



Cisco Corporate Citizenship Report

Cisco Systems, Inc. 2005

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* This table cross references our report content with the GRI reporting standard. Inclusion of a GRI reference does not imply full compliance with the requirements of the standard in each area.



Introduction

Cisco Systems® is dedicated to the success of our customers, our employees, and the communities in which we conduct business. We act responsibly in delivering networking products and services worldwide. We contribute innovative technologies, programs, and grants to help build strong communities. These actions foster our own success and create financial and social benefits for our shareholders and for the global community.

About this Report

This report details Cisco's commitment to our employees, the environment, and society for fiscal years 2004 and 2005. Our intent is to show the evolution of our ideas, and progress from the recent activities. This first report does not include any data from our Linksys® consumer division. We hope to include the Linksys division in future reports.

From the President and CEO

At Cisco® we believe that corporations have a responsibility to consider the broader effects of operations on the communities in which they do business and on the world in general. We at Cisco are passionate about not only maximizing return on investment to our shareholders but also about the integrity and health of the company as well as the global community.

This year Cisco is publishing its first Corporate Citizenship Report. This report describes our citizenship programs, including the history, benchmarks, successes, and future goals. Our accomplishments reflect the passion, determination, and dedication of our employees as well as our close observation of the marketplace. I am very proud of the collaboration and innovation our employees have shown in creating these programs and of the successes we have had to date.

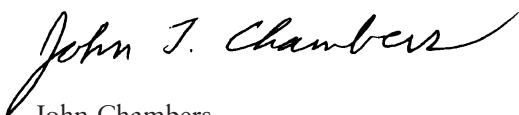
Cisco is dedicated to the success of our customers, our employees, and the communities in which we conduct business:

- We act responsibly in delivering networking products and services worldwide.
- Our policies aim to improve the energy efficiency of our products, enhance the accessibility of the workplace for people with disabilities, and improve our stewardship of the environment.
- We have employee services that encourage work-life balance, a flexible work environment, and career development.
- Our inclusive culture promotes better decision making and creates a workforce that mirrors our customers.
- We expect our employees and those conducting business on behalf of Cisco to be aligned with our values of collaboration, openness, integrity, and generosity.

These actions foster our own success and create financial and social benefits for our shareholders and for the global community.

I truly believe that the Internet and education will be the great equalizing forces in the global economy and that our corporate citizenship practices will not only improve the communities in which we operate, build trust, celebrate our employees, and encourage innovation, but enhance our shareholder value as well.

Sincerely,



John Chambers
President and CEO



Cisco and Citizenship

Cisco was founded in 1984 by a group of computer scientists from Stanford University. It was incorporated in California on December 10, 1984, and publicly listed on the NASDAQ in 1990.

Products and Services

Since its founding, Cisco has been a worldwide leader in the development of Internet Protocol (IP)-based networking technologies. We continue to develop industry-leading products in our core areas of routing and switching, along with advanced technologies in areas such as enterprise IP communications, home networking, optical networking, security, storage area networking, and wireless technology.

In addition to products, Cisco provides a broad range of service offerings, including technical support and advanced services. We sell our products and services—both directly through our own sales force and through channel partners—to large enterprises, commercial businesses, service providers, and consumers.

Operations

Cisco operates in 77 countries globally. In fiscal years 2004 and 2005 (FY2004/FY2005), we segmented and

managed our business across four geographic theaters: the Americas; Europe, Middle East, and Africa (EMEA); Asia Pacific, and Japan. Our largest market is the Americas, which has accounted for more than half of our sales. This is followed by EMEA, Asia Pacific, and Japan. We experienced strong product revenue growth in all of our geographies of 12 percent on an annual basis.

Workforce

In 2005, Cisco employed 38,056 people worldwide: 71 percent were based in the United States, 15 percent in Europe and the Middle East, 9 percent in Asia Pacific, 2 percent in Japan, and 3 percent in Central and South America.

Cisco's corporate headquarters is based at San Jose, California. This is our largest location and is home to 55 percent of our U.S. workforce, equivalent to 37 percent of our global workforce.

Key Financial Data

	FY2005	FY2004	FY2003	FY2002
Net sales (U.S. dollars in billions)	\$ 24.8	\$ 22	\$ 18.9	\$ 18.9
Net income (U.S. dollars in billions)	\$ 5.7	\$ 4.4	\$ 3.6	\$ 1.9
Net sales per theater FY2005	Americas	EMEA	Asia Pacific	Japan
Net sales (U.S. dollars in millions)	\$ 13,929	\$ 6,866	\$ 2,486	\$ 1,520
Percentage of net sales	% 56.2%	27.7%	10.1%	6.1%
Breakdown of net sales between product and service revenue	FY2005	FY2004	FY2003	FY2002
Net sales: Product (U.S. dollars in millions)	\$ 20,853	\$ 18,550	\$ 15,565	\$ 15,669
Percentage of net sales	84.1%	84.1%	82.5%	82.8%
Net sales: Service (U.S. dollars in millions)	\$ 3,948	\$ 3,495	\$ 3,313	\$ 3,246
Percentage of net sales	15.9%	15.9%	17.5%	17.2%
Net product sales by theater	FY2005	FY2004	FY2003	FY2002
Americas (U.S. dollars in millions)	\$ 11,071	\$ 9,662	\$ 8,109	\$ 8,277
Percentage of net sales	53.1%	52.1%	52.1%	52.7%
EMEA (U.S. dollars in millions)	\$ 6,155	\$ 5,504	\$ 4,609	\$ 4,537
Percentage of net sales	29.5%	29.7%	29.6%	29%
Asia Pacific (U.S. dollars in millions)	\$ 2,243	\$ 2,039	\$ 1,687	\$ 1,593
Percentage of net sales	10.8%	11%	10.8%	10.2%
Japan (U.S. dollars in millions)	\$ 1,384	\$ 1,345	\$ 1,160	\$ 1,262
Percentage of net sales	6.6%	7.2%	7.5%	8.1%

Corporate Culture

Our Values

Cisco's approach to corporate citizenship is based on our values of openness, integrity, and generosity. Cisco prides itself on being a sound, smart, responsive, and responsible business.

Our citizenship programs incorporate both responsible business practices and social investment programs. The programs are designed to improve the communities in which we operate, build trust in our company, empower our employees, and promote engagement with customers, partners, and shareholders.

Responsible Business Practices

At Cisco, responsible business practices include corporate accountability and environmental and social sustainability. Our Code of Business Conduct <www.cisco.com/go/csr/businessconduct> and other policies help ensure the integrity of our corporate governance and guide the transparency and openness of our reporting. It applies to our Cisco employees and subsidiaries. We also expect our suppliers and resellers to adhere to its contents. It sets out the legal and ethical standards of conduct we expect our employees to meet in their business dealings. In short, these practices help us build better products for our customers as well as a better workplace for our employees.

Social Investment Programs

Cisco is also invested in a number of programs to benefit the societies and communities in which we operate.

We contribute innovative technologies, employee expertise, as well as grants to help build strong communities. These programs provide support for education and economic development, through grants and product donations, and **employee volunteering**. By investing in key opportunities within emerging, developing, and developed nations, we help can improve global social and economic development.

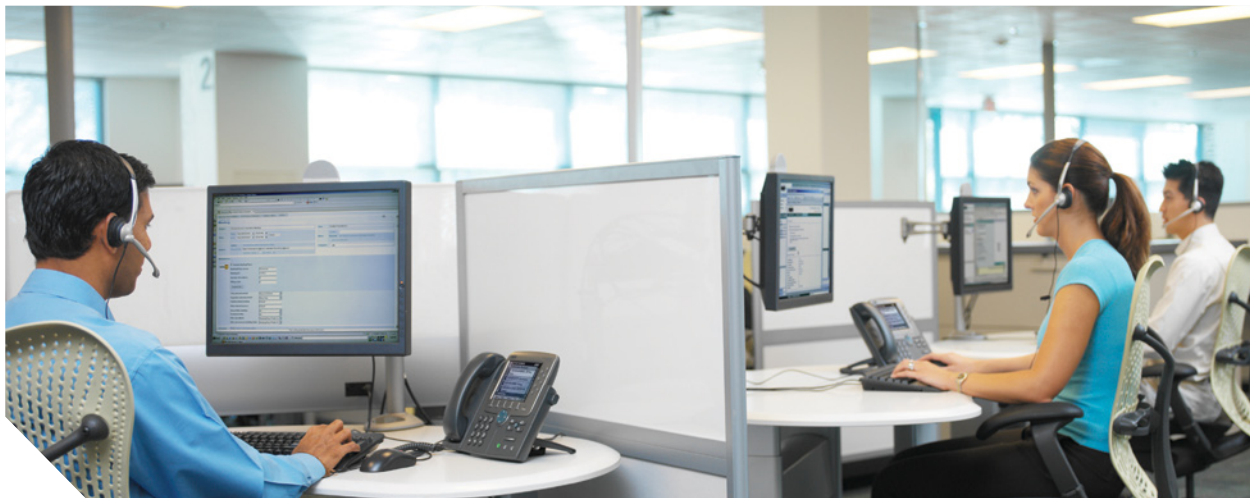
Citizenship Governance

Corporate and Citizenship Governance

Cisco is committed to rigorously and diligently exercising our oversight responsibilities throughout the company, managing our affairs consistent with the highest principles of business ethics, and exceeding the corporate governance requirements of both U.S. federal law and the NASDAQ.

Cisco is managed by a Board of Directors. The charters of our Board committees clearly establish their respective roles and responsibilities. The majority of our Board members are independent of Cisco and its management. All members of our Audit Committee, the Compensation and Management Development Committee, and the Nomination and Governance Committee are completely independent of Cisco management. Our internal audit control function maintains critical oversight over the key areas of our business and financial processes and controls, and reports directly to our Audit Committee.

Full details of our corporate governance policies are provided on the Investor Relations site <<http://investor.cisco.com>>.





Citizenship Council

Cisco's responsible business practices are managed by the Citizenship Council. The Council engages with business units, advocates citizenship issues among them, and responds to feedback from our customers, employees, investors, and partners. It prioritizes issues and helps develop strategies to address them.

The Council monitors Cisco's corporate responsibility programs on an ongoing basis. It advises on the disclosure and transparency of information relating to Cisco's corporate responsibility, and monitors the status and progress of our corporate responsibility programs.

Progress in FY2004 and 2005

In FY2004, the Citizenship Council launched a three-year plan to integrate corporate citizenship throughout Cisco's business units.

The Citizenship Council, which was initiated in 2003, started by establishing a global citizenship strategy. This involved setting priorities for our business units, developing an internal communications plan, and conducting an internal assessment of our citizenship policies and measurement procedures. This included:

- Collecting and assessing internal performance to enable a deeper understanding of potential enhancements to Cisco's corporate social responsibility initiatives
- Benchmarking Cisco's corporate social responsibility practices and policies against those of our peers, customers, and partners, as well as established

and emerging industry standards and guidelines where appropriate

- Identifying appropriate indicators and performance measurements

The Citizenship Council began integrating the citizenship strategy into our business units in FY2005. This involved implementing the communications plan, overseeing a global training program on citizenship issues, and

integrating reporting and measurement procedures across the company's business units. Citizenship program development at Cisco is decentralized. Emerging issues are addressed through issue-specific subcouncils that come together to address new issues and integrate and embed responsibility for ongoing management of those issues into the appropriate business functions. Today, we have several citizenship advocates that lead cross-functional teams

and subcouncils that focus on the following areas:

- The integration of product stewardship strategies to help ensure compliance with European directives on hazardous substances and electronic waste
- The integration of climate change activities related to product energy efficiency, lab energy management, and renewable energy sourcing
- Advancing and supporting supplier responsibility and ethical sourcing policies
- Advancing and supporting supplier diversity
- Improving collection of program and performance data for future citizenship reports

“Cisco's citizenship governance model and entrepreneurial spirit empowers our employees.”

—Jason Yoder,
Legal Services,
Cisco

Cisco Public Policy

Overview

The Cisco Worldwide Government Affairs Group (WWGA) is a small, dedicated team of professionals located around the world that seeks to influence public policies to increase and protect the use of technology. The most important worldwide policy issues currently being addressed by the WWGA team include: increasing broadband deployment, promoting wireless technology, supporting voice over IP (VoIP) services, improving Internet security, and advocating better education through technology. A detailed overview of WWGA views and initiatives may be found at our Government Affairs Website at www.cisco.com/gov.

The three general areas in which the WWGA team seeks to influence policy are:

- **Investing in knowledge:** We pursue public policies that prepare our workforce and citizens for success. Today, one of the limiting factors to growth for enterprises, educational institutions, and governments is the ability to locate adequately trained workers to fill the growing number of positions in the high-tech industry. To meet the future demand for trained engineers, programmers, and innovators around the world, Cisco actively supports initiatives that provide education, continuing professional development, and placement assistance programs to help ensure the availability of a productive, highly trained workforce, particularly in the areas of science, technology, engineering, and mathematics.

- **Promoting innovation:** We pursue public policies that help create the conditions for broad-based economic growth. It is imperative that the markets in which we operate across the world be free and open. Future global economic growth will be driven by the markets that are allowed to operate freely in the economy, including the elimination of regulatory policies that limit the use and expansion of IP technology.
- **Accelerating broadband:** The availability of broadband connections has significantly increased productivity for both private enterprises and governmental organizations around the world. Further, the cost of bandwidth decreases as it becomes more available. All of the G7 nations, with the exception of the United States, now have a national broadband plan. These plans serve as guidelines for enhancing national infrastructure for healthcare, banking, and other public service systems. Advanced technologies—including wireless and VoIP—allow nations to build infrastructure that can help them make the economic transition into the 21st century.

Political Support in the United States

Cisco does not donate corporate money to political candidates or parties. Cisco has a political action committee (PAC) funded voluntarily by employees. All information on the Cisco PAC is readily available by accessing the Federal Election Commission Website at www.fec.gov.



Human Rights

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. These codes, policies, and guidelines are reviewed by **Cisco's Corporate Citizenship Council**. 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, all Cisco employees are required to respect the human rights and dignity of others as outlined in the **Code of Business Conduct**, employee policies, and guidelines or local laws applying and abiding within the scope of their individual roles and responsibilities to whichever sets higher standards.

Implementation

The Code of Business Conduct is monitored by Cisco's Ethics Program Office and annually affirmed by Cisco's employees. Cisco provides individual and online training to employees on various topics covered by our codes of conduct, employee policies, and guidelines.

The Ethics Program Office is available to all employees, customers, partners, and shareholders who wish to bring to Cisco's attention any potential violation of or nonconformance with the Code of Business Conduct.

In 2004, Cisco adopted the Electronics Industry Code of Conduct (EICC), which was developed as a voluntary measure to establish and promote a unified standard for social and environmental practices across the electronic industry's supply chain. It covers a range of social responsibility issues, including labor and employment

practices, health and safety, ethics, the protection of the environment, and management expectations to help ensure Code conformity. The EICC forms the basis of Cisco's **Supplier Code of Conduct** and extends our business values and expectations to our suppliers.

Since FY2003, 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.

Our progress toward the UN Global Compact principles are reported further in this section.

Emerging Issue: Internet Use and Human Rights

Cisco does not in any way participate in the censorship of information by governments. Moreover, Cisco complies with all U.S. government regulations which 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 the network management features of Cisco equipment may be employed by such nations to restrict this access, but it is important to note that this is the same functionality that libraries and corporate network administrators use to block sites in accordance with policies they establish. Cisco 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 UN 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 the Internet is used and complies with all applicable regulations.

For more information about technology and trade compliance of Cisco and our channel partners, visit our Export Compliance Website <www.cisco.com/go/csr/compliance>.

Privacy

Companies hold personal information about their customers and employees. Customer information includes data such as names, addresses, purchasing history, and preferences. Employee data can include sensitive information such as performance histories and medical information.

The growth of the Internet means that this kind of information is regularly stored and transmitted across computer networks. Companies have a responsibility to ensure that the information they hold about their customers and employees is protected, stored, transferred, and used in a responsible manner.

Regulation on privacy has been introduced in several countries. The 1995 European Union Data Protection Directive prohibits the transfer of personal information to countries that do not meet European standards on data protection. The Safe Harbor Agreement, developed between the United States and European Union, establishes criteria that enable overseas companies to comply with the objective. The Asia Pacific Economic Cooperation (APEC) Electronic Commerce Steering Group has recently released a consultation paper on a proposed Privacy Protection Framework.

Privacy and Trust

Customer trust is critical to our business. Our online Privacy Statement <www.cisco.com/go/csr/privacy> describes how we collect and use customers' personal information. We constantly review our privacy policy to help ensure it offers the best protection for our customers and employees.

Defining and Understanding Privacy

While our online privacy statement describes how we treat private information, we are actively engaging 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.

Executive Compensation

Compensation Philosophy and Objectives

Cisco operates in the extremely competitive and rapidly changing high-technology industry. The Board's Compensation Committee believes that the compensation programs for the executive officers should be designed to attract, motivate, and retain talented executives responsible for the success of Cisco and should be determined within a framework based on the achievement of designated financial targets, individual contribution, customer satisfaction, and financial performance relative to that of Cisco's competitors. Within this overall philosophy, the Compensation Committee's objectives are to:

- Offer a total compensation program that is flexible and takes into consideration the compensation practices of a group of specifically identified peer companies and other selected companies with which Cisco competes for executive talent
- Provide annual variable cash incentive awards that take into account Cisco's overall financial performance in terms of designated corporate objectives, as well as individual contributions and a measure of customer satisfaction
- Align the financial interests of executive officers with those of shareholders by providing appropriate long-term, equity-based incentives

Compensation Components and Process

The three major components of Cisco's executive officer compensation are:

- Base salary
- Variable cash incentive awards
- Long-term, equity-based incentive awards

A summary of executive compensation is reported annually in our proxy statement <www.cisco.com/go/csr/proxy>.

United Nations Global Compact

The United Nations Global Compact is an international commitment to principles on bribery and corruption, human rights, labor, and the environment. Cisco has participated in the organization since 2001. These

principles are consistent with Cisco's own Corporate Code of Conduct. Specific Cisco support of these principles is outlined below:

Principles: Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights
- Businesses should make sure that they are not complacent in human rights abuses

Cisco strives to treat our employees and the communities in which we operate with respect and dignity. We are a supporter of 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.

Principles: Labor Standards

- 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

Cisco recognizes that our most valuable asset is our workforce. The Cisco and Employees section of this report outlines numerous policies that help ensure Cisco's work environment is free from harassment and discrimination, and that employees are treated with dignity, respect, and courtesy. Cisco's Supplier Code of Conduct ensures our suppliers are subject to the same employee, health, and safety standards that in many cases are more stringent than local law.

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 is committed to responsible environmental practices across 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 to 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. It applies to our Cisco employees and subsidiaries. We also expect our suppliers, customers, and resellers to adhere to its contents.

Listening to Constituents

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 important feedback from stakeholders specifically on issues around our corporate citizenship activities.

Dialogue with our external and internal stakeholders improves our understanding of how Cisco is perceived, helps us evaluate stakeholder satisfaction, strengthens our citizenship programs, and allows us to identify important issues to address.

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

Our Civic Councils, which are employee-led, solicit feedback from our nonprofit partners (recipients of our cash grants and product donations) to monitor the effectiveness of our social investment programs.

External Engagement

Business Surveys

Our annual Customer Satisfaction Survey enables us to get feedback on our customer service and after-sales support, product reliability and innovation, and Cisco's reputation. The results help us to monitor performance, identify areas for improvement, and set objectives for the following year. The survey is conducted online to maximize customer participation.

We also conduct a Chief Information Officer (CIO) Survey to solicit detailed feedback. CIOs serve in one of the most important roles at our customers' companies.

Cisco's annual Brand Tracking Study surveys business and technical decision makers at potential and existing Cisco customer companies. It measures how Cisco is perceived compared to our major competitors in the

areas of corporate citizenship, trustworthiness, integrity, employment practices, and community giving. Key results from our Brand Tracking Study are presented below.

Corporate Citizenship Engagement Program

Engagement with external stakeholders is a valuable part of the process by which we identify issues to address. In FY2004, Cisco commissioned an external assessment of our citizenship practices by the firm Business for Social Responsibility (BSR), a U.S.-based corporate social responsibility consultancy. The results of the study provided information that is helping Cisco to refine our corporate citizenship strategy.

BSR engaged with external stakeholders including investors, customers, strategic alliance partners, nongovernmental organizations, and governments. Cisco and BSR jointly selected the interviewees with a focus on identifying decision makers within the stakeholder organizations. BSR developed an assessment framework to guide the interview and assist in assessment of the findings.

The following are the key messages obtained from the survey.

Most external stakeholders view Cisco as a responsible company and assume that Cisco is adequately addressing critical areas of citizenship. There were no areas of particular concern that respondents felt were unaddressed.

The external stakeholders consistently identified the following for Cisco to consider in shaping its corporate citizenship policies:

- **Transparency and disclosure of information:** While Cisco may be actively managing its impact on social and environmental issues, the company may be failing to adequately communicate its achievements. This creates the perception among some stakeholders that Cisco is lacking in transparency and disclosure. This perception has an impact on the credibility of Cisco's claims.

“Ideas that will improve our products, our business, and our communities come from the people who know these areas best: our employees, our customers, and our stakeholders.”

—Sirima Sataman, Corporate Citizenship, Cisco

- **Supply chain labor standards:** Stakeholders expect Cisco to actively manage labor standards in its supply chain and, due to the lack of available information, were concerned that Cisco may be failing to do so.
- **Impact on the environment:** There is a gap between how Cisco perceives its level of environmental impacts and how these impacts are perceived by stakeholders.
- **Relationships with business partners and customers:** Many Cisco customers are interested in citizenship and would take advantage of opportunities for additional collaboration and communication from Cisco.

Cisco is grateful for this feedback and has addressed a number of these key concerns within this report.

Internal Engagement

Employee views are of great importance to Cisco. Employees are often our best-informed critics, and understanding their views supports our objective of recruiting and retaining the best talent in our industry.

During FY2003/FY2004 Cisco commissioned an internal survey of executives to gauge the baseline for citizenship activity and education within Cisco. The key findings were:

- **There is business value to being proactive rather than reactive in citizenship:** Citizenship contributes to better

business partner relationships, helps attract and retain employees, improves risk management, and benefits Cisco's reputation.

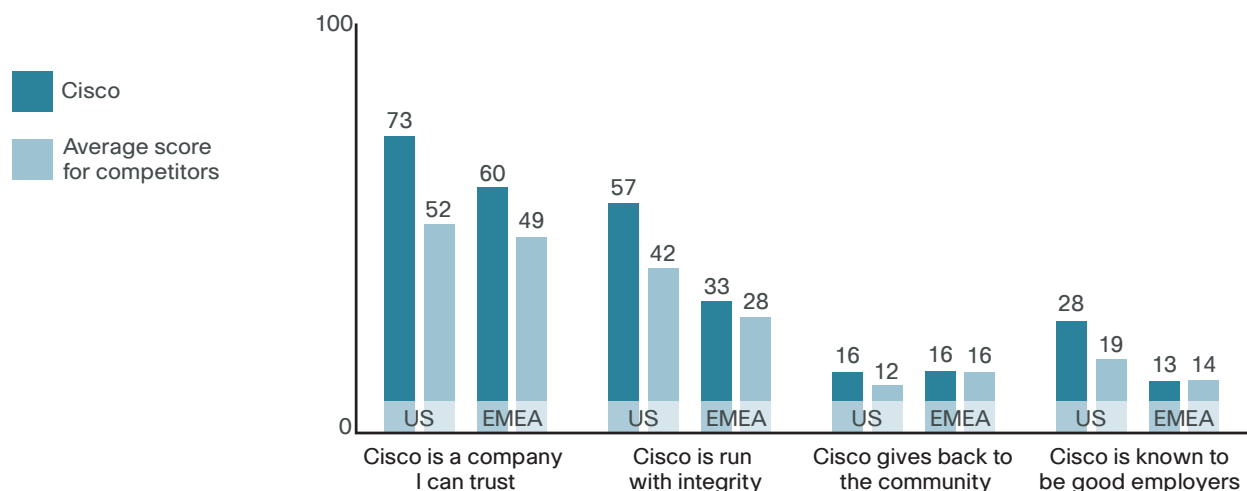
- **Cisco needs to clarify its approach to citizenship and communicate strategy clearly:** A management framework is needed and concerns about external publication of risk need to be addressed.
- **Cisco should integrate citizenship into current initiatives,** helping employees to understand how it fits and what the business case is.
- **Citizenship is perceived by some employees as being mainly philanthropy:** This is at odds with prevailing views outside the United States, where a broader set of corporate performance issues are included.

This engagement was conducted during FY2003/FY2004. Since that time Cisco has responded to the issues raised.

External Partnerships

Cisco works in close partnership with a number of non-governmental organizations, governments, and industry organizations such as Business for Social Responsibility, Business in the Community (BITC), and the Prince of Wales International Business Leaders Forum to understand and address stakeholder concerns.

Brand Tracking Study Results 2003





Cisco and Employees

At Cisco we aim to be an employer of choice. We believe that meeting workforce expectations helps us attract and retain the most talented individuals, thereby improving our competitive advantage.

We offer a working environment and a range of programs that support and benefit our staff. Our diversity and equal opportunities policy helps ensure we attract talented people regardless of race, age, sexual orientation, or gender. We offer a wide-ranging training and development program to help our employees develop new skills and improve their performance. Our well-being programs support our staff and their families with a range of services. We seek to provide our staff with the necessary support to maintain a positive work-life balance.

Awards and Recognition

Cisco has consistently been voted one of the “100 Best Companies to Work For” by *FORTUNE* magazine, *Working Mother* magazine, and *Computer World*, and as one of the “50 Best Companies” by *Latina Style* magazine.

In 2005, Cisco ranked fourth in *FORTUNE* magazine’s “100 Best Large Companies to Work for in America” list. Cisco has been included every year since the list’s inception eight years ago. Two-thirds of the result was based on an anonymous employee survey conducted by the Great Place to Work Institute, which evaluated staff attitudes to company values, trust in management, and pride in work. The remaining third was based on the results of the Great Place to Work Institute Culture Audit, a two-part management survey which assessed the company’s philosophies and practices.

Other Awards and Recognition

In FY2004, a survey conducted by *Careers & the Disabled* magazine ranked Cisco 12th among 50 companies with the best reputation for employing and accommodating the disabled. The survey asked readers to name the employers for whom they

would most like to work, or that they believe provide the best environment for people with disabilities.

Human Rights Campaign, the largest gay, lesbian, bisexual, and transgender (GLBT) advocacy group in the United States, gave Cisco a score of 100 percent on its Corporate Equality Index, up from 86 percent in 2003. The index measures how equitably companies treat their GLBT employees, consumers, and investors.

We are proud of these distinctions. We feel they reflect our efforts to make Cisco a company our employees are proud to work for.

Employee Diversity

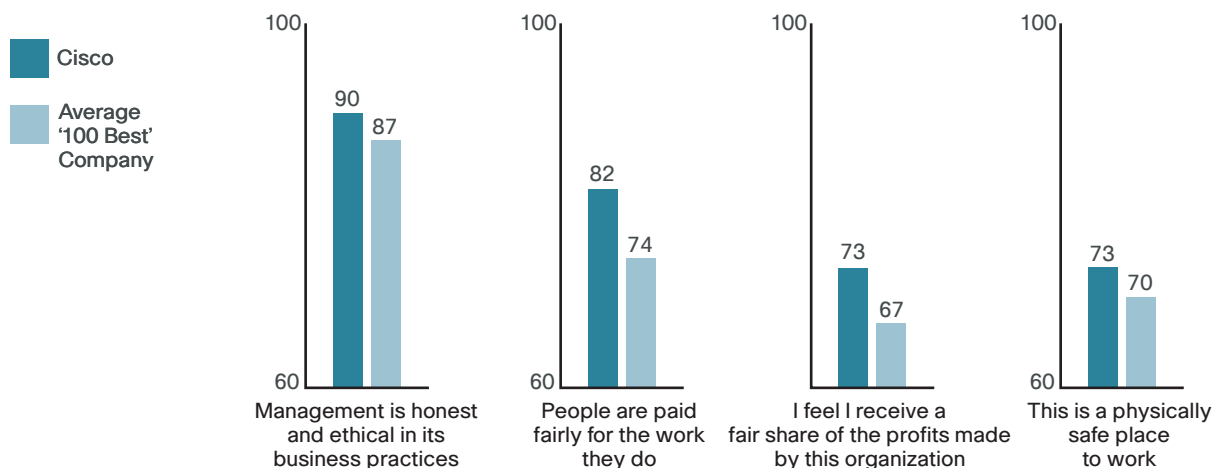
At Cisco, we believe that connecting partners, suppliers, customers, employees, and communities is important to our success, and is directly related to the development of an inclusive workforce and a diverse group of suppliers. Employees from different cultures and geographies, with a variety of viewpoints and styles of interacting, combine their unique backgrounds,

experiences, and values to help Cisco be responsive to our customers and our communities.

“A workforce of inclusion allows you to anticipate important market changes, be more responsive to customer needs, and build a solid foundation for future needs.”

—Kate DCamp, Senior Vice President, Human Resources, Cisco

Selected Staff Responses from “100 Best Companies to Work For in America” Survey





As a leading global company, Cisco recognizes that inclusion and diversity of thought is a business imperative. Attracting, developing, and retaining the best employees, wherever they may be found, gives Cisco access to new ideas, promotes better decision making, and creates a workforce that mirrors our customers and the world at large.

Cisco's Equal Opportunities Policy commits the company to:

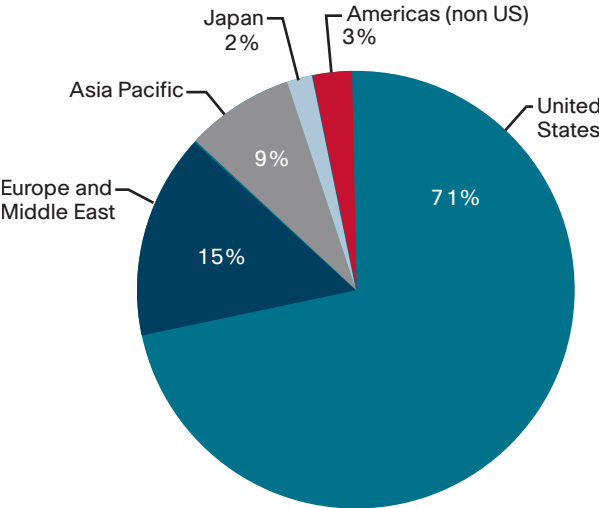
- Recruit, promote, reassign, and train people regardless of race, color, religion, gender, sexual orientation, age, disability, or nationality
- Take affirmative action to ensure equal employment opportunities for minorities, women, people with disabilities, Vietnam-era veterans, and other eligible veterans

- Treat all employees equally with regard to pay, benefits, transfers, training, education, and social programs
- Provide suitable facilities for people with disabilities

Global Workforce

In FY2005, Cisco employed a total of 38,056 people worldwide: 71 percent of our employees were based in the United States, 15 percent in Europe and the Middle East, 9 percent in Asia Pacific, 2 percent in Japan, and 3 percent in Central and South America.

Percentage of Employees by Region



Women and Ethnic Minority Employees

The table below shows the number and proportion of women and ethnic minority employees at Cisco in 2005:

	Percent of Total Employees	Percent in VP Positions and Above
Women	22%	16%
Ethnic Minorities*	42%	17%

* U.S. data only

To promote and foster an environment that supports diversity, Cisco encourages Employee Networks where colleagues can connect with others who share a similar culture, identity, or career goal.

Cisco's Women's Initiatives focus on providing advancement and development opportunities for women employees. In addition they aim to increase career opportunities for women in high-tech industries and encourage more girls to consider technology careers.

Employee Networking

Cisco employee networks are open to all Cisco employees. They are supported and recognized as critical to the foundation of an inclusive organizational culture. Our networks provide excellent structures and environments for facilitating career development, formal and informal mentoring, and social interaction, thereby creating the safe and enthusiastic work environments that our employees desire.

Employees may affiliate with one or more groups, many of which have chapters in cities across six continents. Current Cisco employee networks include:

- **The Cisco Black Employee Network (CBEN)** creates and develops an environment for African-American employees to facilitate business excellence, career growth, and positive social action.
- **The Conexion (Cisco Latino/Latina Network)** promotes the advancement of underrepresented Latinos and other minorities into higher education and pro-

vides a networking forum that promotes professional mentorship and increases awareness of career opportunities within Cisco.

- **The Gay Lesbian Bisexual Transgender (GLBT) and Advocates Network** helps employees achieve their maximum potential and helps Cisco fully capitalize on the talents of our employees, regardless of their sexual orientation or gender identity.
- **Volunteers for India Development and Empowerment (VIDE)** promotes the development of strong bonds within the Indian community at Cisco, fosters cross-cultural understanding, and provides avenues for professional and personal development, achievement, community involvement, and outreach for all employees at Cisco.
- **The Cisco Asian-American Network (CAAN)** represents the interests of Cisco Asian-American employees worldwide. Launched in July 2005, it is our newest employee network.

Women's Initiatives

We recognize that women are underrepresented in IT. To address this, Cisco has a dedicated team to develop a number of avenues to encourage and promote professional roles for women in the high-tech industry.

Our Women's Access Networks (WANs) empower female employees at Cisco to grow professionally. They offer networking, mentoring, and career development resources to women employees throughout Cisco's global operations. This serves to increase Cisco's competitive advantage and helps the company achieve its mission by capitalizing on the talents and skills of its women employees. As of FY2005, there are 27 active WANs throughout Cisco worldwide.

Cisco supports women and girls in their pursuit of high-tech education and employment as well. For more information on how Cisco is encouraging women and girls in technology, please see the [Gender Initiatives](#) section of this report.



Providing developmental activities with a mix of education, experience, and exposure results in an accelerated, more effective, and lasting knowledge and skill development.

Employee Development

Employee training and development programs are designed to benefit Cisco and our employees by supporting the personal and professional development of our staff. We aim to create a more agile, productive workforce that responds to the needs of our customers and a changing marketplace.

Cisco employees learn and develop through “education, experience, and exposure.” Providing developmental activities with a mix of education, experience, and exposure results in an accelerated, more effective, and lasting knowledge and skill development. Ideally, about 70 percent of employee development comes from job experiences, working on tasks and problems (particularly where you conduct debriefs); about 20 percent comes from feedback or working around role models, mentors, and coaches; and about 10 percent comes from education (e-learning and instructor-led courses, as well as readings).

Employees are encouraged to create a personal development plan based on their training needs and career aspirations. Managers provide the necessary support and resources to help them realize these plans.

Employees manage their training and development needs through Cisco University, a companywide initiative that provides a single focus for all career development activities, including training, coaching, mentoring, and job opportunities.

Cisco University runs a blend of interactive classroom and online courses, giving employees the opportunity to study in environments and at times best suited to their schedules. Over 4,000 courses are offered and on average, about 70,000 course registrations are made each quarter, approximately two per employee.

We provide assistance and guidance for staff who want to transfer to other departments. Our career transition services include access to physical and online career centers, job search seminars, and individualized career coaching including advice on resume writing and interviews.

Work-Life Programs

Cisco is dedicated to supporting the needs of employees and their families. Knowing our staff often struggles to maintain balance between the competing priorities of career and personal life, Cisco offers numerous convenience programs to help.

Our **Employee Assistance** program offers many services for our employees including legal advice, emergency assistance and support, and well-being seminars. Face-to-face and telephone support is available through an independent third-party organization that specializes in providing workplace counseling services. Web-based resources provide information on a wide variety of family, mental health, and well-being topics, and a resource library provides information on depression and alcohol

abuse. Other benefits include online support programs for parents and a health information line. In addition, Cisco offers a worldwide Employee Discount Program that provides discounts for our staff at hundreds of retailers. More than 70 percent of our staff has registered with the program and more than 50 percent use it on a monthly basis.

We offer a range of additional benefit programs that support our employees and their families:

- **Childcare services:** Cisco Family Connection is the onsite childcare facility at the company's San Jose campus that serves more than 400 children from infancy through kindergarten. Nationwide, Cisco's nearly 25,000 employees can also use the Bright Horizons

Employee Initiative: Making the Work-Life Balancing Act Work

"I really believe that employees are more engaged and more productive when they're not worried sick about their kids, or an aging parent," says Phyllis Stewart Pires, Human Resources, Cisco.

Luckily for Cisco employees, Stewart Pires has led the development of internal programs to minimize that kind of worry, and help support a healthy work-life balance for employees and their families.

Her career with Cisco began in 2000 when she took on oversight of the newly constructed childcare center at the San Jose campus that she'd helped develop as a consultant. Cisco Family Connection is one of the largest and most comprehensive childcare centers in the country, serving more than 400 children from infancy through school-age. It includes a kindergarten and back-up emergency child care program.

"It's critically important to develop a work environment that allows parents to achieve success in their careers without compromising their roles as parents," she says. "I get to help create the kind of programming that makes that possible. I also get to take advantage of the programs and services myself, as the mom of three young children and the child of aging parents."

Executive-level support is critical, and according to Stewart Pires, Cisco provides it. "Our executives are

very aware of the value family programs represent to our employees," she says.

As a direct result of this support, Stewart Pires has been able to help design some of the most innovative work-life programs of any company operating today—from support for breast-feeding mothers to funds for adoptive parents to elder care informational programs to initiatives that encourage girls to consider high-tech careers.

Cisco has also reached outside to support children and families due to partnerships Stewart Pires has cultivated. Childcare provider Bright Horizons helped employees displaced by wildfires in Southern California find childcare, and accessed community grant funds to create play spaces in a San Jose homeless shelter.

"I'm proud to be part of an organization that believes that it's smart for us to care about what's happening with our employees, their families, and our communities," she says. "Cisco cares passionately about being successful in business, but at the same time we care about the fact that our employees are part of something larger. I think we've become a role model for what companies can achieve in this kind of programming, without compromising our success as a business."

Network Access program, which gives their children priority status for full-time and backup care. Additional services at the center include school-age and enrichment programs, which include music, dance, gymnastics, and several language classes. The childcare facility has age-appropriate classrooms, music, gym, and multipurpose rooms. In the United Kingdom, employees are offered childcare vouchers that are redeemable at registered nurseries, after-school clubs, and child-minders.

- **Breastfeeding support:** Cisco offers a number of “mother’s rooms,” and support for comfort and privacy for moms who are breastfeeding (there are 30 such rooms on the San Jose campus alone). Through our internal mailing list, employees can subscribe to our “mom’s milk” discussion group for support and advice from other Cisco employees. In the United States, Cisco sponsors breastfeeding classes and provides subsidized breast pumps to employees or their spouses to help encourage effective parenting skills.
- **Adoption support:** When Cisco employees adopt children, the company offers a US\$2,500 adoption subsidy to help offset the costs of the adoption process.
- **For dads too:** Cisco encourages its employees who are fathers to take advantage of the educational opportunities and share the resources with their partners.
- **Elder care:** In the United States, Cisco offers a resource and referral program to assist employees in learning about the care and support options available for

elderly dependents, as well as free elder care educational resources and consultation.

- **Children’s Scholarship Fund:** Started in FY2005, this fund offers support and assistance to the children of deceased Cisco employees.
- **Fitness centers:** Cisco operates three fitness centers outside of and five fitness centers in the United States which provide health education, fitness services, and wellness screenings to the employees and contractors of Cisco. Specifically, those services include recreation programs, group exercise, fitness assessments, exercise prescription, incentive-based fitness games, massage therapy, personal training, health education lectures, and health and wellness fairs.

For staff at our San Jose headquarters we offer additional services:

- Weight Watchers programs, cooking classes, and farmers markets
- Financial planning and financial wellness fairs
- Classes and seminars on ergonomics, nutrition, exercise, and other health issues
- Onsite dental care for all employees and their dependents
- Other convenient onsite services such as haircuts, dry cleaning, car oil change, and car detailing
- Parenting classes run in partnership with Parents Place, a local nonprofit parenting educational organization



Health and Safety

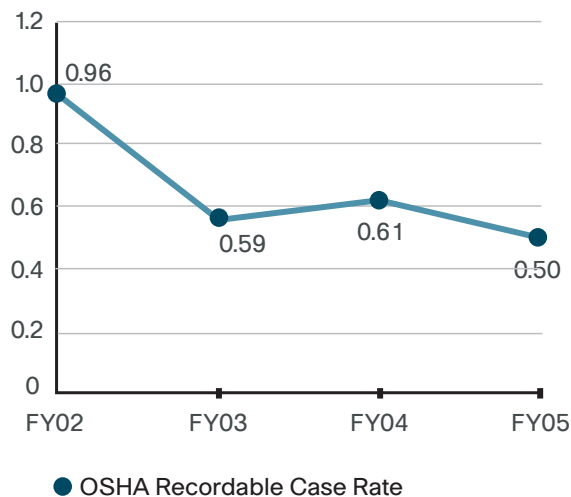
Our Injury & Illness Prevention Program (IIPP) manages our Employee Health and Safety programs. It provides guidelines on management involvement, health and safety communications, office and lab hazard assessments, accident investigation, safety planning, safety procedures, and health and safety training.

We offer a range of health and safety training programs that are available through Cisco University (see [Employee Education and Development](#)). In addition to workplace safety training, we offer advice on travel safety and how to prepare and respond to natural disasters and inclement weather.

Our Lab Safety Program is designed to provide a safe working environment for lab employees and visitors. The program helps ensure we are compliant with the requirements set out by the U.S. Occupational Health and Safety Administration (OSHA). It includes training modules and safety checklists on common lab safety hazards including “slip, trip, and fall” accidents, use of hazardous materials, lab layout and maintenance, fire safety, and electrical safety hazards.

Cisco maintains full-time, onsite emergency response teams (ERTs) on all major campuses. The teams are staffed by Cisco employee volunteers, to whom Cisco provides ongoing training and support. Their role is to respond to emergencies that affect the health and safety of employees, protect Cisco property and assets, and champion health and safety in each campus.

Reportable Injury and Illness Rates



Performance in FY2005

We record work-related injuries and illnesses in two ways: the total number of reported injuries and illnesses, and the number of injuries and illnesses that result in lost work days. The industry standards are defined as:

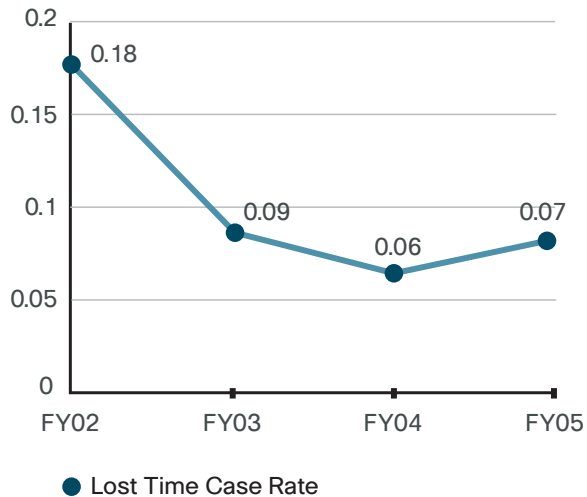
- **OSHA recordable case rate (ORCR):** The rate of total nonfatal injuries and illnesses for the fiscal year reviewed
- **Lost time case rate (LTCR):** The rate of nonfatal injuries and illnesses that causes any loss of time from work beyond the day or shift it occurred; or nonfatal injuries and illnesses that causes disability at any time for the fiscal year reviewed

In FY2005, there were 125 reported injuries and illnesses. This corresponds to an ORCR rate of 0.5 per day or shift. There were no work-related fatalities in FY2005.

Employee Volunteerism and Giving

One of the core values at Cisco is empowering people to empower themselves. It serves as the basis of how Cisco is organized, for both our corporate structure and our corporate culture. We have learned that one important component of employee satisfaction is the feeling on the part of employees that their company is invested in their communities, and supportive of the lives of community members outside the office.

Injuries and Illnesses Resulting in Lost Time



To this end, Cisco provides a variety of opportunities for employees to build leadership skills as well as enhance the communities in which they work and live, through involvement in a broad range of volunteer opportunities and charitable organizations.

We promote a culture of charitable giving and connect Cisco employees, managers, and executives to nonprofit organizations serving the communities in which we live. In addition, Cisco donates our best-in-class networking equipment to those nonprofit organizations that best put it to work for our communities. For more information, see the [Cisco and Society](#) and [Employee Volunteering and Giving](#) sections.

Workplace Accessibility

Accessibility is about improving access to goods, services, and facilities for people with disabilities. This includes visual, physical, cognitive, and hearing disabilities.

Accessibility is important to our business because we employ people with disabilities, our customers employ people with disabilities, and people with disabilities use our products.

“We are constantly looking to further improve our accessibility policies, products, facilities, training and development whilst recruiting a diverse workforce to ensure we reflect the community we serve.”

—Duncan Mitchell, Vice President and Managing Director, Cisco UK and Ireland

Our [Equal Opportunities Policy](#) confirms Cisco’s commitment to employing people regardless of disabilities.

We design our offices, labs, and systems to accommodate employees with disabilities.

The Accessibility Initiative provides a framework for our products, documentation, and Websites so they can be used by employees and customers with disabilities.

We work with multiple organizations to enhance our facilities, increase awareness of disability issues in the workplace, and promote employment opportunities for people with disabilities:

Case Study: Canada Children’s Alliance

More than 170,000 children’s lives across Canada are enriched by the work of the Big Brothers/Big Sisters and Boys and Girls Clubs. Cisco Canada recently brought these two organizations together to form the Cisco Canada Children’s Alliance (CCA). The Cisco CCA is a long-term, three-way partnership to bring positive change to more than 800 communities.

Cisco’s largest contribution will be a state-of-the-art IP Communications network that facilitates online collaboration and e-learning capabilities for both organizations across Canada. This highly secure IP network will allow staff and volunteers to receive the same quality of training, regardless of where they’re located.

The Cisco IP network will improve staff and volunteer training in areas that include best practices and child safety, fundraising, and board member and volunteer recruitment. Increased productivity in these areas will ultimately allow the organizations to provide services for more Canadian children.

Currently the sites have a range of technical capabilities, which adds to each organization’s challenge. “Cisco employees may help implement technology at local sites that don’t have a technical staff person, or they could be working with a social worker or parent volunteer,” said Harry McAvoy, vice president of advancement for Big Brothers Big Sisters of Canada. “Making training easy to use and more accessible to the staff and volunteers will improve the children’s safety and their overall experience at all of our locations.”

Cisco Chairman of the Board John Morgridge helped launch Cisco CCA in November 2004. As part of Cisco’s 20th Anniversary Day of Service campaign, Canadian employees were encouraged to volunteer eight hours of their time to provide ongoing support for programs, events, and activities in local communities.

Employee Initiative: And Accessibility for All

Michael Lenz, Human Resources, Cisco, wants you to consider this: With some 20 percent of the population living with some sort of disability, there's a good chance that one of your colleagues is disabled and you don't realize it.

"Most people are aware of physical disabilities among their friends or colleagues," he says, "but there are many disabilities that go completely unrecognized." Hearing impairment is the most underreported disability, for example." Another unrecognized disability might be a visual impairment because it doesn't mean someone is completely blind. For instance, color blindness is the inability to perceive differences between some or all colors that other people can distinguish.

In 1998, the Americans with Disabilities Act was amended to provide for Web accessibility. Section 508 requires, in part, that electronic and information technology that is developed or purchased by the U.S. federal government be accessible by people with disabilities.

In 2000, Lenz was part of an external consulting team tasked with helping Cisco ensure its customer-facing Websites were 508-compliant. "Part of my job was educating people at Cisco about these issues," he recalls. "After a while, we realized that it was just as important that the company's internal Website, the CEC [Cisco Employee Connection], also be accessible.

"Cisco executives realized that if Cisco.com doesn't meet the needs of people with disabilities, the company

might lose a contract," he continues. "In considering this, they became aware that if the internal site doesn't meet the needs of staff with disabilities, we could lose a valuable employee, or fail to attract a valuable employee."

At the end of his contract, Lenz was asked to join Cisco as the interface lead for CEC, and he became responsible for establishing accessible design standards.

"I'm a 'user-experience' guy, not a developer or an engineer. My job is to understand and support the end user," he says. In addition, Lenz has been a contributor to the W3C Accessibility Initiative—a volunteer international project to create accessibility standards for HTML and other Web design tools—for many years. It's this kind of experience and dedication that have enabled him help make the necessary changes on the Cisco.com Website.

"Today we have 150,000 pages in the new [accessible] template, and the fact that we've been able to accomplish that in 18 months is pretty huge."

But more important, he says, is the acceptance of the need for accessibility across the company. "Using the CEC is a requirement of all Cisco employees in order to do their jobs," he says. "We've been able to sell enough people on how important accessibility is that the ideas are now spreading organically, which is really nice."

- We are a sponsor of 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.
- We have a 10-year relationship with Project HIRED, a California-based organization that specializes in helping people with disabilities find employment. We have employed a number of people referred to us by the organization, and use their experience to help with training and consulting on accessibility initiatives and workplace modifications.
- We have participated in the American Association of People with Disabilities' National Disability Mentoring

Day. Our employees with disabilities acted as mentors for students and veterans with disabilities, teaching them about information technology career opportunities.

Also in FY2005, we commissioned a study by the U.K. Employers Forum on Disability to assess our approach to accessibility at our sites in the United Kingdom. The survey looked at our accessibility policies, products, facilities, recruitment, and training and development. The findings will help us benchmark our performance, identify areas for improvement, and establish a framework for implementing its recommendations.



Cisco and Suppliers

The same values that underpin our internal structure—those of inclusiveness, respect for diversity, and fair and ethical treatment of all employees—are extended to our relationships with our partners and suppliers.

Cisco strives not only to create the best possible products, but to ensure that these products are manufactured and distributed by companies that share our values. To that end, Cisco works closely with its suppliers to help ensure quality of product and reliability of supply.

Cisco also partners with other companies in the electronics sector to support ethical supply chain best practices, and has adopted the Electronics Industry Code of Conduct (EICC) to promote social and environmental standards across the industry.

The EICC forms the basis of the Cisco Supplier

Code of Conduct, which outlines the standards required of suppliers with regard to labor rights, health and safety, and the environment.

We also use our supply chain to promote opportunities for underrepresented sectors of society. The Cisco Supplier Diversity Program seeks to expand business opportunities for women- and minority-owned businesses, as well businesses operating in economically disadvantaged communities or countries.

Supply Chain Management

Social and environmental standards vary from country to country and company to company. In developed countries, workers' rights, health, safety, and environmental protection are usually enforced by law. In some developing countries, social and environmental standards may differ with regulations absent or not effectively enforced.

The global supply chain for electronic components means many parts are manufactured in developing countries. As a result, issues surrounding employment and environmental standards have arisen in the electronics supply chain.

Working in Partnership

Cisco, working in partnership with other companies in the IT sector, has begun the process of addressing both human rights and environmental issues as they relate to the high-tech industry. We believe that by working together, our

collaborative efforts can significantly improve social and environmental practices worldwide.

In 2004, Cisco announced its endorsement of the Electronics Industry Code of Conduct (EICC), which was developed as a voluntary measure to establish and promote

a unified standard for social and environmental practices across the electronic industry's supply chain. It covers a range of social responsibility issues, including labor and employment practices, health and safety, ethics, the protection of the environment, and management expectations to ensure code conformity.

“We’re committed to supporting socially responsible business practices across the globe. By collaborating with Intel, Hewlett-Packard, and Microsoft on this initiative, we have deepened our relationships with both our suppliers and partners and expect to see greater productivity and accountability in the sector.”

—Steve Darendinger, Vice President, Worldwide Supply Chain Management, Cisco

Implementation

The EICC Implementation Group helps facilitate adoption. The mission of the Implementation Group is to focus efforts on positive social and environmental change in our supply base through a shared approach to code implementation based on the EICC. This approach will provide consistent code expectations throughout the IT supply chain, reduce duplication of effort, and improve productivity. The group is facilitated by Business for Social Responsibility (BSR), a nonprofit business organization.

As a member of this EICC Implementation Group and as well as the Global eSustainability initiative facilitated by the United Nations Environmental Program (UNEP), Cisco is working with suppliers, partners, and other leading IT companies to develop common approaches to supplier risk assessment, supplier surveys, supplier auditing, and common audit reporting methods. Cisco's continued support of this industry effort reflects our ongoing corporate commitment to promoting the improvement of working conditions and the environment throughout our extended supply chain.

Download the full text of the Cisco Supplier Code of Conduct at www.cisco.com/go/csr/conduct

Supplier Diversity

Historically in the United States, small and diverse businesses have been underutilized as suppliers by large corporations. A policy of promoting supplier diversity by large businesses, like Cisco, creates a greater opportunity for all businesses to participate in subcontracting opportunities.

The types of diverse businesses supported by Cisco are: small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, women-owned small business, disabled veteran-owned small business, minority-owned business, and women-owned business concerns and business enterprises. More detail on diverse business definitions is provided further in this report.

Supplier diversity enhances Cisco's competitive advantage by enhancing our relationships with our partners and the communities in which we operate. It also better positions Cisco to meet the requirements of our customers. Many of our customers are significant suppliers to the U.S. government and as such are contractually required to procure a proportion of their goods and services from diverse suppliers. By developing our own network of diverse suppliers, we can help them meet these procurement targets.

Expanding Suppliers

The Cisco Supplier Diversity Business Development (SDBD) Program, established more than 14 years ago, was created to expand Cisco's network of diverse suppliers.

The SDBD team identifies potential suppliers and facilitates relationships between them and Cisco representatives who can potentially use their products and services.

Companies that meet the requirements of a diverse supplier are encouraged to become a Cisco Registered Diverse Supplier. Registered companies are stored in a database of potential suppliers used by our procurement teams. Our Supplier Diversity Business Development

Website at www.cisco/supplier/diversity/ gives advice for companies interested in learning more about how to do business with Cisco, and provides instructions on how to register as a potential Cisco supplier.

“The supplier diversity team at Cisco is extremely dedicated and cares about every one of its members. They go out of their way to help us. They check in to see how we're doing. I cannot think of any other supplier diversity program that is so authentic and so caring.”

— Maureen Shea, President and CEO,
TwoShea Consulting

In addition, Cisco supports a variety of initiatives to promote diverse businesses. We are sponsors of the Industry Council for Small-Business Development (ICSBD), a nonprofit organization dedicated to promoting large-business

contract opportunities for diverse businesses.

In 2000, Cisco, in partnership with the U.S. Small Business Administration and the City of San Jose, established the San Jose Entrepreneur Center. The center's mission is to provide entrepreneurs with a full range of support services in one location to help them succeed in today's competitive environment. The services include financial services, technical assistance, training, technology, and advice on procurement and international trade.

The SDBD team conducts supplier diversity training throughout Cisco's business units on an ongoing basis. Externally, we hold quarterly “How to Do Business with Cisco” seminars, which are conducted at Small Business Administration (SBA) centers in San Jose, Oakland, and San Francisco, California.

The SDBD program is a sponsor of the Management Development for Entrepreneurs Program at the University of California, Los Angeles, Anderson School of Management. The program teaches participants business theory and practice. Participants work with faculty Fellows and MBA students to formulate a Business Improvement Project (BIP), a blueprint created by students to develop a business using the skills and knowledge gained through the program.

The SDBD team regularly speaks about supplier diversity and doing business with large corporations at events and conferences throughout the United States. These include the Reservation Economic Summit (RES), U.S. Hispanic Chamber of Commerce (USHCC), Industry Council for

Types of Diverse Businesses Supported by Cisco

Small-Business Enterprise:

An enterprise that is independently owned and operated, is not dominant in its field of operation, and has qualified as a small business under the criteria and size standards established by the U.S. government. The number of employees and revenue can vary according to its products or services.

Veteran-Owned Small Business:

A business which is at least 51 percent owned by one or more veterans or in the case of a publicly owned business, a company for whom the majority (51 percent or more) of stock is owned by one or more veterans, and the management and daily business operations are controlled by one or more veterans.

Service-Disabled Veteran-Owned Small Business:

A business which is at least 51 percent owned by one or more service-disabled veterans; or in the case of a publicly owned business, a company for whom the majority (51 percent or more) of stock is owned by one or more service-disabled veterans; or in the case of a veteran with a permanent and severe disability, the spouse or permanent caregiver of such a veteran.

HUBZone Small Business:

A business located in a federally identified underutilized business zone, which is an area located within one or more U.S. Small Business Administration-defined qualified census tracts, qualified nonmetropolitan counties, or lands within the external boundaries of an Indian reservation.

Small Disadvantaged Business:

A small business that has met the necessary criteria to be certified as a disadvantaged business by the U.S. government and Small Business Administration and where the net worth of individual owners does not exceed US\$750,000.

Women-Owned Small Business:

A small business which is at least 51 percent owned by one or more women (or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more women) and whose management and daily business operations are controlled by one or more women.

Disabled Veteran-Owned Small Business:

A business which is at least 51 percent owned and operated by a service veteran with a service-related disability of at least 10 percent and who is a resident of California.

Minority-Owned Business:

A business which is at least 51 percent owned and operated by a U.S. citizen or citizens, and whose ancestry is African-American, Subcontinent Asian-American, Native-American, Asian Pacific-American, or Hispanic-American.

Women-Owned Business:

A business which is at least 51 percent owned by one or more women (or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more women) and whose management and daily business operations are controlled by one or more women.

Small Business Development (ICSBD), National Minority Supplier Development Council (NMSDC), Carolina's Minority Supplier Development Council, Rocky Mountain Minority Supplier Development Council, SUPERCOMM, U.S. Pacific Asian American Chamber of Commerce (USPACC), and the Women's Business Enterprise National Council (WBENC).

Performance

Cisco is committed to maintaining a quality and substantive Supplier Diversity Program and has steadily increased efforts to accelerate program growth.

For the past three years, Cisco has received recognition for our supplier diversity efforts as sponsored by DiversityBusiness.com.

"I firmly believe that our business and Cisco's will grow as long as we continue to embrace the idea that a diverse supplier base adds value. Cisco, for example, is selling its products and services around the world. So it's essential that they work with local suppliers who have local knowledge."

—David Steward, Founder and Chairman,
World Wide Technology, Inc.

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. In FY2005, Cisco received the Hall of Fame award from the Northern California Supplier Development Council (NCSDC) for our efforts in promoting diverse businesses for NCSDC and the business community at large.

Plans

Our goal is to be a world-class company recognized as a leader in supplier diversity and as a partner with the best suppliers. Moving forward, Cisco plans to expand its supplier diversity efforts further into our supply chain as well as internationally.





Cisco and the Environment

The environment, and the impact of the high-tech industry on the environment, is of increasing concern to Cisco, our employees, our partners and suppliers, the communities in which we operate, governments, and the global community.

We are committed to responsible environmental practices throughout our business using environmental management systems to implement our strategy. Reduction in environmental impact and improved business efficiency are aligned objectives. We therefore make protecting the environment a priority.

To this end, Cisco has developed a number of innovative programs designed to increase the energy efficiency of our operations, reduce waste, and protect the environment in communities where we work. We also work with our suppliers to reduce the indirect impact on the environment that may result from the manufacture of our products.

In product development, Cisco is working toward a long-term goal of continually improving product quality and reliability. Cisco considers the effects of its products on the environment during the development lifecycle to optimize efficiency, reuse, and recyclability.

Because our offices, labs, product distribution, and business travel impact the environment, Cisco continually

seeks ways to reduce internal energy use and also encourages teams to take full advantage of videoconferencing and other networking technologies to avoid travel.

While we are making progress in improving our environmental performance, we recognize that there is more we can do. We are committed to further building on our existing programs and enhancing our environmental data collection and will report on our progress in future years.

Operations

One of Cisco's primary environmental impacts is greenhouse gas emissions associated with our energy use and environmental issues associated with waste disposal. Cisco's strategy is to minimize energy use and waste generation, providing both environmental and business profitability benefits. We have also identified our use of ozone-depleting substances, business travel, and water use to be important issues to monitor and manage within our global operations. This section describes the systems we use to manage our operational environmental impacts.

Case Study: Connected Workplace

In FY2004, Cisco Workplace Resources launched a pilot project designed to enhance employee satisfaction, productivity, and efficiency in our work environment by redesigning a building at our San Jose headquarters. Taking advantage of technology and changes in the way people work helps us cut costs and reduce our impact on the environment by reducing the amount of infrastructure required and associated energy, water, and materials used. The new environment was also designed to reflect the changing work patterns of our employees, increase employee satisfaction, and encourage collaboration.

Our workspace has traditionally been divided into separate offices and cubicles, many of which remained vacant approximately 65 percent of the time while employees were at meetings or working flexible hours. These were replaced by a range of new spaces including open work spaces, meeting areas, and rooms that support employee needs for privacy. The redesigned offices use Cisco wireless and IP Communications technology to provide flexible working areas to meet the needs of individual workers.

Rather than having an allocated space, employees can easily plug in their laptop and log in to their personalized telephone number in any suitable workspace.

The newly designed offices allow 140 people to work in a building that would normally accommodate fewer than 90.

This more efficient use of office space has reduced the amount of equipment we use, such as office furniture and technology. For example, the amount of cabling required was cut by more than half.

A survey conducted in March 2005 showed that the number of employees who were satisfied or extremely satisfied with the building increased after the redesign. They felt the new working environment had improved their productivity and enhanced their ability to collaborate with other team members and between teams.

We intend to quantify the environmental benefits of the Connected Workplace and use this data to further develop the concept in the design of our future offices.

Additional strategies and efforts to minimize the environmental impacts related to products are outlined in the [Product Stewardship](#) section of this report.

Management Systems

As part of our ongoing commitment to quality, the environment, and business excellence, Cisco helps ensure its corporate performance through the framework of several industry standards. The ISO14001 standard developed by the International Organization for Standardization (ISO), a network of the national standards institutes of 153 countries, provide the basis for our environmental policies and campus management systems.

Our environmental management system (EMS) provides a framework for identifying and managing the significant environmental aspects of our facilities, demonstrating legal compliance as a minimum standard, and achieving continual environmental improvement, by setting and reviewing progress against objectives and targets. Compliance with the ISO14001 standard is independently certified.

As part of our adherence to these standards, Cisco complies with regulatory requirements, we keep a register of all significant environmental effects of our operations, and we set targets for continual improvement in performance.

Our campuses are independently audited against the ISO14001 standard by an accredited third-party registrar, TUV Americas. As an accredited auditor, TUV Americas conducts its activities under guidelines and oversight established by the ANSI-ASQ National Accreditation Board (ANAB).

To date, Cisco has been fully successful in its external certification process for new campuses and all certified sites have successfully maintained their annual ISO certification.

Performance

To complement the external audit process and help our facilities to prepare for our third-party certification, Cisco undergoes a rigorous internal audit of our ISO14001 program. Approximately 30 internal audits are completed each year at eight sites (five currently certified, and three with certification pending in late 2005) to help ensure the conformance and continual improvement of the environmental management system.

As of FY2005, the five Cisco sites that have received certification to ISO14001 comprise approximately 52 percent of Cisco employees. The ISO14001 certified sites are:

ISO14001 Certified Sites

	No. Employees on Site **	Year Certified
San Jose, California	13932	2000
Monza, Italy	415	2002
Research Triangle Park, North Carolina	2639	2003
New England Development Center (Boxborough)	1221	2004
Richardson, Texas	1055	2004
London, United Kingdom	901	2005*
Amsterdam, Netherlands	479	2005*
Austin, Texas	657	2005*

* We expect our sites at Austin, Texas in the United States, Bedfont Lakes and Greenpark in the United Kingdom, and Amsterdam in the Netherlands to receive ISO14001 certification later in 2005.

** Current regular employee headcount reported on 7/30/2005

Energy Use

Real estate costs are the second-largest operating expenditure for most companies. Fifty percent of the world's energy is used in buildings. Cisco real estate and technology solutions are now fully integrated to provide flexible wireless work space that is efficient in cost and environmental resources. This benefits people, profitability, and the environment.

Through our Connected Workplace project, Cisco is experimenting with new models for the work environment that simultaneously improve the workplace for our employees, lessen our impact on the environment, and result in savings of millions of dollars in operating expenses each year.

Performance

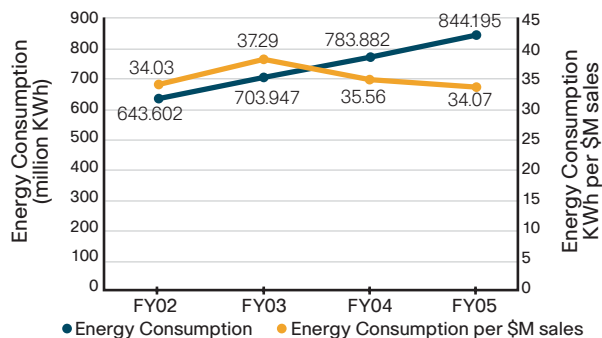
Cisco has grown steadily over the last decade. As a result, our energy consumption has also increased.

Between FY2002 and FY2005 our energy consumption increased by 31 percent, a figure directly attributable to business growth (sales increased by 31 percent over the same period).

We are actively seeking to mitigate our increased energy consumption through several initiatives to improve energy efficiency. As a direct result, although energy consumption in FY2004 and FY2005 grew by 8 percent, relative to sales, our energy consumption has decreased by 9 percent compared with FY2003 levels.

These gains largely result from more efficient use of existing facilities and the introduction of energy-saving measures in building design and equipment specification. We estimate these initiatives have saved over 62 million KWh of electricity per year, equivalent to approximately 23,000 tons of carbon dioxide (CO₂) emissions annually.

Worldwide Energy Consumption and Energy Consumption Per \$M Sales*



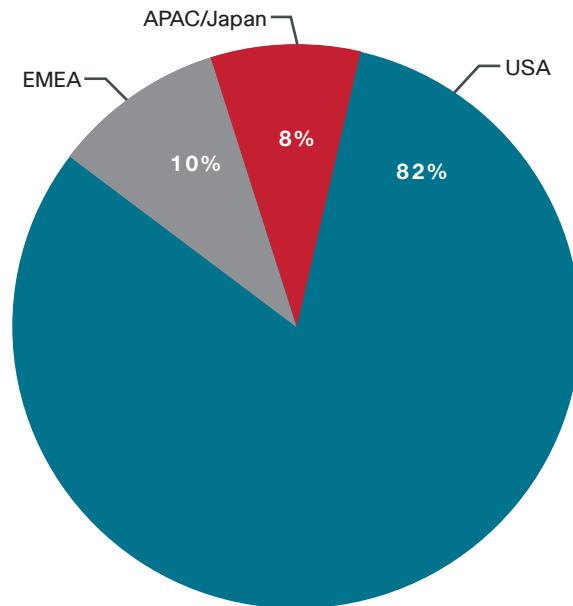
Case Study: Energy Efficiency at Cisco's San Jose Headquarters

In FY2005, our San Jose headquarters accounted for 66 percent of our energy consumption in the United States, and 54 percent of our energy consumption worldwide. Therefore, we have focused on several innovative initiatives at this facility.

The buildings that comprise our new San Jose headquarters, which was completed in 2000, are more energy efficient than our previous headquarters. Annual energy use has decreased by 49.5 million KWh per year—enough energy to power 1,800 homes for a year. The efficiencies have resulted in a US\$4.5 million annual cost savings compared with the previous headquarters, and has earned \$5.7 million in rebates from our energy supplier.

The energy-efficient office equipment, refrigeration systems, and lighting have saved an additional 12.4 million KWh a year, and generated \$1.25 million a year in cost savings.

Energy Consumption by Region FY2005



* Data from sites in the USA, UK, and India which account for 77 percent of Cisco's employee population

Cisco is continuing to work on improving energy efficiency across its property and operations. Future goals include further identifying ways to reduce energy use by an additional 10 million to 12 million KWh per year, by 2007. To achieve this goal, Cisco will continue to focus on energy-efficient office equipment and systems, as well as a reduction in staff travel.

Greenhouse Gas Emissions

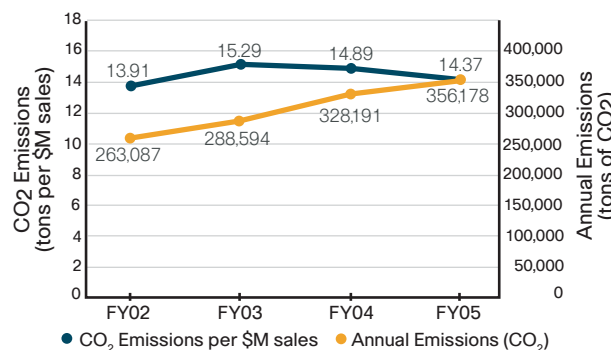
Climate change is an important global issue of concern for Cisco. Cisco is closely monitoring the development of climate change and energy-related policy and regulation in those regions in which Cisco does business. Cisco participates in climate policy discussions including the G8 Climate Change Roundtable and the Sustainable Silicon Valley program.

To address policies affecting our operations, Cisco has established several strategies to monitor and improve the energy efficiency of our offices and laboratories. This strategy includes, for example, the development and maintenance of a companywide energy and greenhouse gas inventory, and energy-efficiency measures in the design and retrofit of our offices. We also have initiatives to improve office productivity and achieve more flexible working practices to reduce the demand for office space.

Performance

Between FY2002 and FY2005, total carbon dioxide (CO₂) emissions from Cisco operations increased by 35 percent. This rise was directly attributable to an increase in energy consumption that resulted from substantial business growth. Between FY2004 and FY2005, CO₂ emissions grew by only 9 percent.

CO₂ Emissions and CO₂ Emissions Per \$M Sales*

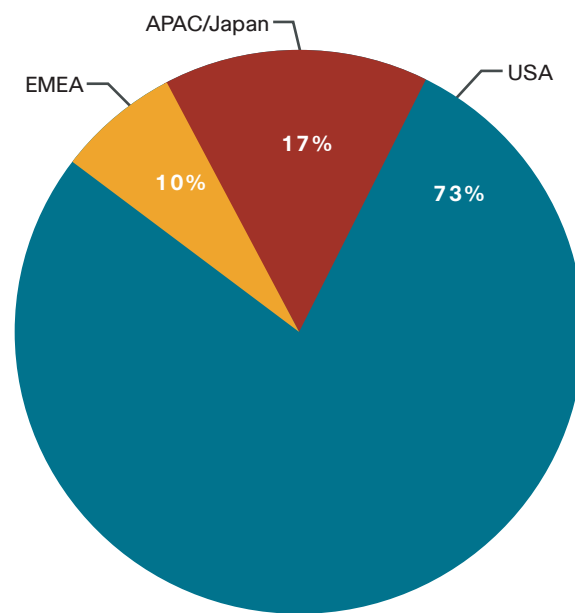


When normalized by sales, our CO₂ emissions increased by only 3 percent between FY2002 and FY2005, and decreased by six percent between FY2003 and FY2005. The improvement since 2003, a period of continued growth in sales, is a result of more efficient use of existing facilities and the introduction of energy-saving programs.

A number of Cisco sites, including our largest at San Jose, which accounts for 41 percent of our greenhouse gas emissions worldwide, purchase a portion of electricity from renewable sources. At San Jose 9.5 percent of the energy used comes from renewable sources, representing approximately 35,000,000 KWh each year. This translates to the elimination of some 12,700 metric tons of CO₂, and is the equivalent of removing 3,000 cars from the road. At our Santa Clara facilities, 68 percent of the energy comes from renewable sources, mainly wind power. This represents 800,000 KWh, saving 290 metric tons of CO₂ from being released into the atmosphere, equivalent to the removal of 70 cars from the road.

Cisco has prepared our Energy and GHG Inventory in accordance with the International Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard and has used associated calculation tools provided by the World Resources Institute. Emissions factors from the U.S. Environmental

Greenhouse Gas Emissions by Region FY2005



* Data from sites in the USA, UK, and India which account for 77 percent of Cisco's employee population

Employee Initiative: A Good Idea Is Worth a Million Pounds of Emissions

Cisco's San Jose headquarters comprises 50 buildings and more than seven million square feet, and Energy Program Manager Nayeem Sheikh has walked almost every inch.

"I looked at air conditioning systems, lighting controls, the cafeterias, the labs, the data centers, the office spaces," he says, looking for ways to improve energy efficiency at Cisco.

For Sheikh, helping companies improve energy efficiency comes naturally. His father was the kind of man who wandered around the house, turning off lights. "In India, where electricity is scarce, anyone who has it in his home is considered rich," he says. "Power there is often unstable, so you really have a sense of its value."

And the value is more than monetary, he says. The impact on the environment of even small conservation measures can be significant: For every kilowatt hour you save, you reduce CO2 emissions by nearly a pound.

So when Sheikh discovered 80 cents of every energy dollar spent at Cisco went to cooling the labs and data centers because the equipment there releases heat, he decided to investigate.

"Cisco has always been receptive to programs that will improve energy efficiency in the buildings," Sheikh says, "but I wanted to see an improvement in our products. Improving the heat rejection system in our equipment would save energy."

A lab management team, with the help of energy efficiency experts, worked to develop new design specifications to address the problem, and improve the products.

The benefits extend well beyond Cisco. "If our products are more energy efficient for us, they're also more energy efficient for our customers," Sheikh says. "In the U.S., I think people take energy for granted a bit, but it's something you want to use wisely, because you're going to need it tomorrow."

Protection Agency's Emissions and Generation Resource Integrated Database (eGRID) Version 2.01 have been used to calculate emissions from our U.S. operations.

The inventory includes electricity and fuel use in onsite combustion at owned and operated offices and laboratories and leased offices and laboratories where Cisco has a direct relationship with energy suppliers, owned and operated vehicles, and hydro-fluoro-carbon (HFC) refrigerants. Cisco has an ongoing program to increase the scope of the inventory and validate data.

Other Environmental Impacts

In addition to energy and associated greenhouse gas emissions initiatives, Cisco supports several initiatives to reduce the environmental impact of our operations. In this section we report on our programs to minimize our impacts from waste generation and disposal, the use of ozone-depleting chemicals, employee business travel, and water use.

Operational Waste

Cisco's waste reduction, reuse, and recycling programs address electronic waste (e-waste) and other waste from Cisco operations. Operational waste is reported below and e-waste is reported under **Product Stewardship**.

Operational waste includes waste from our offices and onsite labs. Cisco records the total amount of waste produced by our largest facilities and breaks this data down by destination (such as landfill, incineration, reuse, or recycling). This enables us to track over time the amount of waste Cisco is able to divert from disposal to reuse and recycling.

The total amount of waste produced at our San Jose headquarters has fallen by almost 46 percent since FY2001. The amount of waste diverted from landfills has risen from 51 percent in FY2001 to 70 percent in FY2005. As a result, Cisco has received waste-reduction awards from the California Integrated Waste Management Board in 1994 and again consecutively from 2000 through 2004.

San Jose Performance FY2001 to FY2005

	FY2001	FY2002	FY2003	FY2004	FY2005
Total waste (pounds)	18,653,763	10,999,476	8,982,805	9,149,781	10,099,108
Total waste recycled (pounds)	9,676,657	6,473,401	4,371,057	6,067,226	7,043,500
Diversion rate (percentage)	51%	60%	49%	65%	70%

Case Study: Organic Food and Composting

Cisco's food service partner shares the same commitment to the environment as Cisco. Bon Appétit provides food services to all Cisco cafés within the eight campuses in the United States. Each café offers a variety of food options based upon employee feedback to meet diverse dietary needs and preferences of our staff. Menu options offer nutrition labeling and identify food from local farmers, organic farmers, as well as sustainably harvested fish and free-range meats.

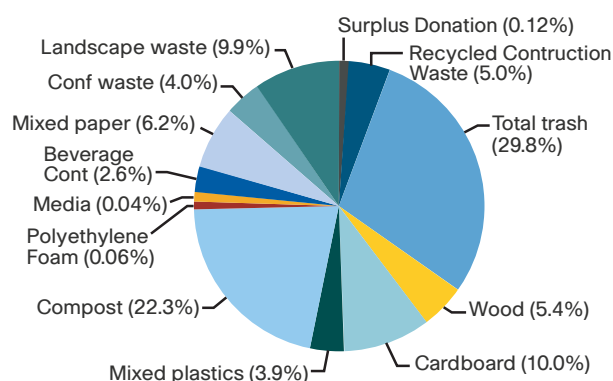
All Cisco café kitchens participate in a recycling program to recycle cans, plastic bottles, plastic containers, and glass containers.

At the San Jose headquarters, all green waste from the kitchens and cafés is diverted to a composting program. We hope to deploy this program at our Petaluma campus soon.

The scraps from the seven large cafés are taken to a local compost site by our waste vendor. The composting program was started in FY2003 when we composted 55 tons, in FY2004 we composted 927 tons, and in FY2005 we composted 1,143 tons of waste.

In Research Triangle Park, North Carolina, the waste oil from the fryers is picked up by a local company that converts it into biodiesel fuel. In the future, we hope to implement a similar program in San Jose.

Composition of Waste Stream



In FY2004 Cisco began collecting combined waste and recycling data for our U.S. sites in San Jose, Research Triangle Park, New England Development Center (Boxborough), Petaluma, as well as Monza in Italy. Mirroring our performance at San Jose, we have reduced the amount of waste produced and increased the amount sent for recycling at all our ISO14001 certified sites.

Waste Performance for All Reporting Sites in the U.S. FY2004 to FY2005

	FY2004	FY2005
Total waste (pounds)	11,279,676	12,149,248
Total waste recycled (pounds)	6,641,919	7,609,526
Diversion rate (percentage)	59%	63%

Chemical Refrigerants

We use chemical refrigerants in air conditioning systems for our buildings. The current specification for Cisco air conditioning systems is to use hydro-chloro-fluoro-carbon (HCFC) and hydro-fluoro-carbon (HFC) refrigerants. If released to the atmosphere, HCFCs contribute to depletion of the ozone layer. This allows harmful ultraviolet radiation to enter the earth's atmosphere, which can affect human health by causing skin cancer and may also adversely affect vegetation, animals, and buildings. HFC refrigerants have no ozone-depleting impact but are considered greenhouse gases, which may contribute to global warming.

Our air conditioning systems are sealed and are designed and maintained to avoid leaks. However, we recognize that under abnormal conditions, leaks may periodically occur. We have a leak monitoring program in place as part of planned preventative maintenance.

Employee Travel

Employee commuting and business travel contribute to emissions to the atmosphere including carbon dioxide (CO₂) which is a greenhouse gas, sulphur oxides (SO_x), nitrogen oxides (NO_x), which contribute to acid rain, and particulates which adversely affect local air quality. Most road transport also contributes to the depletion of finite fuels.

We record annual mileage and emissions data of our European car fleet. We do not collect mileage and emissions data in the United States because employees use private cars for business travel.

These data indicate that the greenhouse gas emissions associated with our business road travel are significantly

lower than those arising from our energy use, and we will continue to prioritize our efforts to increase energy efficiency in order to increase the beneficial impact of our programs, while also continuing to further initiatives to reduce travel-related impacts.

Cisco offices are equipped with telephone and videoconferencing facilities. Employees are strongly encouraged to use these where possible instead of traveling to meetings.

We have a dedicated team that manages and deploys electronic collaboration software tools to enhance mobility of employees and the productivity of virtual teams and meetings. In FY2005, a few of the most recent offerings to Cisco employees include:

- Cisco video IP phones, which allow for face-to-face phone conversation by video
- Cisco Unity® Unified Messaging, which enables remote access of combined employee voicemail and e-mail
- A pilot of Cisco IP Communicator, which enables employees to use their office IP phone through their PC laptop and also enhances our reservation-less audioconferencing system
- Sametime instant messaging services that allow for chat as well as virtual access to and sharing of PCs

We encourage employees to use mass transit and shared transport options when commuting to and from work. We support employees' efforts to reduce the environmental impacts of their commutes through environmentally friendly commuting initiatives, including:

- Commuter Checks, provided to employees to subsidize monthly transit passes in the San Francisco Bay Area

The quantity of refrigerant required to refill our air conditioning systems during 2004 at San Jose is expressed in the following table:

Refrigerant	Type	Stock (lbs)	Ozone-Depleting Potential (compared to R-11*)	Total Ozone-Depleting Potential (as lbs of R-11)
R-22	HCFC	1242 [563 kg]	0.05	62.1 [28.2 kg]
R-134a	HFC	6.4 [2.9 kg]	0	0
R-404a	CFC/HCFC free mixture	51 [23 kg]	0	0

*Source: U.S. Environmental Protection Agency

Cisco European Car Fleet Data FY2005

	Diesel	Petrol	Total
Number of cars	1,765	559	2,324
Annual mileage	38,385,205	12,157,127	50,542,333
CO ₂ emissions (tons)	11,516	4,377	15,892
CH ₄ emissions (tCO ₂ eq)	16	13	29
N ₂ O emissions (tCO ₂ eq)	238	151	389
Total tCO ₂ eq emissions	11,770	4,540	16,310

- Eco-Pass, which provides access to free travel to Cisco commuters on specific mass transit journeys
- The Emergency Ride Home program, which ensures those Cisco employees who use public transportation to get to work at least two days a week have a way home in case the mass transit system fails or is unavailable for an employee working late
- A shuttle service in the United States and Europe linking our sites to local public transport stations
- Subsidized travel passes and promotion of car and vanpools
- The SmartCart program (available at the San Jose campus), which provides an intercampus shuttle service, with one hybrid electric vehicle in the eight-vehicle fleet

Cisco also encourages employees to work flexible hours to help reduce the environmental impact during traditional “rush hours,” and provides broadband Internet service to many employees so that they can work from home.

In September 2004, the U.S. Environmental Protection Agency ranked Cisco third among Fortune 500 companies as one of the best workplaces for commuters.

Water Use

Compared to similar enterprises, water use at Cisco is relatively low. The main uses are irrigation of grounds,

in our cafés, and in our restrooms. Our San Jose headquarters is a water-stressed region of California, and we are committed to reducing the pressure on the regional water resource. Cisco’s facilities are designed to minimize water consumption by using recycled water and installing water-saving devices in restrooms.

Product Stewardship

Electronic products have an impact on the environment at every stage of their lifecycle, from the extraction of raw materials to a product’s eventual disposal. Identifying and managing these impacts is an essential part of Cisco corporate citizenship.

National and regional governments have introduced legislation aimed at reducing the environmental impacts of electrical and electronic goods. For example, the European Union’s Directives on Waste Electrical and Electronic Equipment (WEEE) and the Reduction of Hazardous Substances (RoHS) have introduced Europe-wide rules on design and disposal. These regulations make producers responsible for managing the environmental impacts of their products, including reuse and recycling at end of life and the phase-out of hazardous substances contained within the products themselves.

Case Study: Improving Energy Efficiency of Cisco Routers

Two of our core product lines are the Cisco 2600, 2700, and 2800 series routers, and the Cisco 3600, 3700, and 3800 series routers. Routers are devices that transfer data between networks.

The 2600-2800 series routers are used by small to medium-sized businesses (SMBs). There are more than two million in use worldwide. The 3600-3800

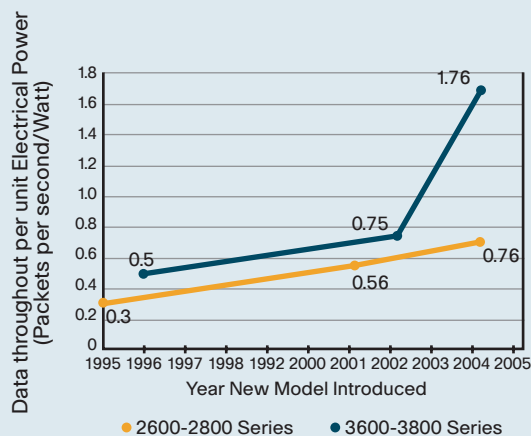
series routers are used by enterprise companies and small Internet service providers (ISPs).

The main components of a router include the power supply, chassis, processor units, operating systems, and circuit boards, and a fan system to keep the processor cool.

Cisco has introduced several innovations to improve router energy efficiency. These include new chips that process more data using less energy; components that consume less power; consolidation of several components into a single, more efficient unit; and standardizing components to the same voltage, which results in fewer energy-using transformers required.

Tests of new models have shown a marked improvement in the energy efficiency of these products. We measure energy efficiency by calculating the ratio between energy consumption and the amount of data transferred per second. The performance of new models of 2600-2800 series routers has improved by 135 percent since introduction of the product line in 1995. In the same period, energy efficiency of the 3600-3800 product line has improved by 233 percent.

Performance Improvements for 2600-2800 and 3600-3800 Series Routers



Lifecycle Approach

We consider that effective product stewardship is achieved by incorporating environmental considerations into the lifecycle of Cisco products. Relevant examples of environmental considerations include product design, material and supplier selection, packaging, product use, and recycling at end of life. Through these considerations, Cisco seeks to promote environmental sustainability while continually improving product quality and reliability.

Cisco's Product Stewardship Program will continue to develop and mature as new innovations are incorporated into our products.

Energy Efficiency

The amount of energy consumed by our products over their lifecycles represents one of the ways in which Cisco has an impact on the environment.

An important challenge for Cisco is to reduce the power consumption of our products while continuing to meet customer demand for reliability and more processing power. Because networking equipment must operate continuously, standby mode cannot be used to save energy. Therefore, we focus on improving our products' performance while maintaining or reducing their energy consumption. We do this by developing new technologies and integrating energy efficiency into the design process.

Efforts to incorporate energy-efficient design criteria include innovations such as incorporating a thermal-management circuit to the board design. The circuit operates the cooling subsystem more efficiently by activating controls only as needed, reducing power demand.

Tests of core products such as routers have shown an improvement in the amount of data they can process per unit of energy consumed. To improve the measurement of performance of our products, Cisco is developing standardized energy-efficiency metrics. This will help us establish benchmarks, and enable customers to compare and select products according to their energy efficiency.

Upgrading and Recycling

Cisco considers how readily our products can be recycled in our product design at the material level, how products are assembled in the manufacturing process, and how they are ultimately disposed of. Considerations such as cost benefits, material diversity, ease of disassembly, and end-of-life or disposal concerns can be addressed in the product design.

We employ a modular approach to system upgradeability—infrastructure equipment is designed to fit into a standardized chassis. This allows for the easy upgrade of network interface and processor boards, and continued use of existing system chassis and backplanes. As a result, chassis built 10 years ago are still in use today. Even relatively simple design adjustments can have a significant impact on the environment. In newer models, manufacturing adjustments have been made such as reducing the number of screws used, making them easier to dismantle and recycle.

Product Packaging

Packaging is engineered principally for product protection, in addition to being customer friendly, manufacturing conducive, quality based, and cost-effective. We are environmentally conscious in the packaging used for our products. We design our packaging to conform with current international requirements, to be recyclable, and to be reused by customers who return or trade in our products.

Hazardous Substances

The European Union Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive takes effect on July 1, 2006. The RoHS Directive prohibits the sale into the European Union of electronic equipment containing lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenylethers (PBDEs). Manufacturers will be responsible for eliminating these substances from their products.

Compliance

Cisco will comply fully with the RoHS Directive by July 1, 2006. We are working closely with our suppliers to ensure they understand and can comply with the RoHS requirements. At this time, 99 percent of our electrical components and many of our mechanical components are compliant. We are working closely with the non-compliant mechanical component suppliers to identify and qualify compliant solutions.

Lead-Free Solder Reliability

Lead is a common element in most solders today, with a 50-year reliability record. The RoHS Directive allows a lead-in-solder exemption for network infrastructure products to help the network infrastructure industry to validate the reliability of lead-free solder.

This exemption will allow the industry to develop equally reliable lead-free solder alternatives for critical quality applications. Approximately 90 percent of Cisco's products qualify for the lead-in-solder exemption.

Cisco remains firmly committed to migrating to lead-free solder as soon as we are confident that it will ensure our customers the reliability their critical applications demand. Cisco is working collaboratively with industry leaders in the International Electronics Manufacturing Initiative (iNEMI) consortium. This partnership will help the entire industry move as quickly as possible to environmentally sound lead-free solutions.

Performance

We are currently on track to meet the July 2006 deadline for removing restricted substances from products sold in the European Union. In FY2005, the RoHS Implementation team completed its initial assessment of Cisco products. It is now focusing on ensuring all technical and compliance issues are addressed and affected products are converted on time.

Electronic Waste

Rapid technological change means electrical and electronic products often have a short life. They may be kept for just a few years or even months before they are replaced or upgraded. Electrical and electronic goods are now one of the fastest growing sources of waste globally.

Much electronic waste (e-waste) ends up in landfill sites or is incinerated. This can have an impact on the environment if materials such as lead, mercury, or cadmium are allowed to contaminate soil and groundwater. Incinerating plastics can also contribute to air pollution.

The 1992 Basel Convention controls the disposal of hazardous materials, including e-waste. The European Union's Directive on Waste Electrical and Electronic Equipment (WEEE) establishes new requirements for the collection, treatment, recycling, and recovery of e-waste. By August 2005, European Union member countries were required to have introduced take-back systems in place for e-waste. Producers will be responsible for the collection and safe reuse and recycling of electronic equipment.

In the United States, California has passed legislation similar to the WEEE directive. Similar legislation has been introduced, or is pending in more than half of all U.S. states, and many other countries, including China, are preparing WEEE legislation.

Surplus Product Utilization and Reclamation

To address these challenges, Cisco has launched the Surplus Product Utilization and Reclamation (SPUR) program, a comprehensive program established to manage all e-waste throughout the company's worldwide operations, with

the objective of reducing disposal and increasing reuse and recycling rates.

The SPUR team is working in partnership with the Cisco Energy Efficiency team to provide guidance and help business units build a closed-loop production model that seeks to reduce Cisco's impact on the environment.

SPUR maintains e-waste recycling bins at Cisco's largest facilities where employees can properly discard nonworking and obsolete equipment owned by Cisco. More remote Cisco sites will begin receiving bins in later stages of the program.

Cisco Resource Exchange and Disposal Online

One of SPUR's environmental stewardship initiatives is the Cisco Resource Exchange and Disposal Online (CREDO) which targets the internal reuse of equipment and products owned by Cisco.

The CREDO program functions much like a private online marketplace. Cisco departments advertise any idle equipment that might be of use to another department through a Web-based tool. This helps to ensure that all internal Cisco products are fully utilized rather than discarded, thus addressing the issue of reducing Cisco materials consumption, while tracking the assets movement within the company.

The CREDO tool also allows for quick reporting on cost-avoidance metrics, which will not only help each department reduce budget expense but also slow down the process of e-waste generation.

E-Waste Bins

SPUR maintains e-waste recycling bins at Cisco's largest facilities where employees can properly discard nonworking and obsolete Cisco owned equipment. More remote Cisco sites will begin receiving bins in later stages of the program. Any equipment that is usable is itemized and made available to all Cisco departments through CREDO. Anything that is not reusable is sent to an ISO14001-certified recycling vendor.

Product Take-Back and Recycle Initiatives

Cisco has developed a Customer Take-Back and Recycle program that enables customers to send back end-of-life or excess Cisco equipment for proper demanufacturing, recycling, or disposal. As customers upgrade their networks, they are often left with surplus equipment. In some cases this could be hundreds or thousands of units.

In FY2004 we completed our pilot program and launched a public **Take-Back and Recycle Program** through our Website. In FY2005, in compliance to the WEEE initiative we launched a worldwide consumer take-back program. Take-up usage is being monitored so the effectiveness of each program can be measured and modifications made as necessary.

Equipment that is returned to Cisco through this program is recycled or disposed of in an environmentally responsible manner using processes that comply with the WEEE directive, all EPA guidelines, and environmental laws. All Cisco branded products are accepted under the program, and Cisco works with customers to dispose of competitor or other IT products. Priority is placed on reuse and recycling, with disposal as the last resort.

Cisco provides documentation about product disposition when the recycling process is complete. Upon request, Cisco also provides a Certificate of Destruction, which releases the customer from further liability for the equipment returned through the Take-Back and Recycle Program.

Employee Initiative: Turning Trash into Treasures

When Josh Garrison, Worldwide Returns, Cisco, first joined Cisco in 2000, e-waste issues were the furthest thing from his mind.

But as manager of one of Cisco's largest "returns" warehouses, Garrison was responsible for millions of pounds of customer returns each year.

"At the time, we were sending a lot of product to a single-source vendor, but had no visibility and no control over the disposal. Essentially, the vendor could send this material anywhere," he recalls.

High-tech hardware involves more than 1,000 materials, many of which are highly toxic. That Cisco didn't know what was happening to the materials it no longer used bothered Garrison.

Cisco executives like Board Chairman John Morgridge and Randy Pond, senior vice president of Operations, Processes, and Systems, were also concerned. As the harm to the environment of e-waste became increasingly clear, and disposal legislation loomed in Europe, a new approach to the disposal was critical.

Luckily, Garrison was already on it. "Cisco has labs, networking academies, and philanthropic organizations that would love to have this product.

Throwing it away made no sense when there was this kind of demand on the other side of the company," he says.

His ideas led to a meeting with Pond, who tasked him with developing better disposal programs.

"I was in business school with people from Oracle, Intel, and Sun Microsystems," he says. "When I told them that the SVP of Cisco operations had simply asked me, an entry-level manager, what kind of budget I needed, and how many people to address the problem, they were incredulous."

Now, thanks to Garrison and his team—Dane Chopp, Raelene Walters, Gideon Schroeder, Jim Tarsnane and Chris Pratt—Cisco boasts some of the most innovative and effective reuse and recycle programs in the industry. "Scrapping is the last thing we want to do with these products. Today, we have the processes in place to find out if anyone inside Cisco wants or needs it."

And by all accounts, it's highly effective: "We send less than 1.5 percent of returned products to landfill each year now," Garrison says. "By industry standards, that's phenomenal."

- **Desktop services/PC refresh:** Used laptops and accessories are returned to a leasing company. If these assets are owned by Cisco, they are cleaned of data, posted on CREDO, and made available for internal reuse throughout Cisco. Ninety-nine percent of all eligible products are subject to reuse.
- **Contract manufacturer excess and obsolete parts and products:** All excess and obsolete parts and product are collected from contract manufacturers by a vendor on Cisco's behalf. They are either sold to resellers as original parts, or, for those parts and products that cannot be sold, sent to an ISO14001 recycling vendor.
- **Damaged goods inventory:** Through our service contracts, customer-returned products are sent to one of Cisco's Contract Repair Partners (CRPs). The majority of returned products are refurbished by the CRPs and redistributed around Cisco's 700 global service centers. As some customers elect to purchase new equipment, the inventory of refurbished goods at the CRPs gradually grows over time, resulting in an occasional requirement to reduce the stock in inventory. This is addressed by a central Cisco function which makes the newly warranted, refurbished equipment available to a range of internal functions, including philanthropy and laboratories. We have regularly been able to save and reuse 25-40 percent of this inventory, giving it new life within the company and preventing it from going to an ISO14001 recycling vendor.

Performance

Since 2002 Cisco has sponsored various promotional events to help implement the SPUR initiative among its customer and employee base. Each November 15, (America Recycles Day), and April 22 (Earth Day), the SPUR team organizes an employee e-waste collection day at its San Jose headquarters and at its main campuses in the United States and five locations in Europe and Asia. Employees are asked to bring in any end-of-life electronic equipment from their offices, as well as any personal e-waste items. Each event on average collects more than 55,000 pounds, or 24.9 metric tons, of e-waste. The products are then reused or dismantled, and recycled.

The SPUR program collected a total of 6.7 million pounds of e-waste in FY2004. Of this, 1.4 percent was sent to landfill. In FY2005, the program increased the collection of e-waste to 8.6 million pounds, or 3,900 metric tons, with 1.3 percent sent to landfill.

Plans and Targets

Our e-waste programs are at different stages of maturity. In FY2006, our primary focus will be to build on the existing base of programs and increase the global consistency, deployment, and regional effectiveness of these programs.



Cisco and Accessibility

With nearly 20 percent of the worldwide population currently coping with some type of disability, the development of products, documentation, Websites, and services that are accessible to the disabled is an important issue for our industry.

Laws and regulations on accessibility have been introduced in many countries. In the United States, the Americans with Disabilities Act (ADA) prohibits discrimination against people with disabilities and requires companies to accommodate their needs. Section 255 of the U.S. Telecommunications Act requires manufacturers and service providers to make their products and services accessible to people with disabilities.

Many of our customers are affected by legislation on accessibility. For example, our largest customer, the U.S. federal government, is required by Section 508 of the Rehabilitation Act to purchase accessible IT equipment. Section 508 has been voluntarily adopted by other public sector institutions, including 22 out of 50 state governments. All public school systems that receive funding from the U.S. Department of Education are required to purchase equipment under Section 508.

Accessibility in the workplace is also an important part of Cisco's employee programs, which is detailed in the workplace accessibility section of this report.

Objectives

Our goal is to make our products, documentation, Websites, and services accessible to both our own employees and other people with disabilities.

Our accessibility objectives are to:

- Increase accessibility of Cisco products
- Train employees to design, produce, market, and deliver accessible products, Websites, and documentation
- Support Cisco customers and employees in addressing accessibility issues related to products and the workplace
- Evaluate the accessibility, usability, and compatibility of our products throughout the design process
- Involve people with disabilities in research projects, testing, and trials of our products
- Support and contribute to industry standards and guidelines for accessibility

Performance

In 2004, Cisco launched the Accessibility Initiative at its San Jose headquarters.

The goal of the initiative is to develop and implement the necessary procedures to help ensure our products, facilities, Websites, and documentation are accessible to our employees and our customers with disabilities. The initiative was overseen by a cross-functional team and one of Cisco's largest technology groups, the Voice Technology Group (VTG). The initiative's plan for FY2004 was to create Accessibility Design Requirements, develop a training program, and construct an accessibility lab.

Case Study: Washington School for the Deaf

Deaf teachers and employees at the Washington School for the Deaf in Vancouver, Washington, have benefited from installing a new Cisco phone system.

Previously, deaf and hearing-impaired employees were unable to pick up voicemail messages from their phones without assistance. This caused delays and meant deaf staff lacked privacy and independence in their daily communications.

In 2003, the school deployed a Cisco IP Communications solution, which allows deaf users to make or receive calls through their computers by converting the speech into text. There is no need for

caller or recipient to use a separate teletypewriter device. The caller can also leave messages with a hearing attendant who delivers them to the deaf user's desktop.

Communications between the school's students, staff, parents, and board members, and to and from the outside world are now greatly simplified—and greatly enhanced. "For the first time our deaf staff can contact outside resources on their own without having to rely on someone else to dial the phone or interpret," says Lorana Myles, the school's supply officer.



Cisco's Accessibility Design Requirements (ADRs) are a critical aspect of the initiative. ADRs are a knowledge base of requirements, providing details on how to design accessible products, Websites, and documentation. Using global legal and regulatory requirements, industry standards, and university research, Cisco synthesized the ADRs into a single reference that can be used to evaluate current products and shape the design and development of future products. Training is conducted throughout Cisco to encourage the proper implementation of ADRs.

We developed and implemented online training for accessibility awareness as a milestone in developing a comprehensive training program called Accessibility Academy.

In March 2005, we completed construction of a state-of-the-art Accessibility Testing Lab and Evaluation Studio at our headquarters in San Jose. The lab provides a unique, purpose-built environment where we can test and evaluate the accessibility of our products and documentation. The lab's role is to:

- Test Websites and products such as hardware, software, and Web applications for accessibility and their conformance to applicable accessibility laws
- Assess whether our products and Websites are compatible with common assistive technology devices such as screen readers and teletypewriter (TTY) devices

- Demonstrate to customers how our products can be used by people with disabilities and how they are compatible with assistive technology

The lab features full digital audio and video recording capabilities. Web developers, engineers, product managers, documentation writers, and researchers can observe focus groups and gain a better understanding of how our products are used by people with disabilities, and how we can adapt them to better match their needs.

In FY2005, the Accessibility Team became a central part of the Cisco Engineering department with the goal to guide business units and technology groups to change their engineering processes and to help them develop accessible products through product evaluation, testing, and hands-on training. For FY2005, the Accessibility Initiative plan was to extend our initiative to more business units and technology groups, expand Accessibility Academy, and make key internal and external Websites accessible.

As of FY2005, the Accessibility Initiative has been extended to nine key business units. The Accessibility Initiative has been guiding them to change their engineering processes and evaluate and test products. The initiative has also offered role-specific training courses for all key accessibility-related roles within the business units.

Employee Initiative: Enhancing Products Through Accessibility

When Cisco's product line evolved from the wiring closet to the desktop, Patty Mertz Medberry recognized a challenge.

"Before, our equipment had been used exclusively by engineers, but when we introduced the IP phones, for example, the number of users increased exponentially," she explains. "We now had millions of people, of all different levels of ability, using our equipment."

But how well Cisco products addressed the needs of people with disabilities wasn't clear. It was a question that hadn't been asked, and that was an eye-opening realization—one Mertz Medberry and her colleague Don Pitchford felt needed to be addressed.

Mertz Medberry will admit to being a little surprised at how receptive senior executives were to her proposal that Cisco examine the accessibility of all of its products and services—after all, what she and Pitchford were proposing was an enormous undertaking.

But the team quickly found enthusiastic executive support. "I think it was only a matter of days before we had the go ahead, the funds, and the human resources we needed."

Mertz Medberry and Pitchford quickly set up accessibility training and evaluation, and shortly

thereafter helped establish a set of design specifications with the help of industry experts outside Cisco. Partnerships with companies such as IP Blue have helped make Cisco IP phones accessible to people with vision challenges, and other products, like Cisco Unity software, have been modified to function with TTY technology to support users who have problems hearing or speaking.

Cisco's addressable market requiring accessible products was approximately \$3 billion in FY2005, half of which was the federal government. The federal government is required to purchase accessible products under Section 508 of the Rehabilitation Act.

"We realized that designing for accessibility actually improves the product for all users," Mertz Medberry says. "And that makes good business sense."

Today the Accessibility Initiative has been extended to more than 15 business units and innumerable programs. For example, Cisco established the Accessibility Academy to teach employees how to design accessible products, and teams redesigned both Cisco.com and the company's intranet with accessibility in mind.

In 2005 we expanded Accessibility Academy to include training for product managers, program/project managers, developers, testers, compliance, and documentation.

We launched an **Accessibility area** on Cisco's public Website. The Website's framework was made accessible to improve the navigation experience for people using screen readers, which use a text-to-speech synthesizer to translate what is displayed on the screen into

audible text. In addition, we made our Cisco Employee Connection intranet 508-compliant with U.S. regulations and Web Accessibility Initiative (W3C)-compliant with European regulations.

Cisco contributes to accessibility standards and guidelines created by the International Telecommunications Union (ITU), the Internet Engineering Task Force (IETF), and the Telecommunications Industry Association (TIA).



Cisco and Society

At Cisco, we believe that technology, and the access to information and communication that result from advances in technology, are the greatest equalizers the world has ever known. This belief is the foundation of our efforts as investors in the society in which we live, work, and play.

Cisco makes contributions in three primary ways:

- **Grants and product donations:** Cash grants and technology to qualifying nonprofit organizations
- **Education and economic development:** E-learning and other programs that promote economic opportunities in underserved communities
- **Employee volunteerism:** Local employee involvement and the Community Leadership Fellows program

Grants are made centrally by Cisco Corporate Philanthropy and regionally by Civic Councils, which are employee-led bodies that engage with communities to identify suitable projects that can benefit from Cisco's resources and expertise. Corporate grants are used to fund strategic or international programs. Regional grants focus on local community projects and often include employee volunteerism. Cisco employees manage 20 Civic Councils worldwide.

Employee involvement is a core element in Cisco philanthropy. In fact, the company's culture of giving back began when staff literally leaped the fence of a grade school located near headquarters to find out how they could help. Cisco employees continue to donate their time to charities and good causes in their local communities.

Value of Donations

At the close of FY2005, the total value of the annual Cisco Systems Foundation endowment was more than US\$100 million. Cisco Systems Foundation is a separate, private, nonprofit organization (501c3). The foundation is audited annually and a copy of its tax returns (990PF) is posted on the Cisco Foundation Website <www.cisco.com/go/foundation>.

Cisco corporate contributions include product donations, loaned executives, and cash grants. Total Cisco corporate contributions (FY2002-FY2005), shown in the chart below, represent an average giving trend for Cisco. Figures for FY2002 represent extraordinary expenditures that resulted from the terrorist attacks of September 11, 2001 and from the establishment of an Academic Research and Technology Donor-Advised fund.

Product donations are valued at "fair market value," which is approximately the price a customer would normally pay for Cisco products and for Cisco service, including discounts.

The relative decline in funds over time reflects Cisco's evolution from a transactional to a strategic philanthropic model. Through the development of multisector partnerships with private, public, and nonprofit organizations, we have reduced costs and improved the return on our social and economic investment strategy.

Response to the Asian Tsunami

In addition to key product donations, Cisco and its employees donated over US\$5 million in cash between December 2004 and the end of July 2005 in response to the tsunami disaster in Southeast Asia. This included \$3.5 million in employee contributions and matching funds from the Cisco Foundation. Cisco worked with nongovernmental organizations, including the International Red Cross, and governmental agencies to decide who received the donations. In addition, Cisco employees across the region volunteered their time to help set up IP and wireless communications systems in affected areas, which returned much-needed communications capabilities to these areas.

Cisco Donations (millions)	FY2002	FY2003	FY2004	FY2005
Foundation total	\$ 11.4	\$ 11.4	\$ 8.5	\$ 10.6
In-kind total (Corporate wide product and people)	\$ 21.2	\$ 20.1	\$ 19.7	\$ 29
Cash total (foundation cash and corporate wide cash)	\$ 46.3	\$ 36.8	\$ 33.4	\$ 35
Corporate wide giving total	\$ 68	\$ 56	\$ 53	\$ 65
Contributions as a percentage of Earnings Before Income Tax (EBIT) from previous year	-	2%	1.1%	1%

Contributions as a percentage of EBIT are not calculated for FY2002, since the previous year's EBIT was reported as a loss (1,014 million)

Grants and Product Donations

Nonprofit organizations and charities have limited budgets. As a result, they may not be able to afford the latest technology and thus may not be able to capitalize on the improvements in communications and efficiency which the latest technology can bring. This limits their ability to improve services, respond to natural disasters, and explore innovative approaches to the delivery of their services.

Company grants and product donations support the work of nonprofit organizations that focus on three social issues:

- Meeting basic human needs
- Promoting educational and economic development
- Fostering civic responsibility

Cisco chooses to use technology and innovation to improve the way nonprofit organizations fulfill their missions. Cisco resources help nonprofits improve their productivity, cost efficiency, and service delivery. The goal is to move from short-term, cause-related intervention to a sustained transformation in nonprofit operations.

To this end, Cisco grants and product donations support projects that use the company's networking technology in sustainable and innovative ways.

Types of Product Grants

Basic product grants are offered to small nonprofit organizations that serve people in their local communities. The grants are administered through TechSoup Stock, a partnership between Cisco and TechSoup.org that gives nonprofit organizations in the United States, as well as several countries in Europe, Middle East and Africa, access to significantly discounted Cisco products online.

Strategic product grants are designed to benefit larger regional and global nonprofit organizations. The emphasis is on building long-term, sustainable partnerships. Grant recipients are selected and invited to apply for a grant by the Corporate Philanthropy team. Recipients are also selected by Civic Councils, or groups of Cisco volunteers who define a community investment strategy for a geographic region, such as a state or country, and manage a budget for the region's grants and product donations.

Case Study: The Eden Project

The Eden Project is a charitable organization based in Cornwall, England. It houses plants from around the world in the world's largest conservatories, known as "biomes." Since it was opened in 2000, the Eden Project has become one of the United Kingdom's most popular visitor attractions. Its vision is to become a global environmental education center, aiming to promote better understanding and responsible management of the relationship between plants, people, and resources.

Together, Cisco and Eden Project staffs are exploring ways that technology can improve learning opportunities and knowledge sharing for communities around the world. One of the first initiatives to benefit from this relationship was the Gardens for Life project, an international initiative involving the children of three continents growing food crops in school gardens.

Starting with Kenya, India, and Britain, Gardens for Life set up a network of voices of

children and teachers talking to each other about growing food. With Cisco's help, this network has expanded to more than 70 schools all using the Internet and collaboration tools to exchange information online.

This scalable, replicable solution enriches teaching and learning, improves health, and provides multiple inputs and opinions on important topics such as nutrition and sustainable livelihoods.

Further funding from Cisco and volunteer time from Cisco's U.K. team have been used to support a number of joint projects. Most recently, Cisco and the Eden Project have launched a pilot in Sri Lanka to examine how their combined expertise can contribute to reconstruction work in villages affected by the South Asia tsunami. The aim is to develop a blueprint for reconstruction that can be applied to all disaster areas.

Recipients receive support in three ways:

- Cash awards from the Cisco Systems Foundation, the Corporate Philanthropy group, and/or Civic Councils
- Personnel support in the form of executives' time
- Cisco products

Performance in FY2005

The Product Grant Program distributed equipment valued at more than US\$15.5 million worldwide in FY2005, compared to \$13 million in FY2004.

In FY2005, Cisco launched a TechSoup pilot program in the United Kingdom, Germany, Belgium, South Africa, and Kenya. Contributions from the TechSoup program are combined with Cisco strategic product grants, increasing by eightfold the number of product donations made to nonprofit organizations in this region. In the United States, the number of basic product grants distributed through TechSoup.org has doubled, from 646 grants in FY2004 to 1,264 grants in FY2005. The total fair market value (FMV) of all grants in the United States is \$13 million.

Over the two years, Cisco supported numerous programs globally. The following represent some of our strategic projects Cisco supported in FY2004-FY2005.

The Boston Museum of Science

The Boston Museum of Science, located in Boston, Massachusetts, is committed to partnership with government agencies, private foundations, and corporations to establish engineering education at all grade levels, from kindergarten through high school. Through an equipment grant from Cisco, the museum is able to expand on the success of previous grants by extending the reach of our technology to a wider, more diverse audience. Thanks to Cisco, the museum's wireless network can now be extended to all public areas and meeting rooms, helping to improve network security, enabling access by more visitors, and further facilitating the sharing of information between museum staff and educators.

North Carolina State University College of Education

An initiative of the North Carolina State University (NCSU) College of Education, the Friday Institute designs programs that help educators take full advantage of emerging technologies to improve the quality of education in the 21st century. The newly created Middle Grades Academy, which targets future middle grades teachers of social studies,

English, science, and mathematics, is developing a new standards-driven teacher-preparation curriculum designed to support technology-enabled teaching and learning. Funded in part through a U.S. Department of Education grant the academy's goals include 1) standards-driven reform of NSCU's middle-grades teacher preparation program, 2) improved technology and data-driven decision-making skills, 3) improved integration of technology in core curricula, and 4) increased exposure to diverse classrooms and master teachers.

The academy's Discovery Classroom program provides a strategically designed venue where future teachers and middle school students can work together to research the most effective uses of technology in middle grades learning environments, including the impact of wireless technology on math, science, social studies, and language arts curricula. Portable equipment capable of operating on a high-speed wireless network will provide maximum classroom management flexibility. Advanced educational technologies such as GIS, digital media production, and desktop video-conferencing will be integrated.

Community Voice Mail

Cisco partnered with more than 1,900 social service agencies in over 36 cities and 19 states to support an initiative known as Community Voice Mail (CVM). CVM provides free voicemail, accessible 24 hours a day, to people in crisis and transition, directly linking homeless and at-risk individuals to jobs, housing, and community service organizations.

Last year, more than 48,000 people in need had access to CVM, with some 24,000 people completing their subscriptions and leaving the rolls of state support.

CVM also aids the community service organizations who provide service to people in need by streamlining the workloads of case managers attempting to reach clients who are otherwise without a reliable point of contact.

CVM benefits from funds and equipment from the Cisco Systems Foundation, but its continued success depends on the technical expertise provided by Cisco employees.

Equipment donated by Cisco in 2004 enabled CVM to support several additional sites including:

- **Dallas, Texas:** This is the first new CVM site to be launched on the Cisco Unity platform. Cisco Civic Council personnel from the Richardson, Texas office assisted in the Dallas launch, providing colocation space and ongoing technical support. Ultimately, the Dallas CVM site will become the regional hub for the area, first serving four other cities in Texas and then branching out as more sites are launched.
- **Cleveland, Ohio:** This strong CVM site has historically served more than 3,000 people each year, and has a history of hands-on outreach in the community through a highly motivated CVM manager. Through an equipment donation, Cisco replaced the site's existing voicemail

equipment which was on the verge of collapse. Today, Cleveland uses a new Cisco Unity Unified Messaging server to provide uninterrupted service to its clients in the greater Cleveland area.

- **Pinellas County, Florida:** A leader in the Homeless Management Information System (HMIS) movement, Pinellas County is the first agency in the country to achieve accreditation from the U.S. government. Unfortunately, Pinellas had a voicemail system that was close to failure. To keep the Pinellas County's CVM operational, Cisco donated equipment and support. As a result, Pinellas is now capable of acting as a CVM hub for the entire region.

Employee Initiative: Voicemail a 'Lifeline' for People in Crisis

"It's amazing how such a simple idea can do so much good," says Kevin Chestnut, CTO of Cisco's Voice Technology Group.

That "simple idea," is the Community Voice Mail project, a volunteer philanthropic program that gives people in crisis access to voicemail, through a phone number that's local to their area.

"As information workers, we're bombarded by 24-hour communications capabilities," Chestnut says. "But imagine yourself in a life crisis situation. Say you're in your 50s or 60s, and your wife has died, or your husband is sick. You can't pay your phone bill, but you still need to be able to get in touch with doctors, or family and friends."

Here's how it works: Numbers are given out in blocks to relief organizations, who assign them to their clients. The clients can personalize their mailboxes with their own greetings, but when the number is dialed, the call is forwarded from the local exchange carrier to a server in Seattle over an IP network. "Essentially, it's exactly as though a caller were dialing an extension here at Cisco," Chestnut explains. "Only it's a local exchange, and the voicemail box that the caller reaches doesn't sound like an office, it sounds like you've reached someone's home telephone."

"We take something as simple as a phone number for granted, but when you don't have that, it makes a huge difference. When you're out of work,

how do you present yourself to a potential employer or a landlord as not in a crisis situation? You need a phone number, and you don't want one that prejudices your situation."

The program, now in its 14th year, is supported by the Cisco Systems Foundation and now serves some 48,000 people across 19 states. But application of the program continues to expand.

When Hurricane Katrina struck the Gulf Coast, Chestnut and many other CVM volunteers immediately recognized an opportunity to help.

"We were all collectively watching the news, and as the magnitude of this crisis became increasingly clear, we realized that the people displaced by the hurricane were going to be in crisis for some time," he explains. "They may have mobile phones, but given what they'd lost, a lot of them weren't going to be able to pay that bill for very long. And they needed to find permanent housing, and jobs, and have a way to reach friends and family."

Through FEMA and the Red Cross, Chestnut helped set up a CVM project to serve Katrina victims in only a matter of days.

"If we can get communications back in place for people in crisis, very often they can get back on their feet," he continues. "Seventy percent [of the people who access the CVM program] are able to find what they need, whether it's medical care, housing, or a job."

Detroit Health Care for the Homeless

Detroit Health Care for the Homeless (DHCH) is a nonprofit organization that provides health and social services to homeless people in the Detroit, Michigan area.

Before investing in new IT equipment, DHCH staff had to record all patient information manually because there was no network connecting the clinic's computers. This process was time- and labor-intensive and also prone to errors.

DHCH acquired new computers, software, and infrastructure equipment through TechSoup.org. The nonprofit built a network based on Cisco equipment to connect the clinic's computers. This

allowed DHCH to install a patient management system to manage patient records, appointments, and invoices on a central database.

As a result, DHCH has improved productivity and the quality of care. Four times as many patients can now be seen with only two extra staff. Financially, the gains in productivity are equivalent to \$350,000 annually. In addition, DHCH is now able to realize an additional \$148,000 of revenue annually since information is now stored electronically, enabling DHCH to be reimbursed by third-party providers for the services that they perform.

Cisco received the 2004 Industry Achievement Award for Outstanding Contribution to the Community from the Washington [State] Software Association for its participation in the program.

Oxfam International

In 2002, Cisco's Internet Business Solutions Group (IBSG) began working in partnership with Oxfam to address its internal and external communications needs. One of our immediate goals was to help Oxfam improve its communications in emergency situations. Cisco used its expertise and equipment to develop the Humanitarian Response Dashboard (HRD).

The dashboard allows Oxfam field workers to file situation reports directly onto the Oxfam International extranet, allowing them to be shared across Oxfam International's network of affiliates irrespective of location or time zone. Previously, field workers would have to file reports to their affiliate headquarters, which would then forward the reports to Oxfam International's Secretariat, often resulting in bottlenecks and delaying publication.

The dashboard has significantly improved the flow of information and enabled Oxfam International to keep affiliates up to speed with events on the ground as they unfold. In 2004, the dashboard was used globally, including during the floods in the Dominican Republic and Haiti, and immediately following the Bam earthquake in Iran. It

is currently being developed as the core communications tool across Oxfam.

Other projects that have benefited from Cisco's expertise include the Humanitarian Skills Register and the "Office in a Box." The Humanitarian Skills Register was developed from an existing, national human resources database into a global register of skilled humanitarian workers. The "Office in a Box" uses satellite technology to give field workers access to telephone, e-mail, and Internet communications.

Comic Relief

Cisco has supported Comic Relief, one of the United Kingdom's largest fundraising organizations, since 2000. We were initially approached by Comic Relief for technical support, advice, and sponsorship for its fundraising campaign, Red Nose Day. Cisco donations of equipment and specialist advice have been used to support the cost of the event, improve efficiency, resilience, and availability of telephone, interactive TV, and Web-based donation services. Since 2001, Comic Relief has processed \$32.5 million in donations through Cisco equipment.

In 2005, Cisco technology allowed some call centers to process donations using the Website for the first time. This meant the money entered Comic Relief's bank account weeks sooner than if they had to wait for paper-based transactions to be processed through the bank. The faster turnaround meant Comic Relief could earn

interest in the money almost immediately, which is vital considering the organization survives in part on the interest accrued by the funds raised.

This year's Red Nose Day saw donations breaking all previous records, to reach a record £38 million on the night of the event, with Cisco technology playing a critical role in ensuring that any donations made online could be processed quickly and securely.

About £1.5 million (US\$2.7 million) in donations came through interactive TV (compared to £640,000 for 2003) and the call centers processed a further £1.5 million (US\$2.7 million) in cash donated through the Website.

In total, the Cisco technology helped process more than 225,000 transactions worth in excess of £8 million (US\$15.4 million).

In addition to Cisco's product and grant donations, Cisco staff organized a number of fundraising activities at our Bedfont Lakes offices in the United Kingdom. In total these raised £44,000 (US\$72,000), a £9,000 improvement from the previous Red Nose Day.

NetHope

NetHope is a collaboration of international nongovernmental relief organizations (NGOs) that provides communications technology and infrastructure to improve the delivery of crisis relief services in developing countries. Since its inception, Cisco has been involved in the facilitation

of innovative and cost-effective use of IT through NetHope's offering to member NGOs such as Care, Oxfam, Save the Children, and the International Rescue Committee (IRC). Two Cisco Leadership Fellows have served as leaders at NetHope. In FY2004, Cisco helped develop NetReliefKits (NRKs), suitcase-sized cabinets that use Cisco technology to provide rapidly deployable, field-based voice and data communications. The kits help ensure relief workers can communicate in areas where fixed communications infrastructure has been destroyed. After the South Asia tsunami in December 2004, NRKs were used by NetHope partners to assist ravaged communities within 48 hours of the disaster.

Education and Economic Development

The growth of the Internet has brought new opportunities and improved communication to many people and businesses. Worldwide IT spending is predicted to increase by 35 percent by 2010, according to research firm IDC (Worldwide Black Book, 2004). As a result, the demand will grow for highly trained individuals to manage and support IT systems. In the United States, year-on-year increases in demand for these workers have been the highest among the IT sector.

However, in many developing countries, access to training on the latest technologies is either limited or unavailable. A lack of access to technology and education about its use is one factor contributing to the gulf between developed and developing economies. This gulf is known to as the "digital divide."



Case Study: Digital Opportunity Trust

Digital Opportunity Trust (DOT) is a Canadian-based nongovernmental organization (NGO) that connects people to the power of information and communication technologies (ICT). DOT provides ICT training and resources, tailored to local needs, to promote social and economic development around the world by encouraging small business and supporting education systems. It brings together a variety of stakeholder groups including government ministries, NGOs, the private sector, and community groups, to build human capital and promote community-led development.

In 2002, Cisco became a founding sponsor of DOT and made a three-year commitment to help launch DOT's Global NetCorps program. Global NetCorps teaches individuals in the developing world a range of skills including leadership, facilitation, communication, teamwork, and technology. DOT's approach is to recruit and train young individuals to provide ICT training for people of all ages and

backgrounds in their communities. This creates a sustainable, self-sufficient pattern of growth, what is called the "multiplier effect." For every individual trained, they in turn train 10 more people. Through this approach, Cisco has been able to maximize the impact of its investment.

Global NetCorps is active in Egypt, Lebanon, and Jordan, and new projects are currently being developed for Ethiopia and Kenya. By 2008, DOT aims to have Global NetCorps programs running in 15 countries, with 720 new trainers and 17,000 participants.

"Cisco's help has been instrumental in establishing Global NetCorps," said Janet Longmore, DOT President. "Our close working relationship with Cisco has been a powerful collaboration which has inspired fourteen resource partners to join our work, and together we have leveraged one Cisco dollar into at least four."

Opportunities to Learn

Cisco's goal is to help close this digital divide by bringing IT training and career opportunities to people and places that have not traditionally had access to them. By helping to train people in disadvantaged countries and communities, Cisco can use its core competencies and expertise to aid their social and economic development, while contributing to the sustained growth of the global economy.

Cisco works with public and private sector partners on programs and initiatives worldwide to help bridge the digital divide. Major programs include:

- Cisco Networking Academy Program
- Jordan Education Initiative
- The Health Academy
- Least-Developed Countries Initiative
- Gender Initiative

Activities

In July 2004 Cisco started working with the Polish city of Slupsk and surrounding areas to build a broadband

network connecting the city's government offices, schools, hospitals, libraries, and other public institutions. The project is part of the broader e-Society initiative, designed to show how affordable and widely available broadband technology can contribute to economic and social development in countries which have recently joined the European Union.

We focused our efforts on two of the poorest rural regions in the area. Cisco donated equipment, money, and expertise as the first step in a long-term program of support. The project receives support from the European Union's e-Europe 2005 Action Plan which aims to develop modern public services and a dynamic business environment based on broadband access.

Cisco Networking Academy Program

The **Cisco Networking Academy® Program** helps students worldwide acquire the skills needed for IT-related jobs and for higher education in engineering, computer science, and related fields—effectively helping them to participate in the global economy.

Launched in 1997 to teach staff and students how to use the equipment Cisco had donated to local schools, it is now one of the largest e-learning initiatives in the world.

The program is run in high schools, colleges, universities, technical and military schools, prisons, community centers, and government training centers globally.

Students experience a variety of instruction methods, including face-to-face teaching, Web-based training modules, and hands-on lab exercises. Cisco supplies the networking equipment, administers the curriculum, and trains the instructors. As the program has grown, the curriculum has expanded to include courses supported by other corporations.

To date, more than one million students have successfully completed Networking Academy courses. There are currently 420,000 students enrolled in more than 10,000 academies in 160 countries.

A survey of 1,500 former students conducted in 2004 found that 67 percent said the program helped them gain at least one job position, and 20 percent said they received a better or higher-level job than they believe would have been possible without the training.

Jordan Education Initiative

The Jordan Education Initiative (JEI), launched in June 2003, is a high-quality education program that harnesses technology to boost development. The initiative, which is being pioneered in Kingdom of Jordan's schools, resulted from an appeal to business leaders at the World Economic Forum in January 2003 by Cisco's chief executive, John Chambers. He called for like-minded companies to work in partnership to narrow the gap between developed and less-developed countries through better education.

The JEI is supported by 45 organizations, including international companies, local companies and government ministries in Jordan, international donors, and nongovernmental organizations. The initiative supports the Jordan's Educational Reform for a Knowledge Economy program. Among its objectives are curriculum reform, teacher training, adoption of ICT as an enabler of learning, and the improvement of ICT infrastructure in schools.

Cisco provides funding, training, equipment, and other resources. Our support ranges from comprehensive online mathematics lessons for young people to providing

technical and educational specialists for the JEI program management office.

In FY2004, other international IT companies contributed a range of support services. For example, Intel and HP provided training and technology in classrooms. Rubicon, a local ITC company, worked with the Cisco Learning Institute to develop more than 2,500 mathematics lesson plans. Teachers and supervisors of the Jordanian Ministry of Education supported the JEI's work and received training in new teaching theory. Microsoft funded the development of an ICT curriculum. FastLink funded an online science curriculum.

In FY2005, JEI will continue to provide 100 schools with online mathematics courses. It will create a curriculum for studying Arabic (funded by France Telecom/Jordan Telecom) and English as a second language, funded by the U.S. government's Middle East Partnership Initiative (MEPI).

The Health Academy

The Health Academy was established by the World Health Organization (WHO) in collaboration with Cisco in FY2004.

The Health Academy aims to help people understand how medical and public health practices work, and to use the Internet to spread understanding on how to lead a healthy life. It intends to reach people everywhere, especially those living in remote areas.

Two pilot programs were launched in FY2004 in 24 schools in Egypt and at 21 schools in Jordan. Pupils are testing an e-learning curriculum that includes courses on blood disease, smoking, substance abuse, and road safety.

Cisco is using its experience operating the Networking Academy program to provide the necessary equipment, technical expertise, and staff training. The first four modules were developed by Cisco Learning Institute in conjunction with experts from the WHO.

By the end of FY2004, 6,700 students had completed Health Academy classes. If the pilots are successful, the program will be adapted to the needs of many regions: Sub-Saharan Africa, Latin and Central America, Central and Eastern Europe, Arab World and Middle East, the Indian subcontinent, South East Asia, Oceania, Europe, North America, and Japan.

Least-Developed Countries Initiative

The Least-Developed Countries (LDCs) Initiative was launched in 2000 in an effort to help bridge the digital divide between developed and least-developed countries. The initiative provides IT training opportunities specifically for students in LDCs as an extension of the Cisco Networking Academy Program. It is operated in partnership with the United Nations Development Program, the U.S. Agency for International Development (USAID), the International Telecommunication Union, and the United Nations Volunteers.

By the end of FY2005, 196 academies had been established in 51 countries. More than 10,000 continuing students were currently participating in the Cisco associate-level CCNA® certification curriculum. To date, more than 5,000 students have graduated from the CCNA 4 curriculum in the LDCs.

The program in Africa set a goal of 30 percent female students to encourage women to participate in technology-based professions. Julianne Sansa Otim, an instructor in Uganda, said: “My greatest joy is that I am continuously passing these skills on to other professionals and helping build capacity in Uganda, East Africa, and the entire African region and at the same time acting as a role model to many females who previously thought that technology-based professions were for men.”

Cisco is working with USAID’s Global Development Alliance to go beyond the LDCs Initiative. For example, the Women in Technology (WIT) Cisco Networking Academy Scholarship Program was initiated with a \$300,000 grant from USAID in 2004. This program has already granted 375 scholarships to students at Cisco academies in Bangladesh, Mongolia, Nepal, and Sri Lanka, and 180 scholarships to women in Algeria, Tunisia, and Morocco.

Toolkits are being developed for academies on the themes of sustainability, gender, and workforce development. These toolkits were piloted in Uganda in 2004 and are now being improved before they are launched in late 2005.

“By empowering our youth through this education initiative, Jordan and its World Economic Forum partners can create a dynamic and practical model of public-private partnership in the area of ICT that can ignite the engines of growth for future generations in Jordan and the region.”

—His Majesty King Abdullah II bin Al Hussein of the Hashemite Kingdom of Jordan

Gender Initiative

In addition to our employee Women’s Networks, Cisco is actively involved in creating opportunities for women and girls outside Cisco to achieve in technology areas of academia, and undertake high-tech careers.

The Gender Initiative was established by Cisco in 2000. The goals of the Gender Initiative are to:

- Address recruitment and strategies for women in the IT industry
- Help ensure women have access to the same career opportunities as men, and prevent them from being channeled into low-paid IT jobs
- Disseminate best practices research findings to instructors around the world
- Provide women with the IT skills necessary to participate in all aspects of the global economy

Since its founding, the initiative has developed numerous supporting projects, training modules, marketing materials, Websites, and presentations to encourage young women in the United States and in developing countries to consider careers in engineering and technology.

Cisco is also involved in programs to encourage girls and women to use technology and to pursue careers in technology. The **Girls in Technology Initiative** seeks to encourage girls and young women to consider careers in engineering and technology. This initiative is further supported by the Women’s Networks, by connecting members—women who work in engineering and technology jobs—with students in high schools and universities, with the hope of ultimately increasing the number of future women engineers.

We support **Inspiring Girls Now in Technology Evolution (IGNITE)**, a nonprofit program operating in three U.S. western states, whose mission is to encourage girls to consider high-tech career choices. Cisco also partnered with the Florida Department of Education, Florida’s Agency for Workforce Innovation, and the Florida Community College System on the **Florida Girls Get IT Initiative** to research, develop, and implement a framework to help

increase female participation and graduation rates in IT, science, and engineering.

Employee Volunteerism and Giving

Volunteering is an important way for Cisco employees to build ties with the communities in which they work. Giving back to the community is one of the company's founding principles. Promoting employee volunteerism is a central component of Cisco's community involvement efforts.

Activities

Cisco's Employee Volunteer Program was first developed 13 years ago. In the past year alone, \$2.0 million in match-

ing grants have been given to nonprofits where Cisco employees have volunteered. The program is managed by the Volunteer Connection Tool, Volunteer Steering Committees, and Civic Councils.

The Volunteer Connection tool is an online resource employees use to view and select volunteer opportunities that fit their skills and interests. Community organizations can access the tool to register their projects and request volunteers. Volunteer Steering Committees manage and direct local and corporate volunteer programs. Civic Councils are regional, voluntary networks of employees who develop and promote community engagement projects.

Employee Initiative: Using Technology to Fight Poverty

Last year, Molly Tschang took a trip that changed her life.

"I went to Ethiopia and Uganda as part of a delegation with Save the Children (STC), the purpose of which was empowering women and girls. We all raised money to build schools and help provide clean water supplies." According to Tschang, the experience was transforming.

"Much of my career has been spent integrating companies," she says. At Cisco, she'd served as director of Business Development Integration, integrating 50+ companies and working to ensure Cisco's culture endured through rapid change. "After the Africa delegation, I wanted to explore other ways to leverage my background and skills and create impact and make a difference in ways I found meaningful," she says. Upon her return from Africa, the opportunity virtually dropped in her lap.

"When I got back, I learned that Dipak Basu, then executive director of NetHope was about to finish up his term as a Cisco Fellow, and the organization needed a new ED. Weeks later, all the stars aligned and I was enroute to my first full-time nonprofit experience."

Under her leadership, NetHope has continued to strengthen the cooperative relationship between the 17 international nongovernmental organization (NGO) agencies that make up the NetHope consor-

tium, and facilitates their collaboration and knowledge sharing around connectivity in the developing parts of the world.

Tschang brings considerable business skills to her role as NetHope's executive director. A fundamental purpose of the organization is to help its members bridge the digital divide in their own agencies so that their field operations can communicate more effectively with each other, and with headquarters. "If you're out in the field and you can't get or send an e-mail attachment, that's a real problem," she explains. "In order to be effective, these organizations have to be able to communicate, not only internally, but with other NGOs as well."

It's been a rewarding relationship, both for NetHope and for Tschang. "I've always thought of myself as a change agent, but at some point, I asked myself, 'What other ways can I help to effect change?' Through my association with NetHope, I've learned and gained a great deal. One thing I've acquired is a much greater sense of humility, and a much more informed perspective on where we fit into the world, and how isolated our worlds really are. The idea that I have a responsibility and an opportunity to do what I can to help in a broad way has been incredibly valuable and empowering."

Cisco encourages and supports employee volunteerism through flexible working arrangements and incentives such as the Matching Gifts program. The Cisco Systems Foundation commits to match the time employees spend volunteering, as well as funds they contribute to nonprofits, with a cash donation equivalent to the time or contribution up to \$1,000 per year per employee. Time donated by teams of volunteers is matched up to \$10,000 per team.

We encourage employees to organize informal presentations through the Lunch and Learn Program to solicit support for volunteer projects.

Employees donate their time and expertise to community and charitable projects worldwide. Cisco employee volunteer programs include:

- **Strategic Product Grants:** Employee volunteerism is an important part of the assistance offered to recipients.

“I applaud Cisco for stepping forward to address the need to recruit and retain females in the field of Information Technology.”

—John Winn,
Commissioner of
Education,
State of Florida

- **Habitat for Humanity (HFH):**
Employee volunteers have helped to build more than 400 homes worldwide since 2001 through more than 80 HFH International affiliates globally.
- **Harvest of Hope:** Employees participate in global hunger relief campaigns by collecting food in their local communities. Since 2000, Cisco has raised \$13 million for local hunger relief organizations.
- **Leadership Fellows Program:**
Employees have the opportunity to work for a non-profit organization in a full-time position for up to one year.
- **Nonprofit Organization Mentorship Program:**
Employees have the opportunity to oversee and develop marketing and IT strategies for nonprofits.

Case Study: Israel Community Project

Neveh Hadassah Youth Village in Israel is home to 350 children who have been abandoned or whose families can no longer look after them. Many are recent immigrants to Israel from Ethiopia and the former Soviet Union. The Youth Village provides them with a secure home and offers counseling, educational activities and classes, and support services to help the children adapt.

Cisco employees volunteered their time to initiate an ongoing program of activities to support the village in October 2003. The program was developed by Cisco staff with the support of management and the local Civic Council. By the end of FY2005, more than 50 Cisco volunteers had participated in numerous activities focusing on Cisco's core strengths of providing education and technology.

A key initiative is the Learning Center, where Cisco volunteers provide individualized help to students, and teach English and other subjects to small groups once a week. Visits to Cisco offices are organized to let children experience what it is

like to work at Cisco and participate in product demonstrations to help them understand how our products work.

In 2005, Cisco employees added several other activities. Volunteers took the children on day trips to science museums, and a new tutoring program was launched for older children, helping them prepare for their matriculation exams at the end of the school year. In addition, Cisco donated computer equipment to Neveh Hadassah, doubling the number of computers available. The proceeds from a recycling drive at Cisco offices were donated to the village, and employees volunteered to repair and install computers and connect them to broadband Internet access.

Next year, we plan to help young people at Neveh Hadassah participate in the Neta program, a three-year program which provides training for high-tech professions. To support this, Cisco corporate philanthropy has provided the youth village with a grant to cover the first year of tuition fees.

Performance

In 2005, more than 14,000 Cisco employees participated in volunteer programs.

20 Years of Service

Cisco President and CEO John Chambers launched the 20 Years of Community Service Campaign in May 2004 to celebrate the 20th anniversary of the founding of the company. The goal was for Cisco employees to donate the equivalent of 20 years of voluntary service, or 175,200 hours, to communities worldwide. Cisco offered to donate up to \$3 million to community development programs if this target was met. Employees were offered incentives such as paid days off to volunteer and matching grants for volunteer hours. Cisco employees donated 235,000 hours of community service hours—far exceeding our goal of 175,200 hours. More than 40 percent of our employees volunteered during the initiative.

Points of Light Award

In August 2005, Cisco Systems was honored by the Points of Light Foundation with the prestigious Award for Excellence in Workplace Volunteer Programs in Washington, D.C. With 41 percent of employees involved in various philanthropic endeavors, Cisco was recognized for its commitment to making workplace volunteering a central part of its overall corporate citizenship program.

The Points of Light Foundation's Award for Excellence in Workplace Volunteer Programs is an international award that honors businesses of all sizes and from all industries that have made a commitment to effectively engage employees in volunteering. The Points of Light Foundation, the United States' leading volunteer resource, views companies as one of the primary sources of volunteers and provides a full range of services to help businesses develop and sustain workplace volunteer programs.

Case Study: Connecting Palm Island Community Youth Center

Cisco is working in partnership with several other companies to provide IT and communications facilities for a youth center in Palm Island, an isolated Australian community. Since it opened in 2004, the Palm Island Youth Center has become the hub of disadvantaged indigenous community in Queensland. Between 100 and 200 people, both young and old, meet there every day.

We are leading a collaboration to connect the community to the outside world. While the center was being built, Cisco employees and representatives from the Australian Department of Public Works, the Department of Education and Training, and James Cook University met youth center representatives and local authorities to discuss what the center needed and how best to use Cisco's expertise and technology. Cisco has provided state-of-the-art equipment for wireless networking at the youth center and a phone system that allows phone calls to be made through

the Internet. This system dramatically reduces costs as the center is not charged per call.

In the future, Cisco plans to conduct an electronic games day at the center to encourage young people to start using ICT technology, and Cisco employees will participate in electronic mentoring to teach them how to maintain and manage the systems themselves.

Karen O'Brien, Indigenous Liaison Officer at the Department of Public Works, said: "Palm Island is a community with many social challenges. Cisco has opened a lot of doors for us. It simply wouldn't have happened if Cisco volunteers hadn't put their hand up to offer us their expertise and telephony infrastructure. It's the first time we've been able to offer the whole community a link to the mainland and even the rest of the world. It goes a long way to removing the isolation the community feels."

Summary

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

Technology is perhaps the most significant change agent in the world today, as it helps to create a world in which national borders, geographic distances, and physical limitations become less relevant, and present ever-diminishing obstacles. The networking and Internet technology produced by Cisco Systems has the power to increase productivity opportunities and the associated standard of living of our customers and end users across the globe. We create technology that connects people and promotes the unfettered communication of ideas and information—to run businesses, to address emergencies, to inform communities, and to support education, science, and government.

Cisco focuses its technology innovation on where the market is going, not where it has been. We build intelligent systems that play an active role in helping organizations optimize their processes and rapidly react to changing conditions in their industries or environments. In the marketplace, service provider networks, our customer networks, the Internet, wireless, cable, the home, and other environments will be integrated virtually seamlessly.

Yet with the creation of this technology comes responsibility: to the communities in which we work and live, to the global community, to the environment, to our employees, customers, and stakeholders. Effective corporate citizenship can improve the communities in which we operate, build trust in our company, empower our employees, encourage innovations in product design, and promote engagement with customers, partners, and shareholders.

To that end, Cisco will continue to build on the achievements outlined in this document. We will continue to work to:

- **Create better products:** Commitment to product stewardship, with particular emphasis on improving product efficiency, is ongoing. We will continue to research ways to make our products more energy

efficient and ecologically friendly, as well as more accessible to all potential users.

- **Improve the workplace:** To maintain Cisco as one of the best places to work, we will advance the progressive programs, policies, and benefits to help support our employees work-life balance, and to foster professional and personal development. We also will continue to expand the Connected Workplace program to additional Cisco campuses. We believe that improved access to technology is both a business and a social investment: Connected workplaces enhance the mobility of the workforce, which reduces the effect on the environment; allows us to hire the best and the brightest employees, regardless of physical ability or mobility; and positions Cisco as an employer of the next-generation workforce.
- **Contribute to safer and healthier communities:** To continue to help reduce the company's impact on the environment, Cisco continues to design innovative programs to encourage cleaner, more productive and environmentally sensitive operations, such as powering more of our operations through more renewable energy sources. We also will continue to extend our partnerships to help improve social and economic experiences for our global community.

In keeping with Cisco values of openness, integrity, and transparency, we will continue to engage with our employees, customers, partners, shareholders, governments, and communities to improve our products, policies, and practices. We will continue to improve the disclosure and dialogue on our corporate citizenship goals, targets, and performance.

This report represents Cisco's first effort at documenting our corporate citizenship activities and strategies, their governance, and their importance to our business.

We thank you for taking the time to learn more about Cisco. If you have questions or comments on our Corporate Citizenship Report, please send an e-mail message to citizenship@cisco.com.

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