research Triangle Park, North Carolina, Decorative Fountain (After)

Table 14. Water Use

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Total water use, m^3	1,753,269	1,763,536	2,311,548	2,300,266	2,577,189	Includes irrigation (where used) and potable water.
Real estate portfolio covered by water reporting	67%	68%	71%	68%	72%	

- Replacing turf with planter beds that require little water, and installing drip irrigation lines to improve irrigation efficiency
- Using a water harvesting system at our Bangalore, India, campus to capture rainwater for filtering and use

We mitigate our impacts in water-scarce areas by incorporating resource constraints into our local office building and data center development plans.

Biodiversity and Land Use

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

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

GRI EN13: Habitats protected or restored.

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

GRI EN15: Number of International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

GRI EN25: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

At Cisco, land use for facilities and office-based operations represents our primary impact on biodiversity. We mitigate our impact by reducing the demand for physical office space. Our employee telework programs and other support solutions, such as Cisco Connected Workplace, Virtual Office, and OfficeExtend, are instrumental to our strategy.

The flexibility of Cisco Connected Workplace and our collaboration technologies reduces the demand for office space by more efficiently using existing space and enabling employees to work remotely while remaining productive. A space using Cisco Connected Workplace can accommodate approximately 30 percent more employees compared with a traditional office layout, substantially reducing office space and land use requirements and the associated impacts on the environment. As mentioned previously, in FY13 Cisco approved a master plan to convert eight of our buildings into the Cisco Connected Workplace work environment by FY17. By doing this, we will increase the density in our remaining buildings and reduce our facility footprint by approximately 1 million square feet. Table 15 shows the percent of our portfolio with biodiversity assessments in place.

Cisco also evaluates the biodiversity and land-use impacts of facility sites through environmental impact assessments required for permitting. From these assessments, we generate an annual biodiversity summary report that summarizes GRI EN11-15 and EN25 for all existing land and property we own. For example, in Alviso, California, a 20.4-acre parcel of land we own is a protected habitat for the burrowing owl (ICUN Red List Category Least Concern) and a rare plant species (called Congdon's Tarplant). Protection activities we have implemented on this land include:

Burrowing Owl in Cisco Developed Habitat Preservation Area in Alviso, California, Adjacent to Our San Jose Campus

- Developing and implementing a wetland mitigation plan that created 0.77 acres of wetlands in the habitat preserve area and establishing a 5-year monitoring program and maintenance program
- Implementing a rare plant species mitigation plan, such as for Congdon's Tarplant, which involves seed collection and replanting within the habitat preserve area and ongoing maintenance over a 5-year period
- Implementing a burrowing owl mitigation plan that required us to complete preconstruction surveys for burrowing owls

Table 15. Biodiversity and Land Use

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Percent of real estate portfolio with biodiversity assessment	65%	63%	61%	61%	60%	Includes International Union for Conservation of Nature (IUCN) Red List and national conservation list species with habitats in areas affected by operations. Owned property.

- Installing 12 artificial burrows in the habitat preserve area, implementing habitat maintenance measures to encourage owls to relocate to and remain in the preserve area, monitoring the owls during construction activities, and installing a permanent perimeter fence for protection of the preserve area
- Locating grazing cattle on this habitat preserve area as a method of weed abatement and soil compaction to help facilitate wetlands establishment

Non-GHG Emissions

GRI EN19: Emissions of ozone-depleting substances by weight.

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

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

Table 16 summarizes our non-GHG-related airborne emissions: VOCs, NOx, SOx, and particulate matter. NOx and SOx emissions originate from the combustion of fossil fuels in vehicle engines, boilers, or emergency generators that are occasionally used and tested onsite.

At locations across Northern California, Cisco complies with California Air Resources Board requests and does not use powered mechanical equipment, such as gasoline-powered lawn mowers, after 11 a.m. on designated Spare the Air days when air quality is poor in the San Francisco Bay Area.

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

Effluents (Liquid)

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

GRI EN21: Total water discharge by quality and destination.

GRI EN23: Total number and volume of significant spills.

We seek to situate our operations in areas where we can successfully serve our customers while limiting our negative environmental impacts. Operations location 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. One of the options we have begun to implement is water-based cooling.

Table 17 tracks liquid spills and discharges from Cisco facilities.

Table 16. Non-GHG Emissions

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Volatile organic compound (VOC) emissions	negligible	negligible	negligible	negligible	negligible	Quantities of VOC-based chemicals deployed are minimal and are not required to be monitored.
NOx, metric tonne	241	339	381	341	270	
SOx, metric tonne	0.84	1.05	1.11	1.00	0.88	
Particulate matter	negligible	negligible	negligible	negligible	negligible	

Waste

Product Takeback, Reuse, and Recycling

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

Our trade-in and takeback programs are designed to bring back the products that Cisco or our acquired companies have sold to channel partners and end-user customers. Of products sent to our e-scrap recyclers, nearly 100 percent is recycled and all commodity fractions go to downstream recyclers to be made into new products. During FY14, Cisco refurbished, resold, or reused over 2764 metric tonne of products returned to Cisco. Table 18 provides the annual total weight of product returned to Cisco and data on refurbishment and reuse of the returned product as well as any residual material that is sent to municipal waste and landfill.

Information on our compliance with product recycling regulations can be found online. Products are labeled with a crossed-out "wheelie bin" symbol to encourage end users to reuse or recycle electronics instead of disposing of them in the trash.

Table 17. Effluent Spills and Discharges

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Spills and discharges	none	none	none	none	none	In FY14, there were no reportable spills or discharges to the environment from Cisco facilities or operations worldwide.

Table 18. Product Trade-in and Return

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Product return, metric tonne	8,580	11,595	13,324	12,539	12,180	Lighter and more powerful products are in part responsible for the decreasing trend in product return weight.
Refurbish, resell, and reuse rate, percent	n/a	17%	25%	25%	23%	Data unavailable prior to FY11.
Returned material sent to landfill	0.33%	0.89%	0.43%	0.33%	0.30%	Landfilled material consists only of non-electronic waste materials, such as broken pallets, wet cardboard, and shrink wrap, accompanying Cisco product returned by customers for recycling.

Table 19. Cisco Takeback, Reuse, and Recycling Programs

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

We have nine different programs in operation to support our product trade in, takeback, and recycling efforts. These fall into three categories, as shown in Table 19.

Information regarding our trade in, takeback, and recycling programs is provided in the following text and is supplemented by our product recycling web portal[1]. A flow diagram of the programs listed in Table 19 is shown in Figure 9.

1. Cisco Connection online registration required.

Customer Programs

We have two trade-in programs, the Cisco Technology Migration Program (TMP) and the Exceptional Pick-Up Program (EPUP), for customers that are purchasing new equipment and have qualifying equipment to upgrade. Eligible customers receive an additional discount for returning working used equipment to us. These programs are the single largest flow of materials back to Cisco and they provide the newest and best-quality used equipment for refurbishment and reuse.

Trade in materials are routed to value recovery and queued for refurbishment for resale or reuse to Cisco Capital® Remarketing, Cisco Service Supply, or an internal Cisco lab.

Reuse is always our first priority. In FY14, Cisco reused over $360 million of Cisco equipment, calculated at standard cost. Any item that is not reusable goes to one of our authorized recyclers.

The Cisco Takeback and Recycle Program is focused on Cisco branded items that do not qualify for either of our two trade-in programs. This program also accepts equipment from other manufacturers that has been displaced in the customer's network by newly purchased Cisco items. The equipment is typically old and has no reuse value, or it is damaged. These materials go to the closest approved recycling site. Currently, there are 30 recycling locations around the world, as shown in Figure 10. The number and location of Cisco authorized recyclers continue to expand based on the growth in our business and the requirements of local regulations.

Engaging with our takeback and 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's contracted third party then contacts the customer to arrange the pick-up and work out the logistics for returning the materials to the appropriate location.

Figure 9. Reverse Logistics Material Sources and Flow of Materials for Reuse and Recycling

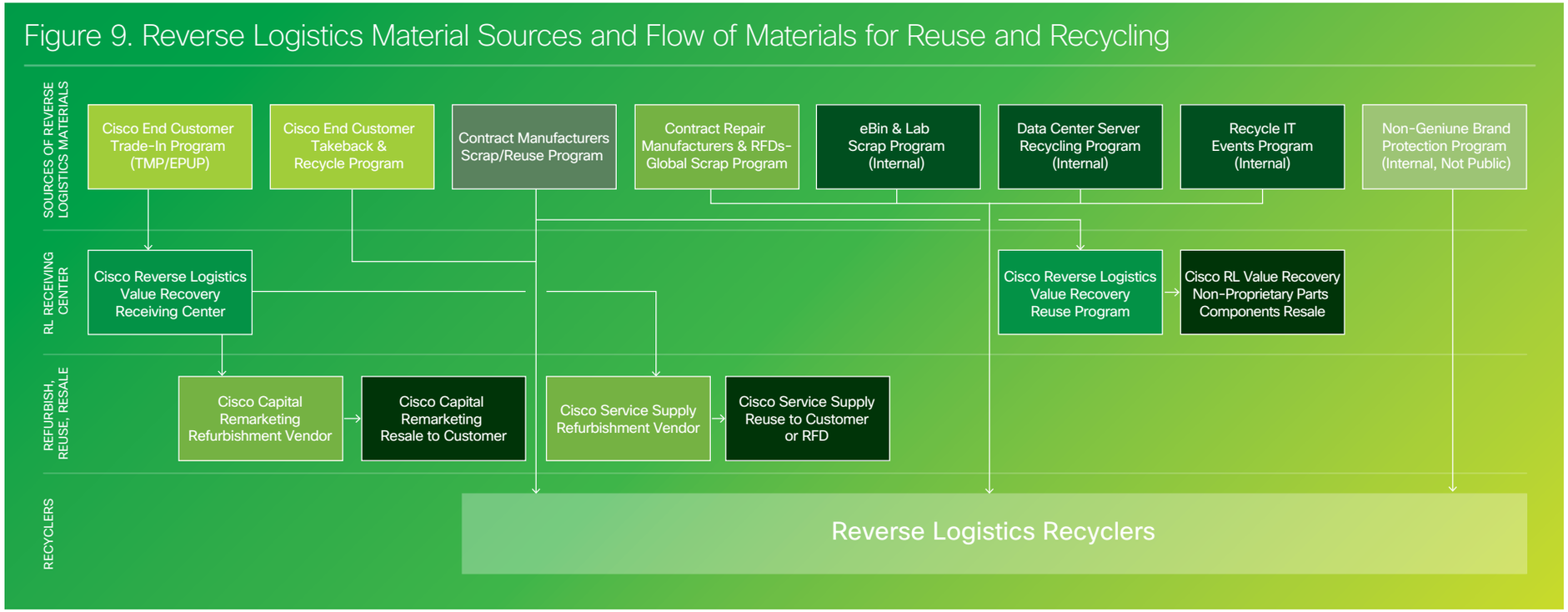


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Figure 10. Cisco Reverse Logistics Locations

Programs for Companies Producing or Repairing Cisco Products

The Cisco manufacturing Scrap/Reuse Program takes excess, obsolete, or damaged materials from our contract manufacturers, manufacturing partners, original equipment manufacturers (OEMs), original design manufacturers (ODMs), and proprietary component suppliers.

Our contracted repair manufacturers and distribution depots use the Global Scrap program for their excess, obsolete, or damaged materials. Both of these programs are a valuable source of reusable product.

Internal Programs for Cisco

The largest of Cisco's internal programs is the eBin/Lab Scrap Program. The eBin program began at our San Jose campus, where 185 labs produce a large amount of e-scrap, and now eBin includes all Cisco labs and offices worldwide. The eBins are green plastic rolling bins where materials are collected in the labs for recycling. Smaller labs may have only one eBin, and large labs may have more than a dozen. Each eBin has an owner, and when the eBin is full, the owner visits our recycling web portal and fills out a pick-up request. The Cisco authorized recycler responds to arrange the date and time of pick up and to deliver any requested empty eBins.

The Cisco Data Center Server Recycling Program serves data centers in 11 countries. When a data center no longer needs a server, it is offered to other Cisco data centers for possible reuse. When one of these servers reaches the end of its useful life, it is recycled, with all parts being shredded. Some products are not reused because they have, or have had, sensitive data residing in their memory.

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

As mentioned previously in Employee Engagement, we hold annual Recycle IT Days for our employees. Cisco employees and contractors can bring in their e-scrap from home and have Cisco pay to have the materials recycled properly. Any Cisco office location can host a recycling day event. In April 2014, we held our 19th e-scrap event, with 129 Cisco sites around the world participating and more than 211 metric tonne of used electronics collected. Since Cisco started holding these events, our employees and contractors have helped recycle over 2230 metric tonne of used electronics.

E-Scrap Recyclers

We currently have four contracted e-scrap recyclers. Each recycler has several company-owned facilities. Each recycler also has several subcontracted recyclers to provide global recycling coverage. Cisco's contracted recyclers are certified to one or more e-scrap specific recycling standards, such as R2, R2 Rios, and eStewards. Our contracts require recyclers to enforce our strict recycling processes upon any of their subcontractors doing Cisco work. We must approve of each prospective recycling company and each recycling location prior to sending any Cisco equipment for processing. Additionally, our recycling program described earlier is formally documented and is part of the contract with each of our recyclers.

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

We hold quarterly business reviews with each of the four contracted recyclers to review the past quarter's results, to go over all action items that were to be worked on during the quarter and the focus areas for the next quarter. We also conduct random spot site audits of the recycling facilities.

E-Scrap Recycling Process

Each load of e-scrap is weighed on calibrated scales upon arrival. Next, each unit is 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. Some Cisco printed circuit boards contain a battery that is removed prior to shredding. After the shredding, an additional hand or mechanical sorting is done to pull off any loose pieces of the commodity fractions. All fractions are sent to downstream recyclers for further recycling to eventually be sold on the global materials markets. Shredded printed circuit boards go to a specialized smelter where as many as 19 metals are harvested from the boards. These harvested metals are sold on the global metals markets. Any batteries or packaging materials sent to recycling facilities are sent to downstream recyclers as well.

Product Packaging End of Life

We have not adopted a packaging takeback program, as the environmental impact, including transportation and emissions, from a packaging takeback program outweighs the potential benefits when compared with using local recycling. Therefore, Cisco takes the approach of designing our packaging to be separable and recyclable so it can be directed to local packaging material recycling programs. See page F13, Materials—Packaging.

Solid Waste from Operations (Trash)

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

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

Cisco's Waste Reduction and Recycling Program for our operations is a key component of our ISO 14001 certification and global environmental policy. We routinely collect and recycle waste streams, including batteries, CDs and diskettes, beverage containers, trash, wood and pallets, cardboard, mixed paper, confidential waste, packaging materials, toner cartridges, compost, polyurethane foam, landscape waste, mobile phones, food waste, and construction waste. Electronic waste collection programs are described in the previous section. Figure 11 shows our trash recycling rates for solid wastes for our major North America campus locations.

Municipal and regional recycling practices vary. What is easily recycled in one region may not be as easily recycled in another. The ability of our facilities to recycle operational waste often depends on the recycling facilities in place in that region. All Cisco facilities take steps to reduce their operational waste and recycle materials that can be recycled in each location. For example, initiatives at our San Jose headquarters led the way by diverting 87 percent of all waste streams in FY14. In addition, Cisco campuses in San Jose, California, and other North American locations host programs for composting and recycling food wastes where municipal facilities are available to process these materials. During FY14, the food waste separation program at the San Jose campus diverted approximately 800 metric tonne of food waste that otherwise would have been sent to local landfills. The waste was then turned into compost and made available by the municipality for purchase by gardeners.

Figure 11. Recycling Rates for Solid Waste from Major North America Operations (Trash)

The significant decrease in the solid waste recycling rate observed in FY14 at our RTP site, Figure 11, is currently under evaluation. Preliminary findings suggest a combination of increased headcount and construction projects is the likely cause. The overall RTP program is being reviewed to better understand this change and set new recycling goals for the campus.

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Table 20. Solid Waste from Operations (Trash)

KPI	FY10	FY11	FY12	FY13	FY14	Comments
Total operational waste generated, metric tonne	4,845	4,643	4,524	5,015	6,909	
Percent real estate portfolio covered by waste reporting	46%	51%	58%	52%	56%	Includes major campus locations in the United States, India, and China.
Total operational waste recycled, metric tonne	3,443	3,345	3,119	3,772	5,432	
Operational waste recycled, percent	71%	72%	69%	75%	79%	

Figure 12. Breakdown of Solid-Waste Streams (Trash) at San Jose, California, Headquarters Campus

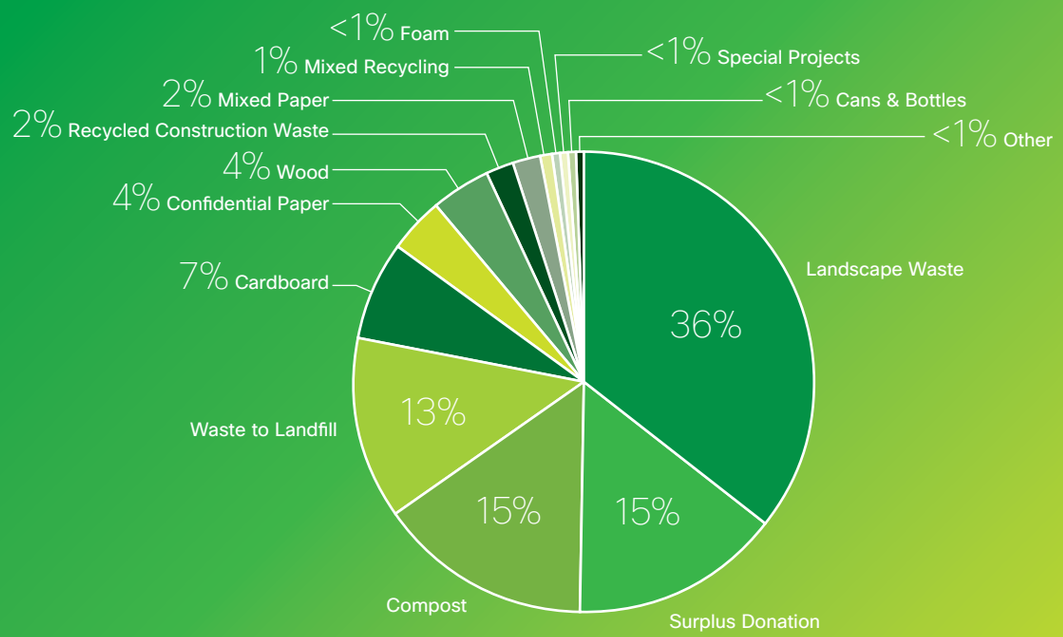

Table 20 shows our solid waste metrics. Note that operational waste recycling performance depends on both Cisco performance and the availability of supporting services by local waste hauling and disposal vendors. In addition, a breakdown of our waste stream for the San Jose site in Figure 12 illustrates our key sources of operational waste, the complexity of proper waste stream segregation, and the need for local recycling services.

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Appendix

Global Supplier Management Letter

Cisco request to report greenhouse gas (GHG) emissions to CDP

26th March 2014

Dear Valued Business Partners and Suppliers:

Cisco, our stakeholders, and our customers are concerned about GHG emissions — from Cisco's operations and products as well as from the operations of our suppliers and business partners. **For the fifth year, Cisco invites our partners and suppliers to report their GHG emissions to CDP.**

Cisco is committed to reducing GHG emissions. In 2012, Cisco met our public commitment to reduce Cisco's worldwide Scope 1, 2, and Scope 3 business-air-travel GHG emissions by 25 percent absolute by 2012 (against a 2007 baseline). About a year ago, we announced a new set of five-year, GHG-related goals to be completed by 2017 (Reference 4).

Companies can be invited to report to CDP in two ways:

- Many large, publicly traded companies are invited directly by CDP to respond to CDP's *Investor Survey*. If your company has already received such an invitation in February, Cisco requests that your organization respond by the requested deadline (the end of May).
- Through CDP's Supply Chain program, of which Cisco is a member, Cisco will be requesting our suppliers to report to CDP (by the end of July). The supply chain request includes the same questions as the *Investor Survey* plus questions from a separate *Supply Chain Module*. If your company already responds to the *Investor Survey*, only a response to the *Supply Chain Module* need be submitted in July.

It is Cisco's long-term objective for all suppliers and partners to complete the following five-steps:

1. Report to CDP annually, responding at a minimum to the questions highlighted in Reference 1.
2. Make the *Investor Survey* response **publicly** available (via the option provided for this purpose in CDP's Online Response System).
3. Demonstrate third-party review of your GHG emissions per Reference 3.
4. Set a GHG emissions reduction goal (absolute reduction goals are preferred).
5. Request that your suppliers and business partners also report to CDP using the same process described in this letter.

Supplier compliance to Cisco's requirement to report GHG emissions to CDP is included in Cisco's supplier scorecards. Please refer to separate communication concerning Cisco's supplier scoring procedures.

By the middle of April, if you have not received an invitation from CDP to respond to CDP's GHG questionnaire, please contact CDP at respond@cdp.net. The CDP Supply Chain questionnaire and supporting information are provided as Reference 2.

Do **not** send your emissions information to Cisco. Report your GHG emissions directly to CDP via CDP's Online Response System (ORS, https://www.cdp.net/en-US/MyCDP/Pages/InvestorledRespond.aspx). Cisco will obtain your reporting status and emissions information via an analytics package offered by CDP.

Please forward this request to the appropriate party within your company. If you have any questions about Cisco's or your company's carbon reporting, please contact us at cisco-cdp-questions@cisco.com.

Best regards,

Gary Cooper
VP, Global Supplier Management

REFERENCES

1. CDP 2014 Investor Survey (with Supplier Module questions).

   The questions that **must** be answered to meet Cisco scorecard requirements per Step 1 are highlighted in the following Cisco markup of CDP's questionnaire:
   https://www-1.compliance2product.com/c2p/getAttachment.do?code=zuk4Z5lsatDXRAEjTJTlKxFoXoVZDrFqNmGcSbCRB1vxAaWf7AO6cWXqPGaNzK14

   Companies are encouraged to answer all CDP survey questions.

2. CDP Supply Chain Responder Information Pack
   https://www.cdp.net/Documents/Guidance/2014/cdp-supply-chain-responder-pack-2014.zip from
   https://www.cdp.net/en-US/Pages/guidance-supply-chain.aspx
3. CDP verification guidance: https://www.cdp.net/en-US/Respond/Pages/verification.aspx
4. Cisco blog: Cisco Announces New Greenhouse Gas Reduction Goals
   http://blogs.cisco.com/csr/cisco-announces-new-greenhouse-gas-reduction-goals/
5. CDP reports summarizing 2013 responses:
   a. Global 500:
      https://www.cdp.net/CDPResults/CDP-Global-500-Climate-Change-Report-2013.pdf
   b. S&P 500:
      https://www.cdp.net/CDPResults/CDP-SP500-climate-report-2013.pdf
   c. Supply Chain Report:
      https://www.cdp.net/CDPResults/CDP-Supply-Chain-Report-2014.pdf
   d. Other climate change reports are available at:
      https://www.cdp.net/en-US/Results/Pages/All-Investor-Reports.aspx

GRI Index

Global Reporting Initiative Index

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

"(The) GRI's mission is to make sustainability reporting standard practice for all companies and organizations. Its Framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance."

This table covers the GRI G3.1 indicators found in Cisco's 2014 Corporate Social Responsibility Report, 2014 Annual Report, and company websites.

GRI G3.1 Guideline		Location
Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization	CEO Letter
1.2	Description of key impacts, risks, and opportunities	Section Overviews, Executive Summary, Governance and Ethics/CSR Materiality Assessment
Organizational Profile		
2.1	Name of the organization	Cisco Systems, Inc.
2.2	Primary brands, products, and/or services	Cisco Products and Services
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	About Cisco, Cisco Corporate Overview
2.4	Location of organization's headquarters	Cisco Systems, Inc. Corporate Headquarters 170 West Tasman Drive San Jose, CA 95134 USA
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Cisco Corporate Overview, Worldwide Contacts
2.6	Nature of ownership and legal form	FY14 Annual Report
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Cisco Corporate Overview, FY14 Annual Report
2.8	Scale of the reporting organization	Cisco Corporate Overview, FY14 Annual Report
2.9	Significant changes during the reporting period regarding size, structure, or ownership	FY14 Annual Report
2.10	Awards received in the reporting period	CSR Awards and Recognition, Inclusion and Diversity Awards, Investor Relations Awards
Report Parameters		
3.1	Reporting period for information provided	Introduction/About this Report
3.2	Date of most recent previous report	Cisco Fiscal Year 2013
3.3	Reporting cycle	Annual, Cisco Fiscal Year 2014

GRI G3.1 Guideline (Continued)		Location
3.4	Contact point for questions regarding the report or its contents	csr_report@cisco.com
3.5	Process for defining report content	Governance and Ethics/CSR Management, Governance and Ethics/CSR Materiality Assessment, Governance and Ethics/Stakeholder Engagement
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	FY14 Annual Report
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	Assumptions and techniques are explained throughout the sections, Introduction/Assurance
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	No major changes: any adjustments are explained within the sections
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	No major changes: any adjustments are explained within the sections
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	Introduction/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, Corporate Governance/Committees
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance, John T. Chambers, Chairman and Chief Executive Officer
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Corporate Governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance and Ethics/Ethics, Governance and Ethics/How to Report a Concern, Our People/Working Together
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)	Cisco's 2014 Proxy Statement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance, Code of Business Conduct
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Corporate Governance/Committees

GRI G3.1 Guideline (Continued)		**Location**
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Introduction, Message from John T. Chambers Chairman and CEO, Message from Tae Yoo, Senior Vice President, Corporate Affairs, 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	Cisco's 2014 Proxy Statement, Code of Business Conduct, Supplier Code of Conduct
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Cisco's 2014 Proxy Statement, The Lead Independent Director is responsible for presiding over the annual self-evaluation of the Board of Directors
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Cisco's CDP 2014 Submission, Cisco's Corporate Environmental Policy, Environment/Energy and GHG Emissions
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance and Ethics/Global Partners and Forums, Governance and Ethics/Human Rights, Focus Area: Supply Chain
4.13	Memberships in associations (such as industry 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; or • Views membership as strategic	Governance and Ethics/Global Partners and Forums, Governance and Ethics/Human Rights, Supply Chain/Working with Suppliers to Build Capability, Our People/An Inclusive and Diverse Culture, CSR Community Partners, Environment
4.14	List of stakeholder groups engaged by the organization	Governance and Ethics/Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	Governance and Ethics/Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance and Ethics/Stakeholder Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Governance and Ethics/Stakeholder Engagement
Economic		
Disclosure on management approach		Message from John T. Chambers Chairman and CEO, Message from Tae Yoo Senior Vice President, Corporate Affairs, FY14 Annual Report/Letter to Shareholders
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	FY14 Annual Report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Cisco's CDP 2014 Submission, Cisco's Corporate Environmental Policy, Environment/Energy and GHG Emissions

GRI G3.1 Guideline (Continued)		**Location**
EC3	Coverage of the organization's defined benefit plan obligations	FY14 Annual Report
EC4	Significant financial assistance received from government	Cisco does not receive financial government support
Market Presence		
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation	We provide competitive levels of compensation above local minimum wage requirements
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Not material: 100% of our manufacturing is outsourced
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Not material: 100% of our manufacturing is outsourced
Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Society
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Society
Environmental		
Disclosure on management approach		Environment/Overview, Environment/Environmental Sustainability/Principles
Materials		
EN1	Materials used by weight or volume	Environment/Materials
EN2	Percentage of materials used that are recycled input materials	Environment/Materials/Recycled Content
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 Life Cycle Emissions/ Scope 3 Product Use Phase (Product 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

GRI G3.1 Guideline (Continued)		**Location**
Water		
EN8	Total water withdrawal by source	Environment/Water Use
EN9	Water sources significantly affected by withdrawal of water	Environment/Water Use
EN10	Percentage and total volume of water recycled and reused	Environment/Effluents (Liquid)
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value 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
Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment/Energy and GHG Emissions/ Operations Scope 1 and 2
EN17	Other relevant indirect greenhouse gas emissions by weight	Environment/Energy and GHG Emissions/Operations Scope 3
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment/Energy and GHG Emissions/ Operations Scope 1 and 2/Reducing Emissions from Operations
EN19	Emissions of ozone-depleting substances by weight	Environment/Non-GHG Emissions
EN20	NOx, SOx, and other significant air emissions by type and weight	Environment/Non-GHG Emissions
EN21	Total water discharge 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

GRI G3.1 Guideline (Continued)		**Location**
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 Life Cycle Emissions/ Scope 3 Product Use Phase (Product Energy Efficiency)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Environment/Waste/Product Takeback, Reuse, and Recycling
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment/Environmental Sustainability/Regulatory Fines
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/Materials/Packaging/ Packaging Material, Space Efficiency, and Distribution Optimization, Environment/Energy and GHG Emissions/ Operations Scope 3/Scope 3 Business Air Travel
Overall		
EN30	Total environmental protection expenditures and investments by type	Environment/Materials/Packaging/ Packaging Material, Space Efficiency, and Distribution Optimization, Environment/Energy and GHG Emissions/ Operations Scope 1 and 2/Reducing Emissions from Operations
Social: Labor Practices and Decent Work		
Disclosure on management approach		Our People, Supply Chain
Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Our People/An Inclusive and Diverse Culture
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Our People/An Inclusive and Diverse Culture
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, FY14 Annual Report
Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	Not reported
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	We meet all applicable laws, regulations, and standards where we do business

GRI G3.1 Guideline (Continued)		**Location**
Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Not reported
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	Our People/A Safe and Healthy Work Environment
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Governance and Ethics/Risk Management, Our People/A Safe and Healthy Work Environment, Our People/Rewarding Our People
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported
Training and Education		
LA10	Average hours of training per year per employee by gender, and by employee category	Our People/Training and Development Opportunities
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Our People/Training and Development Opportunities
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Our People/Training and Development Opportunities
Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our People/An Inclusive and Diverse Culture
Equal Remuneration for Women and Men		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported
LA15	Return to work and retention rates after parental leave, by gender	Not reported
Social: Human Rights		
Disclosure on management approach		Governance and Ethics/Human Rights, Supply Chain/Supplier Code of Conduct
Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Supply Chain/Embedding Sustainability in Core Business Processes, Supply Chain/Working with Suppliers to Build Capability
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	Supply Chain/Our Supply 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 trained	Governance and Ethics/Human Rights, Our People/Training and Development Opportunities

GRI G3.1 Guideline (Continued)		**Location**
Non-Discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken	Not reported
Freedom of Association and Collective Bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Supply Chain/Working with Suppliers to Build Capability
Aspect: Child Labor		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Supplier Code of Conduct, Supply Chain/Working with Suppliers to Build Capability
Forced and Compulsory Labor		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Supplier Code of Conduct, Supply Chain/Working with Suppliers to Build Capability
Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Not material: 100% of our manufacturing is outsourced
Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Not material: Cisco's operations do not uniquely impact indigenous people
Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not material: 100% of our manufacturing is outsourced
Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Governance and Ethics/Employee Training and Awareness, Governance and Ethics/How to Report a Concern, Governance and Ethics/Human Rights Governance

GRI G3.1 Guideline (Continued)		**Location**
Social: Society		
Disclosure on management approach		Society
Local Communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Society/Employee Engagement, Society/Cisco Networking Academy
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	Governance and Ethics/Risk Management, Governance and Ethics/Code of Business Conduct
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Global Anti-Corruption Training, Governance and Ethics/Code of Business Conduct
SO4	Actions taken in response to incidents of corruption	Global Anti-Corruption Overview, Governance and Ethics/Code of Business Conduct
Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying	Governance and Ethics/Public Policy, Cisco Public Policy Engagements
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Governance and Ethics/Public Policy and Political Support
Anti-Competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	FY14 Annual Report
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	FY14 Annual Report
SO9	Operations with significant potential or actual negative impacts on local communities	Not material
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Not material

GRI G3.1 Guideline (Continued)		**Location**
Social: Product Responsibility		
Disclosure on management approach		Governance and Ethics/Privacy and Data Security, Governance and Ethics/Human Rights/Product Use, Environment/Environmental Sustainability
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/Life-Cycle Assessment, Environment/Hazardous Materials
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Supply Chain/Supply Chain Sustainability Guiding Principles, Supply Chain/Audit Findings
Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not reported
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Not reported
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Annual Customer Satisfaction Survey, Governance and Ethics/Stakeholder Engagement
Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Marketing communications are regulated by national and international law and are also subject to voluntary codes. Cisco's marketing communications are also governed by our Code of Business Conduct and by additional guidelines and best practices.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not reported
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not reported
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	FY14 Annual Report

Americas Headquarters
Cisco Systems, Inc.
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