

Analog Devices Limited Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 30 April 2021**

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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 2021.

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 SIP 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:

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

Review of and changes to the SIP

Since the end of the previous scheme year, a new version of the SIP was adopted as at September 2020 to reflect new regulatory requirements coming into force from 1 October 2020. Unless stated otherwise, this Implementation Statement (covering the 2020/21 scheme year) references the new SIP (including the latest regulatory changes).

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.

Consistent with the Trustees' view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

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 Trustees were provided with a training on the Fiduciary Manager's approach to Sustainable Investment within the Scheme's asset portfolio in January 2021.

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.

Industry wide / public policy engagement:

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- 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);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

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 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 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", the top three have been shown below.

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 four 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

As outlined above, the Scheme is predominately 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 below data is from the 12 month period preceding 31 March 2021 and is indicative of the voting data the managers have voted on through the year.

SSgA Heitman Global Prime Property Securities – a passive global equity fund focussed on equity related to prime properties

Voting activity	Number of votes eligible to cast: 110 Percentage of eligible votes cast: 37.3% Percentage of votes with management: 92.7% Percentage of votes against management: 7.3% Percentage of votes abstained from: 0.0%
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Most significant votes cast	Company	ADO Properties S.A.	ADO Properties S.A.	Goodman Group
	Size of holdings	0.8%	0.8%	1.5%
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Remuneration Policy	Advisory Vote to Ratify Named Executive Officers' Compensation
	Decision /Vote	Against	Against	Against
	Rationale for decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
	Rationale for classifying as significant	SSgA consider votes related to compensation to be significant.		
Use of proxy voting	Please see Appendix			

SSgA Infrastructure Equity MFG Fund – a passive global equity fund focusses on equity related to infrastructure companies

Voting activity	<p>Number of votes eligible to cast: 91</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 85%</p> <p>Percentage of votes against management: 15%</p> <p>Percentage of votes abstained from: 0%</p>
Most significant votes cast	The Manager did not report significant votes at the time of writing this report.
Use of proxy voting	Please see Appendix.

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

Voting activity	<p>Number of votes eligible to cast: 3,858</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 89%</p> <p>Percentage of votes against management: 11%</p> <p>Percentage of votes abstained from: 0%</p>
Most significant votes cast	The Manager was did not report significant votes at the time of writing this report.
Use of proxy voting	Please see Appendix.

SSgA AC World Adaptive Capped ESG Universal – a complementary systematic global equity fund a smart beta global equity fund focussed on companies with strong ESG profiles and those that have improved

Voting activity	<p>Number of votes eligible to cast: 21,248</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 88%</p> <p>Percentage of votes against management: 12%</p> <p>Percentage of votes abstained from: 0%</p>
Most significant votes cast	The Manager did not report significant votes at the time of writing this report.
Use of proxy voting	Please see Appendix.

Section 3: Summary and conclusions

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

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

For the Infrastructure, Robeco and Adaptive Capped mandates, the manager also employs Hermes EOS, which provides an engagement-led intelligent voting recommendation service, involving communication with company management and boards around the vote to ensure that voting recommendations are well informed and include engagement insights where possible. EOS undertakes detailed research into the particular circumstances of each company and the items on the general meeting agenda prior to recommending votes on its clients' shares. EOS, and therefore SSgA, subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.