

Sensata Technologies Holding plc

Registered company number 10900776

Annual Report

For the Year Ended
December 31, 2020

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General Information

Directors

Andrew C. Teich (Chair)

John P. Absmeier

Daniel Black (appointed director effective January 1, 2021)

Lorraine A. Bolsinger (appointed director effective March 23, 2020)

Jeffrey J. Cote (appointed director and Chief Executive Officer effective March 1, 2020)

Paul B. Edgerley (retired from the board effective May 28, 2020)

James E. Heppelmann

Charles W. Peffer

Constance E. Skidmore

Steven A. Sonnenberg (appointed director effective March 23, 2020)

Martha N. Sullivan (also Chief Executive Officer through February 29, 2020)

Thomas Wroe Jr.

Stephen M. Zide

Company Secretary

Shannon M. Votava

Registered Office

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Royal Wootton Bassett

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United Kingdom

Solicitor

Clifford Chance LLP

10 Upper Bank Street

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United Kingdom

Independent Auditor

Ernst & Young LLP

Bedford House, 16-22 Bedford Street

Belfast BT2 7DT

United Kingdom

Strategic Report

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

The Company

The reporting company is Sensata Technologies Holding plc ("Sensata plc"), a public limited company incorporated under the laws of England and Wales, and its wholly-owned 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, France, India, Japan, the Netherlands, South Korea, the United Kingdom (the "U.K."), and the United States (the "U.S."); and manufacturing operations primarily in Bulgaria, China, Malaysia, Mexico, the U.K., and the U.S.

Overview

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

Original equipment manufacturers ("OEMs") are producing products that are safer, cleaner, more efficient, more electrified, and increasingly more connected. 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 product portfolio is comprised of various sensors, controllers, receivers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and protect them from excessive heat or current.

Business Strategy

Our business strategy involves leveraging certain new and emerging technology trends, which complement our existing product offerings, to deliver products used in mission-critical systems and applications that create valuable business insights for our customers and end users. Each of these trends, which we refer to as "megatrends," is expected to significantly transform the industries in which we operate. These megatrends are also creating greater secular demand for our products, resulting in growth that exceeds end-market production growth in many of the markets we serve, a defining characteristic of our company. We refer to this as "market outgrowth," which describes the impact of an increasing quantity and value of our products used in customer systems and applications, and is only loosely correlated to normal unit demand fluctuations in the markets we serve.

Our customers are facing ever increasing mandates, due to regulation and consumer demand, to make their products cleaner, more efficient, and safer, while providing more comfort-related features. Our sensors are being used in mission-critical systems and applications that are addressing these demands, including those that help: industrial customers to make more efficient pumps and boilers; automotive customers to meet the standards of emissions and pollution control legislation; and fleet managers to proactively monitor the health of their vehicles, conduct proactive maintenance, optimize fleet operations, and enhance driver safety. We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, such as the National Highway Traffic Safety Administration's Corporate Average Fuel Economy requirements in the U.S., "Euro 6d" requirements in Europe, "China National 6" requirements in China, and "Bharat Stage VI" requirements in India, as well as customer demand for operator productivity and convenience, drive the need for advancements in powertrain management, efficiency, safety, and operator controls. These advancements lead to sensor growth rates that we expect to exceed underlying demand in many of our key end markets, which we expect will continue to offer us significant growth opportunities.

However, in our automotive business, we believe the medium- to long-term outlook for internal combustion engine powertrain products will evolve with the advent of more environmentally friendly vehicles that rely more heavily on Electrification and other adjacent technologies. Accordingly, we are focusing on expanding our market share on electrified platforms, including both sensor and electrical protection products. Many of the components and subsystems that we have historically developed and produced will play a significant role in this expansion, but we will also seek strategic partnerships

and acquisitions to accelerate the growth and transformation of our product portfolio. By entering into such relationships, we obtain access to new technologies and solutions, which we can leverage with our existing expertise to optimize and expand our product portfolio. Beyond Electrification, we also recognize the potential market impact of autonomous vehicles and advanced driver-assistance systems, and are developing sensors to facilitate development of this market by manufacturers of vehicles (light passenger and heavy on and off-road) and material handling equipment.

In addition, in our HVOR business, we are working on integrating our current products with software and services, as well as data collection, analysis, and insight capabilities, that will provide a large opportunity across the market segment. We also believe that adoption of driver assistance technologies, like radar, is a growth area – whether mandated by government legislation (such as the pedestrian safety requirements in the European Union ("EU")) or adopted by OEMs ahead of regulations.

We are also seeking to expand our business and accelerate market share in other areas that we believe will experience high growth in the future, such as deployment of Internet of Things ("IoT") solutions for buildings, factories and warehouses. This is driven by the need for smarter and more connected sensors that collect, analyze, and provide insights into how a particular industrial environment is operating and ultimately make that environment more productive and efficient. We also believe that the industrial markets will see higher adoption of autonomous technologies to enhance productivity resulting in higher demand for our radar solutions.

The technology-driven, highly-customized, and integrated nature of our products requires customers to invest heavily in certification and qualification to ensure proper functioning of the systems in which our products are embedded. We believe the capital commitment and time required for this process significantly increases the switching costs for our customers once a particular sensor has been designed and installed in a system. As a result, our sensors are rarely substituted during a product lifecycle, which in the case of the traditional automotive market historically lasts five to seven years. We focus on new applications that will help us secure new business, drive long-term growth, and provide an opportunity to define a leading application technology in collaboration with our customers.

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

Megatrends

New and emerging technology trends that are expected to significantly impact our customers and our business strategy include Electrification, Smart & Connected, and Industrial IoT.

Electrification

Our objective with the Electrification initiative is to become a leading and foundational player in solutions that will support a future that is more environmentally-sustainable and efficient, including (1) clean energy transportation systems and components in electrified vehicles, charging stations, and chargers and (2) mission-critical high voltage components and subsystems with high value solutions in advanced smart grid technologies. Electrification provides a significant opportunity for us to expand the use of our sensors and electrical protection products within the automotive, industrial, and HVOR industries. For example, in the automotive industry, as customers seek to extend the range of batteries and improve the efficiency of electric vehicles, they are incorporating electrical subsystems, which require additional sensors to monitor, control, and optimize what is happening within the vehicle. Further, higher voltage battery systems are also driving increased needs for electrical protection. Sensors are also used in thermal management applications to help maintain batteries at optimal temperatures as well as electric motors and heat pumps. We are expanding our capabilities in Electrification, including through third party collaboration, and expect continued material expansion of this initiative within our automotive, HVOR, and industrial businesses.

Smart & Connected

Our objective with the Smart & Connected initiative is to become the leader in delivering diagnostic insight and prognostics to fleet operators and owners. Smart & Connected provides a large market opportunity across heavy, medium, and light vehicles. Leveraging certain of the sensor products and embedded and wireless systems expertise in our existing tire pressure monitoring portfolio, we are developing smart, connected, modular, and full-stack solutions that collect data from wireless sensors or related vehicle system information through a connected vehicle-area network and deliver actionable insight

to drivers, maintenance workers and back-office personnel through mobile applications, web portals, and via cloud Application Programming Interfaces ("APIs") for integration in other enterprise systems. These solutions allow fleet managers to proactively monitor the health of their vehicles, conduct proactive maintenance, optimize fleet operations, and enhance driver safety. We are leveraging our leadership position in tire pressure monitoring systems and know-how of vehicles and use cases within fleet operations to deliver scalable platforms to a variety of players within the connected ecosystem, including Tier 1 suppliers, OEMs, telematics services providers, and fleets directly.

Industrial IoT

Our objective in the Industrial IoT/Digitization of Factories & Warehouses initiative is to become a leader in factory smart sensing and edge intelligence with solutions in machine health and materials tracking. The digitization of factories and warehouses represent fast-growing opportunities that we believe will drive new business wins ("NBOs") and market outgrowth for our industrial business. Bringing our products to enhance material handling and electrification charging infrastructure represent fast growing opportunities that we believe will drive industrial business content and market outgrowth.

COVID-19

The coronavirus ("COVID-19") pandemic has caused widespread disruptions to our Company, employees, customers, suppliers, and communities since the first quarter of 2020. We recognized the global impact of the COVID-19 pandemic early, and took a wide range of actions across our organization, designed to benefit the health and safety of employees, while also enabling us to respond to customer needs and enhance our financial flexibility during the pandemic. We are continuing to work with local, state, and federal governmental health agencies in many countries, implementing measures to help protect employees and minimize the spread of COVID-19 in our communities.

In the third and fourth quarters of 2020, the global economy continued to rebound following a period of commercial lockdowns and quarantines instituted by governments around the world in response to the spread of COVID-19 earlier in the year. Our response to that rebound has enabled our revenue to grow sequentially in the second half of fiscal year 2020, as we continue to deliver strong market outgrowth. For fiscal year 2020, we delivered 880 basis points of market outgrowth in our HVOR business and 690 basis points of market outgrowth in our automotive business. We continue to monitor all of our end markets and customers to ensure that our resources are balanced against forecasts and prioritized against critical growth opportunities.

Due in part to large-scale shutdowns early in 2020 caused by the COVID-19 pandemic, the automotive industry supply chain is currently facing a global shortage of semiconductors, the technology used to make microchips, resulting in paused production on certain vehicles and increased costs to procure microchips. We believe this shortage will have an adverse impact on our operating costs in fiscal year 2021. If the impacts of this shortage are more severe than we expect, it could result in further deterioration of our results, potentially for a longer period than currently anticipated.

New Business Wins

During fiscal year 2020, we closed \$465 million in NBOs, including \$180 million in Electrification wins, higher than our average over the past five years. 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 the program typically reaches its normal volume. We have demonstrated progress against our megatrend initiatives, such as Electrification, and intend to continue these efforts to expand our markets and provide strong growth and differentiation for the future. We continue to believe investments in these megatrends, including technology collaborations and partnerships with third parties to expand our technological capabilities, will further our end market diversification, increase our long-term growth rate and provide important competitive advantages as these trends transform our world. In addition, we believe that the overall market environment may provide meaningful opportunities to further strengthen our portfolio through strategically important, value-creating acquisitions.

Financial Flexibility

We have taken multiple steps to enhance our financial flexibility. In fiscal year 2020, we implemented various cost reduction activities, including temporary salary reductions and furloughs, resulting in savings during the year of approximately \$21.8 million, including the impact of government subsidies. We have continued working to align our long-term operating costs with future expected demand levels, maintaining lower levels of discretionary spending and keeping production in certain facilities at a level necessary to be in line with end market demand. In addition, we reduced our capital expenditures for fiscal year 2020 and are carefully managing our working capital.

In addition, we have been active in the capital markets. On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic at the time, we withdrew \$400.0 million from our

\$420.0 million revolving credit facility (the "Revolving Credit Facility"). In August 2020, we took advantage of historically low interest rates in issuing \$750.0 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes") under an indenture dated as of August 17, 2020 and used \$400.0 million of these proceeds to repay the balance outstanding on the Revolving Credit Facility. On March 5, 2021, we used cash on hand to redeem the outstanding balance on our \$750.0 million aggregate principal amount of 6.25% senior notes due 2026 (the "6.25% Senior Notes"). On March 29, 2021, we issued \$750.0 million aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"). Refer to Note 14, "Borrowings," of our Financial Statements for additional information on these capital transactions. In taking these actions, we are extending the maturity of our debt profile and lowering our cost of capital.

Q2 2020 Global Restructure Program

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"), which consists of voluntary and involuntary reductions-in-force and certain site closures in order to align our cost structure to the demand levels that we anticipated in the coming quarters. This program is expected to impact approximately 880 positions. We have taken a large portion of the actions contemplated under the Q2 2020 Global Restructure Program, with the majority expected to be completed on or before June 30, 2021.

Over the life of the Q2 2020 Global Restructure Program, we expect to incur restructuring charges of between \$31.0 million and \$33.7 million related to reductions-in-force. We expect to settle these charges with cash on hand.

In fiscal year 2020, we recognized \$19.5 million of severance charges related to the Q2 2020 Global Restructure Program. As of December 31, 2020, our severance liability related to the Q2 2020 Global Restructure Program was \$6.2 million. Refer to Note 5, "Restructuring and Other Charges, Net," of our Financial Statements, for additional information on the Q2 2020 Global Restructure Program.

Segment information

As discussed further in Note 20, "Segment Reporting" of Financial Statements included elsewhere in this Report, in the fourth quarter of 2020, we determined, based on various factors, that the Performance Sensing operating segment should be divided into two operating segments, Automotive and HVOR. The Automotive and HVOR operating segments meet the criteria for aggregation into the Performance Sensing reportable segment, and no change was made to the overall components of, or the business conducted by, the Performance Sensing reportable segment. Accordingly, no prior period information has been recast.

Performance Sensing, which accounted for approximately 73% of our net revenue in fiscal year 2020, primarily serves the automotive and HVOR industries through development and manufacture of sensors, high-voltage contactors, and other solutions used in mission-critical systems and applications such as those in subsystems of automobiles, on-road trucks, and off-road equipment (e.g., 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, as well as contribute to environmentally sustainable and safe solutions as the world continues to pivot in those directions.

Sensing Solutions, which accounted for approximately 27% of our net revenue in fiscal year 2020, primarily serves the industrial and aerospace industries through development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance, heating, ventilation and air conditioning ("HVAC"), semiconductor, material handling, factory automation, and water management markets, as well as the aerospace market.

Some of the products the segment sells include pressure and position sensors, motor and compressor protectors, high-voltage contactors, solid state relays, bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power inverters, charge controllers, and IoT solutions. Our products perform many functions including prevention of damage from excess heat or electrical current, optimization of system performance, low-power circuit control, and power conversion from direct current ("DC") power to alternating current ("AC") power. We believe that we are a leading supplier of electrical protection products in the majority of the key applications and systems in which we compete.

Customers

We have long-standing relationships with a geographically diverse base of leading OEMs and other multinational companies. In geographic and product markets where we lack established relationships with customers, we rely on third-party distributors to sell our products. We have had relationships with our top ten customers for an average of 31 years. Our largest customer accounted for approximately 7% of our net revenue for the year ended December 31, 2020.

Performance Sensing customers include leading global automotive, on-road truck, construction, and agriculture OEMs, the companies that supply parts directly to these OEMs, which are known as Tier 1 suppliers, and various aftermarket distributors. We believe large OEMs and other multinational companies are increasingly demanding a global presence to supply sensors and electrical protection products 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 provide our customers with the worldwide technical and manufacturing presence to enable their success around the globe.

Sensing Solutions customers include a wide range of industrial and commercial manufacturers and suppliers across multiple end markets, primarily OEMs in the climate control, appliance, semiconductor, medical, energy and infrastructure, data/telecom, material handling, factory automation, and aerospace industries, as well as Tier 1 aerospace and motor and compressor suppliers.

Seasonality

Because of the diverse global nature of the markets in which we operate, our net revenue is only moderately impacted by seasonality. However, 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 inventory is built up for spring and summer sales. In addition, Performance Sensing net revenue tends to be weaker in the third quarter of the year as automotive OEMs retool production lines for the coming model year.

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 "Risk Factors" below 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 in the "Risk Oversight" section below.

Compliance

We consider adherence to laws and regulations to be fundamental in our ability to operate. As noted in the "Risk Oversight" section 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, and controller, and persons performing similar functions. In addition, we have adopted a Code of Ethics for Senior Financial Employees.

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, will affect our income or the value of our holdings of financial instruments. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices. Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

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

Financial Reporting

We strive to ensure that our financial reports are free of material misstatements. Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO"), Chief Financial Officer, and Chief

Accounting Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting. Our evaluation was based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO").

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 2020.

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 and 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 this proxy statement in the section captioned "Board Committees and Meetings."

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. Many of the risks listed below are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the economic environment.

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. In such case, the trading price of our common stock and debt securities could decline and investors may lose all or part of their investment.

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, liquidity and results of operations. For example, the

COVID-19 pandemic has caused widespread disruptions to our business in fiscal year 2020. During the first quarter of 2020, these disruptions were primarily limited to our manufacturing operations in China, portions of which were closed during the end of January and first half of February due to government mandates. As the virus spread to the rest of the world beginning in March 2020, all of our other operations outside of China also were impacted. These impacts have continued to varying degrees throughout fiscal year 2020, as regions have had varying levels of success mitigating the impacts of the virus, resulting in varying degrees of reopening. As of December 31, 2020, and at the date of this Report, we were still experiencing disruptions, which include, depending on the specific location, 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. These disruptions became less significant over the course of fiscal year 2020 and our operations have returned to a level comparable with periods prior to the pandemic. However, the situation is unpredictable and further surges or lockdowns could negatively impact our business.

In addition, in these challenging and dynamic circumstances, we are working to protect our employees, maintain business continuity and sustain our operations, including ensuring the safety and protection of our people who work in our plants and distribution centers across the world, many of whom support the manufacturing and delivery of products deemed part of the critical infrastructure or essential businesses by the applicable local or country governments. 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, 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.

In addition, the COVID-19 pandemic increases the likelihood and potential severity of other risks discussed elsewhere in this Risk Factor section. These include, but are not limited to, the following:

- A protracted economic downturn could negatively affect the financial condition of the industries and customers we serve, which may result in an increase in bankruptcies or insolvencies, a delay in payments, and decreased sales.
- A scarcity of resources or other hardships caused by the COVID-19 pandemic may result in increased nationalism, protectionism and political tensions which may cause governments and/or other entities to take actions that may have a significant negative impact on the ability of us, our suppliers, and our customers to conduct business.
- The impact of the COVID-19 pandemic may cause us to further restructure our business or divest some of our businesses or product lines in the future, which may have a material adverse effect on our results of operations, financial condition, and cash flows.
- To mitigate the spread of COVID-19, we have transitioned a significant subset of our employee population to a remote work environment, which may exacerbate various cybersecurity risks to our business, including an increased demand for information technology ("IT") resources, an increased risk of phishing and other cybersecurity attacks, and an increased risk of unauthorized dissemination of sensitive personal information or proprietary or confidential information.
- The COVID-19 pandemic has disrupted the supply chain, and we may experience increased difficulties in obtaining a consistent supply of materials at stable pricing levels.
- If the financial performance of our businesses were to decline significantly as a result of the COVID-19 pandemic, we could incur a material non-cash charge to our income statement for the impairment of goodwill and other intangible assets.
- The continued global spread of COVID-19 has led to disruption and volatility in the global capital markets, which may increase the cost of, and adversely impact access to, capital.
- If the financial performance of our businesses were to decline significantly for an extended period of time as a result of the COVID-19 pandemic, we may face challenges to comply with the covenants contained in our credit arrangements.

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

Our business, including our employees, customers, and suppliers, are located throughout the world. We employ approximately 92% of our workforce outside of the U.S. Our customers are located throughout the world, and we have many manufacturing, administrative, and sales facilities outside of the U.S.

Our subsidiaries located outside of the U.S. generated approximately 64% of our net revenue in fiscal year 2020, with approximately 21% 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, investments, taxation, exchange controls, and repatriation of earnings.

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

In addition, 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.

The U.K. left the EU and entered into a transition period on January 31, 2020. On December 24, 2020, the EU and the U.K. reached an agreement on their future trading relationship, the Trade and Cooperation Agreement. We are incorporated in the U.K., and we have significant operations and a substantial workforce therein and therefore enjoy certain benefits based on the U.K.'s membership in the EU. The terms of the Trade and Cooperation Agreement, particularly those around financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws, may impact our business and operations. We have reviewed these terms, in particular related to tax and free trade agreements, and do not believe they will have a material impact on our business. Additionally, there is a risk that other countries may decide to leave the EU. Despite the progress made on reaching the Trade and Cooperation Agreement, there is still uncertainty surrounding Brexit, not only related to the potential effects of our business in the U.K. and the EU, but also on global economic conditions and the stability of global financial markets, which in turn could have a material adverse effect on our business, financial condition, and results of operations.

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. As discussed in "Results of Operations" included elsewhere in this Strategic Report, increased tariff costs have increased our cost of revenue as a percentage of net revenue in fiscal year 2020. 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 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 58% of our total net revenue in fiscal year 2020. As discussed in "Results of Operations" included elsewhere in this Strategic Report, demand in the automotive end market we serve has declined from the prior year.

Continued declines in demand such as discussed above, 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 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. 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. 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 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, resins, and rare earth 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, and disputes, and global economic or political events including government actions, labor strikes, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in foreign currency exchange rates, and prevailing price levels. It is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Therefore, a significant increase in the price or a decrease in the availability of these items could materially increase our operating costs and materially and adversely affect our business and results of operations. We have entered into hedge arrangements for certain metals used in our products in an attempt to minimize commodity pricing volatility and may continue to do so from time to time in the future. Such hedges might not be economically successful. In addition, these hedges do not qualify as accounting hedges in accordance

with international accounting standards. Accordingly, the change in fair value of these hedges is recognized in earnings immediately, which could cause volatility in our results of operations from period to period. Refer to Note 19, "Derivative Instruments and Hedging Activities," and Note 24, "Financial Risk Management Objectives and Policies," each included in our Financial Statements, for further discussion of accounting for hedges of commodity prices and an analysis of the sensitivity on pretax earnings of changes in the forward prices on these hedges, respectively.

The automotive industry supply chain is currently facing a global shortage of semiconductors, the technology used to make microchips, resulting in paused production on certain vehicles and increased costs to procure microchips. As discussed in our "Results of Operations" included elsewhere in this Strategic Report, we believe this shortage will have an adverse impact on our operating costs in fiscal year 2021. If the impacts of this shortage are more severe than we expect, it could result in further deterioration of our results, potentially for a longer period than currently anticipated.

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 on risks related to our level of indebtedness.

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

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

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

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

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

A material labor disruption or work stoppage at one or more of our manufacturing or business facilities could have a material adverse effect on our business. In addition, work stoppages occur relatively frequently in the industries in which many

of our customers operate, such as the automotive 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 automotive 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 automotive 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 materially adversely impact our business and reputation.

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

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

Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, maintenance of backup and protective systems, and maintenance of cybersecurity insurance), our IT networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attacks by hackers, breaches, employee error or malfeasance, power outages, computer viruses, malware, ransomware, telecommunication or utility failures, systems failures,

natural disasters, or other catastrophic events. We also face the challenge of supporting our older systems and implementing necessary upgrades.

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

These types of incidents affecting us or our third-party vendors could result in intellectual property or other confidential information being lost or stolen, including client, employee, or company data. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, 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. New developments in smart vehicles changes our risk profile as Sensata creates new classes of personal data with its products and insights.

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 states 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 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 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 our Smart & Connected initiative 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 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 each 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 balance sheet date, recognized monetary balances denominated in a currency other than the USD are adjusted to USD using the exchange rate at the balance sheet date, with gains or losses recognized in other, net in the consolidated statements of operations. During times of a weakening USD, our 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 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 debt 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"), 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, 2020, we had \$4.0 billion of gross outstanding indebtedness, including various tranches of senior notes (the "Senior Notes"). Refer to Note 14, "Borrowings," of our Financial Statements for additional information related to our outstanding indebtedness.

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

In addition, the Accordion permits us to incur additional secured credit facilities in certain circumstances in the future, subject to certain limitations as defined in the indentures under which the Senior Notes were issued. 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 borrowings 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 effect 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 borrowings 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 borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable; institute foreclosure proceedings against those assets that secure the borrowings 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 adjust our operational strategies to mitigate the impact of these policies. However, trade policies, including quotas, duties, tariffs, taxes or other similar restrictions upon 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 free trade laws and regulations, such as the United States-Mexico-Canada Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products, such as China and Mexico, could have a material adverse effect on our business and financial results. As discussed in "Results of Operations" included elsewhere in this Strategic Report, increased tariff costs have increased our cost of revenue as a percentage of net revenue in fiscal year 2020. In addition, most of our facilities in Mexico operate under the Mexican Maquiladora program. This program provides for reduced tariffs and eased import regulations; we could be adversely affected by changes in such program, or by our failure to comply with its requirements.

Further tariffs may be imposed on other imports of our products or our business may be further impacted by retaliatory trade measures taken by China or other countries in response to existing or future U.S. tariffs. We may raise our prices on products subject to such tariffs to share the cost with our customers, which could harm our operating performance or cause our customers to seek alternative suppliers. In addition, we may seek to shift some of our China manufacturing to other countries, which could result in additional costs and disruption to our operations. We also sell our products globally and, therefore, our export sales could be impacted by the tariffs. Any material reduction in sales may have a material adverse effect on our results of operations.

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

We have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other intangible assets, net totaled approximately \$3.9 billion as of December 31, 2020, or 49% 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 \$3.1 billion as of December 31, 2020, or 39% 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 is at risk of impairment, including: the timing of our most recent quantitative impairment tests and the relative amount by which a cash-generating unit'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 cash-generating unit'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 cash-generating units change, we may be required to recognize goodwill or other intangible asset impairments. Refer to Note 11, "Goodwill and Other Intangible Assets, Net," of our Financial Statements for more details on our goodwill and other identifiable intangible assets.

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

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

authorities. Refer to Note 7, "Income Taxes," of our Financial Statements for additional information related to our accounting for income taxes.

We cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.K. and other tax laws, treaties, and regulations, in particular related to proposed tax laws by the U.K. government, which could increase our tax liabilities. Our actual global tax rate may vary from our expectation and that variance may be material.

We continuously 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. Therefore, we cannot provide any assurances as to what our tax rate will be in any future period.

For example, the European Commission ("EC") has been conducting investigations of state aid and have focused on whether EU sovereign country laws or rulings provide favorable treatment to taxpayers conflicting with its interpretation of EU law. EC findings may have retroactive effect and can cause increases in tax liabilities where we considered ourselves in full compliance with local legislation. Furthermore, the Organization for Economic Co-operation and Development ("OECD"), representing a number of jurisdictions where we conduct business, is recommending changes to long-accepted tax principles applied by most multinational corporations. As currently drafted, OECD guidelines would precipitate incremental future tax liabilities to Sensata. However, the OECD guidelines' timing and impact to us remains unclear. We continue to monitor developments and shall react accordingly.

We could be subject to future audits conducted by these 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 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 debt, 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 from the U.S. Department of State, the U.S. Department of Commerce, or the U.S. Department of the Treasury. Any failure to comply with such regulations could result in governmental enforcement actions, fines, penalties, or other remedies, which could have a material adverse effect on our business, results of operations, and financial condition.

Certain of our products require us to comply with the U.S. Export Administration Regulations, International Traffic in Arms Regulation ("ITAR"), and the sanctions, regulations, and embargoes administered by the Office of Foreign Assets Control ("OFAC"). Our products that have military applications are on the munitions list of ITAR and require an individual validated license in order to be exported to certain jurisdictions. These restrictions also apply to technical data for design, development, production, use, repair, and maintenance of such ITAR-controlled products. The export of ITAR-controlled products or technical data requires an individual validated license from the U.S. State Department's Directorate of Defense Trade Controls.

We also export products that are subject to other export regulations. Any changes in these export regulations may further restrict the export of our products, and we may cease to be able to procure export licenses for our products under existing regulations. This area remains fluid in terms of regulatory developments. Should we need an export license under existing regulations, the length of time required by the licensing process can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. We have no control over the time it takes to process an export license. Any restriction on the export of a significant product line or a significant amount of our products could cause a significant reduction in revenue.

We have discovered in the past, and may discover in the future, deficiencies in our OFAC and ITAR compliance programs. Although we continue to enhance these compliance programs, we cannot assure you that any such enhancements will ensure that we are in 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 or 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 are a defendant to a variety of 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 *The Company* earlier 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 environmental, safety, and health ("ESH") laws and regulations, both domestic and foreign, including those governing air emissions, chemical usage, water discharges, the management and disposal

of hazardous substances and wastes, and the cleanup of contaminated sites. We are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations.

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

We maintain a Global Environmental, Safety, and Health 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 the *Risk Management* section above 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 and services. Certain of our products are subject to ITAR. The export of many such ITAR-controlled products requires an individual validated license from the U.S. State Department's Directorate of Defense Trade Controls. The State Department makes licensing decisions based on type of product, destination of end use, end user, national security, and foreign policy. 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 domestic and foreign trade regulations could limit our ability to import or export raw material and finished goods across various jurisdictions. These laws and regulations are subject to change, and any such change may require us to change technology or incur expenditures to comply with such laws and regulations.

Compliance with these environmental and governmental regulations and meeting customer requirements has increased our cost of doing business in a variety of ways and may continue to do so in the future. We do not currently expect any material capital expenditures during fiscal year 2021 for environmental control facilities. We also do not believe that existing or pending legislation, regulation, or international treaties or accords, whether related to environmental or other government regulations, are reasonably likely to have a material adverse effect in the foreseeable future on our business or the markets we serve, nor on our results of operations, capital expenditures, earnings, competitive position, or financial standing.

Employees

As of December 31, 2020, we had approximately 19,200 employees, of whom approximately 8% were located in the U.S. As of December 31, 2020, less than 100 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils. As of December 31, 2020, approximately 56% of our employees were female. 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, 2020, we had approximately 2,600 contract workers on a worldwide basis. We believe that our relations with our employees are good.

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

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

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

Our employee resource groups ("ERGs") are company-sponsored groups of employees that support the inclusion, diversity and equity goals and objectives that are determined by the Company. Sensata ERGs exist to benefit and advance their

group members by working strategically, both internally and externally. They also help contribute to Sensata's market success. As of December 31, 2020, we had 11 ERGs globally focused on the following areas — women's empowerment and career growth; cultural awareness; Black and Hispanic Heritage; and emerging professionals.

As discussed in the *Risk Management* section above, 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 the *Risk Management* section above for a description of additional principal risks related to our employee matters.

As of December 31, 2020, we had ten non-executive directors and one executive director (the CEO). The ten non-executive directors consisted of three female directors and seven male directors. The female non-executive directors include the chair of the Audit Committee, the former CEO, and a director who was appointed on March 23, 2020. On January 1, 2021, an additional male director was appointed.

As of December 31, 2020, we had ten 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). Three of these senior managers are female and seven are male. We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our chief executive officer 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 the *Risk Management* section above for discussion of 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. Sensata's human rights expectations apply to all of our personnel, business partners and other parties directly linked to our operations, products or services; as such, Sensata is committed to respecting the United Nations Guiding Principles for Business and Human Rights (2011) and its principles within our operations and supply chains.

Sensata is committed to responsible corporate practices in the area of human rights and working conditions and aligns with practices recommended by industry standards such as the Global Automotive Sustainability Practical Guidance and the RBA Code of Conduct, which incorporates the International Bill of Human Rights, namely the Universal 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).

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

Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Employees

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, and controller, and persons performing similar functions. In addition, we have adopted a Code of Ethics for Senior Financial Employees. We have annual required compliance training on Sensata Learning, our online global learning management system. Copies of the current Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Employees are available on the investor relations page of our website at www.sensata.com under Corporate Governance. 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.

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 had regard 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 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 Governance Committee periodically reviews these 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 Company executives, including 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 and oversee members of senior management who are charged by the Board with conducting the business of the Company; (ii) review and approve the Company's mission, strategies, objectives and policies, as developed by the CEO and senior management; (iii) approve director candidates recommended by the Governance Committee to be nominated for election by shareholders at the general meeting of shareholders; and (iv) 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 in the "Customers" section of 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, 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. Refer to the overview section of the Strategic Report for further information on how we engage with our customers.

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

We believe that we will continue to be successful in executing on our business strategy by providing a broad range of learning and development programs and opportunities. In 2017, we launched our online global learning management system, Sensata Learning, that enables employees to access instructor-led classroom, virtual classes, or self-paced lessons. As of

December 31, 2020, we delivered 63,000 hours of training spanning various required learning, professional development and many courses specifically on diversity, inclusion, and ethics. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. On an annual basis, we conduct a leadership review process with our chief executive officer, our chief human resources officer and our business and functional leaders.

Refer also to "Employment Issues" in the Directors' report and the "Non-Financial Information" section above 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 Annual General Meeting. We also hold periodic shareholder events, such as "investor days." Our investor relations department fields questions from shareholders and communicates questions to the board as necessary.

Community and Environment. We understand our place in the community and the world, and we make decisions in ways that we believe are in the interests of each as well as our other 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 engineers of the future. 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 "Environmental Regulations" section of the Non-Financial Information Statement in the Strategic Report for further information. We recognize the evolving nature of our impact on the climate, as many of our products are designed to improve energy efficiency and help the environment. Our work to minimize our own environmental impact continues to evolve.

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 are taken into account by the Board when it makes 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, Governance or Compensation Committees, or to the independent directors as a group, may do so by addressing such communications or concerns to the Secretary of the Company, 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 of the board, we have elected to focus much of our research and development ("R&D") activities on new "megatrends" that are expected to significantly transform our industries and many of our customers businesses. We believe that this philosophy will benefit all our stakeholders. It will benefit customers as these are the types of technologies that our customers need as they evolve for the future. These megatrends are also creating greater secular demand for our products, resulting in content growth that enables us to outgrow end-market volume production in many of the markets we serve, a defining characteristic of our company. In addition, as we strengthen our business, we become better equipped to reward our employees in both tangible and intangible ways. We have made strides in various aspects of these megatrends in 2020, in addition to the acquisition of Xirgo Technologies, LLC ("Xirgo") discussed below.

Share Repurchase Program. At the Board's request, our shareholders have authorized a share repurchase program. This was considered and implemented to distribute excess capital back to shareholders, improve earnings per share, and provide shareholder value, when we believe our stock price is undervalued. In fiscal year 2020, we suspended the share repurchase program to preserve cash and reflect the uncertainty surrounding the COVID-19 pandemic. We did this to ensure our continued strength for our stakeholders' benefit.

Share-Based Compensation. The Board has elected to fund stock-based compensation awards, which are approved by the Board annually in accordance with the 2010 Equity Incentive Plan. 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 make an acquisition, we consider the impact of such acquisition on all our stakeholders. For example, on April 1, 2021, we completed the acquisition of Xirgo as discussed in Note 29, "Subsequent Events." Xirgo is a leading provider of telematics and data insight. The product offerings and technology of Xirgo will augment our existing portfolio in advancing our Smart & Connected megatrend initiative. We assessed this acquisition with respect to its impact on our entire business, determining that it will impact our customers, suppliers, shareholders, and employees positively by providing us with more opportunities to advance the Smart & Connected megatrend initiative.

COVID-19. The COVID-19 pandemic has caused widespread disruptions to our Company, employees, customers, suppliers, and communities since early in fiscal year 2020. We recognized the global impact of the COVID-19 pandemic early, and took a wide range of actions across our organization, designed to benefit the health and safety of employees, while also enabling us to respond to customer needs and enhance our financial flexibility during the pandemic. Some of the actions were painful, including furloughs and the implementation of the Q2 2020 Global Restructure Program, but we believe they will benefit the Company in the long run, thereby benefiting all stakeholders. We are continuing to work with local, state, and federal governmental health agencies in many countries, implementing measures to help protect employees and minimize the spread of COVID-19 in our communities.

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. To this end, 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, and controller, and persons performing similar functions. In addition, we have adopted a Code of Ethics for Senior Financial Employees. Refer to "Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Employees" in the "Non-Financial Information Statement" section of the 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

We have 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 Nominating & Corporate Governance 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 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 Governance Committee periodically reviews these Guidelines and may recommend changes to the Board, when appropriate.

In addition, the charters of each of our committees: the audit committee, compensation committee, Nominating and governance committee, Finance Committee, and Growth and Innovation Committee can be found at the investor relations page of our website at www.sensata.com under Governance.

Results of Operations

We have derived the statements of income for the years ended December 31, 2020 and 2019 from our Financial Statements. Amounts and percentages in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

<i>(Dollars in millions)</i>	For the year ended December 31,			
	2020		2019	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue:				
Performance Sensing	\$ 2,223.8	73.0 %	\$ 2,546.0	73.8 %
Sensing Solutions	821.8	27.0	904.6	26.2
Total net revenue	3,045.6	100.0 %	3,450.6	100.0 %
Total operating costs and expenses	2,693.1	88.4	2,916.2	84.5
Other operating income, net	—	—	1.8	0.1
Operating income	352.5	11.6	536.2	15.5
Interest expense, net	(176.9)	(5.8)	(163.8)	(4.7)
Other, net	8.0	0.3	(6.6)	(0.2)
Income before taxes	183.6	6.0	365.8	10.6
(Benefit from)/provision for income taxes	(8.7)	(0.3)	108.7	3.2
Net income	\$ 192.2	6.3 %	\$ 257.1	7.5 %

Net revenue - Overall

Net revenue declined 11.7% in fiscal year 2020 largely due to end-market contraction caused by the COVID-19 pandemic. Excluding an increase of 0.2% attributed to changes in foreign currency exchange rates, net revenue in fiscal year 2020 declined 11.9% on an organic basis. This represents a market outgrowth of 600 basis points. Market outgrowth describes the impact of an increasing quantity and value of our products used in customer systems and applications, and is only loosely correlated to normal unit demand fluctuations in the markets we serve

Net revenue - Performance Sensing

Performance Sensing net revenue declined 12.7% in fiscal year 2020, driven primarily by impacts from the COVID-19 pandemic. Excluding an increase of 0.1% attributed to changes in foreign currency exchange rates, Performance Sensing net revenue declined 12.8% on an organic basis. The overall net revenue decline in fiscal year 2020 was reduced in the second half of the year as OEM customers ramped production within their facilities through the half in an effort to replace production lost during shut-downs earlier in the year. The Performance Sensing results in fiscal year 2020 represent market outgrowth of 770 basis points. In addition, price reductions of 1.5%, primarily to automotive customers, contributed to the Performance Sensing organic revenue decline.

Net revenue in our automotive business declined 13.6% in fiscal year 2020, or 13.9% on an organic basis. These results represented market outgrowth of 690 basis points compared to the combination of an automotive market that was down 18.5% and the impact of OEM customers working down inventory. This market outgrowth continues to be led by new product launches in emissions, electrification, and safety-related applications and systems. A high level of automotive production in the fourth quarter resulted in customers using more inventory on hand to fill orders, negatively impacting fiscal year 2020 revenue. However, as our customers restock inventory in 2021, we expect to recover much of that decline. Global automotive production is expected to grow in fiscal year 2021, as the industry seeks to address low inventory levels at the end of 2020. In addition, we expect market outgrowth in our automotive business to be in the range of 400 to 600 basis points for fiscal year 2021.

Net revenue in our HVOR business declined 9.2% in fiscal year 2020, on a reported and an organic basis. These results represented market outgrowth of 880 basis points compared to an HVOR market that was down 18.0%. Our China on-road truck business continued to post better than expected growth as a result of the accelerated adoption of NS6 emissions regulations. We expect market outgrowth in our HVOR business to be in the range of 600 to 800 basis points for fiscal year 2021.

Net revenue - Sensing Solutions

Sensing Solutions net revenue declined 9.2% in fiscal year 2020 on a reported and an organic basis. This decrease was the result of year over year declines in the industrial, appliance and HVAC, and aerospace end markets. The global industrial and appliance and HVAC end markets began recovering in the fourth quarter of 2020, which, in addition to supply chain restocking, reflected strong growth in HVAC and 5G applications. The decline in the aerospace industry has continued throughout the year, reflecting reduced OEM production and significantly lower air traffic. New product launches in the fourth quarter, primarily in the defense market, partially offset this decline.

Operating costs and expenses

Operating costs and expenses for the years ended December 31, 2020 and 2019 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,			
	2020		2019	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Operating costs and expenses:				
Cost of revenue	\$ 2,097.0	68.9 %	\$ 2,266.8	65.7 %
Research and development	91.2	3.0	103.8	3.0
Selling, general and administrative	307.3	10.1	284.2	8.2
Amortization of intangible assets	168.4	5.5	181.4	5.3
Restructuring and other charges, net	29.3	1.0	80.0	2.3
Total operating costs and expenses	<u>\$ 2,693.1</u>	<u>88.4 %</u>	<u>\$ 2,916.2</u>	<u>84.5 %</u>

Cost of revenue

Cost of revenue as a percentage of net revenue increased in fiscal year 2020 primarily as a result of (1) productivity headwinds from lower volume, the resulting lower than normal capacity, and increased costs related to the COVID-19 pandemic, and (2) higher compensation to retain and incentivize critical employee talent, partially offset by (1) the impact of ongoing savings resulting from cost reduction activities taken in fiscal years 2019 and 2020, (2) the favorable effect of changes in foreign currency exchange rates, and (3) savings from temporary cost reductions in the second quarter of 2020 (including salary reductions and furloughs).

We expect that the actions taken as part of the Q2 2020 Global Restructure Program will result in improvements of our cost of revenue as a percentage of revenue in future quarters. However, we believe that the impact of a global microchip shortage that the entire industry is currently experiencing will adversely impact our operating costs in fiscal year 2021.

Research and development expense

For fiscal year 2020, expenditures for R&D activities decreased primarily as a result of the impact of ongoing savings resulting from cost reduction activities taken in fiscal years 2019 and 2020, somewhat offset by increased R&D expenditures related to our megatrend initiatives.

Selling, general and administrative expense

Selling, general and administrative ("SG&A") expense increased in fiscal year 2020 primarily as a result of (1) higher compensation to retain and incentivize critical employee talent, (2) increased costs related to enhancements and improvements to our global operating processes to increase productivity, and (3) incremental SG&A related to acquired businesses, partially offset by (1) the impact of ongoing savings resulting from cost reduction activities taken in fiscal years 2019 and 2020 and (2) savings from temporary cost reductions in the second quarter of 2020 (including salary reductions and furloughs).

Amortization of intangible assets and development costs

Amortization expense decreased in fiscal year 2020 primarily as a result of the effect of the economic-benefit method of amortization, which in effect concentrates amortization expense towards the beginning of that intangible asset's useful life. Refer to Note 11, "Goodwill and Other Intangible Assets, Net," of our Financial Statements for additional information regarding intangible assets and the related amortization.

Restructuring and other charges, net

Restructuring and other charges, net for the years ended December 31, 2020 and 2019 are presented in the following table:

	For the year ended December 31,	
	2020	2019
Q2 2020 Global Restructure Program	\$ 19,526	\$ —
Other severance costs, net ⁽¹⁾	\$ 7,733	\$ 27,474
Litigation ⁽²⁾	2,061	52,504
Restructuring and other charges, net	\$ 29,320	\$ 79,978

⁽¹⁾ For each of the years ended December 31, 2020 and 2019, these charges include termination benefits provided in connection with workforce reductions of manufacturing, engineering, and administrative positions, including the elimination of certain positions related to site consolidations, net of reversals. For the year ended December 31, 2020, these charges included termination benefits arising from the shutdown and relocation of operating sites in Northern Ireland and Belgium. For the year ended December 31, 2019, these charges include approximately \$12.7 million of benefits provided under a voluntary retirement incentive program offered to a limited number of eligible employees in the U.S, and \$6.5 million of termination benefits provided under a one-time benefit arrangement related to the shutdown and relocation of an operating site in Germany.

⁽²⁾ On February 14, 2020, a federal jury found us liable for damages in an existing patent infringement case with Wasica Finance GmbH ("Wasica") in the amount of \$31.2 million. In the year ended December 31, 2019, we recognized \$31.2 million related to this matter in restructuring and other charges. This matter was settled in the year ended December 31, 2020. The additional \$0.4 million loss is included in restructuring and other charges, net. In the year ended December 31, 2019, we also recorded a \$21.3 million loss related to the termination of a supply agreement with Metal Seal Precision, Ltd. ("Metal Seal"). Refer to Note 15, "Commitments, Contingencies, and Provisions" for additional information related to these matters.

Other operating income, net

Other operating income, net in the year ended December 31, 2019 consisted of an accounting adjustment to the gain on the sale of a business in fiscal year 2018.

Operating Income

In fiscal year 2020, operating income decreased \$183.8 million or 34.3%, to \$352.5 million (11.6% of net revenue) compared to \$536.2 million (15.5% of net revenue) in fiscal year 2019. This decrease was primarily driven by:

- the impacts of the COVID-19 pandemic, most significantly lower revenues, productivity headwinds from our manufacturing facilities running at lower than normal capacity, and increased COVID-19 related costs;
- \$19.5 million in severance charges recognized in fiscal year 2020 related to the Q2 2020 Global Restructure Program; and
- higher compensation costs to retain and incentivize critical employee talent.

These drivers of reduced operating income were partially offset by:

- the non-recurrence of certain restructuring and other charges from fiscal year 2019 as discussed in Note 5, "Restructuring and Other Charges, Net," of our Financial Statements, including the \$31.2 million charge related to the Wasica litigation and the \$21.3 million loss related to the termination of a supply agreement in connection with the Metal Seal litigation and charges related to benefits provided under a voluntary retirement incentive program;
- cost savings of approximately \$21.8 million realized in the second quarter of 2020 resulting from temporary salary reductions, furloughs, and government subsidies;
- the impact of ongoing savings resulting from cost reduction activities taken in fiscal years 2019 and 2020;
- the favorable effect of changes in foreign currency exchange rates; and
- lower intangible amortization expense due to the impacts of the economic-benefit method of amortization.

We expect that the actions taken as part of the Q2 2020 Global Restructure Program will result in savings that will be favorable to operating income in future quarters. Refer to the *Q2 2020 Global Restructure Program* section earlier in this Strategic Report for a more detailed discussion of expected savings under the Q2 2020 Global Restructure Program. However, we believe that the impact of a global microchip shortage that the entire automotive industry is currently experiencing will adversely impact out operating costs in fiscal year 2021.

Interest expense, net

Interest expense, net increased in fiscal year 2020 primarily due to (1) a full year of interest expense related to the \$450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the "4.375% Senior Notes"), which were issued in fiscal year 2019, (2) a partial year of interest expense related to the 3.75% Senior Notes, which was issued in 2020, (3) interest incurred on outstanding balances of the Revolving Credit Facility in fiscal year 2020, and (4) lower cash interest income due to declining interest rates. These increases were partially offset by lower interest expense on the term loan, which was partially repaid in fiscal year 2019 after issuance of the 4.375% Senior Notes. On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from our Revolving Credit Facility. On August 17, 2020, we took advantage of historically low interest rates in issuing the 3.75% Senior Notes. Given improving market conditions and strengthening financial markets, we decided to use a portion of the proceeds to repay \$400.0 million of outstanding borrowings under the Revolving Credit Facility.

On March 5, 2021, we redeemed the \$750.0 million outstanding balance on the 6.25% Senior Notes at a premium of 103.125% of the aggregate principal amount of notes outstanding. This redemption effectively reduced (on an annualized basis) our interest expense by approximately \$46.9 million through fiscal year 2026. On March 29, 2021, we issued the 4.0% Senior Notes, which represents an additional \$30.0 million of annual interest expense. These transactions will result in a net savings of approximately \$16.9 million per year in interest expense over the coming years. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Other, net

Other, net for fiscal years 2020 and 2019 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,	
	2020	2019
Currency remeasurement gain/(loss) on net monetary assets ⁽¹⁾	\$ 11.1	\$ (6.8)
(Loss)/gain on foreign currency forward contracts ⁽²⁾	(6.8)	2.2
Gain on commodity forward contracts ⁽²⁾	10.0	4.9
Loss on borrowings ⁽³⁾	—	(4.9)
Net periodic benefit cost, excluding service cost	(1.9)	(1.3)
Other	(4.5)	(0.7)
Other, net	\$ 8.0	\$ (6.6)

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

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

⁽³⁾ Refer to Note 14, "Borrowings," of our Financial Statements for additional information related to our debt financing transactions.

(Benefit from)/provision for income taxes

(Benefit from)/provision for income taxes for fiscal years 2020 and 2019 was \$(8.7) million and \$108.7 million, respectively, the components of which are described in more detail in the table below (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not recalculate due to the effect of rounding):

<i>(In millions)</i>	For the year ended December 31,	
	2020	2019
Tax computed at statutory rate of 19% ⁽¹⁾	\$ 34.9	\$ 69.5
Intangible property transfers	(54.2)	—
Foreign tax rate differential ⁽²⁾	(13.0)	(10.3)
Withholding taxes not creditable ⁽⁴⁾	12.2	9.5
Change in tax laws or rates	11.8	5.5
R&D incentives ⁽³⁾	(9.4)	(8.3)
Unrealized foreign exchange gains, net	(7.5)	0.4
Changes in recognition of tax losses	6.3	20.2
Reserve for tax exposure	(4.6)	23.4
Other	14.9	(1.0)
(Benefit from)/provision for income taxes	\$ (8.7)	\$ 108.7

- (1) Represents the product of the U.K. statutory tax rate and income before taxes, as reported on our consolidated statements of operations.
- (2) We operate in locations outside the U.K., including Bermuda, Bulgaria, China, Malaysia, 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 rate differential can change from year to year based upon the jurisdictional mix of earnings and changes in current and future enacted tax rates. Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or holidays in their respective jurisdictions. Refer to Note 7, "Income Taxes," of our Financial Statements for further discussion.
- (3) 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. Certain R&D expenses are eligible for a bonus deduction under China's R&D super deduction regime.
- (4) 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 record withholding and other taxes on intercompany payments including dividends.

Liquidity and Capital Resources

As of December 31, 2020 and 2019 we held cash and cash equivalents in the following regions:

<i>(In millions)</i>	As of December 31,	
	2020	2019
Cash and cash equivalents:		
U.K.	\$ 25.3	\$ 8.8
U.S.	17.2	7.0
Netherlands	1,514.1	522.9
China	185.2	119.3
Other	120.2	116.1
Cash and cash equivalents	\$ 1,862.0	\$ 774.1

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.

On March 5, 2021, we redeemed the outstanding balance on the 6.25% Senior Notes at 103.125%. The cash used to execute this redemption, or approximately \$776.0 million, was paid from cash on hand in the Netherlands. On March 29, 2021, we issued the 4.0% Senior Notes. These transactions served to reduce our interest expense and extend the maturity profile of our obligations. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2020 and 2019. We have derived these summarized statements of cash flows from our Financial Statements. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

<i>(In millions)</i>	For the year ended December 31,	
	2020	2019
Net cash provided by/(used in):		
Operating activities:		
Net income adjusted for non-cash items	\$ 487.8	\$ 662.0
Changes in operating assets and liabilities, net	129.9	11.9
Operating activities	<u>617.7</u>	<u>674.0</u>
Investing activities	(223.1)	(250.5)
Financing activities	693.2	(379.2)
Net change	<u>\$ 1,087.9</u>	<u>\$ 44.3</u>

Operating Activities

The decrease in cash provided by operating activities in fiscal year 2020 compared to fiscal year 2019 relates primarily to lower profitability, partially offset by reduced inventory and the timing of supplier payments and customer receipts.

Investing Activities

Investing activities include additions to property, plant and equipment ("PP&E"), capitalized software, and capitalized development costs, the acquisition or sale of a business, and the acquisition or sale of certain debt and equity investments.

In fiscal year 2020, net cash used in investing activities decreased primarily due to lower capital expenditures, partially offset by additional cash paid for acquisitions.

In fiscal year 2021, we anticipate additions to PP&E and capitalized software of approximately \$160.0 million to \$170.0 million, which we expect to be funded with cash flows from operations. In addition, on February 11, 2021, we entered into a securities purchase agreement (the "SPA") to acquire all of the outstanding equity interests of Xirgo for an aggregate purchase price of \$400 million, subject to adjustment for certain closing and post-closing items. The transaction closed on April 1, 2021. Refer to Note 29, "Subsequent Events," of our Financial Statements for additional information.

Financing Activities

In fiscal year 2020 cash provided by financing activities was \$693.2 million compared to cash used in financing activities of \$379.2 million in fiscal year 2019. This change was primarily driven by issuance of the 3.75% Senior Notes and lower volume of share repurchases.

On March 5, 2021, we redeemed in full the outstanding balance on the 6.25% Senior Notes in March 2021 at 103.125%. The cash used to execute this redemption, or approximately \$776.0 million, was paid from cash on hand in the Netherlands, and is not presented in the statements of cash flows as of December 31, 2020. On March 29, 2021, we issued the 4.0% Senior Notes. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Indebtedness and Liquidity

The following table details our gross outstanding indebtedness as of December 31, 2020, and the associated interest expense for fiscal year 2020 (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, 2020	Interest Expense, net for the year ended December 31, 2020
Term Loan	\$ 456.1	\$ 11.0
4.875% Senior Notes	500.0	24.4
5.625% Senior Notes	400.0	22.5
5.0% Senior Notes	700.0	35.0
6.25% Senior Notes ⁽¹⁾	750.0	46.9
4.375% Senior Notes	450.0	19.7
3.75% Senior Notes	750.0	10.5
Revolving Credit Facility	—	2.1
Lease liabilities and other financing obligations	85.9	6.9
Total gross outstanding indebtedness	<u>\$ 4,092.0</u>	
Other interest expense, net ⁽²⁾		<u>(2.1)</u>
Interest expense, net		<u>\$ 176.9</u>

⁽¹⁾ On March 5, 2021, we redeemed the outstanding balance on the 6.25% Senior Notes. As a result, these notes have been classified as current on our consolidated balance sheets as of December 31, 2020.

⁽²⁾ Other interest expense, net includes interest income, amortization of borrowing costs, and interest costs capitalized in accordance with IAS 23 *Capitalization of Borrowing Costs*.

Borrowings

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

Capital Resources

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, the Senior Secured Credit Facilities provide for the Accordion, under which additional secured debt may be issued or the capacity of the Revolving Credit Facility may be increased. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the indentures under which our Senior Notes were issued (the "Senior Notes Indentures"). As of December 31, 2020, availability under the Accordion was approximately \$0.6 billion.

We believe, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2020, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures discussed below and in Note 14, "Borrowings," of our Financial Statements, and the redemption of the 6.25% Senior Notes as discussed below, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, acquisitions, ordinary share repurchases (if and when resumed), and debt service through at least June 30, 2022. However, we cannot make assurances that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay or refinance our indebtedness or to fund our other liquidity needs. Further, our highly-leveraged nature may limit our ability to procure additional financing in the future.

On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we used a portion of the proceeds from the issuance and sale of the 3.75% Senior Notes to repay the balance outstanding on the Revolving Credit Facility. As of December 31, 2020, we had \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations related to outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2020, no amounts had been drawn against these outstanding letters of credit. On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026. This redemption was paid with cash on hand.

On March 29, 2021, we issued at par the 4.0% Senior Notes. Interest on these notes is due on April 15 and October 15 each year, with the first payment due October 15, 2021. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021. The 4.0% Senior Notes are guaranteed by the same subsidiaries that guarantee our indebtedness under the Senior Secured Credit Facilities and the existing Senior Notes. We intend to use the proceeds from this offering for general corporate purposes, which may include working capital, capital expenditures, the acquisition of other companies, businesses or assets, strategic investments, the refinancing or repayment of debt, and share repurchases.

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, 2020.

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

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of March 30, 2020, Moody's Investors Service's corporate credit rating for STBV was Ba2 with a stable outlook, and Standard & Poor's corporate credit rating for STBV was BB+ with a stable outlook. Any future downgrades to STBV's credit ratings may increase our future borrowing costs, but will not reduce availability under the Credit Agreement.

The Credit Agreement and the Senior Notes Indentures contain restrictions and covenants (described in more detail in Note 14, "Borrowings," of our Financial Statements) that limit the ability of STBV and 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 in establishing our share repurchase programs and are evaluated periodically with respect to future potential funding. 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, should we decide to do so. As of December 31, 2020, 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 our current \$500.0 million share repurchase program (the "July 2019 Program"). On April 2, 2020, we announced a temporary suspension of the July 2019 Program, which will continue to remain on hold until market conditions show greater improvement and stability. As of December 31, 2020, approximately \$302.3 million remained available under the July 2019 Program.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program.

During the year ended December 31, 2019, we repurchased approximately 7.2 million ordinary shares (nominal value of approximately €72 thousand) under the July 2019 Program and a \$250.0 million share repurchase program authorized by our Board of Directors in October 2018 (the "October 2018 Program") for a total purchase price of approximately \$350.0 million (weighted-average price of \$48.87 per share). This represented approximately 4% of the total number and nominal value of our ordinary shares issued at December 31, 2019.

Future Outlook

We believe that we are in a strong financial position today and have taken actions to provide us with the financial strength to continue to succeed and take advantage of strategic options as they become available in the future. Refer to section entitled Financial Flexibility earlier in this Strategic Report for additional discussion.

In addition, we generated \$617.7 million of operating cash flow in fiscal year 2020. As of December 31, 2020, we had \$1.9 billion cash and cash equivalents. We also have approximately \$0.6 billion availability under our Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise.

For the full year 2021, while our degree of market uncertainty remains, we expect a continuation of recent rebounding economic and business conditions. We expect that North America automotive OEM production will rebound sharply in fiscal year 2021, as the industry seeks to address record low inventory levels at the end of 2020. Global automotive production is expected to grow in fiscal year 2021, as the industry seeks to address low inventory levels at the end of 2020. In addition, we expect market outgrowth in our automotive business to be in the range of 400 to 600 basis points for fiscal year 2021. We expect market outgrowth in our HVOR business to be in the range of 600 to 800 basis points for fiscal year 2021.

We expect that the actions taken as part of the Q2 2020 Global Restructure Program will result in improvements of our cost of revenue as a percentage of revenue in future quarters. However, we believe that the impact of a global microchip shortage that the entire industry is currently experiencing will adversely impact our operating costs in fiscal year 2021.

Signatures

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 9, 2021

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 9, 2021

Directors' Report

Company information

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

Results of Operations

Net revenue for fiscal year 2020 decreased \$405.1 million, or 11.7%, to \$3,045.6 million from \$3,450.6 million for fiscal year 2019. The decrease in net revenue was composed of a 12.7% decrease in Performance Sensing and a 9.2% decrease in Sensing Solutions.

Net income decreased from \$257.1 million (7.5% of net revenue) in fiscal year 2019 to \$192.2 million (6.3% of net revenue) in fiscal year 2020.

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 Technologies Holding plc between January 1, 2020 and the date of this Report:

Directors	Period	Function
Andrew C. Teich	January 1, 2020 - present	Chair, non-executive director
Martha N. Sullivan ⁽¹⁾	January 1, 2020 - present	Executive director, non-executive director ⁽¹⁾
Jeffrey J. Cote ⁽¹⁾	March 1, 2020 - present	Executive director
John P. Absmeier	January 1, 2020 - present	Non-executive director
Daniel Black ⁽²⁾	January 1, 2021 - present	Non-executive director
Lorraine A. Bolsinger ⁽³⁾	March 23, 2020 - present	Non-executive director
James E. Heppelmann	January 1, 2020 - present	Non-executive director
Charles W. Peffer	January 1, 2020 - present	Non-executive director
Constance E. Skidmore	January 1, 2020 - present	Non-executive director
Steven A. Sonnenberg ⁽³⁾	March 23, 2020 - present	Non-executive director
Thomas Wroe Jr.	January 1, 2020 - present	Non-executive director
Stephen M. Zide	January 1, 2020- present	Non-executive director
Paul B. Edgerley ⁽⁴⁾	January 1, 2020 - May 28, 2020	Non-executive director

⁽¹⁾ Ms. Sullivan also served as the Company's CEO during January and February 2020 and was an executive director. On March 1, 2020, Jeffrey J. Cote was appointed CEO and was appointed to the board as an executive director. Ms. Sullivan remained on the board as a non-executive director.

⁽²⁾ Mr. Black was appointed to the Board effective January 1, 2021.

⁽³⁾ Ms. Bolsinger and Mr. Sonnenberg were appointed to the board effective March 23, 2020.

⁽⁴⁾ Mr. Edgerley retired from the Board effective May 28, 2020.

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 United Kingdom 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 international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 International Financial Reporting Standards ("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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable U.K. Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

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

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

Employment issues

People with disabilities

It is the policy and practice of Sensata to hire and employ individuals without regard to physical and mental ability. This policy applies to all terms and conditions of employment including recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; reductions in force; terminations; and the ongoing development of a work environment built on the premise of gender and diversity, equity, and inclusion.

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 email linking back to the key stories that were published to the Portal during the previous two-week period. We maintain a mobile application, and all stories that are published to the Portal, are also uploaded to the application, to encourage our employee's understanding of our company's performance. 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 (press release, presentation) to employees and encourage them to listen to the earnings webcast hosted by senior management. We produce and distribute a short video (10-12 minutes) each quarter summarizing the key developments of the quarter. This video is typically hosted by our CEO and President, or a senior business leader. In addition to the video, we develop a slide deck, and talking points on the quarter. Each site leader is

required to host a Town Hall and share information with local employees. Following this meeting, 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 Secretary of the Company, who will forward such communication to the appropriate party as necessary and appropriate." These guidelines are posted on our website in the governance section. In addition, Sensata has an ethics hotline for urgent issues. 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 of association 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, will affect our income or the value of our holdings of financial instruments. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices. Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

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

Share information

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

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the annual general meeting. Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated balance sheets, resulting in a reduction of shareholders' equity. On April 2, 2020, we announced a temporary suspension of the July 2019 Program, which will continue to remain on hold until market conditions show greater improvement and stability. As of December 31, 2020, approximately \$302.3 million remained available under the July 2019 Program.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program.

During the year ended December 31, 2019, we repurchased approximately 7.2 million ordinary shares (nominal value of approximately €72 thousand) under the July 2019 Program and the October 2018 Program for a total purchase price of approximately \$350.0 million (weighted-average price of \$48.87 per share). This represented approximately 4% of the total number and nominal value of our ordinary shares issued at December 31, 2019.

Greenhouse Gas Emission Statement

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 7, paragraph 15 require certain disclosures regarding greenhouse gas emissions ("GHGe"). We have taken steps to improve the future accuracy of our annual reporting of GHGe and to meet the legal reporting requirements that apply to our operations. However, it is not practical for us to make these disclosures at this time, because the information we have is not complete, and additional work needs to be performed to confirm its accuracy. We do, however, contribute to a sustainable environment by measuring and understanding our impact on climate change through the tracking of Scope 1 and 2 GHGe, and we annually report our findings through the Carbon Disclosure Project (the "CDP"). Additionally, since 2013 we have maintained a company-wide goal to reduce the use of electricity and fossil fuel on an annual basis. We expect to publish a Sustainability Report in the fall of 2021, which will include reporting on Scope 1 and 2 GHGe. Some of the aspects of our program and actions we have taken are summarized below.

Operational Control Methodology

For the purposes of tracking and reporting GHGe, we have adopted the operational control method of reporting. Accordingly, the emissions tracked and reported to the CDP are for the Sensata global operations where we exercise direct operational control.

Emission Scopes

Mandatory greenhouse gas ("GHG") reporting under the Streamlined Energy and Carbon Reporting ("SECR") Scheme established in April 2019 and U.K. Financial Reporting Requirements requires emissions associated with Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity, heating and cooling) to be reported. It is not obligatory to report Scope 3 (indirect emissions from the inputs and outputs to the main business activity - i.e. supply chain and consumer/end-user related emissions). We measure Scope 1 and 2 emissions at key facilities and have disclosed this data to CDP on their website (cdp.net) an annual basis since 2017.

Exclusions

We collect information relevant to the calculation of GHGe from manufacturing and business operations globally which account for up to approximately 97% of our revenue. Based on this data, a reasonably accurate, but conservative, estimate of the annual GHGe associated with Scope 1 and 2 can be made. We do not currently track data related to Scope 3 emissions or emissions related to the release of refrigerant from our facilities.

Methodology

To address the U.K. Energy Savings Opportunity Scheme Regulation ("ESOS"), certain Sensata subsidiaries located in the U.K. undertake a comprehensive assessment of energy use and energy efficiency opportunities once every four years.

In the past, we set a 1.5% year-over-year reduction goal for GHGe but we are currently re-evaluating that goal in light of a recent materiality assessment and the establishment of a long term GHGe reduction goal, which will be disclosed in our Sustainability Report. To assess the performance of our facilities against this GHGe reduction goal, we obtain data regarding the use of fossil fuels and electricity purchases from our major operating facilities on a monthly, quarterly, and annual basis. This data is used to calculate annual GHGe in general accordance with guidance published by CDP. Specifically, we utilize the DEFFRA U.K. and international emission factors to calculate the GHGe of our operations. Our GHGe are reported to CDP using an intensity metric (per 1000 units manufactured) for the purpose of measuring our control of emissions on an annual basis, independent of fluctuations in the levels of production.

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, industrial, 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 continuously 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. One of the areas we are focusing on is Smart & Connected. This initiative will be based on many of our current products and technology (associated with embedded and wireless systems), but will involve more complex software, systems, and solutions. In addition, we continually consider new technologies where we may have expertise for potential investment or acquisition.

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. As a result of the long development lead times and 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.

Megatrends

New and emerging technology trends that are expected to significantly impact our customers and our business strategy include Electrification, Smart & Connected, and Industrial IoT.

Electrification: Our objective with the Electrification initiative is to become a leading and foundational player in solutions that will support a future that is more environmentally-sustainable and efficient, including (1) clean energy transportation systems and components in electrified vehicles, charging stations, and chargers and (2) mission-critical high voltage components and subsystems with high value solutions in advanced smart grid technologies. Electrification provides a significant opportunity for us to expand the use of our sensors and electrical protection products within the automotive, industrial, and HVOR industries. For example, in the automotive industry, as customers seek to extend the range of batteries and improve the efficiency of electric vehicles, they are incorporating electrical subsystems, which require additional sensors to monitor, control, and optimize what is happening within the vehicle. Further, higher voltage battery systems are also driving increased needs for electrical protection. Sensors are also used in thermal management applications to help maintain batteries at optimal temperatures as well as electric motors and heat pumps. We are expanding our capabilities in Electrification, including through third party collaboration, and expect continued material expansion of this initiative within our automotive, HVOR, and industrial businesses.

Smart & Connected: Our objective with the Smart & Connected initiative is to become the leader in delivering diagnostic insight and prognostics to fleet operators and owners. Smart & Connected provides a large market opportunity across heavy, medium, and light vehicles. Leveraging certain of the sensor products and embedded and wireless systems expertise in our existing tire pressure monitoring portfolio, we are developing smart, connected, modular, and full-stack solutions that collect data from wireless sensors or related vehicle system information through a connected vehicle-area network and deliver actionable insight to drivers, maintenance workers and back-office personnel through mobile applications, web portals and via cloud APIs for integration in other enterprise systems. These solutions allow fleet managers to proactively monitor the health of their vehicles, conduct proactive maintenance, optimize fleet operations and enhance driver safety. We are leveraging our leadership position in tire pressure monitoring systems and know-how of vehicles and use cases within fleet operations to deliver scalable platforms to a variety of players within the connected ecosystem, including Tier 1 suppliers, OEMs, telematics services providers and fleets directly.

Industrial IoT: Our objective in the Industrial IoT/Digitization of Factories & Warehouses initiative is to become a leader in factory smart sensing and edge intelligence with solutions in machine health and materials tracking. The digitization of factories and warehouses represent fast-growing opportunities that we believe will drive NBOs and market outgrowth for our industrial business. Bringing our products to enhance material handling and electrification charging infrastructure represent fast growing opportunities that we believe will drive industrial business content and market outgrowth.

Market Trends

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

Light vehicle production: Global production of light vehicles had consistently demonstrated steady annual growth for most of the decade prior to 2019, when it started to plateau. This was demonstrated at the time by the fourth quarter 2019 LMC Automotive "Global Car & Truck Forecast," which showed that the global production of light vehicles in fiscal year 2019 decreased from the prior year by 5.0%. In fiscal year 2020, production was significantly lower according to the fourth quarter 2020 LMC Automotive "Global Car & Truck Forecast," which showed that the global production of light vehicles in fiscal year 2020 further decreased from the prior year by 16.2% to approximately 74.9 million units. We expect global production of light vehicles to see a strong rebound in fiscal year 2021, although not yet back to the level of 2019 production. This increasing trend in light vehicle production is expected to continue beyond 2021 due to population growth and increased usage of cars in emerging markets. Current estimates anticipate global production of light vehicles to approach 100 million units by fiscal year 2028.

On Road Truck Production: Global production of heavy-duty trucks has also demonstrated consistent growth prior to 2019. In fiscal year 2020, global production was approximately 5% lower than fiscal year 2019 according to industry data. We expect production of trucks to improve in North America and Europe in fiscal year 2021. This increasing trend in truck production is expected to continue beyond 2021 due to increased freight loads globally.

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

Increasing safety requirements and needs for electrification are also key trends driving increased sensor content in vehicles. These trends are driving advanced braking systems as they transition from traditional hydraulic brakes towards electromechanical braking and regenerative braking systems, thus driving additional content in pressure and force sensing. Furthermore, electrified vehicles are driving more sophisticated thermal management systems to control heating and cooling systems throughout the vehicle, and additional content in battery management systems to optimize drive range and safety in electrical protection as battery voltages increase.

Higher value sensors: We believe that our revenue growth has been augmented by a continuing shift away from legacy sensors to more solid-state 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 continuously looking to drive increased data-based insights that are derived from our foundational sensing solutions. Our ability to provide our customer with 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 solutions to the market positions us to drive profitable revenue growth as the market demands continue to evolve.

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

For example, we expect this growth to include content growth in both hybrid and electric vehicles. Hybrid vehicles require systems and sensors to drive high efficiency across the powertrain, managing better diagnostics, more efficient combustion, and reduced emissions. Also, sensor content on vehicle climate control and thermal management systems, where our market share is high, is increasing. This is driven by the need for high efficiency control of thermal management in battery electric vehicle heating and cooling systems as vehicle manufacturers look to drive increased vehicle range where the thermal loads on the vehicle become critical to manage. As long-range plug-in hybrid and full battery electric vehicles gain market share, multiple instances of efficient thermal management across the battery, electronics, and cabin systems are required to protect and manage the vehicle, which drives additional core Sensata sensor and electrical protection content available in the market today.

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

New content in high voltage electrical protection from our fiscal year 2018 acquisition of GIGAVAC, LLC ("GIGAVAC") addresses many of the needs in evolving electric vehicle powertrain systems with higher voltage systems that must be properly controlled and protected as vehicle voltages and electrical currents increase. This protection safeguards the expensive electronics used to power the vehicle and allowing for an increase in power levels to improve charging times.

Future Developments

Sensata is a leading industrial technology company with attractive secular growth opportunities, such as the need for 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 autonomy. 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. In addition, we are well-positioned to capitalize on a large, attractive market for autonomous vehicles, providing an additional longer-term growth driver.

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 2020.

Declaration and payment of dividends

No dividends were proposed by the Directors at December 31, 2020 and 2019.

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 Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Going Concern

We took multiple steps to enhance our financial flexibility. In fiscal year 2020, we implemented various cost reduction activities, including temporary salary reductions and furloughs, resulting in savings during the year of approximately \$21.8 million, including the impact of government subsidies. We have worked to align our long-term operating costs with future expected demand levels, maintaining lower levels of discretionary spending and keeping production in certain facilities at a level necessary to be in line with end market demand. In addition, we reduced our capital expenditures for fiscal year 2020 and are carefully managing our working capital.

In addition, we have been active in the capital markets. On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic at the time, we withdrew \$400.0 million from the Revolving Credit Facility. In August 2020, we took advantage of historically low interest rates in issuing the 3.75% Senior Notes under an indenture dated as of August 17, 2020 and used \$400.0 million of these proceeds to repay the balance outstanding on the Revolving Credit Facility. On March 5, 2021, we used cash on hand to redeem the outstanding balance on the 6.25% Senior Notes. On March 29, 2021, we issued the 4.0% Senior Notes. Refer to Note 14, "Borrowings," of our Financial Statements for additional information on these capital transactions. In taking these actions, we are extending the maturity of our debt profile and lowering our cost of capital.

As of December 31, 2020, we had \$1.9 billion cash and cash equivalents. We also have approximately \$0.6 billion availability under our Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net income of \$3,045 million and \$192 million, respectively, in fiscal year 2020. We generated \$617.7 million of operating cash flow in fiscal year 2020. For the full year 2021, while our degree of market uncertainty remains, we expect a continuation of recent rebounding economic and business conditions. We expect that North America automotive OEM production will rebound sharply in fiscal year 2021, as the industry seeks to address record low inventory levels at the end of 2020. Global automotive production is expected to grow in fiscal year 2021, as the industry seeks to address low inventory levels at the end of 2020. In addition, we expect market outgrowth in our automotive business to be in the range of 400 to 600 basis points for fiscal year 2021. We expect market outgrowth in our HVOR business to be in the range of 600 to 800 basis points for fiscal year 2021.

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

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, including global economic conditions caused by the COVID-19 pandemic, 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, 2022, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2022.

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 for the foreseeable future. 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.

Subsequent Events

On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026. This resulted in classification of the 6.25% Senior Notes as current on our December 31, 2020 consolidated balance sheet. Refer to Note 14, "Borrowings," for additional information on the terms of this redemption.

On February 11, 2021, we entered into the SPA to acquire all of the outstanding equity interests of Xirgo, a leading provider of telematics and data insight, headquartered in Camarillo, California. The product offerings and technology of Xirgo will augment our existing portfolio in advancing our Smart & Connected megatrend initiative. We expect to integrate Xirgo into our Performance Sensing reportable segment. The transaction contemplated by the SPA closed on April 1, 2021 for an aggregate purchase price of \$400.0 million of cash consideration, subject to certain post-closing items. Through March 31, 2021, we incurred transaction fees of \$2.3 million, none of which were recognized in fiscal year 2020. Due to the proximity of the date that our financial statements are available for issue (April 9, 2021) to the closing of this acquisition, the initial accounting for this acquisition is incomplete and we are not able to provide the disclosures otherwise required by IFRS 3 *Business Combinations*.

On March 29, 2021, we issued at par the 4.0% Senior Notes. Interest on these notes is due on April 15 and October 15 each year, with the first payment due October 15, 2021. The 4.0% Senior Notes are guaranteed by the same subsidiaries that guarantee our indebtedness under the Senior Secured Credit Facilities and the existing Senior Notes. We intend to use the proceeds from this offering for general corporate purposes, which may include working capital, capital expenditures, the acquisition of other companies, businesses or assets, strategic investments, the refinancing or repayment of debt, and share repurchases. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Signatures

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 9, 2021

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 9, 2021

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 our policy on Directors' compensation was approved at the 2019 Annual General Meeting of Shareholders (the "2019 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 2020. The annual report on compensation together with this statement is subject to an advisory vote of shareholders at the 2021 AGM.

1. STATEMENT FROM THE COMPENSATION COMMITTEE CHAIRPERSON

Compensation Philosophy

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

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

Compensation Program Changes and Highlights

For 2020, the Committee believed that Adjusted Operating Income and Free Cash Flow were the appropriate performance metrics for the annual incentive bonus. Further, the Committee believed that Relative Adjusted EPS Growth with an ROIC modifier over a three-year performance period were the appropriate financial metrics for the annual LTI awards. The Committee believed these metrics provide an appropriate balance of short-term and long-term perspectives.

/s/ James E. Heppelmann _____

James E. Heppelmann

Chairperson of the Compensation Committee

April 9, 2021

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 2019 AGM and took effect on 31 May 2019 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 2020 proxy statement on our website at www.sensata.com.

3. ANNUAL REPORT ON DIRECTOR REMUNERATION

The following tables are subject to audit and set out the compensation of our Non-Executive Directors during the year ended December 31, 2020 with comparisons to the year ended December 31, 2019:

Non-Executive Director	Annual retainer and committee fees (\$)	Benefits (\$) ⁽¹⁾	RSU award (\$) ⁽²⁾	Pension (\$)	Total Fixed Remuneration (\$)	Total Variable Remuneration (\$)	Total (\$)
John P. Absmeier							
2020	85,552	2,508	195,703	—	88,060	195,703	283,763
2019	73,000	3,576	214,067	—	76,576	214,067	290,643
Lorraine A. Bolsinger⁽³⁾							
2020	60,938	—	253,243	—	60,938	253,243	314,181
2019	—	—	—	—	—	—	—
Paul B. Edgerley⁽⁴⁾							
2020	34,167	2,550	—	—	36,717	—	36,717
2019	131,750	2,727	176,257	—	134,477	176,257	310,734
James E. Heppelmann							
2020	100,625	1,400	195,703	—	102,025	195,703	297,728
2019	110,500	2,713	176,257	—	113,213	176,257	289,470
Charles W. Peffer							
2020	83,125	1,672	195,703	—	84,797	195,703	280,500
2019	90,500	2,723	176,257	—	93,223	176,257	269,480
Kirk P. Pond⁽⁵⁾							
2020	—	1,200	—	—	1,200	—	1,200
2019	41,750	4,345	—	—	46,095	—	46,095
Constance E. Skidmore							
2020	102,813	1,804	195,703	—	104,617	195,703	300,320
2019	111,750	3,599	176,257	—	115,349	176,257	291,606
Steven A. Sonnenberg⁽³⁾							
2020	59,375	—	253,243	—	59,375	253,243	312,618
2019	—	—	—	—	—	—	—
Andrew C. Teich⁽⁶⁾							
2020	214,375	1,998	195,703	—	216,373	195,703	412,076
2019	174,250	2,256	176,257	—	176,506	176,257	352,763
Thomas Wroe Jr.							
2020	74,375	1,380	195,703	—	75,755	195,703	271,458
2019	80,500	3,695	176,257	—	84,195	176,257	260,452
Stephen M. Zide							
2020	91,875	4,983	195,703	—	96,858	195,703	292,561
2019	97,500	—	176,257	—	97,500	176,257	273,757

⁽¹⁾ Benefits represents the impact of the prior periods' wage taxes paid to the Netherlands, including the related tax gross up. The amounts for 2020 and 2019 include U.K. 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 \$47.99 and \$51.37 for 2020 and 2019, respectively. The RSUs vest on the day of the Annual General Meeting of Shareholders based on continued service during the vesting period.

⁽³⁾ Ms. Bolsinger and Mr. Sonnenberg both joined the Board in March 2020.

⁽⁴⁾ Mr. Edgerley resigned from his position as a Director in May 2020 and Chairman of the Board in July 2019. Fees earned, including the \$70,000 retainer for service as Chairman of the Board, were prorated to reflect his service.

- (5) Mr. Pond resigned from his position as a Director in June 2019. Fees earned in 2019 were prorated to reflect his resignation.
- (6) Mr. Teich was appointed Chairman of the Board in July 2019. The annual \$140,000 retainer for service as Chairman of the Board was prorated to reflect his service in 2019.
- (7) Amounts below reflect compensation received by Ms. Sullivan from March 2020 through December 2020 after retiring from her role as CEO and while serving as Senior Advisor. She was not eligible for additional director compensation during this time.

Non-Executive Director	Base Salary (\$)	Taxable Benefits (\$)	LTI Award (\$)	Pension (\$)	Total Fixed Remuneration (\$)	Total Variable Remuneration (\$)	Total (\$)
Martha N. Sullivan 2020	381,875	3,311	1,129,550	5,907	391,093	1,129,550	1,520,643

LTI awards granted in 2020

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, 2020	69,771		\$1,936,145	1/3 on April 1, 2021, 2022, 2023
	PRSU	April 1, 2020	85,275		\$2,366,381	April 1, 2023 based upon satisfaction of Relative Adjusted EPS Growth
Martha M. Sullivan	RSU	April 1, 2020	5,406		\$150,017	April 1, 2021
John P. Absmeier	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Lorraine A. Bolsinger	RSU ⁽²⁾	April 15, 2020	1,199		\$37,529	Date of 2020 AGM
	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
James E. Heppelmann	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Charles W. Peffer	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Constance E. Skidmore	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Steven A. Sonnenberg	RSU ⁽²⁾	April 15, 2020	1,199		\$37,529	Date of 2020 AGM
	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Andrew C. Teich	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Thomas Wroe Jr.	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM
Stephen M. Zide	RSU	May 28, 2020	4,078		\$150,030	Date of 2021 AGM

(1) Face value has been calculated based on the price of a share of common stock of the Company at grant of \$27.75 for awards made on April 1, 2020, \$31.30 for awards made on April 15, 2020, and \$36.79 for awards made on May 28, 2020.

(2) Ms. Bolsinger and Mr. Sonnenberg joined the Board in March 2020 and were granted pro-rated awards in April 2020 for their service until the 2020 Annual General Meeting.

Payments to past / former Directors

There were no payments to past or former Directors for the year ended December 31, 2020.

Payments for loss of office

There were no payments for loss of office for the year ended December 31, 2020

Statement of the Directors' Shareholding and Share Interests

The Committee has adopted a policy requiring Directors to hold five times their annual cash retainer in share value (approximately \$4.7 million holding requirement for the 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, 2020, 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, 2020:

Director	Beneficially Owned Shares	% Shareholding Guideline Achieved	Number of shares under vested but unexercised stock options	Number of shares under unvested RSUs and stock options	Number of shares under unvested PBUs
Martha N. Sullivan	267,144	100 %	806,870	171,378	98,480
Jeffrey J. Cote	89,766	100 %	446,059	136,745	125,103
John P. Absmeier	4,167	100 %	—	4,078	—
Lorraine A. Bolsinger	1,199	65 %	—	4,078	—
James E. Heppelmann	13,516	100 %	14,940	4,078	—
Charles W. Pepper	15,482	100 %	15,640	4,078	—
Constance E. Skidmore	9,591	100 %	—	4,078	—
Steven A. Sonnenberg	1,199	65 %	—	4,078	—
Andrew C. Teich	13,516	100 %	15,640	4,078	—
Thomas Wroe Jr.	11,749	100 %	228,940	4,078	—
Stephen M. Zide	14,911	100 %	40,240	4,078	—

During the period from January 1, 2021 through April 1, 2021, the following changes in Mr. Cote's beneficial ownership occurred:

	Exercised	Vested	Granted
Options	—	27,081	—
RSUs	N/A	27,599	35,343
PBUs	N/A	5,305	43,197

Option exercises during 2020

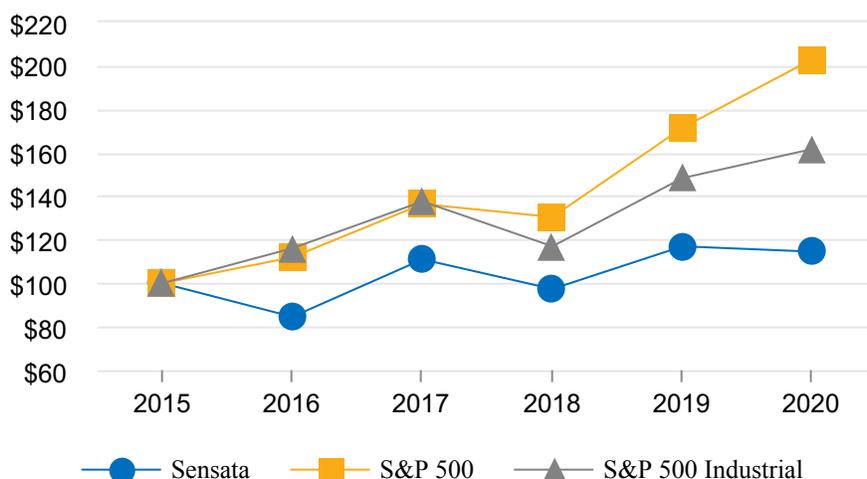
The following table is subject to audit and includes information on the stock options exercised by the Directors during the year ended December 31, 2020:

Director	Number of stock options exercised during 2020	Exercise Price	Expiry Date
Paul B. Edgerley	17,200	\$ 20.60	April 29, 2020
Charles W. Pepper	7,500	\$ 33.02	March 10, 2021
Stephen M. Zide	7,500	\$ 33.02	March 10, 2021
Martha N. Sullivan	95,500	\$ 35.01	April 1, 2021
Stephen M. Zide	17,200	\$ 20.60	April 29, 2020
Thomas Wroe Jr.	163,700	\$ 35.01	April 1, 2021
Thomas Wroe Jr.	7,500	\$ 33.02	March 10, 2021

Performance graph and table

The following graph compares the TSR of our ordinary shares since December 31, 2015 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, 2015.



TSR of \$100.00 Investment from December 31, 2015

	As of December 31,					
	2015	2016	2017	2018	2019	2020
Sensata	\$ 100.00	\$ 84.56	\$ 110.96	\$ 97.35	\$ 116.96	\$ 114.50
S&P 500	\$ 100.00	\$ 111.96	\$ 136.40	\$ 130.42	\$ 171.49	\$ 203.04
S&P 500 Industrial	\$ 100.00	\$ 116.08	\$ 137.60	\$ 116.96	\$ 148.34	\$ 161.70

Compensation of Executive Director - Single Figure Table

The following table is subject to audit and sets out the compensation paid to Executive Directors during fiscal year 2020 (Ms. Sullivan from January through February and Mr. Cote from March through December) and a comparison for fiscal year 2019 (Ms. Sullivan only):

	Base Salary (1)	Taxable Benefits (2)	Annual Incentive Bonus (3)	LTI Award (4)	Pension (5)	Total Fixed Remuneration	Total Variable Remuneration	Total
2020 - Total	\$ 700,001	\$ 23,711	\$ 937,440	\$ 3,659,024	\$ 10,682	\$ 734,394	\$ 4,596,464	\$ 5,330,858
– Ms. Sullivan	\$ 157,500	\$ 662	\$ —	\$ —	\$ 1,182	\$ 159,344	\$ —	\$ 159,344
– Mr. Cote	\$ 542,501	\$ 23,049	\$ 937,440	\$ 3,659,024	\$ 9,500	\$ 575,050	\$ 4,596,464	\$ 5,171,514
2019	\$ 945,000	\$ 27,873	\$ —	\$ 1,129,550	\$ 7,675	\$ 980,548	\$ 2,672,585	\$ 3,653,133

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

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

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

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

	RSUs (a)	PBUs (b)	Options (c)	Total
2020 - Mr. Cote	\$ 3,348,310	\$ 310,714	\$ —	\$ 3,659,024
2019	\$ 755,293	\$ 1,476,800	\$ 440,492	\$ 2,672,585

(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 \$47.99 and \$51.37 for 2020 and 2019, respectively. The RSUs granted in 2019 vest on the

third anniversary of the grant date based on continued service during the vesting period. The RSUs granted to Mr. Cote in 2020 vest annually in one-third increments beginning on the first anniversary of the grant date. The RSUs granted to Ms. Sullivan in 2020 vest on April 1, 2021.

- (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 2020 and 2019, the achieved performance on PRSUs was 33% and 94%, respectively, and the closing stock price on the date of vest was \$58.57 and \$27.75, respectively. For 2020, the achieved performance for GPUs was 33% and the closing stock price on the date of vest was \$58.57.
- (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 2020 and 2019. In 2020, no options were granted. In 2019, the options exercise price was \$46.93 and the average closing price per share for the last three months of 2019 was \$51.37.
- (5) Includes the Company's matching contributions to Mr. Cote's and Ms. Sullivan's 401(K). Ms. Sullivan's compensation related to the increase in her pension benefit adjusted for inflation was \$0 given that it is a frozen plan. Mr. Cote is ineligible for the Company's pension plan. For additional details, see the "Pension Benefits" section of the 2020 proxy statement on our website at www.sensata.com.

Annual Incentive Compensation of the CEO

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

Annual Incentive Bonus payouts are calculated as follows:

Annual Incentive Bonus Target (\$)	*	Achievement of Adjusted Operating Income Goal Relative to Target (%)	*	Achievement of Free Cash Flow Relative to Target (%)	-	Committee Adjustment (\$)	=	Annual Incentive Bonus Payout (\$)
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Adjusted Operating Income

In establishing our Adjusted Operating Income goal, the Compensation Committee considered recent earnings performance, management's near-term operating and financial plans, shareholder expectations, and the potential impact of the COVID-19 pandemic. The target 2020 goal of Adjusted Operating Income of \$767 million, represented a reduction of 2.4% over 2019 Adjusted Operating Income.

	Adjusted Operating Income Goal	Percentage of Target Payout (50% of Total Bonus)
Threshold	\$500.00	25%
Hurdle	\$525.00	50%
Hurdle	\$577.00	75%
Target/Max	\$767.00	100%

Free Cash Flow

In establishing our Free Cash Flow goal, the Compensation Committee considered recent cash flows, management's near-term operating and financial plans, shareholder expectations, and the potential impact of the COVID-19 pandemic. The target 2020 goal of Free Cash Flow of \$200 million, represented a reduction of 56.4% versus 2019 Free Cash Flow.

	Free Cash Flow	Percentage of Target Payout (50% of Total Bonus)
Threshold	\$ 100.00	50%
Target/Max	\$ 200.00	100%

As reflected in the tables above, the actual annual incentive bonus for the CEO was capped at the target payout, to limit upside during a year with unprecedented social and economic impact.

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

Actual Performance Against Adjusted Operating Income and Free Cash Flow

For 2020, we achieved 68% of Adjusted Operating Income, 100% of Free Cash Flow and 84% Annual Incentive Bonus Payout as a % of Target.

Performance Scorecard

For 2020, the Compensation Committee made the decision to forego the Performance Scorecard as part of the Annual Incentive Bonus for the NEOs and to allow our CEO, in his first year as CEO, and the other NEOs to focus on operating the business during the uncertain COVID-19 environment.

2020 Committee Discretion Adjustment

For 2020, 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 Chief Executive Officer's remuneration as a percentage of the CEO single figure. The table provides information for fiscal year 2020 and a comparison to fiscal year 2019.

	2020	2019
CEO single figure ⁽¹⁾	\$ 5,330,858	\$ 3,653,133
Bonus (% of maximum awarded)	84 %	— %
Performance-based LTI (% of maximum vesting)	19 %	54 %

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

Percentage change in compensation of CEO

The table below shows the percentage change in CEO, named executive officer (excluding the CEO) and Non-Executive Director compensation from the prior year. We have selected our named executive officer population for this comparison because it is considered to be the most relevant, due to the structure of total compensation.

	% change 2020 vs. 2019		
	Salary	Taxable Benefits	Annual Incentive Bonus ⁽³⁾
CEO ⁽¹⁾	(26)%	(15)%	N/A
Executive Employees ⁽²⁾	18 %	(85)%	N/A
Non-Executive Directors	(0.5)%	(24)%	N/A

⁽¹⁾ Includes compensation for Ms. Sullivan from January to February and Mr. Cote from March to December.

⁽²⁾ Named executive officers for 2019 included Messrs. Beringhouse, Cote, Chawla, and Vasington and for 2020 included Beringhouse, Chawla, Etienvre, Nargolwala and Vasington. In addition, the salary and taxable benefits received by Mr. Cote for January and February 2020 (prior to his appointment as CEO) are included in the calculation.

⁽³⁾ Bonuses were not paid to the CEO or Executive Employees in 2019.

Relative importance of spend on pay

During the year ended December 31, 2020, the Company's compensation paid to its employees and distributions to shareholders were as follows:

(\$ millions)		2020
Employee costs ⁽¹⁾	\$	614
Share repurchases	\$	35
Cash paid for acquired businesses	\$	64

⁽¹⁾ Includes \$19 million of share-based compensation expense, which are not cash expenditures, but we consider compensation for our employees and are included in expense as wages.

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

Statement of implementation of remuneration policy in 2021

In the coming financial year, any changes to our Executive Director's salary will be determined consistently with our directors' compensation policy. In determining pay rises for Executive Directors, pay rises for employees in the Company and other factors were taken into consideration. Benefits and pension entitlements will remain similar to those in 2020.

For the 2021 annual incentive bonus program, the performance metrics will be Adjusted Operating Income and Free Cash Flow. For LTI awards in the form of PBUs, the performance metrics will be Relative Adjusted EPS growth with an ROIC modifier. LTI awards will be a mix of RSUs and PBUs for the Executive Director and RSUs for Non-Executive Directors.

Consideration by the Directors of matters relating to Directors' Remuneration

The members of the Committee met six times during 2020. The meetings attended by each member are set out below:

	Meetings obliged to attend	Meetings attended
Lorraine A. Bolsinger ⁽¹⁾	4	4
Paul B. Edgerley ⁽²⁾	3	3
James E. Heppelmann	6	6
Constance E. Skidmore	6	6

⁽¹⁾ Ms. Bolsinger joined the Board in March 2020.

⁽²⁾ Mr. Edgerley resigned from the Board in May 2020.

FW Cook has been retained as the independent consultants since 2015. The consultant is engaged by, and reports directly to, the Chairman of the Committee. The consultant does not advise Company management or receive other remuneration from the Company. The Committee annually reviews the independence of FW Cook pursuant to United States Securities and Exchange Commission ("SEC") and NYSE rules. The Committee has determined that no conflict of interest exists that would prevent FW Cook from serving as an independent consultant to the Committee, and, therefore, considers its advice to be independent and objective. During 2020, the consultant assisted the Committee by:

- providing insights and advice regarding our Company compensation philosophy, objectives and strategy;
- developing criteria for identification of our peer group for Director compensation and Company performance review purposes;
- reviewing management's design proposals for short-term cash and long-term equity incentive compensation programs;
- providing insights and advice regarding our analysis of risks arising from our compensation policies and practices;
- providing compensation data from the Company's peer group proxy and other disclosures;
- advising on and providing comments on management's recommendations regarding senior executives' annual incentives for 2020 and equity based awards granted in 2020.

FW Cook charges the Company on an hourly rate plus expense basis. During the year ended December 31, 2020, the Company paid FW Cook \$160,038 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 2021, and the next binding vote on the Directors' compensation report will take place at the Annual General Meeting in 2022.

CEO pay ratio discussion

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	144:1	111:1	82:1
2019	Option A	107:1	82:1	59:1

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 \$5,330,858 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, 2020 have been calculated consistently with the single figure methodology and reflects their actual earnings received in 2020 (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
2020	Salary component	\$ 29,947	\$ 38,252	\$ 54,006
	Total pay and benefits	\$ 37,011	\$ 48,017	\$ 65,143
2019	Salary component	\$ 29,499	\$ 31,622	\$ 42,663
	Total pay and benefits	\$ 34,098	\$ 44,462	\$ 61,547

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

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

Sensata Technologies Holding plc

Consolidated Financial Statements

For the Years Ended

December 31, 2020 and 2019

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 (collectively, 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 2020 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 2020 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2020	Statement of financial position as at 31 December 2020
Consolidated statement of income for the year then ended	Income statement for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Consolidated statement of cash flows for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 12 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

- We understood the process undertaken by management to perform the going concern assessment, including the evaluation of the ongoing impact of COVID-19 on the Group and the Group's access to available sources of liquidity;
- We obtained management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period to 30 June 2022. 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 re-calculated the key assumptions underpinning the Group's forecasts. In particular, we assessed the achievability of the revenue projections in management's base case and downside scenarios in relation to the Group's actual performance since the onset of the COVID-19 pandemic and external appraisal industry forecasts;
- We tested the clerical accuracy of the models used to prepare the Group's going concern assessment through re-computation of the models;
- We assessed the historical accuracy of management's forecasting for the past three years to gain assurance over the prospective financial information included in the going concern assessment;
- We sensitised management's assessments using our own independently developed assumptions for a severe but plausible downside impact and confirmed these sensitivities did not give rise to any breach of covenants or the Group running out of liquidity;
- We scrutinised the results of management's stress test scenario and assessed whether this was plausible. Whilst not forecast to be required, we also considered mitigating actions and availability of additional borrowing ability assessing whether they were within management's control and whether they were supported by the actual mitigation achieved in response to COVID-19, to date;
- We obtained the signed agreements for the Group's credit facilities and read these to ensure the terms of these, including the level of facilities and basis of covenants, were consistent with those considered in management's assessment; and
- We ensured the appropriateness of the Group's disclosures concerning the going concern basis of preparation by verifying these met regulatory and legislative requirements.

We observed that whilst the Group has reported a 11% decline in total revenue for the year ended 31 December 2020, they generated \$617.7 million of operating cash flow during 2020. At 31 December 2020, the Group had cash and cash equivalents of \$1,861m in addition to \$600 million availability under the accordion and \$416.1 million available under the Revolving Credit Facility.

Our independent procedures confirmed that even with a zero free cash flow throughout the period to June 2022 the Group would not face a liquidity shortfall or the need to draw on available funds that would lead to a covenant breach.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern until at least June 2022.

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	<ul style="list-style-type: none">• We performed an audit of the complete financial information of 10 components and audit procedures on specific balances for a further 10 components.• The components where we performed full or specific audit procedures accounted for 70% of Profit before tax, 83% of Revenue and 87% of Total assets.
Key audit matters	<ul style="list-style-type: none">• Revenue recognition - management override of controls• Valuation of goodwill• Uncertain tax positions
Materiality	<ul style="list-style-type: none">• Overall Group materiality of £22 million which represents 5% of normalised Profit before tax.

An overview of the scope of the parent and group audits

Tailoring the scope

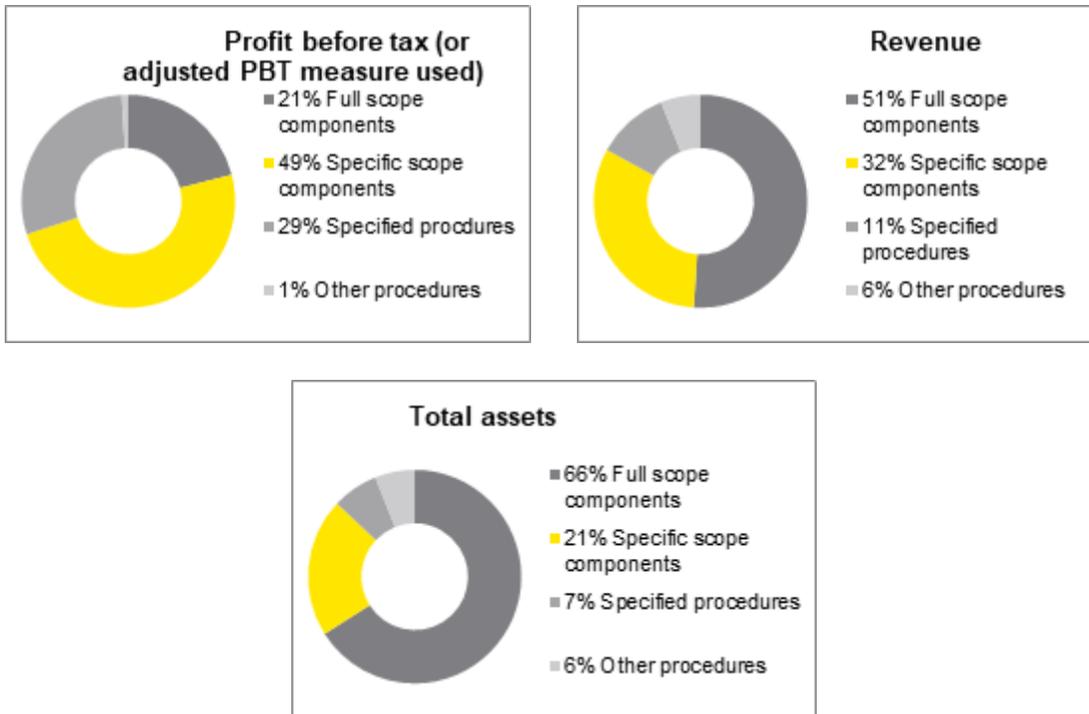
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment 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 117 reporting components of the Group, we selected 20 full and specific scope components covering entities within the United Kingdom, United States of America, Mexico, China, Netherlands, Bulgaria, Malaysia and Japan, which represent the principal business units within the Group.

Of the 20 components selected, we performed an audit of the complete financial information of 10 components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining 10 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.

The reporting components where we performed audit procedures accounted for 70% (2019: 89%) of the Group’s Profit before tax, 83% (2019: 85%) of the Group’s Revenue and 87% (2019: 84%) of the Group’s Total assets. For the current year, the full scope components contributed 21% (2019: 51%) of the Group’s Profit before tax, 51% (2019: 59%) of the Group’s Revenue and 66% (2019: 53%) of the Group’s Total assets. The specific scope component contributed 49% (2019: 38%) of the Group’s Profit before tax, 32% (2019: 27%) of the Group’s Revenue and 21% (2019: 31%) of the Group’s Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group. We also performed to perform specified procedures on 9 (2019:9) components, over certain aspects of revenue, inventory, cost of sales, property plant and equipment and research and development costs.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Of the remaining 88 components that together represent a net 1% of the Group's Profit before tax, none are individually greater than 9% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and/or 'review scope' components, to respond to any potential risks of material misstatement to the Group financial statements.

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 10 full scope components, audit procedures were performed on 6 of these directly by the primary audit team. Of the 10 specific components, audit procedures were performed on 1 of these directly by the primary audit team. Of the 9 specified procedures components, audit procedures were performed on 5 of these directly by the primary audit team.

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

The onset of the COVID-19 pandemic occurred before our audit planning procedures. Our approach to the audit was adapted to allow for fully remote working and procedures implemented to ensure Partner in Charge oversight throughout.

The Group audit team adapted their approach to interact with and oversee local EY teams in response to the COVID-19 pandemic. Due to COVID-19 travel restrictions imposed by governments, we did not complete our planned visits to the locations. In lieu of these visits, we maintained continuous dialogue with our local EY teams. This included additional meetings with our component teams and local management via videoconference and performing remote review of key workpapers associated with the component team's audit procedures.

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

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

The performance of the year end audit was also required to be conducted remotely due to COVID-19 restrictions at both certain component and Group locations. This was supported by the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence.

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

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition- management override of controls (\$3,045m of revenue, PY comparative \$3,450m)</p> <p>We identified a fraud risk related to improper revenue recognition related to manual journal entries potentially recorded for fictitious sales or incorrect amounts of revenue.</p> <p>As described in the Summary of Significant Accounting Policies in Note 2 to the consolidated financial statements, the Group recognises revenues for the transfer of promised goods in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.</p>	<p>We performed walkthroughs to understand the adequacy and the design of the revenue cycle for all significant components.</p> <p>We tested controls in the revenue and trade account receivables cycles over the accuracy and timing of revenue accounted for in the consolidated financial statements.</p> <p>We reviewed the revenue recognition policy applied by the group to ensure its compliance with IFRS 15 requirements.</p> <p>We tested the appropriateness of a sample of manual journal entries, identified using data analytics procedures, to revenue recorded in the general ledger.</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.</p>	<p>We completed our planned audit procedures with no exceptions noted.</p> <p>We have reviewed the Financial Statement disclosures and found them to comply with the applicable requirements of IFRS 15 and IAS1.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of goodwill \$3,104m (PY comparative \$3,087m)</p> <p>As of December 31, 2020, the Group’s goodwill balance was \$3.1 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, 2020. The Group completed a quantitative goodwill impairment assessment for four reporting units and a qualitative analysis for four reporting units.</p> <p>Management’s goodwill impairment analysis for the reporting units for which the quantitative method was used is complex and judgmental due to the estimation required in determining the value in use of the CGUs. In particular, the fair value estimates included significant assumptions such as the long-range plans, the selection of discount rates, and the estimation of multiples or long-term growth rates used in valuing the terminal year which are all affected by expectations about future market or economic conditions.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group’s goodwill impairment review process.</p> <p>We tested controls over management’s review of the data used in their valuation models and reviewed significant assumptions discussed (to the left in the risk overview section) used in determining the CGUs value in use values.</p> <p>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. • 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 IAS1 “Presentation of Financial Statements” (“IAS 1”), particularly those related to judgements, estimation uncertainty and sensitivities.</p> <p>The audit procedures performed to address this risk have been performed by the Group audit team.</p>	<p>Based on our procedures, we concluded the significant assumptions and estimated values in use of the cash generating units are within acceptable ranges in accordance with IAS 36.</p> <p>We have reviewed the Financial Statement disclosures, and found them to comply with the applicable requirements of IAS 36 and IAS1.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Uncertain tax positions</p> <p>At December 31, 2020, the Group had approximately \$201 million (2019:\$119 million) of unrecognized tax benefits associated with uncertain tax positions. Uncertainty in a tax position may arise as tax laws are subject to interpretation. The Group uses significant judgment in (1) determining whether a tax position's technical merits are more-likely-than-not to be sustained and (2) measuring the amount of tax benefit that qualifies for recognition.</p> <p>The recognition and measurement of tax positions related to uncertain tax positions involves judgment and use of tax professionals with specialized skills and knowledge because both the recognition and measurement of the tax positions are complex, highly judgmental and based on interpretations of tax laws and legal rulings.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's process to record the provision for uncertain tax positions.</p> <p>We tested controls over management's evaluation of the technical merits of tax positions and identification of uncertain tax positions and the controls to measure the benefit of those tax positions, including management's review of the inputs and calculations of unrecognized tax benefits resulting from uncertain tax positions.</p> <p>To test the amounts recorded as uncertain tax positions we involved our tax professionals to evaluate the technical merits of the Group's tax positions. Our procedures covering both existence and completeness included, among others,</p> <ul style="list-style-type: none"> • 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 Group's accounting for those tax positions. • we analyzed the Group's assumptions and data used to determine the amount of tax benefit to recognize and tested the accuracy of the calculations. • 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 income tax provision, including the Group's analyses of uncertain tax positions and the recoverability of uncertain taxes, 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>

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 \$22.0 million (2019: \$20.9 million), which is 5% of normalised profit before tax, this approach is a change from the prior year which was based on 5% of adjusted profit before tax. In determining our benchmark for materiality, we considered a number of different metrics used by investors and other users of the financial statements. Setting materiality when the business has been impacted by COVID-19 requires greater auditor judgement. We continue to believe that a materiality based on profit before tax is appropriate given the nature of the group, but 2020 results have been distorted as a result of the pandemic. For the current year we have sought to derive a normalised basis for setting that profit and we have set materiality at 5% of average adjusted profit before tax over the prior 3 years. Profit before tax has been adjusted for one off charges in these years related to litigation and gains on disposal of businesses.

We determined materiality for the Parent Company to be \$14.25 million (2019:\$10.45 million), which is 0.1% (2019: 0.1%) of total assets.

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

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% (2019: 50%) of our planning materiality, namely \$16.5 million (2019: \$10.4 million). We have increased our assessment of performance materiality from 50% to 75% during the year on the basis of our risk assessments.

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 \$3.0 million to \$14.25 million (2019: \$2.2 million to \$11 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$1.1 million (2019: \$1.05 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 3 through 52, 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 35 and 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101, Companies Act 2006, the Companies (Miscellaneous Reporting Regulation) 2018, the Large and Medium-sized Companies and Groups (Accounts and Reports (Amendment)) Regulations 2013) and the relevant tax compliance regulations in the UK and overseas jurisdictions. In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, employees, data protection and anti-bribery and corruption.

- We understood how Sensata Technologies Holding plc is complying with those frameworks by making enquires of senior management, in house counsel, internal audit and those charged with governance, obtaining an understanding of entity-level controls and considering the influence of the control environment; obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management’s process for identifying and responding to fraud risks, including programs and controls established to address risks identified, or otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and reviewing correspondence with relevant regulatory authorities.
- We assessed the susceptibility of the group’s financial statements to material misstatement, including how fraud might occur by meeting with senior management, in house counsel, internal audit and the audit committee to understand where it considered there was susceptibility to fraud and how it assessed whistleblowing incidences for those with a potential financial reporting impact. We considered the procedures and controls that the Group has established to address risks identified or that otherwise prevent, deter and detect fraud and how senior management monitors these controls. Where the risk was considered to be higher, including areas impacting group key performance indicators or management remuneration we performed audit procedures to address each identified fraud risk. These procedures included those on revenue recognition as detailed above in the Key Audit Matter section.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiring of senior management, in house counsel, internal audit regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; enquiring about the policies that have been established to prevent noncompliance 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.
- 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.

/s/ ERNST & YOUNG LLP

Michael Kidd (Senior statutory auditor)

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

Belfast

April 9, 2021

SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)

Consolidated Statements of Financial Position

(In thousands, except per share amounts)

	Note	As of December 31,	
		2020	2019
Assets			
Current assets:			
Cash and cash equivalents	21,28	\$ 1,861,980	\$ 774,119
Accounts receivable, net	25,28	576,647	557,874
Inventories	9	451,005	506,678
Prepaid expenses and other current assets	28	90,135	125,985
Total current assets		2,979,767	1,964,656
Non-current assets:			
Property, plant and equipment, net	10,17	845,818	879,460
Goodwill	11	3,104,291	3,086,540
Other intangible assets, net	11	840,756	934,511
Deferred income tax assets	7	91,397	16,839
Other assets	28	123,164	94,111
Total non-current assets		5,005,426	5,011,461
Total assets		\$ 7,985,193	\$ 6,976,117
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term borrowings, lease liabilities and other financing obligations	14,17,28	\$ 768,732	\$ 18,520
Accounts payable		393,907	376,968
Income taxes payable	7	19,215	31,360
Provisions	15	34,286	26,164
Accrued expenses and other current liabilities	12,13,28	278,361	173,286
Total current liabilities		1,494,501	626,298
Non-current liabilities:			
Deferred income tax liabilities	7	280,784	271,600
Provisions	13,15	48,002	67,300
Lease liabilities and other financing obligations, less current portion	14,17,28	71,829	74,858
Long-term borrowings, net	14,28	3,211,951	3,217,676
Other long-term liabilities	28	47,317	45,207
Total non-current liabilities		3,659,883	3,676,641
Total liabilities		5,154,384	4,302,939
Shareholders' equity attributable to shareholders of the Company:			
Ordinary shares, €0.01 nominal value per share, 177,069 shares authorized as of December 31, 2020 and 2019, and 173,266 and 172,561 shares issued as of December 31, 2020 and 2019, respectively	16	2,220	2,212
Treasury shares, at cost, 15,631 and 14,733 shares as of December 31, 2020 and 2019, respectively	16	(784,596)	(749,421)
Additional paid-in capital	16	1,834,571	1,798,888
Retained earnings	16	1,784,702	1,604,308
Cash flow hedging reserves	16	(6,088)	17,191
Total shareholders' equity		2,830,809	2,673,178
Total liabilities and shareholders' equity		\$ 7,985,193	\$ 6,976,117

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

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore _____

Name: Constance E. Skidmore
 Title: Director, Chair of the Audit Committee
 Date: April 9, 2021

/s/ Jeffrey J. Cote _____

Name: Jeffrey J. Cote
 Title: Director, Chief Executive Officer
 Date: April 9, 2021

SENSATA TECHNOLOGIES HOLDING PLC

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

	Note	For the year ended December 31,	
		2020	2019
Net revenue	3	\$ 3,045,578	\$ 3,450,631
Operating costs and expenses:			
Cost of revenue		2,096,981	2,266,835
Research and development		91,164	103,794
Selling, general and administrative		307,265	284,153
Amortization of intangible assets and capitalized development costs	11,22	168,392	181,404
Restructuring and other charges, net	5	29,320	79,978
Total operating costs and expenses		2,693,122	2,916,164
Other operating income, net		—	1,754
Operating Income		352,456	536,221
Interest expense, net		(176,923)	(163,831)
Other, net	6	8,030	(6,606)
Income before taxes		183,563	365,784
(Benefit from)/provision for income taxes	7	(8,673)	108,701
Net income		<u>\$ 192,236</u>	<u>\$ 257,083</u>
Net income attributable to shareholders:		\$ 192,236	\$ 257,083
Basic net income per share	8	\$ 1.22	\$ 1.60
Diluted net income per share	8	\$ 1.22	\$ 1.59

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,	
		2020	2019
Net income		\$ 192,236	\$ 257,083
Other comprehensive (loss)/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	16,19	(23,279)	7,362
Items that will never be reclassified subsequently to the consolidated statements of income:			
Remeasurement of defined benefit and retiree healthcare plans	13	(8,928)	(5,101)
Other comprehensive (loss)/income		(32,207)	2,261
Comprehensive income		\$ 160,029	\$ 259,344
Comprehensive income attributable to shareholders		\$ 160,029	\$ 259,344

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,	
		2020	2019
Cash flows from operating activities:			
Net income		\$ 192,236	\$ 257,083
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10,22	140,284	130,250
Amortization of borrowing costs	14	7,267	8,970
Share-based compensation	4	20,490	17,645
Loss on financing of borrowings	6,14	—	4,914
Amortization of intangible assets and capitalized development costs	11,22	168,392	181,404
Loss on write-down of capitalized development costs	11	16,590	5,516
Deferred income taxes	7	(53,601)	27,877
Unrealized loss on hedges and other		(3,835)	28,372
Changes in operating assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	25	(16,668)	26,605
Inventories	9	58,390	(17,592)
Prepaid expenses and other current assets		36,431	10,673
Accounts payable, accrued expenses, and current portion of provisions	12,15	63,264	(36,359)
Income taxes payable	7	(12,145)	3,046
Pension and retiree medical plans	13	(5,032)	(5,296)
Other		5,683	30,865
Net cash provided by operating activities		<u>617,746</u>	<u>673,973</u>
Cash flows from investing activities:			
Acquisitions, net of cash received		(64,432)	(32,465)
Additions to property, plant and equipment, capitalized software, and capitalized development costs	10,11	(147,752)	(205,886)
Investment in debt and equity securities	28	(22,963)	(9,950)
Other		12,022	(2,203)
Net cash used in investing activities		<u>(223,125)</u>	<u>(250,504)</u>
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares	4,16	15,457	15,150
Payment of employee restricted stock tax withholdings		(2,911)	(6,990)
Proceeds from issuance of borrowings	14	1,150,000	450,000
Payments on borrowings	14	(425,852)	(477,289)
Payments to repurchase ordinary shares	16	(35,175)	(350,004)
Payments of borrowings and equity issuance costs		(8,279)	(10,050)
Other		—	—
Net cash provided by/(used in) financing activities		<u>693,240</u>	<u>(379,183)</u>
Net change in cash and cash equivalents		1,087,861	44,286
Cash and cash equivalents, beginning of year	21	774,119	729,833
Cash and cash equivalents, end of year	21	<u>\$ 1,861,980</u>	<u>\$ 774,119</u>
Supplemental cash flow items:			
Cash paid for interest, included in operating cash flows		\$ 164,494	\$ 169,543
Cash paid for income taxes, included in operating cash flows		\$ 65,823	\$ 61,031

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, 2019	171,719	\$ 2,203	(7,571)	\$ (399,417)	\$ 1,760,718	\$ 9,829	(\$ 1,359,319)	\$ 2,732,652	
Surrender of shares for tax withholding	—	—	(149)	(6,990)	—	—	—	(6,990)	
Stock options exercised	537	6	—	—	15,144	—	—	15,150	
Vesting of restricted securities	454	5	—	—	—	—	(5)	—	
Repurchase of ordinary shares	—	—	(7,162)	(350,004)	—	—	—	(350,004)	
Other retirements of treasury shares	(149)	(2)	149	6,990	—	—	(6,988)	—	
Share-based compensation	—	—	—	—	17,645	—	—	17,645	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	5,381	—	—	5,381	
Net income	—	—	—	—	—	—	257,083	257,083	
Other comprehensive income	—	—	—	—	—	7,362	(5,101)	2,261	
Total comprehensive income	—	—	—	—	—	—	—	—	\$ 259,344
Balance as of December 31, 2019	172,561	2,212	(14,733)	(749,421)	1,798,888	17,191	1,604,308	2,673,178	
Surrender of shares for tax withholding	—	—	(96)	(2,911)	—	—	—	(2,911)	
Stock options exercised	452	5	—	—	15,452	—	—	15,457	
Vesting of restricted securities	349	4	—	—	—	—	(4)	—	
Repurchase of ordinary shares	—	—	(898)	(35,175)	—	—	—	(35,175)	
Other retirements of treasury shares	(96)	(1)	96	2,911	—	—	(2,910)	—	
Share-based compensation	—	—	—	—	20,490	—	—	20,490	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	(259)	—	—	(259)	
Net income	—	—	—	—	—	—	192,236	192,236	
Other comprehensive loss	—	—	—	—	—	(23,279)	(8,928)	(32,207)	
Total comprehensive income	—	—	—	—	—	—	—	—	\$ 160,029
Balance as of December 31, 2020	173,266	\$ 2,220	(15,631)	\$ (784,596)	\$ 1,834,571	\$ (6,088)	\$ 1,784,702	\$ 2,830,809	

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 wholly-owned 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 SN4 8SY, United Kingdom.

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

Sensata plc conducts its operations through subsidiary companies that operate business and product development centers primarily in Belgium, Bulgaria, China, Denmark, France, India, Japan, 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 operate in, and report financial information for, the following 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, 2020 were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 9, 2021. These financial statements will be presented to shareholders for approval on May 27, 2021.

2. Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements and the accompanying notes have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 have taken multiple steps to enhance our financial flexibility. In fiscal year 2020, we implemented various cost reduction activities, including temporary salary reductions and furloughs, resulting in savings during the year of approximately \$21.8 million, including the impact of government subsidies. We have continued working to align our long-term operating costs with future expected demand levels, maintaining lower levels of discretionary spending and keeping production in certain

facilities at a level necessary to be in line with end market demand. In addition, we reduced our capital expenditures for fiscal year 2020 and are carefully managing our working capital.

In addition, we have been active in the capital markets. On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the coronavirus ("COVID-19") pandemic at the time, we withdrew \$400.0 million from our \$420.0 million revolving credit facility (the "Revolving Credit Facility"). In August 2020, we took advantage of historically low interest rates in issuing \$750.0 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes") under an indenture dated as of August 17, 2020 and used \$400.0 million of these proceeds to repay the balance outstanding on the Revolving Credit Facility. On March 5, 2021, we used cash on hand to redeem the outstanding balance on our \$750.0 million aggregate principal amount of 6.25% senior notes due 2026 (the "6.25% Senior Notes"). On March 29, 2021, we issued \$750.0 million aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"). Refer to Note 14, "Borrowings," for additional information on these capital transactions. In taking these actions, we are extending the maturity of our debt profile and lowering our cost of capital.

As of December 31, 2020, we had \$1.9 billion cash and cash equivalents. We also have approximately \$0.6 billion availability under our senior secured credit facilities (the "Senior Secured Credit Facilities") and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net income of \$3,045 million and \$192 million, respectively, in fiscal year 2020. We generated \$617.7 million of operating cash flow in fiscal year 2020. For the full year 2021, while our degree of market uncertainty remains, we expect a continuation of recent rebounding economic and business conditions. We expect that North America automotive original equipment manufacturer ("OEM") production will rebound sharply in fiscal year 2021, as the industry seeks to address record low inventory levels at the end of 2020. Global automotive production is expected to grow in fiscal year 2021, as the industry seeks to address low inventory levels at the end of 2020. In addition, we expect market outgrowth in our automotive business to be in the range of 400 to 600 basis points for fiscal year 2021. We expect market outgrowth in our heavy vehicle and off-road ("HVOR") business to be in the range of 600 to 800 basis points for fiscal year 2021.

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

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, including global economic conditions caused by the COVID-19 pandemic, 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, 2022, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2022.

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 for the foreseeable future. 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.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Sensata plc and its subsidiaries at December 31, 2020. 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, 2020 is presented below. All subsidiaries are fully owned. 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.	6D, Route de Trèves L - 2633 Senningerberg, Luxembourg	Luxembourg
August Lux Holding Company S.á.r.l.	6D, route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg	Luxembourg
August Lux UK Holding Company S.á.r.l.	6D, Route de Trèves L - 2633 Senningerberg, Luxembourg	Luxembourg
August UK HoldCo Limited	Interface House Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Wiltshire SN4 8SY	United Kingdom
BEI North America, LLC	1461 Lawrence Drive, Thousand Oaks, CA 91320	United States

Name	Registered Address	Jurisdiction of Incorporation
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.	228 Northeast Road Standish, Maine 04084	United States
Crydom SSR Limited	Everdene House, Deasleigh Rd, Bournemouth BH7 7DU	United Kingdom
Crydom, Inc.	2320 Paseo de las Americas, Suite 201, San Diego, CA 92154	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.	1461 Lawrence Drive, Thousand Oaks, CA 91320	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.	1461 Lawrence Drive, Thousand Oaks, CA 91320	United States
Custom Sensors & Technologies US LLC	1461 Lawrence Drive, Thousand Oaks, CA 91320	United States
Cynergy3 Components Fab Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Components LLC	11642 Knott Avenue, Unit E-5, Garden Grove, CA 92841	United States
Cynergy3 Components Ltd.	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
DeltaTech Controls (Hong Kong) Company Limited	RM 1007-1008 10/F HARCOURT HSE 39 Gloucester Road Wanchai, Hong Kong	Hong Kong
DeltaTech Controls (Shanghai) Company Limited	3rd F. North Building No. 239 Gangao Road W.G.Q. FTZ Pudong Shanghai, 200131	China
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
Newall Electronics Inc.	1803 O'Brien Road, Columbus, OH 43228	United States
Newall Measurement Systems LTD	Technology Gateway, Cornwall Road South Wigston, Leicester, Leicestershire, LE18 4XH	United Kingdom
Preco Electronics, LLC	1035 Emerald Street, #100, Boise, ID 83704	United States
Preco Electronics GmbH	Brienner Str. 28, c/o Noerr LLP, 80333, Munch, Germany	Germany
Schrader Electronics Limited	11 Technology Park Antrim N. Ireland BT41 1QS	United Kingdom
Schrader Engineered Products (Kunshan) Co. Ltd.	Building No. 1 Euro-Park, 78 Middle of Gu, Gheng Road, Kunshan, China 21534	China
Schrader International Brasil Ltda.	Avenida Malek Assad 1600, Bairro Meia Lua CEP 12328-900 City of Jacarei State of São Paulo	Brazil
Schrader International GmbH	Gewerbepark 15, 85250 Altomünster Germany	Germany
Schrader, LLC	205 Frazier Rd, Altavista, VA 24517	United States
Sensata Canada, Inc.	Gowling WLG, Gowling WLG, 160 Elgin Street, 2600, Ottawa, Ontario, Canada K1P 1C3	Canada
Sensata Finance Ireland Limited	25-28 North Wall Quay, Dublin 1, Ireland	Ireland
Sensata Finance Ireland Limited II	25-28 North Wall Quay, Dublin 1, Ireland	Ireland
Sensata Germany GmbH	Potsdamer Strasse 14, Minden, 32423, Germany	Germany
Sensata Malta Holding Ltd	93, Mill Street, Zone 5 Central Business District, Qormi CBD 5090, Malta	Malta
Sensata Technologies (Europe) Limited	Interface House Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Automotive Sensors (Shanghai) Co., Ltd.	Building No. 8, Lane No. 55, Feng-Gong Road, Ma Lu Town, Jia Ding district, Shanghai	China
Sensata Technologies B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Baoying Co., Ltd.	9 East Taishan Road, Baoying Economic Development Zone, Baoying, China	China
Sensata Technologies Bermuda Ltd.	Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Bermuda
Sensata Technologies Bulgaria EOOD	7 Iskarsko Shose Blvd Building 15, Office 3 Iskar Region 1528 Sofia, Bulgaria	Bulgaria
Sensata Technologies Changzhou Co., Ltd.	18 Chuangxin Avenue Xinbei District Changzhou 213031, China	China
Sensata Technologies China Co., Ltd.	Room 2429, Building B, No. 51, Ri Jing Road, Shanghai Waigaoqiao, Free Trade Zone, Shanghai Municipality 200131, the People's Republic of China	China
Sensata Technologies de México, S. de R.L. de C.V.	Ave. Aguascalientes Sur 401, Ex-Ejido Ojocaliente Aguascalientes, C.P. 20190 Aguascalientes, Mexico	Mexico

Name	Registered Address	Jurisdiction of Incorporation
Sensata Technologies Dominicana, S.r.L.	Box 2775 Parque Industrial Itabo (PIISA) Haina Dominican Republic	Dominican Republic
Sensata Technologies Finance Company, LLC	c/o Sensata Technologies, 529 Pleasant Street, Attleboro, MA 02703	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 Hong Kong, Limited	16th-19th Floors, Prince's Building, 10 Chater Road, Central, Hong Kong	Hong Kong
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
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, 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, TAMPS, 87316 Mexico	Mexico
Sensata Technologies Poland Sp. z.o.o	Oddział w Polsce Ul. Wojska Polskiego 65 85-825 Bydgoszcz	Poland
Sensata Technologies Sensores e Controles do Brasil Ltda.	Rua Azarias de Melo, 648/660, Bairro Taquaral, CEP 13090-080 Campinas, São Paulo, Brazil	Brazil
Sensata Technologies Sensors (Changzhou) Co., Ltd	No. 19 Chuangxin No. 1 Road, Xinbei District, Changzhou	China
Sensata Technologies Singapore Pte. Ltd.	3 Bishan Place #02-04, CPF Building, Singapore 579838	Singapore
Sensata Technologies Spain, S.L.	(Corporate Domicile) at Calle Jose Abascal, 56 2nd floor, 28003, Madrid	Spain
Sensata Technologies Taiwan Co., Ltd.	7F., No.163, Sec. 1, Keelung Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	Taiwan
Sensata Technologies UK Financing Co., plc	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies US II, LLC	c/o Sensata Technologies, 529 Pleasant Street, Attleboro, MA 02703	United States
Sensata Technologies US, LLC	c/o Sensata Technologies, 529 Pleasant Street ,Attleboro, MA 02703	United States
Sensata Technologies, Inc.	529 Pleasant Street Attleboro, MA 02703	United States
Sensor-Nite N.V.	Industrielaan 24 B-2250 Olen, Belgium	Belgium
ST August Lux Company S.á.r.l.	6D, route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg	Luxembourg
ST August Lux Intermediate Holdco S.á.r.l.	6D, route de Trèves L-2633 Senningerberg Grand Duchy of 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.	529 Pleasant Street Attleboro, MA 02703	United States
Swindon Silicon Systems Limited	Interface House Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Wiltshire SN4 8SY	United Kingdom
Wabash Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Wabash Technologies Mexico S. de R.L. de C.V.	de la Eficiencia, #2700 Mexicali, Baja California 21210 Mexico	Mexico

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: Our judgments regarding the existence of impairment indicators are based on several factors, including the performance of the end-markets served by our customers, as well as the actual financial performance of our cash-generating units and their respective financial forecasts over the long-term. Refer to Note 11, "Goodwill and Other Intangible Assets" for additional information.

Identification of cash-generating units. We establish our cash-generating units based on an analysis of the lowest level of assets generating independent cash flows. Goodwill is assigned to cash-generating units as of the date of the related acquisition. If goodwill is assigned to more than one cash-generating unit, we utilize an allocation methodology that is consistent with the manner in which the amount of goodwill in a business combination is determined. We periodically review these cash-generating units to ensure that they continue to reflect the manner in which the business is operated.

Historically, we have identified seven cash-generating units. In the fourth quarter of 2020, in connection with our review of these cash-generating units, and consistent with our determination that our Performance Sensing operating segment was now two separate operating segments, we determined that our Performance Sensing cash-generating unit was now two separate cash-generating units, Automotive and HVOR. Refer to Note 20, "Segment Reporting," for additional information on this decision. We reassigned assets and liabilities, including goodwill, to these new cash-generating units as required by international accounting standards. This did not result in an impairment of the goodwill of either cash-generating unit. Accordingly, we now have eight cash-generating units: Automotive, HVOR, Electrical Protection, Industrial Sensing, Aerospace, Power Management, Interconnection, and Inverters.

In the event we reorganize our business, we reassign the assets (including goodwill) and liabilities among the affected cash-generating units using a reasonable and supportable methodology. As businesses are acquired, we assign assets acquired (including goodwill) and liabilities assumed to a new or existing cash-generating unit as of the date of the acquisition.

In the event a disposal group meets the definition of a business, goodwill is allocated to the disposal group based on the relative fair value of the disposal group to the retained portion of the related cash-generating unit.

Estimates: IAS 36 *Impairment of Assets* permits the carry-forward of the most recent quantitative goodwill impairment analysis for individual cash-generating units from a preceding year, provided certain conditions are met. Otherwise, we perform an impairment test at the cash-generating unit level by comparing the cash-generating unit's carrying amount, including goodwill, with its recoverable amount.

When using this approach, we estimate the recoverable amount of cash-generating units based on 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 and an estimated weighted-average cost of capital appropriate for each cash-generating unit, giving consideration to valuation multiples (e.g., Invested Capital/EBITDA) for peer companies. We then compare the estimated value-in-use of each cash-generating unit to its net book value, including goodwill. If the carrying amount of a cash-generating unit 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.

The preparation of forecasts of revenue growth and profitability for use in the long-range plans, the selection of the pretax discount rates, and the estimation of the terminal year multiples involve significant judgments. Changes to these assumptions could affect the estimated value-in-use of one or more of the cash-generating units and could result in a goodwill impairment charge in a future period. Specific assumptions used in estimating the recoverable amount of our cash-generating units are disclosed in Note 11, "Goodwill and Other Intangible Assets."

In general, using these assumptions, the excess of recoverable amounts of our cash-generating units is at least 50%. The Aerospace cash generating unit is at 28.2% and represents our largest risk of future impairment. If our assumptions regarding this cash-generating unit does 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 income taxes include evaluation of unrecognized tax benefits and evaluation of recoverability of deferred tax assets.

We periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized. At each reporting period, we evaluate the projected operating results of the underlying entities for which deferred tax assets are recorded to conclude on our recognition of the deferred tax asset. The preparation of forecasts involve significant judgments and changes to the forecasts could result in a change in the value of our deferred tax assets. 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 balance sheet 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, and 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. 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 PO, 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 PO, 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 twelve to eighteen months after the date we ship the product to our customer or for a period of twelve months after the date the customer resells our product, whichever comes first. Our liability associated with this warranty is, at our option, to repair the product, replace the product, or provide the customer with a credit. We do not offer separately priced extended warranty or product maintenance contracts. Warranty provisions are recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Refer also to Note 15, "Commitments, Contingencies, and Provisions."

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

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

Share-Based Compensation

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

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

We estimate the fair value of options on the grant date using the Black-Scholes-Merton option-pricing model. Key inputs and assumptions used in this model are as follows:

- The fair value of the underlying ordinary shares. This is determined as the closing price of our ordinary shares on the New York Stock Exchange (the "NYSE") on the grant date.
- The expected term. This is determined based upon our own historical average term of exercised and outstanding options.
- Expected volatility. We consider our own historical volatility, as well as the historical and implied volatilities of publicly-traded companies within our industry, in estimating expected volatility for options. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility.

- Risk-free interest rate. The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected term of the related option grant.
- Expected dividend yield. The dividend yield of 0% is based on our history of having never declared or paid any dividends on our ordinary shares, as well as our current intention not to declare dividends in the foreseeable future.

Restricted securities are valued using the closing price of our ordinary shares on the 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 balance sheet 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. 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, 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 is 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 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 7% of our net revenue for the year ended December 31, 2020. 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: We have identified eight cash-generating units: Automotive, HVOR, Electrical Protection, Industrial Sensing, Aerospace, Power Management, Interconnection, and Inverters. Refer to the "Use of Estimates and Judgments" section 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 cash-generating units 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 the "Use of Estimates and Judgments" section 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," 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. 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 all 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 balance sheet 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 balance sheet date, with gains or losses recognized in other, net in the consolidated statements of operations.

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, 2020 and 2019:

	Performance Sensing		Sensing Solutions		Total	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2020	2019	2020	2019	2020	2019
Net revenue:						
Automotive	\$ 1,715,749	\$ 1,986,537	\$ 35,621	\$ 42,446	\$ 1,751,370	\$ 2,028,983
HVOR	508,061	559,479	—	—	508,061	559,479
Industrial	—	—	189,782	351,942	189,782	351,942
Appliance and HVAC	—	—	336,506	201,745	336,506	201,745
Aerospace	—	—	136,167	176,505	136,167	176,505
Other	—	—	123,692	131,977	123,692	131,977
Net revenue	<u>\$ 2,223,810</u>	<u>\$ 2,546,016</u>	<u>\$ 821,768</u>	<u>\$ 904,615</u>	<u>\$ 3,045,578</u>	<u>\$ 3,450,631</u>

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

Contract Assets and Liabilities

We have not recorded contract assets other than accounts receivable. Contract liabilities, whereby we receive payment from customers related to our promise to satisfy performance obligations in the future, are not material.

4. Share-Based Payment Plans

We issue share-based compensation awards under the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan"). The purpose of the 2010 Equity Incentive Plan is to promote

long-term growth and profitability by providing our present and future eligible directors, officers, and employees with incentives to contribute to, and participate in, our success. There are 10.0 million ordinary shares authorized for grants of awards under the 2010 Equity Incentive Plan, of which 1.8 million were available as of December 31, 2020.

Refer to Note 2, "Significant Accounting Policies," for discussion of the accounting policies related to share-based compensation.

Share-Based Compensation Awards

We grant option, restricted stock unit ("RSU"), and performance-based restricted stock unit ("PRSU") awards under the 2010 Equity Incentive Plan. For option and RSU awards, vesting is typically subject only to service conditions. For PRSU awards, vesting is also subject to service conditions, however the number of awarded units that ultimately vest also depends on the attainment of certain predefined performance criteria. Our awards include continued vesting provisions for retirement eligible employees. Throughout this Report, RSU and PRSU awards are often referred to collectively as "restricted securities."

Options

A summary of stock option activity for the years ended December 31, 2020 and 2019 is presented in the table below (amounts have been calculated based on unrounded shares):

	Number of Options (thousands)	Weighted- Average Exercise Price Per Option	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance as of December 31, 2018	3,702	\$ 38.89	5.3	\$ 27,846
Granted	382	\$ 46.92		
Forfeited or expired	(83)	\$ 48.92		
Exercised	(537)	\$ 28.21		\$ 11,690
Balance as of December 31, 2019	3,464	\$ 41.19	5.0	\$ 44,696
Forfeited or expired	(155)	\$ 48.30		
Exercised	(452)	\$ 34.22		\$ 5,117
Balance as of December 31, 2020	2,857	\$ 41.90	4.4	\$ 31,955
Options vested and exercisable as of December 31, 2020	2,445	\$ 40.92	3.8	\$ 29,896
Vested and expected to vest as of December 31, 2020	2,831	\$ 41.85	4.3	\$ 31,829

During 2020, a total of 452 thousand options were exercised at an average selling price of \$45.54. During 2019, a total of 537 thousand options were exercised at an average selling price of \$49.97. The range of exercise prices of our outstanding options at December 31, 2020 was \$20.60 to \$56.94.

A summary of the status of our unvested options as of December 31, 2020, and of the changes during the year then ended, is presented in the table below (amounts have been calculated based on unrounded shares):

	Number of Options (thousands)	Weighted- Average Grant- Date Fair Value
Balance as of December 31, 2019	818	\$ 14.33
Vested during the year	(333)	\$ 13.17
Forfeited during the year	(73)	\$ 14.58
Balance as of December 31, 2020	412	\$ 15.22

The fair value of stock options that vested during the years ended December 31, 2020 and 2019 was \$4.4 million and \$7.8 million, respectively.

Option awards granted to employees under the 2010 Equity Incentive Plan generally vest 25% per year over four years from the grant date. We recognize compensation expense for options on an accelerated 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 60 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 six months after the participant's termination date).

For options granted in or after April 2019, the same terms apply, except that fully vested options expire 90 days after termination of the participant's employment for any reason other than termination for cause (in which case the options expire on the participant's termination date), termination due to death or disability (in which case the options expire one year after the participant's termination date), and termination for a qualified retirement (in which case options will continue to vest and expire ten years from the grant date).

We did not grant any options in the year ended December 31, 2020. The weighted-average grant-date fair value per option granted during the year ended December 31, 2019 was \$13.90. The fair value of options was estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The weighted-average key assumptions used in estimating the grant-date fair value of options for the year ended December 31, 2019 were as follows:

Expected dividend yield	0 %
Expected volatility	25.00 %
Risk-free interest rate	2.35 %
Expected term (years)	6.0
Fair value per share of underlying ordinary shares	\$ 46.92

Restricted Securities

We grant RSU awards that cliff vest between one and three years from the grant date, and we grant PRSU awards that cliff vest three years after the grant date. For PRSU awards, the number of units that ultimately vest depends on the extent to which certain performance criteria are met, as described in the table below. For restricted securities granted in or after April 2019, terms include provisions allowing continued or accelerated vesting for a qualified retirement. Beginning in April 2020, we granted RSUs that vest ratably over three years, one-third per year beginning on the first anniversary of the grant date. These RSUs will fully vest on various dates between April 2023 and December 2023.

A summary of restricted securities granted in the years ended December 31, 2020 and 2019 is presented below:

(Awards in thousands)	RSU Awards Granted	Weighted-Average Grant-Date Fair Value	Percentage Range of Units That May Vest ⁽¹⁾			
			0.0% to 150.0%		0.0% to 172.5%	
			PRSU Awards Granted	Weighted-Average Grant-Date Fair Value	PRSU Awards Granted	Weighted-Average Grant-Date Fair Value
2020	806	\$ 29.06	—	\$ —	401	\$ 28.22
2019	298	\$ 47.73	76	\$ 46.92	138	\$ 46.92

⁽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, 2020 reflects our estimate of the probable outcome of the performance conditions associated with the PRSU awards granted in fiscal years 2020 and 2019.

A summary of activity related to outstanding restricted securities for fiscal years 2020 and 2019 is presented in the table below (amounts have been calculated based on unrounded shares):

	Restricted Securities (thousands)	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2018	1,119	\$ 44.66
Granted ⁽¹⁾	555	\$ 46.73
Forfeited	(115)	\$ 47.07
Vested	(454)	\$ 39.62
Balance as of December 31, 2019	1,105	\$ 47.51
Granted	1,207	\$ 28.78
Forfeited	(284)	\$ 37.89
Vested	(349)	\$ 43.54
Balance as of December 31, 2020	1,679	\$ 36.49

⁽¹⁾ Includes 43 thousand PRSU awards granted due to greater than 100% vesting

Aggregate intrinsic value information for restricted securities as of December 31, 2020 and 2019 is presented below:

	As of December 31,	
	2020	2019
Outstanding	\$ 88,534	\$ 59,526
Expected to vest	\$ 58,675	\$ 34,717

The weighted-average remaining periods over which the restrictions will lapse as of December 31, 2020 and 2019 are as follows:

	As of December 31,	
	2020	2019
<i>(Amounts in years)</i> Outstanding	1.1	1.1
Expected to vest	1.1	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, during the identified periods:

	For the year ended December 31,	
	2020	2019
Options	\$ 1,744	\$ 5,440
Restricted securities	18,746	12,205
Total share-based compensation expense	\$ 20,490	\$ 17,645

In fiscal years 2020 and 2019, we recognized \$2.5 million and \$3.2 million, respectively, of income tax benefit associated with share-based compensation expense.

The table below presents unrecognized compensation expense at December 31, 2020 for each class of award, and the remaining expected term for this expense to be recognized:

	Unrecognized Compensation Expense	Expected Recognition (years)
Options	\$ 775	1.2
Restricted securities	20,084	1.3
Total unrecognized compensation expense	<u>\$ 20,859</u>	

5. Restructuring and Other Charges, Net

On June 30, 2020, in response to the potential long-term impact of the global financial and health crisis caused by the COVID-19 pandemic on our business, we committed to a plan to reorganize our business (the "Q2 2020 Global Restructure Program"). The Q2 2020 Global Restructure Program, consisting of voluntary and involuntary reductions-in-force, was commenced in order to align our cost structure to the demand levels that we anticipated in the coming quarters. We have taken a large portion of the actions contemplated under the Q2 2020 Global Restructure Program, with the majority expected to be completed on or before June 30, 2021.

The reductions-in-force, which are subject to the laws and regulations of the countries in which the actions are planned, are expected to impact approximately 880 positions. Over the life of the Q2 2020 Global Restructure Program, we expect to incur restructuring charges of between \$31.0 million and \$33.7 million related to reductions-in-force. We expect to settle these charges with cash on hand.

	For the year ended December 31,	
	2020	2019
Q2 2020 Global Restructure Program, net	\$ 19,526	\$ —
Other severance costs, net ⁽¹⁾	7,733	27,474
Other ⁽²⁾	2,061	52,504
Restructuring and other charges, net	<u>\$ 29,320</u>	<u>\$ 79,978</u>

⁽¹⁾ For each of the years ended December 31, 2020 and 2019, these charges include termination benefits provided in connection with workforce reductions of manufacturing, engineering, and administrative positions, including the elimination of certain positions related to site consolidations, net of reversals. For the year ended December 31, 2020, these charges included termination benefits arising from the shutdown and relocation of operating sites in Northern Ireland and Belgium. For the year ended December 31, 2019, these charges include approximately \$12.7 million of benefits provided under a voluntary retirement incentive program offered to a limited number of eligible employees in the U.S, and \$6.5 million of termination benefits provided under a one-time benefit arrangement related to the shutdown and relocation of an operating site in Germany.

⁽²⁾ On February 14, 2020, a federal jury found us liable for damages in an existing patent infringement case with Wasica Finance GmbH ("Wasica") in the amount of \$31.2 million. In the year ended December 31, 2019, we recognized \$31.2 million related to this matter in restructuring and other charges. This matter was settled for \$31.6 million in the year ended December 31, 2020. The additional \$0.4 million loss is included in restructuring and other charges, net. In the year ended December 31, 2019, we also recorded a \$21.3 million loss related to the termination of a supply agreement with Metal Seal Precision, Ltd. Refer to Note 15, "Commitments, Contingencies, and Provisions" for additional information related to the Wasica matter.

Changes to our severance liability during the years ended December 31, 2020 and 2019 were as follows:

	Q2 Plan	Other	Total
Balance as of December 31, 2018	\$ —	\$ 2,249	\$ 2,249
Charges, net of reversals	—	27,474	27,474
Payments	—	(21,095)	(21,095)
Foreign currency remeasurement	—	55	55
Balance as of December 31, 2019	—	8,683	8,683
Charges, net of reversals	19,526	7,733	27,259
Payments	(13,853)	(12,961)	(26,814)
Foreign currency remeasurement	491	214	705
Balance as of December 31, 2020	<u>\$ 6,164</u>	<u>\$ 3,669</u>	<u>\$ 9,833</u>

6. Other, Net

Other, net for the years ended December 31, 2020 and 2019 consisted of the following :

	For the year ended December 31,	
	2020	2019
Currency remeasurement gain/(loss) on net monetary assets ⁽¹⁾	\$ 11,101	\$ (6,814)
(Loss)/gain on foreign currency forward contracts ⁽²⁾	(6,762)	2,225
Gain on commodity forward contracts ⁽²⁾	10,027	4,888
Loss on borrowings ⁽³⁾	—	(4,914)
Net periodic benefit cost, excluding service cost	(1,879)	(1,322)
Other	(4,457)	(669)
Other, net	<u>\$ 8,030</u>	<u>\$ (6,606)</u>

⁽¹⁾ Relates to the remeasurement of non-U.S. dollar denominated net monetary assets and liabilities into U.S. dollars. Refer to the *Foreign Currency* section of Note 2, "Significant Accounting Policies," for discussion.

⁽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 debt financing transactions.

7. Income Taxes

Effective April 27, 2006 (inception), and concurrent with the completion of the acquisition of the Sensors & Controls business ("S&C") of Texas Instruments Incorporated ("TI") (the "2006 Acquisition"), we commenced filing tax returns in the Netherlands as a stand-alone entity. On March 28, 2018, the Company reincorporated its headquarters in the U.K.

(Benefit from)/provision for income taxes

(Benefit from)/provision for income taxes for the years ended December 31, 2020 and 2019 was as follows:

	For the year ended December 31,	
	2020	2019
Current tax expense:		
Current year	\$ 45,091	\$ 79,152
Adjustment in respect of current income tax of previous year	(163)	1,672
Deferred tax expense:		
Origination and reversal of temporary differences	(79,806)	4,061
Change in tax rate	19,932	3,666
Recognition of previously unrecognized tax losses and deductible temporary differences	6,273	20,150
Total	<u>\$ (8,673)</u>	<u>\$ 108,701</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,	
	2020	2019
Tax (expense)/benefit recognized:		
Directly in equity	\$ (259)	\$ 5,381
In accumulated other comprehensive loss	\$ 12,032	\$ (706)

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,	
	2020	2019
Tax computed at statutory rate of 19%	\$ 34,877	\$ 69,499
Intangible property transfers	(54,188)	—
Foreign tax rate differential	(13,027)	(10,334)
Withholding taxes not creditable	12,198	9,509
Change in tax laws or rates	11,760	5,517
R&D incentives	(9,424)	(8,342)
Unrealized foreign exchange gains, net	(7,451)	378
Changes in recognition of tax losses	6,273	20,150
Reserve for tax exposure	(4,581)	23,359
Nontaxable items and other	14,890	(1,035)
(Benefit from)/provision for income taxes	<u>\$ (8,673)</u>	<u>\$ 108,701</u>

Intangible property transfers

The decrease in our effective tax rate for the year ended December 31, 2020, was primarily due to a \$54.2 million net income tax benefit in the fourth quarter of 2020 related to intangible property transfers.

Foreign tax rate differential

We operate in locations outside the U.K., including Belgium, Bermuda, Bulgaria, China, Malaysia, 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.

Our subsidiary in Changzhou, China is currently eligible for a reduced tax rate of 15%, which is effective through 2021. The impact on current tax expense of the tax holidays and exemptions is included in the foreign tax rate differential line in the reconciliation of the statutory tax rate to 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. Certain R&D expenses are eligible for a bonus deduction under China's R&D super deduction regime. In fiscal year 2018, we substantially completed an assessment of our ability to claim an R&D credit in the U.S. As a result of this assessment, we recorded a tax benefit of \$10.0 million.

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, 2020 is as follows:

	Beginning of the year	Recognized in:			End of the Year
		Equity	Other comprehensive income	Net income	
Deferred tax assets:					
Inventories and related reserves	\$ 17,291	\$ —	\$ —	\$ (6,876)	\$ 10,415
Accrued expenses	64,388	—	—	976	65,364
Property, plant and equipment	6,055	—	—	10,876	16,931
Intangible assets	38	—	—	54,300	54,338
Unrealized exchange loss	1,328	—	—	1,152	2,480
Net operating loss and interest expense carryforwards	148,164	157	—	40,927	189,248
Pension liability	8,927	—	4,197	(480)	12,644
Share-based compensation	12,000	(416)	—	(1,393)	10,191
Total deferred tax assets	258,191	(259)	4,197	99,482	361,611
Deferred tax liabilities:					
Property, plant and equipment	(24,250)	—	—	(5,720)	(29,970)
Intangible assets and goodwill	(449,080)	—	—	(36,002)	(485,082)
Unrealized foreign exchange gain	(6,706)	—	7,835	(1,712)	(583)
Tax on undistributed earnings of subsidiaries	(31,636)	—	—	(3,618)	(35,254)
Other	(1,280)	—	—	1,171	(109)
Total deferred tax liabilities	(512,952)	—	7,835	(45,881)	(550,998)
Net deferred tax liabilities	\$ (254,761)	\$ (259)	\$ 12,032	\$ 53,601	\$ (189,387)

A rollforward of the primary components of deferred income tax assets and liabilities as of December 31, 2019 is as follows:

	Beginning of the year	Acquisition	Recognized in:			End of the Year
			Equity	Other comprehensive income	Net income	
Deferred tax assets:						
Inventories and related reserves	\$ 15,105	\$ 270	\$ —	\$ —	\$ 1,916	\$ 17,291
Accrued expenses	69,055	(288)	—	—	(4,379)	64,388
Property, plant and equipment	9,759	273	—	—	(3,977)	6,055
Intangible assets	158	—	—	—	(120)	38
Unrealized exchange loss	3,620	—	—	—	(2,292)	1,328
Net operating loss and interest expense carryforwards	152,470	(534)	—	—	(3,772)	148,164
Pension liability	8,047	—	—	1,748	(868)	8,927
Financing fees and other	348	87	—	—	(435)	—
Share-based compensation	8,975	—	5,381	—	(2,356)	12,000
Total deferred tax assets	267,537	(192)	5,381	1,748	(16,283)	258,191
Deferred tax liabilities:						
Property, plant and equipment	(18,316)	—	—	—	(5,934)	(24,250)
Intangible assets and goodwill	(436,069)	(2,444)	—	—	(10,567)	(449,080)
Unrealized foreign exchange gain	(6,891)	—	—	(2,454)	2,639	(6,706)
Tax on undistributed earnings of subsidiaries	(35,184)	—	—	—	3,548	(31,636)
Other	—	—	—	—	(1,280)	(1,280)
Total deferred tax liabilities	(496,460)	(2,444)	—	(2,454)	(11,594)	(512,952)
Net deferred tax liabilities	\$ (228,923)	\$ (2,636)	\$ 5,381	\$ (706)	\$ (27,877)	\$ (254,761)

Unrecognized deferred tax assets

We utilize the "probable" criteria established in IAS 12, 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,	
	2020	2019
Tax credits	\$ 38,560	\$ 38,956
Deductible temporary differences	\$ 1,166,818	\$ 340,242
Tax losses	172,741	106,736
Total	<u>\$ 1,339,559</u>	<u>\$ 446,978</u>

Included in the table above, we have approximately \$30 million of tax credits that expire between 2021 and 2040, and approximately \$40 million of tax losses that expire between 2021 and 2037.

Unrecognized tax benefits

The amount of unrecognized tax benefits as of December 31, 2020 and 2019 that if recognized, would impact our effective tax rate is \$24.7 million and \$29.8 million, respectively.

Our major tax jurisdictions include Belgium, Bulgaria, China, France, Germany, Japan, Malaysia, Mexico, the Netherlands, South Korea, the U.S., and the U.K. These jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2006 through 2020.

Indemnifications

We have various indemnification provisions in place with parties including TI, Honeywell, William Blair, Tomkins Limited, and Custom Sensors & Technologies Ltd. These provisions provide for the reimbursement of future tax liabilities paid by us that relate to the pre-acquisition periods of the acquired businesses including S&C, First Technology Automotive and Special Products, Airpax Holdings, Inc., August Cayman Company, Inc. ("Schrader"), CST, and GIGAVAC.

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, 2020 and 2019, the weighted-average ordinary shares outstanding used to calculate basic and diluted net income per share were as follows:

<i>(Shares in thousands)</i>	For the year ended December 31,	
	2020	2019
Basic weighted-average ordinary shares outstanding	157,373	160,932
Dilutive effect of stock options	268	667
Dilutive effect of unvested restricted securities	438	334
Diluted weighted-average ordinary shares outstanding	<u>158,079</u>	<u>161,933</u>

Net income and net income per share are presented in the consolidated statements of income.

Certain potential ordinary shares were excluded from our calculation of diluted weighted-average ordinary shares outstanding because either they would have had an anti-dilutive effect on net income per share or they related to equity awards that were contingently issuable for which the contingency had not been satisfied. Refer to Note 4, "Share-Based Payment Plans," for further discussion of our equity awards. These potential ordinary shares are as follows:

<i>(Shares in thousands)</i>	For the year ended December 31,	
	2020	2019
Anti-dilutive shares excluded	1,531	943
Contingently issuable shares excluded	913	528

9. Inventories

The components of inventories as of December 31, 2020 and 2019 were as follows:

	As of December 31,	
	2020	2019
Finished goods	\$ 170,488	\$ 197,531
Work-in-process	87,006	104,007
Raw materials	193,511	205,140
Inventories	<u>\$ 451,005</u>	<u>\$ 506,678</u>

As described in Note 14, "Borrowings," our borrowings under the 3.75% Senior Notes, 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, the 6.25% Senior Notes, the 4.375% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. As of December 31, 2020 and 2019, inventories owned by these subsidiaries totaled \$323.3 million and \$348.1 million, respectively.

During the years ended December 31, 2020 and 2019, inventory costs of \$1,929.5 million and \$2,110.9 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 as of December 31, 2020 and 2019 consisted of the following:

	Land	Building and improvements	Machinery and equipment	Total
Purchase value:				
Balance as of December 31, 2018	\$ 18,884	\$ 249,993	\$ 1,225,179	\$ 1,494,056
Adoption of IFRS 16	—	55,053	3,443	58,496
Lease right-of-use asset additions/remeasurements	—	11,834	—	11,834
Additions due to acquisitions	—	405	1,861	2,266
Other additions	—	11,799	154,978	166,777
Lease right-of-use asset disposals	—	(1,593)	—	(1,593)
Other disposals	(4,141)	(4,522)	(12,731)	(21,394)
Balance as of December 31, 2019	14,743	322,969	1,372,730	1,710,442
Lease right-of-use asset additions/remeasurements	—	8,135	—	8,135
Additions due to acquisitions	—	111	296	407
Other additions	—	9,320	97,535	106,855
Other disposals	—	(2,395)	(36,332)	(38,727)
Balance as of December 31, 2020	<u>\$ 14,743</u>	<u>\$ 338,140</u>	<u>\$ 1,434,229</u>	<u>\$ 1,787,112</u>
Depreciation:				
Balance as of December 31, 2018	\$ —	\$ (111,173)	\$ (598,831)	\$ (710,004)
Lease right-of-use asset depreciation expense	—	(14,171)	(1,900)	(16,071)
Other depreciation expense	—	(12,935)	(101,930)	(114,865)
Lease right-of-use asset disposals	—	139	—	139
Other disposals	—	3,694	6,125	9,819
Balance as of December 31, 2019	—	(134,446)	(696,536)	(830,982)
Lease right-of-use asset depreciation expense	—	(14,383)	(1,887)	(16,270)
Other depreciation expense	—	(12,580)	(112,427)	(125,007)
Other disposals	—	516	30,449	30,965
Balance as of December 31, 2020	<u>\$ —</u>	<u>\$ (160,893)</u>	<u>\$ (780,401)</u>	<u>\$ (941,294)</u>
Carrying amounts, net:				
At December 31, 2019	\$ 14,743	\$ 188,523	\$ 676,194	\$ 879,460
At December 31, 2020	\$ 14,743	\$ 177,247	\$ 653,828	\$ 845,818
Carrying amounts of right-of-use assets:				
At December 31, 2019	\$ —	\$ 77,947	\$ 2,064	\$ 80,011
At December 31, 2020	\$ —	\$ 71,699	\$ 177	\$ 71,876

As of December 31, 2020 and 2019, assets totaling \$522.1 million and \$383.5 million, respectively, were fully depreciated but continued to be in service.

As described in Note 14, "Borrowings," our borrowings under the 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, the 6.25% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. As of December 31, 2020 and 2019, PP&E, net associated with or owned by these subsidiaries totaled \$398.5 million and \$418.1 million, respectively.

PP&E as of December 31, 2020 and 2019 included the following assets under leases:

	As of December 31,	
	2020	2019
Assets under leases in PP&E	\$ 126,586	\$ 118,451
Accumulated depreciation	(54,710)	(38,440)
Assets under leases in PP&E, net	\$ 71,876	\$ 80,011

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, 2020 and 2019.

	Performance Sensing	Sensing Solutions	Total
Balance as of December 31, 2018	\$ 2,164,235	\$ 910,009	\$ 3,074,244
GIGAVAC purchase accounting adjustment	16,387	(16,564)	(177)
Other acquisition	—	12,473	12,473
Balance as of December 31, 2019	2,180,622	905,918	3,086,540
Other acquisition	17,751	—	17,751
Balance as of December 31, 2020	\$ 2,198,373	\$ 905,918	\$ 3,104,291

Accumulated impairment in each year presented was \$6.1 million for Performance Sensing and \$62.3 million for Sensing Solutions.

Goodwill attributed to acquisitions reflects our allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed, and has been assigned to our segments based on a methodology using anticipated future earnings of the components of business.

Historically, we have identified seven cash-generating units. In the fourth quarter of 2020, in connection with our review of these cash-generating units, and consistent with our determination that our Performance Sensing operating segment was now two separate operating segments, we determined that our Performance Sensing cash-generating unit was now two separate cash-generating units, Automotive and HVOR. Refer to Note 20, "Segment Reporting," for additional information on this decision. We reassigned assets and liabilities, including goodwill, to these new cash-generating units as required by international accounting standards. This did not result in an impairment of the goodwill of either cash-generating unit.

Accordingly, we now have eight cash-generating units: Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Interconnection, and Inverters. Each of our cash-generating units are tested for impairment annually or when impairment indicators are present. The Electrical Protection, Interconnection, Aerospace, Power Management, Inverters, and Industrial Sensing cash-generating units are part of the Sensing Solutions reportable segment. The Automotive and HVOR cash-generating units are part of the Performance Sensing reportable segment.

IAS 36 permits the carry forward of the most recent quantitative goodwill impairment analysis for individual cash-generating units from a preceding year, provided certain conditions are met. Otherwise, we perform an impairment test at the cash-generating unit level by comparing the cash-generating unit'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, 2020 using a combination of the quantitative and qualitative methods. Under the qualitative method, we assess whether it is more likely than not that the fair value of a cash-generating unit 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 cash-generating unit 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 cash-generating unit 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, 2020, 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 cash-generating units 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 cash-generating units as of October 1, 2020 and 2019:

	PS	Auto	HVOR	EP	Inter.	Power	Aerospace	Industrial Sensing	Inverters
Net revenue compound annual growth rate over projection period:									
Q4 2020	NA	7.8%	10.8%	1.5%	3.6%	2.5%	11.6%	9.3%	3.8%
Q4 2019	4.8%	NA	NA	(0.1)%	2.3%	1.6%	6.2%	11.5%	4.0%
Exit multiple applied to earnings in final year:									
Q4 2020	NA	10.0x	9.0x	8.2x	6.1x	7.8x	8.5x	9.0x	5.3x
Q4 2019	9.5x	NA	NA	10.0x	7.4x	9.5x	9.0x	11.0x	6.5x
Discount rate (pre-tax):									
Q4 2020	NA	11.5%	12.8%	12.9%	19.8%	14.6%	13.6%	11.7%	16.5%
Q4 2019	11.3%	NA	NA	12.5%	20.0%	14.3%	13.3%	11.4%	15.6%

The following table reflects the percentages by which the recoverable amount of each of our cash-generating units exceeded their estimated book values at the time they were tested for impairment in the fourth quarter of 2020 and 2019:

	PS	Auto	HVOR	EP	Inter-connection	Power	Aerospace	Industrial Sensing	Inverters
2020	NA	125.9 %	103.5 %	157.7 %	742.4 %	141.2 %	28.2 %	54.5 %	72.1 %
2019	86.2 %	NA	NA	143.9 %	664.6 %	135.0 %	38.6 %	62.1 %	47.9 %

The following table outlines information related to the carrying amount of goodwill and other intangible assets associated with each of our cash generating units at December 31, 2020. Other intangible assets, net excludes capitalized software, which is not allocated to our cash-generating units.

<i>(In millions)</i>	Goodwill	Other Intangible Assets, net
Automotive	\$ 1,735.3	\$ 219.1
HVOR	463.2	191.7
Electrical Protection	179.0	50.8
Interconnection	2.0	4.4
Power Management	68.6	20.3
Aerospace	252.7	158.4
Industrial Sensing	378.9	160.8
Inverters	24.6	11.8
Total	\$ 3,104.3	\$ 817.3

The following tables outline the components of intangible assets as of December 31, 2020 and 2019:

	Weighted-Average Life (years)	December 31, 2020			Net Carrying Value
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	
Completed technologies	14	\$ 781,674	\$ (580,952)	\$ (157)	\$ 200,565
Customer relationships	11	1,858,998	(1,510,155)	(843)	348,000
Tradenames	21	66,654	(19,814)	—	46,840
Research and development	5	340,965	\$ (194,412)	—	146,553
Capitalized software and other ⁽¹⁾	7	69,178	(45,750)	—	23,428
Definite-lived intangible assets	12	3,117,469	(2,351,083)	(1,000)	765,386
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets		<u>\$ 3,192,839</u>			<u>\$ 840,756</u>

	Weighted-Average Life (years)	December 31, 2019			Net Carrying Value
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	
Completed technologies	14	\$ 770,774	\$ (532,698)	\$ (157)	\$ 237,919
Customer relationships	11	1,827,998	(1,437,985)	(843)	389,170
Non-compete agreements	8	23,400	(23,400)	—	—
Tradenames	21	66,654	(16,596)	—	50,058
Research and development	5	316,522	\$ (156,297)	—	160,225
Capitalized software and other ⁽¹⁾	7	67,784	(39,115)	—	28,669
Definite-lived intangible assets	12	3,073,132	<u>\$ (2,206,091)</u>	<u>\$ (1,000)</u>	866,041
Indefinite-lived brand name		68,470			68,470
Total other intangible assets		<u>\$ 3,141,602</u>			<u>\$ 934,511</u>

⁽¹⁾ During the years ended December 31, 2020 and 2019, we wrote-off approximately \$0.1 million and \$0.3 million, respectively, of fully-amortized capitalized software that was not in use. In addition, in the year ended December 31, 2020, we wrote off approximately \$23.4 million of fully amortized non-compete agreements that were not in use.

The following tables rollforward the gross carrying amount and accumulated amortization and impairment our definite-lived intangible assets (i.e. excluding indefinite-lived intangible assets) for the years ended December 31, 2020 and 2019.

Gross Carrying Amount	Completed technologies	Customer relationships	Non-compete agreements	Tradenames	Research and development	Capitalized software and other	Total
Balance as of December 31, 2018	\$ 759,174	\$ 1,825,698	\$ 23,400	\$ 66,154	\$ 277,457	\$ 65,896	\$ 3,017,779
Acquisitions	11,600	2,300	—	500	—	—	14,400
Other additions	—	—	—	—	44,627	2,199	46,826
Write-offs	—	—	—	—	(5,562)	(311)	(5,873)
Balance as of December 31, 2019	770,774	1,827,998	23,400	66,654	316,522	67,784	3,073,132
Acquisitions	10,900	31,000	—	—	—	—	41,900
Other additions	—	—	—	—	41,033	1,394	42,427
Write-offs	—	—	(23,400)	—	(16,590)	—	(39,990)
Balance as of December 31, 2020	\$ 781,674	\$ 1,858,998	\$ —	\$ 66,654	\$ 340,965	\$ 69,178	\$ 3,117,469
Accumulated Amortization ⁽¹⁾							
Balance as of December 31, 2018	\$ (478,420)	\$ (1,359,537)	\$ (23,400)	\$ (13,468)	\$ (118,592)	\$ (32,627)	\$ (2,026,044)
Additions	(54,435)	(79,291)	—	(3,128)	(37,751)	(6,799)	(181,404)
Write-offs	—	—	—	—	46	311	357
Balance as of December 31, 2019	(532,855)	(1,438,828)	(23,400)	(16,596)	(156,297)	(39,115)	(2,207,091)
Additions	(48,254)	(72,170)	—	(3,218)	(38,115)	(6,635)	(168,392)
Write-offs	—	—	23,400	—	—	—	23,400
Balance as of December 31, 2020	\$ (581,109)	\$ (1,510,998)	\$ —	\$ (19,814)	\$ (194,412)	\$ (45,750)	\$ (2,352,083)
Net carrying value							
December 31, 2019	\$ 237,919	\$ 389,170	\$ —	\$ 50,058	\$ 160,225	\$ 28,669	\$ 866,041
December 31, 2020	\$ 200,565	\$ 348,000	\$ —	\$ 46,840	\$ 146,553	\$ 23,428	\$ 765,386

⁽¹⁾ 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 cash-generating unit. 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 cash-generating unit. In addition, 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.

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, 2018	\$ 1,846,367	\$ 1,175,023	\$ 64,859	\$ 3,086,249
Additions	43,117	14,400	3,398	60,915
Write offs of R&D	(5,562)	—	—	(5,562)
Balance as of December 31, 2019	1,883,922	1,189,423	68,257	3,141,602
Additions	66,433	—	1,394	67,827
Write offs of R&D	(16,590)	—	—	(16,590)
Balance as of December 31, 2020	\$ 1,933,765	\$ 1,189,423	\$ 69,651	\$ 3,192,839

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, 2020 and 2019:

	For the year ended December 31,	
	2020	2019
Acquisition-related definite-lived intangible assets	\$ 123,642	\$ 136,854
Capitalized software	6,634	6,799
Capitalized research and development costs	\$ 38,116	\$ 37,751
Amortization of intangible assets and capitalized development costs	<u>\$ 168,392</u>	<u>\$ 181,404</u>

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 as of December 31, 2020 and 2019 consisted of the following:

	As of December 31,	
	2020	2019
Accrued compensation and benefits	\$ 85,140	\$ 52,394
Accrued interest	53,630	42,803
Foreign currency and commodity forward contracts	19,627	1,925
Other accrued expenses and current liabilities	119,964	76,164
Accrued expenses and other current liabilities	<u>\$ 278,361</u>	<u>\$ 173,286</u>

13. Pension and Other Post-Retirement Benefits

We provide various pension and other post-retirement 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 the accounting policies related to our pension and other post-retirement benefit plans.

U.S. Benefit Plans

The principal retirement plans in the U.S. include a qualified defined benefit pension plan and a defined contribution plan. In addition, we provide post-retirement medical coverage and non-qualified benefits to certain employees.

Defined Benefit Pension Plans

The benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation.

TI closed the qualified defined benefit pension plan to participants hired after November 1997. In addition, participants eligible to retire under the TI plan as of April 26, 2006 were given the option of continuing to participate in the qualified defined benefit pension plan or retiring under the qualified defined benefit pension plan and thereafter participating in an enhanced defined contribution plan.

We intend to contribute amounts to the qualified defined benefit pension plan in order to meet the minimum funding requirements of federal laws and regulations, plus such additional amounts as we deem appropriate. During the year ended December 31, 2020, we did not contribute to the qualified defined benefit plan. We expect to contribute to the qualified defined benefit pension plan in fiscal year 2021.

We also sponsor a non-qualified defined benefit pension plan, which is closed to new participants and is unfunded.

Effective January 31, 2012, we froze the defined benefit pension plans and eliminated future benefit accruals.

An Investment Committee is responsible for determining the overall investment decisions and target allocations of our defined benefit plans with the support of the plan trustees and investment advisors. The plan design is reviewed periodically by an Administration Committee to assess whether the plan is aligned with market practice. Should a plan be amended, the Administration Committee or the Board of Directors approves the plan amendment prior to implementation.

Defined Contribution Plans

We have one defined contribution plan for U.S. employees, which provides for an employer matching contribution of up to 4% of the employee's annual eligible earnings. The aggregate expense related to the defined contribution plan was \$4.3 million and \$5.5 million for the years ended December 31, 2020 and 2019, respectively.

Retiree Healthcare Benefit Plan

We offer access to group medical coverage during retirement to some of our U.S. employees. We make contributions toward the cost of those retiree medical benefits for certain retirees. The contribution rates are based upon varying factors, the most important of which are an employee's date of hire, date of retirement, years of service, and eligibility for Medicare benefits. The balance of the cost is borne by the participants in the plan. For the year ended December 31, 2020, we did not, and do not expect to, receive any amount of Medicare Part D Federal subsidy. Our projected benefit obligation as of December 31, 2020 and 2019 did not include an assumption for a federal subsidy.

Non-U.S. Benefit Plans

Retirement coverage for non-U.S. employees is provided through separate defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. We do not expect to contribute to the non-U.S. defined benefit plans during 2021.

Certain of our non-U.S. defined benefit plans have Works Councils or Investment Committees which are responsible for determining the overall investment decisions and target allocations with the support of the plan trustees and investment advisors. The plan design is reviewed periodically by the Works Counsel or Investment Committee to assess whether the plan is aligned with market practice. Should a plan be amended, the applicable Works Counsel or Investment Committee approves the plan amendment prior to implementation.

Impact on Financial Statements

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31,							
	2020				2019			
	U.S. Plans		Non-U.S. Plans	Total	U.S. Plans		Non-U.S. Plans	Total
	Defined Benefit	Retiree Healthcare	Defined Benefit		Defined Benefit	Retiree Healthcare	Defined Benefit	
Current service cost	\$ —	\$ 10	\$ 3,522	\$ 3,532	\$ —	\$ 7	\$ 2,836	\$ 2,843
Past service cost	—	530	—	530	—	—	—	—
Net interest expense	40	155	1,111	1,306	167	203	896	1,266
Interest expense on effect of asset ceiling	37	—	—	37	—	—	—	—
Administrative costs	12	—	32	44	26	—	30	56
Net periodic benefit cost	\$ 89	\$ 695	\$ 4,665	5,449	193	210	3,762	4,165
Total U.S. defined contribution expense				4,325	—	—	—	5,508
Total expense				\$ 9,774				\$ 9,673

The following table outlines the rollforward of the benefit obligation and plan assets for the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2020 and 2019:

	For the year ended December 31,					
	2020			2019		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Change in benefit obligation:						
Beginning balance	\$ 45,548	\$ 5,588	\$ 74,172	\$ 45,169	\$ 6,017	\$ 65,691
Current service cost	—	10	3,522	—	7	2,836
Interest cost	866	155	1,466	1,483	203	1,344
Past service cost	—	530	—	—	—	—
Plan participants' contributions	—	696	35	—	475	31
Actuarial loss/(gain)	7,422	(1,213)	13,006	1,711	(93)	9,344
Benefits paid	(17,568)	(719)	(8,507)	(2,815)	(1,021)	(5,235)
Foreign currency remeasurement	—	—	4,618	—	—	161
Ending balance	<u>\$ 36,268</u>	<u>\$ 5,047</u>	<u>\$ 88,312</u>	<u>\$ 45,548</u>	<u>\$ 5,588</u>	<u>\$ 74,172</u>
Change in plan assets:						
Beginning balance	\$ 44,870	\$ —	\$ 43,906	\$ 39,875	\$ —	\$ 39,868
Interest income	826	—	355	1,316	—	448
Actual return on plan assets, excluding interest income	1,519	—	1,748	3,194	—	3,707
Employer contributions	19	23	7,714	3,326	1,021	4,889
Plan participants' contributions	—	696	35	—	—	31
Benefits paid	(17,568)	(719)	(8,507)	(2,815)	(1,021)	(5,235)
Administrative costs	(12)	—	(32)	(26)	—	(30)
Foreign currency remeasurement	—	—	3,254	—	—	228
Ending balance	<u>\$ 29,654</u>	<u>\$ —</u>	<u>\$ 48,473</u>	<u>\$ 44,870</u>	<u>\$ —</u>	<u>\$ 43,906</u>

The following table provides the detail of remeasurements recognized in other comprehensive (loss)/income for the years ended December 31, 2020 and 2019:

	For the year ended December 31,							
	2020				2019			
	U.S. Plans		Non-U.S. Plans	Total	U.S. Plans		Non-U.S. Plans	Total
	Defined Benefit	Retiree Healthcare	Defined Benefit		Defined Benefit	Retiree Healthcare	Defined Benefit	
Actual return on plan assets, excluding interest income	\$ 1,519	\$ —	\$ 1,748	\$ 3,267	\$ 3,194	\$ —	\$ 3,707	\$ 6,901
Experience adjustments	(4,362)	799	(8,726)	(12,289)	(38)	(327)	(4,454)	(4,819)
Changes in demographic assumptions	(374)	39	(643)	(978)	(110)	46	—	(64)
Changes in financial assumptions	(2,686)	375	(3,637)	(5,948)	(1,563)	374	(4,890)	(6,079)
Changes in the effect of asset ceiling limitation	2,825	—	—	2,825	(2,788)	—	—	(2,788)
Total remeasurements recognized in other comprehensive (loss)/income (gross of tax)	<u>\$ (3,078)</u>	<u>\$ 1,213</u>	<u>\$(11,258)</u>	<u>(13,123)</u>	<u>\$ (1,305)</u>	<u>\$ 93</u>	<u>\$ (5,637)</u>	<u>(6,849)</u>
Income tax benefit				4,195				1,748
Total remeasurements recognized in other comprehensive (loss)/income (net of tax)				<u>\$ (8,928)</u>				<u>\$ (5,101)</u>

The following table shows the movement in unrecognized assets of the U.S. defined benefit plans for the years ended December 31, 2020 and 2019:

	For the year ended December 31,	
	2020	2019
Beginning balance	\$ (2,788)	\$ —
Limitation on interest income	(37)	—
Changes due to asset ceiling	2,825	(2,788)
Ending balance	\$ —	\$ (2,788)

The net funded status of our plan obligations as of December 31, 2020 and 2019 is as follows:

	December 31, 2020				
	U.S. Plans			Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Total U.S. Plans	Defined Benefit	Total
Benefit obligations					
Funded plans	\$ (32,513)	\$ —	\$ (32,513)	\$ (57,388)	\$ (89,901)
Unfunded plans	(3,755)	(5,047)	(8,802)	(30,924)	(39,726)
Total benefit obligations	(36,268)	(5,047)	(41,315)	(88,312)	(129,627)
Fair value of plan assets	29,654	—	29,654	48,473	78,127
Effect of asset limit	—	—	—	—	—
Net liability	\$ (6,614)	\$ (5,047)	\$ (11,661)	\$ (39,839)	\$ (51,500)

	December 31, 2019				
	U.S. Plans			Non-U.S. Plans	
	Defined Benefit	Retiree Healthcare	Total U.S. Plans	Defined Benefit	Total
Benefit obligations					
Funded plans	\$ (42,084)	\$ —	\$ (42,084)	\$ (48,363)	\$ (90,447)
Unfunded plans	(3,464)	(5,588)	(9,052)	(25,809)	(34,861)
Total benefit obligations	(45,548)	(5,588)	(51,136)	(74,172)	(125,308)
Fair value of plan assets	44,870	—	44,870	43,906	88,776
Effect of asset limit	(2,788)	—	(2,788)	—	(2,788)
Net liability	\$ (3,466)	\$ (5,588)	\$ (9,054)	\$ (30,266)	\$ (39,320)

The following table outlines the funded status amounts recognized in the consolidated balance sheets as of December 31, 2020 and 2019:

	As of December 31,					
	2020			2019		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Current liabilities	(1,091)	(586)	(1,821)	(952)	(717)	(1,551)
Noncurrent liabilities	(5,523)	(4,461)	(38,018)	(2,514)	(4,871)	(28,715)
Funded status	\$ (6,614)	\$ (5,047)	\$ (39,839)	\$ (3,466)	\$ (5,588)	\$ (30,266)

Assumptions and Investment Policies

Weighted-average assumptions used to calculate the projected benefit obligations of our defined benefit and retiree healthcare benefit plans as of December 31, 2020 and 2019 are as follows:

	As of December 31,			
	2020		2019	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	1.65 %	1.80 %	2.60 %	2.80 %
Non-U.S. assumed discount rate	1.97 %	NA	1.90 %	NA
Non-U.S. average long-term pay progression	2.93 %	NA	2.87 %	NA

Weighted-average assumptions used to calculate the net periodic benefit cost of our defined benefit and retiree healthcare benefit plans for the years ended December 31, 2020 and 2019 are as follows:

	For the year ended December 31,			
	2020		2019	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	2.60 %	2.80 %	3.79 %	3.90 %
Non-U.S. assumed discount rate	5.53 %	NA	5.76 %	NA
Non-U.S. average long-term pay progression	4.83 %	NA	4.43 %	NA

Assumed healthcare cost trend rates for the U.S. retiree healthcare benefit plan as of December 31, 2020 and 2019 are as follows:

	As of December 31,	
	2020	2019
Assumed healthcare trend rate for next year:		
Attributed to less than age 65	6.00 %	6.30 %
Attributed to age 65 or greater	6.30 %	6.70 %
Ultimate trend rate	4.50 %	4.50 %
Year in which ultimate trend rate is reached:		
Attributed to less than age 65	2038	2038
Attributed to age 65 or greater	2038	2038

Sensitivity Analysis

The discount rate used to calculate the defined benefit obligation has a significant effect on the amounts reported for our defined benefit and retiree healthcare benefit plans. A one percentage point change in the discount rate for the year ended December 31, 2020 would have the following effect on the defined benefit and retiree healthcare obligations:

	1 percentage point increase	1 percentage point decrease
U.S. defined benefit plans	\$ (1,309)	\$ 1,488
U.S. retiree healthcare plan	\$ (340)	\$ 394
Non-U.S. defined benefit plans	\$ (11,458)	\$ 13,800

Assumed healthcare trend rates could have a significant effect on the amounts reported for retiree healthcare plans. A zero percentage point change in the assumed healthcare trend rates for the year ended December 31, 2020 would have the following effect on the retiree healthcare benefit obligation:

	One Percentage Point:	
	Increase	Decrease
U.S. retiree healthcare plan	\$ 332	\$ (295)

The sensitivity analysis takes into consideration the movement in our defined benefit pension plans and retiree healthcare obligations of adjusting the actuarial assumptions by one percentage point as of December 31, 2020. In this process only one of the assumptions is adjusted at a time and the remaining parameters remain unchanged.

The weighted average duration of our defined benefit and retiree healthcare obligations as of December 31, 2020 is as follows:

<i>Amounts below are expressed in years</i>	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit
As of December 31, 2020	3	7	14

The table below outlines the benefits expected to be paid to participants in each of the following years, taking into consideration expected future service, as appropriate. The majority of the payments will be paid from plan assets and not company assets.

For the year ended December 31,	Expected Benefit Payments		
	U.S. Defined Benefit	U.S. Retiree Healthcare	Non-U.S. Defined Benefit
2021	\$ 12,177	\$ 586	\$ 3,546
2022	\$ 3,378	\$ 561	\$ 3,809
2023	\$ 4,221	\$ 487	\$ 3,777
2024	\$ 2,548	\$ 460	\$ 3,766
2025	\$ 2,506	\$ 415	\$ 4,639
2026 - 2030	\$ 7,928	\$ 1,463	\$ 24,768

Plan Assets

We hold assets for our defined benefit plans in the U.S., Japan, the Netherlands, and Belgium. Information about the assets for each of these plans is detailed below.

U.S. Plan Assets

Our target asset allocation for the U.S. defined benefit plan is 83% fixed income and 17% equity securities. To arrive at the targeted asset allocation, we and our investment adviser reviewed market opportunities using historical data, as well as the actuarial valuation for the plan, to ensure that the levels of acceptable return and risk are well-defined and monitored.

The following table presents information about the plan's target and actual asset allocation, as of December 31, 2020:

	Target Allocation	Actual Allocation as of December 31, 2020
U.S. large cap equity	7 %	9 %
U.S. small / mid cap equity	2 %	2 %
Globally managed volatility fund	3 %	3 %
International (non-U.S.) equity	4 %	5 %
Fixed income (U.S. investment grade)	68 %	70 %
High-yield fixed income	2 %	2 %
International (non-U.S.) fixed income	1 %	1 %
Money market funds	13 %	9 %

The portfolio is monitored for automatic rebalancing on a monthly basis.

The following table presents information about the plan assets measured at fair value as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
U.S. large cap equity	\$ 2,548	\$ 2,221
U.S. small / mid cap equity	706	637
Global managed volatility fund	826	849
International (non-U.S.) equity	1,362	1,195
Total equity mutual funds	5,442	4,902
Fixed income (U.S. investment grade)	20,801	18,830
High-yield fixed income	594	561
International (non-U.S.) fixed income	277	264
Total fixed income mutual funds	21,672	19,655
Money market funds	2,540	20,313
Total plan assets	\$ 29,654	\$ 44,870

All fair value measures presented above are categorized in Level 1 of the fair value hierarchy. Investments in mutual funds are based on the publicly-quoted final net asset values on the last business day of the year.

Permitted asset classes include U.S. and non-U.S. equity, U.S. and non-U.S. fixed income, cash, and cash equivalents. Fixed income includes both investment grade and non-investment grade. Permitted investment vehicles include mutual funds, individual securities, derivatives, and long-duration fixed income securities. While investments in individual securities, derivatives, long-duration fixed income securities, cash, and cash equivalents are permitted, the plan did not hold these types of investments as of December 31, 2020 or 2019.

Prohibited investments include direct investments in real estate, commodities, unregistered securities, uncovered options, currency exchange contracts, and natural resources (such as timber, oil, and gas).

Japan Plan Assets

The target asset allocation of the Japan defined benefit plan is 50% fixed income and 50% equity securities, cash, and cash equivalents, with allowance for a 40% deviation in either direction. We, along with the trustee of the plan's assets, minimize investment risk by thoroughly assessing potential investments based on indicators of historical returns and current credit ratings. Additionally, investments are diversified by type and geography.

The following table presents information about the plan's target asset allocation, as well as the actual allocation, as of December 31, 2020:

	Target Allocation	Actual Allocation as of December 31, 2020
Fixed income securities, cash, and cash equivalents	10%-90%	72 %
Equity securities	10%-90%	28 %

The following table presents information about the plan assets measured at fair value as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
U.S. equity	\$ 2,736	\$ 2,413
International (non-U.S.) equity	6,724	6,343
Total equity securities	9,460	8,756
U.S. fixed income	3,091	3,835
International (non-U.S.) fixed income	11,142	9,716
Total fixed income securities	14,233	13,551
Cash and cash equivalents	9,793	9,726
Total plan assets	\$ 33,486	\$ 32,033

All fair value measures presented above are categorized in Level 1 of the fair value hierarchy, with the exception of U.S. fixed income securities of \$0.3 million as of December 31, 2020 and 2019, respectively, which are categorized as Level 2. The fair values of equity and fixed income securities are based on publicly-quoted closing stock and bond values on the last business day of the year.

Permitted asset classes include equity securities that are traded on the official stock exchange(s) of the respective countries, fixed income securities with certain credit ratings, cash, and cash equivalents.

The Netherlands Plan Assets

The assets of the Netherlands defined benefit plan are insurance policies with Nationale Nederlanden ("NN"). The contributions we make to the plan are used to purchase insurance policies that provide for specific benefit payments to plan participants. The benefit formula is determined independently by us. Upon retirement of an individual plan participant, the insurance contracts purchased are converted to provide specific benefits for the participant. The contributions paid by us are commingled with contributions paid to NN by other employers for investment purposes and to reduce plan administration costs. However, this defined benefit plan is not considered a multi-employer plan.

The following table presents information about the plan assets measured at fair value as of December 31, 2020 and 2019:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Insurance policies	\$ 12,905	\$ 10,472

All fair value measures presented above are categorized in Level 3 of the fair value hierarchy. The following table presents a rollforward of these assets for the years ended December 31, 2020 and 2019:

	<u>Insurance Policies</u>	
Balance as of December 31, 2018	\$	8,897
Actual return on plan assets still held at reporting date		1,821
Purchases, sales, settlements, and exchange rate changes		(246)
Balance as of December 31, 2019		10,472
Actual return on plan assets still held at reporting date		1,373
Purchases, sales, settlements, and exchange rate changes		1,060
Balance as of December 31, 2020	\$	12,905

The fair values of the insurance contracts are measured based on the future benefit payments that would be made by the insurance company to vested plan participants if we were to switch to another insurance company without actually surrendering our policy. In this case, the insurance company would guarantee to pay the vested benefits at retirement accrued under the plan based on current salaries and service to date (i.e., with no allowance for future salary increases or pension increases). The cash flows of the future benefit payments are discounted using the same discount rate that is applied to value the related defined benefit plan liability.

Belgium Plan Assets

The assets of the Belgium defined benefit plan are insurance policies. As of December 31, 2020 and 2019 the fair values of these assets were \$1.5 million and \$1.3 million, respectively. These fair value measurements are categorized in level 3 of the fair value hierarchy.

14. Borrowings

Long-term borrowings, net and lease liabilities and other financing obligations as of December 31, 2020 and 2019 consisted of the following:

	Original Issuance (in millions)	Maturity Date	As of December 31,	
			2020	2019
Term Loan	\$ 990.1	September 20, 2026	\$ 456,096	\$ 460,725
4.875% Senior Notes	\$ 500.0	October 15, 2023	500,000	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
6.25% Senior Notes ⁽¹⁾	\$ 750.0	February 15, 2026	750,000	750,000
4.375% Senior Notes	\$ 450.0	February 15, 2030	450,000	450,000
3.75% Senior Notes	\$ 750.0	February 15, 2031	750,000	—
Less: discount			(9,605)	(11,758)
Less: borrowing costs			(29,910)	(26,661)
Less: current portion			(754,630)	(4,630)
Long-term borrowings, net			<u>\$ 3,211,951</u>	<u>\$ 3,217,676</u>
Present value of lease liabilities and other financing obligations			\$ 85,931	\$ 88,748
Less: current portion			(14,102)	(13,890)
Present value of lease liabilities and other financing obligations, less current portion			<u>\$ 71,829</u>	<u>\$ 74,858</u>

⁽¹⁾ On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026. As a result, these notes have been classified as current on our consolidated balance sheet as of December 31, 2020.

On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we used a portion of the proceeds from the issuance and sale of the 3.75% Senior Notes to repay the balance outstanding on the Revolving Credit Facility. There were no outstanding borrowings on the Revolving Credit Facility as of December 31, 2020 and 2019.

Secured Credit Facility

The credit agreement governing our secured credit facility (as amended, 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 (the "Accordion") under which additional secured credit facilities could be issued under certain circumstances.

Term Loan

The principal amount of the Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the Term Loan upon completion of the Tenth Amendment, with the balance due at maturity.

In accordance with the terms of the Credit Agreement, the Term Loan may, at our option, be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Credit Agreement), with each representing a different determination of interest rates. The interest rate margins for the Term Loan are fixed at, and as of December 31, 2020 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, 2020, we maintained the Term Loan as a Eurodollar Rate loan, which accrued interest at 1.90%.

Revolving Credit Facility

In accordance with the terms of the Credit Agreement, borrowings under the Revolving Credit Facility may, at our option, be maintained from time to time as Base Rate loans, Eurodollar Rate loans, or EURIBOR loans (each as defined in the Credit Agreement), with each representing a different determination of interest rates. The interest rate margins and letter of credit fees under the Revolving Credit Facility are as follows (each depending on our senior secured net leverage ratio): (i) the interest rate margin for Base Rate loans ranges from 0.00% to 0.50%; (ii) the interest rate margin for Eurodollar Rate and EURIBOR loans range from 1.00% to 1.50%; and (iii) the letter of credit fees range from 0.875% to 1.375%.

We are required to pay to our revolving credit lenders, on a quarterly basis, a commitment fee on the unused portion of the Revolving Credit Facility. The commitment fee ranges from 0.125% to 0.250%, depending on our senior secured net leverage ratios.

As of December 31, 2020, there was \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2020, no amounts had been drawn against these outstanding letters of credit. Availability under the Revolving Credit Facility may be borrowed, repaid, and re-borrowed to fund our working capital needs and for other general corporate purposes.

Fiscal Year 2021 Transactions

On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026 at a redemption price equal to 103.125%, 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 the \$23.4 million premium and \$2.6 million accrued interest through the date of redemption.

On March 29, 2021, we issued at par the 4.0% Senior Notes. Interest on these notes is due on April 15 and October 15 each year, with the first payment due October 15, 2021. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021. The 4.0% Senior Notes are guaranteed by the same subsidiaries that guarantee our indebtedness under the Senior Secured Credit Facilities and the existing Senior Notes. We intend to use the proceeds from this offering for general corporate purposes, which may include working capital, capital expenditures, the acquisition of other companies, businesses or assets, strategic investments, the refinancing or repayment of debt, and share repurchases.

Fiscal year 2020 transactions

On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we repaid these borrowings using a portion of the proceeds from issuance of the 3.75% Senior Notes, issued by our indirect, wholly-owned subsidiary, Sensata Technologies Inc. ("STI").

Fiscal year 2019 transactions

On March 27, 2019 certain indirect, wholly-owned subsidiaries of Sensata plc, including Sensata Technologies B.V. ("STBV"), entered into the ninth amendment (the "Ninth Amendment") of the Credit Agreement. Among other changes to the Credit Agreement, the Ninth Amendment (i) extended the maturity date of the Revolving Credit Facility to March 27, 2024; (ii) added pounds sterling as an available currency for revolving credit loans and letters of credit under the Revolving Credit Facility; (iii) lowered the interest rate margins related to the Revolving Credit Facility (depending on our senior secured net leverage ratio); (iv) lowered our letter of credit fees (depending on our senior secured net leverage ratio); (v) reduced our revolving credit commitment fees (depending on our senior secured net leverage ratio); and (vi) modified the senior secured net leverage ratio financial covenant to increase the Revolving Credit Facility utilization threshold above which such financial covenant is tested from 10% to 20% and eliminated the requirement that such ratio be tested (regardless of utilization) for purposes of satisfying the conditions to any borrowing or other utilization under the Revolving Credit Facility.

On June 13, 2019, our subsidiaries that were at the time borrowers under the Credit Agreement entered into an amendment to the Credit Agreement with the administrative agent to correct certain technical and immaterial errors in the Credit Agreement.

On September 20, 2019 certain of our subsidiaries, including STBV and its indirect, wholly-owned subsidiary, Sensata Technologies Inc. ("STI"), entered into the tenth amendment of the Credit Agreement (the "Tenth Amendment"). Under the terms of the Tenth Amendment, among other changes to the Credit Agreement, (i) the final maturity date of the Term Loan was extended to September 20, 2026; (ii) STI became the sole borrower under the Credit Agreement and assumed substantially all of the obligations of STBV and Sensata Technologies Finance Company, LLC ("STFC") thereunder; (iii) STBV became a guarantor of STI's obligations under the Credit Agreement, and STFC ceased to be a guarantor with respect to the Credit Agreement; (iv) certain subsidiaries of STBV that previously guaranteed STBV's and/or STFC's obligations under the Credit Agreement (the "Released Guarantors") were released from their guarantees under the Credit Agreement, subject to the satisfaction of certain tests (the "Guarantees Release"); (v) the permission to incur incremental additional indebtedness under the Credit Agreement was increased; and (vi) certain of the operational and restrictive covenants and other terms and conditions of the Senior Secured Credit Facilities to which STBV and its restricted subsidiaries are subject were modified to provide us

with increased flexibility and permissions thereunder (including permission, subject to no default or event of default, to make restricted payments (including dividends) in an amount equal to \$50.0 million annually, which can be increased to an unlimited amount subject to compliance with a specified senior secured net leverage ratio).

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries and secured by substantially all present and future property and assets of STBV and its guarantor subsidiaries.

The Credit Agreement provides that, if our senior secured net leverage ratio exceeds a specified level, we are required to use a portion of our excess cash flow, as defined in the Credit Agreement, generated by operating, investing, or financing activities to prepay the outstanding borrowings under the Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2020.

Senior Notes

We have various tranches of senior notes outstanding. 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. Each of the Senior Notes were issued at par, with interest payable semi-annually on the dates shown in the table below.

	4.875% Senior Notes	5.625% Senior Notes	5.0% Senior Notes	6.25% Senior Notes⁽¹⁾	4.375% Senior Notes⁽²⁾	3.75% Senior Notes
Aggregate principal amount	\$ 500,000	\$ 400,000	\$ 700,000	\$ 750,000	\$ 450,000	\$ 750,000
Interest rate	4.875%	5.625%	5.000%	6.250%	4.375%	3.750%
Issuer	STBV	STBV	STBV	STUK	STI	STI
Issue date	April 2013	October 2014	March 2015	November 2015	September 2019	August 2020
Interest due	April 15	May 1	April 1	February 15	February 15	February 15
Interest due	October 15	November 1	October 1	August 15	August 15	August 15
Maturity Date	October 2023	November 2024	October 2025	February 2026	February 2030	February 2031

⁽¹⁾ The 6.25% Senior Notes were issued by our indirect, wholly-owned subsidiary, Sensata Technologies UK Financing Co. plc ("STUK") under an indenture dated as of November 27, 2015 (the "6.25% Senior Notes Indenture"). On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on the 6.25% Senior Notes.

⁽²⁾ The proceeds of the issuance of the 4.375% Senior Notes were used to repay a portion of the Term Loan concurrent with the entry into the Tenth Amendment.

Redemption

Except as described below with respect to the 3.75% Senior Notes and the 4.375% Senior Notes, at any time, and from time to time, we may optionally redeem the Senior Notes, in whole or in part, at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the date of redemption, plus a "make-whole premium" set forth in the relevant Senior Notes Indenture.

The "make-whole" premium will not be payable with respect to any such redemption of the 4.375% Senior Notes on or after November 15, 2029. The "make-whole" premium will not be payable with respect to any such redemption of the 3.75% Senior Notes on or after February 15, 2026; on or after such date, we may optionally redeem the 3.75% Senior Notes, in whole or in part, at the following prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, up to but excluding the redemption date:

Period beginning February 15,	Price
2026	101.875 %
2027	100.938 %
2028 and thereafter	100.000 %

Upon the occurrence of certain specific change in control events, we will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

If changes in certain tax laws or treaties, or any change in the official application, administration, or interpretation thereof, of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments of any of the Senior Notes or the guarantees thereof, we may, at our option, redeem the relevant Senior Notes in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, premium, if any, and all additional amounts (as described in the relevant Senior Notes Indenture), if any, then due and which will become due on the date of redemption.

Guarantees

The obligations of the issuers of the Senior Notes are guaranteed by STBV and all of its subsidiaries (excluding the company that is the issuer of the relevant Senior Notes) that guarantee the obligations of STI under the Credit Agreement (after giving effect to the Guarantees Release pursuant to the Tenth Amendment). The Released Guarantors are not guarantors of the 3.75% Senior Notes or the 4.375% Senior Notes, and upon consummation of the Tenth Amendment, the guarantees of the Released Guarantors with respect to the other Senior Notes were released.

Events of Default

The Senior Notes Indentures provide for events of default that include, among others, nonpayment of principal or interest when due, breach of covenants or other provisions in the relevant Senior Notes Indenture, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency, failure to pay certain judgments, and the cessation of the full force and effect of the guarantees of significant subsidiaries. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding Senior Notes issued under the relevant Senior Notes Indenture may declare the principal of, and accrued but unpaid interest on, all of the relevant Senior Notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the relevant Senior Notes Indenture.

Restrictions and Covenants

As of December 31, 2020, 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.

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, 2020, 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, 2020 and for the fiscal year then ended.

Accounting for Borrowings and Borrowing Costs

During the year ended December 31, 2020, in connection with the entry into the 3.75% Senior Notes, we incurred \$8.4 million of creditor fees and related third-party costs, which were recorded as an adjustment to the carrying amount of long-term borrowings on our consolidated balance sheets.

During the year ended December 31, 2019, in connection with the entry into the Ninth Amendment, the issuance of the 4.375% Senior Notes, the entry into the Tenth Amendment, and the subsequent partial repayment of the Term Loan, we recognized a loss of \$4.9 million, presented in the other, net line of our consolidated statement of operations, as well as \$7.1 million of creditor fees and related third-party costs, which were recorded as an adjustment to the carrying amount of long-term borrowings.

Amortization of borrowing costs is included as a component of interest expense, net, in the consolidated statements of income and amounted to \$7.3 million and \$9.0 million for the years ended December 31, 2020 and 2019, 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 borrowings, excluding lease payments, other financing obligations, and discretionary repurchases of borrowings, in each of the years ended December 31, 2021 through 2025 and thereafter. On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes. This redemption is reflected in fiscal year 2021 in the following table. In accordance with the terms of the 6.25% Senior Notes, redemption was at 103.125% of aggregate principal amount outstanding, representing an additional cash outflow of approximately \$23.4 million in fiscal year 2021, which is not presented below.

For the year ended December 31,	Aggregate Maturities
2021	\$ 754,630
2022	4,630
2023	504,630
2024	404,630
2025	704,630
Thereafter	1,632,946
Total long-term principal payments	<u>\$ 4,006,096</u>

15. Commitments, Contingencies, and Provisions

Commitments

Non-cancellable purchase agreements

Non-cancellable purchase agreements exist with various suppliers, primarily for services such as information technology support. The terms of these agreements are fixed and determinable. As of December 31, 2020, we had the following purchase commitments:

For the year ending December 31,	Purchase Commitments
2021	\$ 41,355
2022	14,517
2023	6,889
2024	149
2025	132
2026 and thereafter	196
Total purchase commitments	<u>\$ 63,238</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 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, 2020:

- | | |
|--|------------------------------|
| • 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 LTD | (Registered number 05199004) |
| • ST Schrader Holding Company UK Limited | (Registered number 09231290) |
| • August UK HoldCo Limited | (Registered number 08002561) |
| • Custom Sensors & Technology 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 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, 2020 is as follows:

	Note	Provisions	
		Current	Non-current
Balance as of December 31, 2019		\$ 26,164	\$ 67,300
Restructuring and other charges, net	5	29,320	—
Payments on restructuring liabilities	5	(29,094)	—
Foreign currency remeasurement on restructuring provisions	5	705	—
Wasica settlement	15	—	(31,200)
Pension benefits	13	278	11,902
Provision for warranty claims	3	6,913	—
Balance as of December 31, 2020		\$ 34,286	\$ 48,002

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.

Litigation

In fiscal year 2020, we settled litigation with Wasica that had been recorded as a long-term provision as of December 31, 2019. Refer to *Litigation Claims Resolved in the Current Year* below for a description of our restructuring charges and the related provisions.

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 and claims outstanding as of December 31, 2020.

Litigation and Claims resolved in the current year:

We were a defendant in a lawsuit, Wasica Finance GmbH et al v. Schrader International Inc. et al, Case No. 13-1353-CPS, U.S.D.C., Delaware, in which the claimant alleged infringement of their patent (US 5,602,524) in connection with certain of our tire pressure monitoring system products. The patent in question has expired, and as a result, the claimant sought damages for past alleged infringement with interest and costs. The asserted patent was the U.S. counterpart of a German patent that had been previously asserted against Schrader. Schrader succeeded in proving that German patent to be invalid. On February 14, 2020, a jury found us liable for damages in the amount of \$31.2 million. As a result, we recorded a loss of \$31.2 million in the year ended December 31, 2019 in restructuring and other charges. On July 6, 2020, the court awarded an additional \$12.1 million for plaintiffs and against us for prejudgment interest-related damages. The parties executed and closed a Litigation Settlement & License Agreement on September 18, 2020 to settle the matter for \$31.6 million. The lawsuit was formally dismissed by the District Court (D. Del) on September 22, 2020, and the U.S. Court of Appeals for the Federal Circuit on September 24, 2020.

16. Shareholders' Equity

Components of equity include ordinary shares, treasury shares, additional paid-in capital (share premium), retained earnings, and cash flow hedging reserves. We issue share-based compensation to eligible directors, officers, and employees as described in Note 4, "Share-Based Payment Plans." We repurchase ordinary shares, which are reflected in treasury shares as described below. We do not have a history of paying dividends on our ordinary shares, nor do we expect to do so in the near future. We are only able to execute share repurchases and payments of dividends to the extent that we have available distributable reserves. In fiscal year 2020, we complied with this requirement.

Treasury Shares

Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated balance sheets, resulting in a reduction of shareholders' equity.

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. The authorized amount of our various share repurchase programs may be modified or terminated by our Board of Directors at any time.

We currently have a \$500.0 million share repurchase program authorized by our Board of Directors in July 2019 (the "July 2019 Program"). On April 2, 2020, we announced a temporary suspension of the July 2019 Program, which will continue to remain on hold until market conditions show greater improvement and stability. As of December 31, 2020, approximately \$302.3 million remained available under the July 2019 Program.

During the year ended December 31, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program.

During the year ended December 31, 2019, we repurchased approximately 7.2 million ordinary shares (nominal value of approximately €72 thousand) under the July 2019 Program and a \$250.0 million share repurchase program authorized by our Board of Directors in October 2018 (the "October 2018 Program") for a total purchase price of approximately \$350.0 million (weighted-average price of \$48.87 per share). This represented approximately 4% of the total number and nominal value of our ordinary shares issued at December 31, 2019.

Cash Flow Hedging Reserves

Cash flow hedging reserves were as follows:

	Cash Flow Hedge
Balance as of December 31, 2018	\$ 9,829
Pre-tax current period change	9,816
Tax effect	(2,454)
Balance as of December 31, 2019	17,191
Pre-tax current period change	(31,114)
Tax effect	7,835
Balance as of December 31, 2020	<u>\$ (6,088)</u>

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 balance sheets).

The table below presents the amounts recognized and location of recognition in our consolidated statement of financial position as of December 31, 2020 and 2019 related to our leases:

	December 31, 2020	December 31, 2019
Lease right-of-use assets:		
Property, plant and equipment, at cost	\$ 126,586	\$ 118,451
Accumulated depreciation	(54,710)	(38,440)
Property, plant and equipment, net	<u>\$ 71,876</u>	<u>\$ 80,011</u>
Lease liabilities:		
Current portion of long-term debt, lease liabilities and other financing obligations	\$ 13,930	\$ 13,576
Lease liabilities and other financing obligations, less current portion	71,829	74,717
Total lease liabilities	<u>\$ 85,759</u>	<u>\$ 88,293</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, 2020 and 2019 (short-term lease cost and low-value lease cost was not material for the years ended December 31, 2020 and 2019):

	For the year ended	
	December 31, 2020	December 31, 2019
Amortization of right-of-use assets	\$ 16,270	\$ 16,071
Interest on lease liabilities	6,780	5,966
Total lease cost	<u>\$ 23,050</u>	<u>\$ 22,037</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, 2020 and 2019:

	For the year ended	
	December 31, 2020	December 31, 2019
Operating cash flows from leases	\$ 1,813	\$ 6,002
Financing cash flows from leases	\$ 17,882	\$ 14,186

The table below presents a maturity analysis of the obligations related to our lease liabilities in effect as of December 31, 2020:

Year ending December 31,	
2021	\$ 19,304
2022	16,040
2023	12,774
2024	11,557
2025	9,105
Thereafter	52,590
Total undiscounted cash flows related to lease liabilities	121,370
Less imputed interest	(35,611)
Total lease liabilities	<u>\$ 85,759</u>

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, 2020 and 2019 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,	
	2020	2019
Assets measured at fair value:		
Foreign currency forward contracts	\$ 16,163	\$ 23,561
Commodity forward contracts	8,902	3,623
Equity investments without a readily determinable fair value	65,000	53,700
Other equity investments	9,111	—
Debt investments	4,347	—
Total assets measured at fair value	<u>\$ 103,523</u>	<u>\$ 80,884</u>
Liabilities measured at fair value:		
Foreign currency forward contracts	\$ 24,660	\$ 1,959
Commodity forward contracts	310	462
Total liabilities measured at fair value	<u>\$ 24,970</u>	<u>\$ 2,421</u>

Refer to Note 2, "Significant Accounting Policies," for a discussion of the methods used to estimate the fair value of our financial instruments, and refer 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, 2020 and 2019, 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

We evaluated our goodwill and other indefinite-lived intangible assets for impairment as of October 1, 2020. Refer to Note 11, "Goodwill and Other Intangible Assets, Net," for additional information. Based on these analyses, we determined that no impairments were required. As of December 31, 2020, 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 cash-generating units is determined primarily using discounted cash flow models that incorporate assumptions for a cash-generating unit'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 cash-generating unit 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 balance sheets as of December 31, 2020 and 2019. All fair value measures presented are categorized within Level 2 of the fair value hierarchy.

	As of December 31,			
	2020		2019	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Term Loan	\$ 456,096	\$ 454,955	\$ 460,725	\$ 464,181
4.875% Senior Notes	\$ 500,000	\$ 538,750	\$ 500,000	\$ 532,500
5.625% Senior Notes	\$ 400,000	\$ 448,000	\$ 400,000	\$ 444,000
5.0% Senior Notes	\$ 700,000	\$ 777,000	\$ 700,000	\$ 759,500
6.25% Senior Notes	\$ 750,000	\$ 778,125	\$ 750,000	\$ 808,125
4.375% Senior Notes	\$ 450,000	\$ 487,125	\$ 450,000	\$ 457,875
3.75% Senior Notes	\$ 750,000	\$ 776,250	\$ —	\$ —

⁽¹⁾ Excluding any related debt discounts 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, 2020 and 2019, 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, 2020, we estimate that \$9.7 million in net gains will be reclassified from accumulated other comprehensive loss to earnings during the twelve month period ending December 31, 2021.

As of December 31, 2020, we had the following outstanding foreign currency forward contracts:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted- Average Strike Rate	Hedge Designation ⁽¹⁾
22.0 EUR	December 29, 2020	January 29, 2021	Euro to U.S. Dollar Exchange Rate	1.23 USD	Not designated
317.3 EUR	Various from February 2019 to December 2020	Various from January 2021 to December 2022	Euro to U.S. Dollar Exchange Rate	1.17 USD	Cash flow hedge
584.0 CNY	December 28, 2020	January 29, 2021	U.S. Dollar to Chinese Renminbi Exchange Rate	6.57 CNY	Not designated
500.0 CNY	November 5, 2020	Various from January to December 2021	U.S. Dollar to Chinese Renminbi Exchange Rate	6.74 CNY	Cash flow hedge
897.0 JPY	December 28, 2020	January 29, 2021	U.S. Dollar to Japanese Yen Exchange Rate	103.53 JPY	Not designated
17,321.7 KRW	Various from March 2019 to December 2020	Various from January 2021 to December 2022	U.S. Dollar to Korean Won Exchange Rate	1,167.03 KRW	Cash flow hedge
22.0 MYR	December 30, 2020	January 29, 2021	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.06 MYR	Not designated
284.0 MXN	December 29, 2020	January 29, 2021	U.S. Dollar to Mexican Peso Exchange Rate	19.95 MXN	Not designated
2,963.5 MXN	Various from February 2019 to December 2020	Various from January 2021 to December 2022	U.S. Dollar to Mexican Peso Exchange Rate	22.56 MXN	Cash flow hedge
6.0 GBP	December 29, 2020	January 29, 2021	British Pound Sterling to U.S. Dollar Exchange Rate	1.35 USD	Not designated
48.9 GBP	Various from February 2019 to December 2020	Various from January 2021 to December 2022	British Pound Sterling to U.S. Dollar Exchange Rate	1.29 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, 2020, we had the following outstanding commodity forward contracts:

	Notional	Remaining Contracted Periods	Weighted-Average Strike Price Per Unit
Silver	742,939 troy oz.	January 2021- December 2022	\$ 20.54
Gold	7,326 troy oz.	January 2021- December 2022	\$ 1,733.35
Nickel	165,037 pounds	January 2021- December 2022	\$ 6.62
Aluminum	2,224,837 pounds	January 2021- December 2022	\$ 0.86
Copper	1,803,323 pounds	January 2021- December 2022	\$ 2.83
Platinum	7,440 troy oz.	January 2021- December 2022	\$ 911.09
Palladium	831 troy oz.	January 2021- December 2022	\$ 1,988.33

Financial Instrument Presentation

The following table presents the fair values of our derivative financial instruments and their classification in the consolidated balance sheets as of December 31, 2020 and 2019:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	As of December 31,		Balance Sheet Location	As of December 31,	
		2020	2019		2020	2019
Derivatives designated as hedging instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 11,281	\$ 20,957	Accrued expenses and other current liabilities	\$ 18,834	\$ 1,055
Foreign currency forward contracts	Other assets	4,728	2,530	Other long-term liabilities	5,182	428
Total		<u>\$ 16,009</u>	<u>\$ 23,487</u>		<u>\$ 24,016</u>	<u>\$ 1,483</u>
Derivatives not designated as hedging instruments:						
Commodity forward contracts	Prepaid expenses and other current assets	\$ 7,598	\$ 3,069	Accrued expenses and other current liabilities	\$ 149	\$ 394
Commodity forward contracts	Other assets	1,304	554	Other long-term liabilities	161	68
Foreign currency forward contracts	Prepaid expenses and other current assets	154	74	Accrued expenses and other current liabilities	644	476
Total		<u>\$ 9,056</u>	<u>\$ 3,697</u>		<u>\$ 954</u>	<u>\$ 938</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 operations and the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019:

	Amount of Deferred (Loss)/Gain Recognized in Other Comprehensive (Loss)/Income		Location of Net Gain/(Loss) Reclassified from Cash Flow Hedging Reserves into Net Income	Amount of Net Gain/(Loss) Reclassified from Cash Flow Hedging Reserves into Net Income	
	For the year ended December 31,			For the year ended December 31,	
	2020	2019		2020	2019
Derivatives designated as hedging instruments					
Foreign currency forward contracts	\$ (25,866)	23,881	Net revenue	\$ 10,785	26,180
Foreign currency forward contracts	\$ 2,140	14,512	Cost of revenue	\$ (3,397)	2,397
Derivatives not designated as hedging instruments					
		Amount of Gain/(Loss) Recognized in Net Income			
		For the year ended December 31,			
		2020	2019	Location of Gain/(Loss)	
Commodity forward contracts	\$ 10,027	\$ 4,888	Other, net		
Foreign currency forward contracts	\$ (6,762)	\$ 2,225	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, 2020, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was \$25.1 million. As of December 31, 2020, 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

In the year ended December 31, 2020, we altered the way we measure segment operating income in order to align with a change to the performance measures provided to and used by our chief operating decision maker for purposes of assessing performance and deciding how to allocate resources to each segment. Whereas R&D and SG&A expenses related to our megatrend initiatives were historically allocated to our operating segments, beginning in fiscal year 2020 these amounts are presented within corporate and other. Prior period information has been recast to reflect this revised presentation.

We have historically operated in, and reported financial information for, the following two reportable segments: Performance Sensing and Sensing Solutions, each of which was also an operating segment. In fiscal year 2020, a change in focus of the evaluation of our business by our chief operating decision maker in order to make decisions about resource allocation, among other factors such as solidification of a reporting structure to accommodate this focus, necessitated a reevaluation of our conclusion that Performance Sensing was an operating segment. Based on our assessment of these factors, we determined that the Performance Sensing operating segment should be divided into two operating segments, Automotive and HVOR. We also determined that each of these operating segments meet the criteria for aggregation in IFRS 8 *Operating Segments*. No change was made to Sensing Solutions, and it remains an operating segment. None of the preceding changes resulted in any impact on the overall composition of our reportable segments and prior periods were not required to be recast for this change.

An operating segment's performance is primarily evaluated based on segment operating income, which excludes amortization of intangible assets, restructuring and other charges, net, and certain corporate costs/credits not associated with the operations of the segment, including share-based compensation expense and a portion of depreciation expense associated with assets recorded 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."

As discussed above, the Performance Sensing reportable segment represents the aggregation of the Automotive and HVOR operating segments, which primarily serve the automotive and HVOR industries, respectively, through development and manufacture of sensors, high-voltage contactors, and other solutions used in mission-critical systems and applications such as those in subsystems of automobiles, on-road trucks, and off-road equipment (e.g., 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, as well as contribute to environmentally sustainable and safe solutions as the world continues to pivot in those directions.

Sensing Solutions primarily serves the industrial and aerospace industries through development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance, heating, ventilation and air conditioning ("HVAC"), semiconductor, material handling, factory automation, and water management markets, as well as the aerospace market.

The following table presents net revenue and segment operating income for the reported segments and other operating results not allocated to the reported segments for the years ended December 31, 2020 and 2019 (prior period has been recast as discussed above):

	For the year ended December 31,	
	2020	2019
Net revenue:		
Performance Sensing	\$ 2,223,810	\$ 2,546,016
Sensing Solutions	821,768	904,615
Total net revenue	<u>\$ 3,045,578</u>	<u>\$ 3,450,631</u>
Segment operating income (as defined above):		
Performance Sensing	\$ 583,841	\$ 715,787
Sensing Solutions	237,668	294,758
Total segment operating income	821,509	1,010,545
Corporate and other	(271,341)	(214,696)
Amortization of intangible assets	(168,392)	(181,404)
Restructuring and other charges, net	(29,320)	(79,978)
Other operating income, net	—	1,754
Operating Income	352,456	536,221
Interest expense, net	(176,923)	(163,831)
Other, net	8,030	(6,606)
Income before taxes	<u>\$ 183,563</u>	<u>\$ 365,784</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, 2020 and 2019:

	Performance Sensing	Sensing Solutions	For the year ended December 31,	
			2020	2019
Net revenue:				
Sensors	X	X	\$ 2,380,608	\$ 2,712,926
Electrical Protection ⁽¹⁾	X	X	504,001	573,631
Other ⁽¹⁾	X	X	160,969	164,074
Net revenue			<u>\$ 3,045,578</u>	<u>\$ 3,450,631</u>

⁽¹⁾ Beginning in the year ended December 31, 2020, we adjusted our product categories to better reflect how we view our products. The product category we previously referred to as "controls" was renamed to "electrical protection," and our GIGAVAC products, which were previously grouped in "other," have been recast into "electrical protection." The amount of revenue recast from "other" to "electrical protection" in the year ended December 31, 2019 was \$91.9 million. The "sensors" product category was unchanged.

The following table presents depreciation and amortization expense for our reportable segments for the years ended December 31, 2020 and 2019:

	For the year ended December 31,	
	2020	2019
Depreciation and amortization:		
Performance Sensing	\$ 129,238	\$ 122,607
Sensing Solutions	16,963	17,333
Corporate and other ⁽¹⁾	162,475	171,714
Total depreciation and amortization	<u>\$ 308,676</u>	<u>\$ 311,654</u>

⁽¹⁾ Included within corporate and other is depreciation and amortization expense associated with the fair value step-up recognized in prior 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, 2020 and 2019:

	As of December 31,	
	2020	2019
Total Assets:		
Performance Sensing	\$ 1,593,889	\$ 1,674,673
Sensing Solutions	460,092	480,402
Corporate and other ⁽¹⁾	5,931,212	4,821,042
Total assets	\$ 7,985,193	\$ 6,976,117

⁽¹⁾ Included within corporate and other as of December 31, 2020 and 2019 is \$3,104.3 million and \$3,086.5 million, respectively, of goodwill, as well as \$694.2 million and \$774.3 million, respectively, of other intangible assets, net, \$1,862.0 million and \$774.1 million, respectively, of cash and cash equivalents, and \$41.7 million and \$41.2 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, 2020 and 2019:

	For the year ended December 31,	
	2020	2019
Capital expenditures (including development costs):		
Performance Sensing	\$ 120,285	\$ 170,039
Sensing Solutions	16,885	19,520
Corporate and other	10,582	16,327
Total	\$ 147,752	\$ 205,886

The following table presents capital expenditures (including development costs) by geographic area for the years ended December 31, 2020 and 2019:

	For the year ended December 31,	
	2020	2019
Capital expenditures (including development costs):		
Americas	\$ 55,465	\$ 65,271
Asia and rest of world	44,319	61,770
Europe	47,968	78,845
Total	\$ 147,752	\$ 205,886

Geographic Area Information

The following tables present net revenue by geographic area and by significant country for the years ended December 31, 2020 and 2019. In these tables, net revenue is aggregated based on the location of our subsidiaries.

	For the year ended December 31,	
	2020	2019
Net revenue:		
Americas	\$ 1,197,846	\$ 1,460,101
Europe	816,287	969,470
Asia and rest of world	1,031,445	1,021,060
Net revenue	<u>\$ 3,045,578</u>	<u>\$ 3,450,631</u>
	For the year ended December 31,	
	2020	2019
Net revenue:		
United States	\$ 1,082,671	\$ 1,333,532
Netherlands	482,020	576,804
China	641,516	575,211
Korea	172,229	188,226
United Kingdom	122,403	151,674
All other	544,739	625,184
Net revenue	<u>\$ 3,045,578</u>	<u>\$ 3,450,631</u>

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, 2020 and 2019. In these tables, long-lived assets are aggregated based on the location of our subsidiaries.

	As of December 31,	
	2020	2019
Americas	\$ 2,529,037	\$ 2,579,760
Asia and rest of world	474,492	488,737
Europe	1,787,336	1,832,014
Total	<u>\$ 4,790,865</u>	<u>\$ 4,900,511</u>
	As of December 31,	
	2020	2019
United States	\$ 2,301,730	\$ 2,309,719
United Kingdom	597,118	636,143
The Netherlands	703,770	699,764
China	269,624	280,317
Mexico	216,690	258,934
Bulgaria	268,801	265,566
All other	433,132	450,068
Total	<u>\$ 4,790,865</u>	<u>\$ 4,900,511</u>

21. Cash and Cash equivalents

Cash and cash equivalents at December 31, 2020 and 2019 included the following:

	As of December 31,	
	2020	2019
Cash	\$ 185,685	\$ 126,363
Cash equivalents	1,676,295	647,756
Cash and cash equivalents	<u>\$ 1,861,980</u>	<u>\$ 774,119</u>

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, 2020 and 2019:

	For the year ended	
	2020	2019
Depreciation included within:		
Cost of revenue	\$ 121,222	\$ 111,882
Selling, general and administrative	17,498	16,718
Research and development	1,564	1,650
Total depreciation	<u>140,284</u>	<u>130,250</u>
Amortization of intangible assets and capitalized development costs ⁽¹⁾	168,392	181,404
Total depreciation and amortization	<u>\$ 308,676</u>	<u>\$ 311,654</u>

⁽¹⁾ Includes \$38.1 million and \$37.8 million of amortization of capitalized R&D costs for the years ended December 31, 2020 and 2019, respectively.

23. Personnel Costs

As of December 31, 2020, we had approximately 19,200 employees, of whom approximately 8% were located in the U.S., and approximately 56% of whom were female. As of December 31, 2020, less than 100 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, 2020, we had approximately 2,600 contract workers on a worldwide basis.

Personnel costs related to these employees for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31,	
	2020	2019
Wages, salaries, and benefits	\$ 616,599	\$ 652,185
Pension costs	9,079	9,463
Post-employment (benefits)/costs other than pensions	695	210
Expense of share-based payments	20,489	17,645
Total	<u>\$ 646,862</u>	<u>\$ 679,503</u>

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 7% of our net revenue for the year ended December 31, 2020. 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.

Interest Rate Risk

As discussed further in Note 14, "Borrowings," the Credit Agreement provides for the Senior Secured Credit Facilities consisting of the Term Loan, the Revolving Credit Facility, and the Accordion, under which additional secured credit facilities could be issued under certain circumstances.

The Term Loan accrues interest at a variable rate that is currently based on 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, 2020, we had an outstanding balance on the Term Loan (excluding discount and deferred financing costs) of \$456.1 million. The applicable interest rate associated with the Term Loan at December 31, 2020 was 1.90%. An increase of 100 basis points in this rate would result in additional interest expense of \$4.4 million in fiscal year 2021. The next 100 basis point increase in this rate would result in incremental interest expense of \$8.7 million in fiscal year 2021.

As of December 31, 2019, we had an outstanding balance on the Term Loan (excluding discount and deferred financing costs) of \$460.7 million. The applicable interest rate associated with the Term Loan at December 31, 2019 was 3.59%. An increase of 100 basis points in this rate would have resulted in additional interest expense of \$4.7 million in fiscal year 2020. The next 100 basis point increase in this rate would have resulted in incremental interest expense of \$4.7 million in fiscal year 2020.

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, and 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, 2020 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, 2020.

Sensitivity Analysis

The table below presents our foreign currency forward contracts as of December 31, 2020 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:

<i>(In millions)</i>	Net (Liability)/ Asset Balance as of December 31, 2020	(Decrease)/Increase to Other Comprehensive Income Due to:		(Decrease)/Increase to Pre-Tax Income Due to:	
		Strengthening	Weakening	Strengthening	Weakening
Euro	\$ (21.3)	\$ (38.5)	\$ 38.5	\$ (2.7)	\$ 2.7
Chinese Renminbi	\$ (2.2)	\$ (1.7)	\$ 1.7	\$ (9.0)	\$ 9.0
JPY	\$ 0.0	\$ (0.4)	\$ 0.4	\$ 0.9	\$ (0.9)
Korean Won	\$ (1.0)	\$ (2.1)	\$ 2.1	\$ —	\$ —
Malaysian Ringgit	\$ 0.0	\$ —	\$ —	\$ 0.5	\$ (0.5)
Mexican Peso	\$ 12.3	\$ 14.1	\$ (14.1)	\$ 1.4	\$ (1.4)
British Pound Sterling	\$ 3.7	\$ 6.7	\$ (6.7)	\$ 0.8	\$ (0.8)

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, 2020.

Sensitivity Analysis

The table below presents our commodity forward contracts as of December 31, 2020 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, 2020, and these would be no impact on other comprehensive income):

<i>(Dollars in millions, except per unit amounts)</i>	Net Asset Balance as of December 31, 2020	Average Forward Price Per Unit as of December 31, 2020	Increase/(Decrease) to Pre-tax Earnings Due to	
			10% Increase in the Forward Price	10% Decrease in the Forward Price
Silver	\$ 4.4	\$ 26.47	\$ 2.0	\$ (2.0)
Gold	\$ 1.2	\$ 1,901.03	\$ 1.4	\$ (1.4)
Nickel	\$ 0.2	\$ 7.58	\$ 0.1	\$ (0.1)
Aluminum	\$ 0.1	\$ 0.91	\$ 0.2	\$ (0.2)
Copper	\$ 1.2	\$ 3.52	\$ 0.6	\$ (0.6)
Platinum	\$ 1.1	\$ 1,064.51	\$ 0.8	\$ (0.8)
Palladium	\$ 0.4	\$ 2,423.24	\$ 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 is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

Our liquidity requirements are significant due to our highly leveraged nature. Our indebtedness may limit our flexibility in planning for, or reacting to, changes in the business and future business opportunities since a substantial portion of our cash flow from operations will be dedicated to the payment of the debt service and this may place us at a competitive disadvantage as some of our competitors are less leveraged.

Under the Revolving Credit Facility, there was \$416.1 million of availability (net of \$3.9 million in letters of credit) as of December 31, 2020. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2020, no amounts had been drawn against these outstanding letters of credit. On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we used a portion of the proceeds from the issuance and sale of the 3.75% Senior Notes to repay the balance outstanding on the Revolving Credit Facility. As of December 31, 2020, we had \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations related to outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2020, no amounts had been drawn against these outstanding letters of credit. On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes. This redemption was paid with cash on hand. In addition, on March 29, 2021, we issued the 4.0% Senior Notes, at par. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Contractual Obligations and Commercial Commitments

The table below reflects our contractual obligations as of December 31, 2020. Amounts we pay in future periods may vary from those reflected in the table. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding.

<i>(Dollars in millions)</i>	Payments Due by Period				
	Total	One Year or Less	One to Three Years	Three to Five Years	More than Five Years
Borrowings principal ⁽¹⁾	\$ 4,006.1	\$ 754.6	\$ 509.3	\$ 1,109.3	\$ 1,632.9
Borrowings interest ⁽²⁾	919.3	187.8	275.9	205.2	250.4
Lease obligations principal ⁽³⁾	86.0	13.9	19.9	13.8	38.4
Lease obligations interest ⁽³⁾	35.3	5.4	8.9	6.9	14.2
Other financing obligations principal ⁽⁴⁾	0.2	0.2	—	—	—
Total contractual obligations ⁽⁵⁾⁽⁶⁾	<u>\$ 5,046.9</u>	<u>\$ 961.9</u>	<u>\$ 814.0</u>	<u>\$ 1,335.2</u>	<u>\$ 1,935.9</u>

- ⁽¹⁾ With the exception of the 6.25% Senior Notes, as discussed above, represents the contractually required principal payments, in accordance with the required payment schedule, on our borrowings in existence as of December 31, 2020. The March 2021 redemption of the \$750.0 million aggregate principal amount of 6.25% Senior Notes is reflected as an outflow in fiscal year 2021.
- ⁽²⁾ Represents the contractually required interest payments, in accordance with the required payment schedule, on our borrowings in existence as of December 31, 2020. Cash flows associated with the next interest payment to be made on our variable rate borrowings subsequent to December 31, 2020 were calculated using the interest rates in effect as of the latest interest rate reset date prior to December 31, 2020, plus the applicable spread. Fiscal year 2021 outflow reflects cash outflow of \$26.0 million related to interest on the 6.25% Senior Notes through March 5, 2021 and cash outflow of \$23.4 million related to the 3.125% premium owed to the lenders as a result of the early redemption. This schedule has also been adjusted to reflect the annualized full year cash interest savings of approximately \$46.9 million per year through fiscal year 2025 and \$23.6 million in fiscal year 2026 as a result of early redemption of the 6.25% Senior Notes.
- ⁽³⁾ Represents the contractually required payments, in accordance with the required payment schedule, under our lease obligations in existence as of December 31, 2020. Certain leases were assumed to extend beyond their current terms because it was probable that such an extension would occur.
- ⁽⁴⁾ Represents the contractually required payments, in accordance with the required payment schedule, under our financing obligations in existence as of December 31, 2020. No assumptions were made with respect to renewing these financing arrangements beyond their current terms.
- ⁽⁵⁾ Contractual obligations denominated in a foreign currency were calculated utilizing the U.S. dollar to local currency exchange rates in effect as of December 31, 2020.
- ⁽⁶⁾ This table does not include the contractual obligations associated with our defined benefit and other post-retirement benefit plans. As of December 31, 2020, we had recognized a net benefit liability of \$51.5 million, representing the net unfunded benefit obligations of the defined benefit and retiree healthcare plans. Refer to Note 13, "Pension and Other Post-Retirement Benefits," for additional information on pension and other post-retirement benefits, including expected benefit payments for the next 10 years. This table also does not include \$24.7 million of unrecognized tax benefits as of December 31, 2020, as we are unable to make reasonably reliable estimates of when cash settlement, if any, will occur with a tax authority, as the timing and the ultimate resolution of the examination is uncertain. Refer to Note 7, "Income Taxes," for additional information on income taxes.

Capital management

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, the Senior Secured Credit Facilities provide for the Accordion, under which additional secured debt may be issued or the capacity of the Revolving Credit Facility may be increased. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2019, availability under the Accordion was approximately \$0.6 billion.

We believe, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2020, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures, the redemption of the 6.25% Senior Notes on March 5, 2021, and the issuance of the 4.0% Senior Notes on March 29, 2021 and the pricing on March 31, 2021, each as discussed below and in Note 14, "Borrowings," that these sources

of liquidity will be sufficient to fund our operations, capital expenditures, ordinary share repurchases (if and when resumed), and debt service for at least the next twelve months.

On April 1, 2020, in order to enhance our financial flexibility given the general uncertainty associated with the COVID-19 pandemic, we withdrew \$400.0 million from the Revolving Credit Facility. On August 17, 2020, we used a portion of the proceeds from the issuance and sale of the 3.75% Senior Notes to repay the balance outstanding on the Revolving Credit Facility. As of December 31, 2020, we had \$416.1 million available under the Revolving Credit Facility, net of \$3.9 million of obligations related to outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2020, no amounts had been drawn against these outstanding letters of credit. On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes. This redemption was paid with cash on hand. In addition, on March 29, 2021, we issued the 4.0% Senior Notes, at par. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021. Refer to Note 14, "Borrowings," for additional discussion of this issuance.

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, 2020.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries (the "Guarantors"). The collateral for such borrowings under the Senior Secured Credit Facilities consists of substantially all present and future property and assets of our indirect, wholly-owned subsidiary, STBV, and the Guarantors.

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term borrowings ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of March 30, 2020, 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.

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 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 in establishing our share repurchase programs, and are evaluated periodically with respect to future potential funding. 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, should we decide to do so. As of December 31, 2020, 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 2020 and 2019, we repurchased approximately \$35.2 million and \$350.0 million, respectively, of Sensata's outstanding shares (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. On April 2, 2020, we announced that we were temporarily suspending our share repurchase program in light of the uncertainties surrounding the coronavirus pandemic.

Our net leverage ratio (which represents net debt divided by last twelve months adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")) at December 31, 2020 was 3.2x and at December 31, 2019 was 2.8x. 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, 2020 and 2019 consisted of the following:

	12/31/2020	12/31/2019
Accounts receivable, gross	\$ 595,680	\$ 573,003
Provisions	(19,033)	(15,129)
Total	\$ 576,647	\$ 557,874

At December 31, 2020 and 2019, 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
2020	\$ 576,647	\$ 534,288	\$ 39,106	\$ 3,253
2019	557,874	493,432	61,393	3,049

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 statement of income. We estimate the lifetime expected credit losses on the basis of specifically identified receivables that are evaluated individually for impairment and a statistical analysis of the remaining receivables determined by reference to past overall default experience. We believe that, due to the short-term nature of our trade accounts receivables, this represents a reasonable representation of future expected losses in a stable economic environment. We analyze potential changes in future economic conditions, such as sharp downturns in the industries in which we operate, as considered necessary.

In measuring the lifetime expected credit losses on our receivables, we group them into those that are neither past due nor impaired, those that are past due less than 30 days, those that are past due between 30 days and 180 days, and those that are past due greater than 180 days.

A reconciliation of provisions recorded during fiscal years 2020 and 2019 is as follows:

	Balance at the beginning of the period	Charged to costs and expenses	Deductions	Balance at end of the period
2020	15,129	5,654	(1,750)	19,033
2019	13,762	3,005	(1,638)	15,129

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 7% of our net revenue for both years ended December 31, 2020 and 2019.

26. Auditors Remuneration

The aggregate fees payable to Ernst & Young LLP and its affiliates for professional services rendered for us for fiscal year 2020 and 2019 was as follows:

	For the year ended December 31,	
	2020	2019
Audit of the company financial statements	\$ 3,584	\$ 4,355
The auditing of accounts of any associate of the company	638	653
Total audit fees	4,222	5,008
Other services		
Taxation services	552	362
Other fees	10	10
Total fees	\$ 4,784	\$ 5,380

"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 2020 and 2019, 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, 2019 through September 30, 2020 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 2020 and 2019. Audit Fees also include fees relating to the performance of statutory audits at certain of our non-U.S. subsidiaries.

"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 \$229 thousand and \$87 thousand for fiscal years 2020 and 2019.

"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 for fiscal year 2020 or 2019.

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, in July 2019 we increased our directors annual cash fee of \$70 thousand to \$85 thousand. We also provide the Chairman of the Board with an incremental annual retainer which was increased in July 2019 from \$70 thousand cash plus \$30 thousand equity 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 \$7.5 thousand and Nominating & Corporate Governance, 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, \$7.5 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 the years ended December 31, 2020 and 2019 was approximately \$2.8 million and \$2.4 million, respectively. This includes approximately \$1.9 million and \$1.5 million, respectively, in expense related to share-based compensation. None of our non-

employee directors are accruing retirement benefits. For fiscal years 2020 and 2019, our executive director, who was our Chief Executive Officer until February 29, 2020, did not receive remuneration in her capacity as director, and was instead included in the information provided below.

Key executive officer remuneration

We establish compensation policies for our executive officers to align compensation with our strategic goals and our growth objectives while concurrently providing competitive compensation that enables us to attract and retain highly qualified executives. Components of compensation consist of varying items including: (i) cash compensation in the form of base salary and annual incentive bonuses which collectively constitute the executive's total annual cash compensation; (ii) equity compensation in the form of options and restricted securities pursuant to the 2010 Equity Incentive Plan; and (iii) retirement and other benefits through participation in our pension plans, 401(k) plan, and other health and welfare programs.

Compensation to our key executive officers (in aggregate) is presented below.

Fiscal Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Change in Pension Value (\$) ⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	Total (\$)
2020	3,533	3,087	5,916	950	1,271	1,365	16,122
2019	3,403	—	3,810	3,769	381	354	11,717

- (1) Represents the annual incentive bonus and discretionary bonus awarded to each key executive officer in the fiscal years ended December 31, 2020 and 2019. Reflects a lump sum payment to Mr. Beringhouse equal to (i) eight (8) months of base salary plus (ii) an amount equal to the average of the 2019 and 2020 Annual Incentive Bonus payments paid to him in accordance with the Letter Agreement to Amended Restated Employment Agreement dated August 1, 2019 between the Company and Mr. Beringhouse. Reflects discretionary retention payments to Mr. Chawla in 2019.
- (2) Represents the expense recorded for restricted securities in the years ended December 31, 2020 and 2019. 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, 2020 and 2019, computed in accordance with IFRS 2, using the assumptions detailed in Note 4, "Share-Based Payment Plans."
- (4) The change in pension value and nonqualified deferred compensation earnings for the year represents the actuarial increase or decrease in the pension value provided under the Sensata Technologies Employees' Pension Plan and the Supplemental Pension Plan.
- (5) Includes amounts for financial counseling, insurance premium contributions, contributions to 401(k) plans, and housing allowance. Also reflects severance payment to Mr. Chawla: consists of a year's annual salary of \$520 thousand, average of calendar year 2018 and 2019 annual bonus amounts of \$88 thousand, and relocation to Europe of \$600 thousand.

28. Financial Instruments

The below table represents a summary of the financial instruments we hold at December 31, 2020 and 2019.

	Note	As of December 31,	
		2020	2019
Financial assets measured at amortized cost:			
Cash and cash equivalents ⁽¹⁾	21	\$ 1,861,980	\$ 774,119
Trade accounts receivable ⁽¹⁾⁽⁵⁾	25	\$ 576,647	\$ 557,874
Financial assets measured at fair value through profit or loss:			
Derivative assets (non-designated) ⁽²⁾⁽³⁾	19	\$ 9,056	\$ 3,697
Equity investments without a readily determinable fair value ⁽³⁾	18	\$ 65,000	\$ 53,700
Other equity investments ⁽³⁾	18	9,111	—
Debt investments ⁽³⁾	18	4,347	—
Financial liabilities measured at amortized cost:			
Long-term borrowings ⁽⁴⁾	14	\$ 3,966,581	\$ 3,222,306
Present value of lease liabilities and other financing obligations ⁽⁴⁾	14	\$ 85,931	\$ 88,748
Financial liabilities measured at fair value through profit or loss:			
Derivative liabilities (non-designated) ⁽²⁾⁽³⁾	19	\$ 954	\$ 938

- (1) Amount presented directly on the 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 statements of financial position. The balance at December 31, 2020 and 2019 are held at fair value in accordance with IFRS 9.
- (4) Includes current and long-term portion. Refer to Note 14, "Borrowings," for reconciliation to the 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.

The table below presents a reconciliation of our financial assets and liabilities to the statements of financial position as of December 31, 2020 and 2019.

	Note	As of December 31,	
		2020	2019
Prepaid expenses and other current assets:			
Derivative assets (non-designated)	18,19	\$ 7,752	\$ 3,143
Derivative assets (designated)	18,19	11,281	20,957
Other		71,102	101,885
Total prepaid expenses and other current assets		<u>\$ 90,135</u>	<u>\$ 125,985</u>
Other Assets:			
Derivative assets (non-designated)	18,19	\$ 1,304	\$ 554
Derivative assets (designated)	18,19	4,728	2,530
Equity investments without a readily determinable fair value	18	65,000	53,700
Other equity investments	18	9,111	—
Debt investments	18	4,347	—
Other		38,674	37,327
Total Other assets		<u>\$ 123,164</u>	<u>\$ 94,111</u>
Accrued expenses and other current liabilities:			
Derivative liabilities (non-designated)	18,19	\$ 793	\$ 870
Derivative liabilities (designated)	18,19	18,834	1,055
Other	12	258,734	171,361
Total Accrued expenses and other current liabilities		<u>\$ 278,361</u>	<u>\$ 173,286</u>
Other long-term liabilities:			
Derivative liabilities (non-designated)	18,19	\$ 161	\$ 68
Derivative liabilities (designated)	18,19	5,182	428
Other		41,974	44,711
Total other long-term liabilities		<u>\$ 47,317</u>	<u>\$ 45,207</u>

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, 2020 is the carrying value of each financial asset listed. Each of our financial assets are considered to have low credit risk.

29. Subsequent Events

On March 5, 2021, we redeemed the \$750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes. This resulted in classification of the 6.25% Senior Notes as current on our December 31, 2020 consolidated balance sheet. Refer to Note 14, "Borrowings," for additional information on the terms of this redemption.

On February 11, 2021, we entered into a securities purchase agreement (the "SPA") to acquire all of the outstanding equity interests of Xirgo Technologies, LLC ("Xirgo"). Xirgo is a leading provider of telematics and data insight, headquartered in Camarillo, California. The product offerings and technology of Xirgo will augment our existing portfolio in advancing our Smart & Connected megatrend initiative. We expect to integrate Xirgo into our Performance Sensing reportable segment. The transaction contemplated by the SPA closed on April 1, 2021 for an aggregate purchase price of \$400.0 million of cash consideration, subject to certain post-closing items. Through March 31, 2021, we incurred transaction fees of \$2.3 million, none of which were recognized in fiscal year 2020. Due to the proximity of the date that our financial statements are available for issue (April 9, 2021) to the closing of this acquisition, the initial accounting for this acquisition is incomplete and we are not able to provide the disclosures otherwise required by IFRS 3 *Business Combinations*.

On March 29, 2021, we issued at par the 4.0% Senior Notes. Interest on these notes is due on April 15 and October 15 each year, with the first payment due October 15, 2021. The 4.0% Senior Notes are guaranteed by the same subsidiaries that guarantee our indebtedness under the Senior Secured Credit Facilities and the existing Senior Notes. We intend to use the proceeds from this offering for general corporate purposes, which may include working capital, capital expenditures, the acquisition of other companies, businesses or assets, strategic investments, the refinancing or repayment of debt, and share repurchases. On March 31, 2021, we priced an offering of additional \$250.0 million aggregate principal amount of 4.0% senior notes that will be aggregated with the 4.0% Senior Notes issued on March 29, 2021.

Sensata Technologies Holding plc

Registered company number 10900776

Company Financial Statements

For the Year Ended
December 31, 2020

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

	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets:			
Investment in subsidiaries	5	\$ 1,250,010	\$ 1,250,010
Non-current deferred tax assets	4	472	732
Other non-current assets		51	—
Total non-current assets		<u>1,250,533</u>	<u>1,250,742</u>
Current assets:			
Redeemable preference shares	5,13	4,250,000	4,250,000
Debtors due within one year	6	67,286	44,150
Cash at bank and in hand		664	238
Prepaid expenses and other current assets		2,014	1,439
Total current assets		<u>4,319,964</u>	<u>4,295,827</u>
Creditors: amounts falling due within one year	7	91,469	27,814
Net current assets		<u>4,228,495</u>	<u>4,268,013</u>
Total assets less current liabilities		<u>\$ 5,479,028</u>	<u>\$ 5,518,755</u>
Capital and reserves			
Ordinary shares fully paid up	8	\$ 2,220	\$ 2,212
Retained earnings - distributable	8	3,220,660	3,242,095
Retained earnings - undistributable	8	3,004,439	3,003,016
Merger reserve	8	1,834	1,834
Share premium	8	34,471	19,019
Treasury shares	8	(784,596)	(749,421)
Total shareholders' funds		<u>\$ 5,479,028</u>	<u>\$ 5,518,755</u>

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

Signed for and on behalf of the Board of Directors:

/s/ Constance E. Skidmore _____

Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 9, 2021

/s/ Jeffrey J. Cote _____

Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 9, 2021

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

	Note	For the year ended December 31,	
		2020	2019
Net revenue		\$ —	\$ —
Operating costs and expenses:			
General and administrative		12,477	8,860
Total operating costs and expenses		12,477	8,860
Loss from operations		(12,477)	(8,860)
Intercompany dividend income		—	700,000
Intercompany interest expense, net	9	(479)	(23,294)
Other, net	3	115	(21)
(Loss)/income before income taxes		(12,841)	667,825
Provision for/(benefit from) income taxes	4	5,680	(14,137)
Net (loss)/income		(18,521)	681,962
Other comprehensive income		—	—
Comprehensive (loss)/income		\$ (18,521)	\$ 681,962

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, 2018	\$ 2,203	\$ 2,567,126	\$ 3,001,394	\$ 1,834	\$ 3,875	\$ (399,417)	\$ 5,177,015
Net income for the period	—	681,962	—	—	—	—	681,962
Vesting of restricted securities	5	(5)	—	—	—	—	—
Surrender of shares for tax withholding	—	—	—	—	—	(6,990)	(6,990)
Other retirements of treasury shares	(2)	(6,988)	—	—	—	6,990	—
Repurchase of ordinary shares	—	—	—	—	—	(350,004)	(350,004)
Share-based compensation	—	—	1,269	—	—	—	1,269
Tax effect of windfall related to share-based compensation	—	—	353	—	—	—	353
Options exercised	6	—	—	—	15,144	—	15,150
Balance as of December 31, 2019	2,212	3,242,095	3,003,016	1,834	19,019	(749,421)	5,518,755
Net loss for the period	—	(18,521)	—	—	—	—	(18,521)
Vesting of restricted securities	4	(4)	—	—	—	—	—
Surrender of shares for tax withholding	—	—	—	—	—	(2,911)	(2,911)
Other retirements of treasury shares	(1)	(2,910)	—	—	—	2,911	—
Repurchase of ordinary shares	—	—	—	—	—	(35,175)	(35,175)
Share-based compensation	—	—	1,545	—	—	—	1,545
Tax effect of windfall related to share-based compensation	—	—	(122)	—	—	—	(122)
Options exercised	5	—	—	—	15,452	—	15,457
Balance as of December 31, 2020	\$ 2,220	\$ 3,220,660	\$ 3,004,439	\$ 1,834	\$ 34,471	\$ (784,596)	\$ 5,479,028

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 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 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 9, 2021.

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, France, India, Japan, 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 included elsewhere in this Report.

2. Significant Accounting Policies

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (c) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- (d) The requirements of paragraphs 45(b) and 46 through 52 of IFRS 2 *Share-Based Payments*;
- (e) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (f) The requirements of IAS 7 *Statement of Cash Flows*.

Judgments and key sources of estimations

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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 balance sheet 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, including global economic conditions caused by the COVID-19 pandemic, 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, 2022, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2022.

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 for the foreseeable future. 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 balance sheet date with resulting gains and losses recognized in the profit and loss account.

3. Other, net

Other, net consists of currency remeasurement losses on net monetary assets.

4. Income Taxes

Provision for/(benefit from) income taxes

Benefit from income taxes for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31,	
	2020	2019
Current tax expense:		
Current year	\$ (2,374)	\$ (6,097)
Prior year	8,035	(8,134)
Deferred tax expense:		
Origination and reversal of temporary differences	105	94
Change in tax rate	(86)	—
Total	<u>\$ 5,680</u>	<u>\$ (14,137)</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, 2020 and 2019 were as follows:

	For the year ended December 31,	
	2020	2019
(Loss)/income on ordinary activities before tax	\$ (12,841)	\$ 667,825
(Loss)/income on ordinary activities multiplied by standard rate of corporation tax in U.K. of 19%	(2,440)	126,886
Dividend participation exempt income	—	(133,000)
Expense/(benefit) related to prior year	8,035	(8,134)
Other	85	111
Provision for/(benefit from) income taxes	<u>\$ 5,680</u>	<u>\$ (14,137)</u>

Deferred income tax assets

Deferred tax assets recognized at December 31, 2020 and 2019 relate to share-based compensation. Movements in deferred tax assets in the period was as follows:

	For the year ended December 31,	
	2020	2019
Beginning Balance	\$ 732	\$ 491
Amounts recognized in net income	(105)	(94)
Change in Tax Rate	86	—
Change in intrinsic value of equity compensation	(241)	335
Ending Balance	<u>\$ 472</u>	<u>\$ 732</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 Holding Limited (“STIHUK”), for the years ended December 31, 2020 and 2019. The Company’s subsidiary undertakings are shown in Note 2, “Significant Accounting Policies,” to the Consolidated Financial Statements

6. Debtors

<i>Due within one year</i>	Note	December 31, 2020	December 31, 2019
Notes receivable from group companies	9	\$ 66,449	\$ 44,043
Accounts receivable from group companies		837	—
Reclaimable value added tax		—	107
Total		<u>\$ 67,286</u>	<u>\$ 44,150</u>

7. Creditors: amounts falling due within one year

<i>Due within one year</i>	Note	December 31, 2020	December 31, 2019
Trade creditors		\$ 414	\$ 572
Amounts due to group companies	9	89,979	25,685
Accruals		1,076	1,557
Total		<u>\$ 91,469</u>	<u>\$ 27,814</u>

8. Share Capital

Ordinary shares

We have authorized 177,069,000 ordinary shares, €0.01 nominal value per share. Our ordinary shares allotted, called up, and fully paid as of December 31, 2020 and 2019 were as follows:

<i>Ordinary Shares</i>	Number	Value ('000)
2020	173,266,000	\$ 2,220
2019	172,560,707	\$ 2,212

The change in ordinary shares in fiscal year 2020 include an increase of 452 thousand shares related to option exercises, and increase of 349 thousand shares related to vesting of restricted securities, and a decrease of 96 thousand shares related to a surrender of shares for tax withholdings. Refer to additional details below.

We have adopted the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan"). The purpose of the 2010 Equity Incentive Plan is to promote long-term growth and profitability by providing our present and future eligible directors, officers, and employees with incentives to contribute to, and participate in, our success. There are 10.0 million ordinary shares authorized for grants of awards under the 2010 Equity Incentive Plan, of which 1.8 million were available as of December 31, 2020.

We grant option, restricted stock unit ("RSU"), and performance-based restricted stock unit ("PRSU") awards under the 2010 Equity Incentive Plan. For option and RSU awards vesting is typically subject only to continued employment and the passage of time. For PRSU awards vesting is also subject to continued employment and the passage of time, however the number of awarded units that ultimately vest also depends on the attainment of certain predefined performance criteria.

During fiscal year 2020, a total of 452 thousand options were exercised at an average selling price of \$45.54. During 2019, a total of 537 thousand options were exercised at an average selling price of \$49.97. The range of exercise prices of our outstanding options at December 31, 2020 was \$20.60 to \$56.94. The weighted average remaining contractual life of outstanding options at December 31, 2020 was approximately 4.0 years.

During fiscal year 2020, we incurred share-based compensation expense of approximately \$1.5 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 statements of changes in shareholders' equity for additional activity in the distributable profits of Sensata plc.

Retained earnings - undistributable

On March 13, 2018, Sensata plc incorporated a new wholly owned subsidiary, STIHUK, which was incorporated with a single ordinary share of \$1.00. On March 28, 2018, the Merger was completed, upon which we determined that the assets and liabilities of Sensata N.V. were transferred to Sensata plc at historical cost. On the date of the Merger, we recognized an investment in Sensata Technologies Intermediate Holding B.V. ("STIHBV") of approximately \$2.5 billion.

On April 12, 2018, the Company sold 50% of its investment in STIHBV to STIHUK in exchange for 4.25 billion \$1.00 redeemable preference shares, which are repayable on demand from STIHUK. The redeemable preference shares represent a financial asset which was recognized initially at its fair value of \$4.25 billion. Refer to Note 12, "Redeemable Preference Shares," for additional information related to these financial assets. This sale resulted in an approximately \$3.0 billion gain, that was unrealized in accordance with Technical Release 02/17BL *Guidance on Realised and Distributable Profits under the Companies Act 2006*, paragraph 9.28, and is therefore undistributable. Refer to 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 balance sheets, 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, 2020 and 2019.

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 annual general meeting. 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, 2020, we repurchased approximately 0.9 million ordinary shares (nominal value of approximately €9 thousand) for a total purchase price of approximately \$35.2 million (weighted-average price of \$39.17 per share) under the July 2019 Program.

During the year ended December 31, 2019, we repurchased approximately 7.2 million ordinary shares (nominal value of approximately €72 thousand) under the July 2019 Program and the October 2018 Program for a total purchase price of approximately \$350.0 million (weighted-average price of \$48.87 per share). This represented approximately 4% of the total number and nominal value of our ordinary shares issued at December 31, 2019.

9. Interest Bearing Borrowings

We have no direct outstanding interest bearing borrowings as of December 31, 2020. 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 group audited consolidated financial statements included elsewhere in this Report.

Intercompany interest expense relates to amounts due to group companies as disclosed in Note 7, "Creditors: amounts falling due within one year." These borrowings were made to effect the share repurchases as discussed in Note 8, "Share Capital."

10. Auditor Remuneration

The aggregate fees payable to Ernst & Young LLP and its affiliates for professional services rendered for us for fiscal year 2020 and 2018 was as follows:

	For the year ended December 31,	
	2020	2019
Audit of the company financial statements	\$ 3,584	\$ 4,355
The auditing of accounts of any associate of the company	638	653
Total audit fees	4,222	5,008
Other services		
Taxation services	552	362
Other fees	10	10
Total fees	\$ 4,784	\$ 5,380

Refer to Note 26, "Auditors Remuneration," of the group audited consolidated financial statements for detailed discussion of each of the components above.

11. Director Remuneration

We paid approximately \$2.8 million in compensation to our non-executive directors during fiscal year 2020, including approximately \$1.5 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, 2020, 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.