Analog Devices Limited Pension Scheme

Annual Implementation Statement – Scheme year ending 30 April 2020

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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 2020.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Scheme's policy on engagement and voting (as set out in the Statement of Investment Principles (the "SIP")) has been followed during the year; and
- A description of voting behaviour (including the "most significant" votes made on behalf of the Trustees) and any use of a proxy voter during the year.

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 have delegated some responsibilities to the Scheme's investment manager.

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

https://investor.analog.com/governance/governance-documents

Review of and changes to the SIP

The SIP in place as at the end of the year was dated as at September 2019. We consider that all SIP policies and principles relevant to this statement were adhered to.

Since the end of the scheme year, a new version of the SIP was adopted as at August 2020 to reflect new regulatory requirements coming into force from 1 October 2020. The new SIP (including the latest regulatory changes) will be reported on in next year's Implementation Statement covering the 2020/21 scheme year.

Section 2: Voting and Engagement

The Trustees have delegated the day to day ESG integration and stewardship activities (including voting and engagement) to its investment manager. The Trustees have given the appointed investment manager full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in monitoring the investment manager.

The Scheme's equity holdings as at the end of the year are held with Legal and General Investment Management ("LGIM") in pooled investment vehicles and are managed on a passive basis relative to defined indexes. As such, the voting entitlements in these funds lie with LGIM. The Scheme's investment consultant believes that LGIM leads its peers in terms of proactivity and taking visible stances on topics they believe to be important. However, the Scheme's investment consultant continues to engage with LGIM on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements. During the year, the Scheme's investment consultant rated LGIM positively for ESG integration, voting and engagement. LGIM's voting policy can be seen in appendix 1.

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

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the day to day ESG integration to the Scheme's investment manager. The table below sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment managers use of proxy voting.

Manager and strategy	Portfolio structure	Voting activity
LGIM UK Equity Index Fund	Pooled passive equity fund	Number of meetings at which the manager was eligible to vote: 790 Number of resolutions on which manager was eligible to vote: 11,168 Number of votes cast: 11,145 Percentage of eligible votes cast: 99.8% Percentage of votes with management: 93.6% Percentage of votes against management: 6.4% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 65.3% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 5.0%
LGIM North America Equity Index Fund	Pooled passive equity fund	Number of meetings at which the manager was eligible to vote: 696 Number of resolutions on which manager was eligible to vote: 8,548 Number of votes cast: 8,443 Percentage of eligible votes cast: 98.8% Percentage of votes with management: 78.3% Percentage of votes against management: 21.7% Percentage of votes abstained from: 0.0%

		Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 87.8% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12.1%
LGIM Europe(ex UK) Equity Index Fund	Pooled passive equity fund	Number of meetings at which the manager was eligible to vote: 421 Number of resolutions on which manager was eligible to vote: 6,722 Number of votes cast: 6,644 Percentage of eligible votes cast: 98.8% Percentage of votes with management: 81.4% Percentage of votes against management: 18.1% Percentage of votes abstained from: 0.5% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 65.1% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 5.4%
LGIM Japan Equity Index Fund	Pooled passive equity fund	Number of meetings at which the manager was eligible to vote: 529 Number of resolutions on which manager was eligible to vote: 6,650 Number of votes cast: 6,650 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 89.3% Percentage of votes against management: 10.7% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 70.5% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.5%
LGIM Asia pac ex Jap Dev Equity Index Fund	Pooled passive equity fund	Number of meetings at which the manager was eligible to vote: 436 Number of resolutions on which manager was eligible to vote: 3,117 Number of votes cast: 2,812 Percentage of eligible votes cast: 90.2% Percentage of votes with management: 76.2% Percentage of votes against management: 23.8% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 14.5%

In addition, LGIM reported on the most significant votes cast within the funds managed on behalf of the Scheme, including reasons why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Most significant votes cast	Coverage in portfolio
<u>Company: BP PLC</u> **Resolution**: Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures **Summary**: LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. **How the manager voted**: For **Rationale for being considered a significant vote**: Has led to a dramatic shift in the direction of the company's strategy. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells. **Outcome of the vote:** For	Allocations in: LGIM UK Equity Index Fund
<u>Company: FIRSTGROUP</u> **Resolution**: Remove Wolfhart Hauser as Director **Summary**: Following a profit warning in February 2018, the chief executive stepped down. On 25 June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive. Coast Capital made strategy proposals such as: the company exits its rail business; separate the company's US and UK assets; the immediate payment of a dividend. David Martin, one of the nominees of the activist, failed to confirm his intention to stand for election before the deadline. The resolution on his appointment to the board could not therefore be validly voted on by shareholders. **How the manager voted**: LGIM cast a vote against the board chair to signal their concerns around the pace of execution of the strategy the poor performance. They supported the rest of the board and opposed the activist's nominees. **Rationale for being considered a significant vote**: The activist's proposals were potentially disruptive for the company. **Outcome of the vote:** The proposal to remove the chair from the board obtained 29% of support from shareholders. The chair took into account the shareholder vote and decided to leave the board.	Allocations in: LGIM UK Equity Index Fund
<u>Company: Bayer AG</u> **Resolution:** Approve Discharge of Management Board for Fiscal 2018 **Summary:** Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto's glyphosate-based weedkiller RoundUp was linked to causing cancer. Although the damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic, LGIM were concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US prior to acquiring Monsanto. **How the manager voted:** Against **Rationale for being considered a significant vote**: A vote of no confidence in a company board is a rare escalation, and the company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. The company also announced that the chair would step down at the 2020 AGM. **Outcome of the vote**: Against	Allocations in: LGIM Europe(ex UK) Equity Index Fund

<u>Company: Essilor Luxottica</u> **Resolution**: Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director **Summary**: In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica´s holding company (Delfin) owned 32.7% of the merged company's share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor's executive vice-chairman were both given equal powers. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM contacted EssilorLuxottica to discuss the issue, but received no reply. LGIM subsequently engaged extensively with Comgest, Valoptec and the board nominees. LGIM publicly announced support for the board nominees ahead of the AGM to ensure the current board knew LGIM's intentions and to raise awareness to the other shareholders. **How the manager voted**: For **Rationale for being considered a significant vote**: Escalation of engagement. LGIM publicly announced their support for the board nominees ahead of the AGM to ensure the current board knew their intentions and to raise awareness to the other shareholders. **Outcome of the vote:** The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes.	Allocations in: LGIM Europe(ex UK) Equity Index Fund
<u>Company: Hyundai MOBIS and Hyundai MOTOR</u> **Resolution**: Mobis: Elect Karl-Thomas Neumann as a Member of Audit Committee and Elect Rudolph William C. Von Meister a Member of Audit Committee Motor: Elect John Y. Liu as a Member of Audit Committee and Robert Randall MacEwen as a Member of Audit Committee and Elect Margaret S. Bilson as a Member of Audit Committee **Summary**: In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. Activist investor Elliott Management, which owned a $1 billion stake in the group, challenged these plans by putting forward its own proposals for the two businesses. This included increasing the dividend payout, establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders **How the manager voted**: For **Rationale for being considered a significant vote**: Shareholder activism is not common in South Korea. **Outcome of the vote**: Against	Allocations in: LGIM Asia pac ex Jap Dev Equity Index Fund
<u>Company: Korean Airlines</u> **Resolution**: Elect Cho Yang-ho as Inside Director and Elect Park Nam-gyu as Outside Director Motor: Elect John Y. Liu as a Member of Audit Committee and Robert Randall MacEwen as a Member of Audit Committee and Elect Margaret S. Bilson as a Member of Audit Committee **Summary**: LGIM opposed the re-election of the chair of Korean Air Lines Cho Yang-ho. LGIM had concerns about his ability to conduct the company given his indictment for embezzlement, breach of trust, tax evasion, financial scams, and irregular payments to family members who were not employed by Korean Airlines companies since 2013. **How the manager voted**: Against **Rationale for being considered a significant vote**: According to reports, this is the first time that a chaebol head has been ousted by shareholders. We noted the National Pension Service, a large South Korean public pension fund voted against his re-election. **Outcome of the vote**: Against	Allocations in: LGIM Asia pac ex Jap Dev Equity Index Fund

Section 3: Summary and conclusions

We consider that all SIP policies and principles were adhered to.

Appendix 1: Manager voting policies

LGIM's voting policy is provided below:

"Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Use of proxy voting services:

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action."