

Annual Report 2021

Making headway

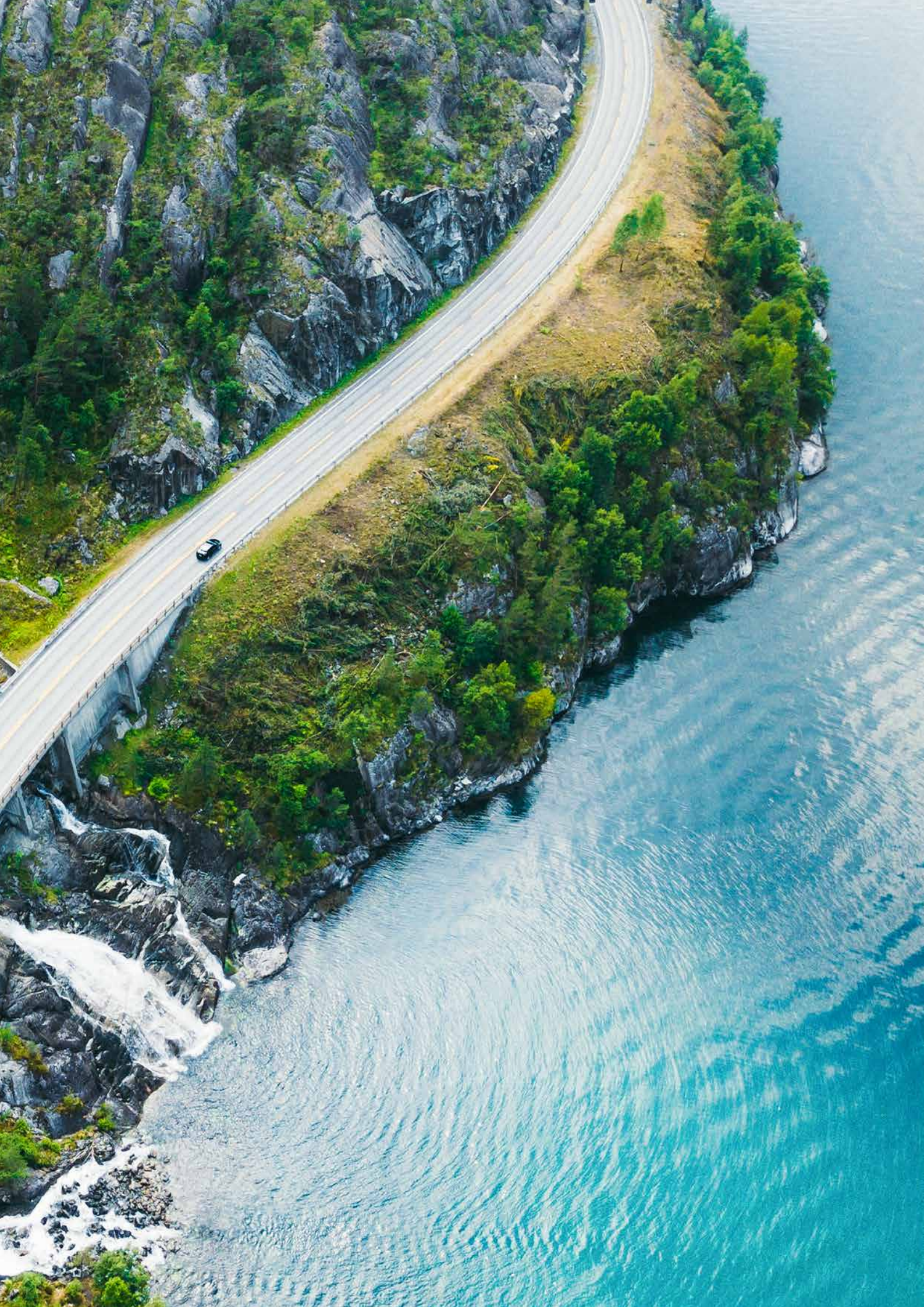


SENSIRION

**Experts for
smart sensor
solutions**

Sensirion is a pure-play sensor company at the forefront of sensor innovation and has demonstrated a strong track record of developing and manufacturing sophisticated and cost-effective environmental and flow sensor solutions for the automotive, medical, industrial and consumer markets.

Founded in 1998 as a spin-off company of the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Sensirion has more than 20 years of experience in creating best-in-class sensor solutions for a variety of demanding customer applications, including those in which the sensors perform mission-critical functions.



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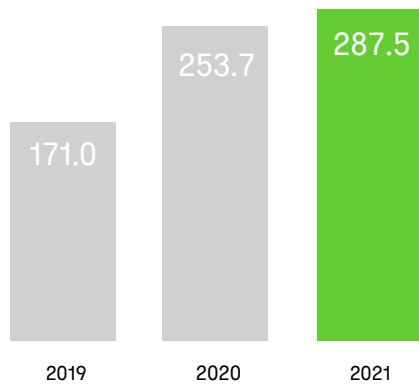
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Shareholder Information

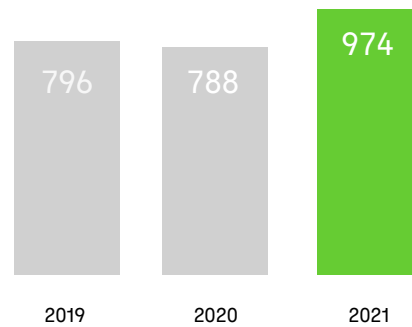
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Key Figures

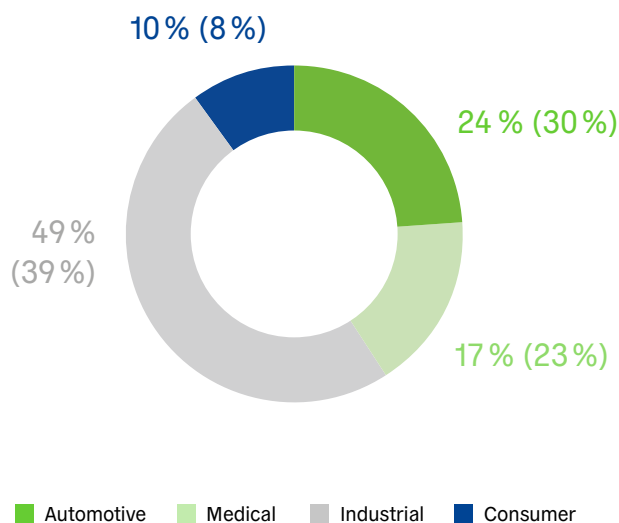
Revenue (in CHF million)



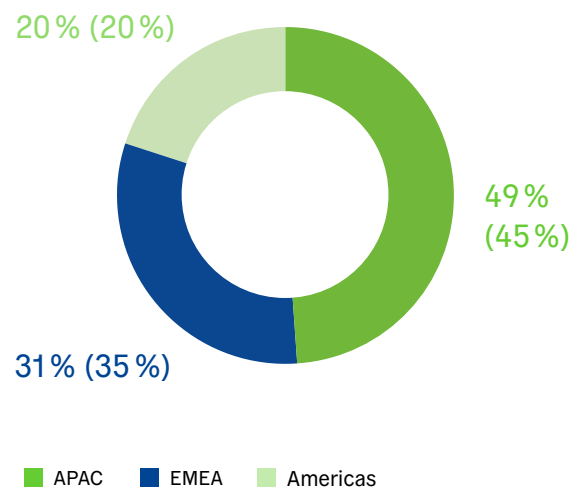
Number of employees (FTE) as of Dec 31



Revenue by market 2021 (2020)*



Revenue by region 2021 (2020)*



* Excluding COVID-19-related ventilator business

287.5

REVENUE
in CHF million

61.7%

GROSS MARGIN

31.7%

EBITDA MARGIN

**High customer demand
across all markets and
regions**

**Successful ramp-up
of second generation
CO₂ sensor and our
formaldehyde module**

**Acquisition of three
companies in strategi-
cally important future
growth areas**

Key Figures

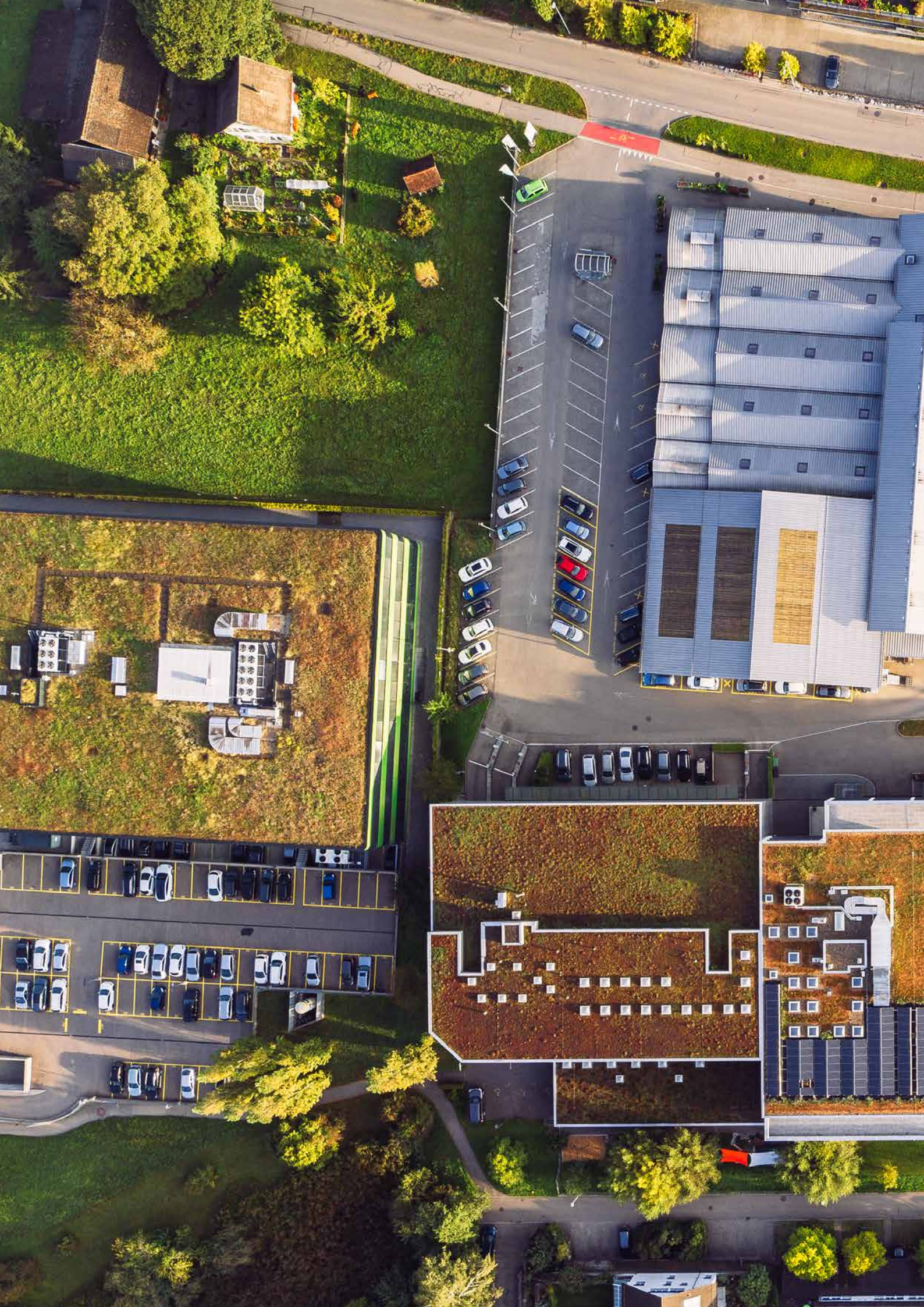
Consolidated, in millions of CHF	31 December 2021	Δ in %	31 December 2020
Revenue	287.5	13.3%	253.7
Gross profit	177.3		146.2
– as % of revenue	61.7 %		57.6 %
Operating profit (loss)	76.8	45.6%	52.8
– as % of revenue	26.7 %		20.8 %
Profit (loss) for the period	65.9	49.8%	44.0
– as % of revenue	22.9 %		17.3 %
Earnings per share (in CHF)	4.24		2.84
EBITDA¹	91.1	34.2%	67.9
– as % of revenue	31.7 %		26.8 %
Cash flow from operating activities	73.0		51.5
Capital expenditures²	(15.4)		(14.2)
Free cash flow³	55.8		37.3
	31 December 2021		31 December 2020
Total assets	296.4		257.4
Total liabilities	60.4		43.1
Total equity	236.0		214.3
Net cash (Net debt)⁴	112.1		91.9
Number of employees (FTE)	974	23.6%	788

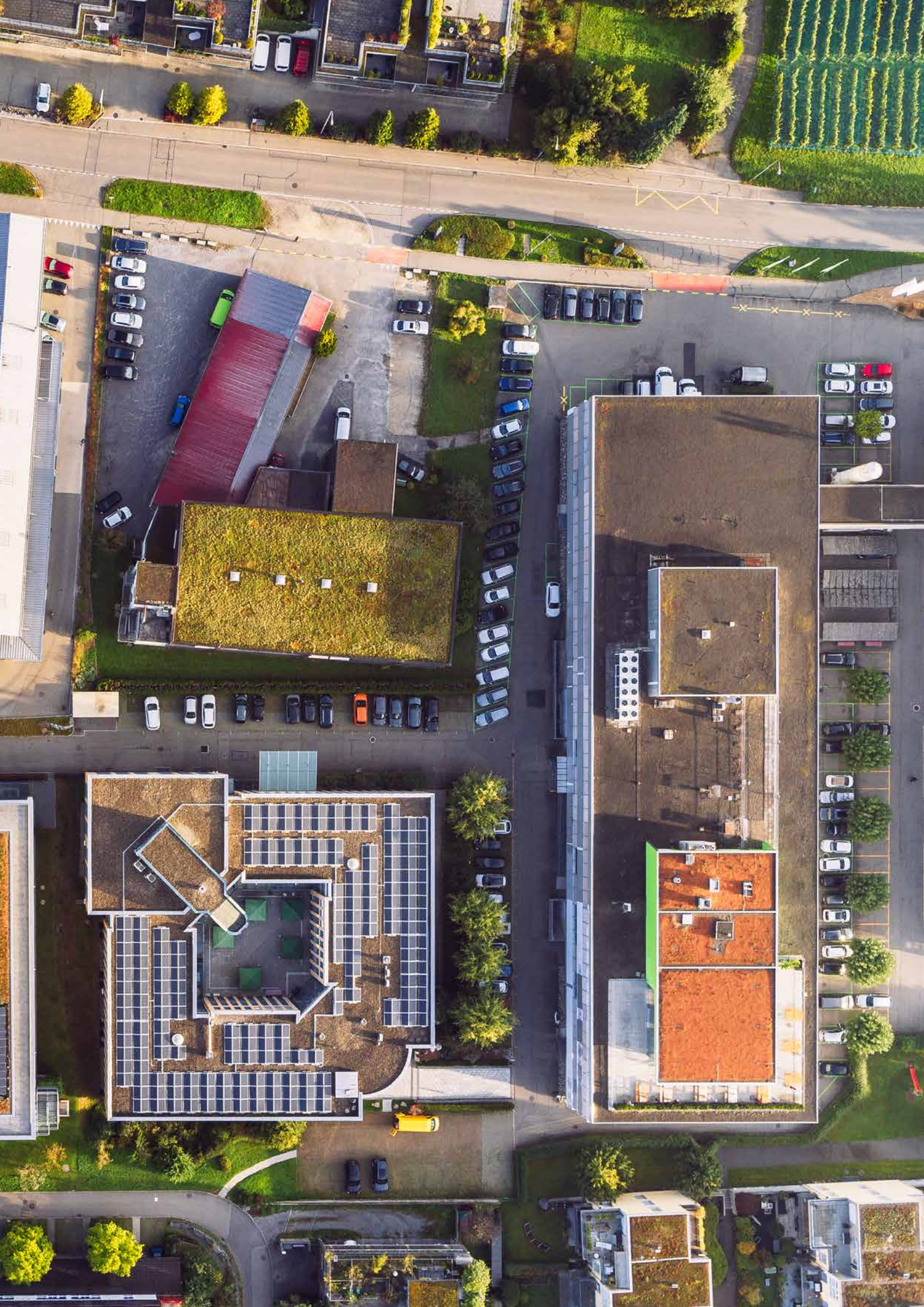
¹ Defined as the sum of operating profit (EBIT), depreciation and amortization.

² Defined as the sum of investments in property, plant and equipment, proceeds from the sale of property, plant and equipment, investments in intangible assets and capitalized development expenditure.

³ Defined as the sum of cash flows from operating activities and cash flows from investing activities, excluding M&A activities.

⁴ Defined as the sum of cash and cash equivalents less loans and borrowing (current and non-current).







From left: Marc von Waldkirch (CEO), Felix Mayer (Co-Chairman) and Moritz Lechner (Co-Chairman)

Dear Shareholders

For many people around the world, COVID-19 also left an indelible mark on 2021 due to the difficulties and uncertainties it created for society and the economy. Nevertheless, 2021 was also a year characterized by strong market recovery and the promising outlook of finally overcoming this serious public health crisis.

For Sensirion, it was a challenging but successful year that can best be summarized in three ways: strong customer demand in all markets, difficult supplier markets and innovation in new business areas. Even in this second year of the pandemic, we still managed to make steady progress towards reaching our innovation and growth goals thanks to a high degree of agility and all our employees' hard work and dedication. For example, we successfully launched several products in the environmental sensing segment as well as acquired new technology companies during the past financial year.

We are particularly proud that several of our products have contributed to the fight against the global pandemic: in addition to sensors for medical ventilators, our certified temperature sensors have helped to ensure the reliability of the cold chain that is so essential for the distribution of mRNA vaccines. In addition, our CO₂ sensors are now used in solutions for monitoring environmental parameters in a great many indoor public places, such as classrooms, offices and restaurants, thus reducing the risk of airborne infection.

Big sales growth in the core business segment

The 2021 business year closed with consolidated sales totaling CHF 287.5 million (+13.3% over the same period in the previous year, 14.8% organic, 0.8% inorganic, -2.2% due to foreign currency effects). Of this, CHF 22 million (CHF 70 million for the same period in the previous year) can be attributed to the COVID-19-related uptick in sales of sensors for ventilators. Adjusted for this one-off special item, this yielded a strong sales growth figure of 46.5%.

The gross margin increased to 61.7%; the EBITDA margin reached a high 31.7%. Both key profitability figures improved in the short term due to high operating leverage resulting from sales growth as well as the delay in new hiring, putting us in a good position to take advantage of future opportunities. Profits totaling CHF 76.8 million were reported at the operating result level, yielding a net profit of CHF 65.9 million. Operating cash flow totaled CHF 73.0 million.

Strong customer demand in all markets

We witnessed a strong post-pandemic recovery in all markets. This, in turn, stimulated high demand for our sensor solutions. In particular, our new products in the environmental sensing segment (particulate matter PM_{2.5}, CO₂ and formaldehyde) also made a significant contribution to the high level of growth. Demand was further driven by many customers' worries about the global semiconductor shortage. For this reason, we believe that a portion of the orders may have been placed for the purposes of strategic stockpiling.

The breakdown of consolidated sales according to the different markets changed drastically over the previous year due to the drop in additional COVID-19-related business in the medical segment and dynamic developments in the industrial and consumer segments (automobile industry 21.9%, medical technology 23.0%, industry 45.7%, consumer business 9.4%).

The automobile market grew by 13.9% to CHF 62.9 million due to Tier 2 business for sensor components as well as the newer Tier 1 module business. In the components segment, demand – which was rather lukewarm in the previous year due to the pandemic – largely recovered. In the automobile market, we are also seeing a steady increase in market share along with a higher penetration rate for our sensor solutions. Growth in the module-based Tier 1 business is being driven by initial ramp-ups with European OEMs. In the case of numerous applications, our products have played a direct role in making more energy-efficient, lower-emissions vehicles, thus supporting global efforts towards sustainable mobility.

In the medical market, COVID-19-driven demand for sensors used in ventilators leveled off as expected. This special item fell from CHF 70 million in 2020 to CHF 22 million, most of which came during the first half of 2021. The global supply situation for ventilators has finally eased, meaning that we do not expect to see any notable spikes in sales, even in the event of new pandemic waves in the future. As a result of this special item, sales figures in the medical market decreased from CHF 112.3 million to CHF 66.1 million (-41.2%). When the figure is adjusted, it reflects moderate growth in the core business segment (+4.3%).

The highly diversified industrial market was extremely dynamic with sales increasing by 84.6% to CHF 131.4 million. The main driver here was strong demand for our new environmental sensors in the appliances and heating, ventilation and air conditioning (HVAC) segments. Firstly, we benefited from the increasing market share of air purifiers thanks to the formaldehyde sensor as well as the combo sensor module, which can measure multiple environmental parameters such as PM2.5, humidity, temperature and gas quality. Secondly, the pandemic has brought about a heightened awareness for indoor air quality, whereby CO₂ is the most relevant indicator. The launch of our innovative SCD40 CO₂ sensor has afforded us an excellent position in this emerging market. Along with these new applications, we continue to see growing market share as well as greater penetration from our existing sensor solutions for humidity and differential pressure.

Another equally dynamic development is the highly fragmented consumer market, where sales grew to CHF 27.0 million (+81.5%). This solid performance was mainly due to high demand in the broadly diversified distribution market. Here, too, we benefited from increased demand for CO₂ sensors used to monitor indoor air quality.

Rough waters on the supply markets

In 2021, the supplier markets presented one major challenge in particular: in addition to the persisting global shortage of semiconductor chips, raw materials were and continue to cause unexpected delivery delays. Thanks to the tireless dedication of countless employees in Production and Sales, as well as the flexibility of several customers, we have been able to limit the impact this has had on our customers. While delivery times for our products did increase, we still managed to remain much more attractive than most of our other industry competitors. We saw shortages accompanied by sharp spikes in the cost of raw materials, some of which we unfortunately had to pass on to our customers. We do not expect this tense and fickle situation to change in the coming months.

Significant strategic progress in the area of environmental sensing

In March 2021, we hosted a capital market day to present our growth strategy, which has three main focuses. We have made significant progress in implementing this strategy over the past year.

The first strategic focus is our traditional core market of humidity and flow sensors. Our goal here is to further expand and strengthen our already strong market, technology and cost leadership position. One key aspect is the successfully launched fourth generation of humidity sensors, which are again setting new standards in terms of performance, size and cost. This will help us to further grow our already formidable market share. In the summer of 2021, we had cause for celebration after reaching the one billion mark for Sensirion sensors in the field.

In September, we reached another milestone as we celebrated the opening of our new production plant in Debrecen, Hungary. The new plant has increased our production capacity; existing jobs in Switzerland and other locations are not affected by this.

Our second strategic focus is to attain market leadership in the environmental sector as a whole. Thanks to numerous products launches over the past three years, environmental sensing now makes up a strong contribution to sales growth and already accounts for more than 25% of total sales. Particularly noteworthy here is the production start of the second generation of CO₂ sensors. Innovative MEMS and packaging methods have made it possible to maintain the same performance while significantly reducing both size and cost compared to other CO₂ solutions. We also see great potential for further growth in the area of environmental sensing in the coming years.

Innovation in new business areas: strategic acquisitions for long-term growth

The third strategic focus is internal development and the targeted acquisition of sensor technologies to lay a foundation for further long-term growth in new areas. Looking back, successful technology acquisitions in recent years have often been the starting and acceleration point for successful internal product developments. These are responsible for some of today's growth areas, such as particulate matter and formaldehyde sensing or the automotive Tier 1 business.

As part of this strategic goal, we successfully completed three major strategic acquisitions in the past year: in February 2021, we acquired the Dutch company Qmicro. The founder-run company makes a compact, highly efficient gas chromatography device for continuously analyzing gas mixtures in environmental monitoring and other applications in the gas market.

In May, having held a large minority stake in the company for several years, we fully acquired IRsweep AG, an innovative maker of optical sensor solutions. IRsweep, which is based in Stäfa, Switzerland, develops, produces and markets optical spectroscopy solutions that use semiconductor quantum cascade laser (QCL) frequency chamber technology in the medium infrared range.

In September 2021, we also acquired the Berlin-based startup AiSight GmbH, which is an innovative maker of scalable and easy-to-use machine diagnostics solutions for the rapidly growing segment of condition monitoring and predictive maintenance for industrial plants. The tight interweaving of sensor and data processing technology with artificial intelligence will allow Sensirion to tap into a complementary business segment, shifting the focus away from sensor hardware only for OEM providers and more towards qualified and merged sensor data. All three of the companies acquired will still be managed locally by the same teams of founders.

Anja König newly appointed to Board of Directors

At the Annual General Meeting in 2021, which the shareholders could only attend remotely once again due to the pandemic, all proposals put forward by the Board of Directors were approved, including the new appointment of Anja König to the Board of Directors. She will be replacing Heinrich Fischer, who will be going into retirement and therefore leaving the Board of Directors after the Annual General Meeting in 2022.

Outlook for 2022

Visibility will remain low due to geopolitical tensions and macroeconomic challenges. In particular, it is not yet foreseeable how the war in Ukraine will affect the global economy. In the first months of the year so far, we have continued to see solid demand in all markets. However, given the global shortage of semiconductor products, we believe that part of the current demand is being driven by stockpiling and could therefore slow down in several months. But this will greatly depend on further economic developments as well as solving the raw materials crisis. In the medical market, we expect the situation to normalize fully in the case of ventilators. However, we foresee a one-time contribution to sales in the CPAP area. Assuming exchange rates and the economy are stable, we expect to see consolidated sales in the range of CHF 325-365 million (FY 2021: CHF 287.5 million) in 2022. This translates to a growth projection of 13-27% compared to 2021. Further, we expect to see a gross margin in the mid-fifties and an EBITDA margin in the mid-twenties.

Many thanks to all our employees

The large growth, numerous product launches and successful handling of the raw materials situation would not have been possible without the concerted efforts of our employees around the world. Particularly in challenging times like these, values such as agility, creativity and personal responsibility are more than just buzzwords – they are crucial for overcoming the unexpected challenges together as a team so that we may best serve our customers. All our employees deserve our sincerest thanks and respect for that.

Once again, we saw just how essential our special company culture, the so called SensiSpirit, was in getting us there. We are therefore also proud that the internationally renowned organization Great Place to Work once again recognized our corporate culture by ranking us second among Switzerland's best employers in the "large companies" category – not to mention giving us a special award for our management of the pandemic.

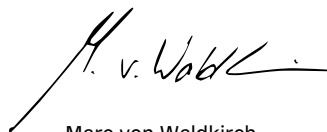
We would also like to thank you, our valued shareholders, for placing your trust in Sensirion and for your willingness to be a part of building long-term, sustainable innovations.



Moritz Lechner
Co-Chairman of the Board



Felix Mayer
Co-Chairman of the Board



Marc von Waldkirch
CEO

Markets

Automotive market

In the automotive market, revenue amounted to CHF 62.9 million, which corresponds to an increase of 13.9% compared to 2020 and a contribution of 21.9% to group revenue. Both the Tier 2 business with sensor components and the newer Tier 1 module business contributed to the growth.

Revenue development in CHF million

55.2	2020
62.9	2021

In the components business, the previous year's lower demand due to the pandemic largely recovered, despite the numerous plant closures due to the chip shortage. We therefore assume that part of the demand in the components business served to build up strategic inventories. Additionally, we are still seeing a steadily increasing market share – not to mention an increased penetration rate – with respect to our sensor solutions.

For the first time ever, growth in the module-based Tier 1 business benefited from ramp-ups with European OEMs in cabin air control. In the South Korean market, we experienced a phase of consolidation following strong growth in the previous year.

Reducing energy consumption and increasing passenger comfort are the main drivers behind Sensirion's sensors being used in the automotive segment. The passenger cabin climate can be controlled and the windshield automatically defogged by incorporating humidity sensors, either directly at the windshield or in the dashboard, or by using a combination of those two options. Sensirion's gas flow sensors are located in combustion engines' air intake along with humidity sensors to improve precision control of the combustion process. Among the latest applications, Lidar systems are benefiting from our humidity sensor solutions and several design-ins have been implemented. Our sensors monitor the humidity level within the Lidar system and output alerts for abnormally high values that may interfere with the system's functionality.

In the automotive module business, prominently with ramp-ups of climate control modules in Europe and project wins in other areas, Sensirion has continued along its path of expanding its portfolio of environmental sensors and building up a track record as a direct supplier to automotive OEMs. This module portfolio supports the strategy of continuously increasing content in existing and new applications alike.

Success in the automotive market depends on meeting rigorous product reliability, process quality and customer proximity requirements. Accordingly, Sensirion's automotive products meet the quality requirements set out by the Automotive Electronics Council (AEC-Q100), and Sensirion's manufacturing sites in Switzerland, China and South Korea are certified to the stringent international automotive standard IATF 16949.

Apart from the direct economic impact, the COVID-19 pandemic appears to have increased people's environmental awareness and accelerated the shift from combustion engines to hybrid and electric vehicles. Sensirion is convinced that it will benefit from this shift in the mid to long term through the increasing penetration rate of sensors in the auto-defogging and climate control applications.



Medical market

In the medical market, revenue amounted to CHF 66.1 million, -41.2% year-on-year, contributing 23.0% to group revenue.

Revenue development in CHF million

112.3	2020
66.1	2021

The medical market result in 2021 was dominated by the expected decline in sales in the COVID-19-related, one-off business with medical ventilator sensors. Special demand for ventilator sensors increasingly normalized, especially during the second half of the year, and sales for the pandemic-related ventilator business decreased from CHF 70 million to CHF 22 million. The global ventilator supply situation is now sufficient, so we do not expect any further significant special effects, even if there are further waves to come as part of the pandemic.

Adjusted for these special effects, the core medical business without the ventilator baseline sales grew by 4.3% from CHF 42.3 million to CHF 44.1 million. This growth stems in part from the increase in demand for sensors for CPAP devices because of a major customer's recall action. It is essential to point out that the underlying quality problems have nothing to do with our sensors.

In the medical market, Sensirion's sensor solutions are used first and foremost in human respiratory applications. In ventilators used in hospitals and emergency settings, gas flow sensors and meters measure the flow into and out of the patient. This is performed at one or up to three locations. In expiratory and inspiratory flow, the air flow out of and into the patient is measured in the ventilator in question. In the case of proximal flow, the flow is not measured in the device, but close to the patient. Consequently, Sensirion supplies customers with up to three gas flow sensors per ventilator. To meet the sudden spike in demand in 2020 and 2021 due to the pandemic, Sensirion developed a new gas flow sensor optimized for respiratory applications: the SFM3019.

Apart from ventilation, the other important medical applications include continuous positive airway pressure (CPAP) devices to treat sleep apnea and anesthesiology devices. In CPAP devices used in home care settings, gas flow and humidity sensors enable them to maintain the correct air flow into the patient and control humidification of the trachea, thus helping the patient to sleep better and wake up feeling more rested in the morning. In anesthesiology, Sensirion's mass flow meters play a mission-critical role to correctly dose the applied amount of anesthetic agent.

In the future, other applications centered around real-time monitoring of gases and liquids entering and exiting patients might emerge, such as in smart inhalers.

Industrial market

In the broadly diversified industrial market, revenue grew strongly to CHF 131.4 million, which corresponds to an 84.6% increase compared with 2020 and amounts to 45.7% of group revenue. Whereas significant growth was achieved across all areas, projects that include Sensirion's latest innovations, the particulate matter and formaldehyde module, have been ramping very successfully in 2021.

Revenue development in CHF million



The home appliance market experienced strong growth on account of the continued integration of the latest sensor generations for particulate matter sensing and formaldehyde, primarily in air purifiers. Several key customers upgraded their product design and consequently started production. A notable increase in sales was also recorded for humidity sensors sold for refrigerator applications, which is considered a successful long-term use case for Sensirion's RH/T sensors. The adaptation of CO₂ sensing in the appliance segment was in line with expectations. However, several projects have been kicked off and we expect positive developments for this growth segment. In the appliance market, application drivers are optimized energy consumption and increased comfort. Applications include incorporating humidity sensors in refrigerators to optimize energy consumption, using air quality sensors in air purifiers to improve detection of harmful gases and pollutants and, finally, installing CO₂ sensors in air conditioners for enhanced efficiency in room ventilation based on actual occupancy and related CO₂ levels.

In the heating, ventilation and air-conditioning (HVAC) segment, the strong demand for our CO₂ sensors was one of the main drivers of growth, next to significant growth in sales for our differential pressure sensors used for VAV and burner control. Sales of humidity sensors for traditional thermostat customers also experienced high-percentage growth.

Sales of humidity sensors in the hard disk segment were on a high, albeit mature, level with slightly increased demand towards end of the year. Further development of this market is indeed monitored, but rather complex, and, in addition to the pandemic-related effects, the shift from magnetic-based to solid-state drives is still ongoing.

In the smart gas meter market, sales developed as expected at the beginning of the year. While the roll-out in Italy has been slowing down, the UK customer ramped up towards the end of the year, both as anticipated. As Sensirion's smart gas meter products are ready from a technical standpoint, the market regulations and requirements will also prove advantageous to Sensirion's product portfolio, supporting a growth trajectory over the coming years. The technical capability and readiness for the future has been demonstrated by our customer, who successfully certified the world's first 100% H₂ (hydrogen) meters based on our technology developed within the Hy4Heat project by the UK Department for Business, Energy and Industrial Strategy (BEIS). Following on from the certification in November 2021, we are happy to start the new year with another win for our customer.

Consumer market

In the consumer market, revenues increased nicely to CHF 27.0 million, corresponding to an 81.5% year-on-year rise and contributing 9.4% to group revenue. Growth was mostly driven by strong sales through Sensirion's distribution partners due to this market's very diversified and vibrant customer base.

Revenue development in CHF million

14.9	2020
27.0	2021

Whereas the first half of the year saw declining revenues, the year-end result was overcompensated by the respective sales achieved in the second half of the year. In the direct business, this was generated by strong demand for humidity sensors for smart home applications (such as the smart thermostat). Furthermore, the latest generation of Sensirion's CO₂ sensor is very attractive for this market, and several projects have been ramping up with brand-new customer products throughout 2021.

The pandemic has illustrated the importance of indoor CO₂ monitoring – not only for wellbeing, but for optimized ventilation too. It is fair to assume that demand for CO₂ sensors will continue to increase in this market for various applications in the future.

The likes of the transmission of COVID-19 through small airborne microdroplets and the CO₂ concentration can easily be reduced by increasing ventilation. For buildings that have no mechanical ventilation (e.g. homes and restaurants), natural ventilation means opening doors and windows. A smart CO₂ sensing device can help to make customers aware of the clearly changing CO₂ levels and suggest appropriate action.

Standalone smart air monitors also started to ramp up towards end of the year. These devices are fitted with our particulate matter modules, which permit monitoring of the indoor air environment, with all its relevant parameters, within a small and convenient form factor. Heavy traffic situations, not to mention an increase in the number of wildfires breaking out around the globe, are boosting demand for residential, in-home particulate matter measurements.

Strategy

Our growth strategy has three strategic focuses: driving our market and cost leadership in the core markets of humidity and flow, becoming market leader in the entire environmental market and developing technologies for long-term growth. Finally, our unique culture of innovation and entrepreneurship serves as the foundation for all of the above. Several megatrends support this growth strategy: improving energy efficiency and quality of life, increased digitalization and automation, and the growing urgency of environmental protection.

Our unique corporate culture: SensiSpirit

Our corporate culture, what we call SensiSpirit, is the product of the entrepreneurial, collaborative mindset shared by the exceptional people who work at Sensirion. To ensure we stay innovative and agile, our aim is to continue attracting highly qualified talent in all fields. We want our award-winning company culture to keep evolving because it optimizes the hiring process, improves employee retention and helps create the ideal environment for long-term innovation.

Driving technology and cost leadership in our core markets: humidity and flow

Our aim is to become an even stronger market leader in the area of humidity and flow sensing across our various end markets and applications. In segments where we already dominate the market, we want to solidify this position through cost and technology leadership. Elsewhere, the objective is to increase market share by rolling out innovations and next-generation products while maintaining long-standing, trusting customer relationships and expanding our customer base. In the area of customer acquisition, our focus will be on manufacturers that are leaders and innovators in their own markets. We aim to boost volume across all humidity and flow segments in order to leverage economies of scale in both development and manufacturing. In addition, our strong market position is an optimal entry point for additional environmental sensors in order to further increase our content in customer's applications.

Becoming a market leader for the entire environmental market

Leveraging our strong market position in humidity and flow sensing will allow us to become a market leader in the entire environmental sensor market. In the first stage already completed, we introduced a first generation of sensors for carbon dioxide (CO₂), particulate matter (PM_{2.5}), formaldehyde and volatile organic compounds (VOC). The development priorities were to speed up time-to-market and rapidly gain market share. Accordingly, these generations were built using existing technology platforms. In the next stage, we plan to introduce the second generation of these sensors. We have already launched these in the case of CO₂ and VOC, and we expect new PM_{2.5} and formaldehyde sensors to be rolled out in the next few years. For these second-generation products, our strategy is to use our entire technology value chain. Miniaturization and streamlining costs will help stimulate disruptive innovation with the goal of securing and expanding market share.

In addition, we will take advantage of our in-house technologies in order to efficiently develop new sensors for monitoring other gas parameters. Finally, we plan to expand our range of combo modules for various environmental sensors, opening up possibilities for new applications and increasing customer content.

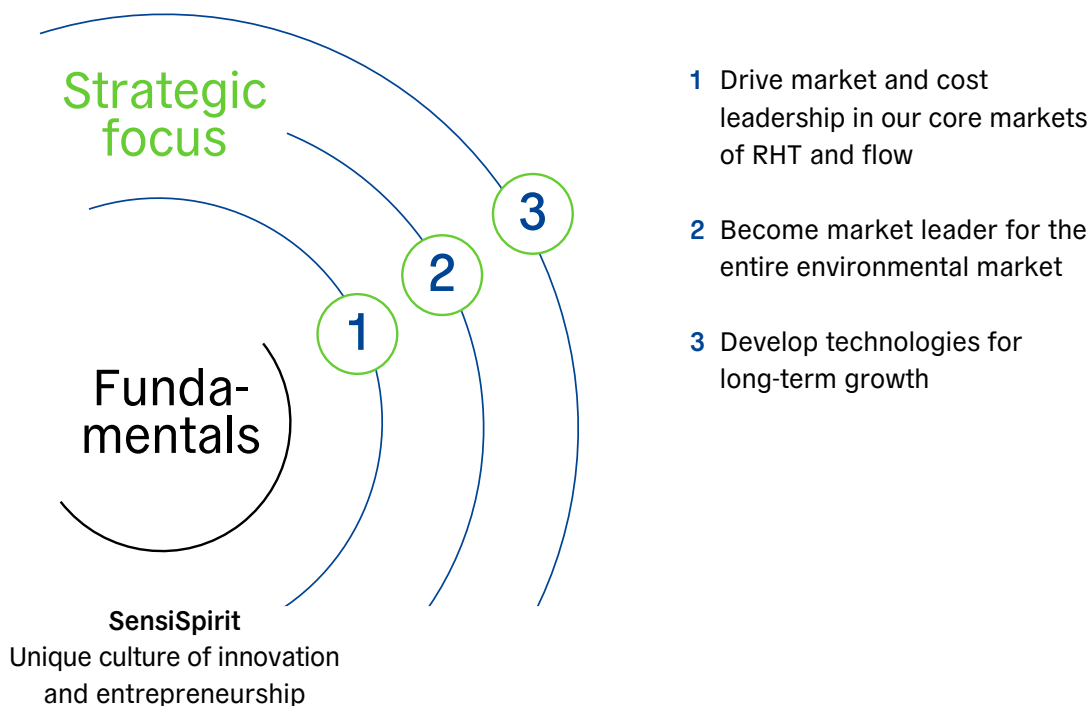


We aim to drive volumes across all applications of humidity and flow to leverage and monetarize economies of scale, both in development and manufacturing.

Developing technologies for long-term growth

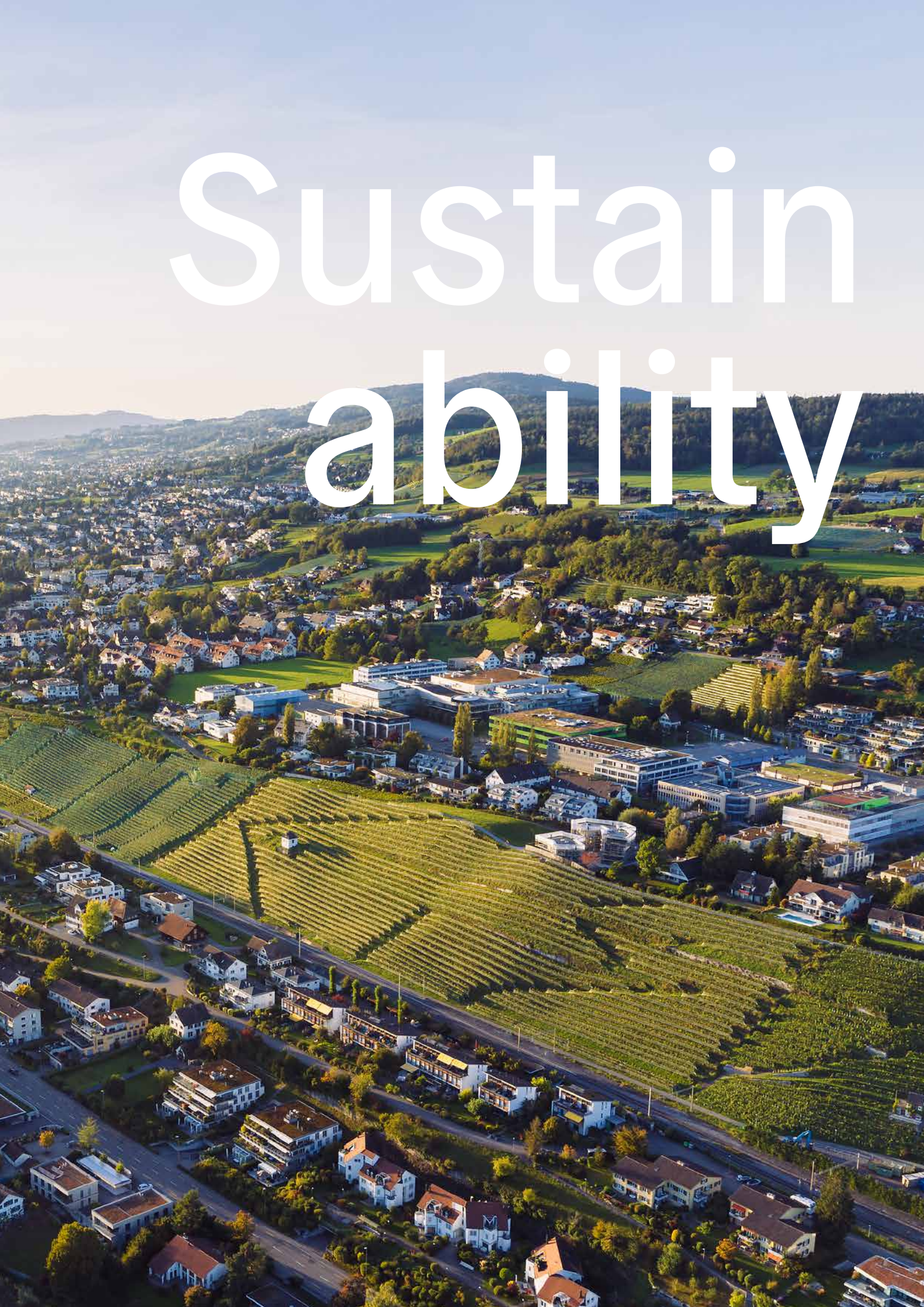
We will continue investing in fundamental technological innovation with a view towards sustainable company growth by systematically exploring and evaluating new sensor technologies, applications and market opportunities. There are two primary avenues for ensuring long-term growth: firstly, to expand our product portfolio beyond flow and environmental sensing by mobilizing our core competencies across the entire value chain. Secondly, we will expand to offer high-end solutions in certain fields. To uncover new growth opportunities, we will be closely monitoring the overall sensor market, identifying market trends and evolving customer demands.

Additionally, we have established a disciplined approach to M&A that will benefit our strategic growth fields. We will also make use of our ties to the global and local start-up community in order to discover innovative new sensor technologies and selectively seize upon opportunities to acquire technologies, companies or manufacturing capacities that complement and strengthen our competitive position.





Sustainability





We believe in a smarter and more sustainable world

The key drivers here are energy efficiency, health, safety, convenience, digitalization and automation. Our sensors reduce energy consumption and greenhouse gas emissions in numerous applications. Our carbon dioxide sensors, for example, ensure that air conditioning is activated only when offices are occupied. This saves energy and improves the overall carbon footprint. Humidity and gas flow sensors in cars measure air intake to ensure compliance with the latest emission standards. The number of these environmental applications will be increased in the future.

We strive to make more sustainable decisions throughout the entire company, particularly in development and production. The aim is always to increase the use of recyclable materials in our products and their packaging, to optimize the environmental impact of our sensor solutions throughout their entire life cycle and increase the positive impact they have when used.

Our future aim is to reduce our energy consumption in production while increasing the share of renewable energy. We also want to provide all employees with a work environment that promotes sustainable business growth and environmentally friendly, long-term value creation for all of our stakeholders.

Marc von Waldkirch, CEO

Stakeholder value creation

Going the extra mile

Although Sensirion has long enjoyed the status of a mature, global market leader in the sensor technology field, we are still fond of looking back on our company's early days. Our brand story underscores the great importance we still attach to the startup ethos. We want Sensirion to continue evolving dynamically and with a pioneering spirit. Curiosity and passion have been our fundamental attributes for the past two decades and strongly influence how we work together with our stakeholders.

Our company's purpose also greatly impacts our relationships with them. We develop innovative sensor solutions to help improve health, efficiency, safety, security and quality of life. From time to time, we also revisit some fundamental questions: Why are we here? Would the world be better or worse off without us? What new goals can we set for ourselves?

Cultivating long-term relationships

Our endeavors to maintain a youthful spirit, curiosity and passion – coupled with our company purpose and SensiSpirit – help us forge lasting relationships with our customers, employees, prospective employees, shareholders, analysts, suppliers and the general public.

A message for our customers

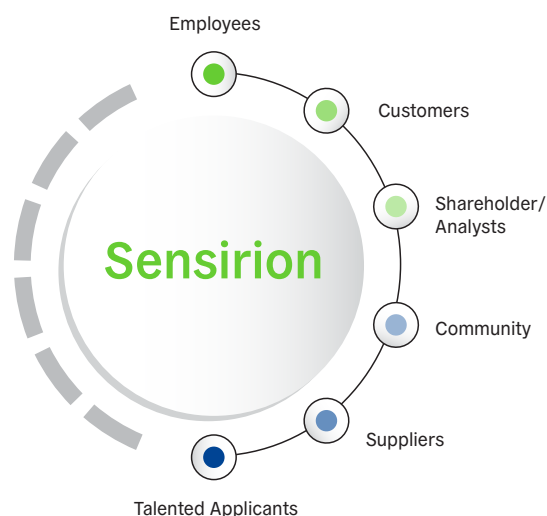
We would not exist without our customers. And without us, our customers would take a different trajectory. We develop complex solutions in sensor technology. Our customers tell us what they need. They expand the specifications and look forward to seeing the excellent realization of groundbreaking solutions. Mutual collaboration is picking up speed. It takes years to form the strong bonds and reciprocal trust necessary to accomplish big things together.

Make good things even better

Act sustainably out of conviction

Develop continuously in a rapidly changing environment

Identify and use chances for cooperation





A message to our customers: “Dear loyal customers, we always look forward to new challenges when you throw us a curveball and ask us to make the impossible possible. This is the only way to improve each and every day. And it’s the only way for Sensirion to continue developing well into the future.”

A message for our employees

We would not exist without our employees. Sensirion owes its success to all the smart employees all over the globe who are putting our SensiSpirit principles into practice to achieve big things. The foundation for this is also a collaborative relationship. Sensirion takes care of its employees, supports them in the advancement of their careers, advocates for diversity and fosters a positive and stimulating work atmosphere. Employees share Sensirion’s values. Time and again, they go the extra mile needed to achieve success together in global markets.

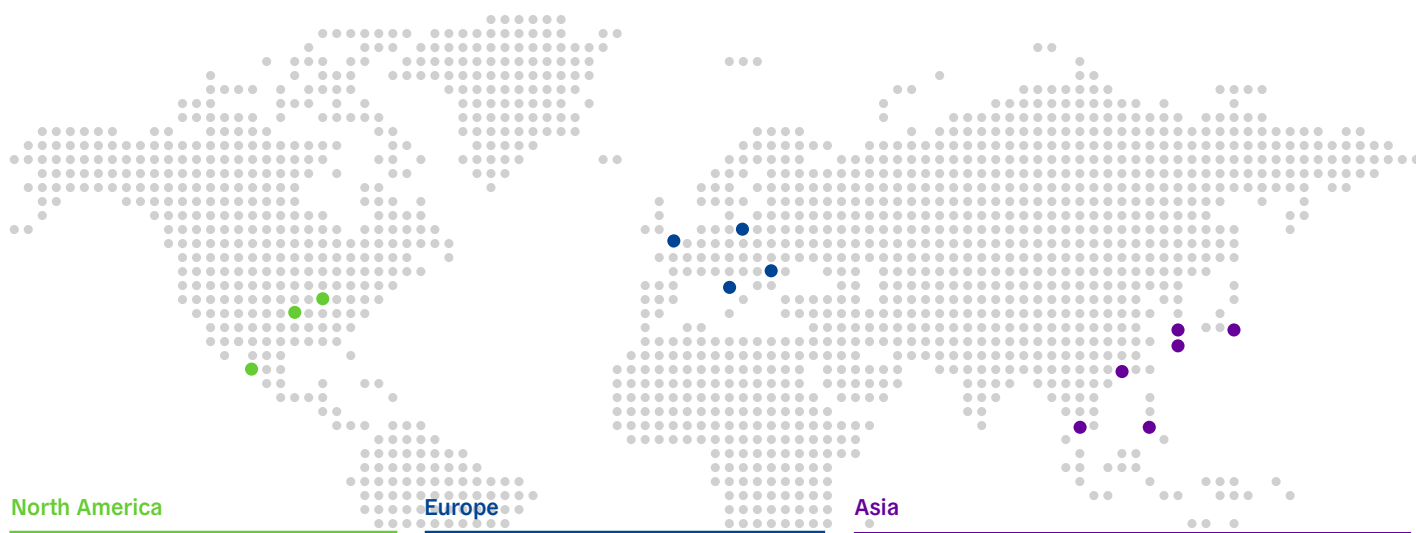
A message to our employees: “Dear employees, we’re proud of you. And maybe also just a little bit proud of ourselves because we did, of course, choose you. Because we believed you were a good fit for our company culture, were among the best in your field and possessed the ability and willingness to always push your limits, to pass on the SensiSpirit and to share your expertise with others. For tomorrow’s generation of Sensirion employees. It all comes full circle, ensuring the long-term success of the company.”

Sensirion at a glance

Company information

Sensirion Holding AG is a joint stock company listed on the SIX Swiss Exchange and is headquartered in Stäfa, Switzerland. Sensirion has eight offices in China, Germany, Hungary, Japan, South Korea, Taiwan, the Netherlands and the United States. Sensirion develops and produces sensor solutions for measuring environmental parameters, gas flow, liquid flow and machine diagnostics. The company enjoys reputation as a global market leader in the automotive, medical, industrial and consumer goods sectors. Customers integrate the company's sensor solutions into their products.

974 Employees (FTE) worldwide
as of 31 December 2021



North America

Sensirion Inc.
(Chicago, United States)

Sensirion Automotive Solutions Inc.
(Eaton Rapids, United States)

AiSight Inc.
(San Francisco, United States)

Europe

Sensirion Holding AG
Sensirion AG
Sensirion Automotive Solutions AG
Sensirion Connected Solutions AG
(Stäfa, Switzerland)

Sensirion Hungary Kft.
Sensirion Automotive Solutions Hungary Kft.
(Debrecen, Hungary)

Qmicro B.V. (Enschede, Netherlands)

AiSight GmbH (Berlin, Germany)

IRsweep AG (Stäfa, Switzerland)

Asia

Sensirion Automotive Solutions Korea Co., Ltd.
(Seoul, South Korea)

Sensirion Automotive Solutions (Shanghai) Co., Ltd.
(Shanghai, China)

Sensirion Korea Co., Ltd. (Dongan-Gu, South Korea)

Sensirion Japan Co., Ltd. (Tokyo, Japan)

Sensirion Taiwan Co., Ltd. (Zhubei City, Taiwan)

Sensirion China Co., Ltd. (Shenzhen, China)

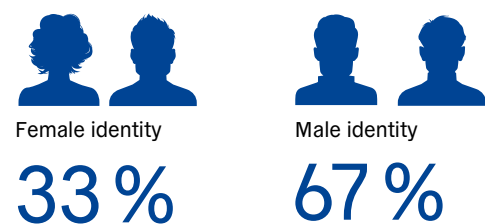
Organization

As a Swiss joint stock company, Sensirion has the following management structure: Board of Directors and Executive Committee, with the Audit Committee, Nomination and Compensation Committee and the Independent Directors Committee as subcommittees. The Executive Board, headed by CEO Marc von Waldkirch, reports to the Board of Directors. The Executive Board is responsible for sustainability matters at Sensirion. For detailed information on corporate governance, refer to the section beginning on page 56 of this annual report.

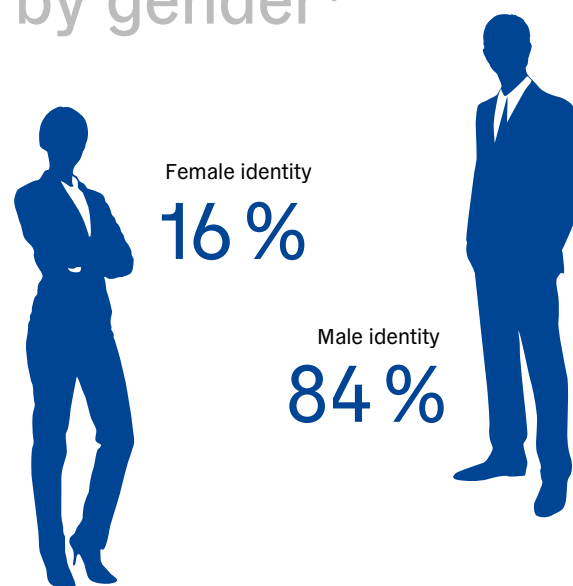
Figures

As of December 2021, Sensirion had 974 employees (FTE). The group's sales totaled CHF 287.5 million. Total assets amounted to CHF 296.4 million. For detailed information on the company's financial position, refer to the section starting on page 100 of this annual report.

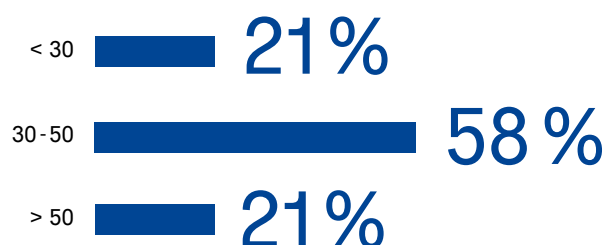
Gender



Teamleader by gender*



Age*



* Switzerland only

* Teamleader and all levels above;
Switzerland only

Employees as of December 31

Total employees	APAC	EMEA	Americas	Total 2021	Total 2020
Full-time equivalents (FTEs)	228	728	18	974	788
Head count	228	801	18	1047	851

Employees by employment type (FTEs)

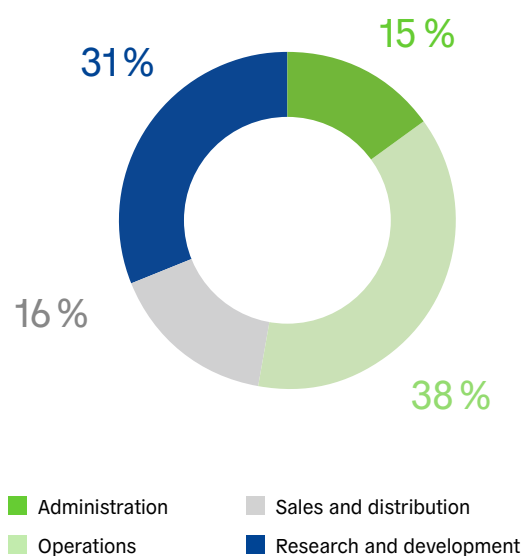
Full-time	Women	133	133	3	269	218
	Men	94	421	15	530	406
Part-time	Women	0.6	53.4	0	54	48
	Men	0	121	0	121	116



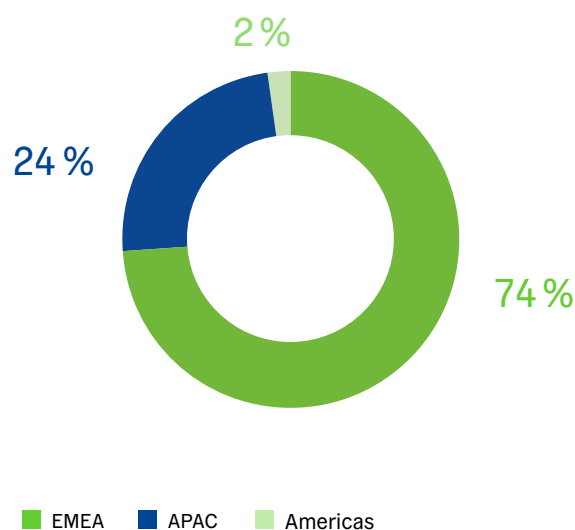
Our employees see the overriding objective, accept tasks and responsibility, even if they have not been assigned to them.

Heiko Lambach, Vice President Human Resources

Employees by department



Employees by region





Supply chains

Sensirion is a major market player in Europe, Asia and the United States. Our suppliers, however, are located all over the world. We work with regular suppliers for manufacturing our sensor components. EMS suppliers (for PCBA) and plastic injection molding suppliers (for housing) are used in sensor module products.

In 2021, global supply chains were disrupted by the COVID-19 pandemic. The semiconductor market and sectors for associated materials, such as wafers, chemicals, lead frames and plastic resins, were hit particularly hard. This resulted in understaffing, plant closures, raw materials shortages and transport bottlenecks. On top of this, demand was still high.

Thankfully, Sensirion and its main suppliers have a bond forged through long-standing strategic partnerships. Materials warehouses were stocked with the high-demand materials in due time for 2021. In addition, Sensirion reached agreements with suppliers for rolling deliveries for a period of twelve months. There is no apparent financial risk in this regard as the products and semiconductor components used in the various products have long product life cycles.



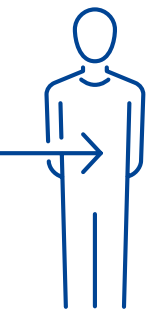
SENSIRION

In 2021, Sensirion opened a new production site in Debrecen, Hungary, and acquired three startups in the Netherlands, Germany and Switzerland.

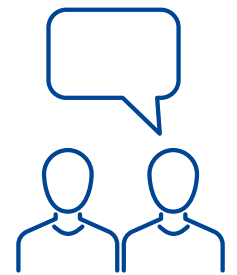
Construction site of the new business and production building in Debrecen, Hungary



Company culture, company values



Sensirion was founded by entrepreneurs who live by entrepreneurial values and leave their mark on its corporate culture – the cornerstone of business success.



What came first?

Corporate culture or company values? How do corporate culture and company values affect success in business? Is there an interplay between corporate culture and company values?

Sensirion was founded in 1998 as an ETH Zurich spin-off. It goes without saying that its founders Moritz Lechner and Felix Mayer had a vision. After all, without a vision and expertise, a startup could never become a global enterprise. But there's still more than meets the eye, much like the human spirit. The first employees developed a company style to reflect their own nature. Today, we affectionately refer to it as the SensiSpirit.

What is SensiSpirit?

All its ambition and drive to succeed aside, the founding generation never forgot that the human factor comes first. The company values, which are still as present as ever, derive from the SensiSpirit and, in turn, shape our company's culture.

Fair and honest

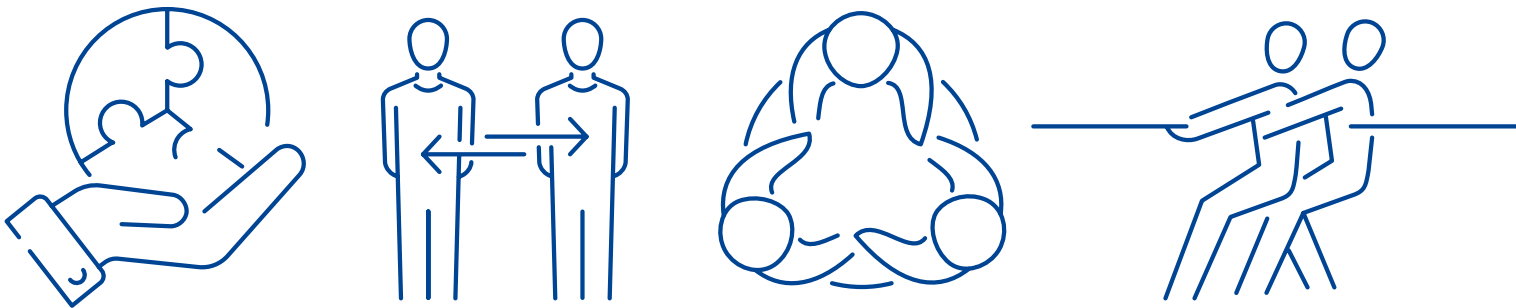
These values are still the guiding principle for how we work with all involved parties here at Sensirion, be it customers, suppliers and partners externally or our employees internally.

Together

One thing was clear from the outset: "If we are to succeed, we must succeed together." Every employee and supplier can and should be actively involved. The journey to find workable solutions is a constructive process. Teams are not opponents; they are partners who work in concert. And the goals of the individual dovetail into the overall mission.

Top performance

Those who better understand the needs of customers will come out on top. This is because they offer innovative solutions and set themselves apart from the competition. SensiSpirit also means having a competitive drive – in other words, bringing an entrepreneurial mindset and expertise to the table, thinking innovatively, sharing responsibility and achieving extraordinary things. Day in and day out.



Well-established culture and values

Culture crystallizes, and values emerge. It is important for corporate culture and company values to be part of a long-term commitment. The SensiSpirit is the reason why so many talented individuals choose to work for us. Employees must be a good fit for our company culture, which is something we cultivate during workshops, regularly scrutinizing and solidifying it and the values it creates. We hold town hall meetings every two weeks – sometimes internationally – to foster an open and transparent communication policy and to ensure that all stakeholders are on the same page. And true to the motto "work hard, play hard", the after-work beer with the team to wrap up the working week and company outings are of course part of the package. This interaction bolsters team spirit and builds trust, paving the way for excellence. In the face of challenges like the ongoing pandemic, it becomes clear just how important this is. This overarching philosophy also explains why our company is regularly recognized as an outstanding employer.*

* In 2021, the international Great Place to Work Institute ranked Sensirion second among Swiss employers in the Large Enterprise category.

Social topics

Making the difference

At Sensirion, we know that our people make the difference – employee engagement is therefore paramount.

We provide a safe and healthy work environment where our “Sensis” can be at their best.



93%

of employees name Sensirion
as a great place to work



Top rankings

We are always committed to providing an inspiring and motivating environment to keep employees passionate in their day-to-day performance. In 2021, Great Place to Work ranked Sensirion second among Swiss employers in the category of large companies with more than 250 employees. Great Place to Work also gave Sensirion a special prize for its handling of the pandemic. Sensirion has commissioned Great Place to Work to collect anonymized data from employees for the purpose of monitoring our work culture.

On Europe's leading employer rating platform, kununu.com, employees can rate their employers anonymously in the categories of Career & Salary, Company

Culture, Work Environment and Diversity. Prospective employees can check kununu.com to find out how many stars their potential employer has. Since 2010, 218 people have submitted ratings for Sensirion, with an average of 4.2/5 stars. The industry average is currently 3.1 stars. Sensirion is a cut above the rest. The reason lies in its culture.

Our open, honest, appreciative and communicative culture is the basis for long-term employee satisfaction, meaningful performance reviews that benefit both sides of the table as well as promising career paths.

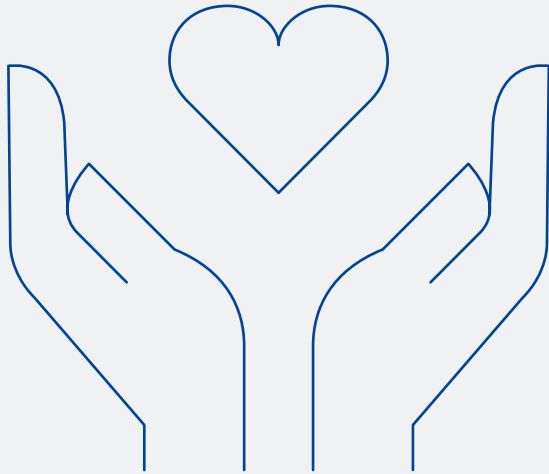
Employee satisfaction

Year	Scale*	2019	2020	2021
Subjective personal well-being in team	0-10	8.3	8.4	8.3
Subjective personal well-being in organization	0-10	8.1	7.9	8.1

*0 = very bad, 10 = excellent

We meet with employees for performance reviews twice each year, in June and in December. The main purpose of the meeting in June is to discuss the development of the respective employee, their learning curve and to reveal their potential. What specific tasks might they be able to take on at Sensirion in a few years? The purpose of the year-end review in December is a general "taking stock" together: which of the employee's solutions were the most and least successful, and why? What challenges lie ahead in the coming year? Is the employee happy working with the team, and vice versa?

Employee well-being



To achieve a good work-life balance, family life should never fall by the wayside.

We exercise or play sports together, enjoy meals together and work together. There is a broad range of possibilities: football, table tennis or floorball – or perhaps working out at the gym, a yoga class or enjoying a massage. When it's time to eat, employees can go to the canteen for a delicious meal, salad or bowl of muesli. During the week, there are also several food trucks nearby serving up gourmet quick bites.

To achieve a good work-life balance, family life should never fall by the wayside. During our Sensi Weekend, at the Santa Claus event or for the New Year's feast, employees and sometimes their families have the chance to be part of some lovely cultural and social get-togethers.

Employees also regularly participate in training aimed at raising awareness about issues related to quality, health, safety and security. They can even get their annual flu shot directly on site.

Living with the pandemic

On March 16, 2020, the Federal Council of Switzerland declared a state of emergency and instituted a lockdown. So many things changed globally overnight. Since then, Sensirion continuously expanded its internal protection concept and implemented further safety and protection measures. This involved setting up additional mobile and location-independent workspaces. The IT infrastructure underwent extensive development to guarantee secure data communication. Meeting rooms were converted to accommodate hybrid conference formats. Training was conducted virtually and social events also took place virtually. For example, employees had their Friday after-work beer delivered and kept up the SensiSpirit ritual of kicking off the weekend in front of their screens.

Complaint management

The term "whistleblowing" makes some people flinch when they hear it. Employees may feel mistreated or have witnessed unlawful or unethical conduct. The only solution might seem to turn to the media. The damage to the company's reputation – not to mention the whistleblowers themselves – is often enormous.

Sensirion has clear processes in place for complaint management and conducts regular audits. The fundamental idea behind this is "those whose complaints are justified need not fear the consequences". Complaints can also be submitted anonymously. Complaints about Executive Board members are handled discreetly by a member of the Board of Directors; complaints about employees are handled by the Vice President of Human Resources. For complaints about other stakeholders (e.g. suppliers), there is an ethics complaint form on our website.

Bike ride to work



6:30 a.m: leaving his home in the Swiss town of Hirzel, Jürg Eugster gets on his rugged “gravel bike” as it’s known in cyclocross circles and zooms down hiking trails through Wädenswil and to the passenger ferry, which leaves for Stäfa at 7 a.m. During the ten-minute ferry ride, Jürg already bumps into a few colleagues who are also on their way to work by bike. The ride from the dock in Stäfa to Sensirion takes another ten minutes. Jürg’s trip each day takes a good 45 to 50 minutes one way. To be on the safe side, he plans in 60 minutes per journey, although traveling from Stäfa back home again takes a bit longer because of the 350 meters he has to pedal uphill. Jürg adds, “Things get sticky in nasty weather, when it rains or snows. This makes the bike ride from Wädenswil back to Hirzel really strenuous. Passing cars splash dirt in my face.”

Jürg bikes to work every day. One reason is that his family needs the car during the day. Another reason is that driving would take him almost as long. By cycling, he can also check his daily exercise off the list. And sure, thinking about the environment also plays a part. Jürg is forty, has two sons, age five and seven, is a physicist and has been working at Sensirion as Team Leader Sensor Integration Processes since October 2014. He began biking to work in 2017.



Things get sticky in
nasty weather, when it rains
or snows.

Talents

Building career foundations

98%

of apprentices say:
I believe my work can make a
real difference.

”

All of Sensirion's 19 apprentices who completed the company's survey agree. The flow of information, clearly communicated expectations, the feedback culture, satisfaction in the workplace and celebrating milestones as a team continue to get top ratings in this survey. Sensirion takes these young people seriously from the start. And this lasting sense of value has a motivating effect; it is obviously something people appreciate.

Each year, five or six apprentices start out in one of the nine different apprenticeships we offer. Sensirion is an advocate of the dual-track vocational education and training system. For one, it offers young people excellent basic training with our company, building a foundation for taking the next steps in their careers. The vocational school also gives them the necessary theoretical knowledge.

Apprentices can choose from the following:

- Federally Certified Electronics Engineer (EFZ)
- Federally Certified Computer Scientist with focus on business IT (EFZ)
- Federally Certified ICT Specialist (EFZ)
- Federally Certified Design Engineer (EFZ)
- Federally Certified Business Administrator (EFZ)
- Federally Certified Maintenance Specialist (EFZ)
- Federally Certified Logistics Specialist (EFZ)
- Federally Certified Automation Engineer (EFZ)
(in partnership with "libs Industrielle Berufslehren Schweiz", www.libs.ch)
- And, beginning in 2022: Federally Certified Physics Lab Technician (EFZ)



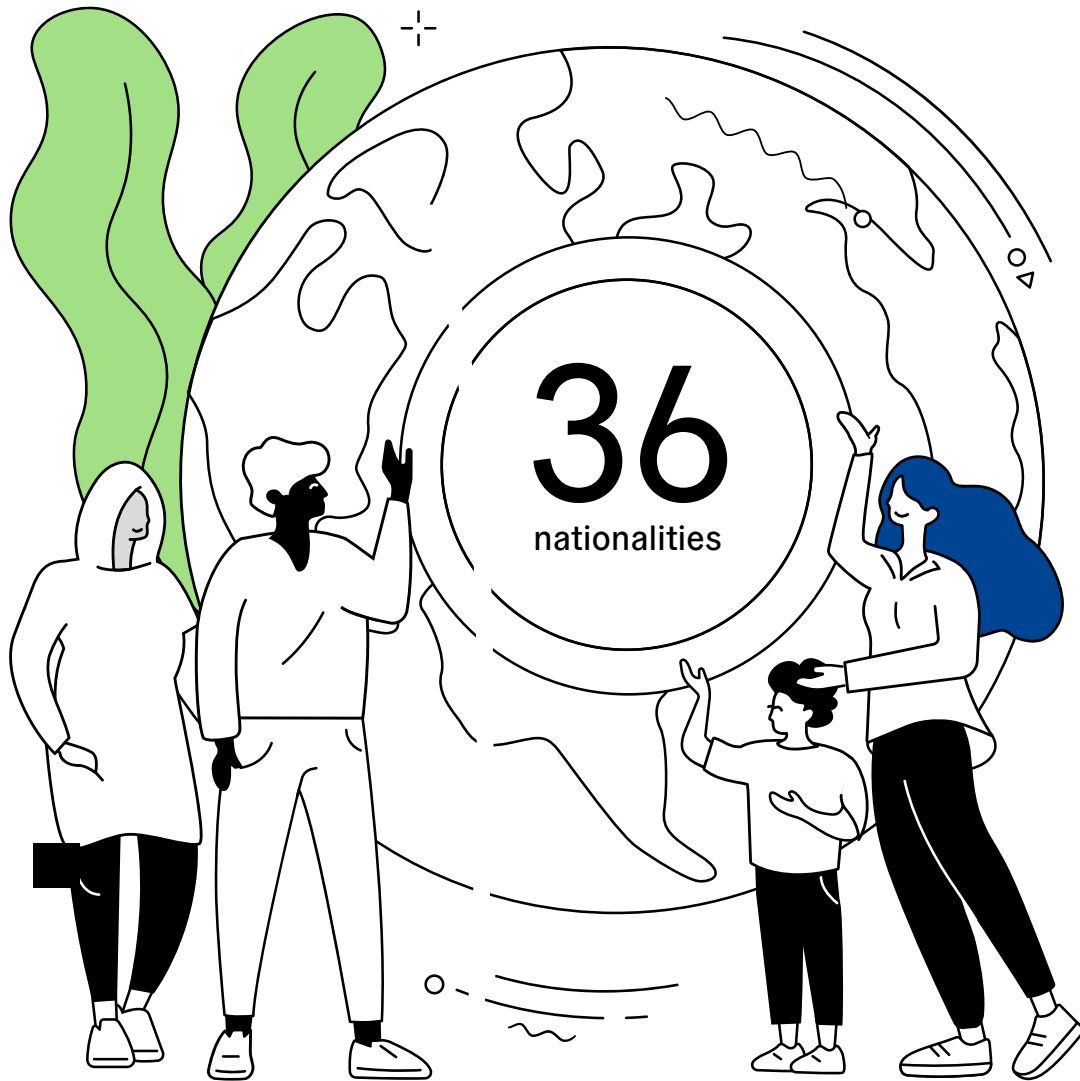
Our apprentices are treated like permanent employees from the very beginning and are well integrated.

Programs for trainees and interns

During the reporting year, two trainees began our company's 18-month Tour d'Horizon program. The journey takes them through the Sales division, where they learn about everything from market analyses and product development to marketing campaigns. A stint in the Technical Customer Support department helps familiarize them with Sensirion's products and customers. In addition to the already mentioned program, thirty interns spend six months working for Sensirion. During this time, they gain extensive insights into the Research & Development, Marketing, Sales and Product Management divisions.

Ongoing employee development

Veteran employees have a wealth of experience and knowledge. Our HR strategy focuses on furthering employees in their careers, discovering new talent and maximizing employee retention. The methods for achieving this include vocational education and further training, a culture of personal responsibility and proactiveness, the opportunity to rotate between different jobs and promoting international exchange.



Diversity is a top priority

Austria, Bosnia and Herzegovina, Brazil, Bulgaria, China, Croatia, Eritrea, Estonia, France, Germany, Hungary, Iraq, Ireland, Italy, Kosovo, Luxembourg, Montenegro, Morocco, Netherlands, New Zealand, North Macedonia, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, the United Kingdom, the USA. Sensirion employed people from these thirty-six countries in 2021.

Our culture and values are what unite these people to form a global team. Discrimination is always off-bounds at our

company. A comparison of salaries in Switzerland commissioned by Sensirion in 2021 revealed that women and men at Sensirion earn equivalent salaries for the same function and performance.

Sensirion supports the career advancement of all genders equally. We also observe that more and more women are showing a stronger interest in technology. At Sensirion, we encourage and support qualified people of all genders to take up leadership positions and inspire others with our culture of diversity and inclusion.

Product responsibilities – Innovation for a sustainable future



It is our mission to contribute **with innovation and technology to a better world tomorrow**. Today, our products are already **contributing to a better quality of life** or helping to **reduce energy efficiency and CO₂ emissions** in a wide range of applications. This is also our commitment for the future.

As a **customer-focused** company, it is **important** for Sensirion to **collaborate with its customers and partners** to explore promising new technologies and **develop cutting-edge products** that enable customers to be **responsible providers and market leaders**.

Medical ventilators

The demand for ventilators increased sharply during the pandemic. Sensirion was already a market leader in this market segment. Then it had to increase production tenfold within three months. Thanks to the incredible dedication of all employees who were part of this effort, it was a success.



SDP3x – sensor technology for lightweight portable CPAP devices

Every year, sensors made by Sensirion are used to monitor more than 15 million patients with sleep apnea: airflow and pressure are precisely controlled to keep the airways open.



Refrigerators

Heaters are installed in the doorframes of refrigerators to prevent condensation. Depending on the design, the reduction in energy consumption achieved with the smart dew point can improve the IEC standard energy rating.



Air conditioning systems in vehicles

Over 160 million sensors made by Sensirion have been integrated into automotive applications. Sensor-controlled air conditioning systems ensure a year-round comfortable climate in passenger compartments, increase safety and reduce fuel consumption.

Engines in vehicles

One-third of all new cars around the world are equipped with humidity and temperature sensor solutions. Sensor production volume: 90 million. Advantages: less pollutant emissions, lower fuel consumption and optimized engine control with air flow regulation.

Sustainable facts

10x

increase of ventilator production
within three months due to COVID-19

15 mio

patients with sleep
apnea monitored daily

4.8 mio t

of CO₂ saved in total in air conditioning
applications in vehicles

3-4 %

reduced energy consumption
due to smart humidity sensors
in refrigerators

2.7 mio t

additional CO₂ savings through intelligent
air-flow sensor technology in engine vehicles



Susanne Pianezzi, a physicist at Sensirion since 2016 and Sales Director for the recently founded subsidiary Sensirion Connected Solutions, is in charge of sales and business development for all markets. She also manages distribution for Nubo Sphere and any future environment and sustainability solutions.

Sensirion enjoys a reputation as an expert in environmental sensing, and sustainability is in its company DNA. An interview with Susanne Pianezzi, Sales Director at Sensirion Connected Solutions.

Susanne, you're working on our new IoT solution, Nubo Sphere. What are the goals of Nubo Sphere?

Nubo Sphere is our brand-new “fully integrated, end-to-end IoT solution” (Internet of Things) for detecting, locating and quantifying methane emissions. Its development began in mid-2021, and we will be launching the first generation in mid-2022. Methane escapes from oil and gas production plants, sewage treatment plants and biogas plants, for example. If we are to meet the targets of the Paris Climate Accords, we will also need to reduce methane emissions in addition to carbon dioxide.

What is unique and innovative about this solution?

Solving this complex problem requires deep application know-how as well as close interaction between innovative sensors and advanced data analytics. This fits perfectly with Sensirion's DNA to solve complex problems in an interdisciplinary manner. Our strength is to cover the entire value chain from sensors, high-performing algorithms to a user-friendly dashboard, so this interaction can be maximally optimized.

So, Nubo Sphere detects methane emissions and helps reduce environmental impact. Does Nubo Sphere address any other sustainability aspects?

Nubo Sphere consists of a sensor node with solar panel, wind sensor, wireless communication and a methane sensor. One key feature of the solution and the sustainability of Nubo Sphere is that it runs on solar power and can even be used in remote locations that are not connected to the power grid. Another feature is the solution's sustainable sensor cartridge design: for example, if gases other than methane need to be measured for safety and environmental applications in the future, the cartridges in the sensor node can simply be replaced with different ones. This is good for the environment because you don't have to replace remaining hardware that is already installed in the field.

Sensirion was founded in 1998 as an ETH Zurich spin-off. Sustainability is a key aspect of its mission. Was this the right path?

Back in 1998, I'm not sure if I would have been able to articulate the complex reasoning surrounding sustainability in the same way Sensirion's founders do today. Today, it is appropriate and important that Sensirion uses innovation to make sustainability a guiding principle in its mission and to actively embody these principles – which is also interesting from a business standpoint.

Generally speaking, does sustainability make final products more expensive?

Production costs can indeed be somewhat higher when you're trying to make the final product sustainable. In addition to sustainable production costs, follow-up costs should also be considered. Those are impacted by future regulations on minimum prices, consumer tariffs or emissions penalties.

Can companies make money with sustainability?

By using Nubo Sphere, natural gas operators invest in a path towards net zero and thus actively contribute to the fight against global warming. More and more, consumers are also willing to pay a surcharge for environmentally friendly or sustainable products. In the context of the energy industry, natural gas can be said to be responsibly sourced if it is extracted and transported under low methane emissions. New regulations and best practices evolve worldwide to support those efforts.

Lastly, if we could grant you three wishes, what would they be?

For our society to return to a more normal life, in practical terms, the health of everyone. In the long run, we work together to address the challenges of climate change on a global scale. To achieve this, every individual, society, politics and also the economy must make their contribution. Only in this way can we leave a stable, safe and healthy environment for future generations.

The new production building in Debrecen comprises two storage tanks (cooling and heating with geothermal energy) to maintain the required production environment.

Fab-in of the hot water storage tank into the new business and production building in Debrecen, Hungary





An aerial photograph of a large concrete dam with a reservoir. The dam is situated in a mountainous area with green vegetation and rocky terrain. The reservoir is a vibrant turquoise color. The text 'Attentiveness' is overlaid in white on the left side of the image.

Attentiveness

Caring for our environment

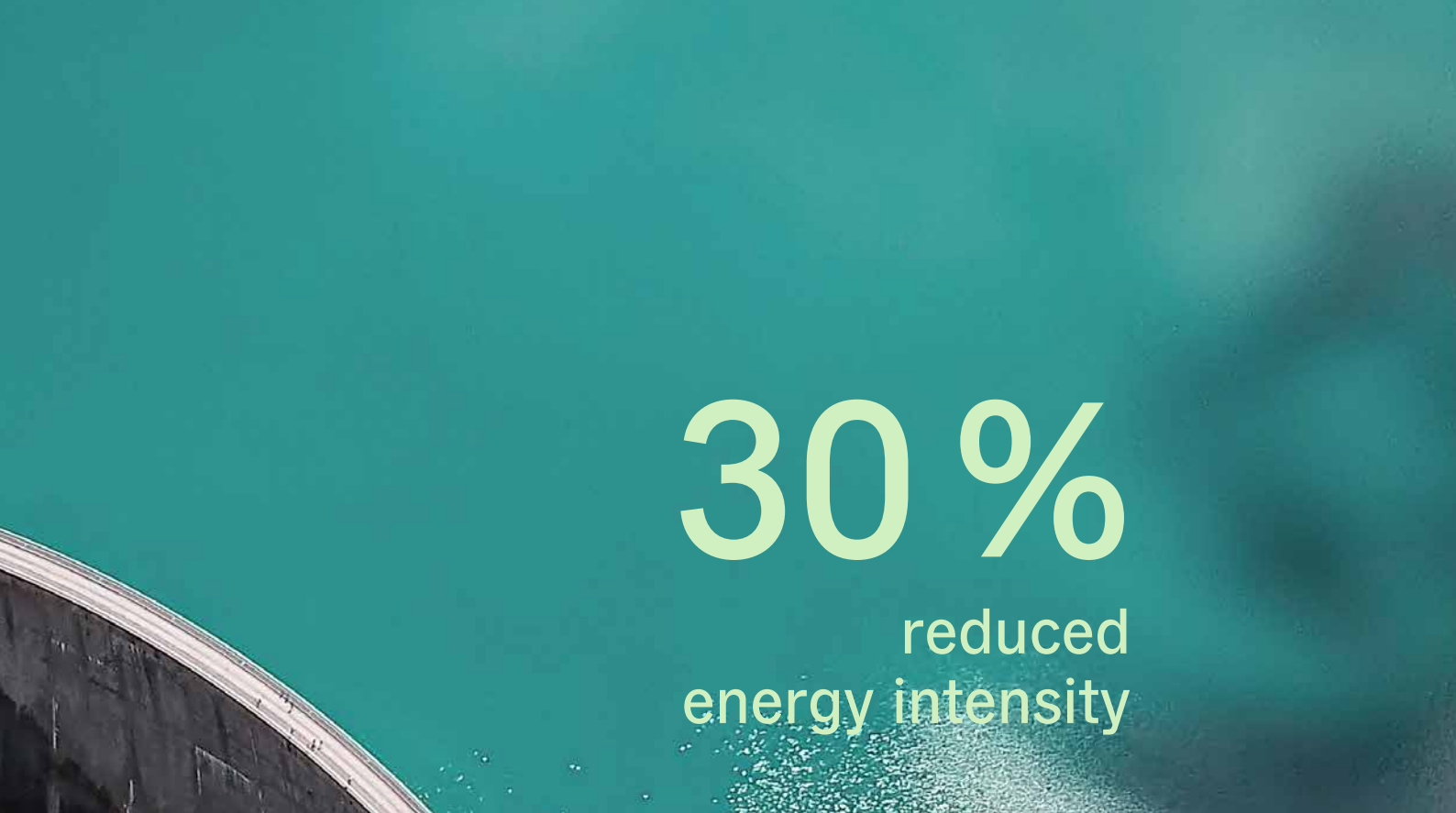
The concept of “sustainability” plays a key role in our relationships with customers, employees and suppliers. Sustainability is critical to the work we do in developing and manufacturing our products.

But another important part of how Sensirion defines sustainability is taking a sensible approach to our use of environmental resources. This includes consuming less energy and water, sourcing renewable energy, locating production closer to customers, keeping our employees comfortable, cutting CO₂ emissions and manufacturing products without hazardous substances whenever possible. We want to take care of the environment for those who come after us.

Energy

Sensor production is an energy intensive business. There are two main drivers that dominate energy consumption: the buildings to keep the production within the given environmental specification, e.g. humidity, temperature or cleanness, and the production equipment (mainly in the MEMS cleanrooms). In order to increase comparability over the years, Sensirion has decided to report in accordance with GRI standards scope 1 and 2 by calculating energy consumption as an intensity in relation to gross profits*. This approach is also used for CO₂ emissions.

Between 2017 and 2021, energy intensity could be reduced by almost 30% thanks to various efficiency measures and economies of scale. However, compared to 2020, energy intensity in 2021 remained at the same level, mainly due to the one-off effect of Sensirion putting the new site in Debrecen, Hungary, into operation. Sensirion is committed to sustainably reducing its energy intensity further in the coming years by launching more efficiency initiatives.



30 %

reduced
energy intensity

Environmentally friendly humidification

At the end of 2020, Sensirion began replacing the two air handling units for air purification in the main building in Stäfa. Air handling units contain filters, components for heat recovery, ventilators, air heaters, etc. The new air handling units meet the criteria for the A+ energy rating as defined by the EUROVENT RS 4/C/001-2019 standard. The adiabatic air humidification system is the best choice for environmentally friendly air humidification. It uses an ultrafine spray generated at high pressure to achieve highly effective, economical air humidification. This eliminates dry air to ensure workers inside the building are comfortable.

Renewable energy

In 2019, we installed solar panels on the roof of our office building in Stäfa, Switzerland. In 2021, the solar panels generated 112 MWh of energy despite the mediocre summer weather. This was just slightly below the figure from 2020. The energy requirements of the building fitted with solar panels were met. Starting in 2022, Sensirion plans to source sustainable hydropower for its headquarters which will further improve its carbon footprint.

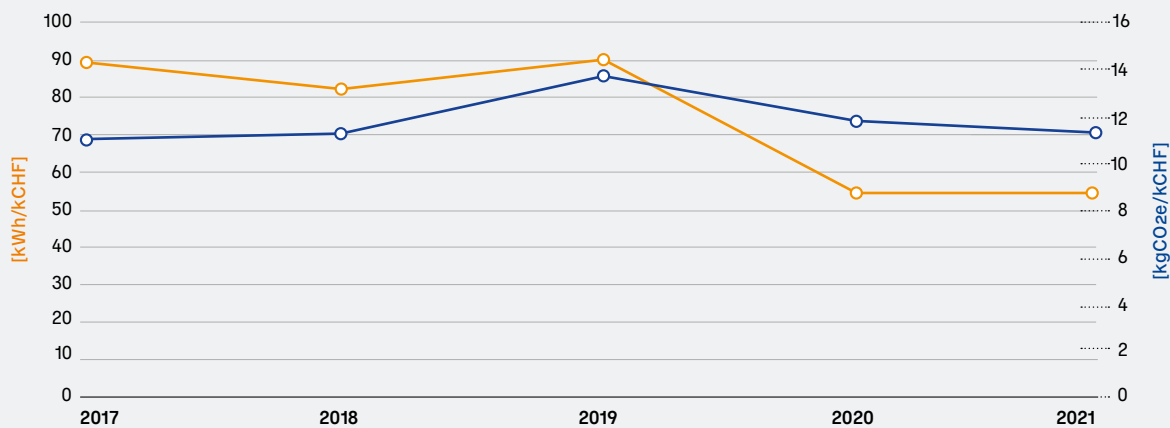
CO₂ emissions

CO₂ emissions are produced at various places along our value chain. The main drivers are manufacturing process gases, fossil-based electrical power (mainly in Asia) and fossil heating. Our goal is to minimize these emissions and reduce our ecological footprint. For example, climate-damaging process gases, which are indispensable for the processing of MEMS chips, have been treated for years with state-of-the-art filter systems. Sensirion uses the same reporting approach as in the previous paragraph (Energy) and calculates a CO₂ intensity that sets CO₂ in relation to gross profits*.

In 2021, Sensirion managed – with a reduction of 4 % in comparison to 2020 – to again reach the CO₂e intensity level of 2017/18. The peak in 2019 was mainly due to a one-time effect of putting the new Shanghai site into full operation.

* Gross profits = sales minus material expenses

Energy / CO₂e emissions intensity



- CO₂e emissions intensity
Formula: CO₂ intensity [kgCO₂e/kCHF] = Total CO₂e emission [kgCO₂e] / Gross profits* [kCHF]
- Energy emissions intensity
Formula: energy intensity [kWh/kCHF] = Total energy consumption [kWh] / Gross profits* [kCHF]

Can we reduce emissions by miniaturizing components?

The production of silicon chips is an environmental stress factor. One way to mitigate this is by building our sensors with smaller silicon chips. We are also replacing glue processes with ultrasonic welding. Small sensor components consume less energy in production, are more economical to ship and produce lower CO₂ emissions.

How can the ecological footprint of the supply chain be reduced?

In our manufacturing process, we are striving to produce less waste. This is achieved with innovation in the product development process as well as shorter transport routes. Goods are sourced locally whenever possible. Our suppliers also comply with strict packaging requirements and recycle used materials.

Can emissions from business trips also be reduced?

We have learned a lot from the pandemic. For example, many previous in-person meetings are now held virtually – and will likely continue to be so in the future. We have also decided to compensate for our business flights with myClimate. The total came to 66 tons of CO₂ in 2021.

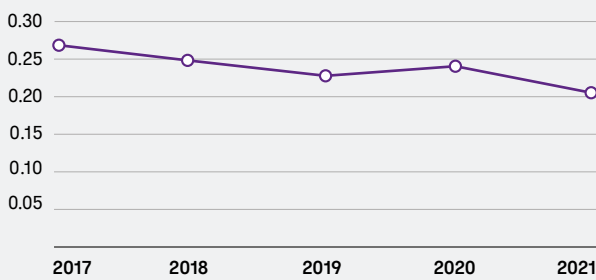
Does Sensirion create any incentives for its employees to use public transportation?

A parking fee was introduced in 2019 for employees who drive to work. This money is collected and returned to all employees in the form of an eco-bonus that subsidizes the purchase of SBB Half-Fare subscriptions or other transit passes. Then we have “Franz”, the Sensi e-car, that can be used for business as well as private trips. And because e-cars are becoming more popular all the time, we have installed charging stations.

Debrecen: a sustainably built production site

July, 2021. The production site in Debrecen, Hungary, begins operations. The advantages of the site include its proximity to European customers, high standard of training for potential employees on site and the network of local partners. Using the headquarters in Stäfa as a model (clarification: geothermal/heat recovery coupled with an accumulator system), the new site was designed and built to operate without fossil fuels.

Water intensity*



○ Water intensity (l)/Production unit

15 %

reduction of water consumption per unit of output.

Features and benefits of sustainable construction

The building was designed and constructed with two floors, unlike the conventional single-story building with high ceilings. This requires less space for construction and the lower ceilings reduce air volume for air purification and conditioning. As a result, less energy is required for cooling, heating and (de)humidification. The site is operated without fossil fuels (natural gas, oil). The heating and cooling systems use reversible heat pumps that recover and store heat in large containers, each with a volume of 60 m³.

Water

In Stäfa as well as in our production facilities and warehouses in Shanghai, Seoul and Debrecen, we are committed to the responsible management of a precious resource: water.

We use water primarily for the separation of silicon wafers for the individual sensors (dies). The wafer saw dices the wafers using a high-speed rotating diamond saw blade. The saw blade is cooled with water. Thanks to the most state-of-the-art saws and ever tinier sensors (more dies per wafer), water consumption has continued to drop compared to the units we produced five years ago. Since water consumption correlates well with the number of units produced, Sensirion has decided to calculate water consumption as intensity in relation to production units (PU). Between 2017 and 2021, water consumption per production unit dropped 15% (from 0.265 liters/PU in 2017 to 0.220 liters/PU in 2021).

Hazardous substances

We have minimized the use of hazardous chemicals in our production processes. In production, we only use hazardous chemicals in closed and fully automatized installations and machines. In our R&D labs, all employees have completed an apprenticeship or a degree in technology or the sciences. They are regularly trained and well protected with appropriate personal protective equipment. The hazardous substances in our sensors are compliant with the relevant laws (REACH, RoHS and others) and customer requirements. Even during the development stage for new sensors, we ensure that all materials provided by our suppliers are fully compliant. We also regularly analyze the materials used in our sensors in a specialized laboratory to ensure that these high standards are regularly maintained. Our production sites are always subject to inspection by the local authorities as well as customer and third-party audits.

* Gross profits = sales minus material expenses

Quality and certifications





By disclosing its environmental reporting data to CDP in 2021, Sensirion Holding AG has demonstrated a commitment to corporate environmental transparency.

The highest standards of quality

Aging tests are used to measure reliability when developing new products. During the product qualification phase, sensors undergo repeated testing before receiving approval for mass production. All Sensirion locations are ISO 9001 and IATF 16949 certified, except Debrecen in Hungary, to ensure the highest quality management standards. Our location in Stäfa, Switzerland, is accredited according to the ISO 17025 standard for the testing and calibration of our temperature measurements.

Quality policy

Our strategy is to maintain a zero-tolerance-for-defects policy, and our number one priority is to ensure customer satisfaction. This is what shapes our corporate philosophy and code of conduct, which is why we regularly monitor, evaluate and take measures to improve customer satisfaction. Here, we rely on specific processes and instruments that constantly undergo further development. We regularly monitor, evaluate and improve the quality of our products and services. Accordingly, we carefully select our suppliers and also audit the major ones at regular intervals.

Awards

We are proud of our achievements. Great Place to Work named us the “Number two employer in Switzerland in the ‘large companies’ category” and gave us the “Special prize for Bold Leadership in the Corona crisis”. We also received a “Top Company” seal from kununu, as well as the “Jiutin Employee Award” for SAS China, presented by the local Chinese municipality.



CDP – the world’s leading environmental data platform

CDP is a global non-profit organization and the world’s leading platform for environmental reporting and disclosure. David Lammers, Deputy Director for Corporate Engagement at CDP Europe: “By disclosing its environmental reporting data to CDP in 2021, Sensirion Holding AG has demonstrated a commitment to corporate environmental transparency and made an important contribution to an economy that works for both people and planet.”

Corporate Governance

This report on corporate governance describes Sensirion's principles of management and control at the highest corporate level of Sensirion in accordance with the Directive on Information relating to Corporate Governance of SIX Exchange Regulation (DCG). Unless stated otherwise, the information in this report is provided as of 31 December 2021.

Sensirion's corporate governance largely follows the guidelines and recommendations set out in the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse* in July 2002, as amended in 2007, 2014 and 2016 (the "Swiss Code"). Sensirion has made some adjustments and simplifications to suit its management and shareholder structure.

Sensirion's principles and rules of corporate governance are set forth in its Articles of Association, its Organizational Regulations (including committee charters) and its Regulations on the Registration of Shareholders in the Share Register and the Maintenance of the Share Register ("Share Register Regulations"), which are all available on our website (<https://www.sensirion.com/articles-of-association-internal-regulations>). The Nomination and Compensation Committee of the Board of Directors of Sensirion Holding AG regularly reviews Sensirion's corporate governance framework and ensures compliance with corporate governance requirements.

Group structure and shareholders

Group structure

Sensirion Holding AG (or the "Company") is a stock corporation organized under the laws of Switzerland which was incorporated on 7 October 1998 and is registered in the commercial register of the Canton of Zurich under the register number CHE-104.836.469 (LEI: 894500ANJ9YNE8YCTT04). Its registered address is at Laubisrütistrasse 50, 8172 Stäfa, Switzerland. The shares of Sensirion Holding AG have been listed on the SIX Swiss Exchange since the Company's initial public offering ("IPO") on 22 March 2018 (ISIN CH0406705126, Swiss Security Number 40670512) according to the International Reporting Standard and since 1 July 2021 according to the Swiss Reporting Standard.

The Sensirion Group ("Sensirion" or the "Group") consists of Sensirion Holding AG and its consolidated subsidiaries, which are listed in the Consolidated Financial Statements on page 123.

Sensirion operates as a single operating and reporting segment that encompasses the development, production, sale and servicing of sensor systems, modules and components. This structure is described in more detail in the segment information in the Consolidated Financial Statements on page 107.

Significant shareholders

As of 31 December 2021, the following shareholders or group of shareholders have reported to Sensirion Holding AG holding 3% or more of the voting rights in Sensirion Holding AG:

Shareholder	% of voting rights
Moritz Lechner, Uerikon, Switzerland; Felix Mayer, Stäfa, Switzerland; Fondation des Fondateurs, Zurich, Switzerland; 7-Industries Holding B.V., Amsterdam, Netherlands; EGS Beteiligungen AG, Zurich, Switzerland; Sensirion Holding AG, Stäfa, Switzerland ¹	32.4 %
Gottlieb Knoch, Zug, Switzerland	4.9 %
Davent Holding AG, Zug, Switzerland ²	3.5 %

¹ The beneficial owner of 7-Industries Holding B.V. is Mrs. Ruthi Wertheimer, Herzliya, Israel. The beneficial owner of EGS Beteiligungen AG, Zurich, Switzerland, is the Ernst Göhner Stiftung, Zug, Switzerland. The shareholders act in concert within the meaning of Article 121 FMIA by virtue of a shareholders' agreement, as a result of which they, together with the Company, act in concert. Moritz Lechner, Felix Mayer, Fondation des Fondateurs, 7-Industries Holding B.V. and EGS Beteiligungen AG together hold 32.2% of the voting rights. Percentages are based on the shareholdings known by the Company as of 31 December 2021.

² The beneficial owner of Davent Holding AG is Dr. Thomas Knecht, Zug, Switzerland.

Moritz Lechner, Felix Mayer (together the "Founders"), Fondation des Fondateurs, 7-Industries Holding B.V. and EGS Beteiligungen AG (together the "Anchor Shareholders") have entered into a shareholders' agreement to govern their rights and obligations as shareholders and/or members of the Board of Directors of Sensirion Holding AG. According to the shareholders' agreement, the Anchor Shareholders can propose a majority of the candidates nominated for election to the Board of Directors and one of these candidates as Chairman (or two as Co-Chairmen) of the Board of Directors. In addition, each Founder has the right to be (re-)elected by the Anchor Shareholders as member and as Co-Chairman of the Board of Directors. Further, the Anchor Shareholders have also entered into voting undertakings with regard to shareholder resolutions requiring a qualified majority. With respect to the disposal of shares, the Anchor Shareholders have granted each other (and, failing them, Sensirion Holding AG) a right of first refusal and a right of first offer. Finally, the Anchor Shareholders have undertaken that they will only sell all their shares (as long as they hold more than 25% but less than 33⅓% of the Company's voting rights) or shares corresponding to 33⅓% or more of the Company's voting rights to a third party if such third party agrees to launch a public tender offer for all publicly held shares of Sensirion Holding AG for a consideration not lower than the consideration promised to the selling Anchor Shareholders.

The announcements related to the disclosure notifications made by shareholders during 2021 can be found via the search facility on the platform of the Disclosure Office of the SIX Swiss Exchange: [https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/.](https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/) For the purposes of this section, percentages are based on the issued share capital of Sensirion Holding AG recorded in the commercial register as of 31 December 2021.

Cross shareholdings

The Group has no cross-shareholdings that exceed 5% of the holdings of capital or voting rights on both sides.

Capital structure

Capital

As of 31 December 2021, the share capital of Sensirion Holding AG amounts to CHF 1,557,335.00 divided into 15,573,350 fully paid-in registered shares with a par value of CHF 0.10 each. In addition, Sensirion Holding AG has authorized share capital in the amount of CHF 145,581.70 (corresponding to 9.3% of the share capital). Further, Sensirion Holding AG has conditional share capital for employee participations in the amount of CHF 143,162.00 (corresponding to 9.2% of the share capital) and conditional share capital for financing, acquisitions and other purposes in the amount of CHF 145,581.70 (corresponding to 9.3% of the share capital). The following table summarizes the capital structure of Sensirion Holding AG.

Share capital

As per 31 December 2021	% of capital	Shares	In CHF
Share capital	100.0%	15,573,350	1,557,335.00
Authorized share capital ¹	9.3%	1,455,817	145,581.70
Conditional share capital			
Reserved for employee participation plans	9.2%	1,431,620	143,162.00
Reserved for financing, acquisitions and other purposes	9.3%	1,455,817	145,581.70

¹ Expiring on 11 May 2022

Authorized capital

The annual general meeting of shareholders of Sensirion Holding AG (the “Annual General Meeting”) resolved on 11 May 2020, among other things, to create authorized share capital and authorized the Board of Directors to increase the share capital any time until 11 May 2022 by a maximum amount of CHF 145,581.70 by issuing a maximum of 1,455,817 fully paid-in registered shares with a par value of CHF 0.10 each (see Article 3a of the [Articles of Association](#)). Increases in partial amounts are allowed. The subscription and acquisition of the new shares as well as any subsequent transfer of the shares is subject to the restrictions set out in the [Articles of Association](#) (see “Limitations on Transferability and Nominee Registrations”). The Board of Directors determines the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. It may issue new shares by means of a firm underwriting with a subsequent offer to the existing shareholders or, if pre-emptive rights have been excluded or not duly exercised, to third parties. The Board of Directors may permit, restrict or exclude the trade with pre-emptive rights. It may permit the expiry of unexercised pre-emptive rights, or it may place such rights or the respective shares at market conditions or may use them otherwise in the interest of Sensirion Holding AG. Further, the Board of Directors is authorized to restrict or exclude pre-emptive rights of existing shareholders and allocate such rights to third parties or the Group for the acquisition of companies, part(s) of companies or participations, for the acquisition of products, intellectual property or licenses by or for investment projects of the Group, or for the financing or refinancing of any of such transactions through a placement of shares.

Conditional capital

As of 31 December 2021, the [Articles of Association](#) provide for two categories of conditional capital. First, the share capital of Sensirion Holding AG may be increased by an amount not to exceed CHF 143,162.00 by issuing up to 1,431,620 fully paid-in registered shares with a par value of CHF 0.10 per share through the direct or indirect issuance of shares, options or related subscription rights to members of the Board of Directors, members of the Executive Committee or employees of the Group (see Article 3b of the [Articles of Association](#)). The pre-emptive rights and advance subscription rights of existing shareholders are excluded. Shares, options or related subscription rights are issued pursuant to regulations issued by the Board of Directors and taking into account the compensation principles pursuant to the [Articles of Association](#). Shares or subscription rights may be issued to employees at a price lower than the respective market price quoted on the stock exchange. Second, the share capital may be increased by an amount not to exceed CHF 145,581.70 by issuing up to 1,455,817 fully paid-in registered shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of Sensirion Holding AG or a Group company (see Article 3c of the [Articles of Association](#)).

The pre-emptive rights of existing shareholders are excluded upon the exercise of any such financial instruments in connection with the issuance of shares. The then-current owners of such financial instruments are entitled to acquire the new shares issued upon exercise. The Board of Directors is authorized to restrict or withdraw advance subscription rights of existing shareholders in connection with the issuance of financial instruments if the issuance is for purposes of financing or refinancing the acquisition of companies, parts of a company, participations or investments. If the advance subscription rights are not granted, the financial instruments must be issued at market conditions, the exercise price must be set with reference to the prevailing market conditions and the maximum exercise period is 10 years.

The subscription and acquisition of the new shares under any conditional capital as well as any subsequent transfer of the shares is subject to the restrictions set out in the [Articles of Association](#) (see “Limitations on Transferability and Nominee Registrations”).

Changes in capital

There were no changes in the share capital of Sensirion Holding AG between 1 January 2021 and 31 December 2021.

For information on changes of the share capital during 2020 and 2019, see our Annual Report 2020 on page 63 and our Annual Report 2019 on page 45, respectively.

Shares and participation certificates

All shares of Sensirion Holding AG are registered shares (Namenaktien) with a par value of CHF 0.10 each and are fully paid-in and non-assessable. All shares rank pari passu in all respects with each other, including in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation and to pre-emptive rights. Each share carries one vote at the general meeting of shareholders of Sensirion Holding AG, provided that shareholders and their shares are registered with voting rights in the share register of Sensirion Holding AG. The shares have been issued as uncertificated securities (Wertrechte) within the meaning of Article 973c of the Swiss Code of Obligations (“CO”), are registered in the main register (Hauptregister) maintained by SIX SIS Ltd. and constitute intermediated securities (Bucheffekten) within the meaning of the Swiss Federal Act on Intermediated Securities.

As of 31 December 2021, Sensirion Holding AG has not issued any participation certificates.

Profit sharing certificates

As of 31 December 2021, Sensirion Holding AG has not issued any profit sharing certificates (Genussscheine).

Limitations on transferability and Nominee registrations

Persons acquiring shares will be registered in the share register as shareholders with voting rights upon their request if they expressly declare to have acquired these shares in their own name and for their own account. The Board of Directors may refuse the registration of an acquirer in the share register as a shareholder with voting rights if such acquirer would, directly or indirectly, acquire, or hold in the aggregate, more than 5% of the shares of Sensirion Holding AG recorded in the commercial register (the “Percentage Limit”; see Article 5 of the [Articles of Association](#)). According to Article 5 para. 7 of the [Articles of Association](#), a group clause applies to determine whether the Percentage Limit is crossed. Even if the Percentage Limit is exceeded, the Board of Directors may grant an exception and enter a shareholder with voting rights in the share register (i) if such shareholder held or was allotted more than 5% of the shares recorded in the commercial register before completion of the IPO, (ii) if such incum-

bent shareholder (or their legal successor) acquires additional shares after the IPO, provided that the opting-up threshold of 40% of voting rights is not exceeded or (iii) if a person acquires such shares recorded with voting rights from such an incumbent shareholder off-market.

Details on the implementation of such exceptions are set out in the Share Register Regulations, in particular, the rule that no shareholder or group of shareholders will be registered in the share register with more than 40% of the Company's voting rights. The decision on the granting of exceptions to the Percentage Limit lies with the Board of Directors who may, with the approval of all members of the Board of Directors, in its own discretion grant further exceptions.

In the financial year 2021, the Board of Directors granted no exceptions from the Percentage Limit pursuant to Article 5 para. 3 of the Articles of Association.

Further, any person that does not expressly state in its application for registration that the relevant shares were acquired for its own account (a "Nominee") may be entered in the share register as a shareholder with voting rights regarding up to 5% of the share capital recorded in the commercial register, provided that the Nominee has entered into an agreement with the Company regarding its position and is subject to a recognized bank or financial market supervision. Beyond such registration limit, the Board of Directors may register Nominees as shareholders with voting rights in the share register if such Nominees undertake to disclose the full name, address, citizenship and shareholdings of those persons for whose account the Nominee holds 0.5% or more of the share capital recorded in the commercial register. The group clause pursuant to Article 5 para. 7 of the Articles of Association also applies to Nominees.

A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required for the restriction on the transferability of shares or the cancellation of such a restriction and for the amendment or cancellation of Article 5 of the Articles of Association regarding the share register and restrictions on the registration of shareholders and nominees (see Article 13 para. 2 of the Articles of Association).

Convertible bonds and options

Except for Sensirion's employee participation plans, neither Sensirion Holding AG nor any of its Group companies has any convertible bonds or options on the equity securities of Sensirion Holding AG outstanding as of 31 December 2021. For information on Sensirion's employee participation plans, see the Compensation Report on pages 82 to 94 as well as Note 6.2 of the Consolidated Financial Statements on pages 126 to 127.

Board of Directors

The duties and responsibilities of the Board of Directors of Sensirion Holding AG are defined by the Swiss Code of Obligations, the [Articles of Association](#) and the [Organizational Regulations](#).

Members of the Board of Directors

The Board of Directors consists of at least three and no more than seven members (see Article 14 of the [Articles of Association](#)). As of 31 December 2021, the Board of Directors consisted of seven members. All members of the Board of Directors are non-executive directors. None of the members of the Board of Directors held an executive position with Sensirion during the last three financial years preceding the financial year 2021. Other than as set forth below, none of the members of the Board of Directors has any significant business connections with the Group.

The following table sets forth the name, function and committee membership of each member of the Board of Directors as of 31 December 2021.

Name	Function	Committee membership	First elected	Elected until AGM
Dr. Moritz Lechner ¹	Co-Chairman	Member of the Nomination and Compensation Committee	1998 (formation)	2022
Dr. Felix Mayer ¹	Co-Chairman	Chairman of the Nomination and Compensation Committee	1998 (formation)	2022
Ricarda Demarmels ²	Member	Chairwoman of the Audit Committee Member of the Independent Directors' Committee	2018	2022
Heinrich Fischer ²	Member	Member of the Audit Committee Member of the Nomination and Compensation Committee Chairman of the Independent Directors' Committee and Lead Independent Director	2011	2022
François Gabella ²	Member	Member of the Independent Directors' Committee	2019	2022
Dr. Anja König ²	Member	Member of the Independent Directors' Committee	2021	2022
Dr. Franz Studer ²	Member	Member of the Audit Committee	2019	2022

¹ Dr. Moritz Lechner and Dr. Felix Mayer act for Sensirion AG, each on a 50% basis, where they are responsible for sensor innovation and strategic tasks.

² Independent in the sense of the Swiss Code.

Board of Directors



Ricarda Demarmels, Non-Executive Director



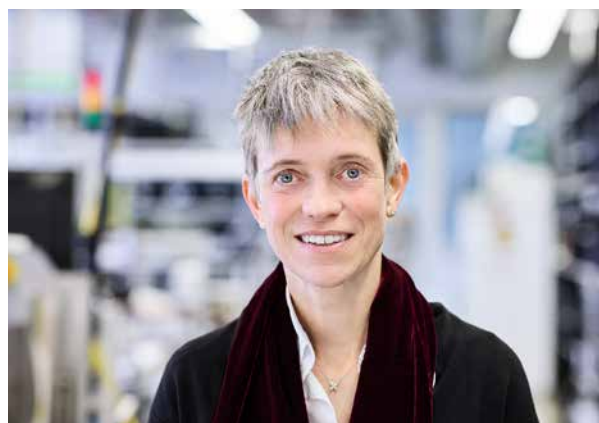
Felix Mayer, Co-Chairman



Moritz Lechner, Co-Chairman



François Gabella, Non-Executive Director



Anja König, Non-Executive Director



Franz Studer, Non-Executive Director



Heinrich Fischer, Non-Executive Director

Board of Directors

Dr. Moritz Lechner Co-Chairman, Swiss national, born in 1969

Moritz Lechner is one of the two founders and Co-Chairman of the Board of Directors of Sensirion Holding AG and a member of the Nomination and Compensation Committee. He has been a member of the Board of Directors, acting as Chairman or Vice-Chairman, since the incorporation of Sensirion in 1998. Until June 2016, he served as Co-CEO of the Company together with Felix Mayer. Moritz Lechner has received numerous entrepreneurial awards. Currently, he serves on the Board of Directors of Dectris AG, as well as 3db Access AG and IRsweep AG. Moritz Lechner worked in the fields of microelectronics and detector technology research at the Swiss Federal Institute of Technology (ETH Zurich) and the Paul Scherrer Institute, and studied Physics at ETH Zurich, from which he also received his PhD in Microelectronics and Detector Technology.

Dr. Felix Mayer Co-Chairman, Swiss national, born in 1965

Felix Mayer is one of the two founders and Co-Chairman of the Board of Directors of Sensirion Holding AG and Chairman of the Nomination and Compensation Committee. He has been a member of the Board of Directors, acting as Chairman or Vice-Chairman, since the incorporation of Sensirion in 1998. Until June 2016, he served as Co-CEO of the Company together with Moritz Lechner. Felix Mayer worked at Siemens for five years and conducted research in the area of microtechnology at the Swiss Federal Institute of Technology (ETH Zurich) for four years. He is a recipient of numerous entrepreneurial awards. Currently, Felix Mayer serves on the Board of Directors of Luma Beef AG, Lumiphase AG, Nextlens AG and Optotune AG. He studied Physics at ETH Zurich, from which he also received his PhD in Physics.

Ricarda Demarmels Non-Executive Director, Swiss national, born in 1979

Ricarda Demarmels has been a non-executive member of the Board of Directors of Sensirion Holding AG since 2018. She serves as Chairwoman of the Audit Committee and is a member of the Independent Directors' Committee. Prior to joining the Board of Directors, she held various positions. Since June 2019, she has served as Group CFO and a member of the Group Management of the Emmi Group. Between 2015 and 2018, Ricarda Demarmels served as Group CFO and member of the Management Board at Orior AG. From 2009 until 2014, she worked for Capvis Equity Partners AG, where she was in charge of various acquisitions and divestitures and supported the strategic development of portfolio companies. From 2005 to 2009, Ricarda Demarmels led various strategy, M&A and integration projects for Oliver Wyman, a global management consulting firm. She studied Finance and Accounting at the University of St. Gallen and holds a Master's degree in Business Administration from the University of St. Gallen (lic.oec. HSG).

Heinrich Fischer Non-Executive Director, Swiss national, born in 1950

Heinrich Fischer has been a non-executive member of the Board of Directors of Sensirion Holding AG since 2011. He serves as Chairman of the Independent Directors' Committee and Lead Independent Director and is a member of the Audit Committee and the Nomination and Compensation Committee. Prior to joining the Board of Directors, he was CEO of the Saurer Group for eleven years until 2007. Prior to that, he was Head of Plant Engineering for optics and microelectronics at Oerlikon Balzers Coating AG for ten years and a member of the Group Management of the Oerlikon-Bührle Group for six years. Between 2012 and 2017, he served on the Board of Directors of Orell Füssli Holding AG (as Chairman of the Board), as well as on the Board of Directors of SWH Inc. He also

served on the Board of Directors of Schweiter Technologies AG between 2004 and 2012. Heinrich Fischer is the Co-Founder of ISE AG, where he was Chairman of the Board of Directors from 1993 to 2005. Currently, he serves on the Board of Directors of Hilti AG (Chairman of the Board), Tecan Group AG (Vice-Chairman of the Board), and CAMOX Fund. He received a Master's degree in Applied Physics and Electrical Engineering from the Swiss Federal Institute of Technology (ETH Zurich) and an MBA from the University of Zurich.

François Gabella Non-Executive Director, Swiss national, born in 1958

François Gabella has been a non-executive member of the Board of Directors of Sensirion Holding since 2019. He serves as member of the Independent Directors' Committee. Prior to joining the Board of Directors, he served as CEO of LEM Holding AG for eight years until 2018. Between 2006 and 2010, he was a member of the Metrology Executive Board and CEO of TESA AG at Hexagon Metrology, Sweden. Prior to that, François Gabella served as Senior Vice President, Power Transmission & Distribution Division, at ARVEDA T&D for three years. From 1999 until 2001, he served as Group CEO of a portfolio company at Texas Pacific Group, USA. Prior to that, he held various positions in the ABB Group. Currently, François Gabella is Chairman of the Board of Directors on Natron Energy, he serves on the Board of Directors of Fischer Connectors AG, LEM Holding AG, Optotune AG, Nextlens AG and Sonceboz AG. He is Vice President of Swissmem and Vicepresident of the Advisory Board of Switzerland Global Enterprise. He received a Master's degree in Microengineering from Ecole Polytechnique Fédérale de Lausanne (EPFL) and an MBA from IMD Lausanne.

Dr. Anja König Non-Executive Director, Swiss national, born in 1970

Anja König has been a non-executive member of the Board of Directors of Sensirion Holding since 2021. She serves as a member of the Independent Director's Committee. Since 2017, Anja König has been Global Head of the Novartis Venture Fund (NVF) in Basel, Switzerland. Prior to that, she held the position of Managing Director at NVF for 10 years. In the context of her work at NVF, she has served on more than fifteen private biotech and foundation boards in the US, Europe and Asia. From 2000 to 2006, Anja König was an Associate Partner at McKinsey & Company in New York. She is currently also a member of the Foundation Board and Foundation Board Committee at the Swiss National Science Foundation (SNF). Anja König holds a master's degree (Diploma) in physics from Ludwig-Maximilians-Universität in Munich and a PhD in theoretical physics from Cornell University.

Dr. Franz Studer Non-Executive Director, Swiss national, born in 1965

Franz Studer has been a non-executive member of the Board of Directors of Sensirion Holding since 2019. He serves as member of the Audit Committee. Since 2012, he has served as Investment Director and Member of the Executive Committee of EGS Beteiligungen AG. In 2010 and 2011, he was CEO/COO of aizo group. Prior to that, for more than ten years, Franz Studer held various management positions at Bühler AG, including Commercial Director, Vice President, Engineered Products. From 1994 until 1999, he served as attorney at a law firm in Zurich. Currently, he serves on the Board of Directors of Roth Gerüste AG (Chairman of the Board), FAES AG (Chairman of the Board), Kantonsspital Winterthur (Chairman of the Board) and HUBER + SUHNER AG. Franz Studer received both a Master's and PhD degree from the Faculty of Law, University of Zurich, bar admission from the Canton of Zurich and an Executive MBA from the University of St. Gallen.

Changes in the Composition of the Board of Directors

At the Annual General Meeting on 18 May 2021, all members of the Board of Directors were re-elected for another term of office until completion of the next Annual General Meeting to be held in 2022, and Anja König was elected as an additional member of the Board of Directors. As part of its long-term succession planning, the Board of Directors decided that a temporary extension to seven members for one year will ensure a sustainable transition until Heinrich Fischer will reach the extended age limit for members of the Board of Directors in 2022.

Other functions and activities

Pursuant to Article 29 of the Articles of Association, no member of the Board of Directors may hold more than ten mandates on the supreme governing body of companies other than Sensirion Holding AG or its subsidiaries, of which not more than four may be in listed companies.

Elections and terms of office

The members of the Board of Directors and the Chairman (or the two Co-Chairmen) of the Board of Directors are elected individually by the general meeting of shareholders for a term of office until completion of the next Annual General Meeting. Re-election is permitted. If the office of both Co-Chairmen is vacant, the Board of Directors has to appoint a new Chairman from among its members for a term of office until completion of the next Annual General Meeting. The Organizational Regulations of Sensirion Holding AG provide that the Board of Directors shall not propose any candidate for election to the Board of Directors who is aged 70 years or above. On an exceptional basis, the Board of Directors may propose candidates aged up to 75 years.

Internal organization

The Board of Directors may appoint one or several vice-chairmen from among its members. The Board also has to appoint a secretary, who need not be a member of the Board of Directors. According to the Articles of Association and the Organizational Regulations, the Board of Directors meets at the invitation of the competent Co-Chairman as often as required and at least four times a year, or whenever a member of the Board of Directors so requests in writing. In 2021, the Board of Directors held eleven meetings, six of which were telephone conferences. The meetings lasted on average approximately eight hours each and the telephone conferences approximately one hour. All on-site meetings were attended by all members of the Board of Directors. The CEO and CFO regularly participate in meetings of the Board of Directors in an advisory capacity. Other members of the Executive Committee are invited to advise on individual items of the agenda.

According to Article 3.6 of the Organizational Regulations and subject to certain exceptions, the Board of Directors is quorate when the majority of its members (including at least one Co-Chairman) is present. Generally, the Board of Directors may adopt a resolution by the majority of the votes cast. In case of a tie, the Co-Chairman who chairs the meetings of the Board of Directors has the casting vote. However, according to the Organizational Regulations, (i) decisions regarding the registration or non-registration of acquirers of shares as shareholders with voting rights in deviation from the regulations governing such registrations and (ii) amendments to the Organizational Regulations that are not of a merely formal nature or made to conform to statutory requirements require the consent of all members of the Board of Directors. Resolutions of the Board of Directors may also be passed by way of written consent (including consent by e-mail or other electronic communication), provided that no member of the Board of Directors requests oral deliberations.

Powers and duties

The Board of Directors is responsible for the ultimate direction of the Company and the Group's business and the supervision of the persons entrusted with the management of Sensirion. The Board of Directors represents Sensirion Holding AG vis-à-vis third parties and manages all matters that have not been delegated to another corporate body by law, the Articles of Association, the Organizational Regulations or other internal regulations.

Pursuant to Article 19 of the Articles of Association, the non-transferable and inalienable duties of the Board of Directors include:

- the ultimate management of the Company and the issuance of necessary instructions;
- the determination of the organization of the Company;
- the structuring of the accounting system, the financial controls and the financial planning;
- the appointment and dismissal of the persons entrusted with management and representation of the Company and issuance of rules on the signature authority;
- the ultimate supervision of the persons entrusted with management, in particular in view of compliance with the law, the Articles of Association, regulations and directives;
- the preparation of the annual report and the compensation report;
- the preparation of the general meeting of shareholders and the implementation of its resolutions;
- the adoption of resolutions on the increase of the share capital to the extent that such power is vested in the Board of Directors, the confirmation of capital increases, the preparation of the report on the capital increase and the respective amendments to the Articles of Association (including deletions);
- the non-transferable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act;
- the notification of the judge if liabilities exceed assets; and
- other powers and duties reserved to the Board of Directors by law or the Articles of Association.

In addition, Article 3.3 of the Organizational Regulations reserves the powers of the Board of Directors (i) to approve the annual investment and operating budgets of the Company and the Group, (ii) to approve certain major transactions, including the purchase and sale of real estate, the raising of financial indebtedness outside of the ordinary course of business, the granting of unsecured loans and guarantees exceeding CHF 2 million, any unbudgeted non-recurring investment exceeding CHF 2 million and any recurring expenses exceeding CHF 500,000 per year, (iii) to adopt or amend the Company's compensation and benefits strategy and the basic elements of the compensation system for the members of the Board of Directors and of the Executive Committee, (iv) to adopt or amend any participation or incentive plans for the members of the Board of Directors, the Executive Committee, or other employees, (v) subject to shareholder approval of the maximum aggregate compensation, to approve the compensation of each member of the Board of Directors, (vi) to establish the Company's dividend policy and to approve share buy-back programs, and (vii) to exercise shareholder rights in other Group companies and to supervise their business operations. Further, the Nomination and Compensation Committee proposes the individual fixed and variable compensation of the members of the Executive Committee to the Board of Directors for approval.

In accordance with and subject to Swiss law, the Articles of Association and the Organizational Regulations, the Board of Directors has delegated the Company's management to the Executive Committee under the direction of the CEO.

The Co-Chairmen

According to Article 4 of the Organizational Regulations, each Co-Chairman may exercise all powers of a Chairman externally and may represent the Company like a Chairman using the title of Co-Chairman. One Co-Chairman is to chair the meetings of the Board of Directors (as of 31 December 2021 Moritz Lechner) and the other Co-Chairman is to chair the annual general meeting of shareholders (as of 31 December 2021 Felix Mayer). The Co-Chairman who is to chair the meetings of the Board of Directors has the casting vote at meetings of the Board of Directors. Further, the Board of Directors has delegated the preparation and implementation of its resolutions as well as the supervision of particular matters to the Co-Chairmen. Should a Co-Chairman be unable to exercise his functions, his functions are assumed by the other Co-Chairman or, if the latter should also be unavailable, by another member of the Board of Directors appointed by the Board of Directors.

Board Committees

The Board of Directors has established three standing board committees: an audit committee (the "Audit Committee"), a nomination and compensation committee (the "Nomination and Compensation Committee"), and an independent directors' committee (the "Independent Directors' Committee"). According to the Organizational Regulations, each standing board committee has the power to procure any information and assistance from within the Company and the Group that it needs to discharge its responsibilities and is authorized to obtain subject-specific professional consultancy services from third parties at the expense of the Company. The chairperson of a board committee reports to the Board of Directors on the committee's activities. The minutes of the meetings of the board committees are available upon request to the members of the Board of Directors.

Audit Committee

The chairperson and the other members of the Audit Committee are appointed by the Board of Directors. According to Article 5.2 of the Organizational Regulations, a majority of the members of the Audit Committee shall be independent as defined by the Swiss Code of Best Practice for Corporate Governance of 2016, published by economiesuisse (the "Swiss Code"), and a majority of the members of the Audit Committee, including its chairperson, shall be experienced in financial and accounting matters. As of 31 December 2021, the Audit Committee consisted of Ricarda Demarmels (Chairwoman), Heinrich Fischer and Franz Studer.

According to the Charter of the Audit Committee attached to the Organizational Regulations, the Audit Committee's responsibilities include:

- assessing the quality and effectiveness of the external audit and the internal control system, including risk management;
- reviewing the Company's financial statements and the auditors' management letter;
- making recommendations to the Board of Directors regarding the submission of the Company's financial statements to the Annual General Meeting;
- assessing the performance, costs and independence of the external auditors;
- reviewing the scope of the external audit and any other matters pertaining thereto;
- ensuring appropriate reporting by the external auditors;
- reviewing any questions, comments or suggestions the external auditors may have regarding internal control, risk management, accounting practices and procedures with the external auditors and the CFO;
- supporting the Board of Directors in preparing the proposal to the general meeting of shareholders to elect or remove the external auditors;

- discussing any material legal or risk matters with the Executive Committee;
- supporting the Board of Directors with regard to financial planning and the principles of accounting and financial control;
- reviewing the appropriateness of the Audit Committee's powers and responsibilities at least annually and proposing any amendments to the Board of Directors; and
- any other tasks delegated to the Audit Committee by the Board of Directors.

The Audit Committee holds meetings as often as required, but in any event at least twice a year, or as requested by any of its members. In 2021, the Audit Committee held three meetings, which lasted on average approximately three hours each. All members of the Audit Committee, the CEO as well as the CFO in an advisory capacity, attended all meetings. External statutory auditors also participated in the meetings on specific topics.

Nomination and Compensation Committee

The members of the Nomination and Compensation Committee are elected by the general meeting of shareholders for a term of office until completion of the next Annual General Meeting. Re-election is possible. According to the Articles of Association, the compensation committee shall consist of at least three members of the Board of Directors, which also applies to the Nomination and Compensation Committee for so long as the functions of a nomination committee and a compensation committee are combined in one committee. In case of vacancies, the Board of Directors may appoint substitute members from among its members for a term of office until completion of the next Annual General Meeting. The chairperson of the Nomination and Compensation Committee is appointed by the Board of Directors. According to the Organizational Regulations, at least one member of the Nomination and Compensation Committee shall be independent as defined by the Swiss Code. As of 31 December 2021, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner and Heinrich Fischer, who were re-elected by the Annual General Meeting on 18 May 2021. Moritz Lechner and Felix Mayer, Co-CEOs until June 2016, have been proposed as members of the Nomination and Compensation Committee due to their long-standing experience with the Group and its workforce.

According to the Charter of the Nomination and Compensation Committee attached to the Organizational Regulations, the Nomination and Compensation Committee's responsibilities include:

- reviewing and submitting proposals to the Board of Directors regarding the Company's compensation and benefits strategy and the basic elements of the compensation for members of the Board of Directors and the Executive Committee;
- developing the compensation system for the members of the Board of Directors and of the Executive Committee and ensuring its implementation;
- reviewing and submitting proposals to the Board of Directors regarding any participation or incentive plans for the members of the Board of Directors, the Executive Committee or other employees;
- making grants under participation or incentive plans to members of the Executive Committee and delegating authority to make grants to beneficiaries other than members of the Executive Committee;
- reviewing and submitting proposals to the Board of Directors regarding the compensation of each member of the Board of Directors;
- resolving on the performance criteria and target values of the compensation of the members of the Executive Committee;
- proposing the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee to the Board of Directors for approval, subject to approval of the aggregate compensation by the Annual General Meeting;

- determining selection criteria for the succession of the members of the Board of Directors and its committees, the CEO and the other members of the Executive Committee (upon motion of the CEO) and establishing the related succession planning;
- assessing the performance of the members of the Board of Directors and its committees, as well as that of the members of the Executive Committee, on an annual basis;
- reviewing proposals to be made to the Board of Directors for the amendment of the Articles of Association, the Organizational Regulations or any other rules or regulations;
- reviewing the appropriateness of the Nomination and Compensation Committee's powers and responsibilities at least annually and proposing any amendments to the Board of Directors; and
- any other tasks delegated to the Nomination and Compensation Committee by the Board of Directors

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least twice a year, or as requested by any of its members. In 2021, the Nomination and Compensation Committee held two meetings, which lasted on average approximately two hours each. All members, as well as in one instance the CEO in an advisory capacity, attended all meetings.

Independent Directors' Committee

According to the Organizational Regulations, all members of the Board of Directors who are non-executive, have not been members of the Executive Committee for at least three years, have no or comparatively minor business relations with the Company and are not the Founders or other representatives of the shareholder pool to which the Founders belong collectively form the Independent Directors' Committee. The chairperson of the Independent Directors' Committee is appointed by the members of the Independent Directors' Committee and also acts as Lead Independent Director. As of 31 December 2021, the Independent Directors' Committee consisted of Heinrich Fischer (Chairman and Lead Independent Director), Ricarda Demarmels, François Gabella and Anja König.

The responsibilities of the Independent Directors' Committee include:

- approving any transactions between Anchor Shareholders (or their representatives on the Board of Directors) and the Group;
- resolving any matters in which an Anchor Shareholder (or its representative on the Board of Directors) has a conflicting interest;
- reviewing the appropriateness of the Independent Directors' Committee's powers and responsibilities at least annually and proposing any amendments to the Board of Directors;
- resolving any changes to the Independent Directors' Committee's powers; and
- any other tasks delegated to Independent Directors' Committee by the Board of Directors.

The Independent Directors' Committee holds meetings as often as required or as requested by any of its members. The Independent Directors' Committee held no meeting in 2021 since no matter to be reviewed or approved by the Independent Directors' Committee was pending.

Areas of responsibility of the Board of Directors and the Executive Committee

The Board of Directors has the ultimate responsibility for the business strategy of Sensirion and supervises the management of the Group. In particular, it decides on the strategic, organizational, accounting and financial planning framework of Sensirion.

The Board of Directors has delegated the management to the Executive Committee under the direction of the CEO. The powers and duties of the CEO and the Executive Committee are set forth in the Organizational Regulations. The CEO has all powers and duties that are not reserved to the Board of Directors or the Co-Chairmen by virtue of law, the Articles of Association or the Organizational Regulations. The CEO chairs the Executive Committee and is responsible for:

- preparing and implementing resolutions of the Board of Directors and making proposals to the Board of Directors;
- organizing, managing and supervising the day-to-day business;
- making proposals regarding the appointment of other members of the Executive Committee and for the approval of certain major transactions;
- organizing the Executive Committee and preparing, calling and chairing Executive Committee meetings; and
- ensuring a timely and orderly flow of information between the Executive Committee and the Board of Directors.

The Executive Committee shall support the CEO in the discharge of his duties and shall consider and decide on all matters and decisions material to the Group that are within its purview. The Executive Committee meets on a regular basis in accordance with the guidelines and instructions established from time to time by the CEO.

Information and control instruments vis-à-vis the Executive Committee

The CEO informs the Board of Directors at its meetings on the current course of business and all major business matters of the Company or the Group companies. On a quarterly basis, the CEO informs the Board of Directors on quarterly results (with a comparison to the budget and the result of the previous quarter and the same quarter of the previous year), the Company's financial situation, as well as any developments that might have a significant impact on the course or conduct of business. Any extraordinary matters must be reported by the CEO to the members of the Board of Directors without delay.

The Co-Chairmen maintain close contact with the CEO and the other members of the Executive Committee. The course of business and all major issues are discussed at regular meetings with the CEO and/or the CFO scheduled at least once a month. Each member of the Board of Directors may request information from the CEO and from the other members of the Executive Committee on the course of business.

The Executive Committee updates the Board of Directors on the status of the business plan and key financial figures on a monthly basis. Disruptive differences to the business plan are reported by the CEO to the Co-Chairmen on a case-by-case basis. The yearly forecast and business plan are approved by the Board of Directors.

The internal audit, control and risk management systems within the Group are based on structured and assigned competencies, which are implemented in the ERP system based on function and legal entity. To mitigate financial risks, the subsidiaries may not take out any credit lines nor any bank loans with third parties. Furthermore, clear delimitations of responsibilities and process-integrated controls such as the use of the dual control principle constitute additional control measures. During the financial year, specific control activities have been performed at subsidiary level to ensure a proper and reliable accounting from a stand-alone but also from a group view.

The correctness and effectiveness of the internal control system is ensured on an annual basis by process-independent auditing activities by internal audit team members and is regularly reported to the Executive Committee and the Audit Committee. The internal audit reports are made available to the external statutory auditors.

The subsidiaries report their financial results to the Executive Committee on a monthly basis. Recruiting of new staff at the subsidiary level has to be approved by the respective board of directors. In addition, the Board of Directors of Sensirion Automotive Solutions AG, Qmicro B.V. and Sensirion Connected Solutions AG receive a separate financial and business update from its businesses on a quarterly basis.

Executive Committee

In accordance with and subject to Swiss law, the [Articles of Association](#) and the [Organizational Regulations](#), the Board of Directors has delegated the Company's management to the Executive Committee under the direction of the CEO.

Members of the Executive Committee

According to the [Organizational Regulations](#), the CEO is appointed by the Board of Directors and shall not be a member of the Board of Directors. The other members of the Executive Committee are appointed or removed by the Board of Directors upon motion of the CEO.

As of 31 December 2021, the Executive Committee consisted of six members (including the CEO). The following table sets forth the name and position of each member of the Executive Committee.

Name	Appointed	Position
Dr. Marc von Waldkirch	2016	CEO
Dr. Johannes Bleuel	2012	VP Operations
Matthias Gantner	2012	CFO
Heiko Lambach	2011	VP Human Resources
Dr. Andrea Orzati	2013	VP Sales & Marketing
Dr. Johannes Schumm	2016	VP Research & Development

Other functions and activities

Pursuant to Article 29 of the [Articles of Association](#), no member of the Executive Committee may hold more than five mandates on the supreme governing body of companies other than Sensirion Holding AG or its subsidiaries, of which not more than one may be in listed companies.

Management contracts

Sensirion Holding AG has not entered into any management contracts with other companies (or individuals) not belonging to the Group.

Executive Committee



Marc von Waldkirch, CEO



Matthias Gantner, CFO



Heiko Lambach, VP Human Resources



Andrea Orzati, VP Sales & Marketing



Johannes Schumm, VP Research & Development



Johannes Bleuel, VP Operations

Executive Committee

Dr. Marc von Waldkirch CEO, Swiss national, born in 1974

Marc von Waldkirch has been serving as the Company's CEO since 2016. Before becoming CEO, he held a variety of management positions in the Group from 2005 to 2016, including Vice President Research & Development and Head of the Research & Development Liquid Flow Sensors. Before joining the Group, he worked as Research Assistant at the Swiss Federal Institute of Technology (ETH Zurich). Currently, Marc von Waldkirch serves on the Board of Directors of Tannerberg AG. He received a MSc in Physics and a PhD in Electrical Engineering, both from ETH Zurich.

Dr. Johannes Bleuel VP Operations, German national, born in 1971

Johannes Bleuel has been the Vice President Operations since 2012. Prior to joining the Group, he was COO of E-Senza Technologies GmbH for three years. Prior to that, he worked at Siemens Communications in Germany and the United States for nine years, where he held various management positions in R&D and Operations. He studied Physics at the Technical University Darmstadt (Dipl.Phys.) and holds a PhD in Physics from the Technical University Munich.

Matthias Gantner CFO, German national, born in 1964

Matthias Gantner has been serving as the Company's CFO since 2012. He has many years of experience in finance and, prior to joining the Group, he held the position of Head of Service and Sales Order Processing at allsafe Jungfalk for one year, where he was a member of the Executive Committee for the same period. Prior to that, he held various functions related to finance and controlling at Norican Group for thirteen years and worked as Controller at Schiesser Eminence Group for three years. He holds a degree in Business Administration from the University of Applied Sciences, Pforzheim (Dipl.-Betriebswirt).

Heiko Lambach VP Human Resources, German national, born in 1968

Heiko Lambach has been the Vice President Human Resources since 2011. Prior to joining the Group, he held various human resources positions, including the position of Director Human Resources at Shot Blast Europe (Georg Fischer) DISA Industrie AG for eight years. Prior to that, he worked as Human Resources Manager at FJA Feilmeier & Junker AG in Germany for five years. After studying Economics at the University of Applied Sciences in Bochum, he joined Orsay GmbH in Germany, where he started his career as Personnel Officer. Heiko Lambach holds a degree in Business Administration (Dipl.-Betriebswirt).

Dr. Andrea Orzati VP Sales & Marketing, Italian and Swiss national, born in 1973

Andrea Orzati has been Vice President Sales & Marketing since 2013. After joining the Group in 2008, he held various positions, including Vice President of Mobile & Consumer Business, Director International Sales and Manager Distribution Network. Before that, he worked for u-blox AG as Design Manager for three years and was a Research Group Leader at the Swiss Federal Institute of Technology (ETH Zurich) for two years. Currently, Andrea Orzati is partner of ILA Wine SCL. He studied Electronic Engineering at the University of Cagliari and holds a PhD in Microwave Electronics from ETH Zurich, as well as a joint MBA from the Ecole Poly technique Fédérale de Lausanne (EPFL) and the Faculty of Business and Economics of the University of Lausanne (HEC Lausanne).

Dr. Johannes Schumm VP Research & Development, German national, born in 1979

Johannes Schumm has been the Vice President Research & Development since 2016. Before that, he worked as Director of Research & Development Pressure Sensors and Project Manager. Prior to joining the Group in 2010, he was Research Assistant at the Swiss Federal Institute of Technology (ETH Zurich) for four years. He studied Electrical Engineering and Information Technology at RWTH Aachen University and received a PhD in Electrical Engineering from ETH Zurich.

Compensation, shareholdings and loans

Information on the compensation and shareholdings of the members of the Board of Directors and the Executive Committee are set forth in the Compensation Report starting on page 82.

Shareholders' participation rights

Voting rights restrictions and representation

At the general meeting of shareholders of Sensirion Holding AG, each registered share of Sensirion Holding AG entitles the owner to one vote. A shareholder may only exercise voting rights or rights associated therewith to the extent that such shareholder has been recorded in the share register as a shareholder with voting rights. No shareholder or proxy may, directly or indirectly, exercise voting rights attached to shares that he or she owns or represents that would collectively exceed 5% of the shares of Sensirion Holding AG recorded in the commercial register (the "Voting Limit"; see Article 12 of the Articles of Association). According to Article 12 para. 3 of the Articles of Association, a group clause applies to determine whether the Voting Limit is crossed. The Voting Limit does not apply to (i) the exercise of voting rights by shareholders or their proxies, respectively, to the extent that their shares are registered with voting rights in the share register (see above "Limitations on Transferability and Nominee Registrations" on page 59) or (ii) to the independent proxy to the extent that he has been appointed as proxy by shareholders. A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required for the amendment or cancelation of Article 12 para. 1 to 4 of the Articles of Association regarding the Voting Limit.

Shareholders of Sensirion Holding AG may elect to be represented at a general meeting of shareholders by the independent proxy, by their legal representative or, by means of a written proxy, by any other proxy, who need not be a shareholder. On 18 May 2021, the Annual General Meeting re-elected Law Office Keller Partnership, Zurich, as the independent proxy of Sensirion Holding AG for a term of office until completion of the next Annual General Meeting.

Quorum and majorities required by the Articles of Association

There is no provision in the Articles of Association requiring the presence of shareholders to constitute a quorum for general meetings of shareholders.

Shareholders' resolutions generally require the approval of an absolute majority of the votes represented at the general meeting of shareholders, unless otherwise required by Swiss law or the Articles of Association. A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required by law and the Articles of Association for (i) any amendment of the Company's purpose; (ii) the creation or cancelation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares and the cancelation of such a restriction; (iv) an authorized or conditional share capital increase; (v) a share capital increase by conversion of equity surplus, against contributions in kind or for purposes of an acquisition of assets, or the granting of special benefits; (vi) the limitation or withdrawal of pre-emptive rights of shareholders; (vii) the relocation of the registered office of the Company; (viii) the dissolution of the Company; and (ix) mergers, demergers and conversions pursuant to the Swiss Merger Act. In addition, such qualified majority is also required pursuant to Article 13 para. 2 section 10 of the Articles of Association for the amendment or cancellation of the following provisions of the Articles of Association, with the exception of editorial or technical amendments:

(w) the provisions regarding the share register, restrictions on the registration of shareholders therein, and nominees (Article 5), (x) the provisions regarding shareholders' right to vote, including the Voting Limit (Article 12 para. 1 to 4), (y) the provision regarding the size of the Board of Directors (Article 14) and (z) the provision regarding the opting-up in relation to the obligation to make a mandatory tender offer (Article 33).

Calling and agenda of the general meeting of shareholders

General meetings of shareholders are convened by the Board of Directors or, if necessary, by the external auditors in accordance with Swiss law. An extraordinary general meeting of shareholders must be convened upon resolution of a general meeting of shareholders or upon written request by one or several shareholders who represent an aggregate of at least 10% of the Company's share capital recorded in the commercial register, provided that such request specifies the agenda items and the proposals or, in case of elections, the names of the proposed candidates. One or several shareholders who represent an aggregate of at least 3% of the Company's share capital recorded in the commercial register have the right to request that a specific proposal be put on the agenda for the next general meeting of shareholders. The Articles of Association require that such request is communicated to the Board of Directors at least 45 calendar days prior to the next general meeting.

A general meeting of shareholders is convened at least 20 calendar days prior to such meeting by publishing a notice of the meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). Registered shareholders may in addition be notified of a general meeting of shareholders in writing.

Registration in the share register

Prior to a general meeting of shareholders, the Board of Directors will determine the date on which a shareholder has to be registered in the share register in order to exercise his or her participation and voting rights in the general meeting of shareholders. This record date will be published, together with the invitation to the general meeting of shareholders, in the Swiss Official Gazette of Commerce. As a rule, the share register will be closed for new entries around 10 days prior to the general meeting of shareholders.

Changes of control and defense measures

Duty to make an offer and opting-up

Pursuant to the Swiss Federal Financial Market Infrastructure Act ("FMIA"), any person that acquires equity securities of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of 33 $\frac{1}{3}$ % of the voting rights (whether exercisable or not) of such company must submit a public tender offer to acquire 100% of the listed equity securities of such company. Article 33 of the Articles of Association of Sensirion Holding AG provides for an opting-up pursuant to art. 135 para. 1 FMIA by raising such threshold to 40% of the voting rights of Sensirion Holding AG. Accordingly, the rules regarding mandatory tender offers would only be triggered if the threshold of 40% of the voting rights is exceeded.

Clauses on changes of control

Sensirion Holding AG granted restricted share units ("RSUs") outstanding as of 31 December 2021 to employees of the Group, including members of the Executive Committee, under the Bonus and Restricted Share Unit Plan of Sensirion Holding AG (see Compensation Report on pages 85 to 87). In the event of a change of control of Sensirion Holding AG, the Board of Directors may in its sole discretion (i) terminate unvested RSUs against compensation, (ii) convert, replace or roll over unvested RSUs and (iii) in the event of a conversion, sell the shares resulting from such conversion.

Auditors

Duration of the mandate and term of office of the lead auditor

KPMG AG (“KPMG”), Badenerstrasse 172, 8036 Zurich, Switzerland has acted as statutory external auditor of Sensirion Holding AG since 2008. The Annual General Meeting re-elected KPMG as external auditors on 18 May 2021. Silvan Jurt (Partner) has been acting as the responsible lead auditor since 2019. In accordance with Swiss law, the lead auditor will rotate at least every seven years.

Auditing fees and additional fees

In the financial year 2021, total auditing fees charged by KPMG for the audit of the consolidated financial statements of Sensirion Holding AG and its Group companies as well as the audit of the statutory financial statements of Sensirion Holding AG amounted to CHF 342,000. This includes audit-related additional fees of CHF 104,000.

For additional services performed by KPMG in the financial year 2021, Sensirion was charged total non-auditing fees as follows.

Additional fees , in thousand of CHF	Amount
Tax advice	61
Equal pay analysis	7
Total	68

Information instruments

The Board of Directors exercises its responsibility for the supervision of the auditors through the Audit Committee which assesses the quality and effectiveness of the external audit on a regular basis. The Audit Committee reviews the scope of the external audit, the audit plan, as well as the results of the external audit. Further, the Audit Committee reviews any questions, comments or suggestions of the external auditors regarding internal control, risk management and accounting practices and procedures with the external auditors and the CFO.

In addition to the audit reports on the consolidated financial statements and the statutory financial statements of Sensirion Holding AG, the external auditors prepare a comprehensive report for the Board of Directors pursuant to Article 727a CO. The Audit Committee discusses the comprehensive report and the results of the external audit in detail with the external auditors.

The lead auditor attended all meetings of the Audit Committee. Further, the Audit Committee assesses the performance, costs and independence of the external auditors on an annual basis and supports the Board of Directors in preparing the proposal to the general meeting of shareholders to elect the external auditors.

The Audit Committee verifies that any additional services of the external auditors not relating to the audit services are provided within the independence requirements pursuant to Swiss law. The external auditors are required to confirm that their performance of these additional services will not affect their independence for the audit mandate.

Information policy

Sensirion Holding AG publishes its annual report and its interim report on the dates listed in the financial calendar set forth below and published on its Investor Relations website at <https://www.sensirion.com/financial-calendar>. Financial reports, press releases, information on corporate governance and share information are available on the Investor Relations website at <https://www.sensirion.com/investors>.

The CEO, the CFO and the Director Investor Relations regularly take part in various external investor meetings.

Sensirion Holding AG publishes price-sensitive information in accordance with its disclosure obligations pursuant to the rules of the SIX Swiss Exchange (rules on ad hoc publicity). Interested persons may join Sensirion's mailing list for ad hoc disclosures by subscribing for the company's financial media releases at <https://www.sensirion.com/financial-newsletter>. Further information for shareholders is available at <https://www.sensirion.com/ad-hoc-notices>.

General black-out periods

According to the Company's securities trading policy, members of the Board of Directors and the Executive Committee and employees directly reporting to them including their respective staff having access to inside information are prohibited from trading in shares and other securities of the Company as well as related financial instruments during the following periods due to their access to confidential information on a regular basis:

- the periods starting two weeks prior to the end of any half- and full-year reporting period of the Company and ending one full trading day following the public release of the respective results;
- the period starting two weeks before any other public earnings release of the Company and ending one full trading day following such public release; and
- the period starting four weeks prior to the first public release of an offering memorandum for the issuance of shares or other securities of the Company and ending one full trading day following such public release.

Contact

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Financial calendar

- 15 March 2022** 2021 full-year results and annual report
- 16 May 2022** Annual general meeting
- 24 August 2022** 2022 half-year results and interim report

Compensation Report

This Compensation Report describes Sensirion's principles of compensation and provides information on the compensation awarded to the members of the Board of Directors and the Executive Committee in the financial year 2021. The Compensation Report has been prepared in accordance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (the "Compensation Ordinance"), item 5 of the Directive on Information relating to Corporate Governance of SIX Exchange Regulation and the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse* (the "Swiss Code").

The Compensation Report will be presented to the annual general meeting of shareholders of Sensirion Holding AG (the "Annual General Meeting") on 16 May 2022 for a consultative vote.

Basic principles of compensation

The compensation system of Sensirion aims to attract, engage and retain talented, highly qualified and motivated executives and employees to implement Sensirion's strategy, to ensure sustainable corporate growth, to foster an entrepreneurial mindset and to create long-term sustainable shareholder value. The key principles of our compensation system are based on our company values "fair and honest, work together, top performance" and are as follows:

- Fairness, transparency and simplicity (reflecting "fair and honest");
- Reward for performance (reflecting "top performance");
- Focus on sustainable long-term value creation, thereby aligning executives' and employees' interests with shareholders' interests (reflecting "work together").

In order to implement the above-mentioned principles, we treat all employees, including the Executive Committee, in the same manner regarding remuneration. In addition, as a result of Sensirion's long-term business perspective based on the fact that the majority of projects worked on in a given year only generate relevant revenues within a timeframe of two to four years, Sensirion does not believe that a very short-term view reflects all considerations pertaining to an annual bonus. As a consequence, our guiding principles for the annual bonus are as follows:

- Employees participate in the long-term development of Sensirion by way of the Bonus and RSU Plan.
- At Sensirion, individual performance is assessed against pre-defined individual performance objectives and discussed with the supervisor as part of a year-end personal review meeting where new individual performance objectives are determined for the following year.
- Sensirion believes that individual performance cannot be fully measured by key performance indicators only and that looking at quantitative targets only may create wrong incentives. Therefore, (i) the major part of an employee's compensation consists of a fixed base salary and the variable bonus only accounts for a small portion of the total compensation and (ii) the bonus takes into account the overall assessment of an employee's individual performance by their direct supervisor. The annual bonus typically amounts to up to 10% of fixed compensation for employees and up to 20% of fixed compensation for members of the Executive Committee.
- For the members of the Executive Committee, the aggregate variable compensation proposed to the Annual General Meeting by the Board of Directors is subject to approval by the Annual General Meeting before being executed.

Compensation governance

Responsibility for compensation

In accordance with the [Articles of Association](#) and the [Organizational Regulations](#) of Sensirion Holding AG, the Board of Directors is responsible for the compensation and benefits strategy of Sensirion and for the basic elements of the compensation system for the members of the Board of Directors and of the Executive Committee. The Board of Directors approves the individual compensation of the members of the Board of Directors and the Executive Committee subject to approval of the maximum aggregate compensation by the Annual General Meeting.

The Nomination and Compensation Committee supports the Board of Directors in compensation-related matters. It consists of at least three members of the Board of Directors, of which at least one member must be independent as defined by the Swiss Code. As of 31 December 2021, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner and Heinrich Fischer, who were re-elected by the Annual General Meeting on 18 May 2021. According to the Charter of the Nomination and Compensation Committee attached to the [Organizational Regulations](#), the Nomination and Compensation Committee has the following main tasks:

- developing the compensation system for the members of the Board of Directors and the Executive Committee and ensuring its implementation;
- making grants under participation or incentive plans to members of the Executive Committee and delegating authority to make grants to beneficiaries other than members of the Executive Committee;
- resolving on the performance criteria and target values of the compensation of the members of the Executive Committee; and
- proposing the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee to the Board of Directors for approval, subject to approval of the aggregate compensation by the Annual General Meeting.

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least two times a year, or as requested by any of its members. In 2021, the Nomination and Compensation Committee held two meetings, which all members attended. The Chairman of the Nomination and Compensation Committee reports to the Board of Directors on the committee's activities. The minutes of the meetings of the Nomination and Compensation Committee are available upon request to the members of the Board of Directors.

Additional information on the Nomination and Compensation Committee is provided in the Corporate Governance Report on page 69 and 70.

Authorities in compensation-related matters

	AGM	Board	NCC	CEO
Compensation and benefits strategy; basic elements of the compensation system		Approves	Proposes	
Maximum aggregate compensation of the Board	Approves	Proposes	Proposes	
Individual compensation of Board members		Approves	Proposes	
Maximum aggregate fixed compensation of the EC (prospective)	Approves	Proposes	Proposes	
Aggregate variable compensation of the EC (retrospective)	Approves	Proposes	Proposes	
Individual compensation of the CEO		Approves	Proposes	
Individual compensation of other EC members		Approves	Proposes	Proposes
Performance criteria and target values of compensation of EC members			Approves	Proposes
Compensation Report	Consultative vote	Approves	Proposes	

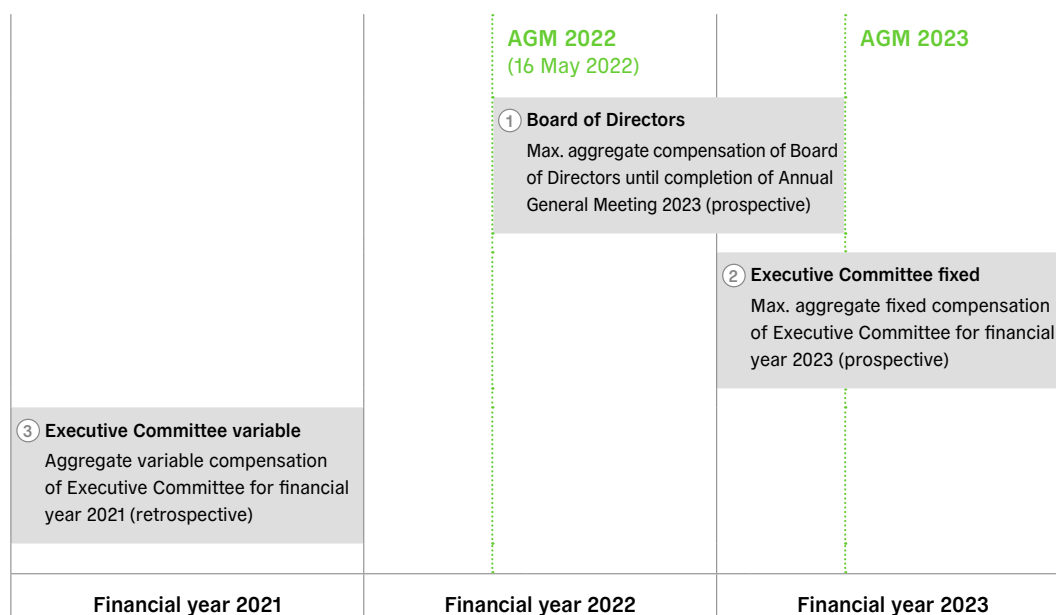
AGM: Annual General Meeting; Board: Board of Directors; NCC: Nomination and Compensation Committee; CEO: Chief Executive Officer; EC: Executive Committee

Shareholders' approval of compensation (Say on Pay)

In accordance with Article 18 of the Compensation Ordinance and Article 25 of the [Articles of Association](#), the Annual General Meeting must approve the proposals by the Board of Directors regarding the aggregate amounts of:

- (1) the maximum compensation of the Board of Directors until completion of the next Annual General Meeting;
- (2) the maximum fixed compensation of the Executive Committee for the following financial year; and
- (3) the variable compensation of the Executive Committee for the preceding financial year.

The following chart shows for which periods proposals on compensation will be submitted for approval to the Annual General Meeting on 16 May 2022.



If the maximum aggregate amount of compensation of the Executive Committee already approved by the Annual General Meeting is not sufficient to also cover the compensation of persons newly appointed to or promoted within the Executive Committee, each such person may be paid up to 40 % (in the case of the CEO) or 20 % (all other members of the Executive Committee), as applicable, of the aggregate amount of (maximum) compensation of the Executive Committee last approved by the Annual General Meeting.

Compensation rules in the Articles of Association

The Articles of Association of Sensirion Holding AG, which can be found on our website (<https://www.sensirion.com/articles-of-association-internal-regulations>), provide for the principles of compensation applicable to the Board of Directors and the Executive Committee. These provisions include:

- Approval of the compensation of the Board of Directors and the Executive Committee by the Annual General Meeting (Article 25);
- Supplemental amount for changes to the Executive Committee (Article 26); and
- Principles of compensation of the members of the Board of Directors and the Executive Committee (Article 27).

The Articles of Association do not provide for the granting of loans and credit facilities to the members of the Board of Directors or the Executive Committee.

Compensation of the members of the Board of Directors

Compensation structure

The compensation for the members of the Board of Directors consists exclusively of a fixed compensation in cash to ensure that the Board of Directors remains independent in exercising its supervisory duties towards the Executive Committee. In accordance with the Articles of Association, the Board of Directors determines the amount of compensation of its members based on their position and level of responsibility on an annual basis.

The Co-Chairmen are both acting for Sensirion AG, Stäfa, Switzerland, each on a 50% basis, and are responsible for sensor innovation and strategic tasks. They are not involved in the day-to-day management of Sensirion. For their work, each Co-Chairman receives a fixed compensation of CHF 250,000 p.a., consisting of CHF 100,000 for their role as Co-Chairman and CHF 150,000 for sensor innovation and strategic tasks. In addition, they participate in the occupational pension plans of Sensirion. The Co-Chairmen are neither entitled to a performance-related compensation nor to any additional compensation as Co-Chairmen and chairman or member of any committee.

The compensation awarded to the other members of the Board of Directors consists of a fixed board membership fee of CHF 50,000 p.a. and additional fixed fees as chairperson or member of a committee of the Board of Directors as set forth below.

Elements of Board compensation (in CHF per year)	Chairperson	Member
Board of Directors	250,000 ¹	50,000
Audit Committee (AC)	30,000	20,000
Nomination and Compensation Committee (NCC)	n/a ²	10,000 ³
Independent Directors' Committee (IDC)	10,000	10,000

¹ Each Co-Chairman receives a fixed compensation of CHF 250,000 p.a. by Sensirion AG, each on a 50% basis, CHF 100,000 for their role as Co-Chairman and CHF 150,000 for sensor innovation and strategic tasks. The Co-Chairmen do not receive any additional compensation as Co-Chairmen of the Board of Directors.

² Dr. Felix Mayer, Co-Chairman, does not receive any additional compensation as chairman of the NCC.

³ Dr. Moritz Lechner, Co-Chairman, does not receive any additional compensation as member of the NCC.

In 2021 for a second time after 2018, prior to the IPO at that time, Sensirion performed a comparison of the compensation for the members of the Board of Directors with peers listed on the SIX Swiss Exchange from the technology and manufacturing sectors with revenues in the range of CHF 50-600 million.

In addition, all members of the Board of Directors may be compensated with an additional fee in exceptional circumstances for performing special tasks for Sensirion, assigned to them and approved by the Board of Directors, that are outside of their regular duties and activities as members of the Board of Directors.

The members of the Board of Directors are compensated in cash. The cash compensation is paid to the Co-Chairmen on a monthly basis and to the other members of the Board of Directors on an annual basis in arrears. Further, the members of the Board of Directors are reimbursed for all reasonable expenses incurred by them in the discharge of their duties.

The Nomination and Compensation Committee reviews the annual compensation of the members of the Board of Directors and submits a proposal to the Board of Directors regarding the compensation of each member of the Board of Directors on an annual basis. The Co-Chairmen and the other members of the Nomination and Compensation Committee participate in meetings of the Nomination and Compensation Committee where their compensation is discussed. The Nomination and Compensation Committee decides collectively on the overall proposal to the Board of Directors regarding the individual compensation of the members of the Board of Directors. The Board of Directors approves collectively in one vote the individual compensation of the Co-Chairmen and its other members as well as the proposal to the Annual General Meeting regarding the aggregate amount of the maximum compensation for all of its members once per year in a meeting where all members are present..

Compensation awarded to the members of the Board of Directors

As of 31 December 2021, the Board of Directors consisted of seven members. At the Annual General Meeting on 18 May 2021, all current members of the Board of Directors were re-elected for another period and Anja König was elected as a new member of the Board of Directors. For the financial years 2021 and 2020, the compensation of the members of the Board of Directors is set out in the table below.

The compensation awarded to the members of the Board of Directors for the term up to the Annual General Meeting 2021 was within the maximum aggregate amount of compensation approved by the Annual General Meeting 2020 as set forth below. The maximum aggregate amount of compensation for the members of the Board of Directors for the current term was approved at the Annual General Meeting on 18 May 2021.

Compensation period	Approved (CHF)	Effective (CHF)
AGM 2020 – AGM 2021	930,000	925,051
AGM 2021 – AGM 2022	1,010,000	to be determined ¹

AGM: Annual General Meeting

¹ The effective amount will be disclosed in the 2022 Compensation Report.

Compensation of the Board of Directors in 2021 (audited)

In CHF	Basic compensation	Additional compensation (committees, special tasks)	Pension benefits and social security contributions	Total compensation
Dr. Moritz Lechner, Co-Chairman	250,000 ²	–	45,643	295,643
Dr. Felix Mayer, Co-Chairman	250,000 ²	–	49,398	299,398
Ricarda Demarmels	50,000	40,000	6,767 ³	96,767
Heinrich Fischer	50,000	40,000	4,699 ³	94,699
François Gabella	50,000	10,000	4,511 ³	64,511
Dr. Anja König ¹	33,333	6,667	2,938 ³	42,938
Dr. Franz Studer	50,000	20,000	5,263 ³	75,263
Total	733,333	116,667	119,219	969,219

¹ Member of the Board of Directors since 18 May 2021.

² Each Co-Chairman receives a fixed compensation of CHF 250,000 p.a. by Sensirion AG, each on a 50% basis, consisting of CHF 100,000 for their role as Co-Chairman and CHF 150,000 for sensor innovation and strategic tasks. The Co-Chairmen do not receive any additional compensation as Co-Chairmen of the Board of Directors.

³ Social security contributions required by Swiss Law.

Compensation of the Board of Directors in 2020 (audited)

In CHF	Basic compensation	Additional compensation (committees, special tasks)	Pension benefits and social security contributions	Total compensation
Dr. Moritz Lechner, Co-Chairman	250,000 ¹	–	40,405	290,405
Dr. Felix Mayer, Co-Chairman	250,000 ¹	–	44,188	294,188
Ricarda Demarmels	50,000	40,000	6,654 ²	96,654
Heinrich Fischer	50,000	40,000	4,607 ²	94,607
François Gabella ²	50,000	10,000	4,436 ²	64,436
Dr. Franz Studer ²	50,000	20,000	5,070 ²	75,070
Total	700,000	110,000	105,360	915,360

¹ Each Co-Chairman received a fixed compensation of CHF 250,000 p.a. by Sensirion AG, each on a 50% basis, consisting of CHF 100,000 for their role as Co-Chairman and CHF 150,000 for sensor innovation and strategic tasks. The Co-Chairmen did not receive any additional compensation as Co-Chairmen of the Board of Directors.

² Social security contributions required by Swiss Law.

Loans or Credits to members of the Board of Directors (audited)

As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and current members of the Board of Directors.

Former members of the Board of Directors (audited)

In 2021, no compensation was paid to former members of the Board of Directors. As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and former members of the Board of Directors.

Related parties of members of the Board of Directors (audited)

In 2021, no compensation was paid to parties closely related to current or former members of the Board of Directors. As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and parties closely related to current or former members of the Board of Directors.

Compensation of the members of the Executive Committee

Compensation structure

The compensation for the members of the Executive Committee (or “EC”) consists of an annual base salary, benefits and a bonus awarded in the form of restricted shares and restricted share units (“RSUs”).

Compensation components	Instrument	Purpose	Influenced by
Annual base salary	Basic fixed compensation Paid in cash on a monthly basis	Attract and retain talented and highly qualified executives	Position Experience Competitive market
Bonus (share-based compensation)	Annual variable bonus Paid in restricted shares and RSUs	Reward individual and company performance Align to shareholders' interest Foster entrepreneurial mindset	Contribution to short-, mid- and long-term goals of the company Personal initiative Individual extra efforts
Benefits	Pension benefits and social security contributions Allowances in kind	Risk protection for participants and their dependents	Market practice and position Legal requirements

Base salary

Members of the Executive Committee receive an annual base salary as fixed compensation paid in cash on a monthly basis. It reflects the scope and key areas of responsibility of the position, the qualification and skills required to perform the role, and the experience, seniority and skill set of the individual person. The base salary is reviewed and determined on an annual basis by the Nomination and Compensation Committee and approved by the Board of Directors. The CEO makes recommendations to the Nomination and Compensation Committee for the base salary of the other members of the Executive Committee.

In 2021, Sensirion performed a comparison of the compensation for the members of the Executive Committee with peers listed on the SIX Swiss Exchange from the technology and manufacturing sectors with revenues in the range of CHF 50-600 million.

Bonus (Equity Award)

Members of the Executive Committee are awarded an annual bonus as variable compensation paid in restricted shares subject to a blocking period of three years and in RSUs subject to a vesting period of three years under Sensirion's Bonus and Restricted Share Unit Plan (the "Bonus and RSU Plan"), as further described below. As a result, the annual bonus consists of both a short-term incentive and a long-term incentive. According to Article 25 of the [Articles of Association](#), the aggregate amount of the annual bonuses awarded to the members of the Executive Committee is subject to the approval of the variable compensation for 2021 by the Annual General Meeting on 16 May 2022.

The Nomination and Compensation Committee proposes the annual bonus of the CEO, and upon recommendation of the CEO, the annual bonus of each other member of the Executive Committee in its sole discretion on an annual basis.

In determining variable compensation, Sensirion takes an encompassing approach that considers both meeting measurable targets and qualitative factors. The number of restricted shares to be awarded is determined by dividing the bonus amount by an average price of the shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the shares as determined by the Company in its sole discretion (in 2021, 10 (ten) trading days), rounded up to the nearest full number of shares. The number of RSUs to be awarded is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee. In 2021, the RSUs awarded for the 2021 bonus of the members of the Executive Committee represented 100% of the value of the restricted shares to create long-term incentives and alignment with shareholders' interests. The Nomination and Compensation Committee submits the individual annual bonuses to be awarded to the members of the Executive Committee to the full Board of Directors for approval on an annual basis.

As a result of Sensirion's long-term business perspective based on sustainable innovation and resulting long investment cycles, common, mainly short-term-oriented, quantitative target metrics are considered inappropriate to determine the annual bonus of the members of the Executive Committee on a strictly mathematical basis. Sensirion believes that individual performance cannot be fully measured by key performance indicators only and that looking at quantitative targets only may create wrong incentives. Therefore, the major part of the compensation consists of a fixed base salary, and the variable bonus, which is based on performance criteria, only accounts for a small portion of the total compensation.

For the members of the Executive Committee and all other employees, individual performance objectives are pre-defined prior to the relevant financial year by such person's direct supervisor (for the CEO, the Co-Chairmen; for the other members of the Executive Committee, the CEO) and discussed as part of the year-end personal review meeting. At the end of each financial year, the individual performance of the members of the Executive Committee and all other employees is assessed against those objectives and considered when determining the annual bonus. In general, the annual bonus of the members of the Executive Committee and all other employees is determined by taking into account the following performance criteria, which are weighted by the Nomination and Compensation Committee in its sole discretion:

- **Individual criteria**

- Personal contribution to the short-, mid- and long-term goals of Sensirion and the team
- Personal initiative and willingness to take on responsibility
- Individual extra efforts to achieve short- and mid-term goals
- Team player and interdisciplinary skills
- Entrepreneurial approach to achieve Sensirion's goals

- **Additional criteria for team and project leaders**
 - Ability to attract, retain and coach talents in one's team
 - Communication and motivation skills
- **Team criteria**
 - Overall performance of the team
 - Achievement of the team's goals

As a result of this method to determine the annual bonus for the Executive Committee, Article 25 of the Articles of Association requires retrospective shareholder approval of the variable compensation. Therefore, the Company will not deliver the restricted shares and the RSUs granted with the annual bonus in 2021 to the members of the Executive Committee prior to the approval by the Annual General Meeting 2022.

As a consequence of a strong performance in 2021, achieving growth in all business areas in spite of challenging market conditions in connection with the COVID-19 pandemic, the Board of Directors, based on a suggestion of the Nomination and Compensation Committee, increased the bonus for all employees, including the Executive Committee, by 70% compared to a reference level (for comparison: in 2020, the bonus was increased by 50% compared to the reference level). As a result, in 2021, the variable compensation in the form of the annual bonus, including RSUs, awarded to members of the Executive Committee represented around 27% (in 2020 around 28%) of the base salary for the CEO and between 17% and 27% (in 2020 18% to 29%) of the base salary for the other members of the Executive Committee. As a rule, the amount of the annual bonus, including RSUs, granted to each member of the Executive Committee must not exceed 40% of such member's annual fixed base salary.

Details of the Bonus and RSU Plan

The Bonus and RSU Plan, which is applicable to all employees of Sensirion (including the members of the Executive Committee) eligible for a bonus, includes special provisions applicable to the members of the Executive Committee as set forth in this Compensation Report. In particular, members of the Executive Committee are awarded their bonus only in the form of restricted shares and RSUs, whereas the other employees may choose between a cash bonus or an equity bonus.

Restricted shares are subject to a blocking period of three years as from the date of grant, during which the shares may not be sold, otherwise transferred, pledged or made the object of hedging transactions. The Co-Chairmen, acting jointly, may waive this sale restriction in cases of hardship or in case of termination of employment to the extent permitted by law. As a rule, all restricted shares remain restricted until the expiration of the blocking period.

The RSUs granted under the Bonus and RSU Plan are subject to a cliff vesting three years after the date of grant, provided that the relevant participant has not given or received notice of termination of his or her employment as set forth below by the vesting date, and has not sold or otherwise transferred the economic benefit of or pledged any of the restricted shares allocated to him or her as part of the equity award. On the vesting date, each RSU is automatically converted into one share of Sensirion Holding AG. Sensirion may settle the RSUs with newly issued shares out of the Company's conditional share capital and/or out of the Company's treasury shares and/or with shares purchased in the open market.

In case of termination of the employment of a participant as a result of ordinary retirement, disability or death, such member's RSUs vest at the relevant vesting date. In all other cases of termination, all unvested

RSUs will be forfeited without any compensation. The Co-Chairmen, acting jointly, may provide for exceptions to the extent permitted by law.

In the event of the acquisition of 50% or more of the voting rights of all outstanding shares of Sensirion Holding AG, through the acquisition of securities or a merger or consolidation, or the sale of substantially all of the Company's assets to a third party, the Board of Directors may, in its sole discretion, (i) terminate unvested RSUs against compensation, (ii) convert, replace or roll over unvested RSUs and (iii) in the event of a conversion, sell the shares resulting from such conversion.

Benefits

Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and illness or accident. The current members of the Executive Committee are all employed under a Swiss employment agreement. They participate in Sensirion's occupational pension plan offered to all employees in Switzerland, whereby the base salary is insured up to the maximum amount permitted by law. Sensirion's pension benefits exceed the legal requirements of the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

In addition, members of the Executive Committee are eligible for standard benefits, such as a representation allowance and benefits in kind and, in particular, support when commuting by public transportation.

Shareholding ownership guideline

Pursuant to the Bonus and RSU Plan, no member of the Executive Committee shall sell or otherwise transfer their shares in Sensirion Holding AG if, as a result, the value of their shareholdings in Sensirion Holding AG falls below 100% of their last annual fixed and variable compensation. The value of the shareholdings held by an individual member of the Executive Committee is determined by multiplying the number of shares (including restricted shares) owned by such member with the market price of the shares.

Compensation awarded to members of the Executive Committee

In the financial year 2021, the Executive Committee consisted of six members. For the financial years 2021 and 2020, the compensation of the members of the Executive Committee is set out in the tables below. Compared to 2020, the 2021 base salaries of the members of the Executive Committee were generally increased marginally, except for one member whose salary was adjusted to reflect his extended experience and seniority. The bonuses in 2021 take into account the strong performance in 2021 and the comparison with peers prepared in 2018 prior to the IPO and repeated in 2021.

The fixed compensation awarded to the members of the Executive Committee for the financial year 2021 is within the maximum aggregate amount of fixed compensation of CHF 2,100,000 approved by the Annual General Meeting 2020.

Fixed compensation for the financial year	Approved (CHF)	Effective (CHF)
2021 (approved by the AGM 2020)	2,100,000	1,956,403

AGM: Annual General Meeting

Compensation of the Executive Committee in 2021 (audited)

Compensation Components (in CHF)	Marc von Waldkirch (CEO)	Other EC (5 members)	Total EC
Base salary	430,868	1,232,092	1,662,960
Pension and social security, for base salary	77,161	216,283	293,444
Total fixed compensation	508,029	1,448,375	1,956,404
Variable bonus (restricted shares and RSUs) ¹	116,966	276,100	393,066
Social security, for variable bonus	9,357	22,088	31,445
Total compensation	634,352	1,746,563	2,380,915

¹ Variable bonus is based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 125.60) and consists of 50% restricted shares subject to a blocking period of three years and 50% RSUs subject to a vesting period of three years, and is subject to approval by the Annual General Meeting on 16 May 2022. Following such approval, a revised fair value will be determined for accounting purposes only.

Compensation of the Executive Committee in 2020 (audited)

Compensation Components (in CHF)	Marc von Waldkirch (CEO)	Other EC (5 members)	Total EC
Base salary	430,868	1,193,544	1,624,412
Pension and social security, for base salary	71,099	195,640	266,739
Total fixed compensation	501,967	1,389,184	1,891,151
Variable bonus (restricted shares and RSUs) ¹	122,645	278,680	401,325
Social security, for variable bonus	9,812	22,294	32,106
Total compensation	634,424	1,690,158	2,324,582

¹ Variable bonus was based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 53.51) and consisted of 50% restricted shares subject to a blocking period of three years and 50% RSUs subject to a vesting period of three years, and was subject to approval by the Annual General Meeting on 18 May 2021. Following such approval, a revised fair value was determined for accounting purposes only.

Loans or credits to members of the Executive Committee (audited)

As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and current members of the Executive Committee.

Contracts with members of the Executive Committee

All members of the Executive Committee are employed under employment contracts of unlimited duration that are subject to a notice period of six months. None of the members of the Executive Committee is contractually entitled to termination payments or any change of control provisions other than the accelerated vesting and unblocking of equity awards as described above.

Former members of the Executive Committee (audited)

In 2021, no compensation was paid to former members of the Executive Committee. As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and former members of the Executive Committee.

Related Parties of members of the Executive Committee (audited)

In 2021, no compensation was paid to parties closely related to current or former members of the Executive Committee. As of 31 December 2021, there were no outstanding loans or credit facilities between Sensirion and parties closely related to current or former members of the Executive Committee.

Employee participation plans

As of 31 December 2021, Sensirion maintains an employee participation plan for its employees in Switzerland as well as for employees of Sensirion's foreign subsidiaries. The Bonus and RSU Plan applies to the bonus granted to employees for their performance in the financial year 2021 (the "2021 Bonus") and to any future bonuses.

Bonus and RSU Plan

The purpose of the Bonus and RSU Plan is to provide employees eligible for a bonus with an opportunity to participate in the creation of the long-term shareholder value of Sensirion. Sensirion Holding AG and its subsidiaries may award a bonus to their employees under the Bonus and RSU Plan, provided that such employees have not given or received notice of termination at the time of the award. The Executive Committee determines the bonus of the employees in its sole discretion on an annual basis. As a rule, the bonus amount shall not exceed 20% of an employee's annual fixed salary. The annual funding pool for the Bonus and RSU Plan allocated to participants is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee.

As a consequence of a strong performance in 2021, achieving growth in all business areas in spite of challenging market conditions in connection with the COVID-19 pandemic, the Board of Directors, based on a suggestion of the Nomination and Compensation Committee, increased the bonus for all employees, including the Executive Committee, by 70% compared to a reference level (for comparison: in 2020 the bonus has increased by 50% compared to the reference level). In 2021, Sensirion awarded bonuses to 807 employees who, in accordance with the Bonus and RSU Plan, were given the opportunity to choose between payment of their 2021 Bonus either in cash (the "Cash Bonus") or in restricted shares of Sensirion Holding AG subject to a blocking period of three years and additional RSUs subject to a vesting period of three years (the "Equity Bonus"). Any bonus is subject to the condition that the eligible employee has not been given notice of termination for cause by his or her employer during the election period. If an eligible employee does not notify Sensirion of his or her election during the election period,

he or she receives his or her 2021 Bonus in the form of a Cash Bonus. The election period for the 2021 Bonus ended on 4 January 2022.

For the Equity Bonus, the number of restricted shares is determined by dividing the amount of the Cash Bonus by an average price of the shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the shares as determined by the Company in its sole discretion (in 2021, 10 (ten) trading days), rounded up to the nearest full number of shares. The number of RSUs to be awarded is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee. In 2021, the RSUs awarded for the 2021 Bonus of all employees (other than the members of the Executive Committee) represented 25% of the value of the restricted shares.

For further information, please refer to the description of the Bonus and RSU Plan on page 90 and 91 of this compensation report.

Shares held by members of the Board of Directors and the Executive Committee

The details on shareholdings of the members of the Board of Directors and the Executive Committee are set forth in Note 3.5 of the statutory financial statements of Sensirion Holding AG on page 140 of the annual report.

Auditor's Report



Report of the Statutory Auditor

To the General Meeting of Sensirion Holding AG, Stäfa

We have audited the accompanying compensation report of Sensirion Holding AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables and sections labeled "audited" on pages 87, 88, 92 and 93 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2021 of Sensirion Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Matthias Bachmann
Licensed Audit Expert

Zurich, 14 March 2022

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Financial Report

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Consolidated Financial Statements

Consolidated Income Statement

In thousands of CHF, for the year ended 31 December	Note	2021	Δ in %	2020
Revenue	2.1	287,482	13.3 %	253,659
Cost of sales		(110,220)		(107,491)
Gross profit		177,262		146,168
– as % of revenue		61.7 %		57.6 %
Research and development expenses		(46,408)		(45,676)
Selling and distribution expenses		(23,753)		(23,697)
Administrative expenses		(30,320)		(24,045)
Operating profit (EBIT)¹		76,781	45.6 %	52,750
– as % of revenue		26.7 %		20.8 %
Financial result	2.3	(166)		(4,587)
Result of equity-accounted investees		(215)		(203)
Profit before tax		76,400		47,960
Income taxes	2.4	(10,491)		(3,957)
Profit for the period, attributable to owners of Sensirion Holding AG		65,909	49.8 %	44,003
– as % of revenue		22.9 %		17.3 %
Earnings per registered share				
Basic earnings per registered share (in CHF)	4.3	4.24		2.84
Diluted earnings per registered share (in CHF)	4.3	4.24		2.84
Earnings before interest, tax, depreciation and amortization (EBITDA)				
Earnings before interest, tax, depreciation and amortization (EBITDA)	1.5	91,149	34.2 %	67,906
– as % of revenue		31.7 %		26.8 %

¹ Defined as profit for the period before financial result, result of equity-accounted investees and income taxes (EBIT).

Consolidated Balance Sheet

In thousands of CHF	Note	31 December 2021	in %	31 December 2020	in %
Assets					
Cash and cash equivalents	4.1	112,104		61,933	
Financial assets (short term deposit)	3.4	–		30,000	
Trade receivables	3.1	27,824		26,402	
Prepaid expenses		1,866		1,325	
Other receivables	3.1	7,277		7,455	
Inventories	3.2	38,294		26,469	
Total current assets		187,365	63.2 %	153,584	59.7 %
Property, plant and equipment	3.3	64,845		62,992	
Financial assets	3.4	25,129		19,113	
Equity-accounted investees		4,650		6,587	
Intangible assets	3.5	14,432		15,100	
Total non-current assets		109,056	36.8 %	103,792	40.3 %
Total assets		296,421	100.0 %	257,376	100.0 %
Liabilities					
Trade payables		9,242		7,032	
Accrued expenses		14,085		9,544	
Employee benefits	3.6	10,439		8,070	
Provisions	3.7	2,897		1,876	
Other liabilities		5,729		5,916	
Total current liabilities		42,392	14.3 %	32,438	12.6 %
Employee benefits	3.6	3,718		3,202	
Provisions	3.7	7,551		3,959	
Deferred tax liabilities	2.4	6,766		3,508	
Total non-current liabilities		18,035	6.1 %	10,669	4.1 %
Total liabilities		60,427	20.4 %	43,107	16.7 %
Equity					
Share capital		1,557		1,557	
Capital reserve		153,999		151,211	
Treasury shares		(472)		(1,735)	
Retained earnings		80,910		63,236	
Total equity, attributable to owners of Sensirion Holding AG	4.2	235,994	79.6 %	214,269	83.3 %
Total liabilities and equity		296,421	100.0 %	257,376	100.0 %

Consolidated Statement of Cash Flows

In thousands of CHF, for the year ended 31 December

	2021	2020
Cash flows from operating activities		
Profit for the period	65,909	44,003
Adjustments for:		
- Depreciation and amortization	14,368	15,156
- Gain on sale of property, plant and equipment	-	(32)
- Other non-cash expense (income)	(375)	(45)
- Financial result without foreign exchange (gain) loss	138	1,394
- Result of equity-accounted investees	215	203
- Equity-settled share-based payment transactions	3,996	3,121
- Tax expense	10,491	3,957
Changes in:		
- Trade and other receivables	(1,559)	(8,839)
- Prepaid expenses	(473)	195
- Inventories	(11,346)	(4,491)
- Trade and other payables	(1,267)	2,814
- Accrued expenses	622	785
- Employee benefits	2,885	2,540
- Asset from employer contribution reserve (in financial assets)	(5,612)	(14,400)
- Provisions	(1,343)	5,835
Interest and bank charges paid	(297)	(44)
Income taxes paid	(3,322)	(686)
Net cash from operating activities	73,030	51,466
Cash flows from investing activities		
Investments in property, plant and equipment	(11,266)	(8,784)
Proceeds from sale of property, plant and equipment	-	32
Acquisition of business, net of cash acquired	(34,673)	-
Investment in financial assets (short term deposit)	-	(30,000)
Proceeds from financial assets (short term deposit)	30,000	-
Investments in financial assets (equity securities)	(388)	(3,000)
Change of loans receivable	(1,818)	
Investments in equity-accounted investees	-	(1,900)
Investments in intangible assets	(898)	(1,861)
Development expenditure capitalized	(3,272)	(3,568)
Net cash from investing activities	(22,315)	(49,081)
Cash flows from financing activities		
Proceeds from issue of share capital	-	28
Transaction costs related to issue of share capital	-	(125)
Net cash from financing activities	-	(97)
Net change in cash and cash equivalents	50,715	2,288
Cash and cash equivalents at 1 January	61,933	60,321
Currency translation	(544)	(676)
Cash and cash equivalents at 31 December	112,104	61,933

Consolidated Statement of Changes in Equity

Attributable to owners of Sensirion Holding AG

In thousands of CHF	Share capital	Capital reserve	Treasury shares	Translation reserve	Other retained earnings	Total retained earnings	Total equity
Balance at 1 January 2020	1,529	147,888	(1,735)	-	19,766	19,766	167,448
Profit for the period	-	-	-	-	44,003	44,003	44,003
Currency translation of foreign operations	-	-	-	(533)	-	(533)	(533)
Capital increases	28	(125)	-	-	-	-	(97)
Equity-settled share-based payment transactions	-	3,448	-	-	-	-	3,448
Balance at 31 December 2020	1,557	151,211	(1,735)	(533)	63,769	63,236	214,269
Balance at 1 January 2021	1,557	151,211	(1,735)	(533)	63,769	63,236	214,269
Profit for the period	-	-	-	-	65,909	65,909	65,909
Currency translation of foreign operations	-	-	-	(1,155)	-	(1,155)	(1,155)
Transaction with treasury shares	-	(1,263)	1,263	-	-	-	-
Goodwill offset	-	-	-	-	(47,080)	(47,080)	(47,080)
Equity-settled share-based payment transactions	-	4,051	-	-	-	-	4,051
Balance at 31 December 2021	1,557	153,999	(472)	(1,688)	82,598	80,910	235,994

Notes to the Consolidated Financial Statements

1 Information on this report

1.1 Reporting entity

Sensirion Holding AG (the “Company”) is domiciled in Switzerland. The Company’s registered office is at Laubisrütistrasse 50, 8712 Stäfa. These consolidated financial statements comprise the Company, its subsidiaries (collectively the “Group” and individually “Group companies”) and their investments in equity-accounted investees.

Sensirion is one of the world’s leading manufacturers of digital microsensors and microsystems. The product range includes gas and liquid flow sensors, differential pressure sensors, as well as environmental sensors for the measurement of humidity and temperature, volatile organic compounds (VOCs), carbon dioxide (CO₂), and particulate matter (PM_{2.5}). Using Sensirion’s microsensor solutions, OEM customers benefit from the proven CMOSens® Technology.

1.2 Basis of accounting

The consolidated financial statements have been prepared in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). They provide a true and fair view of the net assets, financial position and results of operations and meet the requirements of Swiss law.

The consolidated financial statements are presented in Swiss francs. Unless otherwise stated, all financial information in Swiss francs has been rounded to the nearest thousand. For this reason, rounding differences may occur.

The valuation basis used in these consolidated financial statements is based on historical acquisition or production costs, unless a standard requires a different valuation basis for an item or a different valuation basis has been used to exercise an option. In this case, it is explicitly mentioned in the accounting principles. Accounting principles that are relevant to an understanding of the consolidated financial statements are set out in the specific notes. The consolidated income statement is presented according to the activity-based costing method.

1.3 Explanation of transition to Swiss GAAP FER

The consolidated financial statements as at 31 December 2021 were prepared for the first time in accordance with the entire Swiss GAAP FER accounting and reporting recommendations instead of the International Financial Reporting Standards (IFRS). The prior-year figures have been restated accordingly for the purposes of comparability.

Goodwill and intangible assets from acquisitions

Goodwill from acquisitions is offset with retained earnings in equity at the date of the acquisition in accordance with the option allowed by Swiss GAAP FER. Under IFRS, goodwill was capitalized and tested for impairment on an annual basis. Furthermore, under IFRS, all separately identifiable intangible assets (such as trademarks and customer lists) were capitalized at their fair values as of the date of the acquisition and amortized over their expected useful lives. Under Swiss GAAP FER, Sensirion has decided not to recognize separately any intangible assets that were not already recognized before the acquisition. Consequently, they are allocated to goodwill.

Goodwill in share of associated companies

The goodwill from the acquisition of shares in associated companies was included in the carrying value of the associated companies under IFRS. Under Swiss GAAP FER, Sensirion has decided to offset this goodwill with retained earnings in equity as of the date of the acquisition.

Pension benefit obligations and provisions

In accordance with Swiss GAAP FER, the economic benefits or economic obligations of Swiss pension plans are determined on the basis of the financial statements of the pension plans prepared in accordance with Swiss GAAP FER. The economic impact of the pension plans of foreign subsidiaries is calculated using generally accepted valuation principles. An economic obligation is recognized as a liability if the conditions for the recognition of a provision are met. In accordance with IFRS, defined benefit obligations were calculated using the projected unit credit method and recognized in accordance with IFRS.

Leases

Under Swiss GAAP FER, the Group applies either finance or operating lease accounting. At the time of transition, no finance leases were classified. In accordance with IFRS, where the Group was a lessee, leases were recognized as a right-of-use asset and a corresponding liability at the commencement date. The right-of-use asset was measured at cost less any depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The lease liability was measured at amortized cost using the effective interest method. The carrying amount of the lease liability was subsequently increased to reflect the interest on the lease liability and reduced to reflect the lease payments made (and potentially remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments).

Financial assets

Investments with a long-term investment purpose and less than 20% capital rights are considered financial assets. Under IFRS, such financial assets were initially measured at fair value. On initial recognition, the Group irrevocably elected to present subsequent changes in the investment's fair value in OCI. In accordance with Swiss GAAP FER, the Group decided that such investments are recognized at acquisition cost, taking account of any reductions in value (impairment) through corresponding devaluations in the income statement.

Deferred income tax

The adjustments to the accounting policies and valuation rules mentioned above resulted in adjustments to the deferred taxes in the balance sheet and income statement.

Translation reserve

As part of the change to Swiss GAAP FER, the cumulative translation reserve was offset with retained earnings as of 1 January 2020. Under Swiss GAAP FER, therefore, the result from divestitures only contains foreign exchange translation differences that have occurred after 1 January 2020.

Effects of the adjustments on consolidated equity

In thousands of CHF	31 December 2020	1 January 2020
Equity according to IFRS	196,053	156,239
Offset goodwill from acquisitions	(5,195)	(5,360)
Offset intangible assets from acquisitions	(1,569)	(1,862)
Adjustment to pension benefit obligations	34,203	27,053
Adjustment from leases	691	407
Adjustment to financial assets	(2,682)	(2,394)
Adjustment to deferred income taxes	(7,232)	(6,635)
Total adjustments	18,216	11,209
Equity according to Swiss GAAP FER	214,269	167,448

Effects of the adjustments on consolidated profit (loss) for the period

In thousands of CHF	January–December 2020
Profit for the period according to IFRS	41,902
No consideration of depreciation related to intangible assets from acquisitions	235
No consideration of service costs related to pension benefit obligations	1,541
Adjustment from leases	290
Adjustment to deferred income taxes	35
Total adjustments	2,101
Profit for the period according to Swiss GAAP FER	44,003

1.4 Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is included in the following notes:

- Note 3.5 – Intangible assets (recoverability of development costs);
- Note 3.2 – Inventories (recoverability);
- Note 3.7 – Provisions (measurement).

1.5 Performance measures not defined by Swiss GAAP FER

Internally and externally, the Group uses EBITDA as an additional performance measure, which is not defined by Swiss GAAP FER. EBITDA is calculated as the sum of operating profit and depreciation and amortization.

In thousands of CHF, for the year ended 31 December	2021	2020
Reconciliation of operating profit to EBITDA for the period		
Operating profit (EBIT)	76,781	52,750
Depreciation and amortization	14,368	15,156
Earnings before interest, taxes, depreciation and amortization (EBITDA)	91,149	67,906

2 Performance

2.1 Segment reporting and breakdown of revenue

2.1.1 Basis for segmentation

The Group operates in one industry segment which encompasses the development, production, sales and servicing of sensor systems, modules and components. The allocation of resources and performance assessment is made at Group level. The Group's organization is not divided into business units, neither in the management structure nor in the internal reporting system.

2.1.2 Breakdown of revenue

In thousands of CHF, for the year ended 31 December and as % of revenue	2021		2020	
Revenue – geographic information by regions				
APAC	138,396	48.2 %	110,759	43.7 %
EMEA	86,385	30.0 %	70,614	27.8 %
Americas	62,701	21.8 %	72,286	28.5 %
Total	287,482	100.0 %	253,659	100.0 %

The geographic information on revenues in the table above is based on the customers' location.

As an additional voluntary information, revenue is allocated to end markets as follows:

In thousands of CHF, for the year ended 31 December and as % of revenue	2021		2020	
Revenue – per customer markets				
Automotive	62,921	21.9 %	55,221	21.7 %
Medical	66,093	23.0 %	112,334	44.3 %
Industrial	131,444	45.7 %	71,214	28.1 %
Consumer	27,024	9.4 %	14,890	5.9 %
Total	287,482	100.0 %	253,659	100.0 %

Accounting principles

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the risks and benefits incidental to ownership are transferred to a customer. Our contracts generally include a standard warranty clause to guarantee that the products comply with agreed specifications.

Sensors The Group sells its standardized sensors generally via purchase orders to customers (i.e. end customers and distributors) and recognizes as revenue when the sensor is delivered to the customer. This generally occurs in accordance with the applicable Incoterms which are usually FCA (Free carrier named place of delivery) or DAP (Delivered at place). Sales are stated before value added tax, sales tax and after any deduction of discounts and credits. Appropriate warranty provisions are recognized for anticipated claims. Customers usually pay within 30 to 60 days from the delivery of the products.

2.2 Expenses by nature

In thousands of CHF, for the year ended 31 December	2021	2020
Changes in inventories	11,825	4,491
Raw materials and consumables	(75,850)	(70,208)
Employee benefits	(107,955)	(97,425)
Depreciation, amortization and impairment loss	(14,368)	(15,156)
Other	(24,353)	(22,611)
Total cost of sales, research and development expenses, selling and distribution expenses and administrative expenses	(210,701)	(200,909)

2.3 Net finance costs

In thousands of CHF, for the year ended 31 December	2021	2020
Finance income		
Interest income	42	56
Net foreign exchange gains	500	818
Other financial income	323	90
Finance income	865	964

In thousands of CHF, for the year ended 31 December	2021	2020
Finance costs		
Interest expense	(200)	(83)
Net foreign exchange losses	(528)	(4,687)
Bank charges	(97)	(59)
Other financial costs	(206)	(722)
Finance costs	(1,031)	(5,551)
Net finance costs recognized in profit	(166)	(4,587)

2.4 Income taxes

In thousands of CHF, for the year ended 31 December	2021	2020
Current income taxes	(7,213)	(5,404)
Deferred income taxes	(3,278)	1,447
Total	(10,491)	(3,957)
Average applicable tax rate	19.2%	17.6%

In thousands of CHF	2021	2020
Details on change of tax claims from tax loss carryforwards		
Recognized tax claims from tax loss carryforwards	1,680	7,476
Unrecognized tax claims from tax loss carryforwards	2,547	1,234
Total tax claims from tax loss carryforwards	4,227	8,710
Recognized tax claims from tax loss carryforwards at 1 January	7,476	4,747
Additions	-	2,729
Utilization	(5,796)	-
Recognized tax claims from tax loss carryforwards at 31 December	1,680	7,476

The effective tax rate of 13.7% (2020: 8.3%) has increased due to the effects of the Swiss tax reform in 2020.

The income tax effect from the utilization of non-capitalized loss carryforwards in 2021 amounts to CHF 593 thousand (2020: CHF 0). In 2021, there were no reassessments in relation to non-capitalized loss carryforwards and no loss carryforwards expired.

Accounting principles

Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it can be assumed with sufficient probability that the respective company will have sufficient taxable income against which temporary differences and unutilized loss carryforwards can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

3 Invested capital

3.1 Trade and other receivables

In thousands of CHF	31 December 2021	31 December 2020
Trade receivables, gross	27,902	26,702
Allowance for doubtful receivables	(78)	(300)
Total trade receivables	27,824	26,402
Non-income tax receivables	3,898	3,852
Social security	632	1
Other	2,747	3,602
Total other receivables	7,277	7,455

Trade receivables result from transactions in the ordinary course of business where Sensirion has provided goods and services and has a right to receive the payment.

Accounting principles

Receivables are reported at nominal value. Business default risks are taken into account by individual and general value adjustments. General value adjustments are made for items which have not already been subject to individual value adjustments. General value adjustments are based on the past experience of Sensirion.

3.2 Inventories

In thousands of CHF	31 December 2021	31 December 2020
Purchased parts	14,017	11,541
Semi-finished and finished goods	24,744	18,739
Work in progress	5,673	5,012
Total	44,434	35,292
Allowance on purchased parts	(3,318)	(2,312)
Allowance on semi-finished and finished goods	(2,822)	(6,511)
Total	(6,140)	(8,823)
Total Inventories	38,294	26,469

In addition, during 2021 inventory allowances have decreased by CHF 2,683 thousand (2020: increased by CHF 5,576 thousand).

Accounting principles

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory allowances are recognized for slow- and non-moving stock. Technically obsolete items are written off.

The valuation of work in progress, semi-finished and finished goods is underlying management judgment with regards to planned production capacities which impact standard costs. Valuation allowances are calculated based on historical experience including management's judgement which directly affects the carrying amount of inventories.

3.3 Property, plant and equipment

In thousands of CHF	Land and buildings	Production facilities	Under construction	Other	Total
Cost					
Opening amount 1 January 2021	49,968	80,983	2,425	16,903	150,279
Change in scope of consolidation	-	353	-	211	564
Additions	972	3,363	5,319	1,612	11,266
Disposals	-	(897)	-	(365)	(1,262)
Reclassifications	571	1,388	(2,317)	338	(20)
Currency translation differences	(365)	42	(39)	(2)	(364)
Closing amount 31 December 2021	51,146	85,232	5,388	18,697	160,463
Accumulated depreciation and impairment					
Opening amount 1 January 2021	17,088	59,560	-	10,639	87,287
Change in scope of consolidation	-	155	-	68	223
Depreciation	1,956	5,491	-	1,964	9,411
Disposals	-	(871)	-	(365)	(1,236)
Currency translation differences	(23)	(24)	-	(20)	(67)
Closing amount 31 December 2021	19,021	64,311	-	12,286	95,618
Total carrying amount	32,125	20,921	5,388	6,411	64,845
Carrying amount pledged as security for liabilities	-	-	-	-	-
Cost					
Opening amount 1 January 2020	49,876	74,833	5,315	16,339	146,363
Additions	300	6,210	1,180	1,094	8,784
Disposals	-	(2,895)	-	(1,404)	(4,299)
Reclassifications	-	3,005	(4,015)	1,010	-
Currency translation differences	(208)	(170)	(55)	(136)	(569)
Closing amount 31 December 2020	49,968	80,983	2,425	16,903	150,279
Accumulated depreciation and impairment					
Opening amount 1 January 2020	15,197	56,920	-	10,070	82,187
Depreciation	1,898	5,544	-	2,013	9,455
Disposals	-	(2,873)	-	(1,398)	(4,271)
Currency translation differences	(7)	(31)	-	(46)	(84)
Closing amount 31 December 2020	17,088	59,560	-	10,639	87,287
Total carrying amount	32,880	21,423	2,425	6,264	62,992
Carrying amount pledged as security for liabilities	-	-	-	-	-

Accounting principles

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful life, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the income statement.

Subsequent expenditures

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful life and is generally recognized in the income statement. Land is not depreciated. The estimated useful life of property, plant and equipment for current and comparative periods is as follows:

Class	Years
Land	No depreciation
Buildings	20–40
Production facilities	2–8
Other property, plant and equipment	4–8

Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

3.4 Financial assets

In thousands of CHF	31 December 2021	31 December 2020
Current financial assets		
Time deposit	–	30,000
Total current financial assets	–	30,000
Non-current financial assets		
Assets from employer contribution reserve	20,034	14,406
MaxWell Biosystems AG	3,688	3,300
Other	1,407	1,407
Total non-current financial assets	25,129	19,113

Accounting principles

Investments

Investments with a long-term investment purpose and less than 20 % capital rights are considered financial assets. Such investments are recognized at acquisition cost, taking into account any reductions in value (impairment) through corresponding devaluations in the income statement.

Other financial assets

Other financial assets are valued at acquisition cost less impairment charges.

Assets from employer contribution reserve

Please refer to Note 6.1

3.5 Intangible assets

In thousands of CHF	Patents and trademarks	Development costs	Software	Under construction	Other intangibles	Total intangible assets
Cost						
Opening amount 1 January 2021	11,449	16,055	2,927	1,408	1,072	32,911
Change in scope of consolidation	162	–	37	–	–	199
Additions – internally developed	–	3,272	–	–	–	3,272
Additions – separately acquired	660	–	238	–	–	898
Disposals	(1,029)	–	(121)	–	–	(1,150)
Reclassifications	121	1,031	(19)	(1,031)	(82)	20
Currency translation differences	(10)	–	5	–	–	(5)
Closing amount 31 December 2021	11,353	20,358	3,067	377	990	36,145
Accumulated amortization and impairment						
Opening amount 1 January 2021	4,730	9,572	2,502	–	1,007	17,811
Change in scope of consolidation	66	–	31	–	–	97
Amortization	1,734	2,994	229	–	–	4,957
Disposals	(1,029)	–	(121)	–	–	(1,150)
Currency translation differences	1	–	14	–	(17)	(2)
Closing amount	5,502	12,566	2,655	–	990	21,713
Total carrying amount 31 December 2021	5,851	7,792	412	377	–	14,432

Cost						
Opening amount 1 January 2020	10,429	13,229	2,718	1,726	1,072	29,174
Additions – internally developed	–	2,541	–	1,027	–	3,568
Additions – separately acquired	1,647	–	214	–	–	1,861
Disposals	(622)	(1,060)	–	–	–	(1,682)
Reclassifications	–	1,345	–	(1,345)	–	–
Currency translation differences	(5)	–	(5)	–	–	(10)
Closing amount 31 December 2020	11,449	16,055	2,927	1,408	1,072	32,911
Accumulated amortization and impairment						
Opening amount 1 January 2020	3,927	7,011	1,851	–	1,007	13,796
Amortization	1,427	3,621	653	–	–	5,701
Disposals	(622)	(1,060)	–	–	–	(1,682)
Currency translation differences	(2)	–	(2)	–	–	(4)
Closing amount	4,730	9,572	2,502	–	1,007	17,811
Total carrying amount 31 December 2020	6,719	6,483	425	1,408	65	15,100

Accounting principles

Research and Development

Expenditure on research activities is recognized in the income statement as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in the income statement as incurred. Directly attributable borrowing costs are capitalized as part of the respective development costs. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Patents and trademarks

Patents, trademarks and capitalized customer relationships that are acquired by the Group have finite useful life and are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful life and is generally recognized in the income statement.

The estimated useful life for current and comparative periods is as follows:

Class	Years
Patents and trademarks	10
Development costs	5
Software	4
Other intangible assets	4–10

Amortization methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

Effects of the theoretical capitalization of goodwill

In thousands of CHF	2021	2020
Cost at 1 January	12,449	12,844
Acquisition of subsidiaries	47,080	–
Exchange differences	(2,677)	(395)
Cost at 31 December	56,852	12,449
Accumulated amortization at 1 January	10,056	8,893
Amortization for the year	6,125	1,430
Exchange differences	(854)	(267)
Accumulated amortization at 31 December	15,327	10,056
Theoretical net book value at 31 December	41,525	2,393
Equity according to balance sheet	235,994	214,269
Theoretical book value of goodwill	41,525	2,393
Theoretical shareholders' equity at 31 December including goodwill	277,519	216,662
Profit for the year	65,909	44,003
Theoretical amortization of goodwill	(6,125)	(1,430)
Theoretical profit for the year after goodwill amortization	59,784	42,573

Accounting principles

Goodwill is offset with equity at the date of the acquisition of a subsidiary or an investment in an associated company. The theoretical capitalization of goodwill with straight-line amortization over five years would impact the consolidated balance sheet and consolidated income statement as shown above.

3.6 Employee benefits

In thousands of CHF	31 December 2021	31 December 2020
Short-term employee benefits	10,439	8,070
Total employee benefit liabilities, current	10,439	8,070
Other long-term employee benefit liabilities	3,718	3,202
Total employee benefit liabilities, non-current	3,718	3,202

Accounting principles

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in the income statement in the period in which they arise.

3.7 Provisions

In thousands of CHF	31 December 2021		
	Warranty provisions	Earn-out provisions	Total
Current provisions	2,897	-	2,897
Non-current provisions	1,595	5,956	7,551
Total provisions	4,492	5,956	10,448
Opening amount 1 January 2021	5,835	-	5,835
Additions	-	5,956	5,956
Utilization	(177)	-	(177)
Reversal	(909)	-	(909)
Currency translation differences	(257)	-	(257)
Closing amount 31 December 2021	4,492	5,956	10,448

In thousands of CHF	31 December 2020		
	Warranty provisions	Earn-out provisions	Total
Current provisions	1,876	-	1,876
Non-current provisions	3,959	-	3,959
Total provisions	5,835	-	5,835
Opening amount 1 January 2020	-	-	-
Additions	5,835	-	5,835
Closing amount 31 December 2020	5,835	-	5,835

The warranty provisions have been estimated based on incurred warranty expenses to date as well as expected future costs. The calculation is based on various weighted scenarios and discounted with a discount rate of 3.5% (2020: 3.5%).

Accounting principles

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products.

3.8 Contingent liabilities and other commitments

In thousands of CHF	31 December 2021	31 December 2020
Operating lease liabilities		
Due within 1 year	3,526	3,441
Due within 1 to 5 years	10,323	11,406
Due after more than 5 years	5,375	7,397
Total undiscounted lease payments	19,224	22,244

Accounting principles

Contingent liabilities and other obligations not to be recognized are valued and disclosed on each balance sheet date. Payments from operating leases are recognized in the income statement on a straight-line basis over the lease term.

4 Financing and risk management

4.1 Cash and cash equivalents

In thousands of CHF	31 December 2021	31 December 2020
Cash and bank accounts	72,104	61,933
Short-term money market investments	40,000	-
Cash and cash equivalents	112,104	61,933

Accounting principles

Cash and cash equivalents are defined as short-term, liquid financial investments that are readily convertible to defined cash amounts within 90 days from the balance sheet date.

4.2 Equity

4.2.1 Share capital

As of 31 December 2021, the fully paid-up share capital of the parent company, Sensirion Holding AG, in the total amount of CHF 1,557,335 (2020: CHF 1,557,335) is divided into 15,573,350 registered shares (2020: 15,573,350) with a nominal value of CHF 0.10. Holders of these shares are entitled to dividends and to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

	2021
In shares	Registered shares
Total in issue at 1 January	15,573,350
Total in issue at 31 December	15,573,350

	2020
In shares	Registered shares
Total in issue at 1 January	15,292,984
Capital increase from conditional share capital	280,366
Total in issue at 31 December	15,573,350

In 2020, a total of 259,757 employee options were exercised at an exercise price of the nominal value of CHF 0.10 through a conditional capital increase. The costs arising from the capital increase were deducted from the capital reserve and amounted to CHF 125 thousand.

4.2.2 Conditional capital

As of 31 December 2021, the Company's conditional capital amounts to CHF 289 thousand, encompassing 2,887,437 shares each with a nominal value of CHF 0.10. In prior year, the company's conditional capital amounted to CHF 289 thousand, encompassing 2,887,437 shares with a nominal value of CHF 0.10.

The Company's conditional capital is composed as follows:

In shares	31 December 2021	31 December 2020
Conditional share capital for employee participations	1,431,620	1,431,620
Conditional share capital for financing, acquisitions and other purposes	1,455,817	1,455,817
Total conditional share capital	2,887,437	2,887,437

4.2.3 Non-distributable legal reserves

Non-distributable legal reserves amounted to CHF 783 thousand as at 31 December 2021 (previous year: CHF 2,046 thousand).

4.2.4 Nature and purpose of reserves

4.2.4.1 Capital reserve

The capital reserve comprises share premiums, the gain or loss on sale of treasury shares, the effect of modification of cash-settled to equity-settled plans, and the effects of equity-settled share-based payment transactions, including any tax effects such as excess tax deductions.

4.2.4.2 Treasury shares

The reserve for the Company's treasury shares comprises the cost of the Company's shares directly held by the Group. As of 31 December 2021, the Group held 20,599 of the Company's registered shares (2020: 75,857 registered shares). The treasury shares held at 31 December 2021 account for 0.13% of the issued capital.

Accounting principles

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within the capital reserve.

4.2.4.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, including foreign currency differences on dedicated intra-group loans.

4.2.4.4 Retained earnings

The retained earnings include the accumulated net profits of the Group and offsetting of goodwill.

4.3 Earnings per registered share

4.3.1 Basic earnings per share

The weighted-average number of registered shares for the period ended 31 December 2021 for the purpose of calculating basic earnings per registered share amounts to 15,550,792 (2020: 15,486,851).

4.3.2 Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit or loss attributable to ordinary shareholders as presented in the consolidated income statement and the weighted-average number of registered shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

The weighted-average number of registered shares for the purpose of calculating diluted earnings per registered share amounts to 15,570,741 (2020: 15,491,081).

The dilutive effect results from the outstanding restricted share units under the bonus and restricted share unit plan. Upon conversion at the beginning of the reporting year, the average number of outstanding shares would increase by 19,949 shares (2020: 4,229 shares) with no impact on net profit. This results in a potential dilution of earnings per share of CHF 0 in the reporting year (2020: CHF 0).

4.4 Capital management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may repay capital to shareholders, issue new capital or sell assets to reduce debt.

By ensuring the Group adheres to defined debt/equity ratio covenant limits and other covenants under the Group's financing arrangements, management meets the primary capital risk objective.

In thousands of CHF	31 December 2021	31 December 2020
Total liabilities	(60,427)	(43,107)
Less: cash and cash equivalents	112,104	61,933
Net cash (debt)	51,677	18,826
Total equity	235,994	214,269
Net cash (debt) to equity ratio	21.9%	8.8%

4.5 Financial risk management

The Group's international operations expose it to a variety of financial risks, such as credit, liquidity, market and currency risks.

4.5.1 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's management is assisted in its oversight role by internal audits. Internal audits take place on both a regular and ad-hoc basis, the results of which are reported to the Group's management and the Company's Board of Directors.

4.5.2 Credit risk

Credit risk is the risk of incurring financial loss when a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risks are most likely to be associated with trade receivables and cash or cash equivalents. The Group minimizes the credit risk associated with cash and cash equivalents by only doing business with reputable financial institutions and by dealing with a range of such institutions rather than just one. To reduce the risk associated with trade receivables, customers are subject to internal credit limits. Creditworthiness is reviewed on an ongoing basis according to internal guidelines. Credit limits are set based on financial situation, previous experience and other factors. The Group's extensive customer base, which covers a variety of regions and sectors, means that the credit risk on receivables is limited. For incurred and expected losses on receivables, value adjustments are recognized. In the past, actual losses have not exceeded the management's expectations. Details of concentration of revenue are included in Note 2.1.

The Group's policy is to provide financial guarantees to subsidiaries. At 31 December 2021, the Company has issued a guarantee to certain banks in respect of credit facilities granted to Sensirion AG in the amount of CHF 40,000 thousand (2020: CHF 40,000 thousand). The credit line is used with a guarantee to CHF 546 thousand as of 31 December 2021 (2020: CHF 0).

4.5.3 Liquidity risk

A liquidity risk arises if future payment obligations of the Group cannot be covered by its available liquidity or corresponding credit facilities. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Suitable processes are in place within the Group with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis.

Within the frame of a rolling liquidity plan, the Group ensures that sufficient liquidity to cover the short-term operational needs is continuously available. Within the liquidity plan, the Group includes cash and cash equivalents, lines of credit and possibilities to increase share capital. As part of the Group's liquidity management, lines of credit are maintained.

4.5.4 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments.

4.5.5 Currency risk

The functional currencies of the Group companies are in the currency of the local legislation. The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Group companies. The main exposure arises from sales transactions denominated in USD and EUR and other currencies deviating from the functional currency of the respective Group company. Generally, cash flows generated by the underlying operations of the Group are primarily in USD, EUR and CHF or in the currency of the local legislation. The Group's cash outflows are denominated mainly in CHF due to the significant amount of personnel costs generated in Switzerland. To a certain extent, there is an economic hedge by sourcing activities in USD and EUR.

The following significant exchange rates have been applied:

In CHF	Average rate		Year-end spot rate	
	2021	2020	2021	2020
Euro (EUR) 1	1.0968	1.0825	1.0339	1.0822
US Dollar (USD) 1	0.9205	0.9581	0.9127	0.8812
South-Korean Won (KRW) 1,000	0.8115	0.8077	0.7669	0.8110

4.5.6 Interest risk

The Group has no significant interest-bearing financial assets. Therefore, the income is not exposed to significant interest rate risk. Furthermore, the tenure for fixing interest rates on financial liabilities are one year as maximum. Therefore, interest rate risk is not considered to be significant for the Group.

5 Group structure

5.1 Changes in the scope of consolidation

5.1.1 Acquisition of Qmicro B.V.

On 11 February 2021, and with economic effect from the same date, Sensirion Holding AG acquired 100% of the shares of Qmicro B.V. based in Enschede, the Netherlands. Qmicro B.V. develops, manufactures and supplies micro gas analyzers based on microelectromechanical gas chromatography technology. With this acquisition, Sensirion expands its gas sensing portfolio from components and modules to stand-alone micro gas analyzers for industrial applications.

At the time of acquisition, the values of net assets according to Swiss GAAP FER are as follows:

In thousands of CHF	Total
Fair value of assets (liabilities)	
Current assets	770
Non-current assets	125
Current liabilities	(428)
Total net identifiable assets	467

5.1.2 Step acquisition of IRsweep AG

On 7 May 2021, and with economic effect from the same date, Sensirion Holding AG acquired the residual 67% of the shares of IRsweep based in Stäfa, Switzerland. IRsweep develops, manufactures and supplies optical spectroscopy solutions based on semiconductor quantum cascade laser (QCL) frequency comb technology in the mid-infrared. With this acquisition, Sensirion expands its optical sensing technology portfolio from components and modules to stand-alone infrared spectrometers for research and industrial applications.

At the time of acquisition, the values of net assets according to Swiss GAAP FER are as follows:

In thousands of CHF	Total
Fair value of assets (liabilities)	
Current assets	752
Non-current assets	266
Current liabilities	(696)
Non-current liabilities	(1,064)
Total net identifiable assets (liabilities)	(742)

5.1.3 Acquisition of AiSight Inc.

On 17 September 2021, and with economic effect from the same date, Sensirion Holding AG acquired 100% of the shares of AiSight Inc. based in San Francisco, CA, USA. AiSight develops and supplies plug-and-play solutions for condition monitoring and predictive maintenance for industrial equipment. With this transaction, the Group continues along the innovation path of developing technologies.

If specific conditions according to the share purchase price agreement are met, an additional purchase price up to EUR 31.5 million will be due. The estimate additional purchase price is recorded in the earn-out provisions until the date of payment (see note 3.7).

At the time of acquisition, the values of net assets according to Swiss GAAP FER are as follows:

In thousands of CHF	Total
Fair value of assets (liabilities)	
Current assets	1,858
Non-current assets	55
Current liabilities	(2,197)
Non-current liabilities	(1,818)
Total net identifiable assets (liabilities)	(2,102)

A detailed breakdown of the identified assets and liabilities is not disclosed due to materiality considerations.

5.2 Subsidiaries

The Company has direct or indirect control over the following subsidiaries or significant influence over the following associates.

For the year ended 31 December	2021				2020		Consolidation
Company, principal place of business	Share capital	in %	Voting rights in %	Voting rights in %	Voting rights in %	Voting rights in %	
Sensirion AG, Stäfa (Switzerland)	CHF	2,000,000	100	100	100	100	o
Sensirion China Co. Ltd., Shenzhen (China)	CNY	1,260,000	100	100	100	100	o
Sensirion Inc., Chicago (USA)	USD	660,000	100	100	100	100	o
Sensirion Japan Co. Ltd., Yokohama (Japan)	JPY	25,000,000	100	100	100	100	o
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	KRW	100,000,000	100	100	100	100	o
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	TWD	25,000,000	100	100	100	100	o
Sensirion Hungary Kft., Debrecen (Hungary)	HUF	3,010,000	100	100	100	100	o
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	CHF	100,000	100	100	100	100	o
Sensirion Automotive Solutions Inc., Eaton Rapids (USA)	USD	250,000	100	100	100	100	o
Sensirion Automotive Solutions Korea Co. Ltd., Seoul (South Korea)	KRW	38,543,000,000	100	100	100	100	o
Sensirion Automotive Solutions (Shanghai) Co. Ltd., Shanghai (China)	CNY	28,450,000	100	100	100	100	o
Sensirion Automotive Solutions Hungary Kft., Debrecen (Hungary) ¹	HUF	3,000,000	100	100	-	-	o
Sensirion Connected Solutions AG, Stäfa (Switzerland) ²	CHF	100,000	100	100	-	-	o
AiSight GmbH, Berlin (Germany)	EUR	30,870	100	100	-	-	o
AiSight Inc., San Francisco (USA)	USD	2,631,099	100	100	-	-	o
IRsweep AG, Stäfa (Switzerland)	CHF	166,667	100	100	33	33	o
Qmicro B.V., Enschede (Netherlands)	EUR	1,000	100	100	-	-	o
Lumiphase AG, Zürich (Switzerland)	CHF	133,323	25	20	25	20	Δ

¹ Founded on 28 May 2021

² Founded on 30 September 2021

Consolidation

o Fully consolidated company

Δ Equity method

Accounting principles

Business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired company are valued at fair values using uniform accounting policies. The differences between the cost of acquisition and the fair value of the net assets acquired are recognized as goodwill and offset with equity. In a step acquisition, the fair value of any non-controlling equity interest in the acquiree that is held immediately before obtaining control is used in the determination of goodwill. Therefore, the non-controlling interest is remeasured to fair value at the date of acquisition with any resulting gain or loss recognized in the income statement. When a company is divested, the original cost of the goodwill is included in the gain or loss on disposal. Transaction costs in connection with acqui-

sitions and divestments are recognized directly in the income statement. Upon acquisition of minority interests in a fully consolidated company, the difference between the purchase price and the carrying value of the minority interests is recognized directly in retained earnings. A reduction in the ownership interest without the loss of control is also recognized in equity.

The acquisition costs also include deferred or owed purchase price payments. Contingent purchase price payments (e.g. earn-out) are recognized if they are considered probable. They are recorded in provisions until the date of payment. Changes in the estimate of the contingent purchase price payment are recognized directly in equity. Contingent purchase price payments affect goodwill and are offset directly against retained earnings.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity directly or indirectly, either by holding more than half of the voting rights or by having the power to govern their operating and financial policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Associated companies

Companies in which Sensirion Group can exercise a decisive influence are included in the consolidation using the equity method. The investment is valued at the Group's share of the equity, and the Group's share of the net result is included in the consolidated income statement. A decisive influence is assumed if the Group holds at least 20% but less than 50% of the voting rights. Goodwill arising from the acquisition of an associated company is offset with equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions in Group companies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in the income statement. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Translation of financial statements to be consolidated

Group financial statements are presented in Swiss francs. Assets and liabilities of Group companies with a functional currency other than the Swiss franc are translated at the exchange rates at the reporting date, equity is translated at historical rates, while the income statement is translated using average rates for the reporting period. Any resulting exchange differences are recognized in shareholders' equity.

Translation differences on long-term loans which are similar in nature to equity are posted in translation reserves in equity. In the event of loss of control of a subsidiary or loss of significant influence of an associate, the corresponding accumulated exchange differences of foreign companies recognized in equity are reclassified to the income statement. Accumulated exchange differences arising from equity-like loans are reclassified to the income statement upon disposal of the subsidiary.

6 Other information

6.1 Pension benefit obligations

The Group has pension plans in Switzerland and South Korea in accordance with the relevant national regulations. The Swiss plan is the most important, as the majority of staff operate from Switzerland.

6.1.1 Economical benefit/economical obligation and pension benefit expenses

In thousands of CHF	Surplus/ Deficit	Economical part of the organization		Change from previous year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31 Dec 2021	31 Dec 2021	31 Dec 2020	2021	2021	2021	2020
Pension plans with surplus	-	-	-	-	851	851	746
Pension fund without own assets	-	-	-	-	4,008	4,008	2,937
Total economical benefit/economical obligation and pension benefit expenses	-	-	-	-	4,859	4,859	3,683

Swiss employees are insured with Swisscanto Sammelstiftung. As of 31 December 2021, the statutory funding ratio of this pension plan is 108.0% (31 December 2020: 103.6%). Due to the comprehensive solidarities in the pension fund, the surplus cannot be allocated to the affiliated companies. Therefore, no economic share of the Group can be claimed.

6.1.2 Employer contribution reserves (ECR)

In thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumu- lation	Balance sheet	Result from ECR in personnel expenses	
	31 Dec 2021	2021	31 Dec 2021	2021	31 Dec 2020	2021	2020
Pension plans with surplus	20,033	-	20'033	5,627	14,406	-	-
Total employer contribution reserves	20,033	-	20'033	5,627	14,406	-	-

Accounting principles

Assets and liabilities from employee benefits (incl. employer contribution reserve)

The employee benefit plans are either financially independent entities and foundations outside of the Group (funded plans) or unfunded plans with a corresponding liability in the balance sheet. Financing is provided by employee and employer contributions. The actual economic impact of all employee benefit plans that provide benefits for retirement, death or disability are calculated as at the balance sheet date. In the case of foreign plans, the provisions calculated according to local regulations are included in the consolidated financial statements. A benefit resulting from employer contribution reserves is recognized as an asset. Any additional economic benefit (from a surplus in pension fund cover) is not capitalized. An economic obligation is recognized as a liability if the conditions for the recognition of a provision are met.

6.2 Share-based payment arrangement

6.2.1 Description of share-based payment arrangements

At 31 December 2021, the Group had the following share-based payment arrangements.

Bonus and Restricted Share Unit Plan (settlement choice for employees and equity-settled for members of the Executive Committee)

The Group established a recurring bonus program under which an eligible employee who has not given or received notice of termination may choose between the payment of its annual bonus entirely in cash (“Cash Bonus”) or entirely in shares of the Company and additional RSU (“Equity Bonus”), provided that the employee has not been given notice of termination for cause by its employer. For the Equity Bonus, the number of shares is determined by dividing the bonus amount by the average price of the Company’s shares on the SIX Swiss Exchange over a period of time before the date of the allocation of the shares. Such shares may not be sold, otherwise transferred, pledged or made the object of hedging transactions for a period of three years after the end of the election period. The number of RSU granted within the Equity Bonus will be determined by the Group in its sole discretion at the grant date. The RSU vest over a period of three years starting from the end of the election period.

The number of shares granted to employees amounts to 26,308 (2020: 51,352) and the number of RSU granted amounts to 6,704 (2020: 12,930). The fair value of one share at grant date amounts to CHF 124.70 (2020: CHF 52.90) and the fair value of one RSU at grant date amounts to CHF 124.70 (2020: CHF 52.90). The values correspond to the listed share price of the Company’s shares at grant date.

Contrary to employees, members of the Executive Committee have no settlement choice; they will receive their annual bonus entirely in the form of an Equity Bonus. Approval of the aggregate amount of variable compensation for the Executive Committee by Sensirion Holding AG’s annual general meeting pursuant to the articles of association of the Company is required. All other conditions are similar to the other employees. The number of shares granted to members of the Executive Committee amounts to 1,566 (2020: 3,749) and the number of RSU granted amounts to 1,566 (2020: 3,749). The estimated fair value of one share at grant date amounts to CHF 133.30 (2020: CHF 57.20) and the estimated fair value of one RSU at grant date amounts to CHF 133.30 (2020: CHF 57.20). The values correspond or are derived from the listed share price of the Company’s shares at 31 December 2021. These estimated fair values will be updated to reflect the circumstances at the date of the next annual general meeting.

For 2021, the Group granted a total annual bonus amount of CHF 8,671 thousand (2020: CHF 7,152 thousand). The amount is split between cash bonus of CHF 4,137 thousand (2020: CHF 3,323 thousand) and equity bonus of CHF 4,534 thousand (2020: CHF 3,829 thousand).

6.2.2 Outstanding instruments at the reporting date

Details on the number of instruments outstanding under the share-based payment arrangements at the reporting date are as follows:

In units	31 December 2021	31 December 2020
Restricted share units – Bonus and Restricted Share Unit Plan	45,542	38,995

6.2.3 Reconciliation of outstanding RSU

The number and weighted-average exercise prices of RSU under the share-based payment arrangements were as follows:

In options	Number of RSU	Weighted-average exercise price (in CHF)
2021		
Outstanding at 1 January	38,995	0.10
Exercised during the year	(156)	0.10
Granted during the year	8,270	0.10
Forfeited during the year	(1,567)	0.10
Outstanding at 31 December	45,542	0.10
Exercisable at 31 December	-	-
2020		
Outstanding at 1 January	282,289	0.10
Exercised during the year	(259,757)	0.10
Granted during the year	16,679	0.10
Forfeited during the year	(216)	0.10
Outstanding at 31 December	38,995	0.10
Exercisable at 31 December	-	-

The RSU outstanding at 31 December 2021 had an exercise price of CHF 0.10 (31 December 2020: CHF 0.10) and a weighted-average contractual life of 1.4 years (31 December 2020: 2.0 years).

Accounting principles

Cash-settled share-based payment transactions

The fair value of the amount payable to employees is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability is recognized as part of personnel costs.

Equity-settled share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards, if any. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service condition, if any, is expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service condition at the vesting date.

Share-based payment transactions with settlement choice for the counterparty

When the counterparty has a choice of settlement in a share-based payment transaction, the Group grants a compound financial instrument which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). The Group first measures the fair value of the debt component and then measures the fair value of the equity component. The fair value of the debt component is recognized over the vesting period, if any, as employee benefit expenses with a corresponding entry to cash-settled share-based payment liabilities, whereas the equity component is recognized as employee benefit expenses with a corresponding entry to capital reserves. At the date of settlement, the Group remeasures the cash-settled share-based payment to its fair value. If the counterparty chooses to receive equity instruments, the remeasured liability is transferred directly to capital reserves.

6.3 Related parties

As part of its normal business activities, the company maintains relations with associated companies as well as transactions with key management personnel.

Transactions with key management personnel

There were no transactions with key management personnel outside of the ordinary compensation from their activities as employees or as specifically appointed bodies.

Other related party disclosures

In thousands of CHF	31 December 2021	31 December 2020
Trade receivables	55	-
Other receivables	-	858

In thousands of CHF, for the year ended 31 December	2021	2020
Sales and other income	205	114

6.4 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on 14 March 2022. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting.

No events have occurred between 31 December 2021 and 14 March 2022 which would necessitate adjustments to the carrying values of the Sensirion Group's assets or liabilities, or which require additional disclosure.

Auditor's Report



Statutory Auditor's Report

To the General Meeting of Sensirion Holding AG, Stäfa

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sensirion Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 100 to 128) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

Key Audit Matters



REVENUE RECOGNITION



INVENTORY VALUATION

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



REVENUE RECOGNITION

Key Audit Matter

Revenue is the basis for evaluating the course of business of the Group and is thus a focus area of internal target setting and external expectations. These expectations create potential pressure on management to achieve the set targets, which leads to an increased risk in revenue recognition, in particular the risk that the accrual principle is not correctly applied.

Our response

We analysed the processes set up to ensure a correct application of the accrual principle. We identified internal controls with regards to revenue recognition and tested operating effectiveness of selected controls applying a sampling method.

Furthermore, we performed, amongst others, the following procedures:

- We evaluated the application of the accrual principle as of 31 December 2021 on a sample basis by comparing invoices to delivery papers and assessing the effect of incoterms.
- We inspected a sample of credit notes issued after year-end and evaluated whether the related adjustments to revenue had been recognised in the appropriate financial period.
- We assessed profit margins and deviation analyses, identifying significant or unusual deviations to prior year and to our expectations. We discussed such analyses with management and where appropriate corroborated with additional documentation.
- Additionally we identified transactions that deviated from the standard processes, such as entries by management or unusual counter-entries, for further investigation and validated the existence and accuracy of this population.

For further information on revenue recognition refer to the following:

- Note 2.1 to the consolidated financial statements



INVENTORY VALUATION

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to MCHF 38.3 as at 31 December 2021. The valuation of work in progress, semi-finished and finished goods is underlying management judgements with regards to planned production capacities which impact standard costs.

The valuation allowances are set up based on historical experience and management's judgement on projected future sales and usage of inventory items. This judgement directly affects the carrying amount of inventories.

Our response

Our audit procedures in this area included, amongst others:

- We challenged the Group's calculation of production costs. Relating to the allocation of overhead costs we compared the key parameters used in the calculation to underlying actual data, and we evaluated underlying labour costs by comparing actual rates to budget rates and the deviations thereof.
- We assessed the Group's historical experience on slow moving inventory items as compared to the amounts used in the calculation of allowances, and we evaluated consistency of application.
- We evaluated the Group's controls on the valuation of slow moving items by sample testing key controls for operating effectiveness.

For further information on inventory valuation refer to the following:

- Note 1.2 to the consolidated financial statements
- Note 3.2 to the consolidated financial statements

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law and Swiss Auditing Standards 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 consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Matthias Bachmann
Licensed Audit Expert

Zurich, 14 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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Financial Statements of Sensirion Holding AG

Income Statement

In thousands of CHF, for the year ended 31 December	Note	2021	2020
Revenue from royalties	1.6	7,644	7,738
Total income		7,644	7,738
Personnel expenses		(1,027)	(1,024)
Other operating expenses		(1,320)	(1,110)
Amortization on intangible assets		(15)	(16)
Financial income	2.5	822	583
Financial expense	2.5	(758)	(1,084)
Income taxes		(488)	(712)
Total expenses		(2,786)	(3,363)
Profit for the year		4,858	4,375

Balance Sheet

In thousands of CHF	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents		54,129	14,740
Financial assets	2.1	–	30,000
Other short-term receivables			
– from companies in which the entity holds an investment		205	1,025
Prepaid expenses and accrued income		90	95
Total current assets		54,424	45,860
Financial assets	2.1	52,616	98,606
Investments	2.2	69,776	21,522
Intangible assets		23	37
Total non-current assets		122,415	120,165
Total assets		176,839	166,025
Liabilities			
Trade payables			
– to third parties		20	23
Other liabilities			
– to third parties		88	127
– to companies in which the entity holds an investment		3,100	3,100
Accrued expenses		542	500
Total current liabilities		3,750	3,750
Provisions		5,955	–
Total non-current liabilities		5,955	–
Total liabilities		9,705	–
Equity			
Share capital		1,557	1,557
Legal capital reserves	2.4		
– Reserves from capital contributions		127,311	127,438
– Other capital reserves		4,597	4,469
Legal retained earnings			
– General legal retained earnings		603	603
– Reserves for treasury shares		472	1,735
Voluntary retained earnings			
– Retained earnings brought forward		27,736	22,098
– Profit for the year		4,858	4,375
Total equity		167,134	162,275
Total liabilities and equity		176,839	166,025

Notes to the Financial Statements of Sensirion Holding AG

1 Principles

1.1 General aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that, to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Financial assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the exchange rate at the balance sheet date, unrealized losses are recognized immediately whereby unrealized profits are not recognized. Investments with a long-term investment purpose and less than 20% capital rights are considered financial assets. Investments with long-term investment purpose with more than 20% capital rights are considered investments.

1.3 Investments

Investments are accounted for at costs less any impairment losses.

1.4 Treasury shares

Treasury shares are held in the subsidiary Sensirion AG.

1.5 Share-based payments

The purpose of the Bonus and Restricted Share Plan (see Note 6 of the Consolidated Financial Statements) is to provide eligible employees with an opportunity to participate in the creation of long-term shareholder value of the Sensirion Group. Members of the Executive Committee shall be awarded their bonus in the form of an equity bonus only, not having the right to choose between a cash bonus and an equity bonus. Except for exceptions as determined by the Executive Committee, eligible employees who are awarded a bonus from time to time may choose between

- (a) payment of the bonus in cash (the Cash Bonus); or
- (b) payment of the bonus in shares of Sensirion Holding AG (Shares) and additional restricted share units (RSUs), in each case subject to the terms, conditions and restrictions set forth in the plan.

An eligible employee can only elect to receive either the full bonus in the form of a Cash Bonus or an Equity Bonus. The number of Shares to be awarded shall be determined by dividing the bonus amount by an average price of the Shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the Shares as determined by Sensirion Holding AG in its sole discretion, rounded down to the nearest full number of Shares. The number of RSUs to be awarded shall be determined by Sensirion Holding AG in its sole discretion.

1.6 Revenue from royalties

Sensirion Holding AG charges its subsidiaries royalties. The royalties are based on the revenue that is generated by the subsidiaries using the patented technology of Sensirion Holding AG.

1.7 Foregoing a cash flow statement and additional disclosures in the notes

As Sensirion Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

2 Disclosure on balance sheet and income statement items

2.1 Financial assets

In thousands of CHF	31 December 2021	31 December 2020
Current financial assets		
Time deposit	-	30,000
Total current financial assets	-	30,000
Non-current financial assets		
Clarity Movement Co.	524	524
MaxWell Biosystems AG	3,688	3,300
Loans to subsidiaries	48,404	94,782
Total non-current financial assets	52,616	98,606

2.2 Investments

In thousands of CHF	31 December 2021			31 December 2020	
a) Direct investments					
Company, location		Share capital	in %	Share capital	in %
Sensirion AG, Stäfa (Switzerland)	CHF	2,000,000	100	2,000,000	100
Sensirion China Co. Ltd., Shenzhen (China)	CNY	1,260,000	100	1,260,000	100
Sensirion Inc., Chicago (USA)	USD	660,000	100	660,000	100
Sensirion Japan Co. Ltd., Yokohama (Japan)	JPY	25,000,000	100	25,000,000	100
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	KRW	100,000,000	100	100,000,000	100
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	TWD	25,000,000	100	25,000,000	100
Sensirion Hungary Kft., Debrecen (Hungary)	HUF	3,010,000	100	3,000,000	100
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	CHF	100,000	100	100,000	100
Sensirion Connected Solutions AG, Stäfa (Switzerland)	CHF	100,000	100	-	-
AiSight Inc., San Francisco (USA)	USD	2,631,099	100	-	-
IRsweep AG, Stäfa (Switzerland)	CHF	166,667	100	166,667	33
Qmicro B.V., Enschede (Netherlands)	EUR	1,000	100	-	-
Lumiphase AG, Zürich (Switzerland)	CHF	133,323	25	133,323	25
b) Significant indirect investments					
Sensirion Automotive Solutions Inc., Eaton Rapids (USA)	USD	250,000	100	250,000	100
Sensirion Automotive Solutions Korea Co. Ltd., Seoul (South Korea)	KRW	38,543,000,000	100	15,000,000,000	100
Sensirion Automotive Solutions (Shanghai) Co. Ltd., Shanghai (China)	CNY	28,450,000	100	28,450,000	100
Sensirion Automotive Solutions Hungary Kft., Debrecen (Hungary)	HUF	3,000,000	100	-	-
AiSight GmbH, Berlin (Germany)	EUR	30,870	100	-	-

2.3 Treasury shares

Held by subsidiary Sensirion AG

In thousands of CHF	2021	2020
Treasury shares nom. CHF 0.10		
Stock at 1 January	75,857	75,857
Book value at 1 January	1,735	1,735
Sales	(55,258)	-
Selling price	(1,263)	-
Stock at 31 December	20,599	75,857
Book value at 31 December	472	1,735

2.4 Legal capital reserves

Reserves from capital contributions in the amount of CHF 127,311 thousand have been confirmed by the Federal Tax Authority.

2.5 Financial result

In thousands of CHF, for the year ended 31 December	2021	2020
Financial income	822	583
Financial expenses	(758)	(1,084)
Total	64	(501)

The financial income of CHF 822 thousand (prior year: CHF 583 thousand) arises mainly from interest income from loans to subsidiaries. Financial expenses in the amount of CHF 758 thousand (prior year: CHF 1,084 thousand) mainly include valuation differences of financial assets and exchange losses as of 31 December 2021.

3 Other information

3.1 Full-time equivalents

Sensirion Holding AG has no employees.

3.2 Collateral provided for liabilities of third parties

Collateral provided for liabilities of third parties amount to CHF 40,000 thousand (prior year: CHF 40,000 thousand). These are guarantees issued on behalf of subsidiaries of which CHF 546 thousand are used.

3.3 Letter of comfort

Sensirion Holding AG has undertaken to provide Sensirion Automotive Solutions AG (as a supplier to a customer) with the necessary financial resources on an ongoing basis. The obligation to provide financial resources amounts to EUR 4,500 thousand per calendar year and to a maximum total amount of EUR 45,000 thousand during the term of the contract. This contract may be terminated for the first time on 31 December 2046 with 12 months' notice.

3.4 Equity-settled share-based payment transactions

Value in thousands of CHF	2021		2020	
	Quantity	Value	Quantity	Value
Allocated shares to employees excluding the EC	26,308	3,507	51,352	2,942
Allocated RSUs to employees excluding the EC	6,704	894	12,930	741
Total	33,012	4,401	64,282	3,683

3.5 Shares held by members of the Board of Directors and the Executive Committee

The members of the Board of Directors and the Executive Committee (including related parties) held the following number of shares and RSUs as of 31 December:

Board of Directors	2021		2020	
	Shares	RSUs	Shares	RSUs
Dr. Moritz Lechner, Co-Chairman	871,900	-	871,900	-
Dr. Felix Mayer, Co-Chairman ¹	871,900	-	871,900	-
Ricarda Demarmels, member	250	-	250	-
Heinrich Fischer, member	117,781	-	117,781	-
François Gabella, member	-	-	-	-
Dr. Franz Studer, member	-	-	-	-
Anja König, member, appointed on 18 May 2021	-	-	-	-
Total Board of Directors	1,861,831	-	1,861,831	-

Executive Committee	2021		2020	
	Shares	RSUs ²	Shares	RSUs ²
Dr. Marc von Waldkirch, CEO	43,590	2,094	42,052	2,700
Dr. Johannes Bleuel, VP Operations	2,735	921	5,827	1,218
Matthias Gantner, CFO	6,986	889	11,006	1,207
Heiko Lambach, VP Human Resources	11,720	662	12,490	891
Dr. Andrea Orzati, VP Sales & Marketing	19,446	1,195	19,031	1,584
Dr. Johannes Schumm, VP Research & Development	7,444	1,126	8,338	1,307
Total Executive Committee	91,921	6,887	98,744	8,907

¹ Related parties: including shares held by Fondation des Fondateurs, Zürich, Switzerland.

² Includes RSUs from the Bonus.

3.6 Significant shareholders

As of 31 December 2021, the following shareholders held more than 3% of the shares:

Shareholder	2021	
	Shares	% of voting rights
Moritz Lechner, Uerikon, Switzerland; Felix Mayer, Stäfa, Switzerland; Fondation des Fondateurs, Switzerland; 7-Industries Holding B.V., Amsterdam, Netherlands; EGS Beteiligungen AG, Zürich, Switzerland; Sensirion Holding AG ¹	5,039,412	32.4%
Chase Nominees Ltd. ²	593,116	3.8%
Gottlieb Knoch, Zug, Switzerland	768,666	4.9%
Davent Holding AG, Wollerau, Switzerland ³	547,164	3.5%

¹ The beneficial owner of 7-Industries Holding B.V. is Mrs. Ruthi Wertheimer, Herzliya, Israel. The beneficial owner of EGS Beteiligungen AG, Zürich, Switzerland, is the Ernst Göhner Stiftung, Zug, Switzerland. The shareholders act in concert within the meaning of Article 121 FMIA by virtue of a shareholders' agreement as a result of which they, together with the Company, act in concert. Moritz Lechner, Felix Mayer, Fondation des Fondateurs, 7-Industries Holding B.V. and EGS Beteiligungen AG together hold 32.4% (31 December 2020: 32.2%) of the voting rights.

² Pursuant to the share register, holding shares as nominee for third-party beneficial owners.

³ The beneficial owner of Davent Holding AG is Dr. Thomas Knecht, Wollerau, Switzerland.

4 Subsequent events

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities, or which should be disclosed here.

Proposed appropriation of available earnings

In thousands of CHF	2021
Retained earnings brought forward	27,736
Net profit for the year	4,858
Available earnings	32,594

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings.

In thousands of CHF	2021
Balance to be carried forward	32,594

Auditor's Report



Statutory Auditor's Report

To the General Meeting of Sensirion Holding AG, Stäfa

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sensirion Holding AG, which comprise the income statement for the year then ended, the balance sheet as at 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 134 to 141) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and 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 entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing the entity'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 Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Matthias Bachmann
Licensed Audit Expert

Zurich, 14 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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Shareholder Information

Valor symbol	SENS
Reuters symbol	SENSI.S
Bloomberg symbol	SENS.SW
Valor number	40,670,512
ISIN	CH 040 670512 6
End of fiscal year	31 December
Exchange	SIX Swiss Exchange
Trading currency	CHF
Listed since	22 March 2018
Number of issued shares (as recorded in the commercial register)	15,573,350
Nominal value	CHF 0.10
Accounting standard	Swiss GAAP FER

Financial Calendar

15 March 2022	2021 full-year results and annual report
16 May 2022	Annual general meeting
24 August 2022	2022 half-year results and interim report

Contact

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