# Cisco Corporate Citizenship Report

Cisco Systems, Inc. 2006  Executive Summary

## About This Report

This print and PDF version is a summary of the full report, which can be found online at **www.cisco.com/go/citizenship**. Visit the complete online report to find the Global Reporting Initiative (GRI) standard cross reference and an easy-to-search format.

This report addresses stakeholder concerns for our citizenship governance practices and describes our commitment to our employees, the environment, and society. It reflects our thinking and progress to date on the issues that affect the sustainability and health of our business and society, and describes the tangible benefits of our citizenship activities.

It covers key social and environmental performance information for fiscal year 2006 (FY2006) for Cisco®, excluding our Scientific Atlanta and Linksys® subsidiaries. All currency references are represented in U.S. dollars unless otherwise indicated.

We have prepared this report with the guidance of current GRI guidelines; the United Nations Global Compact; and feedback from our employees, shareholders, customers, partners, and the community of nongovernmental organizations (NGOs).

We believe that this information is a faithful representation of our business operations, presented in the context of our social and economic responsibility to our employees, shareholders, customers, partners, and the communities in which we operate.

## Letter from the President and CEO
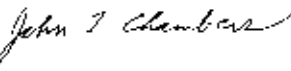
### Responsibility and Dedication

Technology is perhaps the most significant change agent in the world today. Our technology promotes collaboration as well as the communication of ideas and information to run businesses, modernize governments, support education, and stimulate economic development. The spirit of our company vision, "Changing the way the world works, lives, plays, and learns," is present in all of our engagements as a global business leader and as a corporate citizen.

From a business standpoint, we are dedicated to listening to the needs of our customers, employees, partners, and shareholders. From a social standpoint, our strategic partnerships and investments are designed to maximize positive social impact by using technology as a platform for social and economic change. From an environmental standpoint, we are striving to improve our energy efficiency, cut our emissions, and increase the recyclability of our products.

At Cisco we strive to meet these goals in ways both large and small. Large-scale initiatives coupled with individual innovations, shape and drive the evolution of our social programs. Some examples of our progress this past year include the following:

- Collaborating with Lawrence Berkeley National Laboratory to research innovations in product design for energy efficiency.

- Managing e-waste by designing our products for longer life and by recovering and recycling equipment in an environmentally sound manner.

- Reducing our environmental footprint through green building design, energy monitoring, and renewable energy procurement.

- Designing products that are accessible to people with special needs. In May 2006, Cisco received the Helen Keller Achievement Award from the American Foundation for the Blind in recognition of our industry leadership in making products accessible to people with vision loss.

- Contributing to safer and healthier communities by investing in education, from our Global Education Initiative in partnership with the World Economic Forum to our 21st Century Schools investment program in Mississippi and Louisiana.

At Cisco we believe that corporations have a responsibility to consider the broader effects of their operations on the communities in which they do business. Cisco's citizenship practices demonstrate our culture of giving back, our commitment to social responsibility, and our understanding that our actions improve the health of our business as well as the health of the global community.

*John T. Chambers*

John T. Chambers
President and Chief Executive Officer

"Corporate citizenship improves the health of our business as well as the health of the global community."

John T. Chambers, President and CEO

## Letter from the Chairman

### Cisco's Legacy to Society

Being a good corporate citizen and giving back to the communities in which we work, live, play, and learn is integral to our company culture. We have maintained this commitment through three generations of corporate leadership: from co-founder Sandy Lerner, to me, to John Chambers.

As I look back on our accomplishments and the legacy that we leave behind, I am proud of our commitment.

Our employees' involvement with East Palo Alto's Costaña school, near our first headquarters, seeded our corporate volunteerism and it has continued in the recent efforts of Cisco Leadership Fellows and crisis relief volunteers in the Gulf Coast area of the United States.
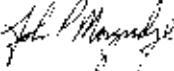
The growth of the Cisco Systems® Foundation, created in 1997 with an endowment of $64 million, laid the groundwork for a long-term, focused philanthropic effort. The endowment has since grown to more than $150 million and provides a stable investment base for the Foundation. In this past year, we invested $500,000 from the endowment in MicroVest, which will fund microfinance institutions which in turn support the entrepreneurial poor throughout Latin America, Eastern Europe, and Asia.

In 1997, we also started the Cisco Networking Academy® Program, which now brings technology education to more than 430,000 students per year in more than 165 countries. Our experience with the Networking Academy program has contributed to the success of educational projects with the World Economic Forum's Global Education Initiative, the World Health Organization's Health Academy, and the United Nations Least-Developed Countries Initiative.

From our earliest days, we have believed at Cisco that doing good will always contribute to doing well. We have understood all along that a successful business should provide both business and social benefits.

We've learned through the years that by connecting with our communities in need, whether local, regional, or global, we can create a cascading effect in which even the smallest act has an incremental effect on the whole. Every contribution we make builds upon our previous contributions to create a different kind of "network effect."

I am proud of Cisco's philanthropic legacy, because it's one in which we contribute and care for our global communities not just as a company but also as individual members of the community. I am proud that we have empowered our employees to be part of that effort, and that it is their efforts that constitute the progress and the achievements in this 2006 Citizenship Report.

*John P. Morgridge*

John P. Morgridge
Chairman of the Board

"Giving back to the communities in which we work, live, play, and learn is integral to our company culture."

John P. Morgridge, Chairman of the Board

# Cisco and Citizenship



## An integral part of Cisco's business strategy is strong corporate citizenship.

Responsible business practices help ensure accountability, business sustainability, and commitment to environmentally conscious operations and products. Social investments built upon partnerships with local organizations positively impact recipient communities around the world. As an expression of our company values and beliefs, these activities are designed to build trust in our company, empower our employees, and benefit the global community.

### Citizenship Governance

Cisco has two groups responsible for the governance of our citizenship efforts:

*Citizenship Council*: This team has overarching responsibility for advising on Cisco's citizenship strategy and performance. The council works with business units to address relevant issues relating to citizenship, monitors Cisco's corporate responsibility programs on an ongoing basis, and advises the company on the disclosure and transparency of information relating to its corporate responsibility.

*Stewardship Council*: This cross-functional leadership team has operational responsibility. It focuses on integrating environmental, accessibility, and social accountability in Cisco operations and culture by aligning initiatives across the company, developing our compliance framework, and enforcing decisions.

### Listening to Stakeholders

At Cisco, we engage with a wide range of stakeholders, including our employees, customers, investors, governments, and communities. Much of this engagement takes place as part of normal business practice, but we also solicit feedback from stakeholders specifically on issues relating to our corporate citizenship activities.

These dialogues with our internal and external stakeholders:

· Improve our understanding of how Cisco is perceived

· Help us evaluate stakeholder satisfaction

· Strengthen our citizenship programs

· Allow us to identify important issues to address

### Internal Stakeholder Feedback

In July 2006, Cisco surveyed a sample of employees about issues specifically relating to corporate citizenship. Overall, employees view Cisco as a company committed to responsible business practices and giving back to the communities in which we operate. In fact, a large majority of survey respondents believe Cisco is above average or a leader in corporate citizenship among companies worldwide.

### External Stakeholder Feedback

Throughout FY2006, we spoke with external stakeholders, including investors, customers, strategic alliance partners, and representatives of nongovernmental organizations and governments, both individually and at industry-related meetings and conferences.

Most external stakeholders view Cisco as a responsible company and a strong performer in citizenship issues. Stakeholders encourage Cisco to play a leadership role in emerging issues, whether social, political, or economic, and show how our company anticipates how these trends will affect our future business.

Stakeholders consistently identify the following four areas as important for Cisco's business and the information and communications technology sector:

- Energy: Decreasing products' energy use, monitoring greenhouse gas emissions

- Responsible content use: Ensuring customer privacy, preventing human rights violations through abuse of data

- Inclusiveness: Making products accessible to disabled and lower-income groups, working toward bridging economic and social divides

- Waste and material composition of equipment: Recycling and recovery of hazardous waste

### Emerging Issues

The emerging issues of today spark discussions and debates that hinge on defining the boundaries of corporations' roles, responsibilities, and governance. Cisco is engaged in conversations to both map and explore the scope of the issues, and the boundaries of what responsible corporations can and should do.

Our stakeholders have asked us to report our current positions on the following issues: Internet neutrality, privacy, and human rights.

### Issue: Internet Neutrality

Cisco has long supported an open and innovative Internet. Many of the Internet's benefits come from its open nature and the ability of anyone to develop new devices and services that connect to it. Such innovation has created entirely new industries and has fostered competitive markets in Internet applications and equipment.

Recognizing these advantages, Cisco helped produce the High Tech Broadband Coalition's Connectivity Principles in 2003, which were embodied in the U.S. Federal Communication Commission (FCC) Policy Statement of 2005. This policy protects consumers and their ability to use the Internet in an open fashion, and Cisco supports these principles.

### Cisco's Position: Regulate Only If Problems Occur, Not Before

In recent years, telecommunications regulation has had a difficult time keeping up with changes in technology and markets. Imposing specific Internet neutrality rules to address future hypothetical problems would only compound the problem. Rather, the FCC has taken the appropriate path by setting forth principles and indicating that it will take enforcement action in the event that problems arise.

Cisco supports FCC action on a case-by-case basis; that is, only if and when it is faced with a specific complaint with respect to the Connectivity Principles or related anticompetitive behavior.

### Issue: Privacy

In the information age, sensitive and confidential data is routinely stored in or transmitted across computer networks. Online businesses often collect and use data to maximize consumers' online experience and options. For example, online booksellers can collect data to make reading recommendations; online advertisers can use data to offer consumers coupons for products they use; and online media sites can collect data to allow visitors to customize the news they receive.

While all businesses must maintain consumer trust to succeed, Internet businesses that maintain virtual interaction with consumers are particularly dependent on consumer confidence. Without trust in the integrity of electronic transactions, consumers will be hesitant to use online services and e-commerce, and companies may not achieve the benefits of online interactions.

### Cisco's Position: Consumer Trust Is Critical

A core component of Cisco's business is creating products that protect data. We understand the data protection challenges that our global customers face and we deliver innovative solutions to meet their needs. Cisco's values and its technology are combined in our own operations to protect our employee, customer, and business data.

Consumer trust and confidence is critical to Cisco's business and to any technology- or Internet-related business; as a result, the industry must protect citizens' privacy. Cisco constantly reviews and improves its own privacy policy. While our online privacy statement describes how we treat private information, we actively engage stakeholders to understand their views about collecting, using, and protecting personal and private information. Our objective is not only to meet the legal requirements for managing private information, but also to understand the attitudes and expectations of our stakeholders on privacy and security issues related to our business. By engaging our stakeholders in this way, we can adjust our policies and practices for managing these issues as the environment and expectations change.



### Issue: Internet Use and Human Rights

Cisco does not in any way participate in the censorship of information by governments. Moreover, Cisco complies with all U.S. government regulations that prohibit the sale of our products to certain destinations or to users who misuse our products or resell them to prohibited users.

Some countries have chosen, as a matter of national policy, to restrict or limit access to information on the Internet to their citizens. Functionality inherent in Cisco equipment, such as our routers, may be employed by such nations to restrict this access, but it is important to note that this is the same functionality that libraries and corporate network administrators use to block sites in accordance with policies they establish. Cisco cannot determine what information is regulated by sovereign nations inside their own countries. Even within nations that have signed the United Nations Global Compact, there is rich debate in the courts and society concerning access to the Internet, lines between commercial speech and political speech, and related issues. Cisco supports transparency in the way people use the Internet and complies with all applicable regulations.

## Cisco's Position: Respect and Dignity

Cisco's governance of business ethics, including human rights, applies to our employees, suppliers, and partners, and governs our behavior in the communities in which we do business. Cisco strives to treat employees, and the communities in which we operate, with respect and dignity. As 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, collective bargaining, compulsory and child labor, immigration, and wages and hours. Cisco's Corporate Citizenship Council reviews these codes, policies, and guidelines on an ongoing basis.

## Key Performance Indicators

This table quantifies our progress over the past year in multiple aspects of corporate citizenship.

| | INDICATOR | FY2005 | FY2006 |
|---|---|---|---|
| **Workplace** | | | |
| Employee Satisfaction | Percentage of employees who agreed with seven statements about Cisco as a place to work (average) | 81% | 85%[1] |
| Voluntary Employee Attrition | Total voluntary attrition as percentage of ending headcount | 4.6%[2] | 5.4%[3] |
| Health and Safety | Number of nonfatal injuries and illnesses during fiscal year | 129 | 107 |
| **Diversity** | | | |
| Women | Women as percentage of total employees | 22% | 22% |
| Women | Women as percentage of employees in VP positions and above | 13% | 14% |
| Ethnic Minorities[4] | Ethnic minorities as percentage of total employees | 42% | 43% |
| Ethnic Minorities[4] | Ethnic minorities as percentage of employees in VP positions and above | 17% | 17% |
| **Environment** | | | |
| Worldwide Energy Consumption | Gigawatt hour (GWh) | 629 | 749 |
| Normalized Worldwide Energy Consumption | Gigawatt hour (GWh) per $M sales | 30.58 | 31.20 |
| Greenhouse Gas Emissions | 1,000 tons of carbon dioxide equivalents (tCO2eq) | 307 | 345 |
| Normalized Greenhouse Gas Emissions | Tons of carbon dioxide equivalents (tCO2eq) per $M sales | 12.41 | 12.20 |
| Product Recycling | Tons of equipment | — | 4,516[5] |
| **Social Impact** | | | |
| Social Investment | Total corporatewide and foundation cash and in-kind contributions | $65 million | $115.5 million |
| Employee Volunteerism | Number of hours volunteered by employees | 235,000[6] | 160,000 |
| Educational Output | Number of students reached worldwide in Networking Academy programs | 459,833 | 474,679 |
| Leadership Fellows | Number of full-time Cisco employees on loan to social investment projects | 5 | 8 |
| Social and Economic Investment | Number of countries where Cisco currently invests or manages programs | — | 165 |
| Strategic Partners | Significant collaborations with nonprofits and NGOs | 31 | 36 |

1 December 2005
2 As of end Q1FY2006
3 As of June 28, 2006
4 U.S. data only

5 This is the equivalent to approximately 240,000 personal computers

6 In FY2005, volunteerism increased significantly as part of that year's 20 Years of Service campaign

# Cisco and Its Employees
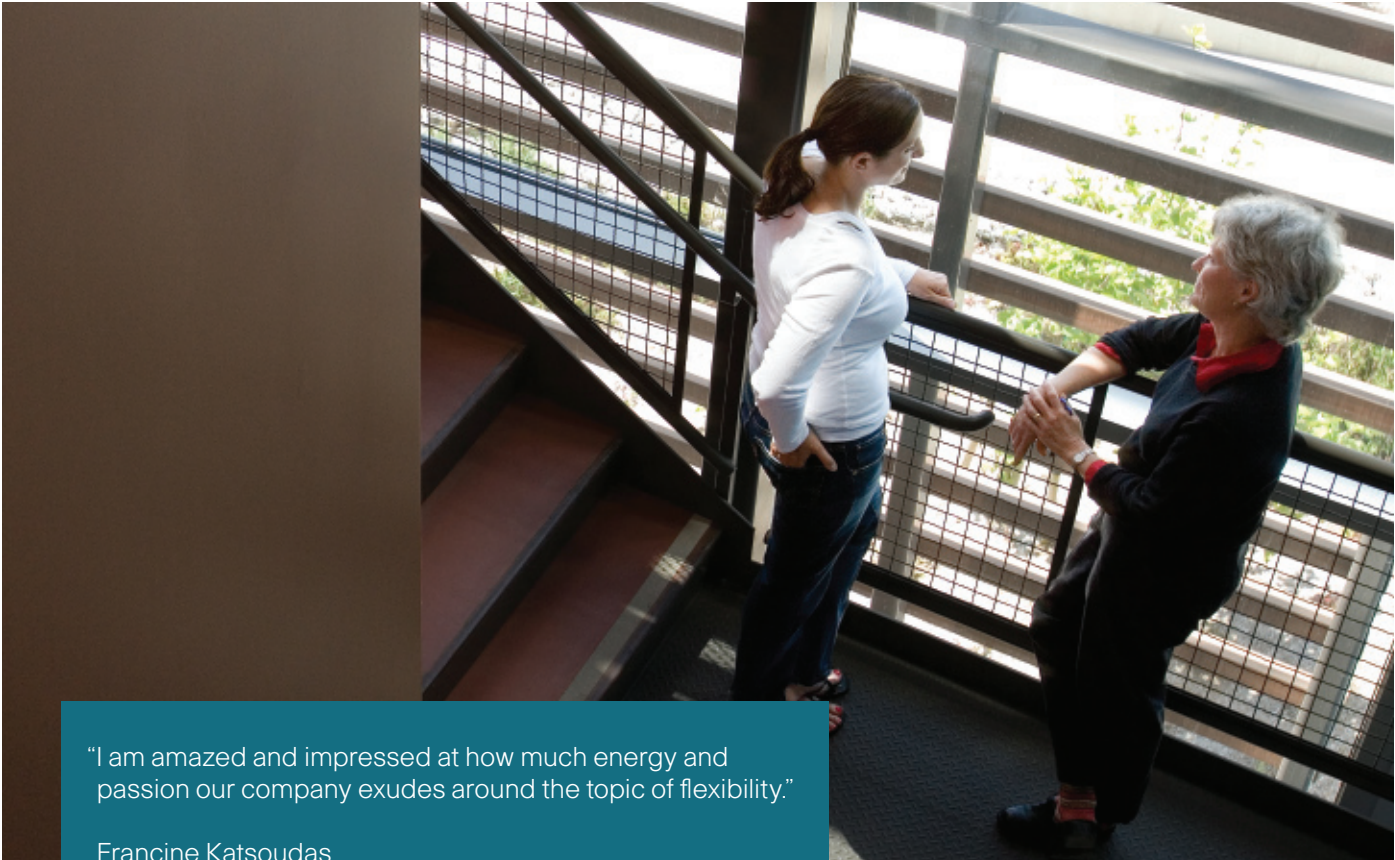


"I am amazed and impressed at how much energy and passion our company exudes around the topic of flexibility."

Francine Katsoudas,
Director of Human Resources, Client Services

## At Cisco, our competitive advantage is rooted in our employees.

To attract and retain the most talented people in the industry, we listen carefully to what our employees say about the kind of workplace they want to have, and develop programs to fulfill those needs. This past year we devoted more time to better understanding the needs of our staff. We have improved upon our current employee programs, providing more flexibility in work arrangements, enhancing opportunities to balance work and home life, and emphasizing our employees' overall well-being.

We believe that there is a positive correlation between flexibility in the workplace and employee productivity. Flexibility at Cisco is the ability to informally or formally adjust one's work schedule in a way that maximizes productivity, achieves business goals, and enables work and life integration. With our employees, we focus on results rather than physical presence in an office.

We use our own technological developments to enhance our employees' work experience. Because our employees have access to information, regardless of where they are, they can provide consistently strong service to our customers. Other flexibility offerings (not available in all locations) fall into three categories:

- Convenience: Onsite personal and automotive services

- Education: E-learning and personal-enrichment classes

- Family: Child- and elder-care assistance, counseling

**Employee Well-Being**
Cisco is committed to employee welfare and helping families in need. We value an environment that helps employees balance work and family responsibilities while staying healthy. Such an environment allows us to efficiently meet our two key objectives:

- Keeping employees healthy

- Reducing the cost of medical claims

From a purely business perspective, Cisco's annual medical claims currently total more than $200 million. However, approximately 35 percent of these claims, equaling $72 million, are associated with preventable conditions. By helping employees manage their health, Cisco could save as much as $23 million a year in future claims expense.

Our multifaceted HealthConnections program invigorates and inspires employees and their families by providing an integrated network of healthcare providers, disability management, workplace resources, food services, fitness centers, and other resources.

**Training and Development**
We recognize that for our employees to excel at their work and advance in their careers at Cisco, cross-training, multidisciplinary skills, and knowledge sharing have become critical.

---

Case Study: Middle Eastern Women Gain Business Experience

As part of the Middle East Partnership Initiative (MEPI), which was designed to work with the people and governments of the Arab world to increase political, economic, and educational opportunities for all individuals in that region, five female business professionals from the Middle East were offered internships at Cisco in 2006 in order to experience a different country and culture. Women from Morocco, Dubai, Egypt, Iraq, and Israel completed a one-month business course and then began working in diverse roles across Cisco.

"It was amazing to see these women transform," says Anabelle Pinto, director of worldwide marketing, gender diversity. "It was also compelling to hear our managers talk about how much they gained during this program."

---

To support personal and professional growth, Cisco provides employees with a wide range of training and development programs. In FY2006, 11 percent of our employees were promoted and 7 percent transferred to another group or changed job functions completely. Through continuous training, we are developing an agile and productive workforce that can respond to those changes.

**Proportion of Women and Ethnic Minority Employees at Cisco FY2006**

|  | Percent of Total Employees | Percent in VP Positions and Above |
| --- | --- | --- |
| Women | 22% | 14% |
| Ethnic Minorities* | 43% | 17% |

*U.S. data only

Other programs include the Cisco Leadership Series (for employees with significant growth potential) and Cisco University (an online portal where employees can manage activities related to career development). This year, Cisco University established an extensive curriculum in manager training.

**Employee Diversity**
Meeting our business objectives directly correlates to cultivating an inclusive workforce. Employees from different cultures and geographies, with a variety of viewpoints and styles of interaction, combine their unique backgrounds, experiences, and values to understand the needs of our customers.

Like many companies in our industry, Cisco creates advancement and development opportunities for women and minorities in the technology industry, and has made progress in recruiting and retaining these individuals at our company.

Diversity Initiatives
Company-sponsored employee networks promote personal and professional development, cross-functional teams improve business operations, and diverse suppliers help increase customer satisfaction. An inclusive workplace brings a wealth of ideas, which allows Cisco to anticipate market changes, respond to customer needs, and prepare for future needs. This is the value of Cisco's network of diversity: innovation and productivity.

Diversity Education
More than 5,000 Cisco managers have attended a workshop with a unique approach to diversity education to learn how to help increase morale and productivity. This training, sponsored within the company by a Cisco vice president, raises managers' awareness of their actions, tone of voice, facial expressions, and other forms of nonverbal communication, which can send up to 3,000 micromessages per day to their teams. By learning to incorporate positive micromessages into routine management practices, managers can measurably raise morale and productivity. In FY2007, the workshop will reach a wider audience across Cisco.

**Workplace Accessibility**
As part of Cisco's commitment to diversity, we design our offices, labs, and systems to accommodate employees with disabilities. Our products, services, Websites, and documentation are made accessible, either through their design or through use of assistive technology. We work with multiple organizations to enhance our physical facilities, increase awareness of disability issues in the workplace, and promote employment opportunities for people with disabilities.

Training and Hiring Injured Veterans
Cisco is always looking for new ways to improve recruitment of disabled persons. In FY2006, Cisco implemented an initiative with the Department of Veterans Affairs. Injured service personnel receive training and educational opportunities while they recuperate in the hospital. This program helps them to prepare for jobs in the networking industry, and possibly at Cisco.

# Cisco and the Environment

"Nontraditional working practices help reduce the environmental effects of staff commuting."

Wolfgang Wagner,
Connected Real Estate Project Leader

We are working to minimize the direct environmental impact of our products and our operations. During FY2006, we engaged with governments and industry groups worldwide to support the development of environmental policies and regulations that address any adverse effects associated with our products.

To play our part in mitigating climate change, we are designing more energy efficient networking equipment and reducing energy demand within our own buildings and operations. During FY2006, we purchased more renewable energy than ever before.
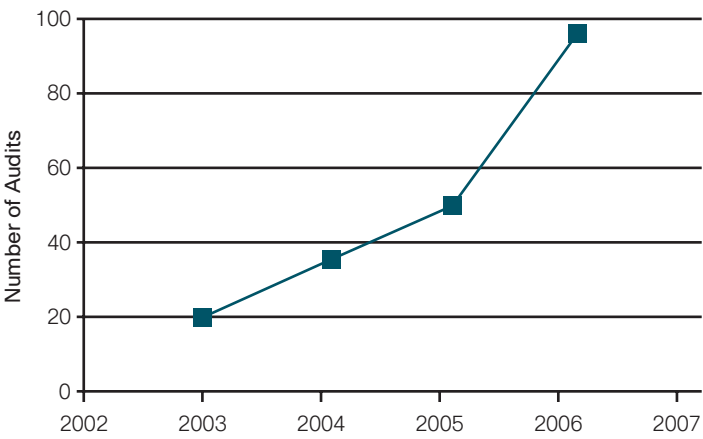
We continue to extend the lifespan of our equipment to reduce electronic waste. While governments and customers increasingly require manufacturers to recover products at their end of life, we are seeing the benefits of decisions we made 10 years ago in designing equipment to be upgraded, rather than replaced. During FY2006, we also extended our take-back and recycling programs to make it easier for our customers to return our equipment.

**Responsible Operations**

Minimizing the environmental impact of our operations is an important objective for Cisco. To do this, we must reduce our energy use in our offices and laboratories, reduce the need to travel, and shift to renewable sources of energy. We are conducting pilot projects, such as the Connected Real Estate concept outlined in this report, to determine the long-term practicality of reducing even further our energy-related environmental impacts and costs.

We implement environmental management systems (EMSs) to comply with environmental regulations, as well as look for continuous improvement in our efforts. We are deploying EMSs in all our major sites worldwide, to be certified pursuant to the ISO14001 environmental management standard.

Cisco's operations impact the environment in a variety of ways—the buildings in which we work, the products we build, even in the ways our employees get to work.

**Cisco's ISO14001 Certified Sites**



Chart: Cisco's ISO14001 Certified Sites — Y-axis "Number of Audits" from 0 to 100; X-axis years 2002–2007. Data points approximately: 2003 ≈ 20, 2004 ≈ 35, 2005 ≈ 50, 2006 ≈ 96.

During FY2006, sites at Austin, Texas; Bedfont Lakes and Reading, United Kingdom; and Amsterdam, Netherlands attained ISO14001 certification, bringing the total number of certified sites to eight and increasing the percentage of employees covered by EMS activities to 64 percent.

### Energy Use and Greenhouse Gas Emissions

Cisco recognizes international concerns about the availability of energy and climate change. As our customers demand greater functionality and higher performance, our networking equipment consumes more energy. To address these issues, Cisco is committed to reducing two significant sources of energy consumption that largely rely on fossil fuels: that used by our buildings and facilities, and that used by our products. We sponsor the development of alternative technologies and management techniques that work to neutralize the adverse environmental effects of our energy demands.

### Office Environments

Cisco's Connected Real Estate (CRE) concept, launched at our San Jose headquarters in 2004, benefits the business by saving materials and equipment, saving electricity and reducing greenhouse gases, saving construction costs and reducing land use, and reducing the need for employee commuting.

The convergence of IT and communications systems, security, and environmental systems to a single IP network allows 24-hour control, either onsite or remotely.

A study commissioned by the Converged Buildings Technology Group, a consortium of building system manufacturers, found that the converged approach generated capital savings of 24 percent in the construction phase and reduced operating expenses by 30 percent over the life of the building.

### Other Environmental Projects

Some of Cisco's activities to reduce energy use in our operations:

- Renewable energy procurement: In FY2006 we purchased more than 17.3 million kilowatt hours of renewable energy at our sites in the United Kingdom and Ireland. We also procured 9 million kilowatt hours at two sites in the United States.

- Green building design: Under the U.S. Green Building Council's guidelines for Leadership in Energy and Environmental Design (LEED), Cisco is seeking certification for our new data center facilities in the United States, India, and Switzerland governing sustainability, water savings, energy efficiency, materials selection, and indoor environmental quality.

- Energy monitoring: We track the energy use and calculate our greenhouse gas emissions of Cisco sites on a monthly basis.

### Energy Use and Greenhouse Gas Emissions Performance Data

Between FY2005 and FY2006, our energy consumption and greenhouse gas emissions grew by 19 percent and 12 percent, respectively (data prepared in accordance with the International Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard and calculations provided by the World Resources Institute). Energy consumption has steadily increased as the business has grown, but we have reduced the rate of increase in greenhouse gas emissions through an ongoing program to switch to renewable energy.

Normalized by sales revenue, our greenhouse gas emissions fell by 2.3 percent during FY2006, normalized by sales revenue. This reduction is a result of our ongoing energy efficiency programs, switching to more renewable energy, and improving the productivity of our offices and laboratories.

### Managing Waste

Cisco strives to manage, reduce, or eliminate operational wastes whenever possible. This waste includes all office, landscaping, and cafeteria wastes, but excludes electronic waste. We continue to maintain a high recycling rate and divert waste to areas where it can be used as a resource.

### Employee Travel

By encouraging home and remote teleworking, we help our employees contribute to our business anywhere at any time, which reduces real estate costs for the company and decreases rush-hour commutes and the pollution associated with them.

Cisco also encourages the use of public transportation through commuter benefits programs, including subsidized public transportation passes, rides home for carpoolers in an emergency, and intracampus shuttle services.

### Product Stewardship

Companies rely on environmental resources, including raw materials, energy, and clean water to run their businesses. We are designing our equipment to reduce the reliance on these resources. Energy efficiency is a priority in Cisco's product design processes, and we continue to reduce electronic waste by extending the life of our products. We also have expanded our take-back and recycling programs to make it easier for our customers to return our equipment for reuse and recycling.
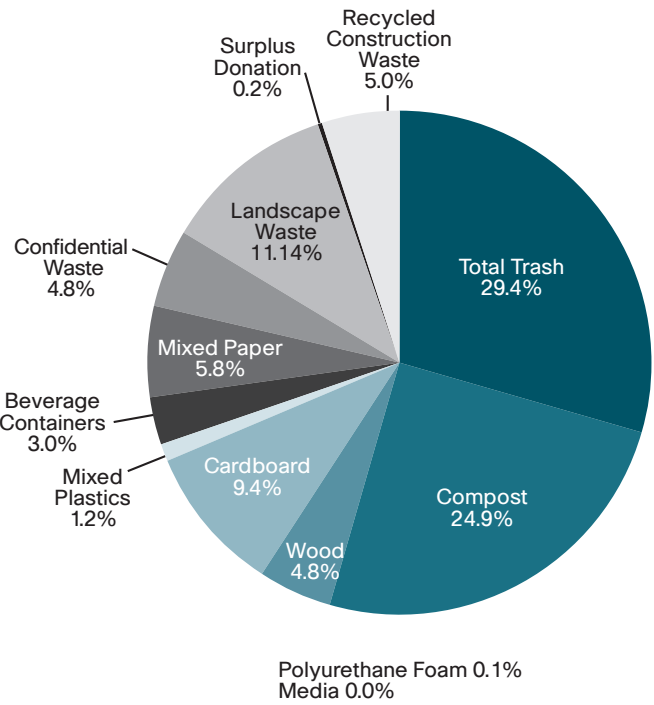
### Energy Efficiency

With every new generation of networking equipment we develop, Cisco is challenged to increase product performance while reducing power consumption. Cisco engineering teams work to improve the energy efficiency of our products and implement strategies that help extend the life of our hardware products.

During FY2006, we established an internal cross-functional working group to focus on design for energy efficiency covering energy efficient product design, industry standards and metrics that allow customers to select more energy efficient equipment, and energy efficient data center design.

### Energy Efficiency Standards

Several international industry and government organizations are creating energy-specific efficiency regulations and guidelines to be used in the development of electronics products. We continue to work on the development of metrics that our customers can use to evaluate the energy efficiency of a range of networking equipment. During FY2006, we participated in industry energy efficiency forums in the United States, Japan, and Europe.

**Composition of the San Jose Waste Stream**



Pie chart: Composition of the San Jose Waste Stream
- Total Trash 29.4%
- Compost 24.9%
- Wood 4.8%
- Cardboard 9.4%
- Mixed Plastics 1.2%
- Beverage Containers 3.0%
- Mixed Paper 5.8%
- Confidential Waste 4.8%
- Landscape Waste 11.14%
- Surplus Donation 0.2%
- Recycled Construction Waste 5.0%
- Polyurethane Foam 0.1%
- Media 0.0%

## Lifecycle Management

As technology innovation shortens product cycles, the volume of electronic waste increases. To address this, Cisco has also established programs to recover equipment at end of life in order to reduce its environmental impact. During FY2006, we stopped outsourcing and brought in house the management of take-back and recycling to:

- Gain greater coordination of worldwide programs

- Accelerate recovery rates

- Help ensure that recyclers are meeting Cisco standards for managing equipment waste and minimizing disposal to landfill

- Control unauthorized resale of products

During FY2006, Cisco recovered and processed 4,516 tons of equipment. This includes equipment recovered from customers and our internal operations. The majority of this equipment was recycled, with only 40 tons, or 0.9 percent, sent to landfill.

### Trade-In and Take-Back Options

Cisco also offers a range of trade-in and take-back programs to our customers, including:

- Technology migration: Allowing customers to trade in products for credit toward the purchase of new ones

- Take-back and recycling: Allowing customers in 30 countries to return equipment at end of life

- Service and warranty returns: Returned goods are refurbished and redistributed, or made available for philanthropic activities

### Compliance Programs

During FY2006, our focus has been to comply with the European Union's Waste Electrical and Electronic Equipment (WEEE) directive. Despite the variety of legislative approaches taken by EU Member States and ongoing uncertainty as to the final requirements, we are on target to comply with WEEE requirements. Our proactive approach means that we have systems in place to address any future changes in European regulations, as well as other emerging take-back regulations worldwide.

### Hazardous Substances

Cisco supports regulatory development to restrict hazardous materials and has worked with regulators, customers, and suppliers to help ensure that our products adhere to European Union and worldwide substance restrictions. Further, we are working on solutions beyond the stated regulatory compliance, focusing on alternative materials where they do not adversely affect our customers' safety and the reliability of our products.

We established a global taskforce that includes representatives from product engineering, regulatory affairs, manufacturing, and other departments across Cisco to track regulations; set design requirements; and establish design, engineering, and product management documentation systems.

During FY2006, Cisco focused on meeting the requirements of European Union's directive on the Restriction of the Use of Certain Hazardous Substances (RoHS) in electrical and electronic equipment. As of the deadline of July 1, 2006, our products shipped to the European Union are compliant.

### Accessibility

Our vision as an organization is to ensure that our products are accessible to all who wish to use them.

In May 2006, the American Foundation for the Blind honored Cisco with the Helen Keller Achievement Award in recognition of our industry leadership in making products accessible for people with vision loss.

We comply with the Americans with Disabilities Act (ADA), Section 255 of the U.S. Telecommunications Act, and the U.K. Disability Discrimination Act. We also strive to conform to Section 508 of the U.S. Rehabilitation Act and other legislation. In addition, Cisco's employee intranet complies with U.S. regulations, and the Web Accessibility Initiative, which is an independent consortium working with organizations worldwide to develop strategies, guidelines, and resources to help make the Web accessible to people with disabilities.

### Suppliers

We select suppliers whose standards align with our values, especially regarding business integrity, and we provide them with a copy of the Cisco Supplier Code of Conduct. The Electronic Industry Code of Conduct (EICC) provides a framework for our suppliers' standards for labor, health and safety, environmental management systems, and ethics practices. We incorporate it into all our product manufacturing contracts, and our suppliers agree to comply before they begin working with us.

We also believe that supplier diversity is good for our business, giving us access to worldwide innovation and exposure to a range of different cultures and business techniques. All these capabilities in turn provide economic value to our customers.

The electronics manufacturing supply chain extends worldwide and into jurisdictions where breadth, depth, and enforcement of social and environmental regulations vary. We share responsibility with our suppliers to raise social and environmental standards. We work collaboratively with suppliers toward the goals listed in the Cisco Supplier Code of Conduct (www.cisco.com/go/csr/conduct).

---

### Case Study: Putting E-Waste to Work in Brazil

Cisco employees in Brazil donated money from the sale of laptops previously used by Cisco employees to Alchemy, a charity established two years ago to help children caught up in narcotics traffic and violence in São Paulo. Alchemy has safe houses where children go after school to eat snacks and to play. Today, Alchemy supports 50 children between 6 to 12 years old; another 60 wait for the chance to participate.

"Even laptops beyond reasonable repair are not wasted," says Lilian Hengleng, a project specialist in Cisco's Brazil sales office. "We cleaned data from the hard drives and donated them to Associação São José, a charity that runs a PC repair course. Now old Cisco equipment is being used in Brazil's first laptop repair course run by a nongovernmental organization."

## Cisco is committed to a long-term strategy of social investments in communities around the world.

In particular, we use Cisco's human and technological expertise to drive educational reforms and build a foundation not only for economic development, but also for the social advancement of underserved communities. As with any investment, we are focused on the returns: the ultimate impact our technology has on the world.

Economic development is essential in meeting important social goals: reducing poverty, improving quality of life, and enhancing health. Thus, Cisco invests in programs and partnerships that enhance education and increase productivity globally. We invest in sustainable development initiatives that go beyond basic philanthropic giving, striving to provide both direct support and indirect support that enables change to continue even after our initial support ends. Our social investment portfolio focuses on:

· Socioeconomic development

· Grants and partnerships

· Employee volunteerism

· Crisis relief

### Cisco's Financial Contributions

| Cisco Donations (millions) | FY2003 | FY2004 | FY2005 | FY2006 |
|---|---|---|---|---|
| Foundation total (corporatewide) | $ 11.4 | $ 8.5 | $ 10.6 | $ 9.3 |
| In-kind total (corporatewide product and people) | $ 20.1 | $ 19.7 | $ 29.0 | $ 39.4 |
| Cash total (Foundation cash and corporatewide cash) | $ 36.8 | $ 33.4 | $ 35.0 | $ 76.1 |
| Corporatewide giving total | $ 56.0 | $ 53.0 | $ 65.0 | $115.5 |
| Contributions as a percentage of earnings before income tax (EBIT) from previous year | 2% | 1.1% | 1% | 1.4% |

### Socioeconomic Development Programs

Cisco uses networking technology to enhance traditional education programs in both developing and developed countries. Not only can technology aid in teaching fundamental skills in an innovative way, but Cisco also provides technology certification courses to prepare students for new job opportunities in their countries.

Technology-based e-learning, integrated with new curricula and teaching methods, helps expand the impact of economic and social development in these communities. These programs build an educated and competitive IT workforce worldwide. Cisco's major investments include the following.

### Cisco Networking Academy Program

Cisco's largest social investment began in 1997, when we developed a curriculum to train instructors, staff, and students to design, install, and maintain networks in their schools. Since then, the Cisco Networking Academy program has been estab–lished in all 50 U.S. states and in more than 165 countries.

The skills developed through the program can help students in underserved communities build secure economic futures for themselves and their families, while actively contributing to the growth of the IT industry and the integration of their countries into the world economy.

Currently more than 33,000 instructors are teaching networking curricula in nine languages to more than 430,000 students.

### Least-Developed Countries Initiative
During the past five years, in an effort to bridge the digital divide between developed and least-developed countries, the Least-Developed Countries Initiative offered valuable IT education to more than 35,000 students, approximately 30 percent of them female.

Cisco has partnered with the United States Agency for International Development (USAID), the United Nations Development Programme (UNDP), and other organizations to provide technical training through our Networking Academy sites in 51 developing countries. In FY2006, we focused training on gender opportunity, workforce development, and financial sustainability, with a goal toward accelerating progress toward the integration of these countries into the world economy.

### Gender Initiative
As a contributing program to the Least-Developed Countries Initiative, the Cisco Gender Initiative educates young women about careers in information technology as a means of eradicating poverty and supporting economic development. The program offers online sessions and flexible class times, with courses available globally, to help women overcome barriers found in many education programs. Cisco partners with the Institute of International Education to provide scholarships to women in Asia and North Africa to attend the Cisco Networking Academy program.

### Global Education Initiative
The Global Education Initiative (GEI) was launched by the World Economic Forum in July 2006 with Cisco as a founding partner. The objective of the GEI is to build on the success of the Jordan Education Initiative (JEI) by documenting best practices and lessons learned, capturing and creating models and tools, and promoting effective models for education reform.

The GEI has used the JEI as a prototype for new partnerships in Egypt and the Indian state of Rajasthan. GEI has a vision that goes beyond education to help eliminate poverty; stimulate national economics; improve health; and encourage environmental responsibility and social justice.

### 21st Century Schools and Communities
In October 2005, Cisco launched the 21st Century Schools (21S) initiative— a $40 million investment in a multiphase, three-year education initiative in the Gulf Coast region. The 21S initiative is aimed at creating a 21st century education model that improves the quality of education and encourages community growth and economic development. The initiative was developed to benefit areas impacted by Hurricane Katrina.

Beyond monetary and equipment donations, Cisco has committed 10 Cisco 21S Leadership Fellows for each of the three years of the program. Seven employees have relocated, leaving their homes to work full-time directly with the schools and communities in the Gulf Coast area.

### New Partnership for Africa's Development
Cisco is a key participant in the New Partnership for Africa's Development (NEPAD), contributing both people and financial resources to implement information and communication technology in educational institutions across the continent.

The NEPAD mission is to create a socioeconomic development framework to help reduce poverty, increase sustainable growth, and accelerate the empowerment of women. The e-Schools initiative is a program designed to help close the digital divide between Africa and the developed world.

### Grants and Partnerships
Each year Cisco donates cash grants, products, and technical and business expertise so nonprofit organizations can use the latest technology to provide better services to their clients. In addition, the Cisco Systems Foundation, a separate, private, nonprofit 501(c)3 organization, makes cash grants to eligible nonprofits, primarily within the United States.

Our company uses a unique combination of people, products, and cash to strategically partner with nonprofits that focus on three social issues, promoting educational and economic development, meeting basic human needs, and providing crisis relief.

### Product Grants
To help administer the product grant process, Cisco partners with TechSoup, which distributes small to midsize product grants to many nonprofit organizations, including those detailed in this report. Through TechSoupStock's intuitive shopping cart system, organizations can go online and choose from a variety of prepackaged Cisco Networking Bundles.

In Mexico, Cisco is partnering with Unión de Empresarios para la Tecnología en la Educación (UNETE), a well-known association of businesspeople who have long-standing partnerships with local communities, as well as federal and local governments. In FY2006, Cisco donated $100,000 in product to UNETE.

In Israel, Net@ targets poor, underserved groups, such as new immigrants and Bedouin and Druze minorities. Initiated in 2003, the program is now engaging more than 1,800 students in 21 locations across Israel. Backed by a $1.6 million Cisco product grant, Net@ trains youth in marginalized communities in Israel to prepare for high-tech professions and to develop local leadership.

In Africa, Mercy Ships is a global charity that operates hospital ships and provides free medical care and relief aid to people in the world's poorest countries. Cisco donated networking technology to Africa Mercy, a ship that, once fully renovated, will have six operating rooms, an 80-bed ward, and hundreds of onboard staff. It will be the largest nongovernmental hospital ship in the world.

### Foundation Cash Grants

A key part of Cisco's social investment portfolio, the Cisco Systems Foundation (www.cisco.com/go/foundation) provides financial grants to organizations in communities where Cisco has offices or a large number of employees. At the close of FY2006, the total value of the annual foundation endowment was more than $150 million, up from about $100 million in FY2005 because of a $50 million contribution from the corporation to the foundation.

In addition to providing nearly $10 million in grants, the foundation invested $500,000 in MicroVest, a leading microfinance investment fund, which will fund microfinance institutions that support the entrepreneurial poor throughout Latin America, Eastern Europe, and Asia.

### Employee Volunteerism

Employee involvement is a critical component of Cisco's social investment strategy and supports the initiatives outlined in this report. Volunteer projects are also opportunities for employees to build skills of teamwork and leadership.

In FY2006, 6,000 Cisco employees, representing 15 percent of all employees, logged 160,000 hours in volunteering activities. One of the ways for employees to find volunteer opportunities is through the Volunteer Connection tool. Cisco employees can select from the volunteer opportunities that community organizations post. This allows employees to find projects that match their skills and interests. Additionally, when employees volunteer their time with their favorite organizations, they can multiply their efforts through Cisco's Matching Gift program. Two of our strongest programs are with Habitat for Humanity and the Hands On Network.

Internally, employee-initiated and -led teams, called Civic Councils, focus on local, community issues and programs and solicit feedback from our nonprofit partners (recipients of our cash grants and product donations) to monitor the effectiveness of our social investment programs.

### Leadership Fellows Program

The Cisco Leadership Fellows program gives high-performing Cisco directors and vice-presidents the opportunity to lead a strategic nonprofit organization's project on a full-time basis for 6 to 12 months. This program is a unique way for employees to further develop their leadership skills, while also supporting long-term systemic change in an organization. Fellows develop the ability to adapt, negotiate, collaborate, and consult in new ways, and this unique career development path gives Cisco more sophisticated management talent for the future.

### Crisis Relief

Helping people in disaster and crisis situations is an important element of Cisco's social investment strategy. After Hurricanes Katrina and Rita hit the U.S. Gulf Coast, employees contributed more than $1.85 million for hurricane relief, which was matched by Cisco Systems Foundation and the Tosa Foundation for a total of more than $3.7 million. The company committed $1 million to response and recovery efforts and donated approximately $1.04 million worth of Cisco products, and we quickly provided the American Red Cross with routers, switches, and wireless devices, prioritizing this life-threatening situation over our standard customer orders.

A Katrina relief team made up of Cisco employees worked 24 hours a day to deploy communications equipment to more than 300 Red Cross shelters. Our technology was used to connect family members and provide a means for establishing individual evacuation plans, as well as to support shelters by deploying a remote access network and increase the Red Cross's bandwidth to allow for the increased number of online donations.

After the Pakistan earthquake, Cisco employees, the Cisco Systems Foundation, and Cisco itself contributed more than $1.02 million; the company also donated products and volunteer services through NetHope, including Net Relief mobile communications kits.

### Case Study: Improving Schools in Africa

Bill Souders, information systems director in human resources, became a Leadership Fellow last year to lead Cisco's role in the New Partnership for Africa's Development e-Schools Demonstration Project. "To take on a fellowship like this, you have to be willing to deal with significant change in your life, and be open to learning a lot because it's so far removed from anything you do in your normal business life," Souders says.

One beneficiary of the program is a boarding school in the remote mountains of Rwanda. The school uses excess energy from a generator that runs at night to power a computer lab during the school day. The school's relationship with a U.K. high school led two teachers from the United Kingdom to help the local teachers with the new technology. "This is now one of the schools that is taking the best advantage of the lab and all its components," Souders added.

In an increasingly global society, responsible corporate citizenship becomes both a social and a business imperative. Cisco's commitment to responsible corporate citizenship is an intrinsic part of the company's corporate culture, and is ongoing and evolving as new issues emerge and significant changes occur in the world economy.

Technology is helping to create a world in which national borders, geographical distances, and physical limitations become less relevant, and present ever-diminishing obstacles. On the network, every single person counts. We produce world-changing technology that has the power to increase productivity and the associated standard of living of our customers and users around the globe. More importantly, our technology connects and promotes the unfettered communication of ideas and information—to run businesses; address emergencies; inform communities; and to support, education, science, and government in ways we never imagined. Our vision has always been to change the way people work, live, play, and learn. We know that when people connect and collaborate, ideas and opportunities flourish. The network expands the reach of our individual efforts and passions, making us more powerful together than we can ever be apart.

Our approach, balancing revolutionary innovation with a deep commitment to customer success and social responsibility, provides a rich environment for that vision to flourish. But being a key contributor to such a tectonic shift requires responsibility: to our employees, customers, and stakeholders; to the communities in which we work and live; to the environment; and even to the global community. To that end, Cisco will continue to build on the achievements we've outlined here and in more detail in the full online report (www.cisco.com/go/citizenship). We are committed to:

- Improving our products and manufacturing techniques: Our commitment to product stewardship means we will continue to research ways to make our products more energy efficient and ecologically friendly, as well as more accessible to all potential users.

- Improving our workplace: To maintain Cisco as a desirable place to work, we will advance our progressive programs, policies, and benefits to help support our employees' work-life balance, and to foster their professional and personal development.

- Supporting the global community: We will continue our charitable efforts to increase education, gender and social equality, and economic justice elsewhere in the world, not only to improve social conditions, but also to build a foundation for continued worldwide growth.

- Aiding the environment: To continue to help reduce the company's impact on the environment, we will continue to design innovative programs to encourage cleaner, more productive, and more environmentally sensitive operations, including the use of more renewable energy sources.

In keeping with our values of openness, integrity, and transparency, we will continue to engage with our employees, customers, partners, stakeholders, and the communities in which we live and work to improve all these policies and practices. We will continue to improve the disclosure and dialogue on our corporate citizenship goals, targets, and performance.

This report represents Cisco's ongoing effort at documenting the progress of our activities, strategies, and governance, and how they are important to our business.

We thank you for taking the time to learn more about Cisco. If you have questions or comments about our Corporate Citizenship Report, or suggestions for how we can improve it in future versions, please e-mail us at citizenship@cisco.com.

**Americas Headquarters**
Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 527-0883

**Asia Pacific Headquarters**
Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com
Tel: +65 6317 7777
Fax: +65 6317 7799

**Europe Headquarters**
Cisco Systems International BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com
Tel: +31 0 800 020 0791
Fax: +31 0 20 357 1100

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at **www.cisco.com/go/offices.**