Executive Summary
2011 Corporate Social Responsibility Report

Multiplying impact through the power of networks.

Welcome to Cisco's 2011 Corporate Social Responsibility (CSR) Report Executive Summary. This Executive Summary provides a snapshot of Cisco's CSR efforts in the 2011 financial year (FY11), focusing on five key areas: Governance & Ethics, Value Chain, Our People, Society, and Environment.

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

Contents

About This Report

This report provides an overview of our achievements in fiscal year 2011 (FY11) corporate social responsibility (CSR). For detailed information, please visit us online for the full Report, which includes detailed information on all sections and allows for full access to videos, search capabilities, and bookmarks. We have also included each section of our Report, as well as our Key Performance Indicators/Report Card that are available for download individually.

Bookmarks

This pdf is bookmark enabled.

Recommended Software

· Adobe Acrobat* Version 7.0 and above
· QuickTime

To view or download the full 2011 Cisco CSR Report, visit us at www.cisco.com/go/csrreport

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

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

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

This CSR report, our seventh, details our CSR efforts in the areas of governance and ethics, our people, society,

our value chain, and the environment. The report also provides evidence on how we operate in a manner consistent with our continued support of the UN Global Compact and its 10 principles covering human rights, labor, the environment, and anti-corruption.

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

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

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

This year was clearly not without its challenges. We had to take some necessary but difficult steps to streamline our business in order to remain fully focused on delivering the best to our customers, shareholders, employees, partners, and the global community. That

is why we instigated a series of decisive actions that included simplifying our organizational and operating model to make Cisco easier to work for and do business with, reducing annual costs by US$1 billion, and divesting or exiting from underperforming operations.

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

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

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

John T. Chambers

John T. Chambers
Chairman and Chief Executive Officer

To view or download the full 2011 Cisco CSR Report, visit us at www.cisco.com/go/csrreport

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

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

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

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

Our CSR efforts focus on five key areas:

· **Governance and ethics:** promoting responsible business practices with every employee at every level of our business

· **Value chain:** embedding sustainability into routine business practices at every stage of the value chain product lifecycle

· **Employees:** building Cisco's people, a unique culture and organizational capacity

· **Society:** bringing people together to collaborate on innovative solutions to social issues including education, healthcare, economic empowerment, and critical human needs and disaster relief

· **Environment:** improving our customers' and our own environmental sustainability through technology and advocacy

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

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

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

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

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

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

Tae Yoo
Senior Vice President, Corporate Affairs

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

Governance and Ethics

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

Governance and Ethics

Cisco manages CSR activities by engaging the insight and expertise of internal and external stakeholders. This helps us focus on the areas that are most important to our business and the people and communities with whom we interact. Our emphasis on collaboration helps us manage risks effectively, enabling business continuity and sustainable growth.

The Sustainable Business Practices team monitors emerging CSR issues and identifies areas for potential action. The team draws on expertise from around the company and manages collaboration with stakeholders to develop strategies and initiatives that create long-term, sustainable benefits for our business and the global community.

Corporate governance and risk management remain critical to the business, and information on these activities can be found in our full CSR report. This executive summary focuses on three key areas related to ethics and human rights that warranted particular focus from Cisco in FY11:

- Embedding a Culture of Ethics
- Privacy and the Cloud
- Human Rights

Embedding a Culture of Ethics

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

Our online Ethics Resource Center offers training modules, a discussion forum, links to ethics and

Engaging with Stakeholders

Cisco values the input of external stakeholders in the development of our CSR strategy and initiatives, as well as the ongoing improvement in our CSR reporting and performance. In FY11, our Sustainable Business Practices team invited 25 CSR experts from 12 countries to gather in our virtual boardroom to provide feedback on our CSR performance and reporting using Cisco TelePresence technology. Participants acknowledged our performance on climate change and energy efficiency as leading edge, but wanted to better understand how we are promoting the use of Cisco solutions to drive the sustainability agenda. They also expect Cisco to provide better disclosure on social and environmental challenges, increase transparency on human rights issues, and set bolder environmental targets.

Awards and Honors for Cisco's Ethics Program

Recent awards for our governance and ethics program, and our Code of Business Conduct, include:

- Ethisphere's World's Most Ethical Companies 2011: Cisco was included on the list for the fourth consecutive year.
- Ethisphere's Code Review 2011: The Cisco Code of Business Conduct received an A grade.
- Ethisphere's "Ethics Inside": Cisco achieved this certification, which includes third-party verification of ethics and compliance programs in 2008, 2009, and 2010.
- New York Festival 2011: Cisco was a Gold World Medal winner for our Ethical Mindset training videos.

See our 2011 CSR awards page for a full list of awards this year.

compliance policies, and videos. Each year, we require all regular employees (in countries where this is permitted by law) to recertify compliance with the Code of Business Conduct, to refresh their commitment to ethical conduct, and to update them on any changes Cisco has made to the Code. In FY11, all of Cisco's eligible employees completed recertification. Newly hired employees must certify within three weeks of joining Cisco.

In FY11, we added two training videos to the certification after Cisco's Audit Committee requested more ethics training. The videos focus on the Code's comprehensive content and how employees can get ethics assistance. We provide on-demand training tailored to specific employee groups when it is requested by business or regional management.

Privacy and the Cloud

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

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

Our work includes:

- **Privacy compliance:** Compliance with regulations on privacy and data protection is managed by a cross-functional team with representatives from our legal, IT, information security, sales, marketing, and HR departments. Privacy and security standards are part of our Code of Business Conduct.

- **Supplier assessments:** Our supplier review program assesses service providers to mitigate potential risks, especially with respect to cloud solutions.

- **Collaboration:** We value the insights and collaboration of peers in our work on customer security, and we want to share our experience with them as well. Cisco participates in, or is a member of, several privacy associations and alliances.

See our dedicated Privacy website for more information on our program, which incorporates industry-leading practices.

Human Rights

Cisco supports the United Nations Universal Declaration of Human Rights and the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

Cisco was pleased to see the 2011 publication of John Ruggie's report, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework,* and the endorsement of these principles by the UN Human Rights Council in June 2011.

Privacy by Design

Designing privacy into our products helps Cisco maintain a market-leading position for our applications. "Privacy by design" is the concept that privacy is not an add-on, but a core component of products, services, and systems. We have created guidelines for our engineers and product managers to make sure they understand the privacy and data protection needs of new applications. This helps the development team design features and functionality that make it easier for Cisco, customers, and users to comply with legal and business requirements to protect personal information.

Freedom of Access to Information

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

See the Governance and Ethics section of our 2011 Corporate Social Responsibility Report for more information.

Cisco supports Professor Ruggie's framework and guiding principles. We have collaborated with CSR organizations such as Business for Social Responsibility (BSR), as well as with peer companies that are considered leaders in the implementation of this framework. We plan to continue to monitor the use of the "Protect, Respect, and Remedy" framework as we develop a roadmap in 2012 to apply the framework and guiding principles. We intend to draw on expertise across Cisco to develop the roadmap.

Cisco believes that the freedoms derived from connection, including access to information (see highlight box above), are crucial to protecting and advancing human rights. A positive by-product of our products connecting populations globally is the increasing provision of education and healthcare to vulnerable people in remote and underserved communities.

Looking Ahead: Objectives for FY12

Continue to undertake robust stakeholder engagement on all CSR issues, including governance, to guide our CSR activities and resources

Use credible research firms and indices, such as the Dow Jones Sustainability Index and Oekom Research, to benchmark ourselves against peer companies and CSR leaders

Create issues-based internal working groups to develop our strategy on CSR topics, such as the Framework on Business and Human Rights developed by John Ruggie

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

Value Chain

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

Clear communication and close collaboration with these suppliers is critical to our ability to deliver top quality products to customers while meeting our CSR goals. We use technologies such as Cisco TelePresence to enhance this collaboration, enabling us to communicate better with suppliers and address critical issues face-to-face without the need for travel.

Our strategy focuses on three key areas:

- Embedding sustainability into routine business practices at every stage of the value chain product lifecycle

- Working with our direct suppliers to make improvements in our immediate supply chain

- Partnering with industry consortiums to develop common standards and tools to address broader sustainability challenges in the ICT value chain

Promoting Supplier Diversity

We support diverse suppliers throughout the value chain by encouraging our preferred suppliers to buy their products and services, and providing mentoring and networking opportunities. In FY11, seven diverse supplier CEOs received mentoring from Cisco executives, and we funded scholarships for three minority business enterprises to participate in a skills development program at the UCLA Management Development for Entrepreneurs Academy. We also provided networking opportunities for U.S.-based diverse suppliers through a series of national events and global business missions to help them develop their businesses.

Value Chain Profile

Three main types of suppliers, based all over the world, support our value chain operations:

- **Contract manufacturers** produce finished Cisco products

- **Component suppliers** provide parts to our contract manufacturers

- **Logistics service providers** distribute our products to customers

Of these, we focus our sustainability efforts on fewer than 100 preferred suppliers, which account for the majority of our value chain expenditure.

Mouse over any of the six regional labels below for a detailed view.
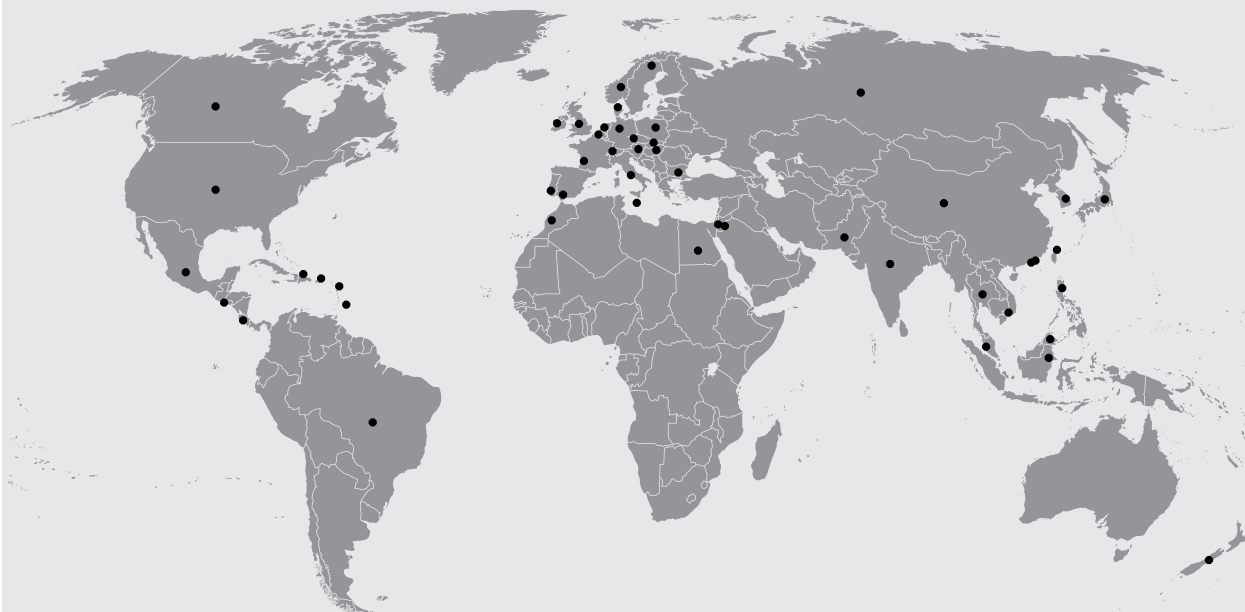
Embedding Sustainability in Core Business Processes

All suppliers must comply with the Electronics Industry Citizenship Coalition (EICC) Code of Conduct, which sets out our expectations of suppliers against four key pillars: social responsibility and human rights, environment, ethics and governance, and health and safety.

In FY11, we further embedded sustainability into our relationships with preferred suppliers by developing new sustainability criteria to be integrated into the business scorecard we use to monitor their performance. We also began rolling out a web-based training module on sustainability to support our supplier management teams in completing the revised scorecard.

Partnering with Suppliers to Improve Performance and Build Capability

We have a six-step process (see highlight box) that helps us to identify high-risk facilities, which we then review more thoroughly through third-party audits. In FY11, we completed a series of audits of supplier facilities, the findings of which are shown in the chart below. All major issues identified in these audits have been resolved. We have now conducted initial audits, and in many cases repeat audits, of all our contract manufacturing suppliers' facilities. In FY11 we also began to focus more of our audits on component suppliers, which supply parts to our contract manufacturers.

Six-step Process for Monitoring Compliance and Improving Performance

1. Share the Code of Conduct with suppliers through contractual agreements

2. Conduct a risk assessment of suppliers to identify higher risk facilities

3. Evaluate those facilities through self-assessments

4. Commission a third-party audit of facilities (if warranted by steps 2 and 3)

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

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

FY11 Supplier Audit: Summary of Findings
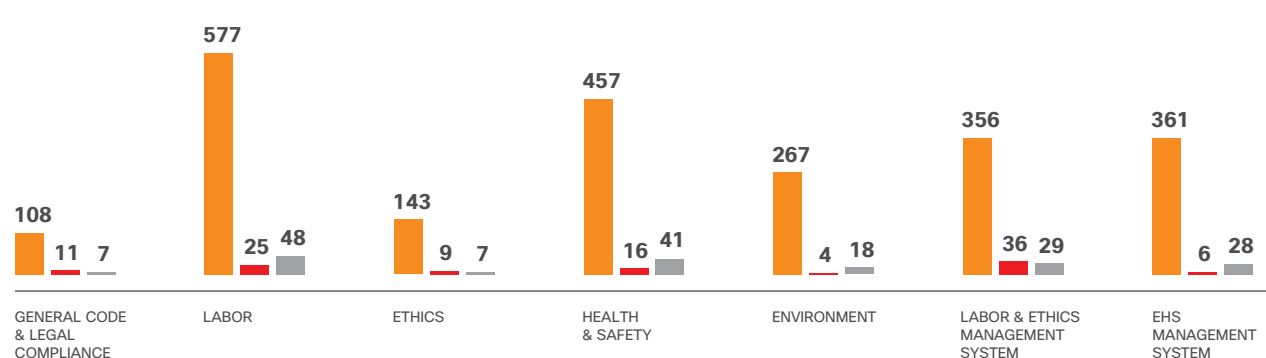
Legend:
- Total Audit Elements
- Findings Identified as Major
- Findings Identified as Minor

Category	Total Audit Elements	Findings Identified as Major	Findings Identified as Minor
GENERAL CODE & LEGAL COMPLIANCE	108	11	7
LABOR	577	25	48
ETHICS	143	9	7
HEALTH & SAFETY	457	16	41
ENVIRONMENT	267	4	18
LABOR & ETHICS MANAGEMENT SYSTEM	356	36	29
EHS MANAGEMENT SYSTEM	361	6	28

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

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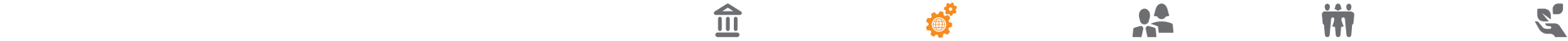
Capability Building

We help our preferred suppliers to improve their sustainability performance and management systems through the audit process and ongoing discussions. We also encourage them to put in place similar processes with their own suppliers. In FY11, we began sharing our new guidance document on juvenile labor and worked closely with logistics suppliers to improve their environmental performance, achieving a reduction of 33,000 tonnes in greenhouse gas emissions from the transportation of our products to customers.

Working with Industry Groups

Cisco promotes responsible practices in the wider ICT value chain through industry collaboration and participation in global industry consortiums such as the EICC and the International Electronics Manufacturing Initiative (iNEMI). See the Environment section.

We are working with the EICC to develop the latest version of its Supplier Code of Conduct, due for publication in FY12. A key focus of these efforts will be to address the requirements of new regulations such as the U.S. Dodd–Frank Wall Street Reform and Consumer Protection Act and the 2010 California Transparency in Supply Chains Act.

In FY11, Cisco helped create new EICC training courses on Supplier Code of Conduct Awareness, Occupational Health and Safety, and Worker Management Communications, and invited some of our major suppliers to take part in EICC pilot programs.

Tackling Conflict Minerals

Increased scrutiny from stakeholders and growing interest from governments have put a spotlight on the use of certain minerals in the electronics industry, which may be sourced from conflict zones such as the Democratic Republic of Congo. Through our participation in the EICC Extractives Working Group, we are supporting industry initiatives to develop tools to trace these minerals back to their source, including:

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

Looking Ahead: Objectives for FY12
Integrate sustainability questions into our business scorecard for preferred suppliers to better understand their performance, identify where they need support, and promote ongoing improvements
Launch a Supplier Appreciation Award for Sustainability to recognize suppliers that demonstrate an outstanding commitment to sustainability
Provide additional training on sustainability issues for employees who engage regularly with suppliers
Communicate and require suppliers to acknowledge the revised Supplier Code of Conduct
Enact processes that meet the requirements of the U.S. Dodd-Frank Act and the California Transparency Act of 2010
Partner with suppliers to identify and achieve sustainability improvements
Work through industry groups such as EICC and iNEMI to develop tools and standards to address global sustainability challenges
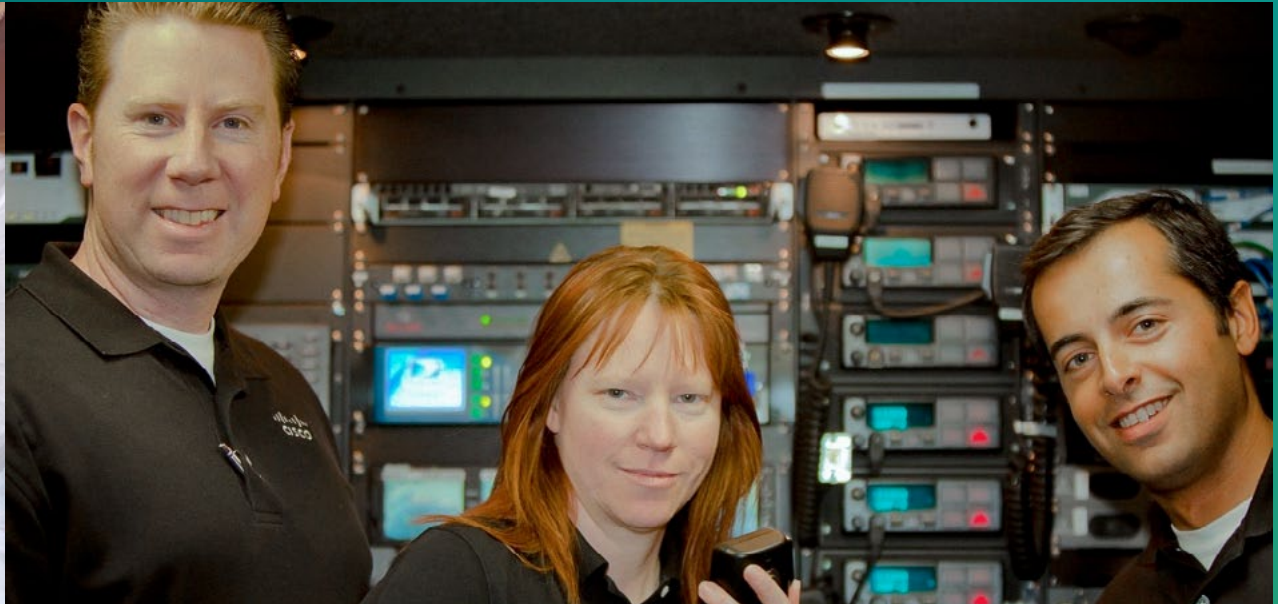
Watch the Video! State-of-the-art facilities such as Cisco LifeConnections help to maintain the health, wellness, and work-life balance of employees.

Our People

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

Our people strategy focuses on five key areas:

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

Working Together

Collaboration is at the heart of what we do. Our technology allows people across the world to work together, and we want our employees to do the same. Technologies such as Cisco WebEx, Cisco TelePresence, and Cisco Virtual Office have been widely adopted by our employees to facilitate remote working and flexible work practices. Telecommuting and flextime opportunities are used by 95 percent of employees and remote working (employees primarily working from home) was expanded in FY11 to reach 90 percent of the regions in which we operate.

We promote collaborative leadership through programs such as the Cisco Center for Collaborative Leadership and our competency model, C-LEAD. It is essential that all employees understand our goals and expectations, and we must listen to their feedback, especially in times of change.

Our annual Pulse survey is one of the most important listening tools at Cisco. It is a confidential, online survey for all employees that helps leaders pinpoint the most effective ways to improve the employee experience.

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

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

The response rate remained high in FY11, with 81 percent of employees taking part in the survey, although this is a slight decline from the record 85 percent response rate we achieved in FY10. See the table above for a snapshot of scores over the last three years.

In FY12, we will focus on the following key programs to address the areas for improvement identified through the Pulse survey:

- **Cisco Talent Connection:** To enhance career development within the company

- **Cisco Performance Connection:** Our performance management process that creates opportunities for development and performance dialogue between managers and employees

- **Cisco Certified Management Professional:** Designed to build excellence in leadership and management capabilities and inspire outstanding people-management practices

- **The Leader Playbook:** A resource for managers and directors to engage employees during times of transition

A Safe and Healthy Working Environment

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

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

Health and Well-Being

We provide health insurance covering medical, disability, and life benefits to eligible employees. Our programs cover common health-related issues such as pregnancy, healthy living, and condition management to encourage healthy, balanced lifestyles. U.S. employees have access to additional support programs, from prenatal to eldercare assistance, and our San Jose headquarters offers a health center, pharmacy, fitness center, and vision center. Employees at our Research Triangle Park main campus in North Carolina can also visit on an onsite clinic that's an extension of the San Jose health center. In addition, we provide a health and fitness center in Bangalore, India.

An Open and Diverse Culture

We recognize that inclusion and diversity of people and perspectives bring value to our business, foster an innovative environment, and help us to develop a workforce that mirrors our customers and communities. Programs to promote diversity in FY11 include:

- A Pacific Rim Asian Talent Development Pilot to help our Pacific Rim Asian employees develop their careers, taking into account Asian traditions and values

Responding to Changing Economic Times

In response to the changing economic environment, we have transformed the way we operate. In FY11, we undertook a comprehensive action plan to simplify the organization, refine operations, and reduce annual operating expenses. This resulted in a global reduction in our workforce of 6500 people, including 2100 who took voluntary early retirement packages. This represents 9 percent of our regular full-time workforce, affecting all functions. We aim to treat all of our employees with uncompromising integrity and respect throughout this difficult process.

- JUMP, a nine-month personalized development program, including individual mentoring and ongoing virtual follow-up, for non-management level women in the U.K., that is now being extended elsewhere

In FY11, women made up 22 percent of our global workforce, a 2 percent decrease since FY10. However, the number of women in senior roles of Vice President or above remained at 15 percent. In the United States in FY11, 45 percent of our employees reported that they were non-Caucasian, compared with 44 percent in FY10. Non-Caucasians made up 24 percent of Vice Presidents in FY11, compared with 22 percent in FY10.

Employee Opportunities

We offer a variety of standard and customized courses for management, technical, and professional development. In FY11, Cisco spent more than US$113 million on employee training and development, with 82 percent of employees participating in at least one course. Our new Cisco Performance Connection process promotes ongoing dialogue about performance management and development between managers and employees throughout the year.

To encourage talented employees to build their careers with Cisco, we promote opportunities for career progression within the company through Cisco Talent Connection. During the workforce reduction, employees who were laid off had their profiles flagged in our system to increase their visibility among recruiters in an effort to help them find new roles in the company.

Rewarding Our People

We believe in sharing our success with our employees. Our competitive performance-based pay and benefits reward innovation, collaboration, and profitability. We align employee and company goals through our bonus program, which makes a direct link between the company's performance and employee pay.

Looking Ahead: Objectives for FY12

As an explicit, visible leadership commitment to a differentiated employee experience, we are developing a playbook with information and checklists to support leaders in guiding their teams through transitions in a way that increases engagement.

In compensation and recognition, we need to offer total compensation that is higher than most of our peer companies and differentiated rewards opportunities for our highest performers. We will introduce conservatively funded base pay increase and promotion programs in October.

Manager-employee relationships are critical to long-term employee engagement, and we will continue to focus on this through existing programs such as Cisco Performance Connection and Cisco Talent Connection for internal movement and promotion.

Over the next three years, our Learning and Development Solutions group aims to put 90 percent of our Director-level managers and people managers through training at no cost to individual departments.
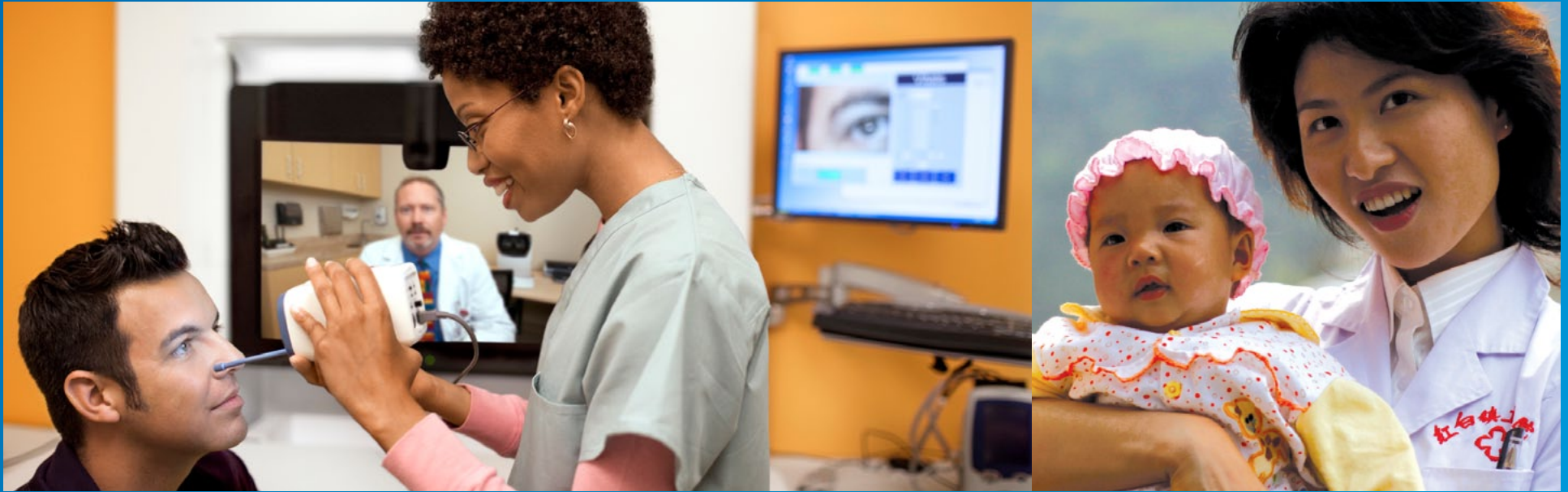
Watch the Video! Cisco Networking Academy teaches students regardless of their background. Deaf Aid in Kenya, East Africa, is changing the way society perceives people with hearing difficulties.

Society

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

CISCO

In FY11, Cisco made US$295 million in corporate and foundation cash and in-kind contributions. We prioritize the areas where we believe our products, services, employees, cash, and in-kind investments can make the biggest impact:

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

We aim to create long-term solutions that are scalable, replicable, and sustainable by encouraging innovation and entrepreneurship, and by partnering with those who share our values and align with our focus areas.

Employee Engagement

We encourage employees to engage in their local communities by supporting projects that they're passionate about and that align with our strategic priorities. In FY11, employees volunteered a total of 166,445 hours and donated more than US$6.3 million, generating more than US$5.7 million in matching funds.

Supporting Education

We are using our core networking technologies and expertise to transform the way education is delivered and to provide the 21st Century skills people need for ICT roles.

For example, more than 2400 education thought leaders from over 125 countries share ideas and resources on ways to transform the delivery and quality of education through GETideas.org, a public service online community developed by Cisco.

External Recognition in FY11

Three Cisco programs were recognized in the Computerworld Honors Program, which highlights organizations that create and use ICT to promote and advance public welfare and benefit society: the Cisco Networking Academy, GETideas.org, and Connecting Sichuan.

Cisco also received the 2010 U.S. State Department Award for Corporate Excellence for our economic development work in Palestine and Israel.

Points of Light Institute also awarded Cisco the 2011 Corporate Engagement Award of Excellence for our employee volunteer efforts to solve community challenges.

Jordan Healthcare Initiative

A strategic collaboration between Cisco and the Jordanian government is using ICT to improve the efficiency of, and access to, quality healthcare services in rural areas. As a first step, Cisco HealthPresence care-at-a-distance technology is connecting patients and physicians at the Al-Mafraq Governmental Hospital in northeastern Jordan with specialists at Prince Hamzah Hospital in Amman for nephrology, cardiology, and dermatology consultations. We will look to expand this to other hospitals across Jordan in FY12.

The Cisco Networking Academy program underpins many of our education initiatives. Courses give students the practical skills needed to design, build, secure, and maintain computer networks, and encourage innovation, problem solving, and entrepreneurial skills. During FY11, more than 1 million students were enrolled in Cisco Networking Academy courses at approximately 10,000 academies in 165 countries.

We also partner with governments and nonprofit organizations to deliver education programs globally, including:

- In China, we worked with the national and regional government to install multimedia and networking equipment in more than 1140 classrooms in over 100 schools as part of our Connecting Sichuan Initiative.
- In Russia, our Cisco Networking Academies for Public Service program aims to improve the quality and delivery of public services using ICT.

- In the United States, we made product and cash grants totaling US$1 million to support City Year's Whole School, Whole Child program, which aims to prevent students from dropping out of school.

Transforming Healthcare

ICT is helping to reduce costs for healthcare providers and increase access to quality healthcare for people in remote and rural areas. Solutions such as Cisco HealthPresence are opening up new opportunities for healthcare professionals to collaborate and share patient information confidentially and remotely.

For example, we have installed ICT infrastructure, including Cisco HealthPresence, in 66 healthcare facilities as part of our Connecting Sichuan initiative. The facilities are used by more than 7000 healthcare practitioners supporting approximately 15,000 inpatients and 280,000 outpatients per month.

Increasing Access to Financial Services

We are supporting Grameen Foundation's Progress Out of Poverty Index, which helps microfinance institutions measure their effectiveness in moving clients out of poverty, and tailors products and services to meet clients' needs. The Index will also encourage greater transparency and accountability in the sector as a whole by helping donors and investors to understand how well microfinance institutions are performing against their goals.

Responding to the Japan Earthquake and Tsunami

Following the devastating earthquake and tsunami that hit Japan in March 2011, the Cisco Foundation made a US$250,000 cash grant to support immediate relief efforts by the American Red Cross. We also provided a US$125,000 cash grant, US$68,000 in product donations, and technical support from Cisco's Tactical Operations Team to help NetHope restore communications for 10 of its member organizations working in Japan, which helped them to speed up delivery of supplies to over 500,000 victims and reunite separated families.

Promoting Economic Development

We support economic development in underserved populations by encouraging employment and entrepreneurship through improved access to skills, information, and resources.

Our three-year, US$10 million investment in the Palestinian ICT industry, ending in FY11, has led to several spin-off projects in Israel and the Palestinian territories that support ICT businesses through skills training, employment opportunities, mentoring, networking, and access to venture capital.

In Africa, we have helped start 38 Community Knowledge Centers in Ethiopia, Kenya, Rwanda, and South Africa as part of our four-year, US$10 million Clinton Global Initiative commitment. The centers offer training on ICT, entrepreneurship, and language skills, supported by community-based websites that provide locally relevant information on agriculture, health, education, jobs, and business, as well as offering access to microloans. We are working with our partners to extend Community Knowledge Centers to other places, such as Palestine and Haiti.

Critical Human Needs and Disaster Relief

We work with leading humanitarian relief agencies including NetHope, CARE, and Red Cross affiliates throughout the world to respond to disasters and help meet critical human needs. Our support includes funding for food, shelter, and medicine, as well as communications support to guide the quick and effective delivery of emergency aid and support long-term recovery and rebuilding efforts.

We are providing ICT and networking support for Water.org, the Blue Planet Network, and Water for People to support efforts to increase access to clean drinking water by helping them to improve fundraising efforts and operational effectiveness. We are also helping NetHope, a collaboration of 32 humanitarian organizations, to improve their response to future disasters by using ICT to increase collaboration between aid agencies and share information through social media and emergency communications.

Looking Ahead: Objectives for FY12

Incorporate the requirements of new U.S. legislation on accessibility into Cisco's best practices and corporate requirements, and raise awareness through training for our technology groups.

Maintain strategic relationships with the World Economic Forum and Clinton Global Initiative to inform our activities and share best practices.

Launch a new global volunteer program to raise awareness of Cisco's community programs, encourage more employees to get involved, and recognize exceptional contributions.

Complete the transition to an upgraded impact reporting platform. This platform will enable us to collect and validate critical data to gauge the effectiveness and impact of our investments—in terms of increased access to the networked economy, and long-term social impact on communities and individuals.

Continue to support partners such as the Grameen Foundation to expand their Social Performance Management initiative, which enables poverty-focused organizations to accurately measure the social impact of program and service offerings.

Continue to work with partners including Tamkeen.net and others to support development of entrepreneurship in the Palestinian ICT the sector.

Enhance U.S. veterans programs across Cisco through existing channels such as employee resource groups (ERGs) and mentoring programs. We are planning Veterans Day events and developing strategic partnerships with recognized veterans projects and associations.

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

Environment

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

CISCO

This executive summary focuses on the issues in our top two materiality tiers (see highlight box): product energy efficiency, operational energy consumption, and product end-of-life. It is in these areas that we believe Cisco can make a significant difference and where we concentrate much of our environmental sustainability efforts. We report our performance on the issues in all five tiers within our full CSR Report.

Energy and Greenhouse Gas Emissions

Energy use and greenhouse gas (GHG) emissions are the most important issues for Cisco in terms of environmental sustainability. We believe Cisco can play an important role in reducing global GHG emissions. To do this, we focus our efforts on three key areas:

- Reducing energy use and GHG emissions from our operations
- Making our products more energy efficient
- Developing innovative solutions to help our customers use less energy and reduce GHG emissions

Reducing Operational Energy Use
We believe that reporting GHG emissions publicly through the Carbon Disclosure Project (CDP) is the key first step to reducing emissions. Cisco was rated the #1 IT company, and the #5 company overall, based on our responses to CDP's 2011 Investor survey.

Cisco is on track to meet our commitment to reduce all Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (from a CY07 baseline).

In FY11, we estimate that Cisco has conserved approximately 16.9 million kWh of energy and avoided 7,400 tonnes of CO_2e emissions by investing US$1.9 million in energy conservation projects. Our approach to reduce energy consumption and GHG emissions from our operations is to:

- Increase use of Cisco technology to collaborate remotely, avoiding emissions from business travel: In FY11, employees engaged in 23 million people hours of web conferencing, up from 19.3 million in 2010.

- Expand use of Cisco Connected Workplace to reduce office space needs through our new building space policy, approved in FY11.

- Improve the efficiency of our buildings, focusing on engineering labs that represent over 60 percent of Cisco's electricity use: Our new lab energy program is expected to save 30,000 tonnes of CO_2e emissions by improving building energy efficiency, installing power monitoring and control technologies, and engaging lab employees in energy-saving initiatives. By the end of FY11, 23 Cisco facilities had achieved certification to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) new construction rating system, and we are integrating environmental requirements into our leasing terms.

- Produce electricity from low-carbon, onsite technologies: In FY11, we installed solar photovoltaic systems at two of our data centers. We will use the experience of these pilot systems to assess the potential for wider implementation.

- Purchase electricity from certified low-carbon and renewable sources where available: Cisco participates in the U.S. Environmental Protection Agency (EPA) Green Power Partnership. In July 2011, Cisco was listed ninth among the National Top 50 and seventh among Fortune 500 companies in the EPA's green power rankings. This ranking is updated quarterly by the U.S. EPA.

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

- Raise employee awareness of energy and climate change through campaigns including Earth Day events, energy awareness month in October, and ongoing messaging on the Cisco Green website. We encourage our employees to make green commitments through our Think Green, Act Green program and we are promoting use of low-carbon electric vehicles by providing charging stations at our headquarters in San Jose.

Product Energy Efficiency

Life-cycle analyses of electronic products indicate that the use phase can make up between 80 and 90 percent of the carbon life-cycle impact for network equipment such as our switching and routing systems. Product energy efficiency is a key consideration in all product design and generation improvements at Cisco. Over 1100 members of our product development community have completed web-based training on integrating environmental requirements into product design.

Reducing the power used by the application-specific integrated circuits (ASICs), which are used in most Cisco products, is a key focus of our efforts to cut product energy use. Our new ASIC energy management mechanisms have been shown to reduce energy demand by between 10 and 30 percent in lab tests. Improving the energy efficiency of power supplies is also a priority, and Cisco product requirement documents mandate that all power supplies must be at least 85 percent efficient.

We believe that the most effective way to address product energy efficiency across the industry is to promote global requirements for energy measurement and efficiency features. Cisco was co-editor of the Alliance for Telecommunications Industry Standards (ATIS) TEER standard for the measurement of product energy efficiency, and we continued to implement the accompanying methodology for applicable products in FY11.

Low-Carbon Solutions: The Enabling Effect

Although the use of ICT products consumes energy, there is substantial opportunity to use ICT products to enable reductions in global energy-related GHG emissions and make the world more energy efficient.

Our customers are looking for ways to reduce their energy-related costs and their carbon footprint. This

Key Areas Where Cisco Technology is Helping to Reduce GHG Emissions Include:	
Transportation	Cisco remote collaboration technologies help to avoid the need for business air travel and employee commuting. The increasing interoperability of our remote collaboration products, TelePresence, WebEx and Tandberg, further extend the potential for remote collaboration. Cisco has developed a methodology to help customers calculate the enabling effect of these technologies.
Buildings	• Cisco Connected Workplace reduces the need for travel by giving employees a full range of communications tools and secure access to company networks from any location. This enables more efficient use of office buildings through flexible work spaces that typically support 30 percent more employees than a traditional layout. • Cisco EnergyWise allows organizations to monitor and reduce the energy used by IT equipment through energy management technology embedded into Cisco Catalyst switches. • Cisco data center solutions achieve resource savings of up to 70 percent through "virtualization" (reducing the number of physical servers required) and reductions in energy used for cooling (see Green Data Center highlight box on page 22).
Utilities/Smart Grid	Improved network infrastructure will help utility companies optimize power supply and demand by routing power more efficiently and allowing demand-side management and two-way, real-time information exchange with customers. Cisco is a member of the GridWise Alliance, advocating the adoption of smart grid technologies, and is participating in a number of pilot programs including Energy Smart Miami in Florida.

creates market opportunities for Cisco to deliver network technologies that can help reduce GHG emissions by:

- Offering low-carbon ways to avoid business travel and employee commuting: Customers are rethinking their behaviors and finding innovative, network-enabled alternatives, such as web-based collaboration rather than travel, and telework rather than daily commuting

- Providing connected energy management: Customers can employ the network as the platform to measure, monitor, report, and plan for greater energy efficiencies

Reducing Emissions of Our Supply Chain

It is essential that we work to reduce energy use not only from our own operations but also from those of our supply chain partners, particularly given that much of our manufacturing is outsourced. We ask suppliers to report their GHG emissions to the Carbon Disclosure Project (CDP), make their responses publicly available, and set reduction targets, as well as encouraging their own suppliers to do the same. In February 2011, Cisco requested approximately 1500 contract manufacturers, component suppliers, and logistics providers to report their emissions to the CDP. We track which suppliers have done so and monitor the proportion of Cisco expenditure they represent. Our goals and detailed metrics are provided in the Environment section of our full CSR Report.

Cisco is also developing integrated solutions that use the network to bring together people and services, and promote low-carbon urban living and working. Our Smart+Connected Communities initiative will give the network a central role in the delivery of integrated offerings across real estate, transportation, safety and security, utilities, health, education, and government to improve community management, economic growth, citizen quality of life, and sustainable development.

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

Green Data Center

Our new green data center in Texas, opened in FY11, uses Cisco's full data center technology portfolio to maximize energy efficiency. The data center is cooled by an energy-efficient air-side economizer system, which reduces the need for mechanical chilling by using ambient fresh air when the outside temperature is low (expected to be around 65 percent of the time, saving approximately US$600,000 per year in energy costs). Instead of hundreds of batteries, the data center has an uninterruptible power supply using rotary flywheels that require little energy to continue in motion that starts up diesel generators in case of power loss. Solar cells on the roof generate 100 kilowatts of power for the office spaces in the building.

Product End-of-Life

Our trade-in and take-back programs are designed to bring back to Cisco any items we put on the market. These include trade-in programs for customers who are purchasing new equipment.

During FY11 Cisco refurbished, resold or reused over 2,005 tonnes of equipment returned to Cisco. Our challenge is to promote awareness of our take-back and recycling programs among our channel partners and customers, so that more material is returned directly to Cisco for processing.

Reuse is always the first priority. Cisco has reused over US$200 million of Cisco equipment, calculated at standard cost, in each of the last three fiscal years. If an item does not qualify to be reused, it goes to one of our authorized recyclers. Cisco contracts require each recycler to follow our strict requirements and provide us with monthly reports showing the weight of each lot as weighed in, and the weights of all fraction commodities yielded from the lot. We hold quarterly business reviews with each recycler to review the past quarter's results, and conduct random site audits of their facilities.

We also promote recycling of IT equipment within Cisco, encouraging employees in offices that participate in our recycle IT events to bring in any unwanted electronics equipment from home for recycling. In April 2011 we held our 16th recycle IT event, with 78 Cisco offices around the world participating and over 142 tonnes of e-scrap collected.

Looking Ahead: Objectives for FY12

Reduce all Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)

Include partner CDP reporting status in our performance scorecard for preferred suppliers

Complete the deployment of our new Sustainability Information System to more efficiently monitor and report GRI environmental performance indicators

Continue to invest in the development of the ICT Sector Supplement to the GHG Protocol Scope 3/Product standards

Establish a metric for the emissions impact of reduced employee commuting enabled by the use of our collaborative technologies

Roll out EnergyWise-enabled power distribution units in our major engineering labs worldwide

Extend electric vehicle charging stations to other locations beyond San Jose in FY12 and FY13

Engage with customers to improve on our product re-use and our metrics for recycling of our products

Expand Cisco Connected Workplace to more of our buildings, reducing the need to expand our real estate footprint as business growth continues

Establish a new GHG emissions reduction goal for the years after 2012