SENSIENT TECHNOLOGIES UK PENSION SCHEME IMPLEMENTATION STATEMENT

December 2022

This is the second Implementation Statement produced by the Trustees of the Sensient Technologies UK Pension Scheme ("the Scheme"). It relates to the Scheme year ended 30 June 2022. During the period the 2020 Statement of Investment Principles ("SIP") was in place. This Implementation Statement is assessed against the latest SIP.

The policy is to provide information on activity through the year and how that fits with Trustee policies and beliefs, particularly with regard to voting and ESG.

We expect this to evolve over time as more information becomes available and best practice develops.

For this statement, the Trustees have been receiving information from their advisers in respect of portfolio activity. The Trustees are confident that the stewardship and engagement policies as set out in the 2020 SIP were followed.

Statement of Investment Principles

Policy	Review	Actions
SIP reviewed on significant events and no less frequent than triennially.	The SIP was updated in 2020 and no updates were made since.	A review will likely occur in 2023

Investment Strategy

Policy	Review	Actions
The Scheme has a default lifestyle with a number of self-selection fund options available to members	The strategy has not been changed since 2018 but Trustees have discussed the default lifestyle in annual meetings, deciding no changes were needed.	

ESG Policy

Policy	Review	Actions
Policy reviewed at least annually	ESG policy was revised in 2020, no changes have been made since but Trustees discussed ESG policy developments during the year and in the post year trustee meeting. It was noted that changes might be made in 2023 given changes in regulation.	Make changes to ESG policy as needed to reflect changes in regulation.
Engagement with Sensient (Sponsor)	Discussion has been had with the sponsor and they were content with the policy and beliefs added in the latest SIP.	None
Reporting on ESG implementation and developments	The Trustees' advisers have included ESG manager reviews in their annual report including information on voting and stewardship policies of each of the funds, where information was available. All actively managed Funds provide some level of reporting in their factsheets.	N/A

Engagement with Fund Managers

It should be noted that all investments are via pooled funds and the consultant supplies ESG information in annual reporting. No new funds were added, but ESG and Stewardship will feature highly in the decision making of any potential new funds.

Policy	Review	Actions
Managers are appointed for the long term	There were no changes in the managers used by the scheme during the year.	N/A

Annual review of ESG and climate change	All fund managers in the portfolio have been asked to respond on the impact of climate change on their portfolio and their integration of ESG into their investment processes. All managers responded in one form or other, with information becoming more readily available. Managers have started to provide information relating to the Task Force on Climate-related Financial Disclosures' (TCFD). Where available that information has been reviewed by the Trustees. All of the scheme's managers now consider ESG factors in the investment process, albeit with different approaches. It is noted that some of the passive strategies are less able to implement ESG factors into their process given the prescribed investment strategy. Examples of the policies of some of the managers are detailed below. <u>LGIM</u> LGIM have provided a detailed Active Ownership report detailing the work they are doing with regulators, governments and investors in the ESG arena. LGIM are also one of the key fund managers targeting net zero carbon portfolios by 2050 and have built a proprietary climate scenario model to analyse risks associated with rising temperatures. One key conclusion was that equity and debt benchmarks may be aligned with dangerous 3 degree temperature rises, and focus needs to be on how best to avoid this. Within the business they have a large team dedicated to ESG activity, with ESG fully integrated into their investment	Manager made progress on reporting on ESG issues during the year, and this additional information has been reviewed by trustees, this process should continue in coming years. Within broader ESG, managers have provided good information, but we will continue to engage with Fund manager via our advisors to ensure ESG integration evolves as industry practices evolve.

	process. There is also a Responsibility Investment Group within the business which steers LGIM's strategy on ESG. Within the passive strategies, the focus, as is to be expected, is on engagement and voting. <u>Schroders</u> Schroders have provided detailed information on their policy and voting practices, including on climate change. They also set out detail in the quarterly investment reports. The manager assigns either a 'screened', 'integrated' or 'sustainable' rating to their funds. The former refers to funds that screen out exposure to cluster munitions, anti-personnel mines and biological and chemical weapons. Funds that fall under the 'integrated' category must systematically consider ESG factors as part of their fundamental analysis. Analysis of ESG factors must be clearly evidenced. Managers of 'sustainable' funds must ensure that portfolio companies are best-in-class and the most sustainable companies possible, therefore ensuring that sustainability is a cornerstone of the investment process. The system is not mutually exclusive, meaning a fund may fall under more than one category. They have a thematic focus on companies involved in clean energy systems, investing in line with the transition to lower carbon. More recently Schroders have adjusted their 30 year asset class return and risk forecasts to allow for the impact of climate change based on the physical cost, transition cost and impact of stranded assets from rising temperatures. One	

	conclusion is that warmer countries, which tend to be in emerging markets, will fair worse than cooler countries. Finally, Schroders has analysed company disclosures in line with the TCFD, which in turn is influencing their engagement process. <u>Schroders DGF</u> The portfolio is compiled of funds which mostly meet ESG factors where 39% integrate these factors, 38% have a sustainable objective and 6% have impact goals. Only 6% of the portfolio does not integrate the ESG factors. Schroders DGF has a portfolio which aims to help towards climate change and exposes itself to 107 scope 1 and 2 tons CO2e per $m revenue in comparison to the benchmark which is exposed to 184 tons. Further, the fund contributes to 33% less tons of CO2 per million invested compared to the benchmark's 72 tons per $m. <u>Schroders DMAF</u> Apart from the 25% of this portfolio delegated passively or as cash, all remaining 75% of the portfolio integrates some aspect of the ESG factors. 61.8% is considered sustainable and thus maintaining a positive sustainability score relative to the comparator, 9.6% integrate ESG factors and 3.6% contribute towards impacts goals. Impressively, the fund is responsible for 63 tons of CO2e per $m revenue in comparison to the benchmark's 176 tons. Also, the portfolio produced 50% of the CO2 produced per million invested compared to the benchmark.	

	<u>GAM</u> GAM have supplied their ESG and voting policies which are set out in detail, particularly around what is expected within good governance at portfolio companies. They also have a well written policy setting out their approach to engagement. Finally, they have an exclusion policy setting out securities which are excluded outright in actively managed portfolios due to manufacturing of certain armaments. GAM have a proprietary tool representing their ESG framework sitting alongside their financial analysis, allowing them to assess ESG factors from both a bottom-up security selection and top-down portfolio level. The Fund was given a score of A+ by the United Nations Principles of Responsible Investment, which the manager is a signatory of.	
Incentivisation of mangers with respect to ESG	The investment in pooled funds is restricting this but the Trustees' advisers are looking at this as part of the industry wide work being done.	Continue to monitor and engage with manages as needed, noting that managers are continuing to improve engagement an reporting on these issues.
Fund costs to be reviewed, with value for money a key consideration	A review of the funds costs and value for money was undertaken recently for the Chair's statement. It was agreed that all funds offer value for money in the context of their strategies.	Continue to push managers on fund costs and transparency

Stewardship Policy: Voting and Engagement

All investments are made using pooled funds. The Trustees therefore do no vote or engage directly with underlying investments nor do they use voting proxy services but they do engage with their managers via their advisers on these subjects.

Policy	Review	Actions
Managers are expected to engage and influence the companies in which they invest.	All managers have been asked to report on their stewardship and voting activity, which is summarised below. <u>LGIM</u> LGIM use ISS's proxy voting system which votes in accordance with LGIM's policy, or they can overwrite a vote with a preference. No voting is therefore outsourced. Within the World Emerging Markets Equity Index Fund (to June 2022), the following statistics have been provided: • Voted at 99% of 4,176 meetings where eligible to vote, on 35,160 resolutions. • 19% of votes were against management. • LGIM highlighted a number of significant votes where they voted against management. The top ten were dominated by votes against election of certain directors across a variety of companies such as Alibaba, China Construction Bank Corp and Industrial & Commercial Bank of China Limited. <u>Schroders</u> Overall, the manager will look to vote in line with fiduciary responsibilities. Where appropriate, Schroder will also engage directly with portfolio companies across their underlying strategies in the DGF and in the DMAF. They will typically engage for one of three reasons: - Seek improvement in performance and process to enhance value - Monitor ESG practices, business strategy and financial performance - Enhance analysis of risks and opportunities This is typically done via - One-to-one meetings - Written correspondence - Phone calls - Discussions with company advisers	Continue to monitor and assess the voting and engagement activities.

- Voting
- Collective engagement with other investors

Schroders Diversified Growth Fund

The manager undertook 864 engagements with management teams, discussing 996 topics, of which 76% concerned governance, 15% were on social factors, and 9% were on the environmental aspect of the business. Voting, remuneration, board structure, diversity and climate change were the top 5 engagement topics over the 12 months to 30th June.

The below table details voting carried out in the 12 months to 30th June 2022.

Number of meetings eligible to vote at	1,590 meetings	% of resolutions	
Number of resolutions eligible to vote on	18,051 resolutions		
% of resolutions voted on which we are eligible	95.9%	Voted with management	89.2%
% of meetings, in which we voted, that we voted at least once against management	47.4%	Voted against management	10.3%
Number of equity holdings as of period end	1,099	Abstained from voting	0.4%

Source: Schroders as at 30 June 2022 for the Fund.

Schroders DMAF

The manager undertook 7068 engagements with management teams, discussing 880 topics, of which 76% concerned governance, 14% were on social factors, and 11% were on the environmental aspect of the business. Voting, board structure, climate change, remuneration and diversity were the top 5 engagement topics over the 12 months to 30th June.

The below table details voting carried out in the 12 months to 30th June 2022.

Number of meetings eligible to vote at	1,590 meetings	**% of resolutions**	
Number of resolutions eligible to vote on	18,051 resolutions		
% of resolutions voted on which we are eligible	95.9%	Voted for management	89.0%
% of meetings, in which we voted, that we voted at least once against management	47.4%	Voted against management	9.8%
Number of equity holdings as of period end	777	Abstained from voting	0.4%

Source: Schroders, 30 June 2022. Equity voting record summary for the equity holdings in Schroder Life Sustainable Future Multi-Asset Fund.

GAM

The manager is also an active owner of assets, holding regular engagement meetings with the management teams and boards of portfolio companies. Active voting at shareholder meetings, the monitoring of issuers, holding relevant parties to account on material issues, and being transparent about activities.

Over the period of 12 months to 30th June 2022, the manager voted at all 58 votable meetings and voted against management on 67% of the votes.