Risk Factors Comparison 2024-02-29 to 2023-02-13 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

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. Investors should carefully consider these risks and all other information in this Report before investing in our securities. 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. In such case, the trading price of our common stock and debt securities could decline and investors may lose all or part of their investment. Business and Operational Risks ~~a material work stoppage for any reason,that customer may halt or limit the purchase of our products.This could cause us to reduce production levels or shut down production facilities relating to those products,which could have a material adverse effect on our business,results of operations,and / or financial condition.We operate in markets that are~~ highly competitive and competitive pressures could require us to lower our prices or result in reduced demand for our products.We operate in markets that are highly competitive,and we compete on the basis of product performance in mission- critical operating environments,quality,service,reliability,manufacturing footprint,and commercial competitiveness across the industries and end markets we serve.A significant element of our competitive strategy is to design and manufacture high- quality products that meet the needs of our customers at a commercially competitive price,particularly in markets where low- cost,country- based suppliers,primarily in China with respect to the Sensing Solutions segment,have entered the markets or increased their per- unit sales in these markets by delivering products at low cost to local OEMs.In addition,certain of our competitors in the transportation sensor market are influenced or controlled by major OEMs or suppliers,thereby limiting our access to these customers.Many of our customers also rely on us as their sole source of supply for many of the products that we have historically sold to them.These customers may choose to develop relationships with additional suppliers or elect to produce some or all of these products internally,primarily to reduce risk of delivery interruptions or as a means of extracting more value from us.Certain of our customers currently have,or may develop in the future,the capability to internally produce the products that we sell to them and may compete with us with respect to those and other products and with respect to other customers.Many of our customers,including transportation manufacturers and other industrial and commercial OEMs,demand annual price reductions.If we are not able to offset continued price reductions through improved operating efficiencies and reduced expenditures,these price reductions may have a material adverse effect on our results of operations and cash flows.In addition,our customers occasionally require engineering,design,or production changes.In some circumstances,we may be unable to cover the costs of these changes with price increases.Further,as our customers grow larger,they may increasingly require us to provide them with our products on an exclusive basis,which could limit sales,cause an increase in the number of products we must carry and,consequently,increase our inventory levels and working capital requirements.Certain of our customers,particularly in the automotive industry,are increasingly requiring their suppliers to agree to their standard purchasing terms without deviation as a condition to engage in future business transactions,many of which are increasing warranty requirements.As a result,we may find it difficult to enter into agreements with such customers on terms that are commercially reasonable to us.Security ~~incidents~~ **breaches** 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~~ **breaches** in our IT systems or assess the severity or impact of ~~an incident~~ **a breach** in a timely manner.We have experienced attacks to our systems and networks and have from time ~~-~~ to ~~-~~ time experienced cybersecurity ~~incidents~~ **breaches** ,such as computer viruses and malware,unauthorized parties gaining access to our IT systems,and similar incidents,which to date have not had a material impact on our business.If we are unable to efficiently and effectively maintain and upgrade our system safeguards,we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access.Additionally,we **are** ~~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.Moreover,as we continue to develop products containing complex ~~software~~ **IT** systems designed to support today' s increasingly connected world,these systems also could be susceptible to similar interruptions,including the possibility of unauthorized access.Further,as we transition to offering more cloud- based solutions

that are dependent on the internet or other networks to operate with increased users,we may become a greater target for cyber threats,such as malware,denial of service,external adversaries,or insider threats.These types of incidents affecting us or our third- party vendors could result in intellectual property or other confidential information being lost or stolen,including client,employee,or company data.Any such events could result in legal claims or proceedings,liability or penalties under privacy laws and / or export control laws,disruption in operations,and damage to our reputation,which could materially adversely affect our business.Further,to the extent that any disruption or security ~~incident~~ **breach** results in a loss of,or damage to,our data,or an inappropriate disclosure of confidential information,it could cause significant damage to our reputation,affect our relationships with our customers,lead to claims against us,and ultimately harm our business,financial condition,and / or results of operations.Improper disclosure of confidential,personal,or proprietary data could result in regulatory scrutiny,legal liability,or harm to our reputation.Changes to data protection laws,new customer requirements,and changes to international data transfer rules could impose new burdens.One of our significant responsibilities is to maintain the security and privacy of our employees' and customers' confidential and proprietary information.We maintain policies,procedures,and technological safeguards designed to protect the security and privacy of this information and regularly review compliance changes in the jurisdictions where Sensata operates.Nevertheless,we cannot eliminate the risk of human error,employee or vendor malfeasance,or cyber- attacks that could result in improper access to or disclosure or transfer of confidential,personal,or proprietary information by Sensata or our supply chain.Such access transfers could harm our reputation and subject us to liability under our contracts and the laws and regulations that protect personal and export- controlled data,resulting in increased costs,loss of revenue,and loss of customers.The release of confidential information could also lead to litigation or other proceedings against us by affected individuals,business partners,or by regulators,and the outcome of such proceedings,which could include penalties or fines,could have a significant negative impact on our business.In many jurisdictions we are subject to laws and regulations relating to the use of this information.These laws and regulations are changing rapidly,are becoming increasingly complex,and can conflict across the jurisdictions in which we operate.Our failure to adhere to processes in response to changing regulatory requirements could result in legal liability,significant regulator penalties and fines,or impair our reputation in the marketplace. ~~In addition,~~ **The technological capabilities we are developing in the Sensata INSIGHTS business bring new risks to our company.** ~~laws~~ **Laws** and regulations for smart vehicles are expected to continue to evolve in numerous jurisdictions globally,which could affect our product portfolio and operations.Further,managing and securing personal and customer data that our products,as well as our partners' products,gather is a new and evolving risk for us. **We must also prepare and adjust for rapid design philosophies associated with building these new solutions.** Our future success depends in part on our ability to attract and retain key senior management and qualified technical,sales,and other personnel.Our future success depends in part on our continued ability to retain key executives and our ability to attract and retain qualified technical,sales, **and other personnel.Significant competition exists for such personnel and we cannot assure the retention of our key executives,technical,and sales personnel or our ability to attract,integrate,and retain other such personnel that may be**
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. ~~As of December 31, 2022, we were still experiencing lingering disruptions of these types. The extent to which the COVID- 19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments such as the length and severity of the crisis, the potential resurgence of the crisis, variant strains of the virus, vaccine availability and effectiveness, future government actions in response to the crisis and the overall impact of the COVID- 19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. This unpredictability could limit our ability to respond to future developments quickly.~~ Additionally, the impacts described above and other impacts of a global pandemic, including ~~the COVID- 19 pandemic and~~ responses to it, could substantially increase the risk to us from the other risks described in this Item 1A: Risk Factors. **Financial** ~~Our business is subject to numerous global risks~~ **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~~ **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** , ~~administrative,~~ **2023. We did not specify objectives with sufficient clarity to enable** ~~and~~ **an** ~~sales~~ **appropriate level of risk assessment and monitoring. Additionally, our control** ~~facilities~~ **activities** ~~outside~~ **did not adequately establish policies, procedures, information protocols and communications to design and operate effective control, due in part, to a lack** of ~~the U. S~~ **appropriate accounting personnel, impacting areas such as inventory and account reconciliation processes in our Americas**

Accounting and Shared Services teams located in Mexico . Our ~~subsidiaries located outside of~~ **management is taking action to remediate** the ~~U. S. generated approximately 61 %~~ **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** ~~our~~ - **or replacement of personnel where necessary to ensure** ~~net revenue in fiscal year 2022 (including approximately~~ --- **appropriate levels of knowledge** ~~20 % in China)~~ 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** ~~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~~ **in** ~~those~~ -- **the future** ~~related to tariffs and trade barriers~~ , **identify additional internal** ~~economic sanctions, investments, taxation, exchange controls~~ - **control deficiencies** ~~, and repatriation of earnings. As a result, we are exposed to numerous global, regional, and local risks~~ that could **rise to the level of a material weakness** ~~decrease revenue and / or increase expenses, and therefore decrease our~~ - **or uncover other errors** ~~profitability. Such risks may result from instability~~ in ~~economic~~ **financial reporting. Failure to have effective internal control over financial reporting and disclosure controls and procedures could impair** ~~or~~ **our** ~~political conditions~~ **ability to produce accurate financial statements on a timely basis** , ~~inflation, recession, and /~~ or **provide reliable financial statements needed** ~~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 **decision processes, and our business and results of** operations , manufacturing, and supply chain....... by increased tariffs and export restrictions and could be **harmed. Additionally** ~~otherwise adversely affected by other changes to market conditions~~ , **investors could lose confidence in** ~~changes to the regulatory environment, or~~ **our reported financial information** ~~interpretation of Chinese law. Adverse conditions in the industries upon which we are dependent, including the automotive industry, have had,~~ and ~~may in the future have~~ **our ability to obtain additional financing** , ~~adverse effects~~ **or additional financing** on **favorable terms** ~~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~~ . **Also** ~~Periodic downturns in our customers' industries could significantly reduce demand for certain of our products~~ , **failure to maintain** ~~which could have a material adverse effect~~ **effective internal control over** ~~on our results of operations,~~ financial **reporting** condition, and cash flows. Much...... severe than we currently expect, it could result in **sanctions by regulatory authorities** ~~further deterioration of our results~~ , ~~potentially for a longer period than currently anticipated. In addition, the impact of the current global supply chain shortages on one or more of our key suppliers could adversely impact our profitability. We have entered into hedge arrangements for certain metals used in our products in an~~ **and our independent registered public** ~~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~~ - **firm** value of these hedges is recognized in...... achieved in our estimated timeframe. We may not be able to **attest** ~~successfully integrate and streamline overlapping functions from future acquisitions, and integration may be more costly to accomplish than~~ **that** ~~we expect. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope. Subject to the terms of our indebtedness, we may finance future acquisitions with cash from operations, additional indebtedness, and / or by issuing additional equity securities. In addition, we could face financial risks associated with incurring additional indebtedness~~ such **internal controls** ~~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 **effective when** ~~not able to manage the~~ **they** growing complexity of these businesses, including...... condition. We operate in markets that are highly competitive and competitive pressures could require...... 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 **do so** ~~attract and retain key personnel, our business, financial condition, and results of operations could be adversely affected~~ . ~~Financial Risks~~ We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows. ~~A~~ **Our** ~~portion~~ - **reporting** ~~of our net revenue, expenses, receivables, and payables are denominated in currencies~~ **currency is** ~~other than~~ the U. S. dollar (~~the~~ " USD"). We **derive a significant portion of our net revenue from markets outside the U. S. For financial reporting purposes** , ~~therefore~~ **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** , ~~face exposure to adverse movements~~ **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** ~~exchange~~ -- **change** ~~rates~~ **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** ~~the~~ **other** ~~USD~~ **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 ~~. For financial reporting purposes, we, and most of our subsidiaries, operate under a USD functional currency because of the significant influence of the USD on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the USD. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in USD using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the USD are adjusted to USD using the exchange rate at the balance sheet date, with gains or losses recognized in other, net in the consolidated statements of operations. During times of a weakening USD, our revenue recognized in currencies other than the USD may increase because the non- U. S. currency will translate into more USD. Conversely, during times of a strengthening USD, our revenue recognized in currencies other than the USD may decrease because the local currency will translate into fewer USD~~ . Our level of indebtedness could adversely affect our financial condition and our ability to operate our business, including our ability to service our debt and / or comply with the related covenants. The credit agreement governing our secured credit facility (as amended **, 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, ~~2022~~ **2023** , we had $ ~~4~~ **3** , ~~273~~ **425** . ~~4~~ **2** million of gross outstanding indebtedness, including various tranches of senior unsecured notes (the " Senior Notes "). Refer to Note 14: Debt 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. Changes in government trade policies, including the imposition of tariffs, may have a material impact on our results of operations. We evaluate all trade policies that impact us, and we adjust our operational strategies to mitigate the impact of these policies. However, trade policies, including quotas, duties, tariffs, taxes, or other restrictions on the import or export of our products, are subject to change, and we cannot ensure that any mitigation strategies employed will remain available in the future or that we will be able to offset tariff- related costs or maintain competitive pricing of our products. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the global economy, which in turn could have a material adverse effect on our business, operating results **,** and financial condition. Existing duty reduction and deferral programs, such as free- trade agreements, duty drawback, and inward processing relief, provide beneficial impacts to our duties and tariffs for qualifying imports and exports, subject to compliance with each program' s unique requirements. Changes in laws or policies governing the terms of these duty reduction and deferral programs could have a material adverse effect on our business and financial results. In addition, most of our facilities in Mexico operate under the Mexican Maquiladora program. This program provides for reduced tariffs and eased import regulations; we could be adversely affected by changes in such program, or by our failure to comply with its requirements. Further tariffs may be imposed on other imports of our products **,** or our business may be further impacted by retaliatory trade measures taken by China or other countries in response to existing or future U. S. tariffs or other measures (e. g., subsidies). We may raise our prices on products subject to such tariffs to share the cost with our customers, which could harm our operating performance or cause our customers to seek alternative suppliers. In addition, we may seek to shift some of our China manufacturing to other countries, which could result in additional costs and disruption to our operations. We also sell our products globally and, therefore, our export sales could be impacted by the tariffs. Any material reduction in sales may have a material adverse effect on our results of operations. We have recorded a significant amount of goodwill and other identifiable intangible assets, and we may be required to recognize goodwill or intangible asset impairments, which would reduce our earnings. We have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other intangible assets, net totaled approximately $ 4. ~~9~~ **4** billion as of December 31, ~~2022~~ **2023** , or ~~56~~ **58** % of our total assets. Goodwill, which represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized, was approximately $ 3. ~~9~~ **5** billion as of December 31, ~~2022~~ **2023** , or ~~45~~ **46** % of our total assets. Goodwill and other identifiable intangible assets were recognized at fair value as of the corresponding acquisition date. ~~Impairment of~~ **We evaluated our** goodwill **for impairment as of October 1, 2023. Based on this analysis, we determined that as of October 1, 2023, goodwill related to our Insights reporting unit was impaired,** and **in the fourth quarter of 2023, we recorded a $ 321. 7 million non- cash impairment charge, representing the entire goodwill balance allocated to Insights. 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 ~~asset~~ **assets** ~~impairments~~ . 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** . Refer to Critical Accounting Policies and Estimates, in Item 7: Management' s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Report for additional information related to the assumptions used in the development of the fair value of our reporting units. Our global effective tax rate is subject to a variety of different factors that 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** ~~government~~ **governments** ~~as a result of a new administration~~ , which could increase our tax liabilities. Our actual global tax rate may vary from our expectation and that variance may be material. We continually monitor all global regulatory developments and consider alternatives to limit their detrimental impacts. However, not all unfavorable developments can be moderated, and we may consequently experience adverse effects on our effective tax rate and cash flows. For example, the European Commission (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 ~~October 8~~ **December 15** , ~~2021~~ **2022** , the ~~Organization~~ **EU Member States formally adopted the EU' s Pillar Two Directive, which generally provides** for **a** ~~Economic Co- operation and Development (the" OECD") announced most of its member jurisdictions agreed to~~

~~the OECD' s Inclusive Framework of the Base Erosion and Profit Shifting project, which establishes global~~ minimum **jurisdictional effective** tax ~~rules~~ **rate of 15 %** . ~~These~~ -- **The** ~~rules have begun~~ **legislation is effective for our fiscal year beginning January 1, 2024. We continue** to ~~be reflected~~ **evaluate the potential impact on future periods due to the Pillar Two framework, as such changes could result** in ~~local~~ **complexity and uncertainty in** ~~country~~ **countries** ~~laws~~ where we do business and **could** ~~are expected to apply beginning in calendar 2024. The precise impact of these laws is not yet known, and we cannot provide assurances that Sensata can mitigate any increases~~ - **increase** ~~in~~ **our effective** tax **rate** ~~liabilities under these new rules. We continue to monitor developments and will react accordingly~~ . We could be subject to future audits conducted by both foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other changes (such as those in applicable accounting rules) that increases the amounts we have provided for income taxes in our consolidated financial statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits, and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits, and other matters could cause our global tax rate to increase, our use of cash to increase, and our financial condition and results of operations to suffer. We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries. We are organized as a holding company, a legal entity that is separate and distinct from our operating entities. As a holding company without significant operations of its own, our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends, interest, and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt, repurchasing ordinary shares, and corporate expenses. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions, or other circumstances that could restrict the ability of our subsidiaries to pay dividends or otherwise make payments to us. Furthermore, no assurance can be given that our subsidiaries may be able to make timely payments to us in order for us to meet our obligations. Legal and Regulatory Risks We could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act (the" U. S. 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. Export of our products is subject to various export control regulations and may require a license for export. Any failure to comply with such regulations could result in governmental enforcement actions, fines, penalties, loss of export privileges, or other remedies, which could have a material adverse effect on our business, results of operations, and financial condition. We are subject to compliance with laws and regulations controlling the import and export of goods, services, software, and technical data. Certain of our products are subject to export regulations of the various jurisdictions in which we operate (" Controlled Items "). The export of many such Controlled Items requires a license from the applicable government agency. Licensing decisions are made based on type of product, its destination, end use, end user, the parties involved in the transaction, national security, and foreign policy. As a result, export license approvals are not guaranteed. We have a trade compliance team and other systems in place to apply for licenses and otherwise comply with import and export regulations. Any failure to maintain compliance with such regulations could limit our ability to import or export raw material and finished goods. These laws and regulations are subject to change, and any such change may limit or exclude existing or future business opportunities, require us to change technology, or incur expenditures to comply with such laws and regulations. We have discovered in the past, and may discover in the future, deficiencies in our trade compliance program. Although we continue to enhance our trade compliance program, we cannot guarantee that any such enhancements will ensure full compliance with applicable laws and regulations at all times, or that applicable authorities will not raise compliance concerns or perform audits to confirm our compliance with applicable laws and regulations. Any failure by us to comply with applicable laws and regulations could result in governmental enforcement actions, fines, penalties, criminal and / or civil proceedings, or other remedies, any of which could have a material adverse effect on our business, results of operations, and / or financial condition. Changes in existing environmental or safety laws, regulations, and programs could reduce demand for our products, which could cause our revenue to decline. A significant amount of our business is generated either directly or indirectly as a result of existing laws, regulations, and programs related to environmental protection, fuel economy, energy efficiency, and safety regulation. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation, or enforcement of these programs, could result in a decline in demand for environmental and / or safety products, which may have a material adverse effect on our revenue. Our operations expose us to the risk of material environmental liabilities, litigation, government enforcement actions, and reputational risk. We are subject to numerous federal, state, and local environmental protection and health and safety laws and regulations in the various countries where we operate and where our products are sold. These laws and regulations govern, among other things, the generation, storage, use, and transportation of hazardous materials; emissions or discharges of substances into the environment; investigation and remediation of hazardous substances or materials at various sites; **GHG** ~~greenhouse gas~~ emissions; product hazardous material content; and the health and safety of our employees. We may not have been, or we may not always be, in compliance with all environmental and health and safety laws and regulations. If we violate these laws, we could be fined, criminally charged, or otherwise sanctioned by regulators. In addition, environmental and health and safety laws are becoming more stringent, resulting in increased costs and compliance burdens. Certain environmental laws assess liability on current or previous owners or operators of real property for the costs of investigation, removal, and remediation of hazardous substances or materials at their properties or properties at which they have disposed of hazardous substances. Liability for investigation, removal, and remediation costs under certain federal and state laws is retroactive, strict, and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our results of operations, financial 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. 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 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 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. U. K. Domicile Risks As a public limited company incorporated under the laws of England and Wales, we may have less flexibility with respect to certain aspects of capital management. English law imposes additional restrictions on certain corporate actions. For example, English law provides that a board of directors may only allot, or issue, securities with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders at a general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years as specified in the articles of association or relevant shareholder resolution. We currently only have authorization to issue shares under our equity plan excluding preemptive rights until our next annual general meeting. This authorization and exclusion needs to be renewed by our shareholders periodically and we intend to renew the authorization and exclusion at each annual general meeting. English law also requires us to have available" distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U. K. parent company or other actions. While we intend to maintain a sufficient level of distributable reserves, there is no assurance that we will continue to generate sufficient earnings in order to maintain the necessary level of distributable reserves to make share repurchases or pay dividends. English law also generally prohibits a company from repurchasing its own shares by way of" off- market purchases" without the prior approval of our shareholders. Such approval lasts for a maximum period of up to five years. Our shares are traded on the New York Stock Exchange, which is not a recognized investment exchange in the U. K. Consequently, any repurchase of our shares is currently considered an" off- market purchase." Our current authorization expires on May 28, 2025, and we intend to renew this authorization periodically. As a public limited company incorporated under the laws of England and Wales, the enforcement of civil liabilities against us may be more difficult. Because we are a public limited company incorporated under the laws of England and Wales, investors could experience more difficulty enforcing judgments obtained against us in U. S. courts than would have been the case for a U. S. company. In addition, it may be more difficult (or impossible) to bring some types of claims against us in courts in England than it would be to bring similar claims against a U. S. company in a U. S. court. As a public limited company incorporated under the laws of England and Wales, it may not be possible to effect service of process upon us within the U. S. to enforce judgments of U. S. courts against us based on the civil liability provisions of the U. S. federal securities laws. There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U. S. courts, of civil liabilities solely based on the U. S. federal securities laws. The English courts will, however, treat any amount payable by us under U. S. judgment as a debt and new proceedings can be commenced in the English courts to enforce this debt against us. The following criteria must be satisfied for the English court to enforce the debt created by the U. S. judgment: (1) the U. S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law at the time when proceedings were initiated; (2) the U. S. proceedings not having been brought in breach of a jurisdiction or arbitration clause except with the agreement of the defendant or the defendant' s subsequent submission to the jurisdiction of the court; (3) the U. S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money; (4) the recognition or enforcement, as the case may be, of the U. S. judgment not contravening English public policy in a sufficiently significant way or contravening the Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable); (5) the U. S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise based on a U. S. law that an English court considers to be a penal or revenue law; (6) the U. S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, and not otherwise being a judgment contrary to section 5 of the Protection of Trading Interests Act 1980 or is a judgment based on measures designated by the Secretary of State under Section 1 of that Act; (7) the U. S. judgment not having been obtained by fraud or in breach of English principles of natural justice; (8) the U. S. judgment not being a judgment on a matter previously determined by an English court, or another court whose judgment is entitled to recognition (or enforcement as the case may be) in England, in proceedings involving the same parties that conflicts with an earlier judgment of such court; (9) the party seeking enforcement (being a party who is not ordinarily resident in some part of the U. K. or resident in an EU Member State) providing security for costs, if ordered to do so by the English courts; and (10) the English enforcement proceedings being commenced within the relevant limitation period. If an English court gives judgment for the sum payable under a U. S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement. In addition, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England unless the subject of the counterclaim was in issue and denied in the U. S. proceedings.