

Sensient Technologies (UK) Pension Scheme

**Statement of
Investment Principles**

1. Introduction

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the Sensient Technologies (UK) Pension Scheme (the "Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Scheme (Investment) Regulations 2005.

In preparing this Statement the sponsoring employer has been consulted and appropriate advice has been taken from a suitably qualified individual.

The Scheme is a Defined Contribution (DC) scheme governed by a Definitive Trust Deed and Rules dated 24 September 1993, as subsequently amended by deeds of amendment.

This Statement replaces all other versions and addenda.

2. Decision Making

The Trustees take decisions as a complete body and meet regularly to discuss the investment choices. If required to do so, further meetings will be had to ensure a proactive and efficiently run investment strategy.

Appropriate advice is taken before investment choices are offered to members. When necessary, Trustee training is undertaken to ensure that Trustees have an appropriate level of knowledge and understanding.

Details of advisers and their remuneration can be found in the appendix to this document titled 'Investment Managers and Advisers'.

3. Setting Objectives

The primary objective of the DC section is to ensure there is sufficient member choice whilst adhering to the requirement for a 'default' arrangement. To meet this objective, the Trustees aim to provide an adequate fund range to meet most members' risk/return requirements, whilst appropriately selecting the default arrangement from potential strategies.

The secondary objective is to ensure that the funds on offer are cost effective solutions.

The Trustees provide a default 'lifestyle' option for members who are unable, or would prefer not to, manage their own choices. Details of this lifestyle strategy can be found in the Appendix C to this document titled 'Investment Managers and Advisers'.

Fund manager objectives are set with reference to appropriate risk levels.

4. Member Options

The Trustees have agreed to provide both two lifestyle strategies and a freestyle strategy to members.

The default lifestyle strategy will automatically switch members from a "Growth Strategy" into Cash over a period of five years. An annuity lifestyle strategy is also available which will automatically switch members from a "Growth Strategy" into a "Bond Strategy" and into Cash over a period of seven years.

- The goal of the Growth Strategy is to invest in assets that provide a return linked to economic growth and in excess of inflation, in an attempt to grow the real value of a member's pension pot up to retirement.
- Within the annuity lifestyle, the goal of the Bond Strategy is to provide some protection from changes in the price of annuities as a member approaches retirement, i.e. to protect the purchasing power of the pension pot.
- Cash protects the value of tax free cash taken at retirement.

The freestyle strategy allows members to select from any of the lifestyle funds plus further funds that the Trustees make available.

Additional Voluntary Contributions may be paid into any of the funds available for regular contributions.

The fund managers appointed within each of these strategies, and the structure of these strategies, are set out in Appendix C to this document titled 'Investment Managers and Advisers'.

The Trustees considered additional lifestyle strategies following updated pensions freedom legislation, with the decision taken to modify the default lifestyle on the assumption that the majority of members will take a cash element at retirement, but without making assumptions on how members will use the balance of their funds – rather creating a “base” for members to choose the option most appropriate to their needs. A previous default strategy is available as an option for members still wishing to purchase annuities at retirement.

5. Risk Reduction

The Trustees have identified a number of investment risks, which they aim to address through the funds offered to members. Members are provided with a broad indication of the relative risks between different funds being offered to assist with their decision-making process. The following provides an outline of the major risks and how they are considered:

Stock Specific Risk

The Trustees delegate the day to day selection of stocks to the fund managers, who diversify across a wide range of stocks within a portfolio.

Fund Manager Risk

Fund managers may underperform benchmarks. For this reason, the Trustees have selected passive fund managers for a number of the strategies available, including the fixed income phase of the lifestyle strategy.

Equity Market Risk

Concentration in equities and particularly regional equities presents an investment risk. The Trustees have provided a diversified fund that invests in a wide range of growth assets, including equities, hedge funds, private equity, high yield and property, to reduce the concentration in equity markets. This fund is available to members either as a standalone choice or as part of the growth phase of the lifestyle strategy.

ESG Risk

The Trustees recognise that ESG factors represent a financially-material risk to meeting long-term investment objectives, and factor this into the selection, retention, and realisation of fund managers and passive indices.

Inflation Risk

There is a risk that inflation erodes the real value of a member's pension pot. The Trustees provide a number of fund choices that aim to beat inflation over the long term, including the diversified fund that is part of the lifestyle strategy.

In addition, as members approach retirement there is an option to invest in an Index linked gilt fund that will provide a broad match for inflation linked pensions in retirement.

Annuity Risk

As members approach retirement there is a risk that investment choices do not move in line with annuity prices. The Trustees have provided a gilt fund, which is a broad match to annuity prices, as part of the lifestyle strategy choices, and also an index-linked gilt fund for inflation linked pensions.

6. Fund Manager Selection, Retention, and Realisation

Fund managers are selected following consultation with advisers.

Both passive and active mandates will be considered, depending on the efficiency of the market being invested in.

Fund managers are selected on their ability to deliver future net performance in line with their mandate and so fees are not the primary driver of selection. However, the Trustees look to ensure that the most cost-effective solutions are considered.

Within the Scheme's lifestyle strategies, the Trustees consider their fund managers' approaches to environmental, social and governance (ESG) issues, alongside other factors which may be considered financially significant.

Particularly, the Trustees consider how the managers' approaches will safeguard sustainable long-term returns within the default and other lifestyle arrangements, recognising that ESG factors including climate change can materially affect the risk-adjusted performance of investments over their members' investment time horizons. Whilst this has not restricted the Trustees to select only fund managers who display strong ESG principles, it forms part of the ongoing monitoring and decision-making process on selection, retention, and eventual realisation or change of manager.

The Trustees are not aware of any strong views within the membership which would lead to the inclusion of non-financial matters in the selection of investment managers within the default strategy, and as such non-financial matters are not currently considered.

If it became apparent that there was a strong desire from Scheme members for an ethical investment choice, then the Trustees would consider selecting an appropriate fund and including it within the 'freestyle' investment options. As part of this process, the Trustees would consider any minimum fund requirements applied by the investment managers'

In addition, the Trustees consider how to incentivise the Scheme's investment managers to align their investment strategy with the Scheme's policies on financially significant factors, including ESG factors. Given the Trustees are not restricting any types of investment purely on those grounds, preferring to engage with and monitor the managers' strategy, incentivisation is driven by their, and their advisers, engagement with their managers in relation to financially material factors. If the manner in which a manager was engaging with

these issues was deemed insufficient, the Trustees would discuss this with the manager and potentially remove the fund.

The Trustees believe that momentum within the pension industry on ESG factors will help them engage with managers on these issues and indeed help them clearly explain and incentivise the manager, alongside other pension investors.

A full list of the fund managers and their mandates can be found in the appendix to this document titled 'Investment Managers and Advisers'.

7. Principles for Investment Governance of DC Work-Based Pension Schemes

The Trustees undertake to assess the Scheme on an annual basis against the Principles for Investment Governance of DC work-based pension schemes.

Starting in 2020, the Trustees will annually review implementation of the principles set out in this Statement.

8. Performance Monitoring

The Trustees will review the funds included in the default arrangement on an annual basis.

Fund managers are monitored over the long term and it is accepted that, given many of the mandates in place, short term volatility may be experienced.

Expected returns will vary in line with the underlying investment strategy of each manager, across both passive and active funds.

The key measure of success of the Trustees' decisions and the advice given is through the performance of the funds available to members.

9. Transparency

Information is available to members, including this Statement which is available online. It is the Trustees' aim to be transparent and free from conflicts as fiduciaries to the Scheme.

From time to time "member surgeries" are held, providing the opportunity for active members to request specific information.

10. Effective Stewardship

The Scheme invests exclusively in pooled investment vehicles, and as such the Trustees are not able to vote or engage individually with the companies in which they invest through their fund managers.

Therefore, the day to day exercise of effective stewardship is delegated to the Scheme's fund managers.

Nevertheless, should the Trustees for any reason be called on to vote on a particular matter, they will do so in the best interests of the Scheme's members.

As part of their annual oversight review of lifestyle strategy managers, the Trustees take into consideration the engagement activities of those fund managers including exercise of rights. The Trustees may engage directly with their fund managers should they have concerns on the stewardship activities being undertaken on their behalf.

11. Compliance

The aims, objectives, and policies described in this Statement are intended to ensure that DC assets are invested in the best interests of the members and beneficiaries, taking into account all financially significant factors, including ESG.

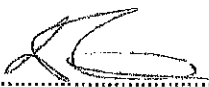
This Statement has been drawn up with reference to current legislation and best practice. It will be reviewed annually and following any significant changes to the sponsoring employer's ability, or willingness, to support the Scheme or significant changes to the Scheme's profile.

The Trustees comply with Myners' principles for DC schemes as they feel appropriate.

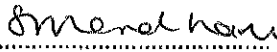
Date 11/09/20

Signed on behalf of the Trustees by

Name Kenneth Orledge

Signed 

Name SUSAN MENDHAM

Signed 

Appendix A – Authorised Advice

In my capacity as investment adviser to the Scheme, as an investment adviser with Gatemore Capital Management LLP, and as an Approved Person with the Financial Conduct Authority, which authorises me to give investment advice under the Financial Services and Market Act 2000, I am pleased to provide you with written investment advice. This advice refers to the suitability of the Investment strategy as set out in the Statement of Investment Principles for the DC Section of the Scheme.

In my professional opinion, the investment options currently in place are broadly appropriate to a Defined Contribution pension fund and my understanding of both the Trustees' and Sponsoring Employer's objectives, and are consistent with the principles set out in this Statement.

The Trustees regularly review the investment options, taking into account industry developments.

Date

Name

Signed

Appendix B – Company Consultation


As the sponsoring employers of the Scheme, we are required to confirm that we have been consulted about the Scheme's investments.

We confirm that we have been involved in discussions with the Trustees surrounding the investments.

We have therefore been consulted and understand the contents of this Statement.

Date 15/9/20

Name NICOLA LAROYA

Signed 

For and on behalf of Sensient Colors Limited

Date 11-SEP-20

Name MIKE GEORGE

Signed M. E. George

For and on behalf of Sensient Flavors Limited