2009 Cisco Corporate Social Responsibility Report

CISCO

Report Contents

2009 Corporate Social Responsibility Report

This report documents Cisco's corporate social responsibility (CSR) efforts. It sets forth our CSR philosophy and describes the progress we have made in initiatives directed at improving the health, welfare, and sustainability of our business and the communities in which we operate worldwide. We have prepared this report using the current Global Reporting Initiative guidelines and the United Nations Global Compact. It incorporates data and feedback received from our employees, shareholders, customers, the many private, government, and nongovernmental organizations with which we partner, and other company stakeholders. We believe that the information in this report is a faithful and accurate representation of our business operations, presented within the context of the company's social and economic responsibilities. Email us with questions.

Letter from John Chambers, Chairman and CEO

Networked Web 2.0 and collaborative technologies are transforming how we work, how we do business, and how we deliver on our corporate social responsibilities at Cisco. The power of an intelligent network has the ability to drive new levels of innovation, productivity and efficiencies, and people all over the world have access to information like never before. Technological advancements offer tremendous opportunities to drive positive change in how we approach business, economic, and societal challenges. And the social networking innovations that make up Web 2.0 technologies have not only changed the way we work and how we interact in our personal lives, but they have also improved how we interact with our customers and partners to take our relationships to an entirely different level.

Using the network as a platform for both innovation and productivity, we can more closely align our efforts with the needs of our customers, partners, shareholders, and employees. We can bring new focus to everything from guiding our employees' training and development to transforming healthcare and educational systems to driving a country's sustainable economic growth to improving environmental stewardship, corporate governance, and ethical practices.

We are at an inflection point unlike any other in history, and I believe Cisco has an unprecedented opportunity to help countries, communities, and citizens achieve their social and economic goals. Now is the time to improve global citizens' standard of living and make a lasting impact on a country's future and its ability to lead in the new digital economy by maintaining focus on innovation, national competitiveness, job creation, and growth.

For example, through smart grids we can securely manage energy on electrical grids, from generation to consumption, to make homes and buildings more productive and economical. And through a combination of public-private partnerships, we lead the way in delivering transformational learning, providing remote healthcare options, and developing new infrastructure models for tomorrow's sustainable cities.

Our social advancement initiatives and environmental programs address fundamental issues that are important to people all over the world. And as Cisco looks to strengthen our business by helping to strengthen global communities, we continue to support and report our progress toward the universal principles embodied in the United Nations Global Compact.

As we celebrate our 25th anniversary as a company, we are celebrating 25 years of exceptional talent, leadership, innovation, and operational excellence. We believe our opportunities are endless, given our position to capture the momentum that is occurring in the global marketplace today. The world is much more connected than it was 25 years ago, and next-generation intelligent networks will serve as the platform for helping us meet the challenges we face today as well as to prepare for our future.

John T. Chambers

Letter from Tae Yoo,
Senior Vice President
of Corporate Affairs

Cisco's vision is to change the way we work, live, play, and learn. At the heart of that vision is a world where people use networks to enhance and integrate all aspects of their lives. Our approach to corporate social responsibility (CSR) aligns responsible business practices and social investments to create long-term value and sustainability for our business and for our global communities. Even in a challenging economic environment, we have continued to support CSR initiatives that have a positive and measurable impact in four key areas: our employees, corporate governance, the environment, and society as a whole.

First and foremost, for our employees, we strive to foster a corporate culture that empowers employees to work for positive change. We provide engaging and challenging employment as well as career development that enables our employees to make significant contributions to the information and communications technology (ICT) industry. But equally important, we support and encourage CSR initiatives and other activities by our employees that help promote sustainable economic growth and improve community life.

Our second area of focus, corporate governance, is enhanced through our collaborative leadership structure, supported by collaboration technologies such as Cisco TelePresence and WebEx. We are changing the way Cisco works. Cisco's collaborative management model enables cross-functional teams to govern a broad range of market adjacencies and concentrate expertise where it is needed for improved, scalable, flexible decision-making in the business.

Third, our engagements with stakeholders give us fresh perspectives and help us improve business by making our operations and products more efficient and easier on the environment. We have made considerable progress in designing efficiencies into our products and developing innovative technologies that help Cisco and our customers reduce environmental impacts through better collaboration, control, and resource management. We partner with suppliers and other members of our value chain in our sustainability efforts.

And finally, our social investment strategy looks to empower individuals and organizations, as well as to strengthen communities, specifically in the areas of education, healthcare, economic development, and basic human needs. Our strategic, long-term approach to these engagements is implemented through public-private partnerships and networking technologies.

Cisco's social investments in education have had a positive effect on improving the welfare of individuals, their families, their communities, and their countries. No company, country, or region can fully participate in the global economy without an educated workforce. The ability to prepare students to thrive in a connected global economy and assume leadership for the economic and societal challenges we face is essential for both developed and emerging markets. Beyond academic success, learners will need to collaborate, to problem solve, and to be information-literate like never before. Partnering with education stakeholders, we are actively engaged in helping transform systems to meet the needs of 21st century learners, educators, and organizations.

Cisco's multiyear, collaborative partnerships with government and nongovernmental organizations help us design programs that address real community needs and can produce results that significantly enhance quality of life. We aim to provide innovative healthcare, education, and economic development infrastructures through the creation of scalable, replicable, and sustainable solutions, such as the design of a multipurpose mobile health clinic that enables those in remote rural communities to have access to better-quality healthcare.

In all of Cisco's CSR efforts, we draw upon the valuable input and diverse perspectives of our many stakeholders. This infusion of ideas, together with our collaborative approach and the talents of our employees, enhances our ability to strengthen economic development, generate opportunity, and promote well-being.

Tae Yoo

CSR and Our Employees

Cisco's vision is to change the way we work, live, play, and learn. At the heart of that vision is a world where people use networks to enhance and integrate all aspects of their lives. Cisco strives to foster a corporate culture that empowers employees to work for positive change. We provide engaging and challenging employment that enables our employees to make significant contributions to the information and communications technology (ICT) industry. But equally important, we support and encourage corporate social responsibility (CSR) initiatives and other activities by our employees that help promote sustainable economic growth and improve community life worldwide.

At Cisco, making the world a better place through technology is something we take very seriously. ICT enables people to come together and transform their lives in innovative ways, becoming more engaged, more informed, and more involved. When humanity is connected, wonderful things happen, both locally and globally. This is what we call the Human Network Effect.

We cannot accomplish our vision without pursuing our mission, which is to shape the future of networking by creating unprecedented value and opportunity for our customers, employees, investors, and partners. Regardless of job, title, or duties, every employee can take a leadership role in what they do. Employees are encouraged to become thought leaders in their particular areas of expertise, reinforcing the stature of the company and increasing its value to customers, shareholders, and the industry.

While markets evolve and change over time, the essentials of our corporate culture remain constant. Our core values are at the root of all we do and the spirit in which we do it. Cisco's culture is clearly delineated by the values displayed on our employee badges: customer success, innovation, teamwork, empowerment, open communication, fun, giving back, trust, fairness, integrity, inclusion, continuous improvement/stretch goals, quality team, no technology "religion" (avoiding a single technical approach), market transitions, and drive change. These precepts are woven into our workplace interactions and form the fabric of our day-to-day operations.

> "Fifteen years ago, we said our vision was to help change the way the world works, lives, plays, and learns. Many people thought that was a marketing statement, but we meant it, and we've delivered on it, worldwide, by working with our customers and through our own corporate social responsibility efforts. We've built on that vision, articulating our aspirational goal to become the best company in the world, and the best company for the world. This is a vision that brings employees to work every day excited to be involved in initiatives that truly can change the world, and engages their full creativity, productivity, and personal passion to go above and beyond in everything they do."
>
> — John Chambers, Cisco Chairman and CEO

> " As a working mother of three children, I know firsthand the benefits of Cisco Virtual Office. Through high-quality voice and video, I am able to lead global teams and programs while avoiding back-and-forth trips to the office. Juggling early-morning Europe calls, midday doctor's appointments, and evening Asia meetings, I move with ease from one place to another. My family and I feel fortunate that I work for a company that enables true work/life navigation."
>
> — Carina Reyes, Cisco Manager in Operations

Flexibility and Trust

Cisco sees a positive correlation among productivity, flexibility, trust, and low employee attrition. Consequently, we strive for a culture of flexibility and trust in which high-performing employees can create value for the company while also maintaining well-balanced lives. We do this in part by using our own technology to create a collaborative environment while providing employees latitude in how, when, and where they work. In doing so, Cisco itself has become a prime example of how ICT can transform today's workplace and workforce.

Using Cisco technology, our employees can work efficiently from any location, access real-time business information as if they were in the office, and confer with colleagues and customers globally. Flexible work schedules provide employees with more choices in balancing both work and home commitments. For parents, this flexibility provides the opportunity to engage in a challenging career and a fulfilling home life. For those with aging parents, it offers the ability to provide care and also fulfill their career goals.

Cisco's cultural values, facilities, benefits packages, and rewards and recognition programs are all geared to supporting successful work/life integration. We encourage our managers to make full use of corporate resources to help employees find the best ways to achieve their own personal balance.

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> " In the age of global markets, time and distance separates people and workspaces. Cisco has long recognized that telecommuting and collaborative technologies are effective in breaking down barriers and enabling the transition to the borderless enterprise. In addition, as demonstrated by our recent study, a properly executed program for telecommuting can be extremely effective in unlocking employee potential by increasing work/life balance, productivity, and overall satisfaction."
>
> — Rami Mazid,
> Cisco Vice President of Global Client Services and Operations

Teleworking as a Way of Life

In October 2008, Cisco conducted a Teleworker Survey, an in-depth study of nearly 2000 company employees designed to evaluate the social, economic, and environmental effects of telecommuting at Cisco. A majority of respondents experienced a significant increase in work/life balance, productivity, and overall satisfaction as a result of their ability to work in a variety of locations, including their homes. As the modern workforce continues to evolve and globalize, more companies are turning to teleworking to save costs, lower carbon emissions, and retain top talent. The survey highlights the gains that a sound telecommuting strategy provides for employees and employers alike.

While teleworking is not feasible or appropriate for all jobs, we have discovered that the company is achieving new levels of efficiency and effectiveness by enabling people to work together regardless of location. In fact, the company has generated an estimated annual savings of $277 million in productivity by allowing employees to work remotely. With the adoption of enterprise-class remote connectivity and collaboration solutions such as Cisco Virtual Office, Cisco OfficeExtend, and Cisco WebEx®, we anticipate that organizations, people, and the environment will continue to accrue substantial benefits as teleworking becomes more prevalent.

Teleworker Survey Results

Cisco conducted the telecommuting survey to explore and evaluate commuting patterns, technology barriers, work quality and productivity, environmental impacts, and advantages and disadvantages of the flexible lifestyle, as well as overall employee satisfaction. A total of 1992 Cisco employees were polled in five regions: Asia Pacific, emerging markets, Europe, Japan, and United States/Canada.

Among the highlights from the survey:
- The average distance for round-trip commutes varied by regions: employees in the United States and Canada reported a 30-mile round-trip commute on average; Asia Pacific employees commuted about 14 miles a day; Japanese employees cited a 26-mile commute; employees in emerging markets commuted an average of 16 miles; and European employees reported a 46-mile commute.

- Approximately 69 percent of the employees reported higher productivity when working remotely, and 75 percent said the timeliness of their work improved.

- Eighty-three percent of telecommuting employees said their ability to communicate and collaborate with coworkers is comparable to working onsite.

- Overall work quality improved for 67 percent of the telecommuting respondents.

- A better quality of life through telecommuting was reported by 80 percent of the respondents.

- Telecommuting can lead to higher employee retention, as suggested by the fact that more than 91 percent of respondents said this mode of working is somewhat or very important to their overall work satisfaction.

- The employees reported a fuel cost savings of $10.3 million per year due to telecommuting. (By avoiding vehicle travel, Cisco telecommuters prevented approximately 47,320 tons of greenhouse gases from being released into the environment in the 2008 calendar year.)

Cisco Employees by the Numbers

Cisco is a multigenerational, multicultural community that extends around the world. As of July 2009, Cisco has more than 65,500 employees in 92 countries and over 372 locations. Approximately one third of our employees work at the headquarters site in San Jose, California. Our workforce has a wide variety of skill sets, but it can be divided broadly into engineering, sales, and business support functions.

Workforce by Job Function
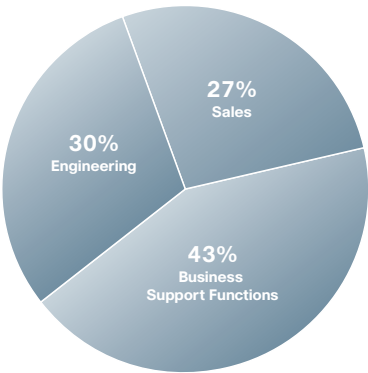
Cisco has one of the lowest rates of voluntary employee attrition in the IT industry. The table below gives the voluntary attrition rate for the last five years.

Voluntary Employee Attrition as a Percentage of Total Employees

FY05	FY06	FY07	FY08	FY09
4.59%	5.45%	4.52%	5.01%	3.22%

The tables below characterize the employees we have hired over the past four years in terms of gender and ethnicity. The ethnicity figures in the second table are given for employees in the United States only.

During the economic downturn and subsequent slowdown in hiring, we have added new employees selectively to support the investments we are making in market adjacencies. Cisco programs such as Hiring and Interview Training help us apply inclusion and diversity principles when selecting external job candidates. When filling positions from within the company, our Talent Connection program helps us align our internal talent with Cisco's top priorities.

New Hires by Gender (Non-U.S.)

	FY06	FY07	FY08	FY09
Total Number of Hires	3,120	4,982	4,517	2,536
Number of Female Hires	694	1,029	1,018	484
Percent of Female Hires	22%	21%	23%	19%

New Hires by Gender and Ethnicity (U.S. Only)

	FY06	FY07	FY08	FY09
Total Number of Hires	3,562	5,821	5,441	4,208
Number of Female Hires	1,014	1,712	1,643	1,034
Percent of Female Hires	28%	29%	30%	25%
Number of Non-Caucasian Hires	1,642	3,108	2,838	2,191
Percent of Non-Caucasian Hires	46%	53%	52%	52%

	FY06	FY07	FY08	FY09
Total Number of Female Hires and Male and Female Non-Caucasian Hires	2,111	3,858	3,533	1,249
Total Percent of Female Hires and Male and Female Non-Caucasian Hires	59%	66%	65%	57%

Inclusion and diversity are an integral part of Cisco's corporate culture and constitute one of our primary strengths. The table below gives a snapshot of our employees in terms of diversity.

Women and Ethnic Minorities as a Percentage of the Workforce

		FY05	FY06	FY07	FY08	FY09
Women	Women as percentage of total global employees	21.80%	22.10%	23%	23.50%	23.35%
	Women in VP positions or above as percentage of global VP and above employees	13.20%	14.00%	12.70%	15.50%	15.47%
Ethnic minorities (U.S. only)	Ethnic minorities as percentage of total U.S. employees	42.30%	42.80%	43.70%	44.70%	45.58%
	Ethnic minorities in VP positions or above as percentage of total U.S. VP and above employees	17.60%	17.50%	15.60%	22.20%	20.8%

Cisco is a global organization with a widely dispersed workforce. The table below indicates the number of Cisco employees working in various regions of the world.

Cisco Employees by World Market Regions

	FY06	FY07	FY08	FY09*
Asia Pacific	4,411	7,528	9,276	10,169
Emerging Markets	1,549	2,406	2,921	7,860
Europe	5,778	6,907	7,604	8,082
Japan	1,015	1,158	1,253	1,278
United States and Canada	28,659	33,494	35,832	38,156

* This year's figures include 4861 employees in our manufacturing center in Juarez, Mexico, and 553 Scientific Atlanta employees from outside the United States.

> "The Connected Business Operations Council is now assuming the lead in shaping world-class operations at Cisco that can scale for growth in global markets, quickly respond to as many as 50 or 60 market adjacencies with numerous innovative and flexible business models, and drive operational excellence. Every employee in the company will be involved and engaged in strengthening our core."
>
> — Randy Pond, Cisco Executive Vice President of Operations, Processes, and Systems

Turning a Downturn to Advantage

When the economic downturn began, Cisco implemented initiatives and policies to ensure that we can take a leading role in the eventual upturn. As part of our approach, we reaffirmed the importance of leadership during challenging times and established expectations for all Cisco leaders. We created a website on the internal company network especially for managers: "Learn About: Managing for the Economic Upturn." The site provides details about new policies, videos from Cisco senior management, a Q&A page with information about the best ways to conduct employee discussions and team meetings, and other resources.

Cisco also created the Connected Business Operations Council to provide a balance between the two strengths the company must maintain to stay competitive: innovation and operational excellence. The council is co-chaired by Frank Calderoni, executive vice president and chief financial officer, and Randy Pond, executive vice president of Operations, Processes, and Systems. The council and its subordinate boards, particularly the Expense Management/Business Effectiveness Board, delved deeply into the company's expenses and came to the conclusion that we could increase financial stability by managing expenses more proactively. Essentially, that means making thoughtful, methodical decisions about actions the company should invest in, focus on, or avoid in both the short and long term. Change-management and communications teams work to ensure that this decision-making process is transparent and that employees understand how the decisions will affect them and their workgroups.

Open Employee Communications

Cisco cultivates a culture of open and transparent communications in which leaders share company strategy and direction with employees and rely on employee feedback in their decision making. We build communications into all our business processes, fostering a timely, two-way flow of information that is essential during times of change. The company employs several systematic communication vehicles, including quantitative surveys, to elicit information from employees in areas such as job roles, career opportunities, management, company image and messages, corporate culture and values, initiatives, and work/life integration.
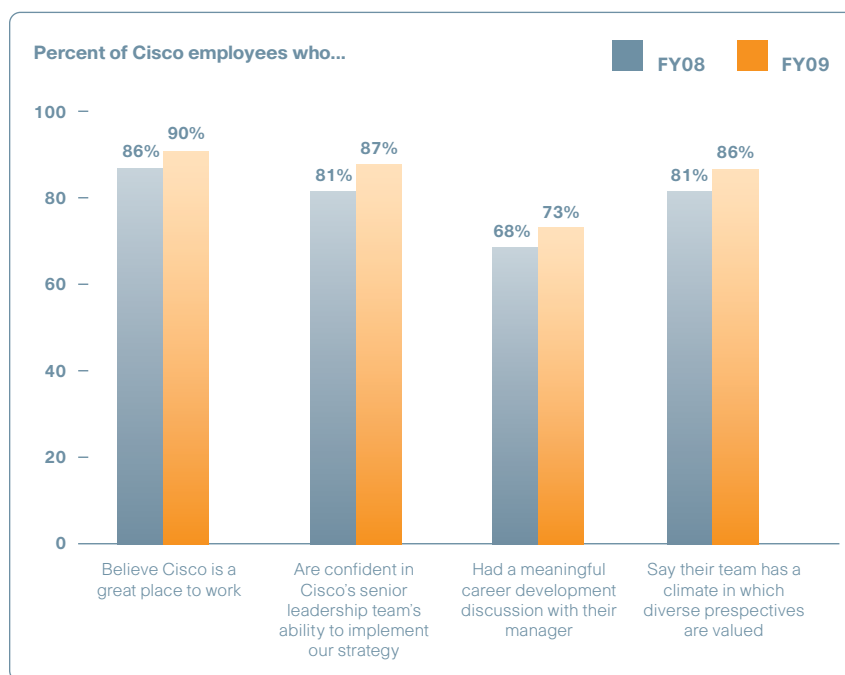
Cisco Pulse Survey

One of our most effective tools for gathering employee feedback is the Cisco Pulse Survey, a confidential poll administered online. Prior to 2008, the survey was conducted sporadically and covered only a sample of the employee population. Now it is a global, annual survey that covers the entire employee population. Cisco's leadership enthusiastically supports the survey and the resources required. A record 80 percent of employees answered the most recent survey in February 2009, a 7 percent increase over the previous survey. In this survey, 90 percent of employees agreed that Cisco is a great place to work, up from 86 percent in 2008.

This year's Cisco Pulse Survey included a focus on employee engagement. Cisco's new 10-item Engagement Index set a baseline value, and employees were asked questions to determine which of seven aspects of employment had the most impact on their level of engagement: respect for people, development, recognition, collaboration, organizational alignment, innovation and excellence, and communication. We also introduced an item on the survey assessing employees' perception of how much the company's management emphasizes employee well-being.

The year-over-year results for other key statements in the annual surveys conducted in FY08 and FY09 are shown in the graph below.

Results for Key Pulse Survey Questions, FY08–FY09

Percent of Cisco employees who... ■ FY08 ■ FY09

	FY08	FY09
Believe Cisco is a great place to work	86%	90%
Are confident in Cisco's senior leadership team's ability to implement our strategy	81%	87%
Had a meaningful career development discussion with their manager	68%	73%
Say their team has a climate in which diverse prespectives are valued	81%	86%

We follow up the Pulse Survey in various ways: additional surveys, focus groups, structured review sessions between managers and their employees, targeted action and improvement plans, and coaching. Low scores indicating areas of concern receive added attention from the Operating Committee. We work hard to balance long-term, sustainable improvements with "quick-win" approaches, and we communicate broadly and consistently about Pulse Survey follow-ups so employees understand the connection between their input and the changes that we implement. Consistent with Cisco's emphasis on transparency and inclusion, employees were able to view comprehensive Pulse Survey results for the entire company and for all major functions on a website for the first time this year. By publicizing the survey, we give employees visibility into their peers' views and how Cisco's leadership team plans to improve the employee experience.

As a result of employee feedback, there has been a companywide focus on employee recognition. We concentrated on clarifying how employee performance is evaluated, how rewards are determined, and how managers can positively reinforce employee performance in ways that do not necessarily involve monetary compensation. In addition, there has been year-over-year improvement in employees' agreement with the statement, "In the last 12 months I have had a meaningful career development discussion with my manager." This can be attributed to a cross-functional effort to improve in this area; midyear career discussions were held with approximately 55 percent of employees.

Virtual Conferencing

Virtual or Internet-based conferencing has become an increasingly effective way to reach global audiences for companies like Cisco that are geographically dispersed and concerned about the financial and environmental impact of business travel. Cisco is not only at the forefront of conferencing technology with our Cisco TelePresence™ and WebEx® collaboration products, but we also make use of these and other technologies internally to bring employees together for discussions and working sessions.

Global Company Meetings

Cisco holds quarterly company meetings to discuss financial performance, future directions, and other issues pertaining to all employees. These global, live meetings are open to all Cisco employees, who may attend in person, on the Internet through Cisco TV connections, or using the Cisco TelePresence collaboration solution. Online video replays are also available. The new virtual meeting format creates an immersive environment where one large, global audience can interact in real time.

The virtual meetings typically originate from the Visual Networking Center at corporate headquarters in San Jose, California. Here, the executive leadership team is joined by a live audience onsite. We employ Cisco TelePresence technology to connect six remote sites, which are selected on a rotating basis from regions worldwide. Audience members at each remote site appear at the Visual Networking Center on a large, high-resolution display, allowing them to join the live participants in San Jose as if everyone were in the same room. Data screens display presentations, and all participants can engage in the Q&A sessions that follow.

In 2009, we reached out with Cisco TelePresence to audiences in Argentina, Australia, Canada, China, Dubai, Finland, Germany, India, Israel, Japan, Mexico, Russia, Singapore, Switzerland, Turkey, the United Kingdom, and seven locations in the United States. In February 2009, the company meeting convened in Bangalore, India, the first time the live meeting took place outside corporate headquarters. Before an onsite audience of more than 500 employees, John Chambers made his presentation from Bangalore while other members of the executive team participated from the studio in San Jose. This event set a new record for meeting attendance: More than 18,000 employees participated virtually or watched on live TV. These immersive, media-rich gatherings serve as a model for how Cisco intends to conduct large, companywide meetings in the future.

Virtual Manager Meetings

Quarterly virtual manager meetings allow our executives to engage with Cisco managers on a personal level. The hour-long meetings give managers direct access to Cisco's senior leadership team on a regular basis. Attendees can ask detailed questions about topics relevant to their work, their employees, and their own leadership development.

Comments from Virtual Manager Meeting Attendees

"I felt engaged with the live participants in the manager's meeting, even though I was sitting at my desk viewing it on my PC."

"Very candid, which made it feel inclusive."

"Appreciate the leadership and openness."

"This was great! I like the informality, and I appreciate seeing the camaraderie among our executive leaders."

The first all-virtual manager meeting was conducted in March 2009. Previously, manager meetings were held a day before company meetings in a conference room at headquarters, with about 15 minutes dedicated to questions. The new virtual format allows managers from all over the world to watch and ask questions using Cisco TelePresence technology and Cisco TV.

Manager meetings are conducted in a conversational discussion format. Our CEO spends about 10 minutes on topics provided by managers in advance through a discussion forum and survey. The remainder of the hour is dedicated to a Q&A session led by the CEO and other executives who have been chosen based on topics relevant to that fiscal quarter. For managers who are unable to watch live, the sessions are recorded on video and can be accessed on the company intranet within 24 hours of the meeting.

Virtual Leadership Offsite Meeting

Cisco's yearly Strategic Leadership Offsite meeting also went virtual this year. Bringing together employees at the director level and above, this two-day meeting sets the company's direction for the next fiscal year. The meeting is conducted in mid-May to give company leaders time to align their groups, reprioritize, and create Vision, Strategy, and Execution plans before the new fiscal year begins in August.

In addition to executive keynote speakers, the meeting also includes breakout sessions devoted to areas of focus for the coming year (known as *market adjacencies*), customer segments, leadership development, and exchange sessions that focus on reinforcing our Collaborative Management Model. Live Internet TV sessions provide opportunities for executives and managers to discuss changes in policies, budgets, processes, expense management, and hiring policies.

To give a flavor for this virtual event, here are some facts about the May 2009 meeting:
· There was a 90 percent reduction in time spent traveling, a savings of about 11 hours a day per attendee.
· Cisco saved $2.8 million by avoiding travel and hotel expenses.
· Carbon emissions were reduced from 45 tons to 4 tons.
· Downloads totaled 48,149, an average of 15.9 downloads per attendee.
· Of the 3200 leaders who attended, 484 attended chat sessions.
· Participants posted in 96 discussion forum topics and 47 blogs.
· Updates, web pages, and articles appeared on the Cisco intranet, so all employees could obtain information and provide comments.

Web 2.0 Tools and Resources

Web 2.0 technologies such as social networks, blogs, wikis, discussion forums, and media offer tremendous opportunities for collaboration and interaction within the company. Cisco enterprise services that make use of these tools include an internal employee directory service with customizable areas of expertise, a wiki called Ciscopedia, and various collaborative communities. Each of these enhancements is systematically piloted and tested, then integrated with other intranet resources.

One example of a Cisco collaborative community is C-Vision, a content-sharing technology that lets employees publish informal and engaging messages in a variety of media, including video, audio, and photos. This tool gives viewers and content creators a place to interact and collaborate by commenting, rating, and taking advantage of the knowledge and expertise of others in a simple, interactive manner.

Communications Center of Excellence

Cisco employees are encouraged to express their ideas and opinions using Web 2.0 social networking sites and tools. Cisco is also using collaboration technologies to deliver candid messages in a personalized and timely way, giving employees greater flexibility in how they acquire information.

The Communications Center of Excellence is a resource by and for employees that employs Web 2.0 technology to provide information about the latest tools and best practices for effective intracompany communications. By means of blogs, discussion forums, and other collaboration technologies, employees can form virtual teams to gather and share information about a particular topic or concern. The center also informs employees about new collaboration tools and provides training and guidelines.

Business-Related Social Networking

Here are some statistics that suggest how extensively Cisco employees use business-related social networking resources:

- **External blogs**: About 2 million views per quarter, up 20 percent from FY08
- **YouTube**: 1260 videos in our top two channels in FY09, with approximately 500,000 views and 2312 subscribers; the most-viewed video last year was related to the launch of Cisco Unified Communication System Release 7.0 in September 2008
- **Facebook**: 51 Cisco groups and fan pages; more than 70,000 members/fans

▪ **Twitter**: 21 accounts with more than 700 followers, up 42 percent in May–June 2009 from the previous year; Cisco Chief Technology Officer Padmasree Warrior tweets to more than 695,000 followers

▪ **Flickr**: 12 collections and 36 sets (albums) of product/technology photos; 267,800 total views overall as of June 2009

▪ **Second Life:** 150,000 visitors, more than 50 events, 4.5+ (out of 5) customer satisfaction rating

▪ **iTunes Podcasts**: More that 350 podcasts and 200,000 streams, rated 5 stars (out of 5) on iTunes

Rich-Media Presentations and Blogging

Executive videos help get messages out quickly, resulting in a more agile business and faster adaptability to change. Through the use of technologies such as Cisco Unified Video Advantage and Pure Digital Technologies' Flip point-and-shoot camcorder, executives can record video messages at their desks and email them to an employee list or post them to C-Vision for instant dissemination. In addition, most executive presentations to employees are videotaped and posted on our intranet.

Aside from video communications, Cisco has embraced blogging and video blogging as an effective means for communicating with employees. Several leaders at Cisco have blogs and regularly post commentary on topics of special interest to them and employees. Employees are encouraged to join these discussions by commenting on the blogs or emailing feedback.

Cisco maintains an official external blogging site called The Platform at: http://blogs.cisco.com/news.

Birthday Chats

Birthday Chats are a long-standing tradition at Cisco that allow Chairman and CEO John Chambers to celebrate a personal day with employees while candidly sharing information about the company. Held every other month, Birthday Chats help foster open communication by enabling employees to voice concerns, ask questions, and seek perspectives on a variety of topics.

Employees based at corporate headquarters can attend in person or by Cisco TV. Employees in other locations can also participate in the event using Cisco collaborative technologies. A video of the entire session, broken down by question, can be viewed by employees on the Cisco intranet shortly after the event. The chats have become a cornerstone of the Cisco communications process because of their regularity and candor.

In FY08, Cisco implemented Short Message Service (SMS) mobile communications technology at Birthday Chats. SMS polling is a Web 2.0 strategy that allows John Chambers to query the live global audience during the session, with participants using their mobile devices to text their responses back. The texts come from the 500 employees in the room, as well as from those participating by streaming video and Cisco TV.

Keeping Managers in the Loop

As Cisco has updated policies and practices during the economic downturn, we have reached out to managers to help them understand these changes and how they affect the business. For example, Don McLaughlin, vice president of Staffing, and Mick Lopez, vice president of Finance, set up two Cisco TV live sessions on hiring and expense-management policies to inform managers and answer their questions. More than 2500 leaders attended the event held on November 19, 2008, either live or through video on demand during the following two days. The presenters received 450 questions during the sessions, which were condensed into 60 representative queries that received answers in a posted Q&A document.

In a Cisco TV survey conducted after the event, we received more than 600 responses. Among the overwhelmingly favorable comments were these:
- "This was excellent! I and my team appreciate proactive and open communication during this time of change. Thank you for helping us stay focused."
- "It's great to work in an environment where our leaders address the issues head on, with integrity and honesty."
- "I really liked the honesty displayed by both VPs. They were frank and told us when they simply did not know the answer, but that it was being investigated. This is management we can believe in."

Employee Development and Advancement

Just as Cisco's business strategy takes a comprehensive, holistic approach to customer needs and market contingencies, our approach to employee development looks at the whole employee: how that person contributes to our success, and what he or she could potentially contribute in the future. To help our employees acquire what they need to advance their careers, we develop employees' skills through training initiatives and contribute to their personal growth with innovative learning opportunities.

By understanding the core skills that underlie our business, we can direct investment and energy toward cultivating these skills among our employees. This enables us to retain linchpin talent by preparing our best and brightest people to move into new and challenging positions. And by enhancing our employees' skill sets, we are able to innovate more successfully and respond to market transitions more rapidly.

To align the company's governance closely with our business, Cisco has evolved a cross-functional leadership approach called the Collaborative Management Model. We are committed to building a cohort of leaders who can thrive in the corporate environment we have created. To that end, we have initiated programs aimed at developing leadership skills that make extensive use of Cisco's collaboration technology, social networking approaches, and Web 2.0 technology.

Executive Development

In FY08, we launched the Cisco Center for Collaborative Leadership, a process intended to transform Cisco by transforming Cisco's leadership. It combines industry best practices with collaboration technology and Cisco's thought leadership regarding corporate leadership requirements for 21st century businesses. We focus on three key areas: talent strategy and planning, executive assessment and development, and organizational transformation. With the Center for Collaborative Leadership, Cisco is demonstrating a commitment to leadership development as a practice capable of attracting and retaining top talent. In concentrating on a few key transformational processes, we are able to provide opportunities for executives to develop the organization while creating their own individual paths to development.

Executive Talent Strategy and Planning

Cisco has identified the leadership behaviors that we believe are necessary to achieve our aggressive growth goals. The Cisco C-LEAD model defines what Cisco expects from our leaders and what they should expect from each other. The model involves five interdependent themes that we believe constitute the skill set of an effective Cisco leader:

- **Collaborate**: Working across boundaries, building teams, managing conflict, earning trust, and recognizing good performance
- **Learn**: Developing personal skills and coaching others
- **Execute**: Solving problems, making decisions, delegating, giving feedback, and demonstrating passion for the work
- **Accelerate**: Communicating goals and building capabilities
- **Disrupt**: Envisioning opportunities, innovating, taking risks, and leading change

The C-LEAD model is incorporated into the executive nomination process, ensuring that leadership capabilities are formally assessed and taken into account along with the scope and business relevance of the proposed role. Cisco also uses the C-LEAD model to evaluate leadership succession by calibrating executive talent and creating depth charts based on business priorities and plans. The results of a Leadership Review Process based on C-LEAD are presented to Cisco's Board of Directors annually so they can examine how well the capabilities of today's leadership align strategically, organizationally, and operationally with the company's future needs.

Executive Assessment and Development Process

In FY08 and FY09, Cisco engaged more than 450 senior executives in the Executive Assessment and Development Process. Cisco's executive assessment and development planning is individualized and supported through extended executive coaching and internal mentoring programs. Cisco provides high-potential leaders with opportunities to accelerate their development by working on important and strategic projects through the Executive Action Learning Forum. One of Cisco's signature programs and recognized as an industry best practice, the forum combines top-notch business school education with work on strategic projects for the company.

Executive Organizational Development

The Center for Collaborative Leadership program continues to involve executives by giving them opportunities to provide leadership consulting at the organizational level, thereby keeping talent management at the forefront of business decisions. Executives serve on the program's advisory committee and executive nomination committee, and they teach in our development programs.

Manager and Employee Development

The best employees need room to grow professionally, and they continually look for opportunities to exercise the skills they have acquired and develop new ones. Career development programs are a strategic priority at Cisco because they enable us to retain top talent and recruit the sorts of people who can help us stay competitive in the ICT marketplace and move forward with our plans for transformative global networking.

In FY09, Cisco centralized manager and employee learning and development to increase learning effectiveness and distribute training resources across the enterprise. The new Learning and Development Solutions Group centers its efforts on delivering superior and consistent employee and customer-support development. The team's primary goal is to meet the learning needs of the core businesses within Cisco, and to create an approach that can distribute learning solutions across the company. Our vision is that Cisco learning and development will become a global business accelerator as well as a key differentiator for employees, partners, and customers.

Currently the Learning and Development Solutions Group is beginning a philosophical transition in its approach to learning, offering both traditional development programs and nontraditional and informal learning channels. Key programs are described below.

Traditional Learning

The Cisco Management Series is a core program that all new Cisco managers are required to complete if they have spent less than three years in a people-management role. This 16-week, three-stage learning experience includes:

· Facilitated e-learning that combines classic e-learning and mastery tests with discussions facilitated by the Cisco WebEx collaboration tool; discussion topics include compliance and ethics, goal setting and delegation, providing performance feedback, coaching, and additional core management building blocks

· A weeklong virtual learning laboratory that enables the managers to apply what they have learned using examples, role playing, and business case studies; exercises are conducted using Cisco WebEx and Cisco TelePresence collaborative learning technologies

· A 360 Assessment that provides personal feedback to the managers concerning their ability to demonstrate competencies and behaviors prescribed by the C-LEAD framework

The Cisco Leadership Series offers four programs that provide a high-impact learning experience for managers focused on building foundational leadership capabilities. Participants are

nominated for attendance on the basis of job performance, leadership reviews, and development opportunities. Customized simulations, role playing, and other exercises reflect current Cisco business challenges and opportunities. The content is designed internally, but includes input from distinguished universities and consulting firms. Cisco executives are called upon to teach aspects of the classes.

Nontraditional and Informal Learning

My Learning Network is a personalized learning solution that uses state-of-the-art portal technology and Web 2.0 tools to dynamically aggregate relevant services and resources into a "one-stop learning shop" where Cisco employees can obtain the experience and skills they need to excel at their jobs. Building on the user's current and past training, My Learning Network recommends formal learning resources such as courses and books, as well as informal resources such as wikis and blogs. The course recommendations are based on what other employees with similar job descriptions have taken. In addition, a manager can proactively "push" recommended learning and related skills tasks to a single employee or to the entire team over the network.

Eighty percent of all corporate knowledge transfers now take place through on-the-job interactions with peers, experts, and managers. To take advantage of the large pool of expertise that exists within Cisco, My Learning Network creates communities of interest focused on specific learning needs. These communities have their own space on the network where members can find out about events and courses, make recommendations, and get in touch with subject matter experts within the company.

Safari Book License

Cisco has partnered with Safari Books Online to give Cisco employees access to Safari's premier reference library. Employees can now conduct searches across all technical and business books in the library, add books to their personal bookshelf, and read them when they choose. My Learning Network recommends books in the Safari library to employees based on their job roles. Recommendations are displayed in a personalized Online Books section of the My Learning Network home page.

Employee Engagement Team

During FY09, Cisco created an Employee Engagement team for the purpose of assessing and improving our employees' experience at work. Key focus areas for this team include improving the work experience, accelerating careers, expanding managers' skill sets, and enhancing inclusion and diversity. To understand employees' experience and what motivates their engagement with the company, this team conducted 65 global focus groups to discuss what we consider the six pillars of employee engagement: culture, company, people, opportunity, rewards, and environment. The Employment Engagement team's reports go directly to the senior vice president of Human Resources and help to inform employee policies.

We learned from these focus groups that employees greatly value their colleagues and leaders, the rewards Cisco offers, and the opportunities they have to grow and develop. Employees indicated a particularly high level of satisfaction with the company and the corporate culture. They spoke highly of Cisco's culture of flexibility, empowerment, collaboration, and the meaningfulness of the work they perform. These results are not surprising, considering that we have invested substantial time

> " We've heard from employees that career development is important. This year, we are providing guides and templates to help employees set clear and effective goals to align with their organizations and cross-functional responsibilities. Development planning is at the heart of career development, and all employees should have a meaningful conversation with their manager to discuss their short-term and long-term career aspirations."
>
> — Susan Monaghan, Cisco Vice President, Employee Engagement, Human Resources

and energy to enhance collaboration and empowerment in the workplace and have embedded these values in our C-LEAD leadership competency model.

Performance Reviews and Career Discussions

The annual performance management (e-performance management, or ePM) review and development process allows Cisco employees to summarize what they have achieved during the past year and establish new goals for the coming year. During the review, managers confer with employees about strengths, challenge areas, and steps they can take to achieve their career development goals. The ePM review is also an important part of Cisco's comprehensive, performance-based Total Rewards compensation philosophy.

An important aspect of the ePM process is gathering feedback on the employees' teamworking skills and job performance from their coworkers, colleagues, and managers. This feedback not only comes from an employee's immediate workgroup, but also from other functions and teams with which the employee collaborates regularly, providing a more complete picture of the employee's job performance and collaboration skills.

Based on the feedback we have received from employees, Cisco placed a greater emphasis on personal goals and development planning in FY09, with guides and templates available from an online ePM tool to help employees set goals and to facilitate employee-manager conversations. C-LEAD goals are now embedded in the ePM tool for reference by managers and executives. The tool also provides inclusion and diversity guides, as well as goals that are specific to roles, to all people managers and employees.

In addition to the annual ePM review, Cisco Human Resources initiated a Midyear Career Discussion program in response to the FY08 Cisco Pulse Survey, which showed that employees want more transparent career development paths. The discussions cover job performance and also include a promotion assessment. We plan to extend Midyear Career Discussions to more business functions in FY10, and across the entire company by FY11.

Aligning Talent to Market Adjacencies

Cisco is taking steps to ensure that strategic, business-critical company priorities (market adjacencies) are staffed with the best internal talent wherever possible, and that long-term career growth for employees is facilitated by a philosophy of internal movement that focuses on skills, not job-specific experience alone. By aligning our business, people, processes, and culture, Cisco is well-placed to move quickly in market transitions and during the economic upturn to come.

As part of our Focus on Internal Talent (FIT) initiative, in FY09 we began developing a companywide program called Talent Connection that helps make sure that Cisco's top priorities receive the most talented resources available and that employees have an adequate opportunity to further their careers within the company. A key component of the Talent Connection model is communication among managers to determine skills matches between available internal talent and open job requisitions. Talent Connection meetings use Web 2.0 technologies to facilitate collaboration across business functions and regions.

" When people move into new roles, they take a fresh approach. They're more energized. They're more excited. They're always raising the bar as a result. As leaders, we should encourage people to seek new opportunities."

— Frank Calderoni, Cisco Executive Vice President and Chief Financial Officer

Talent Connection is designed to:

· Match people to Cisco's top priorities quickly through live conversations among managers

· Facilitate talent retention by providing easy access to internal career development opportunities

· Support cross-functional redeployment of talent by allowing skills portability

· Enable rapid response to shifts in Cisco's talent demand and supply through alignment to business priorities and a thorough understanding of what talent is available

Talent Connection will play an increasing role in the career journeys of Cisco employees. Skills portability broadens the types of internal opportunities available. Rather than simply matching an employee to a job based on the job's title and type, Talent Connection encourages matches that make the best use of an employee's skills and experience. This gives employees a broader range of potential job matches and career paths. Furthermore, most of the Talent Connection matches have crossed business functions, so while infusing the various areas of the company with internal talent we are also encouraging fresh approaches and innovative thinking.

"Who You Are" at Cisco
Cisco employees don't just come from different countries, we come from different backgrounds, genders, ages, ethnicities, and abilities. In fact, each of us has our own unique approach to life.

In calendar year 2008, Cisco introduced the Who You Are campaign to showcase the diversity of the Cisco employee population. The campaign features profiles of more than 50 employees around the globe. All Cisco employees are invited to share the story of how their unique skill sets, perspectives, and experiences make Cisco a great place to work.

Employee profiles are highlighted in Cisco advertisements, and at www.cisco.com/go/diversity

Inclusion and Diversity

At Cisco, inclusion and diversity are business imperatives. Our employees represent a variety of personalities, nationalities, genders, work styles, lifestyles, viewpoints, and expectations. A diverse workforce gives us a competitive edge by providing access to new ideas, promoting better decision making, and attuning the company to a variety of customers and cultures.

We strive to create a culture where all employees can contribute to their full potential in pursuit of Cisco's vision and objectives. However, it is not only diversity that empowers the company, it is the inclusive way we come together to collaborate and innovate. Our culture helps ensure that more and different viewpoints and ideas are brought to the table, so we can create the best and most innovative products and services. We believe it is essential for us to build a diversity of skills, experiences, and perspectives into our culture at every level of the organization.

View a video on diversity at Cisco.

"Inclusion and diversity is a key strength for any business or organization. It's not just a driver of creativity and innovation, it's also an important differentiator during challenging times, when I believe you need inclusion and diversity the most."

— John Chambers, Cisco Chairman and CEO

Diversity Programs

Cisco conducts programs and provides numerous educational resources to promote inclusion and diversity. At the individual level, all Cisco employees are required to subscribe to the Cisco Code of Business Conduct. In addition to information on ethical behavior and acting responsibly, the code includes a section on respecting others that addresses topics such as harassment, discrimination, and accommodating individuals with disabilities. The Code of Business Conduct represents a "values baseline" for diversity awareness and training across the company. Furthermore, new employees receive inclusion and diversity training as part of their orientation, and each new hire receives a welcome packet with an invitation to get involved in diversity activities through the New Hire Network and other employee resource groups.

In FY08, we added specific inclusion and diversity goals to the ePM annual employee review form, encouraging all employees to contribute to an open and diverse company culture. Because ePM ratings are among the primary factors in determining employee compensation, promotions, and development opportunities, this emphasis on inclusion and diversity in the performance assessment process is instrumental in embedding these values at every level of the company.

Inclusion and Diversity Symposium

In keeping with our strategy to promote a culture of inclusion and involve a broader segment of Cisco leaders and employees in our diversity efforts, we host an annual Inclusion and Diversity Symposium. The 2009 symposium was conducted virtually, making it available live to the entire Cisco global community for the first time.

Chairman and CEO John Chambers and Senior Vice President of Human Resources Brian Schipper spoke about how a culture of inclusion can differentiate Cisco from the competition and unleash employee potential. The full-day symposium included 20 Cisco executives in all, plus experts from outside the company. Employees could participate in interactive sessions live at headquarters in San Jose, California, or via Cisco TV or Cisco TelePresence from other locations around the world.

Inclusion and Diversity Leadership Session

To achieve our diversity goals, we believe that it is critical that all managers receive a grounding in how to hire top talent while creating and sustaining diversity in their workgroups. At Cisco's yearly Strategic Leadership Offsite meeting, all company leaders at the director level or above were encouraged by John Chambers to participate in an inclusion and diversity session titled "Building a Culture of Inclusion that Attracts, Develops, and Engages Our Diverse Talent." The session emphasized that the inclusive and diverse nature of our corporate culture will help maintain competitive advantage and prepare us for the coming economic upturn.

The session also focused on step-by-step, actionable practices that help Cisco leaders hire and cultivate the talents of a diverse workforce. The leaders learned about how Cisco's diversity contributes to customer success, why they need to take personal responsibility for building a culture of inclusion, and how they can take actions to achieve this goal. In particular, the agenda included solutions for "unleashing the power of the new workforce" by managing virtual teams across cultures and time zones, and by working across multiple generations of workers.

Hiring and Interview Training

In FY09, we introduced Hiring and Interview Training to help managers and recruiters develop effective interviewing skills. The training covers hiring within the law, applying inclusion and diversity principles to candidate selection, and predicting candidate on-the-job performance. This half-day online training is mandatory for all managers and recruiters, and it is highly recommended for nonmanagement employees who assist in interviewing job candidates.

Eliminating Bias in Hiring

In naming Cisco to its Top 50 Companies list, the National Association for Female Executives (NAFE) singled out the company for our efforts in removing bias from the hiring and performance review processes. "Few companies have focused on this key to leveling the playing field," NAFE wrote. "NAFE finds impressive work on this at Cisco."

"Women and men differ in performance reviews, and women from various cultures interview differently," points out Cisco's Marilyn Nagel, senior director of worldwide inclusion and diversity. "We don't want to reject a terrific Asian candidate because she's modest and doesn't meet your eye or doesn't talk easily about her accomplishments. So we're working on a whole new way to talk about how biases impact a manager's choosing the best candidates."

Step one in eliminating bias, according to Nagel, "is having a woman and a person of color on every interview team so you get varied perspectives, and a decision won't be based on a one-sided view. Then we train everyone that, first, we all have biases and preconceived notions, and second, this is what you can do to counterbalance those: Learn the characteristics culturally associated with specific groups and emphasize the greater value of choosing the diverse candidate over people who look like us. This is the way to make the culture shift."

Promoting Multicultural Awareness

Cisco's Global Inclusion and Diversity Council introduced the Multicultural Multigenerational Tool Kit in January 2009. Available globally, this online resource is designed to provide individual contributors and managers with information and resources to make it easier to work across cultures and age groups. The tool helps promote multicultural and generational understanding for employees when they interact with coworkers, and also when they deal with Cisco's customers, partners, and suppliers.

GlobeSmart is another web-based tool that provides quick and easy access to extensive resources about how to conduct business effectively with people from countries around the world. Developed by MeridianEaton Global Information, the tool offers culture-oriented information for more than 40 countries.

Advancing Women's Careers

Cisco offers several programs aimed at developing the careers and potential of female employees. In FY09, the Compass Series offered a learning session on Office Politics and a session on Social Networking and Your Career to senior managers. The Executive Shadow Program, offered by the San Jose Women's Action Network, an employee resource group, gives Cisco's high-potential women the opportunity to work closely with an executive for a day.

In FY07, Cisco's Senior Vice President of Global Policy and Government Affairs Laura Ipsen created the Cisco Women's Advisory Group to continue the focus on women's issues at Cisco. Its charter is to advocate for women's issues and provide recommendations to Cisco's Inclusion and Diversity Council. The advisory group creates a link between the broader strategy of the council and the specific needs of the grassroots women's organizations around the world. It includes representatives from a variety of organizations, geographical locations, periods of tenure, and grade levels to ensure a diverse perspective.

Cisco has relationships with several organizations focusing on the advancement and development of professional women, including the Anita Borg Institute for Women and Technology, Catalyst, Center for Work-Life Policy, Forum for Women Entrepreneurs & Executives, Professional Business Women of California, and Working Mother Magazine.

Inclusive Advocacy Program

Cisco recently launched a leadership development pilot called the Inclusive Advocacy Program with the goal of increasing opportunities for advancement to senior-level positions for globally diverse high-potential employees. The program makes use of collaborative networking technology to bring the employees together with company leaders who can offer them career support, but with whom they would not ordinarily come into contact.

Employee Resource Groups

Cisco encourages diversity, development, and growth opportunities for employees through affinity associations known as employee resource groups. These groups help reinforce the value we place on employees bringing their "total self" to work. The groups also help foster a more inclusive and innovative environment. By valuing the differences that make each person unique, we can increase individual and team performance, productivity, and satisfaction.

Besides offering opportunities for social interaction and assisting in members' professional development, the employee resource groups also play a key role in supporting Cisco's overall business initiatives. Each group looks for opportunities to build stronger business partnerships and recruit talented employees. Groups also engage in educational and community involvement activities.

Several of Cisco's employee resource groups have multiple chapters in locations around the world. Employees may affiliate with as many groups as they like. Current groups include:

- **Asian Affinity Network:** Provides a forum to develop a professional network with a focus on the interests of Asian employees worldwide

- **Black Employee Network:** Creates an environment for African-American employees to facilitate business excellence, career growth, and community involvement

- **Conexion, the Cisco Latino Network:** Connects people to facilitate professional development, community and educational outreach, networking, and advancement of Cisco's business objectives

- **Experienced Influencers Network:** Captures the knowledge, values, and leadership capabilities of baby boomers and late-in-career employees

- **Gay Lesbian Bisexual Transgender and Advocates Network:** Creates a climate where gay, lesbian, bisexual, and transgender individuals are embraced as part of the Cisco family and are valued for their contributions to the company and their local and global communities

- **Indians Connecting People:** Brings together the Cisco Indian community to facilitate professional development and networking for employees, drive business growth, market the Cisco brand to advance business objectives, and give back to targeted communities in need

- **Middle East Inclusion and Diversity Network:** Commits to maximizing the potential of Middle Eastern employees and their careers, growing the community, facilitating business partnership between Cisco and the community, and collecting statistics related to the region to help with business planning

Black Employees Celebrate Their Heritage In February 2009, the Cisco Black Employee Network celebrated Black History Month by inviting veteran civil rights attorney Fred Gray to be their monthly series speaker. Gray, the attorney for both Dr. Martin Luther King and integration pioneer Rosa Parks, spoke on "The Social Fabric of America, Then and Now."

Participants could join the session live in person or through Cisco TV. In honor of the occasion, Cisco's cafeteria chefs prepared entrees representing five regions or cuisines associated with African-American history: Cajun/Creole, Caribbean, Eastern and Southern Africa, Western and Northern Africa, and Southern United States ("soul food").

- **New Hire Network:** Facilitates leadership, professional relationships, and shared experiences to enable early-career new hires to succeed at Cisco
- **People With Disabilities Network:** Focuses on employees who have or have had a disability, who know someone within the disabled community, or who have an interest in this area
- **Service Member, Veterans, and Family Support Group:** Integrates the experience, values, and knowledge of active-duty service members, veterans, and family members with that of the Cisco community
- **Women in Technology Action Network:** Provides forums for technical and career development for technical women at Cisco, and focuses on supporting women's interests in engineering by providing opportunities to work with the community and other engineers at Cisco
- **Women's Action Networks:** Empowers female employees to grow professionally by offering networking, mentoring, and career development resources worldwide with 32 chapters in 24 countries

Employee Resource Groups Development Series

Cisco sponsors quarterly leadership skills-building events hosted by the combined employee resource groups. Several of the groups take the lead in coordinating speakers, logistics, communications, and other activities. The Global Inclusion and Diversity Group collaborates with the other groups to provide the budget for each event, as well as leadership and guidance during the planning process. Videos of the sessions are posted for employee viewing afterward. Participants include group members and also functional teams within the company that undertake ongoing diversity efforts, such as the Cisco Development Organization (CDO), as well as customer advocacy, finance, operations, and sales.

Inclusiveness Benefits and Policies

In addition to sponsoring programs and affinity groups that foster inclusiveness, Cisco has also integrated these values into our benefits packages and company policies. For example:

- **Same-sex tax equalization:** We are proud of our leadership position on gay, lesbian, bisexual, transgender (GLBT) issues, and we will continue to provide support to all employees, regardless of sexual orientation, identity, or expression. For many years, Cisco has extended benefits to all couples regardless of their marital status, including same-sex couples. Under U.S. Internal Revenue Code (IRC) Section 152, if an employee's domestic partner does not qualify as a dependent, the employer must impute income for the cost of providing benefits coverage, which depletes the take-home pay of these employees compared to their colleagues with federally recognized marriages. In 2008, Cisco announced that we would equalize or "true up" the after-tax cost impact of providing benefits to employees in the United States who have elected to cover same-sex partners who do not qualify as a Section 152 dependent.

- **401(k) plan for nonspousal rollovers:** The Cisco 401(k) retirement plan for employees in the United States was updated to include nonspousal rollovers, not only for GLBT employees' domestic partners, but for all domestic partners. This treats all employees' domestic partners like spouses to the extent the law allows.

- **Medical benefits for transgender employees:** Cisco recently changed the employee benefits policy to add specific medical benefits for Cisco's transgender and gender-transitioning employees.

- **Safe business travel:** We updated the company travel policy to help ensure the safety of our GLBT employees when they are traveling on business. The policy now allows employees to refuse travel if they believe they will be put in danger by traveling to a particular country.

" Cisco strives to be first or second in every market we participate in, and that is happening in inclusion and diversity too, because John and the leadership team are committed to driving inclusion and diversity principles in all of our day-to-day business operations."

— Marilyn Nagel, Cisco Chief Diversity Officer

Other Diversity Achievements

John Chambers was selected along with six other CEOs to receive the Diversity Best Practices 2009 CEO Diversity Leadership Award. This award is given annually to CEOs who display vision in their commitment to diversity, are proponents of advancing opportunity for all, and have achieved the admiration and respect of their workforces.

DiversityInc, a publication that focuses on diversity and business, named Cisco among its Top 25 Noteworthy Companies and Top 10 Companies for Global Diversity, People with Disabilities, and GLBT Support for 2009. The publication praised Cisco for our strong employee resource groups and diversity council; for tapping our diverse workforce to get guidance on how to reach the company's increasingly global and multicultural customers; and for providing excellent benefits for employees with disabilities and employees who are caring for family members with disabilities.

Cisco is one of 20 companies named this year to the Working Mother Magazine list of Best Companies for Multicultural Women, and one of five singled out as "best in class." The magazine observes that women of color fill prominent positions at Cisco, including Padmasree Warrior, chief technology officer, and Judy Lin, senior vice president of the Ethernet Switching Technology Group. In addition, Cisco was a sponsor again this year of International Women's Day 2009, a global celebration of "the economic, political, and social achievements of women past, present, and future."

Cisco's Asia Pacific and Japan Technical Services team won the Making a Difference award in the category of large businesses in the annual awards program of Vision Australia, the largest nonprofit organization in that country for people with vision impairments. Vision Australia offers living skills, employment services, training, mobility skills, and other services. The award is given to organizations, individuals, and community groups that take an extra step in considering the needs of those with limited vision.

Other diversity awards that Cisco received in FY09 include:
- 2008 Most Admired Companies for Hispanics, from Hispanic Engineer & Information Technology magazine
- 2008 Most Admired Companies for Blacks, from the US Black Engineer and Information Technology magazine
- 2009 World's Most Ethical Companies, from Ethisphere Council
- 2009 Women to Watch, Ana Pinczuk, Cisco vice president of engineering, from Profiles in Diversity Journal

- 50 Women to Watch, Padmasree Warrior, Cisco chief technology officer, from The Wall Street Journal

- Top Organizations for Multicultural Business Opportunities, from DiversityBusiness.com

- Top 50 Employers of 2009, from Careers & the disABLED magazine

- Top 30 Working Moms, Blair Christie, Cisco senior vice president of Corporate Communications, from Working Mother Magazine

- 2009 Forum for Women Entrepreneurs & Executives, Pearls of Wisdom Honoree, Padmasree Warrior

- Top 2009 Women of Power Impacting Diversity, Denise Coley, Cisco director of supplier diversity, from Diversity Plus magazine

Supplier Diversity

Promoting diversity in our value chain makes good business sense. Cisco is committed to working with diverse and small suppliers to develop and retain competitive advantage while having a positive impact on regional development. Relationships with diverse and small suppliers give Cisco access to worldwide skills and markets, and to a variety of viewpoints and experiences. These relationships also promote economic empowerment within communities and stimulate economic growth globally. For more information, see the CSR and Our Value Chain section.

Accessibility for All

Cisco is committed to designing products and services that are easily accessible to people with disabilities. Since 1999, we have actively promoted and implemented technologies that enable user accessibility. Providing our own employees with access to work and communications tools improves our productivity, responsiveness, and ability to attract and retain the most qualified people, regardless of disability. An emphasis on accessibility also increases our service levels to a distinct segment of our customer base, thereby improving customer satisfaction and revenue. The Cisco Accessibility Team monitors ongoing compliance with Cisco accessibility standards and worldwide regulations, reporting to Cisco's Corporate Quality Compliance and Certification Organization.

Cisco Accessibility Initiative

In FY04, Cisco launched the Accessibility Initiative to help ensure that people with disabilities can use Cisco products, facilities, websites, and documentation. As of FY09, accessibility has been implemented in all Cisco business functions, subsidiaries, and acquisitions. We have also provided accessibility training to more than 8000 employees.

In FY09, we completed an accessibility rollout program for Cisco acquisitions WebEx, Jabber, Navini, and Nuova, as well as for several Cisco IT organizations. The rollout consisted of accessibility awareness and instruction on how to obtain product accessibility compliance and establish accessibility roadmaps for the products. Accessibility training was also provided to engineers, quality assurance specialists, product managers, interface designers, and usability and documentation specialists.

To accommodate changes in web technology, we drafted new web design requirements in FY09 that take accessibility into account. The Cisco Web Accessibility Design Requirements provide details on how to design accessible web-based products, including web sites and media-rich Internet applications. The requirements also include guidelines, techniques, and testing criteria. During FY09, we assisted with more than 300 customer inquiries regarding the procurement and deployment of Cisco products, training, and documentation.

To help communicate accessibility features to Cisco's sales force and resellers, our Cisco Sales Accessibility Outreach Program provides training courses, product demonstrations, white papers, and other support. In FY09, new course content focused on integration of World Wide Web Consortium and Web Contact Accessibility Content 2.0 requirements, as well as new testing tools and assistive technologies.

Accessibility Partners

Cisco works closely with our vendors to improve accessibility and usability in our products. For example, Cisco worked with Tenacity to certify its accessaphone™ (AAP) as a Cisco Preferred Solution. Tenacity AAP allows users to operate the phone from their PC keyboards and enables text-to-speech for caller ID, calls on hold, voicemail notification, and missed, received, and placed calls. The product is also compatible with leading speech-recognition software that lets people with dexterity impairments control the phone with voice commands.

Another Cisco accessibility partner, ARC Solutions, offers an attendant console that assists visually impaired users by supporting the Job Access with Speech screen reader. This provides users with access to information displayed on the screen using text-to-speech or a Braille display.

Meeting and Setting Standards

Cisco participates in committees that set accessibility standards within the International Telecommunication Union, the Internet Engineering Task Force, and the Telecommunications Industry Association. We require our equipment to comply with the Americans with Disabilities Act, Section 255 of the U.S. Telecommunications Act, and the United Kingdom's Disability Discrimination Act. Our products also conform to Section 508 of the U.S. Rehabilitation Act and similar legislation, and we are participating in efforts to help the United States Access Board rewrite and update the Section 508 requirements.

Internally, Cisco's employee intranet complies with the Web Accessibility Initiative, an independent consortium working with organizations worldwide to develop strategies, guidelines, and resources to help make the web accessible to people with special needs.

Looking to the Future

In FY10, our accessibility goals are to:
· Extend the Cisco Accessibility Initiative to our most recent acquisitions and subsidiaries
· Continue to enhance the Accessible Rich Internet Applications curriculum for web developers, including testing methodology
· Expand the audience for the Sales Accessibility Outreach Program and continue our success in educating the Cisco sales forces on the impact and importance of accessibility

Health and Well-Being

Cisco supports a culture of health in which employees and the company mutually invest in programs that support long-term wellness and disease prevention. Cisco's work/life resources, programs, and family services are designed with employee needs, desires, and convenience in mind. We have also been active in promoting programs that can help employees manage stress caused by current economic conditions. Over the last year, Cisco has increased our focus on employee health, family resources, financial well-being, education and advancement opportunities, and work/life balance programs.

LifeConnections Center

In November 2008, we announced the opening of the Cisco LifeConnections Center, an integrated childcare, medical center, and fitness facility at our headquarters in San Jose, California. The new center brings together two of our existing employee benefits on the San Jose campus: fitness and childcare. It also adds an important third element: a comprehensive medical facility that includes a full suite of medical services. The facility received gold-level LEED certification for exemplifying sustainable building practices and providing a healthy place to work.

The LifeConnections Center offers employees and their families access to a full range of health and holistic care conveniently located in one place. For working parents, having onsite child care combined with medical care and a fitness center offers a benefit that few employers can match. At the opening, Brian Schipper, senior vice president of Human Resources, said, "Our employees are our greatest asset and we're excited to foster a flexible, healthier, more productive, and more innovative work environment."

The LifeConnections Center also serves as an Executive Briefing Center showcase for our customers, illustrating how cutting-edge technology can help companies achieve greater productivity and return on their healthcare investment, while employees enjoy a better work/life balance.

LifeConnections Fitness Center

The new LifeConnections fitness center was planned based on input from Cisco employees and an examination of what comparable companies offer. The 48,000-square-foot facility features areas for exercise, stress management, one-on-one personalized instruction, team building, and social networking. The facility includes:
· A dedicated circuit training area

· Weight training and cardiovascular equipment, including individual TV viewing stations, iPod docking, and web-based workout activity tracking

· A multipurpose gymnasium for basketball, badminton, volleyball, and group meetings and events

· Two group exercise studios that accommodate scheduled classes; employees can take advantage of subsidized monthly group exercise passes

· Private men's and women's locker rooms with showers, lockers, steam rooms, saunas, and towel service

· Private massage rooms and services

Combining Health Facilities Gets Results
Phyllis Hootman, program manager for workplace resources, says, "I've been a fitness member at Cisco since 2001, and losing weight and inches slowly. However, when the new LifeConnections Fitness Center opened with the latest technology and equipment, I was inspired to ramp up my exercise program, and signed up for a 12-week fitness challenge."

"The Technogym Wellness System at the gym allows me to track my workouts on a Smart Key, so I had my fitness consultant customize my training to fit the program," she says. "On advice from my fitness consultant, I met with the Health Center's dietician to ensure that I followed a healthy diet with just the right amount of calories, protein, carbohydrates and fat. Eight weeks into the challenge, I lost 7 pounds, 12.75 inches, and 5.9 percent body fat.

"I love the seamless integration of the fitness and health centers," she concludes. "The audio-privacy rooms allow me to fit my early meetings in so I don't have to miss a workout. Cisco is really taking their employees' wellness to heart."

The fitness center also provides a juice and coffee bar, a pro shop stocked with Cisco branded workout items, a recreation room for table tennis and billiards, and a mind/body center with audio-privacy rooms. More than 680 exercise classes are offered per quarter, attracting 9500 participants. The diverse class offerings include yoga, Pilates, karate, tai chi, indoor cycling, and a range of aerobics.

Since the new LifeConnections Fitness Center opened, active membership has increased 31 percent to more than 3300 employees. The table below details the increased participation.

Employee Fitness Participation

Type of Activity	Percent Increase since LifeConnections Fitness Center Opened
Average daily visits to fitness center	34%
Fitness class offerings	23%
Fitness class monthly attendance	32%
Personal training	20%
Sports participation (with addition of indoor basketball, volleyball, and badminton)	41%
Massage	29%

LifeConnections Health Center

At the LifeConnections Health Center, onsite condition management nurses and health coaches work closely with physicians and pharmacists to provide integrated, collaborative care to every patient. Designed to optimize the patient experience, the center allows employees and their families to schedule appointments online, communicate directly with their physicians and health coaches through secure messaging, and access their personal health records. The paperless check-in process takes less than three minutes, using state-of-the-art technology to capture personal information and electronic payment.

In addition to in-network physicians for UnitedHealthcare and Cigna, Kaiser Permanente also now operates at the LifeConnections Health Center. Clinicians and patients meet in an individual care suite, where the patient's medical records can be displayed on a flat-panel display for reference and updating. Visits are scheduled for either 25 or 50 minutes, depending on the medical issue, to allow for a more relaxed and comprehensive consultation. If medication is prescribed, the onsite pharmacy offers employees free tier 1 generic medications and a discount on tier 2 and 3 generics.

The LifeConnections Health Center also hosts employee events such as screenings and seminars, including skin cancer screening, hypertension screening, and seminars on nutrition, life balance, asthma, and stress.

Second On-Campus Childcare Facility

The Cisco Family Connection childcare center has been a part of our headquarters campus since 2000. In September 2008, in response to employees' requests for more childcare openings, Cisco opened a second facility, known as Families@1st, at the LifeConnections Center. The second center doubles the number of children aged 6 weeks to 12 years who can be accommodated onsite, from 400 to approximately 800.

Besides providing the building space at no cost to the operator, Cisco covers the costs of utilities, upkeep and maintenance, landscaping, janitorial services, security, networking equipment and computers, and property taxes. Cisco also subsidizes backup childcare programs for employees traveling with children, or employees whose regular daycare provider is not available. Cisco also funds a scholarship program for a portion of the children and a bonus program for the teachers based on parent satisfaction scores.

Both childcare facilities have age-appropriate classrooms, music, gym, and multipurpose rooms. Additional services include kindergarten, school-age programs during the summer and year-end holidays, and a variety of enrichment programs in music, dance, gymnastics, and languages.

Using Cisco TV, parents are able to view their children at the Cisco childcare centers from their computer desktops. Cisco Family Connection and Families@1st are among the few childcare centers in the nation that make this technology available to parents. In addition to these two facilities, a childcare center is currently under construction on our campus in Bangalore, India, scheduled to open in January 2010.

HealthConnections Program

Cisco has a long-standing commitment to helping all our employees live healthy, productive, and fulfilling lives. Since September 2005, Cisco HealthConnections has integrated health risk assessments, onsite health screenings, health coaching, condition management, and health education into a seamless program for the Cisco family. The program focuses on building a culture of wellness based on disease prevention that supports employees both at work and at home, as well as their dependents.

HealthConnections helps employees take charge of their own health and well-being. By integrating all health programs into one program, HealthConnections provides resources along the entire continuum of health, from maintaining wellness and managing conditions and episodes to providing customized resources and information in the areas of nutrition, fitness, sleep, life balance, preventive care, and condition management.

Cisco is globalizing the HealthConnections program by extending it to employees in 16 countries. In FY10, Belgium, Germany, India, Ireland, Mexico, South Africa, and the United Kingdom will be added to the program. And in FY11, more countries will be introduced to HealthConnections: Australia, Brazil, Canada, China, France, Israel, Italy, Japan, and the Netherlands. In expanding, HealthConnections is contributing to worldwide efforts to help people stay healthy, improve their health outcomes, and be more engaged and productive in their work.

Cisco organizations in particular countries have also undertaken their own health initiatives. For example, Cisco Germany held its first Health Week dedicated to stress prevention and management, and it plans to launch a HealthConnections portal featuring health information, resources, and event listings by the end of 2009. Cisco China recently adopted a smoke-free work environment and is currently researching options for a smoking cessation program. And influenza immunization was provided at Cisco facilities in China, Hong Kong, Ireland, the Philippines, Singapore, the United Kingdom, the United States, and Vietnam.

Personal Health Assessment

In FY08, Cisco reintroduced the online personal health assessment (PHA) to our employees in the United States and offered a $100 health incentive, with an additional $200 in related incentives, for taking the actions suggested. To assist employees in completing the biometric section of the PHA, Cisco offers free onsite health screenings to determine blood pressure, glucose, cholesterol, and body mass index levels. Approximately 55 percent of U.S. employees complete the online PHA each year, and more than 70 percent of U.S. employees have completed it over the past three years.

A Virtual Clinic Pilot Program
Cisco employees are currently assisting with a pilot program called Cisco HealthPresence aimed at providing telehealth through state-of-the-art Cisco collaboration technology. During the pilot period, employees on select Cisco campuses can visit a HealthPresence virtual clinic to consult with a physician about minor injuries and illnesses. Not only do they benefit themselves, they are also contributing to the development of transformative healthcare delivery technology.

Using Cisco TelePresence technology, HealthPresence provides a virtual face-to-face experience over the network for clinicians and patients who may be in different cities. The immediacy of the virtual medical appointment is enhanced by the availability of physical (such as vital signs) and diagnostic information generated from Internet-enabled medical devices integrated into the system.

The HealthPresence pilot is currently in operation at Cisco's San Jose, California, campus and is scheduled for implementation at the Research Triangle Park campus in North Carolina in August 2009. More sites will be added to the program in the near future.

An analysis of health risk distribution among employees since 2006 shows an overall improvement in risk status. The percentage of people with three or more risks dropped from 19.5 percent to 11.8 percent, a net change of 7.7 percent since 2006. We continue to target early interventions for those with few or no risks, but who could still benefit from changes in lifestyle that result in better health.

Health Coaching

In an effort to integrate and coordinate all aspects of our employees' health, Cisco partnered with Matria Healthcare (now Alere) in FY07 to combine and deliver the PHA, health coaching, and health and condition management programs through one vendor. Cisco's health coaching programs are designed to support individuals with health risks in making positive lifestyle changes that will manage, reduce, or eliminate those risks.

Health coaching is available to support employees in managing their weight, becoming smoke-free, getting in shape, managing stress, maintaining a healthy heart, and fighting diabetes. As of May 2009, 8027 employees were identified as qualifying for a coaching program, and of those, 3548 were enrolled in a program. In all, 1342 employees completed at least one coaching program. Most coaching takes place in person, but employees at Cisco's Richardson, Texas, campus are taking part virtually using a Cisco TelePresence link between Richardson and the LifeConnections Center in San Jose.

According to one employee, "I cannot express enough how much I have benefited from the health coaching I received. The coach held my hand through my goals to lose weight. I can proudly say I've lost approximately 40 pounds and to take greater control of my health. More important, however, is the fact that she recognized a sudden falloff in my motivation resulting from deteriorating health. She recommended specific topics that I should discuss with my physician, who determined that my cholesterol medicine was in fact causing the problems. I believe unequivocally that her early identification of my symptoms saved my life."

A study of participants who took the PHA in FY07 and FY08 and completed health coaching showed that 65 percent increased their level of physical activity, 62 percent increased their intake of fruits and vegetables, and 64 percent improved their ability to deal with stress.

Healthy Living Program

Another health enhancement opportunity available to our employees is the Healthy Living program, a six-week online regimen designed to help employees make lifestyle changes in the areas of diet and exercise. This program is tailored to each employee's individual health profile, goals, risks, and preferences. Condition management programs are also available for employees and their families to assist them in managing chronic health conditions such as diabetes, cardiac disease, and asthma.

Among those who completed the six-week Healthy Living online health enhancement program, 47 percent increased their level of physical activity, 48 percent increased their intake of fruits and vegetables, 44 percent were better able to deal with stress, and 52 percent improved their body mass index.

Employee Assistance Program

Whether employees and their families need help managing anxiety or work stress, coping with a legal matter, managing a financial issue, or combating an addiction, Cisco's Employee Assistance Program (EAP) provides both in-person and online support. The program is confidential and free of charge to employees.

EAP offers counseling for individuals, couples, and families in the areas of mental health, behavioral issues, relationships, and life transitions. The program also provides referrals to legal experts and financial consultants. Additional services include health enhancement seminars and interactive web resources covering a variety of physical and mental health topics, a parent resource room located at the company childcare center, a 24-hour health information line, and a toll-free resource information line.

EAP assistance is not restricted to crisis intervention. The program also offers support for employees dealing with common life issues such as caring for elderly infirm parents, sending a child to college, or even planning a wedding. To help employees worldwide manage increased stress due to the economic downturn during FY09, we promoted the global EAP program through Alere, a health management services company.

Café Programs

Cisco and our food services company, Bon Appétit, have committed to quality, health, and the environment when it comes to the meals we serve in our facilities. Our cafés offer organic choices daily. They also feature antibiotic-free chicken, eggs from noncaged chickens, halal meats (conforming to Islamic standards), and sustainable seafood and produce. A Farm-to-Fork program seeks to source most food items from farms, ranches, or fisheries located within 150 miles of a café. We continue to demonstrate our commitment to sustainable fishing practices by adhering to the Monterey Bay Aquarium Seafood Watch program.

Cisco's cafés have instituted the following programs to help our employees eat well and make healthy food choices:

- **Circle of Responsibility:** This initiative identifies menu items that are low in fat, vegetarian, vegan, and organic. Promotions include eye-catching educational materials, informative table "tents" or cards, seminars, and the program's Circle of Responsibility website.

- **Food for Your Well-Being** This program promotes food high in vitamins, fiber, or other nutrients.

- **Low Carbon Diet** This initiative informs Cisco employees about the connection between the food industry and climate change, and seeks to reduce the overall carbon footprint associated with Cisco cafés.

- **HealthConnections Meals:** In conjunction with Cisco HealthConnections, each café offers a meal each day that meets strict nutritional requirements: under 600 calories, low sodium, reduced fat, and balanced proportions of protein, complex carbohydrates, and healthy fats. These meals have grown in popularity, and chefs are often asked for the recipes.

- **Nutritional information signage:** Food may be labeled to help employees make decisions about what they eat.

"The Corporate Crisis Management Team worked to ensure that our employees were aware of the impact and potential impact of the H1N1 influenza situation and had the right amount of education and awareness to make the right decisions for themselves and their families. The safety and security of our employees has always been our number one priority, and this situation allowed us to test our plans and execute properly."

— Debbie Quintana, Cisco Manager of Safety and Security

Employee Safety and Crisis Management

The mission of Cisco's Global Safety, Security, and Business Resiliency group is to ensure the protection and preservation of Cisco's people, property, information, and assets. The group provides for the physical safety of Cisco's employees on a daily basis, and also prepares employees for emergencies such as natural disasters, inclement weather, or an evacuation. Because an emergency can strike quickly and without warning, it is imperative that employees learn how to plan for and report an emergency, respond to different types of emergencies, and evacuate safely.

The Global Safety, Security, and Business Resiliency group has five Security and Facilities Operations Centers worldwide that dispatch emergency teams and call in local outside agencies during onsite emergencies, as well as providing other security functions and services to local employees. The group is also responsible for assessing and mitigating disruption to business functions and the company as a whole during an incident. To ensure that the various functional areas within Cisco are prepared, the group has formed an internal cross-functional committee to drive planning and response activities.

Cisco has a well-established crisis management structure made up of cross-functional teams that assess and respond to issues or events at a local, regional, or global level. The local or site-based crisis management team is an Incident Management Team, often supported by an Emergency Response Team (ERT). The ERTs are made up of Cisco employees who have volunteered their time and are trained as first responders to a variety of emergency situations. Initial training includes CPR/Automated External Defibrillator and first aid/blood-borne pathogen certification, building evacuation, fire safety, and incident command system training. ERTs and other crisis management teams participate in regular drills to prepare them for actual events. In addition to the ERTs, Cisco has a hierarchical crisis management process that activates Corporate (global) or Theater (regional) Crisis Management Teams if a situation requires additional attention and support.

The Pandemic Influenza Global Planning Committee serves as a good example of how Cisco plans for emergencies. The company established this cross-functional committee in 2006 as part of our business continuity planning efforts. In April 2009, the group was called upon to support the activation of a Corporate Crisis Management Team as it monitored and responded to the H1N1 influenza (swine flu) outbreak worldwide. At that time Cisco deployed a centralized strategy that ensured a consistent global response to a possible pandemic, but that could also be tailored to local circumstances.

For more information on Cisco's pandemic planning, see the Enterprise Risk Management subsection in the CSR and Governance section.

Global Response to a Local Crisis

Cisco has a well-established crisis management structure in place that uses cross-functional teams to assess and respond to events that affect, or could affect, Cisco employees anywhere in the world. On July 17, 2009, two hotels were bombed in Jakarta, Indonesia. Cisco immediately activated a Theater Crisis Management Team, with members that included local managers and representatives from relevant Cisco business functions in Asia Pacific, Europe, and the United States.

The team collected information from a variety of reliable sources in an effort to understand the situation and assess the impact on Cisco. Their immediate concern was for the safety and well-being of employees working in or visiting the Jakarta area. These employees were immediately contacted and accounted for. The team then put a temporary hold on business travel to Indonesia until they could determine that the situation had stabilized. They then proceeded to examine the impact on Cisco's value chain and customers.

Although a tragic event that resulted in seven dead and more than 50 injured, the Jakarta bombings ended up leaving Cisco's employees, customers, and business untouched. However, the crisis demonstrated the company's ability to respond immediately and collaborate across international borders to safeguard employees and ensure business continuity.

Occupational Health and Safety Performance

Promoting occupational health and safety (OHS) is an essential aspect of maintaining a sustainable workplace. We recognize it is our responsibility to provide the proper policies, processes, and support programs to minimize the risk of employee illness or injury in the workplace.

OHS is managed centrally at Cisco by our corporate Environmental Health and Safety (EHS) department within Work Place Resources. EHS (in conjunction with Human Resources and Global Risk Management) provides a framework for implementing health and safety programs locally. The focus is on preventing and mitigating occupational risks through embedded administrative controls such as standards, policies, and procedures directly integrated with facilities design, management, and the release of new workplace solutions. This helps to engage employees throughout the organization in OHS program development and monitoring.

Cisco's OHS programs look to mitigate risk of illness or injury in the workplace, improve overall performance, and further align OHS initiatives with long-term business and sustainability objectives. In FY09, our OHS program focused on:

· Designing standardized OHS processes to be adopted throughout Cisco operations

· Reducing occupational risks across all Cisco operations

· Improving data collection and centralization to track performance

Cisco has invested in a variety of programs in recent years to mitigate OHS risk, including the following key initiatives:

▪ **Occupational Health and Safety Program:** All Cisco facilities are subject to OHS requirements from local regulations and corporate initiatives. Cisco works to identify and assess risks of injury and illness in the workplace, then to implement standardized processes, in the form of prevention-based management systems, that seek to mitigate these risks. Because our facilities are distributed globally, onsite managers have been responsible for ensuring compliance with local and regional regulations in the past. Cisco is now centralizing compliance tracking at the corporate level to better support local managers with relevant tools and information. To prioritize our efforts, Cisco's EHS team began reassessing compliance risk for all Cisco facilities with over 50 full-time employees in FY09, identifying high-risk sites for detailed OHS audits. In FY10, Cisco will continue to centralize data and assess sites for risk to enable greater standardization and best-practice sharing across Cisco facilities.

▪ **Lab Safety Program:** Because Cisco is a "virtual manufacturer," OHS hazards associated with manufacturing are not a major issue for Cisco employees. Cisco has a robust, worldwide Lab Safety Program that works to ensure a safe working environment for lab employees and visitors. The program includes comprehensive guidance for assessing lab hazards, virtual online training materials, and additional tools to ensure that lab hazards are minimized.

▪ **Global Ergonomic Program:** Cisco endeavors to reduce ergonomic risks through global support services. Rolled out across the company in 2006, Cisco's Ergonomic Program has touched more than 10,500 employees, provided over 3000 in-person and virtual consultations, intervened to reduce immediate risks, and recommended solutions to prevent future injuries and reduce stress. In FY09, Cisco expanded in-person support to supplement our online assessment and reporting tools.

Our United States and Canada OHS operations performance is summarized in the following table.

U.S. and Canada Operations	FY2006	FY2007	FY2008	FY2009
Number of nonfatal injuries and illnesses	107	93	137	145

In past years, we have reported only the total number of nonfatal injuries and illnesses. In an effort to more clearly communicate OHS performance over time, we will report rates of injury, illness, and lost time cases going forward. The following table summarizes our performance in FY09 relative to FY08. The rate for injury and illness and the rate for lost time cases are expressed in terms of full-time employees (FTEs).

U.S. and Canada Operations	FY08	FY09
Work-related fatalities	0	1
Rate of injury and illness (per 100 FTEs)	0.37	0.34
Rate of lost time cases (per 100 FTEs)	0.03	0.03

For more information on Cisco's risk management initiatives, including pandemic planning, see Enterprise Risk Management in the CSR and Governance section.

CSR and the Environment

The environmental challenges the world faces today have the potential to significantly alter how society functions and require a coordinated global effort. Climate change alone, even under best-case scenarios, could cause geopolitical instability, mass migration, destabilization of global food and energy markets, and the depletion of natural resources, particularly water.

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

Cisco reports on the environmental topics identified in the Global Reporting Initiative (GRI). They include: greenhouse gas (GHG) emissions, materials, waste, water, land use, and biodiversity. We assess our impact in these areas and engage with stakeholders to understand their concerns. We establish initiatives to address opportunities for improvement.

We also recognize that environmental sustainability requires having an effective strategy, environmental management system, and leadership structure in place to manage these impacts and monitor issues that arise in the future.

Throughout this section we aim to highlight our efforts in reducing the environmental footprint of our company operations, designing environmental efficiencies and innovations into our products, and delivering solutions that enable our customers to significantly improve the management of their environmental impacts. We also engage our value chain in sustainable product manufacturing processes. For more information on our value chain practices, see the CSR and Our Value Chain section.

Environmental Impacts Discussed in this Section
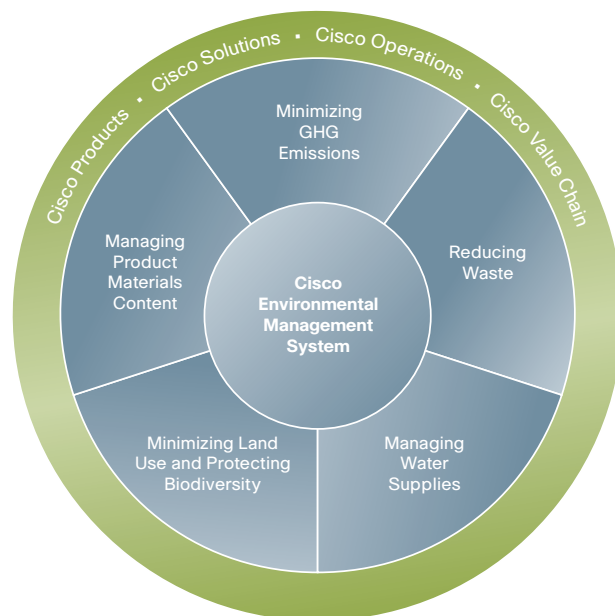
As summarized in the diagram, this section of our CSR Report is organized around our efforts in the following areas:
· Managing our environmental impact

· Minimizing GHG emissions

· Managing product materials content

· Reducing waste

· Managing water supplies

· Minimizing land use impacts and protecting biodiversity

We believe that environmental sustainability includes looking for innovative solutions that transform the way people interact with the environment. Fundamental to our approach is the belief that the network can play an enabling role in the global response to today's environmental challenges. Cisco's greatest contribution is delivering solutions that enable the potential of the network to manage energy and natural resources, reduce the need for physical objects ("dematerialization"), and reduce the need for travel through collaboration and new ways of working.

In our activities, we continue to identify more ways to use our network and solutions to create connections and enable efficiencies. In the process, we can mitigate and avoid negative environmental impacts while promoting societal advancement and sustainable prosperity.

Letter from the Cisco EcoBoard

The Cisco EcoBoard is a group of senior leaders representing key areas of Cisco's global business. The board leads environmental initiatives across the company and assesses their effectiveness. Our vision is to promote environmental sustainability through innovation and collaboration. At Cisco, we believe anything connected to the network can be made greener, and by using the network as a platform for 21st century environmental management we can significantly reduce our greenhouse gas (GHG) footprint and help our customers meet their own sustainability goals.

In April 2007, Cisco joined the United States Environmental Protection Agency Climate Leaders. As part of this program, we committed to reducing our global Scope 1 and 2 GHG emissions, including emissions from all business air travel, by 25 percent absolute by calendar year 2012, using CY07 as a baseline. As of FY09, our emissions have dropped 40 percent absolute compared to FY07. We achieved this reduction through energy-efficiency programs, using collaboration technologies such as Cisco TelePresence and Cisco WebEx to reduce business air travel, and by purchasing renewable energy. Our focus for FY10 is to increase our energy-efficiency efforts and use collaboration technologies to effectively manage our emissions.

This year Cisco initiated several initiatives and innovations aimed at helping our customers reduce their own GHG emissions. For example, we launched the Smart Grid business unit, which focuses on developing an end-to-end and highly secure communications fabric to help utility companies optimize power supply and demand. We also introduced EnergyWise, a technology added to Cisco Catalyst switches that helps customers monitor and control their IP-enabled equipment to reduce energy costs and their carbon footprint.

In addition, we partnered with NASA to research and develop Planetary Skin, a comprehensive global monitoring system for reporting environmental conditions. When fully developed, this system will provide an intelligent, Internet-based collaborative platform for capturing worldwide environmental data from space-based, airborne, maritime, and terrestrial sensors that can be used to drive mitigation and adaptation to climate change, and to manage energy and natural resources more effectively.

Much of this progress can be attributed to the global governance structure that leads our sustainability efforts. We are very proud that in FY09 the Cisco EcoBoard environmental sustainability governance model was recognized as an ISO-14001 best practice for addressing global climate change. Cisco also ranked as the number-one information technology company in the Carbon Disclosure Project's annual survey.

In this year's CSR Report, we improved our reporting on climate change and added dedicated sections on waste, water use, land use, and biodiversity. These improvements more closely align our data with the Global Reporting Index (GRI). We look forward to applying our environmental governance and climate change reporting best practices and initiatives to the full range of environmental issues that concern our stakeholders.

We have accomplished many goals this year and look forward to an even more successful FY10. Over the coming year we will continue to concentrate on achieving our 25 percent GHG reduction goal through continued innovation, collaboration, advocacy, and by making our operations increasingly more energy efficient. We will also continue to align our global environmental sustainability strategies with current and new business priorities, while working with our customers, partners, and communities to develop innovative, practical solutions for the world's complex environmental challenges.

Laura Ipsen, Senior Vice President, Global Policy and Government
John McCool, Senior Vice President/General Manager, Data Center, Switching and Services Group
Ron Ricci, Vice President, Corporate Positioning

Managing Our Environmental Impacts

Cisco has adopted a holistic approach to managing our environmental impacts and helping our customers manage theirs. We are pursuing greater sustainability in all that we do with a global executive commitment to a "green" vision and strategy, an ISO 14001-certified environmental management system (EMS), and active engagement of our employees throughout our business.

This subsection provides insight into environmental management at Cisco and focuses on the following key aspects of our environmental program:

· Our vision and strategy

· Key performance indicators

· Goals

· Environmental management systems

· Governance

· Employee engagement

· Advocacy

Our Vision and Strategy

Cisco's environmental vision is to use network technologies to promote environmental sustainability. Our strategy is built on working collaboratively to address the environmental impacts of our:

· **Operations:** Impacting how we operate as a business

· **Products:** Creating efficiencies and innovations in our products

· **Solutions:** Enabling Cisco and our customers to address global environmental issues using our solutions

We pursue this strategy by setting goals and measuring performance, investing in our environmental management system, empowering employees to take action, and participating in global dialogue around our key issues.

We believe that over the coming years the network will be the key technology enabler to monitor, manage, and reduce environmental impacts, including climate change and energy utilization. The network can play a critical role in reducing avoidable GHG emissions and decreasing the risk of climate change.

Today, 1.32 billion people are connecting to the Internet using computers, cell phones, personal digital assistants (PDAs), televisions, and other electronic devices. Estimates suggest that over the next five years, the number of users will double while the number of connections will increase fivefold, to more than 5 billion. Creating connections between electronic devices and the Internet will provide visibility into how electricity and other resources are consumed, enabling a shift in individual and organizational behavior. Through our networks, technologies and solutions, we can bring important innovations to market that improve energy and other resource efficiency and address global environmental challenges.

Energy use and product end-of-life waste are the most significant environmental impacts from our business, and are also the areas where we feel we can significantly reduce the impact of both our own operations as well as those of our customers. We aim to use networks, and our increasing ability to extend the reach and impact of these networks, to deliver solutions for energy and resource management on a global basis, and apply these solutions to our own operations.

Key Performance Indicators

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

Indicators	FY06	FY07	FY08	FY09
ENVIRONMENTAL MANAGEMENT				
Number of Cisco sites with ISO 14001 EMS certification	19	25	25	26
Employee base covered by ISO 14001 EMS certification	75%	73%	71%	68%

Indicators	FY06	FY07	FY08	FY09
GHG EMISSIONS				
Total gross* GHG emissions: Scope 1 (metric tonne CO_2e)	27,586***	52,498	52,084	53,216
Total gross* GHG emissions: Scope 2 (metric tonne CO_2e)	317,666***	467,478	550,312	579,183
Total contractual* GHG emissions: Scope 2 (metric tonne CO_2e)	316,893***	403,188	310,961	226,733
Total air travel GHG emissions: Scope 3 (metric tonne CO_2e)	190,940	205,797	197,872	115,995
Change in air travel GHG emissions from FY06 (CGI global goal: 10% absolute reduction against FY06 baseline)		+8%	+4%	-39% (goal met)
Total contractual* GHG emissions: Scope 1, 2, and 3 metric tonne CO_2e	535,419***	661,483	560,917	395,944
Change in Scope 1, 2, and 3 from FY07 (EPA global goal: 25% absolute reduction against CY07 baseline**)			-15%	-40% (goal year is 2012)

*   *Gross* and *contractual* are used consistent with Carbon Disclosure Project 7 survey terminology. *Gross* GHG emissions figures do not include reductions from Cisco's renewable energy purchases. *Contractual* GHG emissions figures include the impact of buying low-carbon electricity.

**   Cisco's EPA Climate Leaders 25 percent reduction goal is measured against a calendar-year baseline per EPA requirements, but all public Cisco reporting is on a fiscal-year basis. We are reporting progress against the EPA goal using fiscal-year emissions, although officially 2009 progress will be reported to EPA based on emissions tallied by calendar year. Cisco does not publically report calendar-year emissions to avoid confusion with previously reported fiscal-year data.

***   In our FY06 CSR report, we only reported Scope 1 and 2 emissions data actually collected from Cisco sites and separately noted the estimated completeness of the data. We now collect actual emissions data for over 90 percent of our real estate portfolio and estimate the balance based on building square footage and type of usage. We do not believe the Scope 1 and 2 data collected for FY06 is sufficient to support extrapolation to 100 percent. Therefore, FY06 Scope 1 and 2 data in the table should not be trended against FY07 or later data.

Indicators	FY06	FY07	FY08	FY09
ENERGY AND ELECTRICITY USAGE				
Energy usage (GWh)	889*	1281	1438	1507
Electricity usage (GWh)	749*	1053	1203	1275

* In Cisco's FY06 CSR report, we only reported electricity usage actually collected from Cisco sites and separately noted the estimated completeness of the data. We now collect actual electricity usage for over 90 percent of our real estate portfolio and estimate the balance based on building square footage and type of usage. We do not believe the data collected for FY06 is sufficient to support extrapolation to 100 percent. Therefore, FY06 electricity usage in the table should not be trended against FY07 or later data.

Indicators	FY06	FY07	FY08	FY09
PRODUCT RETURN AND RECYCLING				
Product return (million pounds)	**	**	22.1	23.6
Materials to landfill (percent of returned product not reused or recycled)*	**	**	0.46%	0.44%

* Landfilled material consists of nonrecyclable materials (such as broken pallets, wet cardboard, and shrink wrap)

** In previous reports, Cisco reported weight of material sent to Cisco's recyclers. Leveraging process improvements started last year, we are reporting weight of material received from end users, which is the metric of primary concern to stakeholders. Historical data, prior to FY08, is not sufficiently available and is not reported.

Indicators	FY06	FY07	FY08	FY09
WATER CONSUMPTION*				
Total water consumption (m^3)	Not available	1,725,618	1,570,831	1,654,030

* Data for 11 Cisco sites.

Goals

Cisco's environmental performance is supported by our recognition of external standards calling for action to mitigate the collective damage we do to the biosphere. Cisco is dedicated to supporting the Millennium Development Goals, where Goal 7 is a dedication to making quantifiable progress in ensuring environmental sustainability. In addition, we are supporters of the United Nations Global Compact, which seeks to align businesses around common goals, such as undertaking activities to promote greater environmental responsibility and encouraging the development and diffusion of environmentally friendly technologies. For more information on our support for these global initiatives, see the CSR and Governance section.

In June 2008, as part of the U.S. Environmental Protection Agency (EPA) Climate Leaders program, Cisco committed to reduce Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by calendar year 2012 (against a CY07 baseline).

In September 2006, Cisco made a commitment to the Clinton Global Initiative to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY06 baseline).

In addition, through a separate commitment to the Clinton Global Initiative in 2006, we pledged to engage with global cities in a public-private partnership called Connected Urban Development (CUD) that demonstrates how information and communication technology (ICT) and network connectivity can increase efficiencies and reduce carbon emissions in urban environments. The CUD initiative was created to reduce global carbon emissions while promoting economic development by fundamentally changing the way cities operate and consume natural resources. By using network connectivity for communication, collaboration, and urban planning, we believe CUD can help cities improve efficiencies in the areas of service delivery, traffic management, public transportation, buildings, energy, economic development, and carbon monitoring tools.

Environmental Management System

Cisco's ISO 14001 Environmental Management System (EMS) provides a set of processes and practices that guide environmental activities at Cisco sites, as well as at the corporate level. As stated in Cisco's Corporate Environmental Policy, the Cisco EMS seeks to minimize the negative and increase the positive impacts to the environment in the definition, design, manufacture, support, and use of our solutions by reusing, recycling, and adopting processes that conserve raw materials, energy, and water.

Through a continuous cycle of planning, implementing, reviewing, and improving processes, our EMS influences all aspects of Cisco's operations, products, and services, including compliance with environmental requirements and ongoing efforts to improve environmental business performance.

Beginning with an environmental impact matrix used to assess the most significant environmental impacts at each certified site, Cisco's EMS team ranks the impact, taking into account the surrounding geography, site activities, and products and services. The team then uses the assessment to develop goals and targets for each site. Our EMS focus areas are energy management, operational waste, reuse and recycling, electronic scrap reuse and recycling, "green" engineering, green communication, and value chain management. We work with teams at each site to implement strategies for measuring impacts, monitoring progress, and publishing metrics.

Once a plan is established, our sites work to implement environmental initiatives and goals. With the assistance of local EMS implementation teams, Cisco's corporate EMS team audits these sites virtually, using Cisco collaboration technologies such as Cisco TelePresence™ and Cisco WebEx®, and conducts in-person audits on a regular basis. We generally conduct a full audit at each site once every three years. We also engage a third-party audit firm to conduct annual onsite audits to certify our EMS against the ISO 14001:2004 standard.

In addition to measuring performance, these audits identify best practices at our local and corporate sites that can be adopted at sites across our operations. Examples from internal audits conducted in FY09 include the Green Bag program in Paris, local lunch meetings on various green topics; the Green Engineering Task Force governance model; and the Green Task Force's communications campaign for increasing employee awareness and participation in Cisco green activities on a global level. Third-party auditors also identified measuring GHG emissions as a best practice.

Through FY09, 25 Cisco sites have achieved ISO 14001:2004 certification through independent third-party audits, covering approximately 68 percent of Cisco's employee population. The percentage of employee population covered decreased by 2 percent since FY08 due to Cisco acquisitions in FY09. The number of certified Cisco sites increased by five since FY08, but this increase includes four sites that were previously certified and reported in 2008 under the umbrella of another Cisco site. As a result of changes in certification requirements, these sites became independently certified in FY09. Looking ahead, we intend to certify our site in Hong Kong, China, in early FY10 and integrate key acquisitions and sites in the coming years.

Indicators	FY06	FY07	FY08	FY09
ENVIRONMENTAL MANAGEMENT				
Number of Cisco sites with ISO 14001 EMS certification	19	25	25	26
Employee base covered by ISO 14001 EMS certification	75%	73%	71%	68%

Cisco EcoBoard consists of 14 executives from:
· Corporate communications
· Corporate finance
· Corporate marketing
· Corporate positioning
· Customer business consulting group
· Engineering (hardware and software)
· General Counsel
· Government affairs
· Information technology
· Sales
· Technical support services
· Value chain management

Governance

Cisco's environmental vision and strategy is managed by the Cisco EcoBoard, which was established in 2006 by John Chambers and reports to Cisco's Operating Committee. The EcoBoard includes 14 senior executives who represent key global business functions, providing diverse and comprehensive representation from all parts of Cisco's operations.

In FY09, the EcoBoard focused on closely aligning Cisco's environmental sustainability efforts with our business priorities by means of four focus areas:

1. **Market Access:** Removing impediments and creating opportunities for Cisco "green" products and solutions
2. **Market Enablement:** Opening markets to these products and solutions
3. **Differentiation:** Creating sustainable engineering and product innovations that differentiate us from our competitors and allow Cisco and our customers to meet environmental goals
4. **Positioning and Competition:** Ensuring that there is public awareness of Cisco's capabilities as a global IT company that provides environmental solutions and innovations

Each focus area is supported by workgroups that are responsible for planning and implementing a set of targeted initiatives that support the focus areas set by the EcoBoard. For example, the Cisco Green Engineering Task Force (GETF), a set of eight work groups supporting the EcoBoard's Differentiation focus area, is charged with delivering thought leadership around product solutions, including companywide coordination of energy-related product development efforts. In FY09, GETF efforts included educating product engineers and creating "green" metrics for product development; reducing power use in our labs and by our products; architecting solutions for our clients; and supporting industry standards and regulations to accelerate and coordinate the adoption of environmentally friendly product attributes.

There are over a dozen workgroups supporting the four EcoBoard focus areas. The leaders of each workgroup make up the Green Task Force (GTF). Consisting of senior leaders from each of the departments represented on the EcoBoard, the GTF provides critical cross-functional planning, management, monitoring, and coordination of Cisco's environmental programs.

The EcoBoard meets quarterly to review the progress of each of the workgroups and to address challenges. Each year, the EcoBoard and Green Task Force hold a joint meeting to discuss new issues and opportunities and to review plans for the coming year.

For more information on Cisco's overall CSR governance, see the CSR and Governance section.

Employee Engagement

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

Our goal is to put Cisco's environmental mission in the hands of our employees, facilitating their ability to collaborate, innovate, and share potential solutions across the company. Employees can educate themselves on Cisco's environmental activities with resources like our Quarterly Environmental Newsletter and environmental dashboards. Our quarterly newsletter shares best practices across the company and news about programs, processes, and achievements. Our Environmental Aspect Team Dashboard and Eco-Dashboard provide transparency to our sites and our employees on our efforts to reach our environmental goals. In particular, our Eco-Dashboard, which is available to all Cisco employees, is creating a culture of transparency and engagement around Cisco's environmental impacts.

Cisco further engages employees in our environmental efforts through our internal Cisco Green website. Launched in 2007, the Cisco Green website is a vibrant online community where Cisco's employees can learn about Cisco's environmental strategy, achievements, and "green works" in progress, as well as exchange information and ideas on any number of related topics. The site offers a wide range of ways to engage and learn, including a discussion forum, a collection of employee thoughts and commentary, a "green news" feed, and a calendar of worldwide events and volunteer opportunities.

Building on the success of the Cisco Green website, Cisco launched the Think Green, Act Green (TGAG) campaign on Earth Day 2009. The TGAG campaign encourages employees to pledge to implement environmentally sustainable behaviors in the workplace. In the fourth quarter of FY09, we collected over 1200 pledges.

In FY09, we held our first online Earth Day Fair, using Cisco WebEx technology, inviting employees to log onto our Virtual Earth Day portal at the appropriate time for their location and engaging them in virtual conversations, training sessions, and other events. During one 24-hour period beginning April 22, 2009, we showcased Cisco technology, customer solutions, and thought leadership related to environmental sustainability. Our online offerings included a mix of video and live presentations from a range of speakers, including former Vice President Al Gore and San Francisco Mayor Gavin Newsom, as well as senior representatives from Cisco enterprise customers, GridWise alliance, and the Carbon Disclosure Project. Content was tailored to each Cisco operating region.

Launched in March 2008, online discussion forums also play a key role in engaging Cisco employees. The "Let's Talk Cisco Green" discussion forum has spurred numerous conversations on Cisco's environmental initiatives and topics such as telecommuting and eliminating plastic water bottles.

We also engage our employees in environmental sustainability through events such as Bike to Work Day and Earth Hour, as well as regional initiatives such as Environment Day in India, where we promoted Think Green, Act Green in Bangalore.

Advocacy

The scale and urgency of today's global environmental challenges require solutions that involve cooperation across industries and public-private partnerships. Conversations with our stakeholders play a critical role in our approach to bringing about environmental improvements worldwide.

Cisco actively engages with governments and standard-setting bodies around the world to monitor and influence the development of emerging regulations, particularly around climate change. Cisco is directly affected by emerging product energy-efficiency regulations and indirectly affected by emissions regulations affecting our customers and partners.

We believe regulations and standards bring clarity to the global marketplace and create a level playing field while encouraging reductions in global emissions, hazardous materials, and waste. Cisco also believes that product 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.

Cisco supports market-based mechanisms that will reduce carbon emissions over time and create market incentives for consumers and businesses to use energy more efficiently and producers to reduce their GHG emissions through efficiency and innovation. Cisco also supports policies that increase tax incentives for use of energy-efficient products, promote investment in renewable energy, increase funding for environmental/energy R&D, and provide incentives for smart grid deployment.

Cisco is very active in the environmental policy committees and councils of trade associations in the United States, Europe, and Japan, such as the Information Technology Industry Council, DigitalEurope, and TechAmerica, and in external collaborations such as the Global e-Sustainability Initiative (GeSI). Cisco is also actively engaged in the International Telecommunication Union, leading the working group focused on metrics for energy efficiency in ICT products and services.

In FY09, Cisco contributed to the global dialogue on environmental issues in a variety of ways:
· Cisco held a climate change policy panel on Earth Day with panelists from the European Commission and an advisor to the U.S. administration to educate Cisco employees about regulations to combat climate change and government actions to reach an international agreement on climate change.
· Cisco is a board member of GeSI, an international strategic partnership of ICT companies and industry associations committed to creating and promoting technologies and practices that foster economic, environmental, and social sustainability and drive economic growth and productivity.

Cisco was chosen to lead the GeSI policy working group and participates in the climate change working group.

· In December 2008, Cisco joined 140 business leaders in signing the Poznan Communiqué pointing out key elements of an international deal on climate change.

· In September 2009, Cisco signed the Copenhagen Communiqué on Climate Change, encouraging progress on an international agreement on climate change and reinforcing the message to governments that the international business community wants a strong and effective international climate framework.

· Cisco is a member of the World Economic Forum Task Force on Low-Carbon Economic Prosperity that recently launched the Eco-Sustainability project. The aim of the task force is to synthesize the role ICT can play in mitigating climate change and to develop a charter highlighting the sector's role in shaping a sustainable future. In March 2009, Cisco signed a letter directed to G20 Leaders and the UN Secretary General including a set of recommendations to give extra momentum to the climate discussions.

· Cisco developed the One Million Acts of Green initiative to show that individual, organizational, and community acts add up to something significant. In under a year, nearly 2 million "acts of green" have been recorded globally, avoiding an estimated 220,000 metric tonnes of greenhouse gases and demonstrating the power of mobilizing the human network to drive change. Watch a video to learn more.

· Cisco continued to take a leading role with the UN-led Solving the E-Waste Problem program, working within the Global Policy and Recycling task forces.

· Cisco became a coleader for the EU WEEE directive within the Environmental Policy Group of Digital Europe, an association that combines 39 national digital technology associations from 28 European countries with over 61 direct company members. Through the Environmental Policy Group, Cisco is working with industry peers to respect all applicable environmental legislation, while allowing the ICT sector to prosper.

Minimizing Greenhouse Gas Emissions

Climate change is a complex global challenge that requires an innovative and collaborative response. Projected GHG concentrations in the atmosphere suggest the need for significant improvements in energy efficiency and a global transition to a low-carbon economy. There is general agreement that increasing concentrations of greenhouse gases in the atmosphere are caused by human activity and are mostly a byproduct of the combustion of fossil fuels. The substantial increase in fossil fuel use since the beginning of the industrial revolution has changed the carbon balance between organic material and the atmosphere that is driven by photosynthesis and various decay mechanisms. Inventories of carbon from dead plant and animal deposits, such as oil and coal, are being recovered for fuel and converted to carbon dioxide at a rate exceeding available sink mechanisms, such as photosynthesis.

Mitigating climate change requires reducing GHG emissions, especially the emissions from energy generation and from land use change. Energy use is the largest source of GHG emissions for Cisco and for most companies and individuals. According to the International Energy Agency's World Energy Outlook 2008, global energy-related GHG emissions are projected to increase by 45 percent from 2006 to 2030 if business continues as usual, with over 70 percent of the projected increase coming from the power generation and transport sectors. Climate change demands unprecedented focus on mitigating GHG emissions.

Cisco is committed to addressing the climate-related risks and opportunities affecting its business and to working collaboratively to develop a low-carbon economy. As a leading provider of networking technology hardware, software, and services, our material climate change risks and opportunities stem from:

· Greenhouse gases emitted as a result of our operations, including energy usage at offices, labs and data centers, and business travel

· Greenhouse gases emitted as a result of the operations of our business partners

· Greenhouse gases emitted by our customers as a result of the electricity used by our products

· Greenhouse gas emissions abated as a result of our solutions being applied to transportation, buildings, and energy management

Climate change poses limited direct physical risk to Cisco's business in the short term due to our geographic dispersion and global customer base. Although Cisco is not a heavy emitter of greenhouse gases, and therefore is less sensitive to changes in regulations than companies in carbon-intensive industries, regulatory risks and market access risks are increasing. Regulations and standards have been issued or are in process that could impact Cisco's operations, products,

and supply chain. For example, Cisco is affected by energy-efficiency requirements for the design and operation of network products; efficiency specifications for new or existing buildings, vehicle fleet, diesel generators, or other "direct" sources of emissions in Cisco operations; and regulations that change the price of energy. Similar changes in the supply chain could affect Cisco's direct and indirect procurement, potentially increasing costs.

At the same time, Cisco is well positioned to contribute to the global effort to reduce GHG emissions. Cisco's intelligent networking technology provides solutions that Cisco can test and apply in our own operations and that our customers can adopt to reduce the impacts of their own GHG emissions. Using technology-based alternatives to traditional ways of working and living requires a fundamental change in perceptions and a cultural shift at an individual and organizational level. Just as the Internet radically changed the way the world communicates, networking technology is enabling the world to work, live, play, and learn in new and more sustainable ways.
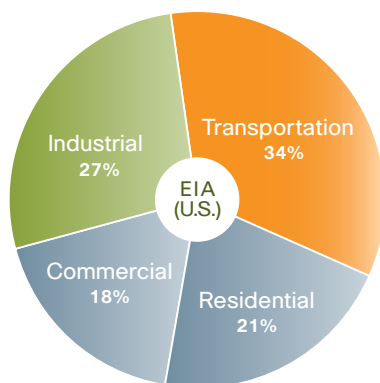
Our Approach

Our approach to minimizing GHG emissions spans three categories of activity that are discussed in greater detail in this subsection.

· **Network-Enabled Solutions.** Bringing the resources of the Cisco network to bear on addressing the challenge of climate change, Cisco innovates, develops, and deploys ICT solutions that displace emissions-intensive activities and reduce energy demands in critical areas of global society such as transportation, buildings, and power generation.

· **Efficient Products.** Cisco works to improve the energy efficiency and climate-related impacts associated with product use.

· **Sustainable Operations.** Cisco technologies are applied to our own operations, reducing our energy use and business travel, and improving energy efficiency in our facilities. We are also purchasing electricity from renewable sources.

Fundamental to our approach is the belief that the ICT sector can play a critical role in the global response to climate change. Per both International Energy Agency (IEA) and U.S. Energy Information Agency (EIA) data summarized in the following figure, about 75 percent of energy-related GHG emissions are from buildings and transportation.

Breakdown of U.S. and IEA14 Energy-Related Greenhouse Gas Emissions

EIA (U.S.)
Transportation 34%
Industrial 27%
Commercial 18%
Residential 21%

IEA 14
Transportation 37%
Manufacturing 26%
Buildings 36%

Source: U.S. Energy Information Agency (EIA)
Emissions of Greenhouse Gases Report
Table 6 (U.S., 2007, preliminary)
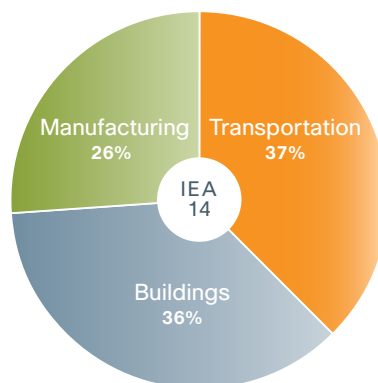
Source: International Energy Agency (IEA)
Energy Use in the New Millennium
Figure 2.3 and p.24 description (IEA14, 2004)

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

Network-Enabled Solutions

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

· **Offering low-carbon ways of learning, working, and traveling:** 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.

The following figure demonstrates how global emissions are addressed by Cisco network solutions that actively displace emissions-intensive activities. As shown in the innermost ring, GHG emissions from energy use are separated into transportation, buildings, and manufacturing emissions, which are all affected by an underlying power and energy distribution infrastructure. Energy use shown is from IEA 14 data. U.S. EIA data shows essentially the same division among buildings, transportation, and manufacturing. The gray middle ring illustrates the abatement potential for the ICT sector, as described in The Climate Group and GeSI Smart 2020 report, which identified opportunities in the energy- and GHG-intensive areas of logistics, buildings, power, and industry. Cisco's network solutions and research initiatives, shown in the outermost rings, are directly taking advantage of these abatement opportunities by reducing emissions in one or more of the key sources of GHG emissions: transportation, buildings, and manufacturing.

"Over the next three to five years, as more people around the world migrate to urban centers, 3 billion individuals around the world will connect to the Internet. Cisco envisages a future where successful communities and cities will run on networked information, and where information technology will help the world better manage its energy and environmental challenges. Cities of the future, and many innovative cities now, are addressing the issues and opportunities of this new world by thinking about the network as the platform for economic development, better city management, and an improved quality of life for citizens."

— Wim Elfrink
   Chief Globalization Officer and Executive Vice President,
   Cisco Services

Cisco Network-Enabled Solutions Addressing Greenhouse Gas Emissions
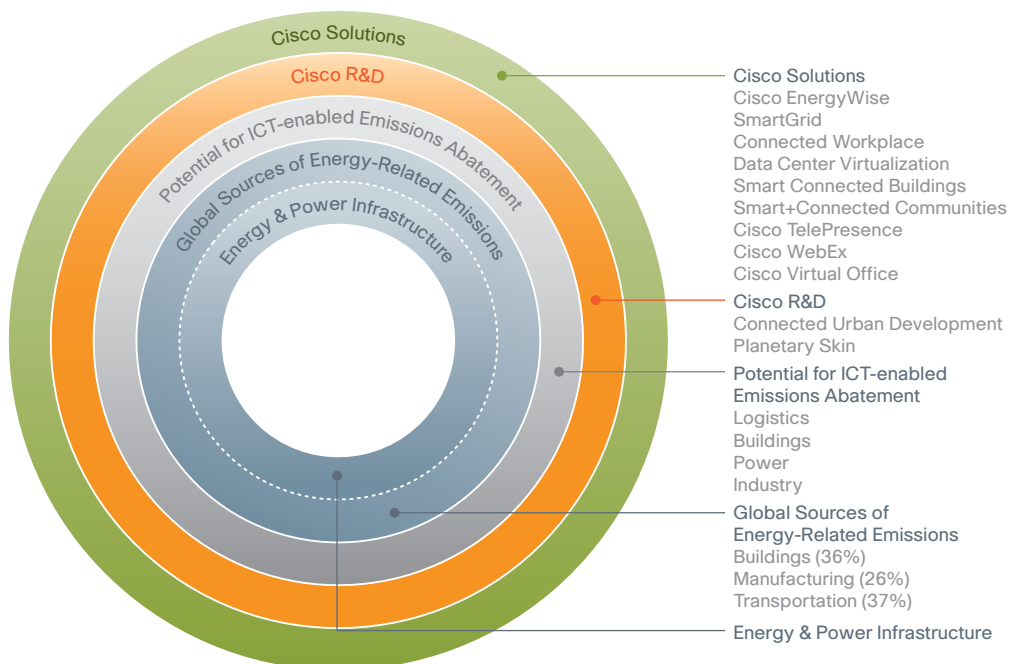
At Cisco, we are developing solutions for both mitigating and adapting to climate change. To help mitigate avoidable emissions, we are looking for ways to increase energy productivity or energy efficiency, slowing growth in energy demand and reducing the rate of increase in global GHG emissions from energy usage increase. Cisco data center virtualization technologies, for example, significantly reduce the number of data center components. Fewer components means less electricity used to operate both the ICT equipment and the HVAC equipment used for data center cooling. Fewer components also reduce emissions from the manufacture of underutilized equipment.

In addition, we are investing in solutions that promote energy restraint, or solutions that decrease the long-term energy demand by eliminating energy-intensive activities. These solutions are fundamentally changing behavior, challenging traditional approaches, and creating alternative low-carbon paths for working, living, playing, and learning. For example, Cisco TelePresence and Cisco WebEx enable dynamic, network-based meetings and online collaboration that replace the need for business travel, dramatically reducing a company's GHG emissions.

Cisco recognizes 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.

The following table highlights Cisco customer solutions and R&D programs that not only address the key sources of energy-related GHG emissions, but also address the challenges associated with adapting to climate change.

Cisco Solutions and R&D programs that Mitigate GHG Emissions

Emissions Addressed	Cisco Solution or R&D Program	Description	Impact
Transportation Building Manufacturing	Planetary Skin	Public and private sector leaders have agreed that in addition to appropriate target setting and predictable large-scale financing, meeting the challenges of climate change will require the creation of transparent and trusted mechanisms for monitoring, reporting, and verifying changes to environmental conditions. Planetary Skin is a cross-sector partnership to develop a collaborative, online, global monitoring system that captures, collects, analyzes, and reports data on environmental conditions around the world. Planetary Skin will increase decision-making capabilities and provide a platform for open collaboration between public and private sectors around the challenge of climate change. Collecting data from space, airborne, maritime, terrestrial, and people-based sensor networks and other sources of structured and unstructured data, Planetary Skin will help model, analyze, and report on environmental conditions in a standardized usable format over an open and adaptable cloud computing platform that is governed as a global public good.	Planetary Skin will be developed based on the fundamental scientific and other research and development strengths of a number of world-class global institutions. The Planetary Skin R&D Program will focus on codeveloping three core capabilities: · Manage resources (such as energy, biomass, food, water, and land) productively and effectively · Manage risks related to climate change such as rising sea levels that affect coastal infrastructures, drought-related crop yield reductions, and disease proliferation and pandemics · Enable new environmental markets for carbon, water, biodiversity, and other resources See the "Reflections on Planetary Skin" sidebar for more information, or visit the Planetary Skin website

| Transportation Building | Connected Urban Development (CUD) | As a result of our commitment to the Clinton Global Initiative, Cisco has partnered with select cities around the globe to reduce global carbon emissions while simultaneously promoting economic development by fundamentally changing the way cities operate and use natural resources. Networked architecture, applications, devices, and online services are fundamental to the CUD vision and approach. The integration of mobility, work, buildings, energy, and citizen services with information provision and dynamic decision making for city planners and authorities presents a unique opportunity for cities to operate more intelligently.

Pilot projects underway in Amsterdam, San Francisco, Seoul, Birmingham (U.K.), Hamburg, Lisbon, and Madrid are proving the power of network technologies to reduce carbon emissions in urban environments by addressing service delivery, traffic management, public transportation, real estate, and carbon footprint monitoring tools. | In 2006, Cisco committed $15 million to the CUD program over a five-year period, and we report on this commitment annually to the Clinton Global Initiative. In 2008, the European Commission recognized the program as a Benchmark of Excellence in its Covenant of Mayors program, and in 2009 CUD has become an official partner of Sustainable Energy Europe.

Cisco has developed a CUD Solutions Toolkit that includes lessons learned, best practices, economic and environmental value case models, and CUD project outcomes.

See the "Case Studies from Connected Urban Development" sidebar for initiative descriptions and discover more by visiting the CUD website. |
| Transportation Building | Smart+Connected Communities | Cisco has launched the Smart+Connected Communities initiative globally to leverage the thought leadership, ideas, and solutions incubated by the CUD program and drive economic, social, and environmental sustainability to our customers around the world. Through a holistic approach with solutions, services, learning academies, and an ecosystem of partners, Cisco's Smart+Connected Communities initiative will leverage the network to deliver integrated offerings across real estate, transportation, safety and security, utilities, health, education, and government to improve community management, economic growth, citizen quality of life, and sustainable development. | Smart+Connected Communities is our newest initiative, launched in FY09. Building on the innovations of the CUD program, we believe our Smart+Connected Communities initiative will demonstrate similar positive impact on a larger scale. |

Transportation Building Manufacturing	SmartGrid	This network infrastructure helps utility companies construct "smart grids" that optimize power supply and demand by routing power more efficiently and allowing demand-side management and two-way, real-time information exchange with customers. This information is critical for implementing dispersed renewable generation and adding hybrid/electric vehicles to the utility grid. Combined with smart meters, smart grids also allow customers to see how power is being used in order to influence behavior to reduce energy consumption or shift demand in time to permit use of lower-carbon sources of electricity.	Pilot projects, including one sponsored by the U.S. Department of Energy's Pacific Northwest Laboratory, have shown a 10–15 percent reduction in household energy use with smart grid technologies. Cisco is partnering with General Electric, Florida Power & Light, and Silver Spring Networks on Energy Smart Miami, a pilot to build the most comprehensive smart grid deployment in the nation. Cisco is participating in the Pecan Street Project to make the city of Austin, Texas, a test bed for clean energy and the smart grid goals. Cisco is also a member of the GridWise Alliance, advocating for the adoption of smart grid technologies. To learn more, visit Cisco's website.
Building	Cisco EnergyWise	Cisco EnergyWise is an energy management technology that allows organizations to report and reduce the energy use of their IT resources. Cisco EnergyWise is embedded into the Cisco Catalyst® switching portfolio and helps improve operational efficiency and reduce energy costs and greenhouse gas emissions across the corporate infrastructure, potentially impacting any powered device.	Cisco EnergyWise won the Best of Interop 2009 award in the Green category for leadership in improving corporate energy efficiency and lowering operational costs with its energy-management architecture. For the average size Cisco customer, EnergyWise could reduce energy usage by 20 percent in the first phase of the Cisco EnergyWise deployment and realize significant cost savings.
Building	Smart Connected Buildings	Cisco's Smart Connected Building systems transform the way buildings are built, operated, and experienced by integrating building systems (like HVAC, lighting, and elevators) with the IP network. This helps companies reduce energy consumption across global operations and enables demand management on a global scale. These solutions have benefits beyond reduced energy consumption. For example, Building Mediator, a product in the Smart Connected Buildings portfolio, enables faster notification and diagnosis of faults, enabling maintenance staff to pinpoint and properly diagnose problems.	Cisco's Smart Connected Buildings solutions are well positioned to help customers achieve significant reductions in GHG emissions by being able to access a broad range of the energy consuming systems, analyze the data from these systems, and then act on that data to reduce energy use. Early adopters have experienced a 25 percent reduction in energy consumption by optimizing the interactions of building systems over the IP network.
Building	Cisco Connected Workplace	Cisco Connected Workplace is a flexible work environment designed to support employee mobility and improve collaboration by providing a variety of workplace settings and enhanced technology tools. The initiative takes advantage of the fact that workplaces today are vacant up to 60 percent of the time because people are working away from their desks, collaborating formally and informally in person, and using rich remote technologies such as Cisco WebEx and Cisco TelePresence.	Cisco Connected Workplace case studies show reduced costs associated with real estate, furniture, workplace services, and IT infrastructure. Such environments typically support 40 percent more employees than a traditional layout, thereby substantially reducing footprint demands and associated costs.

Transportation Building	Data Center Virtualization	Power and cooling are two of the biggest issues that data center managers and IT organizations face. Data center virtualization improves the utilization of data center equipment, reducing emissions from the manufacture of unnecessary equipment and facilities.	According to a Forrester Consulting study Cisco commissioned in 2008, firms initially deployed virtual servers to improve hardware utilization, allowing them to greatly reduce their server purchasing. But today these firms cite improved power and cooling efficiency as important motivators for adopting virtualization technology. Cisco data center solutions achieve resource savings of up to 70 percent through virtualization.
Transportation	Cisco TelePresence	Incorporating high-quality spatial audio and video, Cisco TelePresence enables live, face-to-face interactions over the network, reducing the need for travel to in-person meetings and allowing for faster decision making. It has the potential to greatly decrease the need for business travel and the associated GHG emissions.	By the end of FY09, over 170 Cisco TelePresence units had been installed across our company in more than 21 countries. For information on how we are using Cisco TelePresence to reduce our GHG emissions, see Sustainable Operations.
Transportation	Cisco WebEx	Cisco WebEx offers the ability to host dynamic web-based meetings, stimulating real-time collaboration without the need for travel to one location. Designed to enable people anywhere in the world with an Internet connection to connect and collaborate efficiently, Cisco WebEx helps save the time, money, and GHG emissions associated with traveling to meetings in person.	In 2009, there were more than 3 million registered users of Cisco WebEx, hosting an average of over 200,000 meetings each day. More than 10 million meeting participants connect through WebEx each month. For information on how we are using Cisco WebEx to reduce our GHG emissions, see Sustainable Operations.
Transportation	Cisco Virtual Office	The Cisco Virtual Office solution boosts flexibility and productivity and extends the enterprise by delivering secure, rich, and manageable network services to teleworkers and employees working outside the traditional office environment. By providing full IP phone, wireless, data, and video services, Cisco Virtual Office offers a smooth, office-caliber experience to staff, wherever they may be located. This solution helps limit the emissions associated with travel and enables energy savings for office buildings and real estate.	More than 16,000 Cisco employees use Cisco Virtual Office. Based on a FY09 Teleworker Survey of Cisco employees, the average user gains 2.4 hours per week by reducing commute time and saves approximately 23 travel miles per day. On average, this equates to over 19,000 metric tonnes of avoided CO_2 emissions annually. In addition, the majority of teleworkers report a significant increase in work-life flexibility, productivity, and satisfaction as a result of their ability to work remotely. For information on how we are using Cisco Virtual Office to reduce our GHG emissions, see Sustainable Operations.

Reflections on Planetary Skin
Maintaining and expanding global rural carbon sinks — natural and manmade reservoirs that remove carbon from the atmosphere and store it for an indefinite period — represents roughly half of the total cost-effective mitigation of carbon emissions required to reach global emissions targets and prevent dangerous climate change. In other words, cost-effective carbon sink management would contribute about the same as lowering greenhouse gas through global decarbonization of energy supplies and energy-efficiency measures. The problem today is that, measured solely in terms of monetary value, trees in the rainforests are "worth more dead than alive." Reversing that attitude requires capturing the true value of the carbon sink that rainforests provide.

Together with our partners, we have estimated that the economic value of eliminating deforestation globally is in excess of $400 billion per year. In contrast, funding the associated opportunity, monitoring, protection, and transaction costs are likely to be in the range of $40 billion per year. This opportunity for high returns is ripe for innovation through the creation of a "Rainforest Skin." This will take the form of an open network platform for near real-time, highly distributed mass remote sensing, measurement, risk-profiling, and continuous monitoring of carbon stocks and flows that generates trust and enables collaboration among the players in all sectors. This platform will use a combination of georeferenced satellites, unmanned aerial vehicles, participatory networks, and multiple ground-based sensor networks to estimate the forest's carbon stock dynamics and its risk profile.

Case Studies from Connected Urban Development
Personal Travel Assistant (Seoul, Amsterdam): The Personal Travel Assistant (PTA) is designed to help make on-the-go travel decisions in complex urban environments that take into account time, cost, and carbon impact. Streamlining information on available routes, transactions, and potential travel "disruptions" (like traffic congestion), PTA delivers dynamic, real-time support through several information devices, including PCs and mobile phones. Piloted in Seoul and Amsterdam in 2009, PTA aims to both reduce carbon emissions and increase users' satisfaction with their urban mobility options, particularly public transportation.

Urban EcoMap (San Francisco): A pilot codeveloped with the city of San Francisco, the Urban EcoMap enables citizens, businesses, and policy makers to visualize and monitor their carbon footprints in their communities and build action plans for reducing their emissions. The forthcoming development of the Amsterdam Urban EcoMap scales the application globally.

Connected Bus (San Francisco): The Connected Bus is a public transportation innovation aimed at enabling people, traffic, and public transit vehicles to flow more efficiently. With real-time information on bus locations and wait times, riders can reach their destinations more reliably. The cost-benefit analysis of the Connected Bus pilot in San Francisco demonstrated long-term environmental and economic benefits due to increased ridership and more efficient traffic flow. In San Francisco, for example, Connected Bus is projected to increase ridership by 12,000 people per year, reducing the number of individual cars on the road and carbon emissions from transportation.

Smart UrbanEnergy for Schools (Lisbon): A partnership with the city of Lisbon and the Portuguese Ministry of Education, this project showcases how technology can improve global energy efficiency in both the physical environment and in energy networks. Energy savings of 33.4 percent were achieved during the first few months of the pilot.

Smart Transportation Pricing (Seoul): Currently being run as a technical pilot in Seoul, Smart Transportation Pricing encompasses a set of technology-based pricing reforms to encourage more efficient travel behavior and demand management solutions.

UrbanEnergy Management (Madrid): This pilot with the city of Madrid explores how energy is generated, managed, and consumed. A 33-unit apartment building is being outfitted with bioclimatic design and design innovations based on a broadband infrastructure that shares information about energy generation, consumption, and usage.

Smart Work Centers (Amsterdam): Being piloted in Amsterdam, Smart Work Centers is a new form of office center that provides flexible and scalable workplace options so people can reduce commute times. Thus far, users have saved an average of 66 minutes of commute time per day.

Efficient Products

Rising energy and resource demands affect the environment and a company's profits. Cisco recognizes that gains in energy efficiency for our network-based products will result in savings for our customers and the environment.

Energy conservation in networks, as in other areas, requires a number of distinct but complementary approaches: measure the current energy usage of the network, understand the productive function of the network, analyze the architecture and components of the network, and compare products at particular points in the network.

In FY09, we convened a team of product engineers to further explore opportunities for developing products that use less energy and products that create smarter systems. Advances in the energy and resource efficiency of Cisco products in FY09 included the following areas.

Standards Development

There is currently rapid and significant movement around "green standards," especially around energy efficiency, bringing together customers, vendors, governments, and nongovernmental organizations. Product energy efficiency regulations impacting Cisco products may increase compliance costs or affect time to market. All Cisco product categories will be potentially affected, including:

· Electronics for domestic/home use, including audio/visual equipment

· Wireless access points

· Set-top boxes

· External power supplies

· Data centers

· Service provider and enterprise routers and switches

· Small-business and home-office routers and switches

· Servers

· Displays and monitors

Cisco engages with regulatory and standards bodies, either directly or as part of industry groups, to ensure that regulations are clear and effective. Cisco's engineering, value chain, facilities, compliance, regulatory affairs, government affairs, and corporate affairs teams are involved in these efforts. We believe these regulatory and standards activities bring clarity and consistency to the global marketplace, creating predictable requirements and a level playing field that reduces risk.

Cisco is actively involved in work with many organizations to set standards. These organizations include ATIS (North America), Australia and Korea MEPS, ETSI (Europe), EU/EUP (Europe), IEEE (worldwide), ITU (worldwide), METI (Japan), U.S. Department of Energy and Environmental Protection Agency (U.S.), and WRI/WBCSD GHG Protocol (worldwide).

Cisco is committed to taking a standards-based approach to measuring product and solution energy efficiency and embedded GHG emissions. Product configuration, operating conditions, and carbon content of a product's electrical power supply pose significant challenges to reporting its GHG emissions. Standards, like the U.S. EPA's ENERGY STAR standard for personal computers, must be developed to take into account these measurement variables.

Cisco has been an integral part of efforts to develop network equipment power measurement standards. Cisco was coeditor of the Alliance for Telecommunications Industry Solutions standard Energy Efficiency of Telecommunications Equipment: Methodology for Measurement and Reporting for Router and Ethernet Switch Products, which was released in July 2009.

Product Energy Profiles

While standards mature, Cisco has developed a methodology for profiling product power consumption and efficiency metrics for Cisco products. Our objective is to quantify improvements in energy efficiency and GHG emissions across product generations. We have integrated energy-saving features into product roadmaps. Energy profiling of products is an ongoing task, and we intend to have a large set of products profiled by the end of FY10.

Product Design Criteria

Cisco works to maximize product efficiency through the product design process. Cisco has introduced environmental sustainability requirements into its Product Development Methodology and product requirements document. This step formally inserts sustainability considerations into the design of all future Cisco products.

Through modular design and upgrade design criteria, Cisco is also working to minimize the emissions associated with product disposal. Opportunities for reducing GHG emissions at end of life include:
· Maximizing original product life
· Optimizing manufacturing processes such as testing, handling, and shipping to lower energy use
· Minimizing packaging and printed documentation
· Maximizing product reuse through return, repair, and redeployment
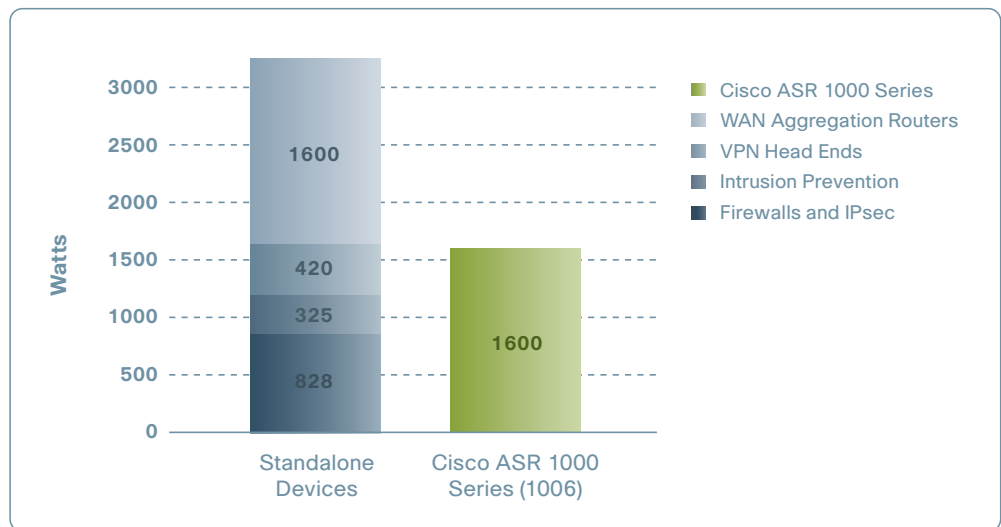· Maximizing recycled commodity streams

Our service network offers customer return services for all Cisco products. Although take-back, reuse, and recycling programs consume energy, the net effect is substantial energy savings, given the energy required to produce new product from raw materials. Learn more about Cisco's waste management programs under Reducing Waste.

Energy Savings through Device and Function Integration

Energy savings of 50 percent or more within network infrastructure are possible through service integration, where one device integrates the work previously done by many devices. The figure below illustrates the substantial energy savings of the Cisco ASR 1000 Series, as compared to purchasing standalone devices that serve the same need.

By reducing the number of components in a system, Cisco's service integration efforts have the added benefit of cutting waste.

Sample Energy Comparison: Multiservice Devices vs. Multiple Single-Function Devices

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Sample Energy Comparison: Multiservice Devices vs. Multiple Single-Function Devices

Watts

Standalone Devices	Value
WAN Aggregation Routers	1600
VPN Head Ends	420
Intrusion Prevention	325
Firewalls and IPsec	828

Cisco ASR 1000 Series (1006): 1600

Legend:
- Cisco ASR 1000 Series
- WAN Aggregation Routers
- VPN Head Ends
- Intrusion Prevention
- Firewalls and IPsec

Sustainable Operations

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

· Clinton Global Initiative commitment to reduce GHG emissions from all Cisco business air travel worldwide by 10 percent absolute (against a FY06 baseline)

· EPA Climate Leaders commitment to reduce all Scope 1, 2, and business-air-travel Scope 3 GHG emissions worldwide by 25 percent absolute by CY12 (CY07 baseline)

Cisco used EPA criteria and worked with EPA to ensure that our 25 percent absolute reduction goal was significant, challenging, and compared favorably to industry sector benchmarks. According to EPA, "The sector benchmark is a combination of projected average energy intensity improvement and any projected process-related emissions intensity changes. EPA expects every goal to be significantly better than the projected benchmark performance for the Partner's sector."

Based on collected Scope 1, 2, and 3 emission data, Cisco has identified opportunities to reduce GHG emissions. Investments and activities in FY09 were focused on the following areas:

· Continue to improve the completeness and accuracy of energy use measurement and reporting

· Increase the energy efficiency of labs, data centers, and office facilities

· Decrease indirect emissions associated with business travel

· Support development of renewable and low-carbon electricity through "green power" purchases

Greenhouse Gas Emissions

Cisco's total global GHG emissions over the last four fiscal years are shown in the following table. Cisco reports emissions by fiscal year and uses fiscal-year emissions for initiative planning.

Indicators	FY06	FY07	FY08	FY09
GHG EMISSIONS				
Total gross* GHG emissions: Scope 1 (metric tonne CO_2e)	27,586***	52,498	52,084	53,216
Total gross* GHG emissions: Scope 2 (metric tonne CO_2e)	317,666***	467,478	550,312	579,183
Total contractual* GHG emissions: Scope 2 (metric tonne CO_2e)	316,893***	403,188	310,961	226,733
Total air travel GHG emissions: Scope 3 (metric tonne CO_2e)	190,940	205,797	197,872	115,995
Change in air travel GHG emissions from FY06 (CGI global goal: 10% absolute reduction against FY06 baseline)		+8%	+4%	-39% (goal met)
Total contractual* GHG emissions: Scope 1, 2, and 3 metric tonne CO_2e	535,419***	661,483	560,917	395,944
Change in Scope 1, 2, and 3 from FY07 EPA global goal: 25% absolute reduction against CY07 baseline**			-15%	-40% (goal year is 2012)

* *Gross* and *contractual* are used consistent with Carbon Disclosure Project 7 survey terminology. *Gross* GHG emissions figures do not include reductions from Cisco's renewable energy purchases. *Contractual* GHG emissions figures include the impact of buying low-carbon electricity.

** Cisco's EPA Climate Leaders 25 percent reduction goal is measured against a calendar-year baseline per EPA requirements, but all public Cisco reporting is on a fiscal-year basis. We are reporting progress against the EPA goal using fiscal-year emissions, although officially 2009 progress will be reported to EPA based on emissions tallied by calendar year. Cisco does not publically report calendar-year emissions to avoid confusion with previously reported fiscal-year data.

*** In our FY06 CSR report, we only reported Scope 1 and 2 emissions data actually collected from Cisco sites and separately noted the estimated completeness of the data. We now collect actual emissions data for over 90 percent of our real estate portfolio and estimate the balance based on building square footage and type of usage. We do not believe the Scope 1 and 2 data collected for FY06 is sufficient to support extrapolation to 100 percent. Therefore, FY06 Scope 1 and 2 data in the table should not be trended against FY07 or later data.

> "We're very pleased with the 40 percent reduction in GHG emissions compared to the base years of our CGI and EPA reduction commitments. Going forward, we'll be increasing our focus on reducing energy consumption. After all, the cleanest and cheapest energy is the energy you do not use."
>
> — Rob Rolfsen
> Cisco Director of Workplace Solutions, Cisco

All prior-year Scope 1, 2, and 3 emissions data vary to some extent from previously reported values, either in CDP7 or our *2008 CSR Report*, because of updates to emissions factors, methodology, and correction of minor errors found upon repeated review. (No significant error has been found.) Cisco continues to invest in improving the accuracy of our GHG emission calculations. To support standardization and benchmarking across companies, Cisco uses the Greenhouse Gas Protocol Corporate Accounting Standard as the basis for our Scope 1, 2, and 3 (business air travel) emissions calculations. The EPA Climate Leaders program provides additional program guidance.

All emissions calculations and data are reviewed in June of each year by a representative of U.S. EPA as part of the EPA Climate Leaders Partnership. Cisco has also received technical assistance from EPA in determining organizational and operational boundaries, in identifying the most appropriate emission factors for Cisco's business, and in documenting these decisions in an Inventory Management Plan (IMP) that is designed for consistency and transparency in the inventory over time. EPA performs desktop reviews of both the inventory data and IMP to verify that EPA quality standards are met. EPA also conducts a risk-based on-site IMP review to test that the IMP is being implemented at the facility level.

Cisco's internal ISO 14001 team audits the emissions reporting process. The latest internal audit occurred in April 2009. Our processes for determining our GHG inventory were also externally audited in September 2009 by a third party as part of Cisco's ISO 14001 certification processes.

Cisco is now focusing resources on developing standards to better characterize, measure, and report indirect emissions categories, including emissions from Cisco's supply chain and product use. Key activities in FY09 include participation in the development of the Scope 3 Accounting Standard of the Greenhouse Gas Protocol, being led by the World Resource Institute and World Business Council for Sustainable Development.

Cisco has reported to the Carbon Disclosure Project (CDP) in all seven years of the CDP's existence. CDP is an independent, not-for-profit organization that holds the largest data base of GHG emissions in the world. Cisco was ranked the #1 Information Technology company in 2009 based on our responses to Carbon Disclosure Project's CDP7 survey, which was submitted in May 2009. The CDP questionnaire and our answers provide a comprehensive view of the following topics related to climate change: risks and opportunities, actual emissions, reduction goals, avoided emissions, and regulatory and policy activities.

Reducing Emissions from Operations

The following table summarizes Cisco's global energy and electricity usage.

Indicators	FY06	FY07	FY08	FY09
ENERGY AND ELECTRICITY USAGE				
Energy usage (GWh)	889*	1281	1438	1507
Electricity usage (GWh)	749*	1053	1203	1275

* In Cisco's FY06 CSR report, we only reported electricity usage actually collected from Cisco sites and separately noted the estimated completeness of the data. We now collect actual electricity usage for over 90 percent of our real estate portfolio and estimate the balance based on building square footage and type of usage. We do not believe the data collected for FY06 is sufficient to support extrapolation to 100 percent. Therefore, FY06 electricity usage in the table should not be trended against FY07 or later data.

As can be calculated from the GHG emissions table from the previous section, Scope 2 emissions from electricity consumption make up slightly more than 75 percent of our total worldwide Scope 1, Scope 2, and Scope 3 business air travel emissions. Therefore, reducing GHG emissions from electricity use is a priority. A reduction in emissions can be made by reducing electricity consumption as well as purchasing electricity from low-carbon sources, including energy generated from renewable sources.

Purchasing Renewable Energy

Purchasing electricity generated from renewable and non-carbon sources has been an important component of Cisco's initial GHG reduction strategy. Cisco purchases renewable power where it is available in the local power market. Cisco currently purchases power from non-carbon sources in both the United States and Europe and plans to support non-carbon energy sources in other regions of the world as they become available in the marketplace. Cisco's global renewable electricity purchases is summarized in the following table:

Renewable Electricity Purchases	FY06	FY07	FY08	FY09
Electricity from renewable sources (GWh)	2	110	342	466
Electricity from renewable sources (%)	<1%	10%	28%	37%
GHG emissions avoided (metric tonne CO_2e)	773	64,290	239,351	352,450

The percent of electricity purchased from renewable energy sources for various regions is shown in the following table.

Region	Percent of FY09 Electricity from Renewable Sources
Global	37%
United States	41%
Europe	61%

Cisco has increased renewable power purchases since FY06 by buying Renewable Energy Certificates (RECs) and entering into green power contracts with various electricity suppliers in the United States to reduce GHG emissions from Cisco operations. Purchased RECs are certified by Green-e, an independent auditor of renewable energy products, and are generated from hydropower projects in Washington; wind projects in Iowa, Texas, North Dakota, and New Mexico; and biomass projects in Tennessee and Kentucky. In addition, Cisco purchased approximately 76 million kWh through various European green power suppliers. We follow the guidelines from the United Kingdom's Department for Environmental and Rural Affairs (DEFRA) and use a grid average rate when calculating emissions associated with this power.

Cisco participates in the U.S. EPA's Green Power Partnership. As of July 2009, Cisco was listed ninth among the National Top 50 and seventh among Fortune 500 companies in the EPA's green power ranking. This ranking is updated quarterly by the U.S. EPA.

Reducing Electricity Consumption in Facilities

Roughly 70 percent of our electricity is used to power equipment in labs, with the balance roughly equally split between our data centers and office space. Through joint efforts of Cisco's Green Engineering Task Force and Workplace Resources team, Cisco is working to improve power efficiency in our engineering labs and data centers.

Efforts include implementing Cisco's proven data center virtualization technologies and installing IP-enabled power distribution units (PDUs), or smart power strips, to permit remote shutdown of unused lab equipment through the network. Early tests of smart PDU devices demonstrated the potential to achieve 20 to 30 percent savings in energy use. In FY10 and FY11, Cisco will work to implement this technology across the company.

Cisco is also an active participant in the Green Grid initiative, a global consortium dedicated to advancing energy efficiency in data centers and business computing systems.

Buildings at Cisco's headquarters in San Jose, California, represent over 31 percent of Cisco's global real estate space. All of the buildings in San Jose surpass California Title 24, Part 6 energy standards by 12 to 15 percent, and buildings outside California have implemented similar technologies to reduce energy and operating cost. These technologies include:

· High-efficiency chillers

· Variable air volume systems

· High-efficiency lighting systems

· Motion sensors

· Building Automation System to control air conditioning and lighting operations

· Energy-efficient window and glazing systems

In addition to technological innovation, Cisco has reduced lighting levels in cafeterias, de-energized water fountain pumps, and installed energy-saving vending machines that reduce Cisco's total energy demands.

We are also working to incorporate environmental standards into new site design and existing site retrofits. As specified in Cisco's 2009 Global Green Building Policy, Cisco is committed to having all new construction certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System. As of January 2009, Cisco was evaluating, designing, constructing, or applying for LEED certification for 29 buildings. We achieved our first Gold Certification in August 2009 for the new Cisco LifeConnections Center, an integrated childcare, medical center, and fitness facility located at our headquarters in San Jose, California.

Cisco estimates that our energy efficiency programs in California avoided 11 million kWh of energy consumption in FY09, representing approximately 5490 metric tonnes of CO_2e and savings of approximately $1.2 million in energy costs. In addition, Cisco received nearly $600,000 in rebates from local utilities for implementing these measures, all of which have a payback of three years or less.

Although these programs make clear business sense and are critical to reducing Cisco's environmental impacts, it remains a challenge to roll out programs across the company. Cisco recognizes that there is still untapped opportunity for making a larger impact within its labs, data centers, and other facilities. We will continue to expand existing initiatives and pilot new efforts across our global real estate portfolio.

Reducing Emissions from Air Travel

As part of the Clinton Global Initiative, Cisco committed to reducing its worldwide Scope 3 GHG emissions associated with business air travel by 10 percent, using FY06 as a baseline. To replace physical travel and meet our goal, Cisco is relying on the rollout and implementation of Cisco remote collaboration technologies, including Cisco TelePresence, Cisco WebEx, and Cisco MeetingPlace® web conferencing.

Worldwide utilization of general-use Cisco TelePresence units remains just under 50 percent based on a ten-hour day. Many Cisco TelePresence units are booked at or over 100 percent capacity based on a ten-hour day. Further utilization is constrained by room availability or because of substantial time differences between endpoints. The table below illustrates our rollout of Cisco TelePresence across the company since September 2006, which was the first quarter of FY07.

Cisco TelePresence Room Deployment

Cumulative, as of end of fiscal year	Total number of TelePresence rooms	Total number of cities	Total number of countries
2007 (general use units)	72	50	20
2008 (general use units)	179	109	37
2009 (general use units)	369	156	44
2007 (private or EBC units)*	26	6	3
2008 (private or EBC units)	53	12	7
2009 (private or EBC units)	179	47	21

*EBC stands for Executive Briefing Centers, regional meeting facilities that Cisco uses for presentations to customers.

Cisco CTS-500 TelePresence unit
(1-2 users)

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

In addition to Cisco TelePresence, Cisco WebEx and Cisco MeetingPlace products are also part of the suite of solutions used by Cisco employees to avoid physical travel by using remote collaboration within Cisco and with our customers, partners, and other stakeholders. As shown in the following table, our use of Cisco MeetingPlace and Cisco WebEx has doubled each of the last two years, mirroring a similar growth in Cisco TelePresence use. A "people-hour" is one person attending a remote meeting for one hour, either by teleconference or via the web and a personal computer. Five people attending a two-hour meeting would equal ten people-hours.

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

Cisco WebEx and MeetingPlace Usage

Year	Total web conferencing (millions of people-hours)
FY07	3.7
FY08	7.2
FY09	15.0

Use of web conferencing is pervasive at Cisco because of the global nature of our collaborative business processes and management practices. (See the CSR and Governance section for a discussion of Cisco's Collaborative Management Model.) In the last fiscal quarter of 2009, Cisco employees conducted approximately 1.25 million meetings using Cisco WebEx sites. In July 2009, the last month of our fiscal year, more than 40,000 unique Cisco employees hosted WebEx meetings on these WebEx sites, indicative of the broad adoption of these technologies within Cisco.

Using Cisco TelePresence and web conferencing, Cisco has piloted and developed the business processes and management practices for remote company meetings, executive operational reviews, our annual sales meeting, and our annual senior leadership "offsite" meeting, thereby expanding the types of interactions that can effectively be completed remotely. This real-world

experience guides product development and supports rollout of the supporting management practices. Use of and familiarity with these and related products will continue to expand at Cisco for more functions and business activities. As more organizations transform their operations to fully leverage our remote collaboration technologies, air travel emissions and associated expenses will be further reduced, while employee productivity and work-life balance will improve. Cisco has found that a workforce fully versed in remote collaboration is more effective overall than a culture requiring travel for face-to-face meetings. Decisions are made faster, cross-cultural communications are improved, stakeholder and customer feedback from around the world is better disseminated within the company, and products move to market faster.

The employee skill sets developed to reduce business air travel and the accompanying business processes and management practices are also used to reduce employee travel between home and work, as well as between buildings at a Cisco site. The wide availability of sophisticated collaboration tools within Cisco permit employees to become well versed in integrating these technologies into daily business activities. Several Cisco technologies permit flexible working environments, including Cisco Virtual Office (CVO). As shown in the following table, employees have rapidly adopted Cisco Virtual Office technologies, which include an integrated services router and IP phone, to effectively work remotely. Although telecommuting or working in a flexible office space does not directly reduce air travel, it does afford opportunities to become more proficient in using collaborative technologies. This proficiency can be applied directly to business activities where remote collaboration does reduce air travel.

Cisco Virtual Office Usage

Calendar Year	Total users
2005	1,467
2006	5,006
2007	8,234
2008	13,052
2009 (through October)	16,890

Avoided CO2 Emissions

It is difficult to project with certainty what might have happened to Cisco air travel emissions without widespread use of these collaborative technologies. However, in response to stakeholder inquiries, Cisco has compared changes to our actual air travel emissions against changes to revenue and headcount. Revenue and headcount are the two factors believed to be the primary drivers of air

travel. In the following figure, actual emissions are plotted against headcount (green line, right axis) and revenue (orange line, left axis).

Avoided CO2 Emissions from Use of Collaborative Technologies
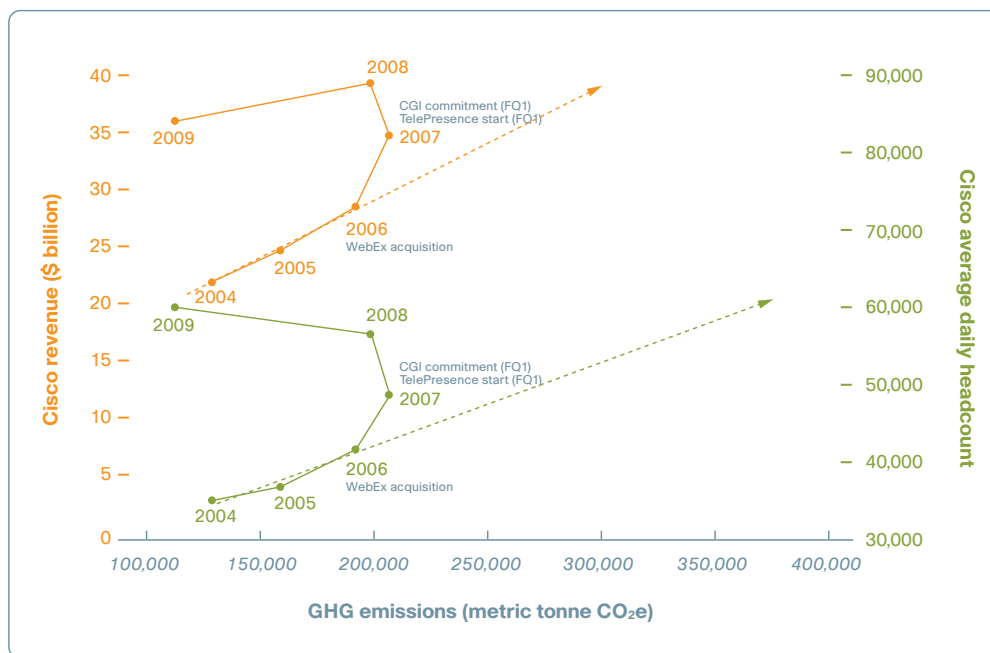
The timing of Cisco's WebEx acquisition in mid-FY06, as well as the start of Cisco TelePresence use and our CGI air travel emissions reduction commitment in early FY07, are also shown. From FY04 to FY06, changes to GHG emissions were roughly proportional to changes in revenue and headcount. This observation is consistent with the fact that about two-thirds of Cisco's air-travel emissions were from our sales and service organizations, both "high touch" business functions. The more products sold and the more customers Cisco serves, the more the potential for business travel.

The case for collaborative technologies to reduce physical travel and GHG emissions is unambiguous. With a 27 percent increase in revenue and more than 40 percent increase in headcount compared to FY06, FY09 air-travel emissions have dropped almost 40 percent on an absolute basis compared to FY06, which exceeds our CGI goal of a 10 percent absolute reduction. In prior years, Cisco worked to first overcome upward pressure on travel from business growth, and then achieve absolute reductions in emissions compared to the base year. As a result of this earlier effort, we experienced an initial reduction in air-travel emissions starting in FY08. Because of the economic downturn first seen toward the beginning of FY09, the emissions-reduction emphasis changed to growing customer relationships in spite of restrained travel. The net effect of our collaborative technologies has been a reduction in travel, carbon emissions, and travel costs and an increase in employee productivity and work-life integration while maintaining and growing the customer relationships needed for continued revenue growth when the worldwide economy improves.

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

Looking Ahead

Cisco has met its FY06 commitment to CGI to reduce absolute emissions from Cisco's worldwide business air travel by 10 percent. Cisco's EPA Climate Leaders goal of a 25 percent absolute reduction by CY12 includes emissions from Scope 3 business air travel as well as Scope 1 and 2 emissions. Therefore, Cisco will need to sustain the current low level of GHG emissions from business air travel as the economy recovers. To maintain similarly reduced levels of Scope 1 and 2 emissions through 2012, Cisco will direct investment to initiatives that improve electrical energy efficiency and reduce consumption when equipment is not used or not fully utilized.

Some stakeholders have requested reduction goals beyond 2012. We believe our focus on executing existing commitments is best practice given the five-year horizon (2007 to 2012) of existing goals and the substantial existing challenge to the business. However, we have reviewed global reduction goals and Cisco's potential role in meeting the global challenge of climate change. The following figure places our 25 percent reduction goal in the context of the 80 percent goal for developed countries highlighted by the Intergovernmental Panel on Climate Change (IPCC). More discussion will be needed to better understand how developed and emerging country emissions allocation will affect future Cisco reduction goals.

Idealized Greenhouse Gas Emissions Reduction Model
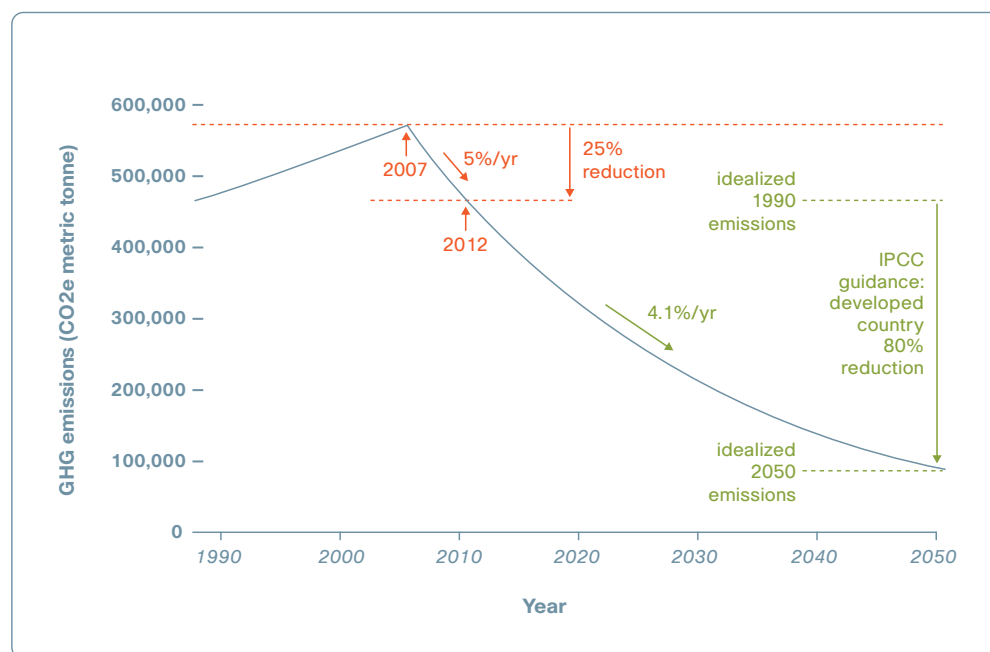
To generate Cisco's 1990 emissions levels in the above figure, we assumed the average worldwide rate of emissions growth from 1990 to 2007 and calculated a generic 1990 baseline. Cisco's actual 1990 emissions levels are not available and would be unrealistic to use as a baseline given how rapidly our business has grown; our FY1990 revenue was only 0.2 percent of FY2009 revenue.

In addition Cisco will continue to develop products that leverage network technologies and implement the recommendations of the Smart 2020 report issued by The Climate Group and the Global e-Sustainability Initiative. Roughly 75 percent of energy-related GHG emissions are from buildings and transportation. By advancing Cisco solutions discussed in this section, we are well positioned to reduce not only our own building and transportation emissions, but also the aggregated emissions of all of our customers.

Managing Product Materials Content

Material selection and chemical use in products is a growing concern of Cisco's stakeholders and a critical aspect of the global challenge of electronic waste (e-waste). Certain heavy metals and organic chemicals used in key product components such as circuit boards and cables, although critical to product functionality, can have negative environmental and health impacts when products are not properly disposed of. It is incumbent upon companies to focus on responsible management of hazardous materials, product material selection, and product end-of-life management to minimize the impact of products on the environment.

Cisco recognizes that hazardous substances pose a risk to the environment and our collective health and safety. Through Cisco's Product Materials Management program, we seek to minimize the use of potentially hazardous substances in our products and operations, and ban certain substances as necessary.

Our Approach

Key objectives of Cisco's materials management efforts are:

1. Complying with product-related environmental laws and regulations restricting the use of certain substances worldwide.

2. Proactively minimizing the amount of hazardous substances in our products through materials innovation, while maintaining Cisco's high standards for product quality and reliability.

To achieve these objectives, Cisco's engineering and value chain teams coordinate to infuse sustainable product design through the value chain. Cisco has adopted a Controlled Substances Specification to outline requirements for the materials, parts, and products used in manufacturing Cisco products. For more information, see the CSR and Our Value Chain section. Cisco design and manufacturing engineers are also charged with designing products with end of life in mind, optimizing for products to be remanufactured or recycled to minimize the amount of e-waste generated. To learn more about our product take-back, recycling, and waste management programs, see Reducing Waste in this section.

Global Compliance

Cisco closely monitors standards and regulations relating to product toxicity and adheres to worldwide directives relating to the use of materials and potentially hazardous substances. This includes monitoring our direct activities and the activities in our supply chain.

In FY09, we developed an internal tracking tool to better educate Cisco employees on existing and emerging standards and regulations. All Cisco employees can access the tool and contribute relevant information.

Cisco works closely with our value chain to monitor compliance of products and materials supplied by partners, and we employ a Product Compliance Assurance Process as part of our due diligence for compliance with applicable standards. We have also developed specifications to validate our suppliers' management of restricted substances and their documentation of compliance standards.

Key regulations affecting Cisco operations and supply chain in FY09 include:

· **EU/EEA Restrictions on Hazardous Substances (RoHS) Directive:** Six substances of concern have been restricted from use in Cisco products shipped into the European Market since July 1, 2006. Cisco's Position Statement on the RoHS Directive is published on our website.

· **EU/EEA Registration, Evaluation, Authorization, and Restriction of Chemicals Regulation (REACH):** Cisco has a comprehensive REACH compliance program in place to monitor compliance with all applicable obligations. Although we are not directly impacted by REACH preregistration obligations, Cisco continues to work with our suppliers to comply with all relevant REACH requirements and to minimize disruption to business continuity from changes to product composition. Cisco also works proactively with our supply chain and industry research work groups to determine the presence of Substances of Very High Concern (SVHCs) in products, and to provide recipients of Cisco products with relevant information as mandated by the REACH Regulation. Cisco's REACH Declaration Regarding SVHCs in Cisco products is published on our website. Cisco will continue to update our REACH declaration should any changes occur or new relevant substances be added to the candidate list. In addition, Cisco is working with electronics industry peers on a common regulatory and industry approach to REACH compliance.

Proactive Measures

Cisco proactively works to incorporate materials and components in our value chain that reduce the environmental impact of Cisco products and packaging. These include the following initiatives:

· **Lead-free Solder:** Lead-based solder has historically been a key component of circuit boards and other electronic parts. There is concern that if products containing lead are not properly disposed of, lead can leach into soil, posing risks to human health. While lead solder is currently exempt from the RoHS directive for networking infrastructure equipment, product conversion and testing efforts have allowed Cisco to make significant progress toward removing lead solder from all Cisco products by 2014. For the transition, Cisco has developed a lead-free solder specification for components, interconnects, and printed circuit board reliability; implemented lead-free data management systems, assessed supplier capabilities; tested the reliability of alternative substances; and developed a product conversion roadmap. To protect product quality, we are working with global industry associations to develop highly reliable lead-free solder.

· **BFRs and PVC:** Public concern over the health impacts associated with human exposure to brominated flame retardants (BFRs) and polyvinyl chloride (PVC) has increased in recent years. BFRs and PVC are included in Cisco's controlled substances specification. Cisco is working with industry-standards technical committees to investigate the implications of substituting for BFRs and PVC in our products. In FY09, we began evaluating the impact of eliminating BFRs and PVC on our value chain and product integrity. We have set a target of confirming the viability of substitutes for use in Cisco products by 2011.

· **Batteries:** In FY09, Cisco implemented a Global Battery Specification for Cisco products that is enforced throughout our value chain.

Looking Ahead

As the regulatory environment continues to evolve, Cisco will stay closely connected and will prepare to enact changes throughout the organization and value chain. With transitions to new materials, Cisco is acutely aware that there are often trade-offs, and we will continue to evaluate the consequences of any transition so the ultimate goals of sustainability can be met without compromising other environmental, health, or product quality objectives.

Reducing Waste

Cisco works to minimize the waste output of our operations and our products and packaging. By designing products that use fewer materials, we are minimizing waste before it is created. Through product upgrades, refurbishment, and recycling programs, we are extending the useful life of products. By working with certified product disposal partners, we look to minimize the environmental impact of the small portion of returned materials that cannot be recycled.

Electronic waste is a particular concern, because it is both Cisco's most significant waste stream and the fastest growing type of global waste. According to the UN Environmental Programme, the global e-waste steam will soon reach 50 million metric tonnes annually. Responsible waste management, particularly around e-waste, has become the target of regulation and stakeholder interest. In addition to complying with existing regulations, Cisco has established comprehensive end-of-life management and asset recovery programs to keep our products out of landfills while creating value for our company and our shareholders. We also seek to minimize product waste through our product and our packaging design.

Our Approach

Key objectives of our Waste Management Program are to:

1. Reduce our product waste footprint and return value to the business through product end-of-life management

2. Further incorporate environmental considerations into the product design process, resulting in extended product lifecycles

3. Design packaging to use fewer materials or more recyclable materials

4. Continue to reduce waste from our operations through our Waste Reduction and Recycling Program

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Product End Of Life

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Cisco has developed a global closed-loop reverse supply chain that allows us to recover and reuse or recycle more than 99 percent of our returned electronic equipment in major markets worldwide. Cisco has many end-of-life processes specifically designed for receiving products from different sources and focused on gaining the highest and best use for all material being returned. The products we reclaim are refurbished and remarketed, disassembled and reused for materials, recycled, or disposed of responsibly. The group at Cisco responsible for the reverse supply chain, reuse, and recycling is our Value Chain Customer Operations team.

Product Reclamation

Cisco receives equipment and materials from many sources. Our largest flow of materials comes in through the Cisco Technology Migration Program, which encourages product returns by offering a discount on new products in exchange for returning used equipment. Depending on current demand, some of these products are refurbished, then resold by Cisco Capital Remarketing or put to reuse by our Global Service Supply Chain team or internal users. In addition to the positive environmental impacts, in FY09, our Value Recovery group was able to save $153 million.

Cisco requires our contract manufacturers, contract repair manufacturers, distribution depots, internal Cisco labs, and all internal groups at Cisco to submit any unused end-of-life or excess materials for reuse or recycling.

We also receive a smaller flow of equipment from Cisco's TakeBack and Recycle program, which is designed for customers with older or broken equipment that does not qualify for the Technology Migration Program. Returned broken and old products that are beyond capability for reuse, and materials otherwise unqualified for reuse, are sent to a recycler that demanufactures, shreds, and sorts materials into the fraction commodities that constituted the product. These fraction commodities include steel, aluminum, copper, plastic, cardboard, and wire, which are either sold or given to downstream recyclers for use in new products. There are 17 metals in a printed circuit board that can be harvested for reuse. Cisco uses one of a few companies in the world with smelting processes in place to harvest these metals and redeploy the materials back into the metals market.

We house our reclaimed products in locations across the globe and manage our inventory with a Returned Materials Database, providing transparency into collection and reuse patterns. In FY09, we reused or recycled all electronics that were returned to us. Only 0.44 percent of materials were sent to landfill, and these were nonrecyclable items such as broken pallets, wet cardboard, and shrink wrap. A summary of our impact is provided below.

Indicators	FY06	FY07	FY08	FY09
PRODUCT RETURN AND RECYCLING				
Product return (million pounds)	**	**	22.1	23.6
Materials to landfill (percent of returned product not reused or recycled)*	**	**	0.46%	0.44%

* Landfilled material consists of nonrecyclable materials (such as broken pallets, wet cardboard, and shrink wrap).

** In previous reports, Cisco reported weight of material sent to Cisco's recyclers. Leveraging process improvements started last year, we are reporting weight of material received from end users, which is the metric of primary concern to stakeholders. Historical data, prior to FY08, is not sufficiently available and is not reported.

Product Receivers and Recyclers

Cisco has established relationships with four world-class recyclers distributed around the globe. Key partner locations are shown in the following figure. These partners adhere to a strict Scope of Work governing treatment of submitted materials, and each of these contracted partners are ISO 14001 certified and audit their downstream recyclers. We require our recyclers to provide us with a monthly accounting of all submitted materials by weight to ensure visibility into all downstream recycling processes. To learn more about our product end-of-life process, watch a video.

Cisco Product Reclamation, Recycling, and Reuse Operations

Global Compliance

Cisco closely monitors regulations relating to product reclamation and adheres to all worldwide directives. Since 2005, Cisco has gone beyond the requirements in the EU Directive on Waste from Electrical and Electronic Equipment (WEEE) by registering as a producer in all EU countries where Cisco is permitted to do so, despite not being defined as the producer in most EU countries.

In 2009, a limited number of Cisco products were affected by regulations in several Canadian provinces. Cisco has met all the requirements in the legislation. Cisco is also closely monitoring developing legislation in many countries and jurisdictions, including Argentina, Brazil, China, the European Union, and India.

Product Design

Cisco has long been committed to designing our products for extended life. Our modular approach to system design means that our networking products are compatible with previous and future versions of Cisco's network components, decreasing the need for premature product disposal. Customers can easily upgrade these products while retaining components such as chassis, power supplies, and back planes. In addition, these products are designed to be compatible with industry-standard chassis dimensions, allowing customers to keep using their existing equipment.

In 2008, we upgraded our Product Requirements Document (PRD) to include a "green" specification. Cisco's product take-back and recycling teams were consulted during the development of this new requirement.

Product Packaging

Over the past year, we have significantly invested in reducing the environmental impacts of packaging. In response to customer feedback and analysis of our FY08 packaging volume data, we recognized the opportunity to reduce the volume of materials that we use and to cut costs, while still effectively protecting our products. Our focus is on finding ways and working with suppliers to use less raw material by reducing the size and weight of packaging and to incorporate more sustainable content in packaging.

In FY09, Cisco implemented over 40 improvement projects focused on reducing the environmental impacts of product packaging, many of which also served to improve the customer experience with the Cisco brand. More information on our product packaging focus and activities is provided in the CSR and Our Value Chain section.

Operational Waste

Cisco's Waste Reduction and Recycling Program is a key component of Cisco ISO 14001 certification and our global environmental policy. We routinely collect and recycle 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.

Our offices and facilities throughout North America diverted 68 percent of operational waste from landfill in FY09. Cisco has operational waste reduction and recycling teams established at 21 ISO 14001 sites in North America, Europe, Asia-Pacific and Japan. We are working to standardize reporting worldwide so that consistent, site-level metrics can be reported for each site. Annual operational waste recycling rates for select North American sites is summarized in the following graph. Operational waste recycling performance depends both on Cisco performance and the availability of supporting services by local waste hauling and disposal vendors.

Operational Waste, Select North American Sites
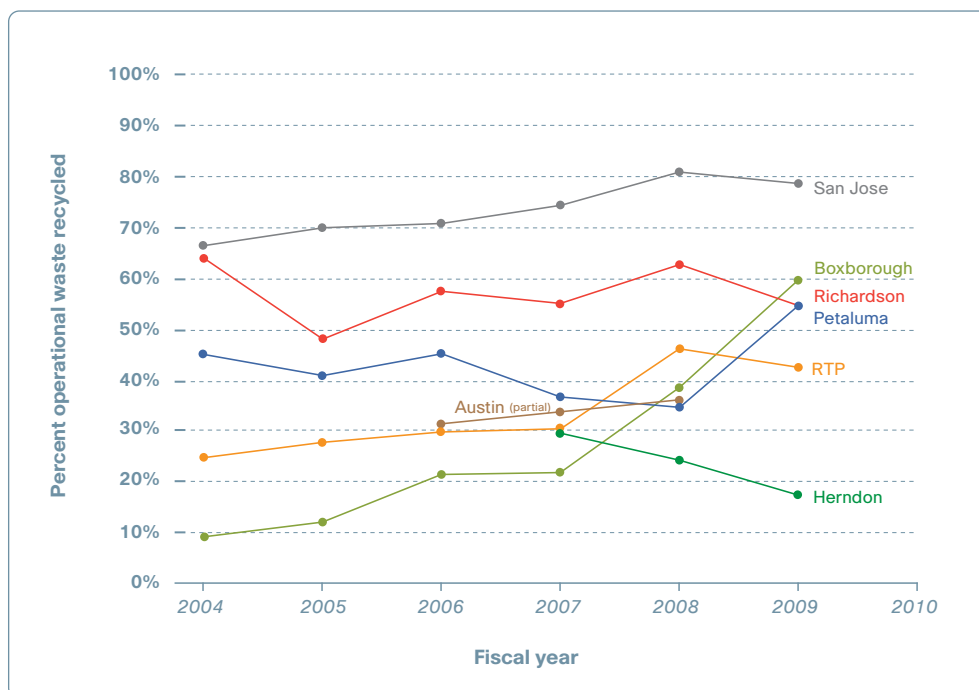
We encourage all Cisco facilities to take steps to reduce their operational waste. Initiatives at our San Jose headquarters, for example, diverted 79 percent of waste in FY09. A breakdown of our waste stream for our San Jose site is provided in the following chart as an illustration of our key sources of operational waste. Since FY08, our San Jose campus has sent waste through a sorting facility prior to landfill to capture additional compostable materials from break rooms and restrooms. We installed a foam densifier in our San Jose office that recycled over 1 ton of polyethylene and polystyrene foam in FY09 that would have otherwise gone to landfill. In addition, we invest in carpet maintenance to extend use beyond the original projected lifespan. As a result of carpet maintenance decisions, we have avoided sending an estimated 1.2 million pounds of carpet to local landfill.

Breakdown of Waste Stream for Cisco's San Jose Site
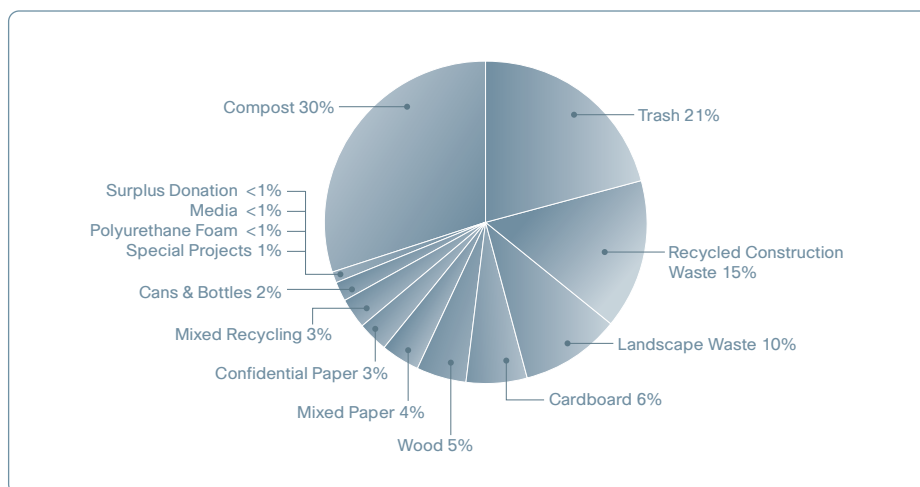
In addition to specific initiatives at individual facilities, Cisco has implemented programs at multiple sites that address the following kinds of waste streams:

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

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

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 FY09, the food waste separation program at Cisco's San Jose campus diverted

more than 1416 tons of food waste that otherwise would have been sent to local landfills. The waste was then turned into compost and made available by the municipality for purchase by gardeners. In addition, Cisco's facilities in San Jose and Research Triangle Park, North Carolina, recycle waste vegetable oil. This vegetable oil is converted into biodiesel fuel used to power traditional diesel vehicles.

· **Bottled Water:** In FY08, Cisco's North American offices disposed of 13.7 million plastic bottles of water. In FY09, we ran a pilot water filtration program in Boxborough, Massachusetts, and several San Jose campus buildings that reduced our plastic water bottle consumption level to 11.6 million units. After fully implementing the water filtration program as well as a new beverage vending program throughout North America, we expect the total plastic beverage units consumed will fall further in FY2010. Through these programs, we expect to keep millions of plastic bottles from entering North America's landfills.

Cisco also contracts with vendors to provide facility services that have a low impact on the environment. For example: Xerox uses recycled paper stocks for its Cisco print jobs. Valley Crest Landscape Maintenance, our landscape services provider, follows a standard process of recycling the waste oil used in landscape trucks and equipment, recycling over 200 quarts of oil each year. And ABM, our janitorial services supplier, installed solar power trash compactors on the San Jose campus in FY09, reducing the need to empty the trash from three times a day to once every 10 days.

Managing Water Supplies

Climate change, increasing global population, and polluting human practices underscore the reality that water is a precious and limited resource. According to UN Water, 1.8 billion people will be living in countries or regions with absolute water scarcity, and two-thirds of the world population could be under stress conditions by 2025.[1]

With headquarter offices in drought-prone northern California, Cisco has always been conscious of water use in our operations. In FY09, Cisco selected 11 sites, representing 61 percent of employees, for a study of water usages and local water availability. Using the World Business Council for Sustainable Development water tool, we believe three of the eleven sites studied are located in water-scarce areas, and two sites are in water-stressed areas.

Our impact on local water, both what we take from the water system and what we contribute in waste water, has always been an important issue for us and for the communities in which we operate. Key objectives of Cisco's water management program are to:

· Identify and respond to site-level water conservation opportunities for our operations

· Work with partners such as local governments, water utilities, and owners of our leased buildings to pursue and replicate best practices in our operations and beyond

[1] UN Water. "Coping with Water Scarcity- Challenge of the Twenty-First Century." March 2007. http://www.fao.org/nr/water/docs/escarcity.pdf

Our Impact

Cisco's primary water impacts come from office building potable water and sanitation, landscaping, and data center cooling. We previously have not reported on our water inventory, despite implementing substantial water conservation projects. Over the past year, we invested in measuring and aggregating our water use so we can better understand the impact of our programs. Given the size and geographic dispersion of our operations, this proved to be challenging. At the Cisco San Jose campus alone, there are 137 water meters that must be manually aggregated. Data we were able to collect from the 11 largest Cisco sites is summarized below.

Indicators	FY07	FY08	FY09
WATER CONSUMPTION*			
Total water consumption (m³)	1,725,618	1,570,831	1,654,030

* Data for 11 Cisco sites.

Despite our efforts to reduce water use, total water consumption increased in FY09 due to the expansion of Cisco's San Jose campus. The data we collected also revealed some surprising peaks in water consumption at individual sites, which we plan to research to better understand root causes and identify potential reduction opportunities.

Water Management at Boxborough, Massachusetts
Cisco operates two campuses in Boxborough, Massachusetts (NEDC Sites I and II). Because there is no municipal water supply or sewer system in Boxborough, both sites maintain their own onsite wells, wastewater treatment facilities, and treated effluent reinfiltration systems. As a result, the water cycle is closed for each property, with withdrawals and recharge occurring within the same watershed. Our awareness of water quality and quantity issues is heightened by the water-cycle stewardship responsibilities that we have assumed at these sites. For example, hand soaps and cleaning products selected for use in restrooms must be nontoxic so they do not cause problems at our wastewater treatment facilities.

Groundwater recharge is further supplemented through onsite storm water reinfiltration and is important to maintaining aquifer yields. The site plan for NEDC Site II achieves an effective coverage ratio for Site II that is less than 15 percent. Rain that falls on the ground largely reinfiltrates the aquifer, and rain that falls on impervious surfaces such as parking lots is managed closely.

Water Reduction Activities

We are minimizing our water impacts through innovative approaches to both reductions and reuse. Although our efforts to date have recognized the importance of a locally relevant approach to water management, we are now acting to institutionalize water management systems.

Wherever appropriate, Cisco reduces water consumption and uses reclaimed water for landscaping and similar applications. We have been able to make many changes to our landscaping practices, while also creating attractive and inviting landscapes for our employees and our surrounding communities. Taking our San Jose campus as an example, our landscaping programs in FY09 included:

· **Using recycled water:** Our headquarters in San Jose, California, uses only recycled water for landscape irrigation and fountains, representing approximately 30 percent of our 700,000 cubic meters of water consumption.

· **Installing irrigation controls:** These controls track variables such as plant type and weather patterns to ensure that the least amount of water needed is dispensed via the drip system. This resulted in an approximate 8 to 10 percent water savings during the first six months of 2009.

· **Changing groundcover:** In FY09, we returned over 250 yards of mulch from onsite tree trimming back to the landscape as part of our Weed Abatement Program. In addition, we instituted a Growth Density Reduction Program which replaces plants, and reduces the need for watering, with natural mulch.

· **Eliminating decorative fountains:** We are taking fountains or water features offline or converting them to landscaped beds with California native and drought resistant plants. In FY09, our Offline Fountain Program resulted in a savings of 7340 cubic meters of water, $90,834 in electricity charges, and $55,368 in total maintenance savings. Our Fountain Conversion Program resulted in a total water savings of 1785 cubic meters each year and a total electrical savings of $44,613 in FY09.

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

Operations siting is an especially important consideration with our data centers. Cisco currently cools most of our data centers by air movement. However, as equipment becomes more compact and consumes more power per unit area, we need to identify more efficient cooling mechanisms, and one of the options we are considering is water-based cooling.

Through these and other initiatives, such as flow restrictors on faucets and waterless urinals in our facilities, we have significantly reduced our overall water use over the past decade. In California alone, we continue to save more than 300,000 cubic meters of water each year as a result of our water conservation efforts.

Working with Others

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

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

Looking Ahead

In FY09 we began to lay the groundwork for the development of a Global Water Management System. Water use is currently tracked by some campuses, with each local site owning its information. Using our GHG emissions tracking system as a model, we are in the process of developing a robust and standardized reporting system for collecting data, measuring impacts, and designing a global water strategy. We expect to develop this program over the course of FY10 and begin rolling it out to our global operations. This approach will allow us to better understand our water footprint, assess it against regional water issues, and increase the strategic impact of our water reduction efforts.

Minimizing Land Use Impacts and Protecting Biodiversity

Although GHG emissions, energy, materials, and waste represent Cisco's most significant environmental issues, we manage and monitor other aspects of our environmental footprint. These include:

· Land use impacts and biodiversity

· Airborne emissions (beyond GHG emissions)

· Spills and other discharges

Many of these impacts relate directly to Cisco's real estate portfolio and environmental management system. Cisco's environmental management system, compliance programs, and workplace initiatives help minimize these impacts.

Land Use Impacts and Biodiversity

At Cisco, land use for facilities and office-based operations represents our largest impact on biodiversity. Cisco works to reduce our impact by reducing the demand for physical office space. Cisco employee telework programs and support solutions, such as Cisco Connected Workplace, Cisco Virtual Office, and Cisco WebEx, are instrumental to our strategy. The flexibility of Connected Workplace and Cisco collaboration technologies reduces the demands for office space by more efficiently using existing space and enabling employees to work remotely yet still maintain productivity. A 2007 Cisco study demonstrated that a space using Connected Workplace could accommodate 140 employees, compared to the 88 who would be assigned to the same space in a traditional layout, substantially reducing office space requirements and associated costs.

In addition, Cisco actively evaluates the biodiversity and land-use impacts of potential facility sites through environmental impact assessments required for permitting. In Boxborough, Massachusetts, for example, we worked closely with state and regional agencies to restore the site and develop a Cisco campus in 2002. Of the 350 acres of campus, 270 acres are designated as open space, including 60 acres that serve to protect wetlands and rare species habitat. The cluster design of the buildings and parking areas allows for more usable open space and facilitates collection of rainwater runoff. Furthermore, the buildings and parking areas are concentrated in the areas previously disturbed by mining activities. See the case study below.

Maintaining Biodiversity, Open Space, and Rural Character in Boxborough
During the 1980s, much of the land that Cisco's Boxborough, Massachusetts, campus now occupies was cleared and mined for sand and gravel, leaving large areas stripped of vegetation. While developing the site, Cisco was able to restore it to a more natural state with rolling terrain, stone walls, and a mixture of landscaped areas, fields, wetlands, and forest.

We created habitats through the strategic placement and design of stormwater management features such as ponds. Other environmental features include permanent conservation restrictions, turtle tunnels beneath roadways and roadway barriers to enable safe migration, multiyear onsite wildlife studies, and the creation of approximately two acres of additional wetlands that were planted with native vegetation.

In addition, the campus provides both active and passive recreation areas with a 10-acre playing field constructed for the town's use and over two miles of trails that wind through the areas set aside as open space.

Adjacent to the campus are other conservation lands held by government and private entities. Cisco's natural, open spaces provide extensions to and continuity between these areas, thereby enhancing the robustness of wildlife habitats and corridors.

Airborne Emissions

Because most of Cisco's production is outsourced to supply chain partners, Cisco's global operations primarily consist of standard office activities and research labs, which may require the use of occasional cleaning products containing volatile organic compounds (VOCs). Quantities of VOC-based chemicals are minimal and are not required to be monitored.

The following table summarizes other airborne emissions: nitrous oxides (NOx) and sulfur oxides (SOx). NOx and SOx emissions originate from combustion of fossil fuels in vehicle engines, boilers, or emergency generators that are occasionally tested on sites. These emissions are calculated based on fuel consumption collected in the past three fiscal years. NOx emissions are included in Cisco's GHG inventory. As Cisco is working on reducing overall GHG emissions, we expect a proportional reduction of NOx and SOx emissions across our operations.

NOx and SOx emissions

Emissions	FY07	FY08	FY09
NOx (metric tonne)	176.57	167.29	143.74
SOx (metric tonne)	0.67	0.71	0.70

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

Spills and Other Discharges

Cisco works to prevent unintended spills or discharges and has a comprehensive emergency response system in place. In FY09, there were no reportable spills or discharges to the environment from Cisco facilities or operations.

Looking Ahead

Cisco expects that the impacts associated with land use, airborne emissions, and spills and other discharges will continue to be minimal relative to other environmental impacts of our products and operations. Cisco will continue to monitor these issues in our operations and dedicate resources as necessary. Through our workplace solutions and collaboration technologies, like Connected Workplace, we will continue to develop innovative approaches for addressing the world's environmental challenges.

CSR and Governance

Corporate governance is a function of leadership, internal operations, organizational principles, and relationships with employees and other stakeholders, all of which must evolve in response to external forces that include shifting macroeconomic conditions. Like most aspects of business, effective governance can only be achieved through a continuous process of innovation, realignment, and refinement. Cisco has always aimed to align our operations and resources so we can respond quickly to changing market conditions, drive customer success, and seize emerging opportunities. Most recently, that has involved taking a leadership role in the industry by moving from a centralized command-and-control governance model to a more collaborative model based on a culture of shared goals, a structured planning process, and cross-functional councils, boards, and workgroups.

This collaborative business model also characterizes our corporate social responsibility (CSR) activities. We engage in productive conversations and interactions across our entire ecosystem of stakeholders: communities and educational institutions, customers, industry organizations, employees, government entities, shareholders, partners, the media, and an array of other external organizations and advocacy groups. In every one of these engagements, we strive to bring our CSR practices into holistic alignment with our business strategies and corporate values.

Now, as in the past, Cisco continues to refine our CSR initiatives and overall governance practices with an eye toward increasing long-term stakeholder value, business viability, and transparency, while reducing inefficiencies, exposure, and risk.

Cisco's Collaborative Management Model

Our Collaborative Management Model employs cross-functional collaboration to address the full range of the market adjacencies (new markets adjacent to our existing markets) that we have targeted. This model closely matches our business processes and enables us to deploy the diverse expertise that is one of our company's greatest strengths. The diagram below provides an overview of the model.

Collaborative Management Model
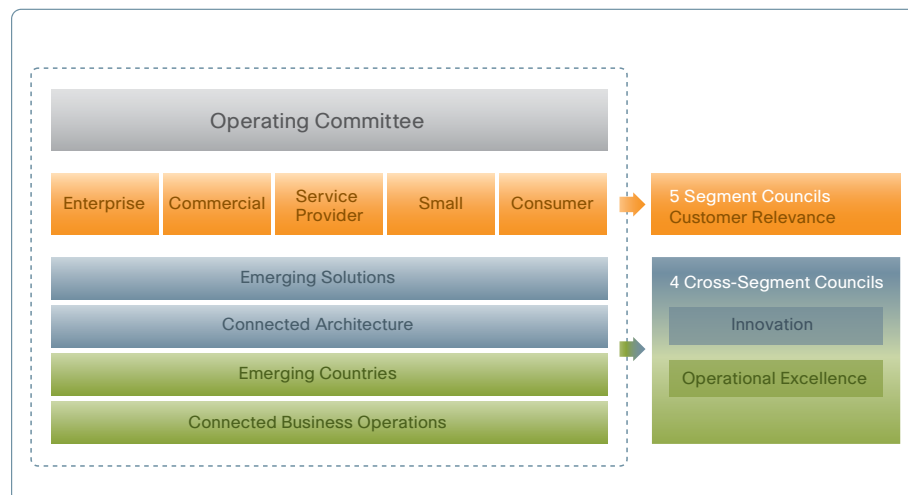
Cisco's most senior decision-making body is the Operating Committee, consisting of the CEO and other senior leaders. Corporate Councils are cross-functional decision-making teams that are formed by the Operating Committee to support major ($10 billion) market opportunities or to undertake major transformational initiatives. Two or more executive vice presidents or senior vice presidents representing different corporate functions lead each council and report on progress to the Operating Committee. There are currently nine Corporate Councils.

Using the Collaborative Management Model, Councils and Boards drive the business objectives defined by the Operating Committee by promoting collaboration and decision making across functions and business units. The model also increases the management resources available to address the large number of business opportunities inherent in our business, focusing on the network as a platform. These opportunities emerge within complex, often interlocking worldwide markets that require highly integrated product and delivery strategies. Through proper execution, we look to bring our entire product portfolio to bear on the many market adjacencies we have identified.

Cisco's Collaborative Management Model provides senior executive-level strategic direction for an initiative or range of related initiatives. For example, the Emerging Countries Council focuses on economic growth and opportunities in regional and country markets such as Africa, China, India, Latin America, and the Levant by working across functions within the company and collaborating with stakeholders in the various regions and countries. One of the council's major initiatives involves building innovative and replicable business models in emerging countries, with particular attention given to those with fast-growing economies. The Emerging Countries Council's members include 12 senior leaders who represent the Corporate Affairs, Cisco Development Organization (engineering), Channels, Marketing, Operations, and Sales functions.

Executing the Corporate Councils' initiatives is the job of Boards. A Board reports directly to a Corporate Council and is dissolved once it has attained its goal. The Emerging Countries Council currently oversee four Boards, including one called China 3.0 whose sole focus is pursuing opportunities in that country. The Connected Business Operations Council (CBOC), whose charter is to bring about sustainable long-term process change at Cisco based on operational excellence and innovation, oversees five Boards, ranging from Global Policy to Business Model Enablement. Within each Board, temporary teams called Working Groups undertake specific projects. Members of these Working Groups may be organized into specific Task Forces.

Alternatively, an entity similar to a Corporate Council called a Corporate Board may be organized around a market opportunity in the $1 billion range, or some other major initiative. Corporate Boards require committed leadership from two executives at the senior vice president or vice president level representing major corporate functions. The Cisco EcoBoard is an example of such a Corporate Board (see the sidebar).

Cisco EcoBoard: Advantages of Cross-Functional Governance
The Cisco EcoBoard offers a prime example of how a cross-functional approach to governance can help launch a successful CSR-oriented program by encouraging teamwork and enhancing collaboration across a large organization. Formed in FY07, the EcoBoard has succeeded in developing and rolling out an innovative strategy directed at reducing the company's carbon footprint and delivering ecologically sustainable solutions to customers.

The EcoBoard is chaired by Laura Ipsen, senior vice president, Global Policy and Government Affairs; John McCool, senior vice president, general manager of Data Center Switching and Services; and Ron Ricci, vice president, Corporate Positioning. The board also includes 11 other senior leaders from various functional areas within the company. By tapping the diverse expertise of these board members and their respective organizations, the EcoBoard has been able to avoid narrow compartmentalization and advance its goals across the company.

Cisco's environmental strategy is built around four capabilities, each of which is overseen by one or two EcoBoard members:
- **Market access:** Developing and defining environmental standards and operating in an environmentally sustainable manner, and removing impediments to markets and opportunities
- **Differentiation:** Offering products and solutions that help Cisco's customers meet their own "green" goals, while also distinguishing the company from competitors
- **Market enhancement:** Opening new markets for Cisco green solutions and technologies
- **Positioning:** Communicating our environmental point of view within and outside the marketplace

Working Groups organized around these capabilities carry out a set of initiatives directed at a common goal. The Working Group leaders compose the EcoBoard Green Task Force, which in turn organizes various specialized Task Forces.

For example, the Green Engineering Task Force focuses on all aspects of designing for the environment, from education for the engineering community to integrated-circuit design. The Corporate Sustainability Task Force concentrates on market access, working to establish policies and partnerships, and also to identify issues such as environmental regulations and standards that could impact Cisco's market positioning or competitive practices.

Key Governance Policies

Cisco maintains a corporate governance page on the Cisco website that includes key information about corporate governance initiatives, including Cisco's Corporate Governance Policies, the Cisco Code of Business Conduct, and charters for each of the committees of the Board of Directors.

Cisco has policies and practices that promote good corporate governance, many of which are designed to ensure compliance with the listing requirements of NASDAQ and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

• The Board of Directors has adopted clear corporate governance policies.

• The Board of Directors has adopted majority voting for uncontested elections of directors.

• A majority of the Board members are independent of Cisco and company management.

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

• The independent members of the Board of Directors meet regularly without the presence of management.

• The charters of the Board committees clearly establish their respective roles and responsibilities.

• The company has adopted a compensation recoupment policy that applies to executive officers.

• Cisco's internal audit control function maintains critical oversight over the key areas of business and financial processes and controls, and reports directly to Cisco's Audit Committee.

• Cisco has established stock ownership guidelines for nonemployee directors and executive officers.

• The Ethics Office has a hotline available to all employees, and Cisco's Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls, or auditing matters.

• Cisco has adopted a Code of Ethics that applies to the principal executive officer and all members of the finance department, including the principal financial officer and principal accounting officer.

• Cisco has a clear Code of Business Conduct that is monitored by the Ethics Office and is annually affirmed by employees.

CSR Business Process

Cisco's CSR policies are designed with the goal of creating long-term, sustainable benefits for our business and the global community. Our commitment to responsible and ethical business practices extends to the Board of Directors, management, employees, shareholders, partners, suppliers, customers, and society. We invest considerable energy and resources to align our corporate governance activities with our values.

Cisco applies the principle of sustainability and a consistent business process to all aspects of CSR, including our environmental efforts, social programs, corporate governance, and employee programs. The Brundtland Commission report *Our Common Future* (1987) defined sustainability as meeting "the needs of the present without compromising the ability of future generations to meet their own needs." This philosophy is consistent with our long-term focus on delivering value and opportunity to our customers and other stakeholders.

Cisco's Sustainable Business Practices (SBP) team reviews emerging CSR issues and presents its findings to the Connected Business Operations Council (CBOC) and the Board of Directors, as appropriate. The Board of Directors oversees the implementation of CSR policies and initiatives through the SBP team, through CSR-related councils, boards, and working groups, and through embedded businesses processes. The SBP team works directly with Cisco executive leadership to improve practices and programs, and engages with global stakeholders to report and evaluate our CSR performance on an ongoing basis.

Cisco manages CSR initiatives using a cyclical process involving our stakeholders and the business. The steps in this process are shown in the diagram below.

CSR Business Process
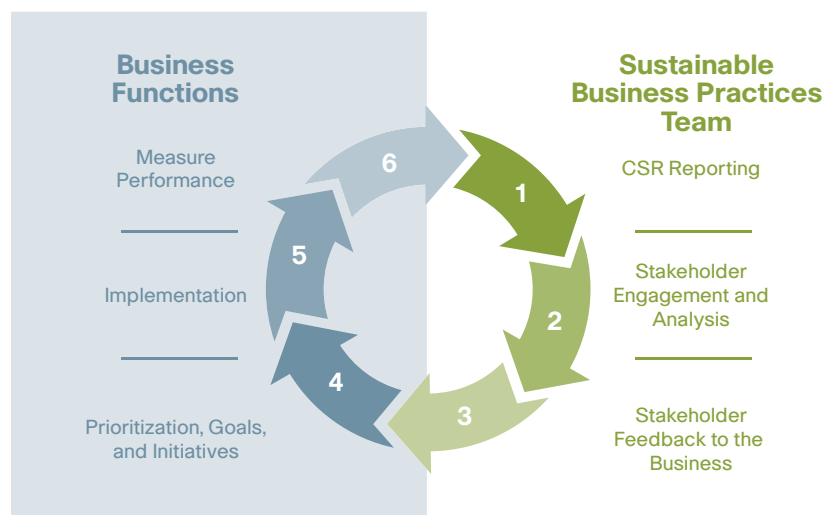
CSR: Sustainable Business Practices

As part of Cisco's broader efforts to conduct and continuously improve upon sustainable business practices, we make CSR an integral part of our business environment. The *CSR Report* summarizes the CSR activities that take place during the fiscal year, and includes metrics that show impact and trends over multiple years. On an ongoing basis, the SBP team seeks better methodologies for collecting and presenting data , but also tries to keep the reporting uniform from one year to the next to show multiyear trends. Because stakeholder requests for information about our CSR efforts have increased in both number and complexity, we continue to evolve and scale the process we use to gather information and respond to these queries.

CSR Reporting

The annual CSR business process begins with Cisco's *CSR Report*, a document that is published in conjunction with the *Cisco Annual Report*. Disseminated to a diverse audience on web pages and in a comprehensive downloadable format, the *CSR Report* covers activities and associated impacts that occur during the fiscal year. The report also reflects our current efforts to incorporate stakeholder feedback and align our CSR efforts with our business objectives.

Although the *CSR Report* is an important milestone, it is only one of our reporting tools. We answer several questionnaires and surveys each month by gathering information from subject matter experts across the company. These surveys come from socially responsible research firms, investors, academics, industry groups, and customers. In addition to answering their questions, we establish ongoing relationships with these stakeholders through meetings, teleconferences, individual communications, and participation in both industrywide and CSR-focused conferences. We use the feedback that we derive from these engagements to enhance our CSR efforts and improve the results.

Stakeholder Engagement and Analysis

Cisco defines our stakeholders in very broad terms (see Stakeholder Categories below). Our stakeholder engagements include trending the importance of various CSR issues, identifying the partners and stakeholders most relevant to Cisco's business, and assessing the business value of each CSR initiative on an ongoing basis. We listen to CSR advocacy groups and diligently analyze CSR benchmarking and perceptions of our CSR performance.

Stakeholder Feedback to the Business

Throughout the year, but particularly at the beginning of the fiscal fourth quarter, we formally review the stakeholder feedback and integrate it with other key CSR criteria and business goals when we set objectives and plan CSR activities for the next fiscal year. The formal feedback and response cycle continues year round based on internal budgeting and reporting schedules. Stakeholder feedback that involves requests for greater detail, changes in priorities, or other alterations to what and how we report our activities are carefully considered and may be accommodated in the following year's *CSR Report*.

We collect feedback at several levels:
- Collaboration with business partners occurs throughout our fiscal year, in meetings and through data sharing in response to stakeholder inquiries. These inquiries include formal surveys from analysts and customers as well as questions from a variety of sources. They are an excellent indicator of the relative importance and range of CSR topics. This information is analyzed by the SBP team and shared with company organizations that may include human resources, workplace resources, compliance, sustainable development, manufacturing and value chain, engineering, the Ethics Program Office, and others.
- Feedback is presented to the company's boards or their constituent working groups or task forces. For example, feedback on environmental topics is reviewed with the EcoBoard and the Green Engineering Task Force.
- Feedback is also presented to Connected Business Operations Council, which consists of the chief financial officer (CFO) and senior operational executives for the engineering, IT, manufacturing, marketing, sales, and service groups. The CBOC review seeks to align our CSR efforts and performance with other business priorities.
- Cisco products and solutions offer substantial opportunities to address environmental issues such as climate change and social needs such as education and healthcare. Developing these opportunities and aligning them with our CSR goals and objectives is part of Cisco's regular market assessment and product development processes.
- Based on emerging trends and information, certain CSR topics receive additional support and resources. For instance, human rights as they relate to the Internet is an important issue. We continue to research new developments in this area. (See Human Rights below.)

CSR: Business Functions

Many business functions within Cisco not only contribute to CSR reporting, but also integrate CSR into their priorities, goals, initiatives, and other activities. In so doing, these functions provide additional value to the company and to all our stakeholders.

Prioritization, Goals, and Initiatives

Based on stakeholder feedback received by business functions and internal subject matter experts through formal reviews and informal dialogue, Cisco's business functions establish CSR-related goals and initiatives as part of their own business planning cycle. A review of CSR governance at Cisco over the past three years shows progress toward two strategic goals: (1) increase integration of CSR into functional business processes, and (2) improve and scale reporting while increasing transparency in the areas of employees and the environment.

Implementation

The implementation step in the CSR business process focuses on executing programs and projects to meet established goals. The SBP team collaborates with various internal groups that are implementing CSR programs and initiatives, representing the perspectives of CSR stakeholders and the goals set for CSR reporting. A Cisco best practice for this implementation is the Green Engineering Task Force process that includes a robust governance model. For more information about the Green Engineering Task Force, see the CSR and the Environment section.

Measuring Performance

In response to stakeholder feedback requesting enhanced metrics, Cisco includes a separate step in the CSR Business Process for measuring performance. Performance measurement includes objective (quantitative) metrics, year-to-year trending, and quality assurance. In the environmental area, Cisco believes our climate change performance measurement is a best practice. An initiative on systems and tools in FY10 is intended to improve metrics in additional areas of stakeholder interest, such as water management. Selected metrics are provided in the Key Performance Indicators table at the end of this section, and other sections of this report provide additional metrics. Cisco will continue to refine the definition and execution of our CSR business process and reporting.

CSR Awards and Recognition

Our work in the CSR sphere has been validated by a range of organizations and publications. Cisco received the following awards and other recognition during FY09:

Barron's, World's Most Respected Companies 2009
Ranked #10 (up from #13 in 2008) among the world's 100 largest public companies as measured by total market value on December 31, 2008

China Ministry of Commerce (MOFCOM) Award
"For Contribution to Relief and Reconstruction after the May 12, 2008 Sichuan Earthquake"

China Philanthropy Award from China's Ministry of Civil Affairs
For Cisco's Sichuan Province earthquake relief efforts

CRO (Corporate Responsibility Officer), 100 Best Corporate Citizens 2009
Ranked #6 (up from #14 in 2008)

Fortune, World's Most Admired Companies 2009
Ranked #31 among the top 50 most admired companies in a survey of businesspeople; ranked #1 in the Network Communications sector

Ethisphere Magazine's Most Ethical Companies

Great Place to Work Institute
50 Best Large Workplaces in Europe (Belgium, Denmark, Germany, Netherlands, and Spain): ranked #3
Best Workplaces in Austria (50 to 250 employees): ranked #1
Best Workplaces in Belgium (10 to 500 employees): ranked #3
Best Workplaces in Denmark: ranked #6
Best Workplaces in Finland (small organizations): ranked #2
Best Workplaces in France (Silver Award): ranked #12
Best Workplaces in Germany (501 to 5000 employees): ranked #2
Best Workplaces in Ireland (employers): Top 50
Best Workplaces in Netherlands: ranked #6
Best Workplaces in Norway (medium-size companies): ranked #5
Best Workplaces in Portugal: ranked #2
Best Workplaces in Spain (250 to 500 employees): ranked #1
Best Workplaces in Sweden: ranked #8
Best Workplaces in Switzerland: ranked #2

Hewitt Survey, Best Employers 2009
30 Best Employers in Asia
Best Employers in India: ranked #4
Best Employers in Turkey: ranked #5

Business Week: Best Places to Launch a Career: ranked #31 (up from #77 in 2008)

Working Mother Magazine: among the top 100 companies for working mothers

Institutional Investor Magazine
America's Best CEOs 2009: John Chambers ranked #1 in the Telecommunications-Data Networking & Wireline Equipment sector
Sell-Side and Buy-Side: ranked #1 in the sector
America's Most Shareholder-Friendly Companies 2009: ranked #1 in the sector
First Team: The magazine's U.S. Investor Relations Market Report named Cisco "First Team" in the Telecommunications/Data Networking & Wireline Equipment sector for both buy-side and sell-side Best Practices in Investor Relations

National Association for Female Executives (NAFE)
Top 50 Companies for Executive Women

DiversityBusiness, Div50
Ranked #6 among Top 50 Organizations for Diversity

IR Global Rankings 2008
List of Best Ranked Companies, Corporate Governance
Best Corporate Social Responsibility

Dow Jones Sustainability World and North American Indexes

Carbon Disclosure Project Leadership Index: 96% score in the Technology, Media, and Telecoms sector

Fast Company's 50 Most Innovative Companies: ranked #5

FTSE KLD Global Sustainability Index

A current list of CSR awards is maintained on the Cisco website here.

Stakeholder Engagement

As companies expand the definition of stakeholder, they are also changing the nature of company-stakeholder relationships. Besides monitoring stakeholder comments and reactions, Cisco is reaching out to the stakeholder community in ways that are more collaborative, interactive, and proactive. Furthermore, we are making these conversations an integral part of our ongoing business assessments and strategy development.

Stakeholder engagements give us the information we need to align business practices more closely with market and societal needs. For example, a brand and marketing intelligence team at Cisco analyzes external CSR benchmark and survey findings and makes specific recommendations to senior executives based on those findings. This intelligence is used in strategic business decisions and is ultimately disseminated across Cisco's marketing groups by means of brand and management training programs.

Through stakeholder engagements, we also gain perspective and insight about how the company is performing. Specifically we:
· Learn about how Cisco's CSR efforts are perceived and where we could be more transparent or effective
· Gain insight from stakeholders with particular expertise or knowledge into our products, solutions, and market adjacencies
· Give Cisco leaders an opportunity to hear different perspectives and build ongoing relationships with key influencers

We conduct information-gathering sessions with key external stakeholders before and after the annual *CSR Report* is published to identify our strengths and pinpoint gaps and areas for improvement. We also analyze media coverage regularly to determine the impact of our messages and how the coverage compares with that of our competitors, peers, and CSR leaders.

In January 2009, the SBP team conducted a comprehensive benchmark against current environmental, social, and governance issues. Working with Business for Social Responsibility (BSR), we reviewed CSR reporting in relation to our competitors, IT peer companies, and CSR leaders. We also incorporated feedback from socially responsible investment and advocacy groups as well as major customers. The results, based on publicly available information, showed that Cisco scores highest in the areas of social and employee programs. From this benchmarking exercise we also learned that we need to improve reporting in some areas of environmental sustainability, including hazardous substances and water.

The feedback and scores we receive from CSR-related organizations indicate that we are continuing to make progress in several CSR categories. In overall terms, *Barron's* has ranked us number 10 on its list of the World's Most Respected Companies in 2009 (among the 100 largest companies by total market value), and CRO (Corporate Responsibility Officer) rated us number 6 among its 100 Best Corporate Citizens for 2009. In the past few years, we have moved to "prime status" in Oekom Research's sustainability ratings, and we have maintained our standing on the World and North American Dow Jones Sustainability Indexes, as well as on KLD Research & Analytics' global sustainability index. Cisco ranked second, with a score of 96 percent, in the Technology, Media and Telecoms sector of the Carbon Disclosure Project's Leadership Index.

Stakeholder Categories

Corporate social investments can help sow the seeds of prosperity anywhere in the world, but especially in those places where the needs are greatest. People prosper when their basic needs have been met and they are free to reach their full potential, increasing their own well-being and that of their family and community. Food, shelter, and health are essential to human life. But knowledge is the key to prosperity in the modern world, and the catalyst for acquiring that knowledge is education.

Cisco takes a results-oriented approach to CSR by compiling a strong portfolio of social investments and continually assessing how well they perform. Our investment model focuses on education as a catalyst for social progress, but we also invest in programs that offer sustenance and support to people in need. We look for CSR investments that offer a good return by having a measurable impact on lives and society, and that promise to grow and sustain themselves over time through community involvement.

Innovation is central to Cisco's business approach, whether in product development, supply chain management, sales and marketing, or corporate social responsibility. We are always looking for new and better ways to apply our core competencies to build healthier, more productive, and more sustainable communities, enabling them to play a stronger role in promoting prosperity throughout the global community.

• Partnerships are invaluable for social goals as well as business goals. Cisco has gained a global reputation for seamlessly integrating supply chain partners into our business, and we have applied this talent for successful partnering to the CSR arena. Using public-private partnerships, Cisco has succeeded in bringing innovative ideas and practiced expertise together to address global challenges and, as a result, improve outcomes for individuals and communities.
• We apply the same original thinking and collaborative spirit that goes into our products and business processes to the challenges that our social investments are working to address. In collaboration with established institutions and agencies, we look to develop breakthrough approaches based on 21st century technologies and techniques.
• We not only invest, we engage. Our employees bring their own intelligence, business acumen, and socially responsible attitudes to the programs that we initiate and incubate. They work side by side with our partners to brainstorm, coach, and then apply their world-class competencies to local initiatives.

Cisco's commitment to stakeholders is as diverse as the stakeholder groups themselves. These groups are not mutually exclusive; our engagements often cross stakeholder boundaries. Cisco's stakeholders include:

• Communities and institutions

• Customers and consumers

• Industry organizations and analysts

• Cisco employees

• Government entities

• Cisco shareholders and potential investors

• Business partners and suppliers

• CSR organizations, advocates, and media

Our engagements with stakeholders are discussed briefly below. Further information can be found throughout this report and on the Cisco website.

Communities and Institutions

Our social initiatives generally take the form of public-private partnerships organized to make the most of Cisco's technology, expertise, and unique perspective, as well as human and financial capital. Our operations and corporate and employee contributions serve to enhance the quality of life across global communities. We address important social issues through initiatives that can scale in size and scope, can be replicated in other environments, and can move toward self-sustainability. This brings an entrepreneurial, results-based focus to community engagement, improvement, and economic growth.

We engage with stakeholders from institutions that include universities, schools, social and educational research organizations, and laboratories. Cisco focuses considerable attention and resources on education. The future growth and stability of our global economy depends on the ability of education systems to prepare students for career opportunities and help them attain higher levels of achievement. Cisco has long believed that the Internet and education are the two great equalizers in life. We are at the forefront of the movement to make sure education systems are prepared to meet the challenges of the 21st century. Cisco is working with educators and some of the world's leading experts to develop, scale, and replicate successful models that promote global education transformation. For more information, see Education: Catalyst for Prosperity in the CSR and Society section of this report.

Feedback Mechanisms

Cisco engages with communities directly through our various public-private initiatives and, at a higher level, through a number of CSR-oriented organizations and other influencers. (See the Appendix for a list of organizations.) Our SBP team is responsible for managing collaboration and feedback between CSR stakeholders and the company. The team gathers information through online exchanges, face-to-face and virtual meetings, surveys, customer requests for proposals, participation in industry groups, benchmarking and research reports, and communications with our regional and field offices. We have also been successful in making use of Web 2.0 technology such as Facebook, Twitter, Flickr, and various blogs, and we are a leader in implementing leading-edge collaborative technologies such as Cisco TelePresence™ and Cisco WebEx®. In addition, Cisco Networking Academy® conducts its own surveys of students and instructors, and conducts analyses to determine the effectiveness of the academy's curricula worldwide.

For more information on Cisco's education programs and other social initiatives, see the CSR and Society section.

Customers and Consumers

We strive to treat our customers and consumers fairly and honestly, maintain product quality and integrity, engage in responsible marketing and consumer information practices, and address social and health issues related to our products. Part of our commitment to this group of stakeholders is to make sure that our business partners and suppliers uphold the ethical standards that we set for our own employees.

Product sustainability is a major concern for today's consumers and a key element in our environmental responsibility efforts. We work to decrease the toxicity of the materials used in our products' manufacture, the energy consumed during the products' useful lives, and the waste they produce when they reach end of life. For more information, see the CSR and the Environment section and the CSR and Our Value Chain section.

Feedback Mechanisms
Cisco invites feedback from customers in a number of ways:
- Customers can access the online Cisco Customer Satisfaction Survey at any time. More than 80,000 customers participated last year.
- A semi-annual global brand tracking survey targets key customer segments in Cisco's principal and emerging markets. Another brand survey is directed at key segments in the United States.
- Information from our customers' chief information officers (CIOs) provides valuable feedback about Cisco technologies and business relationships.
- Attendees at Cisco's annual CIO/CEO Summit meetings are asked to offer their insights and opinions, both before and after the event.

For more information about our responsibilities to customers and consumers, see Governance and Ethics below.

Industry Organizations and Analysts

As a member or interested party, Cisco engages with information and communications technology (ICT) organizations that range from industry-funded trade and standards-setting groups to government commissions and nongovernmental organizations focusing on specific ICT issues. We also engage in dialogues with industry analysts who do market research and issue reports that describe market conditions and trends, model industry activity, and provide forecasts. An important CSR consideration is how well the company communicates to the analyst community and how we are perceived in relation to our industry peers.

Feedback Mechanisms
We monitor all major industry analysts and assess their coverage of Cisco's technologies, business, and policies on a quarterly basis. We also conduct a semiannual industry-relations benchmark study to measure the effectiveness of our interactions with analysts.

Cisco is an active participant in a number of industry trade organizations. A list of these and related business and government organizations with which we interact can be found here on the Cisco website.

Cisco Employees

As the working world continues to evolve, so do the needs and aspirations of the global workforce. At Cisco, we recognize that innovations in our employee relations and engagements are just as important to our success as the technical innovations we bring to networking.

We constantly evaluate our employee programs and work environments to make sure they meet the needs of our employees, who vary widely in their job descriptions, ages, working styles, cultural backgrounds, career aspirations, and personal lives. We have found new and innovative ways to cultivate inclusiveness, develop leadership abilities, nurture career growth, and engage our employees in our strategies and objectives. We adjust our policies with a view to helping employees stay healthy and keep their work and home lives in balance. In addition, we have taken a leadership role in creating workplaces that are safe and professional, and that promote teamwork, diversity, personal development, and trust.

Feedback Mechanisms

Once a year, we conduct a comprehensive survey of all employees called the Cisco Pulse Survey. We also conduct surveys of a cross-section of the employee population on a quarterly basis, and we use various other techniques to gather opinions and suggestions from individual employees, such as meetings, focus groups, performance reviews, and coaching. Survey results are described in detail in the CSR and Our Employees section.

Government Entities

We are committed to conducting business in compliance with the letter and spirit of the law, regulatory requirements, and other accepted standards of business conduct. Because regulations differ depending on the country and jurisdiction, we have established regional legal teams and work with legislators and government officials. We also establish close public-private partnerships with government entities at the national, regional, and local levels to carry out our CSR initiatives.

Feedback Mechanisms

Cisco hosts a blog on our blog site The Platform titled "High Tech Policy: Thoughts and Opinions on Government Affairs." Government entities join the conversation by posting comments.

In addition, Cisco's Global Policy and Government Affairs (GPGA) team develops and influences pro-technology public policies and regulations. Working collaboratively with industry stakeholders, association partners, and government leaders, the team builds relationships with constituencies aimed at influencing policies that affect Cisco's business and the ICT industry in general. In this way, Cisco helps shape policy decisions at a global, national, and local level. The GPGA team includes former elected officials, legislators, parliamentarians, regulators, senior U.S. government officials, and government affairs professionals.

Cisco Shareholders and Potential Investors

We strive for transparency and reliability in our financial reporting. Making sure that Cisco's financial results fairly reflect the results of our operations is of paramount importance to the company and our investors. At Cisco, we have always been diligent in maintaining compliance with generally accepted accounting principles (GAAP). We are also committed to reporting our results with objectivity and the highest degree of integrity, and to providing financial information that is timely, complete, relevant, and accurate.

Cisco disseminates information to shareholders and prospective investors on a comprehensive website, and we offer CSR information through other sources such as Dow Jones Sustainability Indexes, TheCRO.com, and the Global Reporting Initiative to assess the overall health and sustainability of the company. During FY09, the investor relations team conducted a third-party perception study through the research firm Rivel Research. We welcome feedback from shareholders at our Annual Meeting of Shareholders and maintain open communication with our investors on a regular basis.

For more information on Cisco shareholder engagement, see the Cisco Annual Report or visit our Investor Relations website.

Business Partners and Suppliers

We work to establish and maintain productive relationships with our business partners and suppliers. Our go-to-market approach fosters vigorous but fair competition. Cisco has become a market leader while complying with all applicable laws protecting competition and the integrity of the marketplace.

To familiarize our suppliers with our values and what they need to do to fulfill our commitments to our other stakeholders, we require them to subscribe to a code of conduct. All Cisco employees are expected to conduct themselves with the highest standards of honesty, fairness, and personal integrity, and we expect the same from our business partners and their employees. With respect to our value chain, Cisco's Supplier Code of Conduct applies globally to Cisco suppliers and pertains to any entity that seeks to sell goods or services to Cisco, including a supplier's employees, agents, and other representatives.

For more information, see Ethical Value Chain below.

Feedback Mechanisms

- A segment of the online Cisco Customer Satisfaction Survey measures satisfaction with Cisco channel partners.
- A new Partner Pulse Survey asked global partners to provide feedback about tactical areas of the business. This survey will be conducted quarterly in FY10.
- We receive feedback from suppliers through primary research and benchmarking activities, as well as through in-person supplier business reviews, annual preferred supplier appreciation events, supplier councils, and annual surveys.

For more information on policies regarding our business partners and value chain, see Governance and Ethics below and the CSR and Our Value Chain section.

CSR Organizations, Advocates, and Media

Cisco engages with a wide array of organizations and advocacy groups devoted to the many issues relating to corporate social responsibility, including environmental sustainability, economic development, ethics, and human rights. We also cultivate relationships with a number of media organizations.

Cisco was an early member of the Electronic Industry Citizenship Coalition (EICC), a group of companies whose mission is to create a comprehensive set of tools and methods that support credible implementation of a code of conduct throughout the electronics and ICT value chain. Cisco sits on the board of directors and has helped guide the organization's expansion. Cisco representatives are also involved in various EICC workgroups. Through the EICC, Cisco has actively contributed to the development of standardized methodologies, tools, and processes for assessing and monitoring value chain social responsibility across our industry sector.

In addition, Cisco is a long-time board member of the Global e-Sustainability Initiative (GeSI), a consortium of companies formed in 2001 in support of the United Nations Millennium Development Goals. Through our involvement in GeSI, Cisco is working with other ICT companies to further sustainable development in the ICT sector, with particular focus on product responsibility, value chain management, and climate change. Workgroups dedicated to these specific issues provide advice to companies, policymakers, and consumers.

Because a healthy environment is crucial to human society and life in general, we regard our environmental sustainability initiatives as an essential part of our CSR efforts. We engage with organizations and environmental advocates to help measure our efforts against our goals and the activities of comparable companies. Several of these engagements are discussed in the CSR and the Environment section and the CSR and Our Value Chain section.

The sustainability vision we seek to convey to stakeholders is that ICT will play a key role in transforming the way the world responds to environmental challenges. Cisco develops networking initiatives and solutions such as Cisco Connected Urban Development, Cisco TelePresence, Cisco WebEx, and Cisco Connected Real Estate that benefit the environment by improving service delivery and transportation in urban areas, reducing the need for business travel through virtual collaboration, and making buildings more manageable and energy efficient.

Cisco can assure stakeholders that we practice product stewardship that starts with product design and continues all the way to the end of the product's useful lifespan and disposition.

Feedback Mechanisms

Cisco solicits feedback from CSR organizations through formal surveys and informal one-on-one conversations. Feedback about our environmental efforts comes from many sources, both external and internal. For a detailed description of our environmental initiatives, certifications, and associated metrics, see the CSR and the Environment section and the CSR and Our Value Chain section.

For a list of CSR-related organizations with which Cisco engages, see the Appendix.

Human Rights

Cisco strives to treat employees, customers, partners, suppliers, and other stakeholders, as well as the communities we serve, with respect and dignity. As a supporter of the Universal Declaration of Human Rights and the United Nations Global Compact, Cisco has incorporated applicable laws and widely accepted ethical principles into the company's codes of conduct, employee policies, and business guidelines. In addition, we have implemented various policies, practices, and procedures relating to human rights around the world. We are continually evaluating and addressing human rights issues in our business operations and in the communities where we operate.

The Cisco Board of Directors as a whole reviews human rights issues relevant to Cisco. Our management invests significant time and resources to ensure that our activities and policies promote, and are consistent with, our goals and initiatives regarding the improvement of human rights worldwide. Through the measures we currently have in place, we believe that the Board of Directors is able to effectively oversee the global impact Cisco's policies and activities have on human rights.

Commitment to Human Rights
Cisco's commitment to human rights is summarized in this excerpt from the Cisco Code of Business Conduct:

Cisco strives to treat employees, and the communities in which we serve, with respect and dignity. A supporter of the United Nations Universal Declaration of Human Rights and Global Compact, Cisco's codes of conduct, employee policies and guidelines substantially incorporate laws and ethical principles, including those pertaining to freedom of association, nondiscrimination, privacy, compulsory and child labor, immigration, and wages and hours. Consistent with Cisco's culture and applicable laws, employees are encouraged to:
- *Promote a safe, healthy, and supportive work environment where employees can contribute their skills*
- *Participate with local stakeholders in addressing community well-being, social and economic development, and environmental preservation*

Employees shall respect the human rights and dignity of others as outlined in the Code of Business Conduct, employee policies, and guidelines or local laws applying and abiding within the scope of their individual roles and responsibilities to whichever sets higher standards.

The Cisco Code of Business Conduct is a collection of Cisco policies and practices that outlines the ethical principles which guide our expectations of business conduct in the workplace and are integral to the way we conduct business globally. All employees are required to certify each year that they have reviewed, understand, and agree to abide by the policies and guidelines in the Cisco Code of Business Conduct, and confirm their commitment to ethics at Cisco. There are clearly defined procedures in place to manage, monitor, and escalate any violations of these policies. For more information, see Governance and Ethics below.

One essential component of human rights is workplace rights, which are integral to our employee policies and also inform our choice of partners and suppliers. We fully support our employees'

right to freedom of association as defined in international and United States law, and we believe employees should make decisions about such associations in an atmosphere free of interference or coercion.

Regarding human rights in our value chain, Cisco is a member of the Electronics Industry Citizenship Coalition (EICC) and provides leadership to the organization with board membership and active participation on various working groups. Like other member companies, Cisco uses the EICC Code of Conduct as a guideline for performance and compliance with critical CSR policies. The EICC code includes tools to audit compliance and helps us report on progress. Cisco provides all of our suppliers with the Cisco Supplier Code of Conduct, which conforms to the EICC code with regard to compliance and performance expectations across five areas of social responsibility: labor, health and safety, environment, management systems, and ethics. The EICC's focus on human rights is evident in the breadth and depth of the labor standards covered by the code, including freely chosen employment, child labor, working hours, wages and benefits, humane treatment, non-discrimination, and freedom of association. For more information, see Suppler Code of Conduct and Ethics Policy below.

In addition to a human rights focus on our employees and value chain, Cisco has a strict requirement of compliance with United States government policies regarding the export and use of products, policies that are designed in part to address human rights concerns.

Cisco's Position on Internet Freedom

Cisco has developed business practices that are designed to promote, among other things, freedom of expression, privacy, and other fundamental personal freedoms. These practices, combined with our networking technology, support free and open Internet access throughout the world.

Cisco sells the same equipment worldwide. We do not customize or develop specialized or unique filtering capabilities in order to enable different regimes to block access to information. While Cisco is not a network operator we believe the network operation principles adopted by the Global Network Initiative (GNI) are appropriate, and if we were to operate a network, it would be our intentions to act in accordance with those principles.

With regard to Internet surveillance, Cisco does not have influence over our customers' implementations. While our products can perform a range of functions, our customers determine the specific use of those capabilities. Our products are built to global standards, and we do not customize them in any manner in order to facilitate repression or infringement of rights.

We believe that the threat to Internet freedom today does not reside in standardized equipment, but rather in efforts to force suppliers to adopt special protocols or standards that deviate from global norms and enable special censorship or filtering systems. We have worked in opposition to such efforts, and will continue to do so.

"Our standing as an ethical
company, just like our
reputation as a leader
in communications and
IT, is a critical asset and
as important as the
technology we create.
We are all responsible for
protecting it. I expect this of
myself, my leadership team,
and every one of you."

— John Chambers, Cisco
Chairman and CEO
From the letter to
employees in the Cisco
Code of Business
Conduct

Governance and Ethics

Cisco is committed to conducting business ethically, honestly, and in accordance with our values
and the Cisco Code of Business Conduct, in full compliance with all applicable laws and regulations.
There are several advantages to maintaining high ethical standards:

· Our customers and partners prefer to do business with a company that has a reputation for
  honesty, fairness, and responsible operations.

· Ethical companies attract dedicated employees who take pride in where they work.

· Individual, institutional, and sovereign (governmental) investors are increasingly taking social and
  environmental issues into account when deciding where their funds should be invested.

· A reputation for good governance increases our stature among competitors and bolsters our
  leadership role in the industry.

· A company that can demonstrate a track record for ethical behavior is viewed in a positive light by
  regulators, government leaders, and community groups.

Cisco has established a strong ethics program, overseen by Cisco's Ethics Office, that raises ethics
awareness among our employees, partners, and suppliers by delivering information and training
through a variety of conduits. The Ethics Office and its many resources (see Ethics Resources for
Employees below) are available to any employee, customer, partner, other stakeholder, or anyone
else who wants to notify Cisco of possible noncompliance with a Cisco policy.

The ethics team works with a variety of internal partners, such as legal, employee relations,
human resources, sales finance, customer advocacy, and brand protection. The ethics team is
also a member of the Cisco Corporate Compliance Work Group, a cross-functional organization
comprising several Cisco groups with policy, governance, and compliance responsibilities.

There are several ways that employees can voice a concern about an issue that might constitute
a violation of the Code of Business Conduct or some other Cisco policy. Employees can begin by
talking to a manager or a human resources representative, both of whom have a responsibility to
listen and to help. Cisco managers also have a duty to promote an open and honest environment
where members of their teams feel comfortable voicing their concerns without fear of retaliation.

Another option is for employees to contact the Ethics Office directly. They can do this using
EthicsLine, a global, third-party reporting service provided by The Network. Employees can call
the EthicsLine service at any time and speak with an interview specialist (through an interpreter, if
necessary), who generates a report for Cisco management. This call may be made anonymously
in countries that allow such anonymity. Employees can also contact the Ethics Office by email, or
by using a web form. If employees have a question about a legal or accounting matter, they can get
in touch with the legal department or the audit committee, respectively. All ethical concerns are
promptly addressed by the appropriate resource.

"Cisco has proven to be one of the world leaders in upholding high ethical standards, making it a true standout in its industry, especially as unethical business actions and decisions grab headlines each day. The competition for this year's World's Most Ethical Companies was very strong and we applaud Cisco for rising to the top for the second year in a row. Cisco recognizes that being ethical is not only the right thing to do, it is also good business practice and leads to more successful and profitable operations."

— Alex Brigham, Executive Director, Ethisphere Institute

Ethisphere Awards and Certifications

Cisco was named one of the World's Most Ethical Companies for a second year running by the Ethisphere Institute, a leading policy organization dedicated to researching, creating, and promoting best practices in ethics, compliance, corporate governance, and citizenship. We earned a place on Ethisphere's 2009 list by going beyond legal minimum requirements, introducing innovative ideas to benefit the public, and inducing competitors to follow suit by exhibiting ethical leadership in the marketplace.

Using a rigorous, multistep evaluation process, Ethisphere's researchers and analysts reviewed more than 10,000 companies to determine the 99 finalists. The methodology for the World's Most Ethical Companies ranking includes:

· Examining the company's code of ethics

· Reviewing litigation and regulatory infraction histories

· Evaluating investments in innovative and sustainable business practices

· Assessing activities directed at improving corporate citizenship

· Taking into account nominations from senior executives, industry peers, suppliers, and customers

· Asking consumer action groups for feedback

The Ethisphere methodology committee, composed of leading attorneys, government officials, professors, and organization leaders, was consulted early in the process and had the opportunity to review and comment on the methods used to rate this year's nominees. Ethisphere researchers further analyzed the information provided by the nominated companies.

In addition, Cisco received the Ethisphere Institute's Ethics Inside certification that extends through 2010. Ethics Inside certification is granted to organizations that have an employee and leadership culture that does a superior job of promoting ethical business practices. As part of this culture, the organization must have systems and programs in place to prevent compliance failures and ethics breakdowns. Analysts evaluate more than 50 separate criteria in determining whether or not an organization qualifies for certification.

Ethical Employees

Cisco defines employee engagement as the connection that our employees feel to Cisco's vision, strategies, and business execution, together with their commitment to helping realize the company's objectives over time. We have found that employee engagement is closely related to productivity and job satisfaction. An important aspect of employee engagement at Cisco is our employees' connection to the company's values of trust, fairness, and integrity.

Creating and maintaining an ethical workplace is critical to Cisco's business sustainability and long-term success. We believe that each employee at Cisco is individually empowered and responsible for maintaining the highest standards of ethical behavior. We strive to ensure that employees have access to all the information, resources, and guidelines they need to support their own good judgment in evaluating problematic situations and making ethical decisions. Violation of a Cisco policy, guideline, or practice could result in disciplinary action, up to and including termination of employment.

Cisco Code of Business Conduct

Each fiscal year, we ask all Cisco employees to renew their commitment to the company's ethical guidelines by reviewing and certifying the Cisco Code of Business Conduct. Our code received the highest grade in an Ethisphere Institute benchmark of corporate codes of ethics in 2008. It reinforces Cisco's core values and provides employees with information about our policies and procedures, as well as offering suggestions for ethical decision making based on what-if scenarios that reflect actual situations. Administered by the Cisco Ethics Office, the Cisco Code of Business Conduct is a living document that is revised periodically to improve comprehension, currency, and usefulness.

Cisco's Code of Business Conduct has been designed to promote:
- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest that arise from personal and professional relationships
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that Cisco files with, or submits to, government agencies and in other public communications
- Protection of Cisco's confidential and proprietary information, and that of our customers and vendors
- Compliance with applicable governmental laws, rules, and regulations
- Full adherence to the Code of Business Conduct and prompt internal reporting of violations

Cisco provides various means for employees to report ethical concerns, including email, a confidential (anonymous) web form, and a globally available hotline. Our Audit Committee has procedures for the anonymous submission of employee complaints on accounting, internal controls, and auditing matters.

How a Typical Ethics Case Unfolds
Following is an example of how Cisco deals with a possible ethics infraction within the company.

A Cisco employee called the EthicsLine hotline anonymously to report a potential ethics violation by a fellow manager. The EthicsLine service is maintained for Cisco by a third-party reporting agency service, The Network. The Network's report stated that the coworker in question hired a company owned by his brother to perform contract work for Cisco. He did not disclose the family connection, as required by the Code of Business Conduct, and he did not disclose that he was on the vendor company's board of directors and received a yearly stipend.

The case was assigned to an internal investigator based in the region where the suspected infraction took place. The investigator interviewed the reporting employee through The Network to maintain that person's anonymity. Other knowledgeable parties were also interviewed, and then the investigator talked with the manager in question and officials at the vendor company to get their point of view. Cisco Human Resources kept track of the case as it progressed.

The investigation found that the manager's relationship with his family-owned business did indeed present an ethics dilemma. However, since the vendor company had not started work for Cisco, a conflict of interest violation under the Code of Business Conduct had not as yet occurred. To avoid its occurrence, the vendor selection process was restarted without the involvement of the manager. In addition, the family-owned business was removed from Cisco's vendor list for its failure to abide by the Cisco Supplier Code of Conduct. The manager continued his employment with Cisco, but was required to resign from the vendor's board of directors. He was also briefed again on Cisco's conflict of interest policy by Human Resources. In addition, the case was reported to Cisco's Audit Committee.

Ethics Resources for Employees

To help employees fulfill their commitment to ethical practices, Cisco maintains a variety of ethics resources. They include:

- **Ethics Resource Center:** A comprehensive internal website that features training modules, related articles, an Ethics Discussion Forum, and links to other ethics and compliance policies

- **Ethics Decision Tree:** A tool that takes the employee through a series of steps to help determine what to do about an ethics issue

- **Ethics Idol:** An interactive web tool based on the popular *American Idol* TV show that presents various ethical dilemmas and asks the user to vote on the best resolution (see the sidebar)

- **Management Central:** Resources that support managers as ethics advocates, such as communication tools for talking about ethics to employees and guidance on how to handle ethical disclosures presented to them by employees; an ethics decision-making course, intended for new managers, is now under development

- **Ethics Booth at FY09 Global Sales Meeting:** Offered Cisco's global sales team guidance and support toward the goal that each business transaction is conducted ethically, responsibly, and in compliance with local laws and Cisco's policies

- **Ethics Connect:** An online application that certifies that employees have signed and agreed to the Code of Business Conduct, and allows them and any manager in the reporting hierarchy to view their certification status; in FY09, 100 percent of eligible employees completed the certification within a 10 week period

Ethics and Compliance Training

Besides the ethics resources described above, Cisco also offers ethics and compliance training courses designed for specific employee groups. For instance, an ethics course directed at newly hired employees is delivered every quarter via Cisco WebEx or Cisco TelePresence to audiences worldwide. To see a video created for new hires in which Cisco senior managers talk about Cisco's commitment to ethical business practices, click here.

Another ethics class is tailored for members of the Cisco Sales Associate Program, a graduate recruitment initiative that cultivates product knowledge and teaches sales, business, and finance skills to sales account managers and systems engineers. A pilot program launched in the United States and Canada in FY09 focuses on ethics for human resources professionals.

Periodically, the Ethics Office addresses interdepartmental ethics issues by participating in web broadcasts and other information events. For example, in December 2008 the Ethics Office manager was featured in a broadcast on how employees should approach the problem of offering and accepting gifts and gratuities while staying within the rules promulgated by the Code of Business Conduct.

Cisco also requires that employees who engage in public-sector sales or who interact with government customers and guests complete Cisco's online anticorruption training annually, which includes a short assessment. Cisco employees who support our business with the United States Government or U.S. state and local governments must review and sign a supplemental public-sector code of conduct and take related online training every year.

Hitting the Ethics High Notes

An ethical dilemma may not ordinarily inspire people to burst into song, but one employee resource at Cisco takes a light-hearted musical approach to what can be a rather dry subject. *Ethics Idol*, developed for Cisco by The Network, puts a lively spin on ethics training with an award-winning parody of the *American Idol* talent show. The "show" is accessible to all employees over the Cisco intranet and can also be used in a classroom setting.

Ethics Idol features four animated cartoon contestants who each perform a song that describes an ethical problem. Three quirky judges offer their opinions of each performance, and then employees are asked to vote on which judge provides the best solution to the dilemma. Using polling technology, employees can instantly see how their vote compares to their peers' decisions. After voting, employees receive a detailed explanation about the Cisco policy pertaining to the ethics scenario they have just watched.

The scenarios are framed in such a way that the proper course of action is not obvious. "*Ethics Idol* helps raise awareness among Cisco employees that an ethical dilemma is not always cut and dried," says the manager of the Ethics Office. The Cisco Code of Business Conduct that employees refer to for guidance presents ethics issues in the same problem-solving context that *Ethics Idol* uses.

Ethics Idol received a 2008 Stevie Award for Interactive Multimedia in the Professional Education category from The American Business Awards.

Ethical Business Partners

Cisco's business partners include resellers, systems integrators, distributors, sales agents, and consultants who support sales. A substantial portion of Cisco's revenue is generated through these partner companies, which are also referred to as sales channel partners. Every company is evaluated before it is invited to become a partner, a vetting process that includes background investigations of the company and its executives or principals, and a review of the company's current and prior business dealings. After a business becomes a Cisco partner, it is also required to periodically renew its partner status. This renewal requires the partner to complete an appropriate level of additional background investigation and ethics training, and also requires a contractual agreement to act in a manner consistent with Cisco's Global Anti-Corruption Policy.

As a practical matter, Cisco focuses most ethics compliance efforts on our primary channel partners, which number well over 2000 companies worldwide. Partners have the responsibility to ensure that the subcontractors, agents, and other third parties they employ also act ethically and with integrity.

We set the same basic standards for honesty, fairness, and integrity for our partners that we set for our employees. We require partners to agree to policies regarding compliance with those standards, which are summarized in "Promoting Successful Business Relationships: Cisco's Expectations of Its Business Partners." Cisco's expectations for business partners include restrictions and prohibitions regarding:

· Payments and gifts to employees

· Conflicts of interest for employees

· Unfair or unethical business practices

· Corruption as defined by the Cisco Global Anti-Corruption Policy, which conforms to U.S. federal law as embodied in the Foreign Corrupt Practices Act of 1977 and other statutes

· Political contributions, donations, and lobbying efforts on behalf of Cisco

· Insider or nonpublic information regarding Cisco

· Sales order procedures

· Cisco brand protection and product counterfeiting

· Export laws and regulations

Cisco partners may receive online training in Cisco's policies and procedures, as well as support by Cisco's legal team and Human Resources staff.

To promote compliance with Cisco policies, the Cisco Distribution Review Board reviews and approves all distribution partner contracts at the time of initial signing and each time the contract is renewed. The board consists of the Cisco vice president in Worldwide Channels Distribution who is responsible for the relevant sales channel, company legal advisors, representatives of our Brand Protection team, and members of our finance organization. Cisco field managers engage with business partners locally and help screen them through background checks and other research.

If Cisco policies conflict with local laws or social customs, the company's channel organization follows up with partners at the executive level to resolve these issues. Cisco assesses countries and communities on an ongoing basis to help identify special circumstances that may have a bearing on partner engagements, and to help manage the associated risks.

One example of how Cisco is adapting partner engagement to a specific region is a pilot project currently aimed at Latin American partners. Because gift giving is often a part of the sales process in this region, Cisco's channel organization has drafted a letter to partners that clarifies which practices are permissible and which are not within the context of cultural norms. Examples illustrate various situations and the policies that govern them. We will assess the outcome of this approach with the expectation of extending it to other regions.

Ethical Value Chain

Creating responsible products from both a social and an environmental perspective is an important part of Cisco's CSR efforts. We work to disseminate our values across our value chain, and we engage with organizations dedicated to developing and proliferating best practices in the manufacture and distribution of ICT technology and equipment, such as the Electronic Industry Citizenship Coalition. We recognize that we share responsibility with our value chain partners for how manufacturing activities are carried out.

Supplier Code of Conduct and Ethics Policy

Cisco's Supplier Code of Conduct, which outlines our performance and compliance expectations, conforms to the Electronic Industry Citizenship Code of Conduct. The Cisco Supplier Code of Conduct sets forth requirements in five areas of corporate social responsibility:

- **Labor:** We expect our suppliers to uphold the human rights of workers and to treat them with dignity and respect. Standards such as the Universal Declaration of Human Rights, Social Accountability International, and the Ethical Trading Initiative were used as references in preparing the Cisco code.

- **Health and safety:** Suppliers must provide a safe and healthy work environment. Management systems such as OHSAS 18001 and International Labor Organization Guidelines on Occupational Safety and Health were used as references.

- **Environment:** We require suppliers to minimize adverse effects on the environment and natural resources during the manufacturing process, and to take steps to safeguard the health and safety of the public where they operate. Management systems such as ISO 14001, the Eco Management and Audit System, and the Kyoto Environmental Standard were used as references.

- **Management system:** Suppliers must adopt or establish a management system designed to promote compliance with applicable laws and regulations, conformance with the Cisco code, and identification and mitigation of operational risks related to the code. The system should also facilitate continual improvement.

- **Ethics:** Suppliers must observe ethical standards concerning corruption, privacy, fairness, intellectual property protection, and similar matters.

To enforce the Supplier Code of Conduct, Cisco requires that all suppliers sign the Cisco Supplier Ethics Policy as part of the Cisco Supplier Qualification Package. The policy applies to all businesses, companies, corporations, and individuals that sell or seek to sell any goods or services to Cisco, and covers all the supplier's employees, agents, and other representatives.

For information on diversity initiatives and other CSR activities in the Cisco value chain, see the CSR and Our Value Chain section.

Ethical Business Communications

Marketing communications that do not conform to generally accepted ethical or cultural standards, or are deemed inappropriate, can damage a company's reputation and pose financial and legal risks. Marketing communications are regulated by national and international law, and are also subject to voluntary codes such as the International Chamber of Commerce's International Code of Advertising Practice and the Organisation for Economic Cooperation and Development's Guidelines for Multinational Enterprises.

Cisco's marketing communications are governed by our Code of Business Conduct and by additional guidelines and best practices. These include the following:

· Cisco's advertising agency of record has agreed to abide by our ethical standards.

· Our marketing vendors are required to take a brand training course that includes ethics guidelines.

· Cisco's corporate editing team is trained in ethical marketing communications principles. This team reviews all marketing content intended for audiences outside the company and routes any questionable messaging to subject matter experts for validation or verification.

· When gathering market intelligence and other competitive information, we follow the guidelines published by the Society of Competitive Intelligence Professionals.

· Our Green Marketing and Communications guidelines are promoted and distributed to global marketing and communications teams. These guidelines state that Cisco employees must comply with local and national guidelines, such as the U.S. Federal Trade Commission's Guidelines for the Use of Environmental Marketing Claims and the European Advertising Standards Alliance.

· Cisco is working to "dematerialize" our global marketing efforts to reduce environmental impacts and lower costs. For instance, the direct marketing team seeks to reduce paper use by employing electronic media whenever possible.

· For employees who host events such as product launches and conventions, we offer an online training course called "Creating and Managing a Green Event."

Enterprise Risk Management

Assessing and dealing with risk is an important aspect of doing business as a global company. To maintain our business resiliency, Cisco works to anticipate and prepare for major disruptive events that might threaten our ability to conduct business. From deploying backup communications systems to maintaining the safety of Cisco employees to dealing with natural disasters to evaluating new legislation and geopolitical changes, Cisco seeks to ensure business continuity across the company. Balancing risk and opportunity is necessary in an uncertain world, but risk management experts can help make sure that the balance is well understood and that the company is adequately prepared.

Comprehensive risk management is not only necessary for our internal operations, it is also required by many of our customers who themselves seek to minimize risks by making sure their suppliers have anticipated and prepared for possible problems by implementing business continuity plans. Our risk assessment activities extend to our customers, partners, suppliers, service providers, governmental health and safety organizations, and other stakeholders.

We identify our top corporate risks by category, by frequency, by severity, and by management effectiveness. We also identify interdependencies within and among risks. Part of this process requires the development of "risk maps" that measure the likelihood and severity of an adverse event based on interviews with the risk owners within the company. These maps identify the portfolio of assets that are at risk, the level of risk, what considerations need to be built into the business model to address the risks, and how the risks should factor into a group or business unit's decision-making process. Factors used in relative risk ranking and mapping include geopolitical and financial events, pandemics, and governmental stability.

In FY09, we continued to improve our governance structure by researching and incorporating best practices and the latest ideas in the field. We strengthened our risk management posture by:
· Completing the first phase of a common risk and compliance framework so we can perform predictive modeling on multiple strategic and operational levels
· Developing a model to help us simulate emerging market risk
· Setting up standard metrics across the company to measure the effectiveness of our risk management program
· Measuring the effectiveness of the program through external benchmarking and research
· Promoting risk education and awareness across the company through various workshops
· Employing Cisco WebEx collaboration technology to bring the Cisco risk community closer together

Teams throughout Cisco look at and plan for possible adverse events that could affect Cisco's business sustainability and employee safety. Some of these teams look at companywide risks, while others focus on specific functions, regions, or circumstances. In all cases, the risk management groups strive to make sure their programs are complementary and that risk processes are integrated into the company's daily operations and business model.

The Enterprise Risk Management (ERM) team reports regularly to the ERM sponsors (which include the chief financial officer, chief globalization officer, and head of operations) and the Board of Directors' audit committee. The team is responsible for assessing and developing response plans for companywide risks. The basic questions that this team asks include:
• What is the nature of the risk?

• What is the company's tolerance for this particular risk?

• What impact could the risk have on Cisco's business?

• Is the risk level being accurately monitored and, if possible, controlled?

• How can we take a more informed or disciplined approach to this and similar risks?

The ERM team periodically develops a global assessment of the principal risks facing the company and how well they are being managed. During the assessment, Cisco executives, customers, partners, and investor analysts are asked to identify major risk factors within their purviews. The risks are analyzed and prioritized based on potential strategic, operational, financial, and compliance impacts. The ERM team works closely with the business teams that "own" the particular risk, developing risk action plans, acting as a strategic advisor, and ensuring that the company's risk profile is closely aligned with corporate business strategy.

The Risk Review Group has been formed to help increase risk education, awareness, and information sharing across the company. In addition to risk management specialists, the group's members represent a broad cross-section of company functions: sales, quality control, legal, branding, value chain, human resources, IT, auditing, and others.

Among the other groups engaged in risk management activities at Cisco are:
▪ **Global Risk Management:** This team within the treasury group examines how the company can use contract terms or insurance to either mitigate or avoid financial risks, which can range from accident liability to theft of physical or intellectual property.

▪ **IT Global Risk Management:** This group focuses on catastrophic risks to Cisco's information technology by identifying the business processes, applications, and services that are most important to the company's operations and ensuring that these can continue even during a major disaster. These precautions are necessary not only to protect internal operations, but also to protect customers who rely on Cisco's IT services for their own operations, such as our Software as a Service customers. Our plans for recovering critical business processes and IT are based on what is known as recovery time objective prioritization triage, which includes both process and functional business plans as well as the IT infrastructure and application plans supporting critical processes.

▪ **Worldwide Brand Protection:** This group works to minimize damage to Cisco and our partners from unauthorized channel sales activity, and to mitigate risk within the channel. The Brand Protection group engages with other business units across the company, including legal, finance, internal audit, and the worldwide channels organization. Strategies include preventing the counterfeiting and unauthorized channel sales of Cisco products; assessment, measurement, and improvement of risk management in channels; and promoting measures to protect intellectual property rights.

Dealing with Possible Business Disruption

Business resiliency is an element of risk management that is concerned with mitigating the risk of a business interruption and preparing for a quick recovery. It has two components: business continuity management and crisis management. The Global Safety, Security, and Business Resiliency team at Cisco is responsible for providing a framework, including the necessary tools, for groups within the company to develop business continuity management capabilities.

Cisco's business resiliency team consults with business units on putting programs and operations in place to support Cisco's business continuity strategy. Business continuity management involves assessing and reducing risks, maintaining organizational stability, planning for the resumption of key business processes after an interruption, and testing those plans on a regular basis. Business interruptions could be caused by a natural disaster, an act of terrorism, a utilities failure, a security breach, civil unrest, a pandemic, or other events of various durations. Managing these risks reduces possible financial or asset loss, protects shareholder value, provides for employee safety, and minimizes damage that might be done to the company's reputation or relationships.

Cisco's business continuity strategy prioritizes key processes and functions using business impact analysis techniques. Workaround and technology plans have been formulated to restore functionality based on business-driven priorities. Cisco's Business Continuity Management Framework is a phased plan that promulgates the business continuity management concept across the company and establishes a cross-functional continuity program. It also helps satisfy the requirements of finance institutions and service providers with regard to resiliency audits and test results.

The other component of business resilience, crisis management, focuses on responding immediately to crisis situations and ensuring that Cisco employees and other stakeholders remain safe and secure, and that shareholder value is protected. Cisco has a global, multitiered crisis management structure made up of teams at the executive, corporate, regional, and local levels, and it interacts with functional crisis teams as needed.

Preparing for a Pandemic

One example of a major threat to business resiliency is a pandemic: the sustained outbreak of a disease that spreads across a wide area and sickens a relatively large percentage of the population. In a worst-case scenario, a severe pandemic may cause significant economic and social disruptions in particular localities, regions, or even globally.

The Cisco Global Safety, Security, and Business Resiliency team formed a Pandemic Influenza Global Planning Committee in 2006 to deal with such a threat. The committee, which includes members from a variety of business functions, updated its original avian influenza plan in FY09 to address the H1N1, or swine flu, virus. As of June 2009, the World Health Organization (WHO) rated the overall severity of the H1N1 outbreak as moderate. However, this situation could change rapidly and other pandemic threats may emerge at any time. For that reason, Cisco has deployed a centralized strategy aimed at providing a consistent global response that can be tailored to local circumstances.

The Pandemic Influenza Global Planning Committee works continuously to:
· Develop enterprise-level and business-function response plans based on guidance from the WHO, the U.S. Centers for Disease Control, and other key organizations
· Prioritize these plans based on business needs and align them with benchmarks and plans developed by peer organizations
· Test and evaluate Cisco's preparedness and response, and make adjustments as needed
· Keep employees and other stakeholders informed about developments
· Establish a healthy workplace for employees and other onsite workers
· Protect employees' privacy and confidentiality

In April 2009, the committee was called upon to support the activation of Cisco's Corporate Crisis Management team to monitor and potentially respond to the H1N1 influenza threat. As part of this effort, a multilanguage internal website for employees was implemented featuring updates on the H1N1 situation and information on business travel restrictions, office closures, and teleworking, as well as a Q&A forum and an informational video from the Corporate Medical Director. With the global resources of Cisco's Crisis Communication team, communications about the pandemic can be localized, can take cultural sensitivities into account, and can take place around the clock.

Since the initial H1N1 outbreak, the company has taken additional steps to provide a safe and healthy workplace. These include installing hand sanitizers, providing information about flu-related personal hygiene, and updating Cisco's global pandemic plans. Cisco is now in an advanced state of preparedness and can act quickly if necessary to deal with a flu or other pandemic.

Managing Risk in the Value Chain

Within Cisco's value chain, manufacturing suppliers represent the greatest risk to business continuity. Cisco has one of the most complex manufacturing value chains in the ICT industry, with approximately 225 hardware product families that require more than 35,000 component parts. Our suppliers provide electronic manufacturing, testing, design, transportation, logistics, and other services. With such an extensive, globally dispersed supply network, managing risk is a demanding and ongoing process.

Potential disruptions in the value chain, including events at key manufacturing and commodity supplier sites as well as business-critical infrastructure sites, such as airports, are monitored by the Supply Chain Risk Management team using a worldwide alert service. The team also determines site-specific risks to buildings and equipment. For example, one location may introduce a greater geopolitical risk but present fewer natural-hazard risks.

Cisco works closely with manufacturing and component suppliers as well as logistics partners to instill quality and reliability in our value chain, and we conduct regular performance reviews with them to proactively identify areas for continual improvement. Each year, suppliers are asked to respond to a Business Continuity Planning Assessment questionnaire that helps us assess suppliers' ability to maintain business continuity.

The Supply Chain Risk Management organization helps to develop analytics to assess and predict risk scenarios and then works directly with the manufacturing and supplier entities to help identify, assess, and avoid risks. Site assessments are undertaken directly, or a third-party assessor is employed to do the inspection. Risk assessors use actuarial data to look at factors such as the potential for a natural disaster at the site.

To support sound business resiliency decisions throughout our relationships with our suppliers, we meet regularly with the contract manufacturers and key component suppliers who build or add value to our products. We discuss the risks we face and what actions those risks require. In the process, we seek to develop long-term, mutually beneficial relationships with our suppliers.

In FY08, the Emerging Countries Supply Chain team updated and improved upon the emerging economies analytical processes originally developed in FY07. The bifurcated model takes into consideration the operating environment as well as the sales environment to identify the transformations required to improve Cisco's value chain performance and customer satisfaction, based on the unique aspects of each country.

CSR Reporting Frameworks

Cisco's CSR practices improve our accountability, business sustainability, and employee well-being, and contribute to environmentally conscious operations and products. We consult with a diverse pool of stakeholders concerning existing and emerging issues relevant to our industry. We report on a broad range of CSR criteria and, where possible, we quantify the results of our efforts and assess our progress.

Cisco uses the following voluntary reporting frameworks as guidelines:

· United Nations Global Compact
· CSR Key Performance Indicators
· Global Reporting Initiative Indicators

United Nations Global Compact

Cisco has a commitment to the 10 principles of the United Nations Global Compact, integrating them into our codes of conduct, our human resources policies, our environmental programs, and our various social-advancement initiatives. The UN Global Compact is the world's largest corporate citizenship and sustainability initiative. Since its launch in 2000, the initiative has grown to more than 6700 participants, including over 5200 businesses in 130 countries. It is a network-based initiative with the Global Compact Office and six UN agencies at its core. The Global Compact involves all relevant social entities: companies, governments, labor, civil social organizations, and the UN as convener and facilitator.

Ten Principles of the UN Global Compact

Human Rights
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

CSR Key Performance Indicators

The table below lists key performance indicators for activities relevant to Cisco CSR over the past year. Additional details can be found throughout this report.

	Indicators	FY05	FY06	FY07	FY08	FY09
WORKPLACE						
Employee satisfaction	Percentage of employees who agreed with seven statements about Cisco as a place to work (average)	81%	85%	86%	87%	90%
Voluntary employee attrition	Total voluntary attrition as percentage of ending headcount	4.59%	5.45%	4.52%[1]	5.01%	3.22%
Health and safety (U.S. and Canada operations only)	Number of nonfatal injuries and illnesses	129	107	93	137	145
DIVERSITY						
Women	Women as percentage of total global employees	21.8%	22.1%	23%	23.5%	23.4%
	Women in VP positions or above as percentage of global VP and above employees	13.2%	14.0%	12.7%	15.5%	15.5%
Ethnic minorities (U.S. only)	Ethnic minorities as percentage of total U.S. employees	42.3%	42.8%	43.7%	44.7%	45.6%
	Ethnic minorities in VP positions and above as percentage of total U.S. VP and above employees	17.6%	17.5%	15.6%	22.2%	20.8%

	Indicators	FY05	FY06	FY07	FY08	FY09
SOCIAL IMPACT						
Social investment	Total corporatewide and foundation cash and in-kind contributions	$65 million	$115.5 million	$116.8 million	$92 million	$128.6 million
Employee volunteerism	Number of hours volunteered by employees	235, 000[4]	160, 000	130,000	88,870	78,000
Cisco Networking Academy	Number of active students in Cisco Networking Academy courses[5]	596,840	597,085	637,304	716,936[5]	810,000
Leadership Fellows	Cisco leaders who share their expertise with nonprofit organizations	5	8	17	20	13
Social and economic investment	Number of countries or regions where Cisco currently invests or manages programs[6]	160	160+	160+	160+	165+
Strategic partners	Significant collaborations with corporate partners, nonprofits, and NGOs	31	36	34	41	58

[1] FY07 percentage adjusted for acquisitions.

[2] FY05 Scope 3 emissions could not be upgraded like air travel emissions for FY06–FY08, so the reported value is the same as previously reported and should not be trended with or compared to later years.

[3] Recycled equipment represents material sent to Cisco's recycling vendors. Cisco collects equipment from customer and service returns as well as Cisco internal return and eScrap efforts. A portion of returned equipment is repaired if needed and repurposed, with the balance sent to a Cisco recycling vendor.

[4] In FY05 volunteerism increased significantly as part of that year's 20 Years of Service campaign.

[5] Data refers to the total number of active students in the region or subregion. Student counts represent unique students. However, students may be counted multiple times if they have been active at two academies located in different subregions, accounting for discrepancies between subregion totals and the overall region total.

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

Global Reporting Initiative Indicators

The Global Reporting Initiative (GRI) is an independent, nonprofit organization that has developed the Sustainability Reporting Guidelines (SRGs), which form the cornerstone of one of the world's most widely used sustainability reporting frameworks. Cisco uses this framework to help measure our own performance in the areas covered by the initiative.

The GRI is committed to the continuous improvement and worldwide application of its reporting guidelines, and, through the SRGs, it sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. Cisco shares GRI's commitment to corporate transparency, accountability, reporting, and sustainability, and employs these guidelines to measure our own performance in these areas.

STRATEGY AND ANALYSIS

No:	Question/Indicator:	Links
STRATEGY AND ANALYSIS		
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Letter from John Chambers
1.2	Description of key impacts, risks, and opportunities.	CSR and Governance
ORGANIZATION PROFILE		
2.1	Name of the organization	Cisco
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	Cisco Corporate Development
2.4	Location of organization's headquarters	Cisco Fact Sheet
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 Offices Worldwide
2.6	Nature of ownership and legal form	Cisco Investor Relations
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Cisco Corporate Overview
2.8	Scale of the reporting organization, including: Number of employees, Net sales, Total capitalization broken down in terms of debt and equity, Quantity of products or services provided	Annual Financial Statements
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: The location of, or changes in operations, including facility openings, closings, and expansions; Changes in the share capital structure and other capital formation, maintenance, and alteration operations	2009 Annual Report
2.10	Awards received in the reporting period	CSR Awards Corporate Awards

REPORT PARAMETER

No:	Question/Indicator:	Links
REPORT PROFILE		
3.1	Reporting period for information provided.	Cisco Fiscal Year 2009
3.2	Date of most recent previous report.	Cisco Fiscal Year 2008
3.3	Reporting cycle (annual)	Annual
3.4	Contact point for questions regarding the report or its contents.	citizenship@cisco.com
REPORT SCOPE AND BOUNDARY		
3.5	Process for defining report content, including: Determining materiality, Prioritizing topics within the report, and Identifying stakeholders the organisation expects to use the report	CSR and Governance
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Cisco and subsidiaries
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.	About Cisco: Annual Reports
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.	CSR Key Performance Indicators
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	CSR Key Performance Indicators
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	CSR Key Performance Indicators

GRI CONTEXT INDEX

No:	Question/Indicator:	Links
3.12	Table identifying the location of the Standard Disclosures in the report	Global Reporting Initiative Indicators
ASSURANCE		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	We work with subject matter experts on a topic or issue basis. We continually seek feedback on our activities and our reporting from stakeholder and subject matter experts. The report is publicly open for comment through a variety of social media forums and networks. Appendix: CSR Related Organizations

GOVERNANCE

No:	Question/Indicator:	Links
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Board of Directors
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Investor Relations
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Compensation and Management Development Committee Charter
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Cisco Code of Business Conduct
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	CSR and Governance: Cisco's Collaborative Management Model
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.	FY09 CSR Report

No:	Question/Indicator:	Links
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.	CSR and Governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	CSR and Governance: CSR Business Process
COMMITMENTS TO EXTERNAL INITIATIVES		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	CSR and the Environment
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	CSR and Governance: Stakeholder Engagement and Appendix: CSR Related Organizations
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	CSR and Governance: Stakeholder Engagement and Appendix: CSR Related Organizations
STAKEHOLDER ENGAGEMENT		
4.14	List of stakeholder groups engaged by the organization.	CSR and Governance: Stakeholder Engagement and Appendix: CSR Related Organizations
4.15	Basis for identification and selection of stakeholders with whom to engage.	CSR and Governance: Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	CSR and Governance: 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	CSR and Governance: Stakeholder Engagement

ECONOMIC

No:	Question/Indicator:	Links
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.	About Cisco: Annual Reports
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	About Cisco: Annual Reports
EC3	Coverage of the organization's defined benefit plan obligations	About Cisco: Annual Reports
EC4	Significant financial assistance received from government	About Cisco: Annual Reports
MARKET PRESENCE		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Supplier Diversity
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	
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	CSR and Society Corporate Giving: Cisco's Contributions in FY09

ENVIRONMENTAL

No:	Question/Indicator:	Links
MATERIALS		
EN1	Materials used by weight or volume.	Reducing Waste
EN2	Percentage of materials used that are recycled input materials.	Reducing Waste
ENERGY		
EN3	Direct energy consumption by primary energy source	GHG Emissions
EN4	Indirect energy consumption by primary source	GHG Emissions
EN5	Energy saved due to conservation and efficiency improvements	GHG Emissions
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Efficient Products GHG Emissions
WATER		
EN8	Total water withdrawal by source	Managing Water Supplies

No:	Question/Indicator:	Links
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	Minimizing Land Use Impacts and Protecting Biodiversity
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Minimizing Land Use Impacts and Protecting Biodiversity
EMISSIONS, EFFLUENTS, AND WASTE		
EN16	Total direct and indirect greenhouse gas emissions by weight	GHG Emissions
EN17	Other relevant indirect greenhouse gas emissions by weight	GHG Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	GHG Emissions
EN19	Emissions of ozone-depleting substances by weight	GHG Emissions
EN20	NOx, SOx, and other significant air emissions by type and weight	Airborne Emissions
EN21	Total water discharge by quality and destination	Managing Water Supplies
EN22	Total weight of waste by type and disposal method	Reducing Waste
EN23	Total number and volume of significant spills	Spills and Other Discharges
PRODUCTS AND SERVICES		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Efficient Products CSR and Our Value Chain
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Product Packaging
COMPLIANCE		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Spills and Other Discharges

SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK

No:	Question/Indicator:	Links
EMPLOYMENT		
LA1	Total workforce by employment type, employment contract, and region	CSR and Our Employees
LA2	Total number and rate of employee turnover by age group, gender, and region	CSR and Our Employees CSR Key Performance Indicators
LABOR/MANAGEMENT RELATIONS		
LA4	Percentage of employees covered by collective bargaining agreements	CSR and Our Employees
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	CSR and Our Employees
OCCUPATIONAL HEALTH AND SAFETY		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	CSR Key Performance Indicators Employee Safety and Crisis Management
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Employee Safety and Crisis Management Preparing for a Pandemic
TRAINING AND EDUCATION		
LA10	Average hours of training per year per employee by employee category	Employee Development and Advancement Performance Reviews and Career Discussions
LA12	Percentage of employees receiving regular performance and career development reviews	Employee Development and Advancement Performance Reviews and Career Discussions
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	CSR Key Performance Indicators Inclusion and Diversity
LA14	Ratio of basic salary of men to women by employee category	

SOCIAL PERFORMANCE: HUMAN RIGHTS

No:	Question/Indicator:	Links
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Human Rights CSR and Our Value Chain
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	CSR and Our Value Chain
NON-DISCRIMINATION		
HR4	Total number of incidents of discrimination and actions taken	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	CSR and Our Value Chain Supplier Code of Conduct
CHILD LABOR		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	CSR and Our Value Chain Supplier Code of Conduct
FORCED AND COMPULSORY LABOR		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	CSR and Our Value Chain Supplier Code of Conduct

SOCIAL PERFORMANCE: SOCIETY

No:	Question/Indicator:	Links
COMMUNITY		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	CSR and Society
CORRUPTION		
SO2	Percentage and total number of business units analyzed for risks related to corruption	CSR and Governance: Governance and Ethics
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	CSR and Governance: Governance and Ethics
SO4	Actions taken in response to incidents of corruption	CSR and Governance: Governance and Ethics
PUBLIC POLICY		
SO5	Public policy positions and participation in public policy development and lobbying	Government Affairs
COMPLIANCE		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	

SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY

No:	Question/Indicator:	Links
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	CSR and the Environment Managing Product Materials Content
PRODUCTS AND SERVICE LABELLING		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	CSR and the Environment Managing Product Materials Content
MARKETING COMMUNICATIONS		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	CSR and Governance Ethical Business Communications
COMPLIANCE		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	CSR and the Environment Global Compliance

Appendix: CSR-Related Organizations

This appendix gives a list of organizations with which Cisco engages to develop our CSR policies and initiatives, and to help us measure our performance in various CSR areas.

▪ Alliance for Telecommunications Solutions (ATIS) **Protection-Telecommunications Energy Efficiency (**NIPP-TEE**) Subcommittee:** ATIS develops and promotes technical and operations standards for communications and related technologies worldwide; the NIPP-TEE subcommittee is devoted to developing standards for measuring and stating energy efficiency of telecommunications and network equipment

▪ Carbon Disclosure Project (CDP)**:** An independent, not-for-profit organization that holds the largest database of corporate climate change information in the world; CDP is the standard for carbon disclosure methodology and process, providing primary climate change data to the global marketplace

▪ Catholic Agency for Overseas Development**:** The official overseas development and relief agency of the Roman Catholic Church in England and Wales

▪ **Center for Reflection and Action on Labor Rights:** An NGO providing legal assistance, labor rights training, and organizational support for workers' groups in Mexico

▪ Centre for Research on Multinational Corporations**:** A Dutch research and advisory bureau that investigates the consequences of multinational enterprises' policies and the internationalization of business worldwide

▪ Ceres**:** A national network of investors, environmental organizations, and other public interest groups working with companies and investors to address sustainability challenges such as global climate change

▪ Churchill Club**:** Silicon Valley's premier business and technology forum; the 6000-member, nonprofit organization offers programs featuring Silicon Valley CEOs, up-and-coming executives, and national business leaders

▪ Clinton Global Initiative (CGI)**:** Established as a project of the nonpartisan William J. Clinton Foundation, CGI convenes global leaders to devise and implement innovative solutions to some of the world's most pressing challenges; CGI members have made more than 1300 commitments valued at $46 billion

▪ Committee of Sponsoring Organizations of the Treadway Commission (COSO)**:** A voluntary private-sector organization established in the U.S., dedicated to providing guidance to executives and governance entities on critical aspects of organizational governance, business ethics, internal control, risk management, fraud, and financial reporting

▪ Continental Automated Building Association**:** A not-for-profit industry association dedicated to the advancement of intelligent home and intelligent building technologies in North America; member companies are involved in the design, manufacture, installation, and retailing of products

▪ Critical Facilities Roundtable**:** A group dedicated to the discussion and resolution of industry issues regarding mission-critical facilities, their engineering and design, and their maintenance

▪ DIGITALEUROPE **Environmental Policy Group (EPG):** DIGITALEUROPE combines 39 national digital technology associations from 28 European countries with over 61 direct company members

▪ Dow Jones Sustainability Indexes (DJSI)**:** The first global indexes tracking the financial performance of leading sustainability-driven companies worldwide; based on the cooperation of Dow Jones Indexes, STOXX Limited, and Sustainable Asset Management (SAM), DJSI provides asset managers with reliable and objective benchmarks to manage sustainability portfolios

▪ Electronic Industry Citizenship Coalition**:** A group of companies working together to create a comprehensive set of tools and methods to support an Electronic Industry Code of Conduct consisting of best practices adopted and implemented throughout the ICT supply chain

▪ ENERGY STAR**:** A joint program of the United States Environmental Protection Agency and the United States Department of Energy, ENERGY STAR is devoted to establishing standards for

energy-efficient products and practices; outside the U.S., the program has been adopted by Australia, Canada, Japan, New Zealand, Taiwan, and the European Union

- Environmental Protection Agency (EPA) Climate Leaders: The EPA leads the U.S.'s environmental science, research, education, and assessment efforts; Climate Leaders is an EPA industry-government partnership that works with companies to develop comprehensive climate change strategies; partner companies commit to reducing their impact on the global environment by completing a corporate-wide inventory of their greenhouse gas emissions, setting aggressive goals, and reporting their progress annually

- Ethical Investment Research Services (EIRIS): A leading global provider of independent research into the social, environmental, and ethical performance of companies

- Ethics and Compliance Officer Association (ECOA): An association for individuals who are responsible for their organization's ethics, compliance, and business conduct programs; it is the largest group of business ethics and compliance practitioners in the world

- Ethisphere Institute: A leading international think tank dedicated to the creation, advancement, and sharing of best practices in business ethics, CSR, anti-corruption, and sustainability; the Ethisphere Council is a forum for business ethics that includes over 200 leading corporations, universities, and institutions

- European Metalworkers' Federation: A body that represents the interests of workers in the European metal industry

- European Telecommunications Standards Institute: This body produces global standards for ICT products, including fixed, mobile, radio, converged, broadcast, and Internet technologies

- Global e-Sustainability Initiative (GeSI): In 2000, 189 countries subscribed to Millennium Development Goals that outline action on climate change, poverty elevation, and other matters; GeSI furthers the goal of sustainable development in the ICT sector

- Global Reporting Initiative (GRI): An independent, nonprofit organization that develops the Sustainability Reporting Guidelines (SRGs) that provide guidance for organizations when reporting sustainability performance; the guidelines are developed through a process of consensus-seeking with a large network of individuals from more than 60 countries representing diverse stakeholder groups and institutions

- Good Electronics: An organization dedicated to promoting sustainable production and human rights in the electronics industry

- Green Power Partnership: A voluntary EPA program that supports organizations in their procurement of green power by offering expert advice, technical support, tools, and resources

- GridWise Alliance: A U.S.-based public-private forum that brings together a diverse set of industry stakeholders and resources to deploy, demonstrate, and quantify new technologies, approaches, and business models that cut across traditional industry segments and market boundaries

- HIP Investor: A socially responsible investing firm that consults with companies to help them realize "Human Impact + Profit" by innovating products and markets and implementing sustainable practices

- Information Technology Industry Council (ITI): ITI is widely recognized as the industry's most effective lobbying organization in the U.S., other countries, and the World Trade Organization; the ITI's Energy and Environment Program focuses on product sustainability and energy efficiency

- Interfaith Center on Corporate Responsibility: An association of 275 faith-based institutional investors — including national denominations, religious communities, pension funds, foundations, hospital corporations, economic development funds, asset management companies, colleges, and unions — that presses companies to be socially and environmentally responsible

- **International Electronics Manufacturing Initiative (iNEMI)**: iNEMI is an ICT industry consortium devoted to anticipating future technology and business needs, and effectively developing collaborative courses of action; iNEMI Environmentally Conscious Electronics initiatives address several sustainability issues, including lead-free and halogen-free alternatives

- **International Metalworkers' Federation**: A federation of national metalworkers' unions in 100 countries

- **International Telecommunication Union**: A nonprofit organization dedicated to providing access to telecommunications technology on a global scale, to improving lives, and to safeguarding human rights; the ITU's Focus Group on ICTs and Climate Change was established to identify the direct and indirect impacts of ICT products on climate change, and facilitate the monitoring of relevant climate parameters

- **IW Financial**: A leading provider of environmental, social, and governance research, consulting, and portfolio management solutions for asset management firms, managed accounts sponsors, institutional investors, plan sponsors, and investment advisors

- **Japan Ministry of Economic Trade and Industry (METI) Top Runner**: METI (formerly MITI) established Top Runner as a best-practices approach to implementing policies that lower carbon dioxide emissions as required by Japan's Law Concerning the Rational Use of Energy

- **KLD Research & Analytics**: An independent investment research firm providing management tools to professionals integrating environmental, social, and governance factors into their investment decisions

- **Laurence Berkeley National Laboratory**: A member of the national laboratory system supported by the U.S. Department of Energy through its Office of Science and managed by the University of California; the laboratory conducts unclassified research across a wide range of scientific disciplines

- **Oekom Research**: A leading rating agency that provides socially responsible investment information in the area of sustainability, placing a strong emphasis on quality, independence, and transparency

- **Silicon Valley Leadership Group**: An organization that seeks to ensure the economic health and quality of life in Silicon Valley in California by advocating for a sustainable environment, as well as for affordable housing, comprehensive regional transportation, reliable energy, and a quality education system

- **Social Venture Technology Group**: Provides management tools and investment advice to help organizations attain a high social and environmental impact per dollar

- **Sustainable Asset Management (SAM)**: Partners with Dow Jones Indexes and STOXX Limited for the publication and licensing of the Dow Jones Sustainability Indexes (DJSI); SAM has compiled one of the world's largest sustainability databases and analyzes over 1000 listed companies annually

- **The Climate Group**: A coalition of governments and enterprises committed to tackling climate change and helping government and business to set the world economy on the path to a low-carbon future

- **The Green Grid**: A global consortium that helps advance energy efficiency in data centers and business computing systems

- **United Nations Solving the E-waste Problem Program (StEP)**: A group of UN organizations that work together with industry, governments, international organizations, NGOs, and the science sector to initiate and facilitate approaches toward the sustainable handling of electronic waste

- Vigeo Group: A company that assesses the performance of companies and organizations and their level of CSR management, including their environmental, social, and corporate governance objectives

- World Business Council for Sustainable Development: A CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development

- World Economic Forum: An independent international organization striving toward a world-class corporate governance system and committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas

CSR and Society

With most of the world facing difficult economic conditions, we have renewed our commitment to strengthening the mechanisms that drive prosperity and promote well-being. For Cisco, that means making social investments that complement and reinforce our business investments. Contributing to stronger communities around the globe furthers our social responsibility objectives and helps nurture new and existing markets, while also making our business more sustainable.

Cisco takes an entrepreneurial or venture-capital approach to social investing. We address important social issues through multiyear initiatives that can have a near-term impact, but that also can scale in size and scope, be replicated in other environments, and support a mechanism for achieving sustainability over time. These initiatives generally take the form of public-private partnerships that respond to a broad range of stakeholder perspectives and make the most of Cisco's core competencies, including our technologies, expertise, and collaborative approach.

We apply a four-stage "Cycle of Innovation" model to each of our social investments, remaining engaged through some or all of these cycles:
1. Identify innovative opportunities that address issues in our areas of focus.
2. Develop a framework for action, then test or pilot a solution and assess the results.
3. Scale the successful implementation and replicate it to fit similar situations.
4. Operate and maintain the initiative to the point where it can sustain itself, then adjust our engagement and look for another promising opportunity.

We believe that in the long run, education provides the strongest foundation for lasting social and economic progress. By applying effective 21st century educational techniques in schools and other institutions, communities worldwide can prepare students to enter the local talent pool and provide the skills needed to bolster economic growth. Cisco's education initiatives, including what may be the largest e-learning program in the world, help fill our own talent pipeline and those of our business partners, while also helping to close the technical skills gap that exists in many areas of the world.

But beyond that, Cisco's many education-oriented engagements create trusted relationships and seed the workforces of many types of organizations with knowledgeable people who are capable of building and maintaining the infrastructures upon which societies everywhere depend. In this way, we are contributing to a sustainable economic environment that will reward our corporate stakeholders and our fellow citizens alike.

Education: Catalyst for Prosperity

Cisco's commitment to education goes back more than a decade, to our involvement with local schools near our original headquarters in East Palo Alto, California. Since then, we have expanded and enhanced these efforts through a variety of education-focused initiatives in regions around the world. What all of these engagements have in common is an entrepreneurial approach, a concentration on our core competencies in information and communications technology (ICT), and an adherence to the principles of 21st century education.

The term "Education 3.0" refers to the next generation of educational thinking, a vision of global education transformation that empowers learners to thrive in the 21st century. As the education paradigm shifts, instructional environments must change to better prepare students for life and work in the present century. Technology integration and networking, both digital and social, will accelerate this educational innovation.

To accomplish the transition to Education 3.0:
- Curricula must be created that give students the skills required for jobs in a globally networked, increasingly information-driven economy.
- Enabling technology must be integrated more fully and consistently into the classroom, and teachers must be trained to make the best use of this technology.
- Today's "connected" students must be engaged using interactive techniques that reflect the ways they interrelate and communicate outside the classroom.
- Education systems must become less compartmentalized and insular by seeking partnerships both outside and inside the education community.

Education is the catalyst that produces the entrepreneurs, technologists, thinkers, knowledge workers, teachers, and leaders who collectively make it possible for economies and individuals to prosper. Cisco's global education initiatives aim to spark that catalytic process worldwide, especially in developing regions and underserved communities where it is needed most.

Cisco Networking Academy

Beginning in 1997 as a small-scale effort to help local schools get the best use from their networking equipment, Cisco Networking Academy® has evolved into a significant force for transforming traditional education into a more effective preparation for life in the 21st century. The program harnesses two great equalizers, education and the Internet, to teach ICT skills to students in more than 165 countries.

Cisco Networking Academy represents a public-private education "ecosystem" that not only prepares students for Cisco technical certifications, but also delivers a range of technical and business skills that can support students in the future as they further their educations, prepare for work outside the ICT industry, or start their own businesses. We have partnered with schools, governments, businesses, and community organizations to open the doors of opportunity for these students. Propagating networking skills worldwide helps sustain Cisco as a business, and also gives students the practical knowledge they need to contribute to their local economies and communities.

Networking Academy is Cisco's largest corporate social responsibility (CSR) education program, and may be the largest e-learning program in the world. In FY09, Networking Academy offered 14 courses to more than 800,000 students. Cisco has invested more than $350 million in the program to date.

In the Networking Academy program, students encounter a comprehensive and consistent learning experience based on and delivered through 21st century technologies, while also acquiring the fundamental skills required for designing, building, and managing networks. The curricula include instructor-led, web-based course content, sophisticated online skills assessments, hands-on labs, and cutting-edge simulations. The Cisco CCNA® Discovery, CCNA Exploration, and IT Essentials: PC Hardware and Software courses have been translated from English into one or more of 16 other languages.

Education and Workforce Development

Today, ICT plays a vital role in virtually every type of industry and organization. No country or region can fully participate in the global economy without a well-educated ICT workforce. ICT skills are needed to implement a multitude of new social initiatives ranging from "green" energy programs and life-saving healthcare innovations to more-efficient government services and Web 2.0 social networking.

In the United States, community colleges are making an important contribution to workforce development efforts aimed at economic recovery. To help build the skilled workforce of the future, community colleges need to align their curricula, degrees, and certificates with new ICT jobs. Whether they want to go directly into the workforce or plan to enter a four-year institution, community college students can benefit from a proven digital technology curriculum that teaches

real-world skills using the latest pedagogical techniques and interactive tools. Networking Academy offers exactly what many of these students are seeking. To date, 50 percent of all U.S. community colleges have implemented Networking Academy courses.

In July 2009, the Obama Administration proposed a $12 billion plan to support U.S. community colleges by funding job training and retraining programs. Referred to as the American Graduation Initiative, the plan is designed to increase by 5 million the number of community college graduates over the next 10 years. In announcing the initiative, President Barack Obama said, "It will reform and strengthen community colleges . . . from coast to coast so they get the resources that students and schools need — and the results workers and businesses demand."

Partnering with educational institutions, certification associations, and others, Cisco has launched a pilot program in Michigan called the Workforce Retraining Initiative that will be available at all 21 community college and university locations where the Networking Academy curricula are offered in the state. Broadband infrastructure and healthcare modernization are key components of Michigan's strategy for reinvigorating the state's economy and creating jobs for former autoworkers. By equipping the displaced workers with broadband and healthcare ICT skills, the initiative will help prepare Michigan's workforce for the future by addressing the need for 21st century technical skills. Cisco plans to invest several million dollars in this initiative over the next few years.

In addition, Networking Academy helps students find employment with resources such as NetAcad Advantage. This career website for Networking Academy students and graduates in Africa, Europe, Russia, Latin America, and the Middle East offers job seekers valuable resources such as résumé writing tools and interview advice, job profiles, success stories about fellow Networking Academy graduates, and interviews with industry experts, ICT professionals, and human resources and recruitment specialists. When they are ready to enter the workforce, NetAcad Advantage users can search over 30,000 jobs updated daily through collaboration with recruiters, sales channel partners, and Cisco.

Student and Community Profiles

Networking Academy students come from a variety of backgrounds and have a range of goals. Many are studying to take examinations for Cisco certifications that are recognized by employers as proof of ICT mastery. Others are earning credits as part of a secondary-school diploma or college-level degree program. Still others are retraining for a new career, or learning basic skills that will enable them to network a small business or home office. The table below gives a profile of Networking Academy students, with the data organized according to Cisco's major market regions, or "theaters": Asia Pacific, Emerging Markets, European Markets, Japan, and United States and Canada. Subregions are also included for the Asia Pacific and Emerging Markets theaters.

Networking Academy Student Profile[1]

	Countries[2]	Students[3, 4]			Cumulative Students Since Inception[4]		Cisco Certification-Ready Completions Since Inception[4]		Instructors[5]		Academies[5]
	Total	Total	% Increase from Prior Year	% Female	Total	% Female	Total	% Female	Total	% Female	Total
Global	168	810,000	15%	20%	3,106,000	18%	639,000	15%	19,840	17%	9,640
Asia Pacific	26	202,000	19%	28%	679,000	25%	149,000	21%	3,320	19%	1,390
Emerging and Less Developed	20	154,000	24%	31%	448,000	30%	110,000	24%	2,370	22%	1,010
Mature	6	48,000	7%	16%	231,000	17%	39,000	13%	950	12%	370
Emerging Markets	115	322,000	20%	23%	880,000	22%	184,000	19%	7,740	18%	3,400
Africa	40	43,000	23%	28%	98,000	28%	27,000	30%	770	17%	340
Central and Eastern Europe	19	53,000	6%	14%	176,000	13%	39,000	9%	1,730	13%	710
Latin America and the Caribbean	26	152,000	16%	23%	463,000	23%	88,000	20%	3,010	17%	1,050
Middle East	19	58,000	47%	32%	112,000	30%	20,000	23%	1,650	24%	990
Russia and Commonwealth of Independent States	11	13,000	48%	16%	30,000	16%	7,000	13%	560	17%	290
European Market	22	162,000	8%	9%	582,000	10%	108,000	9%	4,610	11%	2,390
Japan	1	8,000	-8%	18%	40,000	18%	7,000	12%	300	6%	140
United States and Canada	4	114,000	7%	14%	925,000	14%	190,000	11%	3,880	20%	2,310

[1] Data as of July 31, 2009.

[2] Countries with at least one Networking Academy. For administrative purposes, we have defined some geographical areas as countries that are not autonomous states or are not recognized as countries by international bodies such as the United Nations. Examples of these include American Samoa, Hong Kong, and Puerto Rico.

[3] Data refers to the total number of active students in the region or subregion. Student counts represent unique students. However, students may be counted multiple times if they have been active at two academies located in different subregions, accounting for discrepancies between subregion totals and the overall region total.

[4] All the data for Students, Cumulative Students Since Inception, and Cisco Certification-Ready Completions Since Inception has been rounded to the nearest 1000.

[5] The region and subregion data for Instructors and Academies has been rounded to the nearest 10.

> "As an alumnus and Networking Academy instructor, I get the most up-to-date training and information about ICT from Academy Connection. I can share this with my students from different parts of my country using the many tools that the academy provides, and I can discuss and solve problems by collaborating with people from all corners of the world. I feel very lucky to be a part of the Networking Academy family that provides me with these wonderful tools and opportunities."
>
> — Suat Can, volunteer instructor in Turkey

The graph below shows the program's growth since its inception.

Number of Active Students in Cisco Networking Academy Courses, Year by Year
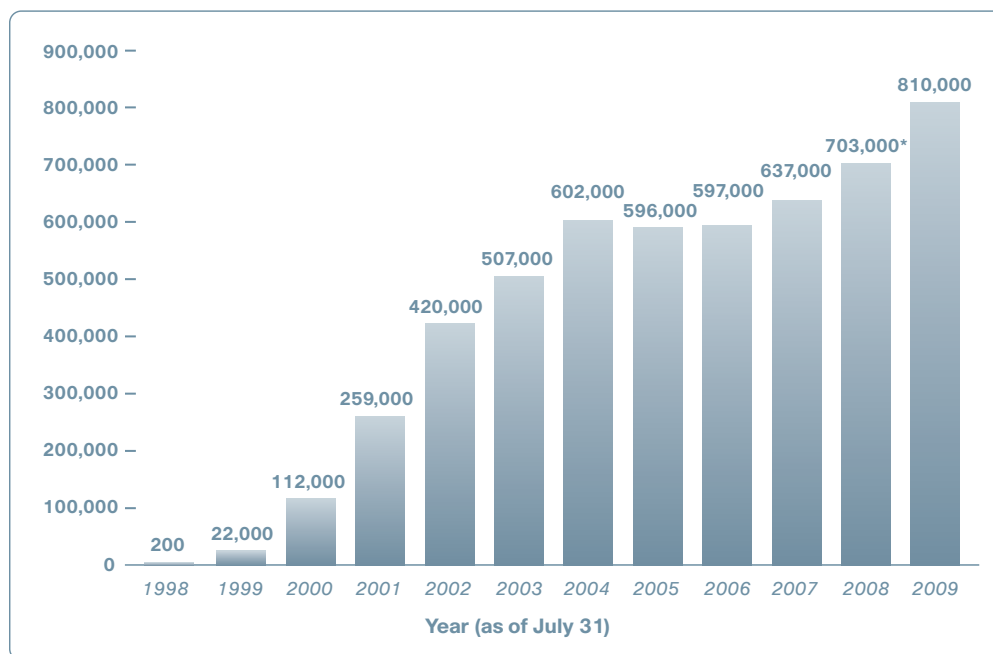
* This number has been adjusted downward from the 716,000 figure given in last year's report to exclude students who were enrolled in courses on July 31, 2008, but subsequently did not participate.

Academies are located in high schools, community colleges and technical schools, four-year colleges and universities, and some community-based organizations. The chart below gives a breakdown.

Active Students by Education Level
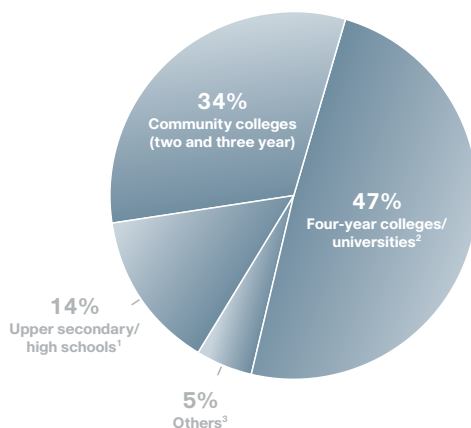
[1] Includes grades 6 through 12.
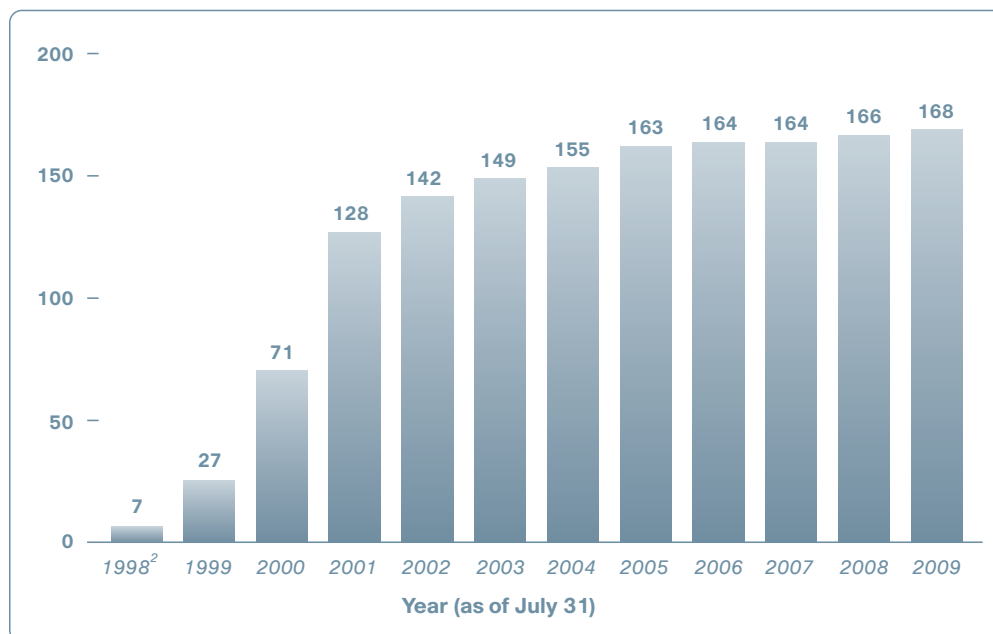
[2] Includes postgraduate.

[3] Includes community and nonacademic sites; also includes postgraduate outside four-year institutions.

> "In a global economy, where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity — it is a prerequisite."
>
> — President Barack Obama, February 24, 2009

The Networking Academy program is now active in more than 165 countries worldwide. The table below shows how the number of countries has grown over time.

Number of Countries[1] with Active Networking Academy Sites, by Year

Chart: Number of Countries with Active Networking Academy Sites, by Year (as of July 31)

Year	Number
1998[2]	7
1999	27
2000	71
2001	128
2002	142
2003	149
2004	155
2005	163
2006	164
2007	164
2008	166
2009	168

[1] For administrative purposes, we have defined some geographical areas as countries that are not autonomous states or are not recognized as countries by international bodies such as the United Nations. Examples of these include American Samoa, Hong Kong, and Puerto Rico. The numbers from FY05 through FY08 have been adjusted downward by 1 in this year's report because French Polynesia is no longer counted as a separate country.

[2] Data as of July 31 of each year.

Networking Academy has developed a student-centric approach that puts the greatest emphasis on student outcomes, based on data and feedback received from thousands of individual classrooms. The program uses the same collaborative process model, Cisco Product Development Methodology or CPDM, to develop the course curricula that Cisco uses to create revenue-generating software and hardware products. This model helps ensure that the program delivers new curricula, assessments, and software in a consistent, high-quality, and timely manner.

A long-term goal of the program is to develop metrics for student outcomes beyond the classroom, including the students' success in pursuing higher education and employment opportunities.

Transforming Education Through Technology

Technology is rapidly transforming educational practices, and Cisco Networking Academy has been quick to adapt cutting-edge technology to the teaching of ICT skills. This technology-enriched approach is particularly apparent in the areas of assessments, instructor training, and student involvement outside the classroom.

Measuring Success Online

Educational assessment is the process of measuring and documenting learning progress and performance, and providing appropriate feedback. In a traditional classroom, students are usually tested at the end of instructional units or at the conclusion of the course. Often these tests are used only to rate or grade the student, not to provide continuous feedback about the student's strengths and weaknesses, and not to help improve the course itself. Assessment is a key component of the comprehensive education package that Networking Academy offers to our partner educational institutions, empowering both teachers and students by providing the business metrics crucial to sustaining the program.

Networking Academy takes a pragmatic, business-oriented approach to measuring classroom success by collecting data from academies worldwide, applying sophisticated statistical models, and employing backend business automation technology to analyze the results. Much of this work is accomplished online, which facilitates data collection and enables the program to develop and take advantage of innovative computer-based tools. Networking Academy has recruited experts to refine the program's assessment techniques and implement tools that were once used only by the largest testing programs like the SAT or the Programme for International Student Assessment (PISA).

Based on this research, Networking Academy has integrated innovative assessment techniques and technologies into its curricula. An advanced online system that delivers approximately 900,000 student assessments per month supports both formative (ongoing) and summative (periodic) classroom assessments using complex scoring approaches. This globally available, multilingual system provides immediate, rich feedback to support the evaluation of the students' knowledge and skills, enabling the students to monitor their own progress. Advanced psychometric models and factor analyses help validate how well test items measure actual performance. Results are used to make the curricula more effective. Consistent online assessments also allow instructors to compare their students' progress with similar Networking Academy classes around the world.

In addition to providing comprehensive, standardized assessments, Networking Academy also offers tools that enable instructors to add value in their classrooms by creating their own complex simulation-based assessments.

Collaborative Skills-Building for Instructors

Networking Academy takes care to make sure instructors are well-versed in the curricula they will be teaching and the instructional tools available to them. To reach out to instructors who may find it difficult or cost-prohibitive to travel to regional training centers, the program is using Cisco collaboration technologies to provide distance training, primarily through the Cisco WebEx® suite of online meeting, web conferencing, and video conferencing applications. In FY09, over 7000 participants (more than 90 percent of them instructors) attended 158 virtual live WebEx training sessions that focused on program and technology updates. In addition, during the last two quarters of FY09, there were more than 14,000 views of archived WebEx sessions that had been recorded previously.

Collaborative training can take many forms, including competitions. In April 2009, the iCompetition 2009 provided Cisco CCNA Exploration instructors in Europe with an opportunity to test their knowledge and teaching skills. WebEx connections enabled participants to interact with other instructors from academies across the continent, and to compete and work on teams to share their successes with others. More than 200 instructors registered on the competition portal for online qualification quizzes that included theoretical tests and practical skills activities.

Learning Beyond the Classroom

Conventional education supports extracurricular activities, but there is often little attempt to engage and motivate students with curricular activities that occur outside the classroom. Networking Academy offers a number of opportunities for students to interact and learn based on collaborative and Internet technology.

As one example, Academy NetSpace is a website created for students, alumni, and instructors that serves as a community where students can showcase their talents and connect with others involved in the academy worldwide. Networking Academy students and alumni can sharpen their networking skills while competing for prizes, and instructors can use Academy NetSpace as an additional tool for reinforcing the curricula through online virtual skills competitions and games that engage students on a global scale. Between October and December 2008, more than 3282 students and alumni in 148 countries participated.

Skills competitions complement Networking Academy curricula by providing real-world, problem-based exercises in a competitive environment. Competitions are particularly effective in developing skills that can be applied directly to a future ICT career. For some participants the benefit comes from personal recognition, while for others the experience serves as a spur to greater competence. Networking Academy also sponsors local, regional, and national competitions that are conducted onsite as well as online to provide a physical hands-on element.

Boosting Competence with Competitions

NetRiders is a demanding competition that allows Networking Academy students to match their skills against each other, first within their own country and then against representatives from other countries within a particular Cisco theater of operations. The students answer technical questions and provide solutions to network problems that are evaluated by a panel of judges.

NetRiders competitions are increasingly being conducted online using collaboration and simulation technology, which reduces travel and helps cut down on carbon emissions. For example, the Asia Pacific NetRiders 2008 regional competition used Cisco TelePresence and WebEx technologies to bring participants together, and employed the Packet Tracer simulation tool to test their network design and configuration abilities. The event featured 45 students representing 15 countries, challenging each other for the top prize of an all-expense-paid trip to the United States.

In the Latin America NetRiders competition, more than 10,000 students from 24 countries competed in the preliminary rounds, and 50 went on to vie for one of five regional championships. Cisco WebEx technology helped synchronize the competition across all of Latin Ameriaca. The overall Latin American champion will be determined in FY10.

"You find out how good you really are under pressure," says Susana Contreras, who was the first woman to win the NetRiders competition in Venezuela. Contreras believes that the knowledge and abilities she gained through her Networking Academy training and competitive activities have enabled her to advance her career much more rapidly than she could have if she had not participated in the program.

Networking Academy is also reaching out to students using Web 2.0 social media. The Cisco Networking Academy fan page on Facebook allows students to extend their networking community to

students on other continents. Launched in June 2009, the community grew at a steady rate to nearly 8000 members by the end of FY09 (July 31). Students use this space to make personal connections, ask curricula questions, share best practices, and have their voices heard by Cisco. In addition, a pilot video competition was conducted on YouTube in May 2009, in which U.S. students at the high school and college levels, as well as academy alumni, were asked to create their own videos on the topic "Why I'm Excited about IT." The videos submitted received more than 3000 hits on YouTube.

## Curricula: Fine-Tuning the Learning Experience

The Cisco Networking Academy curriculum comprises 14 courses that give students the opportunity to acquire practical knowledge and apply it in hands-on laboratory activities and realistic simulations. Courses progress from basic computer and networking skills to more advanced networking and specialist categories. The courses are designed to prepare students for industry-recognized certifications and career opportunities in ICT, as well as to fit into broader technical degree programs and to give students the skills they need to network small businesses and home offices.

The CCNA Discovery and CCNA Exploration curricula were introduced in July 2007 and have been widely adopted in academies globally. For a multimedia overview of the these popular course offerings, see the CCNA Curricula Guide.

Expanding Geographic Reach
To maximize the potential impact of Cisco Networking Academy curricula on helping students achieve their goals, the courses have been translated from English into a number of other languages. Differing by course, these translations generally include the five United Nations languages besides English (Arabic, French, Russian, Simplified Chinese, and Spanish) as well as 11 additional languages. Translations are accomplished economically using processes and tools provided to the Cisco field and our partner, Cisco Learning Institute, which works closely with the academy instructor community. A total of 85 translated courses have been released globally in the past 24 months, covering more than 27.2 million translated words.

Students Enrolled in Courses Taught in Languages Other than English*
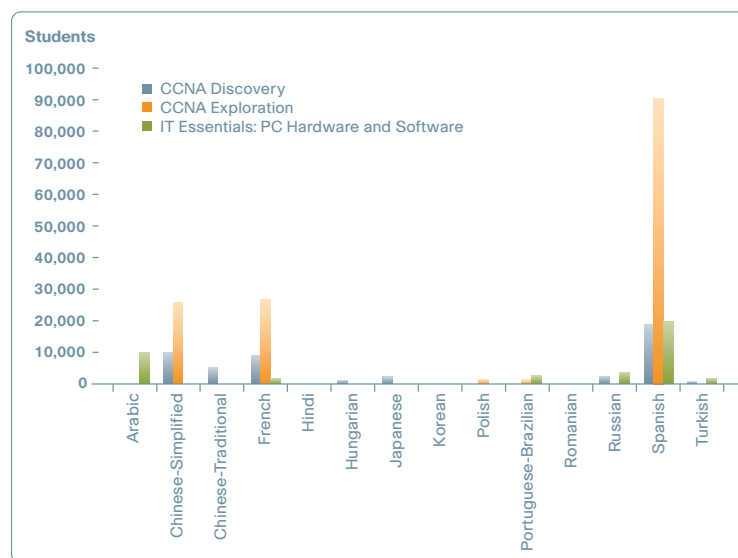
* Data is from August 1, 2008 to July 31, 2009.

"The Cisco Networking Academy program demonstrates a collaborative approach and commitment by local communities to address the digital divide and how collectively we can uphold the peace-building processes in Mindanao."

— Jacqui Badcock, Resident Representative, UN Development Programme

New Course in Network Security

Safeguarding sensitive data is absolutely essential in many industries, and it is mandated by strict regulations in industries such as healthcare and finance. As a result, security and risk management are among the most highly sought-after ICT skills, and demand continues to grow. Knowledge of security technologies is now part of many ICT job descriptions, and larger organizations often have network security specialists on staff.

Cisco CCNA Security, a new course made available in July 2009, provides an additional skill set for students who want to enhance their basic networking expertise to qualify for entry-level networking security jobs. The hands-on e-learning curriculum offers an introduction to core security concepts and teaches students how to develop security policies and mitigate cyber-risks. Students who complete the CCNA Security course develop valuable assets that help distinguish them in the job market and advance their careers.

Packet Tracer Upgrade

Launched in conjunction with the new CCNA Security curriculum, Cisco Packet Tracer version 5.2 offers a number of new features and provides simulation support for the security course. Developed especially for Networking Academy courses, Packet Tracer exemplifies the sort of "e-doing" (interaction and activities conducted through virtualization and simulation) approach essential to effective 21st century education. It provides a versatile practice and visualization environment for network design, configuration, and troubleshooting. The software supplements physical laboratory equipment, helping to keep costs down and giving students more opportunity to practice.

The Packet Tracer online assessment capability gives students and instructors real-time evaluation and feedback. Instructors can have Packet Tracer collect data about what a student does during a simulation and then send the student an individual assessment. Packet Tracer also enables instructors to create customized guided activities, and it facilitates ancillary learning activities ranging from homework assignments to student competitions. The upgrade also includes new security protocols to support CCNA Security, enhanced functionality and support for CCNA-level protocols, user interface enhancements, Activity Wizard improvements, and support for the integration of external applications.

Also in FY09, a Packet Tracer trivia game was launched on the web with the aim of engaging students and others in a fun, collaborative setting, while providing a way to communicate the benefits of simulation-enabled learning to a wider audience. The site asks participants questions about network functions and uses Packet Tracer animations to illustrate the correct answers.

Education Partnerships for Local Impact

Because Cisco takes an entrepreneurial approach to educational transformation, we acknowledge and value the collective power that partnerships bring to our global activities. Each Networking Academy classroom is essentially a local public-private partnership because it is part of a local educational or other institution and makes use of local teaching talent. In addition, we depend on international and nongovernmental organizations to help us focus our efforts on the local communities where we can have the greatest impact.

UN Volunteer Shoulders a Full Workload
Persistence and resourcefulness are traits that the typical UN volunteer has in abundance. Emmanuel Odemba works closely with schools and government agencies in Kenya to support Networking Academy activities.

In just one three-month period in 2008, he helped establish workforce committees at two academies, designed a website that will connect Networking Academy students at Jomo Kenyatta University of Agriculture and Technology with potential employers, organized instructor and soft-skills training, helped solve curriculum adoption difficulties, and worked to publicize the Networking Academy program in several communities.

Odemba also organized an event that helped women identify the best markets for their farm produce by taking advantage of free Internet connections at a local academy.

Least-Developed Countries Initiative

The Least-Developed Countries (LDC) Initiative is a public-private, multistakeholder partnership that includes Cisco Networking Academy as well as the United States Agency for International Development, the United Nations Development Program, the International Telecommunication Union, the United Nations Volunteers, and the United Nations Development Fund for Women. This initiative, which the Networking Academy has supported since it began in July 2000, brings Networking Academy courses to underserved populations by combining the partners' development expertise, field presence, and contacts.

The LDC Initiative has reached more than 40 least-developed countries, building technical skills that help empower communities and accelerate progress. Though it is now drawing to a close, the initiative has succeeded in establishing a presence at the local level that ensures that educational progress will continue.

For example, with an initial equipment donation from Cisco and a supportive institutional administration, the University of Jos (Unijos) Regional Academy in Kaduna State started in 2001 as the second Networking Academy in Nigeria by offering only the IT Essentials course. Unijos is now a regional academy that supports 25 local academies, with 24 instructors and more than 1100 students. Having added the CCNA Discovery and CCNA Exploration curricula to its offerings, Unijos Regional Academy continues to play an active role in advancing ICT knowledge, skills, and benefits throughout the state. Through one of its local academies, Legacy Computer Institute Cisco Networking, and in partnership with the Kaduna State government, Unijos increased its female participation rate by over 45 percent following a large-scale ICT training program accompanied by gender and career seminars. More than 500 state civil servants participated.

Academies initiated through the program and originally supported with equipment donations and grants are now thriving and diversifying their offerings. Moreover, partnerships established through the LDC Initiative are engaged in activities that take them beyond the scope of the original program to touch upon larger societal issues. One example is the partnership that Networking Academy has built in Mindanao, Philippines, with Mindanao State University–Iligan Institute of Technology, the Iligan Computer Institute, the Rotary Club of Iligan Bay, and United Nations Volunteers. The partnership promotes digital opportunities, encourages female inclusion in ICT education and industry, and contributes to the economic development of Mindanao, where endemic civil conflict is in part fueled by poverty and lack of opportunity.

"Enhanced IT skills for students from less privileged families living in conflict-affected areas will open new opportunities to improve their future life situation," says United Nations Volunteer Roy Pamitalan. "Over time, employment opportunities in industries improve locally and internationally, and students from Mindanao become advocates of peace as an option to conflict."

One of the most significant and lasting impacts of the LDC Initiative is the active inclusion of girls and women in the program. Academies participating in the initiative have been required to maintain a female enrollment of at least 30 percent. After nine years, and frequently without direct support from Cisco, the LDC academies have attained a female enrollment nearly double that of many academies located in more developed regions. To illustrate the difference, the percentages of active female students attending academy courses in the United States and Europe are 14 percent and 9 percent, respectively. By contrast, in the Emerging Asia Pacific region that figure is 31 percent, and in Africa it is 28 percent.

Cisco's evolving relationship with the International Telecommunication Union (ITU) is another example of how an educational partnership has evolved beyond the LDC Initiative, extending ICT

Malta's New SmartCity Will Build on ICT Skills
SmartCity@Malta will be the largest ICT private-sector project, as well as the largest source of knowledge-based jobs, ever undertaken by the Mediterranean island nation of Malta. The project also represents the first overseas expansion of the successful Dubai SmartCity concept, transforming a disused industrial area into a knowledge-worker's dream city with all the amenities.

SmartCity@Malta is expected to generate at least 5600 ICT jobs and to spur development across many sectors of Malta's economy. The Maltese government and Cisco have entered into a partnership to provide the technology training that will help put the "smart" in the SmartCity workforce. Workers can take Networking Academy courses in the Cisco CCNP® curriculum, or they can "upskill" by taking the more advanced Cisco CCIE® courses.

learning opportunities across geographic regions and institutional barriers while still retaining a local emphasis. As the leading United Nations agency for ICT issues, ITU is a global focal point for governments and the private sector in developing networks and services that foster universal information access. The ITU founded the ITU Academy to train people in developing economies to adapt to a rapidly evolving telecommunications and ICT environment. Rather than directing where the ITU Academies are placed, the ITU takes a demand-driven approach by accepting applications from around the world.

Through face-to-face or e-learning courses, the ITU Academy offers specialized technical certificate-based programs for young people and specialized training for government policy makers and regulators. As a partner in the ITU Academy program, Cisco has encouraged educational institutions in the developing world to apply directly for Networking Academy status. This demand-driven approach, which has resulted in the founding of several new academies, helps empower communities and increases the likelihood for educational success at the local level.

In November 2008, Cisco and SENADA launched the Indonesian Attachment Program (IAP) to increase the competitiveness of small and medium-sized businesses (SMBs) by encouraging the adoption and use of ICT. SMBs are major engines of growth in Indonesia's economy and their success significantly contributes to local employment opportunities. Over the last year, more than 100 Networking Academy students from six Indonesian universities were involved in the IAP internship program.

The IAP interns completed 77 days of internship at 85 companies, where they provided day-to-day technical ICT assistance and helped the firms plan investments in their Internet technology future. Sixty-one of the students successfully completed the rigorous program by submitting a detailed business plan, or "IT roadmap," to their SMBs. The United States Agency for International Development (USAID) has invested $25,000 in each of four Indonesian universities to help ensure that the program is institutionalized locally and available to students in the future.

Partnerships and ICT for Government Workers
In the Middle East and Africa, Networking Academy courses help bring 21st century communications to the region by providing ICT skills to thousands of government employees and civil servants. Some examples:

- Networking Academy and the Qatar Ministry of Interior are partnering to educate employees in the public safety and defense sectors.

- The Public Security Directorate of Jordan, in conjunction with the United Nations Development Fund for Women (UNIFEM), agreed to offer academy courses to its female employees.

- In Kenya, Networking Academy partnered with the Ministry of Higher Education to open academies in an initiative sponsored in part by the African Development Bank.

- The Mexican Secretary of Labor and Mexico's National Association of ICT Distributors have joined with Networking Academy to initiate workforce development projects.

- Networking Academy is collaborating with Cisco and the Mangaung Local Municipality in South Africa to create a Business Process Outsourcing and Off-shoring hub, for which ICT skills will be a key component.

Nepalese Women Gain Entry to the Information Age
In Nepal, not many women have the opportunity or resources to further their education or find work in the technology industry. Cisco hopes to change that by providing scholarships for women who want to enroll in Networking Academy courses.

"A lot of us don't have the money to study these courses," says Kajal Shiwakoti, one of the scholarship recipients. "But after I enrolled, I started to develop a keen interest in networking."

Shiwakoti firmly believes that these skills can accelerate technological progress in Nepal. "It would be ideal for everyone, especially women, to enroll in the Cisco Networking Academy so we can develop ourselves and have the potential to significantly impact our country's economy," she says.

United Nations Volunteers

Originally organized as part of the LDC Initiative, the United Nations Volunteers (UNV) program contributes to peace and development through volunteerism. The program now extends beyond the original LDC countries to parts of Eastern Europe, Asia, and Latin America. UNV and its partners directly mobilize more than 7500 volunteers every year on both national and international levels. More than 75 percent of volunteers come from developing countries, and more than 30 percent volunteer within their own countries. Because this program takes a demand-driven, local approach, many of the volunteers have grown up in the communities where they operate and can use their knowledge of the local culture and personal contacts to advance their work.

Cisco continues to partner with the UNV program to provide ICT education opportunities for underserved populations. The goal is to help drive sustainable development by preparing people for local jobs in the global economy, based on regional needs and demands. Cisco sponsors volunteers who are active in expanding the Networking Academy in their countries and strengthening existing academies by recruiting, advocating, organizing, and problem solving. Particular attention is directed to designing targeted programs for reaching underserved youths, marginalized populations, and women. In FY09, Cisco supported 15 volunteers in as many different countries.

Gender Equality in Technical Education

Networking Academy continues to support technical education for women with a number of initiatives worldwide. However, engaging women in ICT as a career continues to present problems, as described in a European Schoolnet white paper entitled "Women and ICT: Why Are Girls Still Not Attracted to ICT Studies and Careers?" To address the gender challenge, Networking Academy tailors programs specifically to advance women's involvement in ICT. For example, the F-email program is having a significant impact on women in Central and Eastern Europe. With the help of a Cisco investment of $52,000 and another $70,000 from local sources, F-email pursues three objectives: identify ways of attracting women to join the ICT industry, set up an international community of female ICT students, and enhance the self-organization of women's networks in the different countries.

Launched in March 2007 as a pilot program, F-email now enjoys the support of 10 organizations, including prestigious academies located at the Pécs Regional Training Center in Hungary, the University of Belgrade in Serbia, and Istanbul Technical University in Turkey. In addition to the ICT components, the soft-skills elements of the course focus on self-evaluation, assertiveness and personal presentation, job-seeking strategies, and person-to-person communication skills. Mentoring by Cisco staff and other ICT professionals is also a vital part of the effort. Results have been impressive. For example, as it moves into its second phase, the F-email project in Serbia has resulted in a 100 percent employment rate among graduates.

Emerging countries too have seen an increasing focus on gender equality. In Saudi Arabia, leading conglomerate Dallah al Barrak has sponsored female Cisco CCNA students in an initiative that is the first of its kind in that country. And in Senegal, female students competed in a skills competition sponsored by the Cisco office in Dakar.

Open office days for girls and job shadow days, during which girls learn about a job by accompanying a mentor at work, have also proved popular. All five Cisco offices in Germany opened their doors to more than 130 girls in the third quarter of FY09, and shadow days in France and the U.K. were caught on video and uploaded to YouTube.

Global Education Engagements

In addition to the diverse efforts of Cisco Networking Academy, Cisco is engaged in a number of other education initiatives around the globe. Though they differ greatly in their specific goals and methods of execution, all of these engagements share an entrepreneurial approach to social action and a commitment to the principles of 21st century education.

21st Century Schools Program

Supported by an $80 million investment in technology, training programs, and Cisco Leadership Fellows expertise, Cisco's 21st Century Schools Program in Louisiana and Mississippi began in October 2005 in the wake of the destruction caused by the hurricanes that hit the Gulf Coast earlier that year. The goal of the program was to raise student performance and increase educational efficiency in targeted Gulf Coast communities by deploying data, voice, and video technology in schools, by training thousands of teachers in new educational methods, and by linking the schools more closely with parents and educational resources. Cisco and other program supporters believe that improved student outcomes will also translate into more successful communities and a more vibrant Gulf Coast economy.

Over the past four years, Cisco has expanded the 21st Century Schools concept to make it an integral part of our vision for education transformation. A 21st Century School is a rich learning environment where students are fully engaged in a targeted curriculum brought to life through the creative use of technology.

Goals

In brief, the goals for the 21st Century Schools Program include:
- Complete installation of classroom technology and fully integrated voice, data, and video at all 21st Century Schools Program districts
- Complete a comprehensive, external evaluation of the program by the Education Development Center's Center for Children and Technology (CCT) that we hope will show improvements in student test scores and leading indicators such as engagement, attendance, participation, and behavior
- Provide intensive teacher and administrator professional development programs and expand technology integration support

Progress

- By the end of 2009, Jefferson Parish Public School System in Louisiana (JPPSS) will have extended the 21st Century Schools framework beyond the initial 16 schools funded by Cisco grants to all 87 schools in the district.
- The 21st Century Schools Program partnered with New Orleans area museums (the Ogden Museum of Southern Art, the Louisiana State Museum, the National World War II Museum, and the National Park Service) to create innovative student projects, including podcasts that are highlighted on the organizations' websites and onsite during audio tours.

> "Building the future workforce will require a commitment from the private sector to partner with public institutions. Reforming assessment is essential to enabling any systemic change in education. And change on a global scale is required to equip students of today with the skills they need to succeed in the workforce of tomorrow."
>
> — Barry McGaw, Director of the Melbourne Education Research Institute

- All the school districts expanded the use of video conferencing to enable collaboration between classrooms around the world as well as allowing virtual field trips, professional development, district meetings, and distance learning.
- JPPSS expanded its professional development offerings to include: hands-on workshops focused on Web 2.0 technology for instructional and central office staff; video conferencing workshops; workshops with ePals (a global virtual community of collaborative learners, teachers, and academic experts) and Discovery Education (a division of Discovery Communications, LLC that provides digital resources to make educators more effective, increase student achievement, and connect classrooms and families); Schlechty Center School Design Team workshops; and a classroom program called 21S in Action in which students use Web 2.0 technology to pursue innovative projects. The district conducted a two-day instructional technology institute for the entire instructional staff, about 5000 teachers, in August 2009. In a survey taken after the event, more than 73 percent of the 3340 teachers who responded rated it a positive or very positive experience.
- One of the first Cisco TelePresence implementations for education was installed in five school sites in Lamar, Mississippi, to support teacher professional development and collaboration across this geographically dispersed school district.
- Districts in the 21st Century Schools Program are now sharing their best practices and knowledge nationally.

Next Steps

The 21st Century Schools Program concluded at the end of FY09. Cisco has fostered partnerships with the districts in Mississippi and Louisiana, and we will continue to celebrate their achievements and learn from the districts as they lead system transformation. More than 3500 teachers and administrators have been trained in leading education practices and integrating technology into learning. Over 60,000 students have benefited from the program. The initiative now serves as a model for similar engagements in New York City, China, and Mexico.

Developing New Assessment Methods

Student testing and other assessment techniques are critical to classroom success. In January 2009, Cisco joined with Intel and Microsoft to announce Assessment and Teaching of 21st Century Skills (ATC21S), a research initiative aimed at making global education more effective by clearly defining the skills needed by today's students and developing strategies for measuring students' progress with the aid of information technologies. Barry McGaw, the director of the Melbourne Education Research Institute at the University of Melbourne, was appointed executive director of the project. McGaw is overseeing an executive committee, project lead team, and working groups made up of leading experts in the field.

Goals

The project's goals are to:
- Mobilize international educational, political, and business communities to make the transformation of educational assessment and instructional practice a global priority
- Specify in measurable terms high-priority understanding and skills needed by productive and creative workers and citizens in the 21st century
- Identify methodological and technological barriers to ICT-based assessment
- Develop and pilot new assessment methodologies
- Examine and recommend innovative ICT-enabled, classroom-based learning environments and formative assessments that support the development of 21st century skills

Progress

- Five working groups have been formed, comprising more than 60 leading scholars working on how to define, measure, and teach the skills needed to compete in today's global knowledge economy.

- Australia, Finland, Portugal, Singapore, and the United Kingdom have agreed to host pilot projects.

- The project has received the support of major international assessment organizations. Specifically, the Organization for Economic Co-operation and Development (OECD) and the International Association for the Evaluation of Educational Achievement (IEA) have both expressed interest in applying the evidence-based and verifiable output of 21st century skills assessment to the next versions of Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS), their respective benchmark tests. Seamus Hegarty from IEA and Andreas Schleicher from OECD's PISA program serve on the advisory panel.

Next Steps

To accelerate the project in time to influence the next versions of PISA and TIMSS, the project will review successful classroom practices for the teaching and testing of 21st century skills and draw implications for large-scale assessments.

Global Education Transformation Website

Cisco sponsors GETideas.org, a website launched in November 2008 to serve as a central point of connection for education system leaders and academics to exchange ideas about 21st century learning opportunities and the many challenges associated with educational transformation. The site enables users to take advantage of the best of Web 2.0 collaboration and social media tools to engage in dialogue with peers around the globe.

The site now provides an enhanced set of features designed to:
- Foster greater collaboration and community
- Provide discussion forums and document collaboration
- Inform users about the Education 3.0 framework
- Enable users to research, review, and post content in the form of videos, documents, and white papers
- Provide information on current education events and thought leaders of the day

Education Transformation Web Page

"Cisco is helping the New York City Department of Education school leadership in developing their vision and transferring that vision into action to enable school-based transformation in teaching and learning. With our first year behind us with the NYC iSchool, we have taken the lessons learned and best practices and are building a community to share, replicate, and scale a model for 21st century schools, and leveraging technology to be the catalyst for change."

— Gene Longo, Engagement Manager for Cisco Global Education

Next Steps

In FY10, the GETideas.org site will be enhanced in these ways:

· Expand the video series "Conversations on Global Education" to include experts in the fields of assessment, teacher preparation, and leadership development

· Add content on innovations leading to Education 3.0

· Enlarge the roster of Featured Thought Leader bloggers and commentators

· Engage with international organizations to create subcommunities

· Launch a portal for the Global Education Leaders' Program (August 2009)

· Expand participation to a broader range of regions, including Africa, Asia, and the Middle East

New York City iSchool

Launched in May 2008, the New York City iSchool initiative is helping to bring 21st century education techniques to the largest school district in the United States. The objective is to set up model four-year high schools that blend innovative technology with a project-based curriculum. Each school is organized around a specific theme, such as green careers, cinematic history, or engineering and technology. The typical school enrolls a high percentage of students from low-income families, and also draws a substantial number of students with special needs. Cisco has contributed approximately $2 million to the program.

iSchool students work on an array of interdisciplinary projects during the school year that emphasize real-world problems, which can range from analyzing the political strife in Zimbabwe to figuring out the best places to locate a chain of pizza restaurants using advanced geometry. The iSchool students also have access to diverse course offerings, including 37 advanced placement and other college credit courses available online. They meet with an advisor to plan their course of study and then go on to learn at their own pace.

Goals

· Incubate innovative educational models

· Work with the schools to pilot 21st century teaching and learning concepts

· Support innovative new ideas to help personalize and individualize learning

· Establish one model site in FY09 and build momentum and commitment to expand to more schools in the 2009–2010 school year

Progress

· Eight 21st Century Schools had opened in New York as of July 31, 2009.

· NYC iSchool students are showing strong results on the state-mandated Global Regents Exams, and students are completing state requirements far in advance of the required date. Twenty-three percent of students passed the Global Studies Regents exam after only five months of instruction. Most students take the test at the end of the 10th grade after two years of study. The iSchool students' pass rate was 93 percent at the end of the year, compared to 50 percent for all New York City schools.

· Attendance is at 94 percent, 10 percent above the citywide average.

· Demand for entry for the next school year is 15 times greater than can be accommodated, approximately 1500 applicants for 100 positions.

· Ninety-nine percent of students passed a mock Living Environments Regents Exam in January 2009.

"Serving in schools gave me the opportunity to give the future's most important resource — children — a voice, whether through helping them read a book, discuss social justice issues, or develop a school newspaper."

— Nisah Abraham, City Year corps member

· A cross-collaboration effort with the Cisco WebEx business unit was conducted to demonstrate the use of collaborative tools to enable distance learning.

Next Steps
· Owing to the model iSchool's success, the New York City Department of Education is preparing to roll out as many as 40 additional schools within the next one to three years, all based on iSchool structures.
· The program participants plan to codify what they have learned and share best practices with other educators.
· The program plans to turn some of the education tools that are developed into products for the education market.

City Year

City Year is a service organization with headquarters in Boston, 19 locations across the United States, and a location in South Africa. It brings together college-age young people from varied backgrounds for a year of full-time service, equipping them with skills and giving them opportunities to benefit children, schools, and communities by serving as tutors, mentors, and role models.

Cisco expertise, products, and cash grants supported the development of City Year's school-based service, Whole School, Whole Child, devoted to making schools more conducive to student success by creating a positive learning environment and engaging parents and community members. Cisco has been a City Year supporter since 1993, when City Year San Jose/Silicon Valley was founded, and we were recognized as a National Leadership sponsor in 2007. Cisco and Cisco's Chairman Emeritus John Morgridge were honored at City Year San Jose/Silicon Valley's 15th anniversary gala in May 2009.

Goals
The ongoing goal is to reduce dropout rates by integrating three impact streams: academic support, positive school climate, and after-school activities.

Progress
· The program selected student-level performance metrics based on research by Robert Balfanz from Johns Hopkins University and other leaders in education that identify students at risk of dropping out of school. City Year began testing against these metrics, with promising findings regarding the impact on dropout rates.
· City Year successfully implemented and evaluated a framework of activities in 88 schools across 23 school districts, providing a rich data source to monitor student performance.
· The program developed an approach to scaling its impact in urban communities that will provide a unique resource to urban public schools. For example, 156 students were engaged in the program in New York City's Public School 75 (P.S. 75), compared to the original target of 75 students. Literacy scores improved by 84 percent from September 2008 to June 2009, compared to the original goal of 80 percent. With the success of the program at P.S. 75, the model will be expanded to all 18 of City Year's New York elementary schools.
· City Year New York received an $8.5 million five-year investment from the New York City Department of Education to triple the size of its corps and deepen its impact in five of New York's

> **SPARKing ICT Proficiency among Turkey's Youth**
> Youth for Habitat has more than 40,000 members in Turkey who are active in working with local governments on projects that contribute to their communities and empower the youths themselves.
>
> Launched in August 2006 in partnership with Cisco, the Youth for Habitat Foundation, Istanbul Technical University, the Turkish Informatics Foundation, and the United Nations Development Programme, the Young Movement in Informatics (SPARK) initiative harnesses the energy of young volunteers to develop ICT skills among their peers throughout Turkey.
>
> As part of the initiative, economically disadvantaged young people receive Cisco Networking Academy training, then transfer the skills they learn to others. New graduates come back as volunteer instructors, creating a sustainable cycle that continually expands the program.
>
> There are currently 89 volunteer instructors teaching in 21 cities. About 670 youths have taken the IT Essentials course to date, and the program began offering the academy's CCNA curriculum in mid-2009. Youth for Habitat and SPARK received the European Union's e-Inclusion Award in September 2008.

underserved communities. This investment will allow more than 20,000 students to grow up with City Year corps members in their lives as mentors, tutors, and role models.

Next Steps

On June 8, 2009, Cisco announced an additional $4.5 million multiyear investment in City Year. The commitment includes up to $1.5 million in cash from the Cisco Foundation to the Whole School, Whole Child program, and up to $3 million in products and services to build a collaboration and communications platform that will enable City Year to expand its model to schools around the United States.

Next year, City Year will have a presence in every school in Washington, D.C., that has been identified as requiring City Year intervention, those in which half the students exhibit traits that lead to failure: poor attendance, behavioral problems, and course failures in English or mathematics.

See videos and read case studies about City Year here.

Youth for Habitat

Youth for Habitat is an international youth network working in partnership with the United Nations. It was established during the 1995 Copenhagen Social Development Summit with the participation of 300 youth organizations from diverse religious, racial, cultural, and national backgrounds.

Youth for Habitat, along with Teachers Without Borders and a $128,000 cash grant from Cisco, created the social network T-GAG: Strengthening Networks in Turkey: Young Human Network Project. The object of T-GAG is to bring youth councils online where young people in Turkey can share their experiences on how to localize UN Millennium Development Goals. TGAG earned the World Summit Youth Award as an exemplar for promoting those goals. It was named one of the best five projects in the "Create Your Culture" category among 612 submissions from 101 countries.

Progress

The site has enrolled 1220 members, and approximately 15 new members enroll each day. The site links to 121 working groups and 58 local youth councils. Young people have shared more than 3000 items on the site, and have uploaded 83 learning documents.

Additional Cisco Education Initiatives

The table below gives a brief overview and updates for ongoing education programs described in more detail in previous Cisco CSR Reports.

Education Initiative	Description and Purpose	Activities in FY09
Digital Cities Cisco's engagement began: January 2008	· Help bridge the digital divide in Israel by providing Internet access in two Galilean cities: Jewish Upper Nazareth (Nazareth Illit) and Arab Nazareth. · Boost the local economy by promoting tourism. · Offer activities and programs to enrich the community, develop leadership skills, and develop the workforce. · Improve relationships between Arabs and Jews in the two cities through joint projects that encourage economic development.	· 14 Arab women and 13 Jewish women graduated from the Women Empowerment Program (WEP) and are now employed in the ICT field. · 44 youths from the two cities participated in MYTecC (see below). · A tourism portal was launched in January 2008, attracting more than 37,900 visitors as of July 31, 2009. The portal broadcast a mass conducted by Pope Benedict XVI in Nazareth on May 14, 2009. · Three tourist Information kiosks have been erected; an e-government interactive kiosk provides instant access to public facilities and services. · Two community centers were established in Nazareth and Nazareth Illit. · English as a second language was taught in seven Nazareth elementary schools (500+ students). · 35 interactive whiteboards were installed in 12 public schools. · In cooperation with the Peres Center for Peace, an after-school basketball program involves young Arab and Jewish boys and girls.
Egypt Education Initiative Cisco's engagement began: May 2006 Program website: http://www.eei.gov.eg/	· This is a partnership with the World Economic Forum as part of the Global Education Initiative. · Improve education delivery through the use of ICT and advanced technologies. · Serve as a model for educational reform in other developing countries. · Focus on four areas: pre-university education, higher education, lifelong learning, and developing the e-learning industry in Egypt.	· This initiative includes eight corporations, three global NGOs, and approximately 30 local companies. · To date, EEI has completed about 70% of its infrastructure objectives, including delivering more than 39,000 PCs to schools, connecting 1120 schools to broadband, installing learning laboratories in 18 universities, and training more than 109,000 teachers and administrators in IT fundamentals.

Education Initiative	Description and Purpose	Activities in FY09
Guanghua Cisco Leadership Institute Cisco's engagement began: April 2008 Program website: http://leadership.veplatform.com	• The Guanghua Leadership Institute is a collaboration between Cisco and Peking University in Beijing that addresses the role of ICT, Web 2.0, and collaborative technologies in enabling competitiveness. • Cisco is investing $20 million over three to five years to help Chinese state officials and business leaders build leadership skills, with the objective of promoting economic growth.	• As part of the Government Leader Training Program, 15 government officials from central Beijing ministries and 5 officials from Guangdong province received training at Cisco headquarters, then completed the training in New York City. On a scale of 1 to 5, participants rated the program 4.9 for overall experience and 4.7 for content. Participants formed a Leaders Club and continue to meet in person and over the web. • An Enterprise Executive Leader Program aimed at executives from state-owned enterprises will be conducted in 2010. • Research was conducted by the Economist Intelligence Unit to facilitate China's progression from a manufacturing-based economy to an innovation-based economy. The focus of the research was on innovation, collaboration, and personalization. Some key findings: (1) innovative companies tend to outperform their peers; (2) Chinese executives value collaboration, but China is behind the world in collaboration; (3) 64% of Chinese companies expect personalization to spur growth within the next five years.
Mediterranean Youth Technology Club (MYTecC) Cisco's engagement began: early 2007 Program website: http://www.mytecc.com	• This is a partnership among Cisco; ICT for Development in the Arab Region (ICTAR), an organization affiliated with the UN Development Programme; and Teachers Without Borders. • It is aimed at providing 9th and 10th grade (ages 15 to 18) students with the skills they need to become self-supporting members of their communities, and eventually take their places as future business and government leaders. • The first cycle of the program started in 2008 in Cyprus, Egypt, Israel, Jordan, Morocco, Palestine, Portugal, Turkey, and Yemen. A total of 21 classes were created and over 400 students were graduated by June 2009.	• Three websites have been developed. • MyTecc.com contains information about the program and its achievements, and is accessible to the general public. • MyTecc.ning.com is a social networking site for youths and instructors. • Mywaves.org is devoted to learning English and includes an offline curriculum distributed to all students.

Education Initiative	Description and Purpose	Activities in FY09
MIND Research Institute Cisco's engagement began: November 2007 Organization website: http://www.mindinst.org/	· Transform brain and learning research into applied education programs for elementary and secondary school students. · Use a spatial/temporal approach to teaching mathematics concepts and building problem-solving skills that has proven effective in building a solid mathematics foundation for students at all levels of academic achievement.	· The kindergarten through 12th grade (K–12) math education program is currently converting to a web-deliverable platform. The new system will launch in early 2010, with a full launch for all school partners occurring during the 2010–2011 school year. · The number of staff people needed to implement programs was reduced from one person for every 40 schools to one for every 50 schools using web-based instruction and collaborative technologies. · 550 schools have been enrolled to date, an increase of 100% over 2007 and well ahead of expectations. MIND expects to have over 1000 schools enrolled by 2011. · 111,000 students have been reached to date, also ahead of expectations. The goal is 190,000 students by the end of the 2009–2010 school year. · The average student progress through the software curriculum increased by 7% from 2008 to 2009, made possible by system and curriculum upgrades. · Client retention has increased to 90%.
National Center for Learning Disabilities Cisco's engagement began: December 2007 Organization website: http://www.ncld.org/	· Assist NCLD in building a Response To Intervention Action Network aimed at facilitating and supporting the development and sustainability of the response to intervention (RTI) model, a framework for implementing regular screening, data-driven decision making, and interventions (where needed) to improve educational outcomes for all students. · The network takes advantage of cross-disciplinary partnerships with leading national organizations and stakeholders that include principals, classroom teachers, special education teachers, school psychologists, speech therapists, and reading specialists. · Through its website and strategic partnerships, the RTI Action Network provides frontline educators and families with information, tools, and access to experts on RTI and related subjects to ensure consistency of information and high-quality programs.	· Where RTI has been implemented successfully, as many as 67% fewer students were held back from advancement to the next grade, approximately 35% fewer students were placed in special education programs, and there was up to a 30% increase in reading scores and up to a 35% increase in mathematics scores. · More than 20 national organizations jointly planned RTI activities such as conferences, training sessions, and online events for 2009. · The program has reached out to more than 1.8 million educators and parents through partner organizations. · There were 252,000 unique visitors from 165 countries to the organization's website, and 1.7 million page views. · On average, 95% of the site visitors use it for one or more purposes, including sharing the information and resources with others. · There were 451,600 participants in online events and training. · The RTI Action Network's e-newsletter has 5700 subscribers · The organization generated more than 700 fans and more than 6000 page views on Facebook after just six months. · More than 12,500 people viewed RTI videos on YouTube.

"I believe there is nothing better than lightening a young spirit's path to the future and helping to raise a free-thinking citizen who can make the world a better place. They say it takes a village to raise a child. Well, our village is called MYTecC."

— Rami Naser Eddin, MYTecC instructor, Palestinian Territories

Education Initiative	Description and Purpose	Activities in FY09
Rajasthan Education Initiative Cisco's engagement began: October 2005 Program website: www.rei.org.in	· This is part of the Global Education Initiative, an effort to reduce the gap between developed and developing countries in partnership with the World Economic Forum and business leaders. · Improve social and economic conditions in Rajasthan, India's largest state. · Provide universal access to primary education by 2010 and to secondary education by 2020. · Boost school retention levels, increasing access for girls and enhancing the quality of learning in core subjects such as mathematics, science, and English. · Expand the curriculum to provide students with the ICT skills they need to participate in the global knowledge-based economy.	· Cisco has trained more than 53 teachers and 900 students on the IT Essentials curriculum. · Cisco Networking Academy provided high-end ICT training to faculty and students in 10 District Computer Education Centers. Approximately 900 students enrolled, of whom about 300 (one third) were female. About 560 students have graduated, and 338 are currently enrolled. · The LifeLines project in Rajasthan and West Bengal has extended telephone-based information service to teachers, with advice on curriculum, pedagogy, policy, and administration. The project reaches 5262 schools and is used by approximately 14,000 teachers. The FAQ database is used by more than 12,000 teachers. There is anecdotal evidence of improved learning environments in classrooms and more knowledge sharing among teachers. · Cisco completed the commitment to the Lifelines project in March 2009. The Lifelines Steering Committee is evaluating prospects for sustainability funding.
Transition Training Academy Cisco's engagement began: 2006 Program website: http://tta.woundedwarriorproject.org	· Help men and women who have sustained serious combat-related injuries to explore ICT as a potential career field and to develop new career skills with real-world applications that may help secure future employment. · Principal partners include Cisco, Wounded Warriors, Teachers Without Borders, Naval Medical Center San Diego Career Transition Center, and the U.S. Department of Labor's Veterans' Employment and Training Service. · Cisco provides 18 hours of classroom instruction and 18 to 24 hours of web-based instruction in networking, computers, and desktop applications, along with career planning and assistance.	· Cisco turned the project over to Wounded Warriors but retains a program manager to provide liaison and track progress on placements. · This program manager is heading up Phase II, called Military to Medicine, that provides training to military families, including spouses of injured veterans who want to increase household income while their spouses are recuperating. · In FY09, 200 students completed the first phase of prototype training to test the Military to Medicine curriculum. · 580 students have received scholarships and are engaged in training to date. · More than 6000 applicants are on a waiting list, eager to receive the training that will allow them to compete for jobs in places such as military hospitals. · From October 2006 to June 2009, 467 of 537 applicants completed the program and graduated, a retention rate of almost 87%. · In 2009, 424 students applied and 340 graduated, a retention rate of over 80%. · Graduation placement rate: Of the total number of graduates, 22% have located entry-level employment after transitioning out of the program, a 75% placement rate in the first six months after transition.

Global Economic Development: Putting ICT to Work

Cisco's economic development programs build on the company's core competencies in networking and ICT to help communities grow their economies and individuals improve their standard of living. We partner with public-sector organizations and nongovernment organizations (NGOs) as well as other companies to develop programs that are globally scalable, replicable, and sustainable.

About the Sichuan Earthquake

The seismic shock that struck Southwestern China on the afternoon of May 12, 2008, resulted in a heavy loss of life, massive destruction, and widespread social disruption across Sichuan and parts of adjacent provinces. Measuring 8.0 in magnitude, the earthquake left over 87,000 killed or missing, more than 374,000 injured, and millions without shelter.

Cisco, the Cisco Foundation, and Cisco employees responded to the crisis by providing more than $2.6 million in grants and donations for immediate relief aid, including Cisco technologies used to deliver medical care to remote regions. Following this initial response, Cisco Foundation made an additional $1 million commitment for quake relief and rebuilding, $500,000 of which has already been disbursed to Teachers Without Borders, Habitat for Humanity, and the China Federation for Poverty Alleviation.

But despite these significant initial relief efforts, the rebuilding of lives and communities will take years. Connecting Sichuan is contributing to that comprehensive community regeneration effort.

Connecting Sichuan

Connecting Sichuan (formerly known as Cisco China Public-Private Partnership) is a multifaceted initiative whose ultimate goal is to improve economic and living conditions in China's Sichuan Province. The three-year program, now in its second year, is focused primarily on helping the Chinese government to rebuild regional healthcare and education infrastructures that were severely damaged by a massive earthquake in May 2008. By designing and implementing pilot programs that integrate ICT into medical services, schools, and other community institutions, Connecting Sichuan is creating successful prototypes that can be expanded to other rural regions of China, which have generally fallen behind the country's more highly developed and prosperous urban centers.

On July 1, 2008, a memorandum of understanding forged a partnership between Cisco and the Sichuan Provincial Government. Cisco agreed to contribute $45 million (about RMB 300 million) over three years to aid the Sichuan rebuilding effort. The Cisco team is working closely with government officials, community leaders, global industry advisors, and other organizations to build a program that addresses local community needs, but can also serve as a model for similar endeavors in the rest of China and around the world.

In selecting projects, the partnership pays particular attention to these criteria:
- **Strategically significant:** The locality and organization must have an urgent need for aid and offer a significant opportunity to have an impact.
- **Satisfactory ICT conditions:** The area must have sufficient electricity to power the equipment, and residents should be computer-literate or eager to learn.
- **Local ownership/commitment to sustainability:** Leaders and users must have a willingness to support the technology-enabled solutions, and demonstrate this willingness by investing human and financial capital.
- **Showcase benefits:** Solutions must have visibility and be measurable and transferable, so the benefits can be replicated in other areas and circumstances.

During the past year, Cisco's contribution to the Sichuan rebuilding effort was recognized by two of China's national ministries: Cisco received the 2008 China Philanthropy Award from the Ministry of Civil Affairs, and the Ministry of Commerce Award for 2009.

Sichuan Healthcare Initiatives

In the wake of the earthquake, the challenges to healthcare delivery in Sichuan have been immense. Sichuan's per capita healthcare resources were below China's national average even before the disaster, and the situation has been greatly exacerbated by the large number of casualties and the destruction of medical facilities. Connecting Sichuan has committed to helping restore services, and also to laying the foundation for a 21st century healthcare system. The program's initiatives are compatible with the government's Healthy China 2020 reforms aimed at delivering universal health services throughout the country.

Healthcare accomplishments for Year One:

· Connecting Sichuan has been successful in planning and developing initial pilots for collaborative care, an approach to improving access to medical treatment that involves connecting patients with medical experts located outside the immediate community. The pilots were designed and delivered by several partners, including the Sichuan Department of Health, the Provincial People's Hospital, West China (Huaxi) Hospital, StandTALL, and the Youth Foundation.

· Starting in September 2008, a Cisco Unified Communications solution successfully supported remote diagnoses between Huaxi Hospital in the provincial capital of Chengdu and temporary field hospitals in Qingchuan and Dujiangyan.

· Cisco HealthPresence was installed in the Sichuan-Hong Kong Rehabilitation Center at Sichuan People's Hospital in May 2009. (HealthPresence combines state-of-the-art video, audio, and medical information to create a virtual environment similar to what most people experience when they visit a doctor or clinic in person.)

· As of May 2009, other links to injured victims have been provided by a Mobile HealthPresence Clinic, a custom-made Isuzu vehicle equipped with state-of-the-art technology. A field test was successfully conducted in Wenchuan County.

· Connecting Sichuan supported a comprehensive architecture review and developed a data center performance improvement plan for the New Provincial New Rural Co-op Medical Insurance System (NRCMIS), which was experiencing overload conditions due to the large number of earthquake victims.

· In partnership with the Sichuan Department of Health and SinoSoft, the program launched the Sichuan Province Health Network Planning project in March 2009. The Phase I report provided a detailed analysis of the province's current health ICT requirements.

· Connection Sichuan designed a high-level regional health information consolidation and network plan for Deyang City. Core components of the plan include a regional health network, collaborative care, and electronic health records.

· The Healthy Wenchuan project was launched in concert with ECCOM Network System Co. Ltd., a network infrastructure services and solutions provider; CNA China Company, Ltd., specializing in building management solutions; and Huaxi Hospital. The project includes a countywide network with shared applications and IT services, a health emergency and operation center, a connected hospital solution for the rebuilt Wenchuan County People's Hospital, and a mobile health clinic providing a shared diagnostic imaging capability for rural clinics.

> "Everywhere I go, I describe Cisco as a company of compassionate people who enable, ennoble, and empower communities worldwide through collaboration and human networks. Connecting Sichuan is doing just that for the people of Sichuan."
>
> — Fred Mednick, Founder and CEO, Teachers Without Borders

Sichuan Education Initiatives

Connecting Sichuan has designed and tested solutions to help address education priorities that include improving the quality of education in rural areas, enhancing teacher training, adding to the number of teachers, and strengthening vocational education. These solutions are aligned with the Ministry of Education's national priorities and the priorities of the Sichuan Department of Education.

Working closely with the Sichuan Department of Education and local bureaus of education, the program developed models for 21st century classrooms that were operational by September 1, 2008, when schools reopened for the first time after the earthquake. These models were enhanced by a metropolitan area network that will be used during the 2009–2010 school year to deliver streaming video and distance learning to schools and communities that lack qualified teachers. The video connections not only help students learn, but also enable educators and administrators to confer and collaborate.

Education accomplishments for Year One:
- The program developed model schools appropriate for specific community types. Four prototypes were completed: a city school, a town school, and two vocational colleges. The city school model is at Dujiangyan High School, the town school prototype is at ZunDao, and the vocational college implementations are at Aba Teacher's College and Pengzhou Vocational College.
- We are creating an "education cloud" in which high-quality, scalable, virtualized services and resources can be delivered over the network at minimal cost.
- We designed innovative solutions and services for rural schools, including using renewable energy sources in the SongPan village school solution.
- Twenty-five new Cisco Networking Academy sites were established and 103 new instructors have been trained. Student enrollment has increased 18 percent in the past year.
- We donated and installed 210 interactive classroom environments to date, which are equipped with computers, projectors, interactive whiteboards, responders/voting devices, digital content, and secure Internet access.
- We provided 490 computers to teachers and trained 575 teachers on how to use PCs, the Internet, and interactive whiteboards, as well as how to create and teach with digital content.
- We are already seeing encouraging signs of progress. For example, the ZunDao school set a record this spring when it achieved a number 1 ranking in English and science and a number 2 ranking in Chinese literature on the year 6 examination. The school is seeing more of its graduates from year 9 accepted into nationally recognized "key schools" for high-achieving students.

Looking Ahead

Much of the first year of the program was devoted to planning and design, feasibility testing, engaging partners, and implementing pilots. In Year Two, the program will move into an intense execution and implementation phase. Although continuing to focus on innovation, Connecting Sichuan will also speed the pace of implementation and increase the number of people and communities benefiting from the joint efforts.

In the third and final year, the program will largely concentrate on ensuring the sustainability and scalability of the deployed solutions. Much of the initial infrastructure will be established by the 18-month mark, and many of the planned network-enabled services will be implemented by the end of the second year, allowing the program to shift from designing and testing to implementing and scaling.

Download the full Connecting Sichuan Year One Report here.

Partnership for Lebanon

Partnership for Lebanon was formed by U.S. business leaders in September 2006 to provide critically needed resources for reconstruction efforts in Lebanon, and to help build a better future for the Lebanese people. The initiative is led by five companies: Cisco, GHAFARI, Intel, Microsoft, and Occidental Petroleum. Working through public-private partnerships and with the Lebanese people, Partnership for Lebanon is devoted to expanding the reach of education and workforce training, creating jobs, building technology infrastructure, and using technology to connect communities with the services and resources they require. Cisco's investment was $20 million over three years.

Goals

Partnership for Lebanon continues to work in five key areas:

- **Connected communities:** Enable full-service online community access points across the country that provide local portals for access to job training, healthcare, education, and other resources.

- **Workforce training and education:** Place qualified Lebanese interns in top businesses in the United States and Lebanon to improve their prospects and plant the seeds of economic growth among Lebanese youth; also, expand the number of Cisco Networking Academy implementations.

- **Job creation/private sector revival:** Create jobs and develop careers to help halt the country's brain drain, particularly in the small and midsize business sector.

- **IT infrastructure:** Help Lebanon modernize its network infrastructure by improving the speed and efficiency of Internet traffic and by providing an economical foundation for better communications and e-commerce.

- **Relief and response:** Contribute funds and work with NGOs to rebuild homes, rehabilitate schools, and expand training programs.

Progress

- **Workforce training/ICT interns:** The partnership is placing qualified ICT interns in Lebanese businesses and government agencies, as well as in top U.S. corporations. Twenty-five interns completed their training in the Lebanese public sector in November 2008. Though most were applying for jobs outside Lebanon, 68 percent have now found jobs within the country. All the interns are currently enrolled in the partnership-sponsored Cisco CCNP technical training. In addition, 20 interns were placed in Cisco offices in the U.S., 17 of whom have found jobs or have returned to college. This group obtained a record number of Cisco certifications for an intern class: 12 Cisco CCNA certifications, 12 Cisco CCNP/CCVP® certifications, 8 Cisco CCIE written certifications, and 2 Cisco CCIE laboratory certifications (the highest Cisco Certification level).

Internship Gives College Graduate a Boost into ICT
During the fall of 2007, Yasmine Nsouli joined the internship program at Partnership for Lebanon. Like most of Lebanon's youths, she was having a difficult time finding employment and had been looking for jobs outside the country. Her experience as an intern gave her an understanding of the essential role that ICT plays in fostering economic growth in Lebanon and the rest of the Middle East, particularly with respect to innovation.

Today, Nsouli is working in Lebanon with Cisco's Brand Protection Team. As part of her job, she collaborates with government leaders, trade bodies, and key thought leaders to ensure that Cisco's intellectual property is protected throughout the region.

She feels that she is living her dream by staying in the region and getting the opportunity to encourage innovation and growth in the ICT sector there. "I'm thankful to the Partnership for Lebanon for not only giving me the chance to work in my beautiful country, but to work *for* my country as well," she says.

- **Workforce training/business leaders:** U.S. business leaders shared their experience with their counterparts in Lebanon during the year. For example, Michel Kilzi, CEO and founder of the Lebanese ICT firm ActiveMania, was matched with two executives in Cisco's Asia Pacific theater of operations, Karen McFadzen and Jerry Fan. Six months after joining the program, Kilzi is well on his way to achieving his goal of establishing a presence in Asia Pacific markets.

- **Education:** In late 2008, Partnership for Lebanon began working with Lebanon's general director for the Ministry of Education and Higher Education (MEHE) to establish a national education network to provide a reliable infrastructure to meet the long-term needs of Lebanese students, teachers, and administrators. In conjunction with the Hariri Foundation, the partnership donated equipment to connect two model public schools and 50 other schools, as well as funds to cover installation and operational costs. Working with the United Nations Children's Fund (UNICEF) and with the support of MEHE, the partnership launched the School in a Box pilot program. School in a Box uses ICT as a tool to shift education from a traditional teacher-centric teaching style to more learner-centric methods that reflect 21st century education principles. The project is currently funded by $250,000 in grants from partners and is being piloted in seven schools.

- **Job creation/private sector revival:** Cisco's Rural Enterprise Development for Information Technology program is working with NGO partner Relief International to select and train local microfinance institutions Al Majmoua and Ameen to administer loans and offer access to capital for businesses in the ICT sector. Cisco announced a $1 million grant to Relief International in January 2008. As of June 2009, 49 loans had been disbursed, totaling $105,200. In addition, Intel and Cisco have each invested $500,000 in the Berytech fund, which provides capital to ICT companies in early growth stages that have demonstrated a high potential for success.

- **ICT infrastructure:** More than 5600 individuals and organizations expressed their support by signing the Broadband Manifesto announced in January 2008. The Lebanese Broadband Stakeholders Group was launched in October 2008 to identify and resolve issues related to connectivity in Lebanon, and to create broad nonpartisan support for broadband access. It will take approximately 10 years and $400 million to build the broadband core and access networks in Lebanon, but return on investment is projected to be approximately 15 percent per year.

Next Steps
The partnership believes that by 2013, most of Lebanon will have access to affordable high-speed broadband service over the most sophisticated network in the Middle East. Because the number of Networking Academies in the country more than doubled in FY08, from 22 to 46, Cisco expects a significant increase in the number of skilled Lebanese ICT graduates.

Cisco's Commitment to the Clinton Global Initiative for Sub-Saharan Africa

In September 2007, Cisco made a four-year, $10 million commitment to the Clinton Global Initiative to alleviate poverty in five Sub-Saharan African countries: Cameroon, Ethiopia, Kenya, Nigeria, and Rwanda. Cisco and our NGO partners Habitat for Humanity, Inveneo, One Global Economy, and Teachers Without Borders have focused on providing affordable housing, community connectivity, online content and tools, and hands-on training. Most of the first year was devoted to planning; implementations began in September 2008.

Goals

- Habitat for Humanity planned to serve low-income families by providing them with decent shelter, basic homeowner education, and community leadership training over the next four years.
- Inveneo planned to provide low-cost, end-user computing and networking solutions through its Inveneo Certified ICT Partners (ICIPs) model, with the objective of increasing network access and promoting local employment in rural communities.
- One Global Economy planned to extend its Beehive portal to provide low-income people with accessible and easy-to-understand tools and information on a wide variety of topics, including money, health, education, jobs and careers, family, and starting a business.
- Teachers Without Borders planned to support the professional development and practice of teacher leaders in Sub-Saharan Africa through online tools, courses, certifications, conferences, and teaching and learning centers.

Progress

- As of June 2009, Habitat for Humanity had built 88 houses, and another 35 were in the process of being built.
- As of June 30, 2009, Inveneo had certified 26 ICT companies as ICIPs in four targeted countries. In all five countries, Inveneo and its ICIPs served or completed ICT projects in 91 communities, improving the lives of 190,000 people directly or indirectly.
- As of June 2009, One Global Economy (OGE) Beehive portals were active in Ethiopia and Rwanda. OGE conducted issues-identification workshops in Cameroon, Kenya, and Nigeria in the first half of 2009 and is currently in the process of building Beehive protals for each of those countries. The company is also developing two sets of training curricula: one set is designed to train "digital connectors" on computer and Beehive skills as well as entrepreneurship, leadership, and community skills, while the other set is to teach community knowledge center managers how to create additional revenue streams at centers. OGE is also working to provide social networking functionality on its media properties to allow Beehive users, digital connectors, and community knowledge center managers to connect with one another and share best practices.

- As of July 2009, 8773 teachers had participated in Teachers Without Borders (TWB) professional development training based on the new TWB platform. TWB's Millennium Development Ambassadors (MDA) program expanded into Kenya, providing face-to-face workshops for leaders who then train others. To date, the MDA program has reached 218 teachers in 17 Nigerian states and the Nairobi area in Kenya.

- In Kenya, 250 teachers attended a teacher professional development conference, and more than 40 teachers then took the TWB Certificate of Teaching Mastery online.

- The motor park literacy program in Abuja, Nigeria, has served at least 177 taxi and bus drivers.

> "One of our key priorities is to build a market economy in close cooperation with the private sector. We commend Cisco for its commitment to helping us accomplish this goal, and look forward to working together toward enhancing the social, economic, and education opportunities for the people of Palestine. This contribution, we hope, will help prosperity and peace in the region."
>
> — Mahmoud Abbas, President of the Palestinian Authority

Palestinian Investment Commitment by Cisco

In January 2008, Cisco announced an investment of $10 million to seed a sustainable model for job creation and economic development in the Palestinian Territories. The three-year investment was made in cooperation with the president of the Palestinian Authority, Mahmoud Abbas.

Goals

Key aspects of the commitment include potential venture capital investments targeted at high-potential small businesses throughout the region, and the development of training programs to foster ICT skills. Cisco also committed to engage in multistakeholder collaborations to encourage further investment in the Palestinian Authority economy from local, regional, and global organizations.

Progress

· Outsourcing projects are being implemented with Palestinian vendors, and contracts have been signed with three Palestinian companies: Asal Technologies, GSSI, and Exalt.

· About 30 Palestinian employees have been assigned to the projects, 18 of whom were recent college graduates.

· Investments to date include $1 million for first-year outsourcing engagements, $44,000 for involvement in MYTecC $34,000 for incubation evaluations, and $80,000 for project management.

Next Steps

· The engagement will work with Cisco's Chief Development Organization to finance continued outsourced work to Palestinian vendors.

· The initiative plans to build a curriculum directed at outsourcing vendors and tailored to the Palestinian sector's needs.

· Other companies will be guided in the process of working with the Palestinian sector, including making the right contacts, interacting with authorities, and complying with regulations.

· An incubation program coupled with a seed fund will be implemented to encourage and support the creation of ICT startup companies.

Corporate Giving: Cisco's Contributions in FY09

The Cisco Foundation supports Cisco's efforts to team with nonprofit and nongovernmental organizations to develop public investment programs that address basic human needs, education, and economic opportunities. We focus this work on underserved communities and look for solutions that harness the power of the Internet and communications technology.

Cisco Financial Contributions over Five Years

Donations (in millions)	FY05	FY06	FY07	FY08	FY09
Foundation total (corporatewide)	$10.6	$9.3	$8.8	$10.7	$10.1
In-kind total (corporatewide product and people)	$29.0	$39.4	$49.0	$37.9	$83.7
Cash total (Foundation cash and corporatewide cash)	$35.0	$76.1	$67.7	$54.1	$44.9
Corporatewide giving total	$65.0	$88.7	$93.6	$92	$128.6
Funds from Cisco to Cisco Foundation	0	26.8	23.2	0	0
Contributions as a percentage of earnings before income tax (EBIT) from previous year	1.0%	1.4%	1.5%	0.97%	1.25%

The corporatewide giving totals shown above for FY06 and FY07 include funds given to the Cisco Foundation by Cisco. The Committee Encouraging Corporate Philanthropy (CECP) does not count this amount in its annual giving report. CECP is an international forum of business CEOs and chairpersons pursuing a mission focused exclusively on corporate philanthropy.

To help ensure that all Cisco Foundation and Cisco corporate grants are aligned with Cisco's CSR vision, and that we have exercised due diligence regarding the strategic alignment of recipients with our grant-making criteria, in FY08 we implemented a more consistent, rigorous, and thorough process for evaluating organizations through Universal Giving Corporation. We now conduct media/ reputation searches and include vetting of product grants in addition to vetting all gift-matching

validation requests and cash grant requests. After this initial due diligence step is performed, grant proposals may follow one of two approval paths, depending on the source of funding.

For Cisco Foundation grants, all grant recommendations from program officers are examined for conflicts of interest and self-dealing. The recommendations are reviewed and approved by a grants committee, then approved by the executive director of the Cisco Foundation. Once this process is complete, the grant request goes to the Cisco Foundation board for final approval.

Cisco corporate grants are also screened for alignment with our grant criteria and examined for conflicts of interest before they are recommended for review and approval by the director of our Public Benefit Investment group or another Cisco director. After due diligence has been completed on the grant recommendation, and depending on the amount of the request, the grant must then be approved by another Cisco executive with appropriate fiscal authority.

Financial information about Cisco Foundation, including Form 990-PF filed annually with the Internal Revenue Service, is available on the foundation's web page.

Volunteering: Different Ways to Make a Difference

Cisco employees have always been generous with their time and money, both as individuals and as members of task forces and councils. In difficult economic times, that sort of community spirit is more important than ever. In response to President Obama's call for greater service in America, Cisco Community Relations in April 2009 launched the Cisco Volunteer Movement. This initiative asks our employees worldwide to make a yearly pledge of community service hours. The campaign bolsters and revitalizes our volunteer programs, and each year it acknowledges the top 50 Cisco Citizen volunteers.

In February 2009, Cisco announced that Cisco employees, the Cisco Foundation, and Cisco Chairman Emeritus John Morgridge contributed more than $4.6 million to support hunger relief organizations around the world during the 2008 Global Hunger Relief Campaign. Cisco worldwide employee donations exceeded the initial pledge goal. More than $1.3 million was raised from employees during the annual campaign (October 1 to December 31, 2008) to aid hunger relief in local communities. The Cisco Foundation and the TOSA Foundation, a private charity founded by the Morgridge Family, together contributed approximately $3.3 million. Between November 1 and December 19, 2008, the Cisco Foundation provided two-for-one matching funds for any qualifying employee donation of $50 ($12 in emerging market regions), up to $10,000. The Cisco global campaign provided relief to 108 local and international food support agencies, representing employees from more than 30 countries.

In June 2009, Cisco was a corporate host and sponsor of the National Conference on Volunteering and Service, the world's largest gathering of volunteer and service leaders from the nonprofit, government, and corporate sectors, which attracted more than 3500 attendees. The Cisco Energy Exchange exhibit hall at the event provided visibility for organizations seeking recognition and momentum for their programs.

Cisco Civic Councils

Cisco Civic Councils put corporate social responsibility and the personal ethic of "giving back" into action by striving to make a positive impact in the communities where employees live and work. Councils are teams of employee champions who are passionate about their volunteer commitments. They plan projects, develop nonprofit partnerships, initiate product donation programs, and work toward cash grant-making, while fitting their efforts to the specific needs of the local community.

Highlights from Around the World

In more than 30 Civic Councils worldwide, Cisco employees play a critical role in the company's efforts to create meaningful change at the local level. Cisco employees are personally involved in a range of efforts that contribute to the well-being of their communities and fellow citizens.

Australia/New Zealand Civic Council
The Cisco Civic Council in the Australia–New Zealand (ANZ) region is demonstrating the human network effect at Djarragun College in Cape York, Queensland, where most of the students are of Aboriginal and Torres Strait Islander descent. The employees are helping to build an indigenous educational model that they hope will be replicated in similar education settings across Australia. They are supporting the school by using technology to transform teaching and learning through building a network, helping teachers to use the technology, and mentoring and supporting students in their transition to work or further studies.

The ANZ Civic Council is also supporting community development through the Cape York Partnerships by providing communications technology for welfare reform programs in four Cape York communities. Financial investment is nearly AU$1 million (about US$814,000) in cash, products, and volunteer hours. It is still early in the engagement, but the following accomplishments have been recorded by the council:

· An AU$800,000 (about US$651,700) education-grade network has been installed and is operational at the school.

· Attendance rates are up, truancy is down, and more students are involved in using the Internet and technology in learning.

· Nine volunteer projects have been established.

· Volunteers raised AU$64,000 (about US $53,000) for the Sonali McCarthy Fund for Girls, which gives girls at Djarragun College an opportunity to participate in events and programs that will enhance their personal and educational development, and develop their leadership skills. The fund

Happy Mother's Day
On May 9, 2009, the first Mother's Day after the Sichuan earthquake, 23 children in Guangzhou got the chance to visit with their mothers in Chengdu via Cisco TelePresence technology. The children were formerly students at Sangping Middle School, one of the schools destroyed in hard-hit Wenchuan County. They are currently attending school in Guangdong Province, hundreds of miles away. This moving occasion was the first time mothers and children had seen each other in many months.

was established in honor of the late Sonali McCarthy, a founding member of the Civic Council and significant contributor.

- Twelve students attended Cisco Networkers for work experience in 2007 and 2008. Cisco Networkers is a yearly ICT trade show that attracts thousands of professionals and exhibitors.
- Forty-five Cisco WebEx web conferencing accounts were set up for Djarragun College and Cape York Partnerships to facilitate communications between indigenous communities across Cape York.
- Cisco partner Telstra has upgraded broadband access to Djarragun and neighboring Wangetti College campuses and has pledged a 100 percent discount on costs for two years.
- Cisco partner Promethian has agreed to contribute two interactive whiteboards to Djarragun and to support training in their use.
- Taleka, a Cisco training partner, has provided onsite training in IP telephony to Djarragun staff.
- Cisco partner IBM has provided e-mentoring software to the school.
- The Australian Government Department of Employment, Education, and Work Place Relations has funded a digital learning expert to work with the teachers on professional development.

Asia Civic Council

In its first year, the Asia Civic Council partnered with the Cisco Consumer Business Group and Cisco IT to bring cheer and technology to Sunbeam Children's Place in Singapore, which offers protection to abused and neglected children. A product grant upgraded the wireless network so children can connect to the Internet. The children also received refurbished laptops.

Canada Civic Council

Together with family, friends, and coworkers, employees in the Canada Civic Council donated more than C$110,000 (about US$100,000) to various charities, which was matched by C$115,000 (about US$105,000) from the Cisco Foundation. Canadian employees sorted more than 80,000 pounds of food for local food banks and also raised more than C$120,000 (about US$110,000) in support of Children's Alliance, an advocacy organization dedicated to improving the health, safety, and economic well-being of children.

China Civic Council

Cisco employees in China provide assistance to several schools as part of their Hope Schools project. The assistance can take many forms, from supplying classrooms with computers and printers to providing students with books and stationery, or even arranging for the excavation of a new well. The fifth Cisco Employee Hope School opened in Guangdong Province in April 2009, and the sixth Hope School will be completed in Anhui Province in September 2009. All Hope Schools are made possible with Cisco employee donations and Cisco Foundation matching funds. To date, the five schools serve approximately 700 children in grades 1–6 (ages 6–12).

Other activities this year:
- At a career day coordinated with Junior Achievement on March 28, 2009, in Beijing, Guangzhou, and Shanghai, 57 Cisco volunteers participated in six workshops and two seminars along with more than 483 students from seven universities in those cities.
- During a "job shadow day" on May 2, 2009, 20 employee volunteers and 33 students visited the state-of-the-art Cisco Briefing Center in Beijing to experience Cisco TelePresence collaboration technology.
- As part of the earthquake relief effort in Sichuan Province, Cisco China and Cisco WebEx employees contributed more than 1400 items to victims, including padded clothes, quilts, shoes,

and children's garments. In addition, Cisco South China created a fund that was used to purchase 100 new quilts that were distributed to villagers in the Yunfeng area.

• Employees donated teaching supplies to kindergartens in Yingxiu (RMB 84,382; about US$12,350) and Wenchuan (RMB 60,000; about US$8780).

In June 2009, Council members held a sales event for paintings created by children in China's earthquake-affected areas. They sold all 77 paintings and raised RMB 38,500 (about US$5600).

India Civic Council

During the 2008 Global Hunger Relief Campaign, Cisco India employees pledged more than $200,000 to Akshaya Patra Foundation, a nonprofit organization that works with the government to provide midday meals to underprivileged school children. With double matching funds from the Cisco Foundation, plus a match from Cisco Chairman Emeritus John Morgridge, Akshaya Patra received over $800,000. This sum is enough to provide a midday meal to more than 20,000 school children for a year, and is more than twice the donation that was made to Akshaya Patra in 2007.

Another significant initiative was the launching of the School Adoption Program in partnership with Children's Lovecastles Trust. The team started the program in 2008 by adopting one primary school near the Cisco Bangalore campus. In 2009, the team was successful in adopting three more schools. Cisco volunteers have started several initiatives at these schools, including:

• Providing midday meals in partnership with the Akshaya Patra Foundation

• Providing school kits for students containing uniforms, bags, shoes, and stationery

• Cleaning and painting the schools

• Offering daily English language coaching

• Celebrating Independence Day and National Sports Day with the students

Other Cisco employee volunteer activities include:

• Building a state-of-the-art website for the Bangalore Hospice Trust, enabling them to take advantage of ICT technology

• Organizing summer camps at government schools (in partnership with Children's Lovecastles Trust) and at two schools run by the Parikrma Foundation; Cisco volunteers conducted arts and crafts, sports, music/dance, civics, and computer classes in these schools

• Participating in various building programs with the Habitat for Humanity India Chapter

• Engaging with other charities in India, including the Shristi Special Academy, the National Association for the Blind, and SOS Children's Villages of India

New York/New Jersey Civic Council

The New York/New Jersey Civic Council worked with Companions in Courage and the National Hockey League to open the eighth Lion's Den, in St. Justine's hospital in Montreal. Companions in Courage raises funds to build interactive playrooms, called Lion's Dens, that connect young patients with family, friends, and celebrities during their hospital stay. The rooms incorporate Cisco WebEx and Unified Communications collaboration, as well as Microsoft Xbox video game technology. The Council was also active in bringing out more than 100 volunteers for each of two service days with City Year New York, helping to renovate community centers in the Bronx.

Silicon Valley Civic Council

Family Giving Tree donations, along with a Cisco Foundation match, purchased a total of 3600 gifts for San Francisco Bay Area children in December 2008 as part of the Holiday Wish Drive. Cisco employees exceeded their internal goal by over 10 percent and received the Golden Sleigh Award for the fourth consecutive year, recognizing the largest contribution among companies Cisco's size. Additionally, hundreds of Cisco volunteers supported the local Back to School Backpack Drive. Cisco has won the Golden Backpack Award for five consecutive years.

Cisco volunteers continued to deepen their relationship with Habitat for Humanity Silicon Valley in FY09 with a pilot program that involved 80 volunteers who built, painted, and adorned children's playhouses. The playhouses will be sold online to raise funds, or donated to Bay Area families. Project Playhouse develops the volunteers' construction skills and also offers them opportunities to help Habitat for Humanity with marketing, operations, and website maintenance.

While celebrating its 15th anniversary in April 2009, Resource Area for Teaching (RAFT) in San Jose honored Cisco with its Top Corporate Volunteer Award for employee service totaling approximately 10,000 hours. RAFT is a San Jose nonprofit that assists teachers by providing materials and ideas for day-to-day instruction. Cisco employees help RAFT repurpose materials collected from local businesses so they can be used for interactive learning in a variety of subjects. Besides supporting K–12 education, RAFT promotes environmental sustainability by diverting more than 15,000 cubic feet of material from city landfills each month.

Spain Civic Council

Cisco employees supported the Apsuria Foundation's Project Illusion with cash contributions and product donations for the foundation's new residence for disabled children of deceased parents. They donated funds for a hydrotherapy pool, voice and data services, equipment, and furniture. An employee band also played in three concerts and donated all the gate receipts.

U.K./Ireland Civic Council

The United Kingdom and Ireland have a long-established commitment to giving back to the community in many ways: from working in homeless shelters in Glasgow to helping a failing school in Southeast England, from building homes for the disadvantaged in Ireland to working with young people with learning difficulties in remote corners of Britain. The U.K./Ireland Civic Council has logged 3000 hours of service in 2009, a record.

Among the activities that the council participates in is Red Nose Day, the most effective way by which the British charity organization Comic Relief raises money for worthy causes around the world, particularly in Africa. Held every other year in the United Kingdom, the nationwide event culminates in a live telethon on BBC One television. A wide range of money-raising activities occur on that day and during the run-up to the main event.

On this year's Red Nose Day (March 13, 2009), Comic Relief used cloud computing and virtualization technology, including Cisco networking equipment, to handle the deluge of donations they received. One highlight was $1.6 million raised in 13 seconds following the airing of a documentary on the plight of Africa. The team also worked with the art auctioneer Christie's to host the first-ever virtual auction using Cisco TelePresence technology. This employee fundraising campaign raised approximately $250,000, which is the highest figure recorded since the team began running the fundraising drive 12 years ago, and represents a 15 percent increase over the previous year's total. The U.K./Ireland Civic Council combines a midyear internal virtual meeting with the fundraising climax for Red Nose Day to maximize the effectiveness of the effort.

Cisco Atlanta (Scientific Atlanta)

Cisco Atlanta (formerly Scientific Atlanta) continues its rich history of community engagement in the Atlanta region. Atlanta-based employees participated in a walkathon that raised $140,000 for the American Cancer Society and $87,000 for the Juvenile Diabetes Research Foundation, with over 350 volunteers participating in both walks. Habitat for Humanity and the Atlanta Community Food Bank also provide employees with meaningful volunteer opportunities.

Supporting education is a top priority, especially science, technology, engineering, and mathematics (STEM) related initiatives. In March 2009, Cisco Atlanta served as lead sponsor for the FIRST Robotics Peachtree Regional competition, a "varsity sport for the mind" that offers high school students an exciting way to learn about engineering, collaboration, and project management. In addition to mentoring individual students and teams, Cisco employees served as competition judges.

Cisco Atlanta's new education partner is the Gwinnett School of Math, Science & Technology (GSMST), a charter school that provides a challenging curriculum focused on advanced mathematical, scientific, and technological applications. Using Thomas Friedman's books *Hot, Flat, and Crowded* as a basis for discussion, students from GSMST, Monterrey High School in Mexico, and India participated in multiple Cisco TelePresence meetings that featured discussions, skits, songs, and debates focusing on topics from Friedman's book. The students learned about each others' cultures, languages, and belief systems, and explored possible solutions to pressing global issues. Cisco Atlanta is also offering fellowships to select GSMST students.

> "Every single time I share information with people about the Cisco Leadership Fellows program, they say, 'Wow, Cisco cares. I wish I had a program like that in my organization.'"
>
> — Cisco Leadership Fellow Ayelet Baron, from her blog

Cisco Leadership Fellows

Since 2003, the Cisco Leadership Fellows program has exemplified how Cisco people and technology come together to make a difference and help create prosperity in the community. The Leadership Fellows program supports Cisco employees in local and global community organizations, where they work to provide strategic guidance, promote best practices, and build capacities that help these organizations have a greater impact.

For their part, Leadership Fellows learn to adapt, negotiate, collaborate, and consult in new ways, which serves them well in advancing social goals and their careers at Cisco. Fellows generally work on community projects that complement Cisco's social and business plans for the particular region or country.

Two current Cisco Leadership Fellows are profiled below.

Ayelet Baron

NetHope is a nonprofit IT consortium of leading international NGOs serving disadvantaged communities in more than 150 countries. Members have well-established ICT departments that use technology to support their programs. With the assistance of a Cisco Fellow, NetHope was established in 2001 to enable member NGOs to deliver information and accelerate response to communities in remote developing areas by sharing ICT knowledge, collaborating to develop best practices for public-benefit technology deployment, and facilitating innovative and cost-effective use of ICT.

Ayelet Baron, director of business development for Cisco's Emerging Markets group, is a Cisco Leadership Fellow who is helping to put NetHope's latest strategy into operation by:
- Providing a social networking strategy that can be scaled across NetHope and its members, and developing a handbook for nonprofits on how to use social media for social good. Her work is published here and she can be followed on Twitter at http://twitter.com/ayeletb.
- Helping to create a strategy and roadmap for replicable ICT solutions, capabilities, and resources aimed at developing NetHope's newest program, Innovation for Development.
- Leading the Healthcare Innovation for Development Working Group and running a working group of healthcare and IT professionals that identifies and oversees sponsored healthcare ICT projects.

Kevin MacRitchie

Kevin MacRitchie is a vice president and chief technology officer in Cisco's Global Defense, Space, and Security group. His Fellowship assignment began with a focus on assisting the Pinckney Community Schools district in Livingston County, Michigan, by investigating sources of technology investment and identifying ways to get computers and Internet access to students, allowing for better access to online-based education. He quickly saw an opportunity to scale his work beyond the school district by creating a true multiagency network in Michigan that connects more than 30,000 locations and reduces operational expenditures for the state, local governments, public safety agencies, libraries, and schools.

MacRitchie's plan has the potential to save a combined $1 billion a year in operational expenses by implementing an infrastructure that can deliver shared services such as IP telephony and data center functions to organizations across the state. The effort also has the advantages of leveraging networking expertise and creating new jobs. Michigan is now a leader in shared ICT infrastructure, and can serve as a model for similar programs in other states and at the federal level.

See a video about the Cisco Leadership Fellows Program.

CSR and Our Value Chain

Cisco's value chain is the network of integrated Cisco and partner activities that creates valuable products and services for our customers. Our value chain is demand driven, distributed, global, and collaborative. While focused on improving operational excellence and driving down costs, we balance traditional supply chain goals with a strategic focus on meeting specific customer needs, capturing new market adjacencies, and delivering value to customers faster and more reliably.

The sustainability of Cisco manufacturing operations and products depends on the activities and impacts of our value chain, demanding a collaborative approach to value chain management. Cisco's global network of supply chain partners supports our hybrid production model that is 95 percent outsourced. Cisco and our partners collectively manage the challenges of producing and transporting more than 35,000 components, as well as designing, fabricating, delivering, and managing the lifecycle of approximately 225 Cisco hardware product families.

As an integrated part of meeting Cisco's global commitment to our customers, our Customer Value Chain Management (CVCM) group oversees our value chain activities around the world. In FY09, the organization coordinated with more than 600 suppliers across more than 34 countries to deliver more than 24.5 million high-quality, reliable network hardware products.

Cisco Product Final Fabrication

We are committed to ensuring that all Cisco products can be sourced, manufactured, and sold anywhere, any time in an environmentally and socially responsible manner. To that end, we integrate environmentally and socially responsible practices throughout our value chain using industry collaboration, contract terms and monitoring programs, supplier diversity initiatives, and effective management systems.

We recognize that sustainable value chain practices are also good business practices. By reducing carbon emissions, waste production, and natural resource demand in FY09, Cisco's Global Value Chain Management group realized more than $12 million in annual cost savings by applying sustainable practices and manufacturing efficiencies. Each of our value chain partners provides valuable services to our business, and we aim to provide effective management of social and environmental impacts and to support diversity throughout our supply base.

This section of the *CSR Report* describes Cisco's approach to increasing the sustainability of our value chain, focusing on these key aspects:

· Our vision and strategy

· Industry collaboration

· Accountability

· Environmental sustainability

· Supplier diversity

Our Vision and Strategy

Value chain activities cut across the end-to-end value chain organization and include internal collaboration with our product design and engineering, government affairs, and corporate affairs organizations. Consequently, we take a holistic, coordinated approach to value chain management, focusing on all nine major nodes of activity associated with meeting our customers' expectations for Cisco quality solutions.

Design	Plan	Order	Source	Make	QA	Deliver	Service	Manage End of Life

Looking across our value chain, we have identified the key social and environmental issues that are essential to the sustainability of our operations, products, and supply chain partners. Our value chain social responsibility activities are organized around four pillars:

Labor	Ethics and Intellectual Property Protection	Human Health and Safety	Environment
Protecting worker rights	Reflecting the highest standards of business integrity	Maintaining high standards of health and safety in the workplace	Ensuring efficient use and preservation of natural resources

These four pillars of our value chain social responsibility program, and the effective management systems that underpin them, form the basis of the Cisco Supplier Code of Conduct, which conforms to the Electronic Industry Code of Conduct developed by the Electronic Industry Citizenship Coalition (EICC). The Supplier Code of Conduct and other supplier performance expectations are integrated throughout our supplier engagement process, including requests for proposal, procurement contracts, supplier business reviews, and our supplier appreciation event.

Cisco was recognized in FY09 by AMR Research as one of the top five supply chain companies, based on financial data and peer assessments.

AMR Research Supply Chain Rankings: Cisco Named Number 5 in 2009

1. Apple
2. Dell
3. Procter & Gamble
4. IBM
5. **Cisco Systems**
6. Nokia
7. Wal-Mart Stores
8. Samsung Electronics
9. PepsiCo
10. Toyota Motor

· Ranking of Fortune Global 500 companies that have best demonstrated leadership in applying "Demand Driven" principles to drive business results

· Based on both Innovation and Operational Excellence

AMR Research

Industry Collaboration

Collaborating with organizations in and outside our industry is a fundamental part of our approach to managing our value chain. By exchanging ideas and pooling resources with companies that share our perspective on social responsibility, we are able to have a greater impact on the value chain.

Our collaboration with the EICC, which Cisco joined in 2005, is central to our value chain social responsibility activities. Today the EICC is a network of more than 40 multinational corporations from all parts of the electronics supply chain. From its initial goal of developing a common code of conduct to its expanded focus on working hours, responsible sourcing of minerals, environmental issues, and other electronics industry concerns, the EICC provides a forum where we can talk freely with suppliers, customers, and competitors about issues that impact our supply chains on a daily basis.

Cisco continued its active role in the EICC in FY09 by maintaining a position on the Board of Directors and participating in some of the organization's workgroup activities. In particular, Cisco played an important role in developing the EICC's web-based training modules for supplier managers and in planning a training event for more than 200 supplier representatives in Shenzhen, China. As a member of the EICC Board of Directors, Cisco led the development of more robust membership guidelines for the organization and, in accordance with the new guidelines, adopted the EICC's Code of Conduct verbatim as our own supplier code, with an addendum that highlights Cisco expectations that go beyond the EICC code's requirements.

Cisco is also a member of the Global e-Sustainability Initiative (GeSI), which is committed to promoting sustainability within the information and communications technology (ICT) industry. GeSI collaborates with the EICC on supply chain initiatives, including activities around supplier training, supplier audits, and traceability of minerals. Because GeSI's membership is primarily telecommunications companies and service providers, its focus is broader than the global supply chain. In FY09, GeSI concentrated on climate change, energy efficiency, e-waste, and advocacy on the most material issues in the ICT industry. Cisco served on the GeSI Board of Directors and contributed to all the key work streams, including the creation of the landmark Smart 2020 report on the potential for ICT to abate 15 to 20 percent of global greenhouse gas (GHG) emissions by 2020.

Cisco is committed to collaborating with industry partners and academia to harness the innovation and business benefits of shared tools and standard methodologies that can improve the environment. This year we acted on that commitment by co-chairing the International Electronics Manufacturing Initiative (iNEMI) Eco-Impact Evaluator project. The purpose of this project is to develop a simplified tool to easily derive key ICT equipment environmental data. Cisco plans

to incorporate the iNEMI tool's output into Cisco's design for environment processes that are implemented by our value chain and engineering organizations. A further example of collaboration is our efforts as co-chair of the Alliance for Telecommunications Industry Solutions (ATIS), where we are partnering with industry peers and sharing results learned during our own lead-free solder reliability testing. A new specification for lead-free communication products is being developed under an ATIS working group.

Cisco also looks beyond the ICT industry to participate in the development of standards and best practices that could affect our social responsibility activities in the value chain. One example is our involvement in the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol for Scope 3 emissions. This initiative brings together representatives from companies, government agencies, nongovernmental organizations, and other experts to develop a consensus standard on the measurement and reporting of supply chain and product GHG emissions. Cisco is actively involved in this initiative, leading one working group in developing the standards around measuring and calculating emissions, and participating in another group focused on boundary setting and reporting. Cisco's participation in this program stems from our interest in having a positive impact on the environment throughout the value chain, while also ensuring that standards are practical and feasible.

Accountability

We have several mechanisms that enable us to hold ourselves accountable to our commitment of ensuring that all Cisco products are sourced, manufactured, and sold in an environmentally and socially responsible manner. Among these mechanisms are the Cisco Supplier Code of Conduct, supplier assessment and audits, social responsibility training, and supplier appreciation.

Supplier Code Of Conduct

The Cisco Supplier Code of Conduct is central to promoting social and environmental responsibility in the Cisco value chain. The code is communicated to all suppliers through the Cisco contracting process. All suppliers must agree to the code's core principles in order to work with Cisco. The code is organized around these precepts:

Labor	Ethics	Health and Safety	Environment
· Freely chosen employment · Working hours · Wages and benefits · Humane treatment · Nondiscrimination · Freedom of association	· No improper advantage · Disclosure of information · Intellectual property · Fair competition · Protection of identity · Community engagement	· Occupational safety · Emergency preparedness · Occupational injury and illness · Industrial hygiene · Physically demanding work · Machine safeguarding	· Permits and reporting · Pollution prevention · Hazardous substances · Wastewater · Solid waste · Air emissions · Product content

Management Systems	
· Company commitment · Accountability and responsibility · Legal and customer requirements · Risk management · Performance management · Training	· Communication · Worker feedback and participation · Assessment and audits · Correction action process · Documentation and records

Cisco's code is informed by a robust process within the EICC that allows external stakeholders to provide input on the EICC's Electronic Industry Code of Conduct structure and content. Proposed changes are then voted on by EICC membership to identify elements where there is significant agreement. This collaboration allows the code to evolve by taking into account the insights of many industry partners.

Supplier Assessment and Audits

We recognize that a supplier code of conduct only has power if it comes with enforcement provisions. Cisco uses a supplier assessment process to monitor conformance to the expectations outlined in our code. Our process works to:

· Determine which suppliers' facilities may have the greatest risk of variance from Cisco's code and expectations

· Evaluate those supplier facilities through a supplier self-assessment process

· Audit facilities where appropriate with the assistance of third-party auditors

· Work with suppliers on noncompliance items through a corrective action process

In FY09, Cisco continued our supplier assessment program by screening for suppliers that present risks of not meeting our expectations around value chain social responsibility. This risk assessment evaluates each supplier based on the geographic location of its facilities, the type of activities at the plant, and Cisco's relationship with the supplier. The risk assessment identifies suppliers that were of particular concern and then asked those suppliers to complete a self-assessment questionnaire. The self-assessment questionnaire requests information from the supplier on its overall corporate environmental health and safety, labor and ethics programs, and an individual facility's activities.

Information gathered through the self-assessment questionnaire was used to identify facilities that required more detailed evaluation. These suppliers were approached to provide more information or to undergo a detailed third-party audit. Cisco uses audit firms that have demonstrated an understanding of our code and that have experience auditing electronics manufacturing facilities. The audits were conducted using the audit methodology and reporting structure developed by the EICC for its Validated Audit Program.

In FY09, our supplier audits focused on first-tier facilities that build and test our products. The audits identified approximately 30 major and minor instances of noncompliance. The three most common major findings related to:

· Working hours

· Labor and ethics management systems

· Emergency preparedness and response

These findings reflect challenges we found in previous supplier audits, as well as the EICC's findings from piloting its Validated Audit Program in China. We are working in different ways to address these findings, such as engaging with the EICC task force on working hours, sharing best

practices on management systems, and working with our supply chain risk team to identify links with our business continuity program. Cisco is also working with suppliers on individual cases of noncompliance by creating corrective action plans and monitoring progress on those plans.

In FY09, we made use of the insight of a key customer who joined our efforts in following up on a Cisco post-corrective action plan for a high-volume, multiproduct electronics manufacturing services partner site. The customer's participation served to increase visibility into how we are meeting our shared social responsibility goals. In addition, this engagement reinforced our belief that a sustainable value chain is core to business success and reconfirmed Cisco's eligibility for preferred supplier status with the customer.

Training

Building knowledge and capabilities is critical to long-term change and integration of social and environmental responsibility in the value chain. Just as we provide internal training to Cisco commodity managers and senior leaders concerning CSR programs, we also take every opportunity to educate our supply base on social responsibility issues. Our approach includes building on the EICC's learning and capability-building initiatives. In FY09, Cisco participated in EICC's development of web-based training modules for company commodity managers and suppliers. In late FY09, we began adapting the EICC training tools to reflect our internal programs. We plan to roll out the training tools in FY10 as part of a more expansive training curriculum.

In addition, Cisco suppliers were invited to participate in the annual EICC Supplier Summit in Shenzhen, China, in June 2009. Attendees learned about the EICC Code of Conduct, the EICC audit process, and general social responsibility issues. More than 100 supplier representatives attended the summit, including more than 20 representatives from Cisco suppliers in China.

Appreciation

A key part of keeping Cisco accountable to our commitments is recognizing those suppliers who have demonstrated outstanding performance. Cisco hosts an annual supplier appreciation event at our headquarters in San Jose. We invite only suppliers who have demonstrated commitment to the standards of excellence through innovation, quality, productivity, process efficiencies, and sustainability. The event aims to enhance partnerships with suppliers at the earliest stages of the end-to-end value chain, and provide them with additional alignment with our value chain business plans.

"We strive to meet the challenge of managing a socially responsible value chain through continued focus on our key social and environmental impacts. We have moved forward substantially in FY09 and are committed to driving incremental improvement over the long term."

— Edna Conway, Cisco Senior Director, Advanced Compliance & Social Responsibility, Customer Value Chain Management

Looking Ahead

In FY10, Cisco will enlarge our accountability plans to include more "best-in-class" methods of sustainable value chain management. This includes increasing direct engagement with key suppliers on labor, environmental, health, and ethics issues, and participating in the EICC's expanding supplier assessment activities. Our goal for FY10 is to complete assessments of all our first-tier electronics manufacturing services partner sites, so we can emphasize a more targeted approach to evaluating and auditing suppliers in the future. We will also continue to identify best practices for resolving areas of supplier noncompliance with our code, including examining impacts of our own business requirements. Cisco considers the common areas of noncompliance to be a serious concern and long-term challenge, and aims to further invest in supplier training and capability building in FY10 and beyond.

Five Key Environmental Impacts
· Greenhouse gas emissions
· Energy use and sources
· Water availability and quality
· Land use and waste
· Substances management

Environmental Sustainability

Cisco products and solutions offer the greatest opportunity for us to make a positive contribution to environmental sustainability. To take full advantage of that opportunity, Cisco works closely with value chain partners to manage the environmental impacts associated with Cisco products throughout the entire product lifecycle, targeting our five key environmental impacts (see box at left).

To ensure alignment with other Cisco business functions, senior leaders within the Cisco value chain group participate in the Cisco EcoBoard and its Green Task Force. (See the CSR and the Environment section for more information about the EcoBoard.) The group also partners with Cisco engineering and product development teams to integrate environmental criteria into the development process. The Cisco New Product Introduction and Product Design Methodology processes that were jointly implemented by the value chain and product development groups are two examples of this collaborative approach. Each of these processes incorporates design criteria addressing our value chain's five key environmental impacts. Cisco sourcing teams also incorporate supplier social and environmental performance in evaluating inclusion in our value chain.

Product Design

Cisco integrates supply chain and sustainability considerations from the very beginning of the product lifecycle. Energy efficiency, materials, and end-of-life management are key aspects of product design. Our development engineers and value chain product operations teams coordinate to drive sustainable product design from one end of the value chain to the other. We strive to comply with environmental laws and regulations restricting the use of certain substances, and proactively minimize the amount of hazardous substances in our products. Key initiatives for materials management include:

· Moving to lead-free solder

· Substituting for brominated flame retardant (BFRs) and polyvinyl chloride (PVC) in our products

· Implementing Cisco's Comprehensive Global Battery Specification throughout the supply chain for all batteries used in Cisco products

Cisco recognizes that there are trade-offs in product design decisions. While we are working to reduce the environmental impacts of the value chain, we are committed to ensuring that our high standards of product quality and reliability are not compromised, and we are working with leaders in global industry associations and with our value chain partners to develop reliable and sound solutions.

To learn more about Cisco materials management, see the CSR and the Environment section.

Focus of the Cisco Green Supply Chain Questionnaire

▪ **Carbon emissions, energy availability, and energy use:** Emissions and energy use associated with manufacturing facilities and goods transport
▪ **Water availability and quality:** Volume of fresh water used and recycled in manufacturing and waste water disposal
▪ **Land use and waste:** Volume of solid waste generated and recycled in manufacturing
▪ **Hazardous materials:** Adherence to Cisco's Controlled Substances Specification and regulatory requirements

Sourcing and Manufacturing

As a virtual manufacturer, Cisco coordinates extensively with our value chain partners to monitor the use of controlled materials and comply with chemical and hazardous substance directives such as the European Union's RoHS and REACH regulations, as well as Cisco's Controlled Substances Specification, which outlines requirements for materials used in components and manufacturing processes throughout Cisco's value chain.

Cisco is gathering environmental performance data from electronics manufacturing services partners to better understand issues like the carbon emitted, the water used, and the waste generated in the manufacture of Cisco products. Recognizing that energy usage in manufacturing has a major impact, we have been working with suppliers since 2008 to reduce energy use in processing for select product platforms. Cisco estimates the resulting impact of this initiative to be a 5000 MWh reduction in energy use per year, which equates to a reduction of 3000 tonnes of CO_2 emissions, a $12 million savings in the first year, and a $6 million annual savings in subsequent years.

In addition, Cisco is working to reduce water use at manufacturing sites. One targeted area is the washing of printed circuit boards during the manufacturing process. In the washing process, clean water is added into the system and the waste water left behind needs be treated or disposed of correctly. In FY09, 86 percent of Cisco printed circuit boards were produced without washing, and we have committed to completely eliminating water washing of printed circuit boards by early FY10. Cisco estimates that the elimination of water wash for this remaining 14 percent of our circuit boards will save 20 million gallons of water and over $1 million on an annualized basis.

Cisco is also actively deploying Cisco collaboration solutions to supplier sites to help suppliers reduce their carbon footprint. At the end of FY09, Cisco had rolled out Cisco TelePresence™ solutions to 50 percent of manufacturing partner sites, enabling partners to significantly reduce their business travel and related GHG emissions and increase their ability to address value chain business challenges swiftly and efficiently.

Looking beyond carbon and water, we launched a plan in FY09 to collect baseline measurements from each of our global electronics manufacturing services partners and internal manufacturing sites on all five key value chain environmental impacts. Our questionnaire is summarized in the sidebar above. By analyzing the responses, we were able to create an assessment of each site's status and opportunities for additional positive impact.

With a solid foundation of baseline data and an awareness of the complexity of site locations, the diversity of products produced, and the processes used at each site, Cisco will work with sites to capitalize on unique opportunities for potential gains and improved performance in our five key environmental impact areas.

Packaging

Cisco works with suppliers to reduce the packaging-related environmental impacts of Cisco products. By reducing our packaging volume and expanding the use of recyclable packaging materials, we can reduce environmental effects, optimize our logistical processes, and increase customer satisfaction.

We do, however, face a key challenge in reducing our packaging impacts: Given the volume of products we ship, reusable packaging or post-consumer packaging reclamation would be resource intensive and negate many of the potential resource benefits. As a result, our focus is on finding ways and working with suppliers to use less raw material by reducing the size and weight of packaging, and to incorporate more sustainable content in packaging.

More than 95 percent of our packaging parts are made of one material or are easily separable for recycling. The ability of our customers to recycle our packaging, however, depends on the recycling processes in place in their region. More than 99 percent of our packaging (by weight) can be recycled in regions with robust recycling processes in place.

In FY09, Cisco used 55 million pounds of material in packaging. Our most common material by weight is corrugated cardboard. Other key materials include foam, plastic, and wood. Recycled content of our packaging parts varies from item to item, and by geographic region. On average, our corrugated cardboard contains approximately 33 percent recycled content. Use of recycled paper is standard practice at Cisco. Where practical, we also encourage our print vendors to use natural inks.

During FY09, the value chain organization coordinated with our engineering and services organizations and packaging suppliers to implement more than 40 improvement projects aimed at reducing the environmental impact of packaging. One such initiative was the expansion of an FY08 pilot, an accessory election program that allows customers the option of not receiving unnecessary documentation or accessories such as cables. Other efforts have focused on:
· Converting from physical paper documents (licenses, warranties, and regulatory information) to soft copies on a single CD
· Eliminating nonrecyclable antistatic bags and replacing them with recyclable antistatic bags
· Reducing the size of clear plastic bags used in packaging by at least 50 percent, while retaining their protective qualities
· Reducing the size of packaging boxes
· Designing packaging to minimize excessive space and materials and enable multipacking
· Pre-installing product components

These efforts affected more than 66 percent of our products by volume, resulting in a 4 million pound annualized reduction of materials.

We recognize that we have more to do in the area of packaging. We saw an increase in sustainability-focused innovation in FY09, and we will continue to make incremental improvements. Moreover, meeting customers' shared environmental goals, maintaining adequate product protection, and reaping the benefit of what would equate to over $21 million in annualized cost savings based on projects begun this year provided ample evidence that an environmentally sound value chain is "good business."

Product End-Of-Life Management

Our Value Chain Customer Operations group works with customers to maximize product take-back for reuse, refurbishment, and recycling. Cisco requires our electronics manufacturing services partners, contract repair manufacturers, and distribution depots to submit unused end-of-life or excess materials and products for reuse or recycling.

Upon receipt, some products are wiped clean of data, refurbished, and resold by the Value Recovery group to begin a second life. In FY09, we saved $155 million by finding customers, many of them internal to Cisco, for reclaimed products. If they are not refurbished, products are sent to a recycler that demanufactures, shreds, and sorts materials into fraction commodities that are either sold or given to downstream recyclers for use in new products.

In FY09, we recycled practically all electronics that were returned to us. Only 0.5 to 1 percent of materials were sent to a landfill. These included items such as broken pallets, wet cardboard, and shrink wrap. The CSR and the Environment section discusses Cisco's waste management initiatives in detail.

Cisco will continue to partner with suppliers to promote environmental sustainability throughout our value chain and product lifecycle. In FY10, Cisco plans to expand our value chain environmental data assessment efforts.

Defining Diverse Suppliers

Cisco defines "diverse suppliers" as businesses owned by minorities, women, people with disabilities, and military veterans, as well as companies in historically underutilized business zones (HUBzones) and certain classifications of small businesses.

Supplier Diversity

Promoting supplier diversity makes good business sense. Cisco works with diverse and small suppliers to develop and retain competitive advantage while having a positive impact on economic development.

Diverse suppliers constitute a small but important and increasing part of Cisco's supplier base. Relationships with diverse and small suppliers give Cisco access to worldwide skills and markets, as well as to diverse viewpoints and experiences. These relationships also promote economic empowerment within various communities and stimulate economic growth globally.

Cisco's supplier diversity program is also driven by customer interest. The vision of the Global Supplier Diversity Business Development (GSDBD) program is to promote our leadership position in the ICT industry through the inclusion of diverse suppliers. We strive to increase our customers' satisfaction through the growth and promotion of this program. In FY09, about 50 of our customers required that we report to them about supplier diversity.

The GSDBD program is led by a cross-functional team of Cisco employees involved in company operations throughout the world. The team's strategic approach is to provide leadership and promote the inclusion and adoption of supplier diversity initiatives. It oversees global collaboration and aims to increase supplier diversity within all the company's tools and processes

The GSDBD program solicits, trains, mentors, and tracks diverse business enterprises that compete to provide Cisco with goods and services. Through global programs, management solutions, and communications strategies, we are expanding supplier development opportunities and changing the experience of the diverse supplier community.

Sourcing from Diverse Suppliers

Our Strategic Sourcing Management Team has adopted an "inclusion commitment" that pledges to include at least one diverse supplier in every bidding process in which we engage. To this end, we have established training modules available to all Cisco employees on the GSDBD website. The goal is to enable internal teams to effectively do business with the GSDBD team and our diverse suppliers.

Cisco engages our diverse suppliers through results-focused processes and infrastructure organized around three themes: Engage, Collaborate, and Accelerate. Key components of our work with diverse suppliers include:

- Executive Mentor Protégé Program (EMP2)**:** This initiative pairs Cisco executives with diversity-supplier CEOs to mentor them on Cisco's expectations, business strategy, and potential opportunities for stronger partnership.

- The UCLA Management Development for Entrepreneurs Academy**:** This four-day program, through the University of California at Los Angeles, offers entrepreneurs an opportunity to develop essential skills necessary to increase their business's productivity and profitability.

- Supplier Mentoring Program**:** Through this program, members of Cisco's Supplier Diversity team mentor select certified diverse suppliers to enhance their abilities to partner with Cisco.

- Global Supplier Diversity Business Development Program at Cisco Live Networkers Event**:** Cisco invites a group of minority diverse suppliers to an exclusive one-day event at Cisco Live, our annual education and training event for IT, networking, and communications professionals. Through this program, Cisco solicits information that enables us to better understand the needs of our diverse suppliers and to tailor our programs in different regions.

- GSDBD Newsletter**:** Cisco sends a quarterly newsletter to all of our minority and diverse suppliers, customers, and diversity nonprofit organizations, informing them about Cisco's programs and services, and providing them with updates on matchmaking and business opportunities.

- Diverse Specialty Distributor Program**:** Cisco is developing a channel distribution solution that aims to include diversity in the supply chain and meet customer requirements by using diverse specialty distributors. In FY09, the diverse specialty distributor pilot gained full program status, and usage accelerated. Open to U.S. Gold partners, the program has been approved for FY10.

In FY09, our key initiatives were to:
- Deploy and execute global programs, including the expansion of diverse channel partners who are participating in the Cisco Certified Refurbished Equipment Program
- Create and launch diversity management solutions, such as the Diverse Specialty Distributor Program
- Pursue our marketing communications strategy, including the GSDBD Newsletter
- Design and build global infrastructure through new processes and tools
- Increase supplier diversity educational opportunities, such as the UCLA Management Development for Entrepreneurs Academy, Executive Mentor Protégé Program, and How to Do Business with Cisco

Supplier Diversity Governance

In FY09, we established our Global Supplier Diversity Council, formalizing a network of employees who have been active in Cisco's diverse supplier program for years and who are members of the worldwide cross-functional team leading the GSDBD. The council has 15 employees from Australia, Canada, China, India, South Africa, the United Kingdom, and the United States. They range from manager to vice president and come from diverse areas of the business, such as sales, government affairs, human resources, and employee resource groups. The members sit on external councils and boards throughout the world. The council held its first meeting in June 2009 and plans to meet quarterly.

The Global Supplier Diversity Council oversees the implementation of the vision and strategy of the GSDBD program. In FY10, the council's vision is to enhance Cisco's global leadership position through collaborative partnerships and the inclusion of diverse suppliers. Its FY10 goals will be to design and build a global infrastructure through:
• Integrating diverse suppliers into Cisco's local supply chain

• Raising awareness of opportunities to engage diverse suppliers throughout Cisco's operations

• Advocating and communicating change

• Including diverse suppliers with Cisco's external partners

• Developing and using supplier diversity best practices and business cases

Supplier Diversity Outreach and Stakeholder Engagement

In FY09, Cisco aimed to further the global reach of our supplier program. We conducted business missions to Australia and the United Kingdom along with the National Minority Supplier Development Council, seeking business opportunities with other suppliers and government agencies, including possibilities for the upcoming 2012 Summer Olympic Games in London. Cisco is also active in South Africa, where we announced a Black Economic Empowerment initiative in 2007 involving the sale of equity to South Africans of African, Indian, and mixed-race origin.

Cisco employees sit on the boards of at least 19 diverse supplier organizations in at least 7 countries around world, including: Australia, Canada, China, India, South Africa, the United Kingdom, and the United States.

Cisco sponsors a range of U.S.-based and global organizations that promote supplier diversity at events and conferences. They include:
• National Minority Supplier Development Council (NMSDC)

• Women Business Enterprise National Council

• Australian Indigenous Minority Supplier Council

• Black Enterprise

• California Black Chamber of Commerce

• Canadian Aboriginal and Minority Supplier Council

• Industry Council for Small-Business Development

• Minority Supplier Development United Kingdom

• Minority Supplier Diversity China

• National Association of Women Business Owners of Silicon Valley

• Northern California Minority Supplier Diversity Council

• Quantum Leaps (women-owned businesses)

• Reservation Economic Summit

• Rocky Mountain M Supplier Diversity Council (RMMSDC)

• U.S. Hispanic Chamber of Commerce

• U.S. Pacific Asian American Chamber of Commerce

• University of California, Los Angeles, Management Development for Entrepreneurs Program

• WEConnect International (women-owned businesses)

• WEConnect United Kingdom, China, India

Awards and recognition for the Cisco Supplier Diversity Program in FY09 included:
• DiversityBusiness.com: Champions of Diversity, Garth Scully award winner

• DiversityNXT Gen Corporation Award to AT&T, Cisco partner

• DiversityNXT Solution Supplier Award to Genesis Networks, Cisco partner

• DiversityPlus: Women in Power Issue, Denise Coley

• Minority Enterprise Advocate: Article, Denise Coley and Randy Pond

• Minority Enterprise Executive Council (MEEC): Corporation of the Year award winner

• MEEC: Supplier Diversity Person of the Year, Denise Coley award winner

• NMSDC Annual Report: Cisco featured in 2009 Annual Report

• RMMSDC: Supplier of the Year Award to PlastiComm Industries, Inc., Cisco partner

• Sales Video: Best in the World, Best for the World, Denise Coley, GSDBD selected

• WEConnect International Visionary Award to Cisco

Looking Ahead on Supplier Diversity

Meeting our customers' business needs is directly related to having an inclusive group of diverse suppliers that reflect the evolving demographics of the regions in which we work. Our goal is to be recognized as a leader in supplier diversity through our partnerships with the best suppliers.

In FY10, we will continue to deploy and execute global programs that support the success of our diverse supplier partners and expand diverse supplier inclusion. We aim to create additional sales opportunities through supplier diversity and to integrate supplier diversity within Cisco's policies, processes, and systems. In addition, Cisco will focus our efforts in FY10 on:

· Introducing supplier diversity goals across all of Cisco's business units

· Ensuring that all Cisco's diverse suppliers are certified by an authorized third party

· Requiring all contracts with our top 10 "Evergreen" prime suppliers to report their rate of spending with diverse second-tier suppliers

· Enhancing supplier diversity reporting, scorecards, and metrics

In FY10, Cisco will also expand our GSDBD mentoring system to reflect three levels:

▪ **Level 1 Business Function Mentor Program:** One of Cisco's business functions will guide a supplier through six points of interest over the course of one year: (1) reviewing suppliers' corporate analysis, (2) establishing an annual strategic plan, (3) developing supplier performance management, (4) creating monthly and quarterly coaching strategies, (5) facilitating internal relationship building, and (6) promoting companies internally and externally. This level is appropriate for new diverse suppliers that recently received opportunities to do business with Cisco.

▪ **Level 2 Executive Mentor Protégé Program:** Cisco executives act as corporate advocates in mentoring and increasing the effectiveness of working relationships with the CEOs of diverse suppliers. Similar to Level 1, Cisco executives will guide a CEO through six points of interest over the course of one year.

▪ **Level 3 Advanced Partnership Mentor Program:** Cisco guides diverse suppliers through the six points of interest and engages them in strategic alliances (internal and external), distribution program, partnering or joint venture, and customer roundtables. This level is designed for suppliers that have serviced Cisco for at least five years, exceed revenues of $50 million, and have reached NMSDC-Corporate Plus or WBENC-America's Top Corporations for Women's Business Enterprises status.