Cisco Supply Chain Sustainability FAQ

Q: What does Cisco mean by "sustainability"?

A: Business for Social Responsibility (BSR) has defined a *sustainable business* as "one that delivers value for investors, customers, and employees; improves the living standards of its employees and the communities it touches; makes wise use of natural resources; and treats people fairly." Practically, within Cisco's supply chain, sustainability means demonstrating commitment and continuous improvement in the five areas of our Supplier Code of Conduct: labor, health and safety, environment, ethics, and related management systems.

Q: Why does Cisco care about supply chain sustainability?

A: Cisco is committed to working with suppliers and partners that share our values regarding sustainability. This commitment to a sustainable supply chain is motivated by a number of factors, including customer requirements, investor demand, cost savings, risk management, legal compliance, supply chain continuity, brand reputation, and good corporate citizenship.

Q: What are the benefits of addressing sustainability in the supply chain?

A: Addressing sustainability in the supply chain goes beyond legal compliance. A proactive stance on sustainability mitigates risk, results in operational improvements and cost reductions, and ultimately can lead to value creation and innovation.

The following are some more specific benefits of supply chain sustainability:

- Builds and strengthens strategic customer and supplier relationships

- Provides transparency for supply chain practices and performance, increasingly a requirement from customers and investors

- Provides brand protection for Cisco, our supply chain partners, and our customers

- Facilitates compliance with current and future regulations

- Creates cost savings through efficient use of resources

- Attracts and retains human capital, at both Cisco and our suppliers

Q: What is the Supplier Code of Conduct? Why is it important?

Cisco has adopted the Electronic Industry Citizenship Coalition's (EICC) Code of Conduct as our code of conduct for our supply chain. The code reflects the basic tenets of responsible management agreed upon by the electronics industry. It is an evolving document that incorporates the feedback of Cisco, its peers, suppliers, customers, and outside stakeholders.

Learn more about the Supplier Code of Conduct here: http://csr.cisco.com/pages/supplier-code-of-conduct

Q: What is the Electronic Industry Citizenship Coalition (EICC)?

A: The EICC is a coalition of the world's leading electronics companies working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain. (From the EICC Website)

Cisco believes in using an industry wide approach to set common expectations and standards. We use EICC standard tools and templates for environmental data collection during our supplier audits. Cisco, alongside many of our suppliers and peer companies, contributes to the development of these tools and templates. We strongly recommend that our suppliers join EICC so that they can have a voice in the development of these shared approaches, as well as access to the training and benchmarking resources available to EICC members.

Q: What is the Cisco Controlled Substances Specification (CSS)? Why is it important?

A: The Cisco® CSS helps applicable suppliers and manufacturers meet Cisco's environmental compliance expectations. Supplier compliance with the Cisco CSS is required. The Cisco CSS lists substances that are of high concern, as well as those that are on worldwide environmental directives (for example, REACH, RoHS, and ODS*). The Cisco CSS also includes Cisco's substance "watch list" to make suppliers aware of substances of potential concern that Cisco is tracking, beyond environmental compliance directives.

Examples of environmental compliance directives.

REACH: Registration, Evaluation, Authorisation, and Restriction of Chemical Substances. More information: http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm

RoHS: Restriction on Hazardous Substances. More information: http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/restriction-of-hazardous-substances/index_en.htm

ODS: Ozone-depleting substances. More information: http://www.epa.gov/ozone/intpol/

Q: What is CDP? Why are Cisco suppliers required to report their greenhouse gas emissions to CDP?

A: CDP, also known as the Carbon Disclosure Project, is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage, and share vital environmental information (from the CDP website). Given the serious threats posed by climate change, more than 700 institutional investors responsible for nearly US$90 billion in assets use CDP reports to evaluate how companies are addressing climate risk. Other stakeholders, including customers, analysts, and advocacy organizations, are also using CDP information to evaluate companies and their supply chains. As a result, CDP has become a de facto requirement for any company that wants to demonstrate a commitment to sustainability. Companies report to CDP free of charge.

Cisco has reported to CDP annually for many years, and we continue to strive to improve our CDP reporting each year. Cisco's stakeholders and customers are concerned about greenhouse gas emissions not only from Cisco's products and operations, but also from the operations of our business partners. Thus, in 2010, we first asked all of our suppliers to report publicly to CDP. For FY13, we set an aggressive goal of having 100 percent of our preferred suppliers and partners respond to CDP.

When our suppliers report to CDP, they are able to share their report with many customers, not just Cisco, thus reducing duplication of effort. By using a global standard such as CDP, companies are also better able to benchmark against their peers. Reporting publicly gives companies an incentive to demonstrate clear progress toward measuring and reducing their greenhouse gas emissions. Find out more about the benefits of CDP reporting.

Q: Why is sustainability included in our business scorecards?

A: Cisco's overall approach to supply chain sustainability is to embed sustainability into existing business processes whenever possible. Sustainability criteria were added to the business scorecards for numerous reasons:
- Creates appropriate incentives for suppliers to meet and exceed Cisco's expectations for sustainability
- Gives sustainability issues executive visibility with suppliers
- Demonstrates to suppliers as well as key internal and external stakeholders that Cisco is committed to having a sustainable supply chain

Q: How is the information from Cisco's supplier sustainability surveys used?

A: First, we are using it to validate that suppliers are capable of measuring and reporting on their sustainability impacts. This is reflected in supplier business scorecards.

This information is also used to help give an aggregate snapshot of the impact and performance of Cisco's overall supply chain. From there, we use the data to identify best practices, areas for capability building, risks, and opportunities among our supply base. Tracking data on a regular basis allows us to

monitor whether and how Cisco is improving the sustainability performance of our entire supply chain and set appropriate goals.

The data supports Cisco's continued thought leadership in the area of life-cycle assessment (LCA) and environmental impact accounting for our entire industry.

Q: How are we scored on sustainability in the scorecard? How do we improve?

A: Scoring details for the component supplier scorecard are included in the guidance documentation that you receive with your sustainability survey invitation. Manufacturing and logistics partners can see the scoring criteria on the Guidance tab of the survey spreadsheet that they regularly submit to Cisco.

In general, you can improve your score in the following ways:

1. Report to CDP.
2. Provide the requested environmental and labor information.
3. Set clear goals for improving your company's greenhouse gas, water, and waste impacts.
4. Provide audit documentation and closure of corrective actions in a timely manner.
5. Publish a sustainability report in accordance with the Global Reporting Initiative framework.
6. Participate in sustainability-related industry consortia such as EICC.

Q: How can my company be considered for Cisco's Excellence in Sustainability award?

A: Each year, Cisco recognizes one supplier or partner for its leadership in sustainability. Suppliers must be nominated by their supplier manager at Cisco. Strong candidates report to CDP, publish a sustainability report, have minimal audit findings and excellent sustainability and environmental compliance scores, and demonstrate a commitment to sustainability, both in their relationship with Cisco and as a company overall.

Q: Our company does not do any manufacturing. How does sustainability apply to us?

A: Cisco, similarly, does not do any of our own manufacturing, so we expect our fabless suppliers to take an approach to sustainability similar to Cisco's approach. We still expect that you will report on your environmental impacts, including reporting to CDP, and set relevant environmental goals. We expect that you hold your suppliers accountable to the principles in the Supplier Code of Conduct so that the products that are made for you—and ultimately Cisco and other customers—are manufactured in a socially and environmentally responsible manner. We may ask you to report to Cisco on how you hold your suppliers accountable in lieu of asking for specific data.

Q: Whom do I contact with questions?

A: Please contact your supplier manager at Cisco with questions, and he or she will direct you to the appropriate party.