

# Keynote: Achieving Net Zero Across Cisco's Value Chain



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We have gone through the Science Based Targets initiative (SBTi) certification process. There are a lot of requirements and one of them is achieving a 90% emissions reduction as part of your net-zero goal. You can't just buy your way out of this target by purchasing carbon offsets. That's, frankly, a good thing because it forces companies to really focus on the key changes they have to make to their businesses. They need to look at where they are emitting and how to reduce those emissions, as opposed to just offsetting them.

Another requirement concerns near- and long-term targets. In the near term, you have to set a target between five and ten years out that covers 95% of your Scope 1 and 2 emissions, and about two-thirds of your Scope 3 emissions, in line with a 1.5°C pathway—so very ambitious.

Additionally, you need to set a longer-term goal that covers 95% of Scope 1 and 2 emissions and 90% of your Scope 3 emissions. You must also commit to removing any residual emissions beyond 90% by 2050, again aligned with a 1.5°C pathway.

Cisco chose to follow SBTi's Corporate Net-Zero Standard because we desired third-party verification of our goals. There are hundreds of net-zero initiatives, which we thought all looked a bit different. Some were very comprehensive and covered Scopes 1 through 3 while others only encompassed a portion of Scope 3 emissions. We wanted to approach net zero with an aggressive goal backed by a third party.

We began our SBTi process in January 2021. This is the fourth goal-setting

process I've been involved with in my 15 years at Cisco so we had to build a strong business case. We were getting pressure from our internal stakeholders, including our employees and sales teams, as well as our customers to update our goals and increase their aggressiveness. We kept getting asked why we didn't have a net-zero target. We had to slow things down and explain that we weren't ready to set one. We were only reporting on a few Scope 3 categories,

so had to take a step back to ensure we were strong on Scopes 1 and 2 before understanding Scope 3.

We hired a good consultant that took a deep dive into all of our Scope 1, 2 and 3 calculation methodologies. Everything looked good overall but we did make revisions and updates to our numbers and metrics. That provided us with a better sense of where we were from an emissions perspective. From there, we were able to project out under a business-as-usual scenario, as well as a number of other scenarios. We looked at how pulling different levers could reduce our emissions, knowing that we had to achieve that 90% reduction to stay in line with the SBTi net-zero standard.

We built a robust analysis and forecasting model around our Scope 1 through 3 emissions, including different views to ensure alignment across the company. In the end, we were able to get good buy-in, settling on our near- and long-term goals.

We presented that internally and got executive buy-in.

We publicly announced our goals in September of 2021, so the process took about nine months from start to finish. Then, we took it through the SBTi process. We submitted our application in late December and it took about six months to go through SBTi approval. It actually took a couple of months just

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to get somebody from SBTi assigned to us. They have hundreds of applications right now, so definitely keep that delay in mind. This December, we'll release our first ESG report showing progress against our new net-zero goal.

Taking a step back, I want to talk about Cisco's emissions. Scope 3 is huge for us, it's 99% of our portfolio. Breaking it down, there are 15 categories of Scope 3. For us, category 11, the use of sold goods, is about three-quarters of our Scope 3 emissions, so it's the biggest challenge for us. We sell a lot of products, a lot of gear that plugs into our customer's electric grid and, as a result, releases a lot of emissions. So that's three-quarters of our challenge. The next 20% comes from our supply chain. We contract out our supply chain manufacturing and we also do a lot of indirect procurement. The other 13 or 14 categories represent 3% or 4%. Then Scope 1 and 2 are the last percent. Our big focus will be on those two big Scope 3 categories over the next 15 years. That's going to be the biggest challenge for Cisco.

Despite the fact that Scope 1 and 2 are only 1% of our emissions, we have a very robust strategy to achieve our Scope 1 and 2 goals. Everything we do to address these emissions is what our customers and suppliers need to do for their operations. If they can replicate some of what we are doing, that will help us towards achieving our Scope 3 goal as well. Renewable electricity is a huge part of our strategy. Clean zero-emission power will get us about 75% of the way toward our reduction goal for Scope 1 and 2 and will take us quite a way toward our Scope 3 goal. At Cisco, we're focusing a lot of effort on renewable energy. We've installed onsite solar – we've done quite a few megawatts and we hope to triple that over the next three years. We're also ramping up our procurement of renewables through offsite mechanisms like VPPAs and green tariffs and are looking to triple the amount of contracts that drive new, renewable energy capacity to the grid by FY25. 🌍

