

SENSIENT TECHNOLOGIES CORP
Form DEF 14A
March 21, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SENSIENT TECHNOLOGIES CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[LOGO]

March 2003

Dear Fellow Shareholder:

You are invited to attend the Annual Meeting of Shareholders of Sensient Technologies Corporation. The meeting will be held on Thursday, April 24, 2003, at 2:00 p.m., Eastern Time, at the Four Seasons Hotel, 2800 Pennsylvania Avenue, NW, Washington, DC.

We hope that you will be able to join us at the meeting to review the year and take a look at what the future holds for our company. In addition, the business to be transacted is: (i) to elect three directors of the Company as described in the accompanying Proxy Statement; (ii) to ratify the appointment of Deloitte & Touche LLP, certified public accountants, as the independent auditors of the Company for 2003, and (iii) to transact such other business as may properly come before the meeting or any adjournment thereof.

Whether or not you plan to attend, it is important that you exercise your right to vote as a shareholder. Please indicate your vote on the enclosed proxy card and return it promptly using the envelope provided or vote by telephone or by Internet according to the instructions on the enclosed proxy card. Be assured that your votes are completely confidential.

On behalf of the officers and directors of the Company, we want to thank you for your continued support and confidence.

Sincerely,

/s/ Kenneth P. Manning

Kenneth P. Manning

Chairman, President and Chief Executive Officer

Enclosures

SENSIENT TECHNOLOGIES CORPORATION

777 East Wisconsin Avenue

Milwaukee, Wisconsin 53202

Notice of Annual Meeting

To Be Held April 24, 2003

To the Shareholders of

Sensient Technologies Corporation:

NOTICE IS HEREBY GIVEN that the 2003 Annual Meeting of Shareholders (Meeting) of Sensient Technologies Corporation, a Wisconsin corporation (Company), will be held at the Four Seasons Hotel, 2800 Pennsylvania Avenue, NW, Washington, DC, on Thursday, April 24, 2003, at 2:00 p.m., Eastern Time, for the following purposes:

1. To elect three directors of the Company as described in the accompanying Proxy Statement.
2. To ratify the appointment of Deloitte & Touche LLP, certified public accountants, as the independent auditors of the Company for 2003.
3. To transact such other business as may properly come before the Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 10, 2003 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting and any adjournments thereof.

We encourage you to attend the Meeting and vote your shares in person. However, whether or not you are able to attend the Meeting, please complete the enclosed proxy and return it promptly using the envelope provided or vote by telephone or by Internet according to the instructions on the enclosed proxy card, so that your shares will be represented at the Meeting. You may revoke your proxy at any time before it is actually voted by notice in writing to the undersigned or by attending the Meeting and voting in person. Your attention is directed to the attached proxy statement and accompanying proxy.

On Behalf of the Board of Directors

John L. Hammond

Secretary

Milwaukee, Wisconsin

March 21, 2003

SENSIENT TECHNOLOGIES CORPORATION

777 East Wisconsin Avenue

Milwaukee, Wisconsin 53202

(414) 271-6755

PROXY STATEMENT

for

ANNUAL MEETING OF SHAREHOLDERS

to be held on

April 24, 2003

GENERAL

This proxy statement and accompanying proxy are first being furnished to the shareholders of Sensient Technologies Corporation, a Wisconsin corporation ("Company"), beginning on or about March 21, 2003, in connection with the solicitation by the Board of Directors of the Company ("Board") of proxies for use at the Company's 2003 Annual Meeting of Shareholders to be held at the Four Seasons Hotel, 2800 Pennsylvania Avenue, NW, Washington, DC, on Thursday, April 24, 2003, at 2:00 p.m., Eastern Time, and at any adjournments thereof ("Meeting"), for the purposes set forth in the attached Notice of Annual Meeting of Shareholders and in this proxy statement.

Accompanying this proxy statement are a Notice of Annual Meeting of Shareholders and a form of proxy solicited by the Board for the Meeting. The Annual Report to Shareholders, which also accompanies this proxy statement, contains financial statements for the three years ended December 31, 2002, and certain other information concerning the Company. The Annual Report and financial statements are neither a part of this proxy statement nor incorporated herein by reference.

Only holders of record of the Company's Common Stock ("Common Stock") as of the close of business on March 10, 2003, are entitled to notice of, and to vote at, the Meeting. On that date, the Company had 47,290,349 shares of Common Stock outstanding, each of which is entitled to one vote on each proposal submitted for shareholder consideration at the Meeting.

A proxy, in the enclosed form, which is properly executed, duly returned to the Company or its authorized representatives or agents and not revoked or which has been properly voted by telephone or by Internet according to the instructions on the enclosed proxy card and not revoked will be voted in accordance with the shareholder's instructions contained in the proxy. If no instructions are indicated on the proxy, the shares represented thereby will be voted as follows:

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- FOR the Board's three nominees for director;
- FOR ratification of the Board's appointment of Deloitte & Touche LLP as the Company's independent auditors for 2003; and
- On such other matters that may properly come before the Meeting in accordance with the best judgment of the individual proxies named in the proxy.

Any shareholder giving a proxy may revoke it at any time before it is exercised by delivering written notice thereof to the Secretary of the Company. Any shareholder attending the Meeting may vote in person whether or not the shareholder has previously filed a proxy. Presence at the Meeting by a shareholder who has signed a proxy does not in itself revoke the proxy. The shares represented by all properly executed proxies received prior to the Meeting will be voted as directed by the shareholders.

The cost of soliciting proxies will be borne by the Company. Proxies may be solicited by directors, officers or employees of the Company in person, by telephone or by telegram. The Company will use the services of D.F. King & Co., Inc., New York, New York, to aid in the solicitation of proxies. Their charges will be \$7,500 plus reasonable expenses. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in sending proxy materials to the beneficial owners.

ITEM 1.

ELECTION OF DIRECTORS

The Board of Directors consists of eleven members divided into three classes of four, four and three directors each. One class is elected each year to serve for a term of three years.

Three directors are to be elected at the Meeting. All of the nominees, Messrs. Bergstrom, Hickey and Manning, are currently directors of the Company. Incumbent director Mr. James L. Forbes is retiring after fourteen years of service, having reached the age of 70, which is the mandatory retirement age for members of the Board of Directors under the Company's Bylaws. Although there will be a vacancy on the Board upon Mr. Forbes's retirement at the Annual Meeting, the Board has determined not to nominate a person for election at the Annual Meeting to fill such vacancy because the Board has not identified a suitable nominee at this time. All of the nominees are being nominated for three-year terms expiring in 2006. The remaining seven directors will continue to serve in accordance with their previous elections.

It is intended that the persons named as proxies in the accompanying proxy will vote FOR the election of the Board's three nominees. If any nominee should become unable to serve as a director prior to the Meeting, the shares represented by proxies otherwise voted in favor of the Board's three nominees or which do not contain any instructions will be voted FOR the election of such other person as the Board may recommend.

Under Wisconsin law, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election, assuming a quorum is present. For this purpose, plurality means that the individuals receiving the largest number of votes are elected as directors, up to the maximum number of directors to be chosen at the election. Therefore, any shares of Common Stock which are not voted on this matter at the Meeting (whether by abstention, broker nonvote or otherwise) will have no effect on the election of directors at the Meeting.

Pursuant to the Company's Bylaws, written notice of other qualifying nominations by shareholders for election to the Board must have been received by the Secretary no later than March 5, 2003. As no notice of any such other nominations was received, no other nominations for election to the Board of Directors may be made by shareholders at the Meeting.

Set forth below is certain information about the Board's nominees and the seven continuing members.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ALL NOMINEES. SHARES OF COMMON STOCK REPRESENTED AT THE MEETING BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR ALL NOMINEES.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

Terms Expiring April, 2006

| <u>Name and Age</u> | <u>Position with Company or Other Occupation</u> | <u>Year First Elected Director</u> |
|----------------------------------|--|------------------------------------|
| John F. Bergstrom C, E, N | 56 Chairman and Chief Executive Officer of Bergstrom Corporation, which owns automotive dealerships and commercial real estate; Director of Wisconsin Energy Corporation, Kimberly-Clark Corporation, Midwest Express Holdings, Inc. and Banta Corporation. | 1994 |
| William V. Hickey A, E, F | 58 President, Chief Executive Officer and Director of Sealed Air Corporation, a leading global manufacturer of a complementary line of protective, food and specialty packaging materials and systems; Director of Public Service Enterprise Group Incorporated. (1) | 1997 |
| Kenneth P. Manning E, S | 61 Chairman of the Board, President and Chief Executive Officer of the Company; Director of Badger Meter, Inc. and Sealed Air Corporation. (2) | 1989 |

A Audit Committee

C Compensation and Development Committee

E Executive Committee

F Finance Committee

N Nominating and Corporate Governance Committee

S Scientific Advisory Committee

(1) Mr. Hickey served as President and Chief Operating Officer of Sealed Air Corporation from 1996 to 2000 and as its Executive Vice President and Chief Operating Officer from 1994 to 1996.

(2) Mr. Manning was elected Chief Executive Officer effective October 1, 1996, and was elected Chairman effective April 30, 1997.

MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

Terms Expiring April, 2004

| <u>Name and Age</u> | <u>Position with Company or Other Occupation</u> | <u>Year First Elected Director</u> |
|---------------------------------|---|--|
| Michael E. Batten | | 1980 |
| F, N | 62 Chairman of the Board and Chief Executive Officer of Twin Disc, Inc., a manufacturer of transmission components; Director of Briggs & Stratton Corporation. | |
| Dr. Fergus M. Clydesdale | F, S | 1998 |
| | 66 Professor and Head of the Department of Food Science at the University of Massachusetts Amherst. | |
| James A.D. Croft | | 1997 |
| A, C | 65 Retired; Director of Richard Ellis Holdings Limited, Property and Investment Consultants to 1998; Chairman, Bartlodge, Ltd. since 1998. | |
| Essie Whitelaw | | 1993 |
| C, N | 55 Senior Vice President of Private Sector Claims Administration, Wisconsin Physician Services, since 2001; President and Chief Operating Officer of Blue Cross & Blue Shield United of Wisconsin, a comprehensive health insurer, to 2000. | |

A Audit Committee
C Compensation and Development Committee
E Executive Committee

F Finance Committee
N Nominating and Corporate Governance Committee
S Scientific Advisory Committee

MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

Terms Expiring April, 2005

| <u>Name and Age</u> | <u>Position with Company or Other Occupation</u> | <u>Year First Elected Director</u> |
|--------------------------|--|--|
| Richard A. Abdo | | 1999 |
| C, N 59 | Chairman, President and Chief Executive Officer of Wisconsin Energy Corp., a supplier of electric, gas and real estate development services; Director of AK Steel Holding Corporation, Marshall & Ilsley Corp. and Cobalt Corporation. | |
| Alberto Fernandez | | 1999 |
| A, S 56 | Chairman of Pyosa, S.A. de C.V., a Mexican chemical company specializing in lead oxides, fine chemicals and dyes. | |
| Robert J. O Toole | | 2002 |
| F, N 62 | Chairman, President and Chief Executive Officer of A. O. Smith Corporation, a manufacturer of electric motors and water heaters; Director of Briggs & Stratton Corporation and Factory Mutual Insurance Company. | |

A Audit Committee

C Compensation and Development Committee

E Executive Committee

F Finance Committee

N Nominating and Corporate Governance Committee

S Scientific Advisory Committee

Except as noted, all nominees and directors continuing in office have held their current positions or otherwise have served in their respective positions with the listed organizations for more than five years. Except as set forth under Certain Relationships and Affiliated Transactions below, no director, nominee for director or executive officer had any material interest, direct or indirect, in any business transaction of the Company or any subsidiary during 2002, nor does any director, nominee or executive officer have any material interest, direct or indirect, in any such proposed transaction.

The Board of Directors met five times during 2002, and each director attended at least 75% of the meetings of the Board and the Board Committees on which he or she served that were held during the period in which he or she was a director.

Committees of The Board of Directors

The Executive Committee of the Board of Directors, which currently consists of Messrs. Bergstrom, Forbes, Hickey and Manning, met three times in 2002. This Committee has the power and authority of the Board of Directors in directing the management of the business and affairs of the Company in the intervals between Board of Directors meetings, except to the extent limited by law, and reports its actions at regular meetings of the Board.

The Audit Committee of the Board of Directors met three times during 2002. Messrs. Croft, Fernandez, Forbes and Hickey are the current members of the Audit Committee. All members of the Audit Committee meet the independence and experience requirements of the New York Stock Exchange and the Securities and Exchange Commission (SEC). This Committee, among other things: (i) has sole responsibility to appoint, terminate, compensate and oversee the independent auditors of the Company and to approve any audit and permitted non-audit work by the independent auditors; (ii) reviews the adequacy and appropriateness of the Company's internal control structure and recommends improvements thereto, including management's assessment of internal controls and the internal audit function; (iii) reviews with the independent auditors their reports on the consolidated financial statements of the Company and the adequacy of the financial reporting process, including the selection of accounting policies; (iv) reviews and discusses with management the Company's practices regarding earnings press releases and the provision of financial information and earnings guidance to analysts and ratings agencies; (v) obtains and reviews an annual report of the independent auditor covering the independent auditor's quality control, any inquiry or investigation by governmental or professional authorities within five years and independence; (vi) sets hiring policies for employees or former employees of the independent auditors; (vii) establishes procedures for receipt of complaints about accounting or auditing matters and (viii) reviews the adequacy and appropriateness of the various policies of the Company dealing with the principles governing performance of corporate activities. These policies, which are set forth in the Company's Code of Conduct, include antitrust compliance, conflict of interest and business ethics. On December 5, 2002, in connection with recent reforms in corporate governance promulgated by the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and pursuant to New York Stock Exchange proposed rules, the Board of Directors adopted a revised written charter for the Audit Committee, which is incorporated in the Company's Bylaws. The revisions provide for the Committee to exercise significantly expanded responsibilities. The Audit Committee reviews and reassesses the adequacy of this charter at least annually. A copy of the written charter is attached as Appendix A to this proxy statement. The Board also approved on December 5th a Code of Ethics for Senior Financial Officers and certain revisions to the Code of Conduct, all as contemplated by the Sarbanes-Oxley Act.

The current members of the Compensation and Development Committee of the Board of Directors, which held three meetings during 2002, are Messrs. Abdo, Bergstrom and Croft and Ms. Whitelaw. This Committee, among other things: (i) reviews and approves all compensation programs for senior management of the Company, including salary structure, base salary and short-term and long-term incentive compensation plans, including stock options and non-qualified fringe benefit programs; (ii) prepares reports for the annual proxy statement; (iii) reviews and approves annual changes in each elected officer's compensation including base salary and short-term and long-term incentive awards, and approves all executive employment contracts; (iv) annually recommends to the Board of Directors the election of Company officers; and (v) annually reviews the performance of the Chief Executive Officer and reviews and approves the Chief Executive Officer's management development and succession plans for the Company. On December 5, 2002, the Board of Directors revised the Compensation and Development Committee Charter to include new responsibilities arising from the recent corporate governance reforms.

The Finance Committee of the Board of Directors, currently consisting of Messrs. Batten, Forbes, Hickey and O Toole and Dr. Clydesdale, held one meeting during 2002. Among other things, this Committee reviews and monitors the Company's financial planning and structure to ensure conformance with the Company's requirements for growth and fiscally sound operation, and also reviews and approves: (i) the Company's annual capital budget, long-term financing plans, existing credit facilities and investments and commercial and

investment banking relationships; (ii) existing insurance programs, foreign currency management and the stock repurchase program; and (iii) the financial management and administrative operation of the Company's qualified and nonqualified benefit plans.

The Nominating and Corporate Governance Committee of the Board of Directors, which currently consists of Messrs. Abdo, Batten, Bergstrom and O Toole and Ms. Whitelaw, met twice during 2002. Among other functions, this Committee: (i) studies and makes recommendations concerning the composition of the Board of Directors and its committee structure and reviews the compensation of Board and Committee members; (ii) recommends persons to be nominated by the Board of Directors for election as directors of the Company and to serve as proxies at the annual meeting of shareholders; (iii) considers nominees recommended by shareholders; (iv) assists the Board in its determination of the independent status of each director; (v) develops a set of corporate governance principles for the Company and reassesses such principles annually; and (vi) oversees the system of corporate governance and the evaluation of the Board and management from a corporate governance standpoint. On December 5, 2002 the Board of Directors also significantly revised the charter of this Committee to include new responsibilities arising from the recent corporate governance reforms. The name of the Committee was changed to reflect its expanded role in corporate governance. Recommendations by shareholders for director nominees should be forwarded to the Secretary of the Company and should identify the nominee by name and provide detailed information concerning his or her qualifications. The Company's Bylaws require that shareholders give advance notice and furnish certain information to the Company in order to nominate a person for election as a director. See the discussion under "Future Shareholder Proposals and Nominations" on page 22.

The Scientific Advisory Committee of the Board of Directors, which currently consists of Dr. Clydesdale and Messrs. Manning and Fernandez, met twice during 2002. Among other functions, this Committee: (i) reviews the Company's research and development programs with respect to the quality and scope of work undertaken; (ii) advises the Company on maintaining product leadership through technological innovation; and (iii) reports on new technological trends and regulatory developments that would significantly affect the Company and suggests possible new emphases with respect to its research programs and new business opportunities.

Director Compensation and Benefits

Directors who are not employees of the Company received during 2002 an annual retainer of \$24,000 and fees of \$1,000 for each Board and Committee meeting attended in addition to reimbursable expenses for such attendance. Each Committee chairperson received an additional \$3,500 annually for serving in that capacity.

The Company has an unfunded retirement plan for non-employee directors who have completed at least three years (one full term) of service with the Company as a director. The plan provides a benefit equal to the annual retainer fee for directors in effect at the time of the director's departure from the Board. This benefit, payable only during the lifetime of the participant, continues for a period equal to the amount of time the individual was an active director. During the benefit period, the participant must be available to the Chairman of the Board for consultation.

The Company has a Directors' Deferred Compensation Plan available to any director who is entitled to compensation as a Board member. Under this plan, the maximum amount that is eligible to be deferred is the total of all fees paid to the director by reason of his or her membership on the Board or any Committee thereof. The plan provides that directors may defer all or part of their director fees and the deferral may be in cash or Common Stock. The fees deferred in cash are credited to individual deferred compensation accounts which bear interest at the rate of 8.0% per annum. The amounts deferred pursuant to this plan will be paid either: (i) in a lump sum on January 31st of the calendar year following the year in which the director ceases to be a director or on January 31st of any year thereafter; or (ii) in five equal consecutive annual installments commencing on January 31st of the first calendar year after the director ceases to serve as a director. In the event of death, the balance in a director's account will be paid in a lump sum to a designated beneficiary or to the director's estate.

The Company has a Directors Stock Option Plan for any director who is not an employee of the Company. The plan provides for each director to be granted 2,000 options every May 1. The options have an exercise price equal to the market price of the Company's stock on the date of grant and vest in increments of one-third of the total grant on each of the first, second, and third anniversaries of the date of grant.

The Company also has a Director Stock Plan for any director who is not an employee of the Company. This plan provides for an annual grant of 300 shares of the Company's common stock to each non-employee director on the Annual Meeting date. The shares vest in increments of one-third of the total grant on each of the first, second and third anniversaries of the date of grant.

AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors (**Board**), the Audit Committee of the Board (**Committee**) assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. During 2002, the Committee met three times, and in the first and second quarters the Committee chair, as representative of the Committee, and in the third quarter the entire Committee, discussed the interim financial information contained in each quarterly earnings announcement with the Company's Vice President, Chief Financial Officer and Treasurer, Vice President, Controller and Chief Accounting Officer and independent auditors prior to filing the Company's Form 10-Q with the Securities and Exchange Commission. In the second and third quarters, the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for Forms 10-Q were reviewed, including the Company's disclosure controls and procedures and internal controls.

In discharging its oversight responsibility as to the audit process, the Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, **Independence Discussions with Audit Committees** and discussed with the auditors any relationships that may impact their objectivity and independence. The Committee has also considered whether the provision of any non-audit services by the auditors is compatible with maintaining the auditors' independence. The Committee is satisfied as to the auditors' independence. The Committee also discussed with management, the Company's internal auditors and the independent auditors the quality and adequacy of the Company's internal controls and the internal audit function's organization, responsibilities, budget and staffing. The Committee reviewed with both the independent and the internal auditors their audit plans, audit scope, and identification of audit risks.

The Committee discussed and reviewed with the independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, **Communication with Audit Committees** and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Committee also discussed the results of the internal audit examinations.

Audit Fees

During the year ended December 31, 2002, aggregate fees (including expenses) for the annual audit of the Company's financial statements were approximately \$622,000.

All Other Fees

During the year ended December 31, 2002, aggregate fees (including expenses) for services provided by the independent auditors, other than the services described above under **Audit Fees**, were approximately \$954,000, including audit related services of approximately \$688,000 and non-audit services of approximately \$266,000. Audit related services generally include fees for statutory audits of foreign entities, audits of the Company's employee benefit plans, acquisition due diligence services and other services. Non-audit services primarily include tax consultation and compliance services.

At its October 2002 meeting, the Committee reviewed and approved the services currently provided by the independent auditors, and determined that all such services were in compliance with the Sarbanes-Oxley Act. The Committee also reviewed and approved a resolution authorizing the

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Committee Chairman to approve the appointment of the independent auditors to perform audit and permitted non-audit services.

The Committee reviewed the audited financial statements of the Company as of and for the year ended December 31, 2002, with management and the independent auditors. Management has the responsibility for the

preparation of the Company's financial statements and the independent auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management and the independent auditors, the Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2002, for filing with the Securities and Exchange Commission. The Committee also recommended the reappointment, subject to shareholder approval, of the independent auditors and the Board concurred in such recommendation.

Date: February 13, 2003

James L. Forbes,

Chairman

James A.D. Croft

Alberto Fernandez

William V. Hickey

PRINCIPAL SHAREHOLDERS
Management

The following table sets forth certain information as of February 28, 2003, regarding the beneficial ownership of Common Stock by each of the executive officers of the Company who is named in the Summary Compensation Table on page 15 hereof (named executive officers), each director and nominee, and all of the directors and executive officers of the Company as a group. Except as otherwise indicated, all shares listed are owned with sole voting and investment power.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership and Percent of Class (1)(2)(3) |
|--|--|
| Richard A. Abdo | 6,851 |
| Michael E. Batten | 7,080 |
| John F. Bergstrom | 6,762 |
| Richard Carney (4) | 166,169 |
| Dr. Fergus M. Clydesdale | 5,898 |
| James A.D. Croft | 14,567 |
| Alberto Fernandez | 4,605 |
| James L. Forbes | 6,630 |
| John L. Hammond | 86,721 |
| William V. Hickey | 5,768 |
| Richard F. Hobbs | 331,045 |
| Kenneth P. Manning (5) | 841,402 |
| Robert J. O Toole | 305 |
| Ralph G. Pickles | 56,299 |
| Essie Whitelaw | 5,052 |
| All directors and executive officers as a group (20 persons) | 1,658,370 |

- (1) Except for Mr. Manning, who beneficially owns 1.8% of the outstanding Common Stock, no director or named executive officer beneficially owns 1% or more of the Company's Common Stock. The beneficial ownership of all directors and executive officers as a group represents 3.5% of the outstanding Common Stock. In each case this percentage is based upon the assumed exercise of that number of options which are included in the total number of shares shown (see Note (2), below).
- (2) Includes the following shares subject to stock options which are currently exercisable or exercisable within 60 days of February 28, 2003: Mr. Carney 116,000 shares; Mr. Hammond 54,999 shares; Mr. Hobbs 241,299 shares; Mr. Manning 640,100 shares; Mr. Pickles 50,299 shares; each director (other than Messrs. Manning and O Toole) 2,667 shares; and all directors and executive officers as a group 1,203,266 shares.
- (3) Includes the following deferred shares which have been granted pursuant to the Directors' Deferred Compensation Plan: Mr. Abdo 3,415 shares; Mr. Fernandez 1,374 shares.
- (4) Includes 2800 shares held by Mr. Carney's wife.
- (5) Includes 100 shares held by Mr. Manning's daughter.

Other Beneficial Owners

The following table sets forth information regarding beneficial ownership by those persons whom the Company believes to be beneficial owners of more than 5% of the Common Stock of the Company as of February 28, 2003, based solely on review of filings made with the Securities and Exchange Commission (except as noted in (3) below).

| Name and Address of Beneficial Owner | Amount and Nature of Ownership | Percent of Class (1) |
|---|---|---------------------------------|
| Gabelli Asset Management Inc. (2) | 4,727,000 | 10% |
| Fidelity Management Trust Company (3) | 2,791,806 | 5.9% |

(1) All percentages are based on 47,340,349 shares of Common Stock outstanding as of February 28, 2003.

(2) Gabelli Asset Management Inc. (GAMI), One Corporate Center, Rye, NY 10580 (GAMI), filed a Schedule 13D/A on May 28, 2002, amending the Schedule 13D which was originally filed on April 16, 2001, which reported on behalf of Mario J. Gabelli, Marc J. Gabelli and various entities which either one directly or indirectly controls or for which either one acts as chief investment officer (collectively, the Gabelli Investors). As of the May 28, 2002 filing, the Gabelli Investors held sole voting and dispositive power with respect to 4,727,000 shares, except that one affiliate does not have the authority to vote 148,500 of the reported shares and in certain cases the proxy voting committee of a Gabelli registered investment company may exercise voting power with respect to the shares held by such fund. The Gabelli Investors do not admit that they constitute a group. The ownership information contained herein is based in its entirety on information set forth in the Schedule 13D, as amended through May 28, 2002.

(3) Fidelity Management Trust Company, 82 Devonshire Street, Boston, Massachusetts 02109 (Fidelity) is the Trustee of the Sensient Technologies Corporation Retirement Employee Stock Ownership Plan (ESOP), which holds 1,808,281 shares, or 3.8% of the number of shares outstanding at February 28, 2003, and is also the Trustee of the Sensient Technologies Corporation Savings Plan (Savings Plan), which holds 983,525 shares of Common Stock, or 2.1% of the number of shares outstanding at February 28, 2003. Fidelity has advised the Company that it disclaims beneficial ownership of the ESOP and Savings Plan shares.

COMPENSATION AND DEVELOPMENT COMMITTEE REPORT

Introduction

This report describes the Company's executive compensation programs and the basis on which 2002 compensation was determined with respect to the executive officers of the Company. The Committee is composed entirely of independent non-employee directors and met three times during 2002. A more complete description of the Committee functions is set forth under the heading "Committees of the Board of Directors" on page 6.

Compensation Policy and Objectives

The Company has developed an overall compensation policy and specific compensation plans that tie a significant portion of executive compensation to the Company's success in meeting specified financial goals ("Program"). The overall objectives of the Program are to attract and retain the best possible executive talent, to motivate these executives to successfully execute the Company's business strategy, to link executive and shareholder interests through equity-based plans and to provide a program that recognizes individual contributions and achievement.

Each year the Committee conducts a review of the Program. This review includes a meeting with an independent compensation consultant assessing the effectiveness of the Program and comparing it to similar programs of a group of corporations that represent the Company's competition for executive talent. The Committee approves the selection of comparable companies used for this analysis. The Committee determines the compensation for the elected officers including the five most highly compensated Company executives. In reviewing individual performance, the Committee takes into account the recommendations of Mr. Manning. Key elements of the Company's Program are base salary, short-term (annual) incentives and long-term incentives.

Base Salaries

Base salaries are initially determined by evaluating the responsibilities of the position, the experience of the individual and the competitive marketplace for executive talent, including a comparison with base salaries for comparable positions at other companies. The base salary levels of the Company's executives are targeted at the 50th percentile of the range of base pay levels of similarly positioned executives in other companies. Base pay levels are determined using regression analysis because of the difference in size between the comparable companies and the Company. The Committee annually reviews each executive's base salary. Adjustments are determined by evaluating the financial performance of the Company, the performance of each executive officer against job specifications, any new responsibilities and average percentage pay increases provided by the comparable companies for similar positions. In the case of executive officers with responsibility for a particular business unit, such unit's financial results are also considered.

As reflected in the Summary Compensation Table on page 15, Mr. Manning's base salary was increased in 2002 by \$30,000 (4.5%). In determining Mr. Manning's base salary, the Committee weighed the aforementioned criteria equally.

Annual Bonuses

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The Management Incentive Plans for elected officers (Annual Plans) promote the Company s Program by providing annual cash payments to executives based upon achieving overall Company, group or divisional financial goals. The Annual Plans are subject to a target of 45% to 85% of annual base salary depending on a participant s position in the Company. The award is based on the achievement of a targeted Earnings Per Share level, and in certain cases group or division sales operating profit, for the year, with 100% of the maximum award being paid upon achieving the targeted level. Performance in excess of the targeted level allows for a payment of up to 200% of the maximum award. Target bonus award levels approximate the 50th percentile

(adjusted for company size) of comparable companies' practices for each executive position. For performance exceeding the targeted levels, the bonus opportunities are tied to 75th percentile practices among comparable companies. In 2002, Mr. Manning's bonus opportunity was 85% of his base salary. As reflected in the Summary Compensation Table, his bonus award was \$1,184,905 or 170% of his base salary because performance exceeded the targeted level.

Stock Awards and Long-Term Incentives

Under the Company's 1998 Stock Option Plan and 2002 Stock Option Plan, which were approved by the shareholders, restricted stock or stock options may be granted to the Company's executive officers and other key employees. The Committee makes annual decisions regarding appropriate stock-based grants for each executive based on the following equally weighted factors. The Committee considers the Company's financial performance, executives' levels of responsibilities and predicted award values at the 50-75th percentile of long-term incentive compensation practices for similar positions at other companies. These factors determine the amount which may be represented by the determined grant value of options and restricted stock. Generally, restricted stock is only awarded to recognize a significant contribution to the Company's performance. Restricted stock vests in five years. All outstanding options have an exercise price equal to the market price on the date of grant and vest in increments of one-third of the total grant on each of the first, second and third anniversaries of the date of grant. This compensation approach is designed to provide incentive to create shareholder value over the long-term, since the full benefit of the compensation cannot be realized unless stock price appreciation occurs over a number of years. In 2002, Mr. Manning received options to purchase 150,000 shares at their fair market value on the date of grant and received 18,000 shares of restricted stock.

Code Section 162(m)

Section 162(m) of the Internal Revenue Code limits the Company's income tax deduction for compensation paid in any taxable year to certain executive officers to \$1,000,000 per individual, subject to several exceptions. The Committee intends to continue to grant bonuses under the Management Incentive Program and awards under the 1998 Stock Option Plan and the 2002 Stock Option Plan that are designed to qualify for the performance-based compensation exception. However, the Committee may grant such bonuses and awards and the Company may enter into compensation arrangements from time to time, which do not qualify for deductibility under Section 162(m).

Compensation and Development Committee

John F. Bergstrom, Chairperson

Richard A. Abdo

James A.D. Croft

Essie Whitelaw

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information on the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers (collectively, the named executive officers) of the Company as of December 31, 2002.

| Name and Principal Position | Fiscal Year Ended | Annual Compensation (1) | | Other Annual Compensation | Long-term Compensation | | |
|---|-------------------|-------------------------|---------------|---------------------------|---------------------------------|------------|-----------|
| | | Base Salary (\$) | Bonus (\$)(2) | | Restricted Stock Awards (\$)(4) | Securities | |
| | | | | Underlying Options (#) | | | |
| | | | | | | | |
| Kenneth P. Manning Chairman, President and | 12-31-02 | \$ 697,000 | \$ 1,184,905 | \$ 139,354 | \$ 424,620 | 150,000 | \$ 91,905 |
| | 12-31-01 | 667,000 | 425,213 | 29,374 | 741,600 | 150,000 | 81,087 |
| Chief Executive Officer | 12-31-00 | 621,000 | 320,000 | 20,820 | 330,000 | 150,000 | 128,129 |
| Richard F. Hobbs | 12-31-02 | | | | | | |