

Building a Sustainable Supply Chain Management Strategy



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Agenda

Overview of Cisco and GSCM

Social Responsibility
and Suppliers

Challenges and Future Steps



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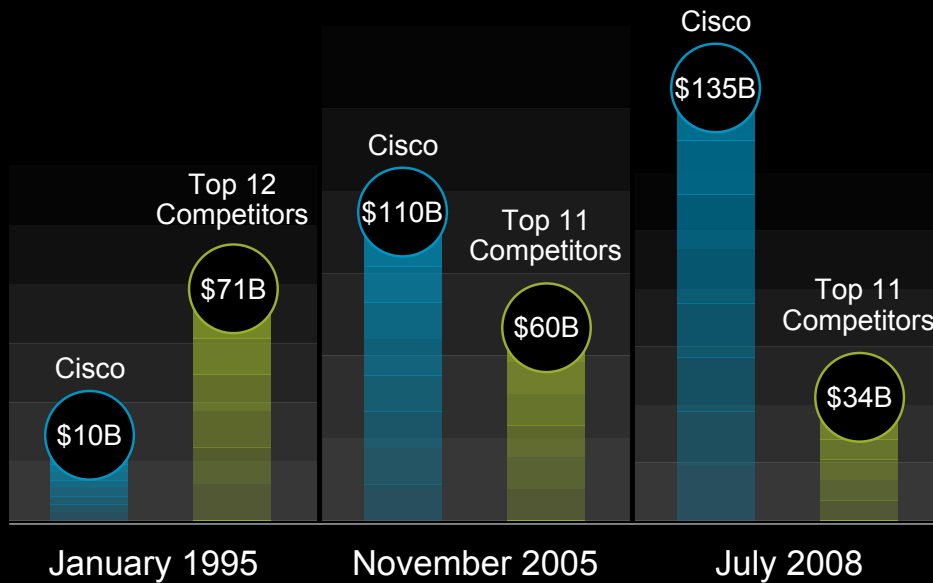
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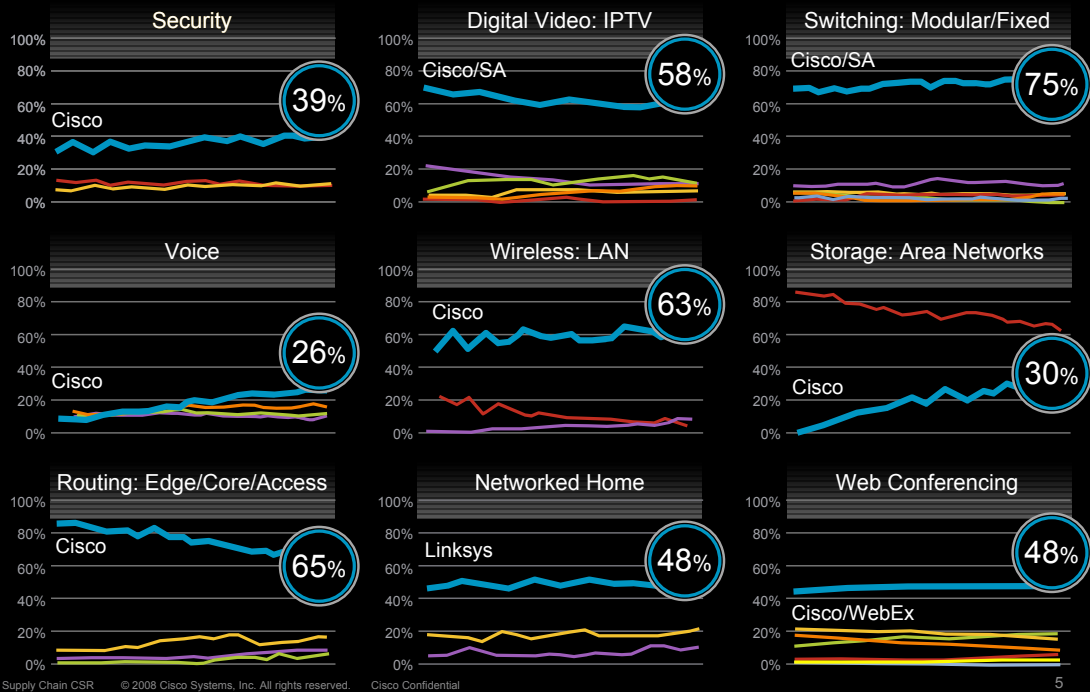
Challenges and Future Steps



Cisco Market Capitalization Leadership



Cisco Market Share Leadership



culture
employees

...are our competitive advantage



- 1/3 sales
- 1/3 engineering
- 1/6 service
- 1/6 other

65K
employees

140
countries

300+
offices

Global Supply Chain Management at Cisco

Team

- ~9,000 employees
- 50+ locations
- 17 countries
- 10 functional groups

Main Locations

Amsterdam, NE
Atlanta, GA
Austin and Richardson, TX
Boxborough, MA
Bangalore, Chennai, IN
Hong Kong, Shanghai PRC
Irvine, CA
Juarez, Mexico
Lausanne, SW
Penang, Malaysia
RTP, NC
San Jose, CA



Cisco's Complex Supply Chain



**Hybrid
Production
Model**



**Wide-range
of Products**
(from IP Phones
to CRSs)



**Most
Products Are
Configured
to Order**

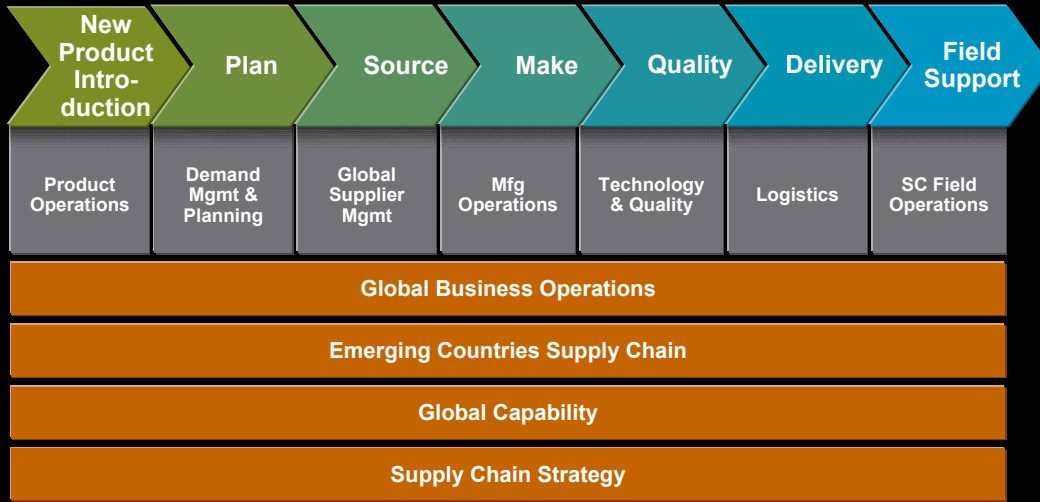


**Breadth of
Customers**
(Consumer to
Enterprise;
Global Markets)

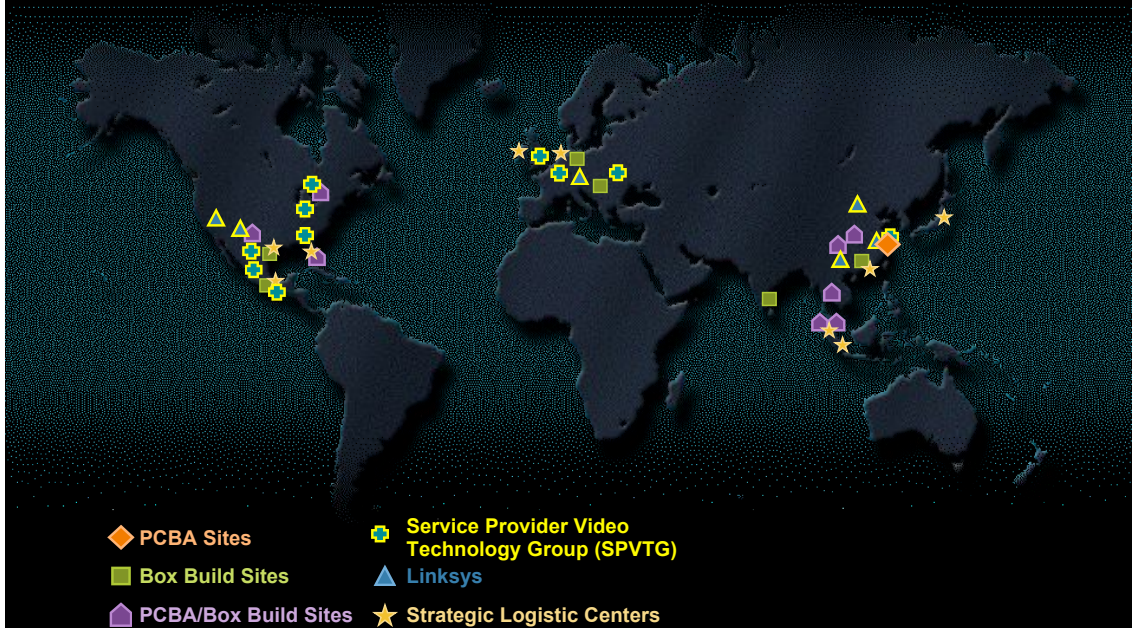


**Acquisition
Integration**
(130 to date)

Cisco Global Supply Chain Functions



Cisco Global Factory and Distribution Infrastructure



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Cisco's Commitment to Social Responsibility

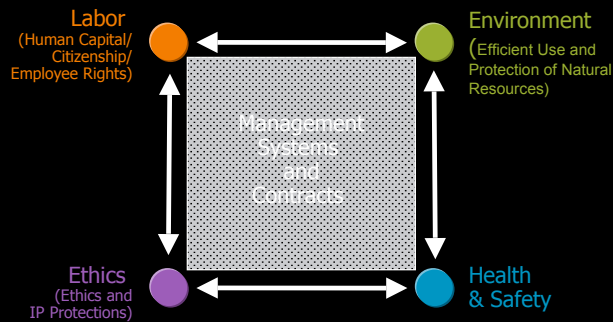
“Companies in today's global economy are not only accountable for the quality of their products and the profitability of their businesses, they also have an obligation to fulfill social and environmental commitments to their employees, customers, partners, and shareholders as well as to the communities in which they operate.”

John Chambers
President and CEO, Cisco Systems



A Model for Driving Social Responsibility Through the Supply Chain

- The are four 'pillars' to Cisco's supply chain social responsibility platform – Labor, Environment, Health and Safety and Ethics. These elements are tied together through management systems and contractual arrangements.



- Cisco communicates the principles behind these four pillars through its supplier code of conduct, which outline the companies expectations around these specific areas

Supplier Social Responsibility Alignment

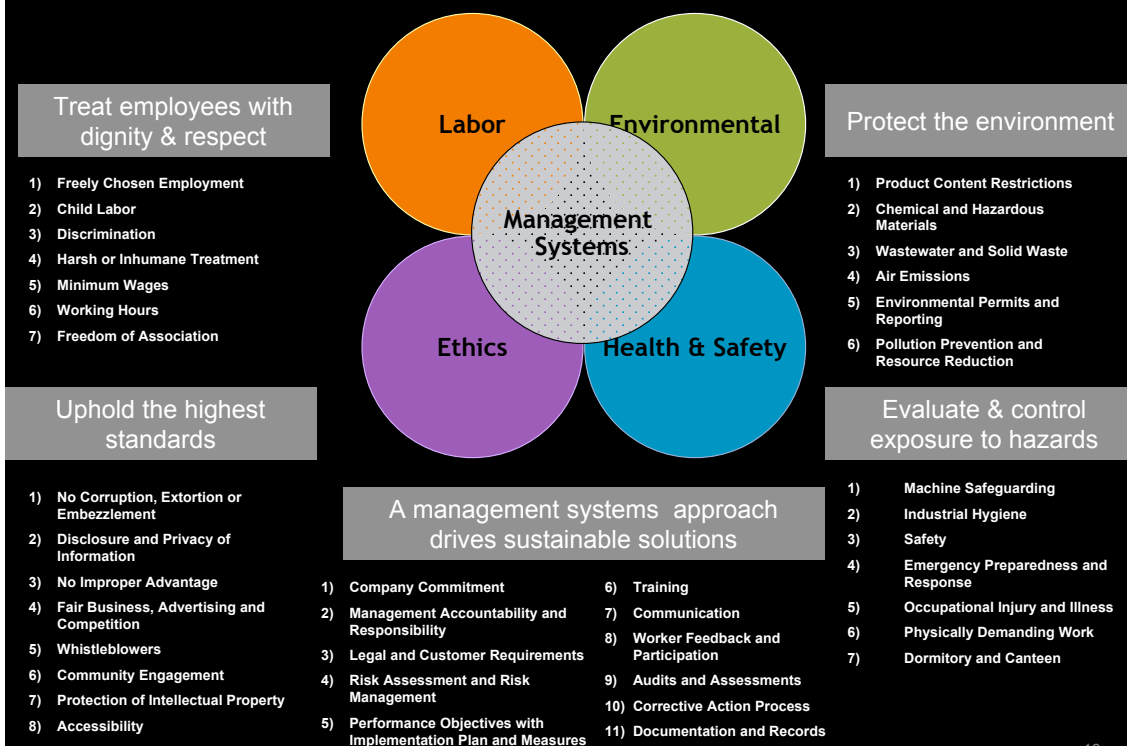
- Adopting the EICC Code of Conduct
- Referencing the Code of Conduct in contracts
- Flexible Audit Program: EICC supplier joint audits (China) + Cisco independent audits
- Integrating audit and corrective processes into supplier management orgs
- Encouraging, supporting & capturing supplier innovation in talent training and support of talent needs (e.g., mother's programs)
- Developing case study projects: supplier efficiency or worker education
- Participating in global initiatives to share best practices



EICC Membership (May 2008)



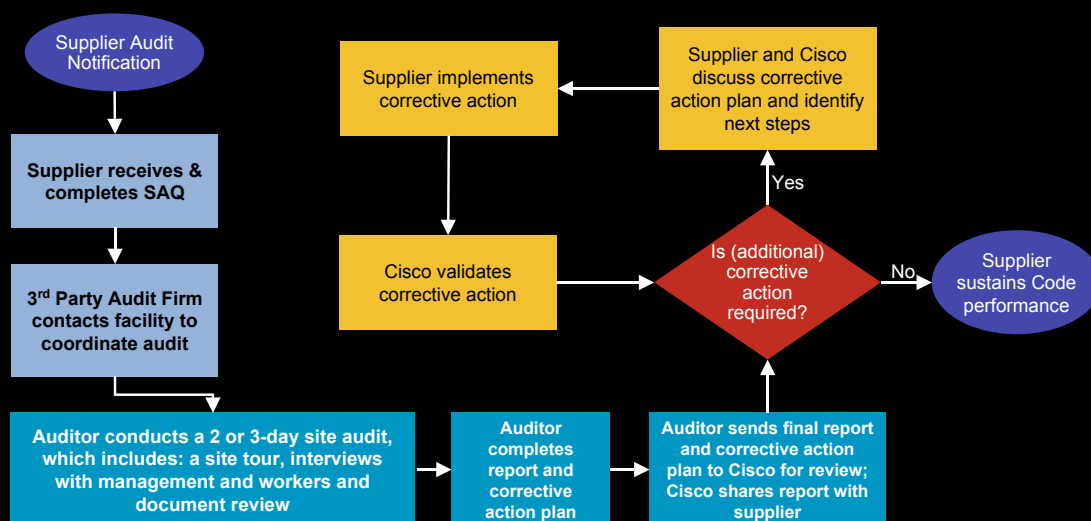
The Foundation - Cisco's Supplier Code of Conduct



Managing Compliance with the Code

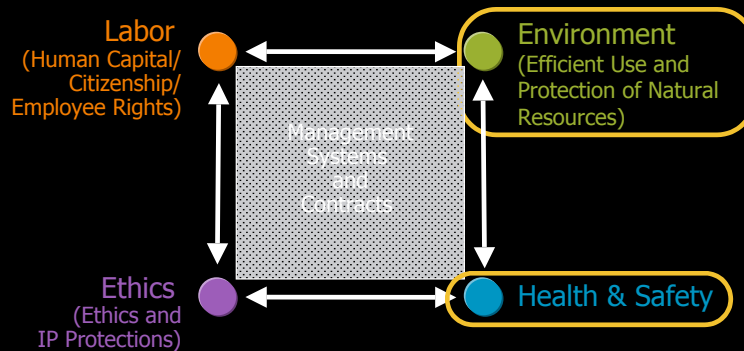
1. Acknowledgement by the supplier of the Code's tenets through our contract with that supplier and through Aravo supplier communication tool
2. Completion, by the supplier, of a "Self Assessment Questionnaire" (SAQ) that covers their internal programs around the elements of the code
3. Site audits of supplier facilities by a qualified 3rd party audit firm, to assess compliance with the elements of the code, determine if there are any significant issues at the facility and make recommendations for corrective action.

The Audit Process

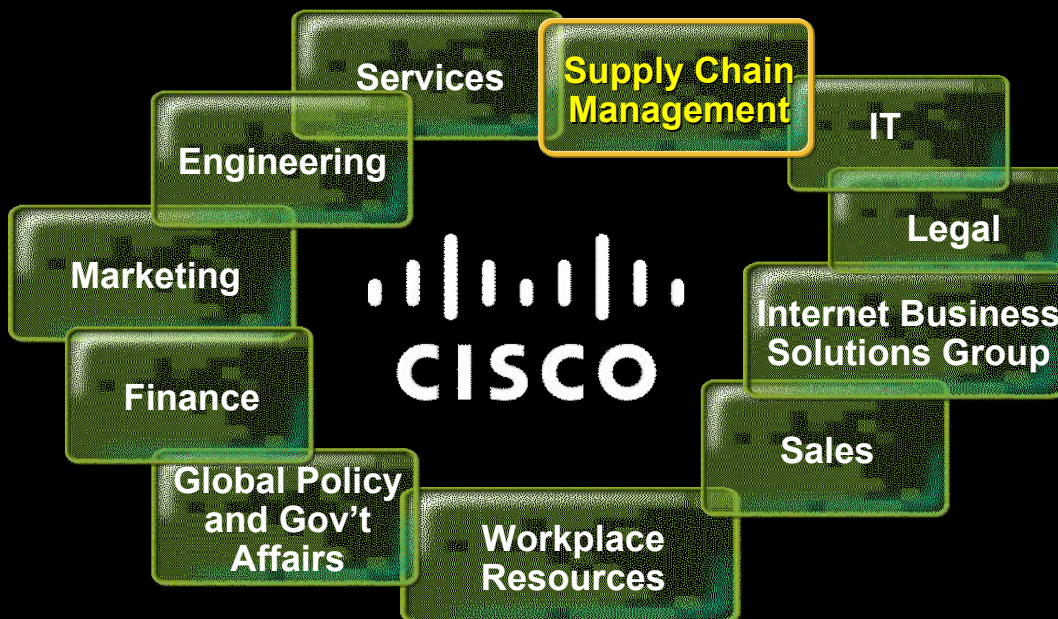


Environmental Responsibility: A Fundamental Tenet of Social Responsibility

Ensuring that all Cisco products can be sourced, manufactured and sold anywhere, any time in a **socially responsible** manner.



Assure Internal Alignment: Create a Forum—The Cisco EcoBoard



Cisco's Corporate Green Vision

Operations

Impacting how we operate as a **business**

Products

Creating **efficiencies** and **innovations** in our **products**

Architecture

Providing **solutions** to our **customers** to address global environmental issues

Employees

Inspiring our **employees** to get involved and take action

Cisco's Green Supply Chain Strategy

Create/influence efficiencies & innovation across the supply chain

Provide green solutions for our customers

Impact how the virtual supply chain operates

Motivate our suppliers to take action

= "A Plan"

Identifying Our Priorities

Identify The Key Impactors



Holistic View - Led to the "Big Impactors"



Product Innovation: TelePresence = Business Transformation



- Accelerated decision making
- Improved customer intimacy
- Improved cross-cultural productivity
- Accelerated growth/speed to market
- Business continuity
- Optimize scarce expertise
- **Green Supply Chain**
- **Supply chain collaboration**

Cisco TelePresence Global Deployment Plan – 120 Systems



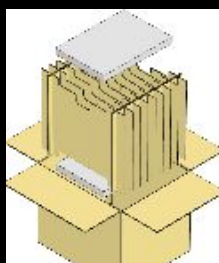
Cisco's Goals

- Change business models
- Improve productivity—faster decisions
- Scale expertise
- Competitive advantage
- **Reduce emissions**
- Reduce expenses
- Cut travel
- ROI expected within one year

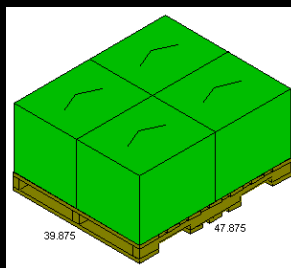
Green Supply Chain Success Story: Land Use/Waste—Packaging Reduction Pilot

Goal	Waste Reduction & Manufacturing Efficiency
	Reduce environmental impact through high efficiency packaging solution!
Plan for Success	<ul style="list-style-type: none"> ▪ Select high impact products & design reduced packaging (dense-pack) w/easy to recycle materials ▪ Identify optimal unit quantity per container/Run trial
Savings	<ul style="list-style-type: none"> ▪ 299 lbs. packaging/freight, 5 pallets ▪ 13 ft. floor space ▪ 1 receiving touch and avoids 59 excess accessory kits

Green Supply Chain Success Story: Land Use/Waste—Packaging Reduction

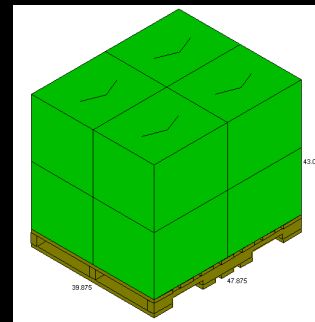


7 units in a box plus Accy Kit



4 boxes = 28 units

Maximized Units Per Pallet
 7 units per box
 8 boxes per pallet
 56 units per pallet



2 layers = 8 boxes
 8 boxes = 56 units

Cartons can be single or double stacked per shipping pallet.

Other Ways to Look at Packaging Reduction

Reduced thickness of chassis bags

Saves 300,000 lbs of plastic, enough to cover **292** football fields



Reduced printed docs in product boxes

Saves 7,500 ft of 8.5x11 paper...



...and enables smaller memory boxes



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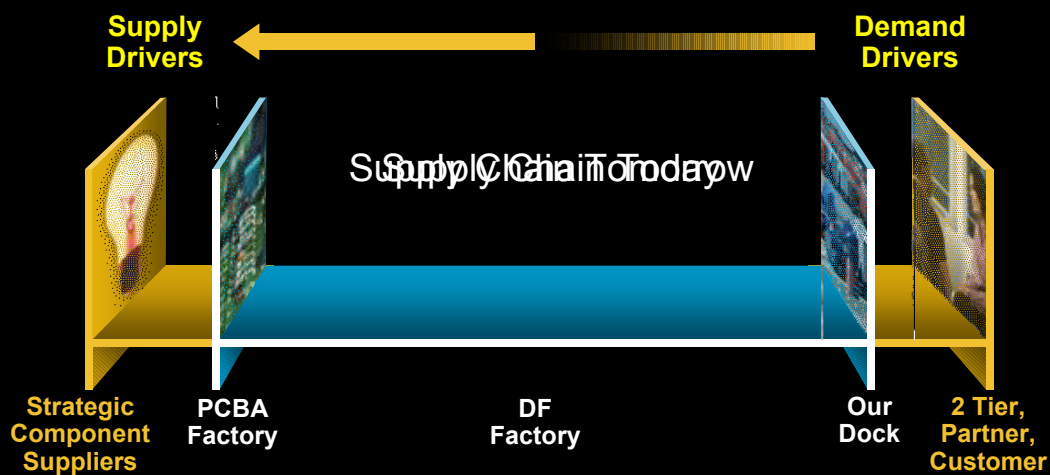


Challenges of Integrating SR and Supply Chain Management

- Questions of ownership / responsibility for specific findings
- Points of leverage with supply base
- Competing with other business objectives/metrics
- Cultural issues play a big part in what we can enforce/change
- Challenging for all companies with complex supply chains



Additional Challenges: Extending the Supply Chain



Lean, Quality, Transformational Execution are Key Enablers

Future Steps

- Integrate CSR metrics into Quarterly Business Reviews
- Develop a detailed environmental footprint of our CMs and key suppliers
- Get all supplier managers to be the front end on managing these issues
- Goal is to move from auditing/compliance to capacity building and continuous improvement

