Sensient Technologies (UK) Pension Scheme (the Scheme)

Chair's Statement for the Year Ending 30 June 2022

INTRODUCTION

This statement has been prepared by the Trustees of the Sensient Technologies (UK) Pension Scheme ("the Scheme") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Regulations") 1996. It explains how the Trustees have met their obligations in relation to the management of the Scheme over the period 1 July 2021 to 30 June 2022 ("the Scheme Year").

In line with the Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 ("the 2021 Regulations"), the Trustees have assessed the extent to which they believe the Scheme provides Value for Members, the results of which are set out in this statement.

A copy of the Scheme's latest Statement of Investment Principles is attached to this statement (see Appendix B).

THE DEFAULT INVESTMENT STRATEGY

The Trustees have over the last few months formally reviewed the default lifestyle investment strategy.

The strategy reflects evidence that fewer Scheme members purchase annuities when they retire and is based on advice from our advisers, Isio. The strategy is designed to maximise the growth potential of a member's Retirement Fund until 5 years before Normal Retirement Age. Contributions are invested in **Schroders' Sustainable Future Multi-Asset Fund**. From then on, new contributions and existing assets are transferred into Legal and General's Cash Fund so that by Normal Retirement Age, assets are split 75% in the Sustainable Multi-Asset Fund and 25% in the Cash Fund. This assumes that the majority of members will want to take the maximum tax-free cash when they retire but makes no assumptions regarding what they will do with the balance of their fund.

The Trustees concluded that the strategy remains appropriate and will carry out another formal review in 2024.

The default strategy is communicated to members in the Investment Guide, issued to them on joining, and in the Annual Newsletter. The Statement of Investment Principles (SIP) also refers to the strategy and its aim and objectives. A copy of the (SIP) is attached.

FREESTYLE INVESTMENT

Whilst many members invest in the Scheme's default investment strategy, they may also choose to devise their own strategy. They are free to invest in the funds that comprise the default but may also invest in the following funds:

- GAM's Disruptive Growth Fund
- Legal & General's Over 5 Year Index Fund
- Legal & Generals World Emerging Markets Equity Index
- Schroder's Diversified Growth Fund

NET INVESTMENT RETURNS

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new disclosure requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustees calculated the return on investments, as far as they were able to do so.

Below are the annualised net investment returns to 30 June 2022 for the Scheme's Funds.

Investment Options	Fund Manager	Annualised Returns (%)	
		1 year	5 years
Sustainable Future Multi – Asset Fund	Schroders	-8.25	2.03
Over 15-year Gilt Index Tracker	Legal & General	-22.93	-1.66
Cash Fund	Legal & General	0.19	0.32
Disruptive Growth Fund	GAM	-23.84	-0.81
World Emerging Markets Equity Index Fund	Legal & General	-11.1	4.73
Over 5-year Gilt Index Tracker	Legal & General	-19.8	-0.75
Diversified Growth Fund	Schroders	-7.01	2.99

CHARGES AND TRANSACTION COSTS

The section above includes the investment returns once the impact of costs and transaction costs charges has been taken out. This section outlines the cost and transaction charges applied by the investment managers.

Fund	Total Expense Ratio %	Transaction costs %	Total Charge %
Schroders Sustainable Future MAF	0.29	0.22	0.51
Schroders DGF	0.53	0.36	0.89
GAM Disruptive Growth	0.74	0.05	0.79
LGIM			
World emerging markets	0.45	0.000337	0.4503
Over 15-year gilts index	0.1	0.001453	0.1014
Over 5-year index-linked	0.1	0.000156	0.1252
Cash	0.125	0.000246	0.13

IMPACT OF CHARGES AND TRANSACTION COSTS

Disclosure regulations require the Trustees to illustrate the potential impact of charges and transaction costs on the value of Members' Accounts (pot size). To do this, we have to make a number of assumptions. For this Chair's statement the assumptions are as follows:

- The starting pot size is £30,000
- Contributions are assumed to be £3500 per annum increasing by 4% each year
- The time period for the projections are from age 20 to age 65, a period of 45 years, this representing the investment term for the youngest Scheme member, and from age 46 to 65, a period of 19 years, this representing the investment term based on the average age of Scheme members
- Inflation is assumed to be 2.5% each year
- The assumed gross investment returns are those used in the Scheme's Statutory Money Purchase Illustrations as at 1 July 2022.

Fund	Gross Investment Return %	Net Investment Return %
Schroders Sustainable Future MAF	4.32	3.81
Schroders DGF	4.7	3.81
GAM Disruptive Growth	5.73	4.94
Legal & General		
World Emerging Markets	5.73	5.28
Over 15-year Gilts Index	2.73	2.63
Over 5-year Index Linked	2.73	2.60
Cash	1.25	1.12

Based on the above the results are as follows:

Projected pension pot at age 65 in today's money				
	Youngest member (age 20)		Average age member (age 46)	
Fund	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
GAM	£561,566	£452,555	£155,023	£140,629
World Emerging	£561,566	£496,020	£155,023	£146,626
Over 5 year Index	£261,294	£255,393	£107,949	£106,697
Over 15 Year Gilts	£261,294	£255,335	£107,949	£106,685
Cash	£189,783	£185,058	£91,104	£89,834
Sustainable multi asset fund	£385,161	£338,587	£130,483	£122,718
Disruptive Growth Fund	£424,531	£338,098	£136,547	£122,632

Value for member assessment

As the Scheme has total assets of below £100m, under the 2021 Regulations, the Trustees are required to carry out a more detailed Value for Member assessment. This includes using three comparator schemes for the purpose of comparing the costs and charges and net performance returns of the Scheme with other larger DC schemes.

The comparator schemes chosen include a bundled DC arrangement and an unbundled DC arrangement, both with DC assets in excess of £100m. The third comparator is a Master Trust arrangement capable of taking on the benefits and assets of the Scheme.

The costs and charges and net investment returns of the Scheme and those of the comparator schemes chosen are set out in the Appendix A to this Statement.

The Appendix highlights that higher charges are applied to members policies within the Scheme than the comparator schemes in terms of the Default Investment Strategy. The charges for Aviva's master trust, which would accept the Scheme should it be wound up are significantly lower

In addition, the net Investment returns of the Default Investment Strategy of the Scheme are below the returns of the comparator schemes over the periods assessed. Again Aviva's master trust has generated better returns.

In addition to the financial measures set out above, the Trustees are required to consider the quality of the Scheme's governance and administration against the following metrics:

1. Promptness and accuracy of core financial transactions
2. Quality of record keeping
3. Appropriateness of the default investment strategy
4. Quality of investment governance
5. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively
6. Quality of communication with scheme members
7. Effectiveness for management of conflicts of interest.

In this regard items 3 and 4 are effectively covered via advice received from the Scheme's investment consultant Isio, training sessions where required and discussions at each Trustees' meeting.

Regarding items 1,2 and 6 the Trustees have delegated the provision of administration services to Isio.

A Service Level Agreement is in place with Isio. The agreed timescales for the key transactions are as follows:

Transaction	**SLA**
Investing contributions	2 days from fully validated monthly data
Processing disinvestments	2 days from request
Processing Retirements	Within 5 days of receiving required member documentation
Processing Investment Switches	3 days from request
Processing Transfers-Out	5 days from date member confirms that they wish to transfer
Issuing Annual Benefit Statements	Within 6 weeks of statement date/resolution of data queries

The overall service target is to complete 95% of all tasks within the above timescales.

On a quarterly basis Premier Pensions provide the Trustees with a Stewardship Report which includes details of performance against the SLA. These reports are reviewed at Trustees' meetings. The report also records the promptness of the payment of contributions and Isio have chasing procedures in place where payment deadlines are approaching.

From an overall record perspective, the Stewardship reports compare the number of total numbers of member units and values held on Isio's record keeping system to the total units and values held by the respective investment managers. Differences are negligible

A standard suite of member communication material is prepared by Isio which complies with the requirements of the plain English campaign.

With regard to trustee knowledge and understanding the law requires the Trustees to possess sufficient knowledge and understanding to enable them to properly exercise their functions as a trustee including (in relation to a DC scheme) that they must be conversant with:

- The trust deed and rules of the scheme.
- The statement of investment principles.
- Any other scheme administration policies or scheme documents.

And must have appropriate knowledge and understanding of:

- The law relating to pensions and trusts.
- The principles relating to:
- The funding of occupational pension schemes.
- Investment of the assets of such schemes.

All Trustees are aware of the Pensions Regulator's trustee toolkit and are encouraged to complete it. In addition to the trustee toolkit the Trustees receive periodic training on specific issues at Trustees' meetings, occasionally attend external courses and are provided with regular updates on a monthly basis of topical issues affecting occupational pension schemes. Relevant issues requiring the Trustees specific attention are addressed either at meetings/conference calls or by email circulation.

Trustee training is formally recorded in a Trustee Training Log.

Regarding conflicts of interest given that this is a DC scheme conflicts rarely occur but if a conflict arises it is declared, and a decision taken on an appropriate course of action including excluding the conflicted trustee from any discussions on the matter in question.

Overall, the Trustees are satisfied that the Scheme effectively meets the governance and administration requirements.

Regarding the overall assessment of value for members the Trustees have concluded that the Scheme does not provide value for members overall relative to the comparator schemes. The Trustees are, therefore, currently reviewing the position with a view to potentially winding-up the Scheme and moving members to an arrangement that offers better value. This is likely to be a master trust arrangement, potentially Aviva's, as terms have already been obtained.

Signed for and on behalf of the Trustees of the Sensient Technologies (UK) Pension Scheme by

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Ken Orledge Ken Orledge……………………………….. Date 30-01-2023………..

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APPENDIX 1 - ILLUSTRATIONS OF THE COSTS AND CHARGES AND NET INVESTMENT RETURNS INCLUDING COMPARISON AGAINST THREE COMPARATOR SCHEMES

Background
The next pages provide comparative information about the costs and charges applied by the Scheme's fund managers and those of the three comparator schemes. Net investment returns are also shown.

More information is provided for the default fund as most members invest in this fund. Impacts for members aged 55, 45 and 25 are shown. It should be noted that the structure of the default funds is different and as such it is to be expected that the returns are different. The structures are as follows:

Scheme Default Sustainable Multi-Asset Fund until age 60 with phasing into 25% cash over five years to age 65.

Lloyds A combination of equity and multi-asset funds until age 55 phasing into 30% gilts over ten years to age 65.

Wood A combination of growth and diversified growth funds until 3 years before normal retirement age with phasing into 25% cash at normal retirement age.

Aviva A managed/multi-asset fund until age 55 with phasing into a more defensive consolidation fund over ten years to age 65. Approximate asset allocation at age 65, 75% bonds. 5% cash, 20% equities and property.

Self-Select Funds For self-select funds the latest charges and investment returns are shown, and comparator numbers are shown where a comparator exists

Costs and Charges The tables below set out the Schemes costs and charges of the default fund against three comparator schemes.

Scheme	Total Expense Ratio %	T costs %	Total Charge %
Default age 55	0.29	0.22	0.51
Default age 45	0.29	0.22	0.51
Default age 25	0.29	0.22	0.51

Lloyds	Total Expense Ratio %	T costs %	Total Charge %
Default age 55	0.38	0.17	0.55
Default age 45	0.33	0.15	0.48
Default age 25	0.33	0.15	0.48

Wood	Total Expense Ratio %	T costs %	Total Charge %
Default age 55	0.22	0.17	0.39
Default age 45	0.22	0.17	0.39
Default age 25	0.22	0.17	0.39

Aviva	Total Expense Ratio %	T costs %	Total Charge %
Default age 55	0.31	0.04	0.35
Default age 45	0.31	0.04	0.35
Default age 25	0.31	0.04	0.35

The table below sets out the total charges for the self-select funds. Comparator funds have been included where a suitable comparator exists.

	DGFs %	Global Equity Funds %	World Emerging Markets %	Over 15 Year gilt %	Over 5 Year gilt %
Scheme	0.89	0.79	0.79	0.101	0.1
Aviva	1.18	0.91	0.91	-	0.24
Lloyds	0.74	0.58	0.58	0.25	-
Wood		0.9	0.9	0.1	0.11

Illustration three – Net Investment Returns

The table below sets out the net annualised investment returns for the default fund

	Age 55		Age 45		Age 25	
	1 year %	5 Years %	1 year %	5 years %	1 year %	5 years %
Scheme	-8.25	2.03	-8.25	2.03	-8.25	2.03
Aviva	-3.	3.6	-3.1	4.5	-3.1	4.5
Lloyds	-6.23	1.63	-4.1	4.17	-4.1	4.35
Wood	-8	4.27	-8	4.29	-8	4.29

The table below sets out the net annualised investment returns of the self-select funds over a 1-year period

	DGFs %	Global Equity Funds %	World Emerging Markets %	Over 15 Year gilt %	Over 5 Year gilt %
Scheme	-7.01	-23.84	-11.1	-22.93	-19.8
Aviva	-6.6	-6.3	-13.9	-	-22.9
Lloyds	-11.45	-4.1	-11.1	-24.45	-
Wood	-6.6	0.2	15.3	-24.00	-23.1

The table below sets out the net annualised investment returns of the self-select funds over a 5-year period

	DGFs %	Global Equity Funds %	World Emerging Markets %	Over 15 Year gilt %	Over 5 Year gilt %
Scheme	2.99	-0.81	4.73	-1.66	-0.748
Aviva	2.8	7.1	3.5	-	-1.5
Lloyds	-	-	-	-	-
Wood	3.8	0.4	3.4	-2.1	-1.6

Appendix B

Statement of Investment Principles

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 SMendham

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 ....

9/16/2020

William Brammar

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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 LAROIYA

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