

HUMAN RESOURCE PHILOSOPHY

**ANALOG
DEVICES**

Preface

At Analog Devices we view business as a human process, the ultimate goal of which is to satisfy the needs and aspirations of the people associated with the firm—primarily our employees, our customers and our stockholders.

The purpose of our Human Resource Philosophy is to describe our management principles and style and to establish certain policies which we believe will help all our employees to achieve their needs and aspirations as they work to achieve our Corporate goals.

The environment which grows from our Human Resource Philosophy has a great bearing on our individual and Corporate success. Our goal is to maintain an environment in which each person feels affiliated with honest, interesting and helpful people, engaged in worthwhile and challenging tasks, achieving results for which they are proud, recognized and rewarded—an environment in which each person's capabilities are challenged and occasionally exceeded, thus stimulating and directing the development process.

A handwritten signature in dark ink, appearing to read "Ray Stata". The signature is fluid and cursive, with the first name "Ray" and last name "Stata" clearly distinguishable.

Ray Stata
President

Human Resource Challenge

The major challenge in achieving our Corporate objective for growth and market leadership in the dynamic high technology industry is to attract, develop, motivate and retain competent people. Thus success and accomplishments of the Company will be determined by the personal success and accomplishments of its individual employees. The first premise of our Human Resource Philosophy rests on the recognition that employees' personal goals and Company goals are closely related and must support each other.

The primary goals of our employees are related to their needs for security, safety, purpose, affiliation, autonomy, recognition, and the realization of one's full potential. Our Corporate objective and policies encourage and assist our employees in achieving their personal goals as they assist the Company in achieving its goals.

Beliefs About People

Our human resource strategies and policies are based on certain beliefs about people. To achieve the mutual understanding, trust and confidence which is so vital to our success, we must select people who share common beliefs about themselves and about each other and who encourage behavior that is compatible with these beliefs. Here are some of these beliefs which we wish to consciously reinforce and perpetuate at Analog Devices.

People are honest and trustworthy and should be treated fairly in an environment of mutual trust, respect and confidence.

People respect and expect honesty and integrity in others.

People derive the greatest satisfaction and perform best when they feel a sense of purpose, direction

and dignity in their work and when they clearly understand what results are expected from them.

People are most satisfied when working to their fullest capability and potential.

People will seek the most efficient and effective way to do their work when encouraged to do so and when recognized for their achievements.

People want a hand in determining how their job is done and they prefer to be stretched and challenged rather than be shielded from responsibility.

People want to be held accountable and want others to be held accountable when they have confidence that all concerned will be treated fairly and with compassion and concern.

People want an environment where promotion and rewards are based on a factual record of performance against explicit goals and objectives rather than on the basis of subjective opinion or on a person's "potential."

People respond to positive, enthusiastic leadership based on purpose, commitment and confidence. They are turned off by a prevailing attitude which is ambiguous or negative.

People learn and develop judgment by making mistakes and will run the risk of being wrong if they know that a reasonable level of mistakes is considered natural and healthy.

People want to know what is going on around them and why. They have confidence in a company and its management if it communicates frankly and openly with them.

Management Style and Climate

Management style at Analog Devices grows from our beliefs about people and from a need for flexibility dictated by rapidly changing technology and conditions in the markets we serve.

Management has the responsibility to centrally define and communicate objectives and policies and to allocate resources to the Company's most promising programs. But having done so we then give people the freedom to work toward these goals in ways they think are best in their area of responsibility. Decisions are decentralized and delegated as far down in the organization as possible. While managers are responsible for decisions, they are required to consult with subordinates on decisions which affect them. We encourage each individual to set objectives and to plan their work; then we judge performance against plans which are mutually negotiated with their supervisor. We want people to be aggressive and to take risks where appropriate and, therefore, we acknowledge that mistakes are a part of the learning process.

The management climate at Analog Devices emphasizes concern for each person as an individual and places a high value on individual judgment and on commitment to achieving mutually negotiated goals. While acknowledging the necessity for policies, procedures, and basic management control systems, we attempt to hold these to a minimum and invest more effort in developing sound human judgment. This reflects our belief that individual judgment is generally more reliable than rules and regulations.

We respect different points of view and encourage our employees to speak out and to influence one another in reaching the best decisions. Power to influence decisions is as much based on judgment, experience and competence as on position in the organizational structure. The resolution of differing viewpoints is a process of mutual education.

Although we stress individual freedom and autonomy in deciding how to achieve Corporate goals, our strength is derived from individuals on all levels working together toward common goals. We welcome discussion and are tolerant of conflict during periods in which goals

are developed but once these goals are agreed upon, it becomes a primary responsibility of managers and supervisors to develop an understanding of and a commitment to common Corporate goals and to minimize conflict and promote cooperation among groups within the Company.

A prerequisite for promotion into management and supervisory positions is a positive and enthusiastic attitude toward one's self as well as toward the Company and the ability to inspire this enthusiasm in others. Not only do we wish to achieve our personal and Corporate goals, but also in the process to make work at Analog Devices an enjoyable and challenging experience which recognizes and rewards achievement.

Organizational and Career Development

Organizational development and career development are two sides of the same coin. Our organizational strength will be measured by the degree to which individuals in the Company develop toward their full potential. Thus, Analog Devices is committed to positive action in encouraging all employees to plan and develop their careers.

Planning is the foundation of organizational and career development. We must think well ahead to anticipate and to satisfy the organizational needs of the Company and the personal needs of each individual. Planning is a process by which we as individuals and as a Corporation become what we want to become.

Growth is an essential element of organizational development in our industry. Talented people are attracted by companies which provide substantial opportunity for personal advancement. Moreover, growth environments present greater challenges and requirements for personal career development.

Successful organizational development pivots on our ability to attract capable and talented people to the Company. Our emphasis on promotion from within dictates that we hire people early in their careers and that we establish an environment in which they can

grow and develop. For this to occur, in selecting and rewarding managers we emphasize that the development and motivation of subordinates is a primary management responsibility.

The most important aspect of career development is on-the-job training that involves challenging assignments which stretch capability and demand performance. The role of the supervisor is to counsel, coach and lead; to act as mentor in developing knowledge and skills. Position descriptions, performance standards, performance appraisal against objective goals, and the latitude to make decisions are some of the career development tools we use. We must commit to a system of job rotation to accelerate and broaden the development process.

On-the-job training is supplemented with formal outside education and seminars in functional disciplines and management principles. Contact with other business and professional organizations is encouraged to bring new perspective and ideas to Analog Devices.

Our growth depends on a continuous stream of innovative, new products which in turn depends on a creative, motivated technical staff. To encourage our technical staff to continue to develop their careers, we provide opportunity, recognition and rewards for individual technical contributors that are commensurate with those in management.

To the greatest extent possible we try to adapt our organizational structure to fit the strengths and weaknesses of our people rather than to try to change our people to fit the organizational structure.

Human Resource Policies

We wish to keep the number of Corporate policies to a minimum and to rely on individuals to make good decisions. But everyone must recognize the necessity for certain policies to govern behavior that is consistent with our Corporate objectives and culture. Where we establish Corporate policies we expect strict adherence to them at all times at all levels. But we also encourage

recommendations from employees to change and improve our policies.

Here is a summary of the important policies related to human resource management.

We reward each employee according to his/her level of performance and contribution to the Company. An individual's total cash compensation is determined by considering that individual's performance, the range for that job, and the pay of peers. We position our ranges above the average for the marketplace.

We share the Company's success with our employees through a variety of programs such as stock purchase, bonus plans, The Investment Partnership or other long term savings/retirement programs.

We provide equal opportunity for employment and advancement for all employees regardless of their sex, age, handicap, religious creed, racial background or national origin. We take positive action to seek minorities and disadvantaged groups and encourage and guide their progress.

Our commitment to job security is emphasized by planning our business for long-term market opportunities, thus avoiding the hiring of people for short-

term cyclical demands only to lay them off later.

Prerequisites for promotion and progress in management and supervisory careers are positive and enthusiastic attitudes toward one's self and toward the Corporate objective, and conspicuous evidence of success in the development of subordinates.

We select the most capable individual for each assignment, while stressing the importance of promotion from within.

We provide opportunity for all employees to enhance their knowledge and capability. While we guide people in their career development, each person must take initiative to be ready for advancement as opportunities arise.

We require that supervisors consult with subordinates in setting goals and in making decisions that affect them.

We provide opportunity, recognition and rewards for careers as individual technical contributors that are commensurate with careers in management.

We set high ethical standards for our behavior and decisions and require strict compliance to applicable laws and regulations.