

CISCO SYSTEMS INC
Form PRE 14A
September 10, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the commission only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

CISCO SYSTEMS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

Edgar Filing: CISCO SYSTEMS INC - Form PRE 14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11

(set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Preliminary Copy Subject to Completion

CISCO SYSTEMS, INC.

September [], 2010

DEAR CISCO SHAREHOLDER:

You are cordially invited to attend the Annual Meeting of Shareholders of Cisco Systems, Inc., which will be held at the Santa Clara Convention Center in Elizabeth A. Hanks Theater, located at 5001 Great America Parkway, Santa Clara, California on Thursday, November 18, 2010, at 10:00 a.m. Pacific Time. You will find a map with directions to the annual meeting on the final page of the Proxy Statement.

Details of the business to be conducted at the annual meeting are given in the Notice of Annual Meeting of Shareholders and the Proxy Statement.

This year, we are again using the Internet as our primary means of furnishing proxy materials to shareholders. Consequently, most shareholders will not receive paper copies of our proxy materials. We will instead send these shareholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how shareholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly, and helps conserve natural resources.

Whether or not you plan to attend the annual meeting, please vote as soon as possible. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. Voting by any of these methods will ensure your representation at the annual meeting.

We look forward to seeing you at the annual meeting.

John T. Chambers

Chairman and Chief Executive Officer

San Jose, California

YOUR VOTE IS IMPORTANT

In order to ensure your representation at the annual meeting, you may submit your proxy and voting instructions via the Internet or by telephone, or, if you receive a paper proxy card and voting instructions by mail, you may vote your shares by completing, signing and dating the proxy card as promptly as possible and returning it in the enclosed envelope (to which no postage need be affixed if mailed in the United States). Please refer to the section entitled "Voting via the Internet, by Telephone or by Mail" on page 2 of the Proxy Statement for a description of these voting methods. Under recent regulatory changes, if you have not given your broker specific instructions to do so, your broker will NOT be able to vote your shares with respect to most proposals, including the election of directors and the advisory vote on executive compensation. If you do not provide voting instructions via the Internet, by telephone, or by returning a proxy card or voting instruction card, your shares will not be voted with respect to those matters. We strongly encourage you to vote.

Table of Contents

CISCO SYSTEMS, INC.

170 West Tasman Drive

San Jose, California 95134-1706

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 18, 2010

The Annual Meeting of Shareholders of Cisco Systems, Inc. will be held at the Santa Clara Convention Center in Elizabeth A. Hangs Theater, located at 5001 Great America Parkway, Santa Clara, California on Thursday, November 18, 2010, at 10:00 a.m. Pacific Time for the following purposes:

1. To elect thirteen members of Cisco's Board of Directors;
2. To vote on a non-binding advisory resolution regarding executive compensation;
3. To ratify the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 30, 2011;
4. To vote upon three proposals submitted by shareholders, if properly presented at the annual meeting; and
5. To act upon such other matters as may properly come before the annual meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement. The record date for determining those shareholders who will be entitled to notice of, and to vote at, the annual meeting and at any adjournments or postponements thereof is September 20, 2010. The stock transfer books will not be closed between the record date and the date of the annual meeting. A list of shareholders entitled to vote at the annual meeting will be available for inspection at Cisco's principal executive offices at the address listed above.

Whether or not you plan to attend the annual meeting, please vote as soon as possible. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing a completed proxy card. For detailed information regarding voting instructions, please refer to the section entitled "Voting via the Internet, by Telephone or by Mail" on page 2 of the Proxy Statement. You may revoke a previously delivered proxy at any time prior to the annual meeting. If you decide to attend the annual meeting and wish to change your proxy vote, you may do so automatically by voting in person at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Mark Chandler

Secretary

San Jose, California

September [], 2010

Table of Contents

TABLE OF CONTENTS

	Page
<u>PURPOSE OF MEETING</u>	1
<u>VOTING</u>	1
<u>Voting Rights</u>	1
<u>Admission to Meeting</u>	2
<u>Recommendations of the Board of Directors</u>	2
<u>Voting via the Internet, by Telephone or by Mail</u>	2
<u>Revocation of Proxies</u>	3
<u>INTERNET AVAILABILITY OF PROXY MATERIALS</u>	3
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	4
<u>General</u>	4
<u>Vote Required</u>	4
<u>Business Experience and Qualifications of Nominees</u>	5
<u>Independent Directors</u>	9
<u>Corporate Governance</u>	10
<u>Board Leadership Structure</u>	10
<u>The Role of the Board of Directors in Risk Oversight</u>	11
<u>Board Committees and Meetings</u>	12
<u>Director Compensation</u>	15
<u>Shareholder Communications with the Board of Directors</u>	18
<u>Recommendation of the Board of Directors</u>	18
<u>PROPOSAL NO. 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	19
<u>Vote Required</u>	19
<u>Recommendation of the Board of Directors</u>	19
<u>PROPOSAL NO. 3 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	20
<u>General</u>	20
<u>Principal Accountant Fees and Services</u>	20
<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm</u>	21
<u>Vote Required</u>	21
<u>Recommendation of the Board of Directors</u>	21
<u>PROPOSAL NO. 4 SHAREHOLDER PROPOSAL</u>	22
<u>Shareholder Proposal</u>	22
<u>Supporting Statement</u>	22
<u>Cisco's Statement in Opposition to Proposal No. 4</u>	22
<u>Vote Required</u>	24
<u>Recommendation of the Board of Directors</u>	24
<u>PROPOSAL NO. 5 SHAREHOLDER PROPOSAL</u>	25
<u>Shareholder Proposal</u>	25
<u>Cisco's Statement in Opposition to Proposal No. 5</u>	26
<u>Vote Required</u>	27
<u>Recommendation of the Board of Directors</u>	27
<u>PROPOSAL NO. 6 SHAREHOLDER PROPOSAL</u>	28
<u>Shareholder Proposal</u>	28
<u>Cisco's Statement in Opposition to Proposal No. 6</u>	29
<u>Vote Required</u>	30
<u>Recommendation of the Board of Directors</u>	30

Table of Contents

	Page
<u>OWNERSHIP OF SECURITIES</u>	31
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	32
<u>Equity Compensation Plan Information</u>	33
<u>EXECUTIVE COMPENSATION AND RELATED INFORMATION</u>	35
<u>Compensation Discussion and Analysis</u>	35
<u>Compensation Committee Report</u>	49
<u>Compensation Committee Interlocks and Insider Participation</u>	49
<u>Summary of Compensation</u>	50
<u>Summary Compensation Table</u>	50
<u>Grants of Plan-Based Awards Fiscal 2010</u>	53
<u>Outstanding Equity Awards At 2010 Fiscal Year-End</u>	54
<u>Option Exercises and Stock Vested Fiscal 2010</u>	57
<u>Nonqualified Deferred Compensation Fiscal 2010</u>	57
<u>Potential Payments upon Termination or Change in Control</u>	59
<u>Potential Payments Accelerated Equity Awards</u>	61
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	62
<u>Review, Approval or Ratification of Transactions with Related Persons</u>	62
<u>Certain Transactions with Related Persons</u>	63
<u>AUDIT COMMITTEE REPORT</u>	64
<u>SHAREHOLDER PROPOSALS FOR 2011 ANNUAL MEETING OF SHAREHOLDERS</u>	65
<u>PROXY SOLICITATION AND COSTS</u>	65
<u>SHAREHOLDERS SHARING THE SAME ADDRESS</u>	66
<u>FORM 10-K</u>	66
<u>OTHER MATTERS</u>	66
<u>DIRECTIONS TO THE SANTA CLARA CONVENTION CENTER</u>	See final page

Table of Contents

CISCO SYSTEMS, INC.

170 West Tasman Drive

San Jose, California 95134-1706

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

These proxy materials are provided in connection with the solicitation of proxies by the Board of Directors of Cisco Systems, Inc., a California corporation, for the Annual Meeting of Shareholders to be held at 10:00 a.m. Pacific Time on Thursday, November 18, 2010, at the Santa Clara Convention Center in Elizabeth A. Hanks Theater, located at 5001 Great America Parkway, Santa Clara, California, and at any adjournments or postponements of the annual meeting. These proxy materials were first sent on or about September [], 2010 to shareholders entitled to vote at the annual meeting.

PURPOSE OF MEETING

The specific proposals to be considered and acted upon at the annual meeting are summarized in the accompanying Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.

VOTING

Voting Rights

Only shareholders of record of Cisco common stock on September 20, 2010, the record date, will be entitled to vote at the annual meeting. Each holder of record will be entitled to one vote on each matter for each share of common stock held on the record date. On the record date, there were [] shares of common stock outstanding. A majority of the outstanding shares of common stock must be present or represented by proxy at the annual meeting in order to have a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the annual meeting. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner submits a proxy for the annual meeting but does not vote on a particular proposal, including the election of directors and all other proposals except for Proposal No. 3, because that holder does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

In the election of directors, a nominee will be elected if the votes cast for the nominee constitute a majority of the shares of common stock present or represented by proxy and voting at the meeting and also constitute at least a majority of the required quorum. Shareholders may not cumulate votes in the election of directors. Proposals Nos. 2, 3, 5 and 6 also require the approval of the affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum. Proposal No. 4 requires the affirmative vote of a majority of the outstanding shares of common stock.

Abstentions and broker non-votes have no effect on the determination of whether a nominee or any of the proposals has received the vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting. However, abstentions and broker non-votes will have the same effect on the outcome of Proposal No. 4 as a vote cast against that proposal, and, with respect to the election of directors and each of the other proposals, abstentions and broker non-votes could prevent the election of a director or the approval of a

Table of Contents

proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the required quorum.

If the persons present or represented by proxy at the annual meeting constitute the holders of less than a majority of the outstanding shares of common stock as of the record date, the annual meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum. The inspector of elections appointed for the annual meeting will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Admission to Meeting

You are entitled to attend the annual meeting if you were a shareholder of record or a beneficial owner of our common stock as of September 20, 2010, the record date, or you hold a valid legal proxy for the annual meeting. If you are a shareholder of record, you may be asked to present valid picture identification, such as a driver's license or passport, for admission to the annual meeting.

If your shares are registered in the name of a bank or brokerage firm (your record holder), you may be asked to provide proof of beneficial ownership as of the record date, such as a brokerage account statement, a copy of the Notice of Internet Availability or voting instruction form provided by your bank, broker or other holder of record, or other similar evidence of ownership, as well as picture identification, for admission. If you wish to be able to vote in person at the annual meeting, you must obtain a legal proxy from your brokerage firm, bank or other holder of record and present it to the inspector of elections with your ballot at the annual meeting.

Recommendations of the Board of Directors

Cisco's Board of Directors recommends that you vote:

FOR each of the nominees of the Board of Directors (Proposal No. 1);

FOR the non-binding advisory resolution regarding executive compensation (Proposal No. 2);

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 30, 2011 (Proposal No. 3); and

AGAINST each of the three proposals submitted by shareholders (Proposal Nos. 4, 5 and 6).

Voting via the Internet, by Telephone or by Mail

For shareholders whose shares are registered in their own names, as an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, for those shareholders who receive a paper proxy card in the mail, by mailing a completed proxy card. For those shareholders who receive a Notice of Internet Availability of Proxy Materials (described under "Internet Availability of Proxy Materials" below), the Notice of Internet Availability of Proxy Materials provides information on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those shareholders who receive a paper proxy card, instructions for voting via the Internet or by telephone are set forth on the proxy card. Those shareholders who receive a paper proxy card and voting instructions by mail, and who elect to vote by mail, should sign and return the mailed proxy card in the prepaid and addressed envelope that was enclosed with the proxy materials, and your shares will be voted at the annual meeting in the manner you direct. In the event that you return a signed proxy card on which no directions are specified, your shares will be voted **FOR** each of the nominees of the Board of Directors (Proposal No. 1), **FOR** the non-binding advisory resolution regarding executive compensation (Proposal No. 2), **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 30, 2011 (Proposal No. 3), **AGAINST** each of the three proposals submitted by shareholders (Proposal Nos. 4, 5 and 6), and in the

Table of Contents

discretion of the proxy holders as to any other matters that may properly come before the annual meeting or any postponement or adjournment of the annual meeting.

If your shares are registered in the name of a bank or brokerage firm (your record holder), you will receive instructions from your record holder that must be followed in order for your record holder to vote your shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the telephone. If Internet or telephone voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card in the addressed, postage paid envelope provided. Shareholders who have elected to receive the 2010 Proxy Statement and Annual Report to Shareholders electronically will be receiving an email on or about [], 2010 with information on how to access shareholder information and instructions for voting.

Revocation of Proxies

You may revoke or change a previously delivered proxy at any time before the annual meeting by delivering another proxy with a later date, by voting again via the Internet or by telephone, or by delivering written notice of revocation of your proxy to Cisco's Secretary at Cisco's principal executive offices before the beginning of the annual meeting. You may also revoke your proxy by attending the annual meeting and voting in person, although attendance at the annual meeting will not, in and of itself, revoke a valid proxy that was previously delivered. If you hold shares through a bank or brokerage firm, you must contact that bank or brokerage firm to revoke any prior voting instructions. You also may revoke any prior voting instructions by voting in person at the annual meeting if you obtain a legal proxy as described under Admission to Meeting above.

INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with Securities and Exchange Commission rules, we are using the Internet as our primary means of furnishing proxy materials to shareholders. Consequently, most shareholders will not receive paper copies of our proxy materials. We will instead send these shareholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our proxy statement and annual report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how shareholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly and helps conserve natural resources. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via email unless you change your election.

Table of Contents**PROPOSAL NO. 1****ELECTION OF DIRECTORS****General**

The names of persons who are nominees for director and their current positions and offices with Cisco are set forth in the table below. The proxy holders intend to vote all proxies received by them for the nominees listed below unless otherwise instructed. The authorized number of directors is thirteen.

Each of the current directors has been nominated for election by the Board of Directors upon recommendation by the Nomination and Governance Committee and has decided to stand for re-election.

Nominees	Positions and Offices Held with Cisco
Carol A. Bartz	Lead Independent Director
M. Michele Burns	Director
Michael D. Capellas	Director
Larry R. Carter	Director
John T. Chambers	Chairman and Chief Executive Officer
Brian L. Halla	Director
Dr. John L. Hennessy	Director
Richard M. Kovacevich	Director
Roderick C. McGeary	Director
Michael K. Powell	Director
Arun Sarin	Director
Steven M. West	Director
Jerry Yang	Director

Vote Required

Cisco's bylaws and Corporate Governance Policies provide for a majority voting standard in uncontested elections of directors. As such, in an election where the Board of Directors has determined that the number of nominees for director does not exceed the number of directors to be elected, a nominee for director will be elected to the Board of Directors to serve until the next annual meeting of shareholders, and until his or her successor has been duly elected and qualified, if the number of shares voted for the nominee exceeds the number of shares voted against the nominee and also represents the affirmative vote of a majority of the required quorum. The required quorum for a meeting of Cisco shareholders is a majority of the outstanding shares of common stock. The majority voting standard would not apply, however, if the Board of Directors determines that the number of nominees for director exceeds the number of directors to be elected. In that case, the nominees receiving the highest number of affirmative votes of the shares entitled to vote at the meeting would be elected.

The majority voting standard will apply to the election taking place at the meeting. Consequently, in order to be elected, a nominee must receive more votes for than against and the number of votes for must be at least a majority of the required quorum. Proxies may not be voted for more than thirteen directors, and shareholders may not cumulate votes in the election of directors. In the event any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee, if any, who may be designated by the Board of Directors to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware that any nominee is unable or will decline to serve as a director. If you hold shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote so that your vote can be counted on this proposal.

Should any of the nominees fail to receive the vote required to be elected in accordance with Cisco's bylaws, the term of his or her service as a director will end on the date that is the earlier of 90 days after the date

Table of Contents

on which the voting results are determined pursuant to California law or the date on which the Board of Directors selects a person to fill the office held by that director, unless he or she has earlier resigned.

Business Experience and Qualifications of Nominees

Ms. Bartz, 62, has been a member of the Board of Directors since November 1996. Since November 2005, she has served as Lead Independent Director. Ms. Bartz has served as Chief Executive Officer and as a member of the board of directors of Yahoo! Inc. since January 2009 and as President of Yahoo! since April 2009. From May 2006 to February 2009, she was Executive Chairman of the Board of Autodesk, Inc. From April 1992 to April 2006, she served as Chairman of the Board and Chief Executive Officer of Autodesk. Prior to that, Ms. Bartz was employed by Sun Microsystems, Inc. from 1983 to April 1992. Ms. Bartz previously served as a director of Intel Corporation and NetApp, Inc., each ending in 2009.

Ms. Bartz brings to the Board of Directors leadership experience, including service as the chief executive of two public technology companies. These roles have required technology industry expertise combined with operational and global management expertise. Ms. Bartz also has experience as a public company outside director.

Ms. Burns, 52, has been a member of the Board of Directors since November 2003. She is the Chairman and Chief Executive Officer of Mercer LLC, a global leader for human resources and related financial advice and services. She began her career in 1981 at Arthur Andersen, LLP and became a partner in 1989. In 1999, Ms. Burns joined Delta Air Lines, Inc. assuming the role of Executive Vice President and Chief Financial Officer in 2000 and holding that position through April 2004. Delta filed for protection under Chapter 11 of the United States Bankruptcy Code in September 2005. From May 2004 to January 2006, Ms. Burns served as Executive Vice President, Chief Financial Officer and Chief Restructuring Officer of Mirant Corporation, taking on the company's bankruptcy restructuring. Upon successful restructuring and emergence of Mirant from bankruptcy, Ms. Burns joined Marsh & McLennan Companies, Inc. as Chief Financial Officer in March 2006. She assumed the role of Chairman and Chief Executive Officer of Mercer six months later. Ms. Burns also serves on the board of directors of Wal-Mart Stores, Inc.

Ms. Burns provides to the Board of Directors expertise in corporate finance, accounting and strategy, including experience gained as the chief financial officer of three public companies and as the chief executive officer of Mercer. Ms. Burns also brings a background in organizational leadership and management, and experience serving as a public company outside director.

Mr. Capellas, 56, has been a member of the Board of Directors since January 2006. He has served as the Chief Executive Officer and as a member of the board of directors of Acadia Enterprises, LLC (Acadia), and Chairman of the Board of the Virtual Computing Environment Coalition, since May 2010. Acadia is a joint venture between EMC Corporation and Cisco with investment from VMware, Inc. and Intel Corporation. Mr. Capellas has also served as a Senior Advisor at Kohlberg Kravis Roberts & Co. since March 2010. Mr. Capellas was the Chairman and Chief Executive Officer of First Data Corporation from September 2007 to March 2010. From October 2006 to July 2007, Mr. Capellas served as a Senior Advisor at Silver Lake Partners. From November 2002 to January 2006, he served as Chief Executive Officer of MCI, Inc. (MCI), which had filed for bankruptcy in July 2002 and which was known as WorldCom, Inc. prior to its emergence from bankruptcy in April 2004. From March 2004 to January 2006 he also served as that company's President. From November 2002 to March 2004, he was also Chairman of the Board of WorldCom, and he continued to serve as a member of the board of directors of MCI until January 2006. Mr. Capellas left MCI as planned in early January 2006 upon its acquisition by Verizon Communications Inc. Previously, Mr. Capellas was President of Hewlett-Packard Company from May 2002 to November 2002. Before the merger of Hewlett-Packard and Compaq Computer Corporation in May 2002, Mr. Capellas was President and Chief Executive Officer of Compaq, a position he had held since July 1999, and Chairman of the Board of Compaq, a position he had held since September 2000. Mr. Capellas held earlier positions as Chief Information Officer and Chief Operating Officer of Compaq.

Table of Contents

Mr. Capellas brings to the Board of Directors experience in executive roles and a background of leading global organizations in the technology industry. Through this experience, he has developed expertise in several valued areas including strategic development, business development, and finance.

Mr. Carter, 67, has been a member of the Board of Directors since July 2000. He served as an executive officer of Cisco from January 1995 to November 2008. He joined Cisco in January 1995 as Vice President of Finance and Administration, Chief Financial Officer and Secretary. In July 1997, he was promoted to Senior Vice President of Finance and Administration, Chief Financial Officer and Secretary. In May 2003, upon his retirement as Chief Financial Officer and Secretary, he was appointed Senior Vice President, Office of the Chairman and CEO. He retired from that position and from his employment with Cisco in November 2008. Before joining Cisco, he was employed by Advanced Micro Devices, Inc. as Vice President and Corporate Controller. Mr. Carter previously served as a director of QLogic Corporation, ending in 2008.

Mr. Carter's background in finance, accounting and strategic planning is complemented by his knowledge of Cisco, its financial position and its industry, which he developed in part through his service as Cisco's Chief Financial Officer and as an executive officer of Cisco. Mr. Carter's contributions are augmented by his experience serving as an outside director of multiple public companies.

Mr. Chambers, 61, has served as a member of the Board of Directors since November 1993 and as Chairman of the Board since November 2006. He joined Cisco as Senior Vice President in January 1991, was promoted to Executive Vice President in June 1994 and to Chief Executive Officer as of January 31, 1995. He also served as President from January 31, 1995 until November 2006. Before joining Cisco, he was employed by Wang Laboratories, Inc. for eight years, where, in his last role, he was the Senior Vice President of U.S. Operations.

Mr. Chambers has led Cisco for more than 15 years. Since his appointment as Chief Executive Officer, Cisco's annual revenue has grown from \$2.0 billion in fiscal 1995 to \$40.0 billion in fiscal 2010. As Chairman and Chief Executive Officer, Mr. Chambers brings to the Board of Directors his thorough knowledge of Cisco's business, strategy, people, operations, competition and financial position. Mr. Chambers provides recognized executive leadership and vision. In addition, he brings with him a global network of customer, industry and government relationships.

Mr. Halla, 64, has been a member of the Board of Directors since January 2007. He served as Chairman of the Board and Chief Executive Officer of National Semiconductor Corporation from May 1996 to November 2009, and continued to serve as Chairman of the Board of that company until May 2010. Additionally, he served as President of National Semiconductor Corporation from May 1996 to May 2005. Prior to May 1996, Mr. Halla served in several executive capacities at LSI Logic Corporation, where, in his last role, he was the Executive Vice President of LSI Logic Products. Prior to that, he held a variety of management positions at Intel Corporation.

Mr. Halla has leadership experience as the chief executive officer of a global technology company. His management and operational expertise is accompanied by a semiconductor industry background and technology acumen.

Dr. Hennessy, 57, has been a member of the Board of Directors since January 2002. He has been President of Stanford University since September 2000. He served as Provost of Stanford from June 1999 to August 2000, Dean of the Stanford University School of Engineering from June 1996 to June 1999, and Chair of the Stanford University Department of Computer Science from September 1994 to March 1996. Dr. Hennessy also currently is the Chairman of the Board of Atheros Communications, Inc. and serves on the board of directors of Google Inc.

Dr. Hennessy brings to the Board of Directors an engineering background as well as skill in the development of information technology businesses. In addition, he has leadership and management experience,

Table of Contents

both in an academic context at Stanford University and in a corporate context as a board member of public and private technology companies.

Mr. Kovacevich, 66, has been a member of the Board of Directors since January 2005. He served as Chairman of the Board of Wells Fargo & Company from April 2001 to November 2009. He also served as Chief Executive Officer of that company from November 1998 to June 2007, and as its President from November 1998 to July 2005. From January 1993 to November 1998, he served as Chief Executive Officer of Norwest Corporation, which merged with Wells Fargo & Company in November 1998. He also served as President of Norwest Corporation from January 1993 through January 1997 and as Chairman of the Board of Norwest Corporation from May 1995 to November 1998. He became a member of the board of directors of Norwest Corporation in 1986. Mr. Kovacevich also currently serves on the board of directors of Target Corporation.

With his many years of experience leading banking and financial services companies, Mr. Kovacevich contributes financial management and strategy expertise. In addition, Mr. Kovacevich brings to the Board of Directors consumer market insights, including from his experience as an outside public company board member, and the Board of Directors benefits from his corporate governance knowledge.

Mr. McGeary, 60, has been a member of the Board of Directors since July 2003. Mr. McGeary is the Chairman of Tegile Systems, Inc., a stand-alone open source software data management solutions company formed in June 2010. Mr. McGeary served as Chairman of the Board of BearingPoint, Inc. from November 2004 to December 2009. From November 2004 to March 2005, he also served as interim Chief Executive Officer of BearingPoint. BearingPoint filed for protection under Chapter 11 of the United States Bankruptcy Code in February 2009 and its plan under Chapter 11 was declared effective as of December 30, 2009. Mr. McGeary served as Chief Executive Officer of Brience, Inc. from July 2000 to July 2002. From April 2000 to June 2000, he served as a Managing Director of KPMG Consulting LLC, a wholly owned subsidiary of BearingPoint, Inc. (formerly KPMG Consulting, Inc.). From August 1999 to April 2000, he served as Co-President and Co-Chief Executive Officer of BearingPoint, Inc. From January 1997 to August 1999, he was employed by KPMG LLP as its Co-Vice Chairman of Consulting. Prior to 1997 he served in several capacities with KPMG LLP, including audit partner for technology clients. Mr. McGeary is a Certified Public Accountant and holds a B.S. degree in Accounting from Lehigh University. Mr. McGeary also currently serves on the boards of directors of Dionex Corporation and National Semiconductor Corporation. He previously served as a director of BroadVision, Inc., ending in 2006.

Mr. McGeary brings to the Board of Directors a combination of executive experience in management and technology consulting. He also has expertise in leading talented teams, and skills in finance, accounting and auditing with technology industry experience.

Mr. Powell, 47, has been a member of the Board of Directors since March 2007. He currently serves as Senior Advisor to Providence Equity Partners, a private equity investment firm, and as Chairman of the MK Powell Group, a consulting firm. Mr. Powell was Chairman of the Federal Communications Commission from January 2001 to March 2005, having served as a Commissioner since November 1997. Mr. Powell previously served as the Chief of Staff of the Antitrust Division of the Department of Justice. Mr. Powell also currently serves on the boards of directors of AOL Inc., Archipelago Learning, Inc. and Education Management Corporation.

Mr. Powell has expertise regarding the telecommunications and media industries. In addition, Mr. Powell's regulatory and governmental background, including service in senior leadership positions, brings a valued perspective to the Board of Directors.

Mr. Sarin, 55, has been a member of the Board of Directors since September 2009 and previously served on the Board of Directors from September 1998 to July 2003. Mr. Sarin has served as a Senior Advisor at Kohlberg Kravis Roberts & Co. since October 2009. In April 2003, he became CEO designate of Vodafone Group Plc and

Table of Contents

served as its Chief Executive Officer from July 2003 to July 2008. He also served as a member of the board of directors of that company from 1999 to 2008. From July 2001 to January 2003 he was Chief Executive Officer of Accel-KKR Telecom. He was the Chief Executive Officer of InfoSpace, Inc., and a member of its board of directors from April 2000 to January 2001. He was the Chief Executive Officer of the USA/Asia Pacific Region for Vodafone AirTouch Plc from July 1999 to April 2000. From February 1997 to July 1999 he was the President of AirTouch Communications, Inc. Prior to that, he served as President and Chief Executive Officer of AirTouch International from April 1994 to February 1997. Mr. Sarin joined AirTouch Communications, Inc. in 1994 as Senior Vice President Corporate Strategy and Development upon its demerger from Pacific Telesis Group which he joined in 1984. Mr. Sarin also currently serves on the boards of directors of Safeway Inc. and The Charles Schwab Corporation. He previously served as a member of the Court of Directors of the Bank of England, ending in 2009. In 2010, Mr. Sarin was named a Knight of the British Empire for services to the communications industry.

In addition to his telecommunications industry and technology background, Mr. Sarin has leadership experience, including service as an outside board member of companies in the information technology, banking, financial services, and retail industries. He provides an international perspective as well as expertise in finance, marketing and operations.

Mr. West, 55, has been a member of the Board of Directors since April 1996. He is a founder and partner of Emerging Company Partners LLC, which was formed in January 2004 and provides executive management advisory and consulting services for early to mid-stage technology companies. He served as Chief Operating Officer of nCUBE Corporation, a provider of on-demand media systems, from December 2001 to July 2003. Prior to joining nCUBE, he was the President and Chief Executive Officer of Entera, Inc. from September 1999 until it was acquired by Blue Coat Systems, Inc. (formerly CacheFlow Inc.) in January 2001. From June 1996 to September 1999, he was President and Chief Executive Officer of Hitachi Data Systems, a joint venture computer hardware services company owned by Hitachi, Ltd. and Electronic Data Systems Corporation. Prior to that, Mr. West was at Electronic Data Systems Corporation from November 1984 to June 1996. Mr. West also currently serves on the board of directors of Autodesk, Inc.

Mr. West's experience in the information technology industry includes a variety of leadership and strategic positions, which have provided him with accumulated expertise in operational management, strategy, finance, and experience as an outside board member and audit committee member. In addition, Mr. West has knowledge of Cisco acquired through nearly 15 years of service on the Board of Directors.

Mr. Yang, 41, has been a member of the Board of Directors since July 2000. He is a co-founder and Chief Yahoo! of Yahoo! Inc. and has served as a member of the board of directors and an officer of Yahoo! since March 1995. He served as Chief Executive Officer of Yahoo! from June 2007 to January 2009.

As a founder of a global technology company, Mr. Yang contributes an information technology and technology development background. In addition, Mr. Yang brings to the Board of Directors strategy and leadership skills from his experience as a public company executive.

Table of Contents

Independent Directors

Upon recommendation of the Nomination and Governance Committee, the Board of Directors has affirmatively determined that each member of the Board of Directors other than Mr. Chambers, Mr. Capellas and Mr. Carter is independent under the criteria established by NASDAQ for director independence. The NASDAQ criteria include various objective standards and a subjective test. A member of the Board of Directors is not considered independent under the objective standards if, for example, he or she is, or at any time during the past three years was, employed by Cisco, or he or she is an executive officer of an entity that has an executive officer of Cisco serving on the compensation committee of its board of directors. Mr. Chambers is not deemed independent because he is a Cisco employee. Mr. Capellas is not deemed independent because he is an executive officer of Acadia, and an executive officer of Cisco, Gary B. Moore, serves as a member of Acadia's compensation committee. Mr. Carter is not deemed independent because he was a Cisco employee until his retirement in November 2008.

All members of each of Cisco's Audit, Compensation and Management Development, and Nomination and Governance committees are independent directors. In addition, upon recommendation of the Nomination and Governance Committee, the Board of Directors has determined that the members of the Audit Committee meet the additional independence criteria required for audit committee membership under applicable NASDAQ listing standards.

The subjective test under NASDAQ criteria for director independence requires that each independent director not have a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The subjective evaluation of director independence by the Board of Directors was made in the context of the objective standards referenced above. In making its independence determinations, the Board of Directors generally considers commercial, financial services, charitable, and other transactions and other relationships between Cisco and each director and his or her family members and affiliated entities. For example, the Nomination and Governance Committee reviewed, for each non-employee director other than Mr. Capellas and Mr. Carter, the amount of all transactions between Cisco and other organizations where such directors serve as executive officers or directors, none of which exceeded 1% of the recipient's annual revenues during the relevant periods except as described below. For each of the directors other than Mr. Chambers, Mr. Capellas and Mr. Carter, the Board of Directors determined based on the recommendation of the Nomination and Governance Committee that none of the transactions or other relationships exceeded NASDAQ objective standards and none would otherwise interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making this determination, the Board of Directors considered two relationships that did not exceed NASDAQ objective standards but were identified by the Nomination and Governance Committee for further consideration by the Board of Directors under the subjective standard. The Board of Directors determined that neither of these relationships would interfere with the exercise of independent judgment by the director in carrying out his responsibilities as a director. The following is a description of these relationships:

Dr. Hennessy is the President of Stanford University. Cisco has various business and charitable dealings with Stanford University, including research grants, charitable donations by Cisco senior executives and board members, matching donations by the Cisco Foundation, licensing agreements, and ordinary course commercial relationships. The amounts of payments made between Cisco and Stanford University in each of the past three fiscal years represented less than 0.1% of the recipient entity's annual revenues. In addition, a Cisco board member serves on the Stanford Board of Trustees.

Mr. Sarin is a member of the board of directors of Aricent Inc., a communications-focused technology and services company. Cisco has procured technology licenses and services from Aricent and made related payments representing approximately 5% of Aricent's annual revenues.

Table of Contents

Corporate Governance

Cisco is committed to excellence in corporate governance and maintains clear policies and practices that promote good corporate governance. Many of these policies and practices are designed to ensure compliance with the listing requirements of NASDAQ and applicable corporate governance requirements, including:

The Board of Directors has adopted clear corporate governance policies;

The Board of Directors has adopted majority voting for uncontested elections of directors;

A majority of the board members are independent of Cisco and its management;

The independent members of the Board of Directors meet regularly without the presence of management;

All members of the key committees of the Board of Directors – the Audit Committee, the Compensation and Management Development Committee, and the Nomination and Governance Committee – are independent;

The charters of the committees of the Board of Directors clearly establish the committees' respective roles and responsibilities;

Cisco has a clear code of business conduct that is monitored by Cisco's ethics office and is annually affirmed by its employees;

Cisco's ethics office has a hotline available to all employees, and Cisco's Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls, or auditing matters;

Cisco has adopted a code of ethics that applies to its principal executive officer and all members of its finance department, including the principal financial officer and principal accounting officer;

Cisco's internal audit control function maintains critical oversight over the key areas of its business and financial processes and controls, and reports directly to Cisco's Audit Committee;

Cisco has adopted a compensation recoupment policy that applies to its executive officers; and

Cisco has stock ownership guidelines for its non-employee directors and executive officers.

Key information regarding Cisco's corporate governance initiatives can be found on its website, including Cisco's Corporate Governance Policies, Cisco's Code of Business Conduct, and the charter for each committee of the Board of Directors. The corporate governance page can be found by clicking on "Corporate Governance" in the Investor Relations section of the website at investor.cisco.com.

Board Leadership Structure

Edgar Filing: CISCO SYSTEMS INC - Form PRE 14A

Cisco's Board of Directors believes strongly in the value of an independent board of directors. Currently, over 75% of the members of Cisco's Board of Directors are independent. This includes all members of the key board committees—the Audit Committee, the Compensation and Management Development Committee, and the Nomination and Governance Committee. Cisco has established a Lead Independent Director role with broad authority and responsibility, as described further below. The independent members of the Board of Directors also meet regularly without management, which meetings are chaired by the Lead Independent Director. Ms. Bartz currently serves as Lead Independent Director, and Mr. Chambers currently serves as Cisco's Chairman and Chief Executive Officer.

The Board of Directors believes that it should maintain flexibility to select Cisco's Chairman and board leadership structure from time to time. Our policies do not preclude the Chief Executive Officer (CEO) from also serving as Chairman of the Board. The Board of Directors believes that it is currently in the best interest of

Table of Contents

Cisco and its shareholders for Mr. Chambers to serve in both roles. The Board of Directors believes the role of Chairman and CEO, together with the role of the Lead Independent Director, provides an appropriate balance in Cisco's leadership. The role given to the Lead Independent Director helps ensure a strong independent and active Board. In light of Mr. Chambers' knowledge of Cisco and its industry, and his experience successfully navigating Cisco through both strong and challenging periods, his ability to speak as Chairman and CEO provides strong unified leadership for Cisco.

Each term of service in the Lead Independent Director position is one year, and the Lead Independent Director has the following roles and responsibilities:

scheduling meetings of the independent directors;

chairing the separate meetings of the independent directors;

serving as principal liaison between the independent directors and the Chairman and CEO on sensitive issues;

communicating from time to time with the Chairman and CEO and disseminating information to the rest of the Board of Directors as appropriate;

providing leadership to the Board of Directors if circumstances arise in which the role of the Chairman may be, or may be perceived to be, in conflict;

reviewing the quality, quantity and timeliness of information provided to the Board;

being available, as appropriate, for communication with shareholders; and

presiding over the annual self-evaluation of the Board of Directors.

The Role of the Board of Directors in Risk Oversight

We believe that risk is inherent in innovation and the pursuit of long-term growth opportunities. Cisco's management is responsible for day-to-day risk management activities. The Board of Directors, acting directly and through its committees, is responsible for the oversight of Cisco's risk management. With the oversight of the Board of Directors, Cisco has implemented practices and programs designed to help manage the risks to which we are exposed in our business and to align risk-taking appropriately with our efforts to increase shareholder value.

Cisco's management has implemented an enterprise risk management, or ERM, program designed to work across the business to identify, assess, govern and manage risks and Cisco's response to those risks. The structure of the ERM program includes quarterly global risk reviews by members of senior management, as well as an operating committee that focuses on risk management-related topics.

The Audit Committee, which oversees our financial and risk management policies, receives regular reports on ERM, including from the chair of the operating committee mentioned above. As part of the overall risk oversight framework, other committees of the Board of Directors also oversee certain categories of risk associated with their respective areas of responsibility. For example, the Finance Committee oversees matters related to risk management policies and programs addressing currency, interest rate, equity, and insurance risk, as well as Cisco's customer and channel partner financing activities, investment policy and certain risk management activities of Cisco's treasury function. The Compensation Committee oversees compensation-related risk management, as discussed further under "Compensation and Management Development Committee" on page 13 and in the "Compensation Governance" portion of the Compensation Discussion and Analysis on page 35.

Edgar Filing: CISCO SYSTEMS INC - Form PRE 14A

Each committee reports regularly to the full Board of Directors on its activities. In addition, the Board of Directors participates in regular discussions among the Board and with Cisco's senior management of many core

Table of Contents

subjects, including strategy, operations, finance, and legal and public policy matters, in which risk oversight is an inherent element. The Board of Directors believes that the leadership structure described above under **Board Leadership Structure** facilitates the Board's oversight of risk management because it allows the Board, with leadership from the Lead Independent Director and working through its committees, including the independent Audit Committee, to participate actively in the oversight of management's actions.

Board Committees and Meetings

During Cisco's fiscal year ended July 31, 2010, the Board of Directors held 6 meetings. During this period, all of the incumbent directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which each such director served, during the period for which each such director served. Cisco's directors are strongly encouraged to attend the annual meeting of shareholders. Twelve of Cisco's directors attended last year's annual meeting.

Cisco has five standing committees: the Audit Committee, the Compensation and Management Development Committee, the Nomination and Governance Committee, the Acquisition Committee, and the Finance Committee. Each of these committees has a written charter approved by the Board of Directors. A copy of each charter can be found by clicking on **Corporate Governance**, and then clicking on **Committees**, in the **Investor Relations** section of our website at *investor.cisco.com*. The members of the committees, as of the date of this Proxy Statement, are identified in the following table.

Director	Audit Committee	Compensation and Management Development Committee	Nomination and Governance Committee	Acquisition Committee	Finance Committee
Carol A. Bartz		X			
M. Michele Burns	X			X	X
Michael D. Capellas				Chair	Chair
Larry R. Carter					X
John T. Chambers				X	
Brian L. Halla		X			
Dr. John L. Hennessy			X	X	
Richard M. Kovacevich			Chair		X
Roderick C. McGearry	X	Chair			
Michael K. Powell				X	
Arun Sarin	X				
Steven M. West	Chair				X
Jerry Yang			X	X	
<i>Audit Committee</i>					

The Audit Committee is responsible for reviewing the financial information which will be provided to shareholders and others, reviewing the system of internal controls which management and the Board of Directors have established, appointing, retaining and overseeing the performance of the independent registered public

Table of Contents

accounting firm, overseeing Cisco's accounting and financial reporting processes and the audits of Cisco's financial statements, and pre-approving audit and permissible non-audit services provided by the independent registered public accounting firm. This committee held 14 meetings during fiscal 2010. The Board of Directors has determined that each of Ms. Burns and Mr. McGeary is an audit committee financial expert as defined in Item 407(d) of Regulation S-K. Each member of this committee is an independent director and meets each of the other requirements for audit committee members under applicable NASDAQ listing standards.

Compensation and Management Development Committee

The Compensation and Management Development Committee's (the Compensation Committee) basic responsibility is to review the performance and development of Cisco's management in achieving corporate goals and objectives and to assure that Cisco's executive officers are compensated effectively in a manner consistent with Cisco's strategy, competitive practice, sound corporate governance principles and shareholder interests. Toward that end, this committee oversees, reviews and administers all of Cisco's compensation, equity and employee benefit plans and programs.

The Compensation Committee's responsibilities and duties include an annual review and approval of Cisco's compensation strategy to ensure that it promotes shareholder interests and supports Cisco's strategic and tactical objectives, and that it provides appropriate rewards and incentives for management and employees, including review of compensation-related risk management. During fiscal 2010, the Compensation Committee performed these oversight responsibilities and duties by, among other things, directing a review of our compensation practices and policies generally, including conducting an evaluation of the design of our executive compensation program, in light of our risk management policies and programs. Additional information regarding the Compensation Committee's risk management review appears in the Compensation Governance portion of the Compensation Discussion and Analysis on page 35.

This committee held 11 meetings during fiscal 2010. Each member of this committee is an independent director under applicable NASDAQ listing standards, an outside director as defined in Section 162(m) of the Internal Revenue Code and a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

The Compensation Committee has the exclusive authority and responsibility to determine all aspects of executive compensation packages for executive officers and makes recommendations to the Board of Directors regarding the compensation of non-employee directors. The Compensation Committee has retained Frederic W. Cook & Co., Inc. (FWC) as its independent compensation consultant to help the Compensation Committee establish and implement its compensation philosophy, to evaluate compensation proposals recommended by management, and to provide advice and recommendations on competitive market practices and specific compensation decisions for executive officers and directors. The Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits, although the Chief Executive Officer and the Human Resources Department present compensation and benefit proposals to the Compensation Committee. FWC works directly with the Compensation Committee (and not on behalf of management) to assist the Compensation Committee in satisfying its responsibilities and will undertake no projects for management except at the request of the Compensation Committee chair and in the capacity of the Compensation Committee's agent. FWC performs no other consulting or other services for Cisco and, to date, has not undertaken any projects for management. For additional description of the Compensation Committee's processes and procedures for consideration and determination of executive officer compensation, see the Compensation Discussion and Analysis section of this Proxy Statement.

The Compensation Committee determines and makes recommendations to the Board of Directors regarding compensation for non-employee directors using a process similar to the one used for determining compensation for Cisco's executive officers, which is discussed in detail in the Compensation Discussion and Analysis

Table of Contents

section of this Proxy Statement. Generally, the Compensation Committee annually reviews the market practice for non-employee directors for companies in Cisco's peer group in consultation with FWC.

Nomination and Governance Committee

The Nomination and Governance Committee is responsible for overseeing, reviewing and making periodic recommendations concerning Cisco's corporate governance policies, and for recommending to the full Board of Directors candidates for election to the Board of Directors. This committee held 6 meetings during fiscal 2010. Each member of this committee is an independent director under applicable NASDAQ listing standards.

Nominees for the Board of Directors should be committed to enhancing long-term shareholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The Board of Directors is composed of a diverse group of leaders in their respective fields. The Board of Directors encourages selection of directors who will contribute to Cisco's overall corporate goals: responsibility to its shareholders, technology leadership, effective execution, high customer satisfaction and superior employee working environment. The Nomination and Governance Committee from time to time reviews the appropriate skills and characteristics required of board members, including factors that it seeks in board members such as diversity of business experience, viewpoints and, personal background, and diversity of skills in technology, finance, marketing, international business, financial reporting and other areas that are expected to contribute to an effective Board of Directors. In evaluating potential candidates for the Board of Directors, the Nomination and Governance Committee considers these factors in the light of the specific needs of the Board of Directors at that time. The brief biographical description of each nominee set forth in the Business Experience and Qualifications of Nominees above includes the primary individual experience, qualifications, attributes and skills of each of our directors that led to the conclusion that each director should serve as a member of the Board of Directors at this time.

In recommending candidates for election to the Board of Directors, the Nomination and Governance Committee considers nominees recommended by directors, officers, employees, shareholders and others, using the same criteria to evaluate all candidates. The Nomination and Governance Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Nomination and Governance Committee would recommend the candidate for consideration by the full Board of Directors. The Nomination and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. To recommend a prospective nominee for the Nomination and Governance Committee's consideration, submit the candidate's name and qualifications to Cisco's Secretary in writing to the following address: Cisco Systems, Inc., Attn: Secretary, 170 West Tasman Drive, San Jose, California 95134, with a copy to Cisco Systems, Inc., Attn: General Counsel at the same address. When submitting candidates for nomination to be elected at Cisco's annual meeting of shareholders, shareholders must also follow the notice procedures and provide the information required by Cisco's bylaws.

In particular, for the Nomination and Governance Committee to consider a candidate recommended by a shareholder for nomination at the 2011 Annual Meeting of Shareholders, the recommendation must be delivered or mailed to and received by Cisco's Secretary between [], 2011 and [], 2011 (or, if the 2011 annual meeting is not held within 30 calendar days of the anniversary of the date of the 2010 annual meeting, within 10 calendar days after Cisco's public announcement of the date of the 2011 annual meeting). The recommendation must include the same information as is specified in Cisco's bylaws for shareholder nominees to be considered at an annual meeting, including the following:

The shareholder's name and address and the beneficial owner, if any, on whose behalf the nomination is proposed;

Table of Contents

The shareholder's reason for making the nomination at the annual meeting, and the signed consent of the nominee to serve if elected;

The number of shares owned by, and any material interest of, the record owner and the beneficial owner, if any, on whose behalf the record owner is proposing the nominee;

A description of any arrangements or understandings between the shareholder, the nominee and any other person regarding the nomination; and

Information regarding the nominee that would be required to be included in Cisco's proxy statement by the rules of the Securities and Exchange Commission, including the nominee's age, business experience for the past five years and any directorships held by the nominee, including directorships held during the past five years.

Acquisition Committee

The Acquisition Committee reviews acquisition strategies and opportunities with management, approves certain acquisitions and investment transactions and also makes recommendations to the Board of Directors. This committee held 5 meetings during fiscal 2010.

Finance Committee

The Finance Committee reviews and approves Cisco's global investment policy, reviews minority investments, fixed income assets, insurance risk management policies and programs and tax programs, oversees Cisco's stock repurchase programs, and also reviews Cisco's currency, interest rate and equity risk management policies and programs. This committee is also authorized to approve the issuance of debt securities, certain real estate acquisitions and leases, and charitable contributions made on behalf of Cisco. This committee held 4 meetings during fiscal 2010.

Director Compensation

This section provides information regarding the compensation policies for non-employee directors and amounts paid and securities awarded to these directors in fiscal 2010.

For fiscal 2010, the cash and equity compensation policies for non-employee directors were the same as in fiscal 2009, except that in June 2010 the annual retainer fee for serving as chair of the Compensation Committee was increased from \$10,000 to \$15,000 and an annual retainer fee of \$15,000 for serving as chair of the Nomination and Governance Committee was initiated. These changes were effected on a pro rata basis for the remainder of the year of board service. The cash fees for fiscal 2010 were as follows:

Annual retainer of \$75,000 for each non-employee director re-elected at the 2009 annual meeting of shareholders for the year of board service beginning upon election at the 2009 annual meeting of shareholders, except that three non-employee directors elected to receive fully vested shares of Cisco common stock in lieu of all or a portion of their respective regular annual cash retainer, and four non-employee directors elected to receive fully vested deferred stock units that will be settled in shares after the respective non-employee director leaves the board in lieu of all or a portion of their regular annual cash retainer, each as described below;

Additional annual retainer fee of \$30,000 for Ms. Bartz for serving as Lead Independent Director;

Additional annual retainer fee of \$25,000 for Mr. West for serving as chair of the Audit Committee;

Additional annual retainer fee of \$15,000 (\$12,083 for fiscal 2010 due to pro rata effectiveness of increase) for Mr. McGeary for serving as chair of the Compensation Committee;

Table of Contents

Additional annual retainer fee of \$15,000 (\$6,250 for fiscal 2010 due to pro rata effectiveness) for Mr. Kovacevich for serving as chair of the Nomination and Governance Committee; and

Additional fee of \$2,000 to each committee member for each standing committee meeting attended.

The Cisco Systems, Inc. 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan") does not provide for automatic equity grants to non-employee directors, but instead provides for discretionary awards to non-employee directors which may not exceed 50,000 shares for any non-employee director in any fiscal year.

The Board of Directors' policy regarding initial equity grants for new non-employee directors and annual equity grants for re-elected non-employee directors provides that each non-employee director who is initially appointed or elected to the board receives an initial restricted stock unit award covering 16,666 shares, which shares will vest in two equal annual installments upon the completion of each year of board service. Also, each non-employee director elected at an annual meeting of shareholders who has served as a non-employee member of the Board of Directors for at least six months prior to the election date receives an annual restricted stock unit award covering 10,000 shares, which shares will fully vest upon the completion of one year of board service. The shares subject to the restricted stock units also will vest immediately in full upon certain changes in control or ownership of Cisco or upon the recipient's death or disability while a member of the Board of Directors. Non-employee directors may elect to defer receipt of the initial and annual restricted stock units such that, to the extent the restricted stock units are vested, the units would be settled in shares after the non-employee director leaves the board.

On November 12, 2009, at the last annual meeting of shareholders, each of the non-employee directors then serving was re-elected to the Board of Directors. Pursuant to the policy described above, each director who had served as a non-employee member of the Board of Directors for at least six months prior to that election date (being each non-employee director other than Mr. Sarin) received a restricted stock unit award covering 10,000 shares. In each case, the shares subject to these restricted stock unit awards vest in full upon the completion of one year of board service. The shares subject to the restricted stock units also will vest immediately in full upon certain changes in control or ownership of Cisco or upon the recipient's death or disability while a member of the Board of Directors.

Non-employee directors typically do not receive other forms of remuneration, perquisites or benefits, but are reimbursed for their expenses in attending meetings.

In May 2010, Mr. Capellas was appointed as the Chief Executive Officer of Acadia. For a further description of Acadia, see "Certain Transactions with Related Persons" on page 63 below. Acadia entered into an offer letter with Mr. Capellas in connection with his at-will employment that provides for an initial annual base salary of \$600,000 and relocation benefits. The offer letter also establishes the fiscal year 2010 level of Mr. Capellas' annualized cash bonus with a target of \$700,000 and a maximum slightly less than twice the target amount, based on the attainment of performance criteria. Mr. Capellas is eligible to receive a prorated portion of the annualized cash bonus based on the length of his service to Acadia during its 2010 fiscal year. In addition, Mr. Capellas was paid the first 50% installment of a sign-on bonus which is subject to certain repayment conditions.

Cisco's Corporate Governance Policies include stock ownership guidelines for non-employee directors, which were approved in the current form in July 2008. These guidelines call for each non-employee director to own shares of Cisco's common stock having a value equal to at least five times the non-employee director's regular annual cash retainer, with a five-year period to attain that ownership level. To facilitate share ownership, non-employee directors may elect to receive, in lieu of all or a specified portion of their regular annual cash retainer, either fully vested shares of Cisco common stock or deferred stock units that would be settled in shares after the non-employee director leaves the board, based on the fair market value of the shares on the date any regular annual cash retainer would otherwise be paid. Any shares (or shares subject to deferred stock units) received in lieu of any portion of a regular annual cash retainer do not count against the limit on the total number

Table of Contents

of shares that may be granted to a non-employee director during any fiscal year. The shares issued are granted under the 2005 Stock Incentive Plan. For information on non-employee director elections to receive fully vested shares (or shares subject to deferred stock units) in lieu of cash with respect to the fiscal 2010 annual cash retainer, please see the table below entitled **Director Compensation** and the accompanying footnotes.

The following table provides information as to compensation for services of the non-employee directors during fiscal 2010.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(4)	Option Awards (\$)(5)	All Other Compensation (\$)	Total (\$)
Carol A. Bartz	\$125,000(2)	\$234,000			\$359,000
M. Michele Burns	\$117,000	\$234,000			\$351,000
Michael D. Capellas (1)	\$101,000	\$234,000		\$1,143,077(1)	\$1,478,077(1)
Larry R. Carter	\$83,000(2)	\$234,000			\$317,000
Brian L. Halla	\$97,000(3)	\$234,000			\$331,000
Dr. John L. Hennessy	\$97,000(3)	\$234,000			\$331,000
Richard M. Kovacevich	\$101,250	\$234,000			\$335,250
Roderick C. McGeary	\$137,083	\$234,000			\$371,083
Michael K. Powell	\$85,000(3)	\$234,000			\$319,000
Arun Sarin	\$103,500	\$370,485			\$473,985
Steven M. West	\$136,000(2)	\$234,000			\$370,000
Jerry Yang	\$95,000(3)	\$234,000			\$329,000

- (1) For Mr. Capellas, the **All Other Compensation** amount includes Acadia base salary of \$143,077 and the remainder represents the first installment of his Acadia sign-on bonus, as described above.
- (2) Includes the value of fully vested shares of Cisco common stock received in lieu of the non-employee director's regular annual cash retainer based on the fair market value of the shares on November 12, 2009, the date the regular annual cash retainer would otherwise have been paid. Based on the prior election by each director, Ms. Bartz and Mr. Carter each received 3,205 shares with a value of \$74,997, and Mr. West received 801 shares with a value of \$18,743.
- (3) Includes the value of fully vested deferred stock units received in lieu of all or a specified portion of the non-employee director's regular annual cash retainer based on the fair market value of the underlying shares on November 12, 2009, the date the regular annual cash retainer would otherwise have been paid. Based on the prior election by each director, Mr. Halla, Dr. Hennessy and Mr. Yang each received 3,205 deferred stock units with a value of \$74,997, and Mr. Powell received 1,068 deferred stock units with a value of \$24,991.
- (4) The amounts in the **Stock Awards** column represent the aggregate grant date fair values, computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, of restricted stock unit awards issued pursuant to the 2005 Stock Incentive Plan. The grant date fair value of these awards is calculated using the closing price of Cisco's common stock on the grant date as if these awards were vested and issued on the grant date. The grant date fair value of the restricted stock unit award granted on November 12, 2009 to each non-employee director re-elected on that date other than Mr. Sarin was \$234,000. The grant date fair value of the restricted stock unit award granted on September 9, 2009 to Mr. Sarin was \$370,485. There can be no assurance that these grant date fair values will ever be realized by the non-employee directors. For information regarding the number of unvested restricted stock units held by each non-employee director as of July 31, 2010, see the column **Unvested Restricted Stock Units Outstanding** in the table below.
- (5)

Edgar Filing: CISCO SYSTEMS INC - Form PRE 14A

No stock options were awarded to non-employee directors in fiscal 2010. (Stock options were most recently awarded to non-employee directors in November 2007.) For information regarding the number of outstanding stock options held by each non-employee director as of July 31, 2010, see the column **Stock Options Outstanding** in the table below.

Table of Contents

The non-employee directors held the following numbers of stock options and unvested restricted stock units as of July 31, 2010.

Non-Employee Director	Stock Options Outstanding	Unvested Restricted Stock Units Outstanding
Ms. Bartz	120,000	10,000
Ms. Burns	120,000	10,000
Mr. Capellas	80,000	10,000
Mr. Carter	1,464,000	11,857
Mr. Halla	65,000	10,000*
Dr. Hennessy	105,000	10,000*
Mr. Kovacevich	100,000	10,000
Mr. McGear	100,000	10,000*
Mr. Powell	65,000	10,000
Mr. Sarin		16,666*
Mr. West	50,000	10,000
Mr. Yang	120,000	10,000*

* At the non-employee director's election, the settlement of any vested shares underlying this award is deferred until after the non-employee director leaves the board.

Shareholder Communications with the Board of Directors

Shareholders may communicate with Cisco's Board of Directors through Cisco's Secretary by sending an email to bod@cisco.com, or by writing to the following address: Board of Directors, c/o Secretary, Cisco Systems, Inc., 170 West Tasman Drive, San Jose, California 95134. Shareholders also may communicate with Cisco's Compensation and Management Development Committee through Cisco's Secretary by sending an email to compensationcommittee@cisco.com, or by writing to the following address: Compensation and Management Development Committee, c/o Secretary, Cisco Systems, Inc., 170 West Tasman Drive, San Jose, California 95134. Cisco's Secretary will forward all correspondence to the Board of Directors or the Compensation and Management Development Committee, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Cisco's Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within Cisco for review and possible response.

Recommendation of the Board of Directors

The Board of Directors recommends that the shareholders vote **FOR** the election of each of the nominees listed herein.

Table of Contents

PROPOSAL NO. 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Executive compensation is an important matter for our shareholders. The core of Cisco's executive compensation philosophy and practice continues to be to pay for performance. Cisco's executive officers are compensated in a manner consistent with Cisco's strategy, competitive practice, sound corporate governance principles, and shareholder interests and concerns. We believe our compensation program is strongly aligned with the long-term interests of our shareholders. We urge you to read the Compensation Discussion and Analysis (CD&A) section of this proxy statement for additional details on Cisco's executive compensation, including Cisco's compensation philosophy and objectives and the 2010 compensation of the named executive officers.

Although Congress has recently enacted legislation requiring a non-binding advisory Say on Pay vote on executive compensation beginning in 2011, in accordance with the vote of our shareholders at the 2009 Annual Meeting, we want to give our shareholders an advisory vote on executive compensation at our 2010 Annual Meeting. Next year, in accordance with the recently enacted legislation, in addition to an advisory Say on Pay vote, we will ask shareholders whether they would prefer an advisory vote every year, every two years or every three years.

We are asking shareholders to vote on the following resolution:

RESOLVED, that the shareholders approve the compensation philosophy, policies and procedures described in the CD&A, and the compensation of Cisco's named executive officers as disclosed pursuant to the SEC's compensation disclosure rules, including the compensation tables.

As an advisory vote, this proposal is non-binding.

Vote Required

The affirmative vote of a majority of the shares of Cisco common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum, is required for approval of this proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the shareholders vote **FOR** Proposal No. 2.

Table of Contents**PROPOSAL NO. 3****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****General**

Cisco is asking the shareholders to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 30, 2011. In the event the shareholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in Cisco's and its shareholders' best interests.

PricewaterhouseCoopers LLP has audited Cisco's consolidated financial statements annually since Cisco's 1988 fiscal year. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that those representatives will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The following is a summary of the fees billed to Cisco by PricewaterhouseCoopers LLP for professional services rendered for the fiscal years ended July 31, 2010 and July 25, 2009:

Fee Category	Fiscal 2010 Fees	Fiscal 2009 Fees
Audit Fees	\$ 15,905,000	\$ 15,810,000
Audit-Related Fees	4,126,000	725,000
Tax Fees	4,183,000	1,131,000
All Other Fees	72,000	58,000
Total Fees	\$ 24,286,000	\$ 17,724,000

Audit Fees. Consists of fees billed for professional services rendered for the integrated audit of Cisco's consolidated financial statements and of its internal control over financial reporting, for review of the interim consolidated financial statements included in quarterly reports and for services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Cisco's consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits, accounting consultations in connection with transactions, merger and acquisition due diligence, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, assistance with tax reporting requirements and audit compliance, assistance with customs and duties compliance, value-added tax compliance, mergers and acquisitions tax compliance, and tax advice on international, federal and state tax matters. None of these services were provided under contingent fee arrangements. Tax compliance fees were \$4,053,000 and \$1,033,000 in fiscal 2010 and fiscal 2009, respectively. All other tax fees were \$130,000 and \$98,000 in fiscal 2010 and fiscal 2009, respectively.

All Other Fees. Consists of fees for products and services other than the services reported above. These services included translation of filings and other miscellaneous services. No management consulting services were provided.

Table of Contents

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to report periodically to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

Vote Required

The affirmative vote of a majority of the shares of Cisco common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum, is required for approval of this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the shareholders vote **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP to serve as Cisco's independent registered public accounting firm for the fiscal year ending July 30, 2011.

Table of Contents

PROPOSAL NO. 4

SHAREHOLDER PROPOSAL

Mr. John C. Harrington, 1001 2nd Street, Suite 325, Napa, California, a beneficial owner of 1,000 shares of Cisco common stock, has notified us that he intends to present the following proposal at the meeting:

Shareholder Proposal

Stockholder Proposal to Amend the

Corporate Bylaws by Establishing a Board Committee on Environmental Sustainability

RESOLVED: To amend the corporate Bylaws, by inserting the following new Section 5.08:

Section 5.08 Board Committee on Environmental Sustainability: There is established a Board Committee on Environmental Sustainability. The purpose of the committee is to review the company's corporate policies, above and beyond matters of legal compliance, in order to assess, and make recommendations to enhance, the company's policy responses to changing conditions and knowledge of the natural environment, including but not limited to, natural resource limitations, energy use, waste disposal, and climate change. Policy responses should include, among other things, an assessment of the company's disclosure of quantitative environmental metrics.

The Board of Directors is authorized in its discretion, consistent with these bylaws and applicable law to: (1) designate the membership of the committee, (2) provide the committee with funds for operating expenses, (3) adopt a charter or resolution to specify the powers of the committee, (4) empower the committee to solicit public input and to issue periodic reports to shareholders and the public, at reasonable expense and excluding confidential information, on the Committee's activities, findings and recommendations, and (5) adopt any other measures within the Board's discretion consistent with these Bylaws and applicable law.

Nothing herein shall restrict the power of the Board of Directors to manage the business and affairs of the company. The Board Committee shall not incur any costs to the company except as authorized by the Board of Directors.

Supporting Statement

In the proponent's opinion, issues related to environmental sustainability might include, but are not limited to: global climate change, emerging concerns regarding toxicity of materials, resource shortages, and biodiversity loss.

Adoption of this resolution would help to restore our company's position in this area of increasing concern to investors and policy makers. Beginning October 2009, the company was removed from the NASDAQ Global Sustainability Index due to inadequate disclosure of quantitative environmental metrics. The Proponent believes establishing a separate board committee on sustainability is necessary to ensure that the Board of Directors will better address sustainability on an ongoing basis, elevating the priority given to these issues, and thereby restoring the company's leadership position.

Cisco's Statement in Opposition to Proposal No. 4

The Board of Directors believes this proposal does not serve the best interests of Cisco or its shareholders and recommends a vote AGAINST it.

We share the proponent's ongoing concerns regarding environmental sustainability and devote considerable ongoing efforts to (1) designing our products to reduce environmental impacts, with respect to both materials

Table of Contents

usage and energy consumption of the products themselves; (2) designing products that allow our customers to reduce the environmental impact of their own operations, including energy usage; (3) reducing the environmental impact of product packaging on the environment, and improving recycling opportunities for our products; and (4) enhancing the energy efficiency and reducing the environmental impact of our internal operations. Our efforts resulted in the Cisco EcoBoard's environmental sustainability governance model being recognized as an ISO 14001 best practice for addressing global climate change. In addition, Cisco in September 2009 was named as the number-one information technology company on climate change by PricewaterhouseCoopers based on Cisco's response to the Carbon Disclosure Project's 2009 survey, and in April 2010 Cisco earned the top ranking in Greenpeace's Cool IT Challenge.

We therefore believe that an amendment to our bylaws to establish a specific board committee on environmental sustainability is unnecessary. We believe the significant time and resources we currently devote to sustainability issues, and the established policies, practices and procedures relating to sustainability that we have put in place, are more than adequate to address the proponent's request.

Cisco has adopted a comprehensive approach to managing our environmental impacts and helping our customers manage theirs. We are pursuing greater sustainability in all that we do, including a senior executive-level commitment to a green vision and strategy, an ISO 14001-certified environmental management system (EMS), and the active engagement of our employees throughout our business with regard to environmental sustainability issues.

Cisco's environmental vision is to use network technologies to promote environmental sustainability. We aim to use networks, and our increasing ability to extend the reach and impact of these networks, to deliver solutions for energy and resource management on a global basis, and also to apply these solutions within our own business. We are pursuing this strategy by setting goals and measuring performance, by investing in our environmental management system, by empowering employees to take action, and by participating in global dialogue around our key issues.

Cisco's environmental vision and strategy is managed by the Cisco EcoBoard, which was established in 2006. The EcoBoard includes senior executives who represent key global business functions, providing comprehensive representation from all parts of Cisco's operations. Cisco's environmental vision and strategy is implemented by the Green Task Force (GTF), which reports to the EcoBoard. Consisting of senior leaders from each of the departments represented on the EcoBoard, the GTF provides cross-functional planning, management, monitoring and coordinating of Cisco's environmental programs. The EcoBoard generally meets quarterly to review the progress of each of Cisco's environmental initiatives.

Cisco's ISO 14001 EMS provides a set of processes and procedures that guide environmental activities at Cisco sites, as well as at the corporate level. The Cisco EMS seeks to increase the positive and minimize the negative impacts to the environment in the definition, design, manufacture, support, and use of our solutions by reusing, recycling, and adopting processes that conserve raw materials, energy, and water. Through a continuous cycle of planning, implementing, reviewing, and improving processes, our EMS influences all aspects of Cisco's operations, products and services, including compliance with environmental requirements and ongoing efforts to improve environmental business performance.

Cisco reports on the environmental topics identified in the Global Reporting Initiative (GRI), including such topics as greenhouse gas emissions, materials, waste, water, land use and biodiversity. We assess our impact in these areas and engage with stakeholders to understand their concerns. Together with our employees, partners and customers, we are working to reduce our environmental impacts by engaging in cross-sector partnerships and delivering solutions that help customers reduce their environmental impacts. These efforts help us meet the expectations of our stakeholders and also make good business sense, often reducing operating costs and business risks.

Table of Contents

While we are pleased with our progress, we are always working to improve our performance in the sustainability area. To that end, we have engaged CRD Analytics, the research consultant used for the NASDAQ Global Sustainability Index, to help us understand how we can perform even better on environmental-related initiatives and the related metrics.

As described above, we believe the substantial resources and attention we devote to environmental sustainability issues demonstrate Cisco's significant commitment to the underlying subject matter of the proposal. Through the policies and practices we currently have in place, we believe that the Board is able to effectively oversee the global impact Cisco's business activities have on environmental sustainability. Accordingly, we believe that the action called for in the proposal is unnecessary.

Vote Required

The affirmative vote of a majority of the outstanding shares of common stock is required for approval of this proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

Recommendation of the Board of Directors

For all the reasons set forth above, the Board of Directors recommends a vote **AGAINST** Proposal No. 4.

Table of Contents

PROPOSAL NO. 5

SHAREHOLDER PROPOSAL

Boston Common Asset Management, LLC, 84 State Street, Suite 1000, Boston, Massachusetts 02109, a beneficial owner of 56,952 shares of Cisco common stock, joined by other filers (whose names, addresses and shareholdings will be provided by Cisco promptly upon receipt by Cisco Investor Relations of any oral or written request), have notified us that they intend to present the following proposal at the meeting:

Shareholder Proposal

INTERNET FRAGMENTATION REPORT

WHEREAS:

On February 15, 2006, Cisco Systems, Yahoo, Google and Microsoft testified before the Committee on International Relations of the U.S. House of Representatives about alleged complicity in human rights violations in China;

Mark Chandler, General Counsel of Cisco Systems, testified that:

Some countries have chosen to restrict or limit access to information on the Internet based on political considerations. While many have commented on the activities of the Chinese government in this regard, the issue is, in fact, global. Some Middle Eastern countries block sites critical of their leadership.

Efforts are underway.... to balkanize the Internet. Policies which promote that even inadvertently will undermine rather than support the many projects which help users evade censorship and will exacerbate rather than solve the problems we are discussing today.

The liberating power of the Internet depends on its existence as one global Internet. Any policies in this area should, we believe, proceed from the realization that its very global nature provides a unique tool for the dissemination of ideas and cultivation of freedoms. We should do nothing to disturb its promise.

Cisco sells its products, including Internet and surveillance technology, primarily through resellers, to government agencies and state-owned entities throughout the world. The U.S. State Department and others have documented how various governments, including several governments with which our Company does business, monitor, censor and jail Internet users, through manipulation of Internet technology.

Mr. Chandler testified that the key to the growth of the Internet has been the standardization of one global network. This has been and remains the core of Cisco's mission.

In 1998, Cisco was selected as a key supplier for building China's nation-wide IP backbone, which has been called the Great Firewall of China. It is synonymous with the censored, closed network which, according to Mr. Chandler, threatens Cisco's core mission. A 2002 Cisco document publicly leaked in 2008 made clear that Cisco engineers were aware of the Chinese government's repressive censorship and surveillance agenda and may have regarded this as a business opportunity. The Company disputes this interpretation. Cisco currently has a \$16 billion investment program in China.

The US State Department has documented concerted efforts to thwart the development of one global Internet in Saudi Arabia, where Cisco is investing over \$265 Million and has over 140 Cisco Partners.

Legislation has been introduced in the House prohibiting business from cooperating with repressive governments in transforming the Internet into a tool of censorship and surveillance. The proposed legislation provides for both fines and jail time (The Global Online Freedom Act of 2009 (H.R. 2271)).

Table of Contents

RESOLVED:

Shareholders request the Board to publish a report to shareholders within six months, at reasonable expense and omitting proprietary information, providing a summarized listing and assessment of concrete steps the company could reasonably take to reduce the likelihood that its business practices might enable or encourage the violation of human rights, including freedom of expression and privacy, or otherwise encourage or enable fragmentation of the internet.

Cisco's Statement in Opposition to Proposal No. 5

The Board of Directors believes this proposal does not serve the best interests of Cisco or its shareholders and recommends a vote AGAINST it.

Cisco's products are helping to drive the greatest global expansion of information availability and individual expression in the history of the planet. Our business practices are designed to and strive to promote, among other things, freedom of expression, privacy and other fundamental personal freedoms. Our codes of business conduct, employee policies and guidelines reflect this design and incorporate a variety of laws and ethical principles and policies including those pertaining to personal freedoms. Our products have been instrumental in the evolution of the Internet into the medium it is today, providing access, expression and community across the globe.

We share the proponents' desire to promote human rights, including freedom of expression, access and community, and we are supporters of the United Nations Universal Declaration of Human Rights and the ten principles of the United Nations Global Compact. We are continually evaluating and addressing human rights issues within our business operations and in the communities in which we operate. Our Board and management invest significant time and resources to ensure that our activities and policies promote, and are consistent with, our goals and initiatives regarding the improvement of human rights around the world. We have a strict requirement of compliance with U.S. Government policies, designed in part to reflect human rights concerns, regarding the export and use of our products. With respect to Internet freedom, we have clearly stated our policies: Cisco does not customize, or develop specialized or unique filtering capabilities, in order to enable different regimes to block access to information; Cisco sells the same equipment worldwide; Cisco is not a service or content provider or network manager but we do believe the Global Network Initiative's (GNI's) network operation principles are appropriate, and were we to operate a network, we would comply with the GNI's principles regarding release of information about subscribers. The threat to Internet freedom today lies not in standardized equipment supplied by Cisco, but by efforts of regimes to force suppliers to adopt special protocols or standards that deviate from global norms and enable special censorship or filtering systems. We have worked in opposition to such efforts and will continue to do so.

For our employees, Cisco's mandatory code of business conduct outlines the ethical principles which guide our day to day activities. Our employee policies and guidelines substantially incorporate laws and ethical principles including those pertaining to freedom of association, non-discrimination, privacy, collective bargaining, compulsory and child labor, immigration and wages and hours. With regard to our supply chain, Cisco is a member of the Electronic Industry Citizenship Coalition (EICC). The EICC's Supplier Code of Conduct specifically addresses such human rights issues as forced or involuntary labor, child labor, wages and benefits, working hours, nondiscrimination, respect and dignity, freedom of association, health and safety, protection of the environment, supplier management systems, supplier ethics and supplier compliance with laws. Cisco is an EICC board member and has been instrumental in the organization's expansion.

For the past five years, we have issued an annual Corporate Social Responsibility (CSR) Report which addresses our corporate performance in areas including human rights, our progress towards the principles of the United Nations Global Compact, employee welfare, diversity, training and development, business conduct, supplier diversity, ethics, the environmental and social impact of our product designs and lifecycle as well as our

Table of Contents

facilities and operations, our corporate giving programs, and our social investments around the world. We plan to publish our sixth annual CSR Report in the fall of 2010. We believe the preparation and issuance of this report addresses the intent of the proponents' proposal.

Our sustainable business practices team in partnership with functional Cisco business leaders endeavors to continuously improve our CSR programs. In particular, the sustainable business practices team engages with our global stakeholders to identify emerging social responsibility issues and then evaluates our CSR performance by assessing our own social, ethical and environmental practices and policies. Together with the appropriate Cisco business leaders, we drive change, where necessary, to enhance the performance of our core business operations in these areas. Information about stakeholder engagement and Cisco's CSR governance, including an electronic copy of our most-recently published CSR Report, can be found on our Corporate Social Responsibility website at www.cisco.com by clicking "About Cisco," then by clicking on the "Corporate Social Responsibility" link.

Our business practices combined with our standards-based technology architecture support the benefits of Internet access to information on a global basis in ways that would not otherwise be possible. While we understand the goals of this shareholder proposal, we believe that the preparation of an additional report as requested by the proponents is unnecessary in light of our current efforts and established policies and practices with regard to human rights. We believe that the interests of our shareholders will best be served as we continue to focus our efforts on further developing and implementing our human rights policies and practices and continuing to provide Internet access globally.

Vote Required

The affirmative vote of a majority of the shares of Cisco common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum, is required for approval of this proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

Recommendation of the Board of Directors

For all the reasons set forth above, the Board of Directors recommends a vote **AGAINST** Proposal No. 5.

Table of Contents

PROPOSAL NO. 6

SHAREHOLDER PROPOSAL

Jing Zhao, 160 Maidenhair Court, San Ramon, California 94582, a beneficial owner of 193 shares of Cisco common stock, has notified us that he intends to present the following proposal at the meeting:

Shareholder Proposal

SHAREHOLDER RESOLUTION RESTRICTING SALES TO CHINA AND OTHER REPRESSIVE GOVERNMENTS FOR LAW ENFORCEMENT PURPOSES

Whereas, there have been a number of Congressional hearings raising questions about the appropriateness of marketing, sales and exports by Cisco Systems to Chinese law enforcement agencies in violation of U.S. export control laws, specifically the Tiananmen Square provisions of the Export Administration Act that prohibit all sales and exports to China connected to law enforcement purposes on an outright basis, including hearings of the Senate Judiciary Committee on May 20, 2008 and March 2, 2010 that focused on Cisco's sales to China.

Whereas, the Bureau of Industry and Security of the U.S. Department of Commerce has issued detailed instructions to U.S. companies doing business with China and other repressive governments on how to assure compliance with U.S. export control laws (see BIS Compliance Guidelines issued in February 2010), and, as testimony before the Senate Judiciary Committee hearings on March 2, 2010 indicated, Cisco Systems does not appear to be in compliance with the reasonable and lawful business practices set out in these Guidelines with respect to its sales and exports to Chinese law enforcement agencies.

Whereas, Cisco Systems and its shareholders have been and will continue to be subjected to substantial risks and injuries, including financial losses, as a result of the potential criminal and civil sanctions imposed for violations of export control laws, and the substantial negative publicity that the Congressional hearings and other adverse findings regarding Cisco's export activities to China and other repressive governments may generate.

Whereas, it is essential for Cisco to establish the policies and mechanisms that would enable the company to properly and effectively monitor potential adverse or illegal elements of proposed sales and exports before they take place, and to fully and effectively comply with the Compliance Guidelines issued by the Bureau of Industry and Security and with the reasonable and lawful business practices standards that they incorporate.

The following resolution is hereby proposed:

Cisco should adopt and implement a policy to NOT market, sell or export any products or technologies to law enforcement agencies in China, or to any other entity in China where the end users or end uses of its products could in any way be connected with the monitoring of Internet use or electronic communications in China, such a policy to be accompanied by adoption of a comprehensive oversight and compliance system, consistent with the good business practice standards set out in the Bureau of Industry and Security Compliance Guidelines, to monitor, identify and evaluate potential negative human rights impacts of all of its marketing activities and sales to China and to other highly repressive governments, and to provide for the disclosure to the public of full information relating to Cisco's sales of products to China and to other repressive governments, including a description of each of the products and technologies sold, and the entities purchasing or identified as end users of each of these products.

Table of Contents

Cisco's Statement in Opposition to Proposal No. 6

The Board of Directors believes this proposal does not serve the best interests of Cisco or its shareholders and recommends a vote AGAINST it.

At each of the Board, executive and employee levels, Cisco is continually evaluating and responding to human rights issues within our business operations. However, while we share the proponent's concerns for human rights and continue to address these issues on an ongoing basis, we do not believe it proper to adopt a policy prohibiting our ability to sell, market or export our products or technologies on a blanket basis without taking into account the uses products will be put to, the availability of alternatives, and other factors, all of which we do in evaluating how and where we do business. In addition, we strictly implement U