Sensata Technologies Holding plc

Registered company number 10900776

Annual Report

For the Year Ended
December 31, 2023

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General Information

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Strategic Report

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

The Company

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

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

Overview

We are a global industrial technology company that strives to help our customers and partners safely deliver a cleaner, more efficient, electrified, and connected world. For more than 100 years, we have been developing and innovating a wide range of customized solutions that address increasingly complex engineering and operating performance requirements for our customers' mission-critical applications. We present financial information for two reportable segments, Performance Sensing and Sensing Solutions.

We develop, manufacture, and sell sensors and sensor-rich solutions, electrical protection components and systems, and other products. Our sensors are used by our customers to translate a physical parameter, such as pressure, temperature, position, or location of an object, into electronic signals that our customers’ products and solutions can act upon. Our electrical protection portfolio (which includes both components and systems) is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, high-voltage distribution units, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety. Other products and services we provide include vehicle area networks and data collection devices and software, battery storage systems, and power conversion systems, the latter of which include inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications.

Customers

Our customers in the Performance Sensing reportable segment include leading global automotive, on-road truck, construction, and agriculture original equipment manufacturers ("OEMs"), the companies that supply parts directly to these OEMs, known as Tier 1 suppliers, various aftermarket distributors, fleet transportation, and logistics customers. Within the Sensing Solutions reportable segment, our customers include a wide range of industrial and commercial manufacturers and suppliers across multiple end markets, primarily OEMs in the climate control, appliance, medical, energy and charging infrastructure, data/telecom, aerospace and defense industries, as well as systems integrators and aerospace and motor and compressor distributors.

We have a history of helping our customers with their mission-critical, hard-to-do engineering challenges. We identify future regulatory impacts and trends in our markets early and then work with our customers to help them adapt to these changes while creating innovative solutions. This has allowed us to build trust through various market cycles and through periods of significant change and disruption.

We believe large OEMs and other multinational companies are increasingly demanding a global presence to supply sensors and electrical protection components for their key platforms worldwide. We provide all our customers with worldwide technical and manufacturing presence and service support, which helps ensure supply continuity and avoid risks associated with potential supply chain disruptions. Moreover, we have a strong knowledge of their quality and delivery requirements. We also see the growing importance of new ‘startup’ OEMs as market disruptors, and Sensata’s flexibility, speed, expertise, and global footprint provide these new entrants with a supplier/partner capable of meeting their demanding requirements.

We have had relationships with our top ten customers for an average of 32 years. Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2023.

End Markets

The table below sets forth the amount of net revenue generated by our end-markets, reconciled to total net revenue, for the years ended December 31, 2023 and 2022:

(In thousands)	For the year ended December 31, 2023	2022
Net revenue:		
Automotive	$ 2,177,189	$ 2,107,651
HVOR	863,422	848,514
Industrial, HVAC, other	825,293	920,217
Aerospace	188,179	152,880
Total net revenue	$ 4,054,083	$ 4,029,262

(1) Total net revenue for the years ended December 31, 2023 and 2022 includes approximately $673 million and $460 million, respectively, of revenue related to the Electrification growth trend (refer to discussion under the heading *Growth Drivers* below), portions of which are derived in each of the end markets presented above.

Business Strategy

Anticipating and Leveraging Change in our End Markets

There will be more change in the end markets we serve in the next 10 years than there have been in the last 50 years. In order to take advantage of the unprecedented opportunity for growth that these changes represent, we are leveraging certain material growth drivers. These material drivers include Electrification and Safe & Efficient, each of which are described in more detail under the heading *Growth Drivers*.

Invest in the Business

While we may continue to consider strategic partnerships and acquisitions to accelerate the growth and transformation of our product portfolio and to obtain access to new technologies, expertise, processes, and solutions, we are focusing on leveraging the core business, which continues to have meaningful growth and cash flows. Our future success builds upon our deep expertise in customizing the base technologies developed over the years, improving them meaningfully over time, and leveraging new technologies and capabilities that have been recently acquired.

We have increased research and development ("R&D") costs over the last five years in order to invest in differentiated capabilities and product innovation. Because we are a long-cycle business, these investments have pressured near-term margins. However, as a result of these investments, our addressable market is large and expanding. We believe these are the right strategic decisions for our long-term health and prosperity.

This focus and investment are driving a dramatic increase in our new business wins ("NBOs") over the past several years. In fiscal year 2023, we achieved NBOs of $657 million. Over the past three years, we have achieved over $2.3 billion in NBOs. While we continue to win significant opportunities in our core business related to the Safe & Efficient growth trend, the majority of our NBOs, $1.3 billion over the past three years, have been in the area of electrification. We will continue to narrow our focus and investment in this area. We define NBOs as incremental revenue to our current base of business that is expected to be recognized on average in the fifth year after entry into the agreement, when programs typically reach their normal volume. Accordingly, NBOs are an indicator of future revenue potential.

Manufacturing

From a manufacturing perspective, we have achieved our current cost position through development of manufacturing scale and efficiencies, a continual process of migration and transformation to best-cost manufacturing locations, global best-cost sourcing, product design improvements, and ongoing productivity-enhancing initiatives. We also use our decades of manufacturing expertise to drive efficient, high-quality processes. We leverage next-generation automation to lower labor costs and to drive towards zero defects.

We are building resilient supply chains with a balanced approach in ensuring the continuity of supply while aggressively focusing on innovative ways to drive material cost down. Through collaboration and partnership across our project teams, sourcing, and our supply base partners, we have identified and are executing on project-based material savings programs to help mitigate inflation.

In addition, we continue to drive operational efficiencies with network analysis and optimization, lean initiatives, and accelerating automation deployments to mitigate both labor shortages and wage inflation pressures in our factories.

Capital Allocation

We expect to drive our net leverage down to less than 2.0x by the end of 2026. We repaid our $400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes") in December 2023 with cash on hand. On September 26, 2023, our Board of Directors authorized a new $500.0 million ordinary share repurchase program (the “September 2023 Program”), which replaced the $500.0 million ordinary share repurchase program authorized in January 2022 (the "January 2022 Program"), effective on October 1, 2023. Going forward, our capital allocation strategy is focused on supporting the growth of the business through capital expenditures, maintaining our dividend, reducing our debt levels, and repurchasing shares opportunistically.

Growth Drivers

Safe & Efficient

Due to global regulation and societal forces, our customers are facing increasing mandates to make their products safer, cleaner, and more efficient. Many of our customers are shifting their designs for vehicles, industrial equipment, aircraft, and other systems to meet these evolving requirements, a trend which we refer to as “Safe & Efficient." This trend impacts most of our business today and is resulting in an addressable market ($13.3 billion in 2023) that is expected to grow at a compound annual growth rate ("CAGR") of 4% over the next five years. This is despite the expected transition within the automotive end market from internal combustion engines ("ICEs") to electrified platforms during that period of time.

We design and manufacture products and solutions for mission-critical, hard-to-do applications that enable our customers to protect the environment and improve quality of life. Our products and solutions are being used by our customers in applications to address the Safe & Efficient demands, including those that help transportation customers to meet the standards of emissions and pollution-control legislation and industrial customers to introduce new energy-efficient and environmentally friendly motors, compressors, and HVAC systems.

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

We consider these capabilities to be core to our historical success and will continue to be significant drivers of market outgrowth in the future. We use the term "market outgrowth" to describe the impact of an increasing quantity and value of our products used in customer systems and applications above external market growth. It is only loosely correlated to normal unit demand fluctuations in the markets we serve.

Electrification

Our objective with the Electrification initiative is to become a leading and foundational player in electrification components and sub-systems across broad industrial, transportation, aerospace, recharging infrastructure, and renewable energy generation and storage end markets. These components and solutions will support a future that is more environmentally sustainable and efficient and include (1) components for electric vehicles ("EVs"), charging stations, and chargers and (2) mission-critical high-voltage components and subsystems combined into high-value energy management or energy storage solutions. Throughout this Report, we use the term “electric vehicles” or "EVs" holistically to reference plug-in hybrid and battery-electric vehicles of all kinds, unless otherwise specified.

Because of the prevalence of ICE vehicles today, applications in these vehicles make up most of our current transportation addressable markets (automotive and HVOR). These addressable markets are large today and growing, with expectations that they will continue to grow over the next ten years. However, the automotive market is rapidly changing with the transformation into electrification. Most of our customers have made significant commitments regarding the transition from ICEs to electrified platforms.

In addition, the need for electrification is evident in all aspects of daily life, not just in transportation applications. Manufacturers of material handling equipment, aircraft, and industrial systems are also addressing ever-tightening greenhouse gas ("GHG") emissions regulations and taking advantage of falling battery costs and increasing energy capacities of lithium-ion battery cells to provide electrified solutions to their customers. In order to make this happen, the sources of energy, infrastructure to distribute it, and the vehicles and industrial applications that use energy all need to transition to clean electricity in order to reduce GHG emissions. These demands have been met with more choices, better performance, and improved safety, all combining to advance electrification at a rapid pace. The electrification market represented a $6.3 billion serviceable addressable market for Sensata in 2023, which is expected to grow at a 24% CAGR over the next five years.

Many of the components and subsystems we have historically developed and produced, such as those used in braking, tires, and environmental control in traditional ICE vehicles, will play a significant role in this expansion, as we can convert much of this technology for use in electric vehicle applications. Specific to EVs, we also provide and are developing several components that enable the safe and efficient operation of electrified platforms, such as high-voltage electrical protection, advanced temperature and thermal management sensing, highly sensitive electric motor position, and next-generation current sensing.

Thanks to products and services we have added via acquisition, we have expanded our capabilities and reach to provide our customers with not only components but also either the subsystem of assembled components to manage battery charging in the form of a power distribution unit for renewable energy systems and applications or, in certain specialty transportation markets, the full energy storage system, including battery management and a customized battery pack.

On the front end of the cycle, energy sources are shifting to renewables, with the cost of solar, wind, and hydrogen all becoming more cost-efficient. Clean Energy Solutions, a business unit within our Sensing Solutions reportable segment, was organized to better pursue clean energy components and system opportunities. Clean Energy Solutions includes products and solutions such as high-voltage contactors, inverters, rectifiers, energy storage systems, electrical sensing products, and battery management systems, that serve the industrial, stationary, and commercial energy conversion and storage end markets. Our fiscal year 2022 acquisition of Dynapower was a foundational addition to our Clean Energy Solutions strategy. Dynapower is a leader in power conversion systems, including inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications. Dynapower also provides aftermarket sales and service to maintain its equipment in the field.

We are a leading provider of high-voltage electrical protection on EVs and charging infrastructure and we also seek to be the partner of choice for HVOR, industrial, and aerospace OEMs transitioning to electrified solutions. We are directly enabling direct current ("DC") fast charging through high-voltage components. We enable innovation by providing higher levels of safety through our high-voltage solutions and isolation monitoring devices. Safety is critical given the level of power being transmitted and handled by the end consumer who is actually charging their vehicle. We are also delivering higher power through a broad array and range of DC switching and current braking products and the opportunity to move faster by collaborating with our OEMs on integrated products. Today, our high-voltage contactors are a critical component of our electrification portfolio, and we have continued to build upon that organically and through acquisitions including current sensing and battery management.

We meaningfully started our journey in high-voltage electrification with the 2018 acquisition of GIGAVAC, an industrial contactor-infused business serving the North American market. Since then, we have continued to innovate our contactor portfolio. Our GIGAVAC-branded high-voltage electrical protection products augment our electrical protection portfolio to address many of the needs in EVs as the voltage of these systems continue to increase. As system voltages increase, the burden on the systems and subsystems to properly control and protect the vehicle from electrical failure becomes mission-critical and is where our solutions play a critical role. Our electrical protection solutions safeguard the expensive electronics used to power the vehicle and allow for an increase in power levels to improve charging times. In addition, we are driving the speed of innovation and value with lower-voltage electrified platforms, both on and off-road. The joint venture created with Churod Electronics in early fiscal year 2021 expanded our contactor offering by making available new technology applicable to lower voltage ranges than GIGAVAC's solutions.

Our average U.S. dollar content in an electric vehicle is expected to expand over the next several years to approximately two times the content that we currently realize on average for ICE vehicles, resulting from the broad array of sensors and other components designed into EVs.

We continue to drive investments in innovative technologies, competencies, and solutions to enable our customers' success as they pivot toward an electrified world.

Segment information

The Performance Sensing reportable segment, which accounted for approximately 74% of our net revenue in fiscal year 2023, represents an aggregation of two operating segments, Automotive and HVOR. It primarily serves the Automotive and HVOR industries through the development and manufacture of sensors, high-voltage solutions (i.e., electrical protection components), and other solutions that are used in mission-critical systems and applications. Examples include those used in subsystems of automobiles, on-road trucks, and off-road equipment, such as tire pressure monitoring, thermal management, electrical protection, regenerative braking, powertrain (engine/transmission), and exhaust management. Our products are used in subsystems that, among other things, improve operating performance and efficiency and contribute to environmentally sustainable and safe solutions.

Our solutions are present in a wide variety of transportation systems and subsystems, playing a critical role in ensuring the functionality and safety of a vehicle's operation. Within the combustion and electrified propulsion architecture, we provide various sensor solutions (e.g., electric motor position, gasoline direct injection, oil pressure monitoring, fuel delivery, and various others) that enable superior functionality, efficiency, and optimized performance while reducing environmental impact. As electrification proliferates, the ability to protect the vehicle systems/sub-systems from high-voltage power sources becomes critical, a need that our electrical protection portfolio (e.g., high-voltage contactors, fuses, high-voltage junction boxes) addresses. Our chassis (e.g., tire management solutions), thermal management (e.g., pressure plus temperature sensing), and safety (e.g., braking and electronic stability control) sensor/product solutions all play critical roles in enabling the safety, improved performance, and increased efficiency and range of both electrified vehicles and ICE powertrains.

Applications we serve require close engineering collaboration between us and the OEM or their Tier 1 suppliers. Solutions are designed to meet application-specific requirements with customer-specific fit, form, and function. As a result, OEMs and Tier 1 suppliers make significant investments in selecting, integrating, and testing sensors as part of their product development. Once our solutions are designed into an application, we are well positioned as the incumbent supplier due to the high degree of sensor customization and application/vehicle platform certification. This results in high switching costs for automotive and HVOR manufacturers once a sensor is designed into a particular system or platform. We believe this is one of the reasons that sensors are rarely changed during a platform life cycle, which in the case of the automotive industry typically lasts four to six years. OEMs and Tier 1 suppliers seek to partner with suppliers with a proven record of quality, on-time delivery, and performance, as well as the engineering and manufacturing scale/resources to meet their needs over the multi-year lifecycle of these highly engineered vehicles and systems.

Sensing Solutions, which accounted for approximately 26% of our net revenue in fiscal year 2023, primarily serves the industrial and aerospace industries through the development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance, HVAC, water management, operator controls, charging infrastructure, renewable energy generation, green hydrogen production, and microgrid applications and markets, as well as the aerospace market, including commercial aircraft, defense, and aftermarket markets.

Some of the products and solutions the segment sells include pressure, temperature, and position sensors, motor and compressor protectors, high-voltage contactors, solid state relays, bimetal electromechanical controls, power inverters, charge controllers, battery management systems, operator controls, and power conversion systems. Our products perform many functions, including prevention of damage from excess heat or electrical current, optimization of system performance, low-power circuit control, renewable energy generation, and power conversion from DC power to alternating current power.

Our electrical protection devices are critical for the safe operation of, for example, small appliances that are used in every day life. We believe that we are the industry leader in the residential and commercial heating and cooling equipment markets, such as switches and sensors that manage the refrigerant loop of an air conditioner. We leverage the expertise from the automotive business, and we customize the products to our market requirements.

Our Clean Energy Solutions business includes products and solutions such as high-voltage contactors, inverters, rectifiers, energy storage systems, electrical sensing products, and battery management systems that serve the industrial, transportation, stationary, and commercial energy conversion and storage end markets. Applications include those in battery-energy storage, microgrids, and renewable energy generation and storage. Our fiscal year 2022 acquisition of Dynapower was a foundational addition to our Clean Energy Solutions strategy. Dynapower is a leader in power conversion systems, including inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications. Dynapower also provides aftermarket sales and service to maintain its equipment in the field.

Seasonality

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

Risk Management

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

Strategic and operational

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

Compliance

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

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

Financial

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

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

Financial Reporting

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

Risk Oversight

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

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

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

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

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

Risk Factors

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

Business and Operational Risks

We are subject to risks associated with climate change, including increased regulation of GHG emissions, changing consumer preferences and other risks related to our transition to Electrification, and the potential increased impacts of severe weather events on our operations and infrastructure.

Climate change is receiving increasing attention worldwide, which has led to increased stakeholder and societal expectations on companies to address change and significant legislative and regulatory efforts to limit GHG emissions. For example, adoption of GHG or climate change rules in jurisdictions in which we operate facilities could require installation of emission controls, acquisition of emission credits, emission reductions, or other measures that could be costly, and could also impact utility rates and increase the amount we spend annually for energy. Additionally, jurisdictions throughout the world are enacting more stringent disclosure requirements related to climate change impacts of an entity's business. Such increased disclosure requirements could increase our costs and could result in risks to our reputation or consumer demand for our products if we do not meet increasingly demanding stakeholder expectations and standards.

Changes in consumer preferences due to transitioning to a greener economy may result in increased costs, reduced demand for our ICE products, and reduced profits. Part of our strategy to address these risks includes our transition to EVs, which presents additional risks, including reduced demand for, and therefore profits from, our ICE vehicles, which we are using to fund our growth strategy; higher costs or reduced availability of materials related to EV technologies impacting profitability; and risks related to the success of our EV strategy.

Finally, given the worldwide scope of our supply chain and operations, we and our suppliers face a risk of disruption or operating inefficiencies that may increase costs due to the adverse physical effects of climate change, which are predicted to increase the frequency and severity of weather and other natural events, e.g., tropical cyclones, extended droughts, and extreme temperatures. Climate change could also disrupt our operations by impacting the availability and cost of materials within our supply chain, and could also increase insurance and other operating costs. These factors may impact our decisions to construct new facilities. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position, and cash flows could be materially adversely affected. Our strategy to mitigate this risk is to diversify our locations globally.

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

Our business, including our employees, customers, and suppliers, is located throughout the world. We employ approximately 92% of our workforce outside of the U.S. We have many manufacturing, administrative, and sales facilities outside of the U.S. Our subsidiaries located outside of the U.S. generated approximately 59% of our net revenue in fiscal year 2023 (including approximately 18% in China) and we expect sales from non-U.S. markets to continue to represent a significant portion of our total net revenue. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, economic sanctions, investments, taxation, exchange controls, and repatriation of earnings.

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

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

The Board mitigates this risk by receiving 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, such as this. 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. Our strategy to mitigate this risk is to diversify our locations globally.

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

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

Much of our business depends on, and is directly affected by, the global automobile industry. Sales in our automotive end markets accounted for approximately 54% of our total net revenue in fiscal year 2023. Declines in demand such as experienced as a result of the COVID-19 pandemic and other adverse developments like those we have seen in past years in the automotive industry, including but not limited to customer bankruptcies and increased demands on us for lower prices, could have 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.

Because of the prevalence of ICE vehicles today, applications in these vehicles make up most of our current transportation addressable markets (automotive and HVOR). These addressable markets are large today and growing, with expectations that they will continue to grow over the next ten years. However, the automotive market is rapidly changing with the transformation into electrification. Many of the components and subsystems we have historically developed and produced, such as those used in braking, tires, and environmental control from traditional ICE vehicles, will play a significant role in this expansion, as we can convert much of this technology for use in electric vehicle applications. If the pace of customer adoption of EVs slows, and this demand is not replaced by demand of more traditional vehicles served by our core ICE business, our results of operations, financial condition, and cash flows could be materially adversely affected.

The Board mitigates this risk by receiving 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.

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

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

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

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

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; that we will be unable to develop and market profitable new products and applications before our competitors or in time to satisfy customer demands; the possibility that investment of significant time and resources will not be successful; the possibility that the marketplace does not accept our products or services; that we are unable to retain customers that adopt our new products or services; and the risk of additional liabilities associated with these efforts.

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

We also incur capital expenditures and other costs and price our products based on estimated production volumes. If actual production volumes were significantly lower than estimated, our anticipated revenue and gross margin from those new products would be adversely affected. We cannot predict the ultimate demand for our customers' products, nor can we predict the extent to which we would be able to pass through unanticipated per-unit cost increases to our customers. We mitigate this risk by working with our customers to understand their needs and production plans to provide the best opportunities for our product introductions to succeed.

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

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

It has historically been difficult to pass increased prices for manufactured components and raw materials to our customers through price increases. Therefore, a significant increase in the price or a decrease in the availability of these items, such as those experienced in the global supply chain shortages of the past few years, could materially increase our operating costs and materially and adversely affect our business and results of operations. The impact of these global supply chain shortages of the past few years, including production delays on a vast and varied number of products across industries and geographies and increased procurement and logistics costs, has been unprecedented. Accordingly, we continue to actively work with our customers to share the inflationary burden of these factors. In addition, where possible, we have been working to adjust our long-term supply agreements, strengthen our relationships with our suppliers, increase inventory on hand, increase visibility into long-term supply and demand, and accelerate the use of alternate materials to increase supply chain visibility. If the future impacts of these shortages are more severe than we currently expect, or if our efforts to share the inflationary burden of these factors do not sufficiently offset our costs, it could result in deterioration of our results.

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 U.S. generally accepted accounting principles. Accordingly, the change in fair value of these hedges is recognized in earnings immediately, which could cause volatility in our results of operations from quarter to quarter.

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 have in the past, and may in the future, 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. There is also no guarantee that the acquired businesses will perform according to the business case used in justifying the acquisition. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope.

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

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

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

In pursuing our corporate strategy, we continue to evaluate the strategic fit of specific businesses and products and occasionally dispose of or exit businesses and products. The success of this strategy is dependent upon our ability to identify appropriate disposition targets, negotiate transactions on favorable terms, and complete transactions. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products, and personnel; the diversion of management's attention from other business concerns; the disruption of our business; and the potential loss of key employees. There can be no assurance that we will be successful in addressing these or any other significant risks encountered. In the year ended December 31, 2022, we sold various assets and liabilities comprising our semiconductor test and thermal business (collectively, the "Qinex Business"). Refer to *Note 29: Acquisitions and Divestitures* of our audited consolidated financial statements and accompanying notes thereto (the "Financial Statements") included elsewhere in this Report for additional information.

We also may seek to restructure our business in the future by relocating operations, disposing of certain assets, or consolidating operations. There can be no assurance that any restructuring of our business will not adversely affect our financial condition, leverage, or results of operations. In addition, any significant restructuring of our business will require significant managerial attention, which may be diverted from our other operations. In the year ended December 31, 2023, we exited the marine energy storage business (the "Marine Business") of Spear Power Systems (“Spear”). In addition, we committed to a plan to reorganize our business (the “Q3 2023 Plan”), which consisted of voluntary and involuntary reductions-in-force, site closures, and other cost-savings initiatives. Refer to *Note 5: Restructuring and Other Charges, Net* of our Financial Statements included elsewhere in this Report for additional information on these activities.

We work to mitigate this risk by evaluating our business strategy on a regular basis to ensure we are focusing on the most beneficial products and businesses. 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, such as this. 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.

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

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

We mitigate this risk by monitoring the labor situation in the industries where we operate and take action as necessary to limit the impact of any potential disruption. 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, such as this. 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.

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

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

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

We mitigate this risk by continually working to improve or manufacturing processes to reduce cost. 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, such as this. 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.

Security incidents and other disruptions to our information technology ("IT") infrastructure could interfere with our operations, compromise confidential information, and expose us to liability, which could have a material adverse 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 incidents in our IT systems or assess the severity or impact of an incident in a timely manner. We have experienced attacks to our systems and networks and have from time-to-time experienced cybersecurity incidents, such as computer viruses and malware, unauthorized parties gaining access to our IT systems, and similar incidents, which to date have not had a material impact on our business. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. Additionally, we have been an acquisitive organization and the process of integrating the information systems of the businesses we acquire is complex and exposes us to additional risk as we might not adequately identify weaknesses in the targets' information systems, which could expose us to unexpected liabilities or make our own systems more vulnerable to attack.

Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, maintenance of backup and protective systems, and maintenance of cybersecurity insurance), our IT networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attacks by hackers, breaches, employee error or malfeasance, power outages, computer viruses, malware and ransomware, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. We also face the challenge of supporting our older systems and implementing necessary upgrades. We have not experienced any material cybersecurity incidents.

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

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

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

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

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

In addition, laws and regulations for smart vehicles are expected to continue to evolve in numerous jurisdictions globally, which could affect our product portfolio and operations. Further, managing and securing personal and customer data that our products, as well as our partners' products, gather is a new and evolving risk for us.

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.

We value employee engagement and take actions described under the heading *Employees* included elsewhere in this Strategic Report to mitigate this risk.

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

Additionally, the impacts described above and other impacts of a global pandemic, including responses to it, could substantially increase the risk to us from the other risks described in this section. We gained experience from the COVID-19 pandemic and developed processes and procedures to mitigate the impact of future health crises.

Financial Risks

We have identified material weaknesses in our internal control over financial reporting. These material weaknesses could in the future adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.

We have identified material weaknesses in our internal control over financial reporting and those weaknesses have led to a conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, 2023. We did not specify objectives with sufficient clarity to enable an appropriate level of risk assessment and monitoring. Additionally, our control activities did not adequately establish policies, procedures, information protocols and communications to design and operate effective control, due in part, to a lack of appropriate accounting personnel, impacting areas such as inventory and account reconciliation processes in our Americas Accounting and Shared Services teams located in Mexico. Our management is taking action to remediate the deficiencies in its internal controls over financial reporting by developing a remediation plan, which could include the engagement of third-party consultants to evaluate and help formalize internal controls design and framework; the completion of a risk assessment to determine areas within the internal control structure to strengthen, document and execute; and the augmentation, reorganization or replacement of personnel where necessary to ensure appropriate levels of knowledge and execution to support internal control structure assessment, design, and execution.

If actions to remediate these material weaknesses are not completed on a timely basis, or if other remediation efforts are not successful, we may, in the future, identify additional internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting.

Failure to have effective internal control over financial reporting and disclosure controls and procedures could impair our ability to produce accurate financial statements on a timely basis, or provide reliable financial statements needed for business decision processes, and our business and results of operations could be harmed. Additionally, investors could lose confidence in our reported financial information and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. Also, failure to maintain effective internal control over financial reporting could result in sanctions by regulatory authorities, and our independent registered public accounting firm may not be able to attest that such internal controls are effective when they are required to do so.

We mitigate this risk by striving 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") and Chief Financial 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).

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

Our reporting currency is the U.S. dollar ("USD"). We derive a significant portion of our net revenue from markets outside the U.S. For financial reporting purposes, the functional currency of all of our subsidiaries has historically been the USD because of the significant influence of the USD on our operations. Effective October 1, 2023, as a result of significant changes in economic facts and circumstances in the operations of our China foreign entities, the functional currency of our wholly-owned subsidiaries in China changed to the Chinese Renminbi ("CNY"). The changes in economic facts and circumstances caused a permanent change to our strategy in China toward a more self-contained model making China the primary economic environment in which these subsidiaries operate.

A portion of our net revenue, expenses, receivables, and payables are denominated in currencies other than our functional currency. At the date that a transaction denominated in a currency other than our functional currency is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in the functional currency using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in currency other than the functional currency are adjusted to the functional currency using the exchange rate at the balance sheet date, with gains or losses recognized in other, net in the consolidated statements of operations.

We, therefore, face exposure to adverse movements in exchange rates of these currencies, which may change over time and could affect our financial results and cash flows. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices.

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

The credit agreement governing our secured credit facility (as amended, supplemented, waived, or otherwise modified, the "Credit Agreement") provides for senior secured credit facilities (the "Senior Secured Credit Facilities") consisting of a term loan facility (the "Term Loan"), a $750.0 million revolving credit facility (the "Revolving Credit Facility"), and incremental availability (the "Accordion") under which additional secured credit facilities could be issued under certain circumstances. In fiscal year 2023, we repaid the remaining balance on the Term Loan. As of December 31, 2023, we had $3.5 billion of gross outstanding indebtedness, including various tranches of senior unsecured notes (the "Senior Notes"). Refer to *Note 14: Borrowings* of our Financial Statements included elsewhere in this Report for additional information related to our outstanding indebtedness.

Our substantial indebtedness could have important consequences. For example, it could make it more difficult for us to satisfy our debt obligations; restrict us from making strategic acquisitions; limit our ability to repurchase shares; limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, thereby placing us at a competitive disadvantage if our competitors are not as highly-leveraged; increase our vulnerability to general adverse economic and market conditions; or require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness if we do not maintain specified financial ratios or are not able to refinance our indebtedness as it comes due, thereby reducing the availability of our cash flows for other purposes. In addition, the Accordion permits us to incur additional secured credit facilities in certain circumstances in the future, subject to certain limitations as defined in the indentures under which the Senior Notes were issued. 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 debt and fund our planned capital expenditures and business plan. If we complete additional acquisitions, our debt service requirements could also increase. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments, or reducing or delaying capital expenditures, strategic acquisitions, investments, and alliances, any of which could have a material adverse effect on our operations. Additionally, we may not be able to complete such actions, if necessary, on commercially reasonable terms, or at all.

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

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.

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

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

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

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

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

We have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other intangible assets, net totaled approximately $4.6 billion as of December 31, 2023, or 59% 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 $3.6 billion as of December 31, 2023, or 46% of our total assets. Goodwill and other identifiable intangible assets were recognized at fair value as of the corresponding acquisition date.

We evaluated our goodwill for impairment as of October 1, 2023, using a quantitative analysis for each CGU (or group of CGUs as applicable), under which a discounted cash flow analysis is prepared (and, when applicable, a market multiples approach using comparable companies) to determine whether the fair value of the CGU is less than its carrying value. Based on these analyses, we have determined that our Insights cash-generating unit was impaired. As a result, we recorded a $362.4 million non-cash impairment charge in the fourth quarter of 2023, including goodwill impairment of $321.7 million (representing the entire goodwill balance allocated to Insights) and other intangible assets impairment of $40.7 million (representing additional impairment of Insights carrying value beyond goodwill).

This impairment was primarily driven by a lower long-range financial forecast resulting from the impact of restructuring actions taken in the third and fourth quarters of 2023 and consequent business decisions regarding our level of investment in Insights in future years, considering our focus on electrification. Other valuation assumptions for the Insights reporting unit valuation that are impacted by macroeconomic factors also contributed to the impairment.

Additional impairment of goodwill or 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 or future changes to go-to-market or product offerings strategy, and a variety of other factors. We consider a combination of quantitative and qualitative factors to determine whether a reporting unit is at risk of failing the goodwill impairment test, including: the timing of our most recent quantitative impairment tests and the relative amount by which a reporting 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 reporting unit's net assets from the time of our most recent goodwill impairment test. We also consider the impact of recent acquisitions in our expectations of the reporting units, such as the Insights and Dynapower reporting units, and how these acquisitions perform against their original expected performance, as these might put pressure on the reporting units' fair value over carrying value in the short term. Based on the results of this analysis, we do not consider any of our reporting units outside of Insights, which was already fully impaired, to be at risk of failing the 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 other reporting units change, we may be required to recognize additional impairments of goodwill or other intangible assets. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* of our Financial Statements included elsewhere in this Report for additional information related to our goodwill and other identifiable intangible assets and the Insights impairment charge.

We mitigate this risk by board oversight of our business strategy to ensure that strategy is appropriate. 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, such as this. 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.

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 United Kingdom (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 included elsewhere in this Report for additional information related to our accounting for income taxes.

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

For example, the European Commission (the "EC") has been conducting investigations of state aid and have focused on whether EU sovereign country laws or rulings provide favorable treatment to taxpayers conflicting with its interpretation of EU law. EC findings may have retroactive effect and can cause increases in tax liabilities where we considered ourselves in full compliance with local legislation.

Furthermore, on December 15, 2022, the EU Member States formally adopted the EU's Pillar Two Directive, which generally provides for a minimum jurisdictional effective tax rate of 15%. The legislation is effective for our fiscal year beginning January 1, 2024. We continue to evaluate the potential impact on future periods due to the Pillar Two framework, as such changes could result in complexity and uncertainty in countries where we do business and could increase our effective tax rate.

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

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

We are organized as a holding company, a legal entity that is separate and distinct from our operating entities. As a holding company without significant operations of its own, our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends, interest, and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding 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.

Our approach to managing this risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without requiring dividends.

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 condition, and/or cash flows.

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

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

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

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

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

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.

We mitigate this risk by board oversight of our business strategy to ensure it is appropriate. 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, such as this. 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.

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; GHG 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 condition, 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 RoHS, ELV, and Waste Electrical and Electronic Equipment Directives; the EU REACH regulation; the German Explosives Act; 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.

We mitigate this risk by maintaining a Global ESH Policy, which can be found on our website (www.sensata.com). We consistently comply with applicable ESH regulations as well as customer, community, and other requirements. We commit to continual improvement of our operations, progressively reducing the potential ESH impact of our activities, by focusing on: the health, safety, and productivity of employees and processes; efficient use of natural resources; and prevention of pollution.

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 condition, and/or cash flows. We mitigate this risk by ensuring as many of our developments are patented as possible.

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 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 mitigate this risk by requiring our employees to follow applicable laws and regulations and to operate ethically, which includes not engaging in patent infringement. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions.

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 condition, 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 condition, and/or cash flows.

We mitigate this risk by requiring our employees to follow applicable laws and regulations and to operate ethically, which includes not engaging in patent infringement. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions.

Non-Financial Information and Sustainability Statement

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

Environmental and Governmental Regulations

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

Many of our products are governed by material content restrictions and reporting requirements, examples of which include: European Union ("EU") regulations, such as Registration, Evaluation, Authorization, and Restriction of Chemicals ("REACH"), Restriction of Hazardous Substances ("RoHS"), and End of Life Vehicle ("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, such as the German Explosives Act. Further, numerous customers across all end markets require us to provide declarations of compliance or, in some cases, extra material content documentation as a requirement of doing business with them.

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

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

Compliance with environmental and governmental regulations and meeting customer requirements have increased our cost of doing business in various ways and may continue to do so in the future. We do not currently anticipate material capital expenditures during fiscal year 2024 for environmental control facilities. We also do not believe that existing or pending legislation, regulation, or international treaties or accords, whether related to environmental or other government regulations, are reasonably likely to have a material adverse effect in the foreseeable future on our business or the markets we serve, nor on our results of operations, capital expenditures, earnings, competitive position, or financial standing.

Employees

Our employees, whom we refer to as Team Sensata, are responsible for upholding our purpose – to help our customers and partners deliver a safer, cleaner, more efficient, more electrified, and increasingly more connected world – and they embody our values in all aspects of daily work. Our corporate values are the essence of our identity, provide a level-set foundation, and are an important way for us to improve our culture. Our values include passion, excellence, integrity, flexibility, and teamwork—working together towards common goals, the latter of which we refer to as "One Sensata." In various countries, local law requires our participation in works councils. We believe that our relations with our employees are good.

The following table presents a summary of our employee population as of December 31, 2023:

(in thousands)	**Total**	**U.S. Based**	**Female**	**Part of Labor Unions**
Employees	19.4	1.5	10.8	0.2
Contractors (1)	2.5	0.1	1.3	—

(1) We engage contract workers in multiple locations, primarily to cost-effectively manage variations in manufacturing volume, but also to perform engineering and other general services. Includes approximately 2,200 direct labor contract workers worldwide.

One of our key areas of prioritization is to empower our workforce through promotion of a culture that values inclusion and diversity and prioritizes employee well-being and safety.

Diversity, Equity, and Inclusion ("DEI")

We believe in treating all people with respect and dignity. Each person brings unique value through their varying backgrounds and life experiences, no matter their age, race, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical or mental ability, political affiliation, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique. It is our policy and practice to hire and employ qualified individuals without regard to these characteristics. Our DEI policy can be found at www.sensata.com/diversity-equity-and-inclusion. This policy applies to all terms and conditions of employment, including recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; reductions in force; terminations; and the ongoing development of a work environment built on the premise of diversity, equity, and inclusion.

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

We sponsor various employee resource groups (“ERGs”), groups of employees that come together to work strategically, both internally and externally, to benefit and advance their group members by fostering awareness, respect, and inclusion within the workplace. Our ERGs support our commitment to creating and sustaining a diverse workforce and a culture of inclusion where everyone can thrive, encouraging different perspectives, thoughts, and ideas — creating a sense of community. Our ERGs provide our employees meaningful community and global engagement, networking and mentoring opportunities, and an inclusive workplace culture. Through interaction with these groups, senior leadership can identify emerging and high-potential talent, acquire cultural knowledge, hear directly from employees who face challenges inherent in underrepresented groups, and strengthen diversity management skills. Our ERGs contribute to our market success by actively contributing to our broader DEI strategy. As of December 31, 2023, we had ERGs globally focused on the following areas — gender equity, generational diversity, cross-cultural appreciation, Black/African American, Hispanic/Latinx, Asian/ Asian-American & Pacific Islander heritage, and LGBTQIA+ Pride, disability awareness, and armed forces. Our ERGs are set up globally with local chapters worldwide.

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

As of December 31, 2023, we had nine non-executive directors and one executive director (the CEO). The nine non-executive directors consisted of three female directors and six male directors. The female non-executive directors include the chair of the Audit Committee and the former CEO.

As of December 31, 2023, we had seven senior managers (defined as employees of the Company who have responsibility for planning, directing, or controlling the activities of the Company, or a strategically significant part of the Company, including the CEO, who is also an executive director). Two of these senior managers are female and five are male. We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our CEO and business leaders average approximately 25 years of industry experience. They are supported by an experienced and talented management team who is dedicated to maintaining and expanding our position as a global leader in the industry. Refer to discussion under the heading *Risk Management* included elsewhere in this *Strategic Report* for additional information on the risks relating to the attraction and retention of management and executive management employees.

Social and Human Rights Matters

We have policies related to our position on various social and human rights matters, including child labor, forced labor, human trafficking, health and safety, non-discrimination, and environmental matters. Each of these policies can be found on our website at www.sensata.com. Our human rights expectations apply to all our personnel, business partners, and other parties involved directly in our operations, products, or services.

We are committed to responsible corporate practices in the area of human rights and working conditions and we respect the United Nations Guiding Principles for Business and Human Rights (2011) and its principles within our operations and supply chains. We also align with practices recommended by industry standards such as the Global Automotive Sustainability Practical Guidance and the RBA Code of Conduct, which incorporate the International Bill of Human Rights, namely the Universal Convention of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights and its two Optional Protocols (1966).

We also adhere to the principles set forth in the fundamental International Labor Organization ("ILO") Conventions, namely the Forced Labor Convention (1930), the Minimum Age Convention (1973), the Worst Forms of Child Labor Convention (1999), and the ILO Declaration on Fundamental Principles and Rights at Work (1998). The working conditions of our employees are, at minimum, in compliance with internationally recognized labor standards and the laws of the countries we operate in. When national law directly conflicts with international human rights standards or does not fully comply with them, we seek ways to respect internationally recognized human rights.

Employee Engagement

Our long-term success depends on hiring, retaining, training, rewarding, and engaging employees. We strive to retain and engage employees by providing competitive pay and benefits packages, a challenging and rewarding work experience, and by consistently connecting how integral their work is to Sensata's larger purpose and to the work we do as a company. We survey our employees bi-annually to understand where we can initiate improvements in these areas.

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

We recognize the importance of supporting our employees' health and well-being. Accordingly, we regularly review our benefit offerings with external advisers with deep industry expertise in risk insurance, health insurance, and other employee benefits for advice and market expertise. We are committed to providing comprehensive and competitive benefits packages that attract, retain, and enhance the well-being of our employees by supporting their physical, financial, and emotional wellness. Our benefits include an array of quality health and income protection benefits. Some benefits are provided automatically at no cost to employees, while the cost of other benefits is shared between the employee and Sensata.

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

Learning and Development

We believe that continued success in executing our business strategy requires us to provide a broad range of learning and development programs and opportunities to our employees. We offer our employees an online global learning management system ("Sensata Learning") that enables them to access live virtual and on-demand training. In fiscal year 2023, we delivered approximately 97,000 hours of training spanning various required learning and professional development topics, including a range of courses on diversity, inclusion, and ethics.

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

In addition, we have a robust talent and succession planning process and have established programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. On an annual basis, we conduct a leadership review process with our chief executive officer, chief administrative officer, and business and functional leaders to identify key talent for additional development opportunities. This helps ensure optimal use of the talent for the benefit of both the employee and Sensata.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, and controller, and persons performing similar functions. Our Code of Business Conduct and Ethics is modified from time to time and is available on the investor relations page of our website at www.sensata.com under *Corporate Governance*. We have a three-part annual training covering the topics discussed in the Code of Business Conduct and Ethics on Sensata Learning, our online global learning management system.

We hold an annual "Integrity Week," which focuses on integrity as a core value of the organization and underscores our commitment to operating responsibly, one of the four key priority areas outlined in our Sustainability Report. Integrity is at the core of what we do—from how we govern ourselves to how we conduct our business and manage relationships with our stakeholders. The most recent Integrity Week, in fiscal year 2023, focused on “Integrity in Action.” By sharing best practices and stories from their professional journeys, various executives and site leaders at Sensata illustrated how integrity is not just about doing the right thing but how it is intrinsic to delivering value and sustainability for our company, environment, and communities.

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

Section 172(1) Statement

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

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines which are intended to promote effective and transparent functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. These Corporate Governance Guidelines can be found on our website at www.sensata.com. These Corporate Governance

Guidelines are in addition to, and should be interpreted in accordance with, any requirements imposed by the U.K. Companies Act 2006, the NYSE, and the Company's Articles of Association (the "Articles"), each as may be amended from time to time. The Nominating and Corporate Governance ("N&CG") Committee periodically reviews these Corporate Governance Guidelines and may recommend changes to the Board, when appropriate.

The Board's primary responsibility is to oversee, on behalf of shareholders and other stakeholders, the long-term health and overall success of the Company. Among other things, the Board's oversight responsibilities include monitoring and/or making inquiries concerning: (i) the Company's performance in relation to its mission, strategies and financial and non-financial objectives; (ii) the performance and effectiveness of the Company's management team; (iii) succession and development plans for key executives, including, but not limited to, the CEO; (iv) the Company's financial reporting processes, internal controls and risk management processes; and (v) the Company's compliance with legal and regulatory requirements.

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

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

Key Stakeholders

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

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

We believe that in order to continue to be successful in executing on our business strategy, providing a broad range of learning and development programs and opportunities will continue to be important. In 2017, we launched our online global learning management system, "Sensata Learning," that enables employees to access instructor-led classroom, virtual classes, or self-paced lessons. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. On an annual basis, we conduct a leadership review process with our CEO, our chief human resources officer, and our business and functional leaders.

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

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

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

How stakeholder interests have influenced decision making

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

Growth Trends. With oversight by the Board, we have elected to focus much of our research and development ("R&D") activities on certain growth trends that are expected to significantly impact our customers and business strategy, including "Safe & Efficient" and "Electrification". 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 growth trends are significantly transforming the industries in which we operate and are creating greater secular demand for our current and new innovative products, resulting in growth that exceeds end market production growth in many of the markets we serve, a defining characteristic of our company. In addition, as we strengthen our business, we become better equipped to reward our employees in both tangible and intangible ways.

Share Repurchase Program. At the Board's request, our shareholders have authorized a share repurchase program. This was considered and implemented to distribute excess capital back to shareholders, improve earnings per share, and provide shareholder value, when we believe our stock price is undervalued.

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

Acquisitions. Acquisitions are made to build the business, leverage new technologies, enter new markets, and create synergies that provide shareholder value. Any time we acquire a company, we consider the impact of such acquisition on all our stakeholders. For example, we made various acquisitions in fiscal year 2022 as discussed under the heading *Business Combinations* included elsewhere in this *Strategic Report*. Each of these acquisitions augment our existing portfolio and/or provide us with new products and capabilities. We assessed our acquisitions with respect to their impact on our entire business and how they would impact our customers, suppliers, shareholders, and employees positively. There have been no acquisitions in 2023.

Restructuring. At times, Sensata is faced with decisions on whether to restructure our business. Examples in fiscal year 2023 include decisions to exit certain business lines, such as the Spear Marine Business, and other restructuring plans including reductions in force, such as the Q3 2023 Plan (each discussed further in *Note 5: Restructuring and Other Charges, Net*). We do not make such decisions lightly, and the Board considers all stakeholders in doing so. The needs of all stakeholders cannot be met if such restructurings are executed (such as certain customers served by the business and certain employees impacted by the reductions-in-force). Such decisions are difficult, but the Board tries to consider the path forward that benefits the most stakeholders as possible.

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

It is important for Sensata to maintain a reputation for high standards of business conduct. We require our employees to follow applicable laws and regulations and to operate ethically. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions. Refer to discussion under the heading *Code of Business Conduct and Ethics* in the *Non-Financial Information Statement* section of this *Strategic Report* for additional information.

The need to act fairly as between members of the Company

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

Statement of corporate governance arrangements

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

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

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

Results of Operations

The table below presents our historical results of operations in millions of dollars and as a percentage of net revenue. We have derived these results of operations from our Financial Statements. Effective April 1, 2023, we moved our material handling products from the HVOR operating segment (in the Performance Sensing reportable segment) to the Sensing Solutions operating segment to align with new management reporting. The amounts previously reported in the tables below for the year ended December 31, 2022 have been retrospectively recast to reflect this change. Amounts and percentages in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

	For the year ended December 31,			
	2023		2022	
(Dollars in millions)	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue:				
Performance Sensing	$ 3,002.7	74.1 %	$ 2,920.4	72.5 %
Sensing Solutions	1,051.4	25.9	1,108.9	27.5
Total net revenue	4,054.1	100.0 %	4,029.3	100.0 %
Total operating costs and expenses	3,913.0	96.5	3,516.5	87.3
Other operating income, net	5.9	0.1	181.5	4.5
Operating income	147.0	3.6	694.3	17.2
Interest expense	(186.3)	(4.6)	(200.2)	(5.0)
Interest income	31.3	0.8	16.7	0.4
Other, net	(27.4)	(0.7)	(91.8)	(2.3)
(Loss)/income before taxes	(35.5)	(0.9)	419.1	10.4
Provision for income taxes	19.7	0.5	99.8	2.5
Net (loss)/income	$ (55.2)	(1.4)%	$ 319.3	7.9 %

Net revenue

Net revenue for the year ended December 31, 2023 increased 0.6% compared to the prior year. Net revenue increased 1.5% on an organic basis, which excludes a decrease of 1.4% attributed to changes in foreign currency exchange rates and an increase of 0.5% due to the net effect of acquisitions and divestitures.

Performance Sensing

Performance Sensing net revenue for the year ended December 31, 2023 increased 2.8% compared to the prior year. Excluding a decrease of 1.6% attributed to changes in foreign currency exchange rates and an increase of 0.1% due to the effect of acquisitions, Performance Sensing net revenue increased 4.3% on an organic basis. Both the Automotive and HVOR operating segments contributed to these results as discussed below.

Automotive net revenue for the year ended December 31, 2023 increased 3.3% compared to the prior year. Excluding a decrease of 1.8% attributed to changes in foreign currency exchange rates, automotive net revenue increased 5.1% on an organic basis. This organic revenue growth was primarily due to market growth, partially offset by unfavorable revenue mix.

HVOR net revenue for the year ended December 31, 2023 increased 1.8% compared to the prior year. Excluding a decrease of 0.9% attributed to changes in foreign currency exchange rates and an increase of 0.3% due to the effect of acquisitions, HVOR net revenue increased 2.4% on an organic basis. This organic revenue growth was primarily due to market and content growth, partially offset by channel inventory de-stocking.

Sensing Solutions

Sensing Solutions net revenue for the year ended December 31, 2023 decreased 5.2% compared to the prior year. Excluding a decrease of 0.9% attributed to changes in foreign currency exchange rates and an increase of 1.7% due to the net effect of acquisitions and divestitures, Sensing Solutions net revenue decreased 6.0% on an organic basis, which primarily reflects weakness in our industrial markets and inventory destocking, partially offset by market and content growth in the aerospace business and pricing.

Operating costs and expenses

Operating costs and expenses for the years ended December 31, 2023 and 2022 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,			
	2023		2022	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Operating costs and expenses:				
Cost of revenue	$ 2,811.1	69.3 %	$ 2,768.6	68.7 %
Research and development	145.5	3.6	151.2	3.8
Selling, general and administrative	348.3	8.6	381.3	9.5
Amortization of intangible assets and capitalized development costs	202.6	5.0	195.2	4.8
Impairment charge	362.4	8.9	—	0.0
Restructuring and other charges, net	43.1	1.1	20.1	0.5
Total operating costs and expenses	$ 3,913.0	96.5 %	$ 3,516.5	87.3 %

Cost of revenue

Cost of revenue as a percentage of net revenue increased in the year ended December 31, 2023, primarily due to (1) unfavorable product mix, (2) the unfavorable effect of changes in foreign currency exchange rates, (3) the impact of certain actions taken in relation to the Q3 2023 Plan, (4) the net unfavorable impacts of acquisitions and divestitures on gross margin, and (5) the $10.5 million write-down of inventory as a result of our decision to exit the Spear Marine Business, partially offset by (1) the net impacts of pricing recoveries from customers, inflation on material and logistics costs, and volume leverage, (2) a reduction in expense for acquisition-related compensation arrangements, and (3) cost savings as a result of repositioning actions taken in fiscal year 2022.

Refer to *Note 5: Restructuring and Other Charges, Net* of our Financial Statements included elsewhere in this Report for additional details regarding our exit of the Spear Marine Business and actions taken as part of the Q3 2023 Plan.

Research and development expense

R&D expense decreased in the year ended December 31, 2023, primarily as a result of lower costs as a result of certain repositioning actions taken in fiscal year 2022 that were not part of a larger restructuring plan. We capitalized $33.4 million of R&D expenditures in fiscal year 2023, compared to $38.3 million in fiscal year 2022.

Selling, general and administrative expense

SG&A expense decreased in the year ended December 31, 2023, primarily as a result of (1) cost savings as a result of repositioning actions taken in fiscal year 2022, (2) lower write-offs of capitalized research and development intangible assets, (3) lower selling expenses, (4) lower compensation expense, (5) lower transaction costs as a result of reduced mergers and acquisitions activity, partially offset by increased SG&A expense from our acquisitions (net of divestitures).

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

Amortization of intangible assets and capitalized development costs

Amortization expense increased in the year ended December 31, 2023, primarily due to (1) increased amortization due to newly acquired intangible assets and (2) a charge of $13.5 million in fiscal year 2023 for accelerated amortization of intangible assets due to our exit from the Spear Marine Business, partially offset by (1) reduced amortization of capitalized development costs and (2) the effect of amortization of intangible assets in accordance with their expected economic benefit. Amortization of capitalized R&D costs was $30.1 million in fiscal year 2023, compared to $41.1 million in in the prior year. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* of the Financial Statements, included elsewhere in this Report, for additional information regarding definite-lived intangible assets and the related amortization.

Refer to *Note 5: Restructuring and Other Charges, Net* and *Note 11: Goodwill and Other Intangible Assets, Net* of our Financial Statements included elsewhere in this Report for additional information regarding the charges related to the exit of the Spear Marine Business and amortization on our intangible assets, respectively.

Impairment charges

In the year ended December 31, 2023, we recorded a $362.4 million non-cash impairment charge, including goodwill impairment of $321.7 million (representing the entire goodwill balance allocated to Insights) and other intangible assets impairment of $40.7 million (representing additional impairment of Insights carrying value beyond goodwill). This impairment was primarily driven by reprioritization of our investments into electrification in accordance with our business strategy. With electrification as the clear future of our company and the best area of focus for management, we narrowed our investment in Insights. These decisions resulted in significant cost restructuring and a lower long-range financial forecast for the reporting unit, impacting the valuation of the business with respect to the goodwill impairment analysis. Other valuation assumptions for the Insights reporting unit valuation that are impacted by macroeconomic factors also contributed to the impairment.

Restructuring and other charges, net

We recorded $43.1 million in restructuring and other charges, net in the year ended December 31, 2023, compared to $20.1 million in the prior year. This increase was primarily driven by (1) charges incurred in the Q3 2023 Plan and (2) charges related to the exit of the Spear Marine Business, partially offset by lower severance charges that were not part of a larger restructuring plan. Refer to *Note 5: Restructuring and Other Charges, Net* of our Financial Statements included elsewhere in this Report for additional information on the components of restructuring and other charges, net.

Other operating income, net

Other operating income of $5.9 million in the year ended December 31, 2023 was primarily due to a gain on sale of a business. Other operating income of $181.5 million in the year ended December 31, 2023 related primarily to a $176.5 million gain on the sale of the Qinex Business (partially offset by $8.2 million of transaction-related charges) and a gain of $8.1 million resulting from the reduction of the liability for contingent consideration for Spear. Refer to *Note 29: Acquisitions and Divestitures* of the Financial Statements, included elsewhere in this Report, for additional information related to business combinations and divestitures.

Refer to *Note 30: Other Operating Income, Net* for additional information on the components of other operating income, net.

Operating income

In the year ended December 31, 2023, operating income decreased $547.3 million or 78.8%, to $147.0 million (3.6% of net revenue) compared to $694.3 million (17.2% of net revenue) in the prior year, primarily due to (1) the $362.4 million non-cash impairment charge related to the Insights reporting unit, (2) the non-recurrence of the gain on the sale of the Qinex Business in fiscal year 2022, (3) charges incurred as a result of our exit from the Spear Marine Business, (4) the unfavorable effect of changes in foreign currency exchange rates, (5) unfavorable product mix, (6) charges incurred related to the Q3 2023 Plan, and (7) increased amortization of intangible assets as a result of new acquisitions, partially offset by (1) cost savings as a result of repositioning actions taken in fiscal year 2022, (2) the net impacts of pricing recoveries from customers, inflation on material and logistics costs, and volume leverage, and (3) lower expense for acquisition-related compensation arrangements.

Interest expense

In the year ended December 31, 2023, interest expense decreased from the prior period, primarily due to the early payment on the Term Loan in the first half of 2023. Refer to *Note 14: Borrowings* of our Financial Statements included elsewhere in this Report for additional information regarding the early payment on the Term Loan.

Interest income

In the year ended December 31, 2023, interest income increased compared to the prior period, primarily due to higher interest rates, partially offset by lower cash balances.

Other, net

Other, net for fiscal years 2023 and 2022 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):

	For the year ended December 31,	
(In millions)	**2023**	**2022**
Currency remeasurement loss on net monetary assets [1]	$ (20.2)	$ (18.2)
Gain on foreign currency forward contracts [2]	4.2	4.3
Loss on commodity forward contracts [2]	(2.8)	(3.4)
Loss on financing of borrowings [3]	(6.4)	(5.6)
Mark-to-market loss on investments, net [4]	(15.5)	(75.6)
Net periodic benefit cost, excluding service cost	(2.6)	(2.2)
Other	15.8	8.7
Other, net	$ (27.4)	$ (91.8)

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

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

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

(4) The year ended December 31, 2023 primarily reflects the loss on an equity investment in a company that, subsequent to December 31, 2023, closed a round of capital funding with external investors at a significantly lower valuation than our investment. The year ended December 31, 2022 primarily reflects a mark-to-market loss on our investment in Quanergy Systems, Inc. Refer to *Note 18: Fair Value Measures* of the Financial Statements, included elsewhere in this Report, for additional information.

Provision for income taxes

The provision for income taxes for fiscal years 2023 and 2022 was $19.7 million and $99.8 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):

	For the year ended December 31,	
(In millions)	**2023**	**2022**
Tax computed at statutory rate of 23.5% in 2023 and 19% in 2022 [1]	$ (8.3)	$ 79.6
Foreign tax rate differential [2]	(25.8)	(33.0)
Goodwill impairment [3]	41.2	—
Changes in recognition of tax losses	282.3	18.4
Reserve for tax exposure	0.8	0.8
Withholding taxes not creditable [4]	14.1	12.3
Research and development incentives [5]	(9.0)	(10.8)
Change in tax laws or rates	4.0	2.8
Unrealized foreign exchange losses/(gains), net	4.7	19.9
Capital restructuring and disposition	(286.4)	(4.5)
Nontaxable items and other	2.3	14.3
Provision for income taxes	$ 19.7	$ 99.8

(1) Represents the product of the U.K. statutory tax rate and income before taxes, as reported on our consolidated statements of income.

(2) We operate in multiple jurisdictions including but not limited to Bulgaria, China, Malaysia, Malta, the Netherlands, South Korea, the U.S., and the U.K. This can result in a foreign tax rate differential that may reflect a tax benefit or detriment. This foreign tax rate differential can change from year to year based upon the jurisdictional mix of earnings and changes in current and future enacted tax rates. Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or reduced tax rates in their respective jurisdictions. Refer to *Note 7: Income Taxes* of the Financial Statements, included elsewhere in this Report, for further discussion.

(3) During the year ended December 31, 2023, we incurred a non-cash impairment charge for goodwill that is nondeductible for tax purposes.

(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 recognize a deferred tax liability on withholding and other taxes on intercompany payments including dividends.

(5) Certain income of our U.K. subsidiaries is eligible for lower tax rates under the "patent box" regime, resulting in certain of our intellectual property income being taxed at a rate lower than the U.K. statutory tax rate. Qualified investments are eligible for a bonus deduction under China's R&D super deduction regime. In the U.S. we benefit from R&D credit incentives.

(6) During the year ended December 31, 2023, we recorded a $300 million deferred tax benefit related to the intercompany transfer of certain intellectual property rights, included in the outside basis difference line in the deferred tax table below. Based on our corporate structure at December 31, 2023, it is more likely than not that the future tax benefits associated with this intercompany transfer will not be realized. As such this benefit has not been recognized.

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

Liquidity and Capital Resources

At December 31, 2023 and 2022, we held cash and cash equivalents in the following regions (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	At December 31,	
(In millions)	**2023**	**2022**
Cash and cash equivalents:		
U.K.	$ 12.6	$ 15.7
U.S.	12.9	16.1
Netherlands	158.2	861.3
China	250.8	210.0
Other	73.6	122.4
Cash and cash equivalents	$ 508.1	$ 1,225.5

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.

In certain jurisdictions, our cash balances are subject to withholding taxes immediately upon withdrawal of funds to a different jurisdiction. In addition, in order to take advantage of incentive programs offered by various jurisdictions, including tax incentives, we are required to maintain minimum cash balances in these jurisdictions. The transfer of cash from these jurisdictions could result in loss of incentives or higher cash tax expense, but those impacts are not expected to be material.

Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2023 and 2022. We have derived these summarized consolidated statements of cash flows from the Financial Statements included elsewhere in this Report. Amounts in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

	For the year ended December 31,	
(In millions)	**2023**	**2022**
Net cash provided by/(used in):		
Operating activities:		
Net income adjusted for non-cash items	$ 910.4	$ 906.3
Changes in operating assets and liabilities, net	(138.4)	(134.2)
Cash paid for operating activities	(266.0)	(257.3)
Operating activities	506.0	514.9
Investing activities	(198.4)	(629.0)
Financing activities	(1,032.5)	(369.5)
Effect of foreign currency	7.5	—
Net change	$ (717.4)	$ (483.6)

Operating Activities

Refer to *Results of Operations* included elsewhere in this *Strategic Report* for discussion of the drivers of changes in net (loss)/income in fiscal years 2023 and 2022.

Net cash provided by operating activities for the year ended December 31, 2023 decreased from the prior year as higher cash generated from earnings was more than offset by inventory build and a negative impact from the timing of supplier payments and customer receipts. Refer to *Results of Operations* included elsewhere in this *Strategic Report* for discussion of the drivers of changes in net income from fiscal year 2023.

Investing Activities

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

Net cash used in investing activities for the year ended December 31, 2023 decreased compared to the corresponding period of the prior year, primarily due to lower cash paid for acquisitions (there were no acquisitions in the year ended December 31, 2023, while in the prior period we acquired Elastic M2M and Dynapower), partially offset by (1) lower cash received from sale of businesses and (2) an increase in cash paid for capital expenditures. In the year ended December 31, 2023, we received cash proceeds of $19.0 million from the sale of a business, compared to $198.8 million in the year ended December 31, 2022.

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

Financing Activities

Net cash used in financing activities for the year ended December 31, 2023 increased primarily due to (1) the early payment of the entire Term Loan balance and the 5.625% Senior Notes in the year ended December 31, 2023 and (2) an increase in cash paid to shareholders in the form of cash dividends, partially offset by lower cash paid to repurchase ordinary shares as part of our share repurchase program.

Indebtedness and Liquidity

The following table details our gross outstanding indebtedness as of December 31, 2023 and the associated interest expense for fiscal year 2023 (amounts have been calculated based on unrounded numbers, accordingly, certain amounts may not sum due to the effect of rounding):

(In millions)	Balance as of December 31, 2023	Interest Expense for the year ended December 31, 2023
Term Loan [1]	$ —	$ 5.4
5.625% Senior Notes [2]	—	$ 21.7
5.0% Senior Notes	700.0	$ 35.0
4.375% Senior Notes	450.0	$ 19.7
3.75% Senior Notes	750.0	$ 28.1
4.0% Senior Notes	1,000.0	$ 40.0
5.875% Senior Notes	500.0	$ 29.4
Lease liabilities and other financing obligations	67.0	$ 5.6
Total gross outstanding indebtedness	$ 3,467.0	
Other interest expense [3]		$ 1.4
Interest expense		$ 186.3

(1) On May 3, 2023, we prepaid the remaining balance on our outstanding variable rate Term Loan.

(2) On December 18, 2023, we redeemed in full the $400.0 million aggregate principal amount outstanding on our 5.625% Senior Notes.

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

Borrowings

As of December 31, 2023, our borrowings included $700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), $450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the "4.375% Senior Notes"), $750 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes"), $1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"), and $500.0 million aggregate principal amount of 5.875% senior notes due 2030 (the "5.875% Senior Notes").

In the year ended December 31, 2023, we prepaid the entire principal outstanding on our Term Loan. Per the terms of the Senior Secured Credit Facilities, balances outstanding on the Term Loan, once repaid, may not be re-borrowed. There are no outstanding borrowings on the Revolving Credit Facility as of December 31, 2023.

In August 2023, we entered into an amendment (the “Thirteenth Amendment”) to (i) the Credit Agreement, and (ii) the Foreign Guaranty, dated as of May 12, 2011 (as amended, supplemented, waived, or otherwise modified prior to the Thirteenth Amendment). Among other changes to the Credit Agreement, the Thirteenth Amendment, (i) released the Foreign Guarantors (excluding STBV) (the "Specified Foreign Guarantors") from all of their remaining obligations as guarantors and securing parties under the Credit Agreement, subject to an obligation to reinstate the guarantees under certain conditions, and (ii) modified certain of the operational and restrictive covenants and other terms and conditions of the Credit Agreement to provide us increased flexibility and permissions thereunder.

The Specified Foreign Guarantors were released from their guaranty obligations with respect the 5.625% Senior Notes (collectively with the 5.0% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, the 4.0% Senior Notes, and the 5.875% Senior Notes, the “Senior Notes”), the 5.0% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, the 4.375% Senior Notes, and the 3.75% Senior Notes, in each case in accordance with the terms of the relevant indenture pursuant to which the Senior Notes were issued (the "Senior Notes Indentures").

On December 18, 2023, we redeemed in full the $400.0 million aggregate principal amount outstanding on the 5.625% Senior Notes in accordance with the terms of the indenture under which the 5.625% Senior Notes were issued, at a redemption price of 100.0% of the aggregate principal amount of the outstanding 5.625% Senior Notes, plus a $4.0 million "make-whole" premium, plus accrued and unpaid interest to (but not including) the redemption date.

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

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

The following table presents the remaining mandatory principal repayments of long-term debt, in millions, excluding finance lease payments and discretionary repurchases of debt, in each of the years ended December 31, 2024 through 2028 and thereafter.

For the year ended December 31,	**Aggregate Maturities**
2024	$ —
2025	700.0
2026	—
2027	—
2028	—
Thereafter	2,700.0
Total long-term debt principal payments	$ 3,400.0

Refer to *Note 14: Borrowings* of the Financial Statements, included elsewhere in this Report, for further details of the terms of our borrowings.

Capital Resources

Senior Secured Credit Facilities

On August 22, 2023, we entered into the Thirteenth Amendment of the Credit Agreement, which (i) released the Specified Foreign Guarantors from all of their remaining obligations as guarantors and securing parties under the Credit Agreement, subject to an obligation to reinstate the guarantees under certain conditions, and (ii) modified certain of the operational and restrictive covenants and other terms and conditions of the Credit Agreement to provide us increased flexibility and permissions thereunder.

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. In the first and second quarters of 2023, we repaid the Term Loan balance in full.

Sources of liquidity

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. As of December 31, 2023, there was $746.1 million available under the Revolving Credit Facility, net of $3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2023, no amounts had been drawn against these outstanding letters of credit. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2023, availability under the Accordion was approximately $2.0 billion.

We believe, based on our current level of operations for the year ended December 31, 2023, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures discussed below and in *Note 14: Borrowings* of our Financial Statements included elsewhere in this Report, that the sources of liquidity described above will be sufficient to fund our operations, capital expenditures, dividend payments, ordinary share repurchases, and debt service June 30, 2025.

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, 2023.

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.

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of January 26, 2024, Moody’s Investors Service’s corporate credit rating for STBV was Ba2 with a positive outlook, and S&P'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 included elsewhere in this Report) that limit the ability of STBV and certain of its subsidiaries to, among other things, incur subsequent indebtedness, sell assets, pay dividends, and make other restricted payments. These restrictions and covenants, which are subject to important exceptions and qualifications set forth in the Credit Agreement and Senior Notes Indentures, were taken into consideration when we established our share repurchase programs and will be evaluated periodically with respect to future potential funding of those programs. These restrictions and covenants were not materially modified in the Thirteenth Amendment. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase programs with available cash and cash flows from operations. As of December 31, 2023, we believe that we were in compliance with all the covenants and default provisions under the Credit Agreement and the Senior Notes Indentures.

Share repurchase program

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the annual general meeting.

In July 2019 our Board of Directors authorized a $500.0 million ordinary share repurchase program (the "July 2019 Program"). In January 2022, our Board of Directors authorized the January 2022 Program, which replaced the July 2019 Program. On September 26, 2023, our Board of Directors authorized the September 2023 Program, which replaced the January 2022 Program, effective October 1, 2023.

During the year ended December 31, 2021, we repurchased approximately 0.8 million ordinary shares under the July 2019 Program, at a weighted-average price per share of $59.28. During the year ended December 31, 2022, we purchased approximately 6.3 million ordinary shares under the January 2022 Program, at a weighted average price per share of $46.08. During the year ended December 31, 2023, we repurchased approximately 2.3 million ordinary shares at a weighted average price per share of $38.31. These purchases were made under the January 2022 Program and the September 2023 Program. As of December 31, 2023, approximately $471.9 million remained available under the September 2023 Program.

Key Performance Indicators

We use financial and non-financial key performance indicators ("KPIs") in the management and operation of our business.

Financial KPIs

Financial KPIs include revenue, cost of revenue as a percentage of revenue, and operating income. Refer to discussion under the heading *Results of Operations* elsewhere in this Strategic Report for information on these KPIs. In addition, we consider operating cash flows and levels of borrowings. Refer to discussion under the heading *Liquidity and Capital Resources* elsewhere in this Strategic Report for additional information on these KPIs. In addition, certain measures are used in determination of executive compensation, such as Relative Total Shareholder Return ("Relative TSR") performance, return-in-invested-capital ("ROIC") over a three-year performance period, Adjusted Operating Income, and Adjusted Free Cash Flow. Refer to the Directors Remuneration Report for additional information on these measures.

Non-financial KPIs

Non-financial KPIs include new business wins, talent management, and greenhouse gas reduction. These non-financial KPIs are used in evaluation of performance for purposes of determining executive incentives. New business wins and talent management are discussed under the headings *Business Strategy* and *Employees*, respectively, each included elsewhere in this *Strategic Report*. Greenhouse gas reduction is discussed under the heading *Greenhouse Gas Emission Statement* included in the *Directors' Report*.

Future Outlook

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, as well as customer demand for operator productivity and convenience, drive the need for advancements in powertrain management, efficiency, safety, and operator controls. These advancements lead to sensor growth rates that we expect to exceed underlying production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and Safe & Efficient growth trends, each described in more detail under the heading Growth Drivers elsewhere in this Strategic Report. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

We have sufficient cash to take advantage of strategic opportunities as they arise. We generated $456.7 million of operating cash flows in fiscal year 2023, ending the year with $508.1 million in cash. In fiscal year 2023, in addition to paying $848.9 million on debt as discussed elsewhere, we used cash of approximately $88.4 million for share repurchases and $71.5 million for payment of cash dividends. In fiscal year 2024, we will continue to execute our capital allocation strategy that is currently designed to reduce our leverage and return capital to shareholders through our dividend and opportunistic share repurchases. This strategy reduces risk in our capital structure, lowers interest expense, and improves net income and earnings per share. We expect improving free cash flow (cash from operations less capital expenditures) will naturally allow net leverage to decline and returns on invested capital to improve over time.

Signatures

The 2023 Strategic Report, from pages 4 to 39, has been reviewed and approved by the Board of Directors on April 24, 2024 and is signed on its behalf by:

/s/ Constance E. Skidmore		/s/ Jeffrey J. Cote	
Name:	Constance E. Skidmore	Name:	Jeffrey J. Cote
Title:	Director, Chair of the Audit Committee	Title:	Director, Chief Executive Officer
Date:	April 24, 2024	Date:	April 24, 2024

Directors' Responsibilities Statement

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 law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with U.K. adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. The directors have chosen to prepare the parent company financial statements in accordance with U.K. Generally Accepted Accounting Practice (U.K. Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company 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;
- Prepare the financial statements 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, subject to disclosure exemptions as described in *Note 2: Significant Accounting Policies* of the Company 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.

In preparing the group financial statements, IAS 1 requires that directors:

- properly select and apply accounting policies
- 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 of the financial reporting framework are 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; and
- make an assessment of the Company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Signatures

This responsibilities statement has been reviewed and approved by the Board of Directors on April 24, 2024 and is signed on its behalf by:

/s/ Constance E. Skidmore		/s/ Jeffrey J. Cote	
Name:	Constance E. Skidmore	Name:	Jeffrey J. Cote
Title:	Director, Chair of the Audit Committee	Title:	Director, Chief Executive Officer
Date:	April 24, 2024	Date:	April 24, 2024

Directors' Report

Company information

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

Results of Operations

Net revenue for fiscal year 2023 increased $24.8 million, or 0.6%, to $4,054.1 million from $4,029.3 million for fiscal year 2022. The increase in net revenue was composed of a 2.8% increase in Performance Sensing and an 5.2% decrease in Sensing Solutions. Net (loss)/income decreased from income of $319.3 million (7.9% of net revenue) in fiscal year 2022 to loss of $55.2 million ((1.4)% of net revenue) in fiscal year 2023. Refer to the *Strategic Report* for a more detailed discussion of our results of operations.

Names of Directors

The following individuals served as directors of Sensata plc between January 1, 2023 and the date of this Report:

Directors	Period	Function
Andrew C. Teich	January 1, 2023 - present	Chair, non-executive director
John P. Absmeier	January 1, 2023 - present	Non-executive director
Daniel Black	January 1, 2023 - present	Non-executive director
Lorraine A. Bolsinger	January 1, 2023 - present	Non-executive director
Jeffrey J. Cote	January 1, 2023 - present	Executive director
James E. Heppelmann	January 1, 2023 - May 25, 2023	Non-executive director
John Mirshekari	March 1, 2024 - present	Non-executive director
Constance E. Skidmore	January 1, 2023 - present	Non-executive director
Steven A. Sonnenberg	January 1, 2023 - present	Non-executive director
Martha N. Sullivan	January 1, 2023 - present	Non-executive director
Jugal Vijayvargiya	June 21, 2023 - present	Non-executive director
Stephen M. Zide	January 1, 2023 - present	Non-executive director

(1) Mr. Heppelmann retired from the Board effective May 25, 2023.

Employment Issues

Refer to further discussion under the heading *Employees* in the *Strategic Report* included elsewhere in this Report.

People with disabilities

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

Communication with Employees

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

We publish our externally-facing quarterly earnings materials (i.e. press release and presentation) to employees and encourage them to listen to the earnings webcast hosted by senior management. Each quarter, we host a 90-minute virtual Global Town

Hall where thousands of employees log in to hear first-hand from senior management on a variety of topics of relevance and importance to employees. Each site leader is required to host a Regional and/or Business unit Town Hall and share information with local employees. Following these global and regional meetings, a feedback survey is distributed to assess whether the messages resonated with the audience.

Director Engagement with Employees

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

Section 172(1) Statement

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

Director Indemnification

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

Financial Instrument Risk Management Objectives

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

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

Share information

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

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

During the year ended December 31, 2022, we purchased approximately 6.3 million ordinary shares (nominal value of approximately €63 thousand) under the January 2022 Program, for a total purchase price of $292.3 million (weighted average price per share of $46.08. This represented approximately 3.6% of the total number and nominal value of our ordinary shares issued at December 31, 2022. During the year ended December 31, 2023, we repurchased approximately 2.3 million ordinary shares (nominal value of approximately €23 thousand), for a total purchase price of $88,4 million (weighted average price per share of $38.31). These purchases were approximately 1.3% of the total nominal value of ordinary shares issued at December 31. 2023 and were made under the January 2022 Program and the September 2023 Program. As of December 31, 2023, approximately $471.9 million remained available under the September 2023 Program.

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 ("GHG") emissions. Although Sensata has historically disclosed its Scope 1 (direct GHG emissions that occur from sources that are controlled or owned by Sensata) and Scope 2 (indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling) GHG emissions data to CDP and other sustainability reporting platforms, our data collection efforts through 2019 were focused primarily on the largest manufacturing operations that account for most of our revenues and were not consistently supported with documentation in accordance with a recognized standard for GHGe accounting. In 2020, Sensata took steps to increase the scope of its GHG emissions and energy accounting efforts, improve documentation, and report its GHG emissions and energy consumption data in accordance with The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) (“The GHG Protocol”). In 2021, Sensata made a public commitment to work toward achieving carbon neutrality in its operations by 2050 and reduce its GHG emissions intensity based on revenue by 10% from the 2021 baseline. Sensata achieved the emissions intensity reduction goal in 2022. For 2023, Sensata adopted a 5% year-over-year emissions intensity reduction goal, which was achieved. To support the long-term carbon neutrality goal, in 2023, Sensata adopted a new near-term goal to reduce absolute Scope 1 and 2 market-based emissions 45% by 2030 from a 2021 baseline. This goal is consistent with climate science and the level of decarbonization required to limit global temperature increase to 1.5°C compared to pre-industrial levels.

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

		2023 (5)		2022	
	Metric	Total (1)	U.K.-based (1)	Total (1)	U.K.-based (1)
GHG emissions (2)	Scope 1	5,249 mt CO2e	14.61%	5,035 mt CO2e	4.14%
	Scope 2 (location-based)	165,211 mt CO2e	0.94%	162,715 mt CO2e	0.89%
	Scope 2 (market-based)	148,919 mt CO2e	0.32%	157,809 mt CO2e	0.39%
	Total Scope 1 + Scope 2 (location-based)	170,459 mt CO2e	1.36%	167,750 mt CO2e	0.99%
	Total Scope 1 + Scope 2 (market-based)	154,167 mt CO2e	0.81%	162,844 mt CO2e	0.51%
	Scope 3	14,052,500 mt CO2e	N/A	15,630,500 mt CO2e	N/A
Energy	Direct energy combustion (3)	23,804 MWh	1.84%	26,490 MWh	4.34%
	Indirect energy combustion (4)	277,486 MWh	2.71%	274,705 MWh	2.75%
	Total energy combustion (Direct + Indirect)	301,290 MWh	2.64%	301,194 MWh	2.87%
Intensity Ratio	Emissions Intensity (Total Scope 1 + Scope 2 (location-based) / $1 million revenue)	42.05	N/A	41.77	N/A
	Emissions Intensity (Total Scope 1 + Scope 2 (market-based) / $1 million revenue)	38.03	N/A	40.55	N/A

(1) All data reflects rounded figures. Totals represent 100% of Sensata’s global facilities with actual or estimated energy use covering 4,771,219 square feet in 2022 and 4,652,485 square feet in 2023.

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

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

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

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

(5) This data shows estimated energy consumption and GHG emissions starting from 1 January 2023 to 31 December 2023. Although this is a high-confidence estimate, the timing for this report restricts the Company's ability to include complete and verified data for the entire year. As a result, in order to provide a complete picture of its footprint for its stakeholders once all data is available, Sensata publishes its full-year GHG emissions and energy consumption data each year in its Sustainability Report, published annually in early summer and aligned with the Global Reporting Initiative (GRI) Standards.

Operational Control Methodology

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

Sensata's 2023 Energy Efficiency Initiatives

Facility Based Efforts

What did we do?

During 2023, Sensata undertook several projects focused on operational efficiency improvements. The projects included installing a variable frequency drive compressor at our site in Baoying, China; replacing an old, inefficient water-cooled chiller at our facility in Botevgrad, Bulgaria; and continuing LED lighting upgrades at our El Lago, Mexico location. We continued to use our Energy Savings Playbook which provides guidance and direction on what projects each plant can undertake to improve energy efficiency. Additionally, we continued to investigate energy consumption reductions and cost reduction opportunities across our manufacturing facilities. Furthermore, we initiated discussions with several energy vendors and energy suppliers to identify renewable energy projects or adding additional renewable energy purchases from existing energy suppliers.

How did we do it?

In 2023, we estimate that more than 12% of our total energy consumption came from renewable sources, almost doubling from our renewable energy consumption in 2022. This rise is attributable to purchasing bundled renewable energy credits for our three Bulgaria locations; in addition to the renewable energy already powering our Attleboro headquarters, Engineering Center in Hengelo, Netherlands and Unit 7 and 11 buildings in Antrim, Northern Ireland. Further, our first on-site solar panel projects went online in 2023 at our facilities in Plovdiv, Bulgaria and Subang Jaya, Malaysia, adding more than 1,350 MWh of renewable energy capacity to our portfolio.

These actions we took in 2023 resulted in a more than 6% reduction in emissions intensity relative to revenue and an estimated 11% reduction in absolute emissions from our 2021 baseline.

CFD Disclosures

Governance

The Board of Directors oversees our corporate sustainability strategy, initiatives and goals and monitors the management of sustainability risks and opportunities, including those related to climate change. The Board considers oversight and effective management of sustainability issues and their related risks and opportunities as crucial to the Company's ability to execute its strategy and achieve long-term sustainable growth. The Board receives quarterly updates on sustainability topics from the management team, which include progress against the Group's sustainability-related goals.

The Board delegates specific sustainability matters its committees:

- The Nominating and Corporate Governance Committee oversees the development of Sensata's sustainability strategy (which includes climate matters), the progress against that strategy, including performance against specific targets, whilst also reviewing sustainability-related risks and opportunities.

- The Audit Committee oversees the non-financial disclosures in our Annual Report and financial filings, which includes climate-related disclosures.
- The Growth and Innovation Committee oversees the Company's growth and product development of the Electrification business, which is the primary climate risk and opportunity for the Company.
- The Compensation Committee supports the sustainability strategy, which includes the climate strategy, through alignment of Sensata's incentive plan to the sustainability strategy and ambitions.

Our strategy on sustainability issues is governed by the ESG / DEI Committee consisting of Vice Presidents and above, which convened eight times in 2023 and is co-chaired by the Chief Administrative Officer and General Counsel. The Committee plays an important decision-making role to support Sensata's sustainability strategy, with membership including senior leaders from across the organization who are responsible for the execution of the sustainability strategy within their respective business areas. Our sustainability efforts are led by our General Counsel who, with the ESG team, collaborates with management across the Company to develop and execute our sustainability strategy, initiatives and goals. For example, our Senior Director, Global Sustainability oversees our Scope 1 and 2 GHG emission reduction program and partners with site leaders to drive efficiency projects and renewable energy sourcing

Strategy

Climate change is a principal risk to Sensata which, to varying degrees, has the potential to impact our business in the short- (1-5 years), medium- (5-10 years) and long-term (10-30 years). These time frames align with both emerging and existing regulations and are in line with practices adopted by leading companies, indicating their widespread acceptance and utility in the corporate sector. These time horizons also capture the delayed and potentially more profound impacts of climate change as climate effects often unfold over extended periods, and a longer time frame is essential to comprehensively assess these evolving risks and impacts. By considering a horizon that stretches to 2050, we ensure our analysis remains robust and relevant, accurately reflecting the long-term trajectory and implications of climate change.

In conducting a qualitative assessment at the group level, we identified that we face potential regulatory and market risks associated with the transition to a low-carbon economy, including regulatory mandates on existing products, changing customer behavior and increased cost of raw materials, as well as physical risks from the effects of climate change on our business, including extreme weather events and changes in long-term weather patterns. However, these risks also present opportunities and are taken into consideration in the development of our company strategy. In determining these risks and opportunities, we assessed the potential impact of each identified risk and opportunity across, including, among other things, revenue projections, increased costs and lost assets. We assigned time horizon, likelihood and impact scores to obtain overall risk and opportunity scores. The top scoring risks and opportunities were determined to be material to Sensata.

Key Risks and Opportunities

Key Risks

Risk Type	Risk Description	Impact	Timeframe	Management of Risk
Policy and Legal	Reduced demand in key business segment due to regulation of existing products and services	Sensata has a diverse global footprint and is exposed to regulation risk across each of the jurisdictions in which we operate. Various regulations in the United States such as the Clean Air Act, Safer Affordable Fuel Efficient (SAFE) Vehicles Rule, and the most recent proposal for reduced light, medium and heavy-duty auto emissions will continue to put downward pressure on the manufacturing of internal combustion engine (ICE) vehicles. At the state level, New York and California have implemented legislation that would effectively ban sales of new ICE cars and trucks by 2035 as part of plans to reduce transportation sector GHG emissions associated with climate change. This will most directly affect the auto industry and likely trickle down to Sensata. Given that 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, this legislation, and similar legislation in other US states, will reduce demand for Sensata products installed in internal combustion engines and reduce revenue related to those products.	Medium	This risk is being mitigated by exploring an increase in production of products for electric vehicles.

Risk Type	Risk Description	Impact	Timeframe	Management of Risk
Market	More stringent requirements by customers on energy and material usage for product manufacturing	Customers may impose stringent requirements on our manufacturing process in terms of GHG emissions and renewable energy use associated with our operations, as well as the material used in products. For example, customers may require Sensata parts to contain a minimum amount of recycled content or be manufactured using a certain percentage of renewable energy. We are already experiencing this as some customers require sites which manufacture parts for them to be powered exclusively by renewable energy. We expect these requirements will become more common in the coming years as an increasing number of downstream supply chain partners impose these requirements. If we are unable to meet these requirements, it could negatively impact our revenue and ability to win new business. Additionally, these requirements may represent a substantially larger investment in renewable energy purchases or onsite renewable energy generation earlier than planned, as well as expediated implementation of processes necessary to accurately track differing stakeholder demands.	Short	This risk is being mitigated by the ongoing development of our roadmap to achieve carbon neutrality and improve our processes for tracking recycled content across our product families.
Technology	Costs associated with the transition to lower emission energy sources used in the manufacturing process	With the development of new technology comes costs associated with facility upgrades. Materials used in electric vehicle components may also be more expensive and more difficult to obtain than those used in internal combustion engine vehicles. In certain countries where we operate, a lack of renewable energy and low carbon infrastructure could hamper the transition to lower emissions technologies, for example, in Bulgaria where solar will only be able to generate 10-18% of energy needed to power our operations and the remaining will need to be sourced from renewable energy credits (RECs) or power purchase agreements (PPAs). Over the past 15 months, the cost of a Green-e® Certified REC has risen from roughly \$1 per MWh to almost \$8 per MWh. Just two years ago, the same RECs were selling at closer to \$0.50 per MWh. These prices are expected to continue to climb. We are working to meet the energy mix requirements of customers in addition to our own energy and emissions reduction targets. For example, some auto makers are requiring components to be created using 100% renewable energy sources to meet their own Scope 3 emissions goals. Regulators could also make regulations related to emissions standards more stringent which could lead to additional costs associated with compliance.	Short	To mitigate this risk, we're currently exploring the best way to meet the energy mix requirements of customers in addition to our own energy and emissions reduction targets, through power purchase agreements (PPAs), renewable energy credits (RECs) or on-site solar generation.
Market	Increased cost of raw materials / commodities caused by transition to greener economy	Dependence on scarce materials such as rare earth materials and semiconductors that are in high demand from other green manufacturers could lead to increased costs, as raw materials of electric vehicle components are likely to become constrained due to increased demand. This is particularly a risk for our organization as contracts for materials are generally long-term with limited price flexibility.	Medium	This risk is being mitigated through entering into long-term supply agreements and co-investment agreements with key suppliers to secure supply.

Risk Type	Risk Description	Impact	Timeframe	Management of Risk
Acute Physical	Increased severity of extreme weather events poses a risk to Sensata's owned assets as well as to their supply chains and logistics	We have experienced some instances of severe weather/acute physical climate-related events negatively impacting operations, including flooding in Malaysia and China, a hurricane in Puerto Rico which disrupted the manufacturing of a chemical powder used in the production of several components, and severe cold weather in Texas which affected the operations of our largest distribution center in the U.S. Physical risk model projections using a high emissions scenario (SSP5-8.5) show a high risk of tropical cyclone for locations in India, China, Japan, Singapore, South Korea and Mexico. Locations in Europe and the United States show high risk of loss from hail and wind; however, these perils are unlikely to cause significant losses. Finally, our locations in Thousand Oaks, CA, Mexico, and China were found to be at risk of wildfire under a high emissions scenario. Regarding our supplier operations, which are critical to business continuity, there is continued high hail risk at our distribution center in Texas. There is also very high/extreme tropical cyclone risk at some supplier locations in Thailand, the Philippines, Taiwan, and China. Additionally, some suppliers in Thailand are at very high wildfire risk.	Short	Our geographic diversification provides some climate resilience to physical risks. We will include these risks for consideration in decisions regarding development of future Sensata locations.
Chronic Physical	Changes in extreme variability in weather patterns could further disrupt supply chains and operations	Continued changes in extreme weather could further impact our supply chain, already facing significant acute physical risks as described above, and further exacerbate our businesses continuity going forward.	Medium	Our geographic diversification provides some climate resilience to physical risks. We will include these risks for consideration in decisions regarding development of future Sensata locations.

Key Opportunities

Opportunity Type	Opportunity Description	Impact	Timeframe	Management of Opportunity
Energy Source	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals	Increasing usage of lower emission energy sources through power purchase agreements and installation of on-site solar equipment will reduce operation costs and enable us to meet our GHG emissions reduction goals. These cost savings can also then be reinvested to further increase our portfolio of low emission energy sources, especially for our operations in countries such as China where the energy grid currently relies primarily on fossil fuels.	Short	Recognizing this opportunity, we have appointed our Senior Director of Sustainability and Facilities, Environmental, Health and Safety as responsible for program management and implementation of initiatives to improve the energy efficiency of our operations.

Opportunity Type	Opportunity Description	Impact	Timeframe	Management of Opportunity
Products and Services	Develop and expand the portfolio of control systems that support electric vehicles, renewable energy systems, and energy-efficient industrial applications	Developing and expanding our portfolio of control systems that support electric vehicles, renewable energy systems and energy-efficient industrial applications that enable the transition to a low carbon economy could lead to increased revenue. Expanding research and development (R&D) investment to create innovative solutions that reduce energy consumption, lower emissions and offer cost savings will both enhance our product offerings and further demonstrate our commitment to sustainability. As a result, we can attract environmentally conscious customers and forge strong partnerships with businesses seeking to address climate-related challenges.	Short	By investing in R&D, we can create cutting-edge solutions that meet regulatory requirements and provide added value to customers through reduced energy consumption, lower emissions and cost savings. Since 2020 we've continued to increase our R&D investment in our megatrends, including Electrification, from which we expect $2B in revenue by 2026.
	Offer products and services that cater to changing consumer preferences due to increased regulation	In the United States, New York and California have implemented legislation that would effectively ban sales of new, ICE cars and trucks in by 2035 as part of plans to reduce transportation sector greenhouse gas emissions associated with climate change. This legislation, and similar legislation in other US states, will shift consumer preferences toward electric vehicles (EVs) and increase demand for our products in EVs, increasing our revenue related to those products.	Medium	We are exploring an increase in production of products for electric vehicles.
Resource Efficiency	Use more efficient production processes to reduce manufacturing costs and increase energy savings	In 2022, approximately 90% of our total electricity consumption occurred at our manufacturing facilities and using more efficient production processes could enable us to reduce manufacturing costs and increase energy savings. Though we already have a variety of energy reduction initiatives in place through the use of our Energy Management Playbook, we also have the opportunity to track implementation of these initiatives at our most material manufacturing sites. Additionally, we could investigate the opportunity to regionalize operations and align manufacturing sites to be in the same countries/ regions as our major customers which could reduce costs and emissions associated with distribution.	Short	To increase production efficiency and reduce cost, we could further explore using energy during off-peak times, which we already have enabled with certain technologies. Examples include optimizing equipment settings, implementing predictive maintenance programs such as AI-driven automation and robotics to reduce energy use and material waste while minimizing production downtime.

Opportunity Type	Opportunity Description	Impact	Timeframe	Management of Opportunity
Markets	Leverage tax credits, grants, and subsidies to expand adoption of energy efficient technologies, such as EVs	New tax credits, grants and subsidies could expand consumer and commercial adoption of energy efficient technologies, such as electric vehicles, leading to increased revenue as we expand our products offerings in the EV market. There are a variety of programs in place to incentivize consumer purchasing of electric vehicles that will provide tailwinds for our products in the charging and EV space: - In the US, the Inflation Reduction Act, passed in 2022, provides a credit of up to $7,500 towards a new EV or fuel cell vehicle. - In the EU, the Electric Vehicle Incentive Program, also known as the "Umweltbonus," is a joint initiative by the German government and the automotive industry to promote the adoption of electric vehicles. The program provides financial incentives for purchasing electric vehicles and supports the expansion of charging infrastructure. Key aspects of the program that could benefit our company include, incentives of up to €9,000 for the purchase of new EVs as well as financial support for installation of charging infrastructure	Medium	We are capitalizing on providing components for products for which consumers receive tax credits through our investments in our Electrification megatrend. Sensata also supports and participates in a variety of trade associations, including CharIN which aims to develop and advocate for international charging system standards to support the adoption of e-mobility solutions.
Resilience	Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Investing in renewable energy projects, entering into power purchase agreements (PPAs) and/or purchasing renewable energy certificates (RECs) to reduce our carbon footprint could lead to reduced operating costs. By engaging in renewable energy programs, we can reduce our dependence on fossil fuels, lower our greenhouse gas emissions and demonstrate our continued commitment to sustainability. Investment in RECs and PPAs as well as diversifying energy production through use of on-site renewable power generation can protect our assets and operations from disruption, especially as increased energy use globally as a result of increased extreme temperatures is straining power grids. This is particularly important in countries like Mexico, where we have a large manufacturing footprint, that are more likely to experience extreme and prolonged heat stress as a result of climate change. Investing in alternate energy sources can also increase our resilience against business interruptions and operational losses.	Short	We have invested in on-site renewable energy projects at our facilities in Bulgaria and Malaysia, purchased RECs to match our energy consumption at our facilities in Antrim, Northern Ireland; Hengelo, the Netherlands; and Attleboro, MA, USA; and are in the process of evaluating potential power purchase agreements with energy providers for our facilities across the globe. We continue to assess our sites for on-site renewable energy generation projects and potential REC purchases.

In addition to the qualitative assessment that identified our climate-related risks and opportunities outlined above, we conducted a climate scenario analysis in 2023 to quantify the potential impact of these risks to our business strategy and future financial results. Through this exercise we have generated projections for EV and electrification market share growth, energy costs and savings associated with retrofitting and transitioning equipment, and the financial impact physical climate risks pose to our manufacturing assets and supply chain. The data used was from internal environmental, operational and financial data and external science-based data and assumptions from reputable and broadly used sources such as the IPCC and the International Energy Agency. These organizations are considered leaders in developing climate scenarios and utilizing the expertise of these scenario developers enables us to access the most accurate and relevant climate scenario data, ensuring our modeling yields insightful and impactful results.

We found that our business strategy is well-positioned for both high[1] and low[2] emissions scenarios for EV and electrification market growth. However, given our focus on Electrification as a megatrend, we project achieving greater market share and revenue growth under a low emissions scenario as it forecasts faster adoption of EVs and more pronounced demand for renewable energy in a low carbon economy. Regarding the energy transition, electricity costs in a low emissions scenario are projected to surpass those in a high emissions scenario and this gap is anticipated to widen over time. Our current strategy of evaluating on-site solar options for our facilities, purchasing renewable energy credits (RECs) and entering into power purchase agreements (PPAs) is somewhat resilient to the expected increase in energy costs. Our on-site projects will cover a portion of our energy consumption, but we are evaluating long-term PPAs to enable fixed energy costs in the future as demand for, and therefore the cost of, renewable energy increases. This is particularly pertinent as we look to increase automation and the efficiency of our manufacturing operations.

Physical climate risk was modeled under two climate projections aligned with two IPCC scenarios: SSP1-2.6, a low emissions scenario which projects a 1.7ºC increase in global surface temperature, and SSP5-8.5, a worst-case scenario which anticipates a 4ºC increase in global surface temperature. As this was our first climate scenario analysis, we conducted the scenario analysis based on the two extremes of IPCC to better understand the scope of exposure for the Company and assess the Company's strategic resilience to identified risks. We evaluated all Sensata manufacturing facilities, engineering facilities and business centers over which we have operational control, as well as the locations of some of our top suppliers. Drought and heat stress were identified as top chronic physical risks, but droughts are not expected to have a significant impact on our operations as we are not water-dependent and the risk of heat stress is expected to be mitigated as the affected locations have air conditioning and employees work inside. Two of our facilities in Asia, as well as some supplier locations, face heightened tropical cyclone and flood risk in both the low and high emissions scenarios. Other supplier locations also face heightened risk for flood, hail, wildfire and wind gusts. We intend to consider these risks in future decisions regarding Sensata's global footprint, as well as during the procurement process.

Risk Management

As part of our annual risk assessment, conducted at the group level, the Enterprise Risk Management team meets with key stakeholders and senior management to assess any changes to previously identified risks and determine whether any new risks have emerged. Risks are then prioritized, and we develop action plans based on an assigned risk rating from our risk matrix that measures the likelihood of the risk occurring and potential impact of the risk. We monitor risks throughout the year to identify changes in principal risk profiles. Top risks are distributed to and actively managed by senior management depending on where the risk resides, who provide updates to the full Board or its committees at least biannually.

Through this risk assessment process, Sensata identified climate change and certain risks associated with executing our strategy for EVs and electrification as principal risks to the Company, which have the potential to impact our business in the short, medium and long term. We also monitor the environment for new and emerging risks, and to our knowledge, we are compliant with current regulations and are staying abreast of global emerging regulations that may require mandatory disclosures (e.g., SEC and California rules in the United States and the Corporate Sustainability Reporting Directive in Europe). Technology, market and reputation risks are also evaluated as one of Sensata's identified megatrends is Electrification, which involves the evolution to more environmentally friendly vehicles that rely more heavily on Electrification and other adjacent technologies; and failure to meet customer sustainability requirements and expectations around climate change could have a negative effect on our reputation and revenue. Further, as we execute our strategy for Electrification, we must monitor our technological investment to mitigate risks associated with lower profitability and delays in new product launches by ensuring Sensata has the expertise and resources to develop the technology needed to achieve the product roadmaps while managing costs. Physical climate-related risks, both chronic and acute, have not historically been included in our overall risk management process; however, after completing a climate-risk scenario analysis in 2023, we will incorporate the knowledge obtained from this assessment into future enterprise risk management evaluations.

In addition to this analysis, we conducted a separate climate-related risk and opportunity assessment using the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). For each TCFD risk and opportunity, we identified one (or more) Sensata-specific risks and opportunities and their associated impact. We examined each identified risk and opportunity across Sensata's enterprise to map and document potential impacts and assigned time horizons, likelihood and impact scores to each risk and opportunity. We then used this data for each risk and opportunity to generate an overall rating for each line item. Based on these ratings, we have consolidated the full list of potential climate risks and opportunities to the six risks and six opportunities that have the greatest potential to affect Sensata, as detailed in the strategy section.

Metrics and Targets

As a global company, we recognize the role we must play to combat climate change by managing energy consumption and emissions resulting from our operations. In support of our climate strategy, we have developed targets linked to the risks modelled as part of the scenario analysis and the opportunities identified by the Company:

Target	Year Goal was Set	Target Year	Associated Risks	Associated Opportunities	Performance Calculation	Performance
Achieve carbon neutrality in our operations (2021 baseline)	2021	2050	More stringent requirements by customers on energy and material usage for product manufacturing Costs associated with the transition to lower emission energy sources used in the manufacturing process	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Scope 1 and 2 emissions calculated in accordance with the Greenhouse Gas Protocol. Performance measured as absolute reduction in Scope 1 and 2 emissions compared to 2021 baseline.	IN PROGRESS – 5.8% reduction in absolute Scope 1 and 2 emissions in 2022 compared to 2021 baseline
Reduce Scope 1 and 2 market-based emissions intensity by 10% by 2026 (2021 baseline)	2021	2026	More stringent requirements by customers on energy and material usage for product manufacturing Costs associated with the transition to lower emission energy sources used in the manufacturing process	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Scope 1 and 2 emissions calculated in accordance with the Greenhouse Gas Protocol. Emissions intensity calculated as total Scope 1 and 2 market-based emissions per $1M revenue. Performance measured as reduction in emissions intensity in 2026 compared to 2021 baseline.	ACHIEVED – 10.7% reduction in market-based emissions intensity achieved in 2022
Reduce Scope 1 and 2 market-based emissions intensity by 5% by 2022 (2021 baseline)	2022	2022	More stringent requirements by customers on energy and material usage for product manufacturing Costs associated with the transition to lower emission energy sources used in the manufacturing process	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Scope 1 and 2 emissions calculated in accordance with the Greenhouse Gas Protocol. Emissions intensity calculated as total Scope 1 and 2 market-based emissions per $1M revenue. Performance measured as reduction in emissions intensity in 2022 compared to 2021 baseline.	ACHIEVED – 10.7% reduction in market-based emissions intensity achieved in 2022
Reduce Scope 1 and 2 market-based emissions intensity by 5% in 2023 compared to 2022	2023	2023	More stringent requirements by customers on energy and material usage for product manufacturing Costs associated with the transition to lower emission energy sources used in the manufacturing process	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Scope 1 and 2 emissions calculated in accordance with the Greenhouse Gas Protocol. Emissions intensity calculated as total Scope 1 and 2 market-based emissions per $1M revenue. Performance measured as reduction in emissions intensity in 2023 compared to 2022 data.	IN PROGRESS – Approximately 6% reduction in market-based emissions intensity achieved in 2023.

Target	Year Goal was Set	Target Year	Associated Risks	Associated Opportunities	Performance Calculation	Performance
Reduce absolute Scope 1 and 2 market-based emissions by 45% by 2030 (2021 baseline)	2023	2030	More stringent requirements by customers on energy and material usage for product manufacturing Costs associated with the transition to lower emission energy sources used in the manufacturing process	Increase the use of lower emission energy sources to reduce costs and meet GHG reduction goals Invest in renewable energy projects, enter power purchase agreements (PPAs) and/or purchase renewable energy certificates (RECs) to offset carbon footprint	Scope 1 and 2 emissions calculated in accordance with the Greenhouse Gas Protocol. Performance measured as absolute reduction in Scope 1 and 2 emissions compared to 2021 baseline.	IN PROGRESS – 11% reduction in absolute Scope 1 and 2 emissions in 2023 compared to 2021 baseline
Achieve $2B in revenue attributable to Electrification megatrend by 2026	2021	2026	Reduced demand in key business segment due to regulation of existing products and services	Develop and expand the portfolio of control systems that support electric vehicles, renewable energy systems, and energy-efficient industrial applications Offer products and services that cater to changing consumer preferences due to increased regulation	Calculated as revenue attributable to Electrification megatrend, as reported in our annual Form 10-K filing.	IN PROGRESS – Electrification revenue in 2023 was $673M

Note that where 2022 data has been listed above, this is the most recently available data to measure performance to the stated targets.

Although we have set several targets to address emissions from our operations, we understand there is work to be done in refining our climate strategy and further developing a transition plan. We are evaluating our options regarding setting short- and long-term science-based targets and these will be considered as we build out our strategy in 2024 and beyond. In furtherance of our stated objectives, a portion of the annual incentive bonus plan for our Executive Leadership Team was tied to a 5% intensity reduction in Scope 1 and 2 market-based emissions

[1] Stated Policies Scenario (STEPS) scenario from the International Energy Agency: High emissions scenario which reflects current policy settings based on a sector-by-sector and country by country assessment of the specific policies that are in place, as well as those that have been announced by governments around the world.

[2] Net Zero Emissions by 2050 Scenario (NZE) scenario from the International Energy Agency: Low emissions scenario which reflects current policy settings based on a sector-by-sector and country by country assessment of the specific policies that are in place, as well as those that have been announced by governments around the world.

Research and Development

We pride ourselves as a world leader and early innovator in mission-critical, hard-to-do sensor solutions. We develop products that address increasingly complex engineering and operating performance requirements to help our customers solve their most difficult engineering challenges in the automotive, HVOR, fleet management, industrial, clean energy, and aerospace industries.

We believe that continued focused investment in R&D is critical to our future growth and maintaining our leadership positions in the markets we serve. Our R&D efforts are directly related to the timely development of new and enhanced products that are central to our business strategy. We continually develop our technologies to meet an evolving set of customer requirements and new product introductions. We conduct such activities in areas 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 functionality or reduce the cost of existing products.

A large portion of our R&D activities is directed towards technologies and market trends 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 than our more mainstream development activities to result in increased near-term revenue.

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 robust design and service capability; and (3) our global engineering teams are located close to key customers in regional business centers. We work closely with our customers to deliver solutions that meet their needs today and in the future. As a result of development lead times and the embedded nature of our products, we collaborate closely with our customers throughout the design and development phase of their products. Systems development by our customers typically requires significant multi-year investment for certification and qualification, which are often government or customer mandated. We believe the capital commitment and time required for this process significantly increase the switching costs once a customer has designed and installed a particular sensor into a system.

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

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

Market Trends

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

Light vehicle production: Global production of light vehicles has consistently demonstrated steady annual growth for most of the past decade, with the exception of fiscal years 2020 and 2021, which were depressed production years due to the impact of the COVID-19 pandemic on global markets. In fiscal year 2022, growth in global production of light vehicles returned, and in fiscal year 2023, according to third party data, global production increased approximately 9% from the prior year.

On-Road Truck Production: Global production of heavy-duty trucks had also demonstrated consistent growth until fiscal year 2020, which declined as a result of the economic impacts of COVID-19. Global production of heavy- and medium-duty trucks in the markets we serve has been volatile in the subsequent years and increased approximately 1% to 2% in fiscal year 2023 from the prior year.

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

Higher value sensors: We believe that our revenue growth has been augmented by a continuing shift away from legacy sensors to next-generation, value-rich sensors and related solutions that include controllers, receivers, and software and will continue to grow as our sensors get "smarter" with more embedded algorithms. As we strive to increase the value we bring to the market and our customers, we are continually looking to bring solutions to our customers that drive the next-generation vehicle enhancement in electrification, safety, and reliability through our engineering solutions combined with increased data insights that are derived from these sensing solutions. Our ability to provide our customers with not only solutions in sensing and electrical protection components and systems but also insights into the systems/sub-systems we serve increases the value of our offering and enables improved performance, safety, efficiency, and environmental impacts. Our focus on delivering enhanced value through our mission-critical solutions to the market positions us to drive profitable revenue growth as the market demands continue to evolve.

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

Demand for our Sensing Solutions products is driven by many of the same factors as in the transportation sensor markets: regulation of emissions, greater energy efficiency and safety, and consumer demand for new features. Gross Domestic Product growth is a broad indicator of demand for our consolidated industrial markets over the long term. We use Purchasing Managers' Index to gauge short-term trends in the industrial, appliance, and HVAC markets we serve. For instance, the growing consumer demand for cleaner heat sources, like heat pumps, which utilize our content, is being driven by government initiatives to reduce carbon emissions to net zero by 2050.

We continue to focus our efforts on expanding our presence in all global geographies and serving our global customers in a highly efficient and cost-effective manner. Our customers include established multinationals as well as local producers in markets such as China, India, Eastern Europe, and Turkey. China remains a priority for us because of its export focus and the increasing domestic consumption of products that use our devices.

Future Developments

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

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

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

Political donations or expenditures

Sensata has not made any donations to any U.K. or EU political party or to any other U.K. or EU political organization, or to any independent U.K. or EU election candidate or incurred any U.K. or EU political expenditure which in aggregate exceeded £2,000. In addition, Sensata did not contribute any amount to non-U.K. or non-EU political parties during fiscal year 2023.

Declaration and payment of dividends

In the year ended December 31, 2023, the Directors authorized quarterly dividend program in the amount of $0.11 per share in the first quarter of 2023, and $0.12 in each of the subsequent quarters. In the year ended December 31, 2022, Sensata paid $71.5 million in cash dividends in the year ended December 31, 2023.

On January 25, 2024, we announced that our Board of Directors approved a quarterly dividend of $0.12 per share, payable on February 28, 2024 to shareholders of record as of February 14, 2024.

Statement as to disclosure of information to auditors

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

Statement regarding appointment of auditors

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

Going Concern

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

$506.0 million of operating cash flow in fiscal year 2023, ending the year with $508.1 million in cash and cash equivalents. We also have approximately $2.0 billion of availability under our Senior Secured Credit Facilities and $746.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net loss of $4,054.1 million and $55.2 million, respectively, in the year ended December 31, 2023. The net loss includes a non-cash impairment charge of $362.4 million related to our Insights CGU.

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, as well as customer demand for operator productivity and convenience, drive the need for advancements in powertrain management, efficiency, safety, and operator controls. These advancements lead to sensor growth rates that we expect to exceed underlying production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and the Safe & Efficient growth trends, each described in more detail under the heading *Growth Drivers* included elsewhere in this Report in the *Strategic Report*. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis, including sensitivities, through June 30, 2025, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2025.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2025. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

Signatures

The 2023 Directors' Report, from pages 42 to 56, has been reviewed and approved by the Board of Directors on April 24, 2024 and is signed on its behalf by:.

/s/ Constance E. Skidmore	/s/ Jeffrey J. Cote
Name: Constance E. Skidmore	Name: Jeffrey J. Cote
Title: Director, Chair of the Audit Committee	Title: Director, Chief Executive Officer
Date: April 24, 2024	Date: April 24, 2024

Directors' Remuneration Report

The Directors' Remuneration Report is divided into three sections:

1. The statement from the Compensation Committee (the "Committee") Chairperson;

2. The Directors' Remuneration Policy which sets out the proposed policy on Directors' compensation was approved at the 2022 Annual General Meeting of the Shareholders (the "2022 AGM") and is subject to a binding vote of shareholders at least every third year after that; and

3. The annual report on remuneration which sets out director compensation for 2023. The annual report on compensation together with this statement is subject to an advisory vote of shareholders at the 2024 AGM.

1. STATEMENT FROM THE COMPENSATION COMMITTEE CHAIRPERSON

Compensation Philosophy

Executive Director

Our executive compensation program, which applies to our Executive Director, Mr. Jeffrey Cote, is structured to pay for performance, and to motivate senior executives to balance both the short- and long-term interests of our shareholders. The majority of total compensation offered to our Executive Director comes in the form of an annual incentive cash bonus and equity awards granted under our long-term incentive ("LTI") program, both of which represent "pay at risk." Payouts under the annual incentive bonus are dependent on, and tied to, achievement of our short-term business objectives. Equity awards granted under the LTI program include restricted stock units ("RSUs") and performance-based restricted units ("PRSUs"). For 2023, PRSUs were focused on our Relative Total Shareholder Return ("Relative TSR" or "rTSR") performance and return-on-invested-capital ("ROIC") over a three-year performance period. The realized value of RSUs are tied to our stock performance and the realized value of PRSUs are tied to both our stock performance and our long-term operating performance. The Compensation Committee believes that our compensation program is designed to hold Mr. Cote accountable for our short- and long-term financial and operational performance.

Non-Executive Directors

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

Compensation Program Changes and Highlights

For 2023, the Committee believed that Adjusted Operating Income and Adjusted Free Cash Flow were the appropriate performance metrics, along with a Performance Scorecard, for the annual incentive bonus of our Executive Director. Mr. Cote's Performance Scorecard contained metrics that included targets for on time delivery, outgrowth, new business closures, talent management, and greenhouse gas reduction. Further, the Committee believes that Relative TSR and ROIC over a three-year performance period were appropriate financial metrics for the annual LTI awards. The Committee believes these metrics provide an appropriate balance of short-term and long-term perspectives.

2. SENSATA'S DIRECTOR REMUNERATION POLICY

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

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

3. ANNUAL REPORT ON DIRECTOR REMUNERATION

The following report provides details of how our Directors were compensated during the year ended December 31, 2023.

Compensation of Non-Executive Directors - Single Figure Table

The following table sets out the compensation of our Non-Executive Directors during the year ended December 31, 2023 with comparisons to the year ended December 31, 2022:

Non-Executive Director	Annual Retainer and Committee Fees ($)	Benefits ($) [(1)]	RSU Award ($) [(2)]	Pension ($)	Total Fixed Remuneration ($)	Total Variable Remuneration ($)	Total ($)
John P. Absmeier							
2023	110,500	6,177	127,731	—	116,677	127,731	244,408
2022	100,000	7,419	134,298	—	107,419	134,298	241,717
Daniel L. Black							
2023	119,500	4,306	127,731	—	123,806	127,731	251,537
2022	109,000	1,416	134,298	—	110,416	134,298	244,714
Lorraine A. Bolsinger							
2023	127,250	9,919	127,731	—	137,169	127,731	264,900
2022	104,833	—	134,298	—	104,833	134,298	239,131
James E. Heppelmann [(3)]							
2023	45,625	—	—	—	45,625	—	45,625
2022	112,500	—	134,298	—	112,500	134,298	246,798
Constance E. Skidmore							
2023	135,000	4,169	127,731	—	139,169	127,731	266,900
2022	121,500	—	134,298	—	121,500	134,298	255,798
Steven A. Sonnenberg							
2023	108,000	5,396	127,731	—	113,396	127,731	241,127
2022	97,500	2,516	134,298	—	100,016	134,298	234,314
Martha N. Sullivan							
2023	107,583	10,800	127,731	—	118,383	127,731	246,114
2022	95,000	345	134,298	—	95,345	134,298	229,643
Andrew C. Teich							
2023	259,750	4,484	127,731	—	264,234	127,731	391,965
2022	247,500	—	134,298	—	247,500	134,298	381,798
Jugal Vijayvargiya [(4)]							
2023	58,250	2,305	106,690	—	60,555	106,690	167,245
2022	—	—	—	—	—	—	—
Stephen M. Zide							
2023	106,750	4,257	127,731	—	111,007	127,731	238,738
2022	95,000	—	134,298	—	95,000	134,298	229,298

(1) The amounts for 2023 and 2022 include U.K. and Netherlands tax advisory and preparation fees and reimbursement of reasonable out of pocket expenses.

(2) RSU figures are the value of the awards made in the corresponding year using the fiscal year three-month ending closing price, which was $34.55 and $41.45 for 2023 and 2022, respectively. The RSUs vest on the day of the next Annual General Meeting of Shareholders based on continued service during the vesting period. Refer to *Performance-based Restricted Stock Units* below for detailed information on the relevant performance targets, including the period over which performance is assessed and the level of vesting for meeting the threshold target.

(3) Mr. Heppelmann retired from his position as a Director in May 2023. Fees earned were prorated to reflect his service.

(4) Mr. Vijayvargiya joined the Board in June 2023 and was granted a pro-rated award at that time for his service until the 2024 Annual General Meeting.

LTI awards granted in 2023

Director	Type of LTI award	Date of grant	Number of shares under LTI award	Face value ($) (1)	Vesting date
Jeffrey J. Cote	RSU	April 1, 2023	50,380	$2,520,008	1/3 on April 1, 2024, 2025, 2026
	PRSU	April 1, 2023	61,576	$3,080,032	April 1, 2026 based upon satisfaction of Relative TSR and ROIC (2)
John P. Absmeier	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Daniel L. Black	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Lorraine A. Bolsinger	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
James E. Heppelmann (3)					
Constance E. Skidmore	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Steven A. Sonnenberg	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Martha N. Sullivan	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Andrew C. Teich	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM
Jugal Vijayvargiya	RSU	June 21, 2023	3,088	$137,540	Date of 2024 AGM
Stephen M. Zide	RSU	May 25, 2023	3,697	$150,024	Date of 2024 AGM

(1) Face value has been calculated based on the price of a share of common stock of the Company at grant of $50.02 for awards made on April 1, 2023, $40.58 for awards made on May 25, 2023, and $44.54 for awards made on June 21, 2023

(2) Refer to *Performance-based Restricted Stock Units* below for detailed information on the relevant performance targets, including the period over which performance is assessed and the level of vesting for meeting the threshold target.

(3) Mr. Heppelmann was not granted an LTI Award in 2023 since he retired from his position as a Director in May 2023.

Performance-based Restricted Stock Units

PRSUs were granted on April 1, 2023 with a fair market value of $50.02 (per unit) as of the grant date. The PRSUs are subject to cliff vesting on the third anniversary of the grant date. The number of PRSUs that ultimately will vest depends on the Company’s Relative TSR performance and ROIC for each of the fiscal years 2023 through 2025. Relative TSR performance means the Company’s TSR performance when ranked among the TSR of a peer group, as set forth below, during the applicable performance year. ROIC means the Company's adjusted earnings before interest divided by total invested capital.

The Compensation Committee strives to establish challenging but attainable targets with heavy stretch goals for maximum payout. Relative TSR performance and ROIC targets for each of the years in the three-year performance period are set at the beginning of the performance period, and take into account, among other things, management’s short- and long-term financial and operating plans and shareholder expectations. At the end of each year in the performance period, the award agreement provides that our actual results will be measured against that year’s TSR performance of the peer group and our pre-set ROIC targets. One-third of each PRSU award is "banked" as adjusted for performance, after each year, with banked portions subject to continued time vesting over the three-year period. At the end of the performance period, if the three-year compound annual growth rate ("CAGR") for our Relative TSR performance is greater than the 50th percentile of the three-year CAGR TSR performance of the peer group, a calculation based on 100% of the PRSUs granted is used to determine the payout of PRSUs.

The tables below illustrate how the ultimate payout of the 2023 PRSUs is calculated:

	Relative TSR (annual periods) - 50% of PRSUs Awarded						3-Year CAGR	
	Year 1 Relative TSR Performance	Year 1 Banked Units[1]	Year 2 Relative TSR Performance	Year 2 Banked Units[1]	Year 3 Relative TSR Performance	Year 3 Banked Units[1]	3-Year CAGR Relative TSR Performance	3-Year CAGR Modifier[1]
Threshold	25th %tile	50%	25th %tile	50%	25th %tile	50%	n/a	n/a
Target	50th %tile	100%	50th %tile	100%	50th %tile	100%	50th %tile	100%
Maximum	75th %tile	100%	75th %tile	125%	75th %tile	150%	75th %tile	150%

[1] The banked units percentage for each year within the three-year performance period will be interpolated on a straight-line basis provided the Threshold is met.

	ROIC (annual periods) - 50% of PRSUs Awarded					
	Year 1 ROIC Target	Year 1 Banked Units[1]	Year 2 ROIC Target	Year 2 Banked Units[1]	Year 3 ROIC Target	Year 3 Banked Units[1]
Threshold	8%	50%	8%	50%	8%	50%
Target	10%	100%	11.5%	100%	12.8%	100%
Maximum	12%	150%	15%	150%	17.6%	150%

[1] The banked units percentage for each year within the three-year performance period will be interpolated on a straight-line basis provided the Threshold is met.

Year 1

50% of 1/3 PRSUs Granted x Year 1 Relative TSR Banked %

+

50% of 1/3 PRSUs Granted x Year 1 ROIC Banked %

+

Year 2

50% of 1/3 PRSUs Granted x Year 2 Relative TSR Banked %

+

50% of 1/3 PRSUs Granted x Year 2 ROIC Banked %

+

Year 3

50% of 1/3 PRSUs Granted x Year 3 Relative TSR Banked %

+

50% of 1/3 PRSUs Granted x Year 3 ROIC Banked %

=

Cumulative Number of Banked Units

On the vesting date, the number of PRSUs that will vest is the greater of:

Option 1

Cumulative Number of Banked Units

or

Option 2[1]

50% PRSUs Granted x 3-Year CAGR Relative TSR Modifier

+

Cumulative Number of Banked Units for ROIC for the Performance Period

[1] Option 2 can only be applied if three-year CAGR Relative TSR Performance is greater than the 50th percentile of the three-year CAGR TSR performance of the peer group.

We believe this approach to compare annual Relative TSR within the three-year performance period relative to our peer group strengthens our executives' incentives to achieve superior earnings results.

Our peer group for purposes of Relative TSR performance is a blend of our Automotive and Investor Relations peers. If a peer group company is dissolved or acquired, it is removed from the peer group for any uncompleted performance year and the three-year CAGR Relative Performance calculation. For 2023, the Compensation Committee removed Fortive Corporation, Rockwell Automation, Inc., and Roper Technologies, Inc. and added Regal Rexnord Corporation and Stoneridge, Inc. to the Relative TSR peer group. Thus, the 2023 Relative TSR peer group consists of the following companies:

American Axle & Manufacturing, Inc.	AMETEK, Inc.	Amphenol Corporation
Aptiv plc	Autoliv Inc.	BorgWarner, Inc.
Dana Incorporated	Gentex Corporation	Gentherm Incorporated
Lear Corporation	Littelfuse, Inc.	Melexis SA
Regal Rexnord Corporation	Stoneridge, Inc.	TE Connectivity Ltd
Visteon Corporation		

2023 PRSUs (2023 - 2025)

On April 1, 2024, 46% of the 2023 PRSUs banked for 2023 performance as set forth below:

	2023	2024	2025
Relative TSR Performance Target	50th %ile	50th %ile	50th %ile
Relative TSR Performance Achieved	13%	n/a	n/a
Relative TSR Performance Banked %	—%	n/a	n/a
ROIC Performance Target	10%	12%	13%
ROIC Performance Achieved	9.7%	n/a	n/a
ROIC Performance Banked %	93%	n/a	n/a
% Banked	46%	n/a	n/a

2022 PRSUs (2022 - 2024)

On April 1, 2024, 60% of the 2022 PRSUs banked for 2023 performance as set forth below:

	2022	2023	2024
Relative Adjusted EPS Growth Target	50th %ile	50th %ile	50th %ile
Relative Adjusted EPS Growth Achieved	29%	35%	n/a
% of Relative Adjusted EPS Target Achieved	58%	70%	n/a
Relative Adjusted EPS Banked %	58%	70%	n/a
ROIC Target	10% - 15%	10% - 15%	10% - 15%
ROIC Achieved	9.2%	9.7%	n/a
ROIC Modifier	0.85	0.85	n/a
% Banked	50%	60%	n/a

2021 PRSUs (2021 - 2023)

On April 1, 2024, 74% of the 2021 PRSUs vested for the 2021 - 2023 performance period as set forth below:

The Company granted PRSUs to the then-NEOs on April 1, 2021, which were subject to cliff vesting on the third anniversary of the grant date. The number of PRSUs that ultimately vested was subject the Company's Adjusted EPS year-over-year growth performance when ranked among the Adjusted EPS year-over-year growth performance of a peer group and ROIC performance. Based on the achievement in 2023, 57% of the 2021 PRSUs banked for 2023 performance. Based on the performance during the performance period, 74% of the 2021 PRSUs vested on April 1, 2024 as set forth below. The 3-Year CAGR Modifier is not applicable to the 2021 PRSUs, because 3-Year CAGR Relative Adjusted EPS Growth Performance did not exceed the 50th percentile for the peer group and Year 3 ROIC was less than 10%.

	2021	2022	2023
Relative Adjusted EPS Growth Target	50th %ile	50th %ile	50th %ile
Relative Adjusted EPS Growth Achieved	72%	33%	33%
% of Relative Adjusted EPS Target Achieved	142%	67%	67%
Relative Adjusted EPS Banked %	100%	67%	67%
ROIC Target	10% - 15%	10% - 15%	10% - 15%
ROIC Achieved	10.4%	9.2%	9.7%
ROIC Modifier	1.00	0.85	0.85
% Banked	100%	57%	57%

1/3 PRSUs Granted x 2021 Relative Adjusted EPS Growth Banked % x 2021 ROIC Modifier + **1/3 PRSUs Granted x 2022 Relative Adjusted EPS Growth Banked % x 2022 ROIC Modifier** + **1/3 PRSUs Granted x 2023 Relative Adjusted EPS Growth Banked % x 2023 ROIC Modifier** = **2021 PRSUs Total Vest 74%**

Payments to past / former Directors

There were no payments to past or former Directors for the year ended December 31, 2023.

Payments for loss of office

There were no payments for loss of office for the year ended December 31, 2023

Statement of the Directors' Shareholding and Share Interests

The Compensation Committee has adopted a policy requiring Executive Directors to hold six times their annual salary and Non-Executive Directors to hold five times their annual cash retainer in share value (approximately $5.9 million holding requirement for Mr. Cote, our Executive Director, and $500,000 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, 2023, 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, 2023:

Director	Beneficially Owned Shares	% Shareholding Guideline Achieved	Number of shares under vested but unexercised stock options	Number of shares under unvested RSUs and stock options	Number of shares under unvested PRSUs
Jeffrey J. Cote	205,857	100 %	157,675	92,185	159,817
John P. Absmeier	13,932	100 %	—	3,697	—
Daniel L. Black	6,886	75 %	—	3,697	—
Lorraine A. Bolsinger	10,977	100 %	—	3,697	—
Constance E. Skidmore	19,369	100 %	—	3,697	—
Steven A. Sonnenberg	10,870	100 %	—	3,697	—
Martha N. Sullivan	301,077	100 %	629,183	3,697	—
Andrew C. Teich	23,093	100 %	15,640	3,697	—
Jugal Vijayvargiya	—	— %	—	3,088	—
Stephen M. Zide	26,026	100 %	15,640	3,697	—

During the period from January 1, 2024 through April 1, 2024, the following changes in Mr. Cote's beneficial ownership occurred:

	Exercised	Vested	Granted [1]
Options	—	—	—
RSUs	N/A	43,587	69,117
PRSUs	N/A	32,111	84,477

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

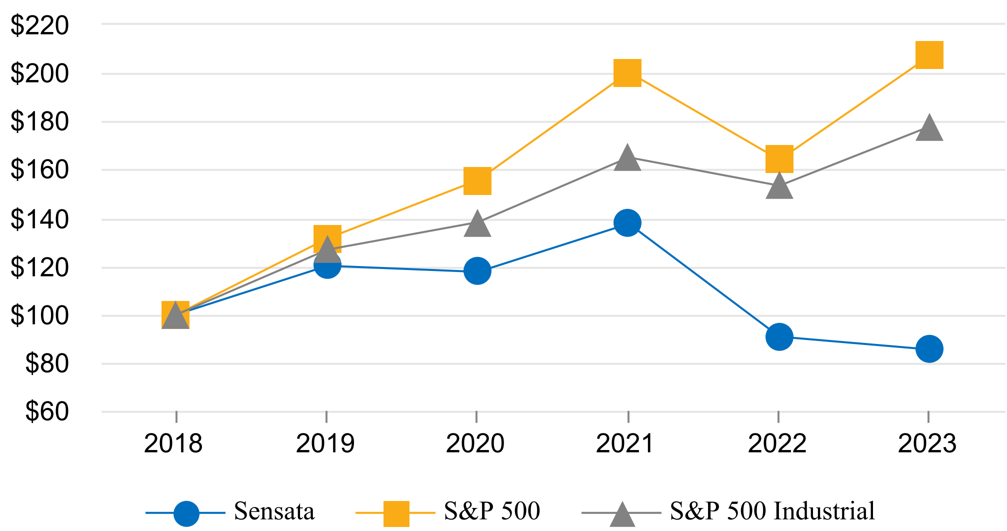
Option exercises during 2023

The following table is subject to audit and includes information on the stock options exercised by the Directors during the year ended December 31, 2023:

Director	Number of stock options exercised during 2023	Exercise Price	Expiry Date
Martha N. Sullivan	11,700	$ 34.54	May 24, 2023
Stephen M. Zide	11,700	$ 34.54	May 24, 2023

Performance graph and table

The following graph compares the TSR of our ordinary shares since December 31, 2018 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, 2018.



Total Shareholder Return of $100.00 Investment from December 31, 2018

	As of December 31,					
	2018	2019	2020	2021	2022	2023
Sensata	$ 100.00	$ 120.14	$ 117.62	$ 137.58	$ 90.75	$ 85.43
S&P 500	$ 100.00	$ 131.49	$ 155.68	$ 200.37	$ 164.08	$ 207.21
S&P 500 Industrial	$ 100.00	$ 126.83	$ 138.25	$ 165.07	$ 153.35	$ 177.94

Compensation of Executive Director - Single Figure Table

The following table is subject to audit and sets out the compensation paid to Mr. Cote, our Chief Executive Officer and our only Executive Director during fiscal year 2023 and a comparison for fiscal year 2022.

	Base Salary [1]	Taxable Benefits [2]	Annual Incentive Bonus [3]	LTI Award [4]	Pension [5]	Total Fixed Remuneration	Total Variable Remuneration	Total
2023	$ 991,427	$ 27,436	—	$ 2,911,396	$ 13,200	$ 1,032,063	$ 2,911,396	$ 3,943,459
2022	$ 985,839	$ 26,541	$ 743,570	$ 5,378,696	$ 12,200	$ 1,024,580	$ 6,122,266	$ 7,146,846
2021	$ 953,250	$ 26,371	$ 1,206,954	$ 2,057,669	$ 11,600	$ 991,221	$ 3,264,623	$ 4,255,844

(1) Represents actual base salary paid.

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

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

Annual Incentive Bonus Target (%)	Annual Incentive Bonus Target	Achievement of Adjusted Operating Income Relative to Target (37.5% weighting)	Achievement of Free Cash Flow Relative to Target (37.5% weighting)	Achievement of Performance Scorecard Relative to Target * (25% weighting)	Annual Incentive Bonus Payout	2023 Annual Incentive Bonus Payout as a % of Target
125%	$1,239,284	—%	—%	7.5%	$0	—%

* The Performance Scorecard will not payout unless threshold performance is achieved for Adjusted Operating Income or Adjust Free Cash Flow

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

	RSUs [a]	PBUs [b]	Options [c]	Total
2023	$ 1,740,629	$ 1,170,767	$ —	$ 2,911,396
2022	$ 1,866,742	$ 3,511,954	$ —	$ 5,378,696
2021	$ 2,057,669	$ —	$ —	$ 2,057,669

(a) RSU figures are the value of the awards made in the corresponding year using the fiscal year three-month ending closing price which was $34.55, $41.45 and $58.22 for 2023, 2022, and 2021 respectively. The RSUs granted to Mr. Cote in 2023 vest annually in one-third increments beginning on the first anniversary of the grant date.

(b) The amount shown represents the total amount achieved for the year, which is calculated by multiplying the performance results by the number of shares granted by the closing stock price on the vest date. For 2023, 2022 and 2021, the achieved performance on PRSUs was 74%, 82% and 0%, respectively, and the closing stock price on the date of vest was $36.46, $50.02 and $50.56, respectively. Refer to *Performance-based Restricted Stock Units* below for detailed information on the relevant performance targets, including the period over which performance is assessed and the level of vesting for meeting the threshold target.

(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 2023, 2022, and 2021. In 2023, 2022, and 2021, no options were granted.

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

The following table sets out, for Mr. Cote, our Executive Director, the total compensation paid as seen in the Single Figure Table, the bonus paid as a percentage of the maximum opportunity and the number of shares that have vested against the maximum number of shares that could have been received over a three year period.

	Single Figure of Total Compensation	Annual Incentive Bonus as a % of Maximum	LTI Award Vesting as a % of Maximum
2023	$ 3,943,459	— %	74 %
2022	$ 7,146,846	10 %	75 %
2021	$ 4,255,844	28 %	48 %

Annual Incentive Compensation of the CEO

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

Annual Incentive Bonus payouts are calculated as follows:

Annual Incentive Bonus Target ($)	*	Achievement of Adjusted Operating Income Goal Relative to Target (%) x 37.5% (weighting)	+	Achievement of Adjusted Free Cash Flow Relative to Target (%) x 37.5% (weighting)	+	Achievement of Performance Scorecard (%) x 25% (weighting)	=	Annual Incentive Bonus Payout ($)

Adjusted Operating Income

Adjusted Operating Income under the Annual Incentive Bonus excludes any impact from divestitures and final results are inclusive of a proforma based on the annual plan of any divested business. There were no such exclusions in 2023. In establishing the Adjusted Operating Income goal, the Compensation Committee considered recent earnings performance, management's near-term operating and financial plans, and shareholder expectations. The target 2023 Adjusted Operating Income goal of $872 million represented an increase of 10.5% versus 2022 Adjusted Operating Income performance. The table below sets forth the targets as they were approved for the Annual Incentive Bonus for the Company professional population as a whole. After the targets were approved, the Committee determined that for the executive officer, notwithstanding the table set forth below, he will not receive a payout for Adjusted Operating Income if 2023 Adjusted Operating Income performance does not exceed 2022 Adjusted Operating Income performance, which was $777.9M.

	Adjusted Operating Income Goal	**Percentage of Target Payout (37.5% of Total Bonus)**
Threshold	$710.0	25%
Hurdle	$764.0	50%
Hurdle	$818.0	75%
Target	$872.0	100%
Max	$1,136.4	130%

For 2023, Adjusted Operating Income was $774 million resulting in a 0% payout for the executive director. After taking into account macroeconomic conditions, including the effect of currency exchange, the Committee decided to grant Mr. Cote the authority to make additional adjustments with respect to the bonus plan payouts for the NEOs. With this authority and upon considering individual performance (such as the successful assumption of new and expended roles), Mr. Cote approved bonus plan payouts for Mses. Caljouw and Slater and Mr. Verras in an amount equivalent to a 55% achievement for Adjusted Operating Income, which aligns with the percentage achieved for the broader professional population.

Adjusted Free Cash Flow

Adjusted Free Cash Flow under the Annual Incentive Bonus excludes any impact from acquisition related retention costs deemed as compensation for U.S. GAAP purposes. Adjusted Free Cash Flow for purposes of the 2023 Annual Incentive Bonus excluded the $22.6 million impact from such acquisition related retention costs. In establishing the Adjusted Free Cash Flow goal, the Compensation Committee considered recent cash flows, management's near-term operating and financial plans, and shareholder expectations. The target 2023 goal of Adjusted Free Cash Flow of $489 Million and represented an increase of 46.4% versus 2022 Free Cash Flow. The maximum payout percentage increased from 120% to 130% to better align with our peers.

	Adjusted Free Cash Flow	**Percentage of Target Payout (37.5% of Total Bonus)**
Threshold	$339.0	25%
Hurdle	$389.0	50%
Hurdle	$439.0	75%
Target	$489.0	100%
Max	$698.0	130%

For 2023, Adjusted Free Cash Flow was $294.7 million resulting in a 0% payout for the executive director.

Performance Scorecard

The 2023 Performance Scorecard consists of five equally weighted goals, accounting for 25% of the total bonus funding. The Performance Scorecard is not a standalone metric for bonus payout and requires that either Adjusted Operating Income or Adjusted Free Cash Flow meet or exceed threshold performance. In developing the 2023 Performance Scorecard, the Compensation Committee considered how each individual goal connects to the Company's long-term strategy of growth, focus on corporate responsibility, and maximizes long-term shareholder value. For 2023, the blended achievement of the Performance Scorecard was 7.5% with results as follows:

Individual Goal (each accounting for 5% of total bonus payout)	Threshold (50% Payout of Individual Goal)	Target (100% Payout of Individual Goal)	Max (150% Payout of Individual Goal)	Results	Achievement
On Time Delivery	85%	90%	95%	84%	0%
Outgrowth	4%	5%	6%	1.8%	—%
New Business Opportunity Wins	$800M	$900M	$1,000M	$657M	0%
Senior Director and Above Retention	85%	90%	95%	74.8%	—%
Greenhouse Gas Intensity Reduction	4%	5%	6%	>6%	150%

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

For 2023, we achieved 0% of target for Adjusted Operating Income, 0% of target for Adjusted Free Cash Flow, 7.5% of target for the Performance Scorecard and 0% of target for Annual Incentive Bonus Payout for the executive director.

2023 Committee Discretionary Adjustment

For 2023, the Committee did not make an discretionary adjustments to the incentive plan payouts for the executive director.

Chief Executive Officer Remuneration

The table below provides information regarding the components of the Company's CEO's remuneration as a percentage of the CEO single figure. The table provides information for fiscal year 2023 and a comparison to fiscal year 2022.

	2023	2022
CEO single figure [(1)]	3,943,459	7,146,846
Bonus (% of maximum awarded)	— %	50 %
Performance-based LTI (% of maximum vesting)	43 %	48 %

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

Percentage Change Comparisons: Directors' Compensation Versus Employees

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

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

	2023 v 2022			2022 v 2021			2021 v 2020		
Percentage Change for:	**a**	**b**	**c**	**a**	**b**	**c**	**a**	**b**	**c**
Employees	10%	(21)%	13%	5%	(13)%	12%	8%	25%	14%
Jeffrey Cote	1%	(100)%	3%	3%	(38)%	4%	48%	29%	9%
John Absmeier	11%	(17)%	n/a	—%	32%	n/a	17%	124%	n/a
Daniel Black[(1)]	10%	204%	n/a	1%	485%	n/a	n/a	n/a	n/a
Lorraine Bolsinger[(2)]	21%	—%	n/a	7%	—%	n/a	1%	—%	n/a
James E. Heppelmann [(3)]	(59)%	—%	n/a	1%	(100)%	n/a	11%	(11)%	n/a
Constance E. Skidmore	11%	—%	n/a	2%	(100)%	n/a	16%	(31)%	n/a
Steven Sonnenberg[(2)]	11%	114%	n/a	1%	(10)%	n/a	1%	—%	n/a
Martha Sullivan[(4)]	13%	3030%	n/a	33%	—%	n/a	(55)%	(100)%	n/a
Andrew Teich	5%	—%	n/a	1%	(100)%	n/a	15%	(38)%	n/a
Jugal Vijayvargiya [(5)]	n/a	—%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stephen Zide	12%	—%	n/a	—%	(100)%	n/a	3%	48%	n/a

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

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

(3) Mr. Heppelmann retired from the Board at the 2023 Annual Meeting.

(4) Ms. Sullivan was appointed to the Board as a non-executive director in March of 2020, and her 2020 amounts reflect her pay disclosed in the Executive Director - Single Figure Table during her tenure as the CEO. Ms Sullivan received taxable benefits of $10,800 in 2023 and $345 in 2022.

(5) Mr. Vijayvargiya was appointed to the Board part way through 2023, and therefore, no comparison to 2022 is available.

Relative importance of spend on pay

During the year ended December 31, 2023, the Company's compensation paid to its employees and distributions to shareholders were as follows:

($ millions)	**2022**	**2023**	**% change 2023 vs. 2022**
Employee costs [(1)]	$ 780	$ 791	1 %
Share repurchases	$ 292	$ 88	(70)%
Dividends	$ 51	$ 72	41 %
Cash paid for acquired businesses	$ 629	$ —	(100)%

(1) Includes $31.8 million and $30.0 million of share-based compensation expense for 2022 and 2023, respectively, which are not cash expenditures, but we consider compensation for our employees and are included in expense as wages.

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

Statement of implementation of compensation policy in 2024

In the coming financial year, any changes to our Executive Director's salary will be determined consistently with our Directors' Remuneration Policy. The Directors' Remuneration Policy can be viewed within the 2022 proxy statement on our website at www.sensata.com. In determining pay raises for Executive Directors, pay raises for employees in the Company and other factors were taken into consideration. Benefits and pension entitlements will remain similar to those in 2023.

For the 2024 annual incentive bonus program, the performance metrics will be Adjusted Operating Income Margin Index and Adjusted Free Cash Flow. Their weightings and target are as follows:

	Weighting	**Target**
Adjusted Operating Income Margin Index	50%	20%
Adjusted Free Cash Flow	50%	$400M

For LTI awards in the form of PRSUs, the performance metrics will be Relative TSR Performance and ROIC. LTI awards will be a mix of RSUs and PRSUs for the Executive Director and only RSUs for Non-Executive Directors.

Consideration by the Directors of matters relating to Directors' Remuneration

The members of the Compensation Committee met five times during 2023. The meetings attended by each member are set out below:

	Meetings obliged to attend	Meetings attended
Daniel L. Black	5	5
Lorraine A. Bolsinger	5	5
James E. Heppelmann	2	2
Constance E. Skidmore	5	5
Jugal Vijayvargiya	3	3

FW Cook has been retained as the independent consultant since 2015. The consultant is engaged by, and reports directly to, the Chairman of the Compensation Committee. The consultant does not advise Company management or receive other compensation from the Company. The Compensation Committee annually reviews the independence of FW Cook pursuant to SEC and NYSE rules. The Compensation Committee has determined that no conflict of interest exists that would prevent FW Cook from serving as an independent consultant to the Compensation Committee, and, therefore, considers its advice to be independent and objective. During 2023, the consultant assisted the Compensation Committee by:

- providing insights and advice regarding our Company compensation philosophy, objectives and strategy;
- developing criteria for identification of our peer group for Director compensation and Company performance review purposes;
- reviewing management's design proposals for short-term cash and long-term equity incentive compensation programs;
- providing insights and advice regarding our analysis of risks arising from our compensation policies and practices;
- providing compensation data from the Company's peer group proxy and other disclosures;
- advising on and providing comments on management's recommendations regarding senior executives' annual incentives for 2023 and equity based awards granted in 2023.

FW Cook charges the Company on an hourly rate plus expense basis. During the year ended December 31, 2023, the Company paid FW Cook $176,950 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 2024, and the next binding vote on the Directors' Remuneration Policy will take place at the Annual General Meeting in 2025.

The results of the votes on our latest Directors' Compensation Report and Directors' Remuneration Policy are as follows:

	2023 Report	2022 Policy
Votes For (%)	97.88%	99.12%
Votes Against (%)	2.11%	0.87%
Shares that withheld/abstained	38,962	57.438

CEO Pay Ratio Discussion

Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2023	Option A	73:1	54:1	35:1
2022	Option A	197:1	155:1	112:1
2021	Option A	125:1	96:1	67:1
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 United Kingdom (the "UK"). The CEO total single figure remuneration of $3,943,459 is disclosed in the Compensation of Executive Director - Single Figure Table section of this report.

Total remuneration for all our UK full-time equivalent employees on December 31, 2023 have been calculated consistently with the single figure methodology and reflects their actual earnings received in 2023 (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.

2023 base salary and total pay and benefits for each of the percentiles are shown in the table below:

	25th Percentile	Median Percentile	75th Percentile
Salary component	$ 25,137	$ 34,639	$ 56,070
Total pay and benefits	$ 53,902	$ 72,692	$ 112,168

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

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

Signatures

The 2023 Directors Remuneration Report, from pages 57 to 69, has been reviewed and approved by the Board of Directors on April 24, 2024 and is signed on its behalf by:

/s/ Lorraine A. Bolsinger

Lorraine A. Bolsinger
Chairperson of the Compensation Committee

April 24, 2024

Sensata Technologies Holding plc

Consolidated Financial Statements

For the Years Ended

December 31, 2023 and 2022

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Sensata Technologies Holding plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;

- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Statement of (Loss)/Income;
- the Consolidated Statement of Comprehensive (Loss)/Income;
- the Consolidated Statement of Cash Flows;
- the Consolidated and Parent Company Statements of Changes In Shareholders' Equity; and
- the Related Notes 1 to 31 to the Consolidated financial statements and the Related Notes 1 to 12 to the Parent Company financial statements, including the material accounting policy information.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • impairment of the Insights and Dynapower cash generating units ("CGUs")
Materiality	The materiality that we used for the Group financial statements was $28.0m which was determined on the basis of profit/loss before tax, adjusted for impairment, restructuring and related costs, and amortisation of acquired intangibles.
Scoping	Our approach to the audit scoping included performing the following: • Components subject to full scope and specified account balance audits represented 89% of revenue, 88% of adjusted profit before tax and 93% of net assets; and • All remaining parts of the Group were subject to analytical review procedures.
Significant changes in our approach in comparison with the predecessor auditor	Based on our risk assessment, we have concluded that the unrecognised tax benefits, the valuation of identified intangibles arising from the Dynapower acquisition, and the inappropriate revenue recognition from manual journal entries are no longer key audit matters.

4. 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's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the key processes relating to the Group's forecasting;
- inspecting loan documents to assess the principal terms and related financial covenants;
- assessing management's key assumptions underpinning the Group's forecasts and the achievability of forecasts which were assessed with reference to external data such as market growth rates and industry data;
- assessing the impact of reasonably possible downside scenarios on the Group's funding position including forecast financial covenants;
- comparing forecasts to historical financial information to assess management's historical forecasting accuracy;
- assessing the mitigating actions available to the Group in the event of any downside scenarios and the feasibility of these in the next 12 months from the date of the financial statements; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

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's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of the Insights and Dynapower CGUs

Key audit matter description	The Group's evaluation of impairment involves the comparison of the recoverable amount of each cash generating unit ("CGU") or group of CGUs, to its carrying value. The Group determined the recoverable amount of the Insights and Dynapower CGUs using a fair value model less costs to sell. For the Dynapower CGU, the Group also used the market approach. For the determination of fair value less costs to sell, the Group uses a discounted cash flow model which requires management to make significant estimates and assumptions related to forecasts of future revenues, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, discount rate, and terminal growth rate. The determination of the fair value using the market approach requires management to make significant assumptions related to EBITDA multiples. Changes in these assumptions could have a significant impact on the fair value less costs to sell of the CGUs and the amount of any impairment recognised. As a result of this evaluation, the Insights CGU's carrying value exceeded its fair value less costs to sell and the Group recorded an impairment charge of $362.4 million during the fourth quarter of 2023. This represented a full impairment of the goodwill of $321.7 million and an impairment of intangible assets of $40.7 million. The fair value of the Dynapower CGU exceeded the carrying value by 10.2% as of the annual goodwill impairment date. Given the significant estimates and assumptions management made to estimate the fair value of the Insights and Dynapower CGUs, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future revenues and EBITDA margins, estimate of the discount rates, and the selection of the terminal growth rate and EBITDA multiples required a high degree of auditor judgement and an increased extent of effort, including the need to involve our fair value specialists. This matter is further described in Notes 2 and 11 within the Group financial statements.

How the scope of our audit responded to the key audit matter

Our audit procedures related to the forecasts of future revenues, EBITDA margins and multiples, and the selection of discount rates and terminal growth rate for the Insights and Dynapower CGUs included the following, among others:

- Obtained an understanding of the relevant controls over the valuation of goodwill, in particular controls over the Group's forecasting of future cash flows and the determination of CGU specific discount and growth rates that underpin the impairment model, and controls around management's preparation of the model.
- Evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management, and (3) external information.
- With the assistance of our fair value specialists, we evaluated the reasonableness of:
    - the discount rates and terminal growth rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates and terminal rate selected by management.
    - the EBITDA multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline companies for the Dynapower CGU.
    - the transaction costs associated with disposing the CGU.
- Our other procedures included:
    - testing the integrity and mathematical accuracy of the impairment models;
    - checking the application of the input assumptions, and testing their compliance with IAS 36;
      challenging the reasonableness of the corporate costs allocated to the CGUs; and
    - assessing the appropriateness of the disclosures relating to both the Insights and Dynapower impairment as an area of accounting containing key sources of estimation certainty, and whether a reasonably possible change disclosure has been included which appropriately reflects the sensitivity of key assumptions within the impairment review.

Key observations

We determined that the assumptions applied in the impairment model and the resultant overall position adopted was reasonable, including the impairment charge recorded of $362.4 million in the Insights CGU. We also determined the disclosures in relation to impairment and impact of a reasonably possible change in key assumptions in notes 2 and 11 for both the Insights and Dynapower CGUs to be appropriate.

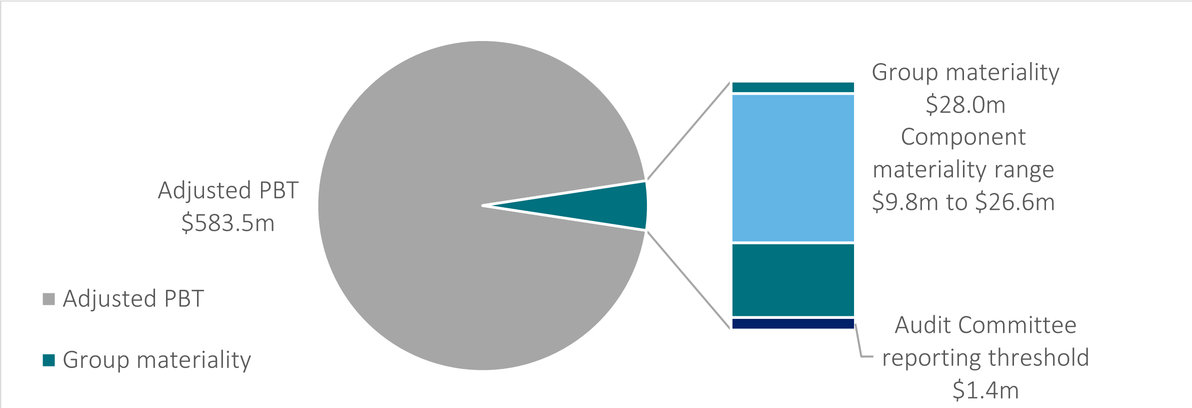
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	$28.0m (2022 predecessor auditor: $21.6m)	$26.6m (2022 predecessor auditor: $56.2m)
Basis for determining materiality	Our materiality was determined on the basis of 4.8% of profit before tax, adjusted for impairment of $362.4 million, restructuring of $43.1 million and related costs of $32.7 million, and amortisation of acquired intangibles of $166.0 million (2022 predecessor auditor: 5% profit before tax).	Our materiality was determined using a benchmark of 1% of total assets and capped at 95% of Group materiality (2022: 1% of total assets).
Rationale for the benchmark applied	In making our judgement, we considered the focus of the users of the financial statements as well as a range of benchmark metrics, which included loss before tax, adjusted operating income and adjusted earnings before interest, taxes, depreciation and amortisation (“EBITDA”). We considered the financial measures that were most relevant to users of the financial statements and concluded that profit before tax adjusted for impairment, restructuring and related costs, and amortisation of acquired intangibles represented the most relevant metric for the purpose of evaluating financial performance, given the non-recurring nature of these expenses.	We consider total assets to be the most appropriate benchmark given that the Parent Company acts as a holding company with limited liabilities recognised.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2022 predecessor auditor: 75%) of Group materiality	70% of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our assessment of the respective complexity of the Group and the Parent Company, and nature of the Group's business model; • the de-centralised nature of the Group's control environment and its variation across the Group; and • the number of uncorrected misstatements identified in the previous year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $1.4m (2022 predecessor auditor: $1.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

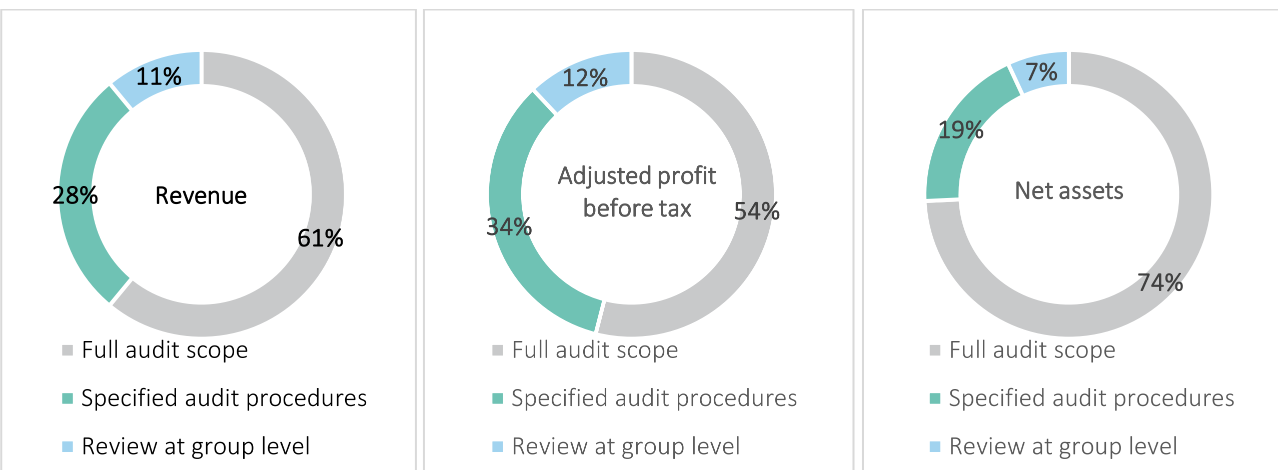
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 148 (2022: 147) reporting components of the Group, we selected 38 (2022: 33) components covering entities within United Kingdom, United States of America, Mexico, China, Netherlands, and Bulgaria which represent the key business units within the Group. In selecting the components which are in scope, we considered the financial significance of these components to the Group's revenue, adjusted profit before tax and net assets.

Of the 38 components selected, we performed an audit of the complete financial information of 3 (2022: 8) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 35 (2022: 27) components ("specified procedures scope components"), the audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 110 (2022: 114) components that together represent 11%, 12% and 7% of the Group's revenue, adjusted profit before tax and net assets respectively, we performed analytical procedures, to respond to any potential risks of material misstatement to the Group financial statements. We tested the consolidation process at the Group level.

Each component was set a specific component materiality, considering its relative size and any component-specific risk factors such as the location of components. The component materialities applied were in the range $9.8 million to $26.6 million (2022: $3.4 million to $16.0 million).

The table below illustrate the coverage obtained from the work performed:



7.2. Our consideration of the control environment

The Group has identified material weaknesses in their internal controls over financial reporting. In particular, the Group highlighted that they did not specify objectives with sufficient clarity to enable an appropriate level of risk assessment and monitoring. Additionally, they did not adequately and consistently establish policies, procedures, information protocols and communications to design and operate effective control, due in part, to a lack of appropriate accounting personnel, impacting areas such as inventory and account reconciliation processes in the Americas Accounting and Shared Services teams located in Mexico.

As this was a first year audit, we did not plan to rely upon IT or business controls and we adopted a fully substantive approach to the audit.

7.3. Our consideration of climate-related risks

Climate change and the transition to a low carbon economy were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the Group financial statements.

The Group continues to develop its assessment of the potential impacts of climate change. Management has identified sustainability, climate change and the environment as risk factors within the business.

We performed the following procedures to address the climate-related risks:

- We held discussions with management to obtain an understanding of the process for considering the impact of climate-related risks and controls that are relevant to the entity;
- We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement;
- With the involvement of our Environmental, Social & Governance ("ESG") specialist team, we assessed the Climate-Related Financial Disclosures ("CFD") on pages 46 to 52 against regulatory requirements and market peers; and
- We also considered whether information included in the climate related disclosures in the Annual Report were materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

Given the Group's geographical presence across the world, we directed and supervised our component audit teams in the execution of our Group audit. Referral instructions were issued to the component auditors and we held planning meetings, interim update meetings and year-end close meetings with each component team. Due to the Group's listing on the New York Stock Exchange ("NYSE"), we have a team based in the United States responsible for the Group's 10-k filing that also forms an extension of the Group audit team.

We performed site visits to the extended Group audit team and components on a risk focused basis to discuss significant matters relating to the audit, the audit procedures performed, as well as results of work done. The Group engagement team continued to have online interaction with the Group's largest and most complex businesses during 2023 and 2024 with a particular focus on locations where work was performed on significant or components that we considered to have a higher risk.

In addition to the above, the Group engagement partner held planning and closing meetings with each of the key component partners and there was also close communication with the US audit partner responsible for the audit opinion on the Group's 10-K filing.

We used senior staff with significant Group audit expertise to supervise and direct the components. We included the extended Group audit team and component audit teams in our team briefing, discussed and reviewed their risk assessment, and reviewed documentation of the findings from their work. We also reviewed the audit work papers supporting each component team's reporting to us, which was performed both remotely using shared desktop technology and in person visits.

8. Other information

The other information comprises the information included in the annual report, 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 our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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's and the 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.

10. 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.

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

11. Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;

- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the manual journal entries to revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the reporting framework including UK Companies Act 2006, tax legislation and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on these financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This includes environmental legislation, US Federal Securities laws, data protection and anti-bribery and corruption legislation.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities;
- in addressing the risk of fraud through manual journal entries to revenue, assessing the population as a whole and understanding the rationale between the types of manual revenue postings; and testing the appropriateness of manual journal entries to revenue; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 the directors' report have been prepared in accordance with applicable legal requirements.

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. 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/ Robert Knight

Robert Knight FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

26 April 2024

SENSATA TECHNOLOGIES HOLDING PLC (Registered company number 10900776)

Consolidated Statement of Financial Position

(In thousands, except per share amounts)

	Note	As of December 31, 2023	As of December 31, 2022 (As Adjusted) See Note 2
Assets			
Current assets:			
Cash and cash equivalents	21,28	$ 508,104	$ 1,225,518
Accounts receivable, net	25,28	744,129	742,067
Inventories	9	713,485	643,902
Prepaid expenses and other current assets	28	136,090	160,866
Total current assets		2,101,808	2,772,353
Non-current assets:			
Property, plant and equipment, net	10	920,824	877,510
Goodwill	11	3,578,712	3,908,672
Other intangible assets, net	11	976,508	1,187,593
Deferred income tax assets		115,798	86,261
Other assets	28	78,321	85,551
Total non-current assets		5,670,163	6,145,587
Total assets	20	$ 7,771,971	$ 8,917,940
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term borrowings, lease liabilities and other financing obligations		$ 14,138	$ 266,762
Accounts payable		482,301	531,994
Income taxes payable		32,139	43,987
Provisions	15	34,043	41,324
Accrued expenses and other current liabilities	12,28	262,547	298,840
Total current liabilities		825,168	1,182,907
Non-current liabilities:			
Deferred income tax liabilities		373,185	398,562
Provisions	15	38,178	36,086
Lease liabilities and other financing obligations, less current portion	14,17	52,828	58,054
Long-term borrowings, net	14	3,374,862	3,958,474
Other long-term liabilities	28	34,119	45,973
Total non-current liabilities		3,873,172	4,497,149
Total liabilities		4,698,340	5,680,056
Shareholders' equity attributable to shareholders of the Company:			
Ordinary shares, €0.01 nominal value per share, 177,069 shares authorized at December 31, 2023 and 2022, and 175,832 and 175,207 shares issued at December 31, 2023 and 2022, respectively		2,249	2,242
Treasury shares, at cost, 25,090 and 22,781 shares at December 31, 2023 and 2022, respectively		(1,213,160)	(1,124,713)
Additional paid-in capital		1,983,126	1,945,169
Retained earnings		2,262,310	2,398,876
Reserves	16	39,106	16,310
Total shareholders' equity		3,073,631	3,237,884
Total liabilities and shareholders' equity		$ 7,771,971	$ 8,917,940

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

Reviewed and approved by the Board of Directors and signed on their behalf by:

/s/ Constance E. Skidmore

Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 24, 2024

/s/ Jeffrey J. Cote

Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 24, 2024

SENSATA TECHNOLOGIES HOLDING PLC

Consolidated Statement of (Loss)/Income

(In thousands, except per share amounts)

	Note	For the year ended December 31, 2023	2022
Net revenue	3,20	$ 4,054,083	$ 4,029,262
Operating costs and expenses:			
Cost of revenue		2,811,074	2,768,622
Research and development		145,517	151,183
Selling, general and administrative		348,321	381,342
Amortization of intangible assets and capitalized development costs	11,22	202,584	195,176
Impairment charge	11	362,380	—
Restructuring and other charges, net	5	43,118	20,138
Total operating costs and expenses		3,912,994	3,516,461
Other operating (loss)/income, net	30	5,877	181,497
Operating Income		146,966	694,298
Interest expense		(186,314)	(200,156)
Interest income		31,324	16,746
Other, net	6	(27,443)	(91,805)
(Loss)/income before taxes		(35,467)	419,083
Provision for income taxes	7	19,731	99,817
Net (loss)/income		$ (55,198)	$ 319,266
Net (loss)/income attributable to shareholders:		$ (55,198)	$ 319,266
Basic net (loss)/income per share		$ (0.36)	$ 2.06
Diluted net (loss)/income per share		$ (0.36)	$ 2.04

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

SENSATA TECHNOLOGIES HOLDING PLC

Consolidated Statement of Comprehensive (Loss)/Income

(In thousands)

	Note	For the year ended December 31, 2023	2022
Net (loss)/income		$ (55,198)	$ 319,266
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to the consolidated statements of income:			
Net unrealized income on derivative instruments designated and qualifying as cash flow hedges		1,848	(1,166)
Cumulative translation adjustment		20,948	—
Items that will never be reclassified subsequently to the consolidated statements of income:			
Remeasurement of defined benefit and retiree healthcare plans		2,460	2,259
Other comprehensive income		25,256	1,093
Comprehensive (loss)/income		$ (29,942)	$ 320,359
Comprehensive (loss)/income attributable to shareholders		$ (29,942)	$ 320,359

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

SENSATA TECHNOLOGIES HOLDING PLC

Consolidated Statement of Cash Flows

(In thousands)

	Note	For the year ended December 31, 2023	2022
Cash flows from operating activities:			
Net income		$ (55,198)	$ 319,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	22	146,161	138,867
Amortization of borrowing costs		7,110	7,749
Impairment charge		362,380	—
Gain on sale of business	30	(5,877)	(176,469)
Share-based compensation	4,23	31,780	33,779
Loss on financing of borrowings		2,403	5,599
Amortization of intangible assets and capitalized development costs	11,22	202,584	195,176
Loss on write-down of capitalized development costs		1,801	15,759
Current income taxes		75,930	86,306
Deferred income taxes		(56,208)	13,511
Interest expense, net		147,880	183,410
Mark-to-market loss on equity investments, net	6	15,529	75,569
Unrealized loss on hedges and other		34,088	31,318
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable, net		2,861	(108,992)
Inventories		(70,155)	(44,362)
Prepaid expenses and other current assets		13,943	(16,961)
Accounts payable, accrued expenses, and current portion of provisions		(79,799)	30,874
Income taxes payable		—	(540)
Pension and retiree medical plans		(2,661)	3,384
Other		(2,564)	(14,301)
Acquisition-related deferred compensation payments		(22,620)	(23,500)
Cash generated from operations		749,368	755,442
Cash paid for interest		(187,236)	(188,533)
Cash received from interest		31,324	16,746
Cash paid for income taxes		(87,475)	(68,768)
Net cash provided by operating activities		505,981	514,887
Cash flows from investing activities:			
Acquisitions, net of cash received		—	(631,641)
Additions to property, plant and equipment, capitalized software, and capitalized development costs	20	(217,980)	(188,356)
Investment in debt and equity securities		(390)	(7,983)
Proceeds from sale of business, net of cash sold		19,000	198,841
Other		994	152
Net cash used in investing activities		(198,376)	(628,987)
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares		5,346	22,803
Payment of employee restricted stock tax withholdings		(12,280)	(8,525)
Proceeds from issuance of borrowings	14	—	500,000
Payments on borrowings		(864,832)	(526,703)
Dividends paid		(71,543)	(51,072)
Payments to repurchase ordinary shares		(88,398)	(292,274)
Payments of borrowing costs		(787)	(13,691)
Net cash provided by/(used in) financing activities		(1,032,494)	(369,462)
Effect of exchange rate changes on cash and cash equivalents		7,475	—
Net change in cash and cash equivalents		(717,414)	(483,562)
Cash and cash equivalents, beginning of year	21,28	1,225,518	1,709,080
Cash and cash equivalents, end of year	21,28	$ 508,104	$ 1,225,518

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

SENSATA TECHNOLOGIES HOLDING PLC

Consolidated Statement of Changes in Shareholders' Equity

(In thousands)

	Ordinary Shares		Treasury Shares						
	Number	Nominal Value	Number	Nominal Value	Additional Paid-In Capital	Reserves	Retained Earnings	Total Shareholders' Equity	Total Comprehensive Income
Balance as of December 31, 2021	174,287	$ 2,232	(16,438)	$ (832,439)	$ 1,892,251	$ 17,476	$ 2,136,952	$ 3,216,472	
Surrender of shares for tax withholding	—	—	(174)	(8,525)	—	—	—	(8,525)	
Stock options exercised	572	6	—	—	22,166	—	—	22,172	
Vesting of restricted securities	522	6	—	—	—	—	(6)	—	
Cash dividends paid	—	—	—	—	—	—	(51,072)	(51,072)	
Repurchase of ordinary shares	—	—	(6,343)	(292,274)	—	—	—	(292,274)	
Other retirements of treasury shares	(174)	(2)	174	8,525	—	—	(8,523)	—	
Share-based compensation	—	—	—	—	33,779	—	—	33,779	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	(3,027)	—	—	(3,027)	
Net income	—	—	—	—	—	—	319,266	319,266	
Other comprehensive loss	—	—	—	—	—	(1,166)	2,259	1,093	
Total comprehensive income									$ 320,359
Balance as of December 31, 2022	175,207	2,242	(22,781)	(1,124,713)	1,945,169	16,310	2,398,876	3,237,884	
Surrender of shares for tax withholding	—	—	(253)	(12,280)	—	—	—	(12,280)	
Stock options exercised	158	2	—	—	5,426	—	—	5,428	
Vesting of restricted securities	720	8	—	—	—	—	(8)	—	
Cash dividends paid	—	—	—	—	—	—	(71,543)	(71,543)	
Repurchase of ordinary shares	—	—	(2,309)	(88,447)	—	—	—	(88,447)	
Other retirements of treasury shares	(253)	(3)	253	12,280	—	—	(12,277)	—	
Share-based compensation	—	—	—	—	31,780	—	—	31,780	
Recognition of deferred tax assets related to share-based compensation	—	—	—	—	751	—	—	751	
Net loss	—	—	—	—	—	—	(55,198)	(55,198)	
Other comprehensive income	—	—	—	—	—	22,796	2,460	25,256	
Total comprehensive loss									$ (29,942)
Balance as of December 31, 2023	175,832	$ 2,249	(25,090)	$ (1,213,160)	$ 1,983,126	$ 39,106	$ 2,262,310	$ 3,073,631	

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

1. General Information

Description of Business

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

We are a global industrial technology company that develops, manufactures, and sells sensors and sensor-rich solutions, electrical protection components and systems, and other products. Our sensors are used by our customers to translate a physical parameter, such as pressure, temperature, position, or location of an object, into electronic signals that our customers' products and solutions can act upon. Our electrical protection portfolio (which includes both components and systems) is comprised of various switches, fuses, battery management systems, inverters, energy storage systems, high-voltage distribution units, controllers, and software, and includes high-voltage contactors and other products embedded within systems to maximize their efficiency and performance and ensure safety. Other products and services we provide include vehicle area networks and data collection devices and software, battery storage systems, and power conversion systems, the latter of which include inverters, converters, and rectifiers for renewable energy generation, green hydrogen production, electric vehicle charging stations, and microgrid applications, as well as industrial and defense applications.

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

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

The consolidated financial statements of Sensata plc for the year ended December 31, 2023 were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 24, 2024. These financial statements will be presented to shareholders for approval on June 11, 2024.

2. Significant Accounting Policies

Statement of Compliance

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

New Accounting Standards

In May 2023, the IASB issued International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 *Income Taxes* to clarify the application of IAS 12 to tax legislation enacted or substantively enacted to implement Pillar Two of the Organization for Economic Co-operation and Development's Base Erosion and Profit Shifting project, which aims to address the tax challenges arising from the digitalization of the economy. The amendments include a mandatory temporary exception from accounting for deferred tax on such tax law. In July 2023, the U.K. government enacted legislation to implement the Pillar Two rules. The legislation is effective for Sensata beginning January 1, 2024 and includes an income inclusion rule and a domestic minimum tax, which together are designed to ensure a minimum effective tax rate of 15%. Similar legislation is being enacted by other governments around the world.

In line with the amendments to IAS 12, the exception from accounting for deferred tax for the Pillar Two rules has been applied and there are no impacts on the financial statements for fiscal year 2023. We are currently assessing our exposure to Pillar Two income taxes for the year ending December 31, 2024.

There are no new IFRS standards or amended standards or interpretations adopted from January 1, 2023 onwards, including the amendments to IAS 12 Income Taxes described above, that have a significant impact on the financial statements. Further, there are no new or amended standards not yet adopted that are expected to have a material impact.

Basis of Presentation

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

We believe that we are in a strong financial position today and have taken actions to provide ourselves with the financial strength to continue to succeed and take advantage of strategic options as they become available in the future. We generated $506.0 million of operating cash flow in fiscal year 2023, ending the year with $508.1 million in cash and cash equivalents. We also have approximately $2.0 billion of availability under our Senior Secured Credit Facilities and $746.1 million availability under the Revolving Credit Facility should the need for additional cash arise. We recognized revenue and net loss of $4,054.1 million and $55.2 million, respectively, in the year ended December 31, 2023. The net loss includes a non-cash impairment charge of $362.4 million related to our Insights CGU.

We believe regulatory requirements for safer vehicles, higher fuel efficiency, and lower emissions, as well as customer demand for operator productivity and convenience, drive the need for advancements in powertrain management, efficiency, safety, and operator controls. These advancements lead to sensor growth rates that we expect to exceed underlying production growth in many of our key end markets, which we expect will continue to offer us significant growth opportunities. Significant drivers of growth in our business include the Electrification and the Safe & Efficient growth trends, each described in more detail under the heading *Growth Drivers* included elsewhere in this Report in the *Strategic Report*. Each of these growth drivers are expected to significantly impact our customers and business strategy over the long-term.

The Board of Directors has considered the Company's financial position and sources of liquidity as described above, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis, including sensitivities, through June 30, 2025, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2025.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2025. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Measurement Period Adjustments

For acquisitions that were completed in the year ended December 31, 2022, we recorded certain adjustments to the allocation of purchase price in the year ended December 31, 2023 (during the measurement period). These adjustments are detailed in *Note 29: Acquisitions and Divestitures*. The below table presents the changes to the statement of financial position from as of December 31, 2022 as a result of these adjustments.

		As of December 31, 2022		
	Note	As reported	Adjustment	Restated
Assets				
Current assets:				
Cash and cash equivalents	21,28	$ 1,225,518	$ —	$ 1,225,518
Accounts receivable, net	25,28	742,382	(315)	742,067
Inventories	9	644,875	(973)	643,902
Prepaid expenses and other current assets	28	162,047	(1,181)	160,866
Total current assets		2,774,822	(2,469)	2,772,353
Non-current assets:				
Property, plant and equipment, net	10	877,510	—	877,510
Goodwill	11	3,947,166	(38,494)	3,908,672
Other intangible assets, net	11	1,130,393	57,200	1,187,593
Deferred income tax assets		86,261	—	86,261
Other assets	28	85,551	—	85,551
Total non-current assets		6,126,881	18,706	6,145,587
Total assets	20	$ 8,901,703	$ 16,237	$ 8,917,940
Liabilities and shareholders' equity				
Current liabilities:				
Current portion of long-term borrowings, lease liabilities and other financing obligations		$ 266,762	$ —	$ 266,762
Accounts payable		531,572	422	531,994
Income taxes payable		43,987	—	43,987
Provisions	15	41,324	—	41,324
Accrued expenses and other current liabilities	12,28	298,262	578	298,840
Total current liabilities		1,181,907	1,000	1,182,907
Non-current liabilities:				
Deferred income tax liabilities		383,325	15,237	398,562
Provisions	15	36,086	—	36,086
Lease liabilities and other financing obligations, less current portion	14,17	58,054	—	58,054
Long-term borrowings, net	14	3,958,474	—	3,958,474
Other long-term liabilities	28	45,973	—	45,973
Total non-current liabilities		4,481,912	15,237	4,497,149
Total liabilities		5,663,819	16,237	5,680,056
Total shareholders' equity		3,237,884	—	3,237,884
Total liabilities and shareholders' equity		$ 8,901,703	$ 16,237	$ 8,917,940

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Sensata plc and its consolidated subsidiaries at December 31, 2023. 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, 2023 is presented below. All subsidiaries are fully owned, with the exception of Sensata Churod Technologies (Wuhu) Co. Ltd. which is a consolidated joint venture. The shares held are ordinary shares, which make up 50% of the total nominal shareholding of the joint venture. As discussed in *Note 31: Post-Balance Sheet Events*, we repurchased the remaining 50% of this subsidiary in February 2024.

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 UK HoldCo Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
BEI North America, LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
BEI Sensors SAS	9 rue de Copenhague, Espace Européen de l'Entreprise-Schiltigheim, BP 70044 - 67013 STRASBOURG Cedex France	France
CDI Netherlands B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Control Devices, Inc.	135 North Pennsylvania Street, Suite 1610, Indianapolis, IN, 46204	United States
Crydom SSR Limited	Interface House, Bincknoll Lane, Royal Wootton Bassett, Swindon, England, SN4 8SY	United Kingdom
Crydom, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
CurbSoft, LLC	801 Adlai Stevenson Drive, Springfield, IL 62703	United States
Custom Sensors & Technologies de Mexico S.A. de C.V.	Av. De La Producción No. 2181, Parque Industrial, 22425 Tijuana, B.C., Mexico	Mexico
Custom Sensors & Technologies Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Custom Sensors & Technologies Transportation de Mexico S.A. de C.V.	Punta de Canoas 4920, 22550 Tijuana, B.C., Mexico	Mexico
Custom Sensors & Technologies US Corporation	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Custom Sensors & Technologies US LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Cynergy3 Components Fab Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Components LLC	251 Little Falls Drive, City of Wilmington 19808	United States
Cynergy3 Components Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Cynergy3 Property Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
DP Acquisition Corporation	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Dynapower Company LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Elastic M2M Inc	100 Shockhoe Skip, 2nd Floor, Richmond, VA 23219	United States
FTCP Bermuda Ltd.	Milner House 18 Parliament Street Hamilton HM 12Bermuda	Bermuda
Gigavac LLC	6382 Rose Lane, Carpinteria, CA 93013	United States
Impress Sensors & Systems Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Industrial Interface Limited	7 Cobham Road, Ferndown Industrial Estate, Wimborne, England, BH21 7PE	United Kingdom
Kavlico Corporation	1461 Lawrence Drive,Thousand Oaks, CA 91320	United States
Lithium Balance A/S	Hassellunden 13, 2765 Smorum, Denmark	Denmark
Newall Electronics Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Newall Measurement Systems Limited	Unit 1, Wharf Way Business Park, Glen Parva, Leicester, England LE2 9UT	United Kingdom
Preco Electronics, LLC	1035 Emerald Street, #100, Boise, ID 83704	United States
Preco Electronics GmbH	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 International Brasil Ltda.	Avenida Malek Assad 1600, Bairro Meia Lua CEP 12328-900 City of Jacareì State of São Paulo	Brazil
Schrader International GmbH	Gadastraβe 23A, 85232 Bergkirchen Germany	Germany
Sensata Churod Technologies (Wuhu) Co. Ltd	Building 11, Lvzhuang Standardized Factory, Xinwu Economic Development Zone, Wanzhi District, Wuhu city, Anhui Province, China	China
Sensata Canada, Inc.	Gowling WLG, Gowling WLG, 160 Elgin Street, 2600, Ottawa, Ontario, Canada K1P 1C3	Canada
Sensata Germany GmbH	Potsdamer Strasse 14, Minden, 32423, Germany	Germany
Sensata Malta Holding Ltd	93, Mill Street, Zone 5 Central Business District, Qormi CBD 5090, Malta	Malta
Sensata Sofia HoldCo, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sensata Technologies (Europe) Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom

Name	Registered Address	Jurisdiction
Sensata Technologies B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Baoying Co., Ltd.	9 East Taishan Road, Baoying Economic Development Zone, Baoying, China	China
Sensata Technologies Bulgaria EOOD	7 Iskarsko Shose Blvd Building 15, Office 3 Iskar Region 1528 Sofia, Bulgaria	Bulgaria
Sensata Technologies Changzhou Co., Ltd.	18 Chuangxin Avenue Xinbei District Changzhou 213031, China	China
Sensata Technologies China Co., Ltd.	Room 926B, No. 55, Xi Li Road, Shanghai Waigaoaqiao Free Trade Zone, 200131, China	China
Sensata Technologies de México, S. de R.L. de C.V.	Ave. Aguascalientes Sur 401, Ex-Ejido Ojocaliente Aguascalientes, C.P. 20190 Aguascalientes, Mexico	Mexico
Sensata Technologies Dominicana, S.r.L.	Box 2775 Parque Industrial Itabo (PIISA) Haina Dominican Republic	Dominican Republic
Sensata Technologies Finance Company, LLC	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sensata Technologies France SAS	29 Rue du Pont 92200, Neuilly-sur-Seine	France
Sensata Technologies Germany GmbH	c/o ATS Allgemeine Treuhand GmbH, Johannstr. 37, 40476 Düsseldorf	Germany
Sensata Technologies GmbH	Freiheit 8 Berlin, Germany 13597	Germany
Sensata Technologies Holding Company Mexico, B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Holding Company UK	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Holland B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies India Private Limited	Level 9, Regus, Raheja Towers, M.G. Road, Bangalore – 560001	India
Sensata Technologies Intermediate Holding B.V.	Jan Tinbergenstraat 80, 7559 SP Hengelo, the Netherlands	The Netherlands
Sensata Technologies Intermediate UK Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Italia S.r.L.	Via Tortona 25, 20144 Milano, Italy	Italy
Sensata Technologies Japan Limited	Shin-Yokohama Square Building, 3-12, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama, Japan	Japan
Sensata Technologies Korea Limited	7F U-space 2 A, 670, Daewangpangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea, 463-400	Korea
Sensata Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies Malaysia Sdn. Bhd.	Suite 2, 4th Floor, Wisma Teh Wan Sang, 12D, Jalan Tun H S Lee, 50000 Kuala Lumpur	Malaysia
Sensata Technologies Malta Ltd.	93, Mill Street, Zone 5 Central Business District, Qormi CBD 5090, Malta	Malta
Sensata Technologies Management China Co., Ltd.	Room 1311, Building 253, No. 3201 & 3155, Gong He Xin Road, Zhabei District, Shanghai, the People's Republic of China	China
Sensata Technologies Mex Distribution, S.A. de C.V.	Ave. del Obrero s/n Parque Indu Matamoros, TAMPS, 87316 Mexico	Mexico
Sensata Technologies Sensores e Controles do Brasil Ltda.	Avenida Mackenzie 1835 - 8th Floor - Vila Brandina - CEP 13092-523 - Campinas São Paulo, Brazil	Brazil
Sensata Technologies Sensors (Changzhou) Co., Ltd	No. 19 Chuangxin No. 1 Road, Xinbei District, Changzhou	China
Sensata Technologies Singapore Pte. Ltd.	3 Bishan Place #02-04, CPF Building, Singapore 579838	Singapore
Sensata Technologies Spain, S.L.	(Corporate Domicile) at Calle Jose Abascal, 56 2nd floor, 28003, Madrid	Spain
Sensata Technologies Taiwan Co., Ltd.	12F-7., No.155, Sec. 1, Keelung Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	Taiwan
Sensata Technologies UK Financing Co., Ltd.	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Sensata Technologies, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Sensor-Nite N.V.	Industrielaan 24 B-2250 Olen, Belgium	Belgium
SmartWitness BG LTD	7 Iskarsko Shosse Blvd., Trade Center Europe, Building 1, Floor 6, 1528 Sofia Bulgaria	Bulgaria
SmartWitness EMEA Limited	Airport House, Purley Way, Croydon, England, CR0 0XZ	United Kingdom
SmartWitness Holdings, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
SmartWitness USA LLC	801 Adlai Stevenson Drive, Springfield, IL 62703	United States
Spear Power Systems AS	Tveiteråsvegen 12, 5232 Paradis, Norway	Norway
Spear Power Systems BV	de Keyserlei 58-60, Box19, 2018 Antwerp, Belgium	Belgium
Spear Power Systems, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States

Name	Registered Address	Jurisdiction
ST Core Technologies LP	2 Atlantic Square, 31 York Street, Glasgow, G2 8AS	United Kingdom
ST Schrader Holding Company UK Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
STI Holdco, Inc.	251 Little Falls Drive, City of Wilmington, DE 19808	United States
Swindon Silicon Systems Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
UAB "Xirgo Global"	Chemdos g. 15, Kaunas, Lithuania	Lithuania
Wabash Technologies Limited	Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY	United Kingdom
Wabash Technologies de Mexico S. de R.L. de C.V.	de la Efficiencia, #2700 Mexicali, Baja California 21210 Mexico	Mexico
Xirgo Holdings, Inc.	135 North Pennsylvania Street, Suite 1610, Indianapolis, IN, 46204	United States
Xirgo Technologies Intermediate Holdings, LLC	251 Little Falls Drive, Wilmington, DE 19808	United States
Xirgo Technologies, LLC	251 Little Falls Drive, Wilmington, DE 19808	United States

Use of Judgments and Estimates

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

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

Goodwill and Other Intangible Assets

The determination of whether goodwill and other intangible assets are impaired requires a number of judgements and estimates to be made. Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Assumptions used to determine the carrying value of customer relationships and completed technologies in relation to the Insights cash generating unit (“CGU”)

The carrying value of goodwill, customer relationships, and completed technologies as of December 31, 2023 was $0.0 million, $169.6 million and $59.5 million respectively (2022: $321.7 million, $203.7 million and $74.0 million, respectively). Determining whether goodwill, customer relationships and completed technologies is impaired requires an estimation of the fair value less cost to sell (“FVLCTS”) associated with the CGUs to which these assets have been allocated. The FVLCTS calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. During the year, a full impairment review was performed and an impairment charge of $321.7 million, $29.8 million and $10.8 million was recorded in respect of goodwill, customer relationships, and completed technologies in the Insights CGU, which was recognized within the Performance Sensing segment. Should the business experience further unforeseen deterioration of results, a future impairment may be required. Sensitivity analysis is further provided in *Note 11: Goodwill and Other Intangible Assets, Net*.

Assumptions used to determine the carrying value of goodwill in relation to the Dynapower CGU.

The carrying amount of goodwill as of December 31, 2023 was $379.8 million (2022: $379.8 million). Determining whether goodwill is impaired requires an estimation of the FVLCTS associated with the CGU to which the goodwill has been allocated. The FVLCTS calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. During the year, a full impairment review was performed which indicated headroom of 10.3% in excess of the carrying value of the CGU. We consider the impact of recent acquisitions in our expectations of our CGUs, such as Dynapower, and how these acquisitions perform against their original expected performance, as this performance might put pressure on the CGU's fair value over carrying value in the short term. Based on the results of this analysis, we do not consider Dynapower to be at significant risk of failing the goodwill impairment test.

However, should the business experience unforeseen deterioration of results, a future impairment may be required. Sensitivity analysis is further provided in *Note 11: Goodwill and Other Intangible Assets, Net*.

Income Taxes

The key source of estimation uncertainty with respect to the accounting for income taxes relates to our estimation of positions taken in our tax returns with respect to situations in which applicable tax regulations are subject to interpretation and assessment of the risks related to these positions, including whether the related facts and circumstances require us to record an unrecognized tax benefit, and if so, how much. Refer to *Note 7: Income Taxes* for additional information on this key source of estimation uncertainty.

Summary of significant accounting policies

Revenue Recognition

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

Where we have identified sales incentives linking to future business, we have assessed the contracts to consider whether an asset should be recognized.

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

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

Many of our products are designed and engineered to meet customer specifications. These activities, and the testing of our products to determine compliance with those specifications, occur prior to any revenue being recognized. Products are then manufactured and sold to customers. However, in certain cases, pre-production activities are a performance obligation in a customer purchase order, and revenue is recognized when the performance obligation is satisfied. Customer arrangements rarely involve post-installation or post-sale testing and acceptance.

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

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

Our standard terms of sale provide our customers with a warranty against faulty workmanship and the use of defective materials, which is not considered a distinct performance obligation in accordance with IFRS 15. Such warranties, depending on the product, generally exist for a period of three years after the date we ship the product to our original equipment manufacturer ("OEM") customers or for a period of twelve months after the date the customer resells our product to the end customer, whichever comes first. Our liability associated with this warranty is, at our option, to repair the product, replace the product, or provide the customer with a credit. We do not generally 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 compensation awards are classified as equity. The terms of the awards state that Sensata has the right as to how to settle these awards and it is our intention to settle these with equity. At the date of vesting we will settle the awards either with new issue shares or shares purchased on the market at an earlier point in time.

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 grant restricted securities for which vesting is contingent only upon service conditions, those that are also subject to performance conditions, and, beginning in fiscal year 2023, those that are subject to conditions based on the attainment of certain market criteria relative to peer companies (the latter referred to as "Market PRSUs").

The fair value of Market PRSUs is estimated at grant date using a Monte Carlo simulation, which requires the use of various assumptions, including the stock price volatility, dividend rate, and risk-free interest rate as of the valuation date corresponding to the length of time remaining in the performance period.

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

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

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

Financial Instruments

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

Derivative financial instruments

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

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

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

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

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

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

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

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

Borrowings

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

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

Equity Investments

Equity investments are initially measured at fair value with changes in fair value recorded to profit and loss in each subsequent period. We measure fair value of our equity investments in accordance with the requirements of IFRS 13 *Fair Value Measurements*. The objective of fair value measurement in accordance with IFRS 13 is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. If an orderly transaction is not available for reference, valuation techniques are required to measure fair value.

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

Trade accounts receivable

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

Concentrations of risk with respect to trade accounts receivable are generally limited due to the large number of customers in various industries and their dispersion across several geographic areas. Although we do not foresee that credit risk associated with these receivables will deviate from historical experience, repayment is dependent upon the financial stability of these individual customers. Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2023. 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.

Trade accounts payable

Trade accounts payable represent liabilities for products provided to us by suppliers prior to the end of the financial year that are unpaid. Trade accounts payable represent short term liabilities as they are due within one year. They are recognized at invoiced amounts and do not bear interest.

Goodwill and Other Intangible Assets

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

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

Goodwill: As of October 1, 2023, we had ten cash-generating units, Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Insights, Inverters, Clean Energy Solutions, and Dynapower. Upon acquisition of Dynapower in the third quarter of 2022, it was included in the Clean Energy Solutions cash-generating unit. We did not integrate the Dynapower acquisition with the Clean Energy Solutions cash-generating unit and have subsequently determined that the manner in which we operate the Dynapower business and the availability of discrete financial information necessitates that it should be considered a separate cash-generating unit, a change that was made as of October 1, 2023. There have been no subsequent changes to our cash-generating units as of December 31, 2023.

Each of our CGUs are tested for impairment annually or when impairment indicators are present. A CGU represents the lowest level at which goodwill is monitored for internal management purposes, and which is not higher than the Company's operating segment. Certain of our CGUs are not individually assessed for impairment, instead, they are grouped with other CGUs in a manner that is consistent with our management of the business. The Electrical Protection, Power Management, Industrial Sensing, and Inverters CGUs are considered together in this manner in a CGU grouping termed Industrial Solutions. All references to the Industrial Solutions CGU in this document are intended to represent the grouping of these individual CGUs. The Aerospace, Industrial Solutions, Clean Energy Solutions, and Dynapower CGUs are part of the Sensing Solutions reportable segment. The Automotive, HVOR, and Insights CGUs are part of the Performance Sensing reportable segment.

When we perform a quantitative impairment test at the CGU level, we compare the CGU's carrying amount, including goodwill, to the greater of its estimated fair value less cost of disposal (FVLCD) or its estimated value-in-use (VIU). The FVLCD of a CGU is equal to the fair value less cost of disposal, which is primarily determined using discounted cash flow models for the subsequent ten-year period (the "Discrete Projection Period"), based on our most recent long-range plans, which are estimations. We estimate the value of the net cash flows beyond the tenth fiscal year (the "Terminal Year") by using either the Gordon Growth Model or the H-Model. The net cash flows from the Discrete Projection Period and the Terminal Year were discounted at an estimated weighted-average cost of capital ("WACC") appropriate for each CGU. The estimated WACC was derived, in part, from comparable companies appropriate to each CGU. We believe that our procedures for estimating discounted future net cash flows, including the Terminal Year valuation, were reasonable and consistent with accepted valuation practices. The VIU of a CGU is equal to the discounted cash flow model for the subsequent five-year period, and the VIU applies similar estimations, as previously described for the FVLCD, over a five-year period.

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

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

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

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

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

Income Taxes

As part of the process of preparing our financial statements, we are required to estimate our provision for (or benefit from) income taxes in each of the jurisdictions in which we operate. This involves estimating our current tax expense, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Management judgment is required in determining various elements of our provision for (or benefit from) income taxes, including the amount of tax benefits on uncertain tax positions, and deferred tax assets that should be recognized. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

We provide for deferred taxes utilizing the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each statement of financial position date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse or settle. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized or that they will reverse. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Refer to *Note 7: Income Taxes* for additional information on our accounting for income taxes.

Pension and Other Post-Retirement Benefits

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

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

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

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

The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled, considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in the consolidated financial statements. In estimating this rate in countries that have a market of high-quality, fixed-income investments, we consider rates of return on these investments included in various bond indices, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of cash outflows related to the bonds. In other countries where a market of high-quality fixed-income investments do not exist, we estimate the discount rate using government bond yields.

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

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

Inventories

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

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

Property, Plant and Equipment and Other Capitalized Costs

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

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

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

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

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

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

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

Provisions

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

Leases

We enter into lease agreements for many of our facilities around the world. We assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We occupy leased facilities with initial terms ranging up to 20 years. The lease agreements frequently include options to renew for additional periods or to purchase the leased assets and generally require that we pay taxes, insurance, and maintenance costs. We also lease certain vehicles and equipment, which generally have a term of one year or less. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, in accordance with IFRS 16 *Leases*. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

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

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

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

Foreign Currency

Our reporting currency is the USD. 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 has historically been the USD because of the significant influence of the USD on our operations. Effective October 1, 2023, the functional currency of the Company's wholly-owned subsidiaries in China changed to the Chinese Renminbi ("CNY"). Refer to *Note 16: Shareholders' Equity* for additional information related to this change.

In certain instances, our subsidiaries enter into transactions that are denominated in a currency other than their functional currency. 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 the functional currency using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the functional currency are adjusted to the functional currency using the exchange rate at the balance sheet date, with gains or losses recognized in other, net in the consolidated statements of operations.

For subsidiaries with a functional currency other than the USD, we translate the subsidiary financial statements from their functional currency to USD in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. All assets and liabilities are translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported as cumulative translation adjustment ("CTA"), which is a component of other comprehensive income (or loss) and as a separate component of reserves on the consolidated balance sheets.

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. In accordance with IAS 38 *Intangible Assets*, 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 have established guidelines relative to diversification and maturities of our cash balances that maximize both security and liquidity of our funds. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. As of December 31, 2023 and 2022, most of our cash and cash equivalents balances exceeded federally insured limits and could be at risk of loss.

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, 2023 and 2022:

	Performance Sensing		Sensing Solutions		Total	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2023	2022 (As Adjusted)	2023	2022 (As Adjusted)	2023	2022 (As Adjusted)
Net revenue:						
Automotive	$ 2,139,306	$ 2,071,879	$ 37,883	$ 35,772	$ 2,177,189	$ 2,107,651
HVOR (1)	863,422	848,514	—	—	863,422	848,514
Industrial (1)	—	—	597,502	581,806	597,502	581,806
Appliance and HVAC (2)	—	—	186,729	218,115	186,729	218,115
Aerospace	—	—	188,179	152,880	188,179	152,880
Other	—	—	41,062	120,296	41,062	120,296
Net revenue	$ 3,002,728	$ 2,920,393	$ 1,051,355	$ 1,108,869	$ 4,054,083	$ 4,029,262

(1) Effective April 1, 2023, we moved our material handling products from the HVOR operating segment (in the Performance Sensing reportable segment) to the Sensing Solutions operating segment to align with new management reporting. The amounts previously reported in the tables above for the year ended December 31, 2022 have been retrospectively recast to reflect this change as follows:

	As of December 31, 2022		
	As reported	Adjustment	Restated
Net revenue:			
HVOR - Performance Sensing	904,877	(56,363)	848,514
Industrial - Sensing Solutions	525,443	56,363	581,806
All other	2,598,942	—	2,598,942
Net revenue	$ 4,029,262	$ —	$ 4,029,262

(2) Heating, ventilation and air conditioning

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

Contract Assets and Liabilities

Excluding trade receivables, which are presented on our consolidated statements of financial position, our contract assets are not material. Contract liabilities, whereby we receive payment from customers related to our promise to satisfy performance obligations in the future, are not material.

4. Share-Based Payment Plans

At our Annual General Meeting of Shareholders ("AGM") held on May 27, 2021, our shareholders approved the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Plan"), which replaced the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Plan"). The 2021 Equity Plan is substantially similar to the 2010 Equity Plan with some updates based on changes in law and current practices. The purpose of the 2021 Equity Plan is to promote the long-term growth, profitability, and interests of the Company and its shareholders by aiding us in attracting and retaining employees, officers, consultants, advisors, and non-employee directors capable of assuring our future success. All awards granted subsequent to this approval were made under the 2021 Equity Plan. The 2010 Equity Plan was terminated as to the grant of any additional awards, but prior awards remain outstanding in accordance with their terms. As of December 31, 2023, there were 4.6 million ordinary shares available for grants of awards under the 2021 Equity Plan.

Refer to *Note 2: Significant Accounting Policies* for additional information related to our share-based compensation accounting policies.

Share-Based Compensation Awards

We grant restricted stock unit ("RSU") and performance-based restricted stock unit ("PRSU") awards. We no longer grant stock option awards, with the last grants of option awards made in the year ended December 31, 2019. Share-based compensation awards granted prior to May 27, 2021 were made under the 2010 Equity Plan, with all subsequent awards granted under the 2021 Equity Plan.

For option and RSU awards, vesting is typically subject only to service conditions, although they include continued vesting provisions for retirement-eligible employees. 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. In the year ended December 31, 2023, we began granting certain Market PRSUs with market performance conditions. These PRSUs are valued using the Monte Carlo simulation. Refer to *Note 2: Significant Accounting Policies* for additional information.

Options

A summary of stock option activity for the years ended December 31, 2023 and 2022 is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Number of Options (thousands)	Weighted-Average Exercise Price Per Option	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance as of December 31, 2021	2,135	$ 43.11	3.9	$ 39,660
Forfeited or expired	(36)	$ 50.45		
Exercised	(572)	$ 38.80		$ 8,265
Balance as of December 31, 2022	1,527	$ 44.55	3.3	$ 1,802
Forfeited or expired	(102)	$ 47.66		
Exercised	(158)	$ 34.31		$ 1,663
Balance as of December 31, 2023	1,267	$ 45.58	2.6	$ —
Options vested and exercisable as of December 31, 2023	1,267	$ 45.58	2.6	$ —
Vested and expected to vest as of December 31, 2023	1,267	$ 45.58	2.6	$ —

During the year ended December 31, 2023, a total of 158 thousand options were exercised at an average selling price of $34.31. During the year ended December 31, 2022, a total of 572 thousand options were exercised at an average selling price of $38.80. The range of exercise prices of our outstanding options at December 31, 2023 was $36.25 to $56.94.

A summary of the status of our unvested options as of December 31, 2023, and of the changes during the year then ended, is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Number of Options (thousands)	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2022	71	$ 29.46
Vested during the year	(71)	$ 46.92
Forfeited during the year	—	$ —
Balance as of December 31, 2023	—	$ —

The fair value of stock options that vested during the years ended December 31, 2023 and 2022 was $3.2 million and $1.4 million, respectively.

Option awards granted to employees generally vest 25% per year over four years from the grant date. We recognize compensation expense for options on a straight-line basis over the requisite service period, which is generally the same as the vesting period. The options generally expire ten years from the date of grant.

For options granted prior to April 2019, except as otherwise provided in specific option award agreements, if a participant ceases to be employed by us, options not yet vested generally expire and are forfeited at the termination date, and options that are fully vested generally expire 90 days after termination of the participant’s employment. Exclusions to the general policy for terminated employees include termination for cause (in which case the options expire on the participant’s termination date) and termination due to death or disability (in which case any unvested options shall immediately vest and expire one year after the participant’s termination date). For options granted in or after April 2019, the same terms apply, except that in the event of termination due to a qualified retirement, options not yet vested will continue to vest and will expire ten years from the grant date.

Restricted Securities

We grant RSU awards that vest one-third on the annual anniversary of the grant for three years and PRSU awards that cliff vest three years after the grant date.

In the event of a qualifying termination, any unvested restricted securities that would have otherwise vested within the next six months vest in full on the termination date, and in the event of termination by reason of a covered retirement, any unvested restricted securities remain outstanding on the termination date and subject to continued vesting. For PRSU awards, the number of units that ultimately vest depends on the extent to which certain performance criteria, described in the table below, are met.

A summary of restricted securities granted in the years ended December 31, 2023 and 2022 is presented below:

			Percentage Range of Units That May Vest [1]					
			0.0% to 150.0%		0.0% to 172.5%		0.0% to 200.0%	
(Awards in thousands)	RSU Awards Granted	Weighted-Average Grant-Date Fair Value	Market PRSU Awards Granted [2]	Weighted-Average Grant-Date Fair Value	PRSU Awards Granted	Weighted-Average Grant-Date Fair Value	PRSU Awards Granted	Weighted-Average Grant-Date Fair Value
2023	599	$ 48.68	198	$ 52.72	—	$ —	150	$ 49.15
2022	618	$ 49.68	—	$ —	231	$ 50.12	194	$ 48.33

(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.

(2) Approximately 50 percent of these awards represent Market PRSUs that will be evaluated relative to the performance of certain peers as defined in the award agreement. The number of units that ultimately vest (in April 2026 and July 2026) will be from 0% to 150%, depending on achievement of these performance criteria.

The fair value of Market PRSUs was estimated on the date of grant (April 1, 2023) using a Monte Carlo simulation pricing model. See *Note 2: Significant Accounting Policies* for further discussion of this model and key assumptions and inputs. The key assumptions used in estimating the grant-date fair value of Market PRSUs for the year ended December 31, 2023 are presented in the table below:

	For the year ended December 31, 2023
Expected term (years)	3
Risk free interest rate	3.8%
Dividend yield	0.9%
Stock price on valuation date	$50.00
Expected volatility	36%

Expected volatility is based on average of (i) historical volatility over a three year look-back period preceding the valuation date and (ii) implied volatility equity based on market activity related to traded options on company equity.

There were no Market PRSUs granted in the year ended December 31, 2022.

Compensation cost for the year ended December 31, 2023 reflects our estimate of the probable outcome of the performance conditions associated with the PRSU awards granted in the years ended December 31, 2023 and 2022.

A summary of activity related to outstanding restricted securities for the years ended December 31, 2023 and 2022 is presented in the table below (amounts have been calculated based on unrounded shares, accordingly, certain amounts may not appear to recalculate due to the effect of rounding):

	Restricted Securities (thousands)	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2021	1,521	$ 43.31
Granted	1,043	$ 49.53
Forfeited	(287)	$ 46.96
Vested	(522)	$ 42.40
Balance as of December 31, 2022	1,755	$ 46.68
Granted	947	$ 49.60
Forfeited	(386)	$ 48.23
Vested	(720)	$ 48.19
Balance as of December 31, 2023	1,596	$ 50.51

Aggregate intrinsic value information for restricted securities at December 31, 2023 and 2022 is presented below:

	As of December 31,	
	2023	2022
Outstanding	$ 55,180	$ 70,941
Expected to vest	$ 41,282	$ 55,235

The weighted-average remaining periods over which the restrictions will lapse at December 31, 2023 and 2022 are as follows:

	As of December 31,	
(Amounts in years)	2023	2022
Outstanding	1.2	1.2
Expected to vest	1.2	1.2

The expected to vest restricted securities are calculated based on the application of a forfeiture rate assumption to all outstanding restricted securities as well as our assessment of the probability of meeting the required performance conditions that pertain to the PRSU awards.

Share-Based Compensation Expense

The table below presents non-cash compensation expense related to our equity awards, which is recorded within SG&A expense in the consolidated statements of income, for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Options	$ 25	$ 171
Restricted securities	31,755	33,608
Total share-based compensation expense	$ 31,780	$ 33,779

The table below presents unrecognized compensation expense at December 31, 2023 for each class of award, and the remaining expected term for this expense to be recognized:

	Unrecognized Compensation Expense	Expected Recognition (years)
Restricted securities	29,381	1.5

5. Restructuring and Other Charges, Net

Q3 2023 Plan

In the year ended December 31, 2023, we committed to a plan to reorganize our business (the “Q3 2023 Plan”). The Q3 2023 Plan, consisting of voluntary and involuntary reductions-in-force, site closures, and other cost-savings initiatives, was commenced to adjust our cost structure and business activities to better align with weaker market demand and continued economic uncertainty in many of our end markets and to take active measures to accelerate our margin recovery. 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 466 positions. Over the life of the Q3 2023 Plan, we expect to incur restructuring charges of between $20.5 million and $25.5 million, primarily related to reductions-in-force. The majority of the actions under the Q3 2023 Plan are expected to be completed on or before June 30, 2024. We expect to settle these charges with cash on hand.

Spear Marine Business

On June 6, 2023, we announced that we had made the decision to exit the marine energy storage business (the "Marine Business") of Spear Power Systems (“Spear”). The exit of the Spear Marine Business was the result of a change in strategy with respect to the business and involved ceasing sales, marketing, and business operations. It resulted in the elimination of certain positions, primarily in the U.S. and the closure of operations in Belgium. The Spear Marine Business had been included in the

Sensing Solutions CGU. Exiting the Spear Marine Business resulted in charges in the year ended December 31, 2023, as presented in the table below:

	Location	For the year ended December 31, 2023
Accelerated amortization	Amortization of intangible assets	$ 13,527
Write-down of inventory	Cost of revenue	10,479
Severance charges	Restructuring and other charges, net	1,129
Write-down of property, plant and equipment	Restructuring and other charges, net	2,002
Other charges, including contract termination costs	Restructuring and other charges, net	11,335
Total		$ 38,472

Summary

The following table presents the components of restructuring and other charges, net, for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Q3 2023 Plan, net	$ 20,678	$ —
Other severance costs, net [1]	8,681	20,138
Facility and other exit costs	600	—
Other [2]	13,159	—
Restructuring and other charges, net	$ 43,118	$ 20,138

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

(2) Amounts presented in the year ended December 31, 2023 primarily relate to charges incurred as a result of the exit of the Spear Marine Business as discussed above.

Changes to our severance liability during the years ended December 31, 2023 and 2022 were as follows:

	Q3 2023 Plan	Q2 2020 Global Restructure Program	Other	Total
Balance as of December 31, 2021	$ —	$ 2,037	$ 913	$ 2,950
Charges, net of reversals	—	(660)	20,798	20,138
Payments	—	(1,353)	(14,278)	(15,631)
Foreign currency remeasurement	—	(16)	(78)	(94)
Balance as of December 31, 2022	—	8	7,355	7,363
Charges, net of reversals	19,486	—	8,682	28,168
Payments	(16,199)	—	(15,792)	(31,991)
Foreign currency remeasurement	215	—	125	340
Balance as of December 31, 2023	$ 3,502	$ 8	$ 370	$ 3,880

6. Other, Net

Other, net for the years ended December 31, 2023 and 2022 consisted of the following:

	For the year ended December 31,	
	2023	2022
Currency remeasurement loss on net monetary assets [1]	$ (20,152)	$ (18,155)
Gain on foreign currency forward contracts [2]	4,237	4,324
Loss on commodity forward contracts [2]	(2,762)	(3,350)
Loss on financing of borrowings [3]	(6,403)	(5,599)
Loss on equity investments, net [4]	(15,529)	(75,569)
Net periodic benefit cost, excluding service cost	(2,584)	(2,181)
Other	15,750	8,725
Other, net	$ (27,443)	$ (91,805)

(1) Relates to the remeasurement of non-functional currency denominated net monetary assets and liabilities into the functional currency. Refer to discussion under the heading *Foreign Currency* in *Note 2: Significant Accounting Policies*.

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

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

(4) The year ended December 31, 2023 primarily reflects a mark-to-market loss on our investment in Quanergy Systems, Inc. ("Quanergy"). Refer to *Note 18: Fair Value Measures* for additional information.

7. Income Taxes

Provision for income taxes

Provision for income taxes for the years ended December 31, 2023 and 2022 was as follows:

	For the year ended December 31,	
	2023	2022
Current tax expense:		
Current year	$ 75,516	$ 88,443
Adjustment in respect of current income tax of previous year	414	(2,137)
Deferred tax expense:		
Origination and reversal of temporary differences	(251,177)	(7,828)
Change in tax rate	(83,506)	2,939
Recognition of previously unrecognized tax losses and deductible temporary differences	278,484	18,400
Total	$ 19,731	$ 99,817

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,	
	2023	2022
Tax benefit/expense recognized:		
Directly in equity	$ 425	$ (2,304)
In other comprehensive income	$ (1,709)	$ 297

Effective tax rate reconciliation

The principal reconciling items from income tax computed at the U.K. statutory tax rate of 23.5% and 19% for the years ended December 31, 2023 and 2022, respectively, were as follows:

	For the year ended December 31,	
	2023	2022
Tax computed at statutory rate of 23.5% and 19% in fiscal years 2023 and 2022, respectively	$ (8,334)	$ 79,626
Foreign tax rate differential	(25,846)	(33,041)
Goodwill impairment	41,151	—
Changes in recognition of tax losses	282,307	18,400
Reserve for tax exposure	771	823
Withholding taxes not creditable	14,132	12,337
Research and development incentives	(9,023)	(10,834)
Change in tax laws or rates	4,030	2,833
Unrealized foreign exchange losses/(gains), net	4,671	19,873
Capital restructuring and dispositions	(286,434)	(4,534)
Nontaxable items and other	2,306	14,334
Provision for income taxes	$ 19,731	$ 99,817

Capital restructuring and dispositions

During the year ended December 31, 2023, we recorded a $300 million deferred tax benefit related to the intercompany transfer of certain intellectual property rights, included in the outside basis difference line in the deferred tax table below. Based on our corporate structure at December 31, 2023, it is more likely than not that the future tax benefits associated with this intercompany transfer will not be realized. As such this benefit has not been recognized.

Foreign tax rate differential

We operate in multiple jurisdictions including but not limited to Bulgaria, China, Malaysia, Malta, the Netherlands, South Korea, the U.S., and the U.K. This can result in a foreign tax rate differential that may reflect a tax benefit or detriment. This foreign tax rate differential can change from year to year based upon the jurisdictional mix of earnings and changes in current and future enacted tax rates.

Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or reduced tax rates in their respective jurisdictions. A subsidiary in Changzhou, China has been and continues to be eligible for a reduced corporate income tax rate of 15% through 2024. The impact on current tax expense of the tax holidays and exemptions is included in the foreign tax rate differential disclosure, reconciling the statutory rate to our effective rate. The remeasurement of the deferred tax assets and liabilities is included in the change in tax laws or rates caption.

Research and development incentives

Certain income of our U.K. subsidiaries is eligible for lower tax rates under the "patent box" regime, resulting in certain of our intellectual property income being taxed at a rate lower than the U.K. statutory tax rate. Qualified investments are eligible for a bonus deduction under China’s R&D super deduction regime. In the U.S., we benefit from R&D credit incentives.

Withholding taxes not creditable

Withholding taxes may apply to intercompany interest, royalty, management fees, and certain payments to third parties. Such taxes are deducted if they cannot be credited against the recipient’s tax liability in its country of residence. Additional consideration has been given to the withholding taxes associated with unremitted earnings and the recipient's ability to obtain a tax credit for such taxes. Earnings are not considered to be indefinitely reinvested in the jurisdictions in which they were earned. In certain jurisdictions we recognize a deferred tax liability on withholding and other taxes on intercompany payments including dividends.

Goodwill impairment

During the year ended December 31, 2023, we incurred a non-cash impairment charge for goodwill that is nondeductible for tax purposes.

Deferred income tax assets and liabilities

A rollforward of the primary components of deferred income tax assets and liabilities as of December 31, 2023 is as follows:

	Beginning of the year	Acquisition	Recognized in: Equity	Recognized in: Other comprehensive income	Recognized in: Net income	End of the Year
Deferred tax assets:						
Inventories and related reserves	$ 19,032	$ 344	$ —	$ —	$ 1,303	$ 20,679
Accrued expenses	48,259	(684)	—	—	(10,701)	36,874
Property, plant and equipment	11,363	—	—	—	(6,571)	4,792
Intangible assets	27,228	—	—	—	(6,408)	20,820
Unrealized exchange loss	269	—	—	—	18	287
Net operating loss and interest expense carryforwards	190,175	(1,714)	625	—	(2,223)	186,863
Pension liability	7,870	—	—	(1,065)	(5)	6,800
Share-based compensation	3,531	—	(200)	—	190	3,521
Tax on undistributed earnings of subsidiaries	—	—	—	—	10,449	10,449
Other	3,720	—	—	—	(86)	3,634
Total deferred tax assets	311,447	(2,054)	425	(1,065)	(14,034)	294,719
Deferred tax liabilities:						
Property, plant and equipment	(26,991)	(17)	—	—	3,416	(23,592)
Intangible assets and goodwill	(513,701)	(13,167)	—	—	40,945	(485,923)
Unrealized foreign exchange gain	(7,284)	—	—	(644)	241	(7,687)
Tax on undistributed earnings of subsidiaries	(60,535)	—	—	—	25,631	(34,904)
Total deferred tax liabilities	(608,511)	(13,184)	—	(644)	70,233	(552,106)
Net deferred tax liabilities	$ (297,064)	$ (15,238)	$ 425	$ (1,709)	$ 56,199	$ (257,387)

A rollforward of the primary components of deferred income tax assets and liabilities as of December 31, 2022 is as follows:

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

Unrecognized deferred tax assets

We utilize the "probable" criteria established in IAS 12 *Income Taxes*, to determine whether the future benefit from the deferred tax assets should be recognized. In measuring the related deferred tax assets, we considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, it is probable that we will utilize our deferred tax assets. Judgment is required in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that we will utilize deferred tax assets. As a result, we have not recognized deferred tax assets in jurisdictions that it is not probable that the assets will be utilized in the foreseeable future. As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets.

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which we can use the benefits therefrom:

	For the year ended December 31,	
	2023	**2022**
Tax credits	$ 28,442	$ 40,758
Deductible temporary differences	$ 2,252,834	$ 1,625,385
Tax losses	91,609	103,953
Total	$ 2,344,443	$ 1,729,338

Included in the table above, we have approximately $20.1 million of tax credits that expire between 2024 and 2038, and approximately $10.7 million of tax losses that expire between 2026 and 2028.

Unrecognized tax benefits

The amount of unrecognized tax benefits at December 31, 2023 and 2022 that if recognized, would impact our effective tax rate is $136.4 million and $174.8 million, respectively.

Our major tax jurisdictions include Bulgaria, China, France, Germany, Japan, Malaysia, Malta, Mexico, the Netherlands, South Korea, the U.K., and the U.S. These jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2008 through 2023.

On December 15, 2022, the European Union ("EU") Member States formally adopted the EU's Pillar Two Directive, which generally provides for a minimum jurisdictional effective tax rate of 15%. The legislation is effective for our fiscal year beginning January 1, 2024. The Company continues to evaluate the potential impact on future periods due to the Pillar Two framework, as such changes could result in complexity and uncertainty where we do business and could increase our effective tax rate. We are currently evaluating the potential impact of Pillar Two on our consolidated financial statements and related disclosures.

Indemnifications

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

8. Net (Loss)/Income Per Share

Basic and diluted net (loss)/income per share are calculated by dividing net (loss)/income by the number of basic and diluted weighted-average ordinary shares outstanding during the period. For the years ended December 31, 2023 and 2022, the weighted-average ordinary shares outstanding used to calculate basic and diluted net (loss)/income per share were as follows:

	For the year ended December 31,	
(Shares in thousands)	**2023**	**2022**
Basic weighted-average ordinary shares outstanding	152,083	155,245
Dilutive effect of stock options	—	182
Dilutive effect of unvested restricted securities	—	733
Diluted weighted-average ordinary shares outstanding	152,083	156,160

Net (loss)/income and net (loss)/income per share are presented in the consolidated statements of (loss)/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 (loss)/income per share or they related to equity awards that were contingently issuable for which the contingency had not been satisfied. Refer to *Note 4: Share-Based Payment Plans* for further discussion of our equity awards. These potential ordinary shares are as follows:

	For the year ended December 31,	
(Shares in thousands)	**2023**	**2022**
Anti-dilutive shares excluded	2,864	880
Contingently issuable shares excluded	1,239	1,277

9. Inventories

The following table presents the components of inventories at December 31, 2023 and 2022:

	As of December 31,	
	2023	**2022**
		(As Adjusted) See Note 2
Finished goods [(1)]	$ 223,972	$ 201,558
Work-in-process	113,209	117,691
Raw materials	376,304	324,653
Inventories [(1)]	$ 713,485	$ 643,902

(1) Finished goods at December 31, 2022 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

As described in *Note 14: Borrowings,* our borrowings under the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At December 31, 2023 and 2022, inventories owned by these subsidiaries totaled $287.4 million and $464.0 million, respectively.

During the years ended December 31, 2023 and 2022, inventory costs of $2,654.9 million and $2,619.1 million, respectively, were recognized as an expense in cost of revenue.

Inventories are stated after a provision for obsolescence of $84.0 million and $72.6 million as of December 31, 2023 and 2022, respectively. We do not consider there to be a material difference between net book value and replacement cost for inventories

Refer to *Note 2: Significant Accounting Policies* for a discussion of our accounting policies related to inventories.

10. Property, Plant and Equipment, Net

PP&E, net at December 31, 2023 and 2022 consisted of the following:

	Land	Building and improvements	Machinery and equipment	Total
Purchase value:				
Balance as of December 31, 2021	$ 14,835	$ 356,094	$ 1,540,744	$ 1,911,673
Lease right-of-use asset additions/remeasurements	—	13,025	—	13,025
Additions due to acquisitions	—	765	296	1,061
Other additions	—	17,060	134,236	151,296
Other disposals	—	(2,785)	(35,425)	(38,210)
Balance as of December 31, 2022	14,835	384,159	1,639,851	2,038,845
Lease right-of-use asset additions/remeasurements	—	11,179	—	11,179
Capital expenditures	—	29,118	154,572	183,690
Disposals	(1,876)	(3,835)	(36,230)	(41,941)
Other	—	(4,166)	4,321	155
Change in foreign currency	—	4,765	13,348	18,113
Balance as of December 31, 2023	$ 12,959	$ 421,220	$ 1,775,862	$ 2,210,041
Depreciation:				
Balance as of December 31, 2021	$ —	$ (186,903)	$ (867,346)	$ (1,054,249)
Lease right-of-use asset depreciation expense	—	(13,179)	—	(13,179)
Other depreciation expense	—	(13,053)	(114,753)	(127,806)
Other disposals	—	2,035	31,864	33,899
Balance as of December 31, 2022	—	(211,100)	(950,235)	(1,161,335)
Lease right-of-use asset depreciation expense	—	(14,391)	—	(14,391)
Depreciation expense	—	(12,533)	(121,631)	(134,164)
Disposals	—	2,915	28,766	31,681
Change in foreign currency	—	(1,617)	(9,391)	(11,008)
Balance as of December 31, 2023	$ —	$ (236,726)	$ (1,052,491)	$ (1,289,217)
Carrying amounts, net:				
At December 31, 2022	$ 14,835	$ 173,059	$ 689,616	$ 877,510
At December 31, 2023	$ 12,959	$ 184,494	$ 723,371	$ 920,824
Carrying amounts of right-of-use assets:				
At December 31, 2022	$ —	$ 63,312	$ 177	$ 63,489
At December 31, 2023	$ —	$ 57,265	$ 177	$ 57,442

PP&E amounts in the table above include a total of $207.0 million and $169.4 million of assets under construction as of December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, assets totaling $877.4 million and $963.3 million, respectively, were fully depreciated but continued to be in service. As described in *Note 14: Borrowings* our borrowings under the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.375% Senior Notes, the 3.75% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, and the Senior Secured Credit Facilities (each defined therein) are unconditionally guaranteed by certain of our subsidiaries. At December 31, 2023 and 2022, PP&E, net associated with or owned by these subsidiaries totaled $164.8 million and $382.4 million, respectively.

PP&E, net at December 31, 2023 and 2022 included the following assets under leases:

	As of December 31,	
	2023	2022
Assets under leases in PP&E	$ 152,668	$ 146,351
Accumulated depreciation	(95,226)	(82,862)
Assets under leases in PP&E, net	$ 57,442	$ 63,489

Refer to *Note 2: Significant Accounting Policies* for a discussion of our accounting policies related to PP&E.

11. Goodwill and Other Intangible Assets, Net

The following table outlines the changes in net goodwill by segment for the years ended December 31, 2023 and 2022.

	Performance Sensing [1]	Sensing Solutions [2]	Total
Balance as of December 31, 2021	$ 2,491,862	$ 1,010,714	$ 3,502,576
Acquisitions	28,211	418,379	446,590
Divestiture of Qinex Business [3]	—	(2,000)	(2,000)
Provisional adjustments [4]	—	(38,494)	(38,494)
Balance as of December 31, 2022	2,520,073	1,388,599	3,908,672
Divestiture	—	(8,240)	(8,240)
Goodwill impairment charge [5]	(321,700)	—	(321,700)
Foreign currency translation effect	(20)	—	(20)
Goodwill reallocation [6]	(57,071)	57,071	—
Balance as of December 31, 2023	$ 2,141,282	$ 1,437,430	$ 3,578,712

(1) Performance Sensing goodwill at December 31, 2023, 2022,and 2021 is presented net of accumulated impairment of $327.8 million, $6.1 million, and $6.1 million, respectively.

(2) Sensing Solutions goodwill at December 31, 2023, 2022, and 2021 is presented net of accumulated impairment of $40.5 million, $40.5 million, and $62.3 million, respectively.

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

(4) Acquisitions in the year ended December 31, 2022 have been recast to reflect a decrease in goodwill of $38.5 million for Sensing Solutions as a result of adjustments to provisional accounting for business combinations made subsequent to December 31, 2022 during the measurement period.

(5) In the fourth quarter of 2023, we determined that our Insights cash-generating unit was impaired and we recorded a $321.7 million non-cash goodwill impairment charge. Refer to additional information under the heading *Cash-generating units* below.

(6) Effective April 1, 2023, we moved our material handling products from the HVOR operating segment (in the Performance Sensing reportable segment) to the Sensing Solutions operating segment to align with new management reporting. Refer to N*ote 20: Segment Reporting* for additional information. This product move resulted in a reallocation of $57.1 million of goodwill from the HVOR reporting unit to the Industrial Solutions reporting unit based on its fair value relative to the total fair value of the HVOR reporting unit.

Acquisitions and Divestitures

Goodwill attributed to acquisitions reflects our allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed. Net assets acquired are comprised of tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. We apply estimates and assumptions to determine the fair value of the intangible assets and of any contingent consideration obligations. Critical estimates in valuing purchased technology, customer relationships, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. In addition, we estimate the economic lives of these identified intangible assets and these lives are used to calculate amortization expense. Goodwill has been included in our segments based on a methodology using anticipated future earnings of the components of business. Refer to *Note 29: Acquisitions and Divestitures* for additional information related to our acquisitions.

Cash-generating units

On June 6, 2023, we announced that we had made the decision to exit the Spear Marine Business, which was a part of the Clean Energy Solutions cash-generating unit. We qualitatively determined that the goodwill related to the Clean Energy Solutions cash-generating unit was not impaired as a result of the exit of this business. Refer to *Note 5: Restructuring and Other Charges, Net* for additional information related to the exit of the Spear Marine Business.

As of October 1, 2023, we had ten cash-generating units, Automotive, HVOR, Electrical Protection, Aerospace, Power Management, Industrial Sensing, Insights, Inverters, Clean Energy Solutions, and Dynapower. Upon acquisition of Dynapower in the third quarter of 2022, it was included in the Clean Energy Solutions cash-generating unit. We did not integrate the Dynapower acquisition with the Clean Energy Solutions cash-generating unit and have subsequently determined that the manner in which we operate the Dynapower business and the availability of discrete financial information necessitates that it should be considered a separate cash-generating unit, a change that was made as of October 1, 2023. There have been no subsequent changes to our cash-generating units as of December 31, 2023.

Each of our CGUs are tested for impairment annually or when impairment indicators are present. A CGU represents the lowest level at which goodwill is monitored for internal management purposes, and which is not higher than the Company's operating segment. Certain of our CGUs are not individually assessed for impairment, instead, they are grouped with other CGUs in a manner that is consistent with our management of the business. The Electrical Protection, Power Management, Inverters, and Industrial Sensing CGUs are considered together in this manner in a CGU grouping termed Industrial Solutions. The Aerospace, Industrial Solutions, Clean Energy Solutions, and Dynapower CGUs are part of the Sensing Solutions reportable segment. The Automotive, HVOR, and Insights CGUs are part of the Performance Sensing reportable segment.

IAS 36 permits the carry forward of the most recent quantitative goodwill impairment analysis for individual CGUs from a preceding year, provided certain conditions are met. Otherwise, we perform an impairment test at the CGU level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Refer to *Note 2: Significant Accounting Policies* for additional discussion on our method of performing this test.

We evaluated our goodwill for impairment as of October 1, 2023, using a quantitative analysis for each CGU (or group of CGUs as applicable), under which a discounted cash flow analysis is prepared (and, when applicable, a market multiples approach using comparable companies) to determine whether the fair value of the CGU is less than its carrying value. Based on these analyses, we have determined that our Insights cash-generating unit was impaired. As a result, we recorded a $362.4 million non-cash impairment charge in the fourth quarter of 2023, including goodwill impairment of $321.7 million (representing the entire goodwill balance allocated to Insights) and other intangible assets impairment of $40.7 million (representing additional impairment of Insights carrying value beyond goodwill).

This impairment of Insights was primarily driven by reprioritization of our investments into electrification as a company, which is a core component of our overall capital allocation strategy. The reprioritization evolved from an assessment of our business strategy, beginning in the second half of 2023. With electrification as the clear future of our company and the best area of focus for management, in the fourth quarter of 2023, we decided to narrow our investment in Insights. Our assessment of the potential of the business has not changed, but our focus has moved from growth of the business to profitability. These decisions resulted in significant cost restructuring and a lower long-range financial forecast for the cash-generating unit, impacting the valuation of the business with respect to the goodwill impairment analysis. Other valuation assumptions for the Insights cash-generating unit valuation that are impacted by macroeconomic factors also contributed to the impairment. We are considering strategic alternatives for this business as we continue to focus our investment priorities in-line with our strategy. On a quarterly basis, we assess whether any factors exist that would trigger the need for an additional impairment review of our goodwill. No such factors were present until the fourth quarter of 2023, when we made the decision to change our strategy with respect to our investment in Insights.

We consider a combination of quantitative and qualitative factors to determine whether a cash-generating unit is at risk of failing the goodwill impairment test, 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. We also consider the impact of recent acquisitions in our expectations of the cash-generating units, such as the Insights and Dynapower cash-generating units, and how these acquisitions perform against their original expected performance, as these might put pressure on the cash-generating units' fair value over carrying value in the short term.

The following table outlines the key assumptions used in determining the recoverable amount of our CGUs as of October 1, 2023 and 2022:

	Auto	HVOR	Insights	Industrial Solutions (1)	Aero	CES	Dynapower (2)
Net revenue compound annual growth rate over projection period:							
Q4 2023	8.1%	10.1%	11.9%	6.6%	10.9%	17.3%	19.4%
Q4 2022	10.4%	10.2%	20.3%	5.3%	15.0%	24.0%	N/A
Terminal value EBITDA margin							
Q4 2023	33.2%	32.6%	25.1%	39.9%	52.8%	41.4%	31.4%
Q4 2022	29.9%	30.3%	30.7%	37.6%	40.9%	25.1%	N/A
Discount rate (pre-tax):							
Q4 2023	13.3%	15.7%	14.8%	20.6%	18.8%	22.8%	18.1%
Q4 2022	14.4%	15.2%	19.1%	14.6%	14.2%	16.8%	N/A

(1) Industrial Solutions represents the aggregation of four CGUs (Electrical Protection, Power Management, Industrial Sensing, and Inverters) for the purpose of goodwill impairment testing. The prior year assumptions have been recast to reflect aggregated amounts for the four CGUs per the below table:

	Electrical Protection	Power Management	Industrial Sensing (2)	Inverters	Aggregated
Net revenue compound annual growth rate over projection period:					
Q4 2022	1.5%	2.5%	9.8%	3.2%	5.3%
Terminal value EBITDA margin					
Q4 2022	41.1%	43.9%	32.4%	26.1%	39.9%
Discount rate (pre-tax):					
Q4 2022	12.9%	14.6%	11.7%	14.8%	14.6%

(2) The Dynapower CGU was considered as part of the Clean Energy CGU as of October 1, 2022.

The following table reflects the percentages by which the recoverable amount of each of our CGUs exceeded their estimated book values at the time they were tested for impairment in the fourth quarter of 2023 and 2022:

	Auto	HVOR	Insights	Industrial Solutions (1)	Aero	CES	Dynapower (2)
2023	63.2 %	131.2 %	N/A	50.9 %	76.9 %	152.0 %	10.3 %
2022	86.2 %	129.7 %	6.5 %	79.4 %	50.1 %	16.5 %	N/A

(1) Industrial Solutions represents the aggregation of four CGUs for the purpose of goodwill impairment testing. The prior year excess of recoverable amount has been recast to aggregate excess of recoverable amounts by CGU as follows: Electrical Protection (142.5%), Power Management (145.0%), Industrial Sensing (30.7%), and Inverters (52.2%).

(2) The Dynapower CGU was considered as part of the Clean Energy CGU as of October 1, 2022.

Sensitivity Analysis

Sensitivity analysis has been provided in respect of reasonably possible changes to key assumptions where applicable.

Key assumptions in the fair value less costs to sell ("FVLCTS") test are the projected performance of the CGUs based on sales growth rates, cash flow forecasts and discount rate. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. The key assumptions include externally obtained growth rates in the key markets and customer demand for product lines. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our restructuring projects and cash conversion based on historical experience.

The recoverable amounts associated with the goodwill, customer relationships and completed technologies balances which are based on these performance projections and current forecast information do not indicate that any of these assets, other than that for the Insights CGU, is impaired. If the company's actual performance does not meet these projections this could lead to a further impairment of goodwill, customer relationships and completed technologies in future periods.

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections, revenue growth rates and discount rate. Cash flows can be impacted by changes to sales prices, direct costs and replacement capital expenditure; individually these are not significant assumptions. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our committed restructuring projects and cash conversion based on historical experience.

Other than in the case of the Insights CGU where an impairment has been recognized, the Directors have not identified any CGUs that are at significant risk of impairment, including the Dynapower CGU, which has a headroom of 10.3%. Refer to *Note 2: Significant Accounting Policies* for additional information.

As discussed in *Note 2: Significant Accounting Policies*, determination of the recoverable amount involves management judgement on highly uncertain matters, particularly with regard to future growth prospects in the markets in which the CGU operates, the level of competition and discount factors. Changes in these forecast assumptions in the current year has resulted in the recoverable amount of the Insights CGU reducing to $215.6 million (2022: $730 million), resulting in an impairment charge of $321.7 million, $29.8 million and $10.8 million to goodwill, customer relationships and completed technologies respectively.

A sensitivity analysis has been carried out as illustrated below.

In relation to the Insights CGU:

- a further 1% increase in the discount rate would result in a reduction in recoverable value (and additional impairment) of $16.5 million and $6.0 million in customer relationships and completed technologies intangible assets, respectively. A further 1% decrease in the discount rate would result in an increase in recoverable value (and a reversal of impairment) of $18.2 million and $6.6 million in customer relationships and completed technologies intangible assets respectively.

- a further 1% decrease in the long-term growth rate (driven by delayed product launches) would result in a reduction in recoverable value (and additional impairment) of $14.2 million and $5.1 million in customer relationships and completed technologies intangible assets, respectively. A further 1% increase in the discount rate would result in an increase in recoverable value (and a reversal of impairment) of $15.1 million and $5.4 million in customer relationships and completed technologies intangible assets respectively.

- a further 5% reduction in the terminal value of EBITDA margin (driven by lower than anticipated margin) would result in recoverable value (and additional impairment) of $22.8 million and $8.2 million in customer relationships and completed technologies intangible assets, respectively. A further 5% increase in the terminal value of EBITDA margin would result in recoverable value (and additional impairment) of $21.7 million and $7.8 million in customer relationships and completed technologies intangible assets, respectively

In relation to the Dynapower CGU, while we do not believe it is at a significant risk of impairment, a further 1.4% increase in the discount rate, or a further 2.1% decrease in the long-term growth rate, or a further 6.2% reduction in the terminal value of EBITDA margin would result in the recoverable value of the CGU to be equal to its carrying amount.

Goodwill and other intangible assets by CGU

The following table outlines information related to the carrying amount of goodwill and other intangible assets associated with each of our CGUs at December 31, 2023. Other intangible assets, net excludes capitalized software, which is not allocated to our CGUs. Amounts in the table below have been calculated based on unrounded numbers, accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

(In millions)	Goodwill	Other Intangible Assets, net
Automotive	$ 1,735.2	$ 135.0
HVOR	406.1	95.8
Insights	—	235.7
Industrial Solutions	676.7	144.6
Aerospace	252.7	123.8
Dynapower	379.9	190.5
Clean Energy Solutions	128.1	40.1
Total	$ 3,578.7	$ 965.5

The following tables outline the components of intangible assets at December 31, 2023 and 2022:

	Weighted-Average Life (years)	December 31, 2023			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	11	$ 1,021,422	$ (797,594)	$ (157)	$ 223,671
Customer relationships	12	2,127,388	(1,667,490)	(843)	459,055
Tradenames	18	107,577	(32,314)	—	75,263
Research and development	5	405,834	(273,663)	—	132,171
Capitalized software and other	7	74,765	(63,787)	—	10,978
Definite-lived intangible assets	11	3,736,986	$ (2,834,848)	$ (1,000)	$ 901,138
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets		$ 3,812,356			$ 976,508

	Weighted-Average Life (years)	December 31, 2022			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies [(1)]	13	$ 1,021,447	$ (684,541)	$ (157)	$ 336,749
Customer relationships [(1)]	12	2,131,347	(1,585,147)	(843)	545,357
Tradenames	18	107,577	(24,573)	—	83,004
Research and development	5	375,019	(244,344)	—	130,675
Capitalized software and other [(1)]	7	74,111	(57,673)	—	16,438
Definite-lived intangible assets [(1)]	12	3,709,501	$ (2,596,278)	$ (1,000)	1,112,223
Indefinite-lived brand name		68,470			68,470
Indefinite-lived IPR&D		6,900			6,900
Total other intangible assets [(1)]		$ 3,784,871			$ 1,187,593

(1) Adjusted to reflect provisional adjustments made in fiscal year 2023 related to fiscal year 2022 acquisitions, refer to following table.

The following tables rollforward the gross carrying amount and accumulated amortization and impairment our definite-lived intangible assets (i.e. excluding indefinite-lived intangible assets) for the years ended December 31, 2023 and 2022.

Gross Carrying Amount	**Completed technologies**	**Customer relationships**	**Tradenames**	**Research and development**	**Capitalized software and other**	**Total**
Balance as of December 31, 2021	$ 913,904	$ 2,098,238	$ 77,484	$ 379,322	$ 71,951	$ 3,540,899
Acquisitions	108,196	63,559	34,200	—	—	205,955
Divestiture	(6,653)	(38,594)	—	—	—	(45,247)
Other additions	—	—	—	38,292	4,346	42,638
Provisional adjustments [1]	6,000	51,200	—	—	—	57,200
Write-offs	—	(43,056)	(4,107)	(42,595)	(2,186)	(91,944)
Balance as of December 31, 2022 [1]	1,021,447	2,131,347	107,577	375,019	74,111	3,709,501
Other additions	(25)	—	—	33,371	1,121	34,467
Write-offs	—	(3,959)	—	(2,556)	(467)	(6,982)
Balance as of December 31, 2023	$ 1,021,422	$ 2,127,388	$ 107,577	$ 405,834	$ 74,765	$ 3,736,986
Accumulated Amortization [2]						
Balance as of December 31, 2021	$ (629,437)	$ (1,585,612)	$ (23,542)	$ (230,118)	$ (51,527)	$ (2,520,236)
Divestiture	6,980	36,624	—	—	—	43,604
Amortization	(62,241)	(80,058)	(5,138)	(41,062)	(6,677)	(195,176)
Write-offs	—	43,056	4,107	26,836	531	74,530
Balance as of December 31, 2022	(684,698)	(1,585,990)	(24,573)	(244,344)	(57,673)	(2,597,278)
Amortization	(72,616)	(85,987)	(7,741)	(30,075)	(6,165)	(202,584)
Write-offs and impairments	(10,595)	(26,198)	—	756	51	(35,986)
Balance as of December 31, 2023	$ (767,909)	$ (1,698,175)	$ (32,314)	$ (273,663)	$ (63,787)	$ (2,835,848)
Net carrying value						
December 31, 2022 [1]	$ 336,749	$ 545,357	$ 83,004	$ 130,675	$ 16,438	$ 1,112,223
December 31, 2023	253,513	429,213	75,263	132,171	10,978	901,138

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

(2) Includes accumulated impairment

In connection with the completion of the 2006 Acquisition, we concluded that our Klixon® brand name is an indefinite-lived intangible asset, as the brand has been in continuous use since 1927, and we have no plans to discontinue using the Klixon® name. An amount of $59.1 million was assigned to the brand name in the purchase price allocation and is allocated to our Electrical Protection CGU. In connection with the acquisition of Airpax, we concluded that our Airpax® brand name is an indefinite-lived intangible asset, as the brand has been in continuous use since 1948 and we have no plans to discontinue using the Airpax® name. An amount of $9.4 million was assigned to the brand name in the purchase price allocation and is allocated to our Power Management CGU. In the year ended December 31, 2020, we recognized indefinite-lived intangible assets of $6.9 million related to in-process research & development acquired in a fiscal year 2020 business combination transaction, which is allocated to our HVOR CGU.

The following summarizes the gross value of other intangible assets (including indefinite-lived intangible assets) before impairments and amortization, by segment:

	Performance Sensing	Sensing Solutions	Corporate	Total
Balance as of December 31, 2021	$ 2,297,131	$ 1,246,714	$ 72,424	$ 3,616,269
Additions	70,414	173,833	4,346	248,593
Divestitures	—	(45,247)	—	(45,247)
Write offs	(89,710)	(48)	(2,186)	(91,944)
Provisional adjustments [(1)]	—	57,200	—	57,200
Balance as of December 31, 2022 [(1)]	2,277,835	1,432,452	74,584	3,784,871
Additions	32,451	1,002	1,121	34,574
Divestitures	—	—	—	—
Write offs	(6,622)	—	(467)	(7,089)
Balance as of December 31, 2023	$ 2,303,664	$ 1,433,454	$ 75,238	$ 3,812,356

(1) Adjusted to reflect provisional adjustments made in fiscal year 2023 related to fiscal year 2022 acquisitions.

The following table outlines amortization expense on acquisition-related definite-lived intangible assets, capitalized software, and capitalized R&D costs for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Acquisition-related definite-lived intangible assets	$ 166,344	$ 147,437
Capitalized software	6,165	6,677
Capitalized research and development costs	$ 30,075	$ 41,062
Amortization of intangible assets and capitalized development costs	$ 202,584	$ 195,176

This amortization expense was presented as amortization of intangible assets and capitalized development costs in the accompanying consolidated statements of income.

12. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at December 31, 2023 and 2022 consisted of the following:

	As of December 31,	
	2023	2022
		(As Adjusted) See Note 2
Accrued compensation and benefits	$ 73,209	$ 85,995
Accrued interest	45,187	50,146
Foreign currency and commodity forward contracts	7,909	10,652
Other accrued expenses and other current liabilities [(1)]	136,242	152,047
Accrued expenses and other current liabilities [(1)]	$ 262,547	$ 298,840

(1) Other accrued expenses and other current liabilities as of December 31, 2022 have been adjusted for measurement period adjustments made in the year ended December 31, 2023 that related to acquisitions that occurred in the year ended December 31, 2022.

13. Pension and Other Post-Retirement Benefits

We provide various pension and other post-retirement benefit plans for current and former employees, including defined benefit, defined contribution, and retiree healthcare benefit plans. Refer to *Note 2: Significant Accounting Policies* for a detailed discussion of our accounting policies related to our pension and other post-retirement benefit plans.

U.S. Benefit Plans

The principal retirement plans in the U.S. include a qualified defined benefit pension plan and a defined contribution plan. In addition, we provide post-retirement medical coverage and non-qualified benefits to certain employees. Effective January 31, 2012, we froze the defined benefit pension plans and eliminated future benefit accruals.

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 2024.

Certain of our non-U.S. defined benefit plans have Works Counsels 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 total net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the years ended December 31, 2023 and 2022 was $6.6 million and $6.1 million, respectively. Components of net periodic benefit cost other than service cost are presented in other, net in the consolidated statements of operations. Refer to *Note 6: Other, Net. T*otal expense for defined contribution plans for the years ended December 31, 2023 and 2022 was $7.7 million and $8.6 million, respectively.

The following table presents changes in the benefit obligation and plan assets for our defined benefit and other post-retirement benefit plans (in total) for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Change in benefit obligation:		
Beginning balance	$ 84,451	$ 108,511
Current service cost	4,073	3,899
Interest cost	3,453	2,248
Plan participants' contributions	539	562
Past service cost/(credit)	—	467
Acquisitions	—	(997)
Actuarial loss/(gain)	31	(11,474)
Benefits paid	(5,975)	(12,436)
Foreign currency remeasurement	1,135	(6,329)
Ending balance	$ 87,707	$ 84,451
Change in plan assets:		
Beginning balance	$ 45,861	$ 67,199
Interest income	1,200	788
Actual return on plan assets, excluding interest income	3,572	(9,109)
Employer contributions	3,419	4,368
Plan participants' contributions	539	562
Benefits paid	(5,975)	(12,436)
Administrative costs	(314)	(285)
Foreign currency remeasurement	(1,426)	(5,226)
Ending balance	$ 46,876	$ 45,861
Funded plan status at end of year	$ (4,952)	$ (7,732)
Unfunded plan status at end of year	$ (35,879)	$ (30,858)
Current liabilities	$ 2,653	$ 2,504
Non-current liabilities	$ 38,178	$ 36,086

The above includes benefit obligations and plan assets for both U.S. plans and non-U.S. plans. The benefit obligation as of December 31, 2023 and 2022 for U.S. Plans was $16.7 million and $18.3 million, respectively, and for non-U.S. plans was $71.0 million and $66.2 million, respectively. Plan assets as of December 31, 2023 and 2022 for U.S. Plans was $10.0 million and $11.0 million, respectively, and for non-U.S. plans was $36.9 million and $34.9 million, respectively. The most significant non-U.S. plan is the Japan Plan. Refer to information below under the heading *Japan plan assets*.

Assumptions and Investment Policies

Inherent in the valuations of our pension plans are numerous assumptions regarding discount rates, compensation increases, mortality rates and health care cost trends. We evaluate these assumptions at least annually.

Weighted-average assumptions used to calculate the projected benefit obligations of our defined benefit and retiree healthcare benefit plans as of December 31, 2023 and 2022 are as follows:

	As of December 31,			
	2023		2022	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	4.85 %	4.85 %	5.10 %	5.15 %
Non-U.S. assumed discount rate	4.60 %	NA	3.99 %	NA
Non-U.S. average long-term pay progression	3.47 %	NA	3.28 %	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, 2023 and 2022 are as follows:

	For the year ended December 31,			
	2023		2022	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	5.10 %	5.15 %	2.30 %	2.40 %
Non-U.S. assumed discount rate	7.14 %	NA	5.03 %	NA
U.S. average long-term rate of return on plan assets	4.36 %	NA	4.53 %	NA
Non-U.S. average long-term rate of return on plan assets	2.73 %	NA	2.38 %	NA
Non-U.S. average long-term pay progression	4.96 %	NA	4.52 %	NA

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, 2023 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	$ (142)	$ 115
U.S. retiree healthcare plan	$ 109	$ 202
Non-U.S. defined benefit plans	$ (2,480)	$ 1,460

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, 2023. In this process only one of the assumptions is adjusted at a time and the remaining parameters remain unchanged.

Weighted average duration

The weighted average duration of our defined benefit and retiree healthcare obligations as of December 31, 2023 is as follows:

Amounts below are expressed in years	U.S. Plans	Non-U.S. Plans
As of December 31, 2023	4	12

Plan Assets

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

Japan plan assets

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

The total fair value of our Japan plan assets as of December 31, 2023 and 2022 was $27.2 million and $26.5 million, respectively, which included $12.6 million and $9.2 million, respectively, of equity securities, $8.0 million and $9.7 million, respectively, of fixed income securities, and $4.7 million and $7.6 million, respectively, of cash and cash equivalents. As of December 31, 2023, our Japan plan assets also included $1.9 million in alternative risk managed balance investments.

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 $2.5 million, non-U.S. equity securities of $2.2 million, and alternative risk managed balance of $1.9 million as of December 31, 2023, 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.

U.S. plan assets

Our target asset allocation for the U.S. defined benefit plan is 65% fixed income and 35% 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 total fair value of our U.S. plan assets as of December 31, 2023 and 2022 was $10 million and $11 million, respectively, which included $0 million and $2.2 million, respectively, of equity mutual funds, $7.3 million and $7.1 million, respectively, of fixed income mutual funds, and $2.7 million and $1.6 million, respectively, of money market funds.

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, 2023 and 2022.

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).

14. Borrowings

Long-term borrowings, net and lease liabilities and other financing obligations as of December 31, 2023 and 2022 consisted of the following:

	Original Issuance (in millions)	Maturity Date	As of December 31, 2023	As of December 31, 2022
Term Loan [1]	$ 990.1	September 20, 2026	$ —	$ 446,834
5.625% Senior Notes [2]	$ 400.0	November 1, 2024	—	400,000
5.0% Senior Notes	$ 700.0	October 1, 2025	700,000	700,000
4.375% Senior Notes	$ 450.0	February 15, 2030	450,000	450,000
3.75% Senior Notes	$ 750.0	February 15, 2031	750,000	750,000
4.0% Senior Notes	$ 1,000.0	April 15, 2029	1,000,000	1,000,000
5.875% Senior Notes	$ 500.0	September 1, 2030	500,000	500,000
Less: discount, net of premium			(1,100)	(3,214)
Less: borrowing costs			(24,038)	(30,516)
Less: current portion [1]			—	(254,630)
Long-term borrowings, net			$ 3,374,862	$ 3,958,474
Present value of lease liabilities and other financing obligations			$ 66,966	$ 70,186
Less: current portion			(14,138)	(12,132)
Present value of lease liabilities and other financing obligations, less current portion			$ 52,828	$ 58,054

(1) On February 6, 2023, we prepaid $250.0 million of outstanding principal on our Term Loan balance. Accordingly, that portion of the Term Loan principal balance has been presented in current portion of long-term debt on our consolidated balance sheet as of December 31, 2022. On May 3, 2023, we prepaid $196.8 million of outstanding principal on the Term Loan, representing the remaining balance on the Term Loan as of that date plus $0.5 million in interest.

(2) On December 18, 2023, we redeemed in full the $400.0 million aggregate principal amount outstanding on our $400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes").

There were no outstanding borrowings on the Revolving Credit Facility as of December 31, 2023 and 2022.

Fiscal year 2023 transactions

On August 22, 2023, certain of our indirect, wholly-owned subsidiaries, including Sensata Technologies, Inc. ("STI"), Sensata Technologies Intermediate Holding B.V. ("STIHBV"), and Sensata Technologies B.V. (“STBV”), entered into an amendment (the “Thirteenth Amendment”) to (i) the credit agreement governing our secured credit facility (as amended, supplemented, waived, or otherwise modified, the “Credit Agreement"), and (ii) the Foreign Guaranty, dated as of May 12, 2011 (as amended, supplemented, waived, or otherwise modified prior to the Thirteenth Amendment).

Among other changes to the Credit Agreement, the Thirteenth Amendment, (i) released the Foreign Guarantors (excluding STBV) (the "Specified Foreign Guarantors") from all of their remaining obligations as guarantors and securing parties under the Credit Agreement, subject to an obligation to reinstate the guarantees under certain conditions, and (ii) modified certain of the operational and restrictive covenants and other terms and conditions of the Credit Agreement to provide us increased flexibility and permissions thereunder.

The Specified Foreign Guarantors were released from their guaranty obligations with respect to the 5.625% Senior Notes, the $700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), the $1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"), the $500.0 million aggregate principal amount of 5.875% senior notes due 2030 (the "5.875% Senior Notes"), the $450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the "4.375% Senior Notes"), and the $750 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes"), in each case in accordance with the terms of the relevant indenture pursuant to which such senior notes were issued (the "Senior Notes Indentures").

On February 6, 2023, we prepaid $250.0 million of outstanding principal on our Term Loan balance. Accordingly, that portion of the principal balance outstanding on the Term Loan as of December 31, 2022 was presented as current portion of long-term debt. On May 3, 2023, we prepaid $196.8 million of outstanding principal on the Term Loan, representing the remaining balance on the Term Loan as of that date plus $0.5 million in interest.

On December 18, 2023, we redeemed in full the $400.0 million aggregate principal amount outstanding on the 5.625% Senior Notes in accordance with the terms of the indenture under which the 5.625% Senior Notes were issued, at a redemption price of 100.0% of the aggregate principal amount of the outstanding 5.625% Senior Notes, plus a $4.0 million "make-whole" premium, plus accrued and unpaid interest to (but not including) the redemption date.

Fiscal Year 2022 Transactions

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

On August 29, 2022, STBV completed the issuance and sale of $500.0 million aggregate principal amount of 5.875% senior notes due 2030 (the "5.875% Senior Notes"). The 5.875% Senior Notes bear interest at 5.875% per year and mature on September 1, 2030. Interest is payable semi-annually on September 1 and March 1 of each year, commencing on March 1, 2023. The 5.875% Senior Notes were issued under an indenture dated as of August 29, 2022, among STBV, as issuer, The Bank of New York Mellon, as trustee, and our guarantor subsidiaries named therein (the "5.875% Senior Notes Indenture"). The 5.875% Senior Notes are guaranteed by each of STBV's wholly-owned subsidiaries that is a borrower or guarantor under the Senior Secured Credit Facilities of STI and an issuer or a guarantor under our existing senior notes as follows: STBV's $400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes"), $700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), and $1.0 billion aggregate principal amount of 4.0% senior notes due 2029 (the "4.0% Senior Notes"); and STI's $450.0 million aggregate principal amount of 4.375% senior notes due 2030 (the "4.375% Senior Notes") and $750 million aggregate principal amount of 3.75% senior notes due 2031 (the "3.75% Senior Notes"). Refer to discussion under the heading Senior Notes below for additional information regarding the issuance of the 5.875% Senior Notes.

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

Secured Credit Facility

The credit agreement, dated as of May 12, 2011 (as amended, supplemented, waived, or otherwise modified, the "Credit Agreement"), provides for the Senior Secured Credit Facilities, consisting of a term loan facility (the "Term Loan"), the Revolving Credit Facility, and incremental availability under which additional secured credit facilities could be issued under certain circumstances. All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries and secured by substantially all present and future property and assets of STBV and its guarantor subsidiaries.

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

The Credit Agreement provides that, if our senior secured net leverage ratio exceeds a specified level, we are required to use a portion of our excess cash flow, as defined in the Credit Agreement, generated by operating, investing, or financing activities to prepay the outstanding borrowings under the Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2023.

Term Loan

On February 6, 2023, we prepaid $250.0 million of outstanding principal on our Term Loan balance. On May 3, 2023, the remaining amount outstanding on the Term Loan was prepaid. Prior to prepayment, the principal amount of the Term Loan amortized in equal quarterly installments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the Term Loan upon completion of the tenth amendment of the Credit Agreement entered into on September 20, 2019 with the balance due at maturity. In accordance with the terms of the Senior Secured Credit Facilities, no amount under the Term Loan, once repaid, may be reborrowed.

Revolving Credit Facility

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

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

As of December 31, 2023, there was $746.1 million available under the Revolving Credit Facility, net of $3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2023, 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.

Senior Notes

We have various tranches of senior unsecured notes outstanding as of December 31, 2023. Information regarding these senior notes and the 5.625% Senior Notes, which were not outstanding as of December 31, 2023 (together, the "Senior Notes") is included in the following table. The Senior Notes were issued under the Senior Notes Indentures among the issuers listed in the table below, The Bank of New York Mellon, as trustee, and our guarantor subsidiaries named in the respective Senior Notes Indentures.

	5.625% Senior Notes (1)	5.0% Senior Notes	4.375% Senior Notes	3.75% Senior Notes	4.0% Senior Notes	5.875% Senior Notes
Aggregate principal amount	$ —	$ 700,000	$ 450,000	$ 750,000	$ 1,000,000	$ 500,000
Interest rate	5.625%	5.0%	4.375%	3.75%	4.0%	5.875%
Issue price	100.0%	100.0%	100.0%	100.0%	Various (2)	100.0%
Issuer	STBV	STBV	STI	STI	STBV	STBV
Issue date	October 2014	March 2015	September 2019	August 2020	Various (2)	August 2022
Interest due	May 1	April 1	February 15	February 15	April 15	September 1
Interest due	November 1	October 1	August 15	August 15	October 15	March 1
Maturity Date	November 2024	October 2025	February 2030	February 2031	April 2029	September 2030

(1) On December 18, 2023, we redeemed in full the $400.0 million aggregate principal amount outstanding on our 5.625% Senior Notes.

(2) On March 29, 2021, we issued $750.0 million of 4.0% Senior Notes that were priced at 100.00%. On April 8, 2021, we issued $250.0 million of 4.0% Senior Notes that were priced at 100.75%.

Redemption

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

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

Except as described below with respect to the 4.375% Senior Notes, 3.75% Senior Notes, the 4.0% Senior Notes, and the 5.875% Senior Notes, at any time, and from time to time, we may optionally redeem the Senior Notes, in whole or in part, at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the date of redemption, plus a "make-whole" premium set forth in the relevant Senior Notes Indenture.

4.375% Senior Notes

The "make-whole" premium will not be payable with respect to any such redemption of the 4.375% Senior Notes on or after November 15, 2029.

3.75% Senior Notes

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

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

4.0% Senior Notes

The "make-whole" premium will not be payable with respect to any such redemption of the 4.0% Senior Notes on or after April 15, 2024. On or after such date, we may optionally redeem the 4.0% Senior Notes, in whole or in part, at the following prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, up to but excluding the redemption date:

Period beginning April 15,	Price
2024	102.000 %
2025	101.000 %
2026 and thereafter	100.000 %

In addition, at any time prior to April 15, 2024, STBV may redeem up to 40% of the principal amount of the outstanding 4.0% Senior Notes (including additional 4.0% Senior Notes, if any, that may be issued after March 29, 2021) with the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 104.00%, plus accrued and unpaid interest, if any, up to but excluding the redemption date, provided that at least 60% of the aggregate principal amount of the 4.0% Senior Notes (including additional 4.0% Senior Notes, if any) remains outstanding immediately after each such redemption.

5.875% Senior Notes

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

Period beginning September 1,	Price
2025	102.398 %
2026	101.469 %
2027 and thereafter	100.000 %

In addition, at any time prior to September 1, 2025, STBV may redeem up to 40% of the principal amount of the outstanding 5.875% Senior Notes (including additional 5.875% Senior Notes, if any) with the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 105.875%, plus accrued and unpaid interest, if any, up to but excluding the redemption date, provided that at least 60% of the aggregate principal amount of the 5.875% Senior Notes (including additional 5.875% Senior Notes, if any) remains outstanding immediately after each such redemption.

Guarantees

The obligations of the issuers of the Senior Notes are guaranteed by STBV and all of its subsidiaries (excluding the company that is the issuer of the relevant Senior Notes) that guarantee the obligations of STI under the Credit Agreement (after giving effect to the release of guarantees pursuant to the Eleventh Amendment and the Thirteenth Amendment discussed below).

On June 23, 2022, we entered into the Eleventh Amendment, which amended the Credit Agreement to, among other things, release the Foreign Guarantors (as defined in the Credit Agreement), excluding STBV, from their obligations to guarantee the obligations of STI and the other Loan Parties (as defined in the Credit Agreement) relating to the Revolving Credit Facility and certain related obligations, subject to an obligation to reinstate such guaranties under certain conditions.

On August 22, 2023, we entered into the Thirteenth Amendment, which amended the Credit Agreement to, among other things, release the Specified Foreign Guarantors from all of their remaining obligations as guarantors and securing parties under the Credit Agreement, subject to an obligation to reinstate the guarantees under certain conditions. The Specified Foreign Guarantors were released from their guaranty obligations with respect to the 5.625% Senior Notes, the 5.0% Senior Notes, the 4.0% Senior Notes, the 5.875% Senior Notes, the 4.375% Senior Notes, and the 3.75% Senior Notes, in each case in accordance with the terms of the relevant indenture pursuant to which such senior notes were issued.

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, 2023, STBV and all of its subsidiaries were subject to certain restrictive covenants under the Credit Agreement and the Senior Notes Indentures.

We entered into the Eleventh Amendment and Thirteenth Amendment to the Credit Agreement on June 23, 2022 and August 22, 2023, respectively. These amendments each amended the Credit Agreement to, among other things, modify certain of the operational and restrictive covenants and other terms and conditions of the Credit Agreement to provide us increased flexibility and permissions thereunder.

Under certain circumstances, STBV is permitted to designate a subsidiary as "unrestricted," for purposes of the Credit Agreement, in which case the restrictive covenants thereunder will not apply to that subsidiary: the Senior Notes Indentures do not contain such a permission. STBV has not designated any subsidiaries as unrestricted. The net assets of STBV subject to these restrictions (based on U.S. GAAP) totaled $3.0 billion at December 31, 2023.

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, 2023, 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 Covenants

We were in compliance with all of the financial covenants and default provisions associated with our indebtedness as of December 31, 2023 and for the fiscal year then ended.

Accounting for Borrowings and Borrowing Costs

In the year ended December 31, 2023, in connection with the early redemption of the 5.625% Senior Notes, we recognized a loss of $4.7 million, which primarily reflects payment of $4.0 million for the "make-whole" premium, with the remaining loss representing the write-off of debt discounts and deferred financing costs. In connection with the prepayment on the Term Loan, we recognized a loss of $1.8 million, representing the write-off of deferred financing costs. These losses are presented in other, net.

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

Amortization of borrowing costs is included as a component of interest expense in the consolidated statements of (loss)/income, for which we recorded $7.1 million and $7.7 million in the years ended December 31, 2023 and 2022, 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 was paid in full on May 3, 2023. 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. In accordance with the terms of the Senior Secured Credit Facilities, no amount under the Term Loan, once repaid, may be reborrowed.

The following table presents the remaining mandatory principal repayments of long-term debt, excluding finance lease payments and discretionary repurchases of debt, in each of the years ended December 31, 2024 through 2028 and thereafter.

For the year ended December 31,	Aggregate Maturities	
2024	$	—
2025		700,000
2026		—
2027		—
2028		—
Thereafter		2,700,000
Total long-term principal payments	$	3,400,000

15. Commitments, Contingencies, and Provisions

Commitments

Off-Balance Sheet Commitments

From time to time, we execute contracts that require us to indemnify the other parties to the contracts. These indemnification obligations generally arise in two contexts. First, in connection with certain transactions, such as the divestiture of a business or the issuance of debt or equity securities, the agreement typically contains standard provisions requiring us to indemnify the purchaser against breaches by us of representations and warranties contained in the agreement. These indemnities are generally subject to time and liability limitations. Second, we enter into agreements in the ordinary course of business, such as customer contracts, that might contain indemnification provisions relating to product quality, intellectual property infringement, governmental regulations and employment related matters, and other typical indemnities. In certain cases, indemnification obligations arise by law.

We believe that our indemnification obligations are consistent with other companies in the markets in which we compete. Performance under any of these indemnification obligations would generally be triggered by a breach of the terms of the contract or by a third-party claim. Historically, we have experienced only immaterial and irregular losses associated with these indemnifications. Consequently, any future liabilities brought about by these indemnifications cannot reasonably be estimated or accrued.

Indemnifications Provided as Part of Contracts and Agreements

We are party to the following types of agreements pursuant to which we may be obligated to indemnify a third party with respect to certain matters.

Officers and Directors: Our Articles of Association (the "Articles") provide for indemnification of directors and officers by us to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities, including all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. The Articles do not provide a limit to the maximum future payments, if any, under the indemnification. No indemnification is provided for in respect of any claim, issue, or matter as to which such person has been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty on our behalf.

In addition, we have a liability insurance policy that insures directors and officers against the cost of defense, settlement, or payment of claims and judgments under some circumstances. Certain indemnification payments may not be covered under our directors' and officers' insurance coverage.

Initial Purchasers of Senior Notes: Pursuant to the terms of the purchase agreements entered into in connection with our private placement senior note offerings, we are obligated to indemnify the initial purchasers of the Senior Notes against certain liabilities caused by any untrue statement or alleged untrue statement of a material fact in various documents relied upon by such initial purchasers, or to contribute to payments the initial purchasers may be required to make in respect thereof. The purchase agreements do not provide a limit to the maximum future payments, if any, under these indemnifications.

Intellectual Property and Product Liability Indemnification: We routinely sell products with a limited intellectual property and product liability indemnification included in the terms of sale. Historically, we have had only immaterial and irregular losses associated with these indemnifications. Consequently, any future liabilities resulting from these indemnifications cannot reasonably be estimated or accrued.

Guarantee of liabilities of subsidiaries: Sensata plc has guaranteed the liabilities of the following subsidiaries in order that they may qualify for the exemption from audit under section 479A of the U.K. Companies Act of 2006 for the year ended December 31, 2023:

- Wabash Technologies Limited (Registered number 06342700)
- Sensata Technologies Holding Company UK (Registered number 05988295)
- Sensata Technologies Limited (Registered number 00644436)
- Sensata Technologies (Europe) Limited (Registered number 04936262)
- Sensata Technologies Intermediate UK Limited (Registered number 11252672)
- Crydom SSR Limited (Registered number 05602150)
- Newall Measurement Systems Limited (Registered number 05199004)
- ST Schrader Holding Company UK Limited (Registered number 09231290)
- August UK HoldCo Limited (Registered number 08002561)
- Cynergy3 Components Limited (Registered number 03049081)
- Impress Sensors & Systems Limited (Registered number 04346738)
- Industrial Interface Limited (Registered number 05563003)
- Cynergy3 Limited (Registered number 09353024)
- Cynergy3 Components Fab Limited (Registered number 04464544)
- SmartWitness EMEA Limited (Registered number 10284027)
- Swindon Silicon Systems Ltd. (Registered number 01378119)
- Sensata UK Limited (Registered number SC790746)
- ST Core Technologies LP (Registered number SL036690)
- Sensata Technologies UK Financing Co Limited (Registered number 09858689)
- 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, 2023 is as follows:

	Current				Non-current
	Restructuring	Pension	Warranty	Total	Pension
Balance as of December 31, 2022	7,363	$ 2,504	$ 31,457	$ 41,324	$ 36,086
Charges, net of reversals	28,168	1,149	17,911	47,228	1,734
Payments	(31,991)	(1,150)	(21,858)	(54,999)	(1,797)
Foreign currency remeasurement	340	150	—	490	2,155
Balance as of December 31, 2023	$ 3,880	$ 2,653	$ 27,510	$ 34,043	$ 38,178

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. Pensions make up the entire non-current portion of provisions.

Product Warranty Liabilities

Refer to *Note 3: Revenue Recognition* for a description of warranties we provide to customers.

In the event a warranty claim based on defective materials exists, we may be able to recover some of the cost of the claim from the vendor from whom the materials were purchased. Our ability to recover some of the costs will depend on the terms and conditions to which we agreed when the materials were purchased. Recognition of such reimbursements only occurs when such reimbursement is virtually certain. When a warranty claim is made, the only collateral available to us is the return of the inventory from the customer making the warranty claim. Historically, when customers make a warranty claim, we either replace the product or provide the customer with a credit. We generally do not rework the returned product.

Our policy is to record a provision for warranty claims when a loss is both probable and estimable. This is accomplished by recording a provision for estimated returns and estimated costs to replace the product at the time the related revenue is recognized. Liabilities for warranty claims have historically not been material. In some instances, customers may make claims for costs they incurred or other damages related to a claim.

Contingencies

Environmental Remediation Liabilities

Our operations and facilities are subject to U.S. and non-U.S. laws and regulations governing the protection of the environment and our employees, including those governing air emissions, chemical usage, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines, civil or criminal sanctions, or third-party property damage or personal injury claims, in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at our facilities. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future. We are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations.

Legal Proceedings and Claims

We are regularly involved in a number of claims and litigation matters that arise in the ordinary course of business. Although it is not feasible to predict the outcome of these matters, based upon our experience and current information known to us, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our results of operations, financial position, and/or cash flows.

Provisions are generally recorded for probable and estimable losses at our best estimate of a loss. These estimates are often developed prior to knowing the amount of the ultimate loss, require the application of considerable judgment, and are refined each accounting period as additional information becomes known. Accordingly, we are often initially unable to develop a best estimate of loss and therefore the midpoint of our estimate of a range of loss is recorded. As information becomes known, either the range is revised, resulting in a change to the midpoint at which the accrual is recorded, or a best estimate is made. A best estimate amount may be changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected.

Pending Litigation and Claims:

There are no material pending litigation or claims outstanding as of December 31, 2023.

16. Shareholders' Equity

Components of equity include ordinary shares, treasury shares, additional paid-in capital (share premium), retained earnings, and cash flow hedging reserves. We issue share-based compensation to eligible directors, officers, and employees as described in *Note 4: Share-Based Payment Plans.* We repurchase ordinary shares, which are reflected in treasury shares as described below. Beginning in fiscal year 2022, we began paying cash dividends to our shareholders. We are only able to execute share repurchases and payments of dividends to the extent that we have available distributable reserves. In the year ended December 31, 2023, we complied with this requirement.

Cash Dividends

In the years ended December 31, 2023 and 2022, we paid cash dividends totaling an aggregate of $71.5 million and $51.1 million, respectively.

Foreign Currency Translation

Prior to October 1, 2023, the functional currency of the Company's wholly-owned subsidiaries in China was the USD. Effective October 1, 2023, as a result of significant changes in economic facts and circumstances in the operations of our China foreign entities, the functional currency of the Company's wholly-owned subsidiaries in China changed to the CNY. The changes in economic facts and circumstances caused a permanent change to our strategy in China toward a more self-contained model, making China the primary economic environment in which these subsidiaries operate. This change was accounted for prospectively and does not impact prior period financial statements.

As a result of this change, on October 1, 2023, we recorded an adjustment in other comprehensive income attributable to the current-rate translation of non-monetary assets as of that date in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. In addition, in the fourth quarter of 2024, we started recording an adjustment to translate these subsidiaries' financial statements from CNY to USD (our reporting currency). These adjustments are included in other comprehensive income and are presented under the heading *Reserves* below.

Treasury Shares

From time to time, our Board of Directors has authorized various share repurchase programs, which may be modified or terminated by our Board of Directors at any time, including with respect to the authorized amount under the 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. 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 January 20, 2022, we announced that our Board of Directors had authorized a new $500.0 million ordinary share repurchase program (the "January 2022 Program"), which replaced the July 2019 Program. Sensata’s shareholders have previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program.

On September 26, 2023, our Board of Directors authorized a new $500.0 million ordinary share repurchase program (the “September 2023 Program”), which replaced the January 2022 Program, effective on October 1, 2023. Sensata’s shareholders had previously approved the forms of share repurchase agreements and the potential broker counterparties needed to execute the buyback program. Approximately $164.2 million remained available for repurchase under the January 2022 Program on September 30, 2023.

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

During the year ended December 31, 2023, we repurchased approximately 2.3 million ordinary shares (nominal value of €23 thousand) for a total purchase price of $88.4 million (an average price of $38.30 per share), under the January 2022 Program and the September 2023 Program. As of December 31, 2023, approximately $471.9 million remained available under the September 2023 Program.

Reserves

A rollforward of reserves for the years ended December 31, 2023 and 2022 is as follows:

	Cash Flow Hedges	CTA	Total Reserves
Balance as of December 31, 2021	$ 17,476	$ —	$ 17,476
Pre-tax current period change	(1,571)	—	(1,571)
Tax effect	405	—	405
Balance as of December 31, 2022	16,310	—	16,310
Pre-tax current period change	2,492	21,390	23,882
Tax effect	(644)	(442)	(1,086)
Balance as of December 31, 2023	$ 18,158	$ 20,948	$ 39,106

17. Leases

We occupy leased facilities with initial terms ranging up to 20 years. The lease agreements frequently include options to renew for additional periods or to purchase the leased assets and generally require that we pay taxes, insurance, and maintenance costs. We also lease certain vehicles and equipment.

We have elected to account for leases with a term of one year or less (short-term leases) and those for which the underlying asset value is low using a method similar to the operating lease model under IAS 17 (i.e. they are not recorded on the consolidated statements of financial position).

The table below presents the amounts recognized and location of recognition in our consolidated statements of financial position as of December 31, 2023 and 2022 related to our leases:

	As of December 31,	
	2023	2022
Lease right-of-use assets:		
Property, plant and equipment, at cost	$ 152,668	$ 146,351
Accumulated depreciation	(95,226)	(82,862)
Property, plant and equipment, net	$ 57,442	$ 63,489

	As of December 31,	
	2023	2022
Lease liabilities:		
Current portion of long-term borrowings, lease liabilities and other financing obligations	$ 14,138	$ 12,132
Lease liabilities and other financing obligations, less current portion	52,828	58,054
Total lease liabilities	$ 66,966	$ 70,186

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, 2023 and 2022 (short-term lease cost and low-value lease cost was not material for the years ended December 31, 2023 and 2022):

	For the year ended December 31,	
	2023	2022
Depreciation of right-of-use assets	$ 14,391	$ 13,179
Interest on lease liabilities	5,646	5,658
Total lease cost	$ 20,037	$ 18,837

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, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Operating cash flows from leases	$ 1,455	$ 1,615
Financing cash flows from leases	$ 17,395	$ 18,425

The table below presents a maturity analysis of the obligations related to our lease liabilities in effect as of December 31, 2023, in accordance with the required payment schedule, including principal and interest. Certain leases were assumed to extend beyond their current terms because it was probable that such an extension would occur:

Year ending December 31,	
2024	$ 18,722
2025	15,173
2026	10,385
2027	8,251
2028	6,931
Thereafter	29,185
Total undiscounted cash flows related to lease liabilities	88,647
Less imputed interest	(21,681)
Total lease liabilities	$ 66,966

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

Our assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022 are shown in the below table. All fair value measures presented are categorized in Level 2 of the fair value hierarchy, with the exception of cash equivalents, which are categorized in Level 1.

	As of December 31, 2023	As of December 31, 2022
Assets measured at fair value:		
Cash equivalents	$ 138,749	$ 860,034
Foreign currency forward contracts	28,871	31,126
Commodity forward contracts	1,457	4,181
Equity investments without a readily determinable fair value (1)	3,447	15,000
Other equity investments	19,497	19,805
Debt investments	—	2,216
Assets measured at fair value	$ 192,021	$ 932,362
Liabilities measured at fair value:		
Foreign currency forward contracts	$ 8,996	$ 9,866
Commodity forward contracts	795	4,671
Total liabilities measured at fair value	$ 9,791	$ 14,537

(1) Includes investments in equity of companies that are not traded and for which fair market value is not readily determinable. One of these investments is in a company that, subsequent to December 31, 2023, closed a round of capital funding with external investors at a significantly lower valuation than our investment. This investment was valued at $15.0 million as of December 31, 2022. We recorded a $14.8 million mark-to-market adjustment in the fair value of this investment in the year ended December 31, 2023. Accordingly, the fair value of this investment is $0.2 million at December 31, 2023.

Refer to *Note 2: Significant Accounting Policies* for a discussion of the methods used to estimate the fair value of our financial instruments and *Note 19: Derivative Instruments and Hedging Activities* for specific contractual terms used as inputs in determining the fair value measurements of our derivative instruments and a discussion of the nature of the risks that these derivative instruments are intended to mitigate. Cash equivalents consist of U.S. Government Treasury money market funds and are classified as Level 1 as they are exchange traded in an active market.

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, 2023 and 2022, 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

On June 6, 2023, we announced that we had made the decision to exit the Spear Marine Business, which was a part of the Clean Energy Solutions cash-generating unit. We qualitatively determined that the goodwill related to the Clean Energy Solutions cash-generating unit was not impaired as a result of the exit of this business. Refer to *Note 5: Restructuring and Other Charges, Net* for additional information related to the exit of the Spear Marine Business.

In the three months ended June 30, 2023, we exited the Spear Marine Business, as discussed further in *Note 5: Restructuring and Other Charges, Net*. We considered the exit of the Spear Marine Business and determined that goodwill related to the Clean Energy Solutions CGU was not impaired as of the date of the exit.

We evaluated our goodwill for impairment as of October 1, 2023. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* for additional information. Based on this analysis, which used the discounted cash flow method, and, when applicable, a market multiples approach using comparable companies, we determined that as of October 1, 2023, goodwill related to our Insights reporting unit was impaired. As a result, we recorded a $362.4 million non-cash impairment charge in the fourth quarter of 2023, including goodwill impairment of $321.7 million (representing the entire goodwill balance allocated to Insights) and other intangible assets impairment of $40.7 million (representing additional impairment of Insights carrying value beyond goodwill). This impairment was driven by a lower long-range financial forecast resulting from the impact of restructuring actions taken in the third and fourth quarters of 2023 and consequent business decisions regarding our level of investment in Insights in future years considering Sensata's focus on electrification. Other valuation assumptions for the Insights reporting unit valuation that are impacted by macroeconomic factors also contributed to the impairment. No other reporting units were impaired. As of December 31, 2023, no events or changes in circumstances occurred that would have triggered the need for an additional impairment review of goodwill or other indefinite-lived intangible assets.

When determining fair value, the recoverable amount of our CGUs is determined primarily using discounted cash flow models that incorporate assumptions for a CGU's short- and long-term revenue growth rates, operating margins and discount rates, which represent our best estimates of current and forecasted market conditions, current cost structure, and the implied rate of return that management believes a market participant would require for an investment in a company having similar risks and business characteristics to the CGU being assessed. We perform a similar analysis to determine whether our indefinite-lived intangible assets are recoverable.

Financial Instruments Not Measured at Fair Value

The following table presents the carrying values and fair values of financial instruments not measured at fair value in the consolidated statements of financial position as of December 31, 2023 and 2022. All fair value measures presented are categorized within Level 2 of the fair value hierarchy.

	As of December 31,			
	2023		2022	
	Carrying Value [1]	Fair Value	Carrying Value [1]	Fair Value
Term Loan	$ —	$ —	$ 446,834	$ 443,483
5.625% Senior Notes	$ —	$ —	$ 400,000	$ 398,000
5.0% Senior Notes	$ 700,000	$ 694,750	$ 700,000	$ 684,250
4.375% Senior Notes	$ 450,000	$ 415,125	$ 450,000	$ 400,500
3.75% Senior Notes	$ 750,000	$ 656,250	$ 750,000	$ 626,250
4.0% Senior Notes	$ 1,000,000	$ 920,000	$ 1,000,000	$ 875,000
5.875% Senior Notes	$ 500,000	$ 495,000	$ 500,000	$ 473,750

(1) Excluding any related debt discounts, premiums, and borrowing costs.

The fair values of the Term Loan and the Senior Notes are determined primarily using observable prices in markets where these instruments are generally not traded on a daily basis. Cash and cash equivalents, trade receivables, and trade payables are carried at cost, which approximates fair value because of their short-term nature.

19. Derivative Instruments and Hedging Activities

We utilize derivative instruments that are designated and qualify as hedges of the exposure to variability in expected future cash flows. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on these hedging instruments with the earnings effect of the hedged forecasted transactions. We may enter into other derivative contracts that are intended to economically hedge certain risks, even though we elect not to apply hedge accounting. Derivative financial instruments not designated as hedges are used to manage our exposure to certain risks, not for trading or speculative purposes. Refer to *Note 2: Significant Accounting Policies* for additional information related to the valuation techniques and accounting policies regarding derivative instruments and hedging activities.

Foreign Currency Risk

We are exposed to fluctuations in various foreign currencies against our functional currency, the U.S. dollar. We enter into forward contracts for certain of these foreign currencies to manage this exposure. We currently have outstanding foreign currency forward contracts that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing costs. We also have outstanding foreign currency forward contracts that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities, which are not designated for hedge accounting treatment.

For each of the years ended December 31, 2023 and 2022, 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, 2023, we estimate that $20.6 million in net gains will be reclassified from cash flow hedging reserves to earnings during the twelve-month period ending December 31, 2024.

As of December 31, 2023, we had the following outstanding foreign currency forward contracts:

Notional (in millions)	Effective Date(s)	Maturity Date(s)	Index (Exchange Rates)	Weighted-Average Strike Rate	Hedge Designation [(1)]
43.0 EUR	December 21, 2023	January 31, 2024	Euro ("EUR") to USD	1.10 USD	Not designated
390.0 EUR	Various from February 2022 to December 2023	Various from January 2024 to December 2025	EUR to USD	1.10 USD	Cash flow hedge
808.0 CNY	December 21, 2023	January 31, 2024	USD to CNY	7.08 CNY	Not designated
160.0 JPY	December 21, 2023	January 31, 2024	USD to Japanese Yen ("JPY")	141.44 JPY	Not designated
29,224.7 KRW	Various from February 2022 to December 2023	Various from January 2024 to November 2025	USD to Korean Won ("KRW")	1,283.82 KRW	Cash flow hedge
21.0 MYR	December 21, 2023	January 31, 2024	USD to Malaysian Ringgit ("MYR")	4.62 MYR	Not designated
183.0 MXN	December 21, 2023	January 31, 2024	USD to Mexican Peso ("MXN")	17.17 MXN	Not designated
4,480.0 MXN	Various from February 2022 to December 2023	Various from January 2024 to December 2025	USD to MXN	19.84 MXN	Cash flow hedge
61.9 GBP	Various from February 2022 to December 2023	Various from January 2024 to December 2025	British Pound Sterling ("GBP") to USD	1.23 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, 2023, we had the following outstanding commodity forward contracts:

Commodity	Notional	Remaining Contracted Periods	Weighted-Average Strike Price Per Unit
Silver	682,292 troy oz.	January 2024 to September 2025	$ 23.87
Copper	6,530,830 pounds	January 2024 to September 2025	$ 3.88

Financial Instrument Presentation

The following table presents the fair value of our derivative financial instruments and their classification in the consolidated balance sheets as of December 31, 2023 and 2022:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	As of December 31, 2023	As of December 31, 2022	Balance Sheet Location	As of December 31, 2023	As of December 31, 2022
Derivatives designated as hedging instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 25,176	$ 27,114	Accrued expenses and other current liabilities	$ 6,746	$ 6,586
Foreign currency forward contracts	Other assets	3,554	3,763	Other long-term liabilities	1,806	3,280
Total		$ 28,730	$ 30,877		$ 8,552	$ 9,866
Derivatives not designated as hedging instruments:						
Commodity forward contracts	Prepaid expenses and other current assets	$ 1,314	$ 2,542	Accrued expenses and other current liabilities	$ 719	$ 4,066
Commodity forward contracts	Other assets	143	1,639	Other long-term liabilities	76	605
Foreign currency forward contracts	Prepaid expenses and other current assets	141	249	Accrued expenses and other current liabilities	444	—
Total		$ 1,598	$ 4,430		$ 1,239	$ 4,671

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, 2023 and 2022:

Derivatives designated as hedging instruments	Amount of Deferred (Loss)/Gain Recognized in Other Comprehensive Income — For the year ended December 31, 2023	2022	Location of Net Gain Reclassified from Accumulated Other Comprehensive Income/(Loss) into Net (Loss)/Income	Amount of Net Gain Reclassified from Accumulated Other Comprehensive Income/(Loss) into Net (Loss)/Income — For the year ended December 31, 2023	2022
Foreign currency forward contracts	$ (1,018)	$ 39,173	Net revenue	$ 17,120	$ 46,183
Foreign currency forward contracts	$ 42,111	$ 11,982	Cost of revenue	$ 21,481	$ 6,543

Derivatives not designated as hedging instruments	Amount of (Loss)/Gain Recognized in Net (Loss)/Income — For the year ended December 31, 2023	2022	Location of (Loss)/Gain Recognized in Net (Loss)/Income
Commodity forward contracts	$ (2,762)	$ (3,350)	Other, net
Foreign currency forward contracts	$ 4,237	$ 4,324	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, 2023, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was $9.9 million. As of December 31, 2023, we have not posted any cash collateral related to these agreements. If we breach any of the default provisions on any of our indebtedness as described above, we could be required to settle our obligations under the derivative agreements at their termination values.

20. Segment Reporting

We present financial information for two reportable segments, Performance Sensing and Sensing Solutions. The Performance Sensing reportable segment consists of two operating segments, Automotive and HVOR, each of which meet the criteria for aggregation in IFRS 8 *Operating Segments*. The Sensing Solutions reportable segment is also an operating segment. Our operating segments are businesses that we manage as components of an enterprise, for which separate financial information is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and assess performance. Effective April 1, 2023, we moved our material handling products from the HVOR operating segment (in the Performance Sensing reportable segment) to the Sensing Solutions operating segment to align with new management reporting.

An operating segment's performance is primarily evaluated based on segment operating income, which excludes amortization of intangible assets, restructuring and other charges, net, certain costs associated with our strategic megatrend initiatives, and certain corporate costs or credits not associated with the operations of the segment, including share-based compensation expense and a portion of depreciation expense associated with assets recognized in connection with acquisitions. Corporate and other costs excluded from an operating (and reportable) segment's performance are separately stated below and also include costs that are related to functional areas such as finance, information technology, legal, and human resources. We believe that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, and not as a substitute for, or superior to, operating income or other measures of financial performance prepared in accordance with IFRS. The accounting policies of each of our operating and reportable segments are materially consistent with those described in *Note 2: Significant Accounting Policies*.

The Performance Sensing segment serves the automotive and HVOR industries through the development and manufacture of sensors, high-voltage solutions (i.e., electrical protection components), and other solutions that are used in mission-critical systems and applications. Examples include those used in subsystems of automobiles, on-road trucks, and off-road equipment, such as tire pressure monitoring, thermal management, electrical protection, regenerative braking, powertrain (engine/transmission), and exhaust management. These products are used in subsystems that, among other things, improve operating performance and efficiency and contribute to environmentally sustainable and safe solutions.

The Sensing Solutions segment primarily serves the industrial and aerospace industries through the development and manufacture of a broad portfolio of application-specific sensor and electrical protection products used in a diverse range of industrial markets, including the appliance, HVAC, water management, operator controls, charging infrastructure, renewable energy generation, green hydrogen production, and microgrid applications and markets, as well as the aerospace market, including commercial aircraft, defense, and aftermarket markets.

Some of the products and solutions the segment sells include pressure, temperature, and position sensors, motor and compressor protectors, high-voltage contactors, solid state relays, bimetal electromechanical controls, power inverters, charge controllers, battery management systems, operator controls, and power conversion systems. Sensing Solutions products perform many functions, including prevention of damage from excess heat or electrical current, optimization of system performance, low-power circuit control, renewable energy generation, and power conversion from direct current power to alternating current power.

The following table presents net revenue and segment operating income for the reportable segments and other operating results not allocated to the reportable segments for the years ended December 31, 2023 and 2022.

	For the year ended December 31, 2023	For the year ended December 31, 2022 (As Adjusted)
Net revenue:		
Performance Sensing [1]	$ 3,002,728	$ 2,920,393
Sensing Solutions [1]	1,051,355	1,108,869
Total net revenue	$ 4,054,083	$ 4,029,262
Segment operating income (as defined above):		
Performance Sensing [1]	$ 768,634	$ 709,197
Sensing Solutions [1]	290,939	313,347
Total segment operating income	1,059,573	1,022,544
Corporate and other	(672,782)	(294,429)
Amortization of intangible assets and capitalized development costs	(202,584)	(195,176)
Restructuring and other charges, net	(43,118)	(20,138)
Other operating income, net	5,877	181,497
Operating income	146,966	694,298
Interest expense	(186,314)	(200,156)
Interest income	31,324	16,746
Other, net	(27,443)	(91,805)
Income before taxes	$ (35,467)	$ 419,083

(1) Effective April 1, 2023, we moved our material handling products from the HVOR operating segment (in the Performance Sensing reportable segment) to the Sensing Solutions operating segment to align with new management reporting. The amounts previously reported in the tables above for the year ended December 31, 2022 have been retrospectively recast to reflect this change as follows:

	As of December 31, 2022 As reported	Adjustment	Restated
Net revenue:			
Performance Sensing	2,976,756	(56,363)	2,920,393
Sensing Solutions	1,052,506	56,363	1,108,869
Total revenue	$ 4,029,262	$ —	$ 4,029,262
Segment operating income			
Performance Sensing	738,167	(23,332)	714,835
Sensing Solutions	282,246	23,332	305,578
Total segment operating income	$ 1,020,413	$ —	$ 1,020,413

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, 2023 and 2022:

	Performance Sensing	Sensing Solutions	For the year ended December 31, 2023	For the year ended December 31, 2022
Net revenue:				
Sensors	X	X	$ 2,991,525	$ 2,887,063
Electrical Protection	X	X	677,949	710,483
Other	X	X	384,609	431,716
Net revenue			$ 4,054,083	$ 4,029,262

The following table presents depreciation and amortization expense for our reportable segments for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Depreciation and amortization:		
Performance Sensing	$ 129,743	$ 137,694
Sensing Solutions	16,700	16,811
Corporate and other [(1)]	202,302	179,538
Total depreciation and amortization	$ 348,745	$ 334,043

(1) Included within corporate and other is depreciation expense associated with the step-up in fair value of assets acquired in connection with a business combination (e.g., PP&E and inventories), amortization of intangible assets, and accelerated depreciation recognized in connection with restructuring actions. We do not allocate these amounts 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, 2023 and 2022:

	As of December 31,	
	2023	2022
		(As Adjusted) See Note 2
Total Assets:		
Performance Sensing	$ 2,159,559	$ 1,876,507
Sensing Solutions [(1)]	411,755	649,225
Corporate and other [(2)]	5,200,657	6,392,208
Total assets [(1)]	$ 7,771,971	$ 8,917,940

(1) Fiscal year 2022 has been recast for measurement period adjustments. Sensing Solutions increased $16.2 million as a result of adjustments related to the acquisition of Dynapower.

(2) Included within corporate and other as of December 31, 2023 and 2022 is $3,578.7 million and $3,908.7 million, respectively, of goodwill, as well as $976.5 million and $1,056.9 million, respectively, of other intangible assets, net, $508.1 million and $1,225.5 million, respectively, of cash and cash equivalents, and $50.5 million and $43.3 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, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Capital expenditures (including development costs):		
Performance Sensing	$ 164,233	$ 147,463
Sensing Solutions	21,880	20,611
Corporate and other	31,867	20,282
Total	$ 217,980	$ 188,356

The following table presents capital expenditures (including development costs) by geographic area for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Capital expenditures (including development costs):		
Americas	$ 95,947	$ 79,285
Asia and rest of world	77,770	70,938
Europe	44,263	38,133
Total	$ 217,980	$ 188,356

Geographic Area Information

The following tables present net revenue by geographic area and by significant country for the years ended December 31, 2023 and 2022. In these tables, net revenue is aggregated based on the location of our subsidiaries.

	For the year ended December 31,	
	2023	2022
Net revenue:		
Americas	$ 1,825,012	$ 1,705,222
Europe	1,066,100	1,045,031
Asia and rest of world	1,162,971	1,279,009
Net revenue	$ 4,054,083	$ 4,029,262

	For the year ended December 31,	
	2023	2022
Net revenue:		
United States	$ 1,678,457	$ 1,563,616
Netherlands	904,176	810,069
China	724,737	818,974
Korea	168,600	159,239
United Kingdom	105,205	119,109
All other	472,908	558,255
Net revenue	$ 4,054,083	$ 4,029,262

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, 2023 and 2022. In these tables, long-lived assets are aggregated based on the location of our subsidiaries.

	As of December 31,	
	2023	2022
		(As Adjusted) See Note 2
Americas [(1)]	$ 3,251,322	$ 3,718,009
Asia and rest of world	543,618	523,274
Europe	1,681,104	1,732,492
Total [(1)]	$ 5,476,044	$ 5,973,775

	As of December 31,	
	2023	2022
		(As Adjusted) See Note 2
United States [(1)]	$ 2,993,975	$ 3,485,858
United Kingdom	524,319	543,326
The Netherlands	781,303	782,846
China	329,200	316,400
Mexico	248,347	223,709
Bulgaria	231,315	241,343
All other	367,585	380,293
Total [(1)]	$ 5,476,044	$ 5,973,775

(1) Long-lived assets at December 31, 2022 have been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information. An increase of $18.7 million has been reflected in the Americas (United States) in the above tables.

21. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2023 and 2022 included the following:

	As of December 31,	
	2023	2022
Cash	$ 369,355	$ 239,342
Cash equivalents	138,749	986,176
Cash and cash equivalents	$ 508,104	$ 1,225,518

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, 2023 and 2022:

	For the year ended	
	2023	2022
Depreciation included within:		
Cost of revenue	$ 126,569	$ 121,205
Selling, general and administrative	13,066	11,145
Research and development	6,526	6,517
Total depreciation	146,161	138,867
Amortization of intangible assets and capitalized development costs [(1)]	202,584	195,176
Total depreciation and amortization	$ 348,745	$ 334,043

(1) Includes $30.1 million and $39.9 million of amortization of capitalized R&D costs for the years ended December 31, 2023 and 2022, respectively.

23. Personnel Costs

As of December 31, 2023, we had approximately 19,400 employees, of whom approximately 8% were located in the U.S., and approximately 56% of whom were female. Approximately 200 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils. We also engage contract workers in multiple locations, primarily to cost-effectively manage variations in manufacturing volume, but also to perform engineering and other general services. As of December 31, 2023, we had approximately 2,500 contract workers on a worldwide basis.

Personnel costs related to these employees for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31,	
	2023	2022
Wages, salaries, and benefits	$ 774,747	$ 765,080
Pension costs	14,019	14,598
Post-employment (benefits)/costs other than pensions	177	100
Expense of share-based payments	31,780	33,779
Total	$ 820,723	$ 813,557

24. Financial Risk Management Objectives and Policies

We are subject to credit, market, and liquidity risks. This note presents information about our exposures to each of these risks as well as our objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements.

Credit risk

Credit risk is the risk of our financial loss if a counterparty fails to meet its contractual obligations. We are subject to counterparty risk on financial instruments such as cash equivalents, trade and other receivables, and derivative instruments.

We manage our credit risk on cash equivalents by investing in highly rated, marketable instruments with major financial institutions of investment grade credit rating.

We are subject to credit risk associated with derivative instruments. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We minimize counterparty credit (or repayment) risk associated with derivative instruments by entering into transactions with major financial institutions of investment grade credit rating. The carrying value and fair value amounts for assets presented in *Note 18: Fair Value Measures* represent our maximum exposure to credit risk.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers, and their dispersion across different industries and geographic areas. We are a global company and are subject to sovereign risks as well as the increased counterparty risk of customers and financial institutions in those jurisdictions. We perform ongoing credit evaluations of our customers' financial condition. We do not provide or require collateral to offset possible credit risk.

Our largest customer accounted for approximately 6% of our net revenue for the year ended December 31, 2023. Refer to N*ote 20: Segment Reporting* for details of our revenue generated in various geographies and *Note 3: Revenue Recognition* for details of revenue generated in various end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income or the value of our holdings of financial instruments. We are also exposed to changes in the prices of certain commodities (primarily metals) that we use in production. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. We manage our market risk by using foreign currency and commodity derivatives that limit our risk to these changes in market prices.

Interest Rate Risk

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

The Term Loan, which accrued interest at a variable rate, was prepaid in fiscal year 2023. As a result, we no longer experience material interest rate risk.

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

Sensitivity Analysis

As of December 31, 2023, we had no outstanding variable interest rate loans.

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

Foreign Currency Risks

We are exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and may employ derivative financial instruments, such as swaps, collars, forwards, options, or other instruments, to limit the volatility to earnings and cash flows generated by these exposures. We employ derivative contracts that may or may not be designated for hedge accounting treatment, which may result in volatility to earnings depending upon fluctuations in the underlying markets. Derivative financial instruments are executed solely as risk management tools and not for trading or speculative purposes.

Consistent with our risk management objectives and overall strategy to reduce exposure to variability in cash flows and variability in earnings, we entered into foreign currency exchange rate derivatives during the year ended December 31, 2023 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, 2023.

Sensitivity Analysis

The table below presents our foreign currency forward contracts as of December 31, 2023 and the estimated impact to other comprehensive income and pre-tax earnings as a result of a 10% strengthening/weakening in the foreign currency exchange rate:

(In millions)	Net Asset/ (Liability) Balance as of December 31, 2023	(Decrease)/Increase to Other Comprehensive Income Due to: Strengthening	Weakening	(Decrease)/Increase to Pre-Tax Income Due to: Strengthening	Weakening
Euro	$ (7.4)	$ (43.6)	$ 43.6	$ (4.8)	$ 4.8
Chinese Renminbi	$ (0.2)	$ —	$ —	$ 11.4	$ (11.4)
Japanese Yen	$ —	$ —	$ —	$ 0.1	$ (0.1)
Korean Won	$ —	$ (2.3)	$ 2.3	$ —	$ —
Malaysian Ringgit	$ 0.0	$ —	$ —	$ 0.5	$ (0.5)
Mexican Peso	$ 25.1	$ 25.2	$ (25.2)	$ 1.1	$ (1.1)
British Pound Sterling	$ 2.4	$ 7.9	$ (7.9)	$ —	$ —

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, 2023.

Sensitivity Analysis

The table below presents our commodity forward contracts as of December 31, 2023 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, 2023, and there would be no impact on other comprehensive income)::

					Increase/(Decrease) to Pre-tax Earnings Due to			
(In millions, except per unit amounts)	Net Asset Balance as of December 31, 2023		Average Forward Price Per Unit as of December 31, 2023		10% Increase in the Forward Price		10% Decrease in the Forward Price	
Silver	$	0.5	$	24.61	$	1.7	$	(1.7)
Copper	$	0.2	$	3.90	$	2.5	$	(2.5)

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due without incurring unacceptable losses or risking damage to our reputation.

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

As of December 31, 2023, there was $746.1 million available under the Revolving Credit Facility, net of $3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2023, no amounts had been drawn against these outstanding letters of credit. Availability under the Revolving Credit Facility may be borrowed, repaid, and re-borrowed to fund our working capital needs and for other general corporate purposes.

Contractual Obligations and Commercial Commitments

Refer to *Note 14: Borrowings* and *Note 17: Leases* for information related to future contractually required principal payments of our borrowings and finance lease liabilities, respectively, as of December 31, 2023. As of December 31, 2023, we had recognized a net benefit liability of $5.0 million, representing the net unfunded benefit obligations of the defined benefit and retiree healthcare plans.

Capital management

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

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. As of December 31, 2023, there was $746.1 million available under the Revolving Credit Facility, net of $3.9 million of obligations in respect of outstanding letters of credit issued thereunder. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2022, no amounts had been drawn against these outstanding letters of credit. Availability under the Accordion varies each period based on our attainment of certain financial metrics as set forth in the terms of the Credit Agreement and the Senior Notes Indentures. As of December 31, 2023, availability under the Accordion was approximately $2.0 billion.

We believe, based on our current level of operations for the year ended December 31, 2023, and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures discussed below and in *Note 14: Borrowings*, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, acquisitions, ordinary share repurchases, and debt service through at least June 30, 2025.

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, 2023.

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

Our ability to raise additional financing, and our borrowing costs, may be impacted by short- and long-term borrowings ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of January 26, 2024, Moody's Investors Service's corporate credit rating for STBV was Ba2 with a positive outlook and Standard & Poor's corporate credit rating for STBV was BB+ with a stable outlook. Any future downgrades to STBV's credit ratings may increase our future borrowing costs but will not reduce availability under the Credit Agreement.

The Credit Agreement and the Senior Notes Indentures contain restrictions and covenants (described in more detail in *Note 14: Borrowings*) that limit the ability of STBV and certain of its subsidiaries to, among other things, incur subsequent indebtedness, sell assets, pay dividends, and make other restricted payments. These restrictions and covenants, which are subject to important exceptions and qualifications set forth in the Credit Agreement and the Senior Notes Indentures, were taken into consideration when we established our share repurchase programs and will be evaluated periodically with respect to future potential funding of these programs. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase programs with available cash and cash flows from operations. As of December 31, 2023, 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 2023 and 2022, we repurchased ordinary shares with a value of approximately $88.4 million and $292.3 million, respectively (refer to *Note 16: Shareholders' Equity*). The share repurchases reflect our confidence in our long-term financial plan and a belief that our shares trade below their intrinsic value.

Our net leverage ratio (which represents net debt divided by last twelve months adjusted EBITDA) at December 31, 2023 and 2022 was 3.2x and 3.4x, respectively. We believe our balanced, returns-drive approach to capital deployment will continue to create compelling value for our shareholders in the future.

Refer to *Note 16: Shareholders' Equity* for a discussion of our share capital.

25. Accounts Receivable, Net

Trade accounts receivable are initially measured at transaction price in accordance with IFRS 15, net of lifetime expected credit losses. Customers are generally not required to provide collateral for purchases. Accounts receivable, net, at December 31, 2023 and 2022 consisted of the following:

	12/31/2023	12/31/2022 (As Adjusted) See Note 2
Accounts receivable, gross [1]	$ 773,019	$ 766,313
Provisions	(28,890)	(24,246)
Accounts Receivable, net	$ 744,129	$ 742,067

(1) Accounts receivable, gross at December 31, 2022 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

At December 31, 2023 and 2022, 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
2023	$ 744,129	$ 663,726	$ 57,116	$ 23,287
2022 [(1)]	742,067	689,799	46,026	6,242

(1) Total Accounts receivable and neither past due nor impaired at December 31, 2022 have been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

Customer credit risk is managed according to our established policy, procedures, and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

Trade accounts receivable are reduced by an allowance for losses on receivables, which reflects an estimate of lifetime expected credit losses on our trade receivables in accordance with IFRS 9. Such losses are determined each period based on an impairment analysis and recorded on the consolidated statements of income. We estimate the lifetime expected credit losses on the basis of specifically identified receivables that are evaluated individually for impairment and a statistical analysis of the remaining receivables determined by reference to past overall default experience. We believe that, due to the short-term nature of our trade accounts receivables, this represents a reasonable representation of future expected losses in a stable economic environment. We analyze potential changes in future economic conditions, such as sharp downturns in the industries in which we operate, as considered necessary.

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

A reconciliation of provisions recorded during fiscal years 2023 and 2022 is as follows:

	Balance at the beginning of the period	Charged to costs and expenses	Deductions	Balance at end of the period
2023	$ 24,246	$ 9,027	$ (4,293)	$ 28,980
2022	17,003	8,531	(1,288)	24,246

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

Concentrations of risk with respect to accounts receivable are generally limited due to the large number of customers in various industries and their dispersion across several geographic areas. Although we do not foresee credit risk associated with these receivables to deviate from historical experience, repayment is dependent upon the financial stability of those individual customers. There has been no change to our assessment of credit risk since the prior year. Our largest customer accounted for approximately 6% of our net revenue for years ended December 31, 2023 and 2022, respectively.

26. Auditors Remuneration

The aggregate fees payable to Deloitte LLP (PY: Ernst & Young LLP) and their affiliates for professional services rendered for us for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31,	
	2023	2022
Audit of the Company financial statements	$ 3,967	$ 4,779
The auditing of accounts of any associate of the Company	1,909	784
Total audit fees	5,876	5,563
Audit related fees	5	—
Other services		
Taxation services	110	142
Other fees	4	10
Total fees	$ 5,995	$ 5,715

"Audit Fees" include fees for professional services 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 2023 and 2022, audit fees included fees for professional services relating to the reviews of our quarterly financial statements filed on Form 10-Q for the quarters ended March 31, 2022 through September 30, 2023 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 2023 and 2022. Audit Fees also include fees relating to the performance of statutory audits at certain of our non-U.S. subsidiaries. Fees in 2022 were incurred by Ernst & Young LLP and fees in 2023 were incurred by Deloitte LLP and affiliates.

Audit related assurance services include fees for work performed related to debt compliance reporting.

"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 $110 thousand and $81 thousand for fiscal years 2023 and 2022.

"All Other Fees" represent fees billed to us for subscriptions to each auditor's accounting research tool.

No other professional services were rendered or fees were billed by Deloitte LLP (PY: Ernst & Young LLP) or their affiliates related to the years ended December 31, 2023 or 2022.

27. Related Party Transactions

Director remuneration

Refer to the Directors' Remuneration Report included elsewhere in this Report for details of the amount of remuneration paid to or receivable by our directors for their services rendered to us.

We have adopted a compensation policy with respect to our non-executive directors. Pursuant to that policy, our directors receive an annual cash fee of $100 thousand. We also provide the Chairman of the Board with an incremental annual retainer equal to $140 thousand cash, for a total retainer to the Chairman of $240 thousand. In addition, we provide committee membership and committee chair fees as part of our non-executive director compensation. Annually, Audit Committee members receive a fee of $10 thousand, Compensation Committee members receive a fee of $9 thousand, Finance members receive a fee of $7.5 thousand, and Nominating & Corporate Governance members and Growth & Innovation Committee non-executive members receive a fee of $5.0 thousand. Non-executive Chairs of committees also receive the following incremental annual fees: $16 thousand for the Audit Committee, $12 thousand for the Compensation Committee, $8.5 thousand for the Finance Committee and $7.5 thousand for the Nominating & Corporate Governance and the Growth & Innovation Committees. We also provide a $5 thousand fee to Board members each time he or she attends meetings held in the U.K. and reimburse our directors for reasonable out-of-pocket expenses incurred in connection with their service on the Board and committees thereof.

Furthermore, our director compensation policy provides that each new non-executive director elected or appointed to the Board is granted an initial RSU award with a grant-date fair value of approximately $150 thousand, pro-rated for the period of service between the time of appointment and the next annual general shareholders meeting. Upon re-election, all non-executive directors receive an RSU award equal to a grant-date fair value of approximately $150 thousand.

The aggregate amount of fees paid to or receivable by our non-executive directors in respect of qualifying services to us for both years ended December 31, 2023 and 2022 was approximately $2.4 million and $2.3 million, respectively. This includes approximately $1.1 million and $1.2 million, respectively, in share-based compensation expense. None of our non-employee directors are accruing retirement benefits.

Key executive officer remuneration

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

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

Fiscal Year	Salary ($)	Bonus ($) [1]	Stock Awards ($) [2]	Option Awards ($)[3]	Change in Pension Value ($)	All Other Compensation ($)(4)	Total ($)
2023	3,157	666	7,170	16	—	170	11,179
2022	3,057	2,011	8,039	110	—	96	13,313

(1) Represents the annual incentive bonus and discretionary bonus awarded to each key executive officer in the fiscal years ended December 31, 2023 and 2022.

(2) Represents the expense recorded for restricted securities in the years ended December 31, 2023 and 2022. 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, 2023 and 2022, computed in accordance with IFRS 2, using the assumptions detailed in *Note 4: Share-Based Payment Plans*.

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

28. Financial Instruments

The below table represents a summary of the financial instruments we hold at December 31, 2023 and 2022:

	Note	As of December 31, 2023	As of December 31, 2022 (As Adjusted) See Note 2
Financial assets measured at amortized cost:			
Cash and cash equivalents [1]	21	$ 508,104	$ 1,225,518
Trade accounts receivable [1][5][6]	25	$ 744,129	$ 742,067
Financial assets measured at fair value through profit or loss:			
Derivative assets (non-designated) [2][3]	19	$ 1,598	$ 4,430
Equity investments without a readily determinable fair value [3]	18	$ 3,447	$ 15,000
Other equity investments [3]	18	$ 19,497	$ 19,805
Debt investments [3]	18	$ —	$ 2,216
Financial liabilities measured at amortized cost:			
Long-term borrowings [4]		$ 3,374,862	$ 4,213,104
Present value of lease liabilities and other financing obligations [4]	14,17	$ 66,966	$ 70,186
Financial liabilities measured at fair value through profit or loss:			
Derivative liabilities (non-designated) [2][3]	19	$ 1,239	$ 4,671

(1) Amount presented directly on the consolidated statements of financial position.

(2) Assets and liabilities related to derivatives that are hedged in accordance with IAS 39 are recorded at fair value through other comprehensive income per that guidance.

(3) Refer to table below for reconciliation to the consolidated statements of financial position. The balances at December 31, 2023 and 2022 are held at fair value in accordance with IFRS 9.

(4) Includes current and long-term portion, net of discounts, premium, and borrowing costs. Refer to *Note 14: Borrowings* for reconciliation to the consolidated statements of financial position.

(5) Refer to *Note 25: Accounts Receivable, Net* for information related to the lifetime expected credit losses related to trade receivables.

(6) Amounts at December 31, 2022 have been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

Changes in long-term borrowings arising from financing activities

Long-term borrowings, net of discounts, premium, and borrowing costs as of December 31, 2023 and 2022 were $3,374.9 million and $4,213.1 million, respectively. The vast majority of changes in these balances arise from cash flow activities. Non-cash changes to this balance result from the amortization of previously recognized discounts, premiums, and borrowing costs. For the years ended December 31, 2023 and 2022, we amortized $7.1 million and $7.7 million of borrowing costs, respectively. Refer to *Note 14: Borrowings* for additional information.

Reconciliation to consolidated statements of financial position

The table below presents a reconciliation of our financial assets and liabilities to the consolidated statements of financial position as of December 31, 2023 and 2022.

	Note	As of December 31, 2023	As of December 31, 2022 (As Adjusted) See Note 2
Prepaid expenses and other current assets:			
Derivative assets (non-designated)		$ 1,455	$ 2,791
Derivative assets (designated)	19	25,176	27,114
Other [1]		109,459	130,961
Total prepaid expenses and other current assets [1]		$ 136,090	$ 160,866
Other assets:			
Derivative assets (non-designated)	19	$ 143	$ 1,639
Derivative assets (designated)	19	3,554	3,763
Equity investments without a readily determinable fair value [2]	18	3,447	15,000
Other equity investments	18	19,497	19,805
Debt investments	18	—	2,216
Other		51,680	43,128
Total other assets		$ 78,321	$ 85,551
Accrued expenses and other current liabilities:			
Derivative liabilities (non-designated)		$ 1,163	$ 4,066
Derivative liabilities (designated)	19	6,746	6,586
Other [1]		254,638	288,188
Total accrued expenses and other current liabilities [1]	12	$ 262,547	$ 298,840
Other long-term liabilities:			
Derivative liabilities (non-designated)	19	$ 76	$ 605
Derivative liabilities (designated)	19	1,806	3,280
Other		32,237	42,088
Total other long-term liabilities		$ 34,119	$ 45,973

(1) Amounts at December 31, 2022 has been adjusted to reflect measurement period adjustments made in the year ended December 31, 2023 relating to acquisitions that occurred in the year ended December 31, 2022. Refer to *Note 29: Acquisitions and Divestitures* and *Note 2: Significant Accounting Policies* for additional information.

(2) Includes investments in equity of companies that are not traded and for which fair market value is not readily determinable. One of these investments is in a company that, subsequent to December 31, 2023, closed a round of capital funding with external investors at a significantly lower valuation than our investment. This investment was valued at $15.0 million as of December 31, 2022. We recorded a $14.8 million mark-to-market adjustment in the fair value of this investment in the year ended December 31, 2023. Accordingly, the fair value of this investment is $0.2 million at December 31, 2023.

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, 2023 is the carrying value of each financial asset listed. Each of our financial assets are considered to have low credit risk.

29. Acquisitions and Divestitures

Acquisitions

The following discussion relates to our acquisitions during the years ended December 31, 2022. There were no acquisitions in the year ended December 31, 2023. Refer to *Note 11: Goodwill and Other Intangible Assets, Net* for additional discussion of our consolidated goodwill and other intangible assets, net balances. Total cash paid for acquisitions, net of cash received, for the year ended of December 31, 2023 and 2022 was $0.0 million and $631.6 million, respectively.

Elastic M2M

On February 11, 2022, we acquired all of the equity interests of Elastic M2M, Inc. ("Elastic M2M") for an aggregate cash purchase price of $51.6 million, subject to certain post-closing items. In addition to the aggregate cash purchase price, the previous shareholders of Elastic M2M were entitled to up to $30.0 million of additional acquisition-related incentive compensation, which was pending the completion of certain technical milestones in fiscal year 2022 and achievement of financial targets in fiscal years 2022 and 2023. All technical milestones were completed in fiscal year 2022. In the years ended December 31, 2023 and 2022, we recognized $5.3 million and $24.7 million of that acquisition-related incentive compensation in restructuring and other charges, net.

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

The allocation of the purchase price related to this acquisition was finalized in the first quarter of 2023. The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

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

There were no adjustments to the allocation of purchase price of Elastic M2M recorded in the year ended December 31, 2023 (during the measurement period).

The goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain definite-lived intangible assets. The following table presents the acquired intangible assets, their estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value	Weighted-Average Lives (years)
Acquired definite-lived intangible assets		
Customer relationships	$ 17,500	13
Completed technologies	10,200	10
Total definite-lived intangible assets acquired	$ 27,700	12

The definite-lived intangible assets were valued using the income approach. We primarily used the relief-from-royalty method to value completed technologies, and we used the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future net cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships.

SmartWitness

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

We recorded measurement period adjustments in the three months ended June 30, 2023 that predominantly reflected an updated valuation of definite-lived intangible assets. Accordingly, definite-lived intangible assets in the three months ended June 30, 2023 increased $57.2 million (primarily customer relationships). Along with other adjustments, including the associated deferred income tax liability on acquired intangibles, goodwill decreased $41.0 million as a result of these adjustments. Other measurement period adjustments recorded in the year ended December 31, 2023 were not material.

The allocation of the purchase price related to this acquisition was finalized in the third quarter of 2023. The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

	December 31, 2022	Adjustments	December 31, 2023
Net working capital, excluding cash	$ 13,365	$ (3,407)	$ 9,958
Property, plant and equipment	1,846	—	1,846
Goodwill	418,379	(38,556)	379,823
Other intangible assets	164,400	57,200	221,600
Other assets	1,656	—	1,656
Deferred income tax liabilities	(25,548)	(15,237)	(40,785)
Other long-term liabilities	(1,035)	—	(1,035)
Fair value of net assets acquired, excluding cash and cash equivalents	573,063	—	573,063
Cash and cash equivalents	4,410	—	4,410
Fair value of net assets acquired	$ 577,473	$ —	$ 577,473

The goodwill recognized as a result of this acquisition represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. The goodwill recognized in this acquisition will not be deductible for tax purposes.

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain definite-lived intangible assets. The following table presents the acquired intangible assets, their estimated fair values, and weighted-average lives:

	Acquisition Date Fair Value			
	December 31, 2022	Adjustments	December 31, 2023	Weighted-Average Lives
Acquired definite-lived intangible assets				
Customer relationships	$ 44,100	$ 51,200	$ 95,300	16
Completed technologies	86,100	6,000	92,100	15
Tradenames	34,200	—	34,200	18
Total definite-lived intangible assets acquired	$ 164,400	$ 57,200	$ 221,600	15

The definite-lived intangible assets were valued using the income approach. We primarily used the relief-from-royalty method to value completed technologies and tradenames, and we used the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future net cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships.

Divestiture - Qinex Business

On May 27, 2022, we executed an asset purchase agreement (the "APA") whereby we agreed to sell the Qinex Business to LTI Holdings, Inc. ("LTI") in exchange for consideration of approximately $219.0 million, subject to working capital and other adjustments. Concurrent with the execution of the APA, the parties entered into a Contract Manufacturing Agreement ("CMA") and a Transition Services Agreement ("TSA"), each for nominal consideration.

The CMA commenced at closing of the transaction ("Closing") and had a term of either six or nine months, depending on the manufacturing site. LTI also had the option of extending each contract for an additional three months. The period from Closing to the end of the CMA term (including extensions, if any) is referred to as the "Transition Period." The terms of the CMA required that we provide manufacturing and distribution services for the Transition Period. The TSA commenced at Closing and had a term that varied depending on the nature of the support services, ranging from one month to the entirety of the Transition Period. The terms of the TSA required that we provide various forms of commercial, operational, and back-office support to LTI. The Transition Period ended in the three months ended March 31, 2023.

Closing occurred in July 2022, at which time assets of approximately $70 million (including allocated goodwill of $45 million) and liabilities of approximately $2 million transferred to LTI. Transferred assets and liabilities excluded inventories and accounts payable, which transferred to LTI at the end of the Transition Period. We received cash consideration of $198.8 million at Closing. Cash consideration received at Closing excluded amounts held in escrow until various milestones were met through the Transition Period. We received an additional $5.0 million in August 2022 following fulfillment of a portion of our TSA obligations. In the three months ended June 30, 2023, we received an escrow payment of $15.0 million, which included $10.0 million (presented in cash flows from operating activities) related to the transfer of inventory. Approximately $4.0 million remains in escrow as of December 31, 2023.

In the twelve months ended December 31, 2022, we recognized a pre-tax gain of approximately $135.1 million and transaction-related charges of approximately $8.2 million related to this transaction. The gain on sale and transaction-related charges are each presented in restructuring and other charges, net in our consolidated statements of operations for the year ended December 31, 2022. Refer to *Note 5: Restructuring and Other Charges, Net* for additional information.

The Qinex Business manufactured semiconductor burn-in test sockets and thermal control solutions and was formed through the combination of Sensata's semiconductor interconnect business with Wells-CTI in 2012. The Qinex Business was included in our Sensing Solutions segment (and Industrial Solutions reporting unit). We allocated goodwill to the Qinex Business based on its fair value relative to the total fair value of the Industrial Solutions reporting unit.

30. Other Operating Income, Net

The following table presents the components of other operating income, net in our consolidated statements of operations for the years ended December 31, 2023 and 2022.

	For the year ended December 31,	
	2023	2022
Gain on sale of business [1]	$ 5,877	$ 176,469
Transaction-related charges related to sale of business	—	(8,249)
Gain on revaluation of Spear contingent consideration	—	8,618
Other	—	4,659
Total other operating income, net	$ 5,877	$ 181,497

(1) Gain on sale of business for the year ended December 31, 2022 relates to the sale of the Qinex Business. Refer to *Note 29: Acquisitions and Divestitures* for additional information

31. Post Balance Sheet Events

On January 25, 2024, we announced that the Board of Directors had authorized a quarterly dividend in the amount of $0.12 per share, payable to shareholders of record as of February 8, 2024. On February 28, 2024, we paid these shareholders $16.8 million in the aggregate. On April 24, 2024, we announced that our Board of Directors approved a quarterly dividend of $0.12 per share, payable on May 22, 2024 to shareholders of record as of May 8, 2024.

Effective February 1, 2024, we combined our Automotive and Heavy vehicle and off-road ("HVOR") businesses to better leverage core capabilities and prioritize product focus into one business, Vehicles, under the Performance Sensing reportable segment. The Sensing Solutions reportable segment will benefit from organizing our predominantly shorter-cycle businesses together, by allowing us to scale core capabilities and better serve our customers.

In February 2024, we purchased the remaining 50% interest in our joint venture with Dongguan Churod Electronics Co., Ltd. for approximately $80 million. The purchase of the 50% non-controlling interest was accounted for as an equity transaction. No gain or loss was recognized as a result of the transaction.

In February 2024, one of our equity investments closed a round of capital funding with external investors at a significantly lower valuation than our investment. This investment was valued at $15.0 million as of December 31, 2022. We recorded a $14.8 million mark-to-market adjustment in the fair value of this investment in the year ended December 31, 2023, primarily as a result of this funding.

Sensata Technologies Holding plc

Registered company number 10900776

Company Financial Statements

For the Year Ended
December 31, 2023

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

	Note	December 31, 2023	December 31, 2022 (As Restated) (See Note 2)
Assets			
Non-current assets:			
Investment in subsidiaries	2,5	$ 1,396,584	$ 1,366,233
Non-current deferred tax assets	4	99	220
Redeemable preference shares	2,12	4,250,000	4,250,000
Total non-current assets		5,646,683	5,616,453
Current assets:			
Debtors due within one year	6	148,449	214,069
Cash at bank and in hand		328	1,227
Prepaid expenses and other current assets		1,990	2,191
Total current assets		150,767	217,487
Creditors: amounts falling due within one year	7	12,515	17,235
Net current assets		138,252	200,252
Total assets less current liabilities		$ 5,784,935	$ 5,816,705
Creditors: amounts falling due in more than one year		$ 112,598	$ —
Capital and reserves			
Ordinary shares fully paid up	8	$ 2,249	$ 2,242
Retained earnings - distributable		3,636,524	3,729,649
Retained earnings - undistributable	2	3,155,914	3,124,143
Merger reserve		1,834	1,834
Share premium		88,976	83,550
Treasury shares		(1,213,160)	(1,124,713)
Total shareholders' funds		5,672,337	5,816,705
Total liabilities plus shareholders' funds		$ 5,784,935	$ 5,816,705

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

Reviewed and approved by the Board of Directors and signed on their behalf by:

/s/ Constance E. Skidmore
Name: Constance E. Skidmore
Title: Director, Chair of the Audit Committee
Date: April 24, 2024

/s/ Jeffrey J. Cote
Name: Jeffrey J. Cote
Title: Director, Chief Executive Officer
Date: April 24, 2024

SENSATA TECHNOLOGIES HOLDING PLC
(Parent Company Only)
Statement of Changes in Shareholders' Equity
(In thousands)

	Note	Ordinary Shares	Retained Earnings - Distributable	Retained Earnings - Undistributable	Merger Reserve	Share Premium	Treasury Shares	Total Shareholders' Funds	Total Comprehensive Income
Balance as of December 31, 2021, as previously stated		$ 2,232	$ 3,400,923	$ 3,006,417	$ 1,834	$ 61,384	$ (832,439)	$ 5,640,351	
To correct for share-based compensation (subsidiaries)	2	—	—	84,196	—	—	—	84,196	
Balance as of January 1, 2022, as restated		2,232	3,400,923	3,090,613	1,834	61,384	(832,439)	5,724,547	
Net income for the period		—	388,327	—	—	—	—	388,327	
Vesting of restricted securities	3	6	(6)	—	—	—	—	—	
Surrender of shares for tax withholding		—	—	—	—	—	(8,525)	(8,525)	
Other retirements of treasury shares		(2)	(8,523)	—	—	—	8,525	—	
Cash dividends paid	8	—	(51,072)	—	—	—	—	(51,072)	
Repurchase of ordinary shares	8	—	—	—	—	—	(292,274)	(292,274)	
Share-based compensation (subsidiaries)	5	—	—	32,027	—	—	—	32,027	
Share-based compensation		—	—	1,752	—	—	—	1,752	
Tax effect of windfall related to share-based compensation		—	—	(249)	—	—	—	(249)	
Options exercised	8	6	—	—	—	22,166	—	22,172	
Total comprehensive income									$ 388,327
Balance as of December 31, 2022		2,242	3,729,649	3,124,143	1,834	83,550	(1,124,713)	5,816,705	
Net loss for the period	3	—	(9,297)	—	—	—	—	(9,297)	
Vesting of restricted securities		8	(8)	—	—	—	—	—	
Surrender of shares for tax withholding		—	—	—	—	—	(12,280)	(12,280)	
Other retirements of treasury shares		(3)	(12,277)	—	—	—	12,280	—	
Cash dividends paid	8	—	(71,543)	—	—	—	—	(71,543)	
Repurchase of ordinary shares	8	—	—	—	—	—	(88,447)	(88,447)	
Share-based compensation (subsidiaries)	5	—	—	30,351	—	—	—	30,351	
Share-based compensation	8,11	—	—	1,429	—	—	—	1,429	
Tax effect of windfall related to share-based compensation		—	—	(9)	—	—	—	(9)	
Options exercised	8	2	—	—	—	5,426	—	5,428	
Total comprehensive loss									$ (9,297)
Balance as of December 31, 2023		$ 2,249	$ 3,636,524	$ 3,155,914	$ 1,834	$ 88,976	$(1,213,160)	$ 5,672,337	

In the year ended December 31, 2022, we paid out three quarterly dividends at $0.11 per share, for a total dividend per share of $0.33 for the full year. In the year ended December 31, 2023, we paid one quarterly dividend at $0.11 per share and three quarterly dividends at $0.12 per share, for a total dividend per share of $0.47 for the full year.

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

1. Corporate Information

Sensata Technologies Holding plc (the "Company," also referred to as "Sensata plc," "we," "our," and "us") is a public limited company incorporated under the laws of England and Wales on 4 August 2017, under registration company number 10900776. Our ordinary shares trade on the New York Stock Exchange under the symbol "ST." The address of our registered office is Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom.

All United States ("U.S.") dollar amounts presented except per share amounts are stated in thousands, unless otherwise indicated.

Statement of compliance with FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards, and as applied in accordance with section 838 of the U.K. Companies Act 2006. These financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of Sensata plc on April 24, 2024.

Seasonality

We are not materially impacted by seasonality.

Group Operations

We conduct limited separate operations and act primarily as a holding company. We have no direct outstanding debt obligations. However, Sensata Technologies B.V, an indirect, wholly-owned subsidiary of Sensata plc, is limited in its ability to pay dividends or otherwise make other distributions to its immediate parent company and, ultimately, to us, under its senior secured credit facilities and the indentures governing its senior notes. For a discussion of the borrowing obligations of the subsidiaries of Sensata plc, see *Note 14: Borrowings* of the group audited consolidated financial statements (the "Consolidated Financial Statements") included elsewhere in this Report.

2. Significant Accounting Policies

Basis of preparation

The accounting policies set out in *Note 2: Significant Accounting Policies* to the Consolidated Financial Statements have, unless otherwise stated, been applied in the preparation of the Company financial statements.

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

(a) The requirements of IFRS 7 *Financial Instruments: Disclosures*;

(b) The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurements*;

(c) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;

(d) The requirements of paragraphs 45(b) and 46 through 52 of IFRS 2 *Share-Based Payments*;

(e) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

(f) The requirements of paragraphs 10(d) and 10(f) of IAS 1 *Presentation of Financial Statements*; and

(g) The requirements of IAS 7 *Statement of Cash Flows*.

Prior year restatements

Redeemable preferred shares

We have historically presented our redeemable preference shares as current assets because they are repayable on demand. However, as we have no current intention of demanding repayment, we have determined that it is appropriate to present these assets as non-current. Accordingly, we have restated our balance sheet as of December 31, 2022 to reflect this change. Refer to *Note 12: Redeemable Preference Shares* for additional information on these instruments.

Share-based compensation of subsidiaries

Sensata plc grants its ordinary shares to employees of its subsidiaries as share-based compensation. Sensata plc has not historically accounted for these shares as non-cash contributions to our subsidiaries, which would have been recorded in equity with a corresponding increase in investments in subsidiaries. This error has compounded since the 2018 cross-border merger described in *Note 8: Share Capital*, upon which we recognized an investment in subsidiaries of $1.25 billion. As a result, in the current year financials, we retrospectively recognized approximately $84.2 million of share-based compensation as non-cash contributions to subsidiaries, with a corresponding offset to non-distributable reserves for the period through December 31, 2021. For the year ended December 31, 2022, we retrospectively recognized approximately $32.0 million in the same manner. Refer to the statement of changes in shareholders' equity, *Note 5: Investment in Subsidiaries*, and *Note 8: Share Capital* for additional information.

Judgments and key sources of estimations

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no judgments that have had a significant effect on amounts recognized in the financial statements. There are also no estimates dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognized at the statement of financial position date.

Going concern

The Board of Directors has considered the Company's financial position and sources of liquidity as described in *Note 2: Significant Accounting Policies* to the Consolidated Financial Statements, along with the various risks and uncertainties involved in operating a business, as part of its assessment of the Company's ability to continue as a going concern. In addition, the Board reviewed management's projected cash flow analysis, including sensitivities, through June 30, 2025, which concluded that the Company would have sufficient cash on hand throughout the period to June 30, 2025.

Based on the foregoing assessment, at the time of approving the financial statements, the Board had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence throughout the period to June 30, 2025. As a result, the Board agrees that the Company and the Group continue to adopt the going concern basis of accounting in preparing the financial statements.

Investment in subsidiaries

We account for investment in subsidiaries at cost less impairment, if any, in accordance with IAS 27 *Separate Financial Statements*.

Income tax

We measure our current income tax assets and liabilities at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted at the reporting date.

We recognize deferred taxes in respect of all timing differences that have originated but not reversed at the reporting date. However, the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxes are not provided in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Currency

Our functional currency is the U.S. dollar because of the significant influence of the U.S. dollar on our operations.

Foreign currencies

Transactions denominated in foreign currencies are translated into U.S. dollars at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the statement of financial position date with resulting gains and losses recognized in the profit and loss account.

Employees

Sensata plc had 5 employees as of December 31, 2023 and 2022.

3. Earnings

Net (loss)/income of Sensata plc for the years ended December 31, 2023 and 2022 was $(9.3) million and $388.3 million, respectively.

4. Income Taxes

Benefit from income taxes

Benefit from income taxes for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax expense:		
Current year	$ (2,599)	$ (2,825)
Prior year	24	—
Deferred tax expense:		
Origination and reversal of temporary differences	27	202
Change in tax rate	—	(53)
Total	$ (2,548)	$ (2,676)

Effective tax rate reconciliation

The principal reconciling items from income tax computed at the U.K. statutory tax rate of 23.5% and 19% for the years ended December 31, 2023 and 2022, respectively, were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Income on ordinary activities before tax	$ (11,869)	$ 385,651
Income on ordinary activities multiplied by standard rate of corporation tax in U.K. of 23.5% and 19%	$ (2,789)	$ 73,274
Dividend participation exempt income	—	(76,000)
Benefit related to prior year	24	—
Other	217	50
Benefit from income taxes	$ (2,548)	$ (2,676)

Deferred income tax assets

Deferred tax assets recognized at December 31, 2023 and 2022 relate to share-based compensation. Movements in deferred tax assets in the period was as follows:

	For the year ended December 31,	
	2023	2022
Beginning Balance	$ 220	$ 557
Amounts recognized in net income	(27)	(202)
Change in Tax Rate	—	53
Change in intrinsic value of equity compensation	—	(188)
Ending Balance	$ 193	$ 220

5. Investment in Subsidiaries

We account for investment in subsidiaries, which relates to our wholly-owned subsidiary Sensata Technologies Intermediate UK Limited ("STIHUK"), at cost in accordance with IAS 27 *Separate Financial Statements*. The Company's subsidiary undertakings are shown in *Note 2: Significant Accounting Policies* to the Consolidated Financial Statements.

In the year ended December 31, 2023, we corrected for an error in accounting for share-based compensation of equity in Sensata plc. Refer to *Note 2: Significant Accounting Policies* for additional information.

The following table presents a rollforward of investments in subsidiaries for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
		(As Restated) (See Note 2)
Beginning Balance	$ 1,366,233	$ 1,334,206
Share-based compensation (subsidiaries)	30,351	32,027
Ending Balance	$ 1,396,584	$ 1,366,233

6. Debtors

Due within one year	Note	December 31, 2023	December 31, 2022
Notes receivable from group companies	9	$ 135,480	$ 204,321
Accounts receivable from group companies		12,969	9,748
Total		$ 148,449	$ 214,069

Accounts and notes receivables are reduced, if necessary, by an allowance for losses on receivables. The allowance for losses on receivables reflects an estimate of lifetime expected credit losses on our 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.

We have not experienced losses on receivables with group companies and we do not expect to experience any such losses. As a result, we have not recorded an allowance for losses on receivables from group companies.

7. Creditors

Due within one year	Note	December 31, 2023	December 31, 2022
Trade creditors		$ 694	$ 1,075
Amounts due to group companies	9	9,117	14,374
Accruals		2,704	1,786
Total		$ 12,515	$ 17,235

8. Share Capital

Cash Dividends

In the year ended December 31, 2023, we paid four quarterly dividends totaling $0.47 per share, or $71.5 million in the aggregate. In the year ended December 31, 2022, we paid three quarterly dividends totaling $0.33 per share, or $51.1 million in the aggregate.

On January 25, 2024, we announced that the Board of Directors had authorized a quarterly dividend in the amount of $0.12 per share, payable to shareholders of record as of February 8, 2024. On February 28, 2024, we paid these shareholders $16.8 million in the aggregate.

Ordinary shares

We have authorized 177,069,000 ordinary shares, €0.01 nominal value per share. Our ordinary shares allotted, called up, and fully paid as of December 31, 2023 and 2022 were as follows:

Ordinary Shares	Number	Value (‘000)
2023	175,832,000	$ 2,249
2022	175,207,000	$ 2,242

The change in ordinary shares in the year ended December 31, 2023 includes an increase of 158 thousand shares related to option exercises, an increase of 720 thousand shares related to vesting of restricted securities, and a decrease of 253 thousand shares related to a surrender of shares for tax withholdings. Refer to additional details below.

At our AGM held on May 27, 2021, our shareholders approved the Sensata Technologies Holding plc 2021 Equity Incentive Plan (the "2021 Equity Plan"), which replaced the Sensata Technologies Holding plc First Amended and Restated 2010 Equity Incentive Plan (the "2010 Equity Plan"). The 2021 Equity Plan is substantially similar to the 2010 Equity Plan with some updates based on changes in law and current practices. The purpose of the 2021 Equity Plan is to promote the long-term growth, profitability, and interests of the Company and its shareholders by aiding us in attracting and retaining employees, officers, consultants, advisors, and non-employee directors capable of assuring our future success. All awards granted subsequent to this approval were made under the 2021 Equity Plan. The 2010 Equity Plan was terminated as to the grant of any additional awards, but prior awards remain outstanding in accordance with their terms. As of December 31, 2023, there were 4.6 million ordinary shares available for grants of awards under the 2021 Equity Plan.

We grant restricted stock unit ("RSU") and performance-based restricted stock unit ("PRSU") awards. We no longer grant stock option awards, with the last grants of option awards made in the year ended December 31, 2019. Share-based compensation awards granted prior to May 27, 2021 were made under the 2010 Equity Plan, with all subsequent awards granted under the 2021 Equity Plan.

For option and RSU awards, vesting is typically subject only to service conditions, although they include continued vesting provisions for retirement-eligible employees. 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. In the year ended December 31, 2023, we began granting certain Market PRSUs with market performance conditions. These PRSUs are valued using the Monte Carlo simulation. Refer to *Note 2: Significant Accounting Policies* for additional information.

During the year ended December 31, 2023, a total of 158 thousand options were exercised at an average selling price of $34.31. During the year ended December 31, 2022, a total of 572 thousand options were exercised at an average selling price of $38.80. The range of exercise prices of our outstanding options at December 31, 2023 was $36.25 to $56.94. The weighted average remaining contractual life of outstanding options at December 31, 2023 was approximately 2.6 years.

During the year ended December 31, 2023, we incurred share-based compensation expense of approximately $1.1 million related to awards to our directors.

Retained earnings - distributable

On March 28, 2018, a cross-border merger (the "Merger") was completed between Sensata Technologies Holding N.V. ("Sensata N.V.") and Sensata plc, upon which we recognized a non-distributable merger reserve of approximately $2.6 billion. In order to create distributable reserves to enable us to undertake distributions to shareholders, we capitalized approximately $2.6 billion of the merger reserve through the bonus issue of a fully paid up deferred share with a nominal value of approximately $2.6 billion.

On May 15, 2018, the U.K. High Court of Justice approved a capital reduction to cancel the deferred bonus share and the €57,100 of redeemable preference shares, creating distributable profits of approximately $2.6 billion. Refer to the statements of changes in shareholders' equity for additional activity in the distributable profits of Sensata plc.

Retained earnings - undistributable

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

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

Merger reserve

The merger reserve represents the amount of equity recorded as a result of the Merger**.**

Treasury Shares

Ordinary shares repurchased by us are recognized, measured at cost, and presented as treasury shares on our consolidated statements of financial position, resulting in a reduction of shareholders' equity. Refer to statement of changes in shareholders' equity for number of shares held as treasury shares as of December 31, 2023 and 2022.

From time to time, our Board of Directors has authorized various share repurchase programs. Under these programs, we may repurchase ordinary shares at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, on the open market or in privately negotiated transactions, provided that such transactions were completed pursuant to an agreement and with a third party approved by our shareholders at the AGM. The authorized amount of our various share repurchase programs may be modified or terminated by our Board of Directors at any time.

During the year ended December 31, 2022, we repurchased approximately 6.3 million ordinary shares (nominal value of €63 thousand) for a total purchase price of $292.3 million (an average price of $46.08 per share) under the January 2022 Program.

During the year ended December 31, 2023, we repurchased approximately 2.3 million ordinary shares (nominal value of €23 thousand) for a total purchase price of $88.4 million (an average price of $38.30 per share), under the January 2022 Program and the September 2023 Program. As of December 31, 2023, approximately $471.9 million remained available under the September 2023 Program.

9. Interest Bearing Borrowings

We have no direct outstanding interest bearing borrowings as of December 31, 2023. Our indirect wholly-owned subsidiary, Sensata Technologies B.V., is limited in its ability to pay dividends or otherwise make any distributions to us, except for limited purposes, due to certain restrictions imposed by its borrowings. For a discussion of the borrowings of our subsidiaries and the related restrictions, see *Note 14: Borrowings* to the Consolidated Financial Statements.

Intercompany interest expense relates to amounts due to group companies as disclosed in *Note 7: Creditors*. These borrowings were made to complete the share repurchases as discussed in *Note 8: Share Capital*.

10. Auditors Remuneration

Refer to N*ote 26: Auditors Remuneration* of the Consolidated Financial Statements for the aggregate fees payable to Deloitte LLP (PY: Ernst & Young LLP) and its affiliates for professional services rendered for us for the years ended December 31, 2023 and 2022.

11. Director Remuneration

We paid approximately $2.4 million and $2.3 million in compensation to our non-executive directors during the years ended December 31, 2023 and 2022m respectively, including approximately $1.1 million and $1.2 million, respectively, in share-based compensation expense.

12. Redeemable Preference Shares

On April 12, 2018, we sold 50% of our investment in STIHBV to STIHUK in exchange for 4.25 billion $1.00 redeemable preference shares, which are repayable on demand from STIHUK.

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).

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, 2023, 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.