



**PRENTISS  
SMITH & CO**

Socially Responsible Investment Report for:

# CISCO SYSTEMS

San Jose, CA

Ticker: CSCO US Equity

Website: [www.cisco.com](http://www.cisco.com)

Last Updated: 7-21-2021

# I. Exclusionary Screening

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Does CISCO SYSTEMS appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

## Fossil Fuels & Precious Metals Mining

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- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

## Pornography, Gambling & Tobacco

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- BICS - Casinos
- BICS - Tobacco
- Pornography

## Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

## Defense & Retail Gun Sales

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- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

## Private Prisons

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- BICS - Security Services

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BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute  
NRA = National Rifle Association

## I. Environmental, Social & Governance Data

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What quantifiable environmental, social and governance data, policies or recognition does CISCO SYSTEMS exhibit? Positive factors may help support a decision to invest.

### General

Barron's 100 Most Sustainable Companies

**#7**

Dow Jones Sustainability World Index

**Listed**

GRI Criteria Compliance

**Yes**

Just Capital Overall (1-922)

**#11**

RobecoSAM Sustainability Score (1-100)

**82**

United Nations Global Compact Signatory

**Yes**

### Climate Change & Fossil Fuels

°C Reduction Commitment (SBTi)

**well below 2C**

EPA - Green Power Usage

**100%**

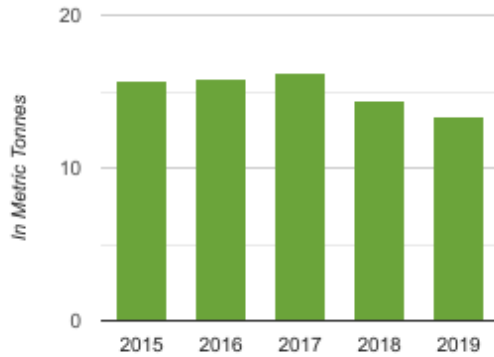
Renewable Energy Used (1000s MWh)

**1342**

Initiatives and Policies in Place:

- **Climate Change Policy**
- **Renewable Electricity Target Policy**

**GHG Intensity per Sales**



**Environmental Stewardship**

Just Capital - Environment (1-922)

**#48**

Green Buildings

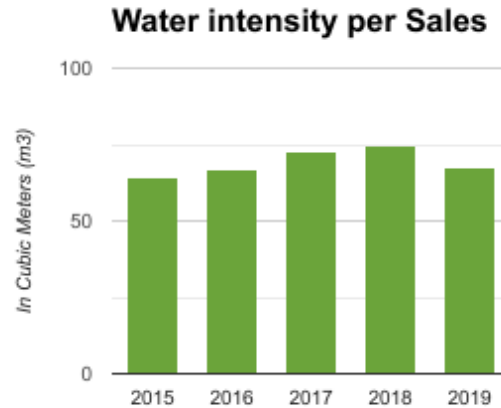
**Yes**

Sustainable Packaging

**Yes**

Publicly Disclosed Sustainable Supply Guidelines  
Encompassing ESG Area

**Yes**



Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Biodiversity Policy**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

## Human Rights & Well-Being

Just Capital - Workers (1-922)

**#13**

Just Capital - Customers (1-922)

**#116**

Just Capital - Communities (1-922)

**#106**

Fortune - Best Workplaces (1-100)

**#4**

Fortune - Best for Parents (1-50)

**#2**

Corporate Human Rights Benchmark (0-100)

**31.3**

Forbes Best World's Employers (1-500)

**#8**

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

Know The Chain Benchmark

**2016**

## Diversity, Equity, Inclusion and Justice

Equileap's 100 Gender Equality

**#90**

HRC Equality Index (100 points)

**100**

Women Employees

**26%**

Number of Women Executives

**5**

Number of Women on the Board

**4**

CEO Action for Diversity Pledge

**Signatory**

Best Places to Work - Women (1-75)

**#15**

Best Places to Work - Diversity (1-100)

**#2**

Women in Management

**21%**

Women Executives

**38%**

Women on the Board

**36%**

## Corporate Responsibility

Just Capital - Shareholders (1-922)

**#220**

Shareholder vote on management remuneration

**94.674%**

Community Spending (\$ USD millions)

**315**

Best Places to Work - Best Companies (1-50)

**#22**

Number of Employee Representatives on the Board

**0**

Total Corporate Foundation and Other Giving (\$ USD millions)

**408.8**

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)

- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100



## II. Research Narrative

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What else has our research process told us about how CISCO SYSTEMS conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

### Summary

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Founded in California in 1984, Cisco Systems is a large, global internet networking company with nearly half its workforce outside the US. In 2018, Cisco set a Science Based Target for greenhouse gas (GHG) emissions, and has made significant progress already, with more recent targets also set to try to lower the Scope 3 emissions of its suppliers. Cisco has also made meaningful efforts to reduce waste through refurbishing and actively recycling its products, and has time-bound commitments to reduce its use of virgin plastics and increase its use of recycled plastic resin. Cisco's CEO, Chuck Robbins, is a notable advocate for Corporate Social Responsibility. In 2020, the company made new diversity commitments, including expanding its representation of Black employees and executives, increasing the diversity of its suppliers, expanding its pay parity program to include analysis of promotions, stock and bonuses, and requiring its preferred suppliers to report their own workforce diversity statistics to Cisco. In 2021, Cisco and its foundation committed \$100 million in donations to fight climate change, and in 2020, the company committed \$200 million to diversity, equity, and inclusion efforts.

Cisco's commitments to increase the diversity of its workforce and leadership, and to advance racial justice more generally, came on the heels of multiple incidents that included objectionable comments made by multiple employees during a virtual, internal conference on race and diversity, a lawsuit alleging race discrimination based on an employee's Hindu caste, and a shareholder suit alleging Cisco was failing to meet its diversity commitments by not having any Black board members. Cisco's response has included firing employees who made objectionable comments, increasing its diversity commitments from both a financial and human resources perspective, and appointing a Black board member (as well as another woman), so that its eleven-member board now has four women and two people of color. Nevertheless, its workforce diversity statistics still have room for improvement, with 69% men and 49% whites in its most recent report on new hires.

## Products & Services

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Cisco Systems was founded in California in 1984 and considers itself the world leader in Internet networking.<sup>1</sup> The company currently produces products and technologies in the following categories: Switching; Next-Generation Network (NGN); Collaboration; Service Provider Video; Data Center; Wireless; Security; and Other Products.<sup>2</sup> In addition to its products, the company also provides a wide range of services.

Cisco employs over 77,000 people, with just under half working outside of the United States.<sup>3</sup> Approximately 28% of its employees are engineers engaged in research and development.<sup>4</sup> Cisco relies on contract manufacturers for all of its manufacturing needs. The company has created a comprehensive supplier code of conduct for all companies from which it purchases goods or services.

The social benefits of Cisco's products and services are straightforward. Cisco helps expand the reach, speed and capabilities of the internet, all of which potentially has secondary environmental and socio-economic benefits. The company is also increasingly focused on driving innovation in data security to protect against the ongoing cybersecurity threats towards networks, while protecting personal information and data.

## Environment

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Cisco's products play a role in addressing climate change by allowing other industries to become more efficient. A few examples of the company's technology in use include using videoconferencing to avoid business travel, saving energy by using building management systems, and reducing transportation emissions through smart logistics.

As a company, Cisco has focused several commitments on the greenhouse gas (GHG) emissions from its energy consumption, making the 2020 CDP A list for Climate Change<sup>5</sup> and setting a

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<sup>1</sup> [https://www.cisco.com/c/en\\_au/about/who-is-head.html](https://www.cisco.com/c/en_au/about/who-is-head.html)

<sup>2</sup> <https://investor.cisco.com/financial-information/sec-filings/sec-filings-details/default.aspx?FilingId=14377350>

<sup>3</sup> <https://investor.cisco.com/financial-information/sec-filings/sec-filings-details/default.aspx?FilingId=14377350>

<sup>4</sup> <https://investor.cisco.com/financial-information/sec-filings/sec-filings-details/default.aspx?FilingId=14377350>

<sup>5</sup> <https://www.cdp.net/en/companies/companies-scores>

Science-Based Target well below the 2C warming level in 2018.<sup>6</sup> Cisco had pledged to use electricity generated from renewables for 85% of global energy use in FY2020; the company achieved 100% renewables in the U.S. and parts of Europe, 60% in India, and 83% globally.<sup>7</sup> Cisco's GHG goal is to reduce Scope 1 & 2 emissions worldwide by 60% below a 2007 baseline by FY2022. The company has so far achieved a 55% reduction for FY2020, after five years working toward the goal.<sup>8</sup> Notably, Cisco says it does not rely on offsets to meet its emissions goals.<sup>9</sup>

Cisco also works with its suppliers to set their own public, absolute GHG emission reduction targets, in support of a goal of reducing supply-chain related Scope 3 emissions 30% by 2030 (compared to a 2019 baseline).<sup>10</sup> Currently 33% of Cisco suppliers have set greenhouse gas reduction targets, with Cisco working towards 80% of its suppliers having a reduction target by 2025.<sup>11</sup> In April 2021, the Cisco Foundation announced a 10-year commitment of \$100 million to address climate change by funding innovative solutions, community education and engagement initiatives.

Cisco has also made commitments to a more circular economy. For instance, Cisco is working to reduce use of virgin plastics 20% below a 2018 baseline, by FY2025. Cisco has incorporated greater use of recycled plastic resin and achieved a 26.1% reduction in FY2020, but does not consider the goal met because COVID-19 impacts largely drove these reductions.<sup>12</sup> The company does provide comprehensive end-of-life services for its equipment, by using a global network of recyclers to process products from customers, suppliers, and partners. Cisco states that whenever possible, it attempts to refurbish returned products for resale and reuse. Cisco states that very little of its returned product material is sent to landfills because its products are fully recyclable.<sup>13</sup>

## Management Integrity and Ethics

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Cisco has been led by CEO and Chairman Chuck Robbins since 2015. Mr Robbins has been with Cisco since 1997, serving as Senior Vice President of Worldwide Field Operations and Senior Vice President of the Americas, among other roles. During his tenure as CEO, Mr. Robbins has

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<sup>6</sup> <https://sciencebasedtargets.org/companies-taking-action#table>

<sup>7</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>8</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>9</sup>

<https://www.sdxcentral.com/articles/news/cisco-tables-carbon-offsets-focuses-environmental-strategy-elsewhere/2021/06/>

<sup>10</sup> <https://roadmap2030.ceres.org/companies-action>

<sup>11</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>12</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>13</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

advocated for greater regulation of the tech industry,<sup>14</sup> creating opportunities for the economically disadvantaged,<sup>15</sup> and integrating social responsibility into core corporate operations.

16

Cisco relies on its 30 employee resource organizations to support “full-sector diversity” at the company.<sup>17</sup> These resource organizations host professional development forums, targeted recruitment, and provide mentoring support for women, BIPOC, LGBT+, veterans, and many more groups and identities. Cisco especially targets sponsorship programs toward employee groups that are under-represented in Cisco’s current management demographics.<sup>18</sup> Cisco is also dedicated to increasing its share of diverse suppliers---currently 27% of all sourcing opportunities---by highlighting products sold by small or diverse-owned businesses in their procurement software.<sup>19</sup>

Cisco has 11 members on its board of directors, including four women and two people of color.<sup>20</sup> The company’s overall workforce is 71% male , with technical (83%) and managerial roles (75%) leaning more heavily male. Given Cisco’s professed dedication to offering greater opportunities to historically marginalized communities, its current U.S. workforce is overwhelmingly White (51.8%) and Asian (36.5%), with only 5.8% Latinx and 4.1% African American/Black. New hire demographics fare only slightly better: 69% male, 48.9% White, 34.7% Asian, 6.9% Latinx, and 5.9% African American/Black. Where Cisco demonstrates some commitment to gender diversity is in its executive leadership team, which is 40% female, up from 29% of its overall U.S. workforce.<sup>21</sup> As of 2021, Cisco also expanded its pay parity program to include analysis of promotions, stock and bonuses, and began requiring its preferred suppliers to report their own workforce diversity statistics to Cisco.<sup>22</sup>

Following the murder of George Floyd in 2020, Cisco said it would increase the representation of Black people in its employee base 25% through the manager level, and 75% at the director level and above.<sup>23</sup> The commitment also came after Cisco fired several employees for objectionable

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<sup>14</sup> <https://www.businessinsider.com/cisco-ceo-chuck-robbins-calls-for-federal-privacy-law-2019-2>

<sup>15</sup> <https://www.cnn.com/2019/01/23/perspectives/cisco-ceo-chuck-robbins-homelessness-poverty/index.html>

<sup>16</sup> <https://fortune.com/2018/10/15/cisco-ceo-chuck-robbins-csr/>

<sup>17</sup> [https://www.cisco.com/c/m/en\\_us/about/csr/esg-hub/impact-report/culture/inclusion.html](https://www.cisco.com/c/m/en_us/about/csr/esg-hub/impact-report/culture/inclusion.html)

<sup>18</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>19</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>20</sup> <https://investor.cisco.com/corporate-governance/board-of-directors/default.aspx>

<sup>21</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

22

<https://www.cnn.com/news/networking/cisco-diversity-plans-revealed-as-tech-giant-pledges-100m-to-further-social-justice-causes>

23

<https://www.marketwatch.com/story/after-controversy-cisco-commits-100-million-to-broad-social-justice-pledge-including-increasing-black-workers-and-leadership-11600873205>

comments made during a virtual company forum on race and diversity.<sup>24</sup> Also during the summer of 2020, Cisco and two employees were sued by California regulators alleging the employees harassed a lower-level employee based on his lower position in the Hindu caste system.<sup>25</sup> In September 2020, Cisco committed \$200 million to various racial justice efforts.<sup>26</sup>

During the COVID-19 pandemic, Cisco provided customers leniency in payment plans, including free extended trials, an up-front 90-day payment holiday that deferred 95% of new product costs until 2021, and \$2.5 billion in financing.<sup>27</sup> In 2020, Cisco donated \$458 million in cash and in-kind contributions to community programs by Cisco and the Cisco Foundation. Of these, \$313 million were in-kind donations to the Cisco Networking Academy,<sup>28</sup> which trains people to build networks using Cisco technology in partnership with educators, employers, and NGOs.<sup>29</sup> In addition to its philanthropic efforts, Cisco has been highly recognized for its good social standing and workplace culture, earning an MSCI AA ESG Rating in 2020,<sup>30</sup> achieving #4 on 3BL Media's 100 Best Corporate Citizens 2020,<sup>31</sup> #1 World's Best Workplace 2021 in Fortune's Great Place to Work,<sup>32</sup> and #1 in Gartner Supply Chain top 25 2020 report.<sup>33</sup>

Cisco is the subject of multiple patent infringement claims, with recent history suggesting most are likely to be resolved in Cisco's favor. The company has ultimately paid a partial judgment of \$28.1 million in a case brought in 2013 by SRI International, Inc., although it appears Cisco will not need to pay the remainder of the judgement based on a successful appeal.<sup>34</sup>

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<sup>24</sup> <https://www.bizjournals.com/sanjose/news/2020/07/17/cisco-fires-workers-racial-comments-diversity-race.html>

<sup>25</sup> <https://www.reuters.com/article/us-cisco-lawsuit/california-accuses-cisco-of-job-discrimination-based-on-indian-employees-caste-idUSKBN2423YE>

<sup>26</sup> <https://www.crn.com/news/networking/cisco-diversity-plans-revealed-as-tech-giant-pledges-100m-to-further-social-justice-causes?itc=refresh>

<sup>27</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>28</sup> [https://www.cisco.com/c/dam/m/en\\_us/about/csr/esg-hub/\\_pdf/csr-report-2020.pdf](https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf)

<sup>29</sup> <https://www.netacad.com/about-networking-academy>

<sup>30</sup> <https://www.msci.com/our-solutions/esg-investing/esg-ratings/esg-ratings-corporate-search-tool/issuer/cisco-systems-inc/IID000000002140399>

<sup>31</sup> <https://100best.3blmedia.com/>

<sup>32</sup> [https://www.greatplacetowork.com/best-workplaces-international/world-s-best-workplaces/2020?utm\\_source=AD&utm\\_medium=WEB&utm\\_campaign=7014R00001uWwEQU&utm\\_content=HP-Tile](https://www.greatplacetowork.com/best-workplaces-international/world-s-best-workplaces/2020?utm_source=AD&utm_medium=WEB&utm_campaign=7014R00001uWwEQU&utm_content=HP-Tile)

<sup>33</sup> <https://www.gartner.com/en/supply-chain/research/supply-chain-top-25>

<sup>34</sup> <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000858877/85ceb9b1-bb22-41de-8bf5-b42e62f38ebe.pdf>

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