

Executive Compensation

2007 – Cisco Systems, Inc.

RESOLVED, that shareholders of Cisco Systems Inc. urge the board of directors to adopt a policy that Company shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by management, to ratify the compensation of the named executive officers (“NEOs”) set forth in the proxy statement’s Summary Compensation Table (the “SCT”) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

Supporting Statement Investors are increasingly concerned about mushrooming executive compensation which sometimes appears to be insufficiently aligned with the creation of shareholder value. Media and government focus on back dating of stock options has increased investor concern. This proposed reform can help rebuild investor confidence.

The SEC has created a new rule, with record support from investors, requiring companies to disclose additional information about compensation and perquisites for top executives. The rule went into effect this year. In establishing the rule the SEC has made it clear that it is the role of market forces, not the SEC, to provide checks and balances on compensation practices.

According to a Forbes Special Report on CEO Compensation (05/03/07), CEO John Chamber’s total compensation package was \$71.33 million though his salary and bonus was under \$2 million.

We believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listing standards, do not provide shareholders with enough mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practices, in the United Kingdom, public companies allow shareholders to cast an advisory vote on the “directors’ remuneration report,” which discloses executive compensation. Such a vote isn’t binding, but gives shareholders a clear voice that could help shape senior executive compensation.

While U.S. stock exchange listing standards require shareholder approval of equity-based plans, shareholders have no mechanism to provide feedback on overall compensation. Withholding votes from compensation committee members standing for reelection is a blunt instrument for registering dissatisfaction with the way the compensation committee has administered compensation plans and policies in the previous year.

The House of Representatives voted for an Advisory Vote process by a 2 to 1 margin.

Aflac has already agreed to adopt this policy and a number of companies are working with investors to study the ways in which this practice could be practically implemented in the U.S. market. This particular resolution is regularly receiving votes between 40 and 50% in favor, a remarkable showing for a new issue.

Accordingly, we urge Cisco’s board to allow shareholders to express their opinion about senior executive compensation at our company by establishing an annual referendum process. The results of such a vote would, we think, provide the board and management with useful information about whether shareholders view the company’s senior executive compensation, as reported each year, are in shareholders’ best interests.