

Sensata Technologies Holding plc

Registered company number 10900776

Annual Report

**For the Year Ended
December 31, 2022**

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General Information

Directors

Andrew C. Teich (Chair)
John P. Absmeier
Daniel L. Black
Lorraine A. Bolsinger
Jeffrey J. Cote (also Chief Executive Officer)
James E. Heppelmann
Charles W. Peffer (retired from the Board effective May 26, 2022)
Constance E. Skidmore
Steven A. Sonnenberg
Martha N. Sullivan
Stephen M. Zide

Company Secretary

Shannon Votava (from January 1, 2022 through resignation on October 20, 2022)
David K. Stott (appointed October 20, 2022)

Registered Office

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Solicitor

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United Kingdom

Independent Auditor

Ernst & Young LLP
Bedford House, 16-22 Bedford Street
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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 strives to create a safer, cleaner, and more efficient, electrified, and connected world. We develop, manufacture, and sell sensors and sensor-rich solutions, electrical protection components and systems, and other products 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 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 portfolio (which includes both components and systems) is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, high-voltage distribution units, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety. Other products and services we provide include vehicle area networks and data collection devices and software, battery storage systems, and power conversion systems, the latter of which include inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications.

Original equipment manufacturers ("OEMs") are facing ever-increasing mandates, due to regulation and consumer demand, to make their products safer, cleaner, and more efficient, electrified, and connected. Our products and solutions 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 and to operate more efficiently. 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 external 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 material growth drivers to deliver products used in mission-critical systems and applications that create valuable business insights for our customers and end users. These growth drivers include (1) the overarching trend related to our core historical business that enables vehicles, industrial equipment, aircraft, and other systems to be safer and more energy-efficient (a trend which we refer to as "Safe & Efficient") and (2) certain new and emerging technology trends that complement or enhance our existing product offerings (which we refer to as "megatrends"). These megatrends, which are described more fully under the heading *Growth Drivers* included elsewhere in this *Strategic Report*, are significantly transforming the industries in which we operate and are creating greater secular demand for our current and new innovative 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 the medium- to long-term outlook for internal combustion engine powertrains and industrial equipment will evolve with, and be impacted by, Electrification and other adjacent technologies. Accordingly, we are focusing on expanding our market share on electrified platforms, including sensors, electrical protection components and systems, and battery-energy management systems as full solutions. Many of the components and subsystems we have historically developed and produced will play a significant role in this expansion, but we have and will continue to consider strategic partnerships and acquisitions to accelerate the growth and transformation of our product portfolio. By entering such relationships, we obtain access to new technologies, expertise, processes, and solutions, which we can leverage with our existing expertise to optimize and expand our product portfolio.

We are seeking to expand our business and accelerate market share in other areas that we believe will experience high growth in the future, such as the deployment of Internet of Things (“IoT”) solutions for light- through heavy-duty vehicles, particularly in fleets. This is driven by the need for smarter and more connected sensors and equipment that collect, analyze, and provide insights into the operations of light- through heavy-duty vehicles improve their operations, making them more productive and efficient. Within IoT, our principal area of focus is the Sensata INSIGHTS business, in which we deliver data insights across heavy, medium, and light vehicle fleets. Our data-driven insight, connectivity, and prognostics provide solutions that increase overall productivity and operational efficiency.

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, 2022 and 2021:

(In thousands)	For the year ended December 31,	
	2022	2021
Net revenue:		
Automotive	\$ 2,107,651	\$ 2,062,407
HVOR	904,877	829,852
Industrial, HVAC, other	863,854	793,812
Aerospace	152,880	134,735
Total net revenue	<u>\$ 4,029,262</u>	<u>\$ 3,820,806</u>

⁽¹⁾ Total net revenue for the years ended December 31, 2022 and 2021 includes approximately \$460 million and \$261 million, respectively, of revenue related to the Electrification megatrend, portions of which are derived in each of the industries presented above.

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 systems in which our products are embedded. We have achieved our current cost position through a continual process of migration and transformation to best-cost manufacturing locations, global best-cost sourcing, product design improvements, and ongoing productivity-enhancing initiatives.

Growth Drivers

Significant drivers of growth in our business, which are expected to significantly impact our customers and business strategy, include the Electrification and Insights/IoT megatrends, as well as the Safe & Efficient growth trend, each described in more detail below.

Electrification megatrend

Our objective with the Electrification initiative is to become a leading and foundational player in electrification components and sub-systems across broad industrial, transportation, aerospace, and stationary infrastructure recharging and 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” holistically to reference plug-in hybrid and battery-electric vehicles of all kinds, unless otherwise specified. The Electrification megatrend initiative provides a significant opportunity for us to expand our market share on electrified platforms, including sensors, electrical protection components and systems, and battery-energy power conversion and storage systems as full solutions within all of our end markets in the automotive, HVOR, industrial, material handling, and aerospace industries.

Our transportation addressable markets (automotive and HVOR) are large today and growing, with expectations that they will continue to grow over the next ten years. In addition to transportation applications, manufacturers of material handling equipment, marine vessels, aircraft, and industrial systems 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.

Because of the prevalence of internal combustion engine vehicles today, applications in these vehicles make up most of our current transportation addressable markets. As the demand and production of electric vehicles increase in the coming years, we expect our automotive revenue mix to shift more towards electric vehicles. Our average U.S. dollar content in an electric vehicle is expected to expand over the next several years to approximately two times the content that we currently realize on average for internal combustion vehicles, resulting from the broad array of sensors and other components designed into electric vehicles.

We provide many of our innovative and differentiated components, such as those used in braking, tires, 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 the safe and efficient operation of electrified platforms, such as high-voltage electrical protection, advanced temperature and thermal management sensing, highly-sensitive electric motor position, and next-generation current sensing. Thanks to products and services we have added via acquisition, we have expanded our capabilities and reach to 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 for renewable energy systems and applications or, in certain specialty transportation markets like marine, the full energy storage system, including battery management and a customized battery pack.

Within Electrification, we address the needs of the charging infrastructure necessary to support the electrification ecosystem. In addition, we see opportunities in industrial and grid applications, some of which are nascent today. Sensata is a leading provider of high-voltage electrical protection on electric vehicles and charging infrastructure and we seek to be the partner of choice for HVOR, industrial, marine, 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 fiscal year 2021, we organized a new business unit in our Sensing Solutions reportable segment, Clean Energy Solutions, which includes products and solutions such as high-voltage contactors, inverters, rectifiers, and battery management systems, that serve the industrial, stationary, and commercial energy conversion and storage end markets. With the fiscal year 2021 acquisitions of Spear Power Systems ("Spear") and Sendyne Corp. ("Sendyne"), we expanded our portfolio to include energy storage systems and electrical sensing products, augmenting our offerings to our existing end markets as well as providing access to new end markets and applications. In addition, our fiscal year 2022 acquisition of DP Acquisition Corp ("Dynapower") is a foundational addition to our Clean Energy Solutions strategy. Refer to the discussion under the heading *Business Combinations* included elsewhere in this *Strategic Report* and in *Note 29: Acquisitions and Divestitures* of our audited consolidated financial statements and accompanying notes thereto (the "Financial Statements"), included elsewhere in this Report, for additional discussion of this acquisition.

Insights/IoT megatrend

Our objective within the Insights/IoT 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 operational productivity and efficiency for these customers. The Insights/IoT megatrend initiative addresses a large and fast-growing market opportunity to deliver data insights across heavy, medium, and light vehicle fleets, which require data on the location and operation of their assets to monitor equipment health, lower maintenance costs, optimize operations, and improve safety and performance.

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.

With the fiscal year 2021 acquisitions of Xirgo Technologies, LLC and SmartWitness Holdings, Inc., we expanded our capabilities to provide data insights to transportation and logistics customers through telematics, video telematics, asset tracking devices, and other cloud-based solutions. In addition, the fiscal year 2022 acquisition of Elastic M2M, Inc. ("Elastic M2M") augments our cloud capabilities critical to delivering actionable sensor-based insights, an increasingly important capability in this fast-growing industry segment. Refer to the discussion under the heading *Business Combinations* included elsewhere in this *Strategic Report* and in *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional discussion of the acquisition of Elastic M2M.

Safe & Efficient

Due to global regulation and societal forces, our customers are facing increasing mandates to make higher-performance products that are more reliable, safe, and efficient. Many customers are shifting their designs to meet these evolving requirements. We will continue to design and manufacture products and solutions for mission-critical, hard-to-do applications that enable our customers to protect the environment and improve quality of life. Examples of applications that fall within this trend include next-generation powertrains, tire pressure monitoring systems ("TPMS"), safety and environmental systems, operator sensing systems, and HVAC variable speed, flow, and air systems.

For example, responding to tightening legislation requirements and proliferating content, we enable vehicle OEMs to improve combustion, reduce tailpipe emissions, and increase fuel economy in both traditional and hybrid vehicles with a combination of sensors, such as pressure, high-temperature, and speed, in next-generation powertrains. In addition, tightening HVOR emissions regulations in the United States, Europe, and China have resulted in increased sensor content in engines and after-treatment. Our differentiated operator controls and systems improve operator productivity and enable simplified, improved, and safer operation, even in harsh conditions. Our TPMS is used in automotive and HVOR OEMs and fleets to eliminate downtime, reduce operating costs, improve fuel efficiency, and create safer driving conditions. Also, HVAC variable systems are the preferred method to meet stringent energy efficiency and environmental regulations. Our pressure and temperature sensors are critical to optimize these systems and enable them to achieve higher levels of efficiency.

Business Combinations

We completed two notable acquisitions in fiscal year 2022, summarized in the table below:

(In millions)

Acquisition	Date	Segment		Purchase Price
		Performance Sensing	Sensing Solutions	
Elastic M2M ⁽¹⁾	February 11, 2022	X		\$ 51.6
Dynapower ⁽¹⁾	July 12, 2022		X	\$ 577.5

⁽¹⁾ Purchase price accounting is provisional

Elastic M2M

On February 11, 2022, we acquired all of the equity interests of Elastic M2M, an innovator of connected intelligence for operational assets across heavy-duty transport, warehouse, supply chain and logistics, industrial, light-duty passenger car, and a variety of other industry segments. Elastic M2M primarily serves telematics service providers and resellers, enabling them to leverage Elastic M2M's cloud platform and analytics capabilities to deliver sensor-based operational insights to their end users. This acquisition augments our cloud capabilities critical to delivering actionable sensor-based insights, an increasingly important capability in this fast-growing industry segment.

Dynapower

On July 12, 2022, we completed the acquisition of all of the outstanding equity interests of Dynapower, a leader in power conversion systems, including inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications. Dynapower also provides aftermarket sales and service to maintain its equipment in the field. Dynapower is a foundational addition to our Clean Energy Solutions strategy and will complement our recent acquisitions of GIGAVAC, Lithium Balance, Sendyne, and Spear.

Refer to *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional information related to these acquisitions.

Segment information

The Performance Sensing reportable segment, which accounted for approximately 74% of our net revenue in fiscal year 2022, represents an aggregation of two operating segments. Automotive and HVOR. It primarily serves the Automotive and HVOR industries through the 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), exhaust management, and operator controls. 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.

For fleet transportation and logistics customers and end users, we provide hardware and services that enable 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; 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.

The Sensing Solutions reportable segment, which accounted for approximately 26% of our net revenue in fiscal year 2022, primarily serves the industrial and aerospace industries through the 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, HVAC, water management, operator controls, charging infrastructure, renewable energy generation, green hydrogen production, and microgrid applications and 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 power conversion systems. Our products perform many functions including prevention of damage from excess heat or electrical current, optimization of system performance, low-power circuit control, renewable energy generation, and power conversion from direct current ("DC") power to alternating current ("AC") power.

Our Clean Energy Solutions business includes products such as high-voltage contactors, inverters, rectifiers, and battery management systems and focuses on the industrial, stationary, and commercial energy storage end markets. Applications include those in battery-energy storage and renewable energy. With the acquisition of Spear and Sendyne, we expanded our portfolio to include energy storage systems and electrical sensing products, augmenting our offerings to our existing end markets as well as providing access to new end markets and applications. In addition, our acquisition of Dynapower is a foundational addition to our Clean Energy Solutions strategy. Refer to the discussion under the heading *Business Combinations* above and in *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional discussion of this acquisition.

Customers

We have long-standing relationships with a geographically-diverse base of leading OEMs and other multinational companies. In certain geographic and product markets, where it is more effective and efficient for us and our customers, we use third-party distributors to sell our products. We have had relationships with our top ten customers for an average of 27 years. Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2022.

Performance Sensing customers include leading global automotive, on-road truck, construction, and agriculture OEMs, the companies that supply parts directly to these OEMs, known as Tier 1 suppliers, various aftermarket distributors, 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. We also see the growing importance of new 'startup' OEMs as market disruptors, and Sensata's flexibility, speed, expertise, and global footprint provide these new entrants with a supplier/partner capable of meeting their demanding requirements. Fleet transportation and logistics customers demand data-driven insight, connectivity, and prognostics to increase productivity and operational efficiency. We provide all our customers with a worldwide technical, manufacturing presence and service support to enable their success globally.

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, medical, energy and charging infrastructure, data/telecom, aerospace and defense industries, as well as systems integrators and aerospace and motor and compressor 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's 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 the Financial Statements included elsewhere in this Report.

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 2022.

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, 2022, 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, is located throughout the world. We employ approximately 92% of our workforce outside of the U.S. We have many manufacturing, administrative, and sales facilities outside of the U.S. Our subsidiaries located outside of the U.S. generated approximately 61% of our net revenue in fiscal year 2022 (including approximately 20% 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, export, and sourcing restrictions, 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; 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 our ability—and the ability of our suppliers and 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 both exports to China and use of materials from certain regions within 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 52% of our total net revenue in fiscal year 2022. 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 is 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 or sourcing 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 has historically been 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. 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 in the Financial Statements, included elsewhere in this Report, 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. In the year ended December 31, 2022, we sold various assets and liabilities comprising our semiconductor test and thermal business (collectively, the "Qinex Business"). Refer to *Note 29: Acquisitions and Divestitures of the Financial Statements*, included elsewhere in this Report, for additional information.

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 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 have experienced 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. 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 world, 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"), a \$750.0 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, 2022, we had \$4.3 billion of gross outstanding indebtedness, including various tranches of senior notes (the "Senior Notes"). Refer to *Note 14: Borrowings* of the Financial Statements, included elsewhere in this Report, 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 or other measures (e.g., subsidies). 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 \$5.1 billion as of December 31, 2022, or 57% 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 \$3.9 billion as of December 31, 2022, or 44% 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 the Financial Statements, included elsewhere in this Report, 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 the Financial Statements, included elsewhere in this Report, 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 European Union ("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 have begun to be reflected in local country laws where we do business and are expected to apply beginning in calendar year 2024. 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 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, such as the German Explosives Act. Further, numerous customers across all end markets require 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). 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 the 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 materials 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 have increased our cost of doing business in various ways and may continue to do so in the future. We do not currently anticipate material capital expenditures during fiscal year 2023 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

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 they 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 an important way for us to improve our culture. Our values include passion, excellence, integrity, flexibility and teamwork—working together towards common goals, the latter of which we refer to as "OneSensata."

As of December 31, 2022, we had approximately 20,800 employees, of whom approximately 8% were located in the U.S. and approximately 56% of whom were female. Approximately 200 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, 2022, we had approximately 2,200 contract workers on a worldwide basis.

In June 2022, we published our second Sustainability Report, which shares our environmental, social, and governance ("ESG") strategies, performance, and goals. One of our key areas of prioritization as identified in the Sustainability Report is to empower our workforce through promotion of a culture that values inclusion and diversity and prioritizes employee well-being and safety. The full Sustainability Report can be found on our website at www.sensata.com/sustainability.

Diversity, Equity, and Inclusion ("DEI")

We believe in treating all people with respect and dignity. Each person brings unique value through their varying backgrounds and life experiences, no matter their age, race, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical or mental ability, political affiliation, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique. It is our policy and practice to hire and employ qualified individuals without regard to these characteristics. Our DEI policy can be found at www.sensata.com/diversity-equity-and-inclusion. 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 diversity, equity, and inclusion.

We provide regular training to all employees regarding our diversity policies and practices, through which we communicate our expectations that each employee is responsible for maintaining a respective and inclusive workplace. We strive to create and foster a supportive and understanding environment in which ideas are shared freely, helping all individuals realize their maximum potential within Sensata, regardless of their differences. An inclusive culture is fundamental to innovation and problem-solving, improving our ability to innovate, and is vital to our business.

We sponsor various employee resource groups ("ERGs"), groups of employees that come together to work strategically, both internally and externally, to benefit and advance their group members by fostering awareness, respect, and inclusion within the workplace. Our ERGs support our commitment to creating and sustaining a diverse workforce and a culture of inclusion where everyone can thrive, encouraging different perspectives, thoughts, and ideas — creating a sense of community. Our ERGs provide our employees meaningful community and global engagement, networking and mentoring opportunities, and an inclusive workplace culture. Through interaction with these groups, senior leadership can identify emerging and high-potential talent, acquire cultural knowledge, hear directly from employees who face challenges inherent in underrepresented groups, and strengthen diversity management skills. Our ERGs contribute to our market success by actively contributing to our broader DEI strategy. As of December 31, 2022, we had eleven ERGs globally focused on the following areas — gender equity, generational diversity, cross-cultural appreciation, Black/African American, Hispanic/Latinx, Asian/ Asian-American & Pacific Islander heritage, and LGBTQIA+ Pride. We have published our diversity goals in our Sustainability Report.

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, 2022, we had nine non-executive directors and one executive director (the CEO). The nine non-executive directors consisted of three female directors and six male directors. The female non-executive directors include the chair of the Audit Committee and the former CEO.

As of December 31, 2022, we had eight 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). Two 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.

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. Our human rights expectations apply to all our personnel, business partners and other parties involved directly in our operations, products, or services. We are committed to responsible corporate practices in the area of human rights and working conditions and we respect the United Nations Guiding Principles for Business and Human Rights (2011) and its principles within our operations and supply chains.

We also align with practices recommended by industry standards such as the Global Automotive Sustainability Practical Guidance and the RBA Code of Conduct, which incorporate the International Bill of Human Rights, namely the Universal Declaration 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).

We also adhere 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 the 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, we 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.

Employee Engagement

Our long-term success depends on hiring, retaining, training, rewarding, and engaging employees. We strive to retain and engage employees by providing competitive pay and benefits packages, a challenging and rewarding work experience, and by consistently connecting how integral their work is to Sensata's larger purpose.

We focus our employee communications on continual engagement, providing updates on our business, technology, and workforce, including learning opportunities. We work to provide our employees with information to help them feel connected to the business and company strategy and purpose, what we are doing to be a responsible corporate citizen and community neighbor, and how we add value to our customers and investors.

We recognize the importance of supporting our employees' health and well-being. Accordingly, 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 benefits packages that attract, retain, and enhance the well-being of our employees by supporting their physical, financial, and emotional wellness. Our benefits include an array of quality health and income protection benefits. Some benefits are provided automatically at no cost to employees, while the cost of other benefits is shared between the employee and Sensata.

Our employees' health, safety, and well-being are a high priority and integral to our values. We consider safety a core value embedded in the decisions we make across the company to protect our employees, business partners, and local communities.

Learning and Development

We believe that continued success in executing our business strategy requires us to provide a broad range of learning and development programs and opportunities to our employees. We offer our employees an online global learning management system ("Sensata Learning") that enables them to access live virtual and on-demand training. In fiscal year 2022, we delivered approximately 85,650 hours of training spanning various required learning and professional development topics, including a range of courses on diversity, inclusion, and ethics.

We have an integrated performance management process containing annual goal setting and periodic formal and informal reviews and check-ins, ensuring that our employees are provided continual feedback on their performance regarding goals and competencies. We also have templates for giving feedback anytime to employees, typically tied to performance as part of their role, projects, and deliverables which helps foster transparency and delivery of real-time feedback.

In addition, we have a robust talent and succession planning process and have established 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 chief executive officer, chief human resources officer, and business and functional leaders to identify key talent for additional development opportunities. This helps ensure optimal use of the talent for the benefit of both the employee and Sensata.

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 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 underscores our commitment to operating responsibly, one of the four key priority areas outlined in our Sustainability Report. Integrity is at the core of what we do—from how we govern ourselves to how we conduct our business and manage relationships with our stakeholders. The most recent Integrity Week, in fiscal year 2022, focused on "Doing What's Right – Every Day, Every Site." By sharing best practices and stories from their professional journeys, various executives and site leaders at Sensata illustrated 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. 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. 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. We have 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," which are growth areas that are expected to significantly impact our customers and business strategy. 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 significantly transforming the industries in which we operate and are creating greater secular demand for our current and new innovative 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.

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.

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 2022 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 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 under *Governance*.

New Business Wins

New business wins ("NBOs") exceeded \$1.0 billion in fiscal year 2022, an increase from NBOs of \$640 million in fiscal year 2021. 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. Accordingly, NBOs are an indicator of future revenue potential. Approximately 70% of those NBOs in fiscal year 2022 were in Electrification, which will help drive future revenue outgrowth in this megatrend.

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 the Financial Statements included elsewhere in this Report. 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.

	For the year ended December 31,			
	2022		2021	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
<i>(Dollars in millions)</i>				
Net revenue:				
Performance Sensing	\$ 2,976.8	73.9 %	\$ 2,847.9	74.5 %
Sensing Solutions	1,052.5	26.1	972.9	25.5
Total net revenue	4,029.3	100.0 %	3,820.8	100.0 %
Total operating costs and expenses	3,516.5	87.3	3,186.1	83.4
Other operating income, net	181.5	4.5	—	—
Operating income	694.3	17.2	634.7	16.6
Interest expense, net	(183.4)	(4.6)	(183.5)	(4.8)
Other, net	(91.8)	(2.3)	(33.3)	(0.9)
Income before taxes	419.1	10.4	417.9	10.9
Provision for income taxes	99.8	2.5	57.5	1.5
Net income	\$ 319.3	7.9 %	\$ 360.4	9.4 %

Net revenue - Overall

Net revenue for the year ended December 31, 2022 increased 5.5% compared to the year ended December 31, 2021. Excluding a decrease of 2.4% attributed to changes in foreign currency exchange rates and an increase of 3.1% due to the net effect of acquisitions and divestitures, net revenue increased 4.8% on an organic basis, which represented market outgrowth of 820 basis points.

Net revenue - Performance Sensing

Performance Sensing net revenue for the year ended December 31, 2022 increased 4.5% compared to the year ended December 31, 2021. Excluding a decrease of 2.7% attributed to changes in foreign currency exchange rates and an increase of 3.3% due to the effect of acquisitions, Performance Sensing net revenue increased 3.9% on an organic basis. Both the Automotive and HVOR operating segments contributed to these results as discussed below.

Automotive net revenue for the year ended December 31, 2022 increased 2.7% compared to the year ended December 31, 2021. Excluding a decrease of 3.0% attributed to changes in foreign currency exchange rates, automotive net revenue increased 5.7% on an organic basis. This organic revenue growth was primarily due to continued content growth and pricing.

HVOR net revenue for the year ended December 31, 2022 increased 9.0% compared to the year ended December 31, 2021. Excluding a decrease of 1.7% attributed to changes in foreign currency exchange rates and an increase of 11.4% due to the effect of acquisitions, HVOR net revenue decreased 0.7% on an organic basis. This organic revenue decline was primarily due to declining market conditions, largely offset by continued content growth and pricing.

Net revenue - Sensing Solutions

Sensing Solutions net revenue for the year ended December 31, 2022 increased 8.2% compared to the year ended December 31, 2021. Excluding a decrease of 1.7% attributed to changes in foreign currency exchange rates and an increase of 2.4% due to the net effect of acquisitions and divestitures, Sensing Solutions net revenue increased 7.5% on an organic basis, which primarily reflects the launch of new industrial Electrification applications within the Clean Energy Solutions business as well as growth in content in other industrial businesses and aerospace, partially offset by weakness in our industrial markets, particularly appliance and HVAC.

Operating costs and expenses

Operating costs and expenses for the years ended December 31, 2022 and 2021 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,			
	2022		2021	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Operating costs and expenses:				
Cost of revenue	\$ 2,768.6	68.7 %	\$ 2,560.1	67.0 %
Research and development	151.2	3.8	118.3	3.1
Selling, general and administrative	381.3	9.5	335.0	8.8
Amortization of intangible assets and capitalized development costs	195.2	4.8	171.3	4.5
Restructuring and other charges, net	20.1	0.5	1.3	0.0
Total operating costs and expenses	<u>\$ 3,516.5</u>	<u>87.3 %</u>	<u>\$ 3,186.1</u>	<u>83.4 %</u>

Cost of revenue

Cost of revenue as a percentage of net revenue increased in fiscal year 2022, primarily due to the impacts of inflation on material and logistics costs, the impact of acquisition-related compensation arrangements, and the unfavorable impact of product mix, partially offset by improved pricing.

Research and development expense

We invest in R&D in megatrend-related areas to design and develop differentiated solutions for the fast-growing trends impacting our customers' businesses, Electrification and Insights/IoT. R&D expenditures for megatrends in fiscal year 2022 were \$68.0 million, an increase of \$21.3 million from fiscal year 2021.

Total R&D expense increased in fiscal year 2022, primarily as a result of (1) higher spend to support megatrend growth initiatives and (2) incremental R&D expense related to acquired businesses, partially offset by the favorable effect of foreign currency exchange rates. We capitalized \$38.3 million of R&D expenditures in fiscal year 2022, compared to \$40.9 million in fiscal year 2021.

Selling, general and administrative expense

Selling, general and administrative ("SG&A") expense increased in fiscal year 2022, primarily as a result of (1) incremental SG&A expense related to acquired businesses, including related transaction costs, (2) increased write-offs of capitalized research and development intangible assets, (3) increased selling expenses attributed to organic revenue growth, and (4) higher share-based compensation, partially offset by the favorable effect of changes in foreign currency exchange rates. Refer to Note 29: *Acquisitions and Divestitures* and Note 4: *Share-Based Payment Plans* of the Financial Statements, included

elsewhere in this Report, for additional information related to acquired businesses and share-based compensation, respectively.

Amortization of intangible assets and capitalized development costs

Amortization expense increased in fiscal year 2022, primarily due to increased intangibles from recent acquisitions. Refer to *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional information related to acquired businesses. In addition, amortization of capitalized R&D costs was \$41.1 million in fiscal year 2022, compared to \$36.4 million in the prior year. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* of the Financial Statements, included elsewhere in this Report, for additional information regarding definite-lived intangible assets and the related amortization.

Restructuring and other charges, net

Restructuring and other charges, net increased from the prior year due to severance charges recognized in fiscal year 2022. These charges were not incurred as part of a larger plan.

Other operating income, net

Other operating income, net of \$181.5 million related primarily to a \$176.5 million gain on the sale of the Qinx Business (partially offset by \$8.2 million of transaction-related charges) and a gain of \$8.1 million resulting from the reduction of the liability for contingent consideration for Spear. Refer to *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional information related to business combinations and divestitures.

Operating income

In fiscal year 2022, operating income increased \$59.6 million or 9.4%, to \$694.3 million (17.2% of net revenue) compared to \$634.7 million (16.6% of net revenue) in fiscal year 2021, primarily due to (1) the gain on the sale of the Qinx Business and (2) improvements in pricing to offset increased costs, partially offset by (1) the impact of inflation on our component and logistics costs, (2) higher acquisition-related incentive compensation, (3) the negative impact of product mix, (4) higher amortization, primarily due to acquired intangible assets, (5) higher spend to support our megatrends initiatives, and (6) the unfavorable effect of changes in foreign currency exchange rates.

Interest expense, net

Interest expense, net did not change materially in fiscal year 2022, as the impact of various transactions and higher interest rates largely offset. Refer to *Note 14: Borrowings* of the Financial Statements, included elsewhere in this Report, for additional information related to these transactions. Refer to the table detailing interest expense by debt instrument under the heading *Indebtedness and Liquidity*, included elsewhere in this *Strategic Report*. On January 31, 2023, we announced that we intended to pay down \$250.0 million of outstanding principal on the Term Loan. That payment was completed on February 6, 2023.

Other, net

Other, net for fiscal years 2022 and 2021 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>	For the year ended December 31,	
	2022	2021
Currency remeasurement (loss)/gain on net monetary assets ⁽¹⁾	\$ (18.2)	\$ 2.8
Gain/(loss) on foreign currency forward contracts ⁽²⁾	4.3	(7.6)
Loss on commodity forward contracts ⁽²⁾	(3.4)	(3.0)
Loss on financing of borrowings ⁽³⁾	(5.6)	(30.1)
Mark-to-market loss on investments, net ⁽⁴⁾	(75.6)	—
Net periodic benefit cost, excluding service cost	(2.2)	(0.2)
Other	8.7	4.6
Other, net	<u>\$ (91.8)</u>	<u>\$ (33.3)</u>

⁽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 the Financial Statements, included elsewhere in this Report, 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 the Financial Statements, included elsewhere in this Report, 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 the Financial Statements, included elsewhere in this Report, for additional information related to our financing transactions on borrowings.
- (4) Primarily reflects a mark-to-market loss on our investment in Quanergy Systems, Inc. Refer to *Note 18: Fair Value Measures* of the Financial Statements, included elsewhere in this Report, for additional information.

Provision for income taxes

The provision for income taxes for fiscal years 2022 and 2021 was \$99.8 million and \$57.5 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,	
	2022	2021
Tax computed at statutory rate of 19% ⁽¹⁾	\$ 79.6	\$ 79.4
Foreign tax rate differential ⁽²⁾	(33.0)	(21.8)
Changes in recognition of tax losses	18.4	20.5
Reserve for tax exposure	0.8	(16.2)
Withholding taxes not creditable ⁽³⁾	12.3	13.3
Research and development incentives ⁽⁴⁾	(10.8)	(11.1)
Change in tax laws or rates	2.8	(5.6)
Unrealized foreign exchange losses/(gains), net	19.9	(0.9)
Other ⁽⁵⁾	9.8	(0.1)
Provision for income taxes	<u>\$ 99.8</u>	<u>\$ 57.5</u>

- (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 the Financial Statements, included elsewhere in this Report, 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) Refer to *Note 7: Income Taxes* of the Financial Statements, included elsewhere in this Report, for additional information related to other components of our rate reconciliation.

Liquidity and Capital Resources

At December 31, 2022 and 2021, 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,	
	2022	2021
Cash and cash equivalents:		
U.K.	\$ 15.7	\$ 20.4
U.S.	16.1	25.0
Netherlands	861.3	1,304.3
China	210.0	293.8
Other	122.4	65.5
Cash and cash equivalents	<u>\$ 1,225.5</u>	<u>\$ 1,709.0</u>

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, 2022 and 2021. We have derived these summarized consolidated statements of cash flows from the Financial Statements included elsewhere in this Report. 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,	
	2022	2021
Net cash provided by/(used in):		
Operating activities:		
Net income adjusted for non-cash items	\$ 906.3	\$ 969.3
Changes in operating assets and liabilities, net	(134.2)	(103.1)
Cash paid for interest and taxes	(257.3)	(255.5)
Operating activities	<u>514.9</u>	<u>610.7</u>
Investing activities	(629.0)	(922.9)
Financing activities	(369.5)	159.2
Net change	<u>\$ (483.6)</u>	<u>\$ (152.9)</u>

Operating Activities

Net cash provided by operating activities for the year ended December 31, 2022 decreased compared to the prior year, primarily due to lower net income, increases in receivables as our business and revenues grew, our decision to carry higher inventory levels to ensure continuity of supply in uncertain markets, and from acquisition-related compensation payments. Refer to *Results of Operations* included elsewhere in this *Strategic Report* for discussion of the drivers of changes in net income from fiscal year 2022.

Investing Activities

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

Net cash used in investing activities for the year ended December 31, 2022 decreased compared to the corresponding period of the prior year primarily due to lower cash paid for acquisitions (Elastic M2M and Dynapower) and the receipt of \$198.8 million of cash proceeds of from the divestiture of the Qinx Business. Refer to discussion under the heading *Business*

Combinations, included elsewhere in this *Strategic Report*, and *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional information.

Financing Activities

In fiscal year 2022, we used net cash of \$369.5 million in financing activities, compared to net cash of \$159.2 million provided by financing activities in fiscal year 2021. This increased use of cash was primarily due to additional payments to repurchase our ordinary shares in fiscal year 2022, less cash received from debt financing in fiscal year 2022, and \$51.1 million of cash used for payment of dividends, a program which we began in fiscal year 2022. We used \$292.3 million of cash for share repurchases, compared to \$47.8 million in fiscal year 2021. We also issued \$500.0 million aggregate principal amount of 5.875% senior notes due 2030 (the "5.875% Senior Notes") and redeemed \$500.0 million aggregate principal amount of 4.875% senior notes due 2023 (the "4.875% Senior Notes") in fiscal year 2022, the cash impact of which largely offset. In fiscal year 2021, cash provided by financing activities was primarily the result of the issuance of \$1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"), partially offset by the redemption of \$750.0 million aggregate principal amount outstanding on the 6.25% senior notes due 2026 (the "6.25% Senior Notes"). In addition, in fiscal year 2022 we used \$13.7 million in cash related to financing transactions on borrowings, compared to \$33.1 million in the prior year. On February 6, 2023, we prepaid \$250.0 million of outstanding principal on the Term Loan.

Indebtedness and Liquidity

The following table details our gross outstanding indebtedness as of December 31, 2022 and the associated interest expense, net for fiscal year 2022 (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not sum due to the effect of rounding):

<i>(In millions)</i>	Balance as of December 31, 2022	Interest Expense, net for the year ended December 31, 2022
Term Loan ⁽¹⁾	\$ 446.8	\$ 17.0
4.875% Senior Notes ⁽²⁾	—	\$ 18.1
5.625% Senior Notes	400.0	\$ 22.5
5.0% Senior Notes	700.0	\$ 35.0
4.375% Senior Notes	450.0	\$ 19.7
3.75% Senior Notes	750.0	\$ 28.1
4.0% Senior Notes	1,000.0	\$ 40.0
5.875% Senior Notes ⁽³⁾	500.0	\$ 10.0
Lease liabilities and other financing obligations	70.2	\$ 5.7
Total gross outstanding indebtedness	<u>\$ 4,317.0</u>	
Other interest expense, net ⁽⁴⁾		<u>\$ (12.6)</u>
Interest expense, net		<u>\$ 183.4</u>

⁽¹⁾ On February 6, 2023, we prepaid \$250.0 million on our outstanding variable rate Term Loan.

⁽²⁾ We redeemed the full outstanding balance on the 4.875% Senior Notes in September 2022.

⁽³⁾ We issued the 5.875% Senior Notes in August 2022.

⁽⁴⁾ Other interest expense, net includes interest income and interest costs capitalized in accordance with IAS 23 *Capitalization of Borrowing Costs*, partially offset by amortization of borrowing costs and fees related to our unused balance on the Revolving Credit Facility.

Borrowings

As of December 31, 2022, our borrowings included the Term Loan, \$400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes"), \$700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), \$450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the "4.375% Senior Notes"), \$750.0 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes"), the 4.0% Senior Notes, and the 5.875% Senior Notes.

On June 23, 2022, we entered into an amendment (the "Eleventh Amendment") to (i) the Credit Agreement and (ii) the Foreign Guaranty, dated as of May 12, 2011. The Eleventh Amendment, among other things: increased the aggregate principal amount of the Revolving Credit Facility to \$750.0 million; extended the maturity date of the Revolving Credit Facility to June

23, 2027 (subject to certain exceptions as described in *Note 14: Borrowings* of the Financial Statements included elsewhere in this Report); released certain guarantors from their obligations relating to the Revolving Credit Facility and certain related obligations; and replaced the LIBOR-based interest rates referenced by the Credit Agreement regarding revolving credit loans.

On August 29, 2022, we completed the issuance and sale of the 5.875% Senior Notes. On September 28, 2022, we redeemed in full the \$500.0 million aggregate principal amount outstanding on the 4.875% Senior Notes due 2023 in accordance with the terms of the indenture under which the 4.875% Senior Notes were issued, at a price of 101.0% of the aggregate principal amount of the outstanding 4.875% Senior Notes (which includes the applicable premium), plus accrued and unpaid interest to (but not including) the redemption date.

Refer to *Note 14: Borrowings* of the Financial Statements, included elsewhere in this Report, for additional information related to our borrowings.

On February 6, 2023, we prepaid \$250.0 million of principal on the Term Loan.

The aggregate principal amount of each tranche of the 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, 2023 through 2027 and thereafter. The table reflects the payment of \$250.0 million principal amount of the Term Loan on February 6, 2023. 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
2023	\$ 254.6
2024	404.6
2025	704.6
2026	182.9
2027	—
Thereafter	2,700.0
Total long-term debt principal payments	<u>\$ 4,246.8</u>

Refer to *Note 14: Borrowings* of the Financial Statements, included elsewhere in this Report, 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 and the Accordion.

As of December 31, 2022, there was \$746.1 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, 2022, 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 indentures under which the Senior Notes were issued (the "Senior Notes Indentures"). As of December 31, 2022, availability under the Accordion was approximately \$0.7 billion. Our primary historical uses of cash on hand have been to support the growth of the business through capital expenditures, acquire businesses that extend our market position within our key growth vectors of Electrification and Insights/IoT, and to repurchase our ordinary shares, augmenting our existing capital deployment strategies and enabling 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, 2022, 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 the Financial Statements, included elsewhere in this Report, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, ordinary share repurchases, and debt service through at least June 30, 2024.

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, 2022.

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, 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 January 27, 2023, 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 the Financial Statements included elsewhere in this Report) 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 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 those program. 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, 2022, 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 annual general meeting.

In July 2019 our Board of Directors authorized a \$500.0 million share repurchase program (the "July 2019 Program"). 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 per share of \$59.28), 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. 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 \$500.0 million ordinary share repurchase program (the "January 2022 Program"), which replaced 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.

During the year ended December 31, 2022, we repurchased approximately 6.3 million ordinary shares (nominal value of approximately €63 thousand) under the January 2022 Program, for a total purchase price of \$292.3 million (weighted-average price per share of \$46.08). This represents approximately 3.6% of the total number and nominal value of our ordinary shares issued at December 31, 2022. As of December 31, 2022, approximately \$224.5 million remained available under the January 2022 Program.

Future Outlook

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, 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 production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and Insights/IoT megatrends, as well as the Safe & Efficient growth trend, each described in more detail under the heading *Growth Drivers* elsewhere in this *Strategic Report*. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

We have sufficient cash to take advantage of strategic opportunities as they arise. We generated \$514.9 million of operating cash flow in fiscal year 2022, ending the year with \$1.2 billion in cash. In fiscal year 2022, we used approximately \$631.6 million in cash for acquisitions and approximately \$292.3 million for share repurchases. We also paid approximately \$51.1 million in cash dividends. In fiscal year 2023, we will continue to return capital to shareholders through our dividend and opportunistic share repurchases. We expect improving free cash flow will naturally allow leverage to decline and returns on invested capital to improve over time. On January 31, 2023, we announced that we intended to pay down \$250.0 million of principal on the balance outstanding of the Term Loan under the Senior Secured Credit Facilities. That payment was completed on February 6, 2023.

Signatures

Signed for and on behalf of the Board of Directors:



Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 7, 2023



Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 7, 2023

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 2022 increased \$208.5 million, or 5.5%, to \$4,029.3 million from \$3,820.8 million for fiscal year 2021. The increase in net revenue was composed of a 4.5% increase in Performance Sensing and an 8.2% increase in Sensing Solutions. Net income decreased from \$360.4 million (9.4% of net revenue) in fiscal year 2021 to \$319.3 million (7.9% of net revenue) in fiscal year 2022. 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, 2022 and the date of this Report:

Directors	Period	Function
Andrew C. Teich	January 1, 2022 - present	Chair, non-executive director
Martha N. Sullivan	January 1, 2022 - present	Non-executive director
Jeffrey J. Cote	January 1, 2022 - present	Executive director
John P. Absmeier	January 1, 2022 - present	Non-executive director
Daniel Black	January 1, 2022 - present	Non-executive director
Lorraine A. Bolsinger	January 1, 2022 - present	Non-executive director
James E. Heppelmann	January 1, 2022 - present	Non-executive director
Charles W. Peffer ⁽¹⁾	January 1, 2022 - May 26, 2022	Non-executive director
Constance E. Skidmore	January 1, 2022 - present	Non-executive director
Steven A. Sonnenberg	January 1, 2022 - present	Non-executive director
Stephen M. Zide	January 1, 2022 - present	Non-executive director

⁽¹⁾ Mr. Peffer retired from the Board effective May 26, 2022.

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 U.K. 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.

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 the Financial Statements included elsewhere in this Report.

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").

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. 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 \$500.0 million ordinary share repurchase program (the "January 2022 Program"), which replaced 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.

During the year ended December 31, 2022, we repurchased approximately 6.3 million ordinary shares (nominal value of approximately €63 thousand) under the January 2022 Program, for a total purchase price of \$292.3 million (weighted-average price per share of \$46.08). This represents approximately 3.6% of the total number and nominal value of our ordinary shares issued at December 31, 2022. As of December 31, 2022, approximately \$224.5 million remained available under the January 2022 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. The full Sustainability Report can be found on our website at 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 2022, Sensata reduced its GHG emission intensity relative to revenue by more than 10%, which was achieved, in part, due to energy saving projects at our sites and procuring renewable energy at certain sites.

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		2022 ⁽¹⁾		2021	
		Total ⁽¹⁾	U.K.-based ⁽¹⁾	Total ⁽¹⁾	U.K.-based ⁽¹⁾
GHG emissions ⁽²⁾	Scope 1	5,314 mt CO2e	4.05%	6,192 mt CO2e	5.62%
	Scope 2 (location-based)	161,742 mt CO2e	0.91%	167,876 mt CO2e	1.14%
	Scope 2 (market-based)	156,405 mt CO2e	0.37%	166,611 mt CO2e	0.54%
	Total Scope 1 + Scope 2 (location-based)	167,056 mt CO2e	1.01%	174,068 mt CO2e	1.30%
	Total Scope 1 + Scope 2 (market-based)	161,719 mt CO2e	0.49%	172,804 mt CO2e	0.72%
Energy	Direct energy combustion ⁽³⁾	25,521,309 kWh	4.01%	31,316,781 kWh	4.96%
	Indirect energy combustion ⁽⁴⁾	272,310,305 kWh	2.79%	283,691,665 kWh	3.17%
	Total energy combustion (Direct + Indirect)	297,831,614 kWh	2.90%	315,008,447 kWh	3.35%
Intensity Ratio	Emissions Intensity (Total Scope 1 + Scope 2 (location-based) / \$1 million revenue)	41.46	N/A	45.57	N/A
	Emissions Intensity (Total Scope 1 + Scope 2 (market-based) / \$1 million revenue)	40.14	N/A	45.24	N/A

⁽¹⁾ All data reflects rounded figures. Totals represent 100% of Sensata's global facilities with actual or estimated energy use covering 4,581,859 square feet in 2021 and 4,766,290 square feet in 2022.

⁽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 2022 Energy Efficiency Initiatives

Facility Based Efforts

What did we do?

During 2022, Sensata committed \$3.3 million for energy efficiency and renewable energy generation projects. The projects include LED retrofitting to reduce energy consumption and two solar energy panel projects at our Malaysia and Plovdiv, Bulgaria facilities. In 2022, we completed several projects focused on operational efficiency improvements, including different facilities. We continued to use our 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 24% to 100% moving forward. This resulted in our headquarters location in Attleboro, Massachusetts, Antrim, Northern Ireland, and Hengelo, Netherlands facilities being powered 100% by renewable energy in 2022.

Furthermore, during 2022, Sensata initiated seven energy efficiency projects at six different facilities globally, including LED conversions and upgrades, compressor upgrades, and other projects. These actions we took in 2022 resulted in a more than 10% reduction in emissions intensity relative to revenue and an estimated 6.5% reduction in absolute emissions from our 2021 baseline.

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 *Growth Drivers* 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/IoT.

Market Trends

We believe that net revenue growth from the automotive and HVOR sensor markets served by Performance Sensing has historically been driven 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/IoT.

Light vehicle production: Global production of light vehicles had consistently demonstrated steady annual growth for most of the decade up to 2019, when it started to decline. Fiscal years 2020 and 2021 were 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 2022, global production of light vehicles increased about 6% from fiscal year 2021 according to third-party data.

On Road Truck Production: Global production of heavy-duty trucks had also demonstrated consistent growth until fiscal year 2020, which declined as a result of the economic impacts of COVID-19. Global production of heavy- and medium-duty trucks in the markets we serve rebounded to increase approximately 20% in fiscal year 2021 but decreased approximately 12% in fiscal year 2022.

Number of sensors per vehicle: We believe that the number of sensors used in vehicles of all classes 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, advanced combustion and exhaust after-treatment applications, and operator controls in heavy off-road equipment. 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 crucial enablers for a vehicle's systems and sub-systems to meet the ever-increasing requirements in a vehicle's operation.

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 solutions in sensing and electrical protection components and systems 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 this trend will drive growth in our business for the foreseeable future, particularly in the areas of Electrification and Insights/IoT. 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.

Our GIGAVAC-branded 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. The joint venture created with Churud Electronics in early fiscal year 2021 expanded our contactor offering by making available new technology applicable to lower voltage ranges than GIGAVAC's solutions.

The 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, driving demand for cargo capacity, video telematics, 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 the estimated time of arrival and sensors that can provide information on the 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 2022.

Declaration and payment of dividends

In the year ended December 31, 2022, the Directors authorized a new quarterly dividend program in the amount of \$0.11 per share. In the year ended December 31, 2022, Sensata paid \$51.1 million in cash dividends as follows:

- On April 26, 2022, Sensata announced the declaration of a dividend of \$0.11 per share (total of \$17.2 million) to be paid on May 25, 2022 to shareholders of record as of May 11, 2022.
- On July 21, 2022, Sensata announced the declaration of a dividend of \$0.11 per share (total of \$17.0 million) to be paid on August 24, 2022 to shareholders of record as of August 10, 2022.
- On October 20, 2022, Sensata announced the declaration of a dividend of \$0.11 per share (total of \$16.8 million) to be paid on November 23, 2022 to shareholders of record as of November 9, 2022.

In the year ended December 31, 2021, no dividends were proposed by the Directors.

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 appointment of Deloitte & Touche LLP as auditor of the Company.

Going Concern

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. We generated \$514.9 million of operating cash flow in fiscal year 2022, ending the year with \$1,225.5 million in cash and cash equivalents. We also have approximately \$0.7 billion availability under our Senior Secured Credit Facilities and \$746.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net income of \$4,029.3 million and \$319.3 million, respectively, in the year ended December 31, 2022.

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, 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 production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and Insights/IoT megatrends, as well as the Safe & Efficient growth trend, each described in more detail under the heading *Growth Drivers* elsewhere in this *Strategic Report*. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

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, 2024, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2024.

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, 2024. 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:



Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 7, 2023



Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 7, 2023

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 was approved at the 2022 Annual General Meeting of the Shareholders (the "2022 AGM") and is subject to a binding vote of shareholders at least every third year after that; and
3. The annual report on remuneration which sets out director compensation for 2022. The annual report on compensation together with this statement is subject to an advisory vote of shareholders at the 2023 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 restricted stock units ("PRSUs"). For 2022, PRSUs were focused on our Relative Adjusted Earnings Per Share ("EPS") growth performance and return-on-invested-capital ("ROIC") 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 are tied to both our stock performance and our long-term operating performance. 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 members 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

For 2022, the Committee believed that Adjusted Operating Income and Adjusted Free Cash Flow were the appropriate performance metrics, along with a Performance Scorecard, for the annual incentive bonus of our Executive Director. Mr. Cote's Performance Scorecard contained metrics that included targets for total shareholder return ("TSR") as compared to a peer group, growth metrics for new business closures and M&A revenue goals, market growth, talent management, and greenhouse gas reduction. Further, the Committee believes that Relative Adjusted EPS Growth with an ROIC modifier over a three-year performance period were appropriate financial metrics for the annual LTI awards. The Committee believes these metrics provide an appropriate balance of short-term and long-term perspectives.



Lorraine A. Bolsinger
Chairperson of the Compensation Committee
April 7, 2023

2. SENSATA'S DIRECTOR REMUNERATION POLICY

The remuneration Policy for the purposes of section 226D(6)(b) of the U.K. Companies Act 2006 (the "Act") was approved at the 2022 AGM and took effect on 26 May 2022 and is subject to a binding vote of shareholders at least every third year after that. The policy is reviewed annually to ensure it remains aligned with strategic objectives.

The Directors' Remuneration Report can be viewed within the 2022 proxy statement on our website at www.sensata.com.

3. ANNUAL REPORT ON DIRECTOR REMUNERATION

Compensation of Non-Executive Directors - Single Figure Table

The following table is subject to audit and sets out the compensation of our Non-Executive Directors during the year ended December 31, 2022 with comparisons to the year ended December 31, 2021:

Non-Executive Director	Annual Retainer and Committee Fees (\$)	Benefits (\$) ⁽¹⁾	RSU Award (\$) ⁽²⁾	Pension (\$)	Total Fixed Remuneration (\$)	Total Variable Remuneration (\$)	Total (\$)
John P. Absmeier							
2022	100,000	7,419	134,298	—	107,419	134,298	241,717
2021	100,000	5,625	148,278	—	105,625	148,278	253,903
Daniel L. Black ⁽³⁾							
2022	109,000	1,416	134,298	—	110,416	134,298	244,714
2021	108,250	242	217,323	—	108,492	217,323	325,815
Lorraine A. Bolsinger							
2022	104,833	—	134,298	—	104,833	134,298	239,131
2021	98,250	—	148,278	—	98,250	148,278	246,528
James E. Heppelmann							
2022	112,500	—	134,298	—	112,500	134,298	246,798
2021	111,250	1,242	148,278	—	112,492	148,278	260,770
Charles W. Pepper ⁽⁴⁾							
2022	39,583	403	—	—	39,986	—	39,986
2021	95,000	3,670	148,278	—	98,670	148,278	246,948
Constance E. Skidmore							
2022	121,500	—	134,298	—	121,500	134,298	255,798
2021	119,500	1,242	148,278	—	120,742	148,278	269,020
Steven A. Sonnenberg							
2022	97,500	2,516	134,298	—	100,016	134,298	234,314
2021	96,250	2,784	148,278	—	99,034	148,278	247,312
Martha N. Sullivan ⁽⁵⁾							
2022	95,000	345	134,298	—	95,345	134,298	229,643
2021	192,954	838	148,278	5,571	199,363	148,278	347,641
Andrew C. Teich							
2022	247,500	—	134,298	—	247,500	134,298	381,798
2021	246,250	1,242	148,278	—	247,492	148,278	395,770
Stephen M. Zide							
2022	95,000	—	134,298	—	95,000	134,298	229,298
2021	95,000	7,353	148,278	—	102,353	148,278	250,631

⁽¹⁾ The amounts for 2022 and 2021 include U.K. and Netherlands tax advisory and preparation fees and reimbursement of reasonable out of pocket expenses.

⁽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 \$41.45 and \$58.22 for 2022 and 2021, 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 and was granted a pro-rated award at that time for his service until the 2021 Annual General Meeting.

⁽⁴⁾ Mr. Pepper retired from his position as a Director in May 2022. Fees earned were prorated to reflect his service.

⁽⁵⁾ 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. She was not eligible for additional director compensation while serving as Senior Advisor.

LTI awards granted in 2022

Director	Type of LTI award	Date of grant	Number of shares under LTI award	Exercise price (\$)	Face value (\$) ⁽¹⁾	Vesting date
Jeffrey J. Cote	RSU	April 1, 2022	45,036		\$2,277,020	1/3 on April 1, 2023, 2024, 2025
	PRSU	April 1, 2022	55,044		\$2,783,025	April 1, 2025 based upon satisfaction of Relative Adjusted EPS Growth
John P. Absmeier	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Daniel L. Black	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Lorraine A. Bolsinger	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
James E. Heppelmann	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Constance E. Skidmore	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Steven A. Sonnenberg	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Martha N. Sullivan	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Andrew C. Teich	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM
Stephen M. Zide	RSU	May 26, 2022	3,240		\$150,012	Date of 2023 AGM

⁽¹⁾ Face value has been calculated based on the price of a share of common stock of the Company at grant of \$50.56 for awards made on April 1, 2022, and \$46.30 for awards made on May 26, 2022.

Payments to past / former Directors

There were no payments to past or former Directors for the year ended December 31, 2022.

Payments for loss of office

There were no payments for loss of office for the year ended December 31, 2022.

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 \$5.9 million holding requirement for Mr. Cote, 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, 2022, 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, 2022:

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 PRSUs
Jeffrey J. Cote	131,201	100 %	196,224	102,856	183,516
John P. Absmeier	10,792	100 %	—	3,240	—
Daniel L. Black	3,733	68 %	—	3,240	—
Lorraine A. Bolsinger	7,824	100 %	—	3,240	—
James E. Heppelmann	20,141	100 %	14,940	3,240	—
Constance E. Skidmore	16,216	100 %	—	3,240	—
Steven A. Sonnenberg	7,824	100 %	—	3,240	—
Martha N. Sullivan	298,028	100 %	616,080	28,043	—
Andrew C. Teich	20,141	100 %	15,640	3,240	—
Stephen M. Zide	21,536	100 %	27,340	3,240	—

During the period from January 1, 2023 through April 1, 2023, the following changes in Mr. Cote's beneficial ownership occurred:

	Exercised	Vested	Granted ⁽¹⁾
Options	49,550	11,000	—
RSUs	N/A	50,050	50,380
PRSUs	N/A	70,211	61,576

⁽¹⁾ Granted in accordance with the 2021 Equity Plan.

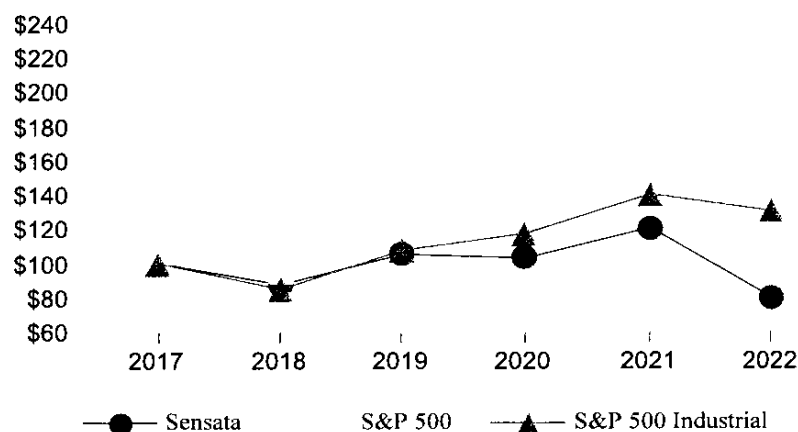
Option exercises during 2022

The following table is subject to audit and includes information on the stock options exercised by the Directors during the year ended December 31, 2022:

Director	Number of stock options exercised during 2022	Exercise Price	Expiry Date
Martha N. Sullivan	198,000	\$ 32.03	April 5, 2023
Stephen M. Zide	12,900	\$ 31.76	May 25, 2022

Performance graph and table

The following graph compares the TSR of our ordinary shares since December 31, 2017 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, 2017.



TSR of \$100.00 Investment from December 31, 2017

	As of December 31,					
	2017	2018	2019	2020	2021	2022
Sensata	\$ 100.00	\$ 87.73	\$ 105.40	\$ 103.19	\$ 120.70	\$ 79.61
S&P 500	\$ 100.00	\$ 95.62	\$ 125.72	\$ 148.85	\$ 191.58	\$ 156.88
S&P 500 Industrial	\$ 100.00	\$ 85.00	\$ 107.81	\$ 117.52	\$ 140.32	\$ 130.35

Compensation of Executive Director - Single Figure Table

The following table is subject to audit and sets out the compensation paid to Mr. Cote, our Chief Executive Officer and our only Executive Director during fiscal year 2022 and a comparison for fiscal year 2021.

	Base Salary (1)	Taxable Benefits (2)	Annual Incentive Bonus (3)	LTI Award (4)	Pension (5)	Total Fixed Remuneration	Total Variable Remuneration	Total
2022	\$ 985,839	\$ 26,541	\$ 743,570	\$ 5,378,696	\$ 12,200	\$ 1,024,580	\$ 6,122,266	\$ 7,146,846
2021	\$ 953,250	\$ 26,371	\$ 1,206,954	\$ 2,057,669	\$ 11,600	\$ 991,221	\$ 3,264,623	\$ 4,255,844

(1) Represents actual base salary paid.

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

(3) The Annual Incentive Bonus for the Executive Director consisted of the following measures and results. Refer to section entitled "Annual Incentive Compensation of the CEO" below for further discussion of the considerations used to determine this compensation.

Annual Incentive Bonus Target (%)	Annual Incentive Bonus Target	Achievement of Adjusted Operating Income Relative to Target (52.5% weighting)	Achievement of Free Cash Flow Relative to Target (22.5% weighting)	Achievement of Performance Scorecard Relative to Target (25% weighting)	Annual Incentive Bonus Payout	2022 Annual Incentive Bonus Payout as a % of Target
125%	\$1,239,284	73%	29%	92%	\$743,570	60%

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

	RSUs (a)	PBUs (b)	Options (c)	Total
2022	\$ 1,866,742	\$ 3,511,954	\$ —	\$ 5,378,696
2021	\$ 2,057,669	\$ —	\$ —	\$ 2,057,669

(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 \$41.45 and \$58.22 for 2022 and 2021, respectively. The RSUs granted to Mr. Cote in 2022 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 2022 and 2021, the achieved performance on PRSUs was 82% and 0%, respectively, and the closing stock price on the date of vest was \$50.02 and \$50.56, 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 2022 and 2021. In 2022 and 2021, no options were granted.

(5) Includes the Company's matching contributions to Mr. Cote's 401(K).

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 (%) x 52.5% (weighting)	+	Achievement of Adjusted Free Cash Flow Relative to Target (%) x 22.5% (weighting)	+	Achievement of Performance Scorecard (%) x 25% (weighting)	=	Annual Incentive Bonus Payout (\$)
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Adjusted Operating Income

Adjusted Operating Income under the Annual Incentive Bonus excludes any impact from divestitures and final results are inclusive of a proforma based on the annual plan of any divested business. In establishing the Adjusted Operating Income goal, the Committee considered recent earnings performance, management's near-term operating and financial plans, and shareholder

expectations. The target 2022 goal of Adjusted Operating Income of \$870 million was the midpoint of the Company's annual guidance communicated in January 2022 and represented an increase of 7.9% versus 2021 Adjusted Operating Income.

	Adjusted Operating Income Goal	Percentage of Target Payout (52.5% of Total Bonus)
Threshold	\$665.0	25%
Hurdle	\$730.0	50%
Hurdle	\$795.0	75%
Target	\$870.0	100%
Max	\$1,007.0	120%

Adjusted Free Cash Flow

Adjusted Free Cash Flow under the Annual Incentive Bonus excludes any impact from acquisition related retention costs deemed as compensation for U.S GAAP purposes. In establishing the Adjusted Free Cash Flow goal, the Committee considered recent cash flows, management's near-term operating and financial plans, and shareholder expectations. The target 2022 goal of Adjusted Free Cash Flow of \$500 million was the midpoint of the Company's annual guidance communicated in January 2022, and represented an increase of 22.0% versus 2021 Free Cash Flow.

	Free Cash Flow	Percentage of Target Payout (22.5% of Total Bonus)
Threshold	\$325.0	25%
Hurdle	\$380.0	50%
Hurdle	\$425.0	75%
Target	\$500.0	100%
Max	\$600.0	120%

⁽¹⁾ The Free Cash Flow metric was amended in 2022 to adjust for impact from acquisition related retention costs.

Performance Scorecard

The 2022 Performance Scorecard consists of six equally weighted goals, accounting for 25% of the total bonus funding. In developing the 2022 Performance Scorecard, the Committee considered how each individual goal connects to the Company's long-term strategy of growth, focus on ESG, and maximizes long-term shareholder value.

The 2022 Performance Scorecard results are as follows:

Individual Goal (each accounting for 4.17% of total bonus payout)	Threshold (50% Payout of Individual Goal)	Target (100% Payout of Individual Goal)	Max (150% Payout of Individual Goal)	Results	Achievement
2022 TSR Growth Above the Average Growth of PRSU Peer Group	25th Percentile	> 50th percentile	75th Percentile	6%	0%
Inorganic Growth	4%	5%	6%	4%	50%
Market Outgrowth	4%	5%	6%	8.2%	150%
New Business Opportunity Wins	\$550M	\$650M	\$700M	\$1,046M	150%
Senior Director and Above Retention	85%	90%	95%	85%	50%
Greenhouse Gas Intensity Reduction	4%	5%	6%	>10%	150%

Actual performance against Adjusted Operating Income, Adjusted Free Cash Flow, and Performance Scorecard

For 2022, we achieved 73% of target for Adjusted Operating Income, 29% of target for Adjusted Free Cash Flow, 92% of target for the Performance Scorecard and 60% of target for Annual Incentive Bonus Payout.

2022 Committee Discretionary Adjustment

For 2022, 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 2022 and a comparison to fiscal year 2021.

	2022	2021
CEO single figure ⁽¹⁾	\$ 7,146,846	\$ 4,255,844
Bonus (% of maximum awarded)	50 %	88 %
Performance-based LTI (% of maximum vesting)	48 %	— %

⁽¹⁾ CEO compensation is composed of base salary, annual incentive bonus attributable to the performance year, and value of LTI awards on vesting.

Percentage Change Comparisons: Directors' Compensation Versus Employees

In the table below, values in column "a" represent the percentage change in salary and fees; values in column "b" represent the percentage change in taxable benefits; and values in column "c" represent the percentage change in bonus outcomes for performance periods in respect of each financial year.

For the purposes of comparison, the employee percentages shown below represent the relative change between the average full-time equivalent pay for every employee employed by the Company at any point during the relevant financial year, and the equivalent average value for the preceding financial year.

Percentage Change for:	2022 v 2021			2021 v 2020			2020 v 2019		
	a	b	c	a	b	c	a	b	c
Employees	5%	(13)%	12%	8%	25%	14%	5%	70%	(9)%
Jeffrey Cote	3%	(38)%	4%	48%	29%	9%	7%	—%	(19)%
John Absmeier	—%	32%	n/a	17%	124%	n/a	17%	(30)%	n/a
Daniel Black ⁽¹⁾	1%	485%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lorraine Bolsinger ⁽²⁾	7%	—%	n/a	1%	—%	n/a	n/a	n/a	n/a
James E. Heppelmann	1%	(100)%	n/a	11%	(11)%	n/a	(9)%	(48)%	n/a
Charles W. Pfeffer ⁽³⁾	(58)%	(89)%	n/a	14%	119%	n/a	(8)%	(39)%	n/a
Constance E. Skidmore	2%	(100)%	n/a	16%	(31)%	n/a	(8)%	(50)%	n/a
Steven Sonnenberg ⁽²⁾	1%	(10)%	n/a	1%	—%	n/a	n/a	n/a	n/a
Martha Sullivan ⁽⁴⁾	33%	—%	n/a	(55)%	(100)%	n/a	(83)%	(98)%	n/a
Andrew Teich	1%	(100)%	n/a	15%	(38)%	n/a	23%	(11)%	n/a
Stephen Zide	—%	(100)%	n/a	3%	48%	n/a	(6)%	—%	n/a

⁽¹⁾ Mr. Black was appointed to the Board at the beginning of 2021, and therefore, no comparison to 2020 is available.

⁽²⁾ Mr. Sonnenberg and Ms. Bolsinger were appointed to the Board part way in 2020, and therefore, other than for one-time items, their pay has been annualized for comparison.

⁽³⁾ Mr. Pfeffer retired from the Board at the 2022 Annual Meeting.

⁽⁴⁾ Ms. Sullivan was appointed to the Board in March of 2020, and her 2020 and 2019 amounts reflect her pay disclosed in the Executive Director - Single Figure Table during her tenure as the CEO

Relative importance of spend on pay

During the year ended December 31, 2022, the Company's compensation paid to its employees and distributions to shareholders were as follows:

(\$ millions)	2022	2021	% change 2022 vs. 2021
Employee costs ⁽¹⁾	\$ 780	\$ 745	5 %
Share repurchases	\$ 292	\$ 48	508 %
Dividends	\$ 51	\$ —	n/a
Cash paid for acquired businesses	\$ 629	\$ 764	(18)%

⁽¹⁾ Includes \$31.8 million and \$25.7 million of share-based compensation expense for 2022 and 2021, respectively, 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 compensation policy in 2023

In the coming financial year, any changes to our Executive Director's salary will be determined consistently with our Directors' Remuneration Policy. In determining pay raises for our Executive Director, pay raises for employees in the Company and other factors were taken into consideration. Benefits and pension entitlements will remain similar to those in 2022.

For the 2023 annual incentive bonus program, the performance metrics will be Adjusted Operating Income and Adjusted Free Cash Flow, and will include a performance scorecard. For LTI awards in the form of PRSUs, the performance metrics will be Relative TSR Performance and ROIC. LTI awards will be a mix of RSUs and PRSUs for the Executive Director and only RSUs for Non-Executive Directors.

Consideration by the Directors of matters relating to Directors' Remuneration

The members of the Committee met four times during 2022. The meetings attended by each member are set out below:

	Meetings obliged to attend	Meetings attended
Daniel L. Black	4	4
Lorraine A. Bolsinger	4	4
James E. Heppelmann	4	4
Constance E. Skidmore	4	4

FW Cook has been retained as the independent consultant 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 Compensation Committee annually reviews the independence of FW Cook pursuant to United States Securities and Exchange Commission ("SEC") and NYSE rules. The Compensation Committee has determined that no conflict of interest exists that would prevent FW Cook from serving as an independent consultant to the Compensation Committee, and, therefore, considers its advice to be independent and objective. During 2022, the consultant assisted the Compensation 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 2022 and equity based awards granted in 2022.

FW Cook charges the Company on an hourly rate plus expense basis. During the year ended December 31, 2022, the Company paid FW Cook \$149,055 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 2023, and the next binding vote on the Directors' Remuneration Policy will take place at the Annual General Meeting in 2025.

CEO pay ratio discussion

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	197:1	155:1	112:1
2021	Option A	125:1	96:1	67:1

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 \$7,146,846 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, 2022 have been calculated consistently with the single figure methodology and reflects their actual earnings received in 2022 (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
2022	Salary component	\$ 34,174	\$ 43,780	\$ 59,126
2022	Total pay and benefits	\$ 36,348	\$ 46,152	\$ 63,597
2021	Salary component	\$ 32,343	\$ 42,313	\$ 59,677
2021	Total pay and benefits	\$ 34,182	\$ 44,216	\$ 63,373

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 because it will be driven largely by CEO variable pay outcomes. In line with our reward principles, the CEO has a larger portion of pay based on performance than employees at the 25th, median, and 75th percentiles. This means that depending on our performance, the CEO pay ratio could increase or decrease significantly. The Compensation Committee believes that our executive officers 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, 2022 and 2021

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 2022 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 2022 which comprise:

Group	Parent company
Consolidated Statement of Financial Position as at 31 December 2022	Statement of financial position as at 31 December 2022
Consolidated statement of income for the year then ended	Statement of comprehensive income/ (Loss) for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of changes in shareholders' 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 shareholders' 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 and parent company 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 sensitives on the Group taking into account current macroeconomic conditions impacting 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 2024. 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 as well as testing the accuracy of calculations used to determine forecasted financial covenant compliance;
- 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 assessed the reasonableness of the key assumptions underpinning the Group's forecasts in the context of other supporting evidence gained from our audit procedures on goodwill impairment reviews including trends in Group performance and other external market studies and data, such as analyst and industry forecasts. In particular, we assessed the achievability of the revenue projections in management's base case and downside scenario to the Group's performance and external industry forecasts;
- 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 and commodity 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;
- We considered any material events requiring significant cash outflow immediately after the end of the going concern period, including payment of external debt or borrowings; 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.

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 2024.

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

Audit scope	<p>We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for 2 components and specified procedures for a further 25 components.</p> <p>The components where we performed full, specific or specified procedures audit procedures accounted for 97% of Profit before tax, 95% of Revenue and 92% of Total assets.</p>
Key audit matters	<p>Carrying value of goodwill</p> <p>Unrecognised tax benefits</p> <p>Accounting for acquisitions - valuation of identified intangibles</p> <p>Revenue recognition - management override of manual journal entries</p>
Materiality	Overall group materiality of \$21.6m which represents 5% of profit before tax.

An overview of the scope of the parent 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, the potential impact of climate 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 147 reporting components of the Group, we selected 33 components covering entities within United Kingdom, United States of America, Mexico, China, Netherlands, Bulgaria and Malaysia, which represent the principal business units within the Group.

Of the 35 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For the 2 components ("specific 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. For the remaining 25 components ("specified procedures scope components"), 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 accounts tested for the Group.

Of the remaining 114 components that together represent 3% of 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 and bank confirmations 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 our audit teams.

	Number		% of Group Revenue		% of Group Profit before tax		% of Group Total assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Full Scope	8	8	22%	17%	24%	-50%	35%	41%
Specific Scope	2	5	34%	35%	58%	86%	21%	32%
Specified Procedures	25	13	39%	37%	15%	69%	36%	18%
Other procedures	114	105	5%	11%	3%	-5%	8%	9%
	149	131	100%	100%	100%	100%	100%	100%

Changes from the prior year

The change in the number of components from 131 to 149 is as a result of the acquisitions made during the year. The number of full scope entities are consistent at 8 in the current year. The Specific scope components have reduced from 5 to 2, as a result of a change in performance of these components leading to specified procedures being performed in the current year. The specified procedures components have increased from 13 to 25 due to acquisitions 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 5 of these directly by the primary audit team.

For the 27 specific scope or specified procedures scope components, audit procedures were performed on 5 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 or specified 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.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits key sites across the group. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the USA and Mexico. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending management's annual business and financial reporting conferences, attending site visits, reviewing relevant audit working papers on risk areas, etc. We attended meetings with our full specific, and specified procedures 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 in a hybrid method 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, both physically and using video conference calls, screen-sharing functionality, secure encrypted document exchanges and data downloads to obtain the audit evidence we required to execute and document our audit. Key meetings, such as the closing meetings and Audit Committee meetings, were performed either physically or using 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.

Climate change

Stakeholders are increasingly interested in how climate change will impact Sensata Technologies Holding plc. The Group has considered the impact of climate change including 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 their business or the markets they serve, nor on the results of operations, capital expenditures, earnings, competitive position, or financial standing.

They have also explained their climate commitments on pages 39 and 40. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The group has explained in Basis of Preparation note that the operations of the group are reasonably unlikely to have a material adverse effect in the foreseeable future on their business or the markets they serve, or on their results of operations, capital expenditures, earnings, competitive position, or financial standing.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of climate risks disclosed in Basis of Preparation note. As part of this evaluation, we performed our own risk assessment, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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>Carrying value of goodwill \$3,947m (PY comparative \$3,502m)</p> <p>As of December 31, 2022, the Group's goodwill balance was \$3.9 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, 2022, and identified nine CGUs.</p> <p>The Group completed a quantitative goodwill impairment assessment for six CGUs and a qualitative analysis (carry forward of previous impairment test) for three 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, which remain largely in line with the prior year. We have identified revenue growth rates and customer attrition rates for customer relationship assets as higher risk assumptions due to the level of subjectivity involved.</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 used in determining the CGUs value in use amounts.</p> <p>We considered the rationale 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"> Assessing value in use methodologies and testing the significant assumptions discussed to the left. 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 including consideration of contradictory evidence. Independently constructed our own expectation of the discount rates for a market participant from first principles using input from our internal specialist valuations team. 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. Evaluated the reconciliation of the estimated aggregate value in use of the CGUs to the Group's market capitalization. We also re-performed the calculations in the models to test the mathematical integrity. <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 IAS 1 "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. Our procedures did not identify evidence of material misstatement regarding the carrying value of goodwill.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IAS 36 and IAS 1.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Unrecognised tax benefits</p> <p>At December 31, 2022, the Group had approximately \$174.8 million (2021: \$173.8) of unrecognised tax benefits associated with uncertain tax positions. As discussed in Note 2 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 unrecognised tax benefits.</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 unrecognised tax benefits resulting from unrecognised tax benefits.</p> <p>To test the amounts recorded as unrecognised tax benefits 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"> • inspecting correspondence, assessments and settlements from the relevant tax authorities • evaluating income tax opinions or other third-party advice obtained by the Group. • 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. • we analysed the Group's assumptions and data used to determine the amount of unrecognised tax benefit to recognize and tested the accuracy of the calculations. • we evaluated the Group's income tax disclosures included in Note 7 in relation to these matters. <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 Group's analyses of unrecognised tax benefits and the recoverability of unrecognised tax benefits, 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>Accounting for Acquisitions - valuation of identified intangibles</p> <p>As described in Note 29 to the consolidated financial statements, the Group completed the acquisition of DP Acquisition Corp ("Dynapower") for an aggregate cash purchase price of \$577.5 million in 2022, we considered this to be more material and complex to the Elastic M2M acquisition.</p> <p>The transaction was accounted for as a business combinations. The allocation of purchase price is preliminary and is subject to revision as the final valuations are completed. Auditing the Company's accounting for its acquisition of Dynapower was complex due to the significant estimation required by management in determining the fair value of identifiable intangible assets of \$164.4 million, which principally consisted of customer relationship, tradename and completed technology intangible assets. 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, tradename and completed technology intangible assets. The significant assumptions used to value the intangible assets included the expected discounted future net cash flows generated by each asset. These significant assumptions are forward looking and could be affected by future market and 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"> • assessing methodologies and testing the significant assumptions discussed to the left and the underlying data supporting the significant assumptions and estimates used by the Group in the valuations. • we tested significant assumptions through a combination of procedures, as applicable for each assumption, including comparing them to current, forecasted and contra industry trends, as well as to the historical results of the acquired businesses and other guideline companies within the same industry. • we evaluated the methodology used by the Group ,significant assumptions included in the fair value estimates and developed own point estimates using input from our internal specialist valuations team. • we also re-performed the calculations in the models to test the mathematical integrity. <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 estimate of useful lives of assets and 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>Revenue recognition- management override of manual journal entries (\$4,029m of revenue, PY comparative \$3,820m)</p> <p>We identified a fraud risk in respect of improper revenue recognition related to manual journal entries potentially recorded for fictitious sales, non standard revenue arrangements 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.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's process for revenue cycle for all significant components.</p> <p>We tested controls in the revenue cycle 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 compliance with IFRS 15 requirements, including consideration newly identified non standard revenue arrangements.</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, including indication of management bias, in the full 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 material 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>

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 \$21.6 million (2021: \$20.89 million), which is 5% (2021: 5%) of 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.

We determined materiality for the Parent Company to be \$57.17 million (2021: \$56.40 million), which is 1% (2021: 1%) of total assets.

During the course of our audit, we reassessed initial materiality which was based on forecasted profit before tax and revised this to \$21.6million due to increase in final profit figure.

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% (2021: 75%) of our planning materiality, namely \$16.2m (2021: \$15.67m). 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 \$3.4m to \$16m (2021: \$3m to \$14.5m).

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 \$1.08m (2021: \$1.045m), 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 1 to 145, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the 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 this gives rise to 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 36 and 37, 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 regulations in respect of the company's listed equity, 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 enquires of senior management, in house counsel, external 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 those charged with governance considered there was susceptibility to fraud and how they 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 and 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 a 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 and tax specialist 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.

Ernst & Young LLP

Lindsay Russell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

April 7, 2023

SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)

Consolidated Statements of Financial Position
(In thousands, except per share amounts)

	Note	As of December 31,	
		2022	2021 (As Adjusted) See Note 2
Assets			
Current assets:			
Cash and cash equivalents	21,28	\$ 1,225,518	\$ 1,709,080
Accounts receivable, net	25,28	742,382	649,320
Inventories	9	644,875	586,039
Prepaid expenses and other current assets	28	162,047	126,754
Total current assets		<u>2,774,822</u>	<u>3,071,193</u>
Non-current assets:			
Property, plant and equipment, net	10	877,510	857,424
Goodwill	11	3,947,166	3,502,576
Other intangible assets, net	11	1,130,393	1,096,033
Deferred income tax assets		86,261	97,566
Other assets	28	85,551	119,767
Total non-current assets		<u>6,126,881</u>	<u>5,673,366</u>
Total assets	20	<u>\$ 8,901,703</u>	<u>\$ 8,744,559</u>
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term borrowings, lease liabilities and other financing obligations		\$ 266,762	\$ 18,388
Accounts payable		531,572	459,164
Income taxes payable		43,987	26,517
Provisions	15	41,324	39,426
Accrued expenses and other current liabilities	12,28	298,262	297,375
Total current liabilities		<u>1,181,907</u>	<u>840,870</u>
Non-current liabilities:			
Deferred income tax liabilities		383,325	347,618
Provisions	15	36,086	38,758
Lease liabilities and other financing obligations, less current portion	14,17	58,054	63,000
Long-term borrowings, net	14	3,958,474	4,213,581
Other long-term liabilities	28	45,973	24,260
Total non-current liabilities		<u>4,481,912</u>	<u>4,687,217</u>
Total liabilities		<u>5,663,819</u>	<u>5,528,087</u>
Shareholders' equity attributable to shareholders of the Company:			
Ordinary shares, €0.01 nominal value per share, 177,069 shares authorized at December 31, 2022 and 2021, and 175,207 and 174,287 shares issued at December 31, 2022 and 2021, respectively		2,242	2,232
Treasury shares, at cost, 22,781 and 16,438 shares at December 31, 2022 and 2021, respectively		(1,124,713)	(832,439)
Additional paid-in capital		1,945,169	1,892,251
Retained earnings		2,398,876	2,136,952
Cash flow hedging reserves	16	16,310	17,476
Total shareholders' equity		<u>3,237,884</u>	<u>3,216,472</u>
Total liabilities and shareholders' equity		<u>\$ 8,901,703</u>	<u>\$ 8,744,559</u>

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

Signed for and on behalf of the Board of Directors:



Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 7, 2023



Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 7, 2023

SENSATA TECHNOLOGIES HOLDING PLC

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

	Note	For the year ended December 31,	
		2022	2021
Net revenue	3,20	\$ 4,029,262	\$ 3,820,806
Operating costs and expenses:			
Cost of revenue		2,768,622	2,560,116
Research and development		151,183	118,348
Selling, general and administrative		381,342	335,001
Amortization of intangible assets and capitalized development costs	11,22	195,176	171,267
Restructuring and other charges, net	5	20,138	1,330
Total operating costs and expenses		3,516,461	3,186,062
Other operating income, net	29	181,497	—
Operating Income		694,298	634,744
Interest expense, net		(183,410)	(183,525)
Other, net	6	(91,805)	(33,344)
Income before taxes		419,083	417,875
Provision for income taxes	7	99,817	57,479
Net income		<u>\$ 319,266</u>	<u>\$ 360,396</u>
Net income attributable to shareholders:		\$ 319,266	\$ 360,396
Basic net income per share		\$ 2.06	\$ 2.28
Diluted net income per share		\$ 2.04	\$ 2.27

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

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

	Note	For the year ended December 31,	
		2022	2021
Net income		\$ 319,266	\$ 360,396
Other comprehensive income, net of tax:			
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		(1,166)	23,564
Items that will never be reclassified subsequently to the consolidated statements of income:			
Remeasurement of defined benefit and retiree healthcare plans		2,259	906
Other comprehensive income		1,093	24,470
Comprehensive income		\$ 320,359	\$ 384,866
Comprehensive income attributable to shareholders		\$ 320,359	\$ 384,866

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,	
		2022	2021
			(As Adjusted) See Note 2
Cash flows from operating activities:			
Net income		\$ 319,266	\$ 360,396
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	22	138,867	138,343
Amortization of borrowing costs		7,749	7,289
Gain on sale of business	29	(176,469)	—
Share-based compensation	4,23	33,779	27,759
Loss on financing of borrowings	6	5,599	30,066
Amortization of intangible assets and capitalized development costs	11,22	195,176	171,267
Loss on write-down of capitalized development costs		15,759	1,797
Current income taxes		86,306	55,771
Deferred income taxes		13,511	1,708
Interest expense, net		183,410	183,525
Acquisition-related deferred compensation payments		(23,500)	(15,630)
Mark-to-market loss on equity investments, net	6	75,569	—
Unrealized loss on hedges and other		31,318	7,038
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable, net		(108,992)	(48,106)
Inventories		(44,362)	(119,961)
Prepaid expenses and other current assets		(16,961)	6,624
Accounts payable, accrued expenses, and current portion of provisions		47,620	45,352
Income taxes payable		(540)	7,015
Pension and retiree medical plans		3,384	(1,901)
Other		(14,301)	7,896
Cash generated from operations		772,188	866,248
Cash paid for interest		(188,533)	(188,857)
Cash paid for income taxes		(68,768)	(66,642)
Net cash provided by operating activities		514,887	610,749
Cash flows from investing activities:			
Acquisitions, net of cash received	2,29	(631,641)	(735,952)
Additions to property, plant and equipment, capitalized software, and capitalized development costs	20	(188,356)	(185,301)
Investment in debt and equity securities		(7,983)	(5,533)
Proceeds from sale of business, net of cash sold	29	198,841	—
Other		152	3,919
Net cash used in investing activities		(628,987)	(922,867)
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares		22,803	26,290
Payment of employee restricted stock tax withholdings		(8,525)	(9,048)
Proceeds from issuance of borrowings	14	500,000	1,001,875
Payments on borrowings		(526,703)	(778,963)
Dividends paid	16	(51,072)	—
Payments to repurchase ordinary shares	16	(292,274)	(47,843)
Payments of borrowing costs		(13,691)	(33,093)
Net cash provided by/(used in) financing activities		(369,462)	159,218
Net change in cash and cash equivalents		(483,562)	(152,900)
Cash and cash equivalents, beginning of year	21,28	1,709,080	1,861,980
Cash and cash equivalents, end of year	2,21,28	\$ 1,225,518	\$ 1,709,080

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

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

	Ordinary Shares		Treasury Shares		Additional Paid-In Capital	Cash Flow Hedging Reserves	Retained Earnings	Total Shareholders' Equity	Total Comprehensive Income
	Number	Nominal Value	Number	Nominal Value					
Balance as of January 1, 2021	\$ 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	9,048	—	—	(9,046)	—	
Share-based compensation	—	—	—	—	27,759	—	—	27,759	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	3,008	—	—	3,008	
Net income	—	—	—	—	—	—	360,396	360,396	
Other comprehensive income	—	—	—	—	—	23,564	906	24,470	
Total comprehensive income	—	—	—	—	—	—	—	—	\$ 384,866
Balance as of December 31, 2021	174,287	2,232	(16,438)	(832,439)	1,892,251	17,476	2,136,952	3,216,472	
Surrender of shares for tax withholding	—	—	(174)	(8,525)	—	—	—	(8,525)	
Stock options exercised	572	6	—	—	22,166	—	—	22,172	
Vesting of restricted securities	522	6	—	—	—	—	(6)	—	
Cash dividends paid	—	—	—	—	—	—	(51,072)	(51,072)	
Repurchase of ordinary shares	—	—	(6,343)	(292,274)	—	—	—	(292,274)	
Other retirements of treasury shares	(174)	(2)	174	8,525	—	—	(8,523)	—	
Share-based compensation	—	—	—	—	33,779	—	—	33,779	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	(3,027)	—	—	(3,027)	
Net income	—	—	—	—	—	—	319,266	319,266	
Other comprehensive loss	—	—	—	—	—	(1,166)	2,259	1,093	
Total comprehensive income	—	—	—	—	—	—	—	—	\$ 320,359
Balance as of December 31, 2022	175,207	\$ 2,242	(22,781)	\$ (1,124,713)	\$ 1,945,169	\$ 16,310	\$ 2,398,876	\$ 3,237,884	

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 strives to create a safer, cleaner, and more efficient, electrified, and connected world. We develop, manufacture, and sell sensors and sensor-rich solutions, electrical protection components and systems, and other products 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. Our electrical protection portfolio (which includes both components and systems) is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, high-voltage distribution units, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety. Other products and services we provide include vehicle area networks and data collection devices and software, battery storage systems, and power conversion systems, the latter of which include inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications.

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, 2022 were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 7, 2023. These financial statements will be presented to shareholders for approval on May 25, 2023.

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.

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. We generated \$514.9 million of operating cash flow in fiscal year 2022, ending the year with \$1,225.5 million in cash and cash equivalents. We also have approximately \$0.7 billion availability under our senior secured credit facilities (the "Senior Secured Credit Facilities") and \$746.1 million availability under our \$750.0 million revolving credit facility (the "Revolving Credit Facility") should the need for additional cash arise. We recognized revenue and net income of \$4,029.3 million and \$319.3 million, respectively, in the year ended December 31, 2022.

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, 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 production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and Insights/IoT megatrends, as well as the Safe & Efficient growth trend, each described in more detail under the heading *Growth Drivers* elsewhere in this *Strategic Report*. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

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, 2024, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2024.

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, 2024. 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.

Measurement Period Adjustments

For acquisitions that were completed in the year ended December 31, 2021, we recorded certain adjustments to the allocation of purchase price in the year ended December 31, 2022 (during the measurement period). These adjustments are detailed in *Note 29: Acquisitions and Divestitures*. The below table presents the changes to the statement of financial position from as of December 31, 2021 as a result of these adjustments.

		As of December 31, 2021		
	Note	As reported	Adjustment	Restated
Assets				
Current assets:				
Cash and cash equivalents	21,28	\$ 1,708,955	\$ 125	\$ 1,709,080
Accounts receivable, net	25,28	653,438	(4,118)	649,320
Inventories	9	588,231	(2,192)	586,039
Prepaid expenses and other current assets	28	126,149	605	126,754
Total current assets		3,076,773	(5,580)	3,071,193
Non-current assets:				
Property, plant and equipment, net	10	856,282	1,142	857,424
Goodwill	11	3,495,005	7,571	3,502,576
Other intangible assets, net	11	1,097,901	(1,868)	1,096,033
Deferred income tax assets		96,122	1,444	97,566
Other assets	28	118,601	1,166	119,767
Total non-current assets		5,663,911	9,455	5,673,366
Total assets	20	<u>\$ 8,740,684</u>	<u>\$ 3,875</u>	<u>\$ 8,744,559</u>
Liabilities and shareholders' equity				
Current liabilities:				
Current portion of long-term borrowings, lease liabilities and other financing obligations		\$ 18,104	\$ 284	\$ 18,388
Accounts payable		459,093	71	459,164
Income taxes payable		26,517	—	26,517
Provisions	15	39,426	—	39,426
Accrued expenses and other current liabilities	12,28	294,945	2,430	297,375
Total current liabilities		838,085	2,785	840,870
Non-current liabilities:				
Deferred income tax liabilities		346,799	819	347,618
Provisions	15	38,758	—	38,758
Lease liabilities and other financing obligations, less current portion	14,17	62,896	104	63,000
Long-term borrowings, net	14	4,213,581	—	4,213,581
Other long-term liabilities	28	24,093	167	24,260
Total non-current liabilities		4,686,127	1,090	4,687,217
Total liabilities		5,524,212	3,875	5,528,087
Total shareholders' equity		3,216,472	—	3,216,472
Total liabilities and shareholders' equity		<u>\$ 8,740,684</u>	<u>\$ 3,875</u>	<u>\$ 8,744,559</u>

As a result of these measurement period adjustments, the consolidated statement of cash flows for the year ended December 31, 2021 was adjusted as shown below (summarized):

	For the year ended December 31, 2021		
	As reported	Adjustment	Restated
Net cash provided by operating activities	\$ 610,749	\$ —	\$ 610,749
Cash flows from investing activities			
Acquisitions, net of cash received	(736,077)	125	(735,952)
Other cash flows from investing activities	(186,915)	—	(186,915)
Net cash used in investing activities	(922,992)	125	(922,867)
Net cash provided by financing activities	159,218	—	159,218
Net change in cash and cash equivalents	(153,025)	125	(152,900)
Cash and cash equivalents, beginning of year	1,861,980		1,861,980
Cash and cash equivalents, end of year	\$ 1,708,955	\$ 125	\$ 1,709,080

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Sensata plc and its consolidated subsidiaries at December 31, 2022. 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, 2022 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	Interface House, Bincknoll Lane, Royal Wootton Bassett, Swindon, England, SN4 8SY	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
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

Name	Registered Address	Jurisdiction
DP Acquisition Corporation	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Dynapower Company LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Elastic M2M Inc	100 Shockhoe Skip, 2nd Floor, Richmond, VA 23219	United States
FlexProtect, LLC	100 Shockhoe Skip, 2nd Floor, Richmond, VA 23219	United States
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	Hassellunden 13, 2765 Smorum, Denmark	Denmark
Newall Electronics Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Newall Measurement Systems Limited	Unit 1, Wharf Way Business Park, Glen Parva, Leicester, England LE2 9UT	United Kingdom
Preco Electronics, LLC	1035 Emerald Street, #100, Boise, ID 83704	United States
Preco Electronics GmbH	Briener Str. 28, c/o Noerr LLP, 80333, Munch, Germany	Germany
Schrader Electronics Limited	11 Technology Park Antrim N. Ireland BT41 1QS	United Kingdom
Schrader International Brasil Ltda.	Avenida Malek Assad 1600, Bairro Meia Lua CEP 12328-900 City of Jacarei State of São Paulo	Brazil
Schrader International GmbH	Gadastraße 23A, 85232 Bergkirchen 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 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.	JT1618, Room 620, No. 6, Lane 599, Yungu Road, Jiading 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 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 926B, No. 55, Xi Li Road, Shanghai Waigaoqiao Free Trade Zone, 200131, 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
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, Raheja 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

Name	Registered Address	Jurisdiction
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 del Obrero s/n Parque Indu Matamoros, TAMPAS, 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.	Avenida Mackenzie 1835 - 8th Floor - Vila Brandina - CEP 13092-523 - 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.	12F-7., No.155, 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	7 Iskarsko Shosse Blvd., Trade Center Europe, Building 1, Floor 6, 1528 Sofia 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 Schrader 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 116D, Kaunas, Lithuania	Lithuania
UAB "Xirgo Global"	Chemdos g. 15, Kaunas, Lithuania	Lithuania
Wabash Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Wabash Technologies de Mexico 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 Intermediate 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 cash-generating units ("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 over carrying value of our CGUs are at least 50%. The Industrial Sensing CGU is at 30.7%, and represents our largest risk of future impairment. CGUs that include recent significant acquisitions will inherently exhibit a lower excess of recoverable amount over carrying value. Our Sensata INSIGHTS and Clean Energy Solutions CGUs (6.5% and 16.5%, respectively) fall into this category. 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 manufacturer ("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.

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, 2022. 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, we had nine CGUs: Automotive, Heavy Vehicle and Off-Road ("HVOR"), Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, Inverters, and Clean Energy Solutions. With the acquisition of SmartWitness Holdings, Inc. ("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.

In July 2022, we sold the Qinx Business (as discussed in further detail in *Note 29: Acquisitions and Divestitures*), which comprised the Interconnection CGU. Subsequent to this disposition, the Interconnection CGU no longer existed, and as of October 1, 2022, the date of our annual goodwill impairment test, we had identified nine CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Sensata INSIGHTS, Inverters, and Clean Energy Solutions. 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

Property, plant and equipment ("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, 2022 and 2021:

	Performance Sensing		Sensing Solutions		Total	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2022	2021	2022	2021	2022	2021
Net revenue:						
Automotive	\$ 2,071,879	\$ 2,018,056	\$ 35,772	\$ 44,351	\$ 2,107,651	\$ 2,062,407
HVOR	904,877	829,852	—	—	904,877	829,852
Industrial	—	—	525,443	413,885	525,443	413,885
Appliance and HVAC ⁽¹⁾	—	—	218,115	243,938	218,115	243,938
Aerospace	—	—	152,880	134,735	152,880	134,735
Other	—	—	120,296	135,989	120,296	135,989
Net revenue	<u>\$ 2,976,756</u>	<u>\$ 2,847,908</u>	<u>\$ 1,052,506</u>	<u>\$ 972,898</u>	<u>\$ 4,029,262</u>	<u>\$ 3,820,806</u>

⁽¹⁾ Heating, ventilation and air conditioning

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

Excluding trade receivables, which are presented on our consolidated statements of financial position, our contract assets are not material. 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 of Shareholders ("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, 2022, there were 5.0 million ordinary shares 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 restricted stock unit ("RSU") and performance-based restricted stock unit ("PRSU") awards. We no longer grant stock option awards, with the last grants of option awards made in the year ended December 31, 2019. Share-based compensation awards granted prior to May 27, 2021 were made under the 2010 Equity Plan, with all subsequent awards 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.

Options

A summary of stock option activity for the years ended December 31, 2022 and 2021 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, 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	2,135	\$ 43.11	3.9	\$ 39,660
Forfeited or expired	(36)	\$ 50.45		
Exercised	(572)	\$ 38.80		\$ 8,265
Balance as of December 31, 2022	1,527	\$ 44.55	3.3	\$ 1,802
Options vested and exercisable as of December 31, 2022	1,460	\$ 44.44	3.2	\$ 1,802
Vested and expected to vest as of December 31, 2022	1,523	\$ 44.55	3.3	\$ 1,802

During the year ended December 31, 2022, a total of 572 thousand options were exercised at an average selling price of \$38.80. During the year ended December 31, 2021, a total of 707 thousand options were exercised at an average selling price of \$58.25. The range of exercise prices of our outstanding options at December 31, 2022 was \$32.03 to \$56.94.

A summary of the status of our unvested options as of December 31, 2022, 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, 2021	194	\$ 18.40
Vested during the year	(119)	\$ 12.01
Forfeited during the year	(4)	\$ 13.68
Balance as of December 31, 2022	71	\$ 29.46

The fair value of stock options that vested during the years ended December 31, 2022 and 2021 was \$1.4 million and \$2.5 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, 2022 or 2021.

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, 2022 and 2021 is presented below:

			Percentage Range of Units That May Vest ⁽¹⁾			
			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
(Awards in thousands)						
2022	618	\$ 49.68	231	\$ 50.12	194	\$ 48.33
2021	413	\$ 58.29	170	\$ 58.56	76	\$ 57.04

⁽¹⁾ 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, 2022 reflects our estimate of the probable outcome of the performance conditions associated with the PRSU awards granted in the years ended December 31, 2022 and 2021.

A summary of activity related to outstanding restricted securities for the years ended December 31, 2022 and 2021 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
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
Granted	1,043	\$ 49.53
Forfeited	(287)	\$ 46.96
Vested	(522)	\$ 42.40
Balance as of December 31, 2022	1,755	\$ 46.68

Aggregate intrinsic value information for restricted securities at December 31, 2022 and 2021 is presented below:

	As of December 31,	
	2022	2021
Outstanding	\$ 70,941	\$ 93,830
Expected to vest	\$ 55,235	\$ 69,798

The weighted-average remaining periods over which the restrictions will lapse at December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
(Amounts in years)		
Outstanding	1.2	1.0
Expected to vest	1.2	1.0

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, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Options	\$ 171	\$ 534
Restricted securities	33,608	27,225
Total share-based compensation expense	\$ 33,779	\$ 27,759

The table below presents unrecognized compensation expense at December 31, 2022 for each class of award, and the remaining expected term for this expense to be recognized:

	Unrecognized Compensation Expense	Expected Recognition (years)
Options	\$ 4	0.3
Restricted securities	31,352	1.3
Total unrecognized compensation expense	\$ 31,356	

5. Restructuring and Other Charges, Net

The following table presents the components of restructuring and other charges, net, for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Q2 2020 Global Restructure Program, net	\$ —	\$ 3,655
Other severance costs, net ⁽¹⁾	20,138	1,635
Other ⁽²⁾	—	(3,960)
Restructuring and other charges, net	\$ 20,138	\$ 1,330

⁽¹⁾ Represents severance charges not incurred as part of a larger restructuring plan.

⁽²⁾ Represents net charges not included in one of the other classifications.

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 recognized total cumulative costs of \$23.2 million.

Changes to our severance liability during the years ended December 31, 2022 and 2021 were as follows:

	Q2 Plan	Other	Total
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	2,037	913	2,950
Charges, net of reversals	(660)	20,798	20,138
Payments	(1,353)	(14,278)	(15,631)
Foreign currency remeasurement	(16)	(78)	(94)
Balance as of December 31, 2022	\$ 8	\$ 7,355	\$ 7,363

6. Other, Net

Other, net for the years ended December 31, 2022 and 2021 consisted of the following:

	For the year ended December 31,	
	2022	2021
Currency remeasurement (loss)/gain on net monetary assets ⁽¹⁾	\$ (18,155)	\$ 2,779
Gain/(loss) on foreign currency forward contracts ⁽²⁾	4,324	(7,553)
Loss on commodity forward contracts ⁽²⁾	(3,350)	(2,967)
Loss on financing of borrowings ⁽³⁾	(5,599)	(30,066)
Mark-to-market loss on investments, net ⁽⁴⁾	(75,569)	—
Net periodic benefit cost, excluding service cost	(2,181)	(170)
Other	8,725	4,633
Other, net	\$ (91,805)	\$ (33,344)

⁽¹⁾ 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*.

⁽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* 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.

⁽³⁾ Refer to *Note 14: Borrowings* for additional information related to our financing transactions on borrowings.

⁽⁴⁾ Primarily reflects a mark-to-market loss on our investment in Quanergy Systems, Inc. (“Quanergy”). Refer to *Note 18: Fair Value Measures* for additional information.

7. Income Taxes

Provision for income taxes

Provision for income taxes for the years ended December 31, 2022 and 2021 was as follows:

	For the year ended December 31,	
	2022	2021
Current tax expense:		
Current year	\$ 88,443	\$ 63,365
Adjustment in respect of current income tax of previous year	(2,137)	(7,594)
Deferred tax expense:		
Origination and reversal of temporary differences	(7,828)	(20,201)
Change in tax rate	2,939	1,425
Recognition of previously unrecognized tax losses and deductible temporary differences	18,400	20,484
Total	<u>\$ 99,817</u>	<u>\$ 57,479</u>

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,	
	2022	2021
Tax benefit/expense recognized:		
Directly in equity	\$ (2,304)	\$ 3,008
In accumulated other comprehensive loss	\$ 297	\$ (7,988)

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,	
	2022	2021
Tax computed at statutory rate of 19%	\$ 79,626	\$ 79,396
Foreign tax rate differential	(33,041)	(21,832)
Changes in recognition of tax losses	18,400	20,484
Reserve for tax exposure	823	(16,182)
Withholding taxes not creditable	12,337	13,259
Research and development incentives	(10,834)	(11,067)
Change in tax laws or rates	2,833	(5,624)
Unrealized foreign exchange losses/(gains), net	19,873	(870)
Dispositions and capital restructurings	(4,534)	—
Nontaxable items and other	14,334	(85)
Provision for income taxes	<u>\$ 99,817</u>	<u>\$ 57,479</u>

Dispositions and capital restructurings

The decrease of \$4.5 million in our effective tax rate for the year ended December 31, 2022 was due to the tax accounting impacts of the divestiture of the Qinx Business, partially offset by separate 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 2020 through 2022, 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, 2022 is as follows:

	Beginning of the year	Acquisition	Equity	Recognized in:		End of the Year
				Other comprehensive income	Net income	
Deferred tax assets:						
Inventories and related reserves	\$ 12,488	\$ 1,841	\$ —	\$ —	\$ 4,703	\$ 19,032
Accrued expenses	54,824	1,548	—	—	(8,113)	48,259
Property, plant and equipment	17,300	—	—	—	(5,937)	11,363
Intangible assets	44,630	—	—	—	(17,402)	27,228
Unrealized exchange loss	211	—	—	—	58	269
Net operating loss and interest expense carryforwards	216,872	7,816	1,663	—	(36,176)	190,175
Pension liability	9,246	—	—	(108)	(1,268)	7,870
Share-based compensation	11,388	—	(3,967)	—	(3,890)	3,531
Other	849	—	—	—	2,871	3,720
Total deferred tax assets	367,808	11,205	(2,304)	(108)	(65,154)	311,447
Deferred tax liabilities:						
Property, plant and equipment	(25,374)	(434)	—	—	(1,183)	(26,991)
Intangible assets and goodwill	(517,529)	(41,640)	—	—	45,468	(513,701)
Unrealized foreign exchange gain	(7,198)	—	—	405	(491)	(7,284)
Tax on undistributed earnings of subsidiaries	(68,384)	—	—	—	7,849	(60,535)
Total deferred tax liabilities	(618,485)	(42,074)	—	405	51,643	(608,511)
Net deferred tax liabilities	\$ (250,677)	\$ (30,869)	\$ (2,304)	\$ 297	\$ (13,511)	\$ (297,064)

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
Deferred tax assets:						
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
Total deferred tax assets	361,611	14,842	3,008	119	(11,772)	367,808
Deferred tax liabilities:						
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	—
Total deferred tax liabilities	(550,998)	(69,444)	—	(8,107)	10,064	(618,485)
Net deferred tax liabilities	\$ (189,387)	\$ (54,602)	\$ 3,008	\$ (7,988)	\$ (1,708)	\$ (250,677)

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,	
	2022	2021
Tax credits	\$ 40,758	\$ 38,438
Deductible temporary differences	\$ 1,625,385	\$ 1,414,044
Tax losses	103,953	123,815
Total	\$ 1,729,338	\$ 1,537,859

Included in the table above, we have approximately \$32.0 million of tax credits that expire between 2023 and 2037, and approximately \$19.3 million of tax losses that expire between 2023 and 2039.

Unrecognized tax benefits

The amount of unrecognized tax benefits at December 31, 2022 and 2021 that if recognized, would impact our effective tax rate is \$174.8 million and \$173.8 million, respectively.

Our major tax jurisdictions include Belgium, Bulgaria, China, France, Germany, Japan, Malaysia, Malta, 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 2022.

Indemnifications

We have various indemnification provisions in place with parties including Honeywell (sellers of First Technology Automotive and Special Products), the Terence Richard Prime Trust dated August 10, 1999 and John Christopher Lakey (sellers of Elastic M2M, Inc.), John Milios (seller of Sendyne Corp.), the former stockholders of SmartWitness Holdings, Inc., and the sellers of Xirgo Technologies Intermediate Holdings, LLC and Xirgo Holdings, Inc., whereby such provisions provide for the reimbursement of future tax liabilities paid by us that relate to the pre-acquisition periods of the acquired businesses.

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, 2022 and 2021, 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,	
	2022	2021
(Shares in thousands)		
Basic weighted-average ordinary shares outstanding	155,245	158,167
Dilutive effect of stock options	182	667
Dilutive effect of unvested restricted securities	733	275
Diluted weighted-average ordinary shares outstanding	156,160	159,109

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:

	For the year ended December 31,	
	2022	2021
(Shares in thousands)		
Anti-dilutive shares excluded	880	10
Contingently issuable shares excluded	1,277	1,022

9. Inventories

The following table presents the components of inventories at December 31, 2022 and 2021:

	As of December 31,	
	2022	2021
		(As Adjusted) See Note 2
Finished goods ⁽¹⁾	\$ 202,531	\$ 199,232
Work-in-process	117,691	101,558
Raw materials	324,653	285,249
Inventories ⁽¹⁾	\$ 644,875	\$ 586,039

⁽¹⁾ Finished goods at December 31, 2021 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

As described in *Note 14: Borrowings*, our borrowings under the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At December 31, 2022 and 2021, inventories owned by these subsidiaries totaled \$464.0 million and \$393.9 million, respectively.

During the years ended December 31, 2022 and 2021, inventory costs of \$2,619.1 million and \$2,392.7 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, 2022 and 2021 consisted of the following:

	Land	Building and improvements	Machinery and equipment	Total
Purchase value:				
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
Provisional adjustments ⁽¹⁾	—	—	1,142	1,142
Other disposals	—	(2,666)	(29,714)	(32,380)
Balance as of December 31, 2021 ⁽¹⁾	14,835	356,094	1,540,744	1,911,673
Lease right-of-use asset additions/remeasurements	—	13,025	—	13,025
Additions due to acquisitions	—	765	296	1,061
Other additions	—	17,060	134,236	151,296
Lease right-of-use asset disposals	—	—	—	—
Other disposals	—	(2,785)	(35,425)	(38,210)
Balance as of December 31, 2022	<u>\$ 14,835</u>	<u>\$ 384,159</u>	<u>\$ 1,639,851</u>	<u>\$ 2,038,845</u>
Depreciation:				
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	—	(186,903)	(867,346)	(1,054,249)
Lease right-of-use asset depreciation expense	—	(13,179)	—	(13,179)
Other depreciation expense	—	(13,053)	(114,753)	(127,806)
Lease right-of-use asset disposals	—	—	—	—
Other disposals	—	2,035	31,864	33,899
Balance as of December 31, 2022	<u>\$ —</u>	<u>\$ (211,100)</u>	<u>\$ (950,235)</u>	<u>\$ (1,161,335)</u>
Carrying amounts, net:				
At December 31, 2021 ⁽¹⁾	\$ 14,835	\$ 169,191	\$ 673,398	\$ 857,424
At December 31, 2022	\$ 14,835	\$ 173,059	\$ 689,616	\$ 877,510
Carrying amounts of right-of-use assets:				
At December 31, 2021	\$ —	\$ 63,466	\$ 177	\$ 63,643
At December 31, 2022	\$ —	\$ 63,312	\$ 177	\$ 63,489

⁽¹⁾ PP&E at December 31, 2021 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

At December 31, 2022 and 2021, assets totaling \$963.3 million and \$653.7 million, respectively, were fully depreciated but continued to be in service. As described in *Note 14: Borrowings* our borrowings under the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At

December 31, 2022 and 2021, PP&E, net associated with or owned by these subsidiaries totaled \$382.4 million and \$377.4 million, respectively.

PP&E, net at December 31, 2022 and 2021 included the following assets under leases:

	As of December 31,	
	2022	2021
Assets under leases in PP&E	\$ 146,351	\$ 133,326
Accumulated depreciation	(82,862)	(69,683)
Assets under leases in PP&E, net	\$ 63,489	\$ 63,643

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, 2022 and 2021.

	Performance Sensing ⁽³⁾	Sensing Solutions ⁽⁴⁾	Total
Balance as of December 31, 2020	\$ 2,198,373	\$ 905,918	\$ 3,104,291
Acquisitions	290,827	99,887	390,714
Provisional adjustments ⁽¹⁾	2,662	4,909	7,571
Balance as of December 31, 2021	2,491,862	1,010,714	3,502,576
Acquisitions	28,211	418,379	446,590
Divestiture of Qinx Business ⁽²⁾	—	(2,000)	(2,000)
Balance as of December 31, 2022	\$ 2,520,073	\$ 1,427,093	\$ 3,947,166

⁽¹⁾ Acquisitions in the year ended December 31, 2021 have been recast to reflect an increase in goodwill of \$2.7 million and \$4.9 million for Performance Sensing and Sensing Solutions, respectively, as a result of adjustments to provisional accounting for business combinations made subsequent to December 31, 2021 during the measurement period.

⁽²⁾ The divestiture of the Qinx Business resulted in a write-off of \$23.8 million of goodwill in the year ended December 31, 2022, of which \$21.8 million had been previously impaired.

⁽³⁾ Performance Sensing goodwill at December 31, 2022, 2021, and 2020 is presented net of accumulated impairment of \$6.1 million.

⁽⁴⁾ Sensing Solutions goodwill at December 31, 2022, 2021, and 2020 is presented net of accumulated impairment of \$40.5 million, \$62.3 million, and \$62.3 million, respectively.

Refer to *Note 29: Acquisitions and Divestitures* 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 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.

In July 2022, we sold the Qinx Business (as discussed in further detail in Note 29: Acquisitions and Divestitures), which comprised the Interconnection CGU. Subsequent to this disposition, the Interconnection CGU no longer existed, and as of October 1, 2022, we had nine CGUs: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Sensata INSIGHTS, 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, 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, 2022 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, 2022, 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, 2022 and 2021:

	Auto	HVOR	Insights	EP ⁽¹⁾	Inter-connect. ⁽³⁾	Power Mgmt. ⁽¹⁾	Aero	Industrial Sensing ⁽²⁾	CES	Inverters
Net revenue compound annual growth rate over projection period:										
Q4 2022	10.4%	10.2%	20.3%	1.5%	NA	2.5%	15.0%	9.8%	24.0%	3.2%
Q4 2021	7.8%	10.8%	NA	1.5%	3.2%	2.5%	13.1%	9.8%	36.5%	3.2%
Exit multiple applied to earnings in final year:										
Q4 2022	7.0x	7.5x	6.0x	8.2x	NA	7.8x	8.0x	9.0x	7.0x	5.3x
Q4 2021	10.0x	9.0x	NA	8.2x	7.4x	7.8x	9.0x	9.0x	8.0x	5.3x
Discount rate (pre-tax):										
Q4 2022	14.4%	15.2%	19.1%	12.9%	NA	14.6%	14.2%	11.7%	16.8%	14.8%
Q4 2021	11.5%	12.8%	NA	12.9%	19.7%	14.6%	12.3%	11.7%	18.7%	14.8%

⁽¹⁾ We assessed these CGUs qualitatively using the carryforward method, accordingly the assumptions presented for 2022 are equal to the assumptions used in the quantitative test performed in fiscal year 2020.

⁽²⁾ We assessed this CGU qualitatively using the carryforward method, accordingly the assumptions presented for 2022 are equal to the assumptions used in the quantitative test performed in fiscal year 2021.

⁽³⁾ Following the sale of the Qinx Business in fiscal year 2022, the Interconnection CGU ceased to exist.

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 2022 and 2021:

	Auto	HVOR	Insights	EP	Inter-connect.	Power Mgmt.	Aero	Industrial Sensing	CES	Inverters
2022	86.2 %	129.7 %	6.5 %	142.5 %	NA	145.0 %	50.1 %	30.7 %	16.5 %	52.2 %
2021	128.9 %	64.0 %	NA	154.0 %	783.2 %	154.2 %	31.9 %	239.3 %	84.3 %	46.3 %

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, 2022. 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	\$ 153.6
HVOR	463.2	123.8
Sensata INSIGHTS	321.7	314.0
Electrical Protection	179.0	49.9
Power Management	68.6	14.4
Inverters	24.6	5.8
Industrial Sensing	347.4	95.8
Aerospace	252.7	135.2
Clean Energy Solutions	554.7	221.6
Total	<u>\$ 3,947.2</u>	<u>\$ 1,114.0</u>

The following tables outline the components of intangible assets at December 31, 2022 and 2021:

	Weighted-Average Life (years)	December 31, 2022			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	13	\$ 1,015,447	\$ (684,541)	\$ (157)	\$ 330,749
Customer relationships	12	2,080,147	(1,585,147)	(843)	494,157
Tradenames	18	107,577	(24,573)	—	83,004
Research and development	5	375,019	(244,344)	—	130,675
Capitalized software and other	7	74,111	(57,673)	—	16,438
Definite-lived intangible assets	12	3,652,301	<u>\$ (2,596,278)</u>	<u>\$ (1,000)</u>	1,055,023
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets		<u>\$ 3,727,671</u>			<u>\$ 1,130,393</u>

	Weighted-Average Life (years)	December 31, 2021			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies ⁽¹⁾	14	\$ 913,904	\$ (629,280)	\$ (157)	\$ 284,467
Customer relationships ⁽¹⁾	12	2,098,238	(1,584,769)	(843)	512,626
Tradenames	19	77,484	(23,542)	—	53,942
Research and development	5	379,322	(230,118)	—	149,204
Capitalized software and other ⁽¹⁾	7	71,951	(51,527)	—	20,424
Definite-lived intangible assets ⁽¹⁾	12	3,540,899	<u>\$ (2,519,236)</u>	<u>\$ (1,000)</u>	1,020,663
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets ⁽¹⁾		<u>\$ 3,616,269</u>			<u>\$ 1,096,033</u>

⁽¹⁾ Adjusted to reflect provisional adjustments made in fiscal year 2022 related to fiscal year 2021 acquisitions, refer to following table.

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, 2022 and 2021.

Gross Carrying Amount	Completed technologies	Customer relationships	Tradenames	Research and development	Capitalized software and other	Total
Balance as of December 31, 2020	\$ 781,674	\$ 1,858,998	\$ 66,654	\$ 340,965	\$ 69,178	\$ 3,117,469
Acquisitions	136,221	236,940	10,830	—	348	384,339
Other additions	—	—	—	40,897	4,973	45,870
Provisional adjustments ⁽¹⁾	(3,991)	2,300	—	—	(177)	(1,868)
Write-offs	—	—	—	(2,540)	(2,371)	(4,911)
Balance as of December 31, 2021 ⁽¹⁾	913,904	2,098,238	77,484	379,322	71,951	3,540,899
Acquisitions	108,196	63,559	34,200	—	—	205,955
Divestiture	(6,653)	(38,594)	—	—	—	(45,247)
Other additions	—	—	—	38,292	4,346	42,638
Write-offs	—	(43,056)	(4,107)	(42,595)	(2,186)	(91,944)
Balance as of December 31, 2022	<u>\$ 1,015,447</u>	<u>\$ 2,080,147</u>	<u>\$ 107,577</u>	<u>\$ 375,019</u>	<u>\$ 74,111</u>	<u>\$ 3,652,301</u>
Accumulated Amortization ⁽²⁾						
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)	(23,542)	(230,118)	(51,527)	(2,520,236)
Divestiture	6,980	36,624	—	—	—	43,604
Amortization	(62,241)	(80,058)	(5,138)	(41,062)	(6,677)	(195,176)
Write-offs	—	43,056	4,107	26,836	531	74,530
Balance as of December 31, 2022	<u>\$ (684,698)</u>	<u>\$ (1,585,990)</u>	<u>\$ (24,573)</u>	<u>\$ (244,344)</u>	<u>\$ (57,673)</u>	<u>\$ (2,597,278)</u>
Net carrying value						
December 31, 2021 ⁽¹⁾	\$ 284,467	\$ 512,626	\$ 53,942	\$ 149,204	\$ 20,424	\$ 1,020,663
December 31, 2022	\$ 330,749	\$ 494,157	\$ 83,004	\$ 130,675	\$ 16,438	\$ 1,055,023

⁽¹⁾ Reflect provisional adjustments made in fiscal year 2022 related to fiscal year 2021 acquisitions. Refer to *Note 29: Acquisitions and Divestitures* for additional information.

⁽²⁾ 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, 2020	\$ 1,933,765	\$ 1,189,423	\$ 69,651	\$ 3,192,839
Additions	365,906	58,982	5,321	430,209
Provisional adjustments ⁽¹⁾	—	(1,691)	(177)	(1,868)
Write offs	(2,540)	—	(2,371)	(4,911)
Balance as of December 31, 2021 ⁽¹⁾	2,297,131	1,246,714	72,424	3,616,269
Additions	70,414	173,833	4,346	248,593
Divestitures	—	(45,247)	—	(45,247)
Write offs	(89,710)	(48)	(2,186)	(91,944)
Balance as of December 31, 2022	\$ 2,277,835	\$ 1,375,252	\$ 74,584	\$ 3,727,671

⁽¹⁾ Adjusted to reflect provisional adjustments made in fiscal year 2022 related to fiscal year 2021 acquisitions.

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, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Acquisition-related definite-lived intangible assets	\$ 147,437	\$ 126,670
Capitalized software	6,677	8,148
Capitalized research and development costs	41,062	36,449
Amortization of intangible assets and capitalized development costs	\$ 195,176	\$ 171,267

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, 2022 and 2021 consisted of the following:

	As of December 31,	
	2022	2021
		(As Adjusted) See Note 2
Accrued compensation and benefits	\$ 85,995	\$ 98,839
Accrued interest	50,146	45,123
Foreign currency and commodity forward contracts	10,652	5,591
Other accrued expenses and other current liabilities ⁽¹⁾	151,469	147,822
Accrued expenses and other current liabilities ⁽¹⁾	\$ 298,262	\$ 297,375

⁽¹⁾ Other accrued expenses and other current liabilities as of December 31, 2021 have been adjusted for measurement period adjustments made in the year ended December 31, 2022 that related to acquisitions that occurred in the year ended December 31, 2021.

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.

The total net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the years ended December 31, 2022 and 2021 was \$6.1 million and \$4.3 million, respectively.

The following table presents changes in the benefit obligation and plan assets for our defined benefit and other post-retirement benefit plans (in total) for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Change in benefit obligation:		
Beginning balance	\$ 108,511	\$ 129,627
Current service cost	3,899	4,059
Interest cost	2,248	2,244
Plan participants' contributions	562	698
Past service cost/(credit)	467	(1,378)
Acquisitions	(997)	—
Actuarial loss/(gain)	(11,474)	1,163
Benefits paid	(12,436)	(20,467)
Foreign currency remeasurement	(6,329)	(7,435)
Ending balance	<u>\$ 84,451</u>	<u>\$ 108,511</u>
Change in plan assets:		
Beginning balance	\$ 67,199	\$ 78,127
Interest income	788	862
Actual return on plan assets, excluding interest income	(9,109)	1,989
Employer contributions	4,368	10,961
Plan participants' contributions	562	698
Benefits paid	(12,436)	(20,467)
Administrative costs	(285)	(216)
Foreign currency remeasurement	(5,226)	(4,755)
Ending balance	<u>\$ 45,861</u>	<u>\$ 67,199</u>

14. Borrowings

Long-term borrowings, net and lease liabilities and other financing obligations as of December 31, 2022 and 2021 consisted of the following:

	Original Issuance (in millions)	Maturity Date	As of December 31,	
			2022	2021 (As Adjusted) See Note 2
Term Loan ⁽¹⁾	\$ 990.1	September 20, 2026	\$ 446,834	\$ 451,465
4.875% Senior Notes ⁽²⁾	\$ 500.0	October 15, 2023	—	500,000
5.625% Senior Notes	\$ 400.0	November 1, 2024	400,000	400,000
5.0% Senior Notes	\$ 700.0	October 1, 2025	700,000	700,000
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	1,000,000
5.875% Senior Notes	\$ 500.0	September 1, 2030	500,000	—
Less: discount, net of premium			(3,214)	(5,357)
Less: borrowing costs			(30,516)	(27,897)
Less: current portion ⁽¹⁾			(254,630)	(4,630)
Long-term borrowings, net			<u>\$ 3,958,474</u>	<u>\$ 4,213,581</u>
Present value of lease liabilities and other financing obligations ⁽³⁾			\$ 70,186	\$ 76,758
Less: current portion ⁽³⁾			(12,132)	(13,758)
Present value of lease liabilities and other financing obligations, less current portion ⁽³⁾			<u>\$ 58,054</u>	<u>\$ 63,000</u>

⁽¹⁾ On February 6, 2023, we prepaid \$250.0 million of outstanding principal on our Term Loan balance. Accordingly, that portion of the Term Loan principal balance has been presented in current portion of long-term debt on our consolidated balance sheet as of December 31, 2022.

- (2) The \$500.0 million aggregate principal amount of 4.875% senior notes due 2023 (the "4.875% Senior Notes") were redeemed on September 28, 2022.
- (3) Finance lease liabilities as of December 31, 2021 have been adjusted for measurement period adjustments made in the year ended December 31, 2022 that related to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 17: Leases* for additional information

There were no outstanding borrowings on the Revolving Credit Facility as of December 31, 2022 and 2021.

Secured Credit Facility

The credit agreement, dated as of May 12, 2011 (as amended, supplemented, waived, or otherwise modified, the "Credit Agreement"), provides for the Senior Secured Credit Facilities, consisting of a term loan facility (the "Term Loan"), the Revolving Credit Facility, and incremental availability 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.

On June 23, 2022, we entered into an amendment (the "Eleventh Amendment") to the Credit Agreement as follows: (i) increased the aggregate principal amount of the Revolving Credit Facility to \$750.0 million; (ii) extended the maturity date of the Revolving Credit Facility to June 23, 2027 (which could be accelerated to June 22, 2026 if, prior to June 22, 2026, the Term Loan is not refinanced with a maturity date that is on or after June 23, 2027); (iii) released the Foreign Guarantors (as defined in the Credit Agreement), excluding STBV, from their obligations to guarantee the obligations of STI and the other Loan Parties (as defined in the Credit Agreement) relating to the Revolving Credit Facility and certain related obligations, subject to an obligation to reinstate such guaranties under certain conditions; (iv) replaced the LIBOR-based interest rates referenced by the Credit Agreement regarding revolving credit loans to (a) for revolving credit loans denominated in U.S. dollars, an interest rate based on the secured overnight financing rate ("SOFR") published by the Federal Reserve Bank of New York and (b) for revolving credit loans denominated in pounds sterling, an interest rate based on the Sterling Overnight Index Average ("SONIA"); and (v) certain of the operational and restrictive covenants and other terms and conditions of the Credit Agreement were modified to provide STI and its affiliates increased flexibility and permissions thereunder.

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, 2022.

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 of the Credit Agreement entered into on September 20, 2019 (the "Tenth Amendment,") with the balance due at maturity.

In accordance with the terms of the Credit Agreement, as of December 31, 2022, 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, 2022 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, 2022, we maintained the Term Loan as a Eurodollar Rate loan, which accrued interest at 5.87%. On January 4, 2023, we entered into an amendment to the Credit Agreement (the "Twelfth Amendment") that will change the referenced rates related to the Term Loan to the SOFR and SONIA, effective in April 2023.

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, Term SOFR loans, or Daily Simple SONIA 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 range from 0.00% to 0.50%; (ii) the interest rate margin for Term SOFR and Daily Simple SONIA 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, 2022, there was \$746.1 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, 2022, 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 2022 Transactions

On June 23, 2022, certain of our indirect, wholly-owned subsidiaries, including Sensata Technologies, Inc. ("STI"), Sensata Technologies Intermediate Holding B.V. ("STIHBV"), and Sensata Technologies B.V. ("STBV"), entered into the Eleventh Amendment to (i) the Credit Agreement and (ii) the Foreign Guaranty, dated as of May 12, 2011. Refer to discussion under the heading Secured Credit Facility below for additional information regarding the Eleventh Amendment.

On August 29, 2022, STBV completed the issuance and sale of \$500.0 million aggregate principal amount of 5.875% senior notes due 2030 (the "5.875% Senior Notes"). The 5.875% Senior Notes bear interest at 5.875% per year and mature on September 1, 2030. Interest is payable semi-annually on September 1 and March 1 of each year, commencing on March 1, 2023. The 5.875% Senior Notes were issued under an indenture dated as of August 29, 2022, among STBV, as issuer, The Bank of New York Mellon, as trustee, and our guarantor subsidiaries named therein (the "5.875% Senior Notes Indenture"). The 5.875% 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 STI and an issuer or a guarantor under our existing senior notes as follows: STBV's \$400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes"), \$700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), and \$1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% 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 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes"). Refer to discussion under the heading Senior Notes below for additional information regarding the issuance of the 5.875% Senior Notes.

On September 28, 2022, we redeemed in full the \$500.0 million aggregate principal amount outstanding on the 4.875% Senior Notes in accordance with the terms of the indenture under which the 4.875% Senior Notes were issued, at a price of 101.0% of the aggregate principal amount of the outstanding 4.875% Senior Notes (which includes the applicable premium), plus accrued and unpaid interest to (but not including) the redemption date.

Fiscal Year 2021 Transactions

On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on the 6.25% senior notes due 2026 (the "6.25% Senior Notes") 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.

On March 29, 2021, our indirect, wholly-owned subsidiary, STBV, completed the issuance and sale of \$750.0 million aggregate principal amount of 4.0% senior notes due 2029, 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"). 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 due 2029, which 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 4.0% senior notes due 2029 issued in March 2021 have the same terms as those issued in April 2021, other than with respect to the date of issuance and the issue price. The two issuances of 4.0% senior notes are consolidated and form a single class of 4.0% Senior Notes due 2029.

Senior Notes

We have various tranches of senior unsecured notes outstanding as of December 31, 2022. Information regarding these senior notes (together, 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.

	5.625% Senior Notes	5.0% Senior Notes	4.375% Senior Notes	3.75% Senior Notes	4.0% Senior Notes	5.875% Senior Notes
Aggregate principal amount	\$ 400,000	\$ 700,000	\$ 450,000	\$ 750,000	\$ 1,000,000	\$ 500,000
Interest rate	5.625%	5.0%	4.375%	3.75%	4.0%	5.875%
Issue price	100.0%	100.0%	100.0%	100.0%	Various ⁽¹⁾	100.0%
Issuer	STBV	STBV	STI	STI	STBV	STBV
Issue date	October 2014	March 2015	September 2019	August 2020	Various ⁽¹⁾	August 2022
Interest due	May 1	April 1	February 15	February 15	April 15	September 1
Interest due	November 1	October 1	August 15	August 15	October 15	March 1
Maturity Date	November 2024	October 2025	February 2030	February 2031	April 2029	September 2030

⁽¹⁾ 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

Upon the occurrence of certain specific change in control events, we will be required to offer to repurchase the Senior 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.

Except as described below with respect to the 4.375% Senior Notes, 3.75% Senior Notes, the 4.0% Senior Notes, and the 5.875% 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.

4.375% Senior Notes

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.

3.75% Senior Notes

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:

<u>Period beginning February 15,</u>	<u>Price</u>
2026	101.875 %
2027	100.938 %
2028 and thereafter	100.000 %

4.0% Senior Notes

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:

<u>Period beginning April 15,</u>	<u>Price</u>
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.

5.875% Senior Notes

At any time, and from time to time, prior to September 1, 2025, STBV may redeem the 5.875% Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 5.875% Senior Notes being redeemed, plus a “make whole” premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time on or after September 1, 2025, STBV may redeem the 5.875% 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:

<u>Period beginning September 1,</u>	<u>Price</u>
2025	102.398 %
2026	101.469 %
2027 and thereafter	100.000 %

In addition, at any time prior to September 1, 2025, STBV may redeem up to 40% of the principal amount of the outstanding 5.875% Senior Notes (including additional 5.875% Senior Notes, if any) with the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 105.875%, 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 5.875% Senior Notes (including additional 5.875% Senior Notes, if any) remains outstanding immediately after each such 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).

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, 2022, 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 \$2.9 billion at December 31, 2022.

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, 2022, 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, 2022 and for the fiscal year then ended.

Accounting for Borrowings and Borrowing Costs

In the year ended December 31, 2022, in connection with the entry into the Eleventh Amendment, we recognized \$2.7 million of deferred financing costs, which are presented as a reduction of long-term borrowings on our consolidated balance sheets. In connection with the issuance of the 5.875% Senior Notes, we capitalized \$6.1 million of deferred financing costs, which are presented on the consolidated balance sheets as a reduction of long-term borrowings. In connection with the redemption of the 4.875% Senior Notes, we recognized a loss of \$5.6 million, presented in other, net, related to the write-off of unamortized deferred financing costs and debt discounts.

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.

Amortization of borrowing costs is included as a component of interest expense, net, in the consolidated statements of income, for which we recorded \$7.7 million and \$7.3 million in the years ended December 31, 2022 and 2021, respectively.

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 debt, excluding finance lease payments, other financing obligations, and discretionary repurchases of debt, in each of the years ended December 31, 2023 through 2027 and thereafter. On February 6, 2023, we prepaid \$250.0 million of outstanding principal on our Term Loan, which has been reflected below as paid in 2023.

For the year ended December 31,	Aggregate Maturities
2023	\$ 254,630
2024	404,630
2025	704,630
2026	182,944
2027	—
Thereafter	2,700,000
Total long-term principal payments	\$ 4,246,834

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, 2022, we had the following purchase commitments, presented by expected payment dates:

	<u>Purchase Commitments</u>	
For the year ending December 31,		
2022	\$	77,671
2023		11,227
2024		4,238
2025		2,460
2026		1,022
2027 and thereafter		96
Total purchase commitments	\$	<u>96,714</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, 2022:

• 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)
• Swindon Silicon Systems Ltd.	(Registered number 01378119)
• 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, 2022 is as follows:

	Provisions	
	Current	Non-current
Balance as of December 31, 2021	\$ 39,426	\$ 38,758
Charges, net of reversals	42,106	1,343
Payments	(40,092)	(3,234)
Foreign currency remeasurement	(116)	(781)
Balance as of December 31, 2022	<u>\$ 41,324</u>	<u>\$ 36,086</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, 2022.

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. Beginning in fiscal year 2022, we began paying cash dividends to our shareholders. 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, 2022, we complied with this requirement.

Cash Dividends

In the year ended December 31, 2022, we paid three quarterly dividends totaling \$0.33 per share, or \$51.1 million in the aggregate. No dividends were declared or paid in the year ended December 31, 2021.

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"). 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 per share of \$59.28), 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. 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 \$500.0 million ordinary share repurchase program (the "January 2022 Program"), which replaced 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.

During the year ended December 31, 2022, we repurchased approximately 6.3 million ordinary shares (nominal value of approximately €63 thousand) under the January 2022 Program, for a total purchase price of \$292.3 million (weighted-average price per share of \$46.08). This represents approximately 3.6% of the total number and nominal value of our ordinary shares issued at December 31, 2022. As of December 31, 2022, approximately \$224.5 million remained available under the January 2022 Program.

Cash Flow Hedging Reserves

Cash flow hedging reserves were as follows:

	Cash Flow Hedge
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
Pre-tax current period change	(1,571)
Tax effect	405
Balance as of December 31, 2022	\$ 16,310

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, 2022 and 2021 related to our leases:

	December 31, 2022	December 31, 2021
Lease right-of-use assets:		
Property, plant and equipment, at cost	\$ 146,351	\$ 133,326
Accumulated depreciation	(82,862)	(69,683)
Property, plant and equipment, net	<u>\$ 63,489</u>	<u>\$ 63,643</u>
	December 31, 2022	December 31, 2021
Lease liabilities: ⁽¹⁾		(As Adjusted) See Note 2
Current portion of long-term borrowings, lease liabilities and other financing obligations	\$ 12,132	\$ 13,758
Lease liabilities and other financing obligations, less current portion	58,054	63,000
Total lease liabilities	<u>\$ 70,186</u>	<u>\$ 76,758</u>

⁽¹⁾ Finance lease liabilities as of December 31, 2021 have been adjusted for measurement period adjustments made in the year ended December 31, 2022 that related to acquisitions that occurred in the year ended December 31, 2021, per the table below

	As of December 31, 2021		
	As reported	Adjustment	Restated
Lease liabilities:			
Current portion of long-term borrowings, lease liabilities and other financing obligations	\$ 13,474	\$ 284	\$ 13,758
Lease liabilities and other financing obligations, less current portion	62,896	104	\$ 63,000
Total lease liabilities	<u>\$ 76,370</u>	<u>\$ 388</u>	<u>\$ 76,758</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, 2022 and 2021 (short-term lease cost and low-value lease cost was not material for the years ended December 31, 2022 and 2021):

	For the year ended	
	December 31, 2022	December 31, 2021
Amortization of right-of-use assets	\$ 13,179	\$ 14,973
Interest on lease liabilities	5,658	6,428
Total lease cost	<u>\$ 18,837</u>	<u>\$ 21,401</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, 2022 and 2021:

	For the year ended	
	December 31, 2022	December 31, 2021
Operating cash flows from leases	\$ 1,615	\$ 845
Financing cash flows from leases	\$ 18,425	\$ 17,506

The table below presents a maturity analysis of the obligations related to our lease liabilities in effect as of December 31, 2022, 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,

2023	\$	16,548
2024		14,960
2025		11,958
2026		8,852
2027		7,207
Thereafter		35,299
Total undiscounted cash flows related to lease liabilities		94,824
Less imputed interest		(24,638)
Total lease liabilities	\$	70,186

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 as of December 31, 2022 and 2021 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,	
	2022	2021
Assets measured at fair value:		
Foreign currency forward contracts	\$ 31,126	\$ 25,112
Commodity forward contracts	4,181	2,979
Equity investments without a readily determinable fair value ⁽¹⁾	15,000	65,000
Other equity investments ⁽¹⁾⁽²⁾	19,805	16,915
Debt investments	2,216	4,348
Assets measured at fair value	<u>\$ 72,328</u>	<u>\$ 114,354</u>
Liabilities measured at fair value:		
Foreign currency forward contracts	\$ 9,866	\$ 3,073
Commodity forward contracts	4,671	4,492
Total liabilities measured at fair value	<u>\$ 14,537</u>	<u>\$ 7,565</u>

⁽¹⁾ December 31, 2021 included a \$50.0 million investment in Quanergy. Quanergy merged with a SPAC (the "SPAC Merger") on February 8, 2022, after which the combined company, which retained the name "Quanergy Systems, Inc.," was listed on the NYSE under the ticker symbol QNGY. Accordingly, as of that date, our investment in Quanergy was

moved to other equity investments held at fair value, and we began marking our investment in Quanergy to market each period.

- (2) Upon completion of the SPAC Merger, our investment in Quanergy was \$75.1 million, included in other equity investments measured at fair value, and consisted of a \$50.0 million investment in common shares converted from the Series B Investment, a \$7.5 million private investment in public equity, and 2.5 million warrants with a fair value of \$17.6 million, each of which represented the right to purchase one common share of Quanergy at a price of \$0.01 per share. We subsequently converted these warrants to common shares. On October 6, 2022, Quanergy executed a 1-to-20 reverse stock split. Upon execution of the reverse stock split, our holdings of Quanergy common stock declined to approximately 0.4 million shares. As of December 31, 2022, the share price of Quanergy was \$0.11 per share and we have marked the full investment to approximately zero, resulting in a mark-to-market loss of \$75.1 million in the year ended December 31, 2022, which was recorded in other, net. Refer to Note 6: Other, Net for details of the components of other, net.

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, 2022 and 2021, 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 July 2022, we sold the Qinx Business, which comprised the interconnection cash generating unit. Refer to *Note 29: Acquisitions and Divestitures* for additional information. Accordingly, as of October 1, 2022, we had nine CGUs: Automotive, HVOR, Sensata INSIGHTS, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Inverters, and Clean Energy Solutions.

We evaluated our goodwill and other indefinite-lived intangible assets for impairment as of October 1, 2022. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* for additional information. Based on these analyses, we determined that our goodwill and other indefinite-lived intangible assets were not impaired. As of December 31, 2022, no events or changes in circumstances occurred that would have triggered the need for an additional impairment review of goodwill or other indefinite-lived intangible assets.

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, 2022 and 2021. All fair value measures presented are categorized within Level 2 of the fair value hierarchy.

	As of December 31,			
	2022		2021	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Term Loan	\$ 446,834	\$ 443,483	\$ 451,465	\$ 450,901
4.875% Senior Notes	\$ —	\$ —	\$ 500,000	\$ 526,250
5.625% Senior Notes	\$ 400,000	\$ 398,000	\$ 400,000	\$ 438,000
5.0% Senior Notes	\$ 700,000	\$ 684,250	\$ 700,000	\$ 759,500
4.375% Senior Notes	\$ 450,000	\$ 400,500	\$ 450,000	\$ 479,250
3.75% Senior Notes	\$ 750,000	\$ 626,250	\$ 750,000	\$ 747,188
4.0% Senior Notes	\$ 1,000,000	\$ 875,000	\$ 1,000,000	\$ 1,022,500
5.875% Senior Notes	\$ 500,000	\$ 473,750	\$ —	\$ —

⁽¹⁾ 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, 2022 and 2021, 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, 2022, we estimate that \$20.5 million in net gains will be reclassified from cash flow hedging reserves to earnings during the twelve-month period ending December 31, 2023.

As of December 31, 2022, we had the following outstanding foreign currency forward contracts:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted-Average Strike Rate	Hedge Designation ⁽¹⁾
37.0 EUR	December 28, 2022	January 31, 2023	Euro ("EUR") to USD	1.07 USD	Not designated
364.0 EUR	Various from January 2021 to December 2022	Various from January 2023 to December 2024	EUR to USD	1.11 USD	Cash flow hedge
402.0 CNY	December 27, 2022	January 31, 2023	USD to Chinese Renminbi ("CNY")	6.96 CNY	Not designated
655.0 JPY	December 28, 2022	January 31, 2023	USD to Japanese Yen ("JPY")	133.01 JPY	Not designated
18,304.3 KRW	Various from February 2021 to December 2022	Various from January 2023 to November 2024	USD to Korean Won ("KRW")	1,228.41 KRW	Cash flow hedge
24.0 MYR	December 27, 2022	January 31, 2023	USD to Malaysian Ringgit ("MYR")	4.41 MYR	Not designated
83.0 MXN	December 28, 2022	January 31, 2023	USD to Mexican Peso ("MXN")	19.53 MXN	Not designated
3,431.8 MXN	Various from January 2021 to December 2022	Various from January 2023 to December 2024	USD to MXN	22.19 MXN	Cash flow hedge
6.3 GBP	December 28, 2022	January 31, 2023	British Pound Sterling ("GBP") to USD	1.21 USD	Not designated
58.9 GBP	Various from January 2021 to December 2022	Various from January 2023 to December 2024	GBP to USD	1.26 USD	Cash flow hedge

⁽¹⁾ 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, 2022, we had the following outstanding commodity forward contracts:

	Notional	Remaining Contracted Periods	Weighted-Average Strike Price Per Unit
Silver	972,101 troy oz.	January 2023 to November 2024	\$ 23.24
Gold	7,894 troy oz.	January 2023 to November 2024	\$ 1,861.63
Nickel	236,860 pounds	January 2023 to November 2024	\$ 10.88
Aluminum	4,310,163 pounds	January 2023 to November 2024	\$ 1.22
Copper	8,271,686 pounds	January 2023 to November 2024	\$ 4.07
Platinum	10,820 troy oz.	January 2023 to November 2024	\$ 986.14
Palladium	1,355 troy oz.	January 2023 to November 2024	\$ 2,215.19

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, 2022 and 2021.

		Asset Derivatives		Liability Derivatives		
		As of December 31,		As of December 31,		
	Statement of Financial Position Location	2022	2021		2022	2021
Derivatives designated as hedging instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 27,114	\$ 20,562	Accrued expenses and other current liabilities	\$ 6,586	\$ 1,981
Foreign currency forward contracts	Other assets	3,763	4,391	Other long-term liabilities	3,280	904
Total		<u>\$ 30,877</u>	<u>\$ 24,953</u>		<u>\$ 9,866</u>	<u>\$ 2,885</u>
Derivatives not designated as hedging instruments:						
Commodity forward contracts	Prepaid expenses and other current assets	\$ 2,542	\$ 2,583	Accrued expenses and other current liabilities	\$ 4,066	\$ 3,422
Commodity forward contracts	Other assets	1,639	396	Other long-term liabilities	605	1,070
Foreign currency forward contracts	Prepaid expenses and other current assets	249	159	Accrued expenses and other current liabilities	—	188
Total		<u>\$ 4,430</u>	<u>\$ 3,138</u>		<u>\$ 4,671</u>	<u>\$ 4,680</u>

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, 2022 and 2021:

	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,	
Derivatives designated as hedging instruments	2022	2021		2022	2021
Foreign currency forward contracts	\$ 39,173	32,698	Net revenue	\$ 46,183	(9,281)
Foreign currency forward contracts	\$ 11,982	(601)	Cost of revenue	\$ 6,543	9,707
	Amount of (Loss)/Gain Recognized in Net Income				
	For the year ended December 31,				
Derivatives not designated as hedging instruments	2022	2021	Location of (Loss)/Gain		
Commodity forward contracts	\$ (3,350)	\$ (2,967)	Other, net		
Foreign currency forward contracts	\$ 4,324	\$ (7,553)	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, 2022, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was \$14.8 million. As of December 31, 2022, 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, 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, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Net revenue:		
Performance Sensing	\$ 2,976,756	\$ 2,847,908
Sensing Solutions	1,052,506	972,898
Total net revenue	<u>\$ 4,029,262</u>	<u>\$ 3,820,806</u>
Segment operating income (as defined above):		
Performance Sensing	\$ 738,167	\$ 807,863
Sensing Solutions	282,246	287,787
Total segment operating income	<u>1,020,413</u>	<u>1,095,650</u>
Corporate and other	(292,298)	(288,309)
Amortization of intangible assets and capitalized development costs	(195,176)	(171,267)
Restructuring and other charges, net	(20,138)	(1,330)
Other operating income, net	181,497	—
Operating Income	<u>694,298</u>	<u>634,744</u>
Interest expense, net	(183,410)	(183,525)
Other, net	(91,805)	(33,344)
Income before taxes	<u>\$ 419,083</u>	<u>\$ 417,875</u>

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, 2022 and 2021:

	Performance Sensing	Sensing Solutions	For the year ended December 31,	
			2022	2021
Net revenue:				
Sensors	X	X	\$ 2,887,063	\$ 2,952,485
Electrical Protection	X	X	710,483	635,141
Other	X	X	431,716	233,180
Net revenue			<u>\$ 4,029,262</u>	<u>\$ 3,820,806</u>

The following table presents depreciation and amortization expense for our reportable segments for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Depreciation and amortization:		
Performance Sensing	\$ 137,694	\$ 127,586
Sensing Solutions	16,811	16,788
Corporate and other ⁽¹⁾	179,538	165,236
Total depreciation and amortization	<u>\$ 334,043</u>	<u>\$ 309,610</u>

- ⁽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, 2022 and 2021:

	As of December 31,	
	2022	2021 (As Adjusted) See Note 2
Total Assets:		
Performance Sensing ⁽¹⁾	\$ 1,876,507	\$ 1,752,133
Sensing Solutions ⁽¹⁾	632,988	555,691
Corporate and other ⁽²⁾	6,392,208	6,436,735
Total assets	<u>\$ 8,901,703</u>	<u>\$ 8,744,559</u>

- (1) Fiscal year 2021 has been recast for measurement period adjustments. Performance Sensing total assets increased \$1.9 million as a result of adjustments related to the acquisition of SmartWitness, and Sensing Solutions increased \$2.0 million as a result of adjustments related to the acquisitions of Spear Power Systems ("Spear") (\$0.9 million) and Sendyne Corp. ("Sendyne") (\$1.1 million).
- (2) Included within corporate and other as of December 31, 2022 and 2021 is \$3,947.2 million and \$3,502.6 million, respectively, of goodwill, as well as \$999.7 million and \$946.8 million, respectively, of other intangible assets, net, \$1,225.5 million and \$1,709.1 million, respectively, of cash and cash equivalents, and \$43.3 million and \$41.8 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, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Capital expenditures (including development costs):		
Performance Sensing	\$ 147,463	\$ 145,118
Sensing Solutions	20,611	20,559
Corporate and other	20,282	19,624
Total	\$ 188,356	\$ 185,301

The following table presents capital expenditures (including development costs) by geographic area for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Capital expenditures (including development costs):		
Americas	\$ 79,285	\$ 70,559
Asia and rest of world	70,938	70,506
Europe	38,133	44,236
Total	\$ 188,356	\$ 185,301

Geographic Area Information

The following tables present net revenue by geographic area and by significant country for the years ended December 31, 2022 and 2021. In these tables, net revenue is aggregated based on the location of our subsidiaries.

	For the year ended December 31,	
	2022	2021
Net revenue:		
Americas	\$ 1,705,222	\$ 1,450,658
Europe	1,045,031	1,003,204
Asia and rest of world	1,279,009	1,366,944
Net revenue	\$ 4,029,262	\$ 3,820,806

	For the year ended December 31,	
	2022	2021
Net revenue:		
United States	\$ 1,563,616	\$ 1,311,878
Netherlands	810,069	621,658
China	818,974	871,667
Korea	159,239	191,045
United Kingdom	119,109	120,686
All other	558,255	703,872
Net revenue	\$ 4,029,262	\$ 3,820,806

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, 2022 and 2021. In these tables, long-lived assets are aggregated based on the location of our subsidiaries.

	As of December 31,	
	2022	2021 (As Adjusted) See Note 2
Americas ⁽¹⁾	\$ 3,699,303	\$ 3,168,119
Asia and rest of world	523,274	509,049
Europe	1,732,492	1,778,865
Total ⁽¹⁾	<u>\$ 5,955,069</u>	<u>\$ 5,456,033</u>

	As of December 31,	
	2022	2021 (As Adjusted) See Note 2
United States ⁽¹⁾	\$ 3,467,152	\$ 2,949,761
United Kingdom	543,326	572,310
The Netherlands	782,846	708,248
China	316,400	302,197
Mexico	223,709	209,908
Bulgaria	241,343	255,797
All other	380,293	457,812
Total ⁽¹⁾	<u>\$ 5,955,069</u>	<u>\$ 5,456,033</u>

⁽¹⁾ Long-lived assets at December 31, 2021 have been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information. An increase of \$6.8 million has been reflected in the Americas (United States) in the above tables.

21. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2022 and 2021 included the following:

	As of December 31,	
	2022	2021 (As Adjusted) See Note 2
Cash ⁽¹⁾	\$ 239,342	\$ 311,076
Cash equivalents	986,176	1,398,004
Cash and cash equivalents	<u>\$ 1,225,518</u>	<u>\$ 1,709,080</u>

⁽¹⁾ Cash at December 31, 2021 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

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, 2022 and 2021:

	For the year ended	
	2022	2021
Depreciation included within:		
Cost of revenue	\$ 121,205	\$ 119,810
Selling, general and administrative	11,145	11,718
Research and development	6,517	6,815
Total depreciation	138,867	138,343
Amortization of intangible assets and capitalized development costs ⁽¹⁾	195,176	171,267
Total depreciation and amortization	\$ 334,043	\$ 309,610

⁽¹⁾ Includes \$39.9 million and \$36.4 million of amortization of capitalized R&D costs for the years ended December 31, 2022 and 2021, respectively.

23. Personnel Costs

As of December 31, 2022, we had approximately 20,800 employees, of whom approximately 8% were located in the U.S., and approximately 56% of whom were female. Approximately 200 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, 2022, we had approximately 2,200 contract workers on a worldwide basis.

Personnel costs related to these employees for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
Wages, salaries, and benefits	\$ 765,080	\$ 751,478
Pension costs	14,598	9,489
Post-employment (benefits)/costs other than pensions	100	83
Expense of share-based payments	33,779	27,759
Total	\$ 813,557	\$ 788,809

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, 2022. 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 incremental availability (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, 2022, we had an outstanding balance on the Term Loan (excluding discount and deferred financing costs) of \$446.8 million. The applicable interest rate associated with the Term Loan at December 31, 2022 was 5.87%. An increase of 100 basis points in this rate would result in additional interest expense of \$1.5 million in fiscal year 2023. A further 100 basis point increase in this rate would result in incremental interest expense of \$3.1 million in fiscal year 2023.

As of December 31, 2021, we had an outstanding balance on the Term Loan (excluding debt 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 have resulted in additional interest expense of \$3.9 million in fiscal year 2022. An additional 100 basis point increase in this rate would have resulted in incremental interest expense of \$8.2 million in fiscal year 2022.

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, 2022 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, 2022.

Sensitivity Analysis

The table below presents our foreign currency forward contracts as of December 31, 2022 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 Asset/ (Liability) Balance as of December 31, 2022	(Decrease)/Increase to Other Comprehensive Income Due to:		(Decrease)/Increase to Pre-Tax Income Due to:	
		Strengthening	Weakening	Strengthening	Weakening
Euro	\$ 10.6	\$ (39.4)	\$ 39.4	\$ (3.9)	\$ 3.9
Chinese Renminbi	\$ 0.1	\$ —	\$ —	\$ (5.8)	\$ 5.8
Japanese Yen	\$ 0.0	\$ —	\$ —	\$ 0.5	\$ (0.5)
Korean Won	\$ 0.4	\$ (1.5)	\$ 1.5	\$ —	\$ —
Malaysian Ringgit	\$ 0.0	\$ —	\$ —	\$ 0.5	\$ (0.5)
Mexican Peso	\$ 13.2	\$ 16.8	\$ (16.8)	\$ 0.4	\$ (0.4)
British Pound Sterling	\$ (3.1)	\$ 7.1	\$ (7.1)	\$ (0.7)	\$ 0.7

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, 2022.

Sensitivity Analysis

The table below presents our commodity forward contracts as of December 31, 2022 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, 2022	Average Forward Price Per Unit as of December 31, 2022	Increase/(Decrease) to Pre-tax Earnings Due to	
			10% Increase in the Forward Price	10% Decrease in the Forward Price
Silver	\$ 1.1	\$ 24.33	\$ 2.3	\$ (2.3)
Gold	\$ 0.1	\$ 1,877.27	\$ 1.5	\$ (1.5)
Nickel	\$ 0.7	\$ 13.76	\$ 0.3	\$ (0.3)
Aluminum	\$ (0.5)	\$ 1.11	\$ 0.5	\$ (0.5)
Copper	\$ (2.2)	\$ 3.80	\$ 3.1	\$ (3.1)
Platinum	\$ 0.9	\$ 1,070.21	\$ 1.2	\$ (1.2)
Palladium	\$ (0.5)	\$ 1,803.34	\$ 0.2	\$ (0.2)

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.

As of December 31, 2022, there was \$746.1 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, 2022, 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.

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, 2022. As of December 31, 2022, we had recognized a net benefit liability of \$38.6 million, representing the net unfunded benefit obligations of the defined benefit and retiree healthcare plans.

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. As of December 31, 2022, there was \$746.1 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, 2022, 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, 2022, availability under the Accordion was approximately \$0.7 billion. Our primary historical uses of cash on hand have been to support the growth of the business through capital expenditures, acquire businesses that extend our market position within our key growth vectors of Electrification and Insights/IoT and to repurchase our ordinary shares, augmenting our existing capital deployment strategies and enabling 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, 2022, 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, 2024.

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, 2022.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by 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 January 27, 2023, 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,

2022, 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 2022 and 2021, we repurchased ordinary shares with a value of approximately \$292.3 million and \$47.8 million, respectively (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, 2022 and 2021 was 3.4x and 2.8x, respectively. 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, 2022 and 2021 consisted of the following:

	12/31/2022	12/31/2021 (As Adjusted) See Note 2
Accounts receivable, gross ⁽¹⁾	\$ 766,628	\$ 666,323
Provisions	(24,246)	(17,003)
Total	<u>\$ 742,382</u>	<u>\$ 649,320</u>

⁽¹⁾ Accounts receivable, gross at December 31, 2021 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

At December 31, 2022 and 2021, 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
2022	\$ 742,382	\$ 690,114	\$ 46,026	\$ 6,242
2021	653,438	586,687	65,975	776

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 2022 and 2021 is as follows:

	Balance at the beginning of the period	Charged to costs and expenses	Deductions	Balance at end of the period
2022	17,003	8,531	(1,288)	24,246
2021	19,033	(813)	(1,217)	17,003

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% of our net revenue for years ended December 31, 2022 and 2021, 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, 2022 and 2021 was as follows:

	For the year ended December 31,	
	2022	2021
Audit of the Company financial statements	\$ 4,779	\$ 3,868
The auditing of accounts of any associate of the Company	784	779
Total audit fees	5,563	4,647
Audit related fees	—	4
Other services		
Taxation services	142	691
Other fees	10	10
Total fees	\$ 5,715	\$ 5,352

"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 2022 and 2021, 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, 2021 through September 30, 2022 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 2022 and 2021. 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 \$81 thousand and \$255 thousand for fiscal years 2022 and 2021.

"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, 2022 or 2021.

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, Nominating & Corporate Governance members receive a fee of \$7.5 thousand, 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, 2022 and 2021 was approximately \$2.3 million and \$2.8 million, respectively. This includes approximately \$1.2 million and \$1.6 million, respectively, in expense related to share-based compensation. None of our non-employee directors are accruing retirement benefits.

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 (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Change in Pension Value (\$)	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
2022	3,057	2,011	8,039	110	—	96	13,313
2021	2,909	3,275	7,324	322	—	90	13,920

⁽¹⁾ Represents the annual incentive bonus and discretionary bonus awarded to each key executive officer in the fiscal years ended December 31, 2022 and 2021.

⁽²⁾ Represents the expense recorded for restricted securities in the years ended December 31, 2022 and 2021. See *Note 4: Share-Based Payment Plans* for further discussion of the relevant assumptions used in calculating the grant date fair value.

⁽³⁾ Represents the expense recorded for option awards in the years ended December 31, 2022 and 2021, computed in accordance with IFRS 2, using the assumptions detailed in *Note 4: Share-Based Payment Plans*.

⁽⁴⁾ Includes amounts for financial and legal counseling, insurance premium contributions, contributions to 401(k) plans, and anniversary award.

28. Financial Instruments

The below table represents a summary of the financial instruments we hold at December 31, 2022 and 2021:

	Note	As of December 31,	
		2022	2021
			(As Adjusted) See Note 2
Financial assets measured at amortized cost:			
Cash and cash equivalents ⁽¹⁾⁽⁶⁾	21	\$ 1,225,518	\$ 1,709,080
Trade accounts receivable ⁽¹⁾⁽⁵⁾⁽⁶⁾	25	\$ 742,382	\$ 649,320
Financial assets measured at fair value through profit or loss:			
Derivative assets (non-designated) ⁽²⁾⁽³⁾	19	\$ 4,430	\$ 3,138
Equity investments without a readily determinable fair value ⁽³⁾	18	\$ 15,000	\$ 65,000
Other equity investments ⁽³⁾	18	\$ 19,805	\$ 16,915
Debt investments ⁽³⁾	18	\$ 2,216	\$ 4,348
Financial liabilities measured at amortized cost:			
Long-term borrowings ⁽⁴⁾		\$ 4,213,104	\$ 4,218,211
Present value of lease liabilities and other financing obligations ⁽⁴⁾⁽⁶⁾	14,17	\$ 70,186	\$ 76,758
Financial liabilities measured at fair value through profit or loss:			
Derivative liabilities (non-designated) ⁽²⁾⁽³⁾	19	\$ 4,671	\$ 4,680

⁽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, 2022 and 2021 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.

⁽⁶⁾ Amounts at December 31, 2021 have been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

Changes in long-term borrowings arising from financing activities

Long-term borrowings, net of discounts, premium, and borrowing costs as of December 31, 2022 and 2021 were \$4,213.1 million and \$4,218.2 million, respectively. The vast majority of these changes arise from cash flow activities, including the issuance of the \$500.0 million 5.875% Senior Notes and the redemption of the \$500.0 million 4.875% Senior Notes, each in the year ended December 31, 2022, 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, 2022, we amortized \$7.7 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, 2022 and 2021.

	Note	As of December 31,	
		2022	2021
			(As Adjusted)
			See Note 2
Prepaid expenses and other current assets:			
Derivative assets (non-designated)		\$ 2,791	\$ 2,742
Derivative assets (designated)	19	27,114	20,562
Other ⁽¹⁾		132,142	103,450
Total prepaid expenses and other current assets ⁽¹⁾		<u>\$ 162,047</u>	<u>\$ 126,754</u>
Other assets:			
Derivative assets (non-designated)	19	\$ 1,639	\$ 396
Derivative assets (designated)	19	3,763	4,391
Equity investments without a readily determinable fair value	18	15,000	65,000
Other equity investments	18	19,805	16,915
Debt investments	18	2,216	4,348
Other ⁽¹⁾		43,128	28,717
Total other assets ⁽¹⁾		<u>\$ 85,551</u>	<u>\$ 119,767</u>
Accrued expenses and other current liabilities:			
Derivative liabilities (non-designated)		\$ 4,066	\$ 3,610
Derivative liabilities (designated)	19	6,586	1,981
Other ⁽¹⁾		287,610	291,784
Total accrued expenses and other current liabilities ⁽¹⁾	12	<u>\$ 298,262</u>	<u>\$ 297,375</u>
Other long-term liabilities:			
Derivative liabilities (non-designated)	19	\$ 605	\$ 1,070
Derivative liabilities (designated)	19	3,280	904
Other ⁽¹⁾		42,088	22,286
Total other long-term liabilities ⁽¹⁾		<u>\$ 45,973</u>	<u>\$ 24,260</u>

⁽¹⁾ Amounts at December 31, 2021 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2022 relating to acquisitions that occurred in the year ended December 31, 2021. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

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 and Divestitures

Acquisitions

The following discussion relates to our acquisitions during the years ended December 31, 2022 and 2021. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* for additional discussion of our consolidated goodwill and other intangible assets, net balances. Total cash paid for acquisitions, net of cash received, as of December 31, 2022 and 2021 was \$631.6 million and \$736.0 million, respectively.

Xirgo

On April 1, 2021, we acquired 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. The product offerings and technology of Xirgo will augment our existing portfolio in advancing our Insights/IoT 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 allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2021.

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 \$113.7 million, subject to certain post-closing items, including a contingent consideration arrangement whereby we may be required to pay up to an additional \$30.0 million to the selling shareholders. Using a present value technique, we estimated the acquisition-date fair value of the contingent consideration arrangement to be \$8.6 million, which is reflected in the aggregate purchase price. In the year ended December 31, 2022, we evaluated updated financial forecasts and determined that the fair value of the contingent consideration arrangement as of December 31, 2022 is zero. Accordingly, a gain of \$8.6 million for the year ended December 31, 2022 was recognized in earnings and presented in other operating income, net. We are integrating Spear into the Sensing Solutions reportable segment.

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.

The allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2022. The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

	December 31, 2021	Adjustments	December 31, 2022
Net working capital, excluding cash	\$ 4,431	\$ (4,058)	\$ 373
Property, plant and equipment	4,443	874	5,317
Goodwill	72,756	3,551	76,307
Other intangible assets	30,736	(193)	30,543
Other assets	—	378	378
Deferred income tax liabilities	(2,068)	(819)	(2,887)
Other long-term liabilities	(400)	(494)	(894)
Fair value of net assets acquired, excluding cash and cash equivalents	109,898	(761)	109,137
Cash and cash equivalents	4,547	—	4,547
Fair value of net assets acquired	<u>\$ 114,445</u>	<u>\$ (761)</u>	<u>\$ 113,684</u>

Refer to discussion under the heading *Measurement Period Adjustments* below for additional information on adjustments to the allocation of purchase price of Spear recorded in the year ended December 31, 2022 (during the measurement period) and retrospectively reflected in our statement of financial position as of December 31, 2021.

The goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. This goodwill 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 estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value	Weighted-Average Lives (years)
Acquired definite-lived intangible assets		
Customer relationships	\$ 6,200	11
Completed technologies	22,400	13
Tradenames	1,900	10
Total definite-lived intangible assets acquired	<u>\$ 30,500</u>	<u>12</u>

These 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 equity interests of SmartWitness, an innovator of video telematics technology for heavy- and light-duty fleets, for an aggregate cash purchase price of \$205.5 million, including \$204.2 million of cash paid at closing, subject to certain post-closing items. In addition to the aggregate purchase price, we paid \$8.6 million of cash at closing related to an employee retention arrangement. We are integrating SmartWitness into the Performance Sensing reportable segment.

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.

The allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2022. The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

	December 31, 2021	Adjustments	December 31, 2022
Net working capital, excluding cash	\$ 10,256	\$ (4,150)	\$ 6,106
Property, plant and equipment	58	260	318
Goodwill	126,549	2,662	129,211
Other intangible assets	76,800	—	76,800
Deferred income tax assets	—	1,444	1,444
Other assets ⁽¹⁾	4	116	120
Deferred income tax liabilities	(17,920)	—	(17,920)
Other long-term liabilities	(1,000)	900	(100)
Fair value of net assets acquired, excluding cash and cash equivalents	194,747	1,232	195,979
Cash and cash equivalents	9,502	—	9,502
Fair value of net assets acquired	<u>\$ 204,249</u>	<u>\$ 1,232</u>	<u>\$ 205,481</u>

⁽¹⁾ Adjustment to other relates to capitalized software, which is not presented in the definite-lived intangibles table below. however, is presented in other intangible assets on our consolidated statements of financial position.

Refer to discussion under the heading *Measurement Period Adjustments* below for additional information on adjustments to the allocation of purchase price of SmartWitness recorded in the year ended December 31, 2022 (during the measurement period) and retrospectively reflected in our statement of financial position as of December 31, 2021.

The goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. This goodwill 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 estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value	Weighted-Average Lives (years)
Acquired definite-lived intangible assets		
Customer relationships	\$ 24,100	16
Completed technologies	52,000	10
Tradenames	700	6
Total definite-lived intangible assets acquired	<u>\$ 76,800</u>	<u>12</u>

These 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.

Measurement Period Adjustments

For acquisitions that were completed in the year ended December 31, 2021, we recorded certain adjustments to the allocation of purchase price in the year ended December 31, 2022 (during the measurement period). These adjustments are detailed in the table below. Refer to *Note 2: Significant Accounting Policies* for a detail of impact on our consolidated statements of financial position as of December 31, 2021.

	Spear	SmartWitness	Sendyne⁽¹⁾	Total
Net working capital, excluding cash	\$ (3,266)	\$ (5,382)	\$ 158	\$ (8,490)
Property, plant and equipment	\$ 874	\$ 260	\$ 8	\$ 1,142
Goodwill	\$ 3,551	\$ 2,662	\$ 1,358	\$ 7,571
Other intangible assets	\$ (193)	\$ 116	\$ (1,791)	\$ (1,868)
Deferred income tax assets	\$ —	\$ 1,444	\$ —	\$ 1,444
Other assets	\$ 378	\$ —	\$ 788	\$ 1,166
Deferred income tax liabilities	\$ (819)	\$ —	\$ —	\$ (819)
Other long-term liabilities	\$ (525)	\$ 900	\$ (646)	\$ (271)
Cash and cash equivalents	\$ —	\$ —	\$ 125	\$ 125

⁽¹⁾ Sendyne was not material for full disclosure of purchase price allocation.

Elastic M2M

On February 11, 2022, we acquired all of the equity interests of Elastic M2M, Inc. ("Elastic M2M") for an aggregate cash purchase price of \$51.6 million, subject to certain post-closing items. In addition to the aggregate cash purchase price, the previous shareholders of Elastic M2M are entitled to up to \$30.0 million of additional acquisition-related incentive compensation, pending the completion of certain technical milestones in fiscal year 2022 and achievement of financial targets in fiscal years 2022 and 2023. In the twelve months ended December 31, 2022, we recognized \$24.7 million of that acquisition-related incentive compensation in cost of revenue. In the twelve months ended December 31, 2022, we paid \$15.0 million of this acquisition-related incentive compensation, which is reflected as an operating cash outflow on our consolidated statement of cash flows.

Elastic M2M is an innovator of connected intelligence for operational assets across heavy-duty transport, warehouse, supply chain and logistics, industrial, light-duty passenger car, and a variety of other industry segments. Elastic M2M primarily serves telematics service providers and resellers, enabling them to leverage Elastic M2M's cloud platform and analytics capabilities to deliver sensor-based operational insights to their end users. This acquisition augments our cloud capabilities critical to delivering actionable sensor-based insights, an increasingly important capability in this fast-growing industry segment. We are integrating Elastic M2M into the Performance Sensing reportable segment.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital, excluding cash	\$ 35
Goodwill	28,211
Other intangible assets	27,700
Deferred income tax liabilities	(5,925)
Fair value of net assets acquired, excluding cash and cash equivalents	50,021
Cash and cash equivalents	1,597
Fair value of net assets acquired	<u>\$ 51,618</u>

The allocation of purchase price of Elastic M2M is preliminary and is based on management's judgments after evaluating several factors, including preliminary valuation assessments of intangible assets. The final allocation of the purchase price to the assets acquired will be completed when the final valuations are completed. The preliminary goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the

extension of existing customer relationships. The goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the preliminary 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 preliminary estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value	Weighted- Average Lives (years)
Acquired definite-lived intangible assets		
Customer relationships	\$ 17,500	13
Completed technologies	10,200	10
Total definite-lived intangible assets acquired	<u>\$ 27,700</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 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.

Dynapower

On July 12, 2022, we completed the acquisition of all of the equity interests of DP Acquisition Corp ("Dynapower"), a leader in power conversion systems, including inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications, for an aggregate cash purchase price of \$577.5 million, subject to certain post-closing items. Dynapower also provides aftermarket sales and service to maintain its equipment in the field. Dynapower is a foundational addition to our Clean Energy Solutions strategy and will complement our recent acquisitions of GIGAVAC, Lithium Balance, and Spear. We are integrating Dynapower into our Sensing Solutions reportable segment.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital, excluding cash	\$ 13,365
Property, plant and equipment	1,846
Goodwill	418,379
Other intangible assets	164,400
Other assets	1,656
Deferred income tax liabilities	(25,548)
Other liabilities	<u>(1,035)</u>
Fair value of net assets acquired, excluding cash and cash equivalents	573,063
Cash and cash equivalents	4,410
Fair value of net assets acquired	<u>\$ 577,473</u>

The allocation of purchase price of Dynapower is preliminary and is based on management's judgments after evaluating several factors, including preliminary valuation assessments of intangible assets. We recorded certain measurement period adjustments in the fourth quarter of 2022 and further adjustments may be required until the allocation of purchase price is final. The final allocation of the purchase price to the assets acquired will be completed when the final valuations are completed. The preliminary goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the preliminary 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)
Acquired definite-lived intangible assets		
Customer relationships	\$ 37,000	13
Backlog	7,100	2
Completed technologies	86,100	12
Tradenames	34,200	18
Total definite-lived intangible assets acquired	<u>\$ 164,400</u>	<u>13</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.

Divestiture - Qinx Business

On May 27, 2022, we executed an asset purchase agreement (the "APA") whereby we agreed to sell the Qinx Business to LTI Holdings, Inc. ("LTI") in exchange for consideration of approximately \$219.0 million, subject to working capital and other adjustments. Concurrent with the execution of the APA, the parties entered into a Contract Manufacturing Agreement ("CMA") and a Transition Services Agreement ("TSA"), each for nominal consideration. We recognized a pre-tax gain of \$176.5 million in other operating income, net in our consolidated statements of operations for the year ended December 31, 2022.

The CMA commenced at closing of the transaction ("Closing") and has a term of either six or nine months, depending on the manufacturing site. LTI also has the option of extending each contract for an additional three months. The period from Closing to the end of the CMA term (including extensions, if any) is referred to as the "Transition Period." The terms of the CMA require that we provide manufacturing and distribution services for the Transition Period. The TSA commences at Closing and has a term that varies depending on the nature of the support services, ranging from one month to the entirety of the Transition Period. The terms of the TSA require that we provide various forms of commercial, operational, and back-office support to LTI.

Closing occurred in July 2022, at which time assets of approximately \$27 million (including goodwill of \$2 million) and liabilities of approximately \$2 million transferred to LTI. Transferred assets and liabilities excluded inventories and accounts payable, which will transfer to LTI at the end of the Transition Period. We received cash consideration of \$198.8 million at Closing, which is presented as an investing cash flow for the twelve months ended December 31, 2022. Cash consideration received at Closing excludes amounts held in escrow until various milestones are met through the Transition Period. We received an additional \$5.0 million in August 2022 following fulfillment of a portion of our TSA obligations, which is presented as an operating cash inflow.

The Qinx Business manufactures semiconductor burn-in test sockets and thermal control solutions and was formed through the combination of Sensata's semiconductor interconnect business with Wells-CTI in 2012. The Qinx Business was included in our Sensing Solutions segment (and Interconnections CGU). After sale of the Qinx Business, the Interconnection CGU no longer existed.

Other Operating Income, net

The following table presents the components of other operating income, net in our consolidated statements of operations for the years ended December 31, 2022 and 2021.

	For the year ended December 31,	
	2022	2021
Gain on sale of Qinx Business	\$ 176,469	\$ —
Transaction-related charges related to sale of Qinx Business	(8,249)	—
Gain on revaluation of Spear contingent consideration	8,618	—
Other	4,659	—
Total share-based compensation expense	<u>\$ 181,497</u>	<u>\$ —</u>

Sensata Technologies Holding plc

Registered company number 10900776

Company Financial Statements

**For the Year Ended
December 31, 2022**

SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)
(Parent Company Only)
Statements of Financial Position
(In thousands, except per share amounts)

	Note	December 31, 2022	December 31, 2021
Assets			
Non-current assets:			
Investment in subsidiaries		\$ 1,250,010	\$ 1,250,010
Non-current deferred tax assets	4	220	557
Other non-current assets		—	49
Total non-current assets		<u>1,250,230</u>	<u>1,250,616</u>
Current assets:			
Redeemable preference shares	12	4,250,000	4,250,000
Debtors due within one year	6	214,069	295,540
Cash at bank and in hand		1,227	1,858
Prepaid expenses and other current assets		2,191	2,481
Total current assets		<u>4,467,487</u>	<u>4,549,879</u>
 Creditors: amounts falling due within one year	 7	 <u>17,235</u>	 <u>160,144</u>
Net current assets		<u>4,450,252</u>	<u>4,389,735</u>
Total assets less current liabilities		<u><u>\$ 5,700,482</u></u>	<u><u>\$ 5,640,351</u></u>
Capital and reserves			
Ordinary shares fully paid up	8	\$ 2,242	\$ 2,232
Retained earnings - distributable		3,729,649	3,400,923
Retained earnings - undistributable		3,007,920	3,006,417
Merger reserve		1,834	1,834
Share premium		83,550	61,384
Treasury shares		(1,124,713)	(832,439)
Total shareholders' funds		<u><u>\$ 5,700,482</u></u>	<u><u>\$ 5,640,351</u></u>

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

Signed for and on behalf of the Board of Directors:



Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 7, 2023



Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 7, 2023

SENSATA TECHNOLOGIES HOLDING PLC
(Parent Company Only)
Statements of Comprehensive Income/(Loss)
(In thousands)

		For the year ended December 31,	
	Note	2022	2021
Net revenue		\$ —	\$ —
Operating costs and expenses:			
General and administrative		15,489	13,687
Total operating costs and expenses		15,489	13,687
Loss from operations		(15,489)	(13,687)
Intercompany dividend income		400,000	200,000
Intercompany interest expense, net		140	(315)
Intercompany, net		859	—
Other, net		141	(215)
Income before income taxes		385,651	185,783
Benefit from income taxes	4	(2,676)	(3,532)
Net income		388,327	189,315
Other comprehensive income		—	—
Comprehensive income		<u>\$ 388,327</u>	<u>\$ 189,315</u>

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, 2020	\$ 2,220	\$ 3,220,660	\$ 3,004,439	\$ 1,834	\$ 34,471	\$ (784,596)	\$ 5,479,028
Net income 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
Net income for the period	—	388,327	—	—	—	—	388,327
Vesting of restricted securities	6	(6)	—	—	—	—	—
Surrender of shares for tax withholding	—	—	—	—	—	(8,525)	(8,525)
Other retirements of treasury shares	(2)	(8,523)	—	—	—	8,525	—
Cash dividends paid	—	(51,072)	—	—	—	—	(51,072)
Repurchase of ordinary shares	—	—	—	—	—	(292,274)	(292,274)
Share-based compensation	—	—	1,752	—	—	—	1,752
Tax effect of windfall related to share-based compensation	—	—	(249)	—	—	—	(249)
Options exercised	6	—	—	—	22,166	—	22,172
Balance as of December 31, 2022	\$ 2,242	\$ 3,729,649	\$ 3,007,920	\$ 1,834	\$ 83,550	\$ (1,124,713)	\$ 5,700,482

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 7, 2023.

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 Measurements*;
- (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, 2024, including sensitivities, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2024.

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, 2024. 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

Benefit from income taxes

Benefit from income taxes for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
Current tax expense:		
Current year	\$ (2,825)	\$ (2,667)
Prior year	—	(788)
Deferred tax expense:		
Origination and reversal of temporary differences	202	(77)
Change in tax rate	(53)	—
Total	<u>\$ (2,676)</u>	<u>\$ (3,532)</u>

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, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
Income on ordinary activities before tax	\$ 385,651	\$ 185,783
Income on ordinary activities multiplied by standard rate of corporation tax in U.K. of 19%	\$ 73,274	\$ 35,299
Dividend participation exempt income	(76,000)	(38,000)
Benefit related to prior year	—	(788)
Other	50	(43)
Benefit from income taxes	<u>\$ (2,676)</u>	<u>\$ (3,532)</u>

Deferred income tax assets

Deferred tax assets recognized at December 31, 2022 and 2021 relate to share-based compensation. Movements in deferred tax assets in the period was as follows:

	For the year ended December 31,	
	2022	2021
Beginning Balance	\$ 557	\$ 472
Amounts recognized in net income	(202)	77
Change in Tax Rate	53	—
Change in intrinsic value of equity compensation	(188)	8
Ending Balance	<u>\$ 220</u>	<u>\$ 557</u>

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, 2022 and 2021. The Company's subsidiary undertakings are shown in *Note 2: Significant Accounting Policies* to the Consolidated Financial Statements.

6. Debtors

Due within one year

	Note	December 31, 2022	December 31, 2021
Notes receivable from group companies	9	\$ 204,321	\$ 291,421
Accounts receivable from group companies		9,748	4,119
Total		<u>\$ 214,069</u>	<u>\$ 295,540</u>

7. Creditors

Due within one year

	Note	December 31, 2022	December 31, 2021
Trade creditors		\$ 1,075	\$ 443
Amounts due to group companies	9	14,374	157,032
Accruals		1,786	2,669
Total		<u>\$ 17,235</u>	<u>\$ 160,144</u>

8. Share Capital

Cash Dividends

In the year ended December 31, 2022, we paid three quarterly dividends totaling \$0.33 per share, or \$51.1 million in the aggregate. No dividends were declared or paid in the year ended December 31, 2021.

On January 25, 2023, we announced that the Board of Directors had authorized a quarterly dividend in the amount of \$0.11 per share, payable to shareholders of record as of February 8, 2023. On February 22, 2023, we paid these shareholders \$16.8 million in the aggregate.

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, 2022 and 2021 were as follows:

<i>Ordinary Shares</i>	Number	Value ('000)
2022	175,207,000	\$ 2,242
2021	174,287,000	\$ 2,232

The change in ordinary shares in the year ended December 31, 2022 includes an increase of 572 thousand shares related to option exercises, an increase of 522 thousand shares related to vesting of restricted securities, and a decrease of 174 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, 2022, there were 5.0 million ordinary shares 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, 2022, a total of 572 thousand options were exercised at an average selling price of \$38.80. During the year ended December 31, 2021, a total of 707 thousand options were exercised at an average selling price of

\$58.25. The range of exercise prices of our outstanding options at December 31, 2022 was \$32.03 to \$56.94. The weighted average remaining contractual life of outstanding options at December 31, 2022 was approximately 3.2 years.

During the year ended December 31, 2022, we incurred share-based compensation expense of approximately \$1.2 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. ("STIH BV") of approximately \$2.5 billion.

On April 12, 2018, the Company sold 50% of its investment in STIH BV 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, 2022 and 2021.

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 per share of \$59.28), under the July 2019 Program.

On January 20, 2022, we announced that our Board of Directors had authorized a new \$500.0 million ordinary share repurchase program (the "January 2022 Program"), which replaced 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.

During the year ended December 31, 2022, we repurchased approximately 6.3 million ordinary shares (nominal value of approximately €63 thousand) under the January 2022 Program, for a total purchase price of \$292.3 million (weighted-average price per share of \$46.08). This represents approximately 3.6% of the total number and nominal value of our ordinary shares

issued at December 31, 2022. As of December 31, 2022, approximately \$224.5 million remained available under the January 2022 Program.

9. Interest Bearing Borrowings

We have no direct outstanding interest bearing borrowings as of December 31, 2022. 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, 2022 and 2021 was as follows:

	For the year ended December 31,	
	2022	2021
Audit of the company financial statements	\$ 4,779	\$ 3,868
The auditing of accounts of any associate of the Company	784	779
Total audit fees	5,563	4,647
Audit related fees	—	4
Other services		
Taxation services	142	691
Other fees	10	10
Total fees	\$ 5,715	\$ 5,352

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 \$2.3 million in compensation to our non-executive directors during the year ended December 31, 2022, including approximately \$1.2 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, 2022, 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.