

To: Mark Chandler and Laura Graves  
From: Jing Zhao and Morton Sklar  
Date: March 16, 2011

Subject: Follow-up Working Group Meetings

We look forward to working with you in the coming months to implement your suggestion at our meeting on March 14, 2011 to convene a series of working group sessions with us and key Company officials at your headquarters, beginning in late April or early May, with the goal of developing concrete institutional improvements in a number of areas of direct relevance to human rights, based on the concerns and issues that we have been discussing over the past several months. These include:

- developing more specific code of conduct standards;
- formulating risk assessment procedures to help identify and prevent potential negative human rights impacts of company policies and actions;
- working to improve the scope of coverage and description of the human rights portions of the Company's annual Social Responsibility Reports and other methods used to convey Company policies affecting human rights to the public and the human rights community; and,
- identifying a more formal and institutionalized set of procedures for dealing with human rights complaints, and possible violations of human rights code of conduct standards.

As discussed, our role will be to provide helpful input and insights to assist you in developing a more systemic capacity to deal with these issues in a more effective way, to promote effective attention to human rights concerns, and to help improve the way these issues are conveyed to, and understood by, the public. As Mr. Chandler emphasized twice at the end of our meeting, our mutual efforts will stress the importance of identifying and addressing "gaps in the system" and "process deficiencies," as part of the process of producing institutional improvements, not just improving how information about the Company's human rights policies and actions are communicated to the public.

We have given some thought to how we can make our first meeting especially useful for you, and have come up with a number of specific ideas on the types of information that is needed to facilitate more informed and more effective discussions on each of the topics we will be tackling. We hope you will be able to send us this information to us in advance of the first session. For our part, we will work on identifying and providing to you in advance some key issues and suggestions that you may want to think about addressing as part of our work together. The information we are requesting that is listed below reflects some of the concrete suggestions we hope to discuss, listed under each of the issue areas to be covered. We hope this will provide you, on a preliminary basis, with some ideas to consider that might help to provide a foundation and a direction for our

discussions. Please keep in mind that these very initial ideas have been put together very quickly, based solely on the discussions we have had in our two prior meetings, and without the benefit of further information and input from you. We can provide a much more thorough and effective analysis, and come up with more useful insights and suggestions, with your help, during the course of the working group discussions that you have proposed:

## **1. Code of Conduct Standards**

The existing articulation of the Company's Code of Conduct standards as they relate to human rights is very brief and very general, and does not provide a clear and persuasive picture of what Cisco's commitment to human rights means, and how it will be applied. The standards must be articulated more clearly and specifically if they are to be understood, and if they are to provide the guidance that is needed to promote human rights values effectively.

### ***Questions and Additional Information Needs:***

a. Recognizing the difficulty and undesirability of trying to develop standards that may be too detailed and complex, but also recognizing the need to provide clear and sufficient guidance, and the companion need of effectively conveying the Company's strong commitment to human rights values, is there a reason why some additional and more specific standards can not be adopted?

b. The existing Code as described in the Social Responsibility Report stipulates that the human rights standards embodied in the Universal Declaration of Human Rights and in the United Nation's Global Compact are accepted and followed by the Company as the basis for human rights policies. Would it make sense to similarly express support for, and adherence to, the Code of Conduct adopted by the Global Network Internet Initiative, while noting that Cisco is not a formal member of that consortium?

c. What additional standards could be considered that would advance the goal of articulating the Company's commitment to human rights observance more clearly without attempting to make the guidance too complex and all-encompassing? [We will try to provide you with a few examples to review and discuss at our first working group meeting.]

d. Should clearer human rights guidance be articulated in separate set of standards for Human Rights observance, either set out as a independent document, or incorporated into the more general Code of Conduct focused on a much broader range of ethical issues and situations.

## **2. Human Rights Risk Assessment Procedures**

During the course of our initial discussions, if we understood your comments correctly, you indicated that there are two methods currently used to allow the Company to assess potential human rights problems and issues, and to avoid potential difficulties.

At our second meeting you mentioned some type of internal process of review by high-level officials. At our March 14 meeting you also indicated that an attorney with the General Counsel's Office was given the task of passing judgment on each planned sale or action that might involve what you referred to as "ambiguity" regarding the appropriateness of the course of action being proposed.

The concern we raised when both of these procedures were described was that they appeared to operate on something of an *ad hoc* basis that did not provide the type of institutionalized system of risk assessment that is called for and recommended by the U.S. Department of Commerce Compliance Manual, and that provides an effective, on-going system for identifying and preventing potential problems in advance. Having such a system in place, and describing it clearly to stakeholders, will go a long way towards establishing credibility for the Company's human rights efforts.

**Questions and Additional Information Needs:**

a. Can you provide us with a more complete and accurate description of the present risk assessment systems or approaches that you are using, including details on when and how they operate, so that we can jointly come up with some suggestions for improving and institutionalizing the system, and describing it to the public in a more effective way? [Note: The presence of an improved and more institutionalized risk assessment system can be an important part of the revised Social Responsibility Report's Human Rights Section, and also a key method for responding to human rights concerns that are raised in particular cases by describing the risk assessment procedures that took place, and why they concluded that a particular proposed policy or action met human rights standards.]

b. What potential human rights related problems or issues are emerging currently, or are anticipated as possibly emerging in the near future? Can you identify one or more potential areas of concern for our consideration and discussion regarding Company sales, policies or actions that deserve advance analysis for human rights risk assessment purposes? These may be country specific, or tied to specific types of products and uses, or related to more general questions and concerns that raise red flags, such as the one you raised at our March 14 meeting concerning the issue of how to deal with the problem of repressive governments attempting to "pull the plug" on various methods of electronic communications, and how Cisco might constructively deal with those actions?

**3. Social Responsibility Reports Human Rights Section**

Past reports, including the 2010 version that you indicated would have a much more substantial human rights component, have very little to say of substance about human rights, and about the way the Company has acted consistent with its commitment to human rights values. This is especially true in comparison with the treatment given to environmental concerns, which are examined and explained in considerably greater detail. The goal should be to give greater content and specificity to how the Company deals with human rights concerns on a regular, systematic and effective basis, and makes its commitment to human rights realistic and meaningful. One example of the type

of improvement that can be made is mentioned in the above section dealing with the human rights risk assessment capability. A description of an effective and transparent set of human rights risk assessment procedures can go a long way towards explaining why the Company's commitment to human rights should be taken seriously. The same can be said about the adoption and presence of a more detailed and forthright Code of Conduct that includes clearer and more specific human rights standards, and an effective, institutionalized system for dealing with complaints and problems that may be raised (see section 4, below). Another example of the type of material that would be useful to add to the SRR relates to the powerful examples being provided by recent developments in Egypt and other Middle Eastern nations, of the significant contribution that free, open and protected electronic communications can make to the emergence of democratic institutions and the protection of human rights in the developing world.

***Questions and Additional Information Needs:***

- a. How do Cisco's products and policies contribute to the rapidly evolving human rights and democracy movement in the developing world?
- b. List the various ways that Cisco has contributed materially to the advancement of human rights. You mentioned the recent Secretary of State's Award for Corporate Excellence to Cisco for its innovative support for development of IT capability and services in the Palestinian community. How about Cisco's serving as primary sponsor of the Nobel Peace Prize commemoration this past December for Nobel Laureate and imprisoned Chinese dissident Liu Xiaobo? What other accomplishments can be identified along these lines?
- c. What are some of the other recent human rights problems and issues that have been emerging that Cisco has been handling in a responsive and responsible way?
- d. What are the mechanisms that Cisco can cite that demonstrate its ability to deal with human rights concerns effectively? [Cite to specific improvements in the code of conduct standards and in the risk assessment mechanisms that we have proposed, and how those systems demonstrate Cisco's commitment to deal with human rights concerns in a forthright and effective way. Cite also to specific case studies where the process has worked effectively.]

**4. Complaint Procedures**

The complaint system that is described in the 2010 Social Responsibility Report appears to be (or is described as being) primarily focused on internal cases and problems involving code of ethics violations by Company personnel or trading partners, and is not dedicated to human rights concerns in the broader context. Nor is much specificity provided on the way the complaint process operates. We need to find a way to describe much more effectively how the complaint process encompasses other types of potential violations, such as human rights abuses by Cisco customers and foreign governments that may involve Cisco's products or actions in some way. This probably means the

adoption of a more organized way of dealing with human rights complaints and concerns -- the development and articulation of specific procedures and mechanisms for receiving and processing these complaints. We have mentioned the establishment of a human rights ombudsman's office. There may be other approaches that can be considered.

***Questions and Additional Information Needs:***

a. How are complaints/concerns/problems that raise human rights issues presently handled within the corporate structure? Is there any official or office responsible for receiving, processing, investigating and resolving these complaints?

b. Is it most useful and effective for human rights complaints to be handled as part of the broader ethics complaint process, or through a more dedicated system targeted specifically and exclusively to human rights matters? If a specialized human rights complaint system is to be set up, where would the most effective place be for it to operate?

c. Is the appointment of a human rights ombudsman for the Company a feasible approach? Are there other suitable alternatives that could be considered?

***CONCLUSION***

Again, we would emphasize that these initial thoughts, questions and suggestions are only very fast first takes on the joint analytical brainstorming process that you have suggested we pursue in a more targeted way. They are not designed to be definitive, but as suggestions to serve as a starting point for our work together. Their content and value to Cisco can only increase and become more focused as we begin a more informed and open evaluation of each of these elements of institutional improvement, and of other areas of need that we may jointly identify as a result of our further discussions. We look forward to beginning this process with the appropriate officials of Cisco in each of the identified areas in late April or early May. We can meet separately with each appropriate "working group" dealing with each identified area of need, or together in one large group, as you see fit. Our suggestion would be to break out the discussions into separate parts along the lines set out in this work plan. We would be able to devote a full day to the process, especially if separate issue area meetings are required. Proposed dates for the first working session that would be most suitable for us would be April 22, 25 or 29, or May 2 or 6. As noted at the March 14 meeting, Morton has plans for a foreign trip in mid-May through June, and will not be available during that period.