

Analog Devices Limited Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 30 April 2023**

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## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Analog Devices Limited Pension Scheme: (“the Scheme”) covering the scheme year (“the year”) to 30 April 2022.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) adopted in September 2020 are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustees’ SIP.

A copy of this implementation statement has been made available on the following website:

[Corporate Governance - Analog Devices](#)

## Section 2: Voting and Engagement

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees' agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustees' view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The policies and processes described above have impacted the Scheme's investments in numerous ways. Some examples of dedicated allocations to funds with positive ESG credentials are outlined below:

- State Street Global Advisors (SSgA) Robeco Global Sustainable Multi-Factor Equities Index Fund – this is a systematic equity strategy (i.e. rules based) which aims to score 20% better than the benchmark on several ESG characteristics including carbon footprint, water usage, energy consumption and waste generation.
- State Street Global Advisors (SSgA) AC World Adaptive Capped ESG Universal – this investment is a complementary systematic global equity fund designed to have more exposure to companies with strong and/or improving ESG profiles relative to traditional market capitalisation. Furthermore, this strategy removes companies that fail to meet minimum ESG standards or disproportionately contribute to material ESG issues such as climate change.
- STOXX WTW World Climate Transition Index (CTI) - The index seeks to reduce the negative financial impact to investors from declining valuations of companies adversely exposed to the climate transition, while capturing upside exposure from companies that are positioned to benefit from the transition. This helps investors to reduce their exposure to climate transition risk if markets move more fully towards a Paris-aligned transition scenario. The index applies transition scenarios to assets, companies, industries, countries; estimates the impact (both positive and negative) of these scenarios on cash flows and valuation; and provides a rebalanced index to reflect climate-aligned valuations. The index is owned and calculated by the index provider STOXX. The key driver of the index weights is company Climate Transition Value at Risk assessments undertaken by the Climate Transition Analytics (CTA) team within Willis Towers Watson (WTW).

### Industry wide / public policy engagement:

- As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to

several of its funds. Some highlights from EOS' activities over 2022: Engaging with 1,138 companies on 4,250 issues and objectives

- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting FrameworkThe Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:
  - Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
  - Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
  - Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
  - Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
  - Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
  - Co-founding the Investment Consultants Sustainability Working Group
  - Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network
  - Being a founding member of The Diversity Project
  - Being an official supporter of the Transition Pathway Initiative

### **Company level engagement and rights attached to investments (including voting).**

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers or managers who own significant amounts of equity as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", three of those deemed most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified priorities for voting and engagement – human and labour rights, and climate – where the data has allowed. Further information on the voting and engagement activities of the managers is provided in the table below.

The Scheme's equity holdings are invested across six pooled funds:

- State Street Global Advisors (SSgA) Heitman Global Prime Property Securities – a passive global equity fund focussed on equity related to prime properties
- State Street Global Advisors (SSgA) Infrastructure Equity MFG Fund – a passive global equity fund focussed on equity related to infrastructure companies
- State Street Global Advisors (SSgA) Robeco Global Sustainable Multi-Factor Equities Index Fund – a systematic equity strategy focussed on the balance between efficient factor premiums capture and constraining the portfolio to score 20% better than the underlying Index on several ESG characteristics
- State Street Global Advisors (SSgA) AC World Adaptive Capped ESG Universal – a complementary systematic global equity fund focussed on companies with strong ESG profiles and those that have improved
- State Street Global Advisors (SSgA) STOXX WTW World Climate Transition Index – a global equity index with a goal to align a broad-based equity index, from a valuation and financial perspective, with a scenario for global economic transition that would limit greenhouse gas concentrations to levels consistent with United Nations objectives for increases in global temperature.
- Alliance Bernstein AB China A Shares Equity Portfolio – a China only equity fund focussed on buying value stocks at a discount as a result of overreactions in the market.

As outlined above, the Scheme is predominantly invested in passive equity funds managed by SSgA. The Fiduciary Manager's view is that SSgA continues to demonstrate good / leading practice vs. peers, in particular in their willingness to take visible stances on topics they believe important. This is supported by an effective approach to conflict management, high transparency and effective communications. The Fiduciary Manager continues to engage with SSgA on the level of stewardship team resourcing, in particular given breadth / depth of coverage and rapid growth in AUM.

The Trustees consider that all SIP policies and principles were adhered to during the year.

The below data is from the 12 month period preceding 31 March 2023 and is indicative of the voting data the managers have voted on through the year.

**SSgA Heitman Global Prime Property Securities**

<p><b>Voting activity</b></p>	<p>Number of votes eligible to cast: 927                  Percentage of eligible votes cast: 100.0%                  Percentage of votes with management: 90.51%                  Percentage of votes against management: 9.49%                  Percentage of votes abstained from: 0.32%</p>			
<p><b>Most significant votes cast</b></p>	<p><b>Company</b></p>	<p>Pebblebrook Hotel Trust</p>	<p>Vornado Realty Trust</p>	<p>Deutsche Wohnen SE</p>
	<p><b>Size of holdings</b></p>	<p>1.2%</p>	<p>1.2%</p>	<p>0.5%</p>
	<p><b>Resolution</b></p>	<p>Advisory Vote to Ratify Named Executive Officers' Compensation</p>	<p>Advisory Vote to Ratify Named Executive Officers' Compensation</p>	<p>Advisory Vote to Ratify Named Executive Officers' Compensation</p>
	<p><b>Decision /Vote</b></p>	<p>Against</p>	<p>Against</p>	<p>Against</p>
	<p><b>Rationale for decision</b></p>	<p>This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.</p>	<p>This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.</p>	<p>This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.</p>
	<p><b>Rationale for classifying as significant</b></p>	<p>SSgA consider votes related to compensation to be significant.</p>		
<p><b>Use of proxy voting</b></p>	<p>Please see Appendix</p>			

**SSgA Infrastructure Equity MFG Fund –**

<b>Voting activity</b>	Number of votes eligible to cast: 1216 Percentage of eligible votes cast: 100% Percentage of votes with management: 85%Percentage of votes against management: 14%Percentage of votes abstained from: 0%			
<b>Most significant votes cast</b>	<b>Company</b>	Aguas Andinas SA	SNAM SpA	National Grid Plc
	<b>Size of holdings</b>	0.17%	2.58%	3.17%
	<b>Resolution</b>	Routine Business	Routine Business	Compensation
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	Insufficient/poor disclosure	Inadequete management of climate related risks	Apparent failure to link pay and appropriate performance
	<b>Rationale for classifying as significant</b>	Significant votes are those that have quantitative substance and qualitative materiality		
<b>Use of proxy voting</b>	Please see Appendix			

**SSgA Robeco Global Sustainable Multi-Factor Equities Index Fund**

<b>Voting activity</b>	Number of votes eligible to cast: 16,861 Percentage of eligible votes cast: 94% Percentage of votes with management: 84% Percentage of votes against management: 15% Percentage of votes abstained from: 0%			
<b>Most significant votes cast</b>	<b>Company</b>	Enel Chile SA	China Tower Corporation Limited	Bank of China Limited
	<b>Size of holdings</b>	0.01%	0.07%	0.17%
	<b>Resolution</b>	Ammend articles/bylaws/charter non-routine	Elect director and approve director's remuneration	Elect director
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	Concerns related to shareholder rights	Lack of independence on board	Inadequete management of climate related risks
	<b>Rationale for classifying as significant</b>	Significant votes are those that have quantitative substance and qualitative materiality		
<b>Use of proxy voting</b>	Please see Appendix			

**SSgA AC World Adaptive Capped ESG Universal**

<b>Voting activity</b>	Number of votes eligible to cast: 25,985 Percentage of eligible votes cast: 94% Percentage of votes with management: 83% Percentage of votes against management: 16% Percentage of votes abstained from: 0%			
<b>Most significant votes cast</b>	<b>Company</b>	Bank of China Limited	China Construction Bank Corporation	PK Telcom Indonesia Tbk
	<b>Size of holdings</b>	0.11%	0.08%	0.05%
	<b>Resolution</b>	Elect Director	Elect director	Amend articles/bylaws/charter non-routine
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	Inadequate management of climate related risks	Concerns related to approach to board gender diversity	Insufficient basis to support a decision
	<b>Rationale for classifying as significant</b>	Significant votes are those that have quantitative substance and qualitative materiality		
<b>Use of proxy voting</b>	Please see Appendix			

**SSgA STOXX WTW World Climate Transition Index**

<b>Voting activity</b>	Number of votes eligible to cast: 19,692 Percentage of eligible votes cast: 91% Percentage of votes with management: 84% Percentage of votes against management: 15% Percentage of votes abstained from: 0%			
<b>Most significant votes cast</b>	<b>Company</b>	Vodafone Group PLC	Xiaomi Corporation	Intesa Sanpaolo SpA
	<b>Size of holdings</b>	0.11%	0.05%	0.08%
	<b>Resolution</b>	Elect Director	Elect director	Advisory Vote to Ratify Named Executive Officers' Compensation
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	Concerns related to ethnic and/or racial diversity	Concerns related to approach to board gender diversity	Apparent failure to link pay and appropriate performance
	<b>Rationale for classifying as significant</b>	Significant votes are those that have quantitative substance and qualitative materiality		
<b>Use of proxy voting</b>	Please see Appendix			

## Alliance Bernstein China Equity A

<p>Number of votes eligible to cast: 2,168          Percentage of eligible votes cast: 100%          Percentage of votes with management: 82%          Percentage of votes against management: 13%          Percentage of votes abstained from:5%</p>			
<b>Company</b>	Contemporary Amperex Technology Co, Ltd	Ganfeng Lithium Co Ltd	G-bits Technology Network (Xiamen) Co
<b>Size of holdings</b>	3.21%	1.36%	2.01%
<b>Resolution</b>	Approve draft summary of stock option plan and performance share incentive plan	Amend Rules and Procedures of General Meeting	Approve to Appoint Auditor
<b>Decision /Vote</b>	Against	Against	Abstain
<b>Rationale for decision</b>	Directors eligible to receive options and performance shares under the scheme are involved in the administration of the scheme. This present a potential conflict of interest. Further, the fairness of the plan is questionable due to the fact that the performance hurdles are established in the second half of the year but factor performance from the first half.	The company has a track record of calling shareholder meetings with short notice, and the proposed amendments would enable the company to call certain meetings with shorter notice period.	The non-audit fees are not broken down by category.
<b>Rationale for classifying as significant</b>	<p>Selected from significant holdings universe* considering elements such as, but not limited to: Materiality of issues and the impact on shareholder value          Absolute value of the shareholding          Holding relative to other shareholders          Votes against the recommendation of the Board, which require case-by-case analysis by AB's Proxy Voting and Governance Policy          *Significant holdings are defined by absolute value of the shareholding or AB's stake on the company relative to other shareholders.</p>		

## Appendix 1: Manager's use of proxy voting

SSgA use a variety of third-party service providers to support their stewardship activities. Data and analysis from service providers are used as inputs to help inform their position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with their in-house policies and views, ensuring the interests of their clients remain the sole consideration when discharging their stewardship responsibilities. SSgA have contracted Institutional Shareholder Services (ISS) to assist them with managing the voting process at shareholder meetings. SSgA use ISS to: (1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying their voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances. In addition, SSgA also have access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement their in-house analysis of companies and individual ballot items. All final voting decisions are based on SSgA's proxy voting policies and in-house operational guidelines.

Alliance Bernstein (AB) subscribe to the corporate governance and proxy research services of vendors such as Institutional Shareholder Services Inc. ("ISS") and Glass Lewis at different levels. This research includes proxy voting recommendations distributed by ISS and Glass Lewis. ISS and Glass Lewis's research services serve as supplementary data sources in addition to the company filings and reports. AB's proprietary policy dictates the way they vote and utilise the ISS's custom policy function that digests AB's proprietary policy to populate suggested votes. AB use ISS as a screening tool to identify material issues in reviewing pertinent company disclosures as part of their proxy voting process. However, AB adheres to its proprietary Proxy Voting and Governance Policy, which is both principles-based and rules-based. Their proxy voting "litmus test" will always be what they view as most likely to maximize long-term shareholder value and based on this context of independence from ISS's vote guidelines, their vote may differ from ISS's recommendation.