

SENSIENT TECHNOLOGIES CORP
Form DEF 14A
March 15, 2006

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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(3) Filing Party:

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[LOGO]

March 15, 2006

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 27, 2006, at 2:00 p.m., Central Time, at the InterContinental Hotel, 505 N. Michigan Avenue, Chicago, IL.

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 eight directors of the Company as described in the accompanying Proxy Statement; (ii) to ratify the appointment of Ernst & Young LLP, certified public accountants, as the independent auditors of the Company for 2006; 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 27, 2006

To the Shareholders of

Sensient Technologies Corporation:

NOTICE IS HEREBY GIVEN that the 2006 Annual Meeting of Shareholders (Meeting) of Sensient Technologies Corporation, a Wisconsin corporation (Company), will be held at the InterContinental Hotel, 505 N. Michigan Avenue, Chicago, IL, on Thursday, April 27, 2006, at 2:00 p.m., Central Time, for the following purposes:

1. To elect eight directors of the Company as described in the accompanying Proxy Statement.
2. To ratify the appointment of Ernst & Young LLP, certified public accountants, as the independent auditors of the Company for 2006.
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 1, 2006 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 15, 2006

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 27, 2006

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 15, 2006, in connection with the solicitation by the Board of Directors of the Company (**Board**) of proxies for use at the Company's 2006 Annual Meeting of Shareholders to be held at the InterContinental Hotel, 505 N. Michigan Avenue, Chicago, IL, on Thursday, April 27, 2006, at 2:00 p.m., Central Time, and at any adjournments thereof (**Meeting**), for the purposes set forth in the attached Notice of Annual Meeting and in this proxy statement.

Accompanying this proxy statement are a Notice of Annual Meeting 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, 2005, 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 1, 2006, are entitled to notice of, and to vote at, the Meeting. On that date, the Company had 46,147,910 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 eight nominees for director;
- FOR ratification of the Board's appointment of Ernst & Young LLP as the Company's independent auditors for 2006; 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 at the Meeting 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 and not revoked 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 currently consists of nine members who are all elected each year for one-year terms. Seven of the nominees are currently directors of the Company. On October 17, 2005, Mr. Alberto Fernandez resigned from the Board of Directors for personal reasons. Effective October 24, 2005, Mr. Peter M. Salmon was unanimously elected by the Board to replace Mr. Fernandez. On February 9, 2006, upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors nominated Dr. Elaine R. Wedral for election as a new director at the Meeting, renominated Messrs. Brown, Croft, Hickey, Manning and Salmon, Dr. Clydesdale and Ms. Whitelaw, and reduced the size of the Board from nine to eight directors, with the expectation that the size of the Board may be increased back to nine to permit appointment of a new executive to the Board after the Company has identified and retained a new President and Chief Operating Officer as contemplated by the Company's succession plan. The Board wishes to thank Messrs. Batten, Bergstrom and Fernandez for their many years of service to the Company as directors.

Mr. Salmon and Dr. Wedral were first proposed for consideration as members of the Board of Directors by other independent directors. The Company did not use a third-party director search firm in connection with the selection of either Mr. Salmon or Dr. Wedral.

It is intended that the persons named as proxies in the accompanying proxy will vote FOR the election of the Board's eight 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 eight 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 8, 2006. As no notice of any 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.

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

Name, Age and Committees	Position with Company or Other Occupation	Year First Elected Director
Hank Brown		2004
A, F, N	66 President of the University of Colorado, since August, 2005; President and Chief Executive Officer, The Daniels Fund, a charitable foundation, from July, 2002 to July, 2005; President of the University of Northern Colorado from July, 1998 to June, 2002; Director of Centennial Bank and Sealed Air Corporation.	
Dr. Fergus M. Clydesdale		1998
C, N, S	69 Distinguished University Professor and Head, Department of Food Science, College of Food and Natural Resources at the University of Massachusetts Amherst.	
James A.D. Croft		1997
A, C, E, S	68 Retired; Director of Richard Ellis Holdings Limited, property and investment consultants until 1998; Chairman, Bartlodge, Ltd. since 1998.	
William V. Hickey		1997
A, E, F, N	61 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.	

A Audit Committee
 C Compensation and Development Committee
 E Executive Committee

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

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

<u>Name, Age and Committees</u>	<u>Position with Company or Other Occupation</u>	<u>Year First Elected Director</u>
Kenneth P. Manning		1989
E, S	64 Chairman of the Board, President and Chief Executive Officer of the Company; Director of Badger Meter, Inc. and Sealed Air Corporation.	
Peter M. Salmon		2005
S	56 President, The International Food Network, Inc., an international provider of research and development services for food and beverage products.	
Dr. Elaine R. Wedral		
	61 Retired; President of Nestle's Research and Development, Worldwide Food Service Systems from 1988 to 2004; Director of Balchem Corporation.	
Essie Whitelaw		1993
C, N	58 Senior Vice President of Private Sector Claims Administration, Wisconsin Physician Services, a provider of health insurance and benefit plan administration, since 2001; President and Chief Operating Officer of Blue Cross & Blue Shield 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

Except as noted, all nominees have held their current positions or otherwise have served in their respective positions with the listed organizations for more than five years. 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 2005, nor does any director, nominee or executive officer have any material interest, direct or indirect, in any such proposed transaction. The Board has determined that Dr. Wedral and all members of the Board, except Mr. Manning, are independent under the applicable rules of the New York Stock Exchange and the Securities and Exchange Commission (the "SEC"). See "Director Independence" below.

The Board of Directors met five times during 2005. 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 in 2005. The Company's Corporate Governance Guidelines provide that all directors are expected to attend the Annual Meeting of Shareholders. In 2005, all Board members attended the Annual Meeting.

Committees of the Board of Directors

The Executive Committee of the Board of Directors, which currently consists of Messrs. Bergstrom, Croft, Hickey and Manning, did not meet in 2005. 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 ten times during 2005. Messrs. Brown, Batten, Croft 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 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 auditor; (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. The Board of Directors has adopted a written charter for the Audit Committee, which is incorporated in the Company's Bylaws. 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 5, 2002, a Code of Ethics for Senior Financial Officers, as contemplated by the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). The Board has determined that Mr. Hickey is an audit committee financial expert in accordance with SEC rules. Any changes made to the Code of Ethics, and any waivers granted thereunder will be posted and available on the Company's website.

The current members of the Compensation and Development Committee of the Board of Directors, which held three meetings during 2005, are Messrs. Bergstrom and Croft, Dr. Clydesdale 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.

The Finance Committee of the Board of Directors, which currently consists of Messrs. Batten, Bergstrom, Brown and Hickey, held three meetings during 2005. Among other things, this Committee reviews and monitors the Company's financial planning and structure to ensure conformity 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. Brown and Hickey, Dr. Clydesdale and Ms. Whitelaw, met five times during 2005. Each member of the Committee satisfies New York Stock Exchange independence requirements. 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 independence of each director; (v) develops 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. The Committee identifies and recommends candidates it believes are qualified and suitable to serve as a director consistent with the criteria for selection of directors adopted by the Board. A copy of the Company's Director Selection Criteria is attached as Appendix B to this proxy statement. Recommendations for Board candidates may be made to the Committee by the Company's Chairman and Chief Executive Officer, other current Board members and Company shareholders. The Committee also from time to time utilizes the services of third-party search firms. Once appropriate candidates are identified, the Committee evaluates their qualifications to determine which candidate best meets the Company's Director Selection Criteria, without regard to the source of the recommendation. Recommendations by shareholders for director nominees should be forwarded to the Secretary of the Company, who will relay such information to the Committee Chair. The recommendations should identify the proposed nominee by name, should describe every arrangement or understanding with such person and should provide at least the detailed information about the nominee that is required by SEC rules for the solicitation of proxies for election of directors. Shareholders should look to the information required pursuant to the Company's Bylaws for shareholder nominations as a guide to the information required. Under the Company's Bylaws, shareholders also have the right to directly nominate a person for election as a director so long as the advance notice and informational requirements contained in the Bylaws are satisfied. See the discussion under "Future Shareholder Proposals and Nominations" on page 25.

The Scientific Advisory Committee of the Board of Directors, which currently consists of Dr. Clydesdale and Messrs. Croft, Manning and Salmon, met twice during 2005. 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.

Charters for the Audit, Compensation and Development, and Nominating and Corporate Governance Committees of the Company's Board of Directors, as well as the Company's Code of Conduct, Standards of Conduct for International Employees, Code of Ethics for Senior Financial Officers, and Corporate Governance Guidelines are available on the Company's website (www.sensient-tech.com), and are available in print to any shareholder upon request. If there are any amendments to the Code of Conduct, the Standards of Conduct, the Code of Ethics or the Corporate Governance Guidelines, or if waivers from any of them are granted for executive officers or directors, those amendments or waivers also will be posted on the Company's website.

Executive Sessions of Independent Directors

The Company's independent directors, who also constitute the non-management directors, meet at regularly scheduled executive sessions without management not less frequently than three times per year. The independent

directors held three executive sessions during 2005. The responsibility for presiding at each meeting of independent directors is rotated among all independent members of the Board of Directors in alphabetical order.

Interested parties who wish to make their concerns known by communicating directly with the presiding independent director or with the independent directors or the Board as a group may do so in writing addressed to the attention of the Company Secretary. The Company's Corporate Governance Guidelines provide that all such communications will be relayed by the Company Secretary to the appropriate independent director unless the content is obviously inappropriate for Board or independent director review.

Director Independence

The Company's Corporate Governance Guidelines provide guidelines for determining whether a director is independent from management. For a director to be considered independent, the Board must make an affirmative determination that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The guidelines contain the following specific criteria, which reflect the currently applicable New York Stock Exchange rules, to assist the Board in determining whether a director has a material relationship with the Company. A director is not independent if:

- The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company.
- The director has received, or has an immediate family member who has received for service as an executive officer, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company (other than fees in connection with services as director or other non-contingent deferred compensation for prior service).
- (A) The director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.
- The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company and any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to or received payments from the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of the other company's consolidated gross revenues.

In addition, the guidelines state that no director shall be independent unless he or she shall meet the requirements for independence under applicable securities laws. For purposes of determining independence, the Company includes any parent or subsidiary in a consolidated group with the Company.

Based on these criteria, the Board has affirmatively determined that Dr. Wedral and all members of the Board, except Mr. Manning, are independent under the applicable rules of the New York Stock Exchange and the Securities and Exchange Commission and the Company's

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independence criteria. In making this determination, the Board reviewed information provided by Dr. Wedral and each of the directors to the Company. Neither Dr. Wedral nor any of the directors identified as independent had any material relationship with the Company or its senior executive officers.

The Company has no relationships with any of the independent directors (other than as a director and a shareholder), except that Mr. Salmon received an honorarium of \$1,500 plus reimbursement of travel expenses in

connection with making a presentation to the Scientific Advisory Committee in March 2004 regarding food industry trends and Sealed Air Corporation, of which Mr. Hickey is President & Chief Executive Officer, purchased \$107,820 and \$162,118 in colors from one or more units of the Company in 2005 and 2004, respectively. The Board determined that these immaterial relationships did not impair Mr. Salmon's or Mr. Hickey's independence. Mr. Salmon became a director of the Company in October 2005.

Director Compensation and Benefits

Directors who are not employees of the Company received during 2005 an annual retainer of \$30,000 and fees of \$1,500 for each Board and Committee meeting attended in addition to reimbursable expenses for such attendance. Each Committee chairperson received an additional \$5,000 annually for serving in that capacity.

The Company has an unfunded retirement plan for non-employee directors who have completed at least three years of service with the Company as a director. The plan provides a benefit equal to the annual retainer 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 options to purchase 2,000 shares of the Company's common stock annually on 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 900 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, the Audit Committee of the Board (the 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 2005, the Committee met ten times. The Committee discussed the financial information contained in each quarterly earnings announcement and in each of the Company's Forms 10-Q and 10-K with the Company's Vice President, Chief Financial Officer and Treasurer, Vice President, Controller and Chief Accounting Officer and independent auditors prior to release of the earnings announcement and prior to filing the Company's Forms 10-Q and 10-K with the Securities and Exchange Commission, respectively. During each fiscal quarter of 2005, the

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procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for Forms 10-Q and 10-K 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 scopes and identification of audit risks.

The Committee discussed and reviewed with the independent auditors all communications required by the Public Company Accounting Oversight Board, 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 years ended December 31, 2005 and 2004, aggregate fees (including expenses) for the annual audit of the Company's financial statements were approximately \$2,347,000 and \$2,278,000, respectively. Audit fees include fees for the audit of the Company's consolidated financial statements, fees for statutory audits of foreign entities, fees for quarterly review services and fees related to the Company's SEC filings.

Audit-Related Fees

During the years ended December 31, 2005 and 2004, aggregate fees (including expenses) for audit-related services provided by the independent auditors were approximately \$59,000 and \$86,000, respectively. Audit-related fees include fees for audits of the Company's employee benefit plans, non-audit related accounting consultations and acquisition due diligence services.

Tax Fees

During the years ended December 31, 2005 and 2004, aggregate fees (including expenses) for tax services provided by the independent auditors were approximately \$339,000 and \$1,006,000, respectively. Tax services include tax compliance, tax advice and tax planning.

All Other Fees

No other fees were paid to the Company's auditors in 2005.

All of the services described above were approved by the Audit Committee. At its October 2005 meeting, the Committee reviewed and approved resolutions continuing the Company's Audit Committee Pre-Approval Policy for a new twelve-month period. This policy provides that the

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Committee is required to pre-approve all audit and non-audit services performed by the independent auditor and specifies certain audit, audit-related and tax services that have general pre-approval for the next twelve months, subject to specified dollar limits. The policy also provides that any services by the independent auditor not generally pre-approved or above the specified dollar limits must be submitted for pre-approval by the Audit Committee. Pursuant to the resolutions and the policy, the Chairman of the Audit Committee has the authority to grant pre-approval when necessary, provided that such pre-approval is reported to the Committee at its next meeting.

The Committee reviewed the audited financial statements of the Company as of and for the year ended December 31, 2005, 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, 2005, for filing with the Securities and Exchange Commission. As further discussed in Item 2, Ratification of Appointment of Independent Auditors, the Committee has appointed Ernst & Young LLP, subject to shareholder approval, to be the independent auditors for 2006 and the Board recommended that the shareholders ratify that appointment.

Date: February 17, 2006

Hank Brown,
Chairman

Michael E. Batten
James A.D. Croft
William V. Hickey

PRINCIPAL SHAREHOLDERS
Management

The following table sets forth certain information as of February 15, 2006, 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 16 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.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership and Percent of Class (1)(2)(3)</u>
Michael E. Batten	14,978
John F. Bergstrom	14,316
Peter Bradley	15,333
Hank Brown	8,228
Dr. Fergus M. Clydesdale	13,996
James A.D. Croft	22,149
John L. Hammond	194,195
William V. Hickey	15,389
Richard F. Hobbs	452,768
Kenneth P. Manning	1,199,587
Ralph G. Pickles	170,966
Peter M. Salmon	1,209
Dr. Elaine R. Wedral	0
Essie Whitelaw	12,780
All directors and executive officers as a group (18 persons)	2,589,648

- (1) Except for Mr. Manning, who beneficially owns 2.6% 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 5.6% 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 15, 2006: Mr. Bradley 3,333 shares; Mr. Brown 667 shares; Mr. Hammond 124,999 shares; Mr. Hobbs 320,500 shares; Mr. Manning 857,332 shares; Mr. Pickles 124,366 shares; each director (other than Messrs. Brown, Manning, Salmon and Dr. Wedral) 8,000 shares; and all directors and executive officers as a group 1,780,894 shares.
- (3) Includes 3,700 shares held by Mr. Brown's wife, and 2,000 shares held by Mr. Manning's wife.

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 15, 2006, 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)	6,653,732	14.38%
Fidelity Management Trust Company (3)	2,355,715	5.09%
NFJ Investment Group L.P. (4)	2,626,750	5.67%

(1) All percentages are based on 46,281,643 shares of Common Stock outstanding as of February 15, 2006.

(2) Gabelli Asset Management Inc., One Corporate Center, Rye, NY 10580, filed a Schedule 13D/A on August 23, 2005, amending the Schedule 13D which was originally filed on April 16, 2001, which reported on behalf of Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer (collectively, the Gabelli Investors). As of the August 23, 2005 filing, the Gabelli Investors held sole voting and dispositive power with respect to 6,653,732 shares, except that one affiliate does not have the authority to vote 476,400 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 August 23, 2005.

(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 held 1,513,486 shares, or 3.3% of the number of shares outstanding at February 15, 2006, and is also the Trustee of the Sensient Technologies Corporation Savings Plan (Savings Plan), which held 842,229 shares of Common Stock, or 1.8% of the number of shares outstanding at February 15, 2006. Fidelity has advised the Company that it disclaims beneficial ownership of the ESOP and Savings Plan shares.

(4) NFJ Investment Group L.P. (NFJ), 2100 Ross Avenue, Suite 1840, Dallas, Texas 75201 filed a Schedule 13G dated February 10, 2006 which reports that NFJ has sole voting and sole dispositive power with respect to the reported shares as of December 31, 2005. NFJ reports that the filing is made on behalf of NFJ itself and/or certain investment advisory clients or discretionary accounts relating to the collective beneficial ownership of shares of common stock. NFJ is a registered investment advisor.

COMPENSATION AND DEVELOPMENT COMMITTEE REPORT

Introduction

This report describes the Company's executive compensation programs and the basis on which 2005 compensation was determined with respect to the executive officers of the Company. The Compensation and Development Committee is composed entirely of independent non-employee directors and met three times during 2005. A more complete description of the Committee functions is set forth under the heading "Committees of the Board of Directors" on page 5.

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 to assess the effectiveness of the Program and compare 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 the chief executive officer. Key elements of the Company's Program are base salary, short-term (annual) incentives and long-term incentives.

The Committee also regularly reviews other compensation arrangements with the Company's chief executive officer and other executive officers.

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 16, the chief executive officer's base salary was increased in 2005 by \$30,000 (4.0%). In determining the chief executive officer's base salary, the Committee weighed the aforementioned criteria equally.

Annual Bonuses

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. For 2005, the award was 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 2005, Mr. Manning's bonus opportunity was 85% of his base salary, placing his target bonus opportunity at approximately the 50th percentile for chief executive officers. As reflected in the Summary Compensation Table, no Annual Plan bonus was awarded in 2005, based on the Earnings Per Share level achieved, except for \$31,592 awarded to Peter Bradley for meeting the targets which were applicable to the Asia Pacific Division during his service with that unit. However, in February 2006, acting on the recommendation of the Committee, the Board awarded discretionary bonuses to executive officers. Although the awards are significantly lower than the officers would have earned under the Annual Plan had the Company's 2005 earnings targets been achieved, the Board determined that these bonuses were appropriate in light of unanticipated expenses that were beyond the Company's control, accomplishments that were not measured by the incentive plans, and the fact that no other bonuses were awarded for 2004 and 2005.

Awards for top executives under the Annual Plan are based on the achievement of performance goals established by the Committee in the beginning of each year, with 100% of the 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 award. The performance goals for top executives may consist of one or more of the following criteria, as determined by the Committee: (i) earnings per share; (ii) return on equity; (iii) return on invested capital; (iv) return on assets; (v) revenue growth; (vi) earnings before interest, taxes, depreciation and amortization; (vii) earnings before interest, taxes and amortization; (viii) operating income; (ix) pre- or after-tax income; (x) cash flow; (xi) cash flow per share; (xii) net earnings; (xiii) economic value added (or an equivalent metric); (xiv) share price performance; (xv) total shareholder return; (xvi) improvement in or attainment of expense levels; (xvii) improvement in or attainment of working capital levels; (xviii) debt reduction; or (xix) strategic and leadership goals. The Committee expects to continue to set target bonus award levels to approximate the 50th percentile (adjusted for company size) of comparable companies' practices for each executive position, and for performance exceeding the targeted levels, the 75th percentile practices among comparable companies.

Stock Awards and Long-Term Incentives

Under the Company's 1998 and 2002 Stock Option Plans, 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. The Committee has a long-standing practice of providing gross up payments to executive officers to reimburse them for income tax payments made by them in connection with vesting of restricted stock so that the tax obligations do not discourage long-term ownership of the related stock. 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 2005, the Company's chief executive officer received options to purchase 70,000 shares at their fair market value on the date of grant and received 50,000 shares of restricted stock.

Manning Employment Agreement

In December 2005, upon the Committee's recommendation, the Board of Directors approved a new employment agreement for Mr. Manning. The new agreement replaces an agreement entered into in 1999. The new agreement, which sets Mr. Manning's base salary at \$783,000, extends the term of the agreement and provides various executive transition provisions, otherwise generally tracks the provisions of the prior agreement and is as described in further detail under "Employment Agreements and Other Arrangements - Employment Agreement" on page 19.

Other Deferred and Supplemental Plans

The Committee regularly reviews existing supplemental and other deferred compensation arrangements with the Company's executive officers, including those with the chief executive officer. In 2005, the Committee approved amendments to the Change in Control Employment and Severance Agreements and the Supplemental Executive Retirement Plan; those amendments affect the computations of benefits thereunder, by providing an extended period in which bonus payments would be considered for purposes of the agreements and plan. The other arrangements and agreements with executive officers are more specifically described under "Employment Agreements and Other Arrangements" on pages 19-20.

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 option awards under the 1998 and 2002 Stock Option Plans that are designed to qualify for the performance-based compensation exception. However, the Committee may grant other bonuses and awards (including restricted stock 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

James A.D. Croft, Chairman

John F. Bergstrom

Dr. Fergus M. Clydesdale

Essie Whitelaw

EXECUTIVE COMPENSATION
Summary Compensation Table

The following table sets forth certain 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, 2005.

Name and Principal Position	Fiscal Year Ended	Annual Compensation (1)		Other Annual Compensation (\$)(3)	Long-term Compensation		All Other Compensation (\$)(5)(6)
		Base Salary (\$)	Bonus (\$)(2)		Restricted Stock Awards (\$)(4)	Securities Underlying Options (#)	
Kenneth P. Manning	12-31-05	\$ 783,000	\$ 332,775	\$ 241,464	\$ 928,500	70,000	\$ 41,277
Chairman, President and Chief Executive Officer	12-31-04	753,000		275,991	920,000	80,000	55,183