

Executive Compensation – Say on Pay

RESOLVED, that shareholders of Cisco request the board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, 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

An Advisory Vote establishes an annual referendum process for shareholders about senior executive compensation. We believe the results of this vote would provide the board and management useful information about shareholder views on our company’s executive compensation.

At Cisco, the resolution received a 51% vote in 2009. Although it won majority support last year, the company has failed to implement the proposal at present. In 2007, the resolution received 48% in favor.

Investors are increasingly concerned about mushrooming executive compensation especially when it is insufficiently linked to performance. In 2010, 70 “Say on Pay” resolutions have been filed. In 2009, shareholders filed over 100 of these resolutions with votes averaging 46% in favor, and 24 votes receiving over 50%. Such votes demonstrate strong shareholder support for this reform. Approximately seventy companies voluntarily adopted this reform as of May 2010.

We believe the results of a vote combined with shareholder engagement will provide the board and management useful information about shareholder views on our company’s executive compensation. According to Equilar Inc., John Chambers received \$12.8 million in total compensation in 2009 (New York Times, April 2, 2010).

While our company has forward looking elements in its compensation package and is responsive to dialogue with investors, other companies have agreed to an Advisory Vote, including Intel, Hewlett-Packard, Honeywell, Occidental Petroleum, Verizon, MBIA, PG & E, H&R Block, Blockbuster, Ingersoll-Rand and Motorola. And approximately 300 companies under TARP are implementing the Advisory Vote; an opportunity to see it in action.

Public concern about executive compensation has reached new heights stimulated by reported excesses and compensation problems. President Obama and SEC Chair Mary Schapiro both have spoken in support of the Advisory Vote and legislation and regulation is expected. Responsive companies will adopt the Advisory Vote in advance of and without being compelled by pending legislation.

We believe that existing SEC rules and stock exchange listing standards do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast, in the United Kingdom, public companies allow shareholders to cast a vote on the directors’ remuneration report. Such a vote isn’t binding, but gives shareholders a clear voice on senior executive compensation.

We believe that a company that has a clearly explained compensation philosophy and metrics, reasonably links pay to performance, and communicates effectively to investors will find an Advisory Vote a helpful tool.