



Cisco Corporate Citizenship Report



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About this Report

Commitment

Responsible business operations and social investment help build trust in our company and benefit our global community.

[View Video](#) (5:44 min)

[Read Executive Summary](#) (PDF – 5 MB)

This report addresses stakeholder concerns for our citizenship governance practices and 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 (the former because it was acquired in February 2006, too recently to be included, and the latter because it is operated independently). All currency references are represented in U.S. dollars unless otherwise indicated.

We have prepared this report with the guidance of current Global Reporting Initiative (GRI) guidelines; the UN 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
President and Chief Executive Officer

Letter from the Chairman

Our 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
Chairman of the Board

Cisco and Citizenship



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

John Chambers
President and CEO

Networks are becoming an essential part of life's experiences, helping to connect people in business, education, government, and the home.

Products and Services

Founded in 1984, Cisco has led in the innovation of Internet Protocol (IP)-based networking technologies. This tradition continues with the development of routing and switching and numerous advanced technologies:

- Application networking services
- Home networking
- Hosted small-business systems
- Security
- Storage area networking
- Unified communications
- Video systems
- Wireless

Cisco and its valued partners sell Cisco hardware, software, and services to businesses of all sizes, governments, service providers, and consumers.

Our Commitment

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.

Our Global Operations

Cisco conducts business worldwide, with field sales offices in more than 70 countries. Our business is managed in five distinct theaters:

- United States and Canada
- European Markets
- Emerging Markets
- Asia Pacific
- Japan

Our largest market is the United States and Canada, with slightly more than half net product sales in FY2006. This is followed by European Markets, Asia Pacific, Emerging Markets, and Japan. For FY2006, we reorganized our sales theaters and added the Emerging Markets theater in order to take advantage of the growth potential of these countries. This theater's product revenue grew 38 percent year over year. We experienced product revenue growth in our four largest geographies and worldwide growth of 14.7 percent on an annual basis.

Our Global Workforce

As of the end of our fiscal year, Cisco employed a total of 41,163 people worldwide (excluding Scientific Atlanta and Linksys): 69 percent of our employees were based in the United States and Canada, 14 percent in Europe, 11 percent in Asia Pacific, 4 percent in Emerging Markets, and 2 percent in Japan.

Key Financial Data¹

	FY2006	FY2005	FY2004	FY2003	FY2002
Net sales (U.S. dollars in billions)	\$28.5	\$24.8	\$22.0	\$18.9	\$18.9
Net income (U.S. dollars in billions)	\$5.6 ²	\$5.7	\$4.4	\$3.6	\$1.9

FY2006 Net Sales by Theater¹

	United States and Canada	European Markets	Asia Pacific	Emerging Markets	Japan
Net sales (U.S. dollars in millions)	\$15,785	\$6,079	\$2,853	\$2,476	\$1,291
Percentage of net sales	55.4%	21.4%	10.0%	8.7%	4.5%

¹Represents Cisco's consolidated financial data.

² Net income for FY2006 included stock-based compensation expense under SFAS 123(R) of \$836 million, net of tax. See [Note 1](#) in the 2006 Annual Report, Selected Financial Data.

Cisco and Citizenship

United Nations Global Compact

The United Nations Global Compact is an international initiative committed to principles that fight bribery and corruption and honor human rights, labor and the environment. Cisco has participated in this initiative since 2001. As outlined below these principles are consistent with Cisco's own [Code of Business Conduct](#).

**Principles—Human Rights**

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|---|--|
| <ul style="list-style-type: none"> • Businesses should support and respect the protection of internationally proclaimed human rights • Businesses should make sure that they are not complicit in human rights abuses | <p>We strive to treat our employees and the communities in which we operate with respect and dignity. We support the United Nations Universal Declaration of Human Rights, and expect our employees to respect the dignity of others as outlined in our Code of Business Conduct employee policies, and local and international laws. Our Supplier Code of Conduct sets out the standards we expect our suppliers to adhere to in their practices.</p> |
|---|--|

Principles—Labor Standards

- | | |
|--|---|
| <ul style="list-style-type: none"> • Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining • Businesses should uphold the elimination of all forms of forced and compulsory labor • Businesses should uphold the effective abolition of child labor • Businesses should uphold the elimination of discrimination in respect of employment and occupation | <p>Cisco recognizes that our most valuable asset is our workforce. The section of this report entitled Cisco and Its Employees contains numerous policies that help ensure that Cisco's work environment is free from harassment and discrimination, and that we treat employees with dignity, respect, and courtesy. Cisco's Supplier Code of Conduct ensures that our suppliers are subject to employee, health, and safety standards that in many cases are more stringent than local law.</p> |
|--|---|

Principles—Environment

- Businesses should support a precautionary approach to environmental challenges
 - Businesses should undertake initiatives to promote greater environmental responsibility
 - Businesses should encourage the development and diffusion of environmentally friendly technologies
- Cisco commits to responsible environmental practices throughout our business. Our environmental policies and practices include innovative programs designed to increase the energy efficiency of our operations, reduce waste, and protect the environment in communities where we work. We conform with many international standards and make protecting the environment a companywide priority.

Principles—Anti-Corruption

- Businesses should work against all forms of corruption, including extortion and bribery
- Cisco's [Code of Business Conduct](#) outlines the legal and ethical standards we expect our employees to adhere to in their business dealings, including strict prohibition of such activities. It applies to our Cisco employees and subsidiaries. We also expect our suppliers, customers, and resellers to adhere to its contents.

Cisco and Citizenship

Key Performance Indicators

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



Category	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 as percentage of employees in VP positions and above	13% ⁷	14% ⁷
Ethnic Minorities ⁴	Ethnic minorities as percentage of total employees	42%	43%
	Ethnic minorities as percentage of employees in VP positions and above	17%	17% ⁷
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 (tCO ₂ eq)	307	345
Normalized Greenhouse Gas Emissions	Tons of carbon dioxide equivalents (tCO ₂ eq) per \$M sales	12.41	12.20
Product Recycling	Tons of equipment	—	4,516 ⁵

Social Impact			
Social Investment	Total corporate-wide and foundation cash and in-kind contributions	\$65 million	\$115.5
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 dedicated 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 2005² As of end Q1FY2006³ As of June 28, 2006⁴ U.S. data only⁵ This is the equivalent to approximately 240,000 personal computers⁶ In FY2005, volunteerism increased significantly as part of that year's 20 Years of Service campaign⁷ Corrected on November 16, 2006

Cisco and Citizenship

Citizenship Governance

Cisco's [Citizenship Council](#), formed in 2003 and made up of leaders of functional teams from across the company, works with business units to address relevant issues relating to citizenship, which we identify by listening to stakeholders. These issues frequently span multiple departments and the Citizenship Council helps develop cross-functional strategies to address them. The Council 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.



This program of citizenship governance has evolved over the past three years, moving from a reactive model to a proactive one, in which business leaders collaborate to evaluate business processes and align priorities. This attitude is important because Cisco remains a decentralized and highly entrepreneurial environment.

We have created cross-functional working groups for the development of policies and management systems that help ensure the integrity of our business practices. These working groups recommend issues to the Citizenship Council for consultation and then to the Stewardship Council for integration into our operations.

The Stewardship Council is a cross-functional leadership team focused on integrating environmental, accessibility, and social accountability in Cisco operations and culture by:

- Aligning initiatives across the company
- Making key operational policy decisions
- Developing Cisco's compliance and program framework
- Enforcing decisions with attention toward execution and accountability

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

Cisco's citizenship programs, too, engage frequently with customers, partners, industry peers, and employees to identify critical issues. We also monitor unsolicited feedback from customers through our sales force and help desks.

Our Civic Councils, 32 employee-led community engagement councils operating out of different Cisco locations worldwide, solicit feedback from our nonprofit partners (recipients of our cash grants and product donations) to monitor the effectiveness of our social investment programs.

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.

Employees seem to most consistently hear corporate citizenship messages from President and CEO John Chambers and they believe that Cisco will continue to focus on social and environmental responsibility, regardless of our level of economic performance. Almost half of employees say that their manager encourages them to get involved in citizenship and volunteer activities. And while 87 percent believe that corporate citizenship affects our overall reputation, employees do not seem as convinced that it directly affects our stock price. Employees rate increasing energy efficiency and bridging the digital divide among the most important issues Cisco faces.

External Stakeholder Feedback

We also identify issues to address by engaging with external stakeholders. In 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.

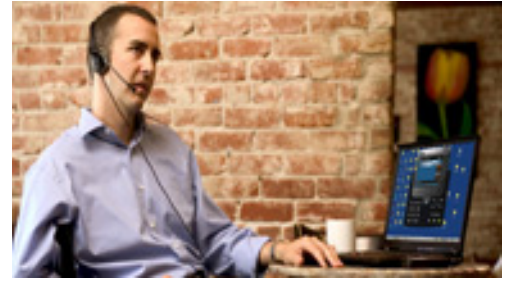
Stakeholders consistently identify the following four areas as important for Cisco's business and the information and communications technology sector:

- **Energy:** Using energy efficiently, decreasing products' energy use, monitoring greenhouse gas emissions, educating customers on efficient energy use
- **Responsible content use:** Ensuring customer privacy, protecting computers from viruses, preventing human rights violations through abuse of data, minimizing technology for socially undesirable purposes (pornography, spam)
- **Inclusiveness:** Making products accessible to disabled and lower-income groups, working toward bridging economic and social divides
- **Waste and material composition of equipment:** Extending product lifecycles, recycling and recovery of hazardous waste, educating customers about recycling options

Cisco and Citizenship

Emerging Issues

Over the past several decades, the world has seen a shift in public expectations for social responsibility. Where governments once commanded near full responsibility for safeguarding the public interest, corporations are expected to play a larger role in addressing social issues through partnership with governmental and nongovernmental organizations. While the expectations are shifting, the parameters of those expectations and the boundaries of responsibility remain undefined.



The emerging issues of today spark discussions and debates that hinge on the definition of roles, responsibilities, and governance. Cisco is engaged in conversations to map and explore both 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
- Internet use and human rights

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. The Connectivity Principles and FCC Policy protect consumers and their ability to use the Internet in an open fashion. Cisco continues to support these principles.

Innovation inside the network is just as important as innovation in services and devices connected to the Internet. As the Internet becomes better, faster, and more integral to our economy and personal lives, it is necessary for broadband Internet access providers to do three things: to use innovative technology to manage their networks; to provide new features and services that meet evolving consumer needs; and to prioritize the delivery of applications such as voice and video. Cisco supports the use of network management tools by Internet access providers to improve the Internet experience as long as there is no anticompetitive effect. Specifically, Cisco supports:

Service providers' pro-competitive network management techniques to alleviate congestion, ameliorate capacity constraints, and enable new services

Service providers' freedom to offer additional services that supplement broadband Internet access, including bandwidth tiers, quality of service (prioritization), security, antivirus and antispam services, network management services, as well as to enter into commercially negotiated agreements with unaffiliated parties for the provision of such additional services

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 now to address 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 when it is faced with a specific complaint with respect to the Connectivity Principles or related anticompetitive behavior.

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.

Cisco is recognized as a leader in network security, providing technologies designed specifically to protect data. Customers worldwide use Cisco network security technology to protect their business and personal data. Cisco's network security technology integrates security mechanisms throughout all aspects of the network to identify, prevent, and then adapt to security threats as they arise. Within its own operations, Cisco uses this technology to safeguard customer, employee, and other business data.

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.

Businesses generally understand the need to maintain the integrity of consumer data and, therefore, consumer confidence. The issue is how best to balance the legitimate needs of consumers to maintain their privacy, the desire of consumers to have the best possible online experience, and the ability for both businesses and consumers to reap the benefits of online interactions. We must achieve this in the context of a global community of Internet businesses and users, each with unique cultural requirements and attitudes affecting their level of desired privacy.

As state, provincial, and national governments seek to address the privacy issue, it is important to create frameworks that work well in a global economy. Overly burdensome privacy policies can become barriers to trade, preventing the free flow of information across borders. Further, stringent rules against cross-border data flows may hurt development of new technologies, hindering the full potential of online educational, commercial, and entertainment applications.

Cisco 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 and Internet-related business; as a result, the industry must protect citizens' privacy. Therefore, 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.

Because disparate and multiple privacy rules place a heavy burden on global companies, we support a model of industry self-regulation (as opposed to government intervention) in which innovative tools to give consumers greater choice in both protecting their personal data and understanding how it may be collected and used. We believe the industry can achieve a reasonable balance between consumer protection and business requirements, as evidenced by several ambitious and successful industry-led initiatives in the recent past. Where legislation is necessary, we encourage standardization of rules across global jurisdictions.

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. This functionality can be used for many different purposes, and Cisco has not specially designed or marketed products for any government, or any regional market, to censor Internet content from citizens.

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.

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.

Consistent with Cisco's culture and applicable laws, employees are encouraged to:

- Promote a safe, healthy, and supportive work environment where employees can contribute their skills
- Participate with local stakeholders in addressing community well-being, social and economic development, and environmental preservation

In addition, we require all Cisco employees to respect the human rights and dignity of others as outlined in the [Code of Business Conduct](#), employee policies, and guidelines or local laws. We expect them to abide with these policies within the scope of their individual roles and responsibilities, applying whichever sets higher standards.

For suppliers, we have a supplier code of conduct that covers a range of social responsibility issues, including labor and employment practices, health and safety, ethics, the protection of the environment, and management expectations. The Electronic Industry Code of Conduct (EICC) forms the basis of Cisco's Supplier Code of Conduct.

For partners, we have online and instructor-led training on a variety of business integrity topics, as well as on individual reseller or partner agreements.

Cisco has partnered with other companies in the electronics sector to address issues related to responsible corporate citizenship, and to promote social and environmental standards across the industry. We report on our progress toward the United Nations Global Compact principles in the Citizenship Governance section of this Citizenship Report.

Cisco and Citizenship

GRI Cross Reference

VISION AND STRATEGY

No.	Question/Indicator	Coverage	Heading Found in Report at:
Vision and Strategy			
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development	Yes	Responsibility and Dedication and Cisco's Legacy to Society (p. 63)
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report	Yes	Responsibility and Dedication and Cisco's Legacy to Society (p. 63)

PROFILE

No.	Question/Indicator	Coverage	Heading Found in Report at:
Company Profile			
2.1	Name of reporting organization	Yes	About This Report (p. 3)
2.2	Major products and/or services, including brands if appropriate	Yes	Products and Services (p. 6)
2.3	Operational structure of the organization	—	
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures	—	
2.5	Countries in which the organization's operations are located	—	
2.6	Nature of ownership; legal form	—	
2.7	Nature of markets served	Yes	Products and Services (p. 6)
2.8	Scale of the reporting organization	Yes	Our Global Workforce (p. 7) and Key Financial Data (p. 7)
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organization	Yes	Internal Stakeholder Feedback (p. 12) and External Stakeholder Feedback (p. 13)
Report Scope			
2.10	Contact person(s) for the report, including e-mail and web addresses	—	
2.11	Reporting period (e.g., fiscal/calendar year) for information provided	Yes	About This Report (p. 3)
2.12	Date of most recent previous report (if any)	—	

2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope	Yes	About This Report (p. 3)
2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report	Yes	About This Report (p. 3)
2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organizations	Yes	About This Report (p. 3)
2.16	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	—	
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report	—	
2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits	—	
2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information	—	
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report	—	
2.21	Policy and current practice with regard to providing independent assurance for the full report	—	
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organization's activities, including facility-specific information (if available)	—	

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

No.	Question/Indicator	Coverage	Heading Found in Report at:
Governance Structure and Management Systems			
3.1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization	—	
3.2	Percentage of the board of directors that are independent, non-executive directors	—	
3.3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities	—	
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities	—	
3.5	Linkage between executive compensation and achievement of the organization's financial and non-financial goals (e.g., environmental performance, labor practices)	—	
3.6	Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies	Yes	Citizenship Governance (p. 12)
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation	Yes	Our Commitment (p. 6) United Nations Global Compact (p. 8)
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors	—	
Stakeholder Engagement			
3.9	Basis for identification and selection of major stakeholders	Yes	Listening to Stakeholders (p. 12)
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	Yes	Listening to Stakeholders (p. 12)

3.11	Type of information generated by stakeholder consultations	Yes	Internal Stakeholder Feedback (p. 12) and External Stakeholder Feedback (p. 13)
3.12	Use of information resulting from stakeholder engagements	Yes	Listening to Stakeholders (p. 12)
Overarching Policies and Management Systems			
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization	—	
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses	Yes	United Nations Global Compact (p. 8) Issue: Internet Neutrality (p. 14) Issue: Internet Use and Human Rights (p. 16) Energy Efficiency (p. 54) Hazardous Substances (p. 57) Accessibility (p. 58) Global Education Initiative (p. 68) New Partnership for Africa's Development (p. 70)
3.15	Principal memberships in industry and business associations, and/or national/international advocacy organizations	—	
3.16	Policies and/or systems for managing upstream and downstream impacts	Yes	Citizenship Governance (p. 12)
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities	Yes	Issue: Privacy (p. 15) Issue: Internet Use and Human Rights (p. 16) Accessibility (p. 58) Cisco and Society (p. 63)
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations	—	
3.19	Programs and procedures pertaining to economic, environmental, and social performance	Yes	Citizenship Governance (p. 12)
3.20	Status of certification pertaining to economic, environmental, and social management systems	Yes	Management Systems (p. 47)

ECONOMIC PERFORMANCE INDICATORS

No.	Question/Indicator	Coverage	Heading Found in Report at:
Customers			
EC1	Net sales	Yes	Key Financial Data (p. 7)
EC2	Geographic breakdown of markets	Yes	Key Financial Data (p. 7)
Suppliers			
EC3	Cost of all goods, materials, and services purchased	—	
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	—	
EC11	Supplier breakdown by organization and country	—	
Employees			
EC5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region	—	
Providers of Capital			
EC6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	—	
EC7	Increase/decrease in retained earnings at end of period	—	
Public Sector			
EC8	Total sum of taxes of all types paid broken down by country	—	
EC9	Subsidies received broken down by country or region	—	
EC10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group	Yes	Cisco's Financial Contributions (p. 64)
EC12	Total spent on non-core business infrastructure development	Yes	Cisco Networking Academy (p. 65)
Indirect Economic Impacts			
EC13	The organization's indirect economic impacts	Yes	Cisco and Society (p. 63)

ENVIRONMENT PERFORMANCE INDICATORS

No.	Question/Indicator	Coverage	Heading Found in Report at:
Materials			
EN1	Total materials use other than water, by type	—	
EN2	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organization	Yes	Lifecycle Management (p. 55)
Energy			
EN3	Direct energy use segmented by primary source.	Yes	Energy Use and Greenhouse Gas Emissions (p. 48)
EN4	Indirect energy use	—	
EN17	Initiatives to use renewable energy sources and to increase energy efficiency	Yes	Responsible Operations (p. 47) Energy Use and Greenhouse Gas Emissions (p. 48)
EN18	Energy consumption footprint of major products	—	
EN19	Other indirect (upstream/downstream) energy use and implications	—	
Water			
EN5	Total water use	—	
EN20	Water sources and related ecosystems/habitats significantly affected by use of water	—	
EN21	Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources	—	
EN22	Total recycling and reuse of water	Yes	Reducing Water Use (p. 50)
Biodiversity			
EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats	—	
EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments	—	
EN23	Total amount of land owned, leased, or managed for production activities or extractive use	—	
EN24	Amount of impermeable surface as a percentage of land purchased or leased	—	

EN25	Impacts of activities and operations on protected and sensitive areas	—	
EN26	Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored	—	
EN27	Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas	—	
EN28	Number of IUCN Red List species with habitats in areas affected by operations	—	
EN29	Business units currently operating or planning operations in or around protected or sensitive areas	—	
Emissions, Effluents, and Waste			
EN8	Greenhouse gas emissions	Yes	Energy Use and Greenhouse Gas Emissions (p. 48)
EN9	Use and emissions of ozone-depleting substances	—	
EN10	NOx, SOx, and other significant air emissions by type	—	
EN11	Total amount of waste by type and destination	Yes	Water, Food, and Waste Management (p. 50)
EN12	Significant discharges to water by type	—	
EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume	—	
EN30	Other relevant indirect greenhouse gas emissions	Yes	Employee Travel (p. 52)
EN31	All production, transport, import, or export of any waste deemed "hazardous" under the terms of the Basel Convention Annex I, II, III, and VIII	—	
EN32	Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.	—	
Suppliers			
EN33	Performance of suppliers relative to environmental components of programmes and procedures described in response to Governance Structure and Management Systems section (Section 3.16)	Yes	Supply Chain Management (p. 61)
Products and Services			
EN14	Significant environmental impacts of principal products and services	Yes	Energy Use and Greenhouse Gas Emissions (p. 48)
EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	Yes	Lifecycle Management (p. 55)

Compliance		
EN16	Incidents of and fines for non-compliance with all applicable international declarations/ conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues	—
Transport		
EN34	Significant environmental impacts of transportation used for logistical purposes	—
Overall		
EN	Total environmental expenditures by type	—

SOCIAL PERFORMANCE INDICATORS: Labor Practices and Decent Work

No.	Question/Indicator	Coverage	Heading Found in Report at:
Employment			
LA1	Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country	Yes	Our Global Workforce (p. 7)
LA2	Net employment creation and average turnover segmented by region /country	—	
LA12	Employee benefits beyond those legally mandated	Yes	Flexibility and Productivity (p. 32) Employee Well-Being (p. 34)
Labor/Management Relations			
LA3	Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country	—	
LA4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations (e.g., restructuring)	—	
LA13	Provision for formal worker representation in decision-making or management, including corporate governance	—	

Health and Safety			
LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	Yes	Health and Safety (p. 44)
LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees	—	
LA7	Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers)	Yes	Health and Safety (p. 44)
LA8	Description of policies or program (for the workplace and beyond) on HIV/AIDS	—	
LA14	Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems	Yes	Health and Safety (p. 44)
LA15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements	—	
Training and Education			
LA9	Average hours of training per year per employee by category of employee	Yes	Training and Development (p. 36)
LA16	Description of programs to support the continued employability of employees and to manage career endings	Yes	Employee Well-Being (p. 34)
LA17	Specific policies and programs for skills management or for lifelong learning	Yes	Training and Development (p. 36) Leadership Fellows Program (p. 75)
Diversity and Opportunity			
LA10	Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring	Yes	Employee Diversity (p. 37)
LA11	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate	Yes	Employee Diversity (p. 37)

SOCIAL PERFORMANCE INDICATORS: Human Rights

No.	Question/Indicator	Coverage	Heading Found in Report at:
Human Rights Strategy and Management			
HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	Yes	Issue: Internet Use and Human Rights (p. 16)
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	—	
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	Yes	Issue: Internet Use and Human Rights (p. 16) Supply Chain Management (p. 61)
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations	Yes	Issue: Internet Use and Human Rights (p. 16)
Non-discrimination			
HR4	Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Yes	United Nations Global Compact (p. 8) Issue: Internet Use and Human Rights (p. 16)
Freedom of Association and Collective Bargaining			
HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programs to address this issue	Yes	United Nations Global Compact (p. 8) Issue: Internet Use and Human Rights (p. 16)
Child Labor			
HR6	Description of policy excluding child labor	Yes	United Nations Global Compact (p. 8) Issue: Internet Use and Human Rights (p. 16)
Forced and Compulsory Labor			
HR7	Description of policy to prevent forced and compulsory labor and extent to which this policy is visibly stated and applied as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring	Yes	United Nations Global Compact (p. 8) Issue: Internet Use and Human Rights (p. 16)

Disciplinary Practices		
HR9	Description of appeal practices, including, but not limited to, human rights issues	—
HR10	Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights).	—
Security Practices		
HR11	Human rights training for security personnel	—
Indigenous Rights		
HR12	Description of policies, guidelines, and procedures to address the needs of indigenous people	—
HR13	Description of jointly managed community grievance mechanisms/authority	—
HR14	Share of operating revenues from the area of operations that are redistributed to local communities	—

SOCIAL PERFORMANCE INDICATORS: Society

No.	Question/Indicator	Coverage	Heading Found in Report at:
Community			
SO1.1	Description of policies to manage impacts on communities in areas affected by activities	Yes	Cisco and Society (p. 63)
SO1.2	Description of procedures/programs to address the impacts on communities in areas affected by activities, including monitoring systems and results of monitoring	Yes	Accessibility (p. 58) Supplier Diversity (p. 62) Cisco and Society (p. 63)
SO4	Awards received relevant to social, ethical, and environmental performance	Yes	Accessibility (p. 58) Examples of FY2006 Volunteer Activities (p. 75)
Bribery and Corruption			
SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption	Yes	United Nations Global Compact (p. 8)
Political Contributions			
SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions	—	

SO5	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.	—
Competition and Pricing		
SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations	—
SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behavior	—

SOCIAL PERFORMANCE INDICATORS: Product Responsibility

No.	Question/Indicator	Coverage	Heading Found in Report at:
Customer Health and Safety			
PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring	Yes	Hazardous Substances (p. 57)
PR4	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches	—	
PR5	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services	—	
PR6	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received	Yes	Suppliers (p. 61)
Products and Services			
PR2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling	Yes	Energy Efficiency Standards (p. 54)
PR7	Number and type of instances of non-compliance with regulations concerning product information and labeling, including any penalties or fines assessed for these breaches	—	

PR8	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction. Identify geographic areas covered by policy	—	
Advertising			
PR9	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising	—	
PR10	Number and types of breaches of advertising and marketing regulations	—	
Respect for Privacy			
PR3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy	Yes	Issue: Privacy (p. 15)
PR11	Number of substantiated complaints regarding breaches of consumer privacy	—	

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

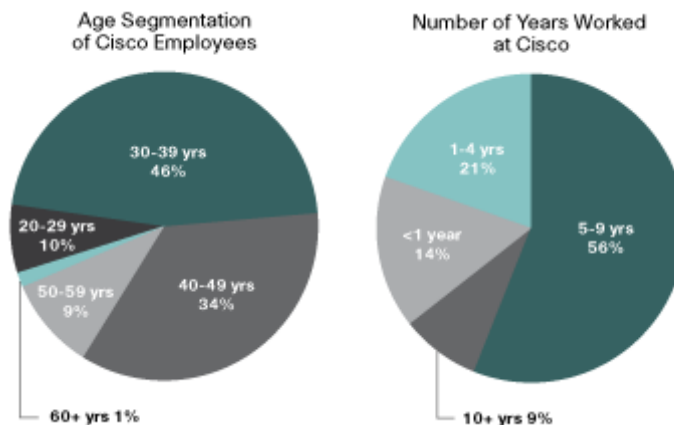
At Cisco, our competitive advantage is rooted in our employees. To attract and retain the most talented people in the industry, we listen carefully to what our employees say about the kind of workplace they want to have, and develop programs to fulfill those needs. This past year we devoted more time 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.

Employee Demographics

Our Global Workforce

As of the end of the fiscal year, Cisco employed a total of 41,163 people worldwide (excluding Scientific Atlanta and Linksys): 69 percent of our employees were based in the United States and Canada, 14 percent in Europe, 11 percent in Asia Pacific, 2 percent in Japan, and 4 percent in Emerging Markets.

The following charts categorize our employee base by age range and number of years worked at Cisco.



While 15 percent of our employees have been at Cisco less than one year, 65 percent of our workforce has stayed with the company for five years or more. These numbers substantiate our efforts toward employee retention. Additionally, 80 percent of our employees are 30-49 years old, an age when many people focus on raising families. Listening to the distinct needs of this group helps us provide the workplace flexibility they need to help them achieve balance between work and home life.

Cisco and Its Employees

Employee Satisfaction

Retaining the best talent requires listening to employee feedback. While our employees have multiple ways to provide feedback, the Cisco Pulse Census provides a confidential and standardized means for employees to assess their work environment. This gives both managers and Cisco leadership clear information to act upon.



Consisting of 54 questions, the Pulse Survey focuses on topics that measure employee commitment, and allows for baseline comparisons year over year or group to group. Our latest survey showed a six percentage point increase in the number of respondents who look forward to a long-term career at Cisco. Also, 83 percent of respondents rate Cisco as a great place to work.

Topics of the Cisco Pulse Census

- Career development
- Job satisfaction
- Relationship with management and peers
- Understanding the business
- Honesty and ethics
- Empowerment
- Results and recognition

Cisco Pulse Census Results

Subject Area	Q3 FY2006 All Employees	Q2 FY2006 Snapshot	Q4 FY2005 Snapshot	Q3 FY2005 Snapshot	Q2 FY2005 Snapshot
Cisco as a Place to Work	85%	80%	81%	78%	81%
Teamwork and Cooperation	84%	83%	80%	79%	79%
Understanding the Business	82%	77%	81%	77%	80%
Empowerment	81%	70%	79%	77%	78%
Honesty and Ethics	78%	76%	75%	73%	75%
Job Satisfaction	76%	73%	74%	72%	75%
Manager	76%	73%	74%	72%	75%
Workgroup	75%	72%	73%	72%	73%
Career Development	70%	66%	69%	65%	70%
Results and Recognition	63%	59%	57%	54%	57%

Notes:

1. "Snapshot" refers to a survey of a random sampling of Cisco employees.
2. "All Employees" refers to a survey distributed to all Cisco employees. Q3 FY06 was Cisco's first survey of this kind.
3. Data shown represents the average percentage of respondents who agree or strongly agree with the statements in each category.

Cisco and Its Employees

Flexibility and Productivity

To maintain a strong competitive advantage, Cisco remains focused on attracting and retaining the most talented individuals in the industry. We know that our employees' lifestyles and needs change over time and that we must adapt to support them. 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. Flexibility focuses on results rather than physical presence in an office. Cisco's tools and culture enable great flexibility in when, where, and how people work. Establishing consistency and transparency is critical for the flexibility program.

Cisco estimates that 90 percent of its U.S. employees regularly use flex time. Technologies that support these work arrangements include:

- High-speed Internet access at home, paid for by Cisco
- Discounted routers for home offices
- Hand-held devices and notebook computers instead of desktop computers.

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 feel confident about providing consistently strong service to our customers.

Other Flexibility Offerings**Convenience (not available in all locations):**

- Onsite oil changes and car wash service
- Onsite haircuts
- Onsite dental care
- Guaranteed emergency ride home program
- Onsite fitness centers with access to showers in every building

Education:

- E-learning courses
- Onsite programs including cooking classes, parenting classes, and financial planning seminars
- Onsite Weight Watchers programs

Family:

- Access to childcare facilities
- Eldercare assistance
- Employee assistance program with access to a national network of licensed counselors and crisis counselors, including legal and financial assistance
- Employee discounts for various products and services

Tools for Increasing Flexibility

In 2006, Cisco developed a Flexibility Toolkit to provide managers and employees with a framework for discussing business priorities and goals while incorporating flexibility into work arrangements.

Other tools available to our employees and their managers:

- Managers have access to new education programs, featuring video-on-demand information to help answer their questions about how to manage remote workers on their teams.
- Employees can now apply to work remotely through an online application process that prompts them to formulate a business case and anticipate the effects of their move on their team and customer relations.
- Managers and employees each have their own versions of Flexibility Toolkits; the one for managers includes checklists, tips for handling difficult situations, and a worksheet to document the agreed work arrangements, while the one for employees includes best practices for remaining in touch with co-workers.
- Managers and employees can determine best practices for flexibility arrangements for their teams.

Cisco is receiving positive feedback for our efforts in the area of workplace flexibility. *Fortune* magazine recognized us as number 25 on their list of the 100 Best Places to Work in America, noting our commitment to listening to our employees. In addition to *Fortune* magazine, *Workspan* magazine and *Financial Times* listed Cisco in their 100 Best Places to Work and Best Workplaces for Commuters lists, respectively.

In FY2007, we will be introducing the Flexibility Toolkit to each department throughout the company. Our focus is on supporting managers and capturing data about employees' flexible arrangements. The ability to achieve companywide goals while allowing for a more flexible arrangement and healthy work-life balance is a critical element of the Cisco culture. To maintain a strong competitive advantage, Cisco remains focused on attracting and retaining the most talented individuals in the industry. We know that our employees' lifestyles and needs change over time and that we must adapt to support them. We believe that there is a positive correlation between flexibility in the workplace and employee productivity.

Cisco and Its Employees

Employee Well-Being

Cisco is committed to employee welfare and helping families in need, and it's equally important to our employees. According to a 2003 study of high-tech companies by recruiting firm Towers Perrin, competitive healthcare benefits ranked number four among ages 19-29, number two among ages 30-44, and number one among ages 45-54.

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. As our employees age, Cisco could potentially face rising healthcare costs. By helping employees manage their health, Cisco could save as much as \$23 million a year in future claims expense. Keeping employees healthy also means that disability rates will not increase considerably. In the future, Cisco's goal is to save another \$14.2 million in these two areas.

Equally important is the human perspective. Cisco continues to improve the way that healthcare is delivered to employees, their spouses, and families. In October 2005, Cisco began HealthConnections, a program for employees that combines our traditional health benefits with access to health enhancement tools. In this program, employees' identities are kept secure and Cisco does not have access to any medical information. All information is sent to a third-party vendor to ensure confidentiality.

The HealthConnections program invigorates and inspires employees and their families to enhance their health and well-being by providing an integrated network of healthcare providers, disability management, workplace resources, food services, fitness centers, and other resources. When employees voluntarily assess their health, two independent companies, WebMD and Ingenix, analyze the information, determining high health risk categories and recommend specific health programs to proactively address these risks (to maintain privacy, Cisco only receives information about employees in aggregate).

Two programs we're offering include Personal Health Manager and *HealthConnections Live Webcasts*.

Personal Health Manager

A service offered in partnership with WebMD, this is a highly secure, online portal where employees can identify health risks, evaluate their current health condition, and get personalized health improvement plans for themselves and their families.

Personal Health Manager helps employees:

- Assess health risks
- Improve their lifestyle
- Access specific information on men's and women's health, pregnancy, child health, and nutrition
- Analyze risks and benefits of medical procedures
- Make decisions about benefit changes during Open Enrollment periods
- Compare the coverage and cost of health plans
- Locate doctors who participate in specific plans
- Calculate potential tax savings from Flexible Spending Account contributions
- Stop smoking
- Set healthy goals and track their progress



HealthConnections Live

Employees can tune in to a quarterly CiscoTV Webcast in which Dr. Pamela Hymel, global medical director of integrated health for Cisco Systems, engages specialized health experts to discuss topics of interest to Cisco employees and their families. Employees who view the session live on their computers can submit questions throughout the broadcast. Employees who cannot view the session live can access a video-on-demand recording that is available following each event.

Additional HealthConnections Features:

- Easy access to information about calorie, fat, and sodium content in cafeteria offerings
- Flu shots
- Preventative health services, including mammograms and Pap smears
- Cholesterol monitoring
- Body mass index monitoring

Future Plans

In FY2007, Cisco plans to introduce personal health coaching, via phone, Web, or in person, to help employees focus on and improve their individual risk areas. Employees will also have access to a 24-hour nurse line to get immediate answers to their health questions. We will be introducing additional programs for specific health concerns.

Cisco will also begin the "Getting Back to Work" program, an integrated disability management program that streamlines the disability process. We will guide employees through the completion of all necessary, and sometimes confusing, paperwork associated with leaves of absence and other activities.

Cisco and Its Employees

Training and Development

Each year, the global economy, as well as our specific industry, changes dramatically. 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. To support this personal and professional growth, Cisco provides employees with a wide range of training and development programs.



In FY2006, 12 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.

We offer certification programs on our own technology, as well as numerous instructor-led and online workshops on topics ranging from general business and communications to specific functional responsibilities such as market and product positioning. Cisco also has a program in which we rotate select high-performance employees through a range of assignments to ensure that their skill sets are broadened. The company offers individuals who participate in rotational assignments a range of local positions and overseas opportunities so that they can choose the one that best matches their interests. These employees spend two to three years on each assignment, preparing them for eventual progression within the company.

Other programs include:

- **Cisco Leadership Series:** Designed specifically for employees with significant growth potential, five different leadership development programs are available for employees from the level of manager through to senior directors and vice presidents. During FY2006, Cisco employees participated in 33 instructor-led courses. These programs enhance the collective leadership capacity of our employees and allow for cross-functional collaboration.
- **Cisco University:** This program provides employees with flexible, online development opportunities and an online portal where they can manage their individual careers and all activities related to career development.

This year, Cisco University established an extensive curriculum in manager training. Cisco's internal surveys reveal that good managers are the primary reason employees remain committed to their jobs here. However, not all managers receive specialized management training as they advance in their careers. By using the tool for manager development on the Cisco University site, both new and experienced managers can focus on areas identified as the most important for their success. This tool cultivates management capabilities consistently throughout the company, which improves employee satisfaction and retention and raises the levels of employee productivity.

Cisco and Its Employees

Employee Diversity

At Cisco, 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.

As a leading global company, Cisco recognizes that diversity of thought is a business imperative. By attracting, hiring, developing, and retaining the best talent, Cisco is able to explore new ideas, promote better decision making, and create a workforce that mirrors our customers and the world at large.

**Diversity Initiatives**

The initiatives and programs described in this report focus on promoting diversity and inclusion at Cisco and throughout the industry. Additional information is provided about:

- Women's initiatives
- Employee networks
- College recruiting
- Diversity education
- Workplace accessibility

Key Statistics

High-technology company leaders recognized many years ago that young women were not traditionally participating in engineering and science programs that led to careers in the industry. In fact, the gender digital divide is apparent around the world, as shown in the table below.

Female Representation in IT Occupations

Country/Region	Percentage of IT Workers Who Are Female
Australia	16%
India	21%
Japan	28%
Europe	30%
United States	35%

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.

Proportion of Women and Ethnic Minority Employees at Cisco FY 2006

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

* U.S. data only

Recognition for Diversity Efforts

- Equal Opportunities Publications ranked Cisco number 13 of the top 50 employers with the best working environment for women in 2005.
- *Black E.O.E. Journal* listed Cisco in America's Top Organizations for Multicultural Business Opportunities.
- *Fortune* magazine named Cisco as one of the 50 Best Companies for Minorities.
- DiversityBusiness.com ranked Cisco number 35 on its list of American's Top 50 Organizations for Multicultural Business Opportunities in 2005.
- *Hispanic Network* magazine listed Cisco in the 40 Most Admired Companies for Hispanics and the Top 50 Organizations for Multicultural Business Opportunities.
- The American Foundation for the Blind awarded Cisco the Helen Keller Achievement in Accessibility Award.

Women's Initiatives

As a high-technology company, Cisco is well aware of the need for increased female participation in our industry. Within our own global operations, we dedicate programs and resources to help women develop their skills as managers and executives. In educational and social settings worldwide, Cisco actively leads and participates in activities to increase women's interests in careers in this industry.

Our Gender Diversity Council, comprised of senior executive members representing every Cisco business function, identifies and seeks to diminish the barriers that inhibit a culture of inclusion, such as a shortage of role models and mentors. The Council oversees hiring, development and advancement, retention, and culture initiatives throughout the company.

Women at Cisco in FY2006

- 50 percent of new hires in the past four quarters in finance and corporate communications are female.
- Nearly 40 percent of new hires in the past four quarters in operations and marketing are female.
- Approximately 25 percent of total new hires at Cisco are female.

Women's Leadership and Development

Cisco offers its employees numerous training and development opportunities, many of them directed at women. The Compass and Perspective Series programs are two examples.

Compass Series

- Designed to give Cisco's 300 female senior managers exposure to executives
- Launched FY2006 with two development sessions
- Offers opportunity to network with cross-functional peers
- Discussed topics such "Career Strategies to Get Ahead" and "Creating a Culture of Courage"

Perspective Series

- Helps directors and above form a community of women
- Completed third year of this program
- Focused on building executive-level leadership skills
- Hosted three sessions, whose topics included "Creating a Leading Strategy" and "Being Perceived as a Leader"
- Hosted Women's Leadership Offsite meeting attended by more than 700 women and men

Promoting Women in Technology Worldwide

Cisco continuously works on current and long-term strategies to increase the number of women in the fields of science and technology. Often employees who understand the importance of gender diversity lead these initiatives. Currently more than 3000 employees participate in 32 Cisco Women's Action Network (WAN) chapters in 24 countries, which cultivate mentoring and career development opportunities for women.

At the same time, Cisco encourages girls and young women to develop skills in math, computing, and technology from an early age. In the United States, nearly 59 percent of college students are female; however, women receive only 18 percent of bachelor's degrees in engineering and 28 percent in computer science.

Cisco's Girls/Women in Technology Initiative aims to introduce more K-12 female students to technology and inspire excitement in associated careers. Cisco partnered with the National Center for Women in Technology (NCWIT), an organization of public and private sector leaders whose mission is to ensure that women's knowledge and skills are fully represented in the information technology industry. Together we developed a Website where girls can explore careers in technology. The site received 238,438 hits in January 2006, up 25 percent from November.

Cisco also partners with the Center for Women in Technology (CWIT), established at the University of Maryland Baltimore County in July 1998, to provide global leadership for women's participation in information technology. We work on numerous initiatives, including organizing an international panel at the United Nations on the effects of information and communications technology on the lives of women and girls. Through these awareness campaigns, Cisco aspires to empower girls in computer science, engineering, math, and the sciences, and intends to create a pool of females ready to enter the IT workforce.

Cisco's Networking Academy Gender Initiative provides greater access to IT training for women globally. Cisco is partnering with several United Nations programs, as well as nongovernmental organizations, to achieve at least 30 percent female enrollment in more than 200 Cisco Networking Academy sites in the least-developed countries of the world. Cisco is working with the United States Agency for International Development (USAID) and the Institute of International Education (IIE) to provide \$300,000 in scholarships for women in Algeria, Morocco, Tunisia, Bangladesh, Nepal, Mongolia, and Sri Lanka to attend [academies in their countries](#).

Cisco also collaborated with USAID and the United Nations Development Fund for Women to implement several gender programs in the Middle East. We established 25 academies in Jordan, Lebanon, and Morocco, with 69 instructors; our female enrollment is 45 percent in Jordan, 25 percent in Lebanon, and 51 percent in Morocco. Some 450 of these students have taken at least one CCNA networking certification course, while 1,600 have graduated from all four levels of the CCNA curriculum.

The academies in Jordan and Lebanon also participate in a partnership with the [United Nations Relief and Works Agency](#) (UNRWA), under which academies have been established in eight refugee training centers in Jordan, Lebanon, and Syria. In the UNRWA program, 250 students have taken at least one CCNA course, while 830 have graduated from all four levels of the CCNA curriculum.

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."

Employee Networks

We foster diversity, development, and growth opportunities for employees through employee networks. These groups, which bring together minority employees, reinforce the value we place in having people bring their "total self" to work. By valuing the differences that make each person unique, we can increase individual and team performance, productivity, and satisfaction. Cisco believes its employee networks are critical to an inclusive organizational culture.

Employee Networks at Cisco

- Women's Action Networks
- Cisco Black Employee Network
- Conexión, the Cisco Latino Network
- Gay Lesbian Bisexual Transgender (GLBT) and Advocates
- Cisco Asian Affinity Network
- Indians Connected

Employee Networks Get Involved in Business

Each employee network maintains a business plan, with specific goals in several focus areas that support Cisco's business objectives. These groups contribute to Cisco's recruiting, retention, and business development, and they exemplify Cisco's culture of giving back through community outreach. Some examples of employee network projects that support the business follow.

Focus Area: Recruitment

- **Black Employee Network:** Participates in National Black MBA Association and National Society of Black Engineers conferences and job fairs; also partners with 100 Black Men of America and the United Negro College Fund
- **Women's Action Network:** Reached 4700 students through Girls in Technology; also participates in conferences sponsored by the Society of Women Engineers and the Anita Borg Institute
- **Conexión:** Participates in Society of Hispanic Professional Engineers and National Society of Hispanic MBAs conferences and job fairs
- **GLBT:** Partnered with human resources to organize a health fair and to review domestic partner benefits
- **Asian Affinity:** Coordinated Cisco Executive Briefing Center sessions for students at three Asian universities

Focus Area: Retention and Professional Development

- All employee networks collaborated to deliver leadership seminars focused on professional development, with each seminar attended or viewed by more than 400 employees across Cisco. Conexion, Black Employee Network, and GLBT partnered to deliver a joint mentoring program that involves 58 mentors and mentees.
- Conexion: Developed and led a Project Management Professional certification study course and 100 percent of participants passed the exam
- Women's Action Network: Delivered more than 270 career development workshops globally in FY2006
- Asian Affinity: Conducted Cisco CCIE certification informational sessions, which were attended by more than 100 employees in San Jose and Research Triangle Park

Focus Area: Corporate Culture

- GLBT: Sponsored the Gay, Lesbian, and Straight Education Network, the leading national education organization focused on ensuring safe schools for all students.
- Conexion: Created team to mentor middle school students for Tech Challenge.
- Black Employee Network: Mentored urban youth ages 11-18 and discussed technology career options, through Ashay by the Bay, a community-based after-school program. Presented demonstrations about business and technology to single mothers in San Jose, California, through the San Juan Bautista Child Development Center, an aftercare center for children of low-income single parents.
- Women Action Networks: Assisted with the Bring Your Children to Work programs around the globe. Worked with local management teams to identify challenges that women face in their regions.
- Asian Affinity: Raised \$23,000 for Hurricane Katrina relief and participated in the Red Cross Katrina Call Center at Cisco.

College Recruiting

Cisco actively recruits students of diverse backgrounds and sponsors scholarships for diversity groups at college campuses. In FY2006, we donated \$278,000 in scholarship money directly to university diversity organizations.

Sales Force Recruitment

Cisco's Sales Associates Program hires graduates from top universities to participate in 12 months of training to become a Cisco systems engineer or sales representative. In addition to attracting high-achieving and motivated young people through this program, we are also focused on attracting a diverse group of college graduates. Through this program, we recruit at female colleges and historically black colleges and universities. In fact, 19 of the schools where we recruit are rated in the top 25 for graduating female engineers. At each school, we partner closely with campus diversity organizations, including the Society of Women Engineers, Society of Hispanic Professional Engineers, and National Society of Black Engineers.

Diversity Conference for Students

In January 2006 we hosted the first Cisco Leadership Diversity Conference. Some 150 college students attended from across the United States and learned about the importance of diversity and working within a diverse organization. Other companies are now using this event as a model for their own recruiting efforts. Another conference is planned for 2007.

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.

"MicroInequities: The Power of Small" is a course developed by Insight Education Systems that focuses on the most hidden barriers to success: subtle and usually subconscious messages, called micromessages, that devalue, discourage, and ultimately impair performance in the workplace. MicroInequities can occur when a manager or colleague communicates different messages to people, based on differences in race, gender, age, sexual orientation, or level within the company.

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:

- We sponsor the National Business and Disability Council, the leading U.S. resource center for companies looking at ways to integrate people with disabilities into the workplace.
- Through a more than 10-year relationship with Project Hired, which specializes in helping people with disabilities find work, we have employed many people. We ask these employees to consult with us on accessibility initiatives and workplace modifications.
- At the American Association of People with Disabilities National Disability Mentoring Day, Cisco employees with disabilities acted as mentors for students and veterans with disabilities, teaching them about information technology career opportunities.

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.

In the future, Cisco will work with both the U.S. Department of Labor and some state agencies to install networking equipment in veterans hospitals and military bases, similar to a Networking Academy site, to help veterans become familiar with Cisco equipment.

Case Study: Adding Talent: Hiring Disable Veterans

In FY2006, Cisco established relationships with the Army and the Marine Corps to improve its recruiting and hiring process.

In July 2006, Cisco hired Dennis McEntee through the Disabled U.S. Veterans Hiring Program. Dennis, a former Army Specialist E4, joined Cisco as a customer service specialist in the Global Service Supply Chain group in Gold River, California. Instrumental in helping create this program were two military veterans working for Cisco, Vice President Mike Quinn and Director Dillard Myers.

Cisco is building relationships with other service branches to make disabled veteran hiring a standard part of our hiring practices. Communications and training for Cisco hiring managers will also increase over the coming months, so managers can more effectively take advantage of the increased access to this talent.

"We're tapping into great talent," says Laura Quintana, director of product management, corporate affairs. "We're not the only company doing this, so it's just as important to be competitive in this program as it is in any other recruiting effort we undertake."

Cisco and Its Employees

Health and Safety

Cisco is committed to providing a safe and healthy work environment, one that exceeds government-mandated requirements. Toward that end, our Environmental Health and Safety Department (EHS) developed and manages an Occupational Safety and Health Program, also known in California as an Injury and Illness Prevention Program (IIPP).

This program provides guidelines on management involvement, health and safety communications and training, office and work-area hazard assessments, accident investigation, crisis management, and safety planning.



In FY2006, this program was updated to include global regulatory requirements. Our associated Lab Safety Program is designed to provide a safe working environment specifically for lab employees and visitors, and includes training modules and safety checklists for common lab safety hazards.

Cisco maintains full-time, onsite emergency response teams (ERTs) at major campuses around the world. The teams are staffed by Cisco employee volunteers, who receive ongoing training and support. In support of our ERT program, we have deployed automatic external defibrillators, one of the most effective measures for preventing serious injury or death due to sudden cardiac arrest, at almost all U.S. locations.

Cisco also administers an ergonomics program to support the design and ongoing use of work stations that maximize employee productivity and reduce user fatigue and discomfort. Onsite evaluations and an informational Website are currently available at most U.S. locations.

Cisco Health and Safety Plans for FY2007

- Incorporate new occupational safety and health program in several international Cisco locations
- Deploy automatic external defibrillators at international locations
- Design a global, Web-based self-evaluation tool for ergonomic work area assessments

Cisco actively investigates employee complaints related to indoor air quality, excessive noise, or other potential sources of exposure. The EHS department works closely with experts in the field of industrial hygiene to assist with these investigations, as well as internally with Cisco workplace resources, human resources, and other departments.

In FY2006, there were 107 reported injuries and illnesses and no work-related fatalities.

Crisis Management

Cisco has a multifaceted plan to respond consistently and effectively to any kind of event, from a local site emergency to a large-scale community disaster to a health pandemic. We conduct quarterly drills at each Cisco site so that response teams can test processes and new tools. Immediately following these drills, the teams hold debriefing sessions to identify areas for improvements. In June, our San Jose team also tested a mobile command vehicle, a large van outfitted with networking gear and emergency response supplies. In an actual emergency, this would function as a hub for emergency responders.

The new response structure was tested several times over the past year and proved to be effective in coordinating local response to the London terrorist bombings; the 7.6-magnitude earthquake that hit Pakistan, Afghanistan, and northern India; and Hurricanes Katrina and Rita in the Gulf region of the United States.

Emergency Response Teams

- The Safety and Security Team is responsible for day-to-day monitoring of events that may adversely affect the well-being, safety, and security of employees, customers and stakeholders. These situations include fire alarms, crimes in progress, bomb threats, and suspicious odors. The team interacts directly with local fire and police departments to help ensure the safety of anyone at a Cisco location.
- The Theater Crisis Management Team responds to situations within a geographical region that pose threats to employees, property, critical business functions, customers, or the community. Threats could include events involving injuries to multiple employees, severe weather and earthquakes, power outages, and other crises affecting multiple buildings.
- The Corporate Crisis Management Team includes the Incident Command Team and the executive team. This team supports the geographical team in events where the impact to Cisco could extend beyond one theater or have an added risk of impact to Cisco's shareholder value. This team can mobilize cross-functional or corporatewide resources in response to an emergency. The executive team responds to larger events, which require decisions about facility closures and large-scale corporate financial issues.

Cisco and the Environment



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

Wolfgang Wagner
Connected Real Estate Project Leader

From videoconferencing at work to checking traffic conditions on the weekend, the Internet helps people to reduce the need to travel and thus the impact of vehicle emissions on the environment. Cisco's networking equipment enables these capabilities, and we are committed to continued innovation and technological development that help people to live, work, and play in more environmentally sustainable ways.

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.

In addition to considering energy efficiency and end-of-life management in our product development and design processes, Cisco also makes an effort to ensure our products are accessible to any user, no matter what their ability or physical limitations. During FY2006, we expanded our accessibility program to four more business units, bringing the total involved to 12, or more than half our business units.

Cisco and the Environment

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.



Additional information is provided about:

- Management systems
- Energy use and greenhouse gas emissions
- Water, food, and waste management
- Employee travel

Management Systems

Cisco has always tried to conduct business in an environmentally responsible manner. We implement environmental management systems (EMSs) to comply with environmental regulations, as well as to look for continuous improvement in our efforts. We are applying EMSs to all our major sites worldwide, to be certified pursuant to the ISO14001 environmental management standard.

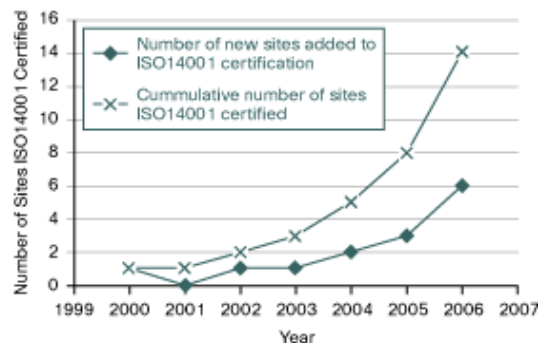
At each of Cisco's major sites, a team uses EMSs to identify and prioritize the most relevant and important regulatory and nonregulatory risks and opportunities. These issues may range from managing hazardous waste to increasing employee awareness of environmental issues to monitoring water use. Often these initiatives are driven by the operational practices or community concerns at particular sites. The team prioritizes projects that address risks and identifies opportunities for improvement.

Progress and Future Plans

During FY2006, sites at Austin, Texas; Bedford 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.

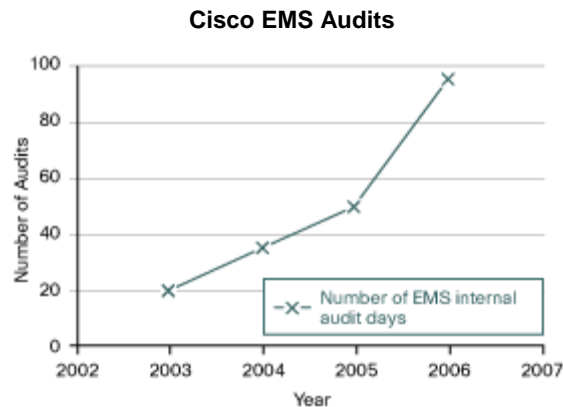
In FY2006 we focused on integrating our EMS with other management systems and procedures to improve its effectiveness. We also improved our procedures for training internal auditors and mentors who oversee the program and the communication and information management tools associated with the program.

Cisco's ISO14001 Certified Sites



In the first quarter of FY2007, we expect the following sites to attain ISO14001 certification:

- Paris, France
- Brussels, Belgium
- Tokyo, Japan
- Sydney, Australia
- Herndon, Virginia
- Boulder and Englewood, Colorado



Energy Use

Cisco recognizes international concerns over 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 today largely rely on fossil fuels: that used by our buildings and facilities, and that used by our products. We also support the development of alternative technologies and management techniques, sponsored within our operations, that work to neutralize the adverse environmental effects of our energy demands.

Office Environments

Cisco's networking solutions enable our customers and employees to work remotely and collaborate electronically. These changes in the way we work also allow us to rethink the way we design and operate our facilities, ultimately reducing our environmental footprint.

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
- Reducing the need for employee commuting

The Cisco CRE concept allows companies to replace the traditional workplace environment by incorporating IP communications, wireless network access, and virtual private networks (VPNs) to create flexible work environments. Employees can work at desks, from conference rooms, in outdoor environments, or from home or other remote locations with networking capability. This enables employees to be productive while helping the company to reduce overall real estate requirements.

The concept accommodates twice the number of employees in a traditional office environment, and has improved staff productivity, increased space efficiency, and reduced per capita use of equipment and IT infrastructure.

One way the project improves energy efficiency is through the design, monitoring, and control of multiple building-management systems. Traditionally, buildings require multiple proprietary management systems for security, ventilation, and energy management. The Cisco CRE program integrates the control and management of these systems with Cisco's network infrastructure, which allows staff working in buildings to adjust room temperature and other aspects of the environmental system to suit their needs.

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.

Following the success of the San Jose pilot project, the CRE program has been implemented in Cisco offices in:

- Bangkok, Thailand
- Taipei, Taiwan
- Charlotte, North Carolina
- New York City, New York

Laboratories and Data Centers

Cisco is continuously exploring the use of advanced energy management techniques to reduce the energy consumption of equipment in our laboratories. As an example, Cisco has initiated an automated power management system to control energy consumption in our laboratories where we develop and test new equipment. These labs represent approximately 20 percent of Cisco's real estate, though we rarely use testing equipment continuously. The system identifies equipment not in use and automatically switches it off. Upon successful completion of the pilot project and rollout across Cisco, advanced energy management techniques will lead to significant energy and greenhouse-gas reductions both at Cisco and for our customers.

Cisco is also partnering with the Department of Energy's Lawrence Berkeley National Laboratory to research technologies that could significantly reduce energy demands, as well as improve reliability and lengthen equipment life in data centers. The technology eliminates power conversion losses by using DC (direct current) rather than AC (alternating current) power to provide electricity throughout the data center. Initial findings indicate that the new techniques could reduce energy consumption by 10 to 20 percent.

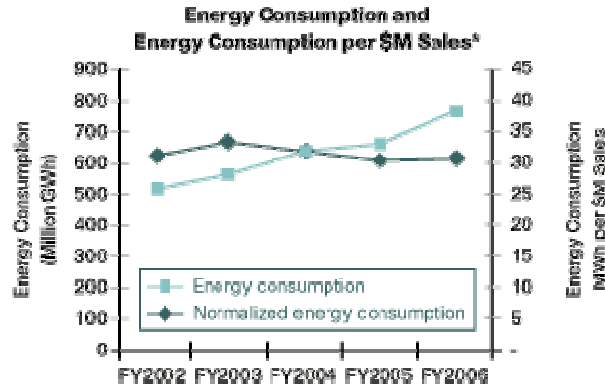
Other Environmental Projects

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

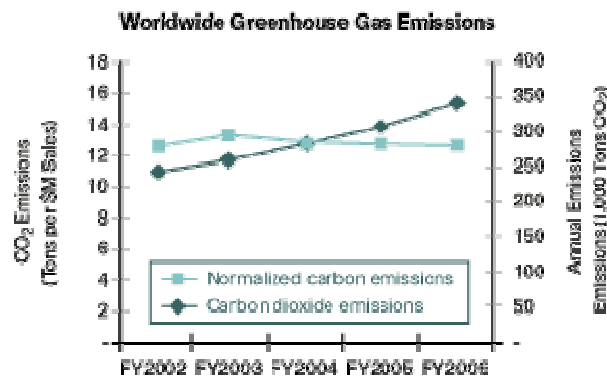
- **Renewable energy procurement:** In FY2006 we purchased more than 17.3 million kilowatt hours of renewable energy at our sites in the United Kingdom and Ireland. We also procured 9 million kilowatt hours at two sites in the United States.
- **Green building design:** The U.S. Green Building Council has developed guidelines under its Leadership in Energy and Environmental Design (LEED) certification governing sustainability, water savings, energy efficiency, materials selection, and indoor environmental quality. Cisco is seeking LEED certification for our new data center facilities in the United States, India, and Switzerland, as well as for many of our existing buildings, which may qualify in their current state. We are also currently seeking LEED certification for the Connected Real Estate office environments.
- **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^{1 2}

Between FY2005 and FY2006, our energy consumption and greenhouse gas emissions grew by 19 percent and 12 percent, respectively. 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. 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.



¹ Cisco's Energy and Greenhouse Gas Inventory is prepared in accordance with the International Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard and calculations provided by the World Resources Institute. During FY2006, the following sites were added to the Inventory: Kanata, Canada; Lisbon, Portugal; Singapore; Barcelona and Madrid, Spain; Austin, Texas, and Santa Clara, California, United States. Estimates for the period of FY2002 to FY2005 have been revised from Cisco's FY2005 Citizenship Report to reflect improved data quality and updated emissions factors.

² Energy Consumption chart added and Worldwide Greenhouse Gas Emissions chart reflects accurate content as of November 16, 2006.

Future Plans

Cisco will improve our energy and greenhouse gas emissions programs, and we will quantify and communicate the environmental impact of our product and real estate initiatives. Key objectives and targets for FY2007:

- Increase renewable energy procurement by an additional 47 million kilowatt hours per year at our U.S. facilities
- Implement additional projects to generate energy efficiency, such as a plan to reduce energy used by air conditioning systems by matching the need for air circulation with building occupancy
- Initiate onsite photovoltaic projects to generate renewable energy at our San Jose headquarters
- Implement advanced programs that progressively shut down nonessential equipment at our California and Texas facilities to reduce energy during periods of peak energy demand

Water, Food, and Waste Management

In Cisco's primarily office-based operations, we strive to minimize our environmental footprint. We focus on several operational issues:

- Reducing water use
- Purchasing from local farmers
- Managing the waste generated as a result of our operations

Reducing Water Use

Water scarcity is becoming an increasingly important issue worldwide due to changing weather patterns and population growth. At our California headquarters, Cisco is helping to relieve demand on scarce water resources by using recycled water where possible, while reducing overall demand for water. Water conservation efforts benefit the environment and reduce our operating costs.

This year we tested six waterless urinals in restrooms at our San Jose headquarters, and found that each saved an estimated 20,000 gallons per year. In FY2007, we will replace 425 additional urinals, for an estimated savings of 8.5 million gallons of water per year. In addition, because approximately 30 percent of our water consumption goes to landscape irrigation, we are using only recycled water for this activity. Through our efforts in California alone, we are saving more than 81 million gallons of water each year.

Sustainable Food Service

Bon Appetit manages all 15 of Cisco's cafeterias in the United States and Canada. The cafeteria management company's Farm to Fork Initiative means the company purchases seasonal and regional produce from local farmers within a 150-mile radius of campus and serves it within 48 hours of harvest. The result is superior flavor and nutritional value as well as reduced emissions associated with transport.

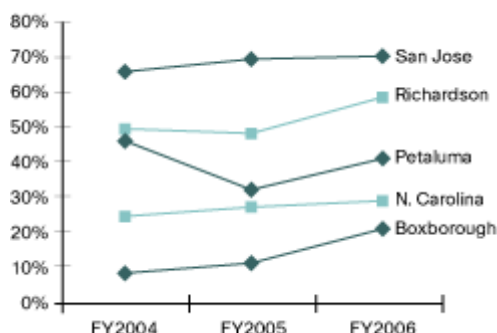
Other ecologically sound purchasing decisions made by Bon Appetit include purchasing meat and dairy products free of growth hormone and antibiotics. In addition, Cisco's cafeterias purchase locally sourced fish when available and follow the Monterey Bay Aquarium Seafood Watch guidelines for sustainable seafood, designed to protect the ocean from overfishing. For example, salmon served in our cafeterias is wild, not farmed, and tuna served is caught with dolphin-safe techniques.

Our cafeterias also participate in composting and recycling programs. In our North Carolina facility, our waste vegetable oil is converted to biodiesel for use in powering traditional diesel vehicles.

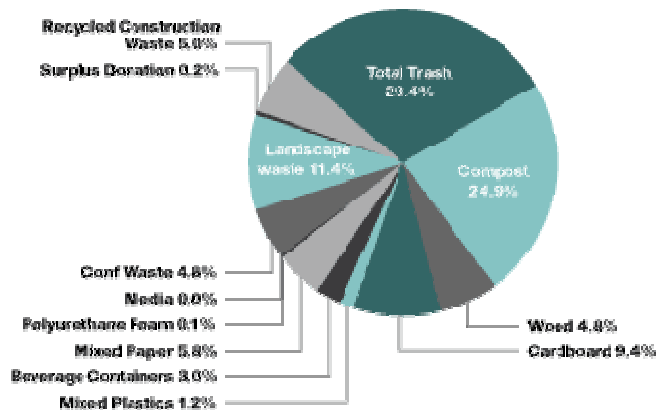
Managing Waste

Cisco strives to manage, reduce, or eliminate operational wastes whenever possible. This waste includes all office, landscaping, and cafeteria wastes, but excludes electronic waste (for information about ways Cisco reduces electronic waste, see the section on Lifecycle Management). We continue to maintain a high recycling rate and divert waste to areas where it can be used as a resource.

Waste Diversion from Landfill at U.S. Facilities



Composition of Waste Stream



Employee Travel

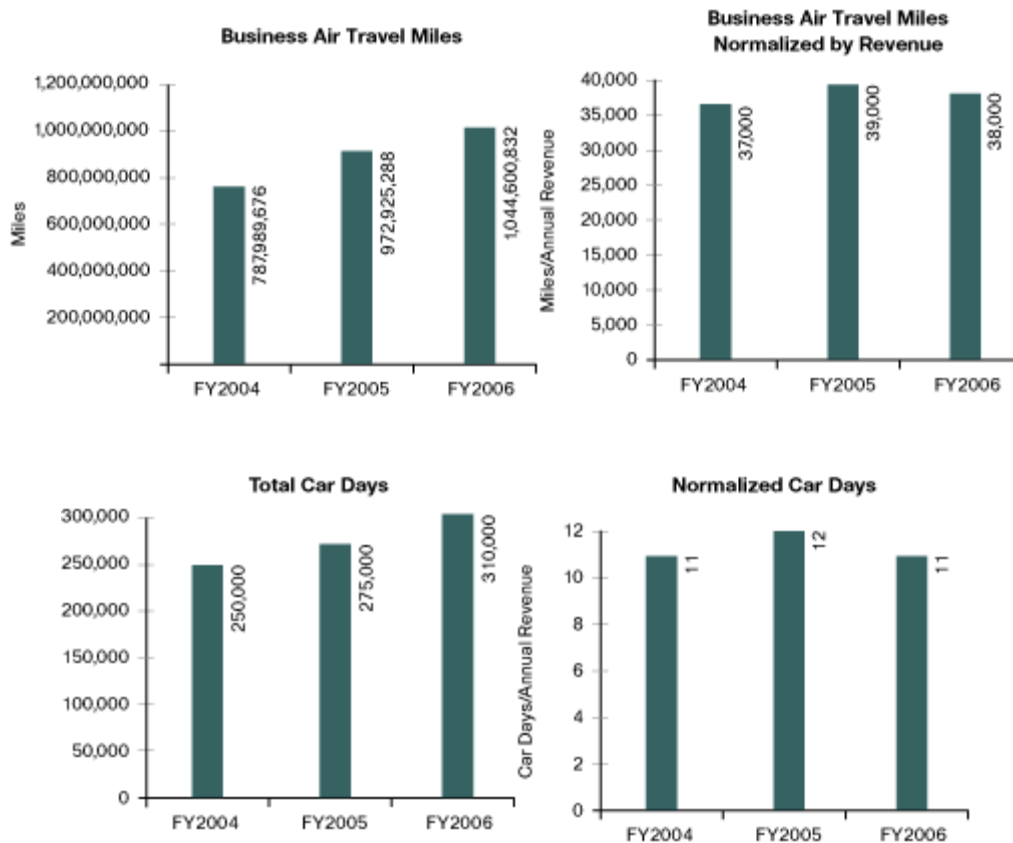
By encouraging home and remote teleworking, we help our employees contribute to our business anywhere at any time, which reduces real estate costs for the company and decreases rush-hour commutes and the pollution associated with them.

Cisco also encourages the use of public transportation through commuter benefits programs, including:

- Subsidized public transportation passes
- Rides home for carpoolers in an emergency
- Intracampus shuttle services

Last year, we placed sixth on the U.S. Environmental Protection Agency (EPA) list of "Best Workplaces for Commuters" among Fortune 500 Companies. Rankings were based on the percentage of a company's workforce with access to a commuter program. According to the [EPA](#), employees working for companies on the list last year prevented the emission of more than 1.45 million metric tons of carbon dioxide.

The number of business miles and car days have increased during the last five years as the business has grown. However, when normalized by sales revenue, the demand for business travel has remained constant. As audio and video conferencing becomes more common, we expect the demand for business travel to reduce over time.



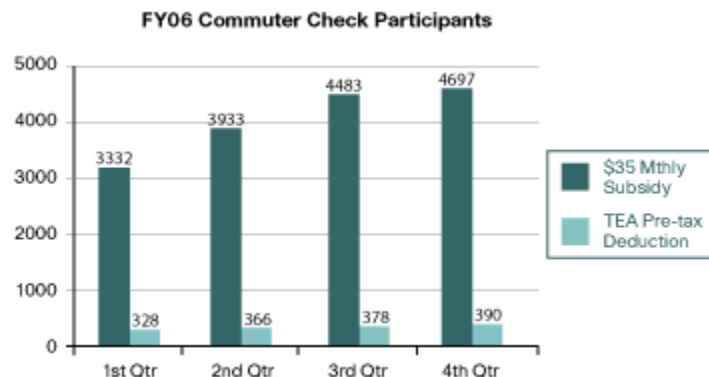
Alternate Transportation Program

The Cisco Alternate Transportation program is designed around incentives and provides the following to San Jose employees:

- Commuter vouchers: A \$35 monthly voucher, good toward the purchase of public transit passes and vanpool expense, is given monthly to each requesting employee.
- TEA-21 pretax payroll deductions: Employees can have an additional \$70 per month deducted from their paycheck in pretax dollars. These deductions are reimbursed with commuter vouchers.
- SmartCart intracampus shuttle: This service provides dispatched shuttle service throughout the site.
- Annual EcoPass: Employees with a special sticker on their badges can ride for free any day on any Santa Clara County bus or LightRail train for one year.
- Emergency Ride Home Program: Available to employees who commute to work using alternate transportation, such as public transit, carpool, vanpool, and bicycling at least two days per week, this program guarantees these commuters a ride home in a taxi when alternate transport breaks down.

FY2006 Commuter Voucher Participants

Cisco has an extensive Alternate Transportation Website with information about Cisco programs, online registration for EcoPasses and commuter vouchers, as well as links to all Bay Area public transit agencies and other transportation resources. Cisco takes advantage of the publicly funded 511.org program to assist employees in setting up or joining car and van pools and for planning their commute trips on public transit.



FY2006 Alternate Transportation Statistics:

- Intracampus shuttle rides: 89,375
- Transit shuttle rides: 18,604
- \$35 subsidy commuter vouchers distributed: 16,445
- TEA program participants (annual): 1,462
- EcoPass requests: 9,258

In India, more than 300 employees take advantage of our public transportation subsidy program instead of driving to the office.

Cisco and the Environment

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.



Additional information is provided about:

- Energy efficiency
- Lifecycle management
- Hazardous substances
- Accessibility

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
- Energy efficient data center design

Starting with our products, we are considering energy efficiency in all aspects of product design, such as:

- Efficient power supplies to minimize energy losses while assuring reliability
- Intelligent power distribution systems to improve efficiency
- Standard-voltage line cards that eliminate the need for multiple electrical conversions
- Cooling fans to function with temperature-specific speed controls

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. Cisco leaders believe our customers will continue to require more efficient products. They need information that can help them compare different products and make informed choices. At Cisco, 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, Cisco participated in several programs:

- U.S. EPA Eco Forum, focusing on the development of metrics for energy efficiency in networking equipment and data centers
- Japan's Ministry of Economy, Trade, and Industry Router and Switch Technology Committee, developing energy efficiency standards for networking equipment
- European Union Broadband Communication Code of Conduct working group, driving energy efficient design for network appliances at home and in small and medium-sized businesses
- California Energy Commission Appliance Regulations, requiring external power supplies to meet Energy Star standards for energy efficiency

External Power Supplies

The U.S. Environmental Protection Agency calculates that the average American home has 5 to 10 external power supplies powering devices in their homes. Its research has also found an average of 30 to 50 percent of the electricity input to these devices is wasted through inefficiencies in the power supplies and given off as heat.

The California Energy Commission has targeted these inefficiencies through its Appliance Efficiency Regulations, which uses aggressive standards derived from the EPA's Energy Star standards for single-voltage external power supplies.

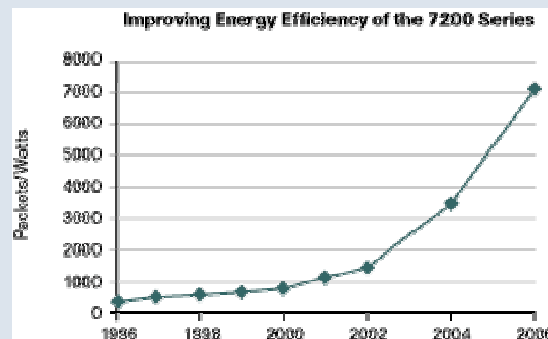
Cisco has set a goal of meeting the Commission's and Energy Star standards for external power supplies by July 1, 2007 for all of our products worldwide.

Case Study: 7200 Series Router's Increased Efficiency



Customers could first purchase and install the Cisco 7200 Series Router in 1996. At its launch, it was a "state of the art" midsize enterprise router providing unparalleled performance and utility, processing 100,000 packets per second. The router's chassis incorporated a power supply, cooling fans, and power distribution systems. The engine, line cards, and networking features could be upgraded over time.

During its 10-year life, the 7200 Series chassis has remained virtually unchanged, with one or two installed power supplies that provide 280 watts. The components, however, have been progressively upgraded to add networking functions such as voice, security, traffic engineering, and quality of service (traffic prioritization). With the 2006 introduction of a new processor board, the latest evolution of the 7200 Series is now capable of processing 2 million packets per second using the same capacity power supplies, which is more than 20 times more efficient, in terms of data processed per watt of energy used, than the first model.



Lifecycle Management

As technology innovation shortens product cycles, the volume of electronic waste increases. To tackle this, governments worldwide are requiring manufacturers of electronic equipment to be more environmentally responsible, encouraging them to extend the life of their equipment, and to take back and reuse or recycle equipment at the end of its life.

Cisco has a long-established approach to waste minimization by incorporating modularity and upgradability in our products. Rather than replacing the whole product, individual components can be progressively upgraded or replaced over time.

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.

Design for Upgradability and Extended Life

Cisco's networking equipment has an average installed life of more than seven years. Compared to personal computers and other consumer electronics with a typically shorter lifecycle, networking equipment generates less waste over time.

Our strategy for maximizing product life includes:

- Designing our products to be highly modular so components can be upgraded rather than replaced
- Implementing compatibility with previous iterations as well as future planned versions to minimize product obsolescence
- Conforming to standard dimensions for chassis systems, so equipment racks do not need to be replaced

Trade-In and Take-Back Options

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

- **Cisco Technology Migration Plan:** This program allows customers to trade in old Cisco products for credit toward the purchase of new Cisco products. The program is a first for a network products manufacturer and encourages customers to return used equipment to Cisco for recovery or recycling during network upgrades. Through this program, customers with no plans to purchase new Cisco products or to use trade-in credits can still send equipment to Cisco for proper treatment, recovery, recycling, and environmentally sound disposal.
- **Take-back and Recycling:** This program, now available in 30 countries worldwide, enables customers to return Cisco equipment at end of life.
- **Service and Warranty Returns:** Cisco equipment is covered by warranties that enable customers to return damaged or defective parts for repair. Returned goods are refurbished and redistributed back to customers, or they are made available for philanthropic activities or for internal departments. Through this program, during FY2006, more than 65 percent of the parts shipped back to customers were refurbished parts.

Recovery and Recycling of Our Own Electronic Equipment

Cisco launched the Surplus Product Utilization and Reclamation (SPUR) program in 2005 in order to manage the redeployment of recovered equipment, either "as is" or refurbished. SPUR coordinates a comprehensive range of initiatives targeting more environmentally responsible ways of managing:

- Stock rotations
- Equipment take-back and trade-ins
- Waste collection bins
- Office and data center equipment reuse and recycling
- Products recovered during electronic waste events on Earth Day and America Recycles Day

Equipment that cannot be redeployed is recycled in an environmentally sound manner, so that the materials, such as steel, aluminum, mixed plastics, copper, cardboard, pallets, and ground printed circuit boards, are recovered for reuse.

Compliance Programs

In the past five years there has been an increase in the establishment of regulations designed to prevent electronics product disposal in landfills and to encourage reuse. These regulations, broadly referred to as "take-back regulations," call for electronic equipment manufacturers to make provisions for their products at the end of product life.

Cisco actively contributes to this effort and will comply with these emerging take-back regulations worldwide.

During FY2006, our focus has been to comply with the EU'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.

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 Sao Paulo. Alchemy has safe houses where children go after school to eat snacks and to play. Today, Alchemy supports 50 children between 6 and 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."

Hazardous Substances

Governments are tackling the challenge of hazardous materials in electronic equipment, focusing not only on our shared environment but also on the health of workers who build products and dispose of them.

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.

Reducing hazardous substances in our electronic equipment is complicated, requiring products to be redesigned, tested, and then requalified to Cisco's rigorous standards for quality and reliability. Cisco has systematically engaged its supply chain to ensure a successful transition to alternative materials. Not only is it a complicated process with many stakeholders, but we have been working with a constantly evolving set of regulatory standards.

We established a global taskforce that includes representatives from product engineering, regulatory affairs, manufacturing, and other departments across Cisco to:

- Track the regulations
- Set design requirements
- Establish design, engineering, and product management documentation systems

Of the substances restricted by regulations, lead has emerged as the most challenging material to substitute. Lead is universally used for soldering metal parts together for conductivity in electronic products. Banning lead triggered many technical and cost challenges for the entire electronics industry.

Network infrastructure products are particularly vulnerable, having a much longer life in installed use than most electronic products, so quality and reliability issues are paramount. Cisco is presently relying on exemptions available for minimal lead content in networking equipment, but will transition to lead-free products as soon as safe and reliable alternatives are available. Cisco has already developed lead-free solder qualification guidelines for components, interconnects, and printed circuit boards. In parallel, we are working with industry leaders in the International Electronics Manufacturing Initiative (iNEMI)

consortium to develop environmentally sound lead-free solutions.

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 sold in the European Union are compliant.

Progress and Future Plans

In FY2006, we targeted environmental stewardship progress and specifically:

- Assessed all components for RoHS compliance
- Resolved all technical issues resulting from conversion to compliant materials
- Required our suppliers to use compliant parts and to demonstrate RoHS compliance at the component level

Now that the deadline for compliance with the RoHS directive is past, we are shifting our focus to address the next set of global product-related substance restrictions. Cisco is committed to:

- The development of balanced regulatory and voluntary guidelines that protect the environment while fostering innovation and growth
- Public policy formulation and industry dialogue about product stewardship as they relate to restrictions of hazardous substances
- Using regulatory compliance as a platform for materials innovation

As a result of our cross-functional efforts to comply with the RoHS directive, we now have a deeper understanding of our own manufacturing processes, and how to share information across business units to improve not only business practices but also how we audit our progress. Cisco is now better prepared to respond to future materials restrictions and deliver both the most technically advanced and the most environmentally sound products to our customers.

Accessibility

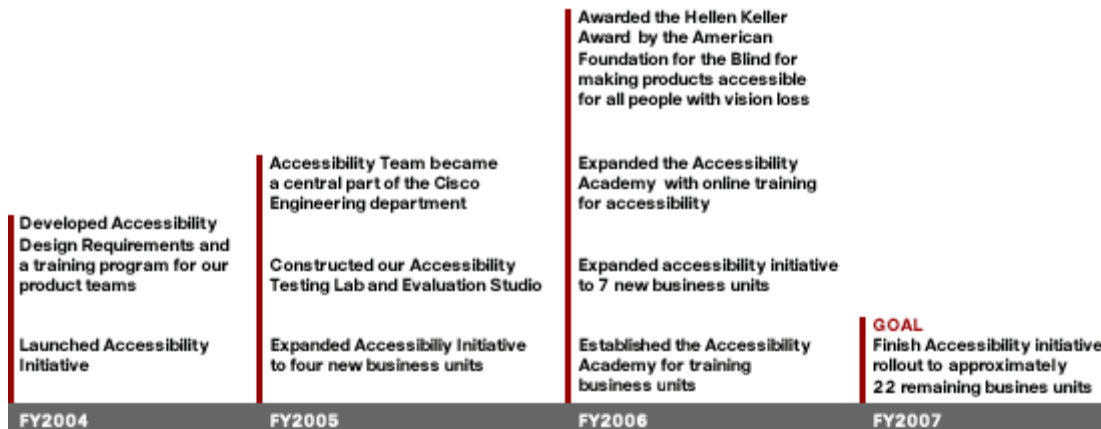
Our vision as an organization is to ensure that our products are accessible to all who wish to use them.

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.

Our Accessibility Initiative

In FY2004 we launched the Cisco Accessibility Initiative, designed to make our products, facilities, Websites, and documentation accessible to our employees and to users with disabilities. We have factored accessibility into product concept, design, and development and make accessibility a priority consideration at every stage of the Cisco product lifecycle.

Cisco Accessibility Initiative Timeline



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.

We participate in standards-development committees run by the International Telecommunications Union (ITU), the Internet Engineering Task Force (IETF), and the Telecommunications Industry Association (TIA), to ensure that our products meet the highest international standards.

Progress and Future Plans

During FY2006, we successfully expanded the Cisco Accessibility Initiative to four new business units, bringing the total number of business units engaged to 12. We have also expanded the Accessibility Academy, which offers online training for accessibility awareness to Cisco product managers and engineers.

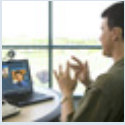
Cisco is committed to making its products, services, Websites, and documentation accessible and usable by people with disabilities, either by design or through compatible use with assistive technology.

To help ensure that Cisco products and services benefit the disabled community, we are committed to:

- Increasing awareness of accessibility within Cisco
- Providing employees with the training needed to design, produce, market, and deliver accessible products, Websites, and documentation
- Developing and applying policies and guidelines to evaluate accessibility, usability, and compatibility with applicable equipment, services, Websites, and documentation
- Evaluating accessibility and usability throughout the product design, development, and fabrication processes as early and consistently as possible
- Reporting ways these guidelines are implemented where competitively, technically, and economically feasible
- Involving people with disabilities in research projects, testing, and trials
- Supporting and contributing to industry standards and guidelines for accessibility

During FY2007, the Accessibility Team will educate the 11 remaining business units about accessibility requirements.

Additionally, we plan to update the IT department's processes for developing and procuring software to include accessibility, and to ensure that accessibility is a consideration.

Case Study: UK's First IP Video Call Center for the Deaf

Britain's only video contact center, SignVideo, uses a converged voice and data network based on Cisco technology to offer hearing-impaired persons immediate access to qualified sign language interpreters to communicate and advocate on their behalf with local authorities and public sector organizations. Users connect to the contact center and gain access to an interpreter through whom they can immediately and effectively communicate.

With only 200 qualified British Sign Language interpreters on the nationally approved register, the United Kingdom's 70,000 hearing-impaired sign language users had often waited weeks for an interpreter. The new service, enabled by Cisco's converged voice and data networking solutions, allows instant access to interpreters and significantly reduces costs associated with hiring an interpreter, who may otherwise charge a minimum period of three hours, plus expenses.

David Critchley, director, public sector, Cisco Systems UK, says: "Using video contact centers for responding to the needs of deaf people in real time can vastly improve customer care capabilities."

Cisco and the Environment

Suppliers

Cisco has one of the electronics industry's largest and most complex supply chains. To increase efficiency and flexibility in delivering products and services to customers, we work with a variety of manufacturers sourcing components and services worldwide.

We also have a supply chain providing a diverse range of products and services for our own internal use and operation, such as catering, facilities management, distribution logistics, and professional services. Our supply chain management functions and practices address the challenges of the complex system that interconnects Cisco and our suppliers.



We select suppliers whose standards align with our values, especially regarding business integrity. We provide each of our suppliers 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.

Supply Chain Management

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.

As participants in Cisco's supply chain, suppliers commit to:

- Recognize and uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community
- Recognize that the quality of products and services, consistency of production, and workers' morale are enhanced by a safe and healthy work environment
- Recognize that environmental responsibility for safeguarding the health and safety of the public is integral to producing world-class products
- Adopt a system to manage adherence to this code
- Meet social responsibilities and uphold the highest standards of ethics while achieving success in the marketplace

Performance Reviews

Developing and managing a world-class supply chain requires integration of components, including fabrication services, component supply, design and testing services, and logistics and transportation. It also requires building strong, collaborative relationships with suppliers to assure manufacturing quality and integrity.

To achieve this, we conduct routine performance reviews with our suppliers to proactively identify areas for continual improvement. These reviews are incorporated into our tracking and analysis of our suppliers' environmental, technical, health and safety, and labor metrics (also known as the "Cisco Scorecard") and identify areas where the supplier may need to improve in order to comply with our code of conduct.

Future Plans

To aid ongoing development of the code of conduct, Cisco is committed to collaborating with our EICC colleagues to assure a stronger supply chain for the industry. We intend to do this through development of common standards, tools, and processes for adoption across the electronics industry.

Cisco is currently launching, in a staged approach, a manufacturing-focused product compliance review to be implemented throughout its supply chain. The focus area for FY2007 is product environmental compliance.

Supplier Diversity

We believe a diverse, multicultural supply chain is a source of innovation and is good for business. In many countries, governments are focusing on supplier diversity and requiring it of businesses. For example, in the United States, a company that provides products and services to government organizations or public utilities must demonstrate its efforts to reach out to diverse suppliers, including:

- Small businesses
- Veteran-owned small businesses
- Service-disabled or disabled veteran-owned small businesses
- Small, disadvantaged businesses
- Women- or minority-owned small businesses or enterprises

Similarly, throughout the world, Cisco encourages its suppliers to patronize uniquely defined indigenous, women-, and minority-owned businesses. Based on the Cisco Supplier Diversity Business Development (SDBD) program established more than 15 years ago, Cisco has an internal goal of awarding 10 percent of its expenditures to such businesses.

The SDBD team conducts supplier diversity training throughout Cisco's business units on an ongoing basis. The team presents quarterly "How to Do Business with Cisco" seminars at the Small Business Administration (SBA) centers in San Jose and San Francisco, California. It also sponsors a range of organizations that promote supplier diversity at events and conferences throughout the United States, including:

- National Minority Supplier Development Council
- Women Business Enterprise National Council
- Industry Council for Small-Business Development
- University of California, Los Angeles, Management Development for Entrepreneurs Program
- Black Enterprise
- U.S. Hispanic Chamber of Commerce
- U.S. Pacific Asian American Chamber of Commerce
- National Association of Women Business Owners of Silicon Valley
- Reservation Economic Summit
- Canadian Aboriginal and Minority Supplier Council
- European Supplier Diversity Business Forum's Migration Policy Group
- National Minority Supplier Development Council, South African Business Mission

Past Recognition and Future Plans

For the past four years, Cisco has been recognized for our supplier diversity efforts by DiversityBusiness.com. Cisco ranks as one of the top 50 U.S. companies providing multicultural business opportunities, based on feedback received from more than 350,000 women- and minority-owned businesses.

To promote supplier diversity, Cisco is coordinating directly with diversity organizations to effectively identify diverse suppliers throughout our supply chain. During FY2007, we are planning to evaluate all diverse suppliers to ensure that they meet certification requirements and adhere to the Cisco [Supplier Code of Conduct](#).

Cisco and Society



"Citizenship is an expression of values that are deeply embedded in our culture and highly visible in our daily operations."

Adrian Godfrey
Director, Corporate Citizenship

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 for not only economic development, but also the social advancement of underserved communities around the world. As with any investment, we are focused on the returns: the ultimate impact our technology has on the world.

Technology can increase productivity and the standard of living for communities. Indeed, according to the Bureau of Economic Analysis and the Bureau of Labor Statistics:

- When productivity of a country increases one percent per year, the standard of living doubles every 70 years
- With a three percent productivity gain, the standard of living doubles every generation
- With a five percent gain, the standard of living doubles every 14 years

Social Investment Strategy

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.

Regardless of the size of the investment, Cisco partners strategically with local teams, business leaders, international organizations, governments, and grassroots and nonprofit organizations to ensure lasting impact in recipient communities. Cisco invests in sustainable development initiatives that go beyond basic philanthropic giving. We strive to provide both direct grants and indirect support that enable change to continue even after our initial contribution ends.

Cisco encourages employees' involvement in their local communities to help solve problems that are personally relevant to them or to address broad issues that Cisco supports. Employees serve as individual volunteers and as leaders of programs and projects. Nonprofit organizations can communicate volunteer needs and activities to staff, which can engage employees who have not previously volunteered.

We are also committed to crisis relief, helping people in disaster or similar situations to regain normalcy in their lives.

Cisco Financial Contributions

Donations (in 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%

Cisco and Society

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, which are described in more detail in this report, include:

- Cisco Networking Academy Program
- Least-Developed Countries Initiative
- Gender Initiative
- Global Education Initiative
- 21st Century Schools and Communities
- New Partnership for Africa's Development

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 established 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. Since the program began, it has served more than two million students, who have taken more than 51 million exams. By training local staff and teachers, these academies provide self-sustaining models for continuing education in these communities.

Today, Cisco is reinvesting in this successful program, in recognition of its upcoming ten-year anniversary, and the fact that IT is a growing field that affords the opportunity for life-long learning. In particular, we are developing course work that addresses students' individual educational levels, as well as providing professional development for teachers related to using technology in education. Cisco also is improving the IT infrastructure that supports the entire Networking Academy program.

Cisco Networking Academy News Around the World

Africa

- In collaboration with the United Nations Development Program, the United Nations Volunteers, and the United States Agency for International Development, Cisco developed what it calls [Plan-IT toolkits](#), which list guidelines to help academies become financially independent and thus sustainable.

Asia

- **Vietnam:** A first of its kind in the Asia-Pacific region, this program is being offered at a rehabilitation center for commercial sex workers, drug users, and HIV-positive women to provide basic IT training and skills.
- **Thailand and Sri Lanka:** IT Essentials training helps youth rebuild networks in the areas hit by the 2004 tsunami.
- **Indonesia:** Cisco partnered with the Ministry of Education, which agreed to extend the Networking Academy program to 400 vocational schools across the country.

Europe

- **United Kingdom:** Leicester Chamber of Commerce, telecommunications company BT Skynet, and recruitment agency SME-Centric partnered with the Networking Academy program to place students in jobs with small local businesses.
- **France, Germany, Hungary, Italy, Portugal, and United Kingdom:** Prison classes include the Networking Academy program as part of its curriculum to help inmates attain skills for further study or jobs.
- **European Union:** Cisco is leading the Skills for Employability initiative through its chairmanship of a European industry association for information and communications technology training called e-Skills Certifications Consortium. The project aims to bring technology skills to the unemployed, aged, and disadvantaged across Europe, with pilot programs launched in Belgium, Poland, Portugal, and the United Kingdom.

United States

- In an effort to raise awareness of careers in information technology, 230 Cisco employees donated their time to serve as hosts at more than 70 Job Shadow Day events across the United States, during which 3,100 Networking Academy students interacted with IT professionals to learn more about the industry and potential careers.
- After Hurricane Katrina devastated the Gulf Coast, Cisco sponsored four students and two instructors from West Virginia University in Parkersburg to travel to Louisiana and help the National Guard build a Network Operations Center. The students applied their skills learned through the Networking Academy program and had the center operational within 24 hours.

Least-Developed Countries Initiative

During the past five years, the Least-Developed Countries Initiative offered valuable IT education to more than 35,000 students, approximately 30 percent of them female. An effort to bridge the digital divide between developed and least-developed countries, this initiative was a result of the G-8 Summit in Okinawa, Japan, in 2000.

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

Beth Murora, a student from Rwanda who was six months pregnant with twin boys when she enrolled in the Cisco program, traveled from Rwanda to Ethiopia to receive the training. She says, "I intend to use the knowledge gained through the Networking Academy to help raise women out of poverty with the technical training to run organizations and develop businesses, and a communications network that enables information sharing among women's forums."

Initiative Facts

- 206 Networking Academy sites
- 571 instructors
- 11,867 CCNA participating students
- 7,228 CCNA 4 graduates qualified for networking industry jobs
- 3,263 (27.5 percent) CCNA participating female students

Program Reaches 51 Countries

Afghanistan	Angola	Bangladesh
Benin*	Bhutan	Botswana*
Burkina Faso	Burundi	Cambodia
Cameroon*	Cape Verde	Central African Republic
Chad	Cote d'Ivoire*	Democratic Republic of Congo
Djibouti	Ethiopia	Eritrea
Gambia	Ghana*	Guinea
Guinea-Bissau	Haiti	Kenya*
Laos	Lesotho	Liberia
Madagascar	Malawi	Maldives
Mali	Mauritania	Mauritius*
Mozambique	Namibia*	Nepal
Niger	Nigeria*	Rwanda
Samoa	Sao Tome and Principe	Senegal
Sierra Leone	Seychelles	Swaziland
Tanzania*	Togo	Uganda
Yemen	Zimbabwe*	

(* denotes 11 participating countries not included in the U.N.'s list of LDCs.)

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 flexible class times, with courses available globally, as well as online, to help women overcome barriers found in many continuing 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.

By partnering with the United Nations Development Fund for Women in Morocco, Cisco currently has:

- 11 Networking Academy sites
- 19 instructors trained
- 454 CCNA participating students
- 311 CCNA 4 graduates
- 204 (44.9 percent) participating female students
- 90 Women in Technology scholars

All-Female Networking Academy in Mexico

Instituto Alpes Querétaro in Querétaro, Mexico, is the first all-female Networking Academy in Mexico. This secondary school had 101 CCNA graduates as of May 2006. Mexico's First Lady at the time, Marta Sahagún de Fox, hosted the female students at Los Piños, the Presidential residence. The First Lady encouraged the young CCNA graduates to pursue their dreams in the IT field and stressed the importance of IT training and experience.

Cisco also has all-female academies in many other countries, including India, Japan, Nigeria, and United Arab Emirates.

Global Education Initiative

At a World Economic Forum (WEF) meeting in January 2003, Cisco CEO John Chambers invited global business leaders to join our company in creating a high-quality education program that would use technology to reduce the gap between developed and developing countries. The Jordan Education Initiative (JEI) was launched in June 2003 and is now supported by 45 organizations, including local and international companies, Jordanian government departments, global government donors, and nongovernmental organizations.

The JEI provided many indications that public-private partnerships could be successfully utilized to support a sustainable model of national education reform. The Global Education Initiative (GEI) was launched by the WEF in July 2006 with Cisco as a founding partner. The objective of the GEI is to build on the success of the 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 extends beyond education to help accomplish the following objectives:

- Eliminate poverty
- Stimulate national economies
- Improve health
- Encourage environmental responsibility and social justice

Jordan Education Initiative

The goals of the Jordan Education Initiative (JEI) are to:

- Enhance the quality of education through the effective use of information and communications technology
- Build the capacity of the local technology industry
- Create a global education program model to be replicated in other countries

JEI brings holistic educational change, delivered through electronic content, teacher training, and technology, to 100 specially selected "Discovery Schools." The program uses technology to communicate complex concepts more effectively and encourage critical thinking and confidence-building. Teacher-led learning in the classroom, delivered with the aid of laptops and projectors, incorporates technology in about 80 percent of student learning time, whereas a computer lab only consumes around eight percent for the same cost.

Local Involvement

JEI has developed e-curricula for key subjects such as mathematics, science, information and communications technology, Arabic, and English. We employed local companies for software development, ensuring local ownership and accountability and also facilitating the transfer of knowledge and capacity into Jordan. These companies in turn employed Jordanian teachers to help build the e-curriculum. The Ministry of Education provided local companies with Jordanian teachers to advise and assist in the e-curriculum production process.

Cisco funded the development of a mathematics e-curriculum for years 1–12 in Arabic and English. The development was carried out jointly by Rubicon (a Jordanian company) and the Cisco Learning Institute (a not-for-profit organization).

Cisco has also contributed to the establishment of a schools technology innovation center (STIC), in partnership with Intel, Hewlett-Packard, and Microsoft. The STIC will both innovate and showcase the new technology solutions for the schools and foster innovation in all aspects of teaching, learning, and school administration. Global and local partners have contributed more than \$25 million to the JEI, with Cisco contributing more than \$4 million.

Assessments and Results

The schools have established formal assessment and evaluation frameworks to measure student learning increases and the responses of teachers and students to the new methods of teaching. A preliminary teacher and student survey of e-math shows that it enhances understanding, thinking, and problem-solving. It increases enthusiasm, participation, and enjoyment.

and is taught in less time. Models suggest that the efficiency of teachers will increase by 10 to 25 percent. This is a critical benefit in developing countries, where the number of children entering the school system is expected to rise steeply in the next few years.

Preliminary economic modeling suggests that if the new JEI program were expanded nationally, there would be sufficient economic growth to pay for the incremental costs of the program within 10 years. The local information and communications industry also stands to gain revenue if the electronic teaching materials created in Jordan are sold to other countries. One report estimates that approximately \$3.7 million has been transferred from global partners to local companies as a direct result of JEI. The JEI has encouraged global companies to take a closer look at Jordan, creating a favorable environment for investment.

Egypt Education Initiative

An initiative of the World Economic Forum under the umbrella of the Global Education Initiative, the Egypt Education Initiative (EEI) is a partnership to improve education in Egypt through effective use of information and communications technology, with a special focus placed on harnessing e-learning technologies. The goal is to facilitate education reform in Egypt, preparing all students to join the digital workforce, and develop the capacity of the local information technology industry.

Under the auspices of the EEI, Cisco plans to establish an additional 1,000 Networking Academy sites across Egypt and use vehicles, called mobile labs, to bring information and communications technology to underprivileged communities. Two vans and two buses, each equipped with satellite Internet connections, data projectors, printers, scanners, and Web cameras, park in a community for five weeks to offer the Cisco IT Essentials course to 50 students at a time. Additionally, approximately 16,000 visitors, nearly 45 percent women or girls, have joined educational tours of the mobile labs.

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 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.

During the first year of the initiative, the 21S Fellows built a foundation for school reform and community engagement that takes full advantage of new technologies to allow for long-term transformation. The team's approach focused on strategic planning and change management, instructional programs and teacher training, and the employment of networking technologies that best enabled and accelerated their efforts.

Each school engaged in a rigorous strategic planning process to develop their vision for 21st century education, establishing benchmarks for performance and identifying community engagement programs. When their vision and goals were defined, Cisco engaged education reform experts to assist the schools in researching new instructional practices and building teacher training programs. Finally, the 21S team provided guidance on how technology could be used to accelerate the benefits of the proposed solutions.

As a result, the schools are now deploying technologies such as wireless and IP telephony that allow for student, teacher, and administrative collaboration. We anticipate that this approach will ensure that successful solutions are integrated and sustained within the 21S schools and then established at districts and throughout the region.

There are three main components of the 21S Program:

- **Connected Schools:** This ensures that each of the 41 schools involved in the program receive extensive network upgrades in the areas of data, voice, and video for improved administrative and classroom processes.
- **Connected Learning:** The 21S team is helping each school implement technology-enabled teaching programs to promote student engagement and achievement. From June to August 2006, teachers at the 21S schools were trained to blend the new technologies into their lessons.
- **Connected Communities:** This component of 21S is to establish each school as the hub of its community. This effort is well underway through our partnership with One Economy, which offers affordable computers and Internet access to families involved with schools in the 21S program.

New Partnership for Africa's Development

We 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.

The NEPAD e-Schools Demonstration Project is a multicountry initiative focused on imparting technical skills to young African students in secondary schools. Cisco is one of five companies that are participating in this partnership to introduce students to self-directed learning applications, collaboration, Web and e-mail access, and other hands-on technology. The Cisco team is also providing training for teachers and school administrators to help ensure that each school can effectively take advantage of these new capabilities.

Cisco is installing networking equipment for Internet access and satellite connectivity in several schools in Rwanda, Ghana, Mauritius, South Africa, Senegal, and Algeria. During the next 12 months, Cisco will provide networking technology to 55 schools in 15 countries across Africa.

Cisco and Society

Grants and Partnerships

Each year Cisco donates cash grants, products, and technical and business expertise so nonprofit organizations can use the latest Internet and networking technology to provide better services to their clients. In addition, the Cisco Systems Foundation, a separate, private, nonprofit (501c3) 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
- Providing crisis relief

By partnering with nonprofits, such as the ones described in this report, Cisco is able to understand the specific needs of each organization. We can then determine the right blend of resources, including people, technology, and financing, to develop sustainable solutions that ultimately help these organizations transform their operations.

Additional information is provided about:

- Product grants
- Foundation cash grants

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 on this page. Through TechSoupStock's intuitive shopping cart system, organizations can go online and choose from a variety of prepackaged Cisco Networking Bundles.

Creating a Multiplier Effect: Charity Technology Trust

Charity Technology Trust (CTT) was formed in 2001 to improve the use of information technology by other nonprofit organizations. With more than 150 clients, CTT's activities focus on fundraising management technology, including:

- Online fundraising tools
- Charity payment systems
- Lotteries and raffles
- E-communications
- Mobile applications
- IT strategy

In September 2004, Cisco, in partnership with TechSoup, engaged the organization to develop and manage the Cisco and TechSoup donation program in the United Kingdom. Through this program, Cisco supplies networking technology to small, community-based organizations that provide education, healthcare, and basic needs.

By providing equipment to qualifying organizations, facilitating connectivity, Cisco and CTT have enhanced the internal and external communications capabilities of recipients. CTT has also introduced Cisco to additional strategic nonprofit partners, such as Mercy Ships.



Narrowing the Digital Divide: UNETE

In Mexico, Cisco is using technology to raise the education standards of elementary and secondary schools. Cisco is partnering with UNETE (Unión de Empresarios para la Tecnología en la Educación), a well-known association of businesspeople who have long-standing partnerships with local communities, as well as federal and local governments.

Cisco is providing computer education and equipment. In FY2006, Cisco donated \$100,000 in product to UNETE to help close the digital divide between Mexico and more developed countries. Additionally, a systems engineer manager at Cisco's Mexico office is a member of UNETE's Advisory and Technological Council.

Reducing Marginalization: Net@

Net@, backed by a \$1.6-million Cisco product grant, trains youth in marginalized communities in Israel to prepare for high-tech professions and to develop local leadership.

Many socioeconomically and geographically marginalized communities in Israel are isolated from the Internet as well as information and communication technology education. The admissions process ensures that classes in each locale represent minority populations living in that area, and 70 percent of the instructors in the program were previously unemployed.

Net@ targets poor, underserved groups, such as new immigrants and Bedouin and Druze minorities. Youth from diverse backgrounds learn together and through this develop a deep understanding of, and respect for, one another. Initiated in 2003, the program is now engaging more than 1,800 students in 21 locations across Israel.

Improving Health Care: Mercy Ships

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.

Because of its size and the urgency of its work, the *Africa Mercy* requires complex logistical coordination and effective communication between ship and shore. Volunteer surgeons onboard require immediate remote access to expert medical knowledge to better serve their patients more quickly and with higher quality of care.

Cisco's product grant enables the communications technology backbone for *Africa Mercy*, allowing:

- The use of modern medical imaging technology and telepathology
- The practice of pathology via remote telecommunications
- Remote instantaneous consultation and diagnosis by experts in the United Kingdom

U.K. Experts Consult on African Patient

Binta, an 18-month-old girl from Sierra Leone, suffered with a huge tumor on her face and neck until it was removed in an operation onboard a Mercy Ship in Freetown. Without this surgery, Binta could have died. Using Cisco technology, expert pathologists from the United Kingdom can provide diagnoses and assistance for patients who are on the operating table on a Mercy Ship in Africa.

Grants and Partnerships: Foundation Cash Grants

A key part of Cisco's social investment portfolio, the Cisco Systems Foundation provides financial grants to organizations in communities where Cisco has offices or a large number of employees. The foundation is a separate, private, nonprofit (501c3) organization, established with a gift from Cisco Systems in the form of an endowment. 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. This represents a new investment vehicle for Cisco Systems Foundation and will fund microfinance institutions that support the entrepreneurial poor throughout Latin America, Eastern Europe, and Asia.

Two of the foundation's most enduring partnerships are discussed in this report:

- Teachers Without Borders
- One Economy

Teachers Without Borders

Teachers Without Borders is devoted to closing the education divide through teacher professional development and community education. The organization is established in 119 countries and will be opening in-country offices in China, Brazil, and Zambia this year.

Through Teachers Without Borders, Cisco Systems Foundation funded a program in South Africa that trained 850 teachers and 2000 students in science and math. For the first time, 100 of these students took the national standards test and 63 percent passed. Tribal elders now see science and math as educational necessities. The South African government was so impressed by this program that they have offered to build a Teachers Without Borders school for the poorest population in South Africa and cover 60 percent of its salary costs.

One Economy

One Economy is a nonprofit organization whose mission is to maximize technology to help low-income people improve their lives and enter the economic mainstream. Cisco's partnership with One Economy helps the organization bring computers and Internet access and training to low-income families and neighborhoods that do not currently have regular access to this technology.

Thirteen Cisco Community Fellows worked nationally to accelerate broadband installation and computer training in low-income homes and help nonprofit housing development and social services agencies use networking technology to improve their operations.

One Economy created [The Beehive Website](#), where more than 8 million low-income individuals go for information and resources about jobs, money, health care, school, and family. In addition to maintaining this portal, One Economy also works with owners and developers of new affordable housing across the country to consider broadband installation and Internet access as indispensable components of their housing plans. A Cisco Leadership Fellow working with One Economy is also developing a business plan for the organization to equip existing low-income housing with broadband access.

Cisco and Society

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. As an example, high-performing directors and vice presidents may take advantage of our unique Leadership Fellows program where they reap the benefits of leading a 6- to 12-month nonprofit project.



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.

Supporting Our Communities

Employees affect local and global communities in countless ways. In July 2006, as part of the 21st Century Schools initiative, more than 35 Cisco employees spent a day painting two schools in Westego, Louisiana, that were damaged by Hurricane Katrina. These employees were in New Orleans for an annual Cisco planning meeting, and they were excited to include this rebuilding effort in their meeting agenda.

Another example is Cisco's long-standing relationship with [Habitat for Humanity](#), a nonprofit organization that builds affordable homes for those without adequate housing. Through our partnership with Habitat for Humanity, Cisco will help rebuild homes in the Gulf region for existing Habitat home-owning families, as well as displaced families who are new to Habitat.

Global Activities

In Latin America, Cisco employees have developed a strong partnership with local Habitat for Humanity affiliates. In 2004, more than 100 Cisco volunteers joined former American President Jimmy Carter and his wife Rosalynn to build 150 homes for families in Central Mexico. Additionally, Cisco's contribution included financial support for transportation, meals, and name tags for 6,000 volunteers. Cisco's European employees are also expanding their partnership with Habitat by building homes, not only in their region, but also in developing countries.

Cisco partners with the [Hands On Network](#), a nonprofit organization that helps individuals, teams, and corporations volunteer in their communities. Through this partnership, Cisco managers can call their local Hands On affiliate directly to organize a customized team-building project for their group. Hands On also trains employees to serve as team leaders for these projects, and Cisco strongly encourages this opportunity for employees.

Board Memberships and Other Civic Leadership Roles

Cisco employees can deepen their commitment to a particular organization, beyond a one-time volunteer event, by becoming a board member. Cisco partners with [boardnetUSA](#) to help employees find board positions that match their skills, interests, and professional development goals. Cisco supports employees on nonprofit boards through e-learning sessions that explain nonprofit culture, board expectations and structure, and fundraising.

Employees can also get involved with one of Cisco's 32 worldwide Civic Councils, teams of employees who are passionate about giving back in their local communities. Civic Councils plan local volunteer projects, develop nonprofit partnerships, and identify opportunities for product and cash grants.

Examples of FY2006 Volunteer Activities

- Several Cisco employees traveled to Ethiopia and Tanzania to teach basic computer and Internet skills to 160 Ethiopian students, 90 Ethiopian teachers, and 80 female Tanzanian students. They are returning for another trip within 12 months.
- Cisco employees raised more than \$135,000 for the Ottawa Food Bank, to be used to buy and process beef from Ottawa-area farmers to feed the hungry.
- Two teams of employees from Cisco New Zealand participated in the Cure Kids Great Adventure Race, a 38-kilometer race involving running, trekking, and mountain biking through steep terrain. They raised \$23,000 for research into deadly children's illnesses.
- In a new one-day record, 29 employees from the Technical Service team sorted 27,032 kilograms of food in one day for the Belgian Food Bank.
- More than 120 Cisco employees participated in a fundraising campaign for Deutsche Knochenmarkspenderatei (German Bone Marrow Donor Center), in addition to donating \$7,464 to the cause.
- Seventy Cisco volunteers joined with The Academy of Learning and Technology School and City Year cadets for a "Community Day" of service in New Hampshire, which included cleaning, planting, and painting.
- Employee donations of 1,881 gifts and \$33,344 in cash and matching funds to the [Family Giving Tree](#) in December 2005 became a part of the nonprofit's delivery of toys and gifts to 63,000 low-income children. Cisco was honored with three awards for its participation, including the Golden Chimney Award for the largest company employee-to-gift participation.

Leadership Fellows

The greatest commitment we can make to our nonprofit partners is the time and energy of our best employees. 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.

This year, Cisco Leadership Fellows are working with:

- American Red Cross
- California Healthcare Foundation
- The Emily Krzyzewski Family Life Center
- Mercy Corps
- New Partnership for African Development
- North Carolina New Schools Project
- Save the Children
- Net Hope
- One Economy
- States of Mississippi and Louisiana and various school districts and nonprofit organizations under Cisco's 21st Century Schools and Communities Initiative

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. "Dealing with the political, legal, and logistical challenges of doing business across Africa has been a tremendous development experience."

One beneficiary of the program is a boarding school in the remote mountains of Rwanda. The school's only power source is a 30-year-old generator that runs for three hours in the evening to provide lights for the students to study. The team decided to install a large battery bank that is charged with excess energy from the generator at night to allow the computer lab to run during the entire school day.

"While the principal and the teachers were very enthusiastic about the new technology, they were not Internet savvy," said Souders. Fortunately, the school has an ongoing relationship with a U.K. high school and as the equipment was installed, two teachers on loan from the United Kingdom were able to provide significant support to the local teachers to get them familiar with the technology.

"This is now one of the schools that is taking the best advantage of the lab and all its components," Souders added. Later this year, Rwanda President Paul Kagame will preside over the program's official launch at this school.

Cisco and Society

Crisis Relief

Helping people in disaster and crisis situations is an important element of Cisco's social investment strategy. According to the Corporate Social Responsibility Monitor in 2006, 85 percent of Americans surveyed feel that large companies should contribute "a fair amount" or "a great deal" to disaster relief efforts.



Cisco is known for giving back generously in times of crisis, and we proudly partner with the American Red Cross and its International Red Cross and Red Crescent partners worldwide to support their disaster relief efforts. As a company, we assess the areas of greatest need and respond with a combination of technology, human expertise, and cash donations.

Disaster Relief Facts for FY2006

In response to the earthquake in Pakistan, Cisco employees, the Cisco Systems Foundation, and Cisco itself contributed more than \$1.02 million. We also donated products and volunteer services, including Net Relief mobile communications kits, through NetHope.

In a period of 100 days, Cisco made a difference for people affected by Hurricanes Katrina and Rita:

- " 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.
- Cisco committed \$1 million to response and recovery efforts and donated approximately \$1.04 million worth of Cisco products.
- 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 around the clock 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.
- Cisco partnered with One Economy to set up KatrinaHelpCenter.org to provide disaster response and assistance information to people affected by the hurricane.
- The Red Cross trained 125 Cisco employees and deployed them to the disaster area. The Red Cross staff also trained 170 Cisco employees in San Jose, who then answered calls on a rotating basis. Overall, 3,000 calls were routed to Cisco and volunteers spent more than 800 hours volunteering in the call center.

FOR MORE INFORMATION

For more information about the Cisco Corporate Citizenship, visit <http://www.cisco.com/web/about/citizenship/index.html>.

Our [Citizenship Council](#) is actively engaged in making continuous improvements to our business and Global CSR strategy.

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