

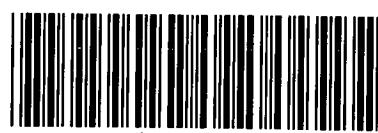
# **Sensata Technologies Holding plc**

Registered company number 10900776

## **Annual Report**

**For the Year Ended  
December 31, 2021**

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## **General Information**

### **Directors**

Andrew C. Teich (Chair)  
John P. Absmeier  
Daniel L. Black (appointed director effective January 1, 2021)  
Lorraine A. Bolsinger  
Jeffrey J. Cote (also Chief Executive Officer)  
James E. Heppelmann  
Charles W. Peffer  
Constance E. Skidmore  
Steven A. Sonnenberg  
Martha N. Sullivan  
Thomas Wroe Jr. (retired from the Board effective May 27, 2021)  
Stephen M. Zide

### **Company Secretary**

Shannon M. Votava

### **Registered Office**

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United Kingdom

### **Solicitor**

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10 Upper Bank Street  
London E14 5JJ  
United Kingdom

### **Independent Auditor**

Ernst & Young LLP  
Bedford House, 16-22 Bedford Street  
Belfast BT2 7DT  
United Kingdom

## **Strategic Report**

*You should read the following discussion in conjunction with the audited consolidated financial statements and the notes to those statements (our "Financial Statements"), included elsewhere in this Annual Report (this "Report"). In addition to historical facts, this Report contains forward-looking statements.*

### **The Company**

The reporting company is Sensata Technologies Holding plc ("Sensata plc"), a public limited company incorporated under the laws of England and Wales, and its consolidated subsidiaries, collectively referred to as the "Company," "Sensata," "we," "our," and "us." Our ordinary shares trade on the New York Stock Exchange ("NYSE") under the symbol "ST."

Sensata plc conducts its operations through subsidiary companies that operate business and product development centers primarily in Belgium, Bulgaria, China, Denmark, India, Japan, Lithuania, the Netherlands, South Korea, the United Kingdom (the "U.K."), and the United States (the "U.S."); and manufacturing operations primarily in Bulgaria, China, Malaysia, Mexico, the U.K., and the U.S.

### **Overview**

We are a global industrial technology company that develops, manufactures, and sells sensors, electrical protection components, and other products that are used in mission-critical systems and applications that create valuable business insights for our customers and end users. For more than 100 years, we have been providing a wide range of customized, sensor-rich solutions that address increasingly complex engineering and operating performance requirements to help our customers solve their most difficult challenges. We serve customers in the automotive, heavy vehicle and off-road ("HVOR"), fleet management, industrial, clean energy, and aerospace industries. We present financial information for two reportable segments, Performance Sensing and Sensing Solutions.

Our sensors are used by our customers to translate a physical parameter, such as pressure, temperature, position, or location of an object, into electronic signals that our customers' products and solutions can act upon. Our electrical protection component portfolio is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety.

Original equipment manufacturers ("OEMs") are facing ever-increasing mandates, due to regulation and consumer demand, to make their products safer, cleaner, more efficient, more electrified, and increasingly more connected. Our sensors are being used by our customers in applications to address these demands, including those that help industrial customers introduce new energy-efficient and environmentally friendly motors, compressors, and heating, ventilation and air-conditioning ("HVAC") systems; transportation customers to meet the standards of emissions and pollution-control legislation; and fleet managers to proactively monitor the location and performance of their vehicles. We consider these capabilities to be core to our historical success and will continue to be significant drivers of market outgrowth in the future. We use the term "market outgrowth" to describe the impact of an increasing quantity and value of our products used in customer systems and applications, above normal market growth. It is only loosely correlated to normal unit demand fluctuations in the markets we serve.

### **Business Strategy**

Our business strategy involves leveraging certain new and emerging technology trends, which complement our existing product offerings, to deliver products that are used in mission-critical systems and applications that create valuable business insights for our customers and end users. Each of these trends, which we refer to as "megatrends," is expected to significantly transform the industries in which we operate. Refer to discussion under the heading *Megatrends* included elsewhere in this *Strategic Report* for additional information related to the new and emerging technology trends that we consider key to our strategies. These megatrends are also creating greater secular demand for our products, resulting in growth that exceeds end-market production growth in many of the markets we serve, a defining characteristic of our company.

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, such as the National Highway Traffic Safety Administration's Corporate Average Fuel Economy requirements in the U.S., "Euro 6d" requirements in Europe, "China National 6" requirements in China, and "Bharat Stage VI" requirements in India, as well as customer demand for operator productivity and convenience, drive the need for advancements in powertrain management, efficiency, safety, and operator controls. These advancements lead to sensor growth rates that we expect to exceed underlying demand in many of our key end markets, which we expect will continue to offer us significant growth opportunities.

We believe the medium- to long-term outlook for internal combustion engine powertrain products will evolve with the advent of more environmentally-friendly vehicles that rely more heavily on Electrification and other adjacent technologies. Accordingly, we are focusing on expanding our market share on electrified platforms, including sensors, electrical protection components, and battery-energy storage systems as full solutions. Many of the components and subsystems that we have historically developed and produced will play a significant role in this expansion, but we will also seek strategic partnerships and acquisitions to accelerate the growth and transformation of our product portfolio. By entering such relationships, we obtain access to new technologies and solutions, which we can leverage with our existing expertise to optimize and expand our product portfolio.

We are seeking to expand our products and business, and to accelerate market share in other areas that we believe will experience high growth in the future, such as deployment of Internet of Things (“IoT”) solutions for buildings, factories, warehouses, and light- through heavy-duty vehicles, particularly in fleets. This is driven by the need for smarter and more connected sensors that collect, analyze, and provide insights into the operations of a piece of equipment or vehicle in order to improve its operations, making it more productive and efficient. Within IoT, one of our main areas of focus is the Sensata Insights business, in which we deliver data insights across heavy, medium, and light vehicle fleets; supply chain and logistics including cargo, container, and warehouse segments; and high-value stationary asset monitoring. Our data-driven insight, connectivity, and prognostics provide solutions that increase overall productivity and operational efficiency.

We also recognize the potential market impact of autonomous vehicles and advanced driver-assistance systems (“ADAS”), and we are developing sensors to facilitate development of this market by manufacturers of vehicles (light-duty and medium-duty passenger car vehicles and heavy-duty on and off-road) and material handling equipment. We believe that adoption of ADAS technologies is a growth area – whether mandated by government legislation (such as the pedestrian safety requirements in the European Union (the “EU”)) or adopted by OEMs ahead of regulations.

Our strategies of leveraging core technology platforms and focusing on high-volume applications enable us to provide our customers with highly-customized products at a relatively low cost, as compared to the costs of the systems in which our products are embedded. We have achieved our current cost position through a continuous process of migration and transformation to best-cost manufacturing locations, global best-cost sourcing, product design improvements, and ongoing productivity-enhancing initiatives.

The table below sets forth the amount of net revenue generated by our end-markets, reconciled to total net revenue, for the years ended December 31, 2021 and 2020:

(In thousands)	For the year ended December 31,	
	2021	2020
Net revenue:		
Automotive	\$ 2,062,407	\$ 1,751,370
HVOR	829,852	508,061
Industrial, HVAC, other	793,812	649,980
Aerospace	134,735	136,167
Total net revenue	\$ 3,820,806	\$ 3,045,578

## Megatrends

New and emerging technology trends that are expected to significantly impact our customers and our business strategy include Electrification and Insights.

### ***Electrification***

Our objective with the Electrification initiative is to become a leading and foundational player in electrification components and sub-systems across broad industrial, transportation, and stationary energy storage end-markets and to be a comprehensive solutions provider in select end-market segments. These components and solutions will support a future that is more environmentally-sustainable and efficient and include: (1) clean energy transportation components for electric vehicles, charging stations, and chargers; and (2) mission-critical high-voltage components and subsystems combined into high value energy management or energy storage solutions. Throughout this Report, we use the term “electric vehicles” to reference hybrid, plug-in hybrid, and battery-electric vehicles, unless otherwise specified. The Electrification initiative provides a significant opportunity for us to expand the use of our sensors and electrical protection component portfolio within the automotive, HVOR, industrial, and aerospace industries.

Our transportation addressable markets are large today and growing, with expectations that they will continue to grow over the next 10 years. In addition to transportation applications, manufacturers of bikes, material handling equipment, marine vessels, and aircraft are also addressing ever-tightening greenhouse gas emissions regulations and taking advantage of falling battery costs and increasing energy capacities of lithium-ion battery cells to provide electrified solutions to their customers.

Applications in internal combustion engine vehicles make up most of our current transportation addressable markets. While the Electrification applications that we serve represent a smaller portion of these markets today, they are expected to grow rapidly until they become a larger opportunity for us than internal combustion engines by 2030. Our content in electric vehicles represents, on average, a 20% uplift in content value as compared to internal combustion engine vehicles of a similar class, resulting from the broad array of sensors and other components that are designed into electric vehicles. Looking forward, we estimate that our content per electric vehicle is on a path to double that of an internal combustion engine vehicle within five years.

We provide many of our innovative and differentiated components such as braking, tire, and environmental control from traditional internal combustion engine vehicles for use in electric vehicle applications. Specific to electric vehicles, we also provide and are developing several components that enable safe and efficient operation of electrified platforms such as high-voltage electrical protection, advanced temperature sensing, highly-sensitive electric motor position, and next-generation current sensing.

In addition, as transportation customers seek to extend the range of batteries and improve the efficiency of electric vehicles, they are incorporating electrical subsystems, which require additional sensors to monitor, control, and optimize what is happening within the vehicle. Thanks to capabilities we have added via acquisition, we can provide our customers with not only components, but also either the subsystem of assembled components to manage battery charging in the form of a power distribution unit or the full energy storage system, including battery management and a customized battery pack.

Within Electrification, we also address the needs of the charging infrastructure necessary to support the electrification ecosystem. We see additional opportunities in industrial and grid applications, some of which are more nascent today. Sensata is a leading provider of high-voltage protection on electric vehicles and charging infrastructure and we seek to be the partner of choice for HVOR, industrial, and aerospace OEMs transitioning to electrified solutions. We also intend to participate in other areas of the evolving market that enable Electrification to become more widespread.

To better pursue clean energy components and system opportunities, in the third quarter of 2021, we reorganized our Sensing Solutions operating segment, moving the portion of our electrical protection product category that includes high-voltage contactors, inverters, and battery management systems to a new business unit, Clean Energy Solutions. This business unit will focus largely on the stationary, commercial and industrial energy storage end-markets. Applications include e-bikes, stationary charging infrastructure, battery-energy storage, and renewable energy applications. With the acquisition of Spear Power Systems ("Spear") and Sendyne Corp ("Sendyne") as described further under the heading *Business Combinations* included elsewhere in this *Strategic Report*, we are expanding our portfolio with energy storage systems and electrical sensing products to augment offerings to existing end-markets as well as provide for new end-markets and applications. These acquisitions broaden our capabilities in battery management systems and high-voltage contactors introduced with the previous acquisitions of Lithium Balance and GIGAVAC, LLC ("GIGAVAC"), respectively.

### ***Insights***

Our objective within the Insights megatrend initiative is to become a leader in delivering data-driven insight, connectivity, and prognostics to commercial fleet operators and asset managers, by providing solutions that increase overall productivity and operational efficiency. The Insights megatrend initiative addresses a large and fast-growing market opportunity to deliver data insights across heavy, medium, and light vehicle fleets; supply chain and logistics including cargo, container, and warehouse segments; and high-value stationary assets monitoring. These fleets and other owners require data on the location and operation of their assets in order to monitor the health of their equipment, lower maintenance costs, optimize operations, and improve safety. Within these markets, we provide hardware and services that enables a variety of end use applications, including vehicle tracking and on-board vehicle diagnostic data to monitor vehicle health; the provision of vehicle data to enable usage-based insurance offerings; critical data on tire pressure for heavy duty trucks and trailers that results in lower fuel costs; cargo capacity data for trailers that increase the operational efficiency of fleets; video telematics offerings that provide event analysis and in-cab monitoring to prevent and lower the cost of incidents; and visibility to where assets are located across the supply chain.

Leveraging Sensata's long history and expertise in sensor development, Sensata Insights' portfolio includes a full-stack offering of sensors, cameras, vehicle area networks, telematics gateways, cloud solutions, and data services. We collect data from cameras and wireless sensors measuring information such as video telematics, tire pressure, cargo capacity, and a variety

of other sensing parameters along with related vehicle system information. We then communicate this valuable data from our telematics and video telematics devices to the cloud via Application Programming Interfaces for integration into our customers' enterprise systems. Through cloud-based mobile applications and web portals, this data delivers actionable insight to drivers, maintenance workers, and back-office personnel – allowing participants in the ecosystem to proactively monitor the health of their vehicles, conduct proactive maintenance, optimize fleet operations, and enhance driver safety. As an independent third-party technology provider, we serve multiple channels to market including partnering with telematics service providers, resellers and carriers, and serving fleet operators directly.

As discussed under the heading *Business Combinations* included elsewhere in this *Strategic Report*, we acquired Xirgo Technologies, LLC ("Xirgo") and SmartWitness Holdings, Inc. ("SmartWitness") in fiscal year 2021, expanding our capabilities to provide data insights to transportation and logistics customers through telematics, video telematics, asset tracking devices, and other cloud-based solutions. With the acquisition of SmartWitness, we formed Sensata Insights, a business unit organized under the HVOR operating segment, to drive growth of our smart and connected offerings to the transportation market, including both those developed organically and through the acquisition of Xirgo and SmartWitness.

Our objective in the broader Industrial IoT/Digitization of Buildings, Factories & Warehouses trend is to become a leader in smart sensing and edge intelligence with solutions in machine health and asset management. The digitization of buildings, factories, and warehouses represent fast-growing opportunities that we believe will drive new business wins ("NBOs") and market outgrowth for our industrial business.

### **Business Combinations**

We completed various acquisitions in fiscal year 2021, summarized in the table below:

(In millions)	Date	Segment		Purchase Price	
Acquisition		Performance Sensing	Sensing Solutions	Cash	Estimated Contingency
Lithium Balance <sup>(1)</sup>	January 29, 2021	X	\$ 27.2	\$ —	
Xirgo	April 1, 2021	X	\$ 401.7	\$ —	
Spéair <sup>(2)(3)</sup>	November 19, 2021	X	\$ 105.8	\$ 8.6	
SmartWitness <sup>(2)</sup>	November 19, 2021	X	\$ 204.2	\$ —	
Sendyne <sup>(2)</sup>	December 8, 2021	X	\$ 25.1	\$ —	

(1) Step acquisition completed on the date indicated

(2) Purchase price accounting is provisional

(3) Contingency estimated as of the date of acquisition, subject to change

### **Lithium Balance**

On January 29, 2021, we completed the acquisition of Lithium Balance, a leading battery management system provider. This acquisition advances our Electrification portfolio and strategy in the clean energy markets. This acquisition, along with the previous acquisition of GIGAVAC in 2018, helps position Sensata as a leading provider of mission-critical high-voltage protection on electric vehicles and in the charging infrastructure. The addition of Lithium Balance further expanded Sensata's portfolio to offer battery management solutions to a variety of vehicle OEMs and integrated energy storage solutions to commercial and industrial customers.

### **Xirgo**

On April 1, 2021, we completed the acquisition of Xirgo, a leading telematics and data insights provider across the fleet transportation and logistics segments. This acquisition represented a meaningful milestone in our Insights megatrend initiative, greatly expanding our ability to provide data insights to fleet transportation and logistics customers, by serving telematics service providers, fleet management solution providers, and fleet operators themselves. Xirgo brings a comprehensive suite of telematics and asset tracking devices, cloud-based data insight solutions, as well as emerging cargo capacity and video sensing applications and data services. This acquisition is consistent with our strategy to move beyond serving vehicle OEMs and engage with the broader fleet transportation and logistics ecosystem. Xirgo is complementary to our focus on heavy-duty fleets, while also meaningfully extending our presence with customers across the cargo, container, cold chain, usage-based insurance, and light-vehicle fleet management markets. We have included these offerings, which serve our Insights megatrend initiative, as part of Sensata Insights.

### *Spear*

On November 19, 2021, in support of the Clean Energy Solutions business unit, we acquired Spear, a leader in electrification solutions, developing next-generation scalable lithium-ion battery storage systems for demanding land, sea, and air applications. This acquisition advances Sensata's Electrification portfolio and strategy into new clean energy markets. Spear expands on Sensata's acquisition of Lithium Balance in battery management systems and GIGAVAC in high-voltage contactors and provides energy storage solutions for OEMs and system integrators in fast-growing end-markets that offer significant growth opportunities. With this acquisition, we added the capability to provide full battery-energy storage systems for select industrial transportation end-markets.

### *SmartWitness*

In addition, on November 19, 2021, we acquired SmartWitness, a privately held innovator of video telematics technology for heavy- and light-duty fleets. SmartWitness expands the capabilities of Sensata Insights into high-growth video telematics applications, providing access to applications that will drive adoption of traditional and video telematics solutions. SmartWitness' solutions comprise proprietary software and hardware purpose-built for telematics service providers, providing a complementary fit with our Sensata Insights business. Since its founding in 2007, SmartWitness has been a pioneer in video telematics that expands on traditional offerings to include contextually aware data capture that enhances the monitoring of vehicles and their surroundings to increase safety and lower insurance costs for fleets.

### *Sendyne*

On December 8, 2021, we acquired Sendyne, which provides new, innovative, and differentiated technologies and products in the electrification space. Sendyne's electrification components are used to solve key current and voltage measurement and isolation challenges. Current sensing and isolation monitoring devices are critical components of electric vehicles, charging stations, high-voltage distribution units, and full energy storage solutions that are an important piece of the electrification of many industries.

Refer to *Note 29: Acquisitions* of the Financial Statements for additional information related to the acquisitions of Xirgo, Spear, and SmartWitness.

### **Segment information**

The Performance Sensing reportable segment, which accounted for approximately 75% of our net revenue in fiscal year 2021, represents an aggregation of two operating segments, Automotive and HVOR. It primarily serves the automotive and HVOR industries through development and manufacture of sensors, high-voltage solutions (i.e. electrical protection components), and other solutions that are used in mission-critical systems and applications. Examples include those used in subsystems of automobiles, on-road trucks, and off-road equipment, such as tire pressure monitoring, thermal management, electrical protection, regenerative braking, powertrain (engine/transmission), and exhaust management. Our products are used in subsystems that, among other things, improve operating performance and efficiency, contribute to environmentally sustainable and safe solutions, and provide data-driven insight, connectivity, and prognostics to commercial fleet operators and asset managers.

The Sensing Solutions reportable segment, which accounted for approximately 25% of our net revenue in fiscal year 2021, primarily serves the industrial and aerospace industries through development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance and HVAC, semiconductor, factory automation, water management, and charging infrastructure markets, as well as the aerospace market, including commercial aircraft, defense, and aftermarket markets. Some of the products and solutions the segment sells include pressure, temperature, and position sensors, motor and compressor protectors, high-voltage contactors, solid state relays, bimetal electromechanical controls, power inverters, charge controllers, battery management systems, operator controls, and IoT solutions. Our products perform many functions including prevention of damage from excess heat or electrical current, optimization of system performance, low-power circuit control, and power conversion from direct current power to alternating current power. We believe that we are a leading supplier of electrical protection products in the majority of the key applications and systems in which we compete.

### **Customers**

We have long-standing relationships with a geographically diverse base of leading OEMs and other multinational companies. In geographic and product markets where we lack established relationships with customers, we rely on third-party distributors to sell our products. We have had relationships with our top ten customers for an average of 30 years. Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2021.

Performance Sensing customers include leading global automotive, on-road truck, construction, and agriculture OEMs, the companies that supply parts directly to these OEMs, which are known as Tier 1 suppliers, various aftermarket distributors, and fleet transportation and logistics customers. We believe large OEMs and other multinational companies are increasingly demanding a global presence to supply sensors and electrical protection components for their key platforms worldwide. As our customers develop common global electrified platforms to drive scale and efficiency across their global markets, we are well positioned to serve them with our global manufacturing and technical centers. Fleet transportation and logistics customers are demanding data-driven insight, connectivity, and prognostics to increase overall productivity and operational efficiency. We are also seeing the importance of new ‘startup’ OEMs grow as market disruptors and Sensata’s flexibility, speed, expertise, and global footprint provides these new entrants with a supplier/partner capable of meeting their demanding requirements. We provide all of our customers with the worldwide technical and manufacturing presence to enable their success around the world.

Sensing Solutions customers include a wide range of industrial and commercial manufacturers and suppliers across multiple end-markets, primarily OEMs in the climate control, appliance, semiconductor, medical, energy and charging infrastructure, data/telecom, factory automation, and aerospace industries, as well as Tier 1 aerospace and motor and compressor suppliers. Customers of Clean Energy Solutions include OEM system integrators, lithium-ion battery packers, and distributors.

#### **Seasonality**

Because of the diverse global nature of the markets in which we operate, our net revenue is only moderately impacted by seasonality. Sensing Solutions experiences some seasonality, specifically in its air-conditioning and refrigeration products, which tend to peak in the first two quarters of the year as inventories are built-up for spring and summer sales. In addition, Performance Sensing net revenue tends to be weaker in the third quarter of the year as automotive OEMs retool production lines for the coming model year. Our Sensata Insights business within Performance Sensing tends to peak in the last quarter of the calendar year as customers exhaust their annual capital budgets.

#### **Risk Management**

Although a certain degree of risk is inherent in our business, we endeavor to minimize risk to the extent reasonably possible. Refer to discussion under the heading *Risk Factors* for the significant risks facing our business. A summary of the principal categories of risk we face and our strategies to minimize these risks are described below.

##### ***Strategic and operational***

We take strategic and operational risks (for example through acquisitions, investments in technology, and restructuring actions to optimize our structure) in pursuit of achieving profitable growth and providing shareholder value. We believe these risks are mitigated through the processes described under the heading *Risk Oversight* below.

##### ***Compliance***

We consider adherence to laws and regulations to be fundamental in our ability to operate. As noted under the heading *Risk Oversight* below, our Audit Committee is responsible for reviewing major legislative and regulatory developments that could materially impact us.

We require our employees to follow applicable laws and regulations and to operate ethically. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions.

##### ***Financial***

We are subject to credit, market, and liquidity risks. Credit risk is the risk of our financial loss if a counterparty fails to meet its contractual obligations. We manage our credit risk on cash equivalents by investing in highly rated, marketable instruments and/or financial institutions. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income or the value of our holdings of financial instruments. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices. Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

For an overview of the principal risks we are subject to, refer to *Note 24: Financial Risk Management Objectives and Policies* in our Financial Statements.

### ***Financial Reporting***

We strive to ensure that our financial reports are free of material misstatements. Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO"), Chief Financial Officer, and Chief Accounting Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting. Our evaluation was based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

Our internal risk management and risk control systems provide a reasonable degree of assurance that our financial reports do not contain any errors of material importance, and these risk management and risk control systems have functioned properly during fiscal year 2021.

### ***Risk Oversight***

Risk is inherent in every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal risks, regulatory risks, cybersecurity risks and others. Management is responsible for the day-to-day management of risks that we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to ensure that the risk management processes designed and implemented by management are adequate and functioning as designed.

The Board receives presentations from senior management on strategic matters involving our operations. The Board regularly dedicates a portion of its meeting agenda to discuss the strategy of the Company, including the corresponding risks. In addition, senior management attends Board meetings and is available to address any questions or concerns raised by the Board related to risk management and other matters.

While the Board is ultimately responsible for our risk oversight, the committees of the Board assist the Board in fulfilling its oversight responsibilities in certain areas of risk. The role of each committee in connection with risk oversight is provided in our proxy statement in the section captioned *Board Meetings, Committees of the Board and Board Leadership Structure*.

The Board has delegated to the Audit Committee oversight of our risk management process. Among its duties, the Audit Committee: (a) reviews with management our policies with respect to risk assessment and management of risks that may be material to us, including the risk of fraud; (b) reviews the integrity of our financial reporting processes, both internal and external, including reviewing management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year; (c) reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures; and (d) reviews our compliance with legal and regulatory requirements. The Audit Committee also is responsible for reviewing legislative and regulatory developments that could materially impact our contingent liabilities and risk profile. Other Board committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing us and that the Board leadership structure supports this approach.

### ***Risk Factors***

The following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Our business is also subject to general risks that affect many other companies. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, operations, liquidity, and financial condition. If actions taken by management to limit, monitor, or control enterprise risk exposures are not successful, our business and consolidated financial statements could be materially adversely affected.

### ***Business and Operational Risks***

**We are subject to various risks related to public health crises, including the COVID-19 pandemic, which have had, and may in the future have, material and adverse impacts on our business, financial condition, liquidity, and results of operations.**

Any outbreaks of contagious diseases and other adverse public health developments in countries where we operate could have a material and adverse impact on our business, financial condition, and results of operations. As has occurred with the

COVID-19 pandemic, a global pandemic could cause significant disruption to the global economy, including in all of the regions in which we, our suppliers, distributors, business partners, and customers do business and in which our workforce is located. A global pandemic and efforts to manage it, including those by governmental authorities, could have significant impacts on global markets, and could have a significant, negative impact on our sales and operating results. Disruptions could include partial shutdowns of our facilities as mandated by government decree, government actions limiting our ability to adjust certain costs, significant travel restrictions, "work-from-home" orders, limited availability of our workforce, supplier constraints, supply-chain interruptions, logistics challenges and limitations, and reduced demand from certain customers. The COVID-19 pandemic has had, and could continue to have, these effects on the economy and our business.

As of December 31, 2021, we were still experiencing lingering disruptions of these types. The extent to which the COVID-19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments such as the length and severity of the crisis, the potential resurgence of the crisis, variant strains of the virus, vaccine availability and effectiveness, future government actions in response to the crisis and the overall impact of the COVID-19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. This unpredictability could limit our ability to respond to future developments quickly. Additionally, the impacts described above and other impacts of a global pandemic, including the COVID-19 pandemic and responses to it, could substantially increase the risk to us from the other risks described in these Risk Factors.

**Our business is subject to numerous global risks, including regulatory, political, economic, governmental, and military concerns and instability.**

Our business, including our employees, customers, and suppliers, are located throughout the world. We employ approximately 91% of our workforce outside of the U.S. Our customers are located throughout the world, and we have many manufacturing, administrative, and sales facilities outside of the U.S. Our subsidiaries located outside of the U.S. generated approximately 66% of our net revenue in fiscal year 2021, with approximately 23% in China, and we expect sales from non-U.S. markets to continue to represent a significant portion of our total net revenue. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, economic sanctions, investments, taxation, exchange controls, and repatriation of earnings.

As a result, we are exposed to numerous global, regional, and local risks that could decrease revenue and/or increase expenses, and therefore decrease our profitability. Such risks may result from instability in economic or political conditions, inflation, recession, and/or actual or anticipated military or political conflicts, and include, without limitation: trade regulations, including customs, import, and export matters, tariffs, trade barriers, trade disputes, and economic sanctions; changes in local employment costs, laws, regulations, and conditions; difficulties with, and costs for, protecting our intellectual property; challenges in collecting accounts receivable; tax laws and regulatory changes, including examinations by taxing authorities, variations in tax laws from country to country, changes to the terms of income tax treaties, and difficulties in the tax-efficient repatriation of earnings generated or held in a number of jurisdictions; natural disasters; instability in economic or political conditions; inflation; recession; actual or anticipated military or political conflicts; and the impact of each of the foregoing on our business operations, manufacturing, and supply chain.

Other risks are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions and/or monetary and fiscal policies, intellectual property protection difficulties and disputes, the settlement of legal disputes through certain foreign legal systems, the collection of receivables, exposure to possible expropriation or other government actions, unsettled political conditions, and possible terrorist attacks. These and other factors may have a material adverse effect on our non-U.S. operations and, therefore, on our business and results of operations. In addition, a scarcity of resources or other hardships caused by a global pandemic may result in increased nationalism, protectionism and political tensions which may cause governments and/or other entities to take actions that may have a significant negative impact on the ability of us, our suppliers, and our customers to conduct business. We have assessed the risk to our business and results of operations related to the war in Ukraine and have determined that it is probable that any impact would be immaterial.

We have sizable operations in China, including two principal manufacturing sites. Economic and political conditions in China have been and may continue to be volatile and uncertain, especially as the U.S. and China continue to discuss and have differences in trade policies, and the U.S. continues to add restrictions on exports of certain of our products that are subject to export regulations of the various jurisdictions in which we operate ("Controlled Items") to China. In addition, the legal and regulatory system in China is still developing and is subject to change. Our operations and transactions with customers in China could continue to be adversely affected by increased tariffs and export restrictions and could be otherwise adversely affected by other changes to market conditions, changes to the regulatory environment, or interpretation of Chinese law.

**Adverse conditions in the industries upon which we are dependent, including the automotive industry, have had, and may in the future have, adverse effects on our business.**

We are dependent on market dynamics to sell our products, and our operating results could be adversely affected by cyclical and reduced demand in these markets. Periodic downturns in our customers' industries could significantly reduce demand for certain of our products, which could have a material adverse effect on our results of operations, financial condition, and cash flows.

Much of our business depends on, and is directly affected by, the global automobile industry. Sales in our automotive end markets accounted for approximately 54% of our total net revenue in fiscal year 2021. Declines in demand such as experienced as a result of the COVID-19 pandemic and other adverse developments like those we have seen in past years in the automotive industry, including but not limited to customer bankruptcies and increased demands on us for lower prices, could have material adverse effects on our results of operations and could impact our liquidity and our ability to meet restrictive debt covenants. In addition, these same conditions could adversely impact certain of our vendors' financial solvency, resulting in potential liabilities or additional costs to us to ensure uninterrupted supply to our customers.

**We may incur material losses and costs as a result of product liability, warranty, and recall claims that may be brought against us.**

We have been, and will continue to be, exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected, or the use of our products results, or is alleged to result, in death, bodily injury, and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of the underlying end product, particularly if the defect or the alleged defect relates to product safety and/or regulatory non-compliance. Depending on the terms under which we supply products, an OEM may hold us responsible for some or all of the repair or replacement costs of these products under warranty when the product supplied did not perform as represented.

The impact of the current global supply chain shortages includes various factors that could impact our actual or perceived liability due to quality issues, whether at a supplier or customer. Shortages of materials at our suppliers or customers could cause them to work longer production hours to meet demand, resulting in fatigue on manufacturing workers, delays in planned maintenance, and other factors that could impact the actual or perceived quality of our products. In addition, customers may be forced to assemble parts into the end product in an order not anticipated by design, or to assemble parts in a location without proper environmental controls (e.g. a parking lot), increasing the potential that our part fails through no fault of our own. While we would defend ourselves from warranty claims in these circumstances, there is no guarantee that we would prevail.

As we continue to develop products containing complex information technology ("IT") systems designed to support today's increasingly connected vehicles, these systems result in potential increases to our risks in product safety, regulatory compliance, product liability, warranty, and recall claims. In addition, the warranty period for certain electric vehicle components are generally eight to ten years, which increases our risk for warranty claims over the life of a product.

In addition, a product recall could generate substantial negative publicity about our business and interfere with our manufacturing plans and product delivery obligations as we seek to repair affected products. Our costs associated with product liability, warranty, and recall claims could be material.

**We are dependent on market acceptance of our new product introductions and product innovations for future revenue and we may not realize all of the revenue or achieve anticipated gross margins from products subject to existing awards or for which we are currently engaged in development.**

Substantially all markets in which we operate are impacted by technological change or change in consumer tastes and preferences, which are rapid in certain markets. Our operating results depend substantially upon our ability to continually design, develop, introduce, and sell new and innovative products; to modify existing products; and to customize products to meet customer requirements driven by such change. There are numerous risks inherent in these processes, including the risk that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market profitable new products and applications before our competitors or in time to satisfy customer demands; the possibility that investment of significant time and resources will not be successful; the possibility that the marketplace does not accept our products or services; that we are unable to retain customers that adopt our new products or services; and the risk of additional liabilities associated with these efforts.

Our ability to generate revenue from products pending customer awards is subject to a number of important risks and uncertainties, many of which are beyond our control, including the number of products our customers will actually produce, as well as the timing of such production. Many of our customer agreements provide for the supply of a certain share of the customer's requirements for a particular application or platform, rather than for a specific quantity of products. In some cases, we have no remedy if a customer chooses to purchase less than we expect. In cases where customers do make minimum volume commitments to us, our remedy for their failure to meet those minimum volumes may be limited to increased pricing on those products that the customer does purchase from us or renegotiating other contract terms. There is no assurance that such price increases or new terms will offset a shortfall in expected revenue. In addition, some of our customers may have the right to discontinue a program or replace us with another supplier under certain circumstances. As a result, products for which we are currently incurring development expenses may not be manufactured by our customers at all, or they may be manufactured in smaller amounts than currently anticipated. Therefore, our anticipated future revenue from products relating to existing customer awards or product development relationships may not result in firm orders from customers for the originally contracted amount.

We also incur capital expenditures and other costs and price our products based on estimated production volumes. If actual production volumes were significantly lower than estimated, our anticipated revenue and gross margin from those new products would be adversely affected. We cannot predict the ultimate demand for our customers' products, nor can we predict the extent to which we would be able to pass through unanticipated per-unit cost increases to our customers.

**Increasing costs for, or limitations on the supply of or access to, manufactured components and raw materials may adversely affect our business and results of operations.**

We use a broad range of manufactured components, subassemblies, and raw materials in the manufacture of our products in both our Performance Sensing and Sensing Solutions segments, including those containing certain commodities (e.g. semiconductors, resins, and metals), which may experience significant volatility in their price and availability due to, among other things, new laws or regulations, including the impact of tariffs, trade barriers, trade disputes, export restrictions, economic sanctions, and global economic or political events including government actions, labor strikes, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in foreign currency exchange rates, and prevailing price levels.

It is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Therefore, a significant increase in the price or a decrease in the availability of these items could materially increase our operating costs and materially and adversely affect our business and results of operations. However, the impact of the current global supply chain shortages, including production delays on a vast and varied number of products across industries and geographies and increased procurement and logistics costs, are unprecedented. Accordingly, we are actively working with our customers to share the inflationary burden of these factors. In addition, where possible, we are working to adjust our long-term supply agreements, strengthen our relationships with our suppliers, increase inventory on hand, increase visibility into long-term supply and demand, and accelerate the use of alternate materials to increase supply chain visibility. Despite these efforts, as discussed in *Results of Operations* included elsewhere in this *Strategic Report*, these shortages have impacted our margins in fiscal year 2021, and we believe that these impacts will continue throughout fiscal year 2022. If the impacts of these shortages are more severe than we currently expect, it could result in further deterioration of our results, potentially for a longer period than currently anticipated. In addition, the impact of the current global supply chain shortages on one or more of our key suppliers could adversely impact our profitability.

We have entered into hedge arrangements for certain metals used in our products in an attempt to minimize commodity pricing volatility and may continue to do so from time to time in the future. Such hedges might not be economically successful. In addition, these hedges do not qualify as accounting hedges in accordance with international accounting standards. Accordingly, the change in fair value of these hedges is recognized in earnings immediately, which could cause volatility in our results of operations from period to period. Refer to Note 19: *Derivative Instruments and Hedging Activities* and Note 24: *Financial Risk Management Objectives and Policies*, each included in our Financial Statements, for further discussion of accounting for hedges of commodity prices and an analysis of the sensitivity on pretax earnings of changes in the forward prices on these hedges, respectively.

**In connection with the implementation of our corporate strategies, we face risks associated with the acquisition of businesses, the integration of acquired businesses, and the growth and development of these businesses.**

In pursuing our corporate strategy, we often acquire other businesses. The success of this strategy is dependent upon our ability to identify appropriate acquisition targets, negotiate transactions on favorable terms, complete transactions and successfully integrate them into our existing businesses. There can be no assurance that we will realize the anticipated synergies or cost savings related to acquisitions, including, but not limited to, revenue growth and operational efficiencies, or that they will be achieved in our estimated timeframe. We may not be able to successfully integrate and streamline overlapping functions

from future acquisitions, and integration may be more costly to accomplish than we expect. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope.

Subject to the terms of our indebtedness, we may finance future acquisitions with cash from operations, additional indebtedness, and/or by issuing additional equity securities. In addition, we could face financial risks associated with incurring additional indebtedness such as reducing our liquidity, limiting our access to financing markets, and increasing the amount of service on our debt. The availability of debt to finance future acquisitions may be restricted, and our ability to make future acquisitions may be limited. Refer to separate risk factor for additional information related to risks regarding our level of indebtedness.

In addition, many of the businesses that we acquire and develop will likely have significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining, or revising our systems and operational practices, and enlarging the scale and scope of the businesses, our business may be adversely affected. Other risks include developing knowledge of and experience in the new business, integrating the acquired business into our systems and culture, recruiting professionals, and developing and capitalizing on new relationships with experienced market participants. External factors, such as compliance with new or revised regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of a new line of business. Failure to manage these risks in the acquisition or development of new businesses could materially and adversely affect our business, results of operations, and financial condition.

**Restructuring our business or divesting some of our businesses or product lines in the future may have a material adverse effect on our results of operations, financial condition, and cash flows.**

In pursuing our corporate strategy, we continue to evaluate the strategic fit of specific businesses and products and occasionally dispose of or exit businesses and products. The success of this strategy is dependent upon our ability to identify appropriate disposition targets, negotiate transactions on favorable terms, and complete transactions. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products, and personnel; the diversion of management's attention from other business concerns; the disruption of our business; and the potential loss of key employees. There can be no assurance that we will be successful in addressing these or any other significant risks encountered.

We also may seek to restructure our business in the future by relocating operations, disposing of certain assets, or consolidating operations. There can be no assurance that any restructuring of our business will not adversely affect our financial condition, leverage, or results of operations. In addition, any significant restructuring of our business will require significant managerial attention, which may be diverted from our other operations.

**Labor disruptions or increased labor costs have had, and may in the future have, adverse impacts on our business.**

A material labor disruption or work stoppage at one or more of our manufacturing or business facilities could have a material adverse effect on our business. In addition, work stoppages occur relatively frequently in the industries in which many of our customers operate, such as the transportation industry. If one or more of our larger customers were to experience a material work stoppage for any reason, that customer may halt or limit the purchase of our products. This could cause us to reduce production levels or shut down production facilities relating to those products, which could have a material adverse effect on our business, results of operations, and/or financial condition.

**We operate in markets that are highly competitive, and competitive pressures could require us to lower our prices or result in reduced demand for our products.**

We operate in markets that are highly competitive, and we compete on the basis of product performance in mission-critical operating environments, quality, service, reliability, manufacturing footprint, and commercial competitiveness across the industries and end-markets we serve. A significant element of our competitive strategy is to design and manufacture high-quality products that meet the needs of our customers at a commercially competitive price, particularly in markets where low-cost, country-based suppliers, primarily in China with respect to the Sensing Solutions segment, have entered the markets or increased their per-unit sales in these markets by delivering products at low cost to local OEMs. In addition, certain of our competitors in the transportation sensor market are influenced or controlled by major OEMs or suppliers, thereby limiting our access to these customers. Many of our customers also rely on us as their sole source of supply for many of the products that we have historically sold to them. These customers may choose to develop relationships with additional suppliers or elect to produce some or all of these products internally, primarily to reduce risk of delivery interruptions or as a means of extracting more value from us. Certain of our tier customers currently have, or may develop in the future, the capability to internally

produce the products that we sell to them and may compete with us with respect to those and other products and with respect to other customers.

Many of our customers, including transportation manufacturers and other industrial and commercial OEMs, demand annual price reductions. If we are not able to offset continued price reductions through improved operating efficiencies and reduced expenditures, these price reductions may have a material adverse effect on our results of operations and cash flows. In addition, our customers occasionally require engineering, design, or production changes. In some circumstances, we may be unable to cover the costs of these changes with price increases. Further, as our customers grow larger, they may increasingly require us to provide them with our products on an exclusive basis, which could limit sales, cause an increase in the number of products we must carry and, consequently, increase our inventory levels and working capital requirements. Certain of our customers, particularly in the automotive industry, are increasingly requiring their suppliers to agree to their standard purchasing terms without deviation as a condition to engage in future business transactions, many of which are increasing warranty requirements. As a result, we may find it difficult to enter into agreements with such customers on terms that are commercially reasonable to us.

**Security breaches and other disruptions to our IT infrastructure could interfere with our operations, compromise confidential information, and expose us to liability, which could have a material adverse impact on our business and reputation.**

In the ordinary course of business, we rely on IT networks and systems, some of which are managed by third parties, to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities.

We are at risk of attack by a growing list of adversaries through increasingly sophisticated methods. Because the techniques used to obtain unauthorized access or sabotage systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. In addition, we may not be able to detect breaches in our IT systems or assess the severity or impact of a breach in a timely manner. We regularly experience attacks to our systems and networks and have from time to time experienced cybersecurity breaches, such as computer viruses and malware, unauthorized parties gaining access to our IT systems, and similar incidents, which to date have not had a material impact on our business. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. While we select our third-party vendors carefully, problems with the IT systems of our vendors, including breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks, and security breaches at a vendor could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Additionally, we are an acquisitive organization and the process of integrating the information systems of the businesses we acquire is complex and exposes us to additional risk as we might not adequately identify weaknesses in the targets' information systems, which could expose us to unexpected liabilities or make our own systems more vulnerable to attack.

Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, maintenance of backup and protective systems, and maintenance of cybersecurity insurance), our IT networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attacks by hackers, breaches, employee error or malfeasance, power outages, computer viruses, malware and ransomware, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. We also face the challenge of supporting our older systems and implementing necessary upgrades.

Moreover, as we continue to develop products containing complex IT systems designed to support today's increasingly connected vehicles, these systems also could be susceptible to similar interruptions, including the possibility of unauthorized access. Further, as we transition to offering more cloud-based solutions that are dependent on the internet or other networks to operate with increased users, we may become a greater target for cyber threats, such as malware, denial of service, external adversaries, or insider threats.

These types of incidents affecting us or our third-party vendors could result in intellectual property or other confidential information being lost or stolen, including client, employee, or company data. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws and/or export control laws, disruption in operations, and damage to our reputation, which could materially adversely affect our business. Further, to the extent that any disruption or security breach results in a loss of, or damage to, our data, or an inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, lead to claims against us, and ultimately harm our business, financial condition, and/or results of operations.

**Improper disclosure of confidential, personal, or proprietary data could result in regulatory scrutiny, legal liability, or harm to our reputation. Changes to data protection laws, new customer requirements, and changes to international data transfer rules could impose new burdens.**

One of our significant responsibilities is to maintain the security and privacy of our employees' and customers' confidential and proprietary information. We maintain policies, procedures, and technological safeguards designed to protect the security and privacy of this information and regularly review compliance changes in the jurisdictions where Sensata operates. Nevertheless, we cannot eliminate the risk of human error, employee or vendor malfeasance, or cyber-attacks that could result in improper access to or disclosure or transfer of confidential, personal, or proprietary information by Sensata or our supply chain. Such access transfers could harm our reputation and subject us to liability under our contracts and the laws and regulations that protect personal and export-controlled data, resulting in increased costs, loss of revenue, and loss of customers. The release of confidential information could also lead to litigation or other proceedings against us by affected individuals, business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business.

In many jurisdictions we are subject to laws and regulations relating to the use of this information. These laws and regulations are changing rapidly, are becoming increasingly complex, and can conflict across the jurisdictions in which we operate. Our failure to adhere to processes in response to changing regulatory requirements could result in legal liability, significant regulator penalties and fines, or impair our reputation in the marketplace.

The technological capabilities we are developing in the Sensata Insights business bring new risks to our company. Laws and regulations for smart vehicles are expected to continue to evolve in numerous jurisdictions globally, which could affect our product portfolio and operations. Further, managing and securing personal and customer data that our products, as well as our partners' products, gather is a new and evolving risk for us. We must also prepare and adjust for rapid design philosophies associated with building these new solutions.

**Our future success depends in part on our ability to attract and retain key senior management and qualified technical, sales, and other personnel.**

Our future success depends in part on our continued ability to retain key executives and our ability to attract and retain qualified technical, sales, and other personnel. Significant competition exists for such personnel and we cannot assure the retention of our key executives, technical, and sales personnel or our ability to attract, integrate and retain other such personnel that may be required in the future. We cannot assure that employees will not leave and subsequently compete against us. If we are unable to attract and retain key personnel, our business, financial condition, and results of operations could be adversely affected.

#### ***Financial Risks***

**We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.**

A portion of our net revenue, expenses, receivables, and payables are denominated in currencies other than the U.S. dollar (the "USD"). We, therefore, face exposure to adverse movements in exchange rates of currencies other than the USD, which may change over time and could affect our financial results and cash flows. For financial reporting purposes, we, and most of our subsidiaries, operate under a USD functional currency because of the significant influence of the USD on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the USD. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in USD using the exchange rate in effect at that date. At each statement of financial position date, recorded monetary balances denominated in a currency other than the USD are adjusted to USD using the exchange rate at the statement of financial position date, with gains or losses recognized in other, net in the consolidated statements of income. During times of a weakening USD, our net revenue recognized in currencies other than the USD may increase because the non-U.S. currency will translate into more USD. Conversely, during times of a strengthening USD, our net revenue recognized in currencies other than the USD may decrease because the local currency will translate into fewer USD.

**Our level of indebtedness could adversely affect our financial condition and our ability to operate our business, including our ability to service our indebtedness and/or comply with the related covenants.**

The credit agreement governing our secured credit facility (as amended, the "Credit Agreement") provides for senior secured credit facilities (the "Senior Secured Credit Facilities") consisting of a term loan facility (the "Term Loan"), our \$420.0 million revolving credit facility (the "Revolving Credit Facility"), and incremental availability (the "Accordion") under which

additional secured credit facilities could be issued under certain circumstances. As of December 31, 2021, we had \$4.3 billion of gross outstanding indebtedness, including various tranches of senior notes (the "Senior Notes"). Refer to *Note 14: Borrowings* of our Financial Statements for additional information related to our outstanding indebtedness.

Our substantial indebtedness could have important consequences. For example, it could make it more difficult for us to satisfy our debt obligations; restrict us from making strategic acquisitions; limit our ability to repurchase shares; limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, thereby placing us at a competitive disadvantage if our competitors are not as highly-leveraged; increase our vulnerability to general adverse economic and market conditions; or require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness if we do not maintain specified financial ratios or are not able to refinance our indebtedness as it comes due, thereby reducing the availability of our cash flows for other purposes.

In addition, the Accordion permits us to incur additional secured credit facilities in certain circumstances in the future, subject to certain limitations as defined in the indentures under which the Senior Notes were issued (the "Senior Notes Indentures"). This could allow us to issue additional secured debt or increase the capacity of the Revolving Credit Facility. If we increase our indebtedness by borrowing under the Revolving Credit Facility or incur other new indebtedness under the Accordion, the risks described above would increase.

We cannot guarantee that we will be able to obtain enough capital to service our indebtedness and fund our planned capital expenditures and business plan. If we complete additional acquisitions, our debt service requirements could also increase. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments, or reducing or delaying capital expenditures, strategic acquisitions, investments, and alliances, any of which could have a material adverse effect on our operations. Additionally, we may not be able to complete such actions, if necessary, on commercially reasonable terms, or at all.

If we experience an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to the debt to become due and payable immediately, which, in turn, would result in cross-defaults under our other debt instruments. Our assets and cash flows may not be sufficient to fully repay indebtedness if accelerated upon an event of default.

If, when required, we are unable to repay, refinance, or restructure our indebtedness under, or amend the covenants contained in, the Credit Agreement, or if a default otherwise occurs, the lenders under the Senior Secured Credit Facilities could: elect to terminate their commitments thereunder; cease making further loans; declare all indebtedness outstanding, together with accrued interest and other fees, to be immediately due and payable; institute foreclosure proceedings against those assets that secure the indebtedness under the Senior Secured Credit Facilities; and prevent us from making payments on the Senior Notes. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations in such an event.

**Changes in government trade policies, including the imposition of tariffs, may have a material impact on our results of operations.**

We evaluate all trade policies that impact us, and we adjust our operational strategies to mitigate the impact of these policies. However, trade policies, including quotas, duties, tariffs, taxes, or other restrictions on the import or export of our products, are subject to change, and we cannot ensure that any mitigation strategies employed will remain available in the future or that we will be able to offset tariff-related costs or maintain competitive pricing of our products. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the global economy, which in turn could have a material adverse effect on our business, operating results, and financial condition.

Existing duty reduction and deferral programs, such as free-trade agreements, duty drawback, and inward processing relief, provide beneficial impacts to our duties and tariffs for qualifying imports and exports, subject to compliance with each program's unique requirements. Changes in laws or policies governing the terms of these duty reduction and deferral programs could have a material adverse effect on our business and financial results. In addition, most of our facilities in Mexico operate under the Mexican Maquiladora program. This program provides for reduced tariffs and eased import regulations; we could be adversely affected by changes in such program, or by our failure to comply with its requirements.

Further tariffs may be imposed on other imports of our products or our business may be further impacted by retaliatory trade measures taken by China or other countries in response to existing or future U.S. tariffs. We may raise our prices on products subject to such tariffs to share the cost with our customers, which could harm our operating performance or cause our customers to seek alternative suppliers. In addition, we may seek to shift some of our China manufacturing to other countries,

which could result in additional costs and disruption to our operations. We also sell our products globally and, therefore, our export sales could be impacted by the tariffs. Any material reduction in sales may have a material adverse effect on our results of operations.

**We have recorded a significant amount of goodwill and other identifiable intangible assets, and we may be required to recognize goodwill or intangible asset impairments, which would reduce our earnings.**

We have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other intangible assets, net totaled approximately \$4.6 billion as of December 31, 2021, or 53% of our total assets. Goodwill, which represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized, was approximately \$3.5 billion as of December 31, 2021, or 40% of our total assets. Goodwill and other identifiable intangible assets were recognized at fair value as of the corresponding acquisition date. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in laws or regulations, significant unexpected or planned changes in the use of assets, and a variety of other factors. We consider a combination of quantitative and qualitative factors to determine whether a cash generating unit ("CGU") is at risk of impairment, including: the timing of our most recent quantitative impairment tests and the relative amount by which a CGU's fair value exceeded its then carrying value, the inputs and assumptions underlying our valuation models and the sensitivity of our fair value measurements to those inputs and assumptions, the impact that adverse economic or market conditions may have on the degree of uncertainty inherent in our long-term operating forecasts, and changes in the carrying value of a CGU's net assets from the time of our most recent goodwill impairment test.

The amount of any quantified impairment must be expensed immediately as a charge that is included in operating income, which may impact our ability to raise capital. Should certain assumptions used in the development of the fair value of our CGUs change, we may be required to recognize goodwill or other intangible asset impairments. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* of our Financial Statements for more details on our goodwill and other identifiable intangible assets.

**Our global effective tax rate is subject to a variety of different factors, which could create volatility in that tax rate, expose us to greater than anticipated tax liabilities, or cause us to adjust previously recognized tax assets and liabilities.**

We are subject to income taxes in the U.K., China, Mexico, the U.S., and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including changes in tax legislation, changes in tax rates and tax laws, our jurisdictional mix of earnings, the use of global funding structures, the tax characteristics of our income, the effects on our revenues and costs of complying with transfer pricing requirements under differing laws of various countries, consequences of acquisitions and dispositions of businesses and business segments, the generation of sufficient future taxable income to realize our deferred tax assets, and the taxation of subsidiary income in the jurisdiction of its parent company regardless of whether or not distributed. Significant judgment is required in determining our worldwide provision for (or benefit from) income taxes, and our determination of the amount of our tax liability is always subject to review by applicable tax authorities. Refer to *Note 7: Income Taxes* of our Financial Statements for additional information related to our accounting for income taxes.

We cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.K. and other tax laws, treaties, and regulations, in particular related to proposed tax laws by the U.K. government, which could increase our tax liabilities. Our actual global tax rate may vary from our expectation and that variance may be material. We continually monitor all global regulatory developments and consider alternatives to limit their detrimental impacts. However, not all unfavorable developments can be moderated, and we may consequently experience adverse effects on our effective tax rate and cash flows.

For example, the European Commission ("EC") has been conducting investigations of state aid and have focused on whether EU sovereign country laws or rulings provide favorable treatment to taxpayers conflicting with its interpretation of EU law. EC findings may have retroactive effect and can cause increases in tax liabilities where we considered ourselves in full compliance with local legislation. Furthermore, on October 8, 2021, the Organization for Economic Co-operation and Development ("OECD") announced that most of its member jurisdictions agreed to the OECD's Inclusive Framework of the Base Erosion and Profit Shifting project, which establishes global minimum tax rules. These rules are expected to be reflected in local country laws where we do business effective in calendar 2023. The precise impact of these laws is not yet known, and we cannot provide assurances that Sensata can mitigate any increases in tax liabilities under these new rules. We continue to monitor developments and will react accordingly.

We could be subject to future audits conducted by both foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other changes (such as those in applicable accounting rules) that increases the amounts we have provided for income taxes in our consolidated financial statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits, and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits, and other matters could cause our global tax rate to increase, our use of cash to increase, and our financial condition and results of operations to suffer.

**We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries.**

We are organized as a holding company, a legal entity that is separate and distinct from our operating entities. As a holding company without significant operations of its own, our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends, interest, and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding indebtedness, repurchasing ordinary shares, and corporate expenses. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions, or other circumstances that could restrict the ability of our subsidiaries to pay dividends or otherwise make payments to us. Furthermore, no assurance can be given that our subsidiaries may be able to make timely payments to us in order for us to meet our obligations.

***Legal and Regulatory Risks***

**We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act (the "FCPA"), the U.K.'s Bribery Act, and similar worldwide anti-bribery laws.**

The U.S. FCPA, the U.K.'s Bribery Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance program, we cannot provide assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial position, and/or cash flows.

**Export of our products is subject to various export control regulations and may require a license for export. Any failure to comply with such regulations could result in governmental enforcement actions, fines, penalties, loss of export privileges, or other remedies, which could have a material adverse effect on our business, results of operations, and financial condition.**

We are subject to compliance with laws and regulations controlling the import and export of goods, services, software, and technical data. Certain of our products are subject to export regulations of the various jurisdictions in which we operate ("Controlled Items"). The export of many such Controlled Items requires a license from the applicable government agency. Licensing decisions are made based on type of product, its destination, end use, end user, the parties involved in the transaction, national security, and foreign policy. As a result, export license approvals are not guaranteed. We have a trade compliance team and other systems in place to apply for licenses and otherwise comply with import and export regulations. Any failure to maintain compliance with such regulations could limit our ability to import or export raw material and finished goods. These laws and regulations are subject to change, and any such change may limit or exclude existing or future business opportunities, require us to change technology, or incur expenditures to comply with such laws and regulations.

We have discovered in the past, and may discover in the future, deficiencies in our trade compliance program. Although we continue to enhance our trade compliance program, we cannot guarantee that any such enhancements will ensure full compliance with applicable laws and regulations at all times, or that applicable authorities will not raise compliance concerns or perform audits to confirm our compliance with applicable laws and regulations. Any failure by us to comply with applicable laws and regulations could result in governmental enforcement actions, fines, penalties, criminal and/or civil proceedings, or other remedies, any of which could have a material adverse effect on our business, results of operations, and/or financial condition.

**Changes in existing environmental or safety laws, regulations, and programs could reduce demand for our products, which could cause our revenue to decline.**

A significant amount of our business is generated either directly or indirectly as a result of existing laws, regulations, and programs related to environmental protection, fuel economy, energy efficiency, and safety regulation. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation, or enforcement of these programs, could result in a decline in demand for environmental and/or safety products, which may have a material adverse effect on our revenue.

**Our operations expose us to the risk of material environmental liabilities, litigation, government enforcement actions, and reputational risk.**

We are subject to numerous federal, state, and local environmental protection and health and safety laws and regulations in the various countries where we operate and where our products are sold. These laws and regulations govern, among other things, the generation, storage, use, and transportation of hazardous materials; emissions or discharges of substances into the environment; investigation and remediation of hazardous substances or materials at various sites; greenhouse gas emissions; product hazardous material content; and the health and safety of our employees.

We may not have been, or we may not always be, in compliance with all environmental and health and safety laws and regulations. If we violate these laws, we could be fined, criminally charged, or otherwise sanctioned by regulators. In addition, environmental and health and safety laws are becoming more stringent, resulting in increased costs and compliance burdens.

Certain environmental laws assess liability on current or previous owners or operators of real property for the costs of investigation, removal, and remediation of hazardous substances or materials at their properties or properties at which they have disposed of hazardous substances. Liability for investigation, removal, and remediation costs under certain federal and state laws is retroactive, strict, and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances.

We cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our results of operations, financial position, and cash flows, or that we will not be subject to additional environmental claims for personal injury, property damage, and/or cleanup in the future based on our past, present, or future business activities.

In addition, our products are subject to various requirements related to chemical usage, hazardous material content, and recycling. The EU, China, and other jurisdictions in which our products are sold have enacted or are proposing to enact, laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws include but are not limited to the EU Restriction of Hazardous Substances ("RoHS"), End of Life Vehicle ("ELV"), and Waste Electrical and Electronic Equipment Directives; the EU Registration, Evaluation, Authorization, and Restriction of Chemicals ("REACH") regulation; and the China law on Management Methods for Controlling Pollution by Electronic Information Products. These laws prohibit the use of certain substances in the manufacture of our products and directly and indirectly impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. These laws continue to proliferate and expand in these and other jurisdictions to address other materials and aspects of our product manufacturing and sale. These laws could make the manufacture or sale of our products more expensive or impossible, could limit our ability to sell our products in certain jurisdictions, and could result in liability for product recalls, penalties, or other claims.

**Our ability to compete effectively depends, in part, on our ability to maintain the proprietary nature of our products and technology.**

The electronics industry is characterized by litigation regarding patent and other intellectual property rights. Within this industry, companies have become more aggressive in asserting and defending patent claims against competitors. There can be no assurance that we will not be subject to future litigation alleging infringement or invalidity of certain of our intellectual property rights, or that we will not have to pursue litigation to protect our property rights. Depending on the importance of the technology, product, patent, trademark, or trade secret in question, an unfavorable outcome regarding one of these matters may have a material adverse effect on our results of operations, financial position, and/or cash flows.

**We may be subject to claims that our products or processes infringe on the intellectual property rights of others, which may cause us to pay unexpected litigation costs or damages, modify our products or processes, or prevent us from selling our products.**

Third parties may claim that our processes and products infringe on their intellectual property rights. Whether or not these claims have merit, we may be subject to costly and time-consuming legal proceedings, and this could divert management's attention from operating our business. If these claims are successfully asserted against us, we could be required to pay substantial damages, make future royalty payments, and/or could be prevented from selling some or all of our products. We also may be obligated to indemnify our business partners or customers in any such litigation. Furthermore, we may need to obtain licenses from these third parties or substantially re-engineer or rename our products in order to avoid infringement. In addition, we might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer or rename our products successfully. If we are prevented from selling some or all of our products, our sales could be materially adversely affected.

**We may be subject to litigation in the course of our business that could cause a material adverse effect on our results of operations, financial position, and/or cash flows.**

In the normal course of business, we are, from time to time, a defendant in litigation, including litigation alleging the infringement of intellectual property rights, anti-competitive behavior, product liability, breach of contract, and employment-related claims. In certain circumstances, patent infringement and antitrust laws permit successful plaintiffs to recover treble damages. The defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. In addition, we may be required to pay damage awards or settlements, or become subject to injunctions or other equitable remedies, that could cause a material adverse effect on our results of operations, financial position, and/or cash flows.

#### **Non-Financial Information Statement**

Refer to discussion under the heading *The Company* included elsewhere in this *Strategic Report* for a brief description of our business. Also refer to the sections below for additional non-financial information regarding environmental regulations, our employees, social and human rights matters, and ethics.

#### ***Environmental and Governmental Regulations***

Our operations and facilities are subject to numerous U.S. and non-U.S. environmental, safety, and health ("ESH") laws and regulations, including those governing air emissions, chemical usage, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations.

Many of our products are governed by material content restrictions and reporting requirements, examples of which include: EU regulations, such as REACH, RoHS, and ELV; U.S. regulations, such as the conflict minerals requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act; the China law on Management Methods for Controlling Pollution by Electronic Information Products; and similar regulations in other countries. Further, numerous customers, across all end-markets, are requiring us to provide declarations of compliance or, in some cases, extra material content documentation as a requirement of doing business with them.

We maintain a Global ESH Policy, which can be found on our website ([www.sensata.com](http://www.sensata.com)). We consistently comply with applicable ESH regulations as well as customer, community, and other requirements. We commit to continual improvement of our operations, progressively reducing the potential ESH impact of our activities, by focusing on: the health, safety, and productivity of employees and processes; efficient use of natural resources; and prevention of pollution. Refer to discussion under the heading *Risk Management* elsewhere in this *Strategic Report* for a description of the principal risks related to environmental matters.

We are subject to compliance with laws and regulations controlling the import and export of goods, services, software, and technical data. Controlled Items are subject to export regulations of the various jurisdictions in which we operate. The export of many Controlled Items requires a license from the applicable government agency. Licensing decisions are made based on type of product, its destination, end use, end user, the parties involved in the transaction, national security, and foreign policy. As a result, export license approvals are not guaranteed. We have a trade compliance team and other systems in place to apply for licenses and otherwise comply with import and export regulations. Any failure to maintain compliance with such regulations could limit our ability to import or export raw material and finished goods. These laws and regulations are subject to

change, and any such change may limit or exclude existing or future business opportunities, require us to change technology, or incur expenditures to comply with such laws and regulations.

Compliance with environmental and governmental regulations and meeting customer requirements has increased our cost of doing business in a variety of ways and may continue to do so in the future. We do not currently anticipate material capital expenditures during fiscal year 2022 for environmental control facilities. We also do not believe that existing or pending legislation, regulation, or international treaties or accords, whether related to environmental or other government regulations, are reasonably likely to have a material adverse effect in the foreseeable future on our business or the markets we serve, nor on our results of operations, capital expenditures, earnings, competitive position, or financial standing.

### ***Employees***

As of December 31, 2021, we had approximately 21,300 employees, of whom approximately 9% were located in the U.S. and approximately 56% of whom were female. Approximately 120 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils. We believe that our relations with our employees are good. We also engage contract workers in multiple locations, primarily to cost-effectively manage variations in manufacturing volume, but also to perform engineering and other general services. As of December 31, 2021, we had approximately 2,200 contract workers on a worldwide basis.

Our employees, whom we refer to as Team Sensata, are responsible for upholding our purpose – to help our customers and partners safely deliver a safer, cleaner, more efficient, more electrified, and increasingly more connected world – and embody our values in all aspects of daily work. Our corporate values are the essence of our identity, provide a level-set foundation, and are a key way we are able to improve our culture. Our values are passion, excellence, integrity, flexibility and working together towards common goals, which we refer to as "OneSensata."

In September 2021, we published our first Sustainability Report, which shares our environmental, social, and governance ("ESG") strategies, performance, and goals that support our vision of creating a safer, cleaner, more efficient, more electrified, and connected world. One of our key areas of prioritization as identified in the Sustainability Report relates to empowering our workforce, through promoting a culture that values inclusion and diversity and prioritizes employee well-being and safety, while supporting our communities and suppliers. A summary of additional content of the Sustainability Report can be found under the heading *Sustainability Report* included elsewhere in this *Strategic Report* and the full report can be found on our website at [www.sensata.com/sustainability](http://www.sensata.com/sustainability).

### ***Diversity, Equity, and Inclusion ("DEI")***

We believe in treating all people with respect and dignity. We strive to create and foster a supportive and understanding environment in which all individuals realize their maximum potential within Sensata, regardless of their differences. Each employee has the personal responsibility to maintain a respectful and inclusive workplace.

We believe that each person brings unique and valuable skills and perspectives due to their varying backgrounds and experiences. An inclusive culture is fundamental to innovation and problem-solving. It is the policy and practice of Sensata to hire and employ individuals without regard to age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, political affiliation, race, religion, sexual orientation, socio-economic status, and veteran status or other characteristics that make our employees unique. This policy applies to all terms and conditions of employment including recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; reductions in force; terminations, and the ongoing development of a work environment built on the premise of gender and DEI. We have published our goals for diversity in our Sustainability Report, issued in September 2021, as discussed under the heading *Sustainability Report* included elsewhere in this *Strategic Report*.

Our employee resource groups ("ERGs") are company-sponsored groups of employees that support Sensata's DEI goals and objectives, by fostering awareness, respect, and inclusion within the workplace. They support our commitment to creating and sustaining a diverse workforce, a culture of inclusion where everyone can thrive, encourage different perspectives, thoughts, ideas and create a sense of community. Our ERGs exist to benefit and advance their group members by working strategically, both internally and externally. They also help contribute to Sensata's market success. In addition, our senior leadership benefits from ERGs by providing: exposure to emerging and high potential talent; acquisition of cultural knowledge; a direct line of communication to employees who face challenges from not being a part of the workplace majority; development of diversity management skills which directly link to Sensata's success; and active contribution to the broader DEI strategy. As of December 31, 2021, we had eleven ERGs globally focused on the following areas — gender equity, generational diversity, cross-cultural appreciation, Black/African American, Hispanic/Latinx, and Asian/ Asian-American & Pacific Islander heritage, and LGBTQIA+ Pride.

As discussed under the heading *Risk Management* included elsewhere in this *Strategic Report*, the loss of key employees or material work stoppages at our or our customers' manufacturing or business sites could have a material adverse impact on our financial condition and results of operations. Refer to discussion under the heading *Risk Management* included elsewhere in this *Strategic Report* for a description of additional principal risks related to our employee matters.

As of December 31, 2021, we had ten non-executive directors and one executive director (the CEO). The ten non-executive directors consisted of three female directors and seven male directors. The female non-executive directors include the chair of the Audit Committee, the former CEO, and a director who was appointed on March 23, 2020.

As of December 31, 2021, we had nine senior managers (defined as employees of the Company who have responsibility for planning, directing, or controlling the activities of the Company, or a strategically significant part of the Company, including the CEO, who is also an executive director). Three of these senior managers are female and six are male. We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our CEO and business leaders average approximately 25 years of industry experience. They are supported by an experienced and talented management team who is dedicated to maintaining and expanding our position as a global leader in the industry. Refer to discussion under the heading *Risk Management* included elsewhere in this *Strategic Report* for additional information on the risks relating to the attraction and retention of management and executive management employees.

#### *Learning and Development*

We believe that in order to continue to be successful in executing on our business strategy, providing a broad range of learning and development programs and opportunities will continue to be important. In 2017, we launched our online global learning management system, "Sensata Learning," that enables employees to access instructor-led classroom, virtual classes, or self-paced lessons. As of December 31, 2021, we had delivered more than 67,000 hours of training spanning various required learning and professional development topics and many courses specifically on diversity, inclusion, and ethics. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. On an annual basis, we conduct a leadership review process with our CEO, our chief human resources officer, and our business and functional leaders.

#### *Employee Engagement*

Our long-term success is dependent on hiring, retaining, training, rewarding, and engaging employees for the long-term. We strive to retain and engage employees by providing competitive pay and benefits packages and a challenging and rewarding work experience. We want our employees to feel connected to the business and company strategy, our purpose, and what we are doing to add value to them, our customers, and our investors. Our ability to create an environment where ideas are shared freely is fundamental to ensuring our employees reach their true potential, which grants us the ability to innovate. Each person brings unique value no matter their gender, race, age, education, or place of birth. We believe an inclusive culture is vital.

We focus our employee communications on continual engagement, providing them with updates and offerings, including education and awareness about their overall benefit offerings at Sensata. To remain competitive, we regularly review our benefit offerings with external advisers with deep industry expertise in risk insurance, health insurance, and other employee benefits for advice and market expertise. We are committed to providing comprehensive and competitive benefit packages that attract, retain, and enhance the well-being of our employees. Our benefits include an array of quality health and income protection benefits to protect employees and their family's health. Some benefits are provided automatically at no cost to employees while other benefits are shared between the employee and Sensata.

The health, safety, and well-being of our employees are a high priority for us and an integral part of our values. We consider safety a core value that is embedded in the decisions we make across the Company to protect our employees, business partners, and local communities. We consciously build a culture of safety by modeling the behaviors we want our employees to adopt. At Sensata, we also recognize the importance of supporting our employees' health and well-being. Our goal is to provide comprehensive and competitive benefits that consider whole-person well-being by supporting their physical, financial, and emotional wellness. To do this, we incorporate a whole range of health and wellness issues that our employees may confront and provide targeted support accordingly toward the best possible outcomes.

#### *Social and Human Rights Matters*

We have policies related to our position on various social and human rights matters, including child labor, forced labor, human trafficking, health and safety, non-discrimination, and environmental matters. Each of these policies can be found on our website at [www.sensata.com](http://www.sensata.com). Sensata's human rights expectations apply to all of our personnel, business partners and other

parties directly linked to our operations, products or services. Sensata is committed to respecting the United Nations Guiding Principles for Business and Human Rights (2011) and its principles within our operations and supply chains.

Sensata is committed to responsible corporate practices in the area of human rights and working conditions and aligns with practices recommended by industry standards such as the Global Automotive Sustainability Practical Guidance and the RBA Code of Conduct, which incorporates the International Bill of Human Rights, namely the Universal Convention of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights and its two Optional Protocols (1966).

Sensata also adheres to the principles set forth in the fundamental International Labor Organization ("ILO") Conventions, namely the Forced Labor Convention (1930), the Minimum Age Convention (1973), the Worst Forms of Child Labor Convention (1999) and ILO Declaration on Fundamental Principles and Rights at Work (1998). The working conditions of our employees are, at minimum, in compliance with internationally recognized labor standards and the laws of the countries we operate in. When national law directly conflicts with international human rights standards or does not fully comply with them, Sensata will seek ways to respect internationally recognized human rights. Refer to discussion under the heading *Risk Management* included elsewhere in this *Strategic Report* for a description of principal risks related to our social and human rights matters.

#### ***Code of Business Conduct and Ethics***

We have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions. Our Code of Business Conduct and Ethics is modified from time to time and is available on the investor relations page of our website at [www.sensata.com](http://www.sensata.com) under Corporate Governance. We have a three-part annual training covering the topics discussed in the Code of Business Conduct and Ethics on Sensata Learning, our online global learning management system. In addition, free copies of the codes may be obtained by shareholders upon request by contacting the Vice President, Investor Relations at +1 (508) 236-3800.

We hold an annual "Integrity Week," which focuses on integrity as a core value of the organization and for the key priority of "Operating Responsibility," as outlined in our Sustainability Report. By sharing best practices and stories from their professional journeys, various teams at Sensata illustrate how integrity is not just about doing the right thing but how it is intrinsic to delivering value and sustainability for our company, environment, and communities.

The U.S. FCPA, the U.K.'s Bribery Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance program, we cannot provide assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial position, and/or cash flows.

#### **Section 172(1) Statement**

The following disclosures describe how the directors have responded to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

#### ***Corporate Governance Guidelines***

The Board has adopted Corporate Governance Guidelines which are intended to promote effective and transparent functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. These Corporate Governance Guidelines can be found on our website at [www.sensata.com](http://www.sensata.com). These Corporate Governance Guidelines are in addition to, and should be interpreted in accordance with, any requirements imposed by the U.K. Companies Act 2006, the NYSE, and the Company's Articles of Association (the "Articles"), each as may be amended from time to time. The Nominating and Corporate Governance ("N&CG") Committee periodically reviews these Corporate Governance Guidelines and may recommend changes to the Board, when appropriate.

The Board's primary responsibility is to oversee, on behalf of shareholders and other stakeholders, the long-term health and overall success of the Company. Among other things, the Board's oversight responsibilities include monitoring and/or making inquiries concerning: (i) the Company's performance in relation to its mission, strategies and financial and non-financial objectives; (ii) the performance and effectiveness of the Company's management team; (iii) succession and

development plans for key executives, including, but not limited to, the CEO; (iv) the Company's financial reporting processes, internal controls and risk management processes; and (v) the Company's compliance with legal and regulatory requirements.

The Board's decision-making responsibilities include, among other things: (i) select the CEO, (ii) oversee members of senior management who are charged by the Board with conducting the business of the Company; (iii) review and approve the Company's mission, strategies, objectives and policies, as developed by the CEO and senior management; (iv) approve director candidates recommended by the N&CG Committee to be nominated for election by shareholders at the annual general meeting of shareholders (the "AGM"); and (v) approve material investments or divestitures, strategic transactions, related party transactions and other significant transactions not in the ordinary course of the Company's business.

In carrying out their responsibilities, Board members shall exercise their business judgment and act in ways that they reasonably believe will serve the best interests of the Company, its shareholders and other stakeholders, including employees, customers, lenders and the members of the communities in which the Company operates. Directors must fulfill their responsibilities consistent with their fiduciary duties to the shareholders, in compliance with all applicable laws and regulations.

#### ***Key Stakeholders***

***Customers and Suppliers.*** Our long-term success is dependent on maintaining and growing a loyal customer base in order to drive the long-term growth of our business. Part of this effort is developing a supply chain that produces quality and cost-effective products that help us provide value to our customers. Our customers are broadly described under the heading *Customers* included elsewhere in this *Strategic Report*. The key metrics that we believe are important to our customers include product performance in mission-critical operating environments, quality, service, reliability, manufacturing footprint, and/or commercial competitiveness. We strive to provide our customers with products that exceed their expectations and that are superior to our competitors with respect to each of these key metrics. The CEO, who is an executive director, has regular meetings with key customers to enhance relationships and understand their views. Other members of senior management also have meetings with key customers, and report results to the CEO.

***Employees.*** Our long-term success is dependent on hiring, retaining, training, rewarding, and engaging employees for the long-term. We believe that the key items that are important to our employees include wages and benefits, learning and growth opportunities and the ability to belong to a company whose purpose is compelling. We strive to retain and engage employees by providing competitive pay and benefits packages and a challenging and rewarding work experience. We want our employees to feel connected to the business and company strategy, our purpose, and what we are doing to add value to them, our customers, and our investors. Our ability to create an environment where ideas are shared freely is fundamental to ensuring our employees reach their true potential, which unlocks the ability to innovate. Each person brings unique value and belongs at Sensata, regardless of race, ethnicity, age, gender, religion, sexual orientation, gender identity, gender expression, disability, economic status and other diverse backgrounds. We believe an inclusive culture is vital.

We believe that in order to continue to be successful in executing on our business strategy, providing a broad range of learning and development programs and opportunities will continue to be important. In 2017, we launched our online global learning management system, "Sensata Learning," that enables employees to access instructor-led classroom, virtual classes, or self-paced lessons. As of December 31, 2021, we had delivered more than 67,000 hours of training spanning various required learning and professional development topics and many courses specifically on diversity, inclusion, and ethics. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. On an annual basis, we conduct a leadership review process with our CEO, our chief human resources officer, and our business and functional leaders.

Refer also to discussion under the heading *Employment Issues* in the *Directors' Report and Non-Financial Information Statement* included elsewhere in this *Strategic Report* for additional information related to involving and informing our employees on our business decisions.

***Shareholders.*** The CEO is responsible for establishing effective communications with all interested parties, including shareholders of the Company. Generally, the Board supports a policy that management, as directed by the CEO and other executive officers, should speak for the Company. This policy does not preclude the Company's directors from meeting with shareholders, as needed or requested, but does suggest that in most circumstances, any such meetings be held with the CEO or other designated management personnel present. However, all shareholders have the opportunity to ask questions at our AGM. We also hold periodic shareholder events, such as "investor days" or "investor teach-ins." Our investor relations department fields questions from shareholders and communicates questions to the Board as necessary.

***Community and Environment.*** As part of the global community, we make decisions in ways that we believe are in the interests of each of our stakeholders. We manufacture products that help make the world safer, cleaner, and more energy

efficient. During our history, we have been involved with outreach programs that support education, civic involvement and diversity. We believe our Company must play a substantial role in bettering the communities where we live and work and supporting the talent pipeline of the future, especially in engineering. Our employees have dedicated thousands of hours to local community organizations globally through our volunteer programs. Additionally, through our corporate matching gifts programs, Sensata provides funding to qualifying charitable entities that support our core initiatives. As a company, we are committed to sustainable environmental initiatives and sound social and governance practices at all Sensata locations globally. Refer to discussion under the heading *Non-Financial Information Statement* included elsewhere in this *Strategic Report* for further information. We recognize the evolving nature of our impact on the climate, as a majority of our products are designed to improve safety and energy efficiency to help the environment and the community. Our work to minimize our own environmental impact continues to evolve. In 2021, Sensata made a public commitment to work toward achieving carbon neutrality in our operations by 2050.

#### ***How stakeholder interests have influenced decision making***

We understand the importance of engaging with stakeholders to help inform our strategy and Board decision making. Relevant stakeholder interests inform Board decisions. Our principal decisions are those that are material and of strategic importance to us or our stakeholders. When making decisions, the Board considers the outcomes of relevant stakeholder engagement, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly between our stakeholders, and the long-term consequences of its decisions. Any stakeholder who would like to communicate with, or otherwise make his or her concerns known directly to the chair of any of the Audit Committee, N&CG Committee, or Compensation Committee, or to the non-executive directors as a group, may do so by addressing such communications or concerns to the Company Secretary, who will forward such communication to the appropriate party as necessary and appropriate. Such communications may be made confidentially or anonymously. Below are some specific decisions made by the Board, and their impact on various stakeholders.

*Megatrends.* With oversight by the Board, we have elected to focus much of our research and development ("R&D") activities on "megatrends" that are expected to significantly transform our industries and many of our customers businesses. We believe that this philosophy will benefit all our stakeholders. It will benefit customers as these are the types of technologies that our customers need as they evolve for the future. These megatrends are also creating greater secular demand for our products, resulting in growth that exceeds end-market production growth in many of the markets we serve, a defining characteristic of our company. In addition, as we strengthen our business, we become better equipped to reward our employees in both tangible and intangible ways. We have made strides in various aspects of these megatrends in 2021, in addition to various acquisitions as discussed under the heading *Business Combinations* included elsewhere in this *Strategic Report*.

*Share Repurchase Program.* At the Board's request, our shareholders have authorized a share repurchase program. This was considered and implemented to distribute excess capital back to shareholders, improve earnings per share, and provide shareholder value, when we believe our stock price is undervalued. In fiscal year 2021, we restarted this program after suspending it in 2020 due to the uncertainty surrounding the COVID-19 pandemic.

*Share-Based Compensation.* The Board has elected to fund stock-based compensation awards, which are approved by the Board annually. At our AGM held on May 27, 2021, our shareholders approved the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Plan"), which replaced the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Plan"). The 2021 Equity Plan is substantially similar to the 2010 Equity Plan with some updates based on changes in law and current practices. The purpose of the 2021 Equity Plan is to promote the long-term growth, profitability, and interests of the Company and its shareholders by aiding us in attracting and retaining employees, officers, consultants, advisors, and non-employee directors capable of assuring our future success. In addition, such compensation arises out of the need to provide our key employees an ownership interest in the Company, helping to drive decision-making in line with investor interests.

*Acquisitions.* Acquisitions are made to build the business, leverage new technologies, enter new markets, and create synergies that provide shareholder value. Any time we acquire a company, we consider the impact of such acquisition on all our stakeholders. For example, we made various acquisitions in fiscal year 2021 as discussed under the heading *Business Combinations* included elsewhere in this *Strategic Report*. Each of these acquisitions augment our existing portfolio and/or provide us with new products and capabilities. We assessed our acquisitions with respect to their impact on our entire business and how they would impact our customers, suppliers, shareholders, and employees positively.

#### ***The desirability of the Company maintaining a reputation for high standards of business conduct***

It is important for Sensata to maintain a reputation for high standards of business conduct. We require our employees to follow applicable laws and regulations and to operate ethically. To this end, we have adopted a Code of Business Conduct and

Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions. Refer to discussion under the heading *Code of Business Conduct and Ethics* in the *Non-Financial Information Statement* section of this *Strategic Report* for additional information.

#### ***The need to act fairly as between members of the Company***

Sensata understands that there are many different stakeholders of the Company. Their interests need to be carefully balanced and considered to ensure optimization of each of their interests, which will ultimately optimize the interests of Sensata itself.

#### **Statement of corporate governance arrangements**

The Board has adopted Corporate Governance Guidelines that specify, among other things, the responsibilities, expectations, and operations of the Board, as well as general qualification criteria for directors. Our Corporate Governance Guidelines are available on the investor relations page of our website at [www.sensata.com](http://www.sensata.com) under *Governance*. In addition, free copies of the guidelines may be obtained by shareholders upon request by contacting our Vice President, Investor Relations at +1 (508) 236-3800. The Corporate Governance Guidelines are reviewed by the N&CG Committee and changes are recommended to the Board for approval as appropriate.

We applied the Corporate Governance Guidelines in the operations of the Board of the Company and its committees, in order to promote the effective and transparent functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. These Corporate Governance Guidelines are in addition to, and should be interpreted in accordance with, any requirements imposed by the U.K. Companies Act 2006, the NYSE, and the Articles, each as may be amended from time to time. The N&CG Committee periodically reviews these Corporate Governance Guidelines and may recommend changes to the Board, when appropriate.

In addition, the charters of each of our committees: the Audit Committee, Compensation Committee, N&CG Committee, Finance Committee, and Growth & Innovation Committee can be found at the investor relations page of our website at [www.sensata.com](http://www.sensata.com) under *Governance*.

#### **New Business Wins**

During fiscal year 2021, we closed \$640 million in NBOs, including \$270 million in Electrification wins, in each case, the highest we have ever closed. We define NBOs as incremental revenue to our current base of business that is expected to be recognized on average in the fifth year after entry into the agreement, when programs typically reach their normal volume.

#### **Results of Operations**

The table below presents our historical results of operations in millions of dollars and as a percentage of net revenue. We have derived these results of operations from our Financial Statements. Amounts and percentages in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

(Dollars in millions)	For the year ended December 31,			
	2021		2020	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
<b>Net revenue:</b>				
Performance Sensing	\$ 2,847.9	74.5 %	\$ 2,223.8	73.0 %
Sensing Solutions	972.9	25.5	821.8	27.0
Total net revenue	3,820.8	100.0 %	3,045.6	100.0 %
<b>Total operating costs and expenses</b>				
Operating income	3,186.1	83.4	2,693.1	88.4
Interest expense, net	(634.7)	16.6	(352.5)	11.6
Other, net	(183.5)	(4.8)	(176.9)	(5.8)
Income before taxes	(33.3)	(0.9)	8.0	0.3
Provision for/(benefit from) income taxes	417.9	10.9	183.6	6.0
Net income	57.5	1.5	(8.7)	(0.3)
	\$ 360.4	9.4 %	\$ 192.2	6.3 %

#### ***Net revenue - Overall***

Net revenue for the year ended December 31, 2021 increased 25.5% compared to the year ended December 31, 2020 largely due to improved market results and our continued outperformance relative to those markets. Excluding an increase of 2.3% attributed to changes in foreign currency exchange rates and an increase of 2.5% due to the effect of acquisitions, net revenue increased 20.7% on an organic basis compared to the year ended December 31, 2020. This represents market outgrowth of 960 basis points.

#### ***Net revenue - Performance Sensing***

Performance Sensing net revenue for the year ended December 31, 2021 increased 28.1% compared to the year ended December 31, 2020. Excluding an increase of 2.4% attributed to changes in foreign currency exchange rates and an increase of 3.4% due to the effect of acquisitions, Performance Sensing net revenue increased 22.3% on an organic basis compared to the year ended December 31, 2020, representing market outgrowth of 1,170 basis points. Price reductions, primarily to automotive customers, resulted in a 0.9% decrease in net revenue, and the impact of these price reductions is included in the 1,170 basis points of market outgrowth recognized by Performance Sensing. Both the Automotive and HVOR operating segments contributed to these results as discussed below.

Automotive net revenue for the year ended December 31, 2021 increased 17.6% compared to the year ended December 31, 2020. Excluding an increase of 2.5% attributed to changes in foreign currency exchange rates, automotive net revenue increased 15.1% on an organic basis compared to the year ended December 31, 2020. Although automotive production was constrained due to global supply chain shortages, resulting in muted end-market growth of 1.2% for the year, we delivered organic revenue growth due to our continued outperformance relative to the automotive market, led by new product launches in powertrain and emissions, safety, and electrification-related applications and systems. Excluding the estimated effects of OEM efforts to replenish inventory channels, automotive outgrew its end-markets by 860 basis points in the year ended December 31, 2021.

HVOR net revenue for the year ended December 31, 2021 increased 63.3% compared to the year ended December 31, 2020. Excluding an increase of 2.1% attributed to changes in foreign currency exchange rates and an increase of 14.8% due to the effect of acquisitions, HVOR net revenue increased 46.4% on an organic basis compared to the year ended December 31, 2020. This organic revenue increase is primarily due to recovery of customer production combined with our continued outperformance relative to the HVOR markets. Our China on-road truck business saw significant market outgrowth from the adoption of NS6 emissions regulations, and we are also benefiting from a wave of electromechanical operator controls being installed in new off-road equipment. Excluding the estimated effects of OEM efforts to replenish inventory channels, HVOR outgrew its end-markets by 1,930 basis points in the year ended December 31, 2021.

#### ***Net revenue - Sensing Solutions***

Sensing Solutions net revenue for the year ended December 31, 2021 increased 18.4% compared to the year ended December 31, 2020. Excluding an increase of 1.7% attributed to changes in foreign currency exchange rates and an increase of 0.3% due to the effect of acquisitions, Sensing Solutions net revenue increased 16.4% on an organic basis compared to the year ended December 31, 2020. The increase in net revenue was driven by the continued recovery of global industrial end-markets, as well as new Electrification launches and HVAC market recovery.

### ***Operating costs and expenses***

Operating costs and expenses for the years ended December 31, 2021 and 2020 are presented, in millions of dollars and as a percentage of revenue, in the following table. Amounts and percentages have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

	For the year ended December 31,			
	2021		2020	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
<b>Operating costs and expenses:</b>				
Cost of revenue	\$ 2,560.1	67.0 %	\$ 2,097.0	68.9 %
Research and development	118.3	3.1	91.2	3.0
Selling, general and administrative	335.0	8.8	307.3	10.1
Amortization of intangible assets and capitalized development costs	171.3	4.5	168.4	5.5
Restructuring and other charges, net	1.3	0.0	29.3	1.0
<b>Total operating costs and expenses</b>	<b>\$ 3,186.1</b>	<b>83.4 %</b>	<b>\$ 2,693.1</b>	<b>88.4 %</b>

#### *Cost of revenue*

Cost of revenue as a percentage of net revenue decreased in fiscal year 2021 primarily as a result of (1) higher volume and the nonrecurrence of productivity headwinds from our manufacturing facilities running at lower than normal capacity in fiscal year 2020, partially offset by increased costs related to global supply chain shortages.

#### *Research and development expense*

R&D expenditures increased in fiscal year 2021 primarily as a result of (1) higher spend to support megatrend growth initiatives, (2) incremental R&D expense related to acquired businesses, and (3) the unfavorable effect of changes in foreign currency exchange rates, partially offset by the impact on fiscal year 2021 of ongoing savings resulting from cost reduction activities taken in fiscal year 2020. R&D expenditures related to megatrends in fiscal year 2021 were \$48.0 million, an increase of \$22.0 million from fiscal year 2020. We capitalized \$40.9 million of R&D expenditures in fiscal year 2021 compared to \$41.0 million in fiscal year 2020.

#### *Selling, general and administrative expense*

Selling, general and administrative ("SG&A") expense increased in fiscal year 2021 primarily as a result of (1) incremental SG&A expense related to acquired businesses, including related transaction costs, (2) higher incentive compensation aligned to improved financial performance, (3) increased selling expenses attributed to organic revenue growth, and (4) the unfavorable impact of changes in foreign currency exchange rates. These increases were partially offset by the fiscal year 2020 completion of a project related to enhancements and improvements of our global operating processes to increase productivity and the resulting reduction in professional fees.

#### *Amortization of intangible assets and capitalized development costs*

Amortization expense increased in fiscal year 2021 primarily as a result of increased intangibles from recent acquisitions partially offset by the effect of the economic-benefit method of amortization as described in *Note 2: Significant Accounting Policies* of our Financial Statements. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* of our Financial Statements for additional information regarding definite-lived intangible assets and the related amortization.

### *Restructuring and other charges, net*

Restructuring and other charges, net decreased in fiscal year 2021 primarily due to lower restructuring charges incurred as part of the Q2 2020 Global Restructure Program. Refer to *Note 5: Restructuring and Other Charges, Net* of our Financial Statements for additional information related to the Q2 2020 Global Restructure Program. Restructuring and other charges, net for the years ended December 31, 2021 and 2020 consisted of the following (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Q2 2020 Global Restructure Program <sup>(1)</sup>	\$ 3.7	\$ 19.5
Other severance costs, net <sup>(2)</sup>	\$ 1.6	\$ 7.7
Other	(4.0)	2.1
<b>Restructuring and other charges, net</b>	<b>\$ 1.3</b>	<b>\$ 29.3</b>

(1) The Q2 2020 Global Restructure Program was completed in fiscal year 2021, with approximately 840 positions impacted. Since inception of the Q2 2020 Global Restructure Program, we recognized cumulative costs of \$23.2 million.

(2) For each of the years ended December 31, 2021 and 2020, these charges include termination benefits provided in connection with workforce reductions of manufacturing, engineering, and administrative positions, including the elimination of certain positions related to site consolidations, net of reversals. For the year ended December 31, 2020, these charges also related to termination benefits arising from the shutdown and relocation of operating sites in Northern Ireland and Belgium.

### *Operating Income*

In fiscal year 2021, operating income increased \$290.2 million or 82.3%, to \$634.7 million (16.6% of net revenue) compared to \$352.5 million (11.6% of net revenue) in fiscal year 2020. This increase was primarily driven by (1) improved gross margins, due mainly to higher organic sales volumes, partially offset by increased costs related to global supply chain shortages, and (2) lower restructuring costs. These improvements were partially offset by (1) higher spend to support megatrend growth initiatives, (2) higher incentive compensation aligned to improved financial performance, and (3) the turnaround effect of temporary salary reductions and furloughs taken in the second quarter 2020.

### *Interest expense, net*

Interest expense, net increased in fiscal year 2021 primarily as a result of (1) interest expense in fiscal year 2021 related to the issuance of \$1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"), (2) additional interest expense in fiscal year 2021 related to the \$750.0 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes") as a result of their issuance in fiscal year 2020, partially offset by reduced interest as a result of the redemption of \$750.0 million aggregate principal amount outstanding on our 6.25% senior notes due 2026 (the "6.25% Senior Notes") early in fiscal year 2021. Refer to *Note 14: Borrowings* of the Financial Statements for additional information related to these transactions.

### *Other, net*

Other, net for fiscal years 2021 and 2020 consisted of the following (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

<i>(In millions)</i>	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Currency remeasurement gain on net monetary assets <sup>(1)</sup>	\$ 2.8	\$ 11.1
Loss on foreign currency forward contracts <sup>(2)</sup>	(7.6)	(6.8)
(Loss)/gain on commodity forward contracts <sup>(2)</sup>	(3.0)	10.0
Loss on financing of borrowings <sup>(3)</sup>	(30.1)	—
Net periodic benefit cost, excluding service cost	(0.7)	(1.9)
Other	4.6	(4.5)
<b>Other, net</b>	<b>\$ (33.3)</b>	<b>\$ 8.0</b>

(1) Relates to the remeasurement of non-USD denominated monetary assets and liabilities into U.S. dollars.

- (2) Relates to changes in the fair value of derivative financial instruments that are not designated as hedges. Refer to *Note 19: Derivative Instruments and Hedging Activities* of our Financial Statements for additional discussion of gains and losses related to our commodity and foreign exchange forward contracts. Refer to *Note 24: Financial Risk Management Objectives and Policies* of our Financial Statements for an analysis of the sensitivity of other, net to changes in foreign currency exchange rates and commodity prices.
- (3) Refer to *Note 14: Borrowings* of our Financial Statements for additional information related to our debt financing transactions.

#### *Provision for/(benefit from) income taxes*

The provision for/(benefit from) income taxes for fiscal years 2021 and 2020 was \$57.5 million and \$(8.7) million, respectively, the components of which are described in more detail in the table below (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not recalculate due to the effect of rounding):

(In millions)	For the year ended December 31,	
	2021	2020
Tax computed at statutory rate of 19% <sup>(1)</sup>	\$ 79.4	\$ 34.9
Foreign tax rate differential <sup>(2)</sup>	(21.8)	(13.0)
Changes in recognition of tax losses	20.5	6.3
Reserve for tax exposure	(16.2)	(4.6)
Withholding taxes not creditable <sup>(3)</sup>	13.3	12.2
Research and development incentives <sup>(4)</sup>	(11.1)	(9.4)
Change in tax laws or rates	(5.6)	11.8
Unrealized foreign exchange gains, net	(0.9)	(7.5)
Intangible property transfers <sup>(5)</sup>	—	(\$4.2)
Other <sup>(6)</sup>	(0.1)	14.9
<b>Provision for/(benefit from) income taxes</b>	<b>\$ 57.5</b>	<b>\$ (8.7)</b>

- (1) Represents the product of the U.K. statutory tax rate and income before taxes, as reported on our consolidated statements of income.
- (2) We operate in locations outside the U.K., including Belgium, Bulgaria, China, Malaysia, Malta, the Netherlands, South Korea, and the U.S., that historically have had statutory tax rates different than the U.K. statutory rate. This can result in a foreign tax rate differential that may reflect a tax benefit or detriment. This foreign tax rate differential can change from year to year based upon the jurisdictional mix of earnings and changes in current and future enacted tax rates. Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or holidays in their respective jurisdictions. Refer to *Note 7: Income Taxes* of our Financial Statements for further discussion.
- (3) Withholding taxes may apply to intercompany interest, royalty, management fees, and certain payments to third parties. Such taxes are deducted if they cannot be credited against the recipient's tax liability in its country of residence. Additional consideration has been given to the withholding taxes associated with the remittance of presently unremitted earnings and the recipient's ability to obtain a tax credit for such taxes. Earnings are not considered to be indefinitely reinvested in the jurisdictions in which they were earned. In certain jurisdictions we recognize a deferred tax liability on withholding and other taxes on intercompany payments including dividends.
- (4) Certain income of our U.K. subsidiaries is eligible for lower tax rates under the "patent box" regime, resulting in certain of our intellectual property income being taxed at a rate lower than the U.K. statutory tax rate. Qualified investments are eligible for a bonus deduction under China's R&D super deduction regime. In the U.S. we benefit from R&D credit incentives.
- (5) In the fourth quarter of 2020, we completed the transfer of intangible property which resulted in a net \$54.2 million deferred tax benefit.
- (6) Refer to *Note 7: Income Taxes* of our Financial Statements for additional information related to other components of our rate reconciliation.

## Liquidity and Capital Resources

At December 31, 2021 and 2020, we held cash and cash equivalents in the following regions (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

(In millions)	At December 31,	
	2021	2020
Cash and cash equivalents:		
U.K.	\$ 20.4	\$ 25.3
U.S.	25.0	17.2
Netherlands	1,304.3	1,514.1
China	293.8	185.2
Other	65.5	120.2
Cash and cash equivalents	\$ 1,709.0	\$ 1,862.0

The amount of cash and cash equivalents held in these geographic regions fluctuates throughout the year due to a variety of factors, such as our use of intercompany loans and dividends and the timing of cash receipts and disbursements in the normal course of business. Our earnings are not considered to be permanently reinvested in certain jurisdictions in which they were earned. We recognize a deferred tax liability on these unremitted earnings to the extent the remittance of such earnings cannot be recovered in a tax-free manner.

## Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2021 and 2020. We have derived these summarized consolidated statements of cash flows from our Financial Statements. Amounts in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

(In millions)	For the year ended December 31,	
	2021	2020
Net cash provided by/(used in):		
Operating activities:		
Net income adjusted for non-cash items	\$ 969.3	\$ 709.7
Changes in operating assets and liabilities, net	(103.1)	138.4
Operating activities	610.7	617.7
Investing activities	(923.0)	(223.1)
Financing activities	159.2	693.2
Net change	\$ (153.0)	\$ 1,087.9

### Operating Activities

Net cash provided by operating activities decreased slightly in fiscal year 2021 compared to fiscal year 2020. Net income adjusted for non-cash items increased significantly from fiscal year 2020, which was substantially offset by changes in working capital. Refer to *Results of Operations* included elsewhere in this Strategic Report for discussion of the drivers of changes in net income from fiscal year 2020. In fiscal year 2021, management of working capital resulted in a reduction of cash due to higher raw material purchases in order to maximize production flexibility given widespread parts shortages in our supply chain and higher accounts receivables as a result of higher revenue and timing of receipts from customers. In addition, net cash provided by operating activities was reduced by cash paid at closing of certain acquisitions related to employee retention arrangements.

### Investing Activities

Investing activities primarily include the acquisition or divestiture of a business or assets, cash paid for additions to property, plant and equipment ("PP&E"), capitalized software, and capitalized development costs, and the acquisition or sale of certain debt and equity securities.

Net cash used in investing activities increased in fiscal year 2021 primarily due to cash paid for acquisitions. One of our primary uses of cash on hand is to acquire businesses that will extend our market position within our key growth vectors. In

fiscal year 2021, we completed five acquisitions, Lithium Balance, Xirgo, Spear, SmartWitness, and Sendyne. Refer to discussion under the heading *Business Combinations*, included elsewhere in this *Strategic Report*, and *Note 29: Acquisitions* of our Financial Statements for additional information. In addition, we took advantage of strong operating cash flows to increase our capital expenditures in fiscal year 2021.

#### *Financing Activities*

In fiscal year 2021, net cash provided by financing activities decreased primarily due to the impact of debt financing transactions. In fiscal year 2021, we issued \$1.0 billion of 4.0% Senior Notes and redeemed the \$750.0 million aggregate principal amount outstanding on the 6.25% Senior Notes, representing net cash inflow of \$218.8 million (including associated fees). This compares to the issuance of \$750.0 million aggregate principal amount of 3.75% Senior Notes in fiscal year 2020 and the borrowing and subsequent repayment of \$400.0 million on the Revolving Credit Facility, which, including associated fees, provided net cash inflow of \$732.8 million.

#### *Indebtedness and Liquidity*

The following table details our gross outstanding indebtedness as of December 31, 2021 and the associated interest expense for fiscal year 2021 (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not sum due to the effect of rounding):

(In millions)	Balance as of December 31, 2021	Interest Expense, net for the year ended December 31, 2021
Term Loan	\$ 451.5	\$ 8.5
4.875% Senior Notes	500.0	24.4
5.625% Senior Notes	400.0	22.5
5.0% Senior Notes	700.0	35.0
6.25% Senior Notes <sup>(1)</sup>	—	8.3
4.375% Senior Notes	450.0	19.7
3.75% Senior Notes	750.0	28.1
4.0% Senior Notes	1,000.0	30.0
Lease liabilities and other financing obligations	76.4	6.5
Total gross outstanding indebtedness	\$ 4,327.9	
Other interest expense, net <sup>(2)</sup>		0.5
Interest expense, net	\$ 183.5	

<sup>(1)</sup> We redeemed the full outstanding balance on the 6.25% Senior Notes in March 2021.

<sup>(2)</sup> Other interest expense, net includes amortization of borrowing costs and fees related to our unused balance on the Revolving Credit Facility, largely offset by interest income and interest costs capitalized in accordance with IAS 23 *Capitalization of Borrowing Costs*.

#### *Borrowings*

As of December 31, 2021, our borrowings include the Term Loan, the \$500.0 million aggregate principal amount of 4.875% senior notes due 2023 (the "4.875% Senior Notes"), the \$400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes"), the \$700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), the 4.375% Senior Notes due 2030, the 3.75% Senior Notes due 2031, and the 4.0% Senior Notes due 2029.

On March 5, 2021, we redeemed the \$750.0 million amount outstanding on the 6.25% Senior Notes due 2026 at a redemption price equal to 103.125% of the aggregate principal amount of the outstanding 6.25% Senior Notes, plus accrued and unpaid interest to (but not including) the redemption date.

On March 29, 2021, we issued \$750.0 million aggregate principal amount of the 4.0% Senior Notes at par. On April 8, 2021, we issued an additional \$250.0 million of the 4.0% Senior Notes, which were priced at 100.75%.

Refer to *Note 14: Borrowings* of our Financial Statements for additional information related to the redemption of the 6.25% Senior Notes, the issuance of the 4.0% Senior Notes, and the terms of our other borrowings held as of December 31, 2021.

The aggregate principal amount of each tranche of our Senior Notes is due in full at its maturity date. The Term Loan must be repaid in full on or prior to its final maturity date. Loans made pursuant to the Revolving Credit Facility must be repaid in full at its maturity date and can be repaid prior to then at par. All letters of credit issued thereunder will terminate at the final maturity of the Revolving Credit Facility unless cash collateralized prior to such time.

The following table presents the remaining mandatory principal repayments of long-term borrowings, in millions, excluding finance lease payments, other financing obligations, and discretionary repurchases of borrowings, in each of the years ended December 31, 2022 through 2026 and thereafter. Amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

For the year ended December 31,	Aggregate Maturities
2022	\$ 4.6
2023	504.6
2024	404.6
2025	704.6
2026	432.9
Thereafter	2,200.0
<b>Total long-term debt principal payments</b>	<b>\$ 4,251.5</b>

Refer to *Note 14: Borrowings* of our Financial Statements for further details of the terms of our borrowings.

#### **Capital Resources**

The Credit Agreement provides for the Senior Secured Credit Facilities consisting of the Term Loan, the Revolving Credit Facility, and the Accordion.

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, the Senior Secured Credit Facilities provide for the Accordion, under which additional secured debt may be issued or the capacity of the Revolving Credit Facility may be increased. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2021, availability under the Accordion was approximately \$1.1 billion.

As of December 31, 2021, there was \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2021, no amounts had been drawn against these outstanding letters of credit.

Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2021, availability under the Accordion was approximately \$1.1 billion. Our primary uses of cash on hand are to acquire businesses that will extend our market position within our key growth vectors of Electrification and Insights and, following the resumption of our share repurchase program in November 2021, repurchase our ordinary shares, which augments our existing capital deployment strategies and enables us to drive attractive returns on invested capital over the long-term.

We believe, based on our current level of operations for the year ended December 31, 2021, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures discussed below and in *Note 14: Borrowings* of our Financial Statements included elsewhere in this Report, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, acquisitions, ordinary share repurchases, and debt service through at least June 30, 2023.

The Credit Agreement provides that if our senior secured net leverage ratio exceeds a specified level, we are required to use a portion of our excess cash flow, as defined in the Credit Agreement, generated by operating, investing, or financing activities to prepay some or all of the outstanding borrowings under the Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and upon the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2021.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries (the "Guarantors"). The collateral for such borrowings under the Senior Secured Credit Facilities consists of substantially all present and future property and assets of Sensata Technologies B.V. ("STBV") and the Guarantors.

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of March 30, 2022, Moody's Investors Service's corporate credit rating for STBV was Ba2 with a stable outlook, and Standard & Poor's corporate credit rating for STBV was BB+ with a stable outlook. Any future downgrades to STBV's credit ratings may increase our future borrowing costs but will not reduce availability under the Credit Agreement.

The Credit Agreement and the Senior Notes Indentures contain restrictions and covenants (described in more detail in *Note 14: Borrowings of our Financial Statements*) that limit the ability of STBV and certain of its subsidiaries to, among other things, incur subsequent indebtedness, sell assets, pay dividends, and make other restricted payments. These restrictions and covenants, which are subject to important exceptions and qualifications set forth in the Credit Agreement and the Senior Notes Indentures, were taken into consideration when we established our share repurchase programs and will be evaluated periodically with respect to future potential funding of these programs. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase programs with available cash and cash flows from operations. As of December 31, 2021, we believe that we were in compliance with all the covenants and default provisions under the Credit Agreement and the Senior Notes Indentures.

#### *Share repurchase program*

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the AGM. In July 2019, our Board of Directors authorized a \$500.0 million share repurchase program (the "July 2019 Program"). On April 2, 2020, we announced a temporary suspension of the July 2019 Program, which was resumed in November 2021.

During the year ended December 31, 2021, we repurchased approximately 0.8 million ordinary shares (nominal value of approximately €8 thousand) for a total purchase price of approximately \$47.8 million (weighted-average price of \$59.28 per share) under the July 2019 Program. This represented less than 1% of the total number and nominal value of our ordinary shares issued at December 31, 2021.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program. This represented less than 1% of the total number and nominal value of our ordinary shares issued at December 31, 2020.

As of December 31, 2021, approximately \$254.5 million remained available under the July 2019 Program.

On January 20, 2022, we announced that our Board of Directors had authorized the January 2022 Program, which replaces the July 2019 Program. Sensata's shareholders have previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program.

## **Future Outlook**

We expect to see constraints on global production of light vehicles lifting slowly throughout the course of fiscal year 2022. We expect low single-digit end market growth across all our markets in fiscal year 2022, with automotive growth of approximately 7% and HVOR production approximately flat. However, in 2021, our customers ordered over production to compensate for supply chain shortages. We estimate this amounted to approximately \$90 million of revenue over production in 2021 that will not repeat in fiscal year 2022. Our revenue outgrowth to market will continue to be driven by ongoing efforts to improve energy efficiency, safety, and the environment. We continue to invest in our megatrend initiatives both organically and inorganically, with the acquisitions of Lithium Balance, Xirgo, Spear, SmartWitness, and Sendyne, expanding not only our capabilities, but also our access to end-markets and product portfolios in these pivotal areas. Refer to discussion under the heading *Business Combinations* included elsewhere in this *Strategic Report* for additional information related to these acquisitions. We expect continued significant growth in these megatrend areas over the coming years, driven by electrification trends, the infrastructure requirements to support Electrification, and the proliferation of Insights on stationary and mobile equipment.

## **Signatures**

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore  
Title: Director, Chair of the Audit Committee  
Date: April 8, 2022

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote  
Title: Director, Chief Executive Officer  
Date: April 8, 2022

## Directors' Report

### Company information

The reporting company is Sensata Technologies Holding plc, which is incorporated under the laws of England and Wales as a public limited company with registered company number 10900776 and whose registered office is at Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom.

### Results of Operations

Net revenue for fiscal year 2021 increased \$775.2 million, or 25.5%, to \$3,820.8 million from \$3,045.6 million for fiscal year 2020. The increase in net revenue was composed of a 28.1% increase in Performance Sensing and an 18.4% increase in Sensing Solutions. Net income increased from \$192.2 million (6.3% of net revenue) in fiscal year 2020 to \$360.4 million (9.4% of net revenue) in fiscal year 2021. Refer to the Strategic Report for a more detailed discussion of our results of operations.

### Names of Directors

The following individuals served as directors of Sensata plc between January 1, 2021 and the date of this Report:

Directors	Period	Function
Andrew C. Teich	January 1, 2021 - present	Chair, non-executive director
Martha N. Sullivan	January 1, 2021 - present	Non-executive director
Jeffrey J. Cole	January 1, 2021 - present	Executive director
John P. Absmeier	January 1, 2021 - present	Non-executive director
Daniel Black	January 1, 2021 - present	Non-executive director
Lorraine A. Bolsinger	January 1, 2021 - present	Non-executive director
James E. Heppelmann	January 1, 2021 - present	Non-executive director
Charles W. Peffer	January 1, 2021 - present	Non-executive director
Constance E. Skidmore	January 1, 2021 - present	Non-executive director
Steven A. Sonnenberg	January 1, 2021 - present	Non-executive director
Thomas Wroe Jr. <sup>(1)</sup>	January 1, 2021 - May 27, 2021	Non-executive director
Stephen M. Zide	January 1, 2021 - present	Non-executive director

<sup>(1)</sup> Mr. Wroe retired from the Board effective May 27, 2021.

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable U.K. law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with U.K. adopted international accounting standards ("IFRS"), and the parent company financial statements in accordance with U.K. Generally Accepted Accounting Practice (U.K. Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Company and of the profit or loss of the group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies *Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS and in respect of the parent company financial statements, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether U.K. adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable U.K. Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the group and enable them to ensure that the Company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report and directors' remuneration report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## **Employment Issues**

### ***People with disabilities***

It is the policy and practice of Sensata to hire and employ individuals without regard to physical and mental ability. This policy applies to all terms and conditions of employment including recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; reductions in force; terminations; and the ongoing development of an equitable work environment regardless of race, ethnicity, age, gender, religion, sexual orientation, gender identity, gender expression, disability, economic status and other diverse backgrounds.

### ***Communication with Employees***

We provide employees with information on matters of concern to them as employees through various means. We maintain a robust Internal Portal (Intranet) whereby critical information that relates to Sensata's business operations, its people and its processes are updated. We distribute a bi-weekly global digital newsletter recapping the key stories published to the Portal during the previous two-week period. Additionally, we publish various regional newsletters – for the Americas, Europe and Asia. We update either physical display boards or digital display boards with important and relevant information that relates to our business or upcoming events.

We publish our externally-facing quarterly earnings materials (i.e. press release and presentation) to employees and encourage them to listen to the earnings webcast hosted by senior management. Each quarter, we host a 90-minute virtual Global Town Hall where thousands of employees log in to hear first-hand from senior management on a variety of topics of relevance and importance to employees. Each site leader is required to host a Regional and/or Business unit Town Hall and share information with local employees. Following these global and regional meetings, a feedback survey is distributed to assess whether the messages resonated with the audience. Finally, in 2021 we started distributing impactful, weekly or bi-weekly management video updates, pushed to employees' emails, providing real-time updates on all aspects related to the COVID-19 pandemic.

### ***Director Engagement with Employees***

Our Corporate Governance Guidelines note that "anyone who would like to communicate with, or otherwise make his or her concerns known directly to the chair of any of the Audit, Governance, or Compensation Committees, or to the independent directors as a group, may do so by addressing such communications or concerns to the Company Secretary, who will forward such communication to the appropriate party as necessary and appropriate." These Corporate Governance Guidelines are posted on our investor relations website in the governance section. In addition, Sensata encourages and expects our employees to speak up by reporting any concerns of violations of our Code, policies, or applicable law to our third-party managed ethics hotline. These issues are communicated to directors in board meetings as applicable.

## **Section 172(1) Statement**

Refer to the Section 172(1) Statement in the Strategic Report for information on how the directors have had regard to the need to foster the Company's business relationship with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the year.

## **Director Indemnification**

The directors benefit from qualifying third-party indemnity provisions for the purposes of Section 236 of the U.K. Companies Act 2006 pursuant to the Articles in effect throughout the financial year and up to the date of this *Directors' Report*. In addition, we have purchased and maintained directors' and officers' liability insurance throughout the year.

## **Financial Instrument Risk Management Objectives**

We are subject to credit, market, and liquidity risks. Credit risk is the risk of our financial loss if a counterparty fails to meet its contractual obligations. We manage our credit risk on cash equivalents by investing in highly rated, marketable instruments and/or financial institutions. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income or the value of our holdings of financial instruments. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices. Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

For an overview of the principal risks we are subject to, refer to *Note 24: Financial Risk Management Objectives and Policies* in our Financial Statements.

## **Share information**

Entities incorporated under the laws of England and Wales are limited in the number of shares they can issue to those shares that have been authorized for "allotment" by their shareholders. Our Board has asked shareholders to approve an allotment of ordinary shares equal to the total ordinary shares then issued and outstanding plus the maximum number of ordinary shares that could be reasonably expected to be issued under our equity plans within the next year, which resulted in an allotment of 177.1 million ordinary shares.

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the AGM. Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated statements of financial position, resulting in a reduction of shareholders' equity.

In July 2019, our Board of Directors authorized a \$500.0 million share repurchase program (the "July 2019 Program"). On April 2, 2020, we announced a temporary suspension of the July 2019 Program, which was resumed in November 2021.

During the year ended December 31, 2021, we repurchased approximately 0.8 million ordinary shares (nominal value of approximately €8 thousand) for a total purchase price of approximately \$47.8 million (weighted-average price of \$59.28 per share) under the July 2019 Program. This represented less than 1% of the total number and nominal value of our ordinary shares issued at December 31, 2021.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program. This represented less than 1% of the total number and nominal value of our ordinary shares issued at December 31, 2020.

As of December 31, 2021, approximately \$254.5 million remained available under the July 2019 Program.

On January 20, 2022, we announced that our Board of Directors had authorized the January 2022 Program, which replaces the July 2019 Program. Sensata's shareholders have previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program.

## Greenhouse Gas Emission Statement

In September 2021, we published our first Sustainability Report, which shares our ESG strategies, performance, and goals that support our vision of creating a safer, cleaner, more efficient, more electrified, and connected world. One of our key areas of prioritization as identified in the Sustainability Report relates to empowering our workforce, through promoting a culture that values inclusion and diversity and prioritizes employee well-being and safety, while supporting our communities and suppliers. A summary of additional content of the Sustainability Report can be found under the heading *Sustainability Report* included in the *Strategic Report* and the full report can be found on our website at [www.sensata.com/sustainability](http://www.sensata.com/sustainability).

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 7, paragraph 15 require certain disclosures regarding greenhouse gas ("GHG") emissions. Although Sensata has historically disclosed its Scope 1 (direct GHG emissions that occur from sources that are controlled or owned by Sensata) and Scope 2 (indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling) GHG emissions data to CDP and other sustainability reporting platforms, our data collection efforts through 2019 were focused primarily on the largest manufacturing operations that account for most of our revenues and were not consistently supported with documentation in accordance with a recognized standard for GHG accounting. In 2020, Sensata took steps to increase the scope of its GHG emissions and energy accounting efforts, improve documentation, and report its GHG emissions and energy consumption data in accordance with The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) ("The GHG Protocol"). In 2021, Sensata made a public commitment to work toward achieving carbon neutrality in its operations by 2050 and reduce its GHG emissions intensity based on revenue by 10%. The emissions intensity reduction goal is based on the newly established 2021 baseline year. To support the establishment of a roadmap to carbon neutrality and improve our overall GHG emissions accounting process, Sensata retained a qualified third party to review our 2020 GHG emissions inventory and draft a GHG inventory management plan in accordance with The GHG Protocol.

In accordance with the Streamlined Energy and Carbon Reporting ("SECR") requirements, Sensata discloses the following energy and carbon metrics for the year and previous year, including the proportion of such metrics for the U.K.:

Metric		2021 <sup>(5)</sup>		2020	
		Total <sup>(1)</sup>	U.K.-based <sup>(1)</sup>	Total <sup>(1)</sup>	U.K.-based <sup>(1)</sup>
GHG emissions <sup>(2)</sup>	Scope 1	6,326 mt CO2e	5.07%	4,968 mt CO2e	6.90%
	Scope 2 (location-based)	184,116 mt CO2e	1.04%	144,836 mt CO2e	1.65%
	Scope 2 (market-based)	181,990 mt CO2e	0.27%	146,235 mt CO2e	2.67%
	Total Scope 1 + Scope 2 (location-based)	190,442 mt CO2e	1.17%	149,804 mt CO2e	1.83%
Energy	Direct energy combustion <sup>(3)</sup>	31,233,018 kWh	4.98%	37,310,189 kWh	4.42%
	Indirect energy combustion (location-based) <sup>(4)</sup>	319,691,665 kWh	2.82%	252,229,131 kWh	4.07%
	Total energy combustion (Direct + Indirect)	350,924,683 kWh	3.01%	289,539,320 kWh	4.12%
Intensity Ratio	Emissions Intensity (Total Scope 1 + Scope 2 (location-based) / \$1 million revenue)	48.19	N/A	49.12	N/A

(1) All data reflects rounded figures. Totals represent 100% of Sensata's global facilities with actual or estimated energy use covering 4,879,151 square feet in 2020 and 4,581,859 square feet in 2021.

(2) Region-specific electricity emission factors are obtained from the following sources:

Country	Electricity Emissions Factor Source
Canada	Environment and Climate Change Canada, National Inventory Report
United States	United States Environmental Protection Agency, Emissions & Generation Resource Integrated Database (eGRID)
Australia	Australian Government Department of the Environment and Energy, National Greenhouse Accounts Factors
United Kingdom	UK Department for Business, Energy & Industrial Strategy, Government Emission Conversion Factors for Greenhouse Gas Company Reporting
India	Government of India Ministry of Power, Central Electricity Authority, CO2 Baseline Database for the Indian Power Sector
All Other Countries	International Energy Agency, International Electricity Emission Factors by Country

(3) Energy consumption from combustion of fuel and operation of facilities.

(4) Energy consumption from purchase of electricity, heat, steam, or cooling.

(5) This data shows estimated energy consumption and GHG emissions starting from 1 January 2021 to 31 December 2021. Although this is a high-confidence estimate, the timing for this report restricts the Company's ability to include complete

and verified data for the entire year. As a result, in order to provide a complete picture of its footprint for its stakeholders once all data is available, Sensata publishes its full-year GHG emissions and energy consumption data each year in its Sustainability Report, published annually in early summer and aligned with the Global Reporting Initiative (GRI) Standards.

#### ***Operational Control Methodology***

Sensata defines its organizational boundary using the operational control approach. All emissions from assets and facilities over which Sensata has operational control are captured in its GHG emissions inventory. These emission sources include all owned and leased facilities and vehicles. Operational control is defined by The GHG Protocol as whether the Company or one of its subsidiaries possesses the authority to introduce and implement operating policies of the emission-generating activity. Emissions from assets and facilities over which Sensata has no operational control will not be included in its GHG emissions inventory. Defining operational boundaries involves identifying the emissions associated with Sensata's operations and categorizing them as either direct (Scope 1) or indirect (Scope 2). Sensata defines the assumptions and calculation methods for GHG emission data collection and estimations at Sensata facilities, which may change based on data available.

#### ***Sensata's 2021 Energy Efficiency Initiatives***

##### **Facility Based Efforts**

###### ***What did we do?***

During 2021, Sensata introduced the Energy Savings Playbook which provides guidance and direction on what projects each plant can undertake to improve energy efficiency. Additionally, we continued to investigate energy consumption reductions and cost reduction opportunities across our manufacturing facilities. Furthermore, we initiated discussions with several energy vendors and energy suppliers to identify renewable energy projects or adding additional renewable energy purchases from existing energy suppliers.

###### ***How did we do it?***

For our Sensata Headquarter building we contracted with the local energy supplier to increase renewal energy from 21% to 24% moving forward and will continue to evaluate additional increases as renewable energy capacity becomes available.

During 2021, for Sensata's Antrim, North Ireland facility, we negotiated the purchase of 100% renewable energy for this location effective March 1, 2022.

Furthermore, during 2021, Sensata initiated improvement activities in facility-based practice engaging manufacturing sites around environmental performance including HVAC improvements, LED upgrades, compressor upgrades, and other projects. Since most of these projects were completed towards the end of 2021 or have been identified for completion in 2022, the full benefit of these is yet to be quantified but we will be able to provide a full summary next year.

#### **Research and Development**

We develop products that address increasingly complex engineering and operating performance requirements to help our customers solve their most difficult challenges in the automotive, HVOR, fleet management, industrial, clean energy, and aerospace industries. We believe that continued focused investment in R&D is critical to our future growth and maintaining our leadership positions in the markets we serve. Our R&D efforts are directly related to timely development of new and enhanced products that are central to our business strategy. We continually develop our technologies to meet an evolving set of customer requirements and new product introductions. We conduct such activities in areas that we believe will increase our long-term revenue growth. Our development expense is typically associated with engineering core technology platforms to specific applications and engineering major upgrades that improve the functionality or reduce the cost of existing products.

An increasing portion of our R&D activities are being directed towards technologies and megatrends that we believe have the potential for significant future growth but relate to products that are not currently within our core business or include new features and capabilities for existing products. Expenses related to these activities are less likely to result in increased near-term revenue than our more mainstream development activities.

We benefit from many development opportunities at an early stage for several reasons: (1) we are the incumbent in many systems for our key customers; (2) we have strong design and service capability; and (3) our global engineering teams are located in close proximity to key customers in regional business centers. We work closely with our customers to deliver

solutions that meet their needs both today and in the future. As a result of development lead times and the embedded nature of our products, we collaborate closely with our customers throughout the design and development phase of their products. Systems development by our customers typically requires significant multi-year investment for certification and qualification, which are often government or customer mandated. We believe the capital commitment and time required for this process significantly increases the switching costs once a customer has designed and installed a particular sensor into a system.

We rely primarily on patents, trade secrets, manufacturing know-how, confidentiality procedures, and licensing arrangements to maintain and protect our intellectual property rights. While we consider our patents to be valuable assets, we do not believe that our overall competitive position is dependent on patent protection or that our overall business is dependent upon any single patent or group of related patents. Many of our patents protect specific functionality in our products, and others consist of processes or techniques that result in reduced manufacturing costs.

Refer to discussion under the heading *Megatrends* in the *Strategic Report* for detailed discussion of new and emerging trends that are expected to significantly impact our customers and our business strategy, including Electrification and Insights.

### **Market Trends**

Net revenue growth from the automotive and HVOR sensor markets served by Performance Sensing has historically been driven, we believe, by three principal trends, including (1) growth in the number of vehicles produced globally, (2) expansion in the number and type of sensors per vehicle, and (3) efforts toward commercializing higher value sensors. In addition, we believe that the automotive and HVOR sensor markets are, and will continue to be, substantially impacted in the near term by current megatrends, including Electrification and Insights.

*Light vehicle production:* Global production of light vehicles had consistently demonstrated steady annual growth for most of the decade prior to 2019, when it started to decline. Fiscal years 2020 and 2021 were both depressed production years due to the impact of the COVID-19 pandemic on global markets. Fiscal year 2020 was hardest hit, with global production of light vehicles declining approximately 16% from fiscal year 2019. In fiscal year 2021, global production of light vehicles increased about 1.2% from fiscal year 2020 according to third-party data. This moderate increase from fiscal year 2020 was muted due to global supply constraints, including shortages of semiconductor components as discussed elsewhere. We expect global production of light vehicles to increase approximately 7% in fiscal year 2022, remaining somewhat constrained as a result of global supply chain shortages, which we expect to lift slowly throughout the year.

*On Road Truck Production:* Global production of heavy-duty trucks had also demonstrated consistent growth prior to fiscal year 2019, but it declined in fiscal year 2020. Global production of heavy- and medium-duty trucks in the markets we serve increased approximately 20% in fiscal year 2021. We expect global HVOR production to remain flat in fiscal year 2022.

*Number of sensors per vehicle:* We believe that the number of sensors used per vehicle (both light and heavy) will continue to be driven by increasing requirements in vehicle emissions, efficiency, safety, electrification, and comfort-related control systems that depend on sensors for proper functioning, such as electronic stability control, tire pressure monitoring, advanced driver assistance, and advanced combustion and exhaust after-treatment applications. For example, government regulation of emissions, including fuel economy standards such as the National Highway Traffic Safety Administration's Corporate Average Fuel Economy requirements in the U.S. and emissions requirements such as "Euro 6d" in Europe, "China National 6" in China, and "Bharat Stage VI" in India require advanced sensors to achieve these performance metrics. Sensors are a key enabler for a vehicle's systems and sub-systems to meet the ever-increasing requirements in a vehicle's operation.

Increasing safety requirements and needs for electrification are also key trends driving increased sensor content in vehicles. These trends are driving advanced braking systems as they transition from traditional hydraulic brakes towards electromechanical braking and regenerative braking systems, thus driving additional content in pressure and force sensing. Furthermore, electrified vehicles are driving more sophisticated thermal management systems to control heating and cooling systems throughout the vehicle and additional content in battery management systems to optimize drive range and safety in electrical protection as battery voltages increase. In addition, growth in the connected vehicle market is driving an increasing number of sensors in vehicles. This increase includes increases in commercial and light vehicle telematics and video telematics adoption.

*Higher value sensors:* We believe that our revenue growth has been augmented by a continuing shift away from legacy sensors to next generation, value-rich sensors and related solutions that include controllers, receivers, and software and will continue to grow as our sensors get "smarter" with more embedded algorithms. As we strive to increase the value we bring to the market and our customers, we are continually looking to bring solutions to our customers that drive the next generation vehicle enhancement in electrification, safety, and reliability through our engineering solutions combined with increased data insights that are derived from these sensing solutions. Our ability to provide our customers with not only sensing and electrical

protection solutions but also insights into the systems/sub-systems we serve increases the value of our offering and enables improved performance, safety, efficiency, and environmental impacts. Our focus on delivering enhanced value through our mission critical solutions to the market positions us to drive profitable revenue growth as the market demands continue to evolve.

*New Technology:* Automobiles and heavy vehicles continue to evolve with new alternative technologies being developed to make these vehicles more efficient, reliable, financially viable, and safe. We believe that this trend has the potential to drive growth in our business for the foreseeable future, particularly in the areas of Electrification, Insights, ADAS, and autonomy. Moreover, we believe our broad customer base, global diversification, and evolving portfolio provide the foundation that will allow us to grow with these megatrends across a diverse set of markets.

For example, we expect this growth to include content growth in both hybrid and electric vehicles. Hybrid vehicles require systems and sensors to drive high efficiency across the powertrain, managing better diagnostics, more efficient combustion, and reduced emissions. As the level of electrification within a vehicle continues to increase, it drives the needs for new solutions to optimize the systems/subsystems to allow for optimal performance. One area where we clearly see this trend is in thermal management and climate control, where our market share is high and continues to increase. This is driven by the need for high efficiency control of thermal management in battery electric vehicle heating and cooling systems as vehicle manufacturers look to drive increased vehicle range where the thermal loads on the vehicle become critical to manage. As long-range plug-in hybrid and full battery-electric vehicles gain market share, multiple instances of efficient thermal management across the battery, electronics, and cabin systems are required to protect and manage the vehicle, which drives additional core Sensata sensor and electrical protection content available in the market today.

Safety and efficiency systems are also evolving on electric vehicles. New and emerging energy recuperation technologies, such as regenerative braking, require additional sensing content to manage and efficiently switch between traditional braking systems and regenerative braking. Additionally, semi-automated vehicles containing advanced driver assistance systems benefit from more efficient and faster electromechanical braking systems, driving additional sensor content to control these brakes. Each of these systems enable more efficient use of energy, enabling greater electric vehicle range.

Our GIGAVAC high-voltage electrical protection products augment our electrical protection portfolio to address many of the needs in electric vehicles as voltage systems continue to increase. As system voltages increase, the burden on the systems and subsystems to properly control and protect the vehicle from electrical failure becomes mission-critical and is where our solutions play a critical role. Our electrical protection solutions safeguard the expensive electronics used to power the vehicle and allow for an increase in power levels to improve charging times.

Adoption of more advanced sensing technologies is also a key market trend, as fleet operators and owners demand more sophisticated information about trucks and trailers, which is driving demand for tire pressure, cargo capacity, and other sensing applications. Also, participants across the supply chain ecosystem are increasingly adopting IoT solutions to provide them with (1) tracking/visibility to where assets or goods are in the supply chain, (2) more advanced applications such as predictive algorithms on estimated time of arrival and sensors that can provide information on condition of the goods (temperature, humidity, etc.), and (3) event analysis and in-cab monitoring through video telematics to help prevent and lower the cost of incidents.

## **Future Developments**

Sensata is a leading industrial technology company with attractive secular growth opportunities, such as the need for safer, cleaner, more efficient products, and is well-positioned to take advantage of emerging technology “megatrends.”

Regarding secular opportunities, we expect that the development of cleaner, high-efficiency powertrains will continue to drive significant growth in our business over the next three years as, for example, reduced tailpipe emissions requirements drive the need for reduced combustion temperatures, controlled by sensors.

Regarding the emerging megatrends, we benefit from various technology trends such as Electrification and Insights. First is the trend towards more electrification of vehicles, whether related to additional electric subsystems as fleets are modernized or the growing hybrid-electric vehicle markets. We serve many of the applications required in these various markets.

## **Political donations or expenditures**

Sensata has not made any donations to any U.K. or EU political party or to any other U.K. or EU political organization, or to any independent U.K. or EU election candidate or incurred any U.K. or EU political expenditure which in aggregate exceeded £2,000. In addition, Sensata did not contribute any amount to non-U.K. or non-EU political parties during fiscal year 2021.

### **Declaration and payment of dividends**

No dividends were proposed by the Directors at December 31, 2021 and 2020.

### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and all directors have taken all the steps that ought to have been taken as director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

### **Statement regarding appointment of auditors**

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the AGM for reappointment of Ernst & Young LLP as auditor of the Company.

### **Going Concern**

As of December 31, 2021, we had \$1.7 billion in cash and cash equivalents. We also have approximately \$1.1 billion availability under our Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net income of \$3,820.8 million and \$360.1 million, respectively, in fiscal year 2021. We generated \$610.7 million of operating cash flow in fiscal year 2021.

We expect to see constraints on global production of light vehicles lifting slowly throughout the course of fiscal year 2022. We expect low single-digit end market growth across all our markets in fiscal year 2022, with automotive growth of approximately 7% and HVOR production approximately flat. Our revenue outgrowth to market will continue to be driven by ongoing efforts to improve energy efficiency, safety, and the environment. We continue to invest in our megatrend initiatives both organically and inorganically, with the acquisitions of Lithium Balance, Xirgo, Spear, SmartWitness, and Sendync, expanding not only our capabilities, but also our access to end-markets and product portfolios in these pivotal areas. Refer to discussion under the heading *Business Combinations* included in the *Strategic Report* for additional information related to these acquisitions. We expect continued significant growth in these megatrend areas over the coming years, driven by Electrification trends, the infrastructure requirements to support Electrification, and the proliferation of Insights on stationary and mobile equipment.

We believe that we are in a strong financial position today and have taken actions to provide ourselves with the financial strength to continue to succeed and take advantage of strategic options as they become available in the future.

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis, including sensitivities, through June 30, 2023, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2023.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2023. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Signatures**

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore  
Title: Director, Chair of the Audit Committee  
Date: April 8, 2022

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote  
Title: Director, Chief Executive Officer  
Date: April 8, 2022

## **Directors' Remuneration Report**

The Directors' Remuneration Report is divided into three sections:

1. The statement from the Compensation Committee (the "Committee") Chairperson;
2. The Directors' Remuneration Policy which sets out the proposed policy on Directors' compensation for the three-year period beginning on the date of the 2022 Annual General Meeting of the Shareholders (the "2022 AGM"). This will be subject to a binding vote of shareholders at the 2022 AGM and at least every third year after that; and
3. The annual report on remuneration which sets out director compensation for 2021. The annual report on compensation together with this statement is subject to an advisory vote of shareholders at the 2022 AGM.

### **1. STATEMENT FROM THE COMPENSATION COMMITTEE CHAIRPERSON**

#### **Compensation Philosophy**

##### **Executive Director**

Our executive compensation program, which applies to our Executive Director, Mr. Jeffrey Cote, is structured to pay for performance, and to motivate senior executives to balance both the short- and long-term interests of our shareholders. The majority of total compensation offered to our Executive Director comes in the form of an annual incentive cash bonus and equity awards granted under our long-term incentive ("LTI") program, both of which represent "pay at risk." Payouts under the annual incentive bonus are dependent on, and tied to, achievement of our short-term business objectives. Equity awards granted under the LTI program include restricted stock units ("RSUs") and performance-based units ("PBUs"). For 2021, our PBUs consisted only of performance-based restricted stock units ("PRSUs"), which are focused on our Relative Adjusted EPS growth performance and return-on-invested-capital ("ROIC") over a three-year performance period. In 2017, 2018 and 2019, we granted Growth Plan Units ("GPUs") and stock options in addition to PRSUs. GPUs are specifically focused on accelerating organic revenue growth over a three-year performance period. The realized value of stock options and RSUs is tied to our stock performance and the realized value of PRSUs and GPUs are tied to both our stock performance and our long-term operating performance. In 2020, we removed stock options and GPUs from our LTI mix and only granted RSUs and PRSUs, the final outstanding GPU awards will vest in 2022. The Compensation Committee believes that our compensation program is designed to hold Mr. Cote accountable for our short- and long-term financial and operational performance.

##### **Non-Executive Directors**

Our compensation program for Non-Executive Directors includes levels of compensation that we believe are necessary to secure and retain the services of individuals possessing the skills, knowledge and experience to successfully support and oversee the Company as a member of our Board of Directors. In addition, a substantial portion of the compensation of our Non-Executive Directors is in the form of RSUs, aligning their interests with the interests of our shareholders.

#### **Compensation Program Changes and Highlights**

##### **Executive Directors**

For 2021, the Committee believed that Adjusted Operating Income and Free Cash Flow were the appropriate performance metrics, along with a Performance Scorecard, for the annual incentive bonus. Mr. Cote's Performance Scorecard contained metrics which included targets for total shareholder return (TSR) as compared to a peer group, growth metrics for new business closures and M&A revenue goals, organizational development, and talent management. Further, the Committee believed that Relative Adjusted EPS Growth with an ROIC modifier over a three-year performance period were the appropriate financial metrics for the annual LTI awards. The Committee believed these metrics provide an appropriate balance of short-term and long-term perspectives.

##### **Non-Executive Directors**

For 2021, the Board approved changes to Non-Executive Director compensation, to be effective July 14, 2021, as follows:

- Compensation Committee member fees increased from \$7,500 to \$9,000; and
- Nominating and Corporate Governance ("N&CG") Committee member fees increased from \$5,000 to \$7,500 and N&CG Chair fees increased from \$10,000 to \$12,500.

Also in 2021, the Board, upon recommendation of the N&CG Committee, disbanded the Health & Economic Response Committee effective July 14, 2021, based upon the belief that triggers for future meetings of the committee would be unlikely under the then-state of matters related to the COVID-19 pandemic. As a result of the committee disbandment, non-executive directors who previously served on the Health & Economic Response Committee no longer receive compensation associated with service on that committee.

/s/ James E. Heppelmann

James E. Heppelmann

Chairperson of the Compensation Committee

April 8, 2022

## **2. SENSATA'S DIRECTOR REMUNERATION POLICY**

It is intended that this Directors' Compensation Policy (this "Policy"), if approved by shareholders, will, for the purposes of section 226D(6)(b) of the U.K Companies Act, take effect on 31 May 2022. The Company intends to implement the Policy as more specifically set forth in the remuneration tables below and as more specifically described herein. Our Policy applies to our Executive Director, Jeffrey Cote (as well as any individual that may become an Executive Director while this Policy is in effect) and also to our Non-Executive Directors.

### **Objectives of Our Director Remuneration Programs**

Our philosophy in establishing compensation for our Executive Director is to align "at risk" compensation with our strategic goals and growth objectives, while offering market competitive target compensation that enables us to attract and retain highly qualified senior executives, including our Executive Director. We also aim to:

- reward outstanding individual performance;
- promote and reward the achievement of our long-term value-creation objectives;
- ensure performance accountability; and
- align the interests of our Executive Director with those of the Company and its shareholders.

Our philosophy in establishing compensation for our Non-Executive Directors is to:

- attract and retain talented individuals to help oversee the Company as members of the Board;
- align with the market value of the role; and
- align the interests of our Non-Executive Directors with those of the Company and its shareholders.

### **Changes to the Policy**

This policy was drafted in 2022, which the Board will put for shareholder approval at the 2022 Annual General Meeting of Shareholders. As compared to the Directors' Remuneration Policy approved by shareholders in 2019, the following changes have been made:

- Altered references from the 2010 Equity Incentive Plan to the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Incentive Plan");
- Introduced expanded scope of recoupment policy for equity-based awards;
- Amended vesting period for restricted stock units ("RSUs") from three-year cliff vesting to ratable vesting in equal installments across a three-year period;
- Updated corporate performance criteria and metrics and permitted adjustments to align with the 2021 Equity Incentive Plan;
- Added the performance metrics and weightings for the 2022 annual incentive bonus;
- Amended weighting distribution of annual LTI award from 35% performance-based restricted stock units ("PRSUs"), 20% options, 30% growth performance units, and 15% RSUs to 55% PRSUs and 45% RSUs and introduced relative adjusted EPS growth and ROIC as the performance measures for the 2022 PRSUs;
- Added details on the duration of the employment agreement with our Executive Director, Jeffrey Cote;
- Introduced increased ownership guidelines for our Executive Directors (6x base salary);
- Changed ownership guideline for our Chairman to 5x annual cash retainer to align with other Non-Executive Directors (was previously 5x annual cash retainer + incremental Chairman cash retainer);
- Increased maximum annual cash retainer and fees for Non-Executive Directors from \$250,000 to \$300,000 and revised Non-Executive Directors fees for 2022, which include:
  - Annual retainer increased from \$70,000 to \$85,000

- Annual incremental retainer for Chairman of the Board increased from \$70,000 cash and \$30,000 equity to \$140,000 cash;
- Annual equity grant for Chairman of the Board decreased from \$180,000 to \$150,000, to align with other Non-Executive Directors;
- Compensation Committee member fees increased from \$7,500 to \$9,000; and
- N&CG Committee member fees increased from \$5,000 to \$7,500 and N&CG Chair fees increased from \$10,000 to \$12,500.

#### **Remuneration for Executive Directors**

##### **Components of Remuneration for Executive Directors**

Compensation Component	Maximum Opportunity	Recovery or Withholding
Base Salary	\$2,000,000 Annually	No recovery provisions apply to base salary.

##### **Purpose/Link to Strategy**

Stream of income provided throughout the year in exchange for performance of specific job responsibilities aimed at securing the talent needed to achieve the Company's strategic objectives.

##### **Operation and Framework**

Reviewed annually by the Compensation Committee (the "Committee") taking into account individual performance (based on achievement of predetermined goals and objectives), market position of the individual's current base salary versus our desired market positioning, our historical pay practices with respect to that position, affordability of any increase, and internal pay equity. Base salary is not dependent on performance, although performance may be reflected in any review of base salary.

Compensation Component	Maximum Opportunity	Recovery or Withholding
Annual Incentive Bonus	Not to exceed 400% of Base Salary	A recoupment policy is in place which gives the Committee the ability to claw-back Executive Directors' bonuses in the event of a restatement of our financial results due to misconduct.

##### **Purpose/Link to Strategy**

Short-term performance-based incentive to achieve annual performance objectives.

##### **Operation and Framework**

The annual cash incentive bonus is based on achievement of financial and non-financial targets (which may include a combination of corporate, strategic, divisional, team and/or individual measures). Annually, the Committee, in its absolute discretion, pre-establishes threshold, target and maximum performance metrics to align with the Company's operating and strategic priorities for that year. If performance is below the threshold level, the bonus pool is not funded, and no bonus is payable except in extraordinary circumstances where the Committee exercises discretion, which is unlikely. If threshold performance is achieved, the bonus pool for our senior executives, including our Executive Director, is funded in accordance with the level of performance achieved.

Details of the measures, weightings and targets applicable to the annual incentive bonus for each year, including a description of how they were chosen and whether they were met, will be disclosed retrospectively in the Annual Report on Directors' Remuneration for the following year, subject to commercial sensitivity.

While not currently intended, the Committee reserves the right to implement additional features such as the conversion or deferral of all or part of a bonus into shares or other equity awards permitted under the Company's compensation program and the 2021 Equity Incentive Plan.

Notwithstanding the formal bonus metrics, the Committee reserves the right to make any adjustments to any payout as it deems appropriate, subject to the overall stated maximum.

Compensation Component	Maximum Opportunity	Recovery or Withholding
Equity Based Awards— Annual Long-Term Incentive ("LTI") Program under the 2021 Equity Incentive Plan	<p>Grant-date fair value not to exceed \$8,000,000 annually calculated in accordance with ASC 718</p> <p>For maximum performance, up to 3 times the original number of shares granted may vest</p> <p>In addition, participants may also receive an amount that reflects the value of dividends accrued over the vesting period</p>	A recoupment policy is in place which gives the Committee the ability to claw-back Executive Director equity in the event of a restatement of our financial results due to misconduct or if the Executive Director engaged in Detrimental Activity, as defined under the 2021 Equity Incentive Plan.

#### ***Purpose/Link to Strategy***

Equity compensation is designed to: (1) balance and align the interests of Executive Directors and shareholders; (2) reward Executive Directors for demonstrated leadership and performance aimed towards the creation of shareholder value; (3) increase equity holding levels; (4) align with competitive levels of compensation opportunity within our peer group; and (5) support in attracting, retaining and motivating Executive Directors.

#### ***Operation and Framework***

Annual LTI program awards are variable remuneration and are usually granted in the form of market value stock options, performance-based restricted stock units (PRSUs) and time-based restricted stock units (RSUs), but performance-based stock options, stock appreciation rights, restricted securities and cash-based awards can also be granted under the 2021 Equity Incentive Plan. The Committee regularly reviews the mix of annual LTI program awards made to Executive Directors compared to market information and has discretion to revise the mix from year-to-year.

- **Stock Options**. Generally vest ratably in equal installments across four years.
- **RSUs**. Generally vest ratably in equal installments across three years, beginning on the first anniversary of the grant date, and are not subject to performance conditions.
- **PRSUs**. Generally vest on the third anniversary of the grant date, subject to achievement of pre-established performance targets. Annually, the Committee, in its absolute discretion, establishes threshold, target and maximum performance metrics to align with the Company's operating and strategic priorities for the upcoming performance period, which is typically three years. Currently, at the end of each year in the performance period, the award agreement provides that actual results will be measured against that year's pre-established targets. One-third of each award is "banked" and adjusted for performance after each year, with banked portions subject to continued time vesting over three years. If achieved performance is below the threshold level, the units do not bank. If threshold performance is achieved, the units bank for the respective year in accordance with the level of performance achieved.

The number of units which ultimately vest is the greater of (i) the banked units for each of the three years in the performance period; or (ii) if the third year's performance exceeds 100% of target, the product of the total PRSUs granted multiplied by the Year 3 performance achievement multiple by the Year 3 modifier (if applicable).

Future awards may be subject to different performance measurement periods, including looking at it on an aggregate or final year assessment basis. Different performance vesting conditions may be set for future awards, including measures based on financial or non-financial metrics linked to corporate, strategic, divisional, team and/or individual performance. Details of the measures, weightings, and targets applicable to the Annual LTI program for each year, including a description of how they were chosen and whether they were met, will be disclosed retrospectively in the Annual Report on Director Remuneration for the following year, subject to commercial sensitivity.

Awards may be settled in cash or shares or other equity instruments at the discretion of the Committee. Where performance conditions apply, no more than 50% of the target award will vest at threshold.

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Equity Based Awards— Special Circumstances under the 2021 Equity Incentive Plan	Grant-date fair value not to exceed \$20,000,000 annually calculated in accordance with ASC 718.  For maximum performance, up to 3 times the original number of shares granted may vest.  In addition, participants may also receive an amount that reflects the value of dividends accrued over the vesting period.	A recoupment policy is in place which gives the Committee the ability to claw-back an Executive Director's equity in the event of a restatement of our financial results due to misconduct or if the Executive Director engaged in Detrimental Activity, as defined under the 2021 Equity Incentive Plan.

***Purpose/Link to Strategy***

Further retention of senior executives, including Executive Directors, or attraction of new senior executives.

***Operation and Framework***

The Company may also grant equity-based awards under the 2021 Equity Incentive Plan that do not fall under the annual LTI program. For example, the Committee may approve the grant of a time-vested award to a senior executive, including an Executive Director, in connection with recognition for outstanding performance or retention initiatives or to a newly recruited senior executive, as explained in the “Approach to Recruitment Remuneration” section of this Policy.

Awards are determined based upon an executive's past performance, expectations regarding future contributions to the Company and market pay data as a reference point for grant values. Awards may be settled in cash or shares or other equity instruments at the discretion of the Committee.

Details of the measures, weightings and targets applicable to awards granted under special circumstances for each year, including a description of how they were chosen and whether they were met, will be disclosed retrospectively in the Annual Report on Directors' Remuneration for the following year, subject to commercial sensitivity. Where performance conditions apply, no more than 50% of the target award will vest at threshold.

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Benefits	Benefits are provided through third parties and the cost to the Company and value to the Executive Directors may vary.  The maximum value of all benefits (other than tax equalization payments and reimbursements) will not exceed \$1,000,000 annually.  Tax equalization payments will be capped at an amount that would result in an after-tax position consistent with what would have occurred had the Company been domiciled in the executives' home country (as advised by a reputable tax advisor). While the Company does not consider it to form a part of benefits in the normal usage of that term, within the U.K, corporate hospitality and attendance at other events including travel for an Executive Director and/or member of his or her family may fall within their definition. The Committee reserves the right for the Company to authorize attendance to events within its agreed policies and may count such items towards the maximum.	No recovery provisions apply to benefits.

***Purpose/Link to Strategy***

Market competitive benefits aim to attract and retain high caliber Executive Directors.

### ***Operation and Framework***

The Company currently provides medical, dental, vision, life insurance and disability benefits to Executive Directors on the same basis as other employees. Senior executives, including our Executive Director, receive other benefits such as financial and legal counseling, travel and accident insurance policies, relocation costs and, in certain limited circumstances, the Company may provide tax equalization payments.

Any person who may become an Executive Director who was employed prior to November 1997 may also be eligible for Sensata's retiree health and dental benefits.

**Benefits Outside the United States.** The Company operates different benefits in the jurisdictions in which it operates. Alternate benefits may be offered in the future if Executive Directors reside outside of the U.S. If an Executive Director joins the Board, the Company will provide that Executive Director with benefits customary for senior leaders in the Executive Director's home country. These benefits may include car, housing or tuition allowances as well as other customary benefits to the jurisdiction.

Compensation Component	Maximum Opportunity	Recovery or Withholding
Pension and Retirement Schemes	Under the Sensata 401(k) Plan, the Company will match amounts deferred by employees, including Executive Directors, up to the current United States Internal Revenue Service ("IRS") limit, up to 4% of the current IRS compensation limit. The Company may increase contributions to the Sensata 401(k) Savings Plan to align with any future changes to the IRS limit. The Company reserves the right to provide matching contributions on uncapped pay.  Pension benefits with an annual value up to \$500,000 may be provided.	No recovery provisions apply to pension arrangements.

### ***Purpose/Link to Strategy***

The arrangements offer Executive Directors a retirement plan contribution which is motivating and in line with the market.

### ***Operation and Framework***

**Pension Plan.** Executive Directors who were employed prior to November 1997 are eligible to participate in the Sensata Technologies Employees Pension Plan. The benefits under this qualified defined benefit pension plan are determined using a formula based upon years of service and the 5 highest consecutive years of compensation. Effective January 31, 2012, this plan was frozen, and as a result, future benefit accruals after that date have been eliminated.

**Supplemental Benefit Pension Plan.** Executive Directors who were employed prior to November 1997 are eligible to participate in the Sensata Technologies Supplemental Benefit Pension Plan. The benefits under this non-qualified plan are determined using the same formula as the Sensata Technologies Employees Pension Plan except that the limits that apply to the Sensata Technologies Employees Pension Plan as a qualified plan do not apply. Effective January 31, 2012, this plan was frozen, and as a result, future benefit accruals after that date have been eliminated.

While there is no intent to do so, the Committee reserves the ability to reintroduce such provision or other supplemental pension benefits in line with market practice.

**Sensata 401(k) Savings Plan.** All Executive Directors are eligible to participate in Sensata's 401(k) Savings Plan, a U.S. tax-qualified defined contribution 401(k) plan, on the same basis as all other eligible employees.

**Pension Plans Outside the United States.** The Company operates different pension schemes in the jurisdictions in which it operates. Alternate schemes may be offered in the future if Executive Directors reside outside of the U.S. If an Executive Director joins the Board, the Company will provide that Executive Director with pension benefits customary for senior leaders in the Executive Director's home country.

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Relocation Benefits	The maximum relocation benefits payable is based upon the individual circumstances of the Executive Director and is designed to keep the executive whole. The formal policy maximum is \$1,000,000 per Executive Director annually.	In the case of a voluntary termination or a termination with cause within two years of the first day of employment the Executive Director may be required to reimburse the Company per the relocation benefits repayment agreement.

#### ***Purpose/Link to Strategy***

Attraction and retention of top talent. This benefit provides Executive Directors with assistance in transitioning to a new work location.

#### ***Operation and Framework***

Relocation benefits are driven by market practice and the type of relocation i.e. whether it is a new hire relocation or a domestic or international assignment. The Company may provide relocation benefits, including but not limited to housing, cost of living differential benefits, foreign service allowances, transportation and home leave, dependent education assistance, tax preparation, or tax equalization.

#### **Maximum Guidelines**

The Committee has been advised that U.K. legislation requires a maximum on each element of pay. These maximums have been included to retain the current levels of flexibility normal to a U.S. company and do not reflect any form of aspiration.

#### **Discretion**

The Committee has various discretion as set out in the Policy. In addition, under the rules of the 2021 Equity Incentive Plan, the Committee has the power to make decisions in relation to the form of award, level of award, terms of awards, and dealing with awards on a corporate transaction.

#### **Employee Compensation Policy**

The compensation policy for other employees is based on broadly consistent principles as that for Executive Directors. Annual salary reviews take into account individual performance, Company performance, local pay and market conditions, and salary levels for similar roles in comparable companies. Some employees are eligible to participate in the annual incentive bonus but opportunity and performance measures vary depending on level, region, and role. Senior executives are eligible to participate in the annual incentive bonus and the annual LTI program on very similar terms to the Executive Director.

## **Performance Criteria and Permitted Adjustments**

The Committee annually assesses which performance measures, or combination and weighting of performance measures, are most appropriate for the annual incentive bonus and the annual LTI awards to closely align with, and reinforce, the Company's strategic priorities. Targets applying to the annual incentive bonus and annual LTI awards are reviewed, based on a number of internal and external reference points, including the Company's strategic plan, analyst forecasts for the Company and its sector comparators, historical growth achieved by the Company and its sector comparators, market practice and external expectations for growth in the Company's markets. The Committee has the discretion to use the following corporate performance metrics, including without limitation to such other measures as it considers appropriate, when administering the Company's compensation programs:

• Earnings per share	• Working capital	• Total shareholder return
• Sales	• Earnings before interest and taxes (EBIT)	• Economic value created or added
• Operating Income	• Earnings before interest, taxes, depreciation and amortization (EBITDA)	• Expense reduction
• Net income (before or after taxes)	• Cash Flow	• Revenues
• Return measures, including return on invested capital, sales, assets, or equity	• Implementation or completion of critical projects, including acquisitions, divestitures and other strategic objectives, including market penetration and product development	Specified objectives with regard to limiting the level of increase in all or a portion of the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company
• Gross profit	• Market share	
• Gross or operating margin	• Price or increase in price of ordinary shares	

Such performance goals also may be based solely by reference to the Company's performance, or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or based upon the Company's performance relative to the performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies. The Committee may, in its sole discretion, also exclude, or adjust to reflect, the impact of an event or occurrence that the Committee determines should be appropriately excluded or adjusted, including: (i) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (ii) asset write-downs, (iii) litigation or claim judgments or settlements, (iv) acquisitions or divestitures, (v) reorganization or change in the corporate structure or capital structure of the Company, (vi) an event either not directly related to the operations of the Company, Subsidiary, division, business segment or business unit or not within the reasonable control of management, (vii) foreign exchange gains and losses, (viii) a change in the fiscal year of the Company, (ix) the refinancing or repurchase of bank loans or debt securities, (x) unbudgeted capital expenditures, (xi) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, (xii) conversion of some or all of convertible securities to common stock, (xiii) any business interruption event (xiv) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles, or (xv) the effect of changes in other laws or regulatory rules affecting reported results. Performance goals may also be based upon individual performance criteria, as determined by the Committee, in its sole discretion.

## **Annual Incentive Bonus**

The performance measures used in the annual incentive bonus reflect financial targets for the year and/or non-financial performance objectives. The Policy provides the Committee with flexibility to select appropriate measures and weightings on an annual basis. The current annual incentive bonus is tied to adjusted operating income (52.5%), free cash flow (22.5%), and a performance scorecard (25.0%).

Annual incentive bonus performance targets are set to be aggressive but achievable, related to a given year. For financial measures, "target" is based around the annual plan approved by the Board. Prior to the start of the financial year, the Committee sets an appropriate performance range around target, which it considers to provide an appropriate degree of "stretch" challenge and an incentive to outperform.

## **Annual LTI Awards**

Our annual LTI program for Executive Directors may be a combination of the different elements permitted under the Policy. It currently consists of approximately 55% PRSUs and 45% RSUs. The Committee may grant other awards as permitted under the 2021 Equity Incentive Plan. Without limiting the Committee's discretion, the following explains how the current awards operate:

### **RSUs**

RSUs vest ratably across three years, beginning on the first anniversary of the grant date. RSU awards are intended to operate as a long-term retention and investment in the Company. As a consequence, vesting in these awards are subject only to a continued employment condition and not to performance conditions; however, realized value is subject to stock price movements.

### **PRSUs**

PRSU achievement is based on performance measures and targets set by the Committee at the start of the performance period, taking into account the Company's short- and long-term financial operating plans and shareholder expectations regarding the Company's earnings performance and growth. PRSUs are currently tied to relative adjusted earnings-per-share growth and return on invested capital. The Committee strives to establish challenging but attainable targets with heavy stretch goals for maximum payout.

## **Approach to Recruitment Remuneration**

There are a number of factors that the Committee takes into account when making an appointment to the Board, which may vary depending on whether the individual is an external hire or internal promotion. While the intention is that the elements of pay will be consistent with the table set out earlier in this Policy, to allow for the uncertainties associated with making appointments, particularly when recruiting externally, the following guiding principles additionally form part of the appointments policy if further Executive Directors are recruited. The maximums contained within the Policy for fixed pay do not apply to a recruit, either on or joining the Board, or for any subsequent annual review within the life of this Policy as approved by shareholders, although the Committee does not envision exceeding these levels in practice.

- Salary levels will be informed by those factors set out in the Policy table and also by an individual's prior experience.
- The annual incentive bonus will be in line with the Policy table.
- The aggregate LTI awards that can be received in one year will not exceed \$8 million, in line with the maximum in the Policy table. However, the Committee reserves the right to make aggregate incentive awards of up to \$20 million in special circumstances. In the year of appointment, an off-cycle award under the LTI program may be made by the Committee to ensure an immediate alignment of interests. Performance measures and targets will be reviewed and may be changed to ensure they are appropriate depending on the timing and nature of the appointment.
- In the event of an external appointment, the Committee may buy-out incentive awards (both annual and long-term) that the individual has forfeited on departure. In determining any award, the likelihood of vesting, the applicability of performance requirements, the time horizons, the anticipated value of any awards and the award vehicle will be taken into consideration. These buy-outs are not subject to the maximums stated in this Policy.
- Benefits will be in line with the elements set out in the Policy table but may vary depending on where the individual is based and if they have to move to perform the role.
- In the event of an internal appointment, pre-existing obligations can be honored by the Committee and will be permitted under this Policy.

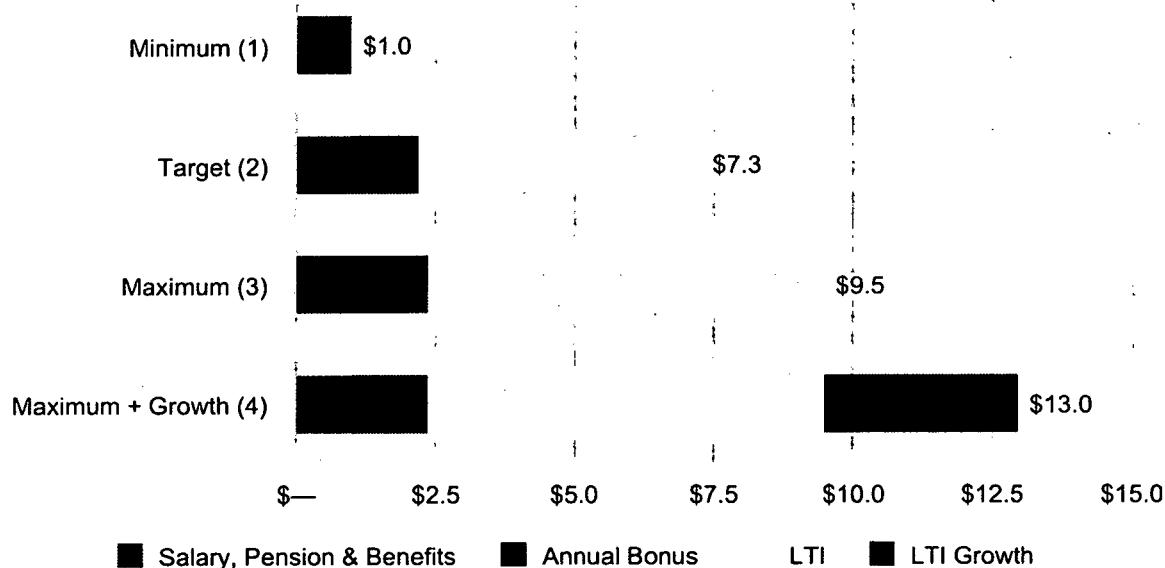
## **Payments on Existing Awards**

Subject to the achievement of the applicable performance conditions, Executive Directors and any former Executive Director with outstanding awards are eligible to receive payment for any award made by the Company prior to the approval and implementation of the Policy. Similarly, the Company will honor any payments provided to a new Executive Director prior to (and not in contemplation of) the appointment to the Board.

## Total Remuneration by Performance Scenario

The estimated compensation amounts receivable by the Executive Director for the first fiscal year in which this Policy applies are shown in the following graph.

### Total Remuneration by Performance Scenario for 2022 (in \$ millions)



- (1) Minimum reflects salary, benefits and 401(k) contributions. Certain benefits and 401(k) contributions vary from year to year, but make up a small portion of total remuneration. The amounts shown in this table assume these variable amounts will not change in 2022.
- (2) Target reflects salary, benefits and 401(k) contributions plus target annual incentive bonus opportunity for 2022 plus target value of LTI awards granted in 2022. Share price appreciation and dividend roll-up have been excluded from the amount shown.
- (3) Maximum reflects salary, benefits and 401(k) contributions plus maximum annual incentive bonus opportunity for 2022 plus the maximum vesting of LTI awards granted in 2022. Share price appreciation has been excluded from the amount shown.
- (4) Maximum + Growth reflects salary, benefits and 401(k) contributions plus maximum annual incentive bonus opportunity for 2022 plus the maximum vesting of LTI awards granted in 2022 with an additional 50% share price growth.

## Director's Service Agreement

The Company enters into employment agreements with our senior executives, including our Executive Directors, which are intended to ensure their attention, efforts and commitments are aligned with maximizing the Company's success. The Committee believes that the provision of employment agreements and change-in-control severance benefits are critical to recruit talented employees and to secure the continued employment and dedication of the Company's existing employees. All or nearly all of the U.S. companies with which the Company competes for talent have change-in-control arrangements in place for their senior executives. While the Committee considers these agreements to be necessary, the terms of these arrangements are not considered as part of the remuneration strategy when the Committee annually determines the remuneration for Mr. Cote or other senior executives. Our employment agreement with Mr. Cote can be found at <https://www.sec.gov/Archives/edgar/data/1477294/000147729420000076/ex101coteemployment.htm>. The term of the employment agreement with Mr. Cote is one year, but shall automatically be renewed on the same terms and conditions for additional one-year periods beginning on the first anniversary of the effective date and on each successive anniversary of the effective date, unless the Company or Mr. Cote gives the other party written notice of the election not to renew the employment agreement at least 90 days prior to any such renewal date; provided that, the employment agreement shall terminate immediately upon Mr. Cote's resignation, death or disability or upon the Company's termination of Mr. Cote's employment (whether with Cause (as defined below) or without Cause).

A copy of the employment agreement will be available for inspection at the Annual General Meeting of Shareholders in 2022. We have not entered into service agreements with any of our Non-Executive Directors.

The following table summarizes the termination benefits payable to our Executive Director following termination of employment due to death or disability, retirement, voluntary resignations for good reason, termination without cause, and Change in Control. None of these termination benefits are payable to the Executive Director if they terminate their employment within the Company due to voluntary resignation or whose employment is terminated for cause.

Name	Type of Payment	Death or Disability (\$) <sup>(3)</sup>	Retirement (\$) <sup>(4)</sup>	Termination Without Cause or Resignation for Good Reason (\$) <sup>(5)(6)</sup>	Termination Without Cause or Resignation for Good Reason After Change in Control (\$) <sup>(5)(6)(7)</sup>
Jeffrey J. Cote	Base Salary(1)	—	—	1,915,800	1,915,800
	Bonus(1)	—	—	937,440	937,440
	Outstanding Equity(2)	13,632,713	5,815,393	4,201,081	15,177,143
	Health & Welfare Benefits	—	—	35,423	35,423
	<b>Total</b>	<b>13,632,713</b>	<b>5,815,393</b>	<b>7,089,744</b>	<b>10,065,806</b>

- (1) Base salary and bonus amounts payable to the Executive Director would be paid in 24 monthly installments.
- (2) The amounts presented are the value that would be earned assuming current performance as of December 31, 2021 and based on the closing market price of the common stock on December 31, 2021 of \$61.69.
- (3) In accordance with the respective award agreements, (i) unvested PRSUs shall vest on the termination date at the sum of banked amounts for those performance year(s) completed (if any) plus target for any uncompleted performance year(s), and (ii) unvested RSUs shall vest in full on termination date
- (4) In accordance with respective award agreements, (i) unvested PRSUs shall vest on the termination date at the sum of banked amounts for those performance year(s) completed (if any) plus pro-rata of the Target for any uncompleted performance year(s), (ii) unvested RSUs will continue to vest according or original vesting schedule, and (iii) unvested options will continue to vest according to original vesting schedule
- (5) As of April 1, 2019, in accordance with the respective award agreements, (i) unvested PRSUs that otherwise would have vested within six months of the Executive Officer's termination date shall vest on the termination date at the sum of the banked amounts for those performance year(s) completed (if any) plus target for any uncompleted performance year(s), (ii) unvested RSUs that otherwise would have vested within six months of the Executive Officer's termination date shall vest in full on the termination date, and (iii) unvested options that would have vested within six months of the Executive Officer's termination date shall vest in full on the termination date.
- (6) For purposes of this calculation, all PRSUs and GPUs are assumed to vest at target.
- (7) A change in control, without a termination of employment, will not trigger any severance payments. Any payments or equity due under the terms of the Company's equity incentive plans upon a change in control and subsequent termination of employment without cause or resignation for good reason (as defined in the relevant employment agreement), are included in the "Termination Without Cause or Resignation for Good Reason After Change in Control" column of this table. Refer to "Change in Control" above for definitions of change in control. All executive agreements contain customary non-compete and non-solicit agreements which are triggered upon a termination due to a change in control."

Termination without cause or resignation for good reason. If an Executive Director is terminated without cause, or terminates their employment with us for good reason (as those terms are defined in the employment agreement) during their employment term, they will be entitled to (i) a severance payment equal to two years at their base salary, (ii) an amount equal to the bonus payments they received in the two years preceding their termination and (iii) payment to cover continuation of their health and dental benefits.

Termination with cause or resignation without good reason. If an Executive Director is terminated by the Company with "cause", or if an Executive Director terminates their employment with the Company without "good reason", the Executive Director will be entitled to (i) their base salary through the date of termination and (ii) any bonus amounts to which they are entitled prior to the date of termination.

Change in control. Pursuant to the terms of the 2021 Equity Incentive Plan, in the event of a change in control of the Company, awards are subject to a "double trigger" vesting policy. This means that unvested stock options, RSUs and PRSUs only vest if an Executive Director is terminated without cause, within 24 months following a change in control of the Company.

## **Share Ownership Guidelines**

The Committee adopted Stock Ownership Policy that requires Executive Directors satisfy a stock ownership requirement in an amount equal in value to at least six times their salary and calculated in accordance with the Stock Ownership Policy. Further, all Non-Executive Directors are required to hold five times their annual cash retainer in share value (currently a \$425,000 holding requirement for all Non-Executive Directors), to ensure that Directors maintain a meaningful ownership stake in the Company and that they are encouraged to take a long-term view on value creation. Both Executive and Non-Executive Directors have five years from the date of their appointment to meet the required guidelines.

## **Consideration of Employment Conditions and Consultation with Employees**

When reviewing Executive Directors pay, the Committee is aware of the remuneration of all employees. These matters are considered when conducting the annual review of executive remuneration. The Company seeks to promote and maintain good relationships with employees as part of its employee engagement strategy but does not normally formally consult with employees.

## **Consideration of Shareholder Views**

We engage in a dialogue with nearly all of our significant shareholders annually in order to understand their perspectives on our compensation programs and other corporate governance topics. The Committee considered shareholder feedback as part of its annual assessment of the Company's overall executive compensation programs and policies. The Committee reaffirmed the core structure of our Executive Directors' compensation program based on strong shareholder support for our prior year's advisory resolution on Executive Directors' compensation.

The Committee will continue to consider and monitor shareholder feedback when making decisions involving executive compensation.

### **Remuneration for Non-Executive Directors**

#### **Components of Remuneration for Non-Executive Directors**

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Annual Cash Retainer and Fees	\$300,000 annually per Director	No recovery provisions apply to cash compensation.

#### **Purpose/Link to Strategy**

Attract top talent to the Board and retain Directors.

#### **Operation and Framework**

The annual cash retainer and fees are reviewed at least once every other year by the Committee, which has discretion to change the retainer or fees, taking into account pay data at comparator companies. This review may result in increases to the annual cash retainer and fees, including the maximum opportunity set forth above.

The annual cash retainer for Non-Executive Directors is currently set at \$85,000. The Chairman of the Board also receives an incremental annual cash retainer of \$140,000. Only Non-Executive Directors serve on our Board committees and receive compensation associated with committee service. The current committee fees, which are incremental to the annual cash retainer, are as follows:

- Audit Committee: \$10,000 for committee members and \$20,000 for the committee Chair
- Compensation Committee: \$9,000 for committee members and \$15,000 for the committee Chair
- Finance Committee: \$5,000 for committee members and \$10,000 for the committee Chair
- N&CG Committee: \$7,500 for committee members and \$12,500 for the committee Chair
- Growth & Innovation Committee: \$5,000 for committee members and \$10,000 for the committee Chair

Non-Executive Directors also receive a U.K. meeting fee of \$3,000 for each trip to the United Kingdom for a meeting. Any Non-Executive Directors elected or appointed to the Board not in connection with an Annual General Meeting of

Shareholders will receive annual retainer and fee payments, as set forth above, pro-rated to reflect the actual time served on the Board until the next scheduled Annual General Meeting of Shareholders.

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Equity Based Awards—2021 Equity Incentive Plan	Grant-date fair value not to exceed \$300,000 annually per Director calculated in accordance with ASC 718.  In addition, participants may receive an amount that reflects the value of dividends accrued over the vesting period.	No recovery provisions apply to equity based plans.

#### *Purpose/Link to Strategy*

Attract top talent to the Board, retain Directors and encourage ownership of Sensata equity. Align Directors' incentives to increasing value for Shareholders.

#### *Operation and Framework*

The equity-based awards are reviewed at least once every other year by the Committee, which has discretion to change the amount taking into account pay data at comparator companies.

The annual equity award is currently set at \$150,000 in market value. Each Non-Executive Director who is in office immediately following an Annual General Meeting of Shareholders is granted an RSU award calculated by dividing the annual equity award market value (currently \$150,000) by the share price on the date of grant, rounded up to the fullest share. In general, the annual equity award will vest 100% on the date of the Annual General Meeting of Shareholders in the year following the date of grant.

Any new Non-Executive Director who is elected or appointed to the Board not in connection with an Annual General Meeting of Shareholders will receive a RSU award as set forth above, pro-rated to reflect the actual time served on the Board for period of service until the next scheduled Annual General Meeting of Shareholders.

<b>Compensation Component</b>	<b>Maximum Opportunity</b>	<b>Recovery or Withholding</b>
Benefits	There is no set maximum to reimbursable expenses; however, these expenses must be reasonable, and to the extent they come within the U.K. definition of benefits, fall within a maximum of \$250,000 annually per Director. Tax equalization payments will be capped at an amount that would result in an after-tax position consistent with what would have occurred had the Company been domiciled in the executive's home country (as advised by a reputable tax advisor). While the Company does not consider it to form a part of benefits in the normal usage of that term, within the U.K., corporate hospitality and attendance at other events including travel for a director and/or member of his or her family may fall within their definition. The Committee reserves the right for the Company to authorize attendance to events within its agreed policies and may count such items towards the maximum.	No recovery provisions apply to benefits.

#### *Purpose/Link to Strategy*

Attract top talent to the Board and retain Directors and ensure they do not incur significant expenses in performing their role.

#### *Operation and Framework*

The Company provides its Non-Executive Directors with reimbursement of travel expenses related to their service. Further, the Company may pay for certain U.K. tax preparation and advisory services which are required as a result of their Board service.

## Approach to Recruitment Remuneration - Non-Executive Directors

Fees for any new Non-Executive Director will be set in accordance with the levels prevailing for the other Non-Executive Directors at the time of the appointment. In the event of a new Chairman being appointed, the fees will be informed by the individual's experience and profile, as well as the anticipated time commitment and market rates. The Company may pay additional benefits related to travel and relocation depending on the home market of the incumbent. The Committee may make grants of RSUs in line with the Policy table.

## Board Discontinuance - Non-Executive Directors

If a Non-Executive Director ceases to serve on the Board not in connection with an Annual General Meeting of Shareholders, any unvested RSUs will be forfeited except in the event of the Non-Executive Director's death, disability, or certain other circumstances, where the RSUs vest in full. Non-Executive Directors are not entitled to any other payments in connection with their loss of office.

The Directors' Remuneration Report can be viewed within the 2021 proxy statement on our website at [www.sensata.com](http://www.sensata.com).

## 3. ANNUAL REPORT ON DIRECTOR REMUNERATION

### Compensation of Non-Executive Directors - Single Figure Table

The following tables are subject to audit and set out the compensation of our Non-Executive Directors during the year ended December 31, 2021 with comparisons to the year ended December 31, 2020:

Non-Executive Director	Annual retainer and committee fees (\$)	Benefits (\$) <sup>(1)</sup>	RSU award (\$) <sup>(2)</sup>	Pension (\$)	Total Fixed Remuneration (\$)	Total Variable Remuneration (\$)	Total (\$)
John P. Absmeier							
2021	100,000	5,625	148,278	—	105,625	148,278	253,903
2020	85,552	2,508	195,703	—	88,060	195,703	283,763
Daniel L. Black <sup>(3)</sup>							
2021	108,250	242	217,323	—	108,492	217,323	325,815
2020	—	—	—	—	—	—	—
Lorraine A. Bolsinger							
2021	98,250	—	148,278	—	98,250	148,278	246,528
2020	60,918	—	253,243	—	60,938	253,243	314,181
James E. Heppelmann							
2021	111,250	1,242	148,278	—	112,492	148,278	260,770
2020	100,625	1,400	195,703	—	102,025	195,703	297,728
Charles W. Peffer							
2021	95,000	3,670	148,278	—	98,670	148,278	246,918
2020	83,125	1,672	195,703	—	84,797	195,703	280,500
Constance E. Skidmore							
2021	119,500	1,242	148,278	—	120,742	148,278	269,020
2020	102,813	1,804	195,703	—	104,617	195,703	300,320
Steven A. Sonnenberg							
2021	96,230	2,784	148,278	—	99,034	148,278	247,312
2020	59,375	—	253,243	—	59,375	253,243	312,618
Martha N. Sullivan <sup>(4)</sup>							
2021	192,954	838	148,278	5,571	199,363	148,278	347,641
2020	381,875	3,311	1,129,550	5,907	391,093	1,129,550	1,520,643
Andrew C. Teich							
2021	246,250	1,242	148,278	—	247,492	148,278	395,770
2020	214,375	1,998	195,703	—	216,373	195,703	412,076
Thomas Wroe Jr. <sup>(5)</sup>							
2021	35,417	5,386	—	—	40,803	—	40,803
2020	74,375	1,380	195,703	—	75,755	195,703	271,458
Stephen M. Zide							
2021	95,000	7,353	148,278	—	102,353	148,278	250,631
2020	91,875	4,983	195,703	—	96,858	195,703	292,561

- (1) The amounts for 2021 and 2020 include U.K. and Netherlands tax advisory and preparation fees and reimbursement of reasonable out of pocket expenses. Ms. Sullivan's amounts reflect taxable Group Term Life benefits while employed by the Company.
- (2) RSU figures are the value of the awards made in the corresponding year using the fiscal year three-month ending closing price which was \$58.22 and \$47.99 for 2021 and 2020, respectively. The RSUs vest on the day of the Annual General Meeting of Shareholders based on continued service during the vesting period.
- (3) Mr. Black joined the Board in January 2021.
- (4) Ms. Sullivan became a Non-Executive Director following her retirements as CEO in March 2020. Amounts for 2021 include compensation of \$121,705 received by Ms. Sullivan from January 2021 through April 2021 while serving as Senior Advisor. She received taxable Group Term Life benefits of \$838 and retirement benefits of \$5,571. Amounts for 2020 reflect compensation received by Ms. Sullivan from March 2020 through December 2020 after retiring from her role as CEO and while serving as Senior Advisor. She was not eligible for additional director compensation while serving as Senior Advisor.
- (5) Mr. Wroe retired from his position as a Director in May 2021. Fees earned were prorated to reflect his service.

#### LTI awards granted in 2021

Director	Type of LTI award	Date of grant	Number of shares under LTI award	Exercise price (\$)	Face value (\$) <sup>(1)</sup>	Vesting date
Jeffrey J. Côte	RSU	April 1, 2021	33,343	\$2,070,040	\$2,070,040	1/3 on April 1, 2022, 2023, 2024
	PRSU	April 1, 2021	43,197	\$2,530,048	\$2,530,048	April 1, 2024 based upon satisfaction of Relative Adjusted EPS Growth
John P. Absmeier	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Daniel L. Black	RSU <sup>(2)</sup>	January 1, 2021	1,186	\$62,550	\$62,550	Date of 2021 AGM
	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Lorraine A. Bolsinger	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
James E. Heppelmann	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Charles W. Peffer	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Constance E. Skidmore	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Steven A. Sonnenberg	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Mariha N. Sullivan	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Andrew C. Teich	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM
Thomas Wroe Jr.	RSU	May 27, 2021	—	—	—	—
Stephen M. Zide	RSU	May 27, 2021	2,547	\$150,018	\$150,018	Date of 2022 AGM

- (1) Face value has been calculated based on the price of a share of common stock of the Company at grant of \$58.57 for awards made on April 1, 2021, \$58.90 for awards made on May 27, 2021, and \$52.74 for awards made on January 1, 2021.
- (2) Mr. Black joined the Board in January 2021 and was granted a pro-rated award at that time for his service until the 2021 Annual General Meeting.

#### Payments to past / former Directors

There were no payments to past or former Directors for the year ended December 31, 2021.

#### Payments for loss of office

There were no payments for loss of office for the year ended December 31, 2021.

#### Statement of the Directors' Shareholding and Share Interests

The Committee has adopted a policy requiring Executive Directors to hold six times their annual salary and Non-Executive Directors to hold five times their annual cash retainer in share value (approximately \$5.7 million holding requirement for Mr. Côte, our Executive Director, and \$425,000 holding requirement for all Non-Executive Directors), to ensure that Directors maintain a meaningful ownership stake in the Company and that they are encouraged to take a long-term view on value creation. As of December 31, 2021, the Directors were either in compliance with the share ownership guidelines or within the applicable retention or grace periods.

The following table is subject to audit and provides details of the Directors' shareholdings as at December 31, 2021:

Director	Beneficially Owned Shares	% Shareholding Guideline Achieved	Number of shares under vested but unexercised stock options	Number of shares under unvested RSUs and stock options	Number of shares under unvested PBUs
Jeffrey J. Cote	108,075	100 %	381,340	117,408	152,381
John P. Absmeier	8,245	100 %	—	2,547	—
Daniel L. Black	1,186	52 %	—	2,547	—
Lorraine A. Bolsinger	5,277	100 %	—	2,547	—
James E. Heppelmann	17,594	100 %	14,940	2,547	—
Charles W. Peffer	19,560	100 %	15,640	2,547	—
Constance E. Skidmore	13,669	100 %	—	2,547	—
Steven A. Sonnenberg	5,277	100 %	—	2,547	—
Martha N. Sullivan	285,238	100 %	769,597	86,536	—
Andrew C. Teich	17,594	100 %	15,640	2,547	—
Stephen M. Zide	18,989	100 %	40,240	2,547	—

During the period from January 1, 2022 through April 1, 2022, the following changes in Mr. Cote's beneficial ownership occurred:

	Exercised	Vested	Granted <sup>(1)</sup>
Options	203,145	18,030	—
RSUs	N/A	41,559	45,036
PBUs	N/A	—	55,044

<sup>(1)</sup> Granted in accordance with the 2021 Equity Plan.

#### Option exercises during 2021

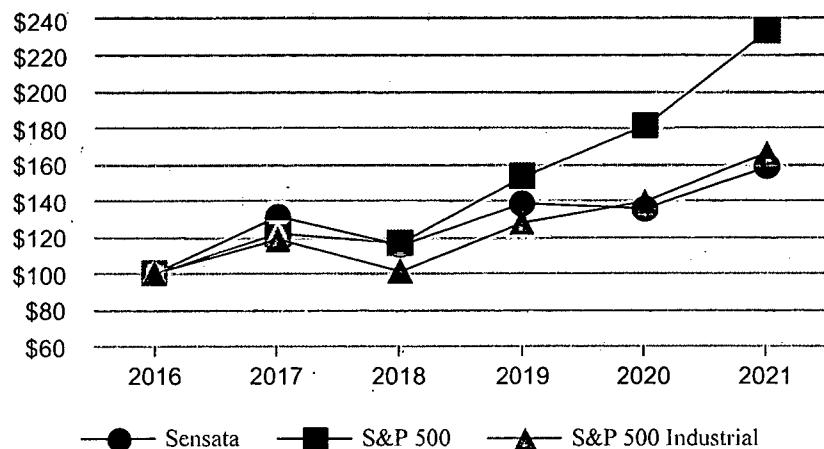
The following table is subject to audit and includes information on the stock options exercised by the Directors during the year ended December 31, 2021:

Director	Number of stock options exercised during 2021	Exercise Price	Expiry Date
Martha N. Sullivan	107,100	\$ 33.48	April 1, 2022
Thomas Wroe Jr.	163,700	\$ 33.48	April 1, 2022
Thomas Wroe Jr.	12,900	\$ 31.76	May 25, 2022

#### Performance graph and table

The following graph compares the TSR of our ordinary shares since December 31, 2016 to the TSR since that date of the Standard & Poor's ("S&P") 500 Stock Index and the S&P 500 Industrial Index. We consider the S&P 500 Stock index to be the most appropriate broad equity market index against which our performance should be measured. We also compared our

performance against the S&P 500 Industrial Index as another corroborating data set. The graph assumes that the value of the investment in our ordinary shares and each index was \$100.00 on December 31, 2016.



#### TSR of \$100.00 Investment from December 31, 2016

As of December 31,

	2016	2017	2018	2019	2020	2021
Sensata	\$ 100.00	\$ 131.22	\$ 115.12	\$ 138.31	\$ 135.40	\$ 158.38
S&P 500	\$ 100.00	\$ 121.83	\$ 116.49	\$ 153.17	\$ 181.35	\$ 233.41
S&P 500 Industrial	\$ 100.00	\$ 118.54	\$ 100.76	\$ 127.79	\$ 139.30	\$ 166.33

#### Compensation of Executive Director - Single Figure Table

The following table is subject to audit and sets out the compensation paid to Executive Directors during fiscal year 2021 (Mr. Cote only) and fiscal year 2020 (Ms. Sullivan from January through February and Mr. Cote from March through December):

	Base Salary <sup>(1)</sup>	Taxable Benefits <sup>(2)</sup>	Annual Incentive Bonus <sup>(3)</sup>	LTI Award <sup>(4)</sup>	Pension <sup>(5)</sup>	Total Fixed Remuneration	Total Variable Remuneration	Total
2021	\$ 953,250	\$ 26,371	\$ 1,206,954	\$ 2,057,669	\$ 11,600	\$ 991,221	\$ 3,264,623	\$ 4,255,844
2020 - Total	\$ 700,001	\$ 23,711	\$ 937,440	\$ 3,659,024	\$ 10,682	\$ 734,394	\$ 4,596,464	\$ 5,330,858
- Ms. Sullivan	\$ 157,500	\$ 662	\$ —	\$ —	\$ 1,182	\$ 159,344	\$ —	\$ 159,344
- Mr. Cote	\$ 542,501	\$ 23,049	\$ 937,440	\$ 3,659,024	\$ 9,500	\$ 575,050	\$ 4,596,464	\$ 5,171,514

(1) Represents actual base salary paid for time that each Mr. Cote and Ms. Sullivan served as CEO in 2020.

(2) Benefits for Mr. Cote and Ms. Sullivan included health benefits and payments made in connection with financial counseling.

(3) The target annual incentive bonus established for Mr. Cote was 120%. The annual incentive bonus consisted of two performance factors: (1) achievement of our Adjusted Operating Income goal and (2) attainment of the Company's Free Cash Flow (as defined below) goal. In 2021, the metric for Adjusted Operating Income was changed from 50% to 52.5% and the metric for Free Cash Flow was changed from 50% to 22.5%. Refer to section entitled "Annual Incentive Compensation of the CEO" below for further discussion of the considerations used to determine this compensation.

(4) LTI Award for Mr. Cote consisted of the following:

	RSUs <sup>(a)</sup>	PBUs <sup>(b)</sup>	Options <sup>(c)</sup>	Total
2021	\$ 2,057,669	\$ —	\$ —	\$ 2,057,669
2020 - Mr. Cote	\$ 3,348,310	\$ 310,714	\$ —	\$ 3,659,024

(a) RSU figures are the value of the awards made in the corresponding year using the fiscal year three-month ending

closing price which was \$58.22 and \$47.99 for 2021 and 2020, respectively. The RSUs granted to Mr. Cote in 2020 vest annually in one-third increments beginning on the first anniversary of the grant date.

- (b) The amount shown represents the total amount achieved for the year, which is calculated by multiplying the performance results by the number of shares granted by the closing stock price on the vest date. For 2021 and 2020, the achieved performance on PRSUs was 0% and 33%, respectively, and the closing stock price on the date of vest was \$50.56 and \$58.57, respectively. For 2021 and 2020, the achieved performance for GPUs was 0% and 33%, respectively, and the closing stock price on the date of vest was \$50.56 and \$58.57, respectively.
- (c) Consistent with U.K. regulations, the amount reported above for Options is the implied gain on those options compared with the average closing price per share for the last three months of 2021 and 2020. In 2021 and 2020, no options were granted.
- (5) Includes the Company's matching contributions to Mr. Cote's and Ms. Sullivan's 401(K). Ms. Sullivan's compensation related to the increase in her pension benefit adjusted for inflation was \$0 given that it is a frozen plan. Mr. Cote is ineligible for the Company's pension plan. For additional details, see the "Pension Benefits" section of the 2021 proxy statement on our website at [www.sensata.com](http://www.sensata.com).

#### **Annual Incentive Compensation of the CEO**

The CEO has an individual scorecard (the "CEO Scorecard") that is evaluated by the full Board of Directors. In addition, the Committee may exercise negative discretion in determining final payouts.

Annual Incentive Bonus payouts are calculated as follows:

Annual Incentive Bonus Target (\$)	*	Achievement of Adjusted Operating Income Goal Relative to Target (%)	+	Achievement of Free Cash Flow Relative to Target (%)	+	Achievement of Performance Scorecard (%)	=	Annual Incentive Bonus Payout (\$)
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#### **Adjusted Operating Income**

In establishing our Adjusted Operating Income goal, the Compensation Committee considered recent earnings performance, management's near-term operating and financial plans, and shareholder expectations. The target 2021 goal of Adjusted Operating Income of \$725 million was the midpoint of the Company's annual guidance communicated in January 2021 and represented an increase of 29% versus 2020 Adjusted Operating Income. The Compensation Committee introduced a maximum payout of 120% of target to allow for above target payout for exceptional performance.

	Adjusted Operating Income Goal	Percentage of Target Payout (52.5% of Total Bonus)
Threshold	\$550.00	25%
Hurdle	\$600.00	50%
Hurdle	\$650.00	75%
Target	\$725.00	100%
Max	\$826.00	120%

#### **Free Cash Flow**

In establishing our Free Cash Flow goal, the Compensation Committee considered recent cash flows, management's near-term operating and financial plans, and shareholder expectations. The target 2021 goal of Free Cash Flow of \$425 million was the midpoint of the Company's annual guidance communicated in January 2021, and represented a reduction of 6.2% versus 2020 Free Cash Flow. This reduction was driven primarily by a shift in the Company's 2020 strategy focused on cash preservation during the COVID-19 pandemic to its 2021 strategy taking into account the need to expand working capital and capital expenditures as the Company returned its focus to revenue growth. The Compensation Committee introduced a threshold payout of 25% of target to align with the design for the Adjusting Operating Income metric and introduced a maximum payout of 120% of target to allow for above target payout for exceptional performance.

	Free Cash Flow	Percentage of Target Payout (22.5% of Total Bonus)
Threshold	\$245.00	25%
Hurdle	\$300.00	50%
Hurdle	\$345.00	75%
Target	\$425.00	100%
Max	\$522.00	120%

Free cash flow is defined as net cash provided by/(used in) operating activities less additions to property, plant & equipment and capitalized software. We believe free cash flow is useful to management and investors as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to, among other things, fund acquisitions, repurchase ordinary shares, and (or) accelerate the repayment of debt obligations.

#### **Performance Scorecard**

For 2021, the Compensation Committee re-introduced the Performance Scorecard as part of the Annual Incentive Bonus. This component was removed from the 2020 Annual Incentive Bonus program to allow Mr. Cote, in his first year as CEO, and the other NEOs to focus on managing the business in the face of the uncertain COVID-19 environment. The 2021 Performance Scorecard consists of 10 individual goals, weighted equally and accounting for 25% of the 2021 Annual Incentive Bonus. In developing the 2021 Performance Scorecard, the Compensation Committee considered how each individual goal connects to the Company's long-term strategy of growth and maximizes long-term shareholder value. Recognizing the importance of integrating ESG into the Company's strategy, The Compensation Committee included multiple ESG goals in the Performance Scorecard to account for 70% of the overall goals. In support of the Company's commitment to diversity, equity, and inclusion as well as human capital management, the Performance Scorecard includes, among other things, individual goals related to improving diversity and talent management.

Scorecard Individual Goal Performance	Percentage of Target Payout for each Individual Goal (2.5% of Total Bonus) <sup>(1)</sup>
Threshold	50%
Target	85%
Max	100%

<sup>(1)</sup> The Performance Scorecard, collective of each 10 individual goals, accounts for 25% of the 2021 Annual Incentive Bonus.

#### **Actual Performance Against Adjusted Operating Income and Free Cash Flow**

For 2021, we achieved 115% of Adjusted Operating Income, 95% of Free Cash Flow, 89% Performance Scorecard and 105% Annual Incentive Bonus Payout as a % of Target.

#### **2021 Committee Discretion Adjustment**

For 2021, the Committee did not make any discretionary adjustments to the incentive plan payouts for the NEOs.

#### **Chief Executive Officer Remuneration**

The table below provides information regarding the components of the Company's CEO's remuneration as a percentage of the CEO single figure. The table provides information for fiscal year 2020 and a comparison to fiscal year 2019.

	2021	2020
CEO single figure <sup>(1)</sup>	\$ 4,255,844	\$ 5,330,858
Bonus (% of maximum awarded)	105 %	84 %
Performance-based LTI (% of maximum vesting)	... %	19 %

<sup>(1)</sup> 2020 CEO compensation is composed of base salary for Ms. Sullivan from January to February and Mr. Cote from March to December for 2020, annual incentive bonus attributable to the performance year, and value of LTI awards on vesting.

#### **Percentage change in compensation of CEO**

The table below shows the percentage change in CEO, executive employees (excluding the CEO) and Non-Executive Director compensation from the prior year. We have selected our named executive officer population for this comparison

because it is considered to be the most relevant, due to the structure of total compensation.

	% change 2021 vs. 2020	Annual Incentive Bonus
	Salary	Taxable Benefits
CEO <sup>(1)</sup>	36 %	11 %
Executive Employees <sup>(2)</sup>	(20)%	(49)%
Non-Executive Directors	29.7 %	47.7 %
		N/A

<sup>(1)</sup> Includes compensation for Ms. Sullivan from January to February and Mr. Cote from March to December for 2020.

<sup>(2)</sup> Named executive officers for 2020 included Messrs. Beringhouse, Chawla, Etienne, Nargolwala and Vasington. In addition, the salary and taxable benefits received by Mr. Cote for January and February 2020 (prior to his appointment as CEO) are included in the calculation. 2021 included Messrs. Lidforss, Picon, Nargolwala and Vasington.

#### Relative importance of spend on pay

During the year ended December 31, 2021, the Company's compensation paid to its employees and distributions to shareholders were as follows:

(\$ millions)	2021
Employee costs <sup>(1)</sup>	\$ 745.00
Share repurchases	\$ 48.00
Cash paid for acquired businesses	\$ 761.00

<sup>(1)</sup> Includes \$25.7 million of share-based compensation expense, which are not cash expenditures, but we consider compensation for our employees and are included in expense as wages.

The Company selected cash paid for acquired businesses as a comparative to provide a context for shareholders to compare the Company's investment in its employees and strategic acquisitions to its direct return of value to shareholders.

#### Statement of implementation of remuneration policy in 2022

In the coming financial year, any changes to our Executive Director's salary will be determined consistently with our directors' remuneration policy described above. In determining pay rises for Executive Directors, pay rises for employees in the Company and other factors were taken into consideration. Benefits and pension entitlements will remain similar to those in 2021.

For the 2022 annual incentive bonus program, the performance metrics will be Adjusted Operating Income and Free Cash Flow, and will include a performance scorecard. For LTI awards in the form of PBUs, the performance metrics will be Relative Adjusted EPS growth with an ROIC modifier. LTI awards will be a mix of RSUs and PRSUs for the Executive Director and RSUs for Non-Executive Directors.

#### Consideration by the Directors of matters relating to Directors' Remuneration

The members of the Committee met four times during 2021. The meetings attended by each member are set out below:

	Meetings obliged to attend	Meetings attended
Daniel T. Black <sup>(1)</sup>	1	4
Lorraine A. Bolinger	4	4
James E. Heppelmann	1	4
Constance E. Skidmore	4	4

<sup>(1)</sup> Mr. Black joined the Board in January 2021.

FW Cook has been retained as the independent consultants since 2015. The consultant is engaged by, and reports directly to, the Chairman of the Compensation Committee. The consultant does not advise Company management or receive other compensation from the Company. The Committee annually reviews the independence of FW Cook pursuant to United States Securities and Exchange Commission ("SEC") and NYSE rules. The Committee has determined that no conflict of interest exists that would prevent FW Cook from serving as an independent consultant to the Committee, and, therefore, considers its advice to be independent and objective. During 2021, the consultant assisted the Committee by:

- providing insights and advice regarding our Company compensation philosophy, objectives and strategy;
- developing criteria for identification of our peer group for Director compensation and Company performance review purposes;
- reviewing management's design proposals for short-term cash and long-term equity incentive compensation programs;
- providing insights and advice regarding our analysis of risks arising from our compensation policies and practices;
- providing compensation data from the Company's peer group proxy and other disclosures;
- advising on and providing comments on management's recommendations regarding senior executives' annual incentives for 2021 and equity based awards granted in 2021.

FW Cook charges the Company on an hourly rate plus expense basis. During the year ended December 31, 2021, the Company paid FW Cook \$149,479 for its services.

#### **Statement of voting at general meeting**

The next advisory vote on the Directors' Compensation Report will take place at the Annual General Meeting in 2022, and the next binding vote on the Directors' Remuneration Policy will take place at the Annual General Meeting in 2022.

#### **CEO pay ratio discussion**

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	125:1	96:1	67:1
2020	Option A	144:1	111:1	82:1

The pay ratios above are calculated by using actual earnings for the CEO and employees in the U.K. The CEO total single figure remuneration of \$4,255,844 is disclosed in the Compensation of Executive Director - Single Figure Table section of this Report.

Total remuneration for all our U.K. full-time equivalent employees on December 31, 2021 have been calculated consistently with the single figure methodology and reflects their actual earnings received in 2021 (excluding business expenses), which were used to produce the percentile calculation under Option A. Business expenses have been excluded as they are reimbursed to the employees and not substantial in value to significantly impact the ratios.

We have chosen Option A because it is the most robust and statistically accurate way for us to calculate the three ratios from the options available in the regulations. It also aligns with our standard internal and external reporting practices and strategic objectives.

Base salary and total pay and benefits for each of the percentiles are shown in the table below:

		25th Percentile	Median Percentile	75th Percentile
2021	Salary component	\$ 32,313	\$ 42,313	\$ 59,677
	Total pay and benefits	\$ 34,182	\$ 44,216	\$ 63,373
2020	Salary component	\$ 29,947	\$ 38,252	\$ 54,006
	Total pay and benefits	\$ 37,011	\$ 48,017	\$ 65,143

The Compensation Committee believes that the median pay ratio is consistent with our pay, reward and progression policies. Base salaries of all employees, including our CEO (Executive Director), are set with reference to a range of factors including market practice, experience and performance in role.

Our CEO pay ratio is likely to vary, potentially significantly, over time since it will be driven largely by CEO variable pay outcomes. In line with our reward principles, the CEO has a larger portion of her pay based on performance than the individuals at the 25th, median and 75th percentiles. This means that depending on our performance, the ratio could increase or decrease significantly. The Compensation Committee believes that our senior executives should have a significant proportion of their pay directly linked to performance.

# **Sensata Technologies Holding plc**

Consolidated Financial Statements

For the Years Ended

December 31, 2021 and 2020

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSATA TECHNOLOGIES HOLDING PLC

### Opinion

In our opinion:

- Sensata Technologies Holding plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's and the parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sensata Technologies Holding plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2021	Statement of financial position as at 31 December 2021
Consolidated statement of income for the year then ended	Statement of comprehensive income for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 12 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We understood the process undertaken by management to perform the going concern assessment, including the evaluation of various sensitivities on the Group and the Group's access to available sources of liquidity;
- We obtained management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period to 30 June 2023. We verified these forecasts were consistent with the Board approved forecasts. The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments. The Group has also performed stress test sensitivities for the going concern period;
- We tested the clerical accuracy of the models used to prepare the Group's going concern assessment through re-computation of the models;
- We assessed the historical accuracy of management's forecasting for the past three years to gain assurance over the prospective financial information included in the going concern assessment;
- We sensitised management's assessments using our own independently developed assumptions for a severe but plausible downside impact and confirmed these sensitivities did not give rise to any breach of covenants or the Group running out of liquidity;
- We scrutinised the results of management's stress test scenario and assessed whether this was plausible, considering macro-economic factors, including but not limited to the conflict in Ukraine, climate change and the potential impact on supply chains, notably rising energy prices;
- We obtained the signed agreements for the Group's credit facilities and read these to ensure the terms of these, including the level of facilities and basis of covenants, were consistent with those considered in management's assessment; and
- We ensured the appropriateness of the Group's disclosures concerning the going concern basis of preparation by verifying these met regulatory and legislative requirements.

We observed that the Group has reported a 25% increase in total revenue for the year ended 31 December 2021, they generated \$610 million of operating cash flow during 2021. At 31 December 2021, the Group had cash and cash equivalents of \$1,708 million in addition to \$1.1 billion availability under the accordion and \$416.1 million available under the Revolving Credit Facility.

Our independent procedures confirmed that even with a zero free cash flow throughout the period to 30 June 2023 the Group would not face a liquidity shortfall or the need to draw on available funds that would lead to a covenant breach.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern until 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Overview of our audit approach

<b>Audit scope</b>	<ul style="list-style-type: none"> <li>We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 17 components.</li> <li>The components where we performed full or specific audit procedures accounted for 105% of Profit before tax (before considering loss making entities not in scope), 89% of Revenue and 91% of Total assets.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Carrying value of goodwill</li> <li>Uncertain tax positions</li> <li>Accounting for acquisitions - valuation of identified intangibles</li> <li>Revenue recognition - management override of controls</li> </ul>
<b>Materiality</b>	Overall Group materiality of £20.8m which represents 5% of Profit before tax.

## An overview of the scope of the Parent Company and Group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 130 reporting components of the Group, we selected 25 components covering entities within the United Kingdom, United States of America, Mexico, China, Netherlands, Bulgaria and Malaysia, which represent the principal business units within the Group.

Of the 25 components, we performed an audit of the complete financial information of 8 components (“full scope components”) based on their size or risk characteristics. For 17 components (“specific or specified procedures scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 103 components that together contribute a negative contribution to the Group’s profit before tax, none are individually greater than 5% of the Group’s profit before tax. For these components, we performed other procedures, including analytical review and revenue testing, to respond to any potential risks of material misstatement to the Group financial statements.

The table below illustrate the coverage obtained from the work performed by the Group and Component teams .

	Number		% of Group Revenue		% of Group Profit before tax		% of Group Total assets	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Full Scope</b>	8	10	17%	51%	-50%	21%	41%	66%
<b>Specific Scope or specified procedures</b>	17	19	71%	43%	155%	78%	50%	27%
<b>Other procedures</b>	105	88	11%	7%	-5%	2%	9%	6%
	130	117	100%	100%	100%	%	100%	%

## **Changes from the prior year**

The change in the number of components from 117 to 130 is as a result of the acquisitions made during the year.

## **Involvement with component teams**

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 8 full scope components, audit procedures were performed on 7 of these directly by the primary audit team.

For the 17 specific or specified scope components, audit procedures were performed on 3 of these directly by the primary audit team. The primary audit team also performed testing of revenue for all components across the group.

For the full and specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Given the ongoing travel restrictions in place due to the COVID-19 pandemic, our approach to the audit was adapted to allow for fully remote working and procedures implemented to ensure Partner in Charge oversight throughout. The Group audit team adapted their approach to interact with and oversee local EY teams in as we did not complete any visits to the locations. In lieu of these visits, we maintained continuous dialogue with our local EY teams. This included additional meetings with our component teams and local management via videoconference and performing remote review of key workpapers associated with the component team's audit procedures.

We attended meetings with our full and specific component teams and local management to conclude the audit procedures at each location by videoconference, to ensure that we were fully aware of their progress and results of their audit procedures. Key members of the Group audit team participated in closing meetings for all full and specific component teams.

The review of relevant audit workpapers was facilitated by the EY electronic audit platform and screen sharing of work. This allowed appropriate discussions with the component teams on audit strategy, risk identification and the results of audit procedures performed.

The performance of the year end audit was also required to be conducted remotely at certain locations due to COVID-19 restrictions. This was supported by the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence. Stocktakes were completed as a mixture of virtual and in person counts depending on local restrictions at the time.

We engaged with management throughout the audit, using video conference calls, screen-sharing functionality, secure encrypted document exchanges and data downloads to avoid limitations on our ability to interact with management and obtain the audit evidence we required to execute and document our audit. All key meetings, such as the closing meetings and Audit Committee meetings, were performed via video conference calls.

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component teams.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Carrying value of goodwill \$3,502m (PY comparative \$3,104m)</b></p> <p>As of December 31, 2021, the Group's goodwill balance was \$3.5 billion. The Group's goodwill is initially assigned to its cash generating units (CGUs) as of the acquisition date. As discussed in Note 2 of the consolidated financial statements, goodwill is tested for impairment at the CGU level. The Group evaluated goodwill for impairment as of October 1, 2021, and identified nine CGUs. Subsequent to this date they added one further CGU.</p> <p>The Group completed a quantitative goodwill impairment assessment for three CGUs and a qualitative analysis (carry forward of previous impairment test) for seven CGUs.</p> <p>Management's goodwill impairment analysis for the CGUs for which the quantitative method was used is complex and judgmental due to the estimation required in determining the value in use of the CGUs. In particular, the fair value estimates included significant assumptions such as the long-range plans, the selection of discount rates, and the estimation of multiples or long-term growth rates used in valuing the terminal year which are all affected by expectations about future market or economic conditions.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's goodwill impairment review process.</p> <p>We tested controls over management's review of the data used in their valuation models and reviewed significant assumptions discussed used in determining the CGUs value in use values.</p> <p>We considered the rational for management's assessment of CGUs and we tested the estimated value in use of the Group's CGUs, with the assistance of our valuation specialists. Our audit procedures included, among others</p> <ul style="list-style-type: none"> <li>• assessing value in use methodologies and testing the significant assumptions discussed to the left.</li> <li>• compared the significant assumptions used by management to current industry and economic trends, the Group's historical trends with consideration given to changes in the Group's business, customer base or product mix and other relevant factors.</li> <li>• independently constructed our own expectation of the discount rates for a market participant from first principles using input from our internal specialist valuations team</li> <li>• assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the value in use of the CGUs that would result from changes in the assumptions.</li> <li>• evaluated the reconciliation of the estimated aggregate value in use of the CGUs to the Group's market capitalization.</li> <li>• We also re-performed the calculations in the models to test the mathematical integrity.</li> </ul> <p>We ensured that the Financial Statement disclosures, particularly those in Note 11 to the Consolidated Financial Statements, met the requirements of IAS 36 and IAS1 "Presentation of Financial Statements" ("IAS 1"), particularly those related to judgements, estimation uncertainty and sensitivities.</p> <p>The audit procedures performed to address this risk have been performed by the Group audit team.</p>	<p>Based on our procedures, we concluded the significant assumptions and estimated values in use of the cash generating units are within acceptable ranges in accordance with IAS 36.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IAS 36 and IAS1.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Uncertain tax positions</b></p> <p>At December 31, 2021, the Group had approximately \$223.8 million (2020: \$201.4 million) of unrecognized tax benefits associated with uncertain tax positions. Uncertainty in a tax position may arise as tax laws are subject to interpretation. The Group uses significant judgment in (1) determining whether a tax position's technical merits are more-likely-than-not to be sustained and (2) measuring the amount of tax benefit that qualifies for recognition.</p> <p>The recognition and measurement of tax positions related to uncertain tax positions involves judgment and use of tax professionals with specialized skills and knowledge because both the recognition and measurement of the tax positions are complex, highly judgmental and based on interpretations of tax laws and legal rulings.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's process to record the provision for uncertain tax positions.</p> <p>We tested controls over management's evaluation of the technical merits of tax positions and identification of uncertain tax positions and the controls to measure the benefit of those tax positions, including management's review of the inputs and calculations of unrecognized tax benefits resulting from uncertain tax positions.</p> <p>To test the amounts recorded as uncertain tax positions we involved our tax professionals to evaluate the technical merits of the Group's tax positions. Our procedures covering both existence and completeness included, among others,</p> <ul style="list-style-type: none"> <li>• inspecting correspondence, assessments and settlements from the relevant tax authorities</li> <li>• evaluating income tax opinions or other third-party advice obtained by the Group.</li> <li>• applied our knowledge and experience with the application of federal, foreign and state income tax laws to evaluate the Groups' accounting for those tax positions.</li> <li>• we analyzed the Group's assumptions and data used to determine the amount of tax benefit to recognize and tested the accuracy of the calculations.</li> <li>• we evaluated the Group's income tax disclosures included in Note 7 in relation to these matters.</li> </ul> <p>The audit procedures performed to address this risk have been performed by the Group audit team with the assistance of in country subject matter experts.</p>	<p>We completed our audit procedures, over the income tax provision, including the Group's analyses of uncertain tax positions and the recoverability of uncertain tax positions, specifically with respect to interest attributes, with no issues noted.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IAS 12 and IAS 1.</p>

Risk	Our response to the risk	communicated to the Audit Committee
<p><b>Accounting for Acquisitions - valuation of identified intangibles</b></p> <p>As described in Note 29 to the consolidated financial statements, the Group completed several acquisitions during 2021. The most significant of these were (1) the acquisition of Xirgo Technologies, LLC (Xirgo) for an aggregate cash purchase price of \$401.7 million, and (2) the acquisition of SmartWitness Holdings, Inc. (SmartWitness) for an aggregate cash purchase price of \$204.2 million. These transactions are accounted for as business combinations. With respect to SmartWitness, the allocation of purchase price is preliminary and is subject to revision as the final valuations are completed.</p> <p>The Group's accounting for its acquisitions of Xirgo and SmartWitness was complex due to the significant estimation required by management in determining the fair value of identifiable intangible assets, which on a combined basis principally consisted of customer relationship and completed technology intangible assets of \$222.6 million and \$96.2 million, respectively. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired business. The Group used the income approach to measure the customer relationship and completed technology intangible assets. The significant assumptions used to value the intangible assets included the long-range plans, the selection of discount rates, and the estimation of multiples or long-term growth rates used in valuing the terminal year which are all affected by expectations about future market or economic conditions.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's process for valuing intangible assets acquired in business combinations.</p> <p>We tested controls over the appropriateness of the valuation model, assumptions management used as well as controls over the completeness and accuracy of the data underlying the valuation of the customer relationship and completed technology intangible assets.</p> <p>To test the estimated fair value of the customer relationship and completed technology intangible assets, our audit procedures included, among others,</p> <ul style="list-style-type: none"> <li>a. assessing methodologies and testing the significant assumptions discussed above and the underlying data supporting the significant assumptions and estimates used by the Group in the valuations.</li> <li>b. we tested significant assumptions through a combination of procedures, as applicable for each assumption, including comparing them to current and forecasted industry trends, as well as to the historical results of the acquired businesses and other guideline companies within the same industry.</li> <li>c. we evaluated the methodology used by the Group and significant assumptions included in the fair value estimates using input from our internal specialist valuations team</li> <li>d. we also re-performed the calculations in the models to test the mathematical integrity.</li> </ul> <p>The audit procedures performed to address this risk have been performed by the Group audit team with the assistance of our valuation specialists.</p>	<p>Based on our procedures, we concluded the methodologies and significant assumptions used by management in valuing intangible assets acquired in business combination are reasonable including the correct accounting treatment in line with IFRS3.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IFRS 3, IAS 38 and IAS1</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue recognition- management override of controls (\$3,820m of revenue, PY comparative \$3,045m)</b></p> <p>We identified a fraud risk related to improper revenue recognition related to manual journal entries potentially recorded for fictitious sales or incorrect amounts of revenue.</p> <p>As described in the Summary of Significant Accounting Policies in Note 2 to the consolidated financial statements, the Group recognises revenues for the transfer of promised goods in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. In valuing the terminal year which are all affected by expectations about future market or economic conditions.</p>	<p>We performed walkthroughs to understand the adequacy and the design of the revenue cycle for all significant components.</p> <p>We tested controls in the revenue and trade account receivables cycles over the accuracy and timing of revenue accounted for in the consolidated financial statements.</p> <p>We reviewed the revenue recognition policy applied by the Group to ensure its compliance with IFRS 15 requirements.</p> <p>We tested the appropriateness of a sample of manual journal entries, identified using data analytics procedures, to revenue recorded in the general ledger and utilised data analytics to test for outliers in the population.</p> <p>We performed analytical procedures to compare revenue recognised with our expectations.</p> <p>The audit procedures performed to address this risk have been performed by the Group audit team, with the exception of some control testing completed by component teams.</p>	<p>We completed our planned audit procedures with no exceptions noted.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IFRS 15 and IAS1.</p>

In the current year, our auditor's report included a new key audit matter in relation to accounting for acquisitions due to significant and complex estimations involved in the determining the fair value of identified intangibles as abovementioned.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be \$20.89 million (2020: \$22 million), which is 5% of profit before tax (2020: 5% of normalised profit before tax). We believe that profit before tax provides us with the most appropriate benchmark for materiality as the primary users of the financial statements focus on operating performance. In the prior year, due to the impact of COVID-19, we sought to derive a normalised basis for setting that profit and set materiality at 5% of average adjusted profit before tax over the prior 3 years. The impact of COVID-19 has abated in the current year, the current year stand-alone profits are considered representative of the business and hence no need to normalise profits.

We determined materiality for the Parent Company to be \$56.40 million (2020: \$14.25 million), which is 1% (2020: 0.1%) of total assets. However, since the Parent Company was a full scope component, for accounts that were relevant for the Group financial statements, a performance materiality of \$14.25 million (2020: \$14.25 million) was applied.

During the course of our audit, we reassessed initial materiality and had no change in final materiality from the original assessment.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely \$15.67 million (2020: \$16.5 million). We have set performance materiality at this percentage due to the effective control environment and low incidence of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$3 million to \$14.5 million (2020: \$3 million to \$14.5 million).

#### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$1.045 million (2020: \$1.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### **Other information**

The other information comprises the information included in the annual report set out on pages 3 through 66, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 37 and 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101, Companies Act 2006, the Companies (Miscellaneous Reporting Regulation) 2018, the Large and Medium-sized Companies and Groups (Accounts and Reports (Amendment)) Regulations 2013) and the relevant tax compliance regulations in the UK and overseas jurisdictions. In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, employees, data protection and anti-bribery and corruption.
- We understood how Sensata Technologies Holding plc is complying with those frameworks by making enquiries of senior management, in house counsel, internal audit and those charged with governance, obtaining an understanding of entity-level controls and considering the influence of the control environment; obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management's process for identifying and responding to fraud risks, including programs and controls established to address risks identified, or otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and reviewing correspondence with relevant regulatory authorities.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with senior management, in house counsel, internal audit and the audit committee to understand where it considered there was susceptibility to fraud and how it assessed whistleblowing incidences for those with a potential financial reporting impact. We considered the procedures and controls that the Group has established to address risks identified or that otherwise prevent, deter and detect fraud and how senior management monitors these

controls. Where the risk was considered to be higher, including areas impacting Group key performance indicators or management remuneration we performed audit procedures to address each identified fraud risk. These procedures included those on revenue recognition as detailed above in the Key Audit Matter section.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiring of senior management, in house counsel, internal audit regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, and whether such policies are formalized in a code of conduct, conflict-of-interests statement or similar standard; enquiring about the entity's methods of enforcing and monitoring compliance with such policies, if any; and inspecting correspondence, if any, with the relevant licensing or regulatory authorities. Our procedures also involved testing of journal entries, with focus on manual journals, large or unusual transactions, or journals meeting our defined risk criteria based on our understanding of the business. We also involved EY Cyber and Forensics internal specialists to ensure our audit procedures considered laws and regulations where applicable.
- If any instances of non-compliance with laws and regulations were identified, these were communicated to the relevant component audit teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at a group level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Michael Kidd (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Belfast  
April 8, 2022*

**SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)**

**Consolidated Statements of Financial Position**

*(In thousands, except per share amounts)*

		<b>As of December 31,</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	21,28	\$ 1,708,955	\$ 1,861,980
Accounts receivable, net	25,20	653,438	576,617
Inventories	9	588,231	451,005
Prepaid expenses and other current assets	28	126,149	90,135
<b>Total current assets</b>		<b>3,076,773</b>	<b>2,979,767</b>
<b>Non-current assets:</b>			
Property, plant and equipment, net	10	856,282	845,818
Goodwill	11	3,495,005	3,104,291
Other intangible assets, net	11	1,097,901	840,756
Deferred income tax assets		96,122	91,397
Other assets	28	118,601	123,164
<b>Total non-current assets</b>		<b>5,663,911</b>	<b>5,005,426</b>
<b>Total assets</b>	20	<b>\$ 8,740,684</b>	<b>\$ 7,985,193</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Current portion of long term borrowings, lease liabilities and other financing obligations		\$ 18,104	\$ 768,732
Accounts payable		459,093	393,907
Income taxes payable		26,517	19,215
Provisions	15	39,426	34,286
Accrued expenses and other current liabilities	12,28	294,945	278,361
<b>Total current liabilities</b>		<b>838,085</b>	<b>1,494,501</b>
<b>Non-current liabilities:</b>			
Deferred income tax liabilities		346,799	280,784
Provisions	15	38,758	48,002
Lease liabilities and other financing obligations, less current portion	14,17	62,896	71,829
Long term borrowings, net	14	4213,581	3,211,951
Other long-term liabilities	28	24,093	47,317
<b>Total non-current liabilities</b>		<b>4,686,127</b>	<b>3,659,883</b>
<b>Total liabilities</b>		<b>5,524,212</b>	<b>5,154,384</b>
<b>Shareholders' equity attributable to shareholders of the Company:</b>			
Ordinary shares, €0.01 nominal value per share, 177,069 shares authorized at December 31, 2021 and 2020, and 174,287 and 173,266 shares issued at December 31, 2021 and 2020, respectively	16	2,232	2,220
Treasury shares, at cost, 16,438 and 15,631 shares at December 31, 2021 and 2020, respectively	16	(832,439)	(784,596)
Additional paid-in capital		1,892,251	1,834,571
Retained earnings *		2,136,952	1,784,702
Cash flow hedging reserves	16	17,476	(6,088)
<b>Total shareholders' equity</b>		<b>3,216,472</b>	<b>2,830,809</b>
<b>Total liabilities and shareholders' equity</b>	20	<b>\$ 8,740,684</b>	<b>\$ 7,985,193</b>

The accompanying notes are an integral part of these financial statements.

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore  
Title: Director, Chair of the Audit Committee  
Date: April 8, 2022

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote  
Title: Director, Chief Executive Officer  
Date: April 8, 2022

**SENSATA TECHNOLOGIES HOLDING PLC**

**Consolidated Statements of Income**  
*(In thousands, except per share amounts)*

		<b>For the year ended December 31,</b>	
	Note	<b>2021</b>	<b>2020</b>
<b>Net revenue</b>	3,20	\$ 3,820,806	\$ 3,045,578
<b>Operating costs and expenses:</b>			
Cost of revenue		2,560,116	2,096,981
Research and development		118,348	91,164
Selling, general and administrative		335,001	307,265
Amortization of intangible assets and capitalized development costs	11,22	171,267	168,392
Restructuring and other charges, net	5	1,330	29,320
Total operating costs and expenses		3,186,062	2,693,122
<b>Operating income</b>		634,744	352,456
Interest expense, net		(183,525)	(176,923)
Other, net	6	(33,344)	8,030
<b>Income before taxes</b>		417,875	183,563
Provision for/(benefit from) income taxes	7	57,479	(8,673)
<b>Net income</b>		\$ 360,396	\$ 192,236
<b>Net income attributable to shareholders:</b>		\$ 360,396	\$ 192,236
<b>Basic net income per share</b>		\$ 2.28	\$ 1.22
<b>Diluted net income per share</b>		\$ 2.27	\$ 1.22

The accompanying notes are an integral part of these financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**  
**Consolidated Statements of Comprehensive Income**  
*(In thousands)*

		<b>For the year ended December 31,</b>	
	Note	<b>2021</b>	<b>2020</b>
<b>Net income</b>		\$ 360,396	\$ 192,236
<b>Other comprehensive income/(loss), net of tax:</b>			
Items that are or may be reclassified subsequently to the consolidated statements of income:			
Net unrealized income on derivative instruments designated and qualifying as cash flow hedges		23,564	(23,279)
Items that will never be reclassified subsequently to the consolidated statements of income:			
Remeasurement of defined benefit and retiree healthcare plans	13	906	(8,928)
<b>Other comprehensive income/(loss)</b>		24,470	(32,207)
<b>Comprehensive income</b>		\$ 384,866	\$ 160,029
<b>Comprehensive income attributable to shareholders</b>		\$ 384,866	\$ 160,029

The accompanying notes are an integral part of these financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**

**Consolidated Statements of Cash Flows**  
*(In thousands)*

Note	For the year ended December 31,		
	2021		2020
			Restated (Note 2)
<b>Cash flows from operating activities:</b>			
Net income	\$ 360,396	\$ 192,236	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	22 138,343	140,284	
Amortization of borrowing costs	7,289	7,267	
Share-based compensation	4,23 27,759	20,490	
Loss on financing of borrowings	6 30,066	—	
Amortization of intangible assets and capitalized development costs	11,22 171,267	168,392	
Loss on write-down of capitalized development costs	1,797	16,590	
Current income taxes	2 55,771	44,928	
Deferred income taxes	1,708	(53,601)	
Interest expense, net	2 183,525	176,923	
Acquisition-related deferred compensation payments	(15,630)	—	
Unrealized loss/(gain) on hedges and other	7,038	(3,835)	
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable, net	(48,106)	(16,668)	
Inventories	(119,961)	58,390	
Prepaid expenses and other current assets	6,624	36,431	
Accounts payable, accrued expenses, and current portion of provisions	2 45,352	51,245	
Income taxes payable	2 7,015	6,075	
Pension and retiree medical plans	(1,901)	(5,032)	
Other	7,896	7,948	
Cash generated from operations	2 866,248	848,063	
Cash paid for interest	2 (188,857)	(164,494)	
Cash paid for income taxes	2 (66,642)	(65,823)	
Net cash provided by operating activities	610,749	617,746	
<b>Cash flows from investing activities:</b>			
Acquisitions, net of cash received	(736,077)	(64,432)	
Additions to property, plant and equipment, capitalized software, and capitalized development costs	20 (185,301)	(147,752)	
Investment in debt and equity securities	(5,533)	(22,963)	
Other	3,919	12,022	
Net cash used in investing activities	(922,992)	(223,125)	
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options and issuance of ordinary shares	26,290	15,457	
Payment of employee restricted stock tax withholdings	(9,048)	(2,911)	
Proceeds from issuance of borrowings	1,001,875	1,150,000	
Payments on borrowings	(778,963)	(425,852)	
Payments to repurchase ordinary shares	(47,843)	(35,175)	
Payments of borrowing costs	(33,093)	(8,279)	
Net cash provided by/(used in) financing activities	159,218	693,240	
Net change in cash and cash equivalents	(153,025)	1,087,861	
Cash and cash equivalents, beginning of year	21,28 1,861,980	774,119	
Cash and cash equivalents, end of year	21,28 \$ 1,708,955	\$ 1,861,980	

The accompanying notes are an integral part of these financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(In thousands)*

	<b>Ordinary Shares</b>		<b>Treasury Shares</b>		<b>Additional Paid-In Capital</b>	<b>Cash Flow Hedging Reserves</b>	<b>Retained Earnings</b>	<b>Total Shareholders' Equity</b>	<b>Total Comprehensive Income</b>
	<b>Number</b>	<b>Nominal Value</b>	<b>Number</b>	<b>Nominal Value</b>					
<b>Balance as January 1, 2020</b>	\$ 172,561	\$ 2,212	\$ (14,733)	\$ (749,121)	\$ 1,798,888	\$ 17,191	\$ 1,604,308	\$ 2,673,178	
Surrender of shares for tax withholding	—	—	(96)	(2,911)	—	—	—	—	(2,911)
Stock options exercised	452	5	—	—	15,452	—	—	—	15,457
Vesting of restricted securities	349	4	—	—	—	—	—	(4)	—
Repurchase of ordinary shares	—	—	(898)	(35,175)	—	—	—	—	(35,175)
Other retirements of treasury shares	(96)	(1)	96	2,911	—	—	(2,910)	—	—
Share-based compensation	—	—	—	—	20,490	—	—	—	20,490
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	(259)	—	—	—	(259)
<b>Net income</b>	—	—	—	—	—	—	192,236	192,236	
Other comprehensive loss	—	—	—	—	—	(23,279)	(8,928)	(32,207)	
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	\$ 160,029
<b>Balance as December 31, 2020</b>	173,266	2,220	(15,631)	(784,596)	1,834,571	(6,088)	1,784,702	2,830,809	
Surrender of shares for tax withholding	—	—	(155)	(9,048)	—	—	—	—	(9,048)
Stock options exercised	707	8	—	—	26,913	—	—	—	26,921
Vesting of restricted securities	469	6	—	—	—	—	(6)	—	—
Repurchase of ordinary shares	—	—	(807)	(47,843)	—	—	—	(47,843)	
Other retirements of treasury shares	(155)	(2)	155	9,018	—	—	(9,046)	—	—
Share-based compensation	—	—	—	—	27,759	—	—	—	27,759
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	3,008	—	—	—	3,008
<b>Net income</b>	—	—	—	—	—	—	360,396	360,396	
<b>Other comprehensive income</b>	—	—	—	—	—	23,564	906	24,470	
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	\$ 384,866
<b>Balance as December 31, 2021</b>	174,287	\$ 2,232	\$(16,438)	\$ (832,439)	\$ 1,892,251	\$ 17,476	\$ 2,136,952	\$ 3,216,472	

The accompanying notes are an integral part of these financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(In thousands, except per share amounts, or unless otherwise noted)*

## **1. General Information**

### **Description of Business**

The accompanying consolidated financial statements reflect the financial position, income, comprehensive income, cash flows, and changes in shareholders' equity of Sensata Technologies Holding plc ("Sensata plc"), a public limited company incorporated under the laws of England and Wales, and its consolidated subsidiaries, collectively referred to as the "Company," "Sensata," "we," "our," and "us." Sensata plc is registered under company number 10900776 and is limited by shares. The address of the registered office of Sensata plc is Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom.

We are a global industrial technology company that develops, manufactures, and sells sensors, electrical protection components, and other products that are used in mission-critical systems and applications that create valuable business insights for our customers and end users. Our sensors are used by our customers to translate a physical parameter, such as pressure, temperature, position, or location of an object, into electronic signals that our customers' products and solutions can act upon. These actionable insights lead to products that are safer, cleaner, more efficient, more electrified, and increasingly more connected. Our electrical protection component portfolio is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety.

Sensata plc conducts its operations through subsidiary companies that operate business and product development centers primarily in Belgium, Bulgaria, China, Denmark, India, Japan, Lithuania, the Netherlands, South Korea, the United Kingdom (the "U.K."), and the United States (the "U.S."); and manufacturing operations primarily in Bulgaria, China, Malaysia, Mexico, the U.K., and the U.S.

We present financial information for two reportable segments, Performance Sensing and Sensing Solutions. Refer to *Note 20: Segment Reporting* for additional information related to each of our segments.

The consolidated financial statements of Sensata plc for the year ended December 31, 2021 were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 8, 2022. These financial statements will be presented to shareholders for approval on May 26, 2022.

## **2. Significant Accounting Policies**

### **Statement of Compliance**

The accompanying consolidated financial statements and the accompanying notes have been prepared in accordance with U.K. adopted international accounting standards.

### **New Accounting Standards**

All new accounting standards that were effective in the current year or will be effective in future years are either not applicable to Sensata or do not (or will not) have a material impact on our financial position or performance.

### **Basis of Presentation**

The consolidated financial statements have been prepared primarily on a historical cost basis, except for certain items, including certain financial instruments and share-based payments, which are recorded at fair value. All amounts presented, except per share amounts, are stated in thousands of U.S. dollars ("USD"), unless otherwise indicated. All amounts presented herein are calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effects of rounding.

As of December 31, 2021, we held \$1.7 billion in cash and cash equivalents. We also have approximately \$1.1 billion availability under our Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net income of \$3,820.8 million and \$360.4 million, respectively, in the year ended December 31, 2021. We generated \$610.7 million of operating cash flow in the year ended December 31, 2021.

We expect to see constraints on global production of light vehicles lifting slowly throughout the course of fiscal year 2022. We expect low single-digit end market growth across all our markets in fiscal year 2022, with automotive growth of approximately 7% and heavy vehicle and off-road ("HVOR") production approximately flat. Our revenue outgrowth to market will continue to be driven by ongoing efforts to improve energy efficiency, safety, and the environment. We continue to invest in our megatrend initiatives both organically and inorganically, with the acquisitions of Lithium Balance, Xirgo Technologies, LLC ("Xirgo"), Spear Power Systems ("Spear"), SmartWitness Holdings, Inc. ("SmartWitness"), and Sendyne Corp expanding not only our capabilities, but also our access to end-markets and product portfolios in these pivotal areas. Refer to discussion in the *Strategic Report* under the heading *Business Combinations* for additional information related to these acquisitions. We expect continued significant growth in these megatrend areas over the coming years, driven by electrification trends, the infrastructure requirements to support Electrification, and the proliferation of Insights on stationary and mobile equipment.

We believe that we are in a strong financial position today and have taken actions to provide ourselves with the financial strength to continue to succeed and take advantage of strategic options as they become available in the future.

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis, including sensitivities, through June 30, 2023, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2023.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2023. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the *Section 172(1) Statement* included in the *Strategic Report*. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address climate change. The Company does not believe that existing or pending legislation, regulation, or international treaties or accords, whether related to environmental or other government regulations, are reasonably likely to have a material adverse effect in the foreseeable future on our business or the markets we serve, nor on our results of operations, capital expenditures, earnings, competitive position, or financial standing. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

#### **Correction of an error**

Our historical financial statements, up to and including the year ended December 31, 2020, presented our consolidated statements of cash flows with supplemental information regarding cash paid for interest and cash paid for income taxes. This presentation reflected cash paid for income taxes and interest expense, but did not present them as separate captions within the consolidated statements of cash flows and therefore was not in compliance with IAS 7 *Statement of Cash Flows*. In order to conform with the requirements of IAS 7, we have adjusted our presentation of cash paid for interest and cash paid for income taxes beginning in the year ended December 31, 2021.

We have restated our consolidated statement of cash flows for the year ended December 31, 2020 to be consistent with this revised presentation as indicated in the table below. There was no impact on any other primary statement as a result of this adjustment.

	For the year ended December 31, 2020		
	As reported	Adjustment	Restated
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Current income taxes	\$ —	\$ 44,928	\$ 44,928
Interest expense, net	\$ —	\$ 176,923	\$ 176,923
<b>Changes in operating assets and liabilities, net of the effects of acquisitions:</b>			
Accounts payable, accrued expenses, and current portion of provisions	\$ 63,264	\$ (12,019)	\$ 51,245
Income taxes payable	\$ (12,145)	\$ 18,220	\$ 6,075
Other	\$ 5,683	\$ 2,265	\$ 7,948
<b>Cash generated from operations</b>	<b>\$ 617,746</b>	<b>\$ 230,317</b>	<b>\$ 848,063</b>
Cash paid for interest	—	(164,494)	\$ (164,494)
Cash paid for income taxes	—	(65,823)	\$ (65,823)
<b>Net cash provided by operating activities</b>	<b>\$ 617,746</b>	<b>\$ —</b>	<b>\$ 617,746</b>
<b>Supplemental information</b>			
Cash paid for interest, included in operating cash flows	\$ 164,494	\$ (164,494)	\$ —
Cash paid for income taxes, included in operating cash flows	\$ 65,823	\$ (65,823)	\$ —

#### Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Sensata plc and its consolidated subsidiaries at December 31, 2021. Our subsidiaries are fully consolidated from the date of acquisition, being the date on which we obtain control, and continue to be consolidated until the date that such control ceases. All intercompany balances and transactions have been eliminated.

A complete list of subsidiaries held directly or indirectly by Sensata plc at December 31, 2021 is presented below. All subsidiaries are fully owned, with the exception of Sensata Churod Technologies (Wuhu) Co. Ltd. which is a consolidated joint venture. All subsidiaries listed below are held indirectly, with the exception of Sensata Technologies Intermediate UK Limited. In addition, the reporting year and accounting policies of the subsidiaries are all consistent with those of Sensata plc.

Name	Registered Address	Jurisdiction
Airpax Electronics (Shanghai) Co., Ltd.	2F no. 4 Building Lane 561 Road Nujiang (N) Putuo District Shanghai 200333 P.R. China	China
August Brazil Holding Company S.á.r.l.	12E, rue Guillaume Knoll, L-1882, Luxembourg	Luxembourg
August Lux Holding Company S.á.r.l.	12E, rue Guillaume Knoll, L-1882, Luxembourg	Luxembourg
August Lux UK Holding Company S.á.r.l.	12E, rue Guillaume Knoll, L-1882, Luxembourg	Luxembourg
August UK HoldCo Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
BEI North America, LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
BEI Sensors SAS	9 rue de Copenhague, Espace Européen de l'Entreprise-Schiltigheim, BP 70044 - 67013 STRASBOURG Cedex France	France
CDI Netherlands B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Control Devices, Inc.	135 North Pennsylvania Street, Suite 1610, Indianapolis, IN, 46204	United States
Crydom SSR Limited	Everdene House, Deasleigh Rd, Bournemouth BH7 7DU	United Kingdom
Crydom, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
CurbSoft, LLC	801 Adlai Stevenson Drive, Springfield, IL 62703	United States
Custom Sensors & Technologies de Mexico S.A. de C.V.	Av. De La Producción No. 2181, Parque Industrial, 22425 Tijuana, B.C., Mexico	Mexico
Custom Sensors & Technologies Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States

Name	Registered Address	Jurisdiction
Custom Sensors & Technologies Newco Ltd.	Everdene House Deansleigh Rd, Dorest, BH7 7DU	United Kingdom
Custom Sensors & Technologies Transportation de Mexico S.A. de C.V.	Punta de Canoas 4920, 22550 Tijuana, B.C., Mexico	Mexico
Custom Sensors & Technologies US Corp.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Custom Sensors & Technologies US LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Cynergy3 Components Fab Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Components LLC	251 Little Falls Drive, City of Wilmington 19808	United States
Cynergy3 Components Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Property Ltd.	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
FTCP Bermuda Ltd.	Milner House 18 Parliament Street Hamilton HM 12Bermuda	Bermuda
Gigavac LLC	6382 Rose Lane, Carpinteria, CA 93013	United States
Impress Sensors & Systems Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Industrial Interface Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Kavlico Corporation	1461 Lawrence Drive, Thousand Oaks, CA 91320	United States
Lithium Balance A/S	Hæggelunden 13, 2765 Smørum, Denmark	Denmark
Newall Electronics Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Newall Measurement Systems Limited	Technology Gateway, Cornwall Road South Wigston, Leicester, Leicestershire, LE18 4XH	United Kingdom
Preco Electronics, LLC	1035 Emerald Street, #100, Boise, ID 83704	United States
Preco Electronics GmbH	Briener Str. 28, c/o Nocrr LLP, 90333, Munich, Germany	Germany
Schrader Electronics Limited	11 Technology Park Antrim N. Ireland BT41 1QS	United Kingdom
Schrader Engineered Products (Kunshan) Co. Ltd.	Building No. 1 Euro-Park, 78 Middle of Gu, Gheng Road, Kunshan, China 21534	China
Schrader International Brasil Ltda.	Avenida Malek Assad 1600, Bairro Meia Lua CEP 12328-900 City of Jacareí State of São Paulo	Brazil
Schrader International GmbH	Gewerbepark 15, 85250 Altomünster Germany	Germany
Schrader, LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sendyne Corp	809 State Street, Albany NY 12207-2543	United States
Sensata Churod Technologies (Wuhu) Co. Ltd	Building 11, Lvzhuang Standardized Factory, Xinwu Economic Development Zone, Wanzhi District, Wuhu city, Anhui Province, China	China
Sensata Canada, Inc.	Gowling WLG, Gowling WLG, 160 Elgin Street, 2600, Ottawa, Ontario, Canada K1P 1C3	Canada
Sensata Finance Ireland Limited	25-28 North Wall Quay, Dublin 1, Ireland	Ireland
Sensata Finance Ireland Limited II	25-28 North Wall Quay, Dublin 1, Ireland	Ireland
Sensata Germany GmbH	Potsdamer Strasse 14, Minden, 32423, Germany	Germany
Sensata Malta Holding Ltd	93, Mill Street, Zone 5 Central Business District, Qormi CBD 5090, Malta	Malta
Sensata Sofia HoldCo, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sensata Technologies (Europe) Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Automotive Sensors (Shanghai) Co., Ltd.	Building No. 8, Lane No. 55, Feng-Gong Road, Ma Lu Town, Jia Ding district, Shanghai	China
Sensata Technologies B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Baoying Co., Ltd.	9 East Taishan Road, Baoying Economic Development Zone, Baoying, China	China
Sensata Technologies Bermuda Ltd.	Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Bermuda
Sensata Technologies Bulgaria EOOD	7 Iskarsko Shose Blvd Building 15, Office 3 Iskar Region 1528 Sofia, Bulgaria	Bulgaria
Sensata Technologies Changzhou Co., Ltd.	18 Chuangxin Avenue Xinbei District Changzhou 213031, China	China
Sensata Technologies China Co., Ltd.	Room 2429, Building B, No. 51, Ri Jing Road, Shanghai Waigaoqiao, Free Trade Zone, Shanghai Municipality 200131, the People's Republic of China	China
Sensata Technologies de México, S. de R.L. de C.V.	Ave. Aguascalientes Sur 401, Ex-Ejido Ojocaliente Aguascalientes, C.P. 20190 Aguascalientes, Mexico	Mexico
Sensata Technologies Dominicana, S.r.L.	Box 2775 Parque Industrial Itabo (PIISA) Haina Dominican Republic	Dominican Republic
Sensata Technologies Finance Company, LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States

Name	Registered Address	Jurisdiction
Sensata Technologies France SAS	29 Rue du Pont 92200, Neuilly-sur-Seine	France
Sensata Technologies Germany GmbH	c/o ATS Allgemeine Treuhand GmbH, Johannstr. 37, 40476 Düsseldorf	Germany
Sensata Technologies GmbH	Freiheit 8 Berlin, Germany 13597	Germany
Sensata Technologies Holding Company Mexico, B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Holding Company UK	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Holland B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies India Private Limited	Level 9, Regus, Rahcja Towers, M.G. Road, Bangalore - 560001	India
Sensata Technologies Intermediate Holding B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Intermediate UK Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Italia S.r.l.	Via Tortona 25, 20144 Milano, Italy	Italy
Sensata Technologies Japan Limited	Shin-Yokohama Square Building, 3-12, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama, Japan	Japan
Sensata Technologies Korea Limited	7F U-space 2 A, 670, Daewangpangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea, 463-400	Korea
Sensata Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Malaysia Sdn. Bhd.	Suite 2, 4th Floor, Wisma Teh Wan Sang, 12D, Jalan Tun H S Lee, 50000 Kuala Lumpur	Malaysia
Sensata Technologies Malta Ltd.	93, Mill Street, Zone 5 Central Business District, Qormi CBD 5090, Malta	Malta
Sensata Technologies Management China Co., Ltd.	Room 1311, Building 253, No. 3201 & 3155, Gong He Xin Road, Zhabei District, Shanghai, the People's Republic of China	China
Sensata Technologies Mex Distribution, S.A. de C.V.	Ave. döt Oberro s/n Parque Industrial Matamoros, TAMPICO, 87316 Mexico	Mexico
Sensata Technologies Poland Sp. z.o.o	Oddział w Polsce Ul. Wojska Polskiego 65 85-825 Bydgoszcz	Poland
Sensata Technologies Sensores e Controles do Brasil Ltda.	Rua Azarias de Melo, 648/660, Bairro Taquaral, CEP 13090-080 Campinas, São Paulo, Brazil	Brazil
Sensata Technologies Sensors (Changzhou) Co., Ltd	No. 19 Chuangxin No. 1 Road, Xinbei District, Changzhou	China
Sensata Technologies Singapore Pte. Ltd.	3 Bishan Place #02-04, CPF Building, Singapore 579838	Singapore
Sensata Technologies Spain, S.L.	(Corporate Domicile) at Calle Jose Abascal, 56 2nd floor, 28003, Madrid	Spain
Sensata Technologies Taiwan Co., Ltd.	7F., No.163, Sec. 1, Keelung Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	Taiwan
Sensata Technologies UK Financing Co., plc	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sensor-Nite N.V.	Industrielaan 24 B-2250 Olen, Belgium	Belgium
SmartWitness BG LTD	Izgrev quarter, block 9, cntr. 3, fl. 2, apt. 3, 8000 Burgas, Bulgaria	Bulgaria
SmartWitness EMEA Limited	Airport House, Purley Way, Croydon, England, CR0 0XZ	United Kingdom
SmartWitness Holdings, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
SmartWitness USA LLC	801 Adlai Stevenson Drive, Springfield, IL 62703	United States
Spear Power Systems AS	Tveiteråsvegen 12, 5232 Paradis, Norway	Norway
Spear Power Systems BV	de Keyserlei 58-60, Box19, 2018 Antwerp, Belgium	Belgium
Spear Power Systems, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Spear Power Systems PTE Ltd	Express CO Registration & Management PTE Ltd., 138 Cecil Street, #18-00 Cecil Court, Singapore 069538	Singapore
ST August Lux Company S.á.r.l.	12E, rue Guillaume Knoll, L-1882, Luxembourg	Luxembourg
ST August Lux Intermediate Holdco S.á.r.l.	12E, rue Guillaume Knoll, L-1882, Luxembourg	Luxembourg
ST Schräder Holding Company UK Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
STI Holdco, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Swindon Silicon Systems Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
UAB "Data Mobile"	Taikos pr. II6D, Kaunas, Lithuania	Lithuania
UAB "Xirgo Global"	Chemdos g. 15, Kaunas, Lithuania	Lithuania

Name	Registered Address	Jurisdiction
Wabash Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Wábash Tecnologías México S. de R.L. de C.V.	de la Eficiencia, #2700 Mexicali, Baja California 21210 Mexico	Mexico
Xirgo Holdings, Inc.	135 North Pennsylvania Street, Suite 1610, Indianapolis, IN, 46204	United States
Xirgo Technologies Intermediaté Holdings, LLC	251 Little Falls Drive, Wilmington, DE 19808	United States
Xirgo Technologies, LLC	251 Little Falls Drive, Wilmington, DE 19808	United States

### Use of Judgments and Estimates

The preparation of consolidated financial statements in accordance with IFRS requires us to exercise our judgment in the process of applying our accounting policies and to make estimates and assumptions about future matters that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of net revenue and expense during the reporting periods. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Actual results could differ from those estimates.

The judgments and estimates that we make when applying our significant accounting policies and making assumptions about the future that have the most significant effect on amounts that are recognized (or that could be recognized) in our financial statements include those related to our analysis of goodwill impairment and income taxes.

#### *Goodwill*

*Judgments:* We are required to make various judgments regarding valuation of goodwill, including the following:

- Whether any indicators of impairment exist. We base this judgment on several factors, including the performance of the end-markets served by our customers, the actual financial performance of our CGUs, and their respective financial forecasts over the long-term.
- The appropriate allocation methodology to use when allocating assets and liabilities to our CGUs, whether as a result of acquisition, disposal, reorganization, or other periodic assessments as necessary.
- Whether our CGUs continue to reflect the manner in which the business is operated.
- Whether a disposal group meets the definition of a business, in which case goodwill is allocated to the disposal group based on the relative fair value of the disposal group to the retained portion of the related CGU.
- Whether conditions have been met, in accordance with IAS 36 *Impairment of Assets*, allowing the most recent quantitative goodwill impairment analysis from a preceding year to be carried forward for individual CGUs. The factors we consider when making this judgment include an assessment of macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance, and other relevant factors as applicable.
- What assumptions to use in various estimates as described below, including the terminal year earnings before interest, taxes, depreciation, and amortization ("EBITDA"), the appropriate weighted-average cost of capital ("WACC") to use (including the judgment about which companies to use in determining the appropriate WACC), discount rates, multiples, and long-term growth rates. Specific assumptions used in estimating the recoverable amount of our CGUs are disclosed in *Note 11: Goodwill and Other Intangible Assets, Net*.

*Estimates:* We use estimates in various aspects of our goodwill assessment. When we perform a quantitative impairment test at the CGU level, we compare the CGU's carrying amount, including goodwill, to its estimated recoverable amount. The recoverable amount of a CGU is equal to the higher of the fair value less cost of disposal and its value-in-use, which is determined using discounted cash flow models for the subsequent five-year period, based on our most recent long-range plans, which are estimations. We also apply judgments such as a WACC appropriate for each CGU, considering valuation multiples (e.g., Invested Capital/EBITDA) for peer companies. Refer to above for discussion of these judgments.

We then compare the estimated value-in-use of each CGU to its net book value, including goodwill. If the carrying amount of a CGU exceeds its estimated recoverable amount, an impairment loss is recognized in an amount equal to that excess. Impairment losses relating to goodwill cannot be reversed in future periods.

In general, using these assumptions, the excess of recoverable amounts of our CGUs is at least 50%. The Aerospace CGU is at 31.9% and represents our largest risk of future impairment. If our assumptions regarding this CGU do not reflect the actual future results, we are more likely to experience an impairment charge than some of the other assumptions made.

#### **Income Taxes**

*Judgments:* Our significant judgments related to accounting for income taxes include the following:

- Positions taken in our tax returns with respect to situations in which applicable tax regulations are subject to interpretation and assessment of the risks related to these positions, including whether the related facts and circumstances require us to record an unrecognized tax benefit, and if so, how much.
- Whether it is probable that taxable profit will be available against which the attributes of our recognized deferred income tax assets can be utilized. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced when it is no longer probable that sufficient taxable profit will be available to allow for the deferred income tax assets to be utilized.

Refer to *Note 7: Income Taxes* for additional information on these judgments.

*Estimates:* We measure our current income tax assets and liabilities at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

We provide for deferred taxes utilizing the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each statement of financial position date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse or settle.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Refer to elsewhere in this *Note 2: Significant Accounting Policies* and in *Note 7: Income Taxes* for additional details on our accounting for income taxes.

#### **Summary of significant accounting policies**

##### **Revenue Recognition**

We recognize revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods. In order to achieve this, we use the five-step model outlined in IFRS 15 *Revenue from Contracts with Customers*. Specifically, we (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) we satisfy a performance obligation.

While many of the agreements with our customers specify certain terms and conditions that apply to any transaction between the parties, many of which are in effect for a defined term, the vast majority of these agreements do not result in contracts (as defined in IFRS 15) because they do not create enforceable rights and obligations on the parties. Specifically, (1) the parties are not committed to perform any obligations in accordance with the specified terms and conditions until a customer purchase order is received and accepted by us and (2) there is a unilateral right of each party to terminate the agreement at any time without compensating the other party. For this reason, the vast majority of our revenue-generating contracts (as defined in IFRS 15) are customer purchase orders for tangible products, which explicitly require that we transfer a specified quantity of products to our customers, for which performance is generally satisfied in a short amount of time. We do not consider there to be a significant financing component of our contracts, as our terms generally provide for payment in a short time (that is, less than a year) after shipment to the customer.

Our performance obligations are satisfied, and revenue is recognized, when control of the product is transferred to the customer (at a point in time), which is generally when the product is shipped from our warehouse or, in limited instances, when it is received by the customer, depending on the specific terms of the arrangement.

Many of our products are designed and engineered to meet customer specifications. These activities, and the testing of our products to determine compliance with those specifications, occur prior to any revenue being recognized. Products are then

manufactured and sold to customers. However, in certain cases, pre-production activities are a performance obligation in a customer purchase order, and revenue is recognized when the performance obligation is satisfied. Customer arrangements do not involve post-installation or post-sale testing and acceptance.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. In determining the transaction price related to a contract, we determine whether the amount promised in a contract includes a variable amount (variable consideration). Variable consideration may be specified in the customer purchase order, in another agreement that identifies terms and conditions of the transaction, or based on our customary practices. We have identified certain types of variable consideration that may be included in the transaction price related to our contracts, including sales returns (which generally include a right of return for defective or non-conforming product) and trade discounts (including retrospective volume discounts and early payment incentives). Such variable consideration has not historically been material in relation to our net revenue and have been within our estimates. However, should our judgments and estimates regarding variable consideration change, it could result in a material change to the amount of net revenue recognized in a period.

The transaction price excludes value-added tax and similar taxes. Amounts billed to our customers for shipping and handling are recognized as revenue, and the related costs that we incur are presented in cost of revenue.

Our standard terms of sale provide our customers with a warranty against faulty workmanship and the use of defective materials, which is not considered a distinct performance obligation in accordance with IFRS 15. Such warranties, depending on the product, generally exist for a period of three years after the date we ship the product to our original equipment manufacturing ("OEM") customers or for a period of twelve months after the date the customer resells our product to the end customer, whichever comes first. Our liability associated with this warranty is, at our option, to repair the product, replace the product, or provide the customer with a credit. We do not offer separately priced extended warranty or product maintenance contracts. Warranty provisions are recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Refer also to *Note 15: Commitments, Contingencies, and Provisions*.

We also sell products to customers under negotiated agreements or where we have accepted the customer's terms of purchase. In these instances, we may provide additional warranties for longer durations, consistent with differing end market practices, and where our liability is not limited. In addition, many sales take place in situations where commercial or civil codes, or other laws, would imply various warranties and restrict limitations on liability.

Refer to *Note 3: Revenue Recognition* for additional information on our net revenue recognized in the consolidated statements of income.

#### ***Share-Based Compensation***

IFRS 2 *Share-Based Payments* requires that a company measure at fair value any new or modified share-based compensation arrangements with employees, such as stock options and restricted securities, and recognize as compensation expense that fair value over the requisite service period. Share-based compensation cost is generally recognized as a component of selling, general and administrative ("SG&A") expense, which is consistent with where the related employee costs are presented, however, such cost, or a portion thereof, may be capitalized provided certain criteria are met.

Share-based awards may be subject to either cliff vesting (i.e., the entire award vests on a particular date) or graded vesting (i.e., portions of the award vest at different points in time). Compensation cost associated with share-based awards subject to cliff vesting must be recognized on a straight-line basis. However, for awards subject to graded vesting, compensation costs are recognized using an accelerated method.

We estimate the fair value of options on the grant date using the Black-Scholes-Merton option-pricing model.

Restricted securities are valued using the closing price of our ordinary shares on the New York Stock Exchange ("NYSE") on the grant date. Certain of our restricted securities include performance conditions that require us to estimate the probable outcome of the performance condition. Compensation cost is recorded if it is probable that the performance condition will be achieved.

We recognize share-based compensation net of estimated forfeitures. Accordingly, we only recognize compensation expense for those awards expected to vest over the requisite service period. Compensation expense recognized for each award ultimately reflects the number of units that actually vest.

Refer to *Note 4: Share-Based Payment Plans* for additional information on share-based compensation.

## ***Financial Instruments***

Our material financial instruments include derivative instruments, borrowings, equity investments, and trade accounts receivable.

### ***Derivative financial instruments***

We recognize all derivatives on the consolidated statements of financial position at fair value. The fair value of our derivative financial instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. These analyses utilize observable market-based inputs, including foreign currency exchange rates and commodity forward curves, and reflect the contractual terms of these instruments, including the period to maturity.

Derivative instruments that are designated and qualify as hedges of the exposure to changes in the fair value of an asset, liability, or commitment, and that are attributable to a particular risk, such as interest rate risk, are considered fair value hedges in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Derivative instruments that are designated and qualify as hedges of the exposure to variability in expected future cash flows are considered cash flow hedges. Derivative instruments may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Currently, all of our derivative instruments that are designated as accounting hedges are cash flow hedges. We also hold derivative instruments that are not designated as accounting hedges.

The accounting for changes in the fair value of our cash flow hedges depends on whether we have elected to designate the derivative as a hedging instrument for accounting purposes and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The effective portion of changes in the fair value of cash flow hedges is recognized in cash flow hedging reserves and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is immediately recognized in earnings.

Derivative instruments that are not designated as accounting hedges are recognized at fair value through profit and loss in accordance with IFRS 9 *Financial Instruments*, and changes in fair value are recognized immediately in other, net.

We present the cash flows arising from our derivative financial instruments in a manner consistent with the presentation of cash flows that relate to the underlying hedged items.

We incorporate credit valuation adjustments to appropriately reflect both our own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of non-performance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. We do not offset the fair value amounts recognized for derivative instruments against fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral.

We maintain derivative instruments with major financial institutions of investment grade credit rating and monitor the amount of credit exposure to any one issuer. We believe there are no significant concentrations of risk associated with our derivative instruments.

Refer to Note 19: *Derivative Instruments and Hedging Activities* for further discussion of our derivative instruments.

### ***Borrowings***

Our borrowings are initially measured at fair value less transaction costs (borrowing costs) and are subsequently measured at amortized cost using the effective interest method in accordance with IFRS 9. Costs that are directly attributable to the acquisition or issue of a borrowing are capitalized against the carrying value of the borrowing. Borrowing costs and original issue premiums and discounts associated with the issuance of borrowings are amortized over the term of the respective financing arrangement using the effective interest method.

Refer to Note 14: *Borrowings* for further details of our borrowings.

### ***Equity Investments***

Equity investments are initially measured at fair value with changes in fair value recorded to profit and loss in each subsequent period. We measure fair value of our equity investments in accordance with the requirements of IFRS 13 *Fair Value Measurements*. The objective of fair value measurement in accordance with IFRS 13 is to estimate the price at which an orderly

transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. If an orderly transaction is not available for reference, valuation techniques are required to measure fair value.

Refer to *Note 18: Fair Value Measures* for further discussion of our measurement of financial instruments, including equity investments.

#### *Trade accounts receivable*

Trade accounts receivable are recognized at invoiced amounts and do not bear interest. Trade accounts receivable are initially measured at their transaction price in accordance with IFRS 15 and are subsequently measured at amortized cost in accordance with IFRS 9. Trade accounts receivable are generally due a short time (that is, less than a year) after shipment to the customer.

Concentrations of risk with respect to trade accounts receivable are generally limited due to the large number of customers in various industries and their dispersion across several geographic areas. Although we do not foresee that credit risk associated with these receivables will deviate from historical experience, repayment is dependent upon the financial stability of these individual customers. Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2021. Refer to *Note 25: Accounts Receivable, Net* for further details of our accounts receivables balances.

Trade accounts receivable are reduced by an allowance for losses on receivables. The allowance for losses on receivables reflects an estimate of lifetime expected credit losses on our trade receivables in accordance with IFRS 9. We estimate the lifetime expected credit losses on the basis of specifically identified receivables that are evaluated individually for impairment and a statistical analysis of the remaining receivables determined by reference to past default experience. We consider the need to adjust historical information to reflect the extent to which we expect current conditions and reasonable forecasts to differ from the conditions that existed for the historical period considered. Customers are generally not required to provide collateral for purchases.

Management judgments are used to determine when to charge off uncollectible trade accounts receivable. We base these judgments on the age of the receivable, credit quality of the customer, current economic conditions, and other factors that may affect a customer's ability and intent to pay.

Losses on receivables have not historically been significant. Refer to *Note 25: Accounts Receivable, Net* for further details on our allowance for losses on receivables.

#### *Goodwill and Other Intangible Assets*

Businesses acquired are recorded at their fair value on the date of acquisition, with the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed recognized as goodwill. Intangible assets acquired may include either definite-lived or indefinite-lived intangible assets, or both.

Goodwill and intangible assets determined to have an indefinite useful life are not amortized. Instead these assets are evaluated for impairment on an annual basis, and whenever events or business conditions change that could indicate that the asset is impaired. We evaluate goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year, unless events occur which trigger the need for an earlier impairment review.

*Goodwill:* As of October 1, 2021, the date of our annual goodwill impairment test, we had identified nine CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions. Subsequent to this date, we added the Sensata Insights CGU as a result of the SmartWitness Acquisition. Refer to discussion under the heading *Use of Judgments and Estimates* above for further analysis of judgments we apply related to our goodwill policies.

*Indefinite-lived intangible assets:* We perform an annual impairment review of our indefinite-lived intangible assets in the fourth quarter of each fiscal year, unless events occur that trigger the need for an earlier impairment review. The impairment review requires us to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share, and other items. The recoverability of these assets is assessed by comparing their recoverable value to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying value over the recoverable value. We determine recoverable value by using the appropriate income approach valuation methodology.

**Definite-lived intangible assets:** Definite-lived, acquisition-related intangible assets are amortized on an economic-benefit basis according to the useful lives of the assets, or on a straight-line basis if a pattern of economic benefits cannot be reliably determined. Capitalized software licenses are amortized on a straight-line basis over the lesser of the term of the license or the estimated useful life of the software. Capitalized software is amortized on a straight-line basis over its estimated useful life.

Reviews are regularly performed to determine whether facts or circumstances exist that indicate that the carrying values of our definite-lived intangible assets to be held and used are impaired. The recoverability of these assets is assessed within their respective CGUs by comparing their recoverable amount to their respective carrying values. Recoverable amount is the higher of fair value less cost of disposal or value-in-use. Fair value is determined by using the appropriate income approach valuation methodology. Impairment, if any, is based on the excess of the carrying amount over the estimated recoverable amount of those assets.

Refer to *Note 11: Goodwill and Other Intangible Assets, Net* for further details of our goodwill and other intangible assets.

#### **Income Taxes**

Deferred tax relating to items recognized outside of profit or loss is also recognized outside profit or loss, either in other comprehensive income or directly in equity, depending on the nature of the underlying transaction. Deferred income tax assets and liabilities are individually assessed and recorded at the respective reporting period end. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority. Deferred income tax liabilities are recognized for all taxable temporary differences. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Refer to discussion under the heading *Use of Judgments and Estimates* above and *Note 7: Income Taxes* for further discussion of our income taxes.

#### **Pension and Other Post-Retirement Benefits**

We sponsor various pension and other post-retirement benefit plans covering our current and former employees in several countries. We estimate the cost of providing employee benefits in the period in which the benefits are earned, rather than when they are paid or payable. We allocate this cost within cost of revenue, research and development ("R&D") expense, and SG&A expense in the consolidated statements of income based on the allocation of payroll costs.

Our pension plans include both defined contribution and defined benefit plans. A defined contribution plan is a pension plan in which we make fixed contributions into state or private pension schemes based on legal or contractual requirements or on a voluntary basis. The contributions are recognized as an employee benefit expense in the period incurred. Once the contributions have been paid, we have no further obligations. A defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and compensation. The liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries.

The projected unit credit method is used in determining the present value of the defined benefit obligation and related current service costs. The projected unit credit method is defined as an actuarial valuation method that recognizes each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The current service cost is defined as the increase in the present value of the defined benefit obligation arising from employee service in the current year. The current service cost is recognized as an expense in the current period.

The estimates of the obligations and related expense of these plans recorded in the consolidated financial statements are based on certain assumptions. The most significant assumptions relate to discount rate and rate of increase in healthcare costs. Other assumptions used include employee demographic factors such as compensation rate increases, retirement patterns, employee turnover rates, and mortality rates. We review these assumptions annually. Our review of demographic assumptions includes analyzing historical patterns and/or referencing industry standard tables, combined with our expectations around future compensation and staffing strategies. Actuarial gains and losses, which consist of differences between assumptions and actual experiences and the effects of changes in actuarial assumptions, are recorded directly in other comprehensive income.

The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled, considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in the consolidated financial statements. In estimating this rate in countries that have a market of high-quality, fixed-income investments, we consider rates of return on these investments included in various bond indices, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of

cash outflows related to the bonds. In other countries where a market of high-quality fixed-income investments do not exist, we estimate the discount rate using government bond yields.

The rate of increase of healthcare costs directly impacts the estimate of our future obligations in connection with our post-retirement medical benefits. Our estimate of healthcare cost trends is based on historical increases in healthcare costs under similarly designed plans, the level of increase in healthcare costs expected in the future, and the design features of the underlying plan. The outcomes within the next financial year may vary from the assumption made and could require adjustment to the carrying amount of the asset or liability affected.

Refer to *Note 13: Pension and Other Post-Retirement Benefits* for further information on our pension and other post-retirement benefit plans.

#### ***Inventories***

Inventories are stated at the lower of cost or estimated net realizable value. The cost of raw materials, work-in-process, and finished goods is determined based on a first-in, first-out basis and includes material, labor, and applicable manufacturing overhead. We conduct quarterly inventory reviews for salability and obsolescence, and inventory considered unlikely to be sold is adjusted to net realizable value.

Refer to *Note 9: Inventories* for details of our inventory balances.

#### ***Property, Plant and Equipment and Other Capitalized Costs***

PP&E is stated at cost, and in the case of plant and equipment, is depreciated on a straight-line basis over its estimated economic useful life. The depreciable lives of plant and equipment are as follows:

Buildings and improvements	2 - 40 years
Machinery and equipment	2 - 15 years

Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated economic useful lives of the improvements. Amortization of leasehold improvements is included in depreciation expense.

Assets held under leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation expense associated with leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease, unless ownership is transferred by the end of the lease or there is a bargain purchase option, in which case the asset is depreciated, normally on a straight-line basis, over the useful life that would be assigned if the asset were owned. Amortization expense associated with leases is included within depreciation expense.

Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements that increase asset values and extend useful lives are capitalized.

The assets' residual values, useful lives, and methods of depreciation are reviewed and adjusted, if appropriate, at each fiscal year end.

Refer to *Note 10: Property, Plant and Equipment, Net* for details of our PP&E balances.

#### ***Provisions***

Provisions consist of liabilities of uncertain timing or amounts that arise from litigation, restructuring plans, pension and other post-retirement obligations, and product warranty costs. Provisions are recognized when there is a legal or constructive obligation which is probable and when the future cash out flow can be reasonably estimated. Obligations arising from restructuring plans are recognized when formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features.

#### ***Leases***

We enter into lease agreements for many of our facilities around the world. We assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We occupy leased facilities with initial terms ranging up to 20 years. The lease agreements

frequently include options to renew for additional periods or to purchase the leased assets and generally require that we pay taxes, insurance, and maintenance costs. We also lease certain vehicles and equipment, which generally have a term of one year or less. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, in accordance with IFRS 16 *Leases*. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis in the same manner as PP&E. The right of use assets are also subject to impairment.

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects our exercising of the option to terminate. We separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

We apply the short-term lease recognition exemption to our short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Refer to *Note 17: Leases* for additional information on the impact to our financial statements.

#### **Foreign Currency**

We derive a significant portion of our net revenue from markets outside of the U.S. For financial reporting purposes, the functional currency of most of our subsidiaries is the U.S. dollar because of the significant influence of the U.S. dollar on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each statement of financial position date, recorded monetary balances denominated in a currency other than U.S. dollar are adjusted to U.S. dollars using the exchange rate at the statement of financial position date, with gains or losses recognized in other, net in the consolidated statements of income.

#### **Research and Development Costs**

R&D costs consist of costs related to direct product development and application engineering. Our basic technologies have been developed through a combination of internal development and acquisition. Development expense is typically associated with:

- engineering core technology platforms to specific applications;
- improving functionality of existing products; and
- projects that have not met certain technological feasibility and economic benefit criteria.

The level of R&D costs is related to the number of products in development, the stage of the development process, the complexity of the underlying technology, potential scale of the product upon successful commercialization, and the level of our exploratory research. An intangible asset arising from development expenditures on an individual project is recognized only

when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, and the ability to measure reliably the expenditure during the development process. Costs that do not meet this criteria for recognition as an intangible asset are recorded within the R&D line of our consolidated statements of income. Intangible assets arising from development costs are amortized over five years, beginning in the period in which customer acceptance of the project is obtained. Amortization of intangible assets arising from development costs is recorded within the amortization line of our consolidated statements of income. Capitalized development costs are written-off through selling, general, and administrative expense when the criteria required to capitalize the expenditures are no longer present.

#### **Cash and Cash Equivalents**

Cash comprises cash on hand at financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have original maturities of three months or less.

We prepared the accompanying consolidated statements of cash flows using the indirect method.

Refer to *Note 21: Cash and Cash Equivalents* for details on the components of our cash and cash equivalents balances.

### **3. Revenue Recognition**

Refer to *Note 2: Significant Accounting Policies* for detailed discussion of the accounting policies related to revenue recognition.

We believe that our end markets are the categories that best depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The following table presents net revenue disaggregated by segment and end market for the years ended December 31, 2021 and 2020:

	Performance Sensing		Sensing Solutions		Total	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2021	2020	2021	2020	2021	2020
<b>Net revenue:</b>						
Automotive	\$ 2,018,056	\$ 1,715,749	\$ 44,351	\$ 35,621	\$ 2,062,407	\$ 1,751,370
HVAC	829,852	508,061	—	—	829,852	508,061
Industrial	—	—	413,885	336,506	413,885	336,506
Appliance and HVAC	—	—	243,938	189,782	243,938	189,782
Aerospace	—	—	134,735	136,167	134,735	136,167
Other	—	—	135,989	123,692	135,989	123,692
<b>Net revenue</b>	<b>\$ 2,847,908</b>	<b>\$ 2,223,810</b>	<b>\$ 972,898</b>	<b>\$ 821,768</b>	<b>\$ 3,820,806</b>	<b>\$ 3,045,578</b>

In addition, refer to *Note 20: Segment Reporting* for a presentation of net revenue disaggregated by product category and geographic region.

#### **Contract Assets and Liabilities**

We have not recorded contract assets other than accounts receivable. Contract liabilities, whereby we receive payment from customers related to our promise to satisfy performance obligations in the future, are not material.

### **4. Share-Based Payment Plans**

At our Annual General Meeting ("AGM") held on May 27, 2021, our shareholders approved the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Plan"), which replaced the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Plan"). The 2021 Equity Plan is substantially similar to the 2010 Equity Plan with some updates based on changes in law and current practices. The purpose of the 2021 Equity Plan is to promote the long-term growth, profitability, and interests of the Company and its shareholders by aiding us in attracting and retaining employees, officers, consultants, advisors, and non-employee directors capable of assuring our future success. All awards granted subsequent to this approval were made under the 2021 Equity Plan. The 2010 Equity Plan was terminated as to

the grant of any additional awards, but prior awards remain outstanding in accordance with their terms. As of December 31, 2021, there were 5.7 million ordinary shares authorized and available for grants of awards under the 2021 Equity Plan.

Refer to *Note 2: Significant Accounting Policies* for additional information related to our share-based compensation accounting policies.

### **Share-Based Compensation Awards**

We grant option, restricted stock unit ("RSU"), and performance-based restricted stock unit ("PRSU") awards. Awards prior to May 27, 2021 were granted under the 2010 Equity Plan. Awards subsequent to May 27, 2021 were granted under the 2021 Equity Plan. For option and RSU awards, vesting is typically subject only to service conditions. For PRSU awards, vesting is also subject to service conditions, however the number of awarded units that ultimately vest also depends on the attainment of certain predefined performance criteria. Our awards include continued vesting provisions for retirement-eligible employees. Throughout this Report, RSU and PRSU awards are often referred to collectively as "restricted securities."

#### ***Options***

A summary of stock option activity for the years ended December 31, 2021 and 2020 is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Number of Options (thousands)	Weighted-Average Exercise Price Per Option	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance as of December 31, 2019	3,464	\$ 41.19	3.0	\$ 44,696
Forfeited or expired	(155)	\$ 48.30		
Exercised	(452)	\$ 34.22		\$ 5,117
Balance as of December 31, 2020	2,857	\$ 41.90	4.4	\$ 31,955
Forfeited or expired	(15)	\$ 49.93		
Exercised	(707)	\$ 38.07		\$ 14,264
Balance as of December 31, 2021	2,133	\$ 43.11	3.9	\$ 39,660
Options vested and exercisable as of December 31, 2021	1,941	\$ 42.61	3.6	\$ 37,037
Vested and expected to vest as of December 31, 2021	2,121	\$ 43.08	3.9	\$ 39,481

During 2021, a total of 707 thousand options were exercised at an average selling price of \$58.25. During 2020, a total of 452 thousand options were exercised at an average selling price of \$45.54. The range of exercise prices of our outstanding options at December 31, 2021 was \$31.76 to \$56.94.

A summary of the status of our unvested options as of December 31, 2021, and of the changes during the year then ended, is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Number of Options (thousands)	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2020	412	\$ 15.22
Vested during the year	(203)	\$ 12.17
Forfeited during the year	(15)	\$ 15.01
Balance as of December 31, 2021	194	\$ 18.40

The fair value of stock options that vested during the years ended December 31, 2021 and 2020 was \$2.5 million and \$4.4 million, respectively.

Option awards granted to employees generally vest 25% per year over four years from the grant date. We recognize compensation expense for options on a straight-line basis over the requisite service period, which is generally the same as the vesting period. The options generally expire ten years from the date of grant.

For options granted prior to April 2019, except as otherwise provided in specific option award agreements, if a participant ceases to be employed by us, options not yet vested generally expire and are forfeited at the termination date, and options that

are fully vested generally expire 90 days after termination of the participant's employment. Exclusions to the general policy for terminated employees include termination for cause (in which case the options expire on the participant's termination date) and termination due to death or disability (in which case any unvested options shall immediately vest and expire one year after the participant's termination date). For options granted in or after April 2019, the same terms apply, except that in the event of termination due to a qualified retirement, options not yet vested will continue to vest and will expire ten years from the grant date.

We did not grant any options in the years ended December 31, 2021 or 2020.

#### ***Restricted Securities***

Starting in April 2020, we grant RSU awards that vest ratably over three years and PRSU awards that cliff vest three years after the grant date. Previously, we granted RSU and PRSU awards each of which cliff vested three years after the grant date.

In the event of a qualifying termination, any unvested restricted securities that would have otherwise vested within the next six months vest in full on the termination date, and in the event of termination by reason of a covered retirement, any unvested restricted securities remain outstanding on the termination date and subject to continued vesting. For PRSU awards, the number of units that ultimately vest depends on the extent to which certain performance criteria, described in the table below, are met.

A summary of restricted securities granted in the years ended December 31, 2021 and 2020 is presented below:

(Awards in thousands)	Percentage Range of Units That May Vest <sup>(1)</sup>					
	0.0% to 150.0%		0.0% to 172.5%		0.0% to 200.0%	
	RSU Awards Granted	Weighted- Average Grant-Date Fair Value	PRSU Awards Granted	Weighted- Average Grant-Date Fair Value	PRSU Awards Granted	Weighted- Average Grant-Date Fair Value
2021	413	\$ 58.29	170	\$ 58.56	—	\$ —
2020	806	\$ 29.06	—	\$ —	401	\$ 28.22
					76	\$ 57.04

<sup>(1)</sup> Represents the percentage range of PRSU award units granted that may vest according to the terms of the awards. The amounts presented within this table do not reflect our current assessment of the probable outcome of vesting based on the achievement or expected achievement of performance conditions.

Compensation cost for the year ended December 31, 2021 reflects our estimate of the probable outcome of the performance conditions associated with the PRSU awards granted in the years ended December 31, 2021 and 2020.

A summary of activity related to outstanding restricted securities for the years ended December 31, 2021 and 2020 is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Restricted Securities (thousands)	Weighted-Average Grant-Date Fair Value
Balanced as of December 31, 2019	1,105	\$ 47.51
Granted	1,207	\$ 28.78
Forfeited	(284)	\$ 37.89
Vested	(349)	\$ 43.54
Balance as of December 31, 2020	1,679	\$ 36.49
Granted	659	\$ 58.21
Forfeited	(348)	\$ 41.00
Vested	(469)	\$ 38.36
Balance as of December 31, 2021	1,521	\$ 43.31

Aggregate intrinsic value information for restricted securities at December 31, 2021 and 2020 is presented below:

	As of December 31,	
	2021	2020
Outstanding	\$ 93,830	\$ 88,534
Expected to vest	\$ 69,798	\$ 58,675

The weighted-average remaining periods over which the restrictions will lapse at December 31, 2021 and 2020 are as follows:

(Amounts in years)	As of December 31,	
	2021	2020
Outstanding	1.0	1.1
Expected to vest	1.0	1.1

The expected to vest restricted securities are calculated based on the application of a forfeiture rate assumption to all outstanding restricted securities as well as our assessment of the probability of meeting the required performance conditions that pertain to the PRSU awards.

#### Share-Based Compensation Expense

The table below presents non-cash compensation expense related to our equity awards, which is recorded within SG&A expense in the consolidated statements of income, for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Options	\$ 534	\$ 1,744
Restricted securities	27,225	18,746
Total share-based compensation expense	\$ 27,759	\$ 20,490

The table below presents unrecognized compensation expense at December 31, 2021 for each class of award, and the remaining expected term for this expense to be recognized:

	Unrecognized Compensation Expense	Expected Recognition (years)
Options	\$ 69	2.2
Restricted securities	24,587	1.3
Total unrecognized compensation expense	\$ 24,656	

#### 5. Restructuring and Other Charges, Net

On June 30, 2020, in response to the potential long-term impact of the global financial and health crisis caused by the COVID-19 pandemic on our business, we committed to a plan to reorganize our business (the “Q2 2020 Global Restructure Program”) consisting of voluntary and involuntary reductions-in-force and certain site closures. The Q2 2020 Global Restructure Program was commenced in order to align our cost structure to the then anticipated future demand outlook. We have completed all actions contemplated thereunder, with approximately 840 positions impacted. Since inception of the Q2 2020 Global Restructure Program, we have recognized cumulative costs of \$23.2 million. As of December 31, 2021, we have a liability of approximately \$2.0 million related to actions taken under this plan. We expect to settle these remaining liabilities with cash on hand.

Charges recognized in the years ended December 31, 2021 and 2020 resulting from the Q2 2020 Global Restructure Program are presented by impacted segment below. However, as discussed in Note 20: Segment Reporting, restructuring and other charges, net are excluded from segment operating income.

	For the year ended December 31,	
	2021	2020
Q2 2020 Global Restructure Program, net <sup>(1)</sup>	\$ 3,655	\$ 19,526
Other severance costs, net <sup>(2)</sup>	1,635	7,733
Other	(3,960)	2,061
Restructuring and other charges, net	<u>\$ 1,330</u>	<u>\$ 29,320</u>

- <sup>(1)</sup> The Q2 2020 Global Restructure Program was completed in the year ended December 31, 2021, with approximately 840 positions impacted. Since inception of the Q2 2020 Global Restructure Program, we recognized cumulative costs of \$23.2 million.
- <sup>(2)</sup> Includes termination benefits provided in connection with workforce reductions of manufacturing, engineering, and administrative positions, including the elimination of certain positions related to site consolidations, net of reversals. The year ended December 31, 2020 primarily related to termination benefits arising from the shutdown and relocation of operating sites in Northern Ireland and Belgium.

Changes to our severance liability during the years ended December 31, 2021 and 2020 were as follows:

	Q2 Plan	Other	Total
Balance as of December 31, 2019	\$ —	\$ 8,683	\$ 8,683
Charges, net of reversals	19,526	7,733	27,259
Payments	(13,853)	(12,961)	(26,814)
Foreign currency remeasurement	491	214	705
Balance as of December 31, 2020	6,164	3,669	9,833
Charges, net of reversals	3,655	1,635	5,290
Payments	(7,985)	(4,742)	(12,727)
Foreign currency remeasurement	203	351	554
Balance as of December 31, 2021	<u>\$ 2,037</u>	<u>\$ 913</u>	<u>\$ 2,950</u>

## 6. Other, Net

Other, net for the years ended December 31, 2021 and 2020 consisted of the following:

	For the year ended December 31,	
	2021	2020
Currency remeasurement gain on net monetary assets <sup>(1)</sup>	\$ 2,779	\$ 11,101
Loss on foreign currency forward contracts <sup>(2)</sup>	(7,553)	(6,762)
(Loss)/gain on commodity forward contracts <sup>(2)</sup>	(2,967)	10,027
Loss on financing of borrowings <sup>(3)</sup>	(30,066)	—
Net periodic benefit cost, excluding service cost	(170)	(1,879)
Other	4,633	(4,457)
Other, net	<u>\$ (33,344)</u>	<u>\$ 8,030</u>

- <sup>(1)</sup> Relates to the remeasurement of non-USD denominated net monetary assets and liabilities into U.S. dollars. Refer to discussion under the heading *Foreign Currency* in Note 2: *Significant Accounting Policies*.
- <sup>(2)</sup> Relates to changes in the fair value of derivative financial instruments that are not designated as hedges. Refer to Note 19: *Derivative Instruments and Hedging Activities* for additional discussion of gains and losses related to our commodity and foreign exchange forward contracts. Refer to Note 24: *Financial Risk Management Objectives and Policies* for an analysis of the sensitivity of other, net to changes in foreign currency exchange rates and commodity prices.
- <sup>(3)</sup> Refer to Note 14: *Borrowings* for additional information related to our debt financing transactions.

## 7. Income Taxes

Effective April 27, 2006 (inception), and concurrent with the completion of the acquisition of the Sensors & Controls business ("S&C") of Texas Instruments Incorporated ("TI") (the "2006 Acquisition"), we initially incorporated our headquarters in the Netherlands. On March 28, 2018, we reincorporated our headquarters in the U.K.

### Provision for/(benefit from) income taxes

Provision for/(benefit from) income taxes for the years ended December 31, 2021 and 2020 was as follows:

	For the year ended December 31,	
	2021	2020
<b>Current tax expense:</b>		
Current year	\$ 63,365	\$ 45,091
Adjustment in respect of current income tax of previous year	(7,594)	(163)
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	(20,201)	(79,806)
Change in tax rate	1,425	19,932
Recognition of previously unrecognized tax losses and deductible temporary differences	20,484	6,273
<b>Total</b>	<b>\$ 57,479</b>	<b>\$ (8,673)</b>

Tax expense on continuing operations excludes the Company's share of tax expense reported in equity and other comprehensive income.

	For the year ended December 31,	
	2021	2020
<b>Tax benefit/expense recognized:</b>		
Directly in equity	\$ 3,008	\$ (259)
In accumulated other comprehensive loss	\$ (7,988)	\$ 12,032

### Effective tax rate reconciliation

The principal reconciling items from income tax computed at the U.K. statutory tax rate of 19% were as follows:

	For the year ended December 31,	
	2021	2020
<b>Tax computed at statutory rate of 19%*</b>	<b>\$ 79,396</b>	<b>\$ 34,877</b>
Foreign tax rate differential	(21,832)	(13,027)
Changes in recognition of tax losses	20,484	6,273
Reserve for tax exposure	(16,182)	(4,581)
Withholding taxes not creditable	13,259	12,198
Research and development incentives	(11,067)	(9,424)
Change in tax laws or rates	(5,624)	11,760
Unrealized foreign exchange gains, net	(870)	(7,451)
Intangible property transfers		(54,188)
Nontaxable items and other	(85)	14,890
<b>Provision for/(benefit from) income taxes</b>	<b>\$ 57,479</b>	<b>\$ (8,673)</b>

### Intangible property transfers

The decrease in our effective tax rate for the year ended December 31, 2020, was primarily due to a \$54.2 million net income tax benefit in the fourth quarter of 2020 related to intangible property transfers.

### Foreign tax rate differential

We operate in locations outside the U.K., including Belgium, Bulgaria, China, Malaysia, Malta, the Netherlands, South Korea, and the U.S., that historically have had statutory tax rates different than the U.K. statutory rate. This can result in a

foreign tax rate differential that may reflect a tax benefit or detriment. This foreign tax rate differential can change from year to year based upon the jurisdictional mix of earnings and changes in current and future enacted tax rates.

From 2019 through 2021, a subsidiary in Changzhou, China was eligible for a reduced corporate income tax rate of 15%. The impact on current tax expense of the tax holidays and exemptions is included in the foreign tax rate differential disclosure, reconciling the statutory tax rate to our effective rate. The remeasurement of the deferred tax assets and liabilities is included in the change in tax laws or rates line.

#### ***Research and development incentives***

Certain income of our U.K. subsidiaries is eligible for lower tax rates under the "patent box" regime, resulting in certain of our intellectual property income being taxed at a rate lower than the U.K. statutory tax rate. Qualified investments are eligible for a bonus deduction under China's R&D super deduction regime. In the U.S., we benefit from R&D credit incentives.

#### ***Withholding taxes not creditable***

Withholding taxes may apply to intercompany interest, royalty, management fees, and certain payments to third parties. Such taxes are deducted if they cannot be credited against the recipient's tax liability in its country of residence. Additional consideration has been given to the withholding taxes associated with unremitted earnings and the recipient's ability to obtain a tax credit for such taxes. Earnings are not considered to be indefinitely reinvested in the jurisdictions in which they were earned. In certain jurisdictions we recognize a deferred tax liability on withholding and other taxes on intercompany payments including dividends.

#### **Deferred income tax assets and liabilities**

A rollforward of the primary components of deferred income tax assets and liabilities as of December 31, 2021 is as follows:

	Recognized in:					
	Beginning of the year	Acquisition	Equity	Other comprehensive income	Net income	End of the Year
<b>Deferred tax assets:</b>						
Inventories and related reserves	\$ 10,415	\$ (549)	\$ —	\$ —	\$ 2,622	\$ 12,488
Accrued expenses	65,364	146	—	—	(10,686)	54,824
Property, plant and equipment	16,931	45	—	—	324	17,300
Intangible assets	54,338	—	—	—	(9,708)	44,630
Unrealized exchange loss	2,480	—	—	—	(2,269)	211
Net operating loss and interest expense carryforwards	189,248	15,200	2,272	—	10,152	216,872
Pension liability	12,644	—	—	119	(3,517)	9,246
Share-based compensation	10,191	—	736	—	461	11,388
Other	—	—	—	—	849	849
<b>Total deferred tax assets</b>	<b>361,611</b>	<b>14,842</b>	<b>3,008</b>	<b>119</b>	<b>(11,772)</b>	<b>367,808</b>
<b>Deferred tax liabilities:</b>						
Property, plant and equipment	(29,970)	(864)	—	—	5,460	(25,374)
Intangible assets and goodwill	(485,082)	(33,650)	—	—	1,203	(517,529)
Unrealized foreign exchange gain	(583)	—	—	(8,107)	1,492	(7,198)
Tax on undistributed earnings of subsidiaries	(35,254)	(34,930)	—	—	1,800	(68,384)
Other	(109)	—	—	—	109	—
<b>Total deferred tax liabilities</b>	<b>(550,998)</b>	<b>(69,444)</b>	<b>—</b>	<b>(8,107)</b>	<b>10,064</b>	<b>(618,485)</b>
<b>Net deferred tax liabilities</b>	<b>\$ (189,387)</b>	<b>\$ (51,602)</b>	<b>\$ 3,008</b>	<b>\$ (7,988)</b>	<b>\$ (1,708)</b>	<b>\$ (250,677)</b>

A rollforward of the primary components of deferred income tax assets and liabilities as of December 31, 2020 is as follows:

	Beginning of the year	Equity	Other comprehensive income	Net income	Recognized in: End of the Year
<b>Deferred tax assets:</b>					
Inventories and related reserves	\$ 17,291	\$ —	\$ —	\$ (6,876)	\$ 10,415
Accrued expenses	64,388	—	—	976	65,364
Property, plant and equipment	6,055	—	—	10,876	16,931
Intangible assets	38	—	—	54,300	54,338
Unrealized exchange loss	1,328	—	—	1,152	2,480
Net operating loss and interest expense carryforwards	148,164	157	—	40,927	189,248
Pension liability	8,927	—	4,197	(480)	12,644
Share-based compensation	12,000	(416)	—	(1,393)	10,191
Total deferred tax assets	258,191	(259)	4,197	99,482	361,611
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	(24,250)	—	—	(5,720)	(29,970)
Intangible assets and goodwill	(449,080)	—	—	(36,002)	(485,082)
Unrealized foreign exchange gain	(6,706)	—	7,835	(1,712)	(583)
Tax on undistributed earnings of subsidiaries	(31,636)	—	—	(3,618)	(35,254)
Other	(1,280)	—	—	1,171	(109)
Total deferred tax liabilities	(512,952)	—	7,835	(45,881)	(550,998)
Net deferred tax liabilities	<u>\$ (254,761)</u>	<u>\$ (259)</u>	<u>\$ 12,032</u>	<u>\$ 53,601</u>	<u>\$ (189,387)</u>

#### *Unrecognized deferred tax assets*

We utilize the "probable" criteria established in IAS 12 *Income Taxes*, to determine whether the future benefit from the deferred tax assets should be recognized. In measuring the related deferred tax assets, we considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, it is probable that we will utilize our deferred tax assets. Judgment is required in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that we will utilize deferred tax assets. As a result, we have not recognized deferred tax assets in jurisdictions that it is not probable that the assets will be utilized in the foreseeable future. As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets.

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which we can use the benefits therefrom:

	For the year ended December 31,	
	2021	2020
Tax credits	\$ 38,438	\$ 38,560
Deductible temporary differences	\$ 1,414,044	\$ 1,166,818
Tax losses	123,815	172,741
<b>Total</b>	<b>\$ 1,537,859</b>	<b>\$ 1,339,559</b>

Included in the table above, we have approximately \$30.0 million of tax credits that expire between 2022 and 2041, and approximately \$15.4 million of tax losses that expire between 2022 and 2039.

#### **Unrecognized tax benefits**

The amount of unrecognized tax benefits at December 31, 2021 and 2020 that if recognized, would impact our effective tax rate is \$13.5 million and \$24.7 million, respectively.

Our major tax jurisdictions include Belgium, Bulgaria, China, France, Germany, Japan, Malaysia, Mexico, the Netherlands, South Korea, the U.S., and the U.K. These jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2006 through 2021.

#### **Indemnifications**

We have various indemnification provisions in place with parties including TI, Honeywell, William Blair, Tomkins Limited, and Custom Sensors & Technologies Ltd. These provisions provide for the reimbursement of future tax liabilities paid by us that relate to the pre-acquisition periods of the acquired businesses including S&C, First Technology Automotive and Special Products, Airpax Holdings, Inc., August Cayman Company, Inc. ("Schrader"), Customer Sensors & Technologies Ltd. ("CST"), GIGAVAC, LLC ("GIGAVAC"), Xirgo Technologies Intermediate Holdings, LLC, and SmartWitness.

#### **8. Net Income Per Share**

Basic and diluted net income per share are calculated by dividing net income by the number of basic and diluted weighted-average ordinary shares outstanding during the period. For the years ended December 31, 2021 and 2020, the weighted-average ordinary shares outstanding used to calculate basic and diluted net income per share were as follows:

	For the year ended December 31,	
(Shares in thousands)	2021	2020
Basic weighted-average ordinary shares outstanding	158,167	157,373
Dilutive effect of stock options	667	268
Dilutive effect of unvested restricted securities	275	438
Diluted weighted-average ordinary shares outstanding	<u>159,109</u>	<u>158,079</u>

Net income and net income per share are presented in the consolidated statements of income.

Certain potential ordinary shares were excluded from our calculation of diluted weighted-average ordinary shares outstanding because either they would have had an anti-dilutive effect on net income per share or they related to equity awards that were contingently issuable for which the contingency had not been satisfied. Refer to *Note 4: Share-Based Payment Plans*, for further discussion of our equity awards. These potential ordinary shares are as follows:

(Shares in thousands)	For the year ended December 31,	
	2021	2020
Anti-dilutive shares excluded	10	1,531
Contingently issuable shares excluded	1,022	913

#### **9. Inventories**

The following table presents the components of inventories at December 31, 2021 and 2020 were as follows:

	As of December 31,	
	2021	2020
Finished goods	\$ 201,424	\$ 170,488
Work-in-process	101,558	87,006
Raw materials	285,249	193,311
Inventories	<u>\$ 588,231</u>	<u>\$ 451,005</u>

As described in *Note 14: Borrowings* our borrowings under the 3.75% Senior Notes, 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.375% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At December 31, 2021 and 2020, inventories owned by these subsidiaries totaled \$393.9 million and \$323.3 million, respectively.

During the years ended December 31, 2021 and 2020, inventory costs of \$2,392.7 million and \$1,929.5 million, respectively, were recognized as an expense in cost of revenue.

Refer to *Note 2: Significant Accounting Policies* for a discussion of our accounting policies related to inventories.

## 10. Property, Plant and Equipment, Net

PP&E, net at December 31, 2021 and 2020 consisted of the following:

	Land	Building and improvements	Machinery and equipment	Total
<b>Purchase value:</b>				
Balance as of December 31, 2019	\$ 14,743	\$ 322,969	\$ 1,372,730	\$ 1,710,442
Lease right-of-use asset additions/remeasurements	—	8,135	—	8,135
Additions due to acquisitions	—	111	296	407
Other additions	—	9,320	97,535	106,855
Other disposals	—	(2,395)	(36,332)	(38,727)
Balance as of December 31, 2020	14,743	338,140	1,434,229	1,787,112
Lease right-of-use asset additions/remeasurements	—	6,740	—	6,740
Additions due to acquisitions	—	813	6,483	7,296
Other additions	92	13,067	128,604	141,763
Other disposals	—	(2,666)	(29,714)	(32,380)
Balance as of December 31, 2021	<u>\$ 14,835</u>	<u>\$ 356,091</u>	<u>\$ 1,539,602</u>	<u>\$ 1,910,531</u>

### Depreciation:

Balance as of December 31, 2019	\$ —	\$ (134,446)	\$ (696,536)	\$ (830,982)
Lease right-of-use asset depreciation expense	—	(14,383)	(1,887)	(16,270)
Other depreciation expense	—	(12,580)	(112,427)	(125,007)
Other disposals	—	516	30,449	30,965
Balance as of December 31, 2020	—	(160,893)	(780,401)	(941,294)
Lease right-of-use asset depreciation expense	—	(14,973)	—	(14,973)
Other depreciation expense	—	(13,308)	(111,110)	(124,418)
Other disposals	—	2,271	24,165	26,436
Balance as of December 31, 2021	<u>\$ —</u>	<u>\$ (186,903)</u>	<u>\$ (867,346)</u>	<u>\$ (1,054,249)</u>

### Carrying amounts, net:

At December 31, 2020	\$ 14,743	\$ 177,247	\$ 653,828	\$ 845,818
At December 31, 2021	<u>\$ 14,835</u>	<u>\$ 169,191</u>	<u>\$ 672,256</u>	<u>\$ 856,282</u>

### Carrying amounts of right-of-use assets:

At December 31, 2020	\$ —	\$ 71,699	\$ 177	\$ 71,876
At December 31, 2021	—	63,466	177	63,643

At December 31, 2021 and 2020, assets totaling \$653.7 million and \$522.1 million, respectively, were fully depreciated but continued to be in service.

As described in Note 14: *Borrowings* our borrowings under the 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, the 6.25% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At December 31, 2021 and 2020, PP&E, net associated with or owned by these subsidiaries totaled \$377.4 million and \$398.5 million, respectively.

PP&E, net at December 31, 2021 and 2020 included the following assets under leases:

	As of December 31,	
	2021	2020
Assets under leases in PP&E	\$ 133,326	\$ 126,586
Accumulated depreciation	(69,683)	(54,710)
Assets under leases in PP&E, net	<u>\$ 63,643</u>	<u>\$ 71,876</u>

Refer to Note 2: *Significant Accounting Policies* for a discussion of our accounting policies related to PP&E, net.

## 11. Goodwill and Other Intangible Assets, Net

The following table outlines the changes in net goodwill by segment for the years ended December 31, 2021 and 2020.

	Performance Sensing	Sensing Solutions	Total
Balance as of December 31, 2019	\$ 2,180,622	\$ 905,918	\$ 3,086,540
Acquisitions	17,751	—	17,751
Balance as of December 31, 2020	2,198,373	905,918	3,104,291
Acquisitions	290,827	99,887	390,714
Balance as of December 31, 2021	\$ 2,489,200	\$ 1,005,805	\$ 3,495,005

Accumulated impairment in each year presented was \$6.1 million for Performance Sensing and \$62.3 million for Sensing Solutions. Refer to *Note 29: Acquisitions* for additional information related to goodwill added as a result of acquisitions.

Goodwill attributed to acquisitions reflects our allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed. Net assets acquired are comprised of tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. We apply estimates and assumptions to determine the fair value of the intangible assets and of any contingent consideration obligations. Critical estimates in valuing purchased technology, customer relationships, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. In addition, we estimate the economic lives of these identified intangible assets and these lives are used to calculate amortization expense. Goodwill has been included in our segments based on a methodology using anticipated future earnings of the components of business.

As of December 31, 2020, we had identified eight CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, and Inverters. In fiscal year 2021, we reorganized our Sensing Solutions operating segment, moving our high-voltage contactor business from the Industrial Sensing CGU to a new CGU, Clean Energy Solutions. Our Lithium Balance business (acquired in early fiscal year 2021) was also added to Clean Energy Solutions.

Accordingly, as of October 1, 2021, we had nine CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions. With the acquisition of SmartWitness in the fourth quarter of 2021, we formed Sensata Insights, a business unit organized under the HVOR operating segment, to drive growth of our smart and connected offerings to the transportation market, including both those developed organically and through the acquisition of Xirgo and SmartWitness. We concluded that Sensata Insights was a separate CGU from HVOR. Accordingly, as of December 31, 2021, we had ten CGUs: Automotive, HVOR, Sensata Insights, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions.

Each of our CGUs are tested for impairment annually or when impairment indicators are present. The Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions CGUs are part of the Sensing Solutions reportable segment. The Automotive, HVOR, and Sensata Insights CGUs are part of the Performance Sensing reportable segment.

IAS 36 permits the carry forward of the most recent quantitative goodwill impairment analysis for individual CGUs from a preceding year, provided certain conditions are met. Otherwise, we perform an impairment test at the CGU level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Refer to *Note 2: Significant Accounting Policies* for additional discussion on our method of performing this test.

We evaluated our goodwill and other indefinite-lived intangible assets for impairment as of October 1, 2021 using a combination of quantitative and qualitative analyses. Under the qualitative analysis (carryforward of previous impairment test), we assess whether it is more likely than not that the fair value of a CGU is less than its carrying value based on various factors, including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance, and other relevant factors as applicable. If the results of the qualitative analysis indicate that it is not more likely than not that the fair value of a CGU is less than its carrying value, no further analysis is prepared. Otherwise, we perform a quantitative analysis under which a discounted cash flow analysis is prepared to determine whether the fair value of the CGU is less than its carrying value. See *Note 2: Significant Accounting Policies* for a further discussion of this process.

Based on our analysis of goodwill and indefinite-lived intangible assets as of October 1, 2021, we have determined that there were no circumstances to indicate impairment at that date. Should certain assumptions used in the development of the recoverable amount of our CGUs or indefinite-lived intangible assets change, we may be required to recognize goodwill or intangible asset impairments.

The following table outlines the key assumptions used in determining the recoverable amount of our CGUs as of October 1, 2021 and 2020:

Auto <sup>(1)</sup>	HVOR <sup>(1)</sup>	EP <sup>(1)</sup>	Inter-connection	Power Mgmt. <sup>(1)</sup>	Aerospace	Industrial Sensing	CES	Inverters
<b>Net revenue compound annual growth rate over projection period:</b>								
Q4 2021	7.8%	10.8%	1.5%	3.2%	2.5%	13.1%	9.8%	36.5%
Q4 2020	7.8%	10.8%	1.5%	3.6%	2.5%	11.6%	9.3%	NA
<b>Exit multiple applied to earnings in final year:</b>								
Q4 2021	10.0x	9.0x	8.2x	7.4x	7.8x	9.0x	8.0x	5.3x
Q4 2020	10.0x	9.0x	8.2x	6.1x	7.8x	8.5x	9.0x	5.3x
<b>Discount rate (pre-tax):</b>								
Q4 2021	11.5%	12.8%	12.9%	19.7%	14.6%	12.3%	11.7%	18.7%
Q4 2020	11.5%	12.8%	12.9%	19.8%	14.6%	13.6%	11.7%	NA
								14.8%
								16.5%

<sup>(1)</sup> We assessed these CGUs qualitatively using the carryforward method, accordingly the assumptions presented for 2021 are equal to the assumptions used in the quantitative test performed in 2020.

The following table reflects the percentages by which the recoverable amount of each of our CGUs exceeded their estimated book values at the time they were tested for impairment in the fourth quarter of 2021 and 2020:

Auto	HVOR	EP	Inter-connection	Power Mgmt.	Aerospace	Industrial Sensing	CES	Inverters
2021	128.9 %	64.0 %	154.0 %	783.2 %	154.2 %	31.9 %	239.3 %	84.3 %
2020	125.9 %	103.5 %	157.7 %	742.4 %	141.2 %	28.2 %	54.5 %	NA
								46.3 %
								72.1 %

The following table outlines information related to the carrying amount of goodwill and other intangible assets associated with each of our CGUs at December 31, 2021. Other intangible assets, net excludes capitalized software, which is not allocated to our CGUs. Amounts in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

<i>(In millions)</i>	Goodwill	Other Intangible Assets, net
Automotive	\$ 1,735.2	\$ 190.7
HVOR	463.2	158.6
Sensata Insights	290.8	316.3
Electrical Protection	179.0	49.9
Interconnection	2.0	3.3
Power Management	68.6	14.4
Inverters	24.6	8.3
Industrial Sensing	361.2	117.5
Aerospace	252.7	146.8
Clean Energy Solutions	117.6	71.6
Total	\$ 3,495.0	\$ 1,077.3

The following tables outline the components of intangible assets at December 31, 2021 and 2020:

	Weighted-Average Life (years)	December 31, 2021			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	14	\$ 918,095	\$ (629,280)	\$ (157)	\$ 288,658
Customer relationships	12	2,095,735	(1,584,769)	(843)	510,123
Trademarks	19	77,484	(23,542)	—	53,942
Research and development	5	379,322	\$ (230,118)	—	149,204
Capitalized software and other <sup>(i)</sup>	7	72,131	(51,527)	—	20,604
Definite-lived intangible assets	11	3,542,767	\$ (2,519,236)	\$ (1,000)	1,022,531
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets		<u>\$ 3,618,137</u>			<u>\$ 1,097,901</u>

	Weighted-Average Life (years)	December 31, 2020			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	14	\$ 781,674	\$ (580,952)	\$ (157)	\$ 200,565
Customer relationships	11	1,858,998	(1,510,155)	(843)	348,000
Trademarks	21	66,654	(19,814)	—	46,840
Research and development	5	340,965	\$ (194,412)	—	146,553
Capitalized software and other <sup>(i)</sup>	7	69,178	(45,750)	—	23,428
Definite-lived intangible assets	12	3,117,469	\$ (2,351,083)	\$ (1,000)	765,386
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets		<u>\$ 3,192,839</u>			<u>\$ 840,756</u>

<sup>(i)</sup> During the years ended December 31, 2021 and 2020, we wrote-off approximately \$2.4 million and \$0.1 million, respectively, of fully-amortized capitalized software that was not in use. In addition, in the year ended December 31, 2020, we wrote off approximately \$23.4 million of fully amortized non-compete agreements that were not in use.

The following tables rollforward the gross carrying amount and accumulated amortization and impairment our definite-lived intangible assets (i.e. excluding indefinite-lived intangible assets) for the years ended December 31, 2021 and 2020.

Gross Carrying Amount	Completed technologies	Customer relationships	Non-compete agreements	Tradenames	Research and development	Capitalized software and other	Total
Balance as of December 31, 2019	\$ 770,774	\$ 1,827,998	\$ 23,400	\$ 66,654	\$ 316,522	\$ 67,784	\$ 3,073,132
Acquisitions	10,900	31,000	—	—	—	—	41,900
Other additions	—	—	—	—	41,033	1,394	42,427
Write-offs	—	—	(23,400)	—	(16,590)	—	(39,990)
Balance as of December 31, 2020	781,674	1,858,998	—	66,654	340,965	69,178	3,117,469
Acquisitions	136,421	236,737	—	10,830	—	5,324	389,312
Internally developed R&D	—	—	—	—	40,897	—	40,897
Write-offs	—	—	—	—	(2,540)	(2,371)	(4,911)
Balance as of December 31, 2021	\$ 918,095	\$ 2,095,735	\$ 23,400	\$ 77,484	\$ 379,322	\$ 72,131	\$ 3,542,767
<b>Accumulated Amortization<sup>(1)</sup></b>							
Balance as of December 31, 2019	\$ (532,855)	\$ (1,438,828)	\$ (23,400)	\$ (16,596)	\$ (156,297)	\$ (39,115)	\$ (2,207,091)
Amortization	(48,254)	(72,170)	—	(3,218)	(38,115)	(6,635)	(168,392)
Write-offs	—	—	23,400	—	—	—	23,400
Balance as of December 31, 2020	(581,109)	(1,510,998)	—	(19,814)	(194,412)	(45,750)	(2,352,083)
Amortization	(48,328)	(74,614)	—	(3,728)	(36,449)	(8,148)	(171,267)
Write-offs	—	—	—	—	743	2,371	3,114
Balance as of December 31, 2021	\$ (629,437)	\$ (1,585,612)	\$ 23,400	\$ (23,542)	\$ (230,118)	\$ (31,327)	\$ (2,520,236)
<b>Net carrying value</b>							
December 31, 2020	\$ 200,565	\$ 348,000	\$ 23,400	\$ 46,840	\$ 146,353	\$ 23,428	\$ 765,386
December 31, 2021	\$ 288,658	\$ 510,123	\$ 23,400	\$ 53,942	\$ 149,204	\$ 20,604	\$ 1,022,531

<sup>(1)</sup> Includes accumulated impairment

In connection with the completion of the 2006 Acquisition, we concluded that our Klixon® brand name is an indefinite-lived intangible asset, as the brand has been in continuous use since 1927, and we have no plans to discontinue using the Klixon® name. An amount of \$59.1 million was assigned to the brand name in the purchase price allocation and is allocated to our Electrical Protection CGU. In connection with the acquisition of Airpax, we concluded that our Airpax® brand name is an indefinite-lived intangible asset, as the brand has been in continuous use since 1948 and we have no plans to discontinue using the Airpax® name. An amount of \$9.4 million was assigned to the brand name in the purchase price allocation and is allocated to our Power Management CGU. In the year ended December 31, 2020, we recognized indefinite-lived intangible assets of \$6.9 million related to in-process research & development acquired in a fiscal year 2020 business combination transaction, which is allocated to our HVOR CGU.

The following summarizes the gross value of other intangible assets (including indefinite-lived intangible assets) before impairments and amortization, by segment:

	Performance Sensing	Sensing Solutions	Corporate	Total
Balance as of December 31, 2019	\$ 1,883,922	\$ 1,189,423	\$ 68,257	\$ 3,141,602
Additions	66,433	—	1,394	67,827
Write offs	(16,590)	—	—	(16,590)
Balance as of December 31, 2020	1,933,765	1,189,423	69,651	3,192,839
Additions	365,906	58,982	5,321	430,209
Write offs	(2,540)	—	(2,371)	(4,911)
Balance as of December 31, 2021	\$ 2,297,131	\$ 1,248,405	\$ 72,601	\$ 3,618,137

The following table outlines amortization expense on acquisition-related definite-lived intangible assets, capitalized software, and capitalized R&D costs for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Acquisition-related definite-lived intangible assets	\$ 126,671	\$ 123,642
Capitalized software	8,147	6,634
Capitalized research and development costs	\$ 36,449	\$ 38,116
Amortization of intangible assets and capitalized development costs	\$ 171,267	\$ 168,392

This amortization expense was presented as amortization of intangible assets and capitalized development costs in the accompanying consolidated statements of income.

## 12. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at December 31, 2021 and 2020 consisted of the following:

	As of December 31,	
	2021	2020
Accrued compensation and benefits	\$ 98,839	\$ 83,140
Accrued interest	45,123	53,630
Foreign currency and commodity forward contracts	5,591	19,627
Other accrued expenses and other current liabilities	145,392	119,964
Accrued expenses and other current liabilities	\$ 294,945	\$ 278,361

## 13. Pension and Other Post-Retirement Benefits

We provide various pension and other post-retirement benefit plans for current and former employees, including defined benefit, defined contribution, and retiree healthcare benefit plans. Refer to Note 2: *Significant Accounting Policies* for a detailed discussion of our accounting policies related to our pension and other post-retirement benefit plans.

### U.S. Benefit Plans

The principal retirement plans in the U.S. include a qualified defined benefit pension plan and a defined contribution plan. In addition, we provide post-retirement medical coverage and non-qualified benefits to certain employees.

#### *Defined Benefit Pension Plans*

The benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation.

TI closed the qualified defined benefit pension plan to participants hired after November 1997. In addition, participants eligible to retire under the TI plan as of April 26, 2006 were given the option of continuing to participate in the qualified defined benefit pension plan or retiring under the qualified defined benefit pension plan and thereafter participating in an enhanced defined contribution plan.

We intend to contribute amounts to the qualified defined benefit pension plan in order to meet the minimum funding requirements of federal laws and regulations, plus such additional amounts as we deem appropriate. During the year ended December 31, 2021, we contributed \$3.0 million to the qualified defined benefit pension plan. We do not expect to contribute to the qualified defined benefit pension plan in fiscal year 2022.

We also sponsor a non-qualified defined benefit pension plan, which is closed to new participants and is unfunded.

Effective January 31, 2012, we froze the defined benefit pension plans and eliminated future benefit accruals.

An Investment Committee is responsible for determining the overall investment decisions and target allocations of our defined benefit plans with the support of the plan trustees and investment advisors. The plan design is reviewed periodically by an Administration Committee to assess whether the plan is aligned with market practice. Should a plan be amended, the Administration Committee or the Board of Directors approves the plan amendment prior to implementation.

### **Defined Contribution Plan**

We have one defined contribution plan for U.S. employees, which provides for an employer matching contribution of up to 4% of the employee's annual eligible earnings. The aggregate expense related to the defined contribution plan was \$5.3 million and \$4.3 million for the years ended December 31, 2021 and 2020, respectively.

### **Retiree Healthcare Benefit Plan**

We offer access to group medical coverage during retirement to some of our U.S. employees. We make contributions toward the cost of those retiree medical benefits for certain retirees. The contribution rates are based upon varying factors, the most important of which are an employee's date of hire, date of retirement, years of service, and eligibility for Medicare benefits. The balance of the cost is borne by the participants in the plan. For the year ended December 31, 2021, we did not, and do not expect to, receive any amount of Medicare Part D Federal subsidy. Our projected benefit obligation at December 31, 2021 and 2020 did not include an assumption for a federal subsidy.

### **Non-U.S. Benefit Plans**

Retirement coverage for non-U.S. employees is provided through separate defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. We do not expect to contribute to the non-U.S. defined benefit plans during 2022.

Certain of our non-U.S. defined benefit plans have Works Councils or Investment Committees which are responsible for determining the overall investment decisions and target allocations with the support of the plan trustees and investment advisors. The plan design is reviewed periodically by the Works Counsel or Investment Committee to assess whether the plan is aligned with market practice. Should a plan be amended, the applicable Works Counsel or Investment Committee approves the plan amendment prior to implementation.

### **Impact on Financial Statements**

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31,							
	2021				2020			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Total	Defined Benefit	Retiree Healthcare	Defined Benefit	Total
Current service cost	\$ —	\$ 6	\$ 4,053	\$ 4,059	\$ —	\$ 10	\$ 3,522	\$ 3,532
Past service (credit)/cost	—	—	(1,378)	(1,378)	—	530	—	530
Net interest expense	93	77	1,191	1,361	40	155	111	1,306
Interest expense on effect of asset ceiling	—	—	—	—	37	—	—	37
Administrative costs	172	—	44	216	12	—	32	44
Net periodic benefit cost	\$ 265	\$ 83	\$ 3,910	4,258	89	695	4,665	5,449
Total U.S. defined contribution expense					5,314	—	—	4,325
Total expense					\$ 9,572			

The following table outlines the rollforward of the benefit obligation and plan assets for the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2021 and 2020:

	For the year ended December 31,					
	2021			2020		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
<b>Change in benefit obligation:</b>						
Beginning balance	\$ 36,268	\$ 5,047	\$ 88,312	\$ 45,548	\$ 5,588	\$ 74,172
Current service cost	—	6	4,053	—	10	3,522
Interest cost	544	77	1,623	866	155	1,466
Past service cost	—	—	(1,378)	—	530	—
Plan participants' contributions	—	655	43	—	696	35
Actuarial loss/(gain)	1,595	(863)	431	7,422	(1,213)	13,006
Benefits paid	(15,990)	(960)	(3,517)	(17,568)	(719)	(8,507)
Foreign currency remeasurement	—	—	(7,435)	—	—	4,618
Ending balance	\$ 22,417	\$ 3,962	\$ 82,132	\$ 36,268	\$ 5,047	\$ 88,312
<b>Change in plan assets:</b>						
Beginning balance	\$ 29,654	\$ —	\$ 48,473	\$ 44,870	\$ —	\$ 43,906
Interest income	430	—	432	826	—	355
Actual return on plan assets, excluding interest income	145	—	1,844	1,519	—	1,748
Employer contributions	7,084	305	3,572	19	23	7,714
Plan participants' contributions	—	655	43	—	696	35
Benefits paid	(15,990)	(960)	(3,517)	(17,568)	(719)	(8,507)
Administrative costs	(172)	—	(44)	(12)	—	(32)
Foreign currency remeasurement	—	—	(4,755)	—	—	3,254
Ending balance	\$ 21,151	\$ —	\$ 46,048	\$ 29,654	\$ —	\$ 48,473

The following table provides the detail of remeasurements recognized in other comprehensive income/(loss) for the years ended December 31, 2021 and 2020:

	For the year ended December 31,							
	2021			2020				
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans		
	Defined Benefit	Retiree Healthcare	Defined Benefit	Total	Defined Benefit	Retiree Healthcare	Defined Benefit	Total
<b>Actual return on plan assets, excluding interest income</b>								
Actual return on plan assets, excluding interest income	\$ 145	\$ —	\$ 1,844	\$ 1,989	\$ 1,519	\$ —	\$ 1,748	\$ 3,267
Experience adjustments	(2,606)	747	(706)	(2,565)	(4,362)	799	(8,726)	(12,289)
Changes in demographic assumptions	(14)	(15)	(736)	(765)	(374)	39	(643)	(978)
Changes in financial assumptions	1,025	131	1,011	2,167	(2,686)	375	(3,637)	(5,948)
Changes in the effect of asset ceiling limitation	—	—	—	—	2,825	—	—	2,825
Total remeasurements recognized in other comprehensive income/(loss) (gross of tax)	\$ (1,450)	\$ 863	\$ 1,413	826	\$ (3,078)	\$ 1,213	\$ (11,258)	(13,123)
Income tax benefit				80				4,195
Total remeasurements recognized in other comprehensive income/(loss) (net of tax)				\$ 906				\$ (8,928)

The following table shows the movement in unrecognized assets of the U.S. defined benefit plans for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Beginning balance	\$ —	\$ (2,788)
Limitation on interest income	—	(37)
Changes due to asset ceiling	—	2,825
Ending balance	\$ —	\$ —

The net funded status of our plan obligations at December 31, 2021 and 2020 is as follows:

	December 31, 2021				
	U.S. Plans			Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Total U.S. Plans	Defined Benefit	Total
<b>Benefit obligations</b>					
Funded plans	\$ (21,883)	\$ —	\$ (21,883)	\$ (52,924)	\$ (74,807)
Unfunded plans	(534)	(3,962)	(4,496)	(29,208)	(33,704)
Total benefit obligations	(22,417)	(3,962)	(26,379)	(82,132)	(108,511)
Fair value of plan assets	21,151	—	21,151	46,048	67,199
Net liability	<u>\$ (1,266)</u>	<u>\$ (3,962)</u>	<u>\$ (5,228)</u>	<u>\$ (36,084)</u>	<u>\$ (41,312)</u>

	December 31, 2020				
	U.S. Plans			Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Total U.S. Plans	Defined Benefit	Total
<b>Benefit obligations</b>					
Funded plans	\$ (32,513)	\$ —	\$ (32,513)	\$ (57,388)	\$ (89,901)
Unfunded plans	(3,755)	(5,047)	(8,802)	(30,924)	(39,726)
Total benefit obligations	(36,268)	(5,047)	(41,315)	(88,312)	(129,627)
Fair value of plan assets	29,654	—	29,654	48,473	78,127
Net liability	<u>\$ (6,614)</u>	<u>\$ (5,047)</u>	<u>\$ (11,661)</u>	<u>\$ (39,839)</u>	<u>\$ (51,500)</u>

The following table outlines the funded status amounts recognized in the consolidated statements of financial position at December 31, 2021 and 2020:

	As of December 31,					
	2021			2020		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
<b>Current liabilities</b>	(139)	(509)	(1,906)	(1,091)	(586)	(1,871)
Non-current liabilities	(1,127)	(3,453)	(34,178)	(5,523)	(4,461)	(38,018)
<b>Funded status</b>	<u>\$ (1,266)</u>	<u>\$ (3,962)</u>	<u>\$ (36,084)</u>	<u>\$ (6,614)</u>	<u>\$ (5,047)</u>	<u>\$ (39,839)</u>

## Assumptions and Investment Policies

Weighted-average assumptions used to calculate the projected benefit obligations of our defined benefit and retiree healthcare benefit plans at December 31, 2021 and 2020 are as follows:

	As of December 31,			
	2021		2020	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	2.30 %	2.40 %	1.65 %	1.80 %
Non-U.S. assumed discount rate	2.21 %	NA	1.97 %	NA
Non-U.S. average long-term pay progression	2.96 %	NA	2.93 %	NA

Weighted-average assumptions used to calculate the net periodic benefit cost of our defined benefit and retiree healthcare benefit plans for the years ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31,			
	2021		2020	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	2.04 %	1.80 %	2.60 %	2.80 %
Non-U.S. assumed discount rate	4.52 %	NA	5.53 %	NA
Non-U.S. average long-term pay progression	4.50 %	NA	4.83 %	NA

Assumed healthcare cost trend rates for the U.S. retiree healthcare benefit plan at December 31, 2021 and 2020 are as follows:

	As of December 31,	
	2021	2020
Assumed healthcare trend rate for next year:		
Attributed to less than age 65	5.80 %	6.00 %
Attributed to age 65 or greater	5.90 %	6.30 %
Ultimate trend rate	4.50 %	4.50 %
Year in which ultimate trend rate is reached:		
Attributed to less than age 65	2038	2038
Attributed to age 65 or greater	2038	2038

## Sensitivity Analysis

The discount rate used to calculate the defined benefit obligation has a significant effect on the amounts reported for our defined benefit and retiree healthcare benefit plans. A one percentage point change in the discount rate for the year ended December 31, 2021 would have the following effect on the defined benefit and retiree healthcare obligations:

	1 percentage point increase	1 percentage point decrease
U.S. defined benefit plans	\$ (908)	\$ 1,024
U.S. retiree healthcare plan	\$ (254)	\$ 293
Non-U.S. defined benefit plans	\$ (10,605)	\$ 12,933

The sensitivity analysis takes into consideration the movement in our defined benefit pension plans and retiree healthcare obligations of adjusting the actuarial assumptions by one percentage point as of December 31, 2021. In this process only one of the assumptions is adjusted at a time and the remaining parameters remain unchanged.

The weighted average duration of our defined benefit and retiree healthcare obligations as of December 31, 2021 is as follows:

	U.S. Plans	Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Defined Benefit
<i>Amounts below are expressed in years</i>			
As of December 31, 2021	3	7	14

The table below outlines the benefits expected to be paid to participants in each of the following years, taking into consideration expected future service, as appropriate. The majority of the payments will be paid from plan assets and not company assets.

	<u>Expected Benefit Payments</u>		
	U.S. Defined Benefit	U.S. Retiree Healthcare	Non-U.S. Defined Benefit
<b>For the year ended December 31,</b>			
2022	\$ 5,574	\$ 508	\$ 3,715
2023	\$ 3,514	\$ 433	\$ 3,516
2024	\$ 2,058	\$ 399	\$ 3,468
2025	\$ 2,382	\$ 376	\$ 3,960
2026	\$ 1,360	\$ 345	\$ 4,290
2027 - 2031	\$ 5,397	\$ 1,183	\$ 24,998

### Plan Assets

We hold assets for our defined benefit plans in the U.S., Japan, the Netherlands, and Belgium. Information about the assets for each of these plans is detailed below.

#### ***U.S. Plan Assets***

Our target asset allocation for the U.S. defined benefit plan is 83% fixed income and 17% equity securities. To arrive at the targeted asset allocation, we and our investment adviser reviewed market opportunities using historical data, as well as the actuarial valuation for the plan, to ensure that the levels of acceptable return and risk are well-defined and monitored.

The following table presents information about the plan's target and actual asset allocation, as of December 31, 2021:

	Target Allocation	Actual Allocation as of December 31, 2021
U.S. large cap equity	7 %	11 %
U.S. small / mid cap equity	2 %	3 %
Globally managed volatility fund	3 %	3 %
International (non-U.S.) equity	4 %	5 %
Fixed income (U.S. investment grade)	68 %	71 %
High-yield fixed income	2 %	2 %
International (non-U.S.) fixed income	1 %	1 %
Money market funds	13 %	4 %

The portfolio is monitored for automatic rebalancing on a monthly basis.

The following table presents information about the plan assets measured at fair value at December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
U.S. large cap equity	\$ 2,245	\$ 2,548
U.S. small / mid cap equity	627	706
Global managed volatility fund	715	826
International (non-U.S.) equity	1,051	1,362
Total equity mutual funds	4,638	5,442
Fixed income (U.S. investment grade)	15,090	20,801
High-yield fixed income	479	594
International (non-U.S.) fixed income	201	277
Total fixed income mutual funds	15,770	21,672
Money market funds	743	2,540
<b>Total plan assets</b>	<b>\$ 21,151</b>	<b>\$ 29,654</b>

All fair value measures presented above are categorized in Level 1 of the fair value hierarchy. Investments in mutual funds are based on the publicly-quoted final net asset values on the last business day of the year.

Permitted asset classes include U.S. and non-U.S. equity, U.S. and non-U.S. fixed income, cash, and cash equivalents. Fixed income includes both investment grade and non-investment grade. Permitted investment vehicles include mutual funds, individual securities, derivatives, and long-duration fixed income securities. While investments in individual securities, derivatives, long-duration fixed income securities, cash, and cash equivalents are permitted, the plan did not hold these types of investments as of December 31, 2021 or 2020.

Prohibited investments include direct investments in real estate, commodities, unregistered securities, uncovered options, currency exchange contracts, and natural resources (such as timber, oil, and gas).

#### ***Japan Plan Assets***

The target asset allocation of the Japan defined benefit plan is 50% fixed income securities, cash, and cash equivalents and 50% equity securities, with allowance for a 40% deviation in either direction. We, along with the trustee of the plan's assets, minimize investment risk by thoroughly assessing potential investments based on indicators of historical returns and current credit ratings. Additionally, investments are diversified by type and geography.

The following table presents information about the plan's target asset allocation, as well as the actual allocation, at December 31, 2021:

	Target Allocation	Actual Allocation as of December 31, 2021
Fixed income securities, cash, and cash equivalents	10%-90%	64 %
Equity securities	10%-90%	36 %

The following table presents information about the plan assets measured at fair value at December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
U.S. equity	\$ 3,477	\$ 2,736
International (non-U.S.) equity	8,220	6,724
Total equity securities	11,697	9,460
U.S. fixed income	2,616	3,091
International (non-U.S.) fixed income	8,803	11,142
Total fixed income securities	11,419	14,233
Cash and cash equivalents	9,782	9,793
<b>Total plan assets</b>	<b>\$ 32,898</b>	<b>\$ 33,486</b>

At December 31, 2021 and 2020, all fair value measures presented above are categorized in Level 1 of the fair value hierarchy, with the exception of U.S. fixed income securities of \$0.3 million as of December 31, 2020, which are categorized as Level 2. The fair values of equity and fixed income securities are based on publicly-quoted closing stock and bond values on the last business day of the year.

Permitted asset classes include equity securities that are traded on the official stock exchange(s) of the respective countries, fixed income securities with certain credit ratings, cash, and cash equivalents.

#### ***The Netherlands Plan Assets***

The assets of the Netherlands defined benefit plan are insurance policies with Nationale Nederlanden ("NN"). The contributions we make to the plan are used to purchase insurance policies that provide for specific benefit payments to plan participants. The benefit formula is determined independently by us. Upon retirement of an individual plan participant, the insurance contracts purchased are converted to provide specific benefits for the participant. The contributions paid by us are commingled with contributions paid to NN by other employers for investment purposes and to reduce plan administration costs. However, this defined benefit plan is not considered a multi-employer plan.

The following table presents information about the plan assets measured at fair value as of December 31, 2021 and 2020:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Insurance policies</b>	\$ 11,208	\$ 12,905

All fair value measures presented above are categorized in Level 3 of the fair value hierarchy. The following table presents a rollforward of these assets for the years ended December 31, 2021 and 2020:

	<b>Insurance Policies</b>
Balance as of December 31, 2019	\$ 10,472
Actual return on plan assets still held at reporting date	1,373
Purchases, sales, settlements, and exchange rate changes	1,060
Balance as of December 31, 2020	12,905
Actual return on plan assets still held at reporting date	(618)
Purchases, sales, settlements, and exchange rate changes	(1,079)
Balance as of December 31, 2021	\$ 11,208

The fair values of the insurance contracts are measured based on the future benefit payments that would be made by the insurance company to vested plan participants if we were to switch to another insurance company without actually surrendering our policy. In this case, the insurance company would guarantee to pay the vested benefits at retirement accrued under the plan based on current salaries and service to date (i.e., with no allowance for future salary increases or pension increases). The cash flows of the future benefit payments are discounted using the same discount rate that is applied to value the related defined benefit plan liability.

#### ***Belgium Plan Assets***

The assets of the Belgium defined benefit plan are insurance policies. As of December 31, 2021 and 2020 the fair values of these assets were \$1.6 million and \$1.5 million, respectively. These fair value measurements are categorized in level 3 of the fair value hierarchy.

## 14. Borrowings

Long-term borrowings, net and lease liabilities and other financing obligations as of December 31, 2021 and 2020 consisted of the following:

	Original Issuance (in millions)	Maturity Date	As of December 31,	
			2021	2020
Term Loan	\$ 990.1	September 20, 2026	\$ 451,465	\$ 456,096
4.875% Senior Notes	\$ 500.0	October 15, 2023	500,000	500,000
5.625% Senior Notes	\$ 100.0	November 1, 2024	400,000	400,000
5.0% Senior Notes	\$ 700.0	October 1, 2025	700,000	700,000
6.25% Senior Notes <sup>(1)</sup>	\$ 750.0	N/A <sup>(1)</sup>	—	750,000
4.375% Senior Notes	\$ 450.0	February 15, 2030	450,000	450,000
3.75% Senior Notes	\$ 750.0	February 15, 2031	750,000	750,000
4.0% Senior Notes	\$ 1,000.0	April 15, 2029	1,000,000	—
Less: discount, net of premium			(5,357)	(9,605)
Less: borrowing costs			(27,897)	(29,910)
Less: current portion			(4,630)	(754,630)
Long-term borrowings, net			\$ 4,213,581	\$ 3,211,951
Present value of lease liabilities and other financing obligations			\$ 76,370	\$ 85,931
Less: current portion			(13,474)	(14,102)
Present value of lease liabilities and other financing obligations, less current portion			\$ 62,896	\$ 71,829

<sup>(1)</sup> On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% senior notes due 2026 (the "6.25% Senior Notes").

There were no outstanding borrowings on the Revolving Credit Facility as of December 31, 2021 and 2020.

### Secured Credit Facility

The credit agreement governing our secured credit facility (as amended, the "Credit Agreement") provides for senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of a term loan facility (the "Term Loan"), the Revolving Credit Facility, and incremental availability (the "Accordion") under which additional secured credit facilities could be issued under certain circumstances.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries and secured by substantially all present and future property and assets of STBV and its guarantor subsidiaries.

The Credit Agreement provides that, if our senior secured net leverage ratio exceeds a specified level, we are required to use a portion of our excess cash flow, as defined in the Credit Agreement, generated by operating, investing, or financing activities to prepay the outstanding borrowings under the Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2021.

### Term Loan

The principal amount of the Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the Term Loan upon completion of the Tenth Amendment, with the balance due at maturity.

In accordance with the terms of the Credit Agreement, the Term Loan may, at our option, be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Credit Agreement), with each representing a different determination of interest rates. The interest rate margins for the Term Loan are fixed at, and as of December 31, 2021 were, 0.75% and 1.75% for Base Rate loans and Eurodollar Rate loans, respectively, subject to floors of 1.00% and 0.00% for Base Rate loans and Eurodollar Rate loans, respectively. As of December 31, 2021, we maintained the Term Loan as a Eurodollar Rate loan, which accrued interest at 1.87%.

### ***Revolving Credit Facility***

In accordance with the terms of the Credit Agreement, borrowings under the Revolving Credit Facility may, at our option, be maintained from time to time as Base Rate loans, Eurodollar Rate loans, or EURIBOR loans (each as defined in the Credit Agreement), with each representing a different determination of interest rates. The interest rate margins and letter of credit fees under the Revolving Credit Facility are as follows (each depending on our senior secured net leverage ratio): (i) the interest rate margin for Base Rate loans ranges from 0.00% to 0.50%; (ii) the interest rate margin for Eurodollar Rate and EURIBOR loans range from 1.00% to 1.50%; and (iii) the letter of credit fees range from 0.875% to 1.375%.

We are required to pay to our revolving credit lenders, on a quarterly basis, a commitment fee on the unused portion of the Revolving Credit Facility. The commitment fee ranges from 0.125% to 0.250%, depending on our senior secured net leverage ratios.

As of December 31, 2021, there was \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2021, no amounts had been drawn against these outstanding letters of credit. Availability under the Revolving Credit Facility may be borrowed, repaid, and re-borrowed to fund our working capital needs and for other general corporate purposes.

### **Fiscal Year 2021 Transactions**

#### ***6.25% Senior Notes Redemption***

On February 3, 2021, we announced that we intended to redeem in full the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026 in March 2021. On February 15, 2021, the “make-whole” premium with respect to the 6.25% Senior Notes expired. Accordingly, we reflected the 6.25% Senior Notes as a current liability on our consolidated statement of financial position as of December 31, 2020.

We redeemed the 6.25% Senior Notes on March 5, 2021 in accordance with the terms of the indenture under which the 6.25% Senior Notes were issued and the terms of the notice of redemption at a redemption price equal to 103.125% of the aggregate principal amount of the outstanding 6.25% Senior Notes, plus accrued and unpaid interest to (but not including) the redemption date. In addition to the \$750.0 million aggregate principal amount outstanding, at redemption we paid a premium of \$23.4 million and accrued interest of \$2.6 million.

#### ***4.0% Senior Notes***

On March 29, 2021, our indirect, wholly-owned subsidiary, Sensata Technologies B.V. (“STBV”), completed the issuance and sale of \$750.0 million aggregate principal amount of 4.0% senior notes due 2029 (the “4.0% Senior Notes”). The 4.0% Senior Notes were issued under an indenture dated as of March 29, 2021 among STBV, as issuer, The Bank of New York Mellon, as trustee (the “Trustee”), and our guarantor subsidiaries (the “Guarantors”) named therein (the “4.0% Senior Notes Indenture”).

The 4.0% Senior Notes bear interest at 4.0% per year and mature on April 15, 2029. Interest is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2021. The 4.0% Senior Notes are guaranteed by each of STBV’s wholly-owned subsidiaries that is a borrower or guarantor under the Senior Secured Credit Facilities of STBV’s wholly-owned subsidiary Sensata Technologies, Inc. (“STI”) and the issuer or a guarantor under our existing senior notes as follows: STBV’s \$500.0 million aggregate principal amount of 4.875% senior notes due 2023 (the “4.875% Senior Notes”), \$400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the “5.625% Senior Notes”), and \$700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the “5.0% Senior Notes”); and STI’s \$450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the “4.375% Senior Notes”) and \$750.0 million aggregate principal amount of 3.75% senior notes due 2031 (the “3.75% Senior Notes”).

On April 8, 2021, STBV completed the issuance and sale of an additional \$250.0 million in aggregate principal amount of 4.0% Senior Notes (the “Additional Notes”). The Additional Notes were priced at 100.75% and were issued pursuant to the 4.0% Senior Notes Indenture, as supplemented by the First Supplemental Indenture, dated as of April 8, 2021, among STBV, the Guarantors, and the Trustee. The Additional Notes are consolidated and form a single class with the \$750.0 million aggregate principal amount of 4.0% Senior Notes issued by STBV on March 29, 2021 (the “Initial Notes”). The Additional Notes have the same terms as the Initial Notes, other than with respect to the date of issuance and the issue price.

We intend to use the net proceeds from the issuance and sale of the 4.0% Senior Notes and the Additional Notes for general corporate purposes, which may include working capital, capital expenditures, the acquisition of other companies, businesses, or assets, strategic investments, the refinancing or repayment of indebtedness, and share repurchases.

#### Fiscal year 2020 transactions

On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we repaid these borrowings using a portion of the proceeds from issuance of the 3.75% Senior Notes, issued by our indirect, wholly-owned subsidiary, Sensata Technologies Inc. ("STI").

#### Senior Notes

We have various tranches of senior notes outstanding as of December 31, 2021 (the "Senior Notes"). Information regarding the Senior Notes is included in the following table. The Senior Notes were issued under indentures (the "Senior Notes Indentures") among the issuers listed in the table below, The Bank of New York Mellon, as trustee, and our guarantor subsidiaries named in the respective Senior Notes Indentures.

	4.875% Senior Notes	5.625% Senior Notes	5.0% Senior Notes	4.375% Senior Notes	3.75% Senior Notes	4.0% Senior Notes
Aggregate principal amount	\$ 500,000	\$ 400,000	\$ 700,000	\$ 450,000	\$ 750,000	\$ 1,000,000
Interest rate	4.875%	5.625%	5.0%	4.375%	3.75%	4.0%
Issuer	STBV	STBV	STBV	STI	STI	STBV
Issue date	April 2013	October 2014	March 2015	September 2019	August 2020	Various <sup>(1)</sup>
Interest due	April 15	May 1	April 1	February 15	February 15	April 15
Interest due	October 15	November 1	October 1	August 15	August 15	October 15
Maturity Date	October 2023	November 2024	October 2025	February 2030	February 2031	April 2029

<sup>(1)</sup> On March 29, 2021, we issued \$750.0 million of 4.0% Senior Notes that were priced at 100.00%. On April 8, 2021, we issued \$250.0 million of 4.0% Senior Notes that were priced at 100.75%.

#### Redemption

Except as described below with respect to the 3.75% Senior Notes, the 4.375% Senior Notes, and the 4.0% Senior Notes, at any time, and from time to time, we may optionally redeem the Senior Notes, in whole or in part, at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the date of redemption, plus a "make-whole premium" set forth in the relevant Senior Notes Indenture. The "make-whole" premium will not be payable with respect to any such redemption of the 4.375% Senior Notes on or after November 15, 2029.

The "make-whole" premium will not be payable with respect to any such redemption of the 3.75% Senior Notes on or after February 15, 2026; on or after such date, we may optionally redeem the 3.75% Senior Notes, in whole or in part, at the following prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, up to but excluding the redemption date:

Period beginning February 15,	Price
2026	101.875 %
2027	100.938 %
2028 and thereafter	100.000 %

The "make-whole" premium will not be payable with respect to any such redemption of the 4.0% Senior Notes on or after April 15, 2024; on or after such date, we may optionally redeem the 4.0% Senior Notes, in whole or in part, at the following prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, up to but excluding the redemption date:

Period beginning April 15,	Price
2024	102.000 %
2025	101.000 %
2026 and thereafter	100.000 %

In addition, at any time prior to April 15, 2024, STBV may redeem up to 40% of the principal amount of the outstanding 4.0% Senior Notes (including additional 4.0% Senior Notes, if any, that may be issued after March 29, 2021) with the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 104.00%, plus accrued and unpaid interest, if any, up to but excluding the redemption date, provided that at least 60% of the aggregate principal amount of the 4.0% Senior Notes (including additional 4.0% Senior Notes, if any) remains outstanding immediately after each such redemption.

Upon the occurrence of certain specific change in control events, we will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

If changes in certain tax laws or treaties, or any change in the official application, administration, or interpretation thereof, of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments of any of the Senior Notes or the guarantees thereof, we may, at our option, redeem the relevant Senior Notes in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, premium, if any, and all additional amounts (as described in the relevant Senior Notes Indenture), if any, then due and which will become due on the date of redemption.

#### ***Guarantees***

The obligations of the issuers of the Senior Notes are guaranteed by STBV and all of its subsidiaries (excluding the company that is the issuer of the relevant Senior Notes) that guarantee the obligations of STI under the Credit Agreement (after giving effect to the Guarantees Release pursuant to the Tenth Amendment). The Released Guarantors are not guarantors of the 3.75% Senior Notes or the 4.375% Senior Notes, and upon consummation of the Tenth Amendment, the guarantees of the Released Guarantors with respect to the other Senior Notes were released.

#### ***Events of Default***

The Senior Notes Indentures provide for events of default that include, among others, nonpayment of principal or interest when due, breach of covenants or other provisions in the relevant Senior Notes Indenture, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency, failure to pay certain judgments, and the cessation of the full force and effect of the guarantees of significant subsidiaries. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding Senior Notes issued under the relevant Senior Notes Indenture may declare the principal of, and accrued but unpaid interest on, all of the relevant Senior Notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the relevant Senior Notes Indenture.

#### **Restrictions and Covenants**

As of December 31, 2021, STBV and all of its subsidiaries were subject to certain restrictive covenants under the Credit Agreement and the Senior Notes Indentures. Under certain circumstances, STBV is permitted to designate a subsidiary as "unrestricted," for purposes of the Credit Agreement, in which case the restrictive covenants thereunder will not apply to that subsidiary: the Senior Notes Indentures do not contain such a permission. STBV has not designated any subsidiaries as unrestricted. The net assets of STBV subject to these restrictions (based on U.S. GAAP) totaled \$3.0 billion at December 31, 2021.

#### ***Credit Agreement***

The Credit Agreement contains non-financial covenants (subject to important exceptions and qualifications set forth in the Credit Agreement) that limit our ability to, among other things:

- incur indebtedness or liens, prepay subordinated borrowings, or amend the terms of our subordinated borrowings;
- make loans and investments (including acquisitions), or sell assets;
- change our business or accounting policies, merge, consolidate, dissolve or liquidate, or amend the terms of our organizational documents;
- enter into affiliate transactions;
- pay dividends and make other restricted payments; or
- enter into certain burdensome contractual obligations.

In addition, under the Credit Agreement, STBV and its subsidiaries are required to maintain a senior secured net leverage ratio not to exceed 5.0:1.0 at the conclusion of certain periods when outstanding loans and letters of credit that are not cash collateralized for the full face amount thereof exceed 20% of the commitments under the Revolving Credit Facility.

#### ***Senior Notes Indentures***

The Senior Notes Indentures contain restrictive covenants (subject to important exceptions and qualifications set forth in the Senior Notes Indentures) that limit the ability of STBV and its subsidiaries to, among other things:

- incur liens;
- incur or guarantee indebtedness without guaranteeing the Senior Notes;
- engage in sale and leaseback transactions; or
- effect mergers or consolidations, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the assets of STBV and its subsidiaries.

Certain of these covenants will be suspended if the Senior Notes are assigned an investment grade rating by Standard & Poor's Rating Services or Moody's Investors Service, Inc. and provided no default has occurred and is continuing at such time. The suspended covenants will be reinstated if the Senior Notes are no longer assigned an investment grade rating by either rating agency or an event of default has occurred and is continuing at such time. As of December 31, 2021, none of the Senior Notes were assigned an investment grade rating by either rating agency.

#### ***Restrictions on Payment of Dividends***

STBV's subsidiaries are generally not restricted in their ability to pay dividends or otherwise distribute funds to STBV, except for restrictions imposed under applicable corporate law.

STBV, however, is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately, to Sensata plc, under the Credit Agreement. Specifically, the Credit Agreement prohibits STBV from paying dividends or making distributions to its parent companies except for purposes that include, but are not limited to, the following:

- customary and reasonable operating expenses, legal and accounting fees and expenses, and overhead of such parent companies incurred in the ordinary course of business, provided that such amounts, in the aggregate, do not exceed \$20.0 million in any fiscal year;
- dividends and other distributions in an aggregate amount not to exceed \$200.0 million plus certain amounts, including the retained portion of excess cash flow, but only insofar as no default or event of default exists and the senior secured net leverage ratio is less than 2.0:1.0 calculated on a pro forma basis;
- so long as no default or an event of default exists, dividends and other distributions in an aggregate amount not to exceed \$50.0 million in any calendar year (with the unused portion in any year being carried over to succeeding years) plus unlimited additional amounts but only insofar as the senior secured net leverage ratio is less than 2.5:1.0 calculated on a pro forma basis; and
- other dividends and other distributions in an aggregate amount not to exceed \$150.0 million, so long as no default or event of default exists.

The Senior Notes Indentures generally allow STBV to pay dividends and make other distributions to its parent companies.

#### ***Compliance with Financial and Non-Financial Covenants***

We were in compliance with all of the financial and non-financial covenants and default provisions associated with our indebtedness as of December 31, 2021 and for the fiscal year then ended.

#### ***Accounting for Borrowings and Borrowing Costs***

In the year ended December 31, 2021, in connection with the early redemption of the 6.25% Senior Notes, we recognized a loss of \$30.1 million, which primarily reflects payment of \$23.4 million for the early redemption premium, with the remaining loss representing write-off of debt discounts and deferred financing costs. In addition, in connection with the issuance of the 4.0% Senior Notes, we recognized \$9.6 million of deferred financing costs, which are presented as a reduction

of long-term borrowings on our consolidated statements of financial position and \$1.7 million of issuance premiums, which are presented as an addition to long-term borrowings on our consolidated statements of financial position.

In the year ended December 31, 2020, in connection with the entry into the 3.75% Senior Notes, we incurred \$8.4 million of creditor fees and related third-party costs, which were recorded as an adjustment to the carrying amount of long-term borrowings on our consolidated statements of financial position.

Amortization of borrowing costs is included as a component of interest expense, net, in the consolidated statements of income and amounted to \$7.3 million for each of the years ended December 31, 2021 and 2020.

Refer to *Note 2: Significant Accounting Policies* for discussion of our accounting policies regarding borrowing costs

#### **Lease liabilities and other financing obligations**

Refer to *Note 17: Leases* for additional information related to our leases.

#### **Maturities**

The aggregate principal amount of each tranche of our Senior Notes is due in full at its maturity date. The Term Loan must be repaid in full on or prior to its final maturity date. Loans made pursuant to the Revolving Credit Facility must be repaid in full at its maturity date and can be repaid prior to then at par. All letters of credit issued thereunder will terminate at the final maturity of the Revolving Credit Facility unless cash collateralized prior to such time.

The following table presents the remaining mandatory principal repayments of long-term borrowings, excluding lease payments, other financing obligations, and discretionary repurchases of borrowings, in each of the years ended December 31, 2022 through 2026 and thereafter, in accordance with the required payment schedule.

For the year ended December 31,	Aggregate Maturities
2022	\$ 4,630
2023	504,630
2024	404,630
2025	704,631
2026	432,944
Thereafter	2,200,000
Total long-term principal payments	<u>\$ 4,251,465</u>

## **15. Commitments, Contingencies, and Provisions**

#### **Commitments**

##### *Non-cancellable purchase agreements*

Non-cancellable purchase agreements exist with various suppliers, primarily for services such as information technology ("IT") support. The terms of these agreements are fixed and determinable. As of December 31, 2021, we had the following purchase commitments, presented by expected payment dates:

For the year ending December 31,	Purchase Commitments
2022	\$ 46,233
2023	16,505
2024	1,473
2025	181
2026	124
2027 and thereafter	96
Total purchase commitments	<u>\$ 64,612</u>

### ***Off-Balance Sheet Commitments***

From time to time, we execute contracts that require us to indemnify the other parties to the contracts. These indemnification obligations generally arise in two contexts. First, in connection with certain transactions, such as the divestiture of a business or the issuance of debt or equity securities, the agreement typically contains standard provisions requiring us to indemnify the purchaser against breaches by us of representations and warranties contained in the agreement. These indemnities are generally subject to time and liability limitations. Second, we enter into agreements in the ordinary course of business, such as customer contracts, that might contain indemnification provisions relating to product quality, intellectual property infringement, governmental regulations and employment related matters, and other typical indemnities. In certain cases, indemnification obligations arise by law.

We believe that our indemnification obligations are consistent with other companies in the markets in which we compete. Performance under any of these indemnification obligations would generally be triggered by a breach of the terms of the contract or by a third-party claim. Historically, we have experienced only immaterial and irregular losses associated with these indemnifications. Consequently, any future liabilities brought about by these indemnifications cannot reasonably be estimated or accrued.

### ***Indemnifications Provided as Part of Contracts and Agreements***

We are party to the following types of agreements pursuant to which we may be obligated to indemnify a third party with respect to certain matters.

***Officers and Directors:*** Our Articles of Association (the "Articles") provide for indemnification of directors and officers by us to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities, including all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. The Articles do not provide a limit to the maximum future payments, if any, under the indemnification. No indemnification is provided for in respect of any claim, issue, or matter as to which such person has been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty on our behalf.

In addition, we have a liability insurance policy that insures directors and officers against the cost of defense, settlement, or payment of claims and judgments under some circumstances. Certain indemnification payments may not be covered under our directors' and officers' insurance coverage.

***Initial Purchasers of Senior Notes:*** Pursuant to the terms of the purchase agreements entered into in connection with our private placement senior note offerings, we are obligated to indemnify the initial purchasers of the Senior Notes against certain liabilities caused by any untrue statement or alleged untrue statement of a material fact in various documents relied upon by such initial purchasers, or to contribute to payments the initial purchasers may be required to make in respect thereof. The purchase agreements do not provide a limit to the maximum future payments, if any, under these indemnifications.

***Intellectual Property and Product Liability Indemnification:*** We routinely sell products with a limited intellectual property and product liability indemnification included in the terms of sale. Historically, we have had only immaterial and irregular losses associated with these indemnifications. Consequently, any future liabilities resulting from these indemnifications cannot reasonably be estimated or accrued.

***Guarantee of liabilities of subsidiaries:*** Sensata plc has guaranteed the liabilities of the following subsidiaries in order that they may qualify for the exemption from audit under section 479A of the U.K. Companies Act of 2006 for the year ended December 31, 2021:

- |  |                              |
|--|------------------------------|
| • Wabash Technologies Limited                  | (Registered number 06342700) |
| • Sensata Technologies Holding Company UK      | (Registered number 05988295) |
| • Sensata Technologies Limited                 | (Registered number 00644436) |
| • Sensata Technologies (Europe) Limited        | (Registered number 04936262) |
| • Sensata Technologies Intermediate UK Limited | (Registered number 11252672) |
| • Crydom SSR Limited                           | (Registered number 05602150) |
| • Newall Measurement Systems Limited           | (Registered number 05199004) |
| • ST Schrader Holding Company UK Limited       | (Registered number 09231290) |

- August UK HoldCo Limited (Registered number 08002561)
- Custom Sensors & Technologies Newco Ltd. (Registered number 09851763)
- Cynergy3 Components Limited (Registered number 03049081)
- Impress Sensors & Systems Limited (Registered number 04346738)
- Industrial Interface Limited (Registered number 05563003)
- Cynergy3 Limited (Registered number 09353024)
- Cynergy3 Components Fab Limited (Registered number 04464544)
- SmartWitness EMEA Limited (Registered number 10284027)
- Cynergy3 Property Ltd. (Registered number 09719349)

### **Provisions**

Provisions consist of liabilities of uncertain timing or amounts that arise from litigation, restructuring plans, pension and other post-retirement obligations, and product warranty costs. A rollforward of our provisions for the year ended December 31, 2021 is as follows:

	Provisions	
	Current	Non-current
Balance as of December 31, 2020	\$ 34,286	\$ 48,002
Charges, net of reversals	36,790	2,496
Payments	(32,204)	(9,060)
Foreign currency remeasurement	554	(2,680)
Balance as of December 31, 2021	<u>\$ 39,426</u>	<u>\$ 38,758</u>

### **Restructuring Plans**

Refer to *Note 5: Restructuring and Other Charges, Net* for a description of our restructuring charges and the related provisions.

### **Pension and Other Post-Retirement Obligations**

Refer to *Note 13: Pension and Other Post-Retirement Benefits* for a description of our pension plans and the related provisions.

### **Product Warranty Liabilities**

Refer to *Note 3: Revenue Recognition* for a description of warranties we provide to customers.

In the event a warranty claim based on defective materials exists, we may be able to recover some of the cost of the claim from the vendor from whom the materials were purchased. Our ability to recover some of the costs will depend on the terms and conditions to which we agreed when the materials were purchased. Recognition of such reimbursements only occurs when such reimbursement is virtually certain. When a warranty claim is made, the only collateral available to us is the return of the inventory from the customer making the warranty claim. Historically, when customers make a warranty claim, we either replace the product or provide the customer with a credit. We generally do not rework the returned product.

Our policy is to record a provision for warranty claims when a loss is both probable and estimable. This is accomplished by recording a provision for estimated returns and estimated costs to replace the product at the time the related revenue is recognized. Liabilities for warranty claims have historically not been material. In some instances, customers may make claims for costs they incurred or other damages related to a claim.

### **Contingencies**

#### ***Environmental Remediation Liabilities***

Our operations and facilities are subject to U.S. and non-U.S. laws and regulations governing the protection of the environment and our employees, including those governing air emissions, chemical usage, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines, civil or criminal sanctions, or third-party property damage or personal injury claims, in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at our facilities. Potentially significant expenditures could be required in order to comply with environmental laws that may be

adopted or imposed in the future. We are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations.

#### ***Legal Proceedings and Claims***

We are regularly involved in a number of claims and litigation matters that arise in the ordinary course of business. Although it is not feasible to predict the outcome of these matters, based upon our experience and current information known to us, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our results of operations, financial position, and/or cash flows.

Provisions are generally recorded for probable and estimable losses at our best estimate of a loss. These estimates are often developed prior to knowing the amount of the ultimate loss, require the application of considerable judgment, and are refined each accounting period as additional information becomes known. Accordingly, we are often initially unable to develop a best estimate of loss and therefore the midpoint of our estimate of a range of loss is recorded. As information becomes known, either the range is revised, resulting in a change to the midpoint at which the accrual is recorded, or a best estimate is made. A best estimate amount may be changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected.

#### ***Pending Litigation and Claims:***

There are no material pending litigation or claims outstanding as of December 31, 2021.

### **16. Shareholders' Equity**

Components of equity include ordinary shares, treasury shares, additional paid-in capital (share premium), retained earnings, and cash flow hedging reserves. We issue share-based compensation to eligible directors, officers, and employees as described in *Note 4: Share-Based Payment Plans*. We repurchase ordinary shares, which are reflected in treasury shares as described below. We do not have a history of paying dividends on our ordinary shares. We are only able to execute share repurchases and payments of dividends to the extent that we have available distributable reserves. In the year ended December 31, 2021, we complied with this requirement.

#### **Treasury Shares**

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the AGM. The authorized amount of our various share repurchase programs may be modified or terminated by our Board of Directors at any time. Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated statements of financial position, resulting in a reduction of shareholders' equity.

In July 2019 our Board of Directors authorized a \$500.0 million share repurchase program (the "July 2019 Program"). On April 2, 2020, we announced a temporary suspension of the July 2019 Program. At the time of this announcement, approximately \$302.3 million remained available under this program. We resumed repurchasing shares under the July 2019 Program in November 2021, and for the year ended December 31, 2021, we repurchased approximately 0.8 million ordinary shares (nominal value of approximately €8 thousand) for \$47.8 million (weighted-average price of \$59.28). This represented less than 1% of the total number and nominal value of our ordinary shares issued at December 31, 2021. As of December 31, 2021, approximately \$254.5 million remained available under the July 2019 Program.

On January 20, 2022, we announced that our Board of Directors had authorized a new ordinary share repurchase program of \$500.0 million (the "January 2022 Program"), which replaces the July 2019 Program. Sensata's shareholders have previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program.

### Cash Flow Hedging Reserves

Cash flow hedging reserves were as follows:

	Cash Flow Hedge
Balance as of December 31, 2019	\$ 17,191
Pre-tax current period change	(31,114)
Tax effect	7,835
Balance as of December 31, 2020	(6,088)
Pre-tax current period change	31,671
Tax effect	(8,107)
Balance as of December 31, 2021	\$ 17,476

### 17. Leases

We occupy leased facilities with initial terms ranging up to 20 years. The lease agreements frequently include options to renew for additional periods or to purchase the leased assets and generally require that we pay taxes, insurance, and maintenance costs. We also lease certain vehicles and equipment.

We have elected to account for leases with a term of one year or less (short-term leases) and those for which the underlying asset value is low using a method similar to the operating lease model under IAS 17 (i.e. they are not recorded on the consolidated statements of financial position).

The table below presents the amounts recognized and location of recognition in our consolidated statements of financial position as of December 31, 2021 and 2020 related to our leases:

	December 31, 2021	December 31, 2020
<b>Lease right-of-use assets:</b>		
Property, plant and equipment, at cost	\$ 133,326	\$ 126,586
Accumulated depreciation	(69,683)	(54,710)
Property, plant and equipment, net	\$ 63,643	\$ 71,876
<b>Lease liabilities:</b>		
Current portion of long-term borrowings, lease liabilities and other financing obligations	\$ 13,474	\$ 13,930
Lease liabilities and other financing obligations, less current portion	62,896	71,829
Total lease liabilities	<u>\$ 76,370</u>	<u>\$ 85,759</u>

The consolidated statements of income include separate recognition of interest on the lease liability and amortization of the right-of-use asset. The table below presents our total lease cost for the years ended December 31, 2021 and 2020 (short-term lease cost and low-value lease cost was not material for the years ended December 31, 2021 and 2020):

	For the year ended	
	December 31, 2021	December 31, 2020
Amortization of right-of-use assets	\$ 14,973	\$ 16,270
Interest on lease liabilities	6,428	6,780
Total lease cost	<u>\$ 21,401</u>	<u>\$ 23,050</u>

Cash flows from operating activities include interest on lease liabilities. Cash flows from financing activities include repayments of the principal portion of lease liabilities. The table below presents the cash paid related to our leases for the years ended December 31, 2021 and 2020:

	For the year ended	
	December 31, 2021	December 31, 2020
Operating cash flows from leases	\$ 845	\$ 1,813
Financing cash flows from leases	17,506	17,882

The table below presents a maturity analysis of the obligations related to our lease liabilities in effect as of December 31, 2021, in accordance with the required payment schedule, including principal and interest. Certain leases were assumed to extend beyond their current terms because it was probable that such an extension would occur:

Year ending December 31,	
2022	\$ 18,037
2023	14,097
2024	12,623
2025	9,740
2026	7,742
Thereafter	43,972
Total undiscounted cash flows related to lease liabilities	106,211
Less imputed interest	(29,841)
Total lease liabilities	\$ 76,370.

## 18. Fair Value Measures

A reporting entity's credit risk is a component of the non-performance risk associated with its obligation and, therefore, should be considered in measuring the fair value of its liabilities. Our assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The levels of the fair value hierarchy are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

### Measured on a Recurring Basis

The fair values of our derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020 are as shown in the below table. All fair value measures presented are categorized in Level 2 of the fair value hierarchy.

	As of December 31,	
	2021	2020
<b>Assets measured at fair value:</b>		
Foreign currency forward contracts	\$ 25,112	\$ 16,163
Commodity forward contracts	2,979	8,902
Equity investments without a readily determinable fair value <sup>(1)</sup>	65,000	65,000
Other equity investments	16,915	9,111
Debt investments	4,348	4,347
Assets measured at fair value	\$ 114,354	\$ 103,523
<b>Liabilities measured at fair value:</b>		
Foreign currency forward contracts	\$ 3,073	\$ 24,660
Commodity forward contracts	4,492	310
Total liabilities measured at fair value	\$ 7,565	\$ 24,970

<sup>(1)</sup> Includes a \$50.0 million in Quanergy Systems, Inc. ("Quanergy"). On June 22, 2021, Quanergy Systems, Inc. ("Quanergy") announced that it had entered into a definitive business combination agreement with CITIC Capital Acquisition Corp ("CITIC") (NYSE: CCAC). On July 16, 2021, CITIC filed a Registration Statement on Form S-4 with the U.S. Securities and Exchange Commission (the "SEC"), the effectiveness of which was a condition to closing of the

business combination. At December 31, 2021, we assessed our investment in Quanergy based on the proposed terms of the business combination agreement and concluded that there were no indicators of impairment. On January 6, 2022, the related Registration Statement on Form S-4 was declared effective by the SEC. An Extraordinary General Meeting of shareholders of CITIC was held on January 31, 2022 at which time the business combination was approved. The business combination closed on February 8, 2022. Beginning on February 9, 2022, the combined company, which retained the name "Quanergy Systems, Inc.," was listed on the NYSE under the ticker symbol QNGY. Accordingly, we will begin marking our investment in Quanergy to market each period.

Refer to *Note 2: Significant Accounting Policies* for a discussion of the methods used to estimate the fair value of our financial instruments and *Note 19: Derivative Instruments and Hedging Activities* for specific contractual terms used as inputs in determining the fair value measurements of our derivative instruments and a discussion of the nature of the risks that these derivative instruments are intended to mitigate.

Although we have determined that the majority of the inputs used to value our derivative instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own non-performance risk and the respective counterparties' non-performance risk in the fair value measurement. As of December 31, 2021 and 2020, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivatives in their entirety are classified in Level 2 in the fair value hierarchy.

#### **Measured on a Nonrecurring Basis**

In early 2021, we reorganized our Sensing Solutions operating segment, which resulted in realignment of our CGUs. As a result of this reorganization, the portion of our Electrical Protection CGU that includes high-voltage contactors, along with Lithium Balance, a business acquired in early 2021, was moved to a new CGU, Clean Energy Solutions. The remaining businesses included in our Electrical Protection CGU were not affected. This reorganization had no impact on our other CGUs. Accordingly, as of October 1, 2021, we had nine CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions. We evaluated our goodwill and other indefinite-lived intangible assets for impairment before and after the reorganization and determined that they were not impaired. We evaluated our goodwill and other indefinite-lived intangible assets for impairment as of October 1, 2021. Based on these analyses, we determined that they were not impaired.

With the acquisition of SmartWitness in the fourth quarter of 2021, we formed Sensata Insights, a business unit organized under the HVOR operating segment, to drive growth of our smart and connected offerings to the transportation market, including both those developed organically and through the acquisition of Xirgo and SmartWitness. We concluded that Sensata Insights was a separate CGU from HVOR. Accordingly, as of December 31, 2021, we had ten CGUs: Automotive, HVOR, Sensata Insights, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions.

We concluded that these reorganizations have not impacted our reportable or operating segment evaluations. We reassigned assets and liabilities, including goodwill, to these new CGUs. We evaluated our goodwill and other indefinite-lived intangible assets for impairment before and after the reorganization and formation of these CGUs and determined that they were not impaired. Refer to *Note 29: Acquisitions* for additional information related to these acquisitions.

When determining fair value, the recoverable amount of our CGUs is determined primarily using discounted cash flow models that incorporate assumptions for a CGU's short- and long-term revenue growth rates, operating margins and discount rates, which represent our best estimates of current and forecasted market conditions, current cost structure, and the implied rate of return that management believes a market participant would require for an investment in a company having similar risks and business characteristics to the CGU being assessed. We perform a similar analysis to determine whether our indefinite-lived intangible assets are recoverable.

### **Financial Instruments Not Measured at Fair Value**

The following table presents the carrying values and fair values of financial instruments not measured at fair value in the consolidated statements of financial position as of December 31, 2021 and 2020. All fair value measures presented are categorized within Level 2 of the fair value hierarchy.

	As of December 31,			
	2021		2020	
	Carrying Value <sup>(1)</sup>	Fair Value	Carrying Value <sup>(1)</sup>	Fair Value
Term Loan	\$ 451,465	\$ 450,901	\$ 456,096	\$ 454,955
4.875% Senior Notes	\$ 500,000	\$ 526,250	\$ 500,000	\$ 538,750
5.625% Senior Notes	\$ 400,000	\$ 438,000	\$ 400,000	\$ 448,000
5.0% Senior Notes	\$ 700,000	\$ 759,500	\$ 700,000	\$ 777,000
6.25% Senior Notes	\$ —	\$ —	\$ 750,000	\$ 778,125
4.375% Senior Notes	\$ 450,000	\$ 479,250	\$ 450,000	\$ 487,125
3.75% Senior Notes	\$ 750,000	\$ 747,188	\$ 750,000	\$ 776,250
4.0% Senior Notes	\$ 1,000,000	\$ 1,022,500	\$ —	\$ —

<sup>(1)</sup> Excluding any related debt discounts, premiums, and borrowing costs.

The fair values of the Term Loan and the Senior Notes are determined primarily using observable prices in markets where these instruments are generally not traded on a daily basis. Cash and cash equivalents, trade receivables, and trade payables are carried at cost, which approximates fair value because of their short-term nature.

### **19. Derivative Instruments and Hedging Activities**

We utilize derivative instruments that are designated and qualify as hedges of the exposure to variability in expected future cash flows. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on these hedging instruments with the earnings effect of the hedged forecasted transactions. We may enter into other derivative contracts that are intended to economically hedge certain risks, even though we elect not to apply hedge accounting. Derivative financial instruments not designated as hedges are used to manage our exposure to certain risks, not for trading or speculative purposes. Refer to Note 2: *Significant Accounting Policies* for additional information related to the valuation techniques and accounting policies regarding derivative instruments and hedging activities.

#### **Foreign Currency Risk**

We are exposed to fluctuations in various foreign currencies against our functional currency, the U.S. dollar. We enter into forward contracts for certain of these foreign currencies to manage this exposure. We currently have outstanding foreign currency forward contracts that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing costs. We also have outstanding foreign currency forward contracts that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities, which are not designated for hedge accounting treatment.

For each of the years ended December 31, 2021 and 2020, amounts excluded from the assessment of effectiveness of our foreign currency forward agreements that are designated as cash flow hedges were not material. As of December 31, 2021, we estimate that \$20.2 million in net gains will be reclassified from cash flow hedging reserves to earnings during the twelve-month period ending December 31, 2022.

As of December 31, 2021, we had the following outstanding foreign currency forward contracts:

<b>Notional (in millions)</b>	<b>Effective Date</b>	<b>Maturity Date</b>	<b>Index</b>	<b>Weighted-Average Strike Rate</b>	<b>Hedge Designation <sup>(i)</sup></b>
25.0 EUR	December 27, 2021	January 31, 2022	Euro to U.S. Dollar Exchange Rate	1.13 USD	Not designated
371.2 EUR	Various from February 2020 to December 2021	Various from January 2022 to December 2023	Euro to U.S. Dollar Exchange Rate	1.19 USD	Cash flow hedge
1,020.0 CNY	December 27, 2021	January 28, 2022	U.S. Dollar to Chinese Renminbi Exchange Rate	6.39 CNY	Not designated
255.6 CNY	October 21, 2021	Various from January to December 2022	U.S. Dollar to Chinese Renminbi Exchange Rate	6.54 CNY	Cash flow hedge
530.0 JPY	December 27, 2021	January 31, 2022	U.S. Dollar to Japanese Yen Exchange Rate	114.71 JPY	Not designated
22,033.3 KRW	Various from February 2020 to December 2021	Various from January 2022 to November 2023	U.S. Dollar to Korean Won Exchange Rate	1,158.60 KRW	Cash flow hedge
270.0 MYR	December 27, 2021	January 31, 2022	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.19 MYR	Not designated
393.0 MXN	December 27, 2021	January 31, 2022	U.S. Dollar to Mexican Peso Exchange Rate	20.75 MXN	Not designated
3,332.5 MXN	Various from February 2020 to December 2021	Various from January 2022 to December 2023	U.S. Dollar to Mexican Peso Exchange Rate	22.29 MXN	Cash flow hedge
1.0 GBP	December 27, 2021	January 31, 2022	British Pound Sterling to U.S. Dollar Exchange Rate	1.34 USD	Not designated
56.5 GBP	Various from February 2020 to December 2021	Various from January 2022 to December 2023	British Pound Sterling to U.S. Dollar Exchange Rate	1.35 USD	Cash flow hedge

<sup>(i)</sup> Derivative financial instruments not designated as hedges are used to manage our exposure to currency exchange rate risk. They are intended to preserve the economic value and not for trading or speculative purposes.

### Commodity Risk

We enter into commodity forward contracts in order to limit our exposure to variability in raw material costs that is caused by movements in the price of underlying metals. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These instruments are not designated for hedge accounting treatment.

As of December 31, 2021, we had the following outstanding commodity forward contracts:

	<b>Notional</b>	<b>Remaining Contracted Periods</b>	<b>Weighted-Average Strike Price Per Unit</b>
Silver	1,226,350 troy oz.	January 2022- December 2023	\$ 24.62
Gold	9,431 troy oz.	January 2022- December 2023	\$ 1,826.83
Nickel	262,706 pounds	January 2022- December 2023	\$ 8.25
Aluminum	3,906,813 pounds	January 2022- December 2023	\$ 1.11
Copper	6,705,953 pounds	January 2022- December 2023	\$ 4.20
Platinum	12,791 troy oz.	January 2022- December 2023	\$ 1,034.81
Palladium	1,621 troy oz.	January 2022- December 2023	\$ 2,378.28

## Financial Instrument Presentation

The following table presents the fair values of our derivative financial instruments and their classification in the consolidated statements of financial position as of December 31, 2021 and 2020:

Statement of Financial Position Location	Asset Derivatives		Liability Derivatives	
	As of December 31, 2021	2020	As of December 31, 2021	2020
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 20,562	\$ 11,281	Accrued expenses and other current liabilities
Foreign currency forward contracts	Other assets	4,391	4,728	Other long-term liabilities
Total		\$ 24,953	\$ 16,009	\$ 2,885 \$ 24,016
<b>Derivatives not designated as hedging instruments:</b>				
Commodity forward contracts	Prepaid expenses and other current assets	\$ 2,583	\$ 7,598	Accrued expenses and other current liabilities
Commodity forward contracts	Other assets	396	1,304	Other long-term liabilities
Foreign currency forward contracts	Prepaid expenses and other current assets	159	154	Accrued expenses and other current liabilities
Total		\$ 3,138	\$ 9,056	\$ 4,680 \$ 954

These fair value measurements are all categorized within Level 2 of the fair value hierarchy. Refer to *Note 18: Fair Value Measures* for further discussion regarding the categorization of these fair value measurements within the fair value hierarchy.

The following tables present the effect of our derivative financial instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

Derivatives designated as hedging instruments	Amount of Deferred Gain/(Loss) Recognized in Other Comprehensive Income/(Loss)		Location of Net (Loss)/Gain Reclassified from Cash Flow Hedging Reserves into Net Income	Amount of Net (Loss)/Gain Reclassified from Cash Flow Hedging Reserves into Net Income		
	For the year ended December 31,			For the year ended December 31,		
	2021	2020		2021	2020	
Foreign currency forward contracts	\$ 32,698	(25,866)	Net revenue	\$ (9,281)	10,785	
Foreign currency forward contracts	\$ (601)	2,140	Cost of revenue	\$ 9,707	(3,397)	
<b>Derivatives not designated as hedging instruments</b>						
Derivatives not designated as hedging instruments	Amount of (Loss)/Gain Recognized in Net Income		Location of (Loss)/Gain			
	For the year ended December 31,			For the year ended December 31,		
	2021	2020		2021	2020	
Commodity forward contracts	\$ (2,967)	\$ 10,027	Other, net			
Foreign currency forward contracts	\$ (7,553)	\$ (6,762)		Other, net		

## Credit risk related contingent features

We have agreements with certain of our derivative counterparties that contain a provision whereby if we default on our indebtedness, and where repayment of the indebtedness has been accelerated by the lender, then we could also be declared in default on our derivative obligations.

As of December 31, 2021, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was \$7.7 million. As of December 31, 2021, we have not posted any cash collateral related to these agreements. If we breach any of the default provisions on any of our indebtedness as described above, we could be required to settle our obligations under the derivative agreements at their termination values.

## 20. Segment Reporting

We present financial information for two reportable segments, Performance Sensing and Sensing Solutions. The Performance Sensing reportable segment consists of two operating segments, Automotive and HVOR, each of which meet the criteria for aggregation in IFRS 8 *Operating Segments*. The Sensing Solutions reportable segment is also an operating segment. Our operating segments are businesses that we manage as components of an enterprise, for which separate financial information is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on segment operating income, which excludes amortization of intangible assets, restructuring and other charges, net, certain costs associated with our strategic megatrend initiatives, and certain corporate costs or credits not associated with the operations of the segment, including share-based compensation expense and a portion of depreciation expense associated with assets recognized in connection with acquisitions. Corporate and other costs excluded from an operating (and reportable) segment's performance are separately stated below and also include costs that are related to functional areas such as finance, information technology, legal, and human resources. We believe that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, and not as a substitute for, or superior to, operating income or other measures of financial performance prepared in accordance with IFRS. The accounting policies of each of our operating and reportable segments are materially consistent with those described in *Note 2: Significant Accounting Policies*.

The Performance Sensing segment serves the automotive and HVOR industries through development and manufacture of sensors, high-voltage solutions (i.e. electrical protection components), and other solutions that are used in mission-critical systems and applications. Examples include those used in subsystems of automobiles, on-road trucks, and off-road equipment, such as tire pressure monitoring, thermal management, electrical protection, regenerative braking, powertrain (engine/transmission), and exhaust management. Our products are used in subsystems that, among other things, improve operating performance and efficiency, contribute to environmentally sustainable and safe solutions, and provide data-driven insight, connectivity, and prognostics to commercial fleet operators and asset managers.

Sensing Solutions primarily serves the industrial and aerospace industries through development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance, heating, ventilation and air-conditioning ("HVAC"), semiconductor, factory automation, water management, and charging infrastructure markets, as well as the aerospace market, including commercial aircraft, defense, and aftermarket markets.

The following table presents net revenue and segment operating income for the reportable segments and other operating results not allocated to the reportable segments for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
<b>Net revenue:</b>		
Performance Sensing	\$ 2,847,908	\$ 2,223,810
Sensing Solutions	972,898	821,768
Total net revenue	\$ 3,820,806	\$ 3,045,578
<b>Segment operating income (as defined above):</b>		
Performance Sensing	\$ 807,863	\$ 583,841
Sensing Solutions	287,787	237,668
Total segment operating income	1,095,650	821,509
Corporate and other	(288,309)	(271,341)
Amortization of intangible assets and capitalized development costs	(171,267)	(168,392)
Restructuring and other charges, net	(1,330)	(29,320)
Operating Income	634,744	352,456
Interest expense, net	(183,525)	(176,923)
Other, net	(33,344)	8,030
<b>Income before taxes</b>	<b>\$ 417,875</b>	<b>\$ 183,563</b>

No customer exceeded 10% of our net revenue in any of the periods presented.

The following table presents net revenue by product category for the years ended December 31, 2021 and 2020:

	Performance Sensing	Sensing Solutions	For the year ended December 31,	
			2021	2020
<b>Net revenue:</b>				
Sensors	X	X	\$ 3,027,183	\$ 2,380,608
Electrical Protection	X	X	635,141	504,001
Other	X	X	158,482	160,969
<b>Net revenue</b>			<b>\$ 3,820,806</b>	<b>\$ 3,045,578</b>

The following table presents depreciation and amortization expense for our reportable segments for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
<b>Depreciation and amortization:</b>		
Performance Sensing	\$ 127,586	\$ 129,238
Sensing Solutions	16,788	16,963
Corporate and other <sup>(1)</sup>	165,236	162,475
<b>Total depreciation and amortization</b>	<b>\$ 309,610</b>	<b>\$ 308,676</b>

- (1) Included within corporate and other is depreciation and amortization expense associated with the fair value step-up recognized in acquisitions and accelerated depreciation recorded in connection with restructuring actions. We do not allocate the additional depreciation and amortization expense associated with the step-up in the fair value of the PP&E and intangible assets associated with these acquisitions or accelerated depreciation related to restructuring actions to our segments. This treatment is consistent with the financial information reviewed by our chief operating decision maker.

The following table presents total assets for our reportable segments as of December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
<b>Total Assets:</b>		
Performance Sensing	\$ 1,753,032	\$ 1,593,889
Sensing Solutions	556,620	460,092
Corporate and other <sup>(1)</sup>	6,431,032	5,931,212
<b>Total assets</b>	<b>\$ 8,740,684</b>	<b>\$ 7,985,193</b>

- (1) Included within corporate and other as of December 31, 2021 and 2020 is \$3,495.0 million and \$3,104.3 million, respectively, of goodwill, as well as \$948.7 million and \$694.2 million, respectively, of other intangible assets, net, \$1,709.0 million and \$1,862.0 million, respectively, of cash and cash equivalents, and \$41.8 million and \$41.7 million, respectively, of PP&E, net. This treatment is consistent with the financial information reviewed by our chief operating decision maker.

The following table presents capital expenditures (including development costs) for our reportable segments for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
<b>Capital expenditures (including development costs):</b>		
Performance Sensing	\$ 145,118	\$ 120,285
Sensing Solutions	20,559	16,885
Corporate and other	19,624	10,582
<b>Total</b>	<b>\$ 185,301</b>	<b>\$ 147,752</b>

The following table presents capital expenditures (including development costs) by geographic area for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
<b>Capital expenditures (including development costs):</b>		
Americas	\$ 70,559	\$ 55,465
Asia and rest of world	70,506	44,319
Europe	44,236	47,968
<b>Total</b>	<b>\$ 185,301</b>	<b>\$ 147,752</b>

#### Geographic Area Information

The following tables present net revenue by geographic area and by significant country for the years ended December 31, 2021 and 2020. In these tables, net revenue is aggregated based on the location of our subsidiaries.

	For the year ended December 31,	
	2021	2020
<b>Net revenue:</b>		
Americas	\$ 1,450,658	\$ 1,197,846
Europe	1,003,204	816,287
Asia and rest of world	1,366,944	1,031,445
<b>Net revenue</b>	<b>\$ 3,820,806</b>	<b>\$ 3,045,578</b>

	For the year ended December 31,	
	2021	2020
<b>Net revenue:</b>		
United States	\$ 1,311,878	\$ 1,082,671
Netherlands	621,658	482,020
China	871,667	641,516
Korea	191,045	172,229
United Kingdom	120,686	122,403
All other	703,872	544,739
<b>Net revenue</b>	<b>\$ 3,820,806</b>	<b>\$ 3,045,578</b>

The following tables present long-lived assets, consisting of PP&E, goodwill, and other intangible assets, net, by geographic area and by significant country as of December 31, 2021 and 2020. In these tables, long-lived assets are aggregated based on the location of our subsidiaries.

	As of December 31,	
	2021	2020
<b>Americas</b>		
Asia and rest of world	\$ 3,161,274	\$ 2,529,037
Europe	509,049	474,492
<b>Total</b>	<b>1,118,865</b>	<b>1,087,336</b>
	<b>\$ 5,449,188</b>	<b>\$ 4,790,865</b>

	As of December 31,	
	2021	2020
United States	\$ 2,942,916	\$ 2,301,730
United Kingdom	572,310	597,118
The Netherlands	708,248	703,770
China	302,197	269,624
Mexico	209,908	216,690
Bulgaria	255,797	268,801
All other	457,812	433,132
Total	\$ 5,449,188	\$ 4,790,865

## 21. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2021 and 2020 included the following:

	As of December 31,	
	2021	2020
Cash	\$ 310,951	\$ 185,685
Cash equivalents	1,398,004	1,676,295
Cash and cash equivalents	\$ 1,708,955	\$ 1,861,980

Cash earns interest at floating rates based on daily bank deposit rates. Cash equivalents consist of money market funds and short-term deposits that are made for varying periods of between one day and three months, depending on our immediate cash requirements, and earn interest at the respective short-term deposit rate.

## 22. Depreciation and Amortization

The following table presents additional information regarding depreciation and amortization recorded in the consolidated statements of income during the years ended December 31, 2021 and 2020:

	For the year ended	
	2021	2020
<b>Depreciation included within:</b>		
Cost of revenue	\$ 119,810	\$ 121,222
Selling, general and administrative	11,718	17,498
Research and development	6,815	1,564
<b>Total depreciation</b>	<b>138,343</b>	<b>140,284</b>
Amortization of intangible assets and capitalized development costs <sup>(1)</sup>	171,267	168,392
<b>Total depreciation and amortization</b>	<b>\$ 309,610</b>	<b>\$ 308,676</b>

<sup>(1)</sup> Includes \$36.4 million and \$38.1 million of amortization of capitalized R&D costs for the years ended December 31, 2021 and 2020, respectively.

## 23. Personnel Costs

As of December 31, 2021, we had approximately 21,300 employees, of whom approximately 9% were located in the U.S., and approximately 56% of whom were female. Approximately 120 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils. We also engage contract workers in multiple locations, primarily to cost-effectively manage variations in manufacturing volume, but also to perform engineering and other general services. As of December 31, 2021, we had approximately 2,200 contract workers on a worldwide basis.

Personnel costs related to these employees for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31,	
	2021	2020
Wages, salaries, and benefits	\$ 751,478	\$ 616,599
Pension costs	9,489	9,079
Post-employment (benefits)/costs other than pensions	83	691
Expense of share-based payments	27,759	20,489
Total	\$ 788,809	\$ 646,862

## 24. Financial Risk Management Objectives and Policies

We are subject to credit, market, and liquidity risks. This note presents information about our exposures to each of these risks as well as our objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements.

### Credit risk

Credit risk is the risk of our financial loss if a counterparty fails to meet its contractual obligations. We are subject to counterparty risk on financial instruments such as cash equivalents, trade and other receivables, and derivative instruments.

We manage our credit risk on cash equivalents by investing in highly rated, marketable instruments with major financial institutions of investment grade credit rating.

We are subject to credit risk associated with derivative instruments. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We minimize counterparty credit (or repayment) risk associated with derivative instruments by entering into transactions with major financial institutions of investment grade credit rating. The carrying value and fair value amounts for assets presented in *Note 18: Fair Value Measures* represent our maximum exposure to credit risk.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers, and their dispersion across different industries and geographic areas. We are a global company and are subject to sovereign risks as well as the increased counterparty risk of customers and financial institutions in those jurisdictions. We perform ongoing credit evaluations of our customers' financial condition. We do not provide or require collateral to offset possible credit risk.

Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2021. Refer to *Note 20: Segment Reporting* for details of our revenue generated in various geographies and *Note 3: Revenue Recognition* for details of revenue generated in various end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income or the value of our holdings of financial instruments. We are also exposed to changes in the prices of certain commodities (primarily metals) that we use in production. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices.

### Interest Rate Risk

As discussed further in *Note 14: Borrowings* the Credit Agreement provides for the Senior Secured Credit Facilities consisting of the Term Loan, the Revolving Credit Facility, and the Accordion, under which additional secured credit facilities could be issued under certain circumstances.

The Term Loan accrues interest at a variable rate that is currently based on London Interbank Offered Rate ("LIBOR"), plus an interest rate margin, in accordance with the terms of the Credit Agreement.

Refer to *Note 14: Borrowings* for details regarding our borrowings.

### **Sensitivity Analysis**

As of December 31, 2021, we had an outstanding balance on the Term Loan (excluding discount and deferred financing costs) of \$451.5 million. The applicable interest rate associated with the Term Loan at December 31, 2021 was 1.87%. An increase of 100 basis points in this rate would result in additional interest expense of \$3.9 million in fiscal year 2022. A further 100 basis point increase in this rate would result in incremental interest expense of \$8.2 million in fiscal year 2022.

As of December 31, 2020, we had an outstanding balance on the Term Loan (excluding discount and deferred financing costs) of \$456.1 million. The applicable interest rate associated with the Term Loan at December 31, 2020 was 1.90%. An increase of 100 basis points in this rate would have resulted in additional interest expense of \$4.4 million in fiscal year 2021. The next 100 basis point increase in this rate would have resulted in incremental interest expense of \$8.7 million in fiscal year 2021.

### **Foreign Currency Risks**

We are exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and may employ derivative financial instruments, such as swaps, collars, forwards, options, or other instruments, to limit the volatility to earnings and cash flows generated by these exposures. We employ derivative contracts that may or may not be designated for hedge accounting treatment, which may result in volatility to earnings depending upon fluctuations in the underlying markets. Derivative financial instruments are executed solely as risk management tools and not for trading or speculative purposes.

Consistent with our risk management objectives and overall strategy to reduce exposure to variability in cash flows and variability in earnings, we entered into foreign currency exchange rate derivatives during the year ended December 31, 2021 that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing costs. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Retained earnings and cash flow hedging reserves and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. We also enter into foreign currency forward contracts that were not designated for hedge accounting purposes. We recognize the change in the fair value of these non-designated derivatives in the consolidated statements of income.

Refer to *Note 19: Derivative Instruments and Hedging Activities* for details of the foreign currency forward contracts outstanding as of December 31, 2021.

### **Sensitivity Analysis**

The table below presents our foreign currency forward contracts as of December 31, 2021 and the estimated impact to other comprehensive income and pre-tax earnings as a result of a 10% strengthening/weakening in the foreign currency exchange rate:

(In millions)	Net (Liability)/Asset Balance as of December 31, 2021	(Decrease)/Increase to Other Comprehensive Income Due to:		(Decrease)/Increase to Pre-Tax Income Due to:	
		Strengthening	Weakening	Strengthening	Weakening
Euro	\$ 17.8	\$ (42.5)	\$ 42.5	\$ (2.8)	\$ 2.8
Chinese Renminbi	\$ (0.6)	\$ (3.9)	\$ 3.9	\$ (16.0)	\$ 16.0
JPY	\$ 0.0	\$ —	\$ —	\$ 0.5	\$ (0.5)
Korean Won	\$ 0.6	\$ (1.8)	\$ 1.8	\$ —	\$ —
Malaysian Ringgit	\$ 0.0	\$ —	\$ —	\$ 0.6	\$ (0.6)
Mexican Peso	\$ 4.5	\$ 15.4	\$ (15.4)	\$ 1.9	\$ (1.9)
British Pound Sterling	\$ (0.3)	\$ 7.6	\$ (7.6)	\$ 0.1	\$ (0.1)

### **Commodity Risk**

We are exposed to the potential change in prices associated with certain commodities used in the manufacturing of our products. We offset a portion of this exposure by entering into forward contracts that fix the price at a future date for various notional amounts associated with these commodities. These forward contracts are not designated as accounting hedges. Refer to *Note 19: Derivative Instruments and Hedging Activities* for details of the commodity forward contracts outstanding as of December 31, 2021.

### Sensitivity Analysis

The table below presents our commodity forward contracts as of December 31, 2021 and the estimated impact to pre-tax earnings associated with a 10% increase/(decrease) in the related forward price for each commodity (none of our commodity forward contracts are designated as derivatives as of December 31, 2021, and these would be no impact on other comprehensive income):

(Dollars in millions, except per unit amounts)	Net Asset Balance as of December 31, 2021	Average Forward Price Per Unit as of December 31, 2021	Increase/(Decrease) to Pre-tax Earnings Due to	
			10% Increase in the Forward Price	10% Decrease in the Forward Price
Silver	\$ (1.7)	\$ 23.24	\$ 2.8	\$ (2.8)
Gold	\$ 0.0	\$ 1,827.45	\$ 1.7	\$ (1.7)
Nickel	\$ 0.3	\$ 9.32	\$ 0.2	\$ (0.2)
Aluminum	\$ 0.6	\$ 1.25	\$ 0.5	\$ (0.5)
Copper	\$ 1.1	\$ 4.37	\$ 2.9	\$ (2.9)
Platinum	\$ (1)	\$ 952.76	\$ 1.2	\$ (1.2)
Palladium	\$ (0.8)	\$ 1,872.73	\$ 0.3	\$ (0.3)

### Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

Our liquidity requirements are significant due to our highly leveraged nature. Our indebtedness may limit our flexibility in planning for, or reacting to, changes in the business and future business opportunities since a substantial portion of our cash flow from operations will be dedicated to the payment of the debt service and this may place us at a competitive disadvantage as some of our competitors are less leveraged.

Under the Revolving Credit Facility, there was \$416.1 million of availability (net of \$3.9 million in letters of credit) as of December 31, 2021. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2021, no amounts had been drawn against these outstanding letters of credit.

### Contractual Obligations and Commercial Commitments

Refer to *Note 14: Borrowings* and *Note 17: Leases* for information related to future contractually required principal payments of our borrowings and finance lease liabilities, respectively, on our obligations as of December 31, 2021. As of December 31, 2021, we had recognized a net benefit liability of \$41.3 million, representing the net unfunded benefit obligations of the defined benefit and retiree healthcare plans. Refer to *Note 13: Pension and Other Post-Retirement Benefits* for additional information on pension and other post-retirement benefits, including expected benefit payments for the next 10 years.

### Capital management

The Credit Agreement provides for the Senior Secured Credit Facilities consisting of the Term Loan, the Revolving Credit Facility, and the Accordion.

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, the Senior Secured Credit Facilities provide for the Accordion, under which additional secured debt may be issued or the capacity of the Revolving Credit Facility may be increased. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures.

As of December 31, 2021, there was \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2021, no amounts had been drawn against these outstanding letters of credit.

Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2021, availability under the Accordion was approximately \$1.1 billion.

Our primary uses of cash on hand are to acquire businesses that will extend our market position within our key growth vectors of Electrification and Insights and, following the resumption of our share repurchase program in November 2021, repurchase our ordinary shares, which augments our existing capital deployment strategies and enables us to drive attractive returns on invested capital over the long-term.

We believe, based on our current level of operations for the year ended December 31, 2021, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures discussed below and in *Note 14: Borrowings*, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, acquisitions, ordinary share repurchases, and debt service through at least June 30, 2023.

The Credit Agreement provides that, if our senior secured net leverage ratio exceeds a specified level, we are required to use a portion of our excess cash flow, as defined in the Credit Agreement, generated by operating, investing, or financing activities to prepay some or all of the outstanding borrowings under the Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and upon the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2021.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries (the "Guarantors"). The collateral for such borrowings under the Senior Secured Credit Facilities consists of substantially all present and future property and assets of our indirect, wholly-owned subsidiary, STBV, and the Guarantors.

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term borrowings ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of March 30, 2022, Moody's Investors Service's corporate credit rating for STBV was Ba2 with a stable outlook and Standard & Poor's corporate credit rating for STBV was BB+ with a stable outlook. Any future downgrades to STBV's credit ratings may increase our future borrowing costs but will not reduce availability under the Credit Agreement.

The Credit Agreement and the Senior Notes Indentures contain restrictions and covenants (described in more detail in *Note 14: Borrowings*) that limit the ability of STBV and certain of its subsidiaries to, among other things, incur subsequent indebtedness, sell assets, pay dividends, and make other restricted payments. These restrictions and covenants, which are subject to important exceptions and qualifications set forth in the Credit Agreement and the Senior Notes Indentures, were taken into consideration when we established our share repurchase programs and will be evaluated periodically with respect to future potential funding of these programs. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase programs with available cash and cash flows from operations. As of December 31, 2021, we believe that we were in compliance with all the covenants and default provisions under the Credit Agreement and the Senior Notes Indentures.

Our redomicile to the U.K. gave us the ability to efficiently execute share repurchases. We pursue a balanced, returns-driven approach to capital deployment. This means that we are constantly assessing trade-offs between mergers and acquisitions, investing in our business, and buying back our shares in order to deliver the best risk-adjusted returns for our shareholders.

During fiscal years 2021 and 2020, we repurchased ordinary shares with a value of approximately \$47.8 million and \$35.2 million, respectively, under the July 2019 Program (refer to *Note 16: Shareholders' Equity*). The share repurchases reflect our confidence in our long-term financial plan and a belief that our shares trade below their intrinsic value.

Our net leverage ratio (which represents net debt divided by last twelve months adjusted EBITDA) at December 31, 2021 was 2.8x and at December 31, 2010 was 3.2x. We believe our balanced, returns-drive approach to capital deployment will continue to create compelling value for our shareholders in the future.

Refer to *Note 16: Shareholders' Equity* for a discussion of our share capital.

## 25. Accounts Receivable, Net

Trade accounts receivable are initially measured at transaction price in accordance with IFRS 15, net of lifetime expected credit losses. Customers are generally not required to provide collateral for purchases. Accounts receivable, net, at December 31, 2021 and 2020 consisted of the following:

	12/31/2021	12/31/2020
Accounts receivable, gross	\$ 670,441	\$ 595,680
Provisions	(17,003)	(19,033)
<b>Total</b>	<b>\$ 653,438</b>	<b>\$ 576,647</b>

At December 31, 2021 and 2020, the aging analysis of net accounts receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired	
			< 30 days	> 30 days
2021	\$ 653,438	\$ 586,687	\$ 65,975	\$ 776
2020	576,647	534,288	39,106	3,253

Customer credit risk is managed according to our established policy, procedures, and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

Trade accounts receivable are reduced by an allowance for losses on receivables, which reflects an estimate of lifetime expected credit losses on our trade receivables in accordance with IFRS 9. Such losses are determined each period based on an impairment analysis and recorded on the consolidated statements of income. We estimate the lifetime expected credit losses on the basis of specifically identified receivables that are evaluated individually for impairment and a statistical analysis of the remaining receivables determined by reference to past overall default experience. We believe that, due to the short-term nature of our trade accounts receivables, this represents a reasonable representation of future expected losses in a stable economic environment. We analyze potential changes in future economic conditions, such as sharp downturns in the industries in which we operate, as considered necessary.

In measuring the lifetime expected credit losses on our receivables, we group them into those that are neither past due nor impaired, those that are past due less than 30 days, those that are past due between 30 days and 180 days, and those that are past due greater than 180 days.

A reconciliation of provisions recorded during fiscal years 2020 and 2019 is as follows:

Balance at the beginning of the period	Charged to costs and expenses	Deductions	Balance at end of the period
2021	19,033	(813)	(1,217)
2020	15,129	5,654	(1,750)

Management judgments are used to determine when to charge off uncollectible trade accounts receivable. We base these judgments on the age of the receivable, credit quality of the customer, current economic conditions, and other factors that may affect a customer's ability and intent to pay.

Concentrations of risk with respect to accounts receivable are generally limited due to the large number of customers in various industries and their dispersion across several geographic areas. Although we do not foresee credit risk associated with these receivables to deviate from historical experience, repayment is dependent upon the financial stability of those individual customers. There has been no change to our assessment of credit risk since the prior year. Our largest customer accounted for approximately 6% and 7% of our net revenue for years ended December 31, 2021 and 2020, respectively.

## 26. Auditors Remuneration

The aggregate fees payable to Ernst & Young LLP and its affiliates for professional services rendered for us for the years ended December 31, 2021 and 2020 was as follows:

	For the year ended December 31,	
	2021	2020
Audit of the Company financial statements	\$ 3,868	\$ 3,584
The auditing of accounts of any associate of the Company	779	638
Total audit fees	4,647	4,222
Audit related fees	4	—
Other services		
Taxation services	691	552
Other fees	10	10
Total fees	\$ 5,352	\$ 4,784

"Audit Fees" include fees for professional services and expenses related to the respective fiscal year, irrespective of the period in which these services are rendered or billed, related to the audit and review of our financial statements. For fiscal years 2021 and 2020, audit fees included fees for professional services and expenses relating to the reviews of our quarterly financial statements filed on Form 10-Q for the quarters ended March 31, 2020 through September 30, 2021 and the audits of our annual financial statements filed on Form 10-K and our Annual Report prepared under IFRS for each of the fiscal years 2021 and 2020. Audit Fees also include fees relating to the performance of statutory audits at certain of our non-U.S. subsidiaries.

"Audit related fees" represent fees incurred in 2021 for audit work performed in connection with a system upgrade that was not placed in service until 2022.

"Tax Fees" include fees for professional services rendered and expenses incurred during the respective fiscal year, irrespective of the period in which these services are rendered or billed, related to tax planning, tax consulting, and tax compliance. Fees associated with tax compliance services were approximately \$255 thousand and \$229 thousand for fiscal years 2021 and 2020.

"All Other Fees" represent fees billed to us for a subscription to Ernst & Young LLP accounting research tool.

No other professional services were rendered or fees were billed by Ernst & Young LLP related to the years ended December 31, 2021 or 2020.

## 27. Related Party Transactions

### Director remuneration

Refer to the Directors' Remuneration Report included elsewhere in this Report for details of the amount of remuneration paid to or receivable by our directors for their services rendered to us.

We have adopted a compensation policy with respect to our non-executive directors. Pursuant to that policy, our directors receive an annual cash fee of \$85 thousand. We also provide the Chairman of the Board with an incremental annual retainer equal to \$140 thousand cash, for a total retainer to the Chairman of \$225 thousand. In addition, we provide committee membership and committee chair fees as part of our non-executive director compensation. Annually, Audit Committee members receive a fee of \$10 thousand, Compensation Committee members receive a fee of \$9 thousand (an increase in July 2021 from \$7.5 thousand), Nominating & Corporate Governance members receive a fee of \$7.5 thousand (an increase in July 2021 from \$5,000), and Finance and Growth & Innovation Committee non-executive members receive a fee of \$5 thousand. Non-executive Chairs of committees also receive the following incremental annual fees: \$10 thousand for the Audit Committee, \$6 thousand for the Compensation Committee, and \$5 thousand for the Nominating & Corporate Governance, the Finance and the Growth & Innovation Committees. We also provide a \$3 thousand fee to Board members each time he or she attends meetings held in the U.K. and reimburse our directors for reasonable out-of-pocket expenses incurred in connection with their service on the Board and committees thereof.

Furthermore, our director compensation policy provides that each new non-executive director elected or appointed to the Board is granted an initial RSU award with a grant-date fair value of approximately \$150 thousand, pro-rated for the period of

service between the time of appointment and the next annual general shareholders meeting. Upon re-election, all non-executive directors receive an RSU award equal to a grant-date fair value of approximately \$150 thousand.

The aggregate amount of fees paid to or receivable by our non-executive directors in respect of qualifying services to us for both years ended December 31, 2021 and 2020 was approximately \$2.8 million. This includes approximately \$1.6 million and \$1.9 million, respectively, in expense related to share-based compensation. None of our non-employee directors are accruing retirement benefits. For fiscal year 2020, our executive director, who was our Chief Executive Officer until February 29, 2020, did not receive remuneration in her capacity as director, and was instead included in the information provided below.

#### **Key executive officer remuneration**

We establish compensation policies for our executive officers to align compensation with our strategic goals and our growth objectives while concurrently providing competitive compensation that enables us to attract and retain highly qualified executives. Components of compensation consist of varying items including: (i) cash compensation in the form of base salary and annual incentive bonuses which collectively constitute the executive's total annual cash compensation; (ii) equity compensation in the form of options and restricted securities pursuant to the 2010 Equity Incentive Plan; and (iii) retirement and other benefits through participation in our pension plans, 401(k) plan, and other health and welfare programs.

Compensation to our key executive officers (in aggregate) is presented below.

Fiscal Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Change in Pension Value (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
2021	2,909	3,275	7,324	322		90	13,920
2020	3,533	3,087	5,916	950	1,271	1,365	16,122

<sup>(1)</sup> Represents the annual incentive bonus and discretionary bonus awarded to each key executive officer in the fiscal years ended December 31, 2021 and 2020.

<sup>(2)</sup> Represents the expense recorded for restricted securities in the years ended December 31, 2021 and 2020. See *Note 4: Share-Based Payment Plans* for further discussion of the relevant assumptions used in calculating the grant date fair value.

<sup>(3)</sup> Represents the expense recorded for option awards in the years ended December 31, 2021 and 2020, computed in accordance with IFRS 2, using the assumptions detailed in *Note 4: Share-Based Payment Plans*.

<sup>(4)</sup> The change in pension value and non-qualified deferred compensation earnings for the year represents the actuarial increase or decrease in the pension value provided under the Sensata Technologies Employees' Pension Plan and the Supplemental Pension Plan.

<sup>(5)</sup> Includes amounts for financial counseling, insurance premium contributions, contributions to 401(k) plans, and housing allowance. Also reflects severance payment to Mr. Chawla in 2020: consists of a year's annual salary of \$520 thousand, average of calendar year 2018 and 2019 annual bonus amounts of \$88 thousand, and relocation to Europe of \$600 thousand.

## 28. Financial Instruments

The below table represents a summary of the financial instruments we hold at December 31, 2021 and 2020:

Note	As of December 31,	
	2021	2020
<b>Financial assets measured at amortized cost:</b>		
Cash and cash equivalents <sup>(1)</sup>	21 \$ 1,708,955	\$ 1,861,980
Trade accounts receivable <sup>(1)(5)</sup>	25 \$ 653,438	\$ 576,647
<b>Financial assets measured at fair value through profit or loss:</b>		
Derivative assets (non-designated) <sup>(2)(3)</sup>	19 \$ 3,138	\$ 9,056
Equity investments without a readily determinable fair value <sup>(3)</sup>	18 \$ 65,000	\$ 65,000
Other equity investments <sup>(3)</sup>	\$ 16,915	\$ 9,111
Debt investments <sup>(3)</sup>	\$ 4,348	\$ 4,347
<b>Financial liabilities measured at amortized cost:</b>		
Long-term borrowings <sup>(4)</sup>	\$ 4,218,211	\$ 3,966,581
Present value of lease liabilities and other financing obligations <sup>(4)</sup>	14,17 \$ 76,370	\$ 85,931
<b>Financial liabilities measured at fair value through profit or loss:</b>		
Derivative liabilities (non-designated) <sup>(2)(5)</sup>	19 \$ 4,680	\$ 951

(1) Amount presented directly on the consolidated statements of financial position.

(2) Assets and liabilities related to derivatives that are hedged in accordance with IAS 39 are recorded at fair value through other comprehensive income per that guidance.

(3) Refer to table below for reconciliation to the consolidated statements of financial position. The balance at December 31, 2021 and 2020 are held at fair value in accordance with IFRS 9.

(4) Includes current and long-term portion, net of discounts, premium, and borrowing costs. Refer to *Note 14: Borrowings* for reconciliation to the consolidated statements of financial position.

(5) Refer to *Note 25: Accounts Receivable, Net* for information related to the lifetime expected credit losses related to trade receivables.

### *Changes in long-term borrowings arising from financing activities*

Long-term borrowings, net of discounts, premium, and borrowing costs as of December 31, 2021 and 2020 were \$4,218.2 million and \$3,966.6 million, respectively. The vast majority of these changes arise from cash flow activities, including the issuance of the \$1.0 billion 4.0% Senior Notes and the redemption of the \$750.0 million 6.25% Senior Notes, each in the year ended December 31, 2021, as well as the related cash fees and premium. The principal amount of the Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the Term Loan upon completion of the Tenth Amendment. Non-cash changes to this balance result from the amortization of previously recognized discounts, premiums, and borrowing costs. For the year ended December 31, 2021, we amortized \$7.3 million of borrowing costs. Refer to *Note 14: Borrowings* for additional information.

**Reconciliation to consolidated statements of financial position**

The table below presents a reconciliation of our financial assets and liabilities to the consolidated statements of financial position as of December 31, 2021 and 2020.

	Note	As of December 31,	
		2021	2020
<b>Prepaid expenses and other current assets:</b>			
Derivative assets (non-designated)		\$ 2,742	\$ 7,752
Derivative assets (designated)	19	20,562	11,281
Other		102,845	71,102
<b>Total prepaid expenses and other current assets</b>		<b>\$ 126,149</b>	<b>\$ 90,135</b>
<b>Other Assets:</b>			
Derivative assets (non-designated)	19	\$ 396	\$ 1,304
Derivative assets (designated)	19	4,391	4,728
Equity investments without a readily determinable fair value	18	63,000	65,000
Other equity investments	18	16,915	9,111
Debt investments	18	4,348	4,347
Other		27,551	38,674
<b>Total Other assets</b>		<b>\$ 118,601</b>	<b>\$ 123,164</b>
<b>Accrued expenses and other current liabilities:</b>			
Derivative liabilities (non-designated)		\$ 3,610	\$ 793
Derivative liabilities (designated)	19	1,981	18,834
Other		289,354	258,734
<b>Total Accrued expenses and other current liabilities</b>	12	<b>\$ 294,945</b>	<b>\$ 278,361</b>
<b>Other long-term liabilities:</b>			
Derivative liabilities (non-designated)	19	\$ 1,070	\$ 161
Derivative liabilities (designated)	19	904	5,182
Other		22,119	41,974
<b>Total other long-term liabilities</b>		<b>\$ 24,093</b>	<b>\$ 47,117</b>

**Credit risk**

Refer to Note 24: *Financial Risk Management Objectives and Policies* for information regarding credit risk related to our financial instruments. The maximum exposure to credit risk at December 31, 2021 is the carrying value of each financial asset listed. Each of our financial assets are considered to have low credit risk.

**29. Acquisitions**

*Xirgo*

On April 1, 2021, we completed the acquisition of all of the equity interests in Xirgo, a leading telematics and data insights provider across the fleet transportation and logistics segments, headquartered in Camarillo, California, for an aggregate cash purchase price of \$401.7 million. In addition to the aggregate purchase price, we paid \$7.0 million of cash at closing related to an employee retention arrangement, which is reflected as an operating cash outflow on our consolidated statements of cash flows. The product offerings and technology of Xirgo will augment our existing portfolio in advancing our Insights megatrend initiative, and greatly expands our ability to provide data insights to fleet transportation and logistics customers, by serving telematics service providers, fleet management solution providers, and fleet operators themselves. Xirgo brings a comprehensive suite of telematics and asset tracking devices, cloud-based data insight solutions, as well as emerging cargo capacity and video sensing applications and data services. We are integrating Xirgo into our Performance Sensing reportable segment.

The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital, excluding cash	\$ 11,536
Property, plant and equipment	1,427
Goodwill	164,280
Other intangible assets	249,612
Other assets	508
Deferred income tax liabilities	(32,518)
Other long-term liabilities	(292)
Fair value of net assets acquired, excluding cash and cash equivalents	394,553
Cash and cash equivalents	7,117
Fair value of net assets acquired	<u>\$ 401,670</u>

The goodwill recognized as a result of this acquisition was approximately \$164.3 million, which represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The amount of goodwill recognized that is expected to be deductible for tax purposes is not material.

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain definite-lived intangible assets. The following table presents the acquired intangible assets, their estimated fair values, and weighted-average lives:

	Acquisition Date	Fair Value	Weighted-Average Lives (years)
<b>Acquired definite-lived intangible assets</b>			
Customer relationships		\$ 198,540	15
Completed technologies		44,130	10
Trademarks		6,930	11
Other		12	1
<b>Total definite-lived intangible assets acquired</b>		<u>\$ 249,612</u>	<u>14</u>

The definite-lived intangible assets were valued using the income approach. We primarily used the relief-from-royalty method to value completed technologies and trademarks, and we used the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future net cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships.

#### *Spear*

On November 19, 2021, we acquired all of the equity interests in Spear, a leader in electrification solutions that supports our newly established Clean Energy Solutions business unit, for an aggregate purchase price of \$114.4 million, subject to certain post-closing items, including the discounted present value of contingent consideration of \$8.6 million, which is recorded as a liability on our consolidated statement of financial position as of December 31, 2021.

Spear is headquartered in Grandview, Missouri, and develops next generation scalable lithium-ion battery storage systems for demanding land, sea, and air applications. The acquisition of Spear advances Sensata's Electrification portfolio and strategy into new clean energy markets. Spear expands on Sensata's acquisition of Lithium Balance in battery management systems and GIGAVAC in high-voltage contactors and provides energy storage solutions for OEMs and system integrators in fast-growing end-markets that offer significant growth opportunities. We are integrating Spear into our Sensing Solutions Segment.

The following table summarizes the provisional allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital, excluding cash	\$ 4,431
Property, plant and equipment	4,443
Goodwill	72,756
Other intangible assets	30,736
Deferred income tax liabilities	(2,468)
Fair value of net assets acquired, excluding cash and cash equivalents	109,898
Cash and cash equivalents	4,547
Fair value of net assets acquired	<u>\$ 114,445</u>

The allocation of purchase price of Spear is provisional and is based on management's judgments after evaluating several factors, including provisional valuation assessments of tangible and intangible assets. The final allocation of the purchase price to the assets acquired will be completed when the final valuations are completed. The provisional goodwill recognized as a result of this acquisition was approximately \$72.8 million, which represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The amount of goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain definite-lived intangible assets. The following table presents the acquired intangible assets, their provisional estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value	Weighted-Average Lives (years)
Acquired definite-lived intangible assets		
Customer relationships	\$ 6,100	10
Completed technologies	22,400	13
Tradenames	1,900	10
Other	336	.3
Total definite-lived intangible assets acquired	<u>\$ 30,736</u>	<u>12</u>

The definite-lived intangible assets were valued using the income approach. We primarily used the relief-from-royalty method to value completed technologies and tradenames, and we used the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future net cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships.

#### *SmartWitness*

On November 19, 2021, we acquired all of the outstanding equity interests of SmartWitness, a privately held innovator of video telematics technology for heavy- and light-duty fleets, for an aggregate cash purchase price of \$204.2 million, subject to certain post-closing conditions. In addition to the aggregate purchase price, we paid \$8.6 million of cash at closing related to an employee retention arrangement, which is reflected as an operating cash outflow on our consolidated statements of cash flows. SmartWitness is headquartered in Schaumburg, Illinois and expands the capabilities of Sensata Insights into high growth video telematics applications, providing access to applications that will drive adoption of traditional and video telematics solutions. SmartWitness will be integrated into the Performance Sensing reportable segment.

The following table summarizes the provisional allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital, excluding cash	\$ 10,256
Property, plant and equipment	58
Goodwill	126,549
Other intangible assets	76,800
Other assets	4
Deferred income tax liabilities	(18,920)
Fair value of net assets acquired, excluding cash and cash equivalents	194,747
Cash and cash equivalents	9,502
<b>Fair value of net assets acquired</b>	<b>\$ 204,249</b>

The allocation of purchase price of SmartWitness is provisional and is based on management's judgments after evaluating several factors, including provisional valuation assessments of tangible and intangible assets. The final allocation of the purchase price to the assets acquired will be completed when the final valuations are completed. The provisional goodwill recognized as a result of this acquisition was approximately \$126.5 million, which represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The amount of goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain definite-lived intangible assets. The following table presents the acquired intangible assets, their provisional estimated fair values, and weighted-average lives:

	Acquisition Date	Fair Value	Weighted-Average Lives (years)
<b>Acquired definite-lived intangible assets</b>			
Customer relationships		\$ 24,100	16
Completed technologies		52,000	10
Tradenames		700	6
<b>Total definite-lived intangible assets acquired</b>		<b>\$ 76,800</b>	<b>12</b>

The definite-lived intangible assets were valued using the income approach. We primarily used the relief-from-royalty method to value completed technologies and tradenames, and we used the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future net cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships.

# **Sensata Technologies Holding plc**

Registered company number 10900776

Company Financial Statements

For the Year Ended  
December 31, 2021

**SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)**  
**(Parent Company Only)**  
**Statements of Financial Position**  
*(In thousands, except per share amounts)*

	Note	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Non-current assets:</b>			
Investment in subsidiaries		\$ 1,250,010	\$ 1,250,010
Non-current deferred tax assets	4	557	472
Other non-current assets		49	51
<b>Total non-current assets</b>		<b>1,250,616</b>	<b>1,250,533</b>
<b>Current assets:</b>			
Redeemable preference shares	12	4,250,000	4,250,000
Debtors due within one year	6	295,540	67,286
Cash at bank and in hand		1,858	664
Prepaid expenses and other current assets		2,481	2,014
<b>Total current assets</b>		<b>4,549,879</b>	<b>4,319,964</b>
Creditors: amounts falling due within one year	7	160,144	91,469
<b>Net current assets</b>		<b>4,389,735</b>	<b>4,228,495</b>
<b>Total assets less current liabilities</b>		<b>\$ 5,640,351</b>	<b>\$ 5,479,028</b>
<b>Capital and reserves</b>			
Ordinary shares fully paid up	8	\$ 2,232	\$ 2,220
Retained earnings - distributable		3,400,923	3,220,660
Retained earnings - undistributable		3,006,417	3,004,439
Merger reserve		1,834	1,834
Share premium		61,384	34,471
Treasury shares		(832,439)	(784,596)
<b>Total shareholders' funds</b>		<b>\$ 5,640,351</b>	<b>\$ 5,479,028</b>

The accompanying notes are an integral part of these financial statements.

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore  
Title: Director, Chair of the Audit Committee  
Date: April 8, 2022

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote  
Title: Director, Chief Executive Officer  
Date: April 8, 2022

**SENSATA TECHNOLOGIES HOLDING PLC**  
**(Parent Company Only)**  
**Statements of Comprehensive Income/(Loss)**  
*(In thousands)*

	Note	For the year ended December 31,	
		2021	2020
<b>Net revenue</b>		\$	\$
<b>Operating costs and expenses:</b>			
General and administrative		13,687	12,477
Total operating costs and expenses		13,687	12,477
<b>Loss from operations</b>		<b>(13,687)</b>	<b>(12,477)</b>
Intercompany dividend income		200,000	—
Intercompany interest expense, net		(315)	(479)
Other, net		(215)	115
<b>Income/(loss) before income taxes</b>		<b>185,783</b>	<b>(12,841)</b>
(Benefit from)/provision for income taxes	4	(3,532)	5,680
<b>Net income/(loss)</b>		<b>189,315</b>	<b>(18,521)</b>
Other comprehensive income		—	—
<b>Comprehensive income/(loss)</b>		<b>\$ 189,315</b>	<b>\$ (18,521)</b>

The accompanying notes are an integral part of these condensed financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**  
**(Parent Company Only)**  
**Statements of Changes in Shareholders' Equity**  
*(In thousands)*

	Ordinary Shares	Retained Earnings - Distributable	Retained Earnings - Undistributable	Merger Reserve	Share Premium	Treasury Shares	Total Shareholders' Funds
Balance as of December 31, 2019	2,212	3,242,093	3,003,016	1,834	19,019	(749,421)	5,518,735
Net income for the period	—	(18,521)	—	—	—	—	(18,521)
Vesting of restricted securities	4	(4)	—	—	—	—	—
Surrender of shares for tax withholding	—	—	—	—	—	(2,911)	(2,911)
Other retirements of treasury shares	—	(1)	(2,910)	—	—	—	—
Repurchase of ordinary shares	—	—	—	—	—	(35,175)	(35,175)
Share-based compensation	—	—	1,545	—	—	—	1,545
Tax effect of windfall related to share-based compensation	—	—	(122)	—	—	—	(122)
Options exercised	5	—	—	—	15,452	—	15,452
Balance as of December 31, 2020	2,220	3,220,660	3,004,439	1,834	34,471	(784,596)	5,479,028
Net loss for the period	—	189,315	—	—	—	—	189,315
Vesting of restricted securities	6	(6)	—	—	—	—	—
Surrender of shares for tax withholding	—	—	—	—	—	(9,048)	(9,048)
Other retirements of treasury shares	(2)	(9,046)	—	—	—	9,048	—
Repurchase of ordinary shares	—	—	—	—	—	(47,843)	(47,843)
Share-based compensation	—	—	1,790	—	—	—	1,790
Tax effect of windfall related to share-based compensation	—	—	188	—	—	—	188
Options exercised	8	—	—	—	26,913	—	26,921
Balance as of December 31, 2021	\$ 2,232	\$ 3,400,923	\$ 3,006,417	\$ 1,834	\$ 61,384	\$ (832,439)	\$ 5,640,351

The accompanying notes are an integral part of these condensed financial statements.

**SENSATA TECHNOLOGIES HOLDING PLC**  
**NOTES TO COMPANY FINANCIAL STATEMENTS**  
**(In thousands of U.S. dollars)**

## **1. Corporate Information**

Sensata Technologies Holding plc (the "Company," also referred to as "Sensata plc," "we," "our," and "us") is a public limited company incorporated under the laws of England and Wales on 4 August 2017, under registration company number 10900776. Our ordinary shares trade on the New York Stock Exchange under the symbol "ST." The address of our registered office is Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom.

All United States ("U.S.") dollar amounts presented except per share amounts are stated in thousands, unless otherwise indicated.

### **Statement of compliance with FRS 101**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards, and as applied in accordance with section 838 of the U.K. Companies Act 2006. These financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 8, 2022.

### **Seasonality**

We are not materially impacted by seasonality.

### **Group Operations**

We conduct our operations through subsidiary companies that operate business and product development centers primarily in Belgium, Bulgaria, China, Denmark, India, Japan, Lithuania, the Netherlands, South Korea, the U.K., and the U.S.; and manufacturing operations primarily in Bulgaria, China, Malaysia, Mexico, the U.K., and the U.S..

We conduct limited separate operations and act primarily as a holding company. We have no direct outstanding debt obligations. However, Sensata Technologies B.V, an indirect, wholly-owned subsidiary of Sensata plc, is limited in its ability to pay dividends or otherwise make other distributions to its immediate parent company and, ultimately, to us, under its senior secured credit facilities and the indentures governing its senior notes. For a discussion of the borrowing obligations of the subsidiaries of Sensata plc, see *Note 14: Borrowings* of the group audited consolidated financial statements (the "Consolidated Financial Statements") included elsewhere in this Report.

## **2. Significant Accounting Policies**

### **Basis of preparation**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (c) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- (d) The requirements of paragraphs 45(b) and 46 through 52 of IFRS 2 *Share-Based Payments*;
- (e) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (f) The requirements of IAS 7 *Statement of Cash Flows*.

### **Judgments and key sources of estimations**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for

revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no judgments that have had a significant effect on amounts recognized in the financial statements. There are also no estimates dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognized at the statement of financial position date.

#### **Going concern**

The Board of Directors has considered the Company's financial position and sources of liquidity as described in *Note 2: Significant Accounting Policies* to the Consolidated Financial Statements, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis through June 30, 2023, including sensitivities, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2023.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2023. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Investment in subsidiaries**

We account for investment in subsidiaries at cost less impairment, if any, in accordance with IAS 27 *Separate Financial Statements*.

#### **Income tax**

We measure our current income tax assets and liabilities at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted at the reporting date.

We recognize deferred taxes in respect of all timing differences that have originated but not reversed at the reporting date. However, the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxes are not provided in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

#### **Currency**

Our functional currency is the U.S. dollar because of the significant influence of the U.S. dollar on our operations.

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into U.S. dollars at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the statement of financial position date with resulting gains and losses recognized in the profit and loss account.

#### **3. Other, net**

Other, net consists of currency remeasurement losses on net monetary assets.

## 4. Income Taxes

### Provision for/(benefit from) income taxes

Benefit from income taxes for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax expense:		
Current year	\$ (2,667)	\$ (2,374)
Prior year	(788)	8,035
Deferred tax expense:		
Origination and reversal of temporary differences	(77)	105
Change in tax rate	—	(86)
Total	\$ (3,532)	\$ 5,680

### Effective tax rate reconciliation

The principal reconciling items from income tax computed at the U.K. statutory tax rate of 19% for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Income/(loss) on ordinary activities before tax	\$ 185,783	\$ (12,811)
Income/(loss) on ordinary activities multiplied by standard rate of corporation tax in U.K. of 19%	35,299	(2,440)
Dividend participation exempt income	(38,000)	—
(Benefit)/expense related to prior year	(788)	8,035
Other	(43)	85
(Benefit from)/provision for income taxes	\$ (3,532)	\$ 5,680

### Deferred income tax assets

Deferred tax assets recognized at December 31, 2021 and 2020 relate to share-based compensation. Movements in deferred tax assets in the period was as follows:

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 472	\$ 732
Amounts recognized in net income	77	(105)
Change in Tax Rate	86	—
Change in intrinsic value of equity compensation	8	(241)
Ending Balance	\$ 557	\$ 472

## 5. Investment in Subsidiaries

We account for investment in subsidiaries at cost in accordance with IAS 27 *Separate Financial Statements*. There has been no change in investment in subsidiaries, which relates to our wholly-owned subsidiary Sensata Technologies Intermediate UK Limited ("STIHUK"), for the years ended December 31, 2021 and 2020. The Company's subsidiary undertakings are shown in Note 2: *Significant Accounting Policies* to the Consolidated Financial Statements.

## 6. Debtors

<i>Due within one year</i>	Note	December 31, 2021	December 31, 2020
Notes receivable from group companies	9	\$ 291,421	\$ 66,449
Accounts receivable from group companies		4,119	837
Reclaimable value added tax		—	—
Total		<u>\$ 295,540</u>	<u>\$ 67,286</u>

## 7. Creditors

<i>Due within one year</i>	Note	December 31, 2021	December 31, 2020
Trade creditors		\$ 443	\$ 414
Amounts due to group companies	9	157,032	89,979
Accruals		2,669	1,076
Total		<u>\$ 160,144</u>	<u>\$ 91,469</u>

## 8. Share Capital

### Ordinary shares

We have authorized 177,069,000 ordinary shares, €0.01 nominal value per share. Our ordinary shares allotted, called up, and fully paid as of December 31, 2021 and 2020 were as follows:

<i>Ordinary Shares</i>	Number	Value ('000)
2021	174,287,000	\$ 2,232
2020	173,266,000	\$ 2,220

The change in ordinary shares in the year ended December 31, 2021 includes an increase of 707 thousand shares related to option exercises and increase of 469 thousand shares related to vesting of restricted securities, and a decrease of 155 thousand shares related to a surrender of shares for tax withholdings. Refer to additional details below.

At our AGM held on May 27, 2021, our shareholders approved the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Plan"), which replaced the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Plan"). The 2021 Equity Plan is substantially similar to the 2010 Equity Plan with some updates based on changes in law and current practices. The purpose of the 2021 Equity Plan is to promote the long-term growth, profitability, and interests of the Company and its shareholders by aiding us in attracting and retaining employees, officers, consultants, advisors, and non-employee directors capable of assuring our future success. All awards granted subsequent to this approval were made under the 2021 Equity Plan. The 2010 Equity Plan was terminated as to the grant of any additional awards, but prior awards remain outstanding in accordance with their terms. As of December 31, 2021, there were 5.7 million ordinary shares authorized and available for grants of awards under the 2021 Equity Plan.

We grant option, restricted stock unit ("RSU"), and performance-based restricted stock unit ("PRSU") awards. Awards prior to May 27, 2021 were granted under the 2010 Equity Plan. Awards subsequent to May 27, 2021 were granted under the 2021 Equity Plan. For option and RSU awards, vesting is typically subject only to service conditions. For PRSU awards, vesting is also subject to service conditions, however the number of awarded units that ultimately vest also depends on the attainment of certain predefined performance criteria.

During the year ended December 31, 2021, a total of 707 thousand options were exercised at an average selling price of \$58.25. During 2020, a total of 452 thousand options were exercised at an average selling price of \$45.54. The range of exercise prices of our outstanding options at December 31, 2021 was \$31.76 to \$56.94. The weighted average remaining contractual life of outstanding options at December 31, 2021 was approximately 3.6 years.

During the year ended December 31, 2021, we incurred share-based compensation expense of approximately \$1.6 million related to awards to our directors.

### **Retained earnings - distributable**

On March 28, 2018, a cross-border merger (the "Merger") was completed between Sensata Technologies Holding N.V. ("Sensata N.V.") and Sensata plc, upon which we recognized a non-distributable merger reserve of approximately \$2.6 billion. In order to create distributable reserves to enable us to undertake distributions to shareholders, we capitalized approximately \$2.6 billion of the merger reserve through the bonus issue of a fully paid up deferred share with a nominal value of approximately \$2.6 billion.

On May 15, 2018, the U.K. High Court of Justice approved a capital reduction to cancel the deferred bonus share and the €57,100 of redeemable preference shares, creating distributable profits of approximately \$2.6 billion. Refer to the statements of changes in shareholders' equity for additional activity in the distributable profits of Sensata plc.

### **Retained earnings - undistributable**

On March 13, 2018, Sensata plc incorporated a new wholly owned subsidiary, STIHUK, which was incorporated with a single ordinary share of \$1.00. On March 28, 2018, the Merger was completed, upon which we determined that the assets and liabilities of Sensata N.V. were transferred to Sensata plc at historical cost. On the date of the Merger, we recognized an investment in Sensata Technologies Intermediate Holding B.V. ("STIHBV") of approximately \$2.5 billion.

On April 12, 2018, the Company sold 50% of its investment in STIHBV to STIHUK in exchange for 4.25 billion \$1.00 redeemable preference shares, which are repayable on demand from STIHUK. The redeemable preference shares represent a financial asset which was recognized initially at its fair value of \$4.25 billion. Refer to *Note 12: Redeemable Preference Shares* for additional information related to these financial assets. This sale resulted in an approximately \$3.0 billion gain, that was unrealized in accordance with Technical Release 02/17BL *Guidance on Realised and Distributable Profits under the Companies Act 2006*, paragraph 9.28, and is therefore undistributable. Refer to the statements of changes in shareholders' equity for additional activity in the undistributable profits of Sensata plc.

### **Merger reserve**

The merger reserve represents the amount of equity recorded as a result of the Merger.

### **Treasury Shares**

Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated statements of financial position, resulting in a reduction of shareholders' equity. Refer to statement of changes in shareholders' equity for number of shares held as treasury shares as of December 31, 2021 and 2020.

From time to time, our Board of Directors has authorized various share repurchase programs. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the AGM. The authorized amount of our various share repurchase programs may be modified or terminated by our Board of Directors at any time.

During the year ended December 31, 2021, we repurchased approximately 0.8 million ordinary shares (nominal value of approximately €8 thousand) for a total purchase price of approximately \$47.8 million (weighted-average price of \$59.28 per share) under the July 2019 Program.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program.

On January 20, 2022, we announced that our Board of Directors had authorized a new ordinary share repurchase program of \$500.0 million (the "January 2022 Program"), which replaces the July 2019 Program. Sensata's shareholders have previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program.

### **9. Interest Bearing Borrowings**

We have no direct outstanding interest bearing borrowings as of December 31, 2021. Our indirect wholly-owned subsidiary, Sensata Technologies B.V. is limited in its ability to pay dividends or otherwise make any distributions to us, except

for limited purposes, due to certain restrictions imposed by its borrowings. For a discussion of the borrowings of our subsidiaries and the related restrictions, see *Note 14: Borrowings* to the Consolidated Financial Statements.

Intercompany interest expense relates to amounts due to group companies as disclosed in *Note 7: Creditors*. These borrowings were made to complete the share repurchases as discussed in *Note 8: Share Capital*.

## 10. Auditors Remuneration

The aggregate fees payable to Ernst & Young LLP and its affiliates for professional services rendered for us for the years ended December 31, 2021 and 2020 was as follows:

	For the year ended December 31,	
	2021	2020
Audit of the company financial statements	\$ 3,868	\$ 3,584
The auditing of accounts of any associate of the Company	779	638
Total audit fees	4,647	4,222
Audit related fees	4	—
Other services		
Taxation services	691	552
Other fees	10	10
Total fees	\$ 5,352	\$ 4,784

Refer to *Note 26: Auditors Remuneration* of the Consolidated Financial Statements for detailed discussion of each of the components above.

## 11. Director Remuneration

We paid approximately \$2.8 million in compensation to our non-executive directors during the year ended December 31, 2021, including approximately \$1.6 million in share-based compensation expense.

## 12. Redeemable Preference Shares

On April 12, 2018, we sold 50% of our investment in Sensata Technologies Intermediate Holding B.V to Sensata Technologies Intermediate Holding Limited in exchange for 4.25 billion \$1.00 redeemable preference shares, which are repayable on demand from Sensata Technologies Intermediate Holding Limited.

While the legal form of the redeemable preference shares is equity, on the basis that they are immediately redeemable at par at the option of Sensata Technologies Intermediate Holding Limited or Sensata plc, they are accounted for as a financial asset, as they represent an option or potential for us to receive cash or another financial asset. Accordingly, it was recognized initially at its fair value of \$4.25 billion (4.25 billion shares at \$1.00 par value per share). Because the redeemable preference shares are repayable on demand at their par value, they are presented as a current asset.

In accordance with the guidance in IFRS 9 *Financial Instruments*, this financial asset has been classified at fair value through profit or loss. As of December 31, 2021, the characteristics (number, par value, redemption feature) of the redeemable preference shares have not changed, and as a result, the fair value has not changed, and no gain or loss on this investment has been recorded through the statement of operations.