



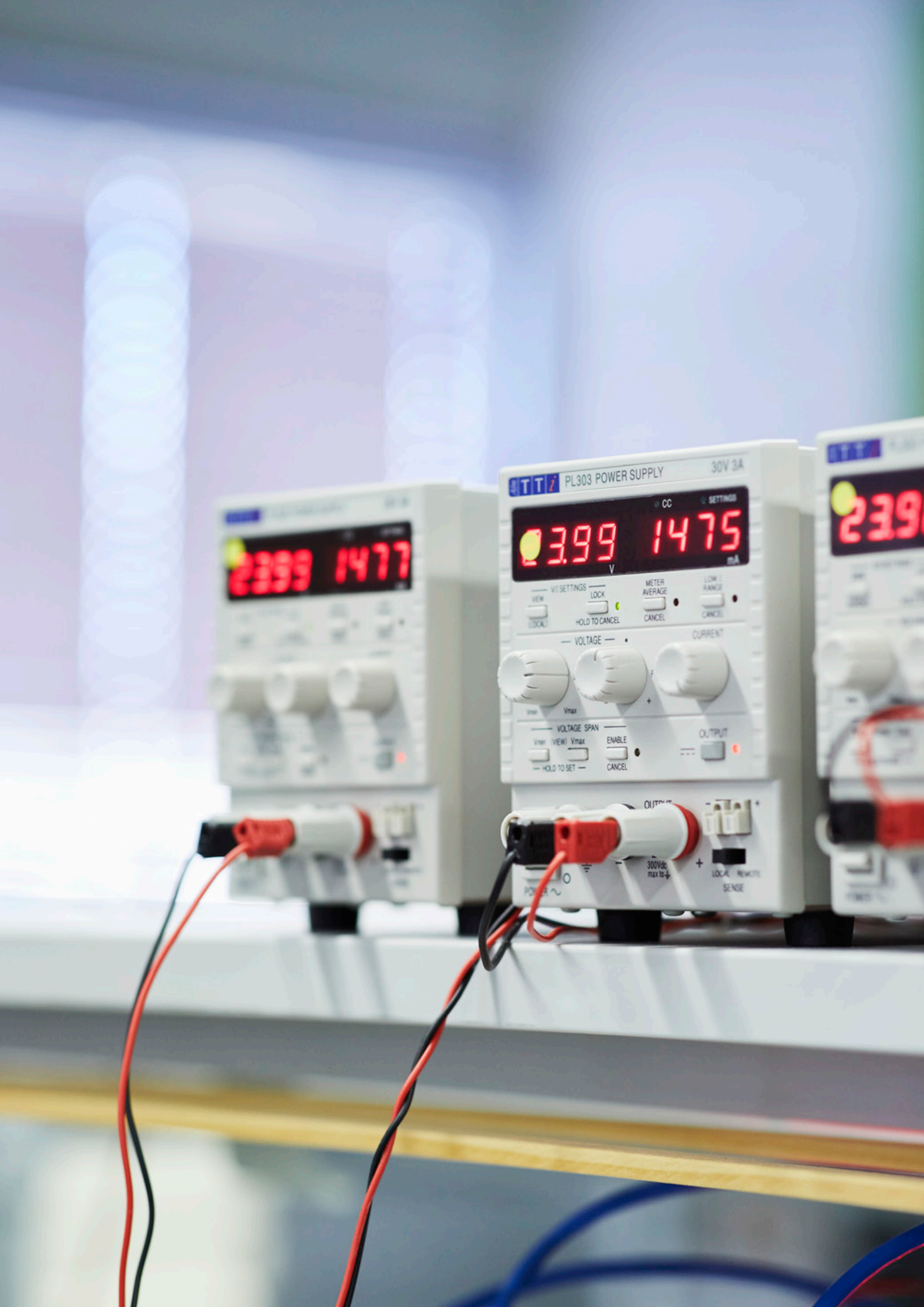
Annual Report 2020

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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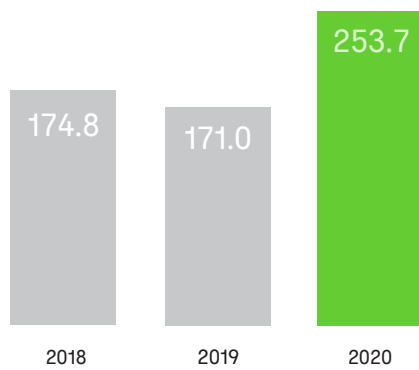
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Shareholder Information

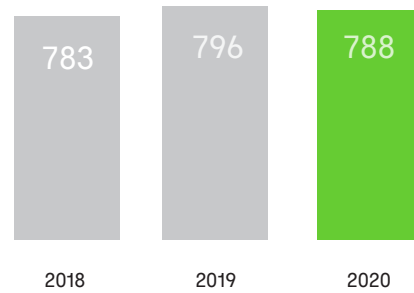
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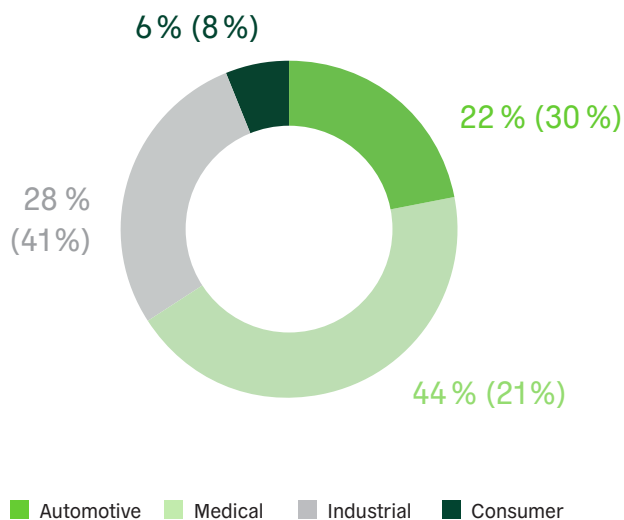
REVENUE (in CHF million)



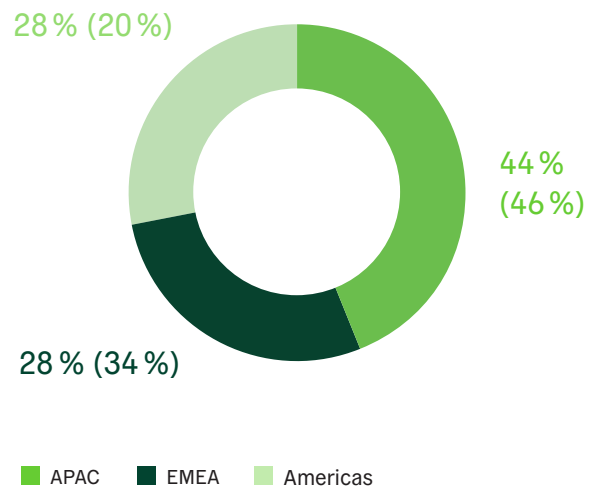
NUMBER OF EMPLOYEES (FTE) as of Dec 31



REVENUE BY MARKET 2020 (2019)



REVENUE BY REGION 2020 (2019)



253.7

REVENUE
in CHF million

57.6%

GROSS MARGIN

27.1%

ADJUSTED
EBITDA MARGIN

**Successful ramp-ups
of new product families
CO₂ and PM_{2.5}**

**Strong COVID-19-related
increase in demand for
sensors for ventilators**

**Long-term growth
based on new product
families and new
business areas**

Key Figures

Consolidated, in millions of CHF	31 December 2020	Δ in %	31 December 2019
Revenue	253.7	48.4%	171.0
Gross profit	146.2		91.8
– as % of revenue	57.6%		53.7%
Operating profit (loss)	51.1	2,651.1%	(2.0)
– as % of revenue	20.1%		(1.2%)
Profit (loss) for the period	41.9	1,625.9%	(2.7)
– as % of revenue	16.5%		(1.6%)
Earnings per share (in CHF)	2.73		(0.18)
EBITDA¹	64.1	419.9%	12.3
– as % of revenue	25.3%		7.2%
Adjusted EBITDA²	68.8	236.7%	20.4
– as % of revenue	27.1%		12.0%
Cash flow from operating activities	53.3		25.7
Capital expenditures³	(14.2)		(17.2)
Free cash flow⁴	39.1		8.6
	31 December 2020		31 December 2019
Total assets	269.2		215.5
Total liabilities	73.1		59.3
Total equity	196.1		156.2
Net cash (Net debt)⁵	78.2		48.0
Number of employees (FTE)	788	(1.0%)	796

¹ Defined as profit (loss) for the period excluding net interest expenses, income taxes, depreciation, and amortization.

² Defined as EBITDA adjusted for net finance costs excluding net interest expenses, share of profit or loss of equity-accounted investees, net of tax, and the non-recurring expense from the IPO Loyalty Share Program (including social security expenses).

³ Defined as the sum of acquisition of property, plant, and equipment, proceeds from sale of property, plant, and equipment, acquisition of intangible assets, and development expenditure.

⁴ Defined as the sum of cash flows from operating activities and cash flows from investing activities, excluding M&A activities.

⁵ Defined as the sum of cash and cash equivalents less loans and borrowing less lease liabilities (current and non-current).







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

Dear Shareholders

The coronavirus year 2020 proved to be very multi-faceted for Sensirion: despite many COVID-19-related restrictions and challenges, additional opportunities opened for us. On the one hand, demand for our sensor solutions was very robust, which can be attributed to the successful ramp-ups of our new product families (CO₂, PM2.5) and a continued strong market diversification. On the other hand, we recorded a COVID-19-related strong increase in demand for sensors for ventilators. This enabled us to raise our outlook for 2020 twice, in June and in December. We are also confident about the coming years: the new product families in the environmental area and numerous ongoing projects will support further growth. In addition, we have been able to set the course for new business areas in recent months that should contribute to the company's longer-term growth after a few years of development.

Strong revenue and profitability growth

Consolidated revenue amounted to CHF 253.7 million (+48.4% compared to the prior-year period, +53.5% organic, -5.1% foreign currency effects). Of this amount, CHF 77.0 million (prior-year period CHF 7.0 million) came from gas flow sensors for ventilators. Even without this one-time COVID-19-related effect, the pandemic year showed good growth of +7.4% (+12.5% organic, -5.1% foreign currency effects) compared to the previous year. The gross margin improved to 57.6%, and the adjusted EBITDA margin reached a high 27.1%, both thanks to economies of scale from the one-time additional business in the medical sector. The operating profit was CHF 51.1 million, resulting in a net profit for the period of CHF 41.9 million. Operating cash flow amounted to CHF 53.3 million.

Sales growth in all markets, the medical sector benefits from a strong one-time effect

As a result of the COVID-19-related additional business in the medical sector, the breakdown of consolidated sales by market changed significantly compared to the previous year (Automotive 21.7%, Medical 44.3%, Industrial 28.1%, Consumer 5.9%). In terms of geographic distribution, the Americas and Asia Pacific grew at the expense of EMEA (Asia Pacific 43.7%, EMEA 27.8%, Americas 28.5%).

The automotive business recorded revenue growth of 7.5% to CHF 55.2 million, with two offsetting developments: the new tier 1 and module business recorded strong sales growth thanks to the robust ramp-up of a particulate matter (PM2.5) sensor project in South Korea. In addition, the successful sales launch of the PM2.5 sensor represents an important milestone in our ambition to become a leading module and tier 1 supplier in the automotive market. In contrast, the existing components business with humidity and flow sensors suffered from the pandemic-related decline in demand as well as from temporary customer factory closures in the second quarter. However, we saw the first signs of a recovery in demand in this area in the final months of the reporting year.

In 2020, the medical market was strongly influenced by the COVID-19 pandemic. Revenue grew by 219.7% to CHF 112.3 million. This increase is primarily a result of higher sales of gas flow sensors for ventilators, resulting in revenue of CHF 77.0 million (previous year CHF 7.0 million). Shortly after the pandemic outbreak in spring, the demand for sensors for ventilators multiplied within weeks. Due to our high market share in ventilator sensors, Sensirion was aware of its particular responsibility in this pandemic towards customers and society from the very beginning. A dedicated task force worked at full stretch to increase

production capacity more than tenfold in record time. Thanks to the great dedication and enthusiasm of numerous employees from all departments, we managed to cope with this despite all the coronavirus-related restrictions. The peak in sensor shipments for ventilators occurred in the second and third quarters. We expect demand to normalize during the first quarter of 2021.

In the broadly diversified industrial market, revenue amounted to CHF 71.2 million (+1.2% compared to the previous year). In this market, too, newly launched products in the field of environmental sensors were able to compensate for a pandemic-related decline in demand in specific market areas. In the household appliances market, we primarily benefited from growth in CO₂ and PM2.5 sensing. Several key customers finalized their product designs based on our new product families launched in 2018 and started manufacturing. In contrast, sales in the gas meter market, which saw COVID-19-related factory closures by our customers in the second quarter, declined.

In the highly fragmented consumer market, we increased sales by 5.3% to CHF 14.9 million. The growth is attributable to new projects with humidity sensors and robust business with the established portfolio. In Asia in particular, important customers launched new products using our humidity sensor.

Strategic progress in the environmental sensor sector

The expansion of our environmental sensor portfolio remains an essential pillar of our growth strategy with the goal of achieving market leadership in the environmental sensor market. In this respect, we were able to reach some significant milestones in 2020.

In addition to the CO₂ and PM2.5 sensor families already mentioned, we successfully started the production of a novel formaldehyde sensor at the end of the year. Formaldehyde is an organic gas that often outgases indoors from building materials and furniture and can be carcinogenic even at low concentrations. Our new sensor shows lower cross-sensitivity to other gases that are often found indoors. It is the first sensor that is based on the electrochemical sensor technology we acquired in summer 2019. This sensor was developed and brought to production readiness within a record-breaking 15 months to meet an important lead customer's timeline. The broad launch is planned for spring 2021. In addition, we launched a first environmental combo module in 2020 that enables measurement of particulate matter, humidity and temperature as well as VOC and NO₂ levels, all in the same housing. Customers have already launched initial product designs using this combo sensor.

Based on the numerous ongoing projects and the response to the new product families in all markets, we are confident for the coming years.

New production site in Debrecen, Hungary

To meet the growing demand for our sensors, we are expanding our production capacity with a new site in Debrecen, eastern Hungary. We chose Hungary because of its proximity to our customers in Europe, the good educational level of future employees and the support provided by regional partners. The building

will be realized and financed by a local “build-to-suit” partner. We have signed a long-term lease agreement. The groundbreaking ceremony took place at the end of June 2020, and we expect construction to be completed and manufacturing ready to start by the end of 2021. Our current manufacturing sites in Switzerland and Asia and our local employees will not be adversely affected by this expansion.

Securing longer-term growth potential with technology acquisitions

In recent months, we have concluded several longer-term technology acquisitions and investments to secure the company’s longer-term growth potential.

In February 2021, we finalized the acquisition of the Dutch micro gas chromatography company Qmicro in Enschede, The Netherlands. During the past years, the founder-managed company with 16 employees very successfully developed a compact and highly efficient micro gas chromatography for the continuous analysis of gas compositions for environmental monitoring and for applications in the gas market. The acquisition will allow us to expand our portfolio of gas sensor solutions to the high-precision sector, offering customers the full range from low-cost components to high-precision analyzers. The acquired business will continue to operate under the same management and the current brand as a new Sensirion business unit.

We also invested in two promising start-ups in Switzerland: Lumiphase develops new optical, CMOS-compatible photonic technology using new materials. With the investment in Lumiphase, we secured the exclusive rights to these materials for potential sensor applications in our markets. MaxWell Biosystems, a Zurich-based ETH start-up, develops single-use sensing chips for cell characterization in drug development. By investing in MaxWell Biosystems, we are securing greater insight into this exciting new sensing area. Both investments support our longer-term technology pipeline.

CO₂ monitors for schools in Zurich

As part of a COVID-19 charity campaign to benefit schools in the canton of Zurich, Sensirion equipped more than 2,500 classrooms with specially designed CO₂ monitors. CO₂ is a reliable indicator of good indoor air quality. The sensors are designed to alert classes and teachers when to ventilate classrooms to minimize the risk of infection by aerosols using a simple traffic light system. We are proud to make a small contribution to helping to prevent another pandemic-related closure of schools.

New Board member proposed for Annual General Meeting 2021

As part of its long-term succession planning and renewal of the Board, the Board of Directors will nominate Anja König for election at the upcoming Annual General Meeting 2021. This will increase the number of Board members to seven for one year, as Heinrich Fischer will reach the extended age limit for members of the Board of Directors in 2022. Anja König has broad experience in strategic investments and acquisitions and deep insight into the Swiss startup scene. She will be able to provide Sensirion with significant support in the further development of strategic collaborations.

Change in accounting standard to Swiss GAAP FER

The Board of Directors has decided to change the Group's accounting standard from IFRS to Swiss GAAP FER with a transition date as of 1 January 2020 as per the next interim consolidated financial statements as at and for the six months ending 30 June 2021. Swiss GAAP FER is a recognized, comprehensive, and less granular set of accounting standards that will allow the Group to continue publishing high-quality and transparent financial reports in compliance with the requirement to present a true and fair view.

Outlook

In our view, the global economic situation remains fragile at the beginning of 2021 and visibility is low in view of the pandemic and geopolitical challenges. We currently see demand picking up in all markets and promising signs of recovery, hoping for a foreseeable end to the COVID-19 pandemic. However, given the tight availability of semiconductor products worldwide, we also believe that some of the current demand is for inventory build-up and as a result could subside in a few months. In the ventilator market, the pandemic-related increase in demand should fully normalize by the end of Q1 2021.

Assuming unchanged foreign currency exchange rates, we expect full-year 2021 consolidated revenue of CHF 226-245 million (FY 2020 CHF 253.7 million), of which approximately CHF 15 million (FY 2020 CHF 70 million) still comes from the COVID-19-driven ventilator sensor business. This represents a decline of 3-11% compared to 2020. Adjusted for the one-off ventilator business, a strong sales growth of 15-25% results. We expect the gross margin to remain stable at 52-55% and the EBITDA margin at 18-22%.

Based on progress in key R&D projects, we also confirm our medium-term annual sales growth target of 10-15%. We will discuss our growth strategy in more detail at our Capital Markets Day on 25 March 2021.

Special thanks to the employees

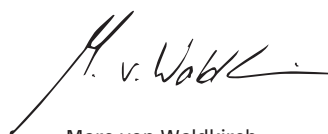
We would like to express our sincere thanks to all Sensirion employees for their extraordinary commitment in these difficult times. The outstanding commitment of many people involved, our firmly anchored corporate culture, and our team spirit enabled us to turn short-term challenges into opportunities and to realize them successfully. We would also like to thank you, our valued shareholders, for your trust and your commitment to long-term innovation.



Moritz Lechner
Co-Chairman of the Board



Felix Mayer
Co-Chairman of the Board



Marc von Waldkirch
CEO

Strategy

Foster our unique company culture called “SensiSpirit”

Our company culture “SensiSpirit” is based on an entrepreneurial mindset, dedicated to long-term innovation, and built by exceptional people. To remain innovative and agile, we aim to continue recruiting and attracting top talents in all fields. We intend to continue fostering our award-winning company culture which facilitates hiring, strengthens employee retention, and contributes to creating the ideal environment for innovation.

Drive technology and cost leadership in our core markets humidity and flow

We aim to continue strengthening our market leadership in humidity and flow sensing across our diverse end markets and applications. In those applications for which we already have high market shares, we intend to strengthen our strong market position through cost and technology leadership. In other applications, we aim to increase market share by introducing product innovations, cultivating existing long-term trusting customer relationships, and broadening our customer base. In terms of new customers, our focus is on manufacturers that are leaders in their markets, either in terms of market share or innovation.

We aim to drive volumes across all applications of humidity and flow to leverage and monetize economies of scale, both in development and manufacturing. In addition, our strong market position allows us to continue to leverage our position as entry point for additional environmental sensors, and in turn increase customer content.

Become market leader for the entire environmental market

We aim to leverage our strong market position in humidity and flow sensing to become the market leader in the entire environmental sensor market and to increase content in existing applications. In a first step, we have introduced first generations of sensors for carbon dioxide (CO₂), particulate matter (PM_{2.5}), formaldehyde and volatile organic compounds (VOC). The development priorities of these generations were an optimized time-to-market and a quick gain in market share.

Accordingly, these generations were based on existing technology platforms. In a second step, we aim to introduce second generations of our sensors for CO₂, PM_{2.5}, and formaldehyde in the upcoming years. We intend to use the full in-house technology value chain with the goal of achieving miniaturization, enabling disruptive innovation, and securing and expanding market share.

In addition, we aim to leverage our in-house technologies to quickly and reliably develop new sensors targeting additional gas parameters. We also plan to expand our offering of combo modules of various environmental sensors with the goal of enabling new applications and increasing customer content.

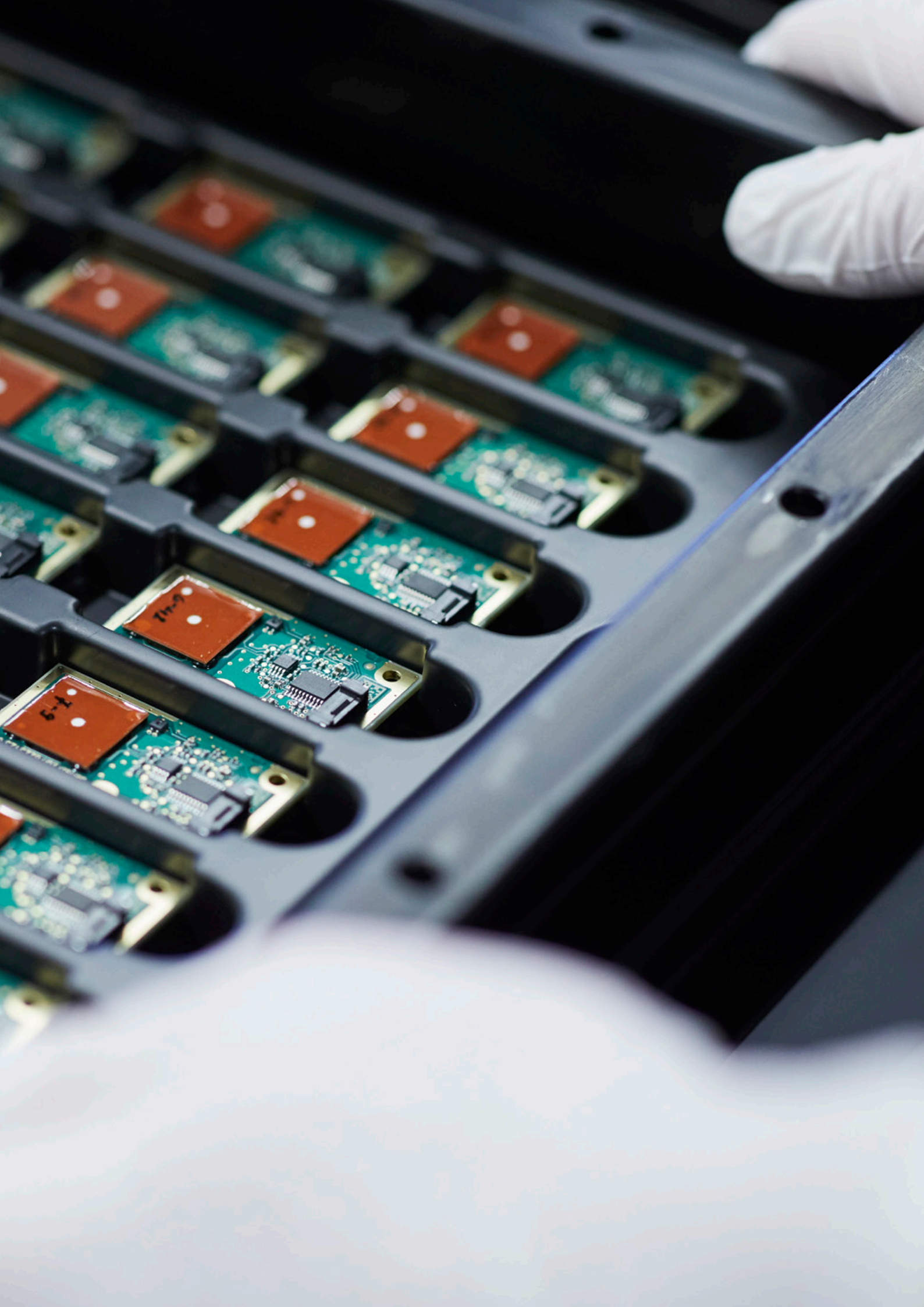


We intend to continue fostering our award-winning company culture which facilitates hiring, strengthens employee retention, and contributes to creating the ideal environment for innovation.

Develop technologies for long-term growth

We aim to continue investing in fundamental technology innovation with a view towards driving long-term market leadership by systematically exploring and evaluating new sensor technologies, applications, and market opportunities that complement our product and application offering and allow us to capture high-value growth opportunities. To find new growth opportunities, we closely monitor the overall sensor market to identify market trends and evolving customer demands.

Additionally, we make use of our proximity to the global and local start-up community to seek out innovative new sensor technologies and opportunistically pursue selective acquisitions of technologies, product lines, businesses, or manufacturing capacities that we believe will complement and strengthen our competitive position.



Markets

Automotive market

In the automotive market, revenue amounted to CHF 55.2 million, which corresponds to an increase of 7.5% compared to 2019 and a contribution of 21.7% to group revenue.

Revenue development in CHF million

51.3	2019
55.2	2020

Revenue development was affected by two contrasting developments. On one hand, the ramp-up of a significant PM2.5 sensor project in South Korea resulted in strong growth for the new tier 1 and module business. The ramp-up of this important project not only represents the successful market introduction of the particulate matter sensor for Sensirion, but also the achievement of a crucial milestone in the development of Sensirion to a leading automotive tier 1 and module supplier. Offsetting this development, on the other hand, the pandemic caused a decline in demand and customer factory closures in the second quarter, which in turn led to lower revenue for the components business with humidity and gas flow sensors. In the final months of the reporting year, however, we saw the first signs of a demand recovery for automotive components.

Reducing energy consumption and increasing passenger comfort are the main drivers for employing Sensirion's sensors in the automotive area. Control of the passenger cabin climate and auto-defogging of the windshield are made possible by applying humidity sensors, either directly at the windshield, in the dashboard, or a combination of the two. Sensirion's gas flow sensors are located in the air intake of combustion engines with humidity sensors to control the combustion process more precisely. The newest generation of humidity and temperature sensors for the automotive market, the SHT3xA family, recorded significant revenues for the first time due to switches from the previous generation in several customer projects.

In the automotive module business, foremost with the ramp-up of the particulate sensor matter project in South Korea and project wins in other areas, Sensirion has continued its path of expanding its environmental sensor portfolio and building-up a track record as direct supplier to automotive OEMs. This module portfolio supports the strategy to continuously increase content in existing and new applications.

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

Apart from the direct economic impacts, the COVID-19 pandemic appears to have increased environmental consciousness and accelerated the shift from combustion to hybrid and electric vehicles. Sensirion is convinced that this shift will benefit Sensirion mid- to long-term by increasing the penetration rate of sensors in the auto-defogging and climate control applications. Whereas saving fuel by optimizing climate control is a nice-to-have benefit for a combustion-engine vehicle, saving energy translates directly into an increased range in the case of an electric vehicle.

Medical market

In the medical market, revenue amounted to CHF 112.3 million, +219.7 % year-on-year, contributing 44.3 % to group revenue.

Revenue development in CHF million



In 2020, the COVID-19 pandemic dominated the results in the medical market. Of the CHF 112.3 million, CHF 77.0 million stemmed from sales of gas flow sensors for medical ventilators, a large increase compared to the CHF 7.0 million in 2019. Shortly after the outbreak of the pandemic in spring, demand for sensors for medical ventilators increased up to eight- to tenfold within a few weeks. Sensirion took its responsibility in this pandemic towards its customers and society in general very seriously, particularly given Sensirion's high market share in sensors for ventilators. A dedicated task force worked under high pressure to increase production capacity to meet the multiplied demand within weeks. Because of the great dedication, the extra effort, and the enthusiasm of numerous employees across all departments, Sensirion was able to successfully cope with corona-related restrictions, such as factory closures at suppliers and global logistics problems. Sensirion is proud to have been able to contribute to mitigating the consequences of this worldwide pandemic. After the steep increase in demand in spring, the peak in sensor shipments for ventilators occurred in the second and third quarters of 2020. We expect demand to normalize during the first quarter of 2021.

In the medical market, Sensirion's sensor solutions are used first and foremost in human respiratory applications. In ventilators employed in hospitals and emergency settings, gas flow sensors and meters measure the flow into and from 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, respectively. 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 increased demand in 2020, 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 homecare, 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 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, for instance in smart inhalers.

Industrial market

In the industrial market, revenue grew moderately to CHF 71.2 million, which corresponds to a 1.2% increase compared with 2019 and 28.1% of group revenue. Thanks to projects with the newly launched environmental sensors in some areas of the industrial market, it was possible to compensate for a pandemic-related decline in demand in other areas.

Revenue development in CHF million

70.3	2019
71.2	2020

The home appliance market showed strong growth because of new customer projects in carbon dioxide and particulate matter sensing, foremost in air purifiers. Several key customers finalized their product design and consequently started production of their devices, based on Sensirion's CO₂ and PM2.5 product families, which were launched in 2018. In addition, sales of humidity sensors for use in refrigerators also increased compared to the previous year. In the appliance market, application drivers are mainly to save energy and increase comfort. Applications include incorporating humidity sensors in refrigerators to optimize energy, employing air quality sensors in air purifiers to achieve cleaner air, and installing CO₂ sensors in air conditioners to ventilate rooms more efficiently.

In the area of heating, ventilation, and air-conditioning (HVAC), ramp-ups with the CO₂ sensor were able to compensate for sales decline in other projects, resulting in an overall small revenue increase compared to 2019.

Sales of humidity sensors in the hard disk area started strongly in the first quarter of 2020, but then subsequently declined due to the pandemic. Eventually, revenue was slightly less than in 2018. This was not completely unexpected as, in addition to the pandemic-related effect, the shift from magnetic-based to solid-state drives is still ongoing.

In the smart gas meter market, COVID-19-related factory closures of Sensirion customers, especially in Italy, yielded a revenue decline year-over-year. In addition, the pandemic slowed down the roll-out of Sensirion's microthermal metering technology in other geographical areas. For instance, in the UK, gas meters are often installed in an apartment. However, access to the apartments and thus to the gas meters is very limited during the pandemic for reasons of infection.

Consumer market

In the consumer market, revenue slightly increased to CHF 14.9 million, 5.3% year-over-year, contributing 5.9% to group revenue. The growth resulted from new projects with humidity sensors and continued robust business with the established portfolio. Particularly in Asia, customers launched new consumer products incorporating Sensirion's humidity sensor.

Revenue development in CHF million

14.1	2019
14.9	2020

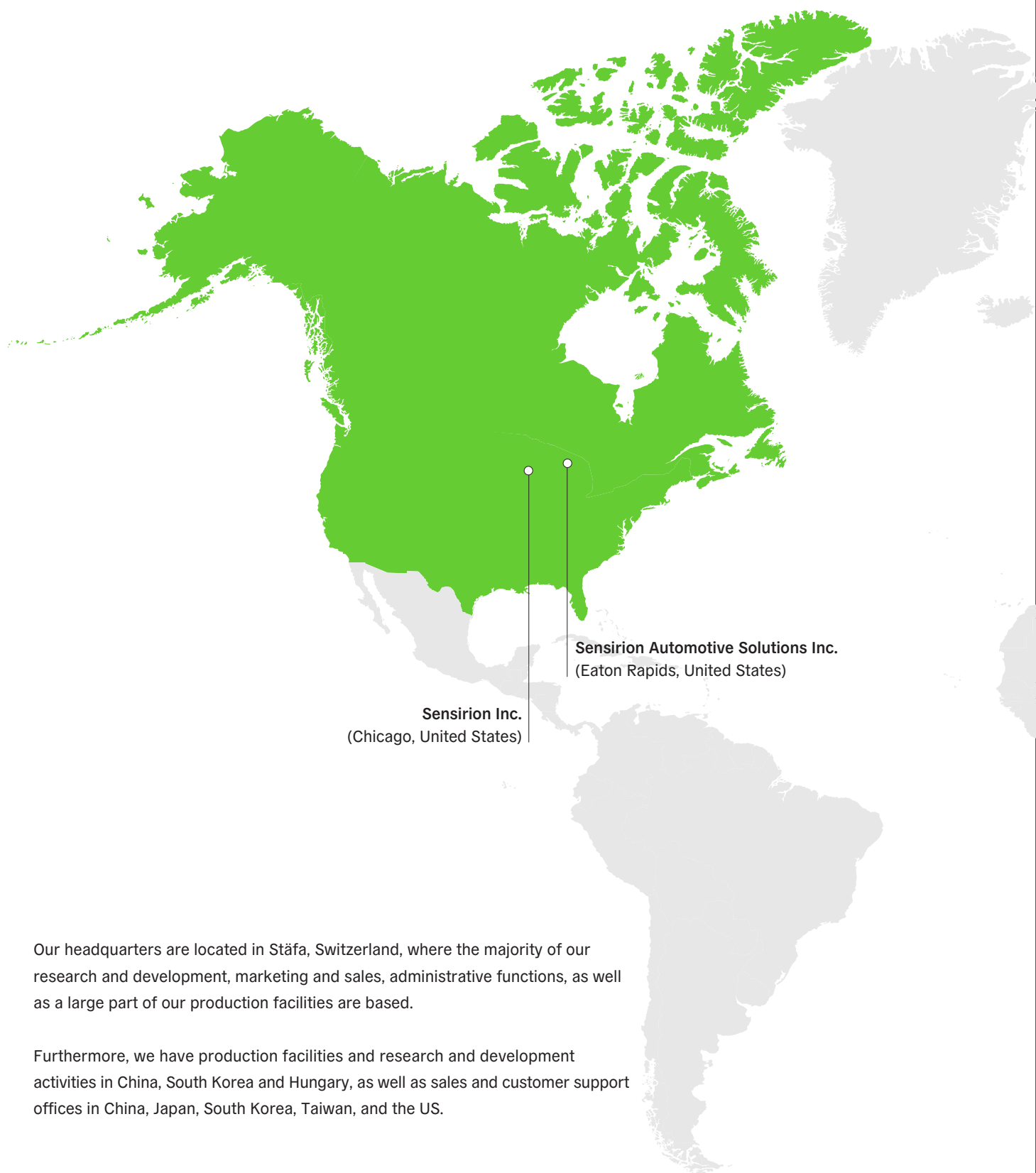
Increased comfort as well as optimizing energy consumption drive the application of Sensirion's sensors in the consumer end market. This is for instance the case with humidity sensors in SmartHome applications such as baby monitors or smart thermostats.

In addition, driven by the COVID-19 pandemic, many customers of Sensirion launched CO₂ monitors in 2020 based on Sensirion's first generation of carbon dioxide sensors. COVID-19, like many other viruses, is spread via respiratory droplets that are emitted from infected people through breathing, coughing, and sneezing, and is also transmitted from direct, shared contact with contaminated surfaces. These infectious diseases often become more prevalent during colder months as people tend to spend more time indoors, where the air quality is poorer. The transmission of COVID-19 through small airborne microdroplets, like the CO₂ concentration, can easily be reduced by increasing ventilation. For buildings without mechanical ventilation, such as homes and restaurants, natural ventilation means opening doors and windows. While the level of viral particles in the air is unfortunately not detectable, it is relatively easy to measure the CO₂ concentration, and CO₂ levels can be used as a surrogate to monitor the level of infectious material in the air.

The level of CO₂ in the air can be thought of as a "traffic light" system: green is between 400 and 1,000 parts per million (ppm) and is the CO₂ concentration found in outdoor air; yellow is between 1,000 and 1,600 ppm and is where 80% of people are satisfied with perceived air quality; finally, red is $\geq 1,600$ ppm and is where there are detectable negative impacts on human health and well-being. At this level, the air quality is considered poor and the risk of viral transmission is increased. Thus, employing CO₂ monitors to indicate when a room should be ventilated can reduce the number of aerosols in the air and concomitantly the infection risk with COVID-19.

788

Employees (FTE) worldwide as of 31 December 2020



Our headquarters are located in Stäfa, Switzerland, where the majority of our research and development, marketing and sales, administrative functions, as well as a large part of our production facilities are based.

Furthermore, we have production facilities and research and development activities in China, South Korea and Hungary, as well as sales and customer support offices in China, Japan, South Korea, Taiwan, and the US.



Sensirion Holding AG
Sensirion AG
(Stäfa, Switzerland)

Sensirion Hungary Kft.
(Debrecen, Hungary)

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

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

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

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

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

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

Technology at heart, future in mind.

Never before in human history has technological progress caused such rapid development as today. Digitalization, automation and the internet have fundamentally altered our world over the past few decades. Today, we can hardly imagine a world without these innovations, which serve as basis for other new technologies such as sensors.

Innovation and technological progress are the foundation and at the heart of what we do at Sensirion. However, we not only want to be innovative but also go a step further and develop new technologies and products that enable a smarter, more sustainable future. The focus is on the major challenges of the modern world, and Sensirion's mission is to enable new applications that will create a safer, more comfortable, healthier and more energy-efficient future.

In pursuing this mission, Sensirion remains true to its guiding principle: "Technology at heart, future in mind".





Indoor air quality and CO₂

Humans generate carbon dioxide (CO₂) when converting nutrients into energy in the presence of oxygen and exhale CO₂ through respiration. If the concentration of CO₂ in the air increases, the difference in CO₂ levels in the lungs and the inhaled air is reduced, resulting in higher levels of CO₂ in the blood, which can lead to concentration problems and fatigue.

Consequently, the performance of people in a room decreases as the level of CO₂ in the air increases. High CO₂ levels in closed spaces also contribute to an increased risk of viral infections.

How does Sensirion help create a healthier environment?

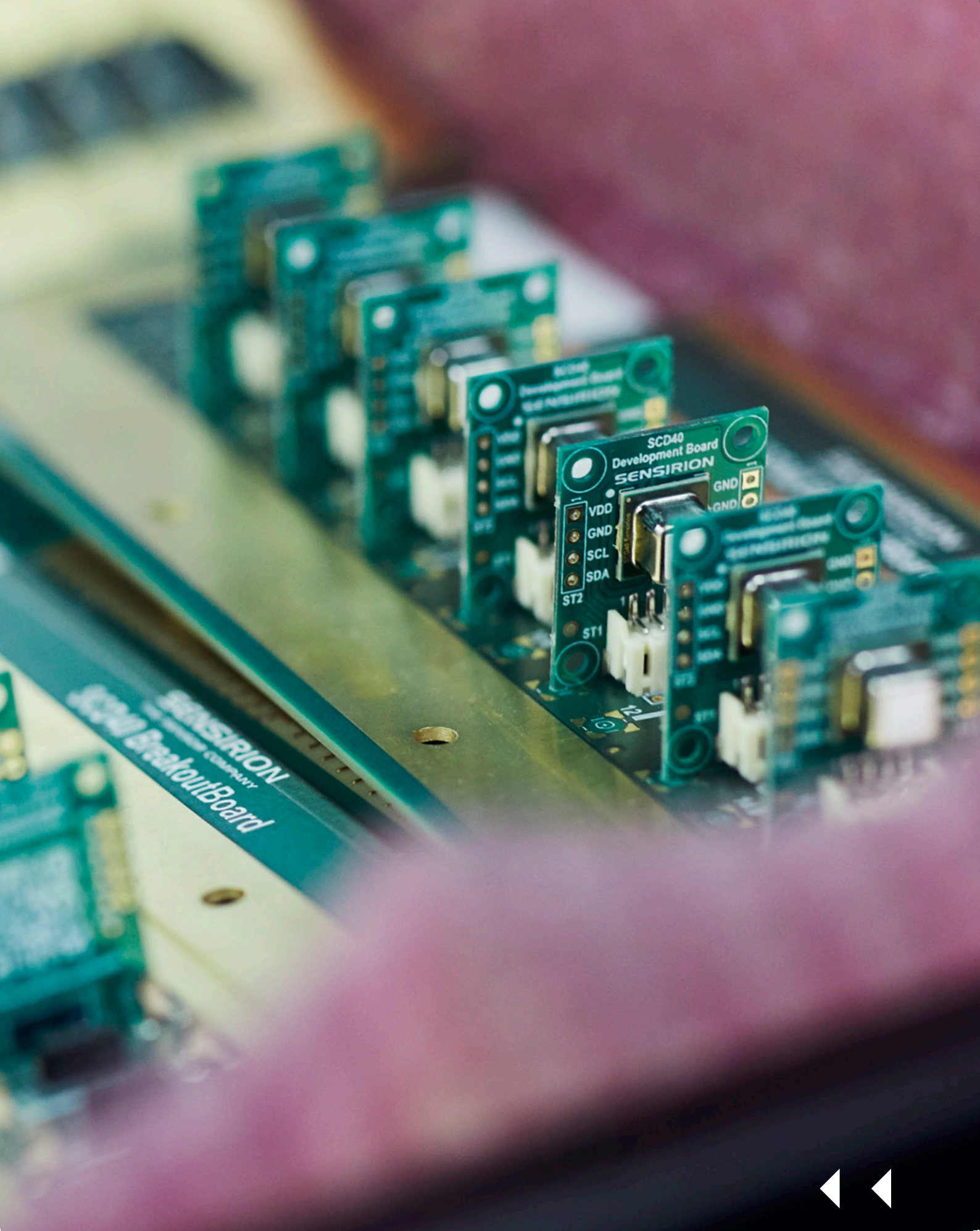
In order to improve indoor air quality, it is imperative to first know the existing air quality. That's where Sensirion comes in. Air quality is affected by the levels of CO₂, volatile organic compounds, formaldehyde, particulate matter, as well as humidity and temperature. With market-leading environmental sensor solutions to measure these parameters, Sensirion enables precise and accurate monitoring of air quality.

Sensirion's sensors are employed in smart ventilation systems or air treatment devices such as air purifiers or air conditioners. Sensirion's solutions help to monitor and improve air quality, increase health and comfort, and minimize the risk of viral infections. Furthermore, smart, sensor-based ventilation systems are used to optimize a building's energy efficiency.

The new SCD4x sensor is breaking the size barrier
in CO₂ sensing.







The SCD4x series: PASens® Technology

Modern housing strives for greater energy efficiency in order to preserve natural resources. As heating is one of the major sources of energy consumption, today's buildings are constructed as airtight as possible with improved insulation. However, airtight buildings exchange less air through their walls, roofs, windows and cracks, which reduces the indoor air quality and has a negative impact on people's productivity and well-being. Accordingly, these types of building require an active ventilation system that regularly provides fresh air in order to ensure a healthy and productive environment. Because ventilation systems require large amounts of energy for air conditioning, purifying and circulation, it is important to ensure that these systems are energy efficient in themselves. One solution is a ventilation strategy that controls the air exchange based on the current demand and the number of people in a specific room. Ventilation systems of this kind rely on a variety of sensors, foremost CO₂ sensors. Until now, CO₂ sensors have been bulky and expensive, which has left some applications without accurate measurements to ideally control a building's ventilation.

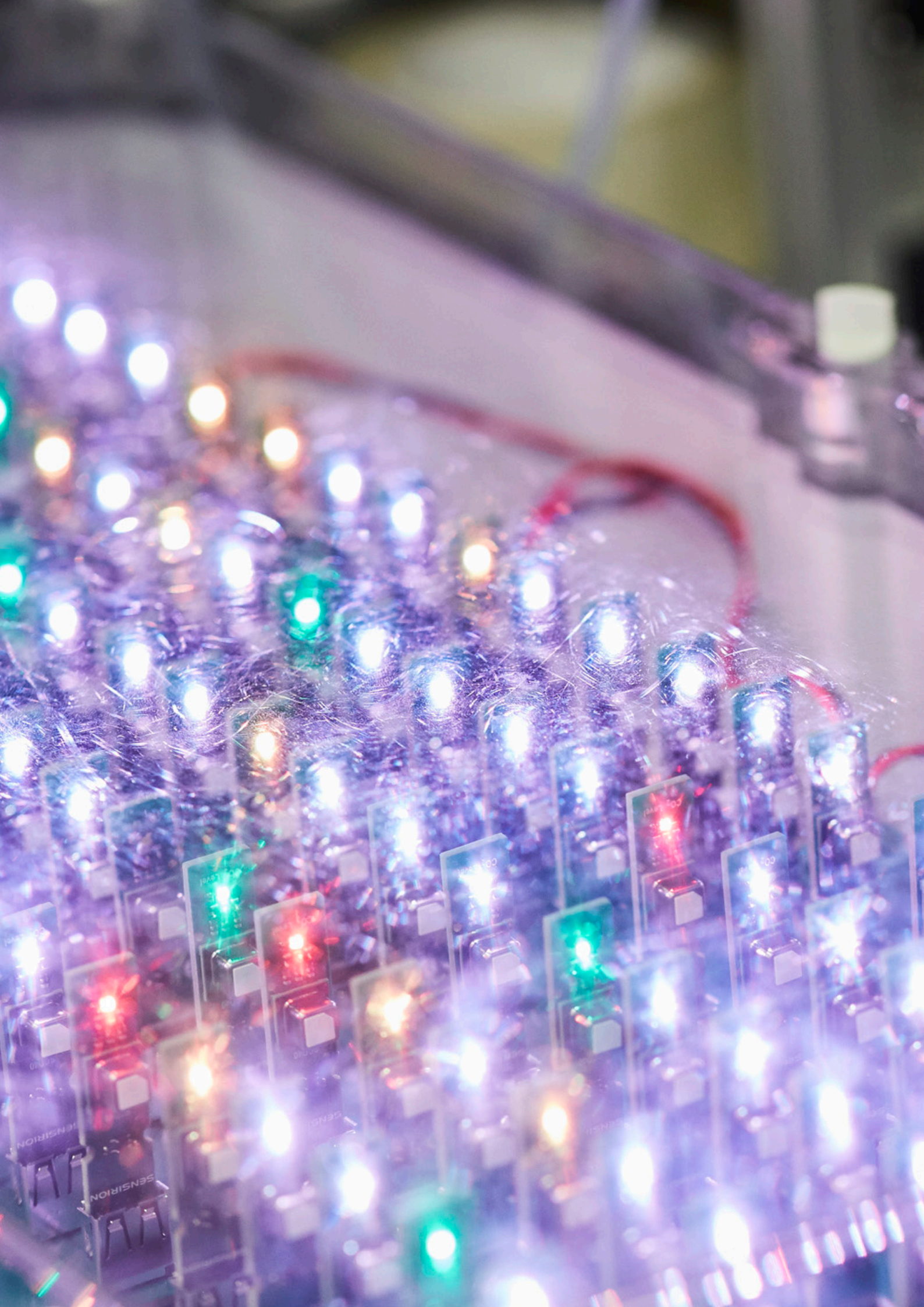
How has Sensirion tackled the issue?

With the aim of improving energy efficiency and increasing overall health, Sensirion has revolutionized the CO₂ sensor market with the new SCD4x CO₂ sensor, based on Sensirion's unique PASens® Technology. PASens® Technology uses photoacoustic measurement principles to enable the development of miniaturized CO₂ sensors without compromising performance.

Unlike non-dispersive infrared sensors, which are currently in common use, the sensitivity of the sensors in the SCD4x series does not depend on the size of the optical cavity. As a result, customers can integrate flexible, cost-efficient, compact CO₂ sensor technology into applications that have tight space requirements. Through innovative packaging approaches and Sensirion's expertise in sensor technology, MEMS and chip design, it was able to reduce the size of the sensor to one-fifth without compromising performance. This miniaturization brings further advantages in the cost structure of this product, opening up new opportunities for additional CO₂ applications in all markets.

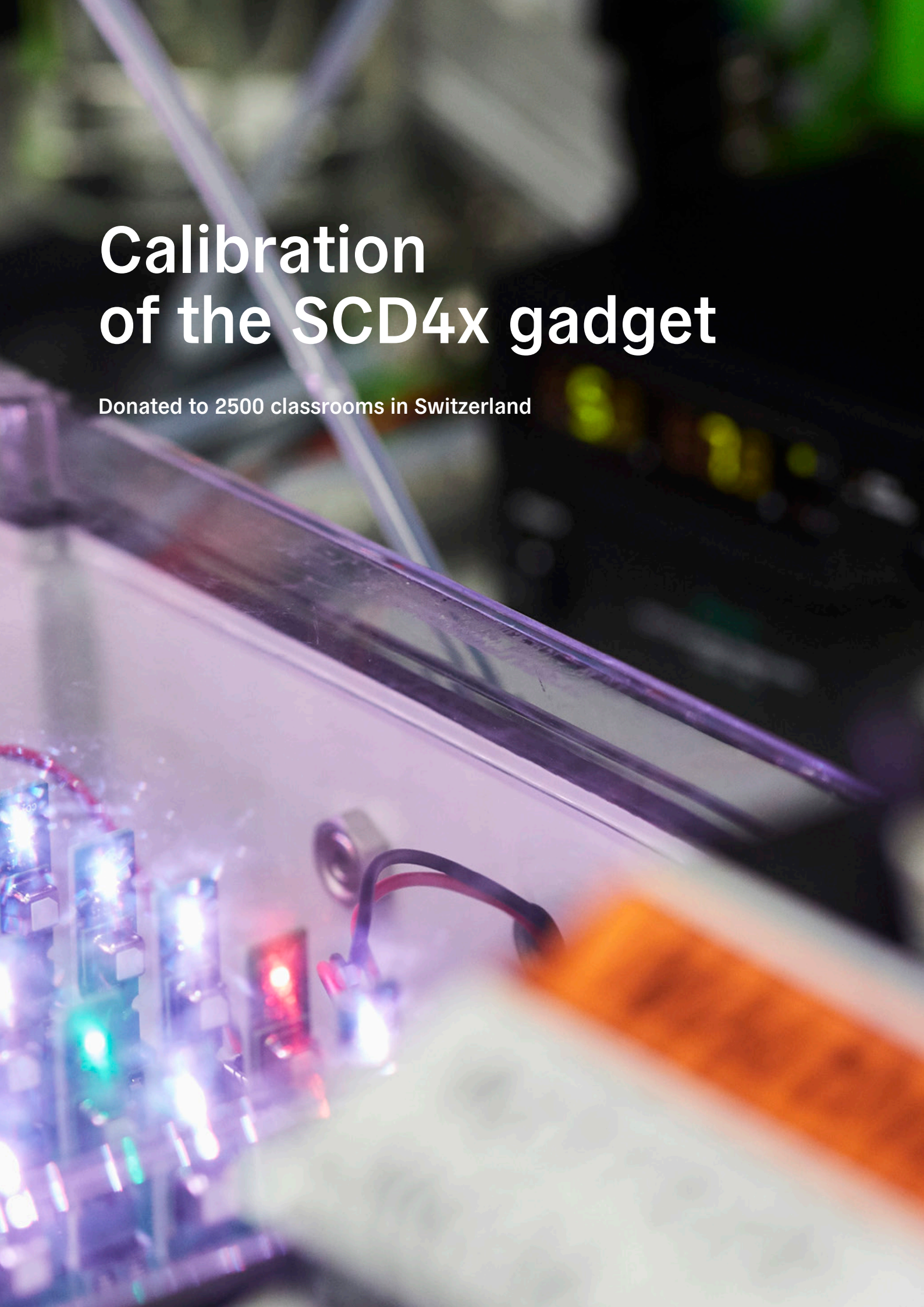


The SCD4x development board enables fast and easy sensor evaluation.



Calibration of the SCD4x gadget

Donated to 2500 classrooms in Switzerland



Improving medical ventilation

Artificial respiration becomes necessary when a person's natural breathing is no longer able to supply enough oxygen and expel sufficient carbon dioxide. If breathing stops, the person's organs are no longer supplied with the required oxygen. Thus, respirators serve as life-saving devices.

When performing ventilation, it is crucial to precisely control the air flow into and out of the patient. If too much air is pushed into the lungs or too much pressure is applied, the lungs can be overstretched or damaged. Weak alveoli (air sacs) can tear, causing air to accumulate around the lungs and ultimately causing the lungs to collapse. On the other hand, if the pressure and volume are too low, this may mean that not enough air is circulating. As a result, the carbon dioxide levels in the blood may rise too much and the small airways and alveoli may close up. In order to find the correct balance, the frequency and volume of air delivered by the ventilator and the pressure maintained need to be constantly monitored and adjusted.

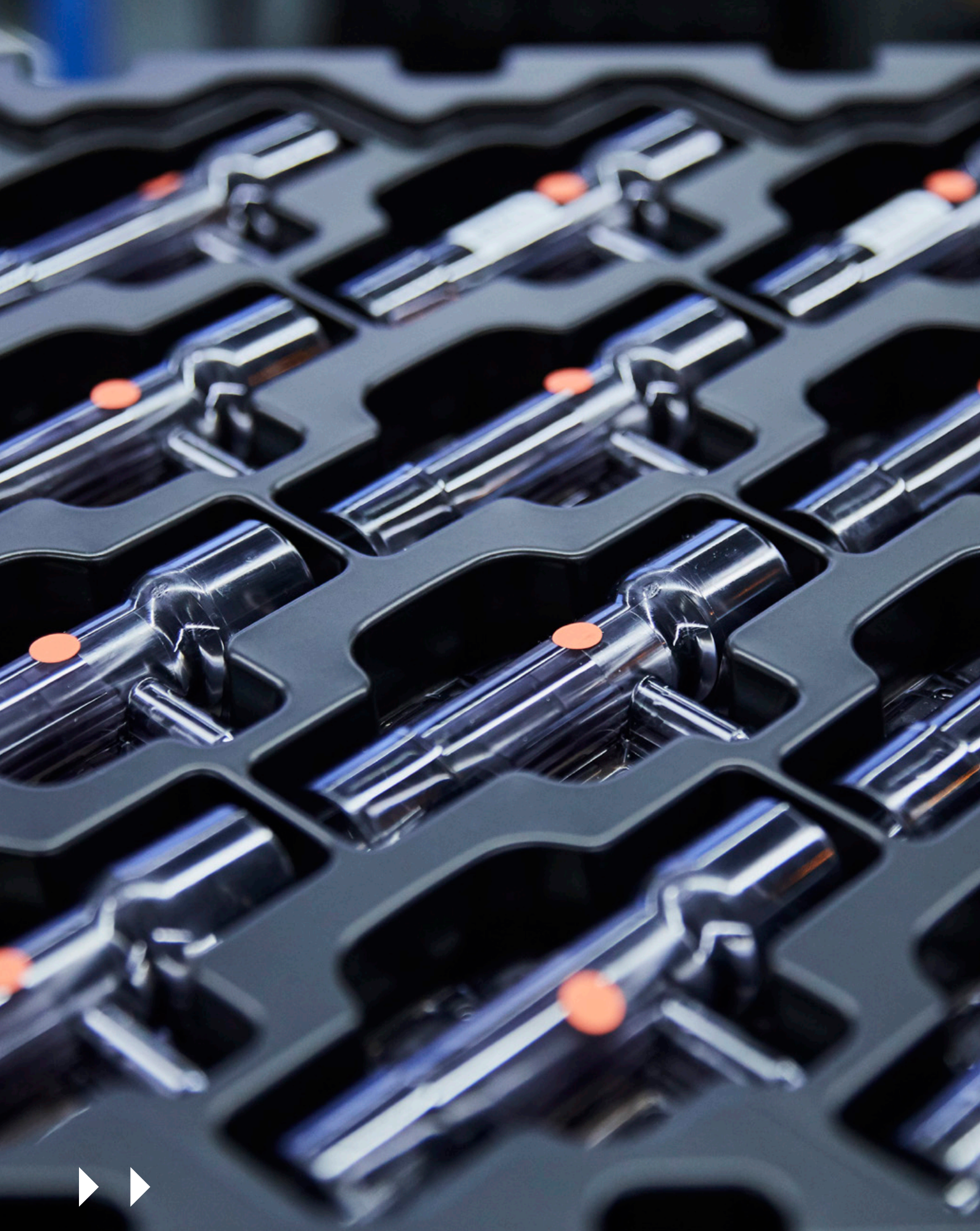
How does Sensirion help to improve patient care?

Sensirion provides highly sophisticated flow sensor solutions, enabling manufacturers of respiratory devices around the world to fit their equipment with highly accurate sensor technology that offers timed flow and volume measurements. Continuous air flow measurements during anesthesia, intensive medical treatment and in other clinical settings provide essential information required for correct ventilation and regulating a patient's breathing.

In addition, Sensirion's humidity and temperature sensors ensure that the inhaled air has the optimum humidity for patients. Human health is one of Sensirion's top priorities. Thanks to its outstandingly reliable sensors, Sensirion can help increase safety for patients who rely on ventilation.

Sensirion's mass flow meters enable reliable and highly accurate measurements.





SFM3019

Mass flow meter for ventilators

In 2020, the world found itself facing an unprecedented public health emergency. The coronavirus was spreading rapidly, and many of those affected experienced difficulty breathing. Respiratory devices have been an essential part of treatment for these patients and have ultimately saved lives.

As a result, the global demand for respiratory devices and concomitantly medical flow sensors rose sharply, and Sensirion's products became highly sought after. As the crisis developed, global demand for medical flow sensors increased roughly by a factor of ten.

How has Sensirion tackled the issue?

Sensirion has done everything in its power to ensure that life-saving ventilators were and are available to patients. Sensirion's strong focus on innovation paid off during the crisis as a dedicated development team created a new flow sensor for ventilators within a very short time period that could be easily integrated and was highly scalable in terms of its production. The huge demand for these sensors soon manifested itself. However, it was also apparent that bottlenecks were bound to develop in the production process and the supply of raw materials.

Drawing on their experience in the field of ventilation, a dedicated project team used a modular approach to develop a new flow meter solution that made use of readily available raw materials. In addition to the very short development time, the team had to cope with perturbations in the supply chain due to the pandemic, both regarding raw materials and components. The main component is a sensor chip mounted on a printed circuit board, which was taken from Sensirion's SDP8xx differential pressure sensor, an item commonly used in continuous positive airway pressure devices. This sensor was embedded in a casing based on the existing SFM3000 mass flow meter. Manufacturing and calibration processes were also adapted to enable high-volume production. All of these elements combined to form a reliable, readily available sensor that was able to meet the worldwide spike in demand for ventilators.

The high quality of Sensirion's sensors can be ensured by relying on various testing technologies.





Smart city and air quality – an innovative hypothesis

As an innovative company, Sensirion is constantly looking for new fields of activity. For this purpose, we evaluate various hypotheses and test their feasibility. With our cutting-edge sensor solutions, we want to meet the needs of society and the market to ensure a better environment.

A smart city is an urban area that uses various different electronic methods and sensors to collect data. The insights gained from that data are used to manage assets, resources and services more efficiently, and to improve how the city is run. One of the most important areas in need of improvement in modern cities is air quality. Air pollution and the associated threat it poses to human health and our climate is a growing concern around the world. The main sources of pollution are vehicles, power generation, heating systems, agriculture, waste incineration and industry. More than three billion people worldwide rely on polluting technologies and fuels for cooking, heating and lighting in their homes. These mainly fossil-fuel-based technologies release smoke into homes and pollutants into the outside air.

How is Sensirion helping to reduce air pollution in cities?

The local conditions determine which measures are most effective in tackling air pollution. Each region, city and neighborhood is different, and local industry, demographics, climate and geography are all contributing factors. Reliable air pollution data is essential to identify which methods are most appropriate, which elements need to be verified and to demonstrate the efficiency of the measures to the general public.

The traditional approach has been to rely solely on existing monitoring networks. However, these networks very often have either reached their limit in terms of scale or are too expensive for many areas of the world. Sensirion's Nubo Air monitoring system offers government authorities a practical tool to extend existing monitoring networks or to expand into communities and locations that were previously unmonitored.

Data quality and reliability are key requirements if the insights gained are to be used to determine policies and regulations. Sensirion believes data quality should not have to be compromised for the sake of cost efficiency and therefore developed Nubo Air, a new air monitoring system that meets the highest quality standards, such as the UK's MCERTS certification.



Nubo Air

While it is clear that air pollution needs to be reduced, it is far less clear what the most effective and cost-efficient methods for achieving this are. The availability of reliable environmental data is one key part. Over the past few decades, major investments have been made in establishing high-caliber air quality monitoring networks, which have led to an impressive reduction in air pollution.

Despite this success, however, air quality levels continue to exceed WHO recommendations in most places. The huge cost of installing and maintaining these monitoring facilities limits their number and thus the areas they are able to monitor.

How has Sensirion tackled the issue?

With the aim of enabling cities and communities to monitor their air quality with unprecedented accuracy, Sensirion has developed Nubo Air, a new sensor-based system for monitoring local air pollution. The system is designed to combine the greatest possible reliability and accuracy with ease of use and low maintenance costs. High-quality monitoring is necessary for achieving trustworthy data, and ease of use and maintenance are key factors in lowering the overall cost of the system.

To achieve this, Sensirion took great care to optimize every step in the technology chain. The sensing elements use proprietary contamination resistance to achieve maximum reliability and service life, even under challenging conditions. All sensors are meticulously calibrated in the factory to keep field calibration requirements to a minimum. During operation, the condition of the sensors is constantly monitored via a cloud system to ensure consistent data quality and detect any failures early on. If maintenance is needed, a simple cartridge system keeps effort and electronic waste to a minimum. This also makes it possible to upgrade the network to meet future sensor requirements without needing to reinstall the fundamental infrastructure. Nubo Air integrates all of this technology into a straightforward plug-and-play system.





During the big challenges in 2020, I could always feel the cohesion and the extraordinary commitment.

Mark Hornung, Director R&D Gasflow Sensors

You have been working for Sensirion for 22 years.

What has changed in research and development since you first began?

Research and Development (R&D) became more professional – from a five-person start-up to a strong department with more than 200 people. For example, nowadays we follow clearly defined and certified milestone processes, whereas in the past it was a bit more unregulated.

Can you give some concrete examples?

All product developments follow the project management process already mentioned, which starts at milestone 0 and ends at milestone 5. Thanks to this procedure, we can efficiently develop new products and successfully launch them in our production.

2020 was a very demanding year for many departments.

How was the R&D team able to help the company achieve its goals?

In my area, the year 2020 was dominated by a very high demand for gas flow sensors for medical ventilation equipment due to COVID-19. Because of our extremely motivated and dedicated employees in production, a well-coordinated management team in the ramp-up organization, and a lot of support from R&D employees in the production of the sensors, we were able to deliver the enormous quantities required on time. For me, our so-called “SensiSpirit” clearly helped us to achieve this goal. I would like to take this opportunity to once again express my sincere thanks to all employees, as they really made an enormous effort during this difficult time.

Achieving corporate goals is one thing. But environmental factors also need to be considered. Do you feel that we as a company are trying to become more sustainable?

Absolutely. Sensirion is not only environmentally certified according to ISO 14001, cools and heats the production building with geothermal probes, but also continuously

invests in sustainability, e.g. through new air conditioning and ventilation systems, purchase of solar power by increasing share of alternative energies, i.e. solar power in our energy mix, and many small improvements that benefit the environment.

Can you tell us a bit about how R&D works to develop products that can be manufactured in a more environmentally friendly way and have a more sustainable long-term impact?

Our products are developed in a way that, for example, their production processes are energy efficient. All materials used meet ROHS/REACH quality requirements and we make efforts to use recyclable ones. These points are explicitly reviewed in our milestone checklists.

Exceptional circumstances such as those we have faced this year reveal a lot about a company’s culture.

What comes to mind when you think of the “SensiSpirit”?

The high motivation of the employees to achieve ambitious goals, the respectful treatment of each other, the mutual support in achieving the goals and, after reaching a challenging goal, the celebration of this achievement together.

What role do Sensirion’s values play in your day-to-day work and within your team?

I always feel that the company values of “top performance”, “fair and honest” and “together” are lived. Not only in my team, but in the entire company. Especially during the big challenges in 2020, I could always feel the cohesion and the extraordinary commitment of all colleagues, which was definitely decisive for our success.

Do you have anything else you’d like to add?

I am very proud to work with so many great colleagues at Sensirion. It is also exciting to see how the company grows and how we successfully overcome difficult times together as a strong team.



Together for
a sustainable future



The development of Sensirion's innovative sensor solutions is inspired and shaped by mega trends such as resource scarcity, demographic change and steadily growing technologies. Energy efficiency, healthcare, safety & comfort as well as digitalization and automation are among Sensirion's growth drivers to contribute to a smarter and more sustainable world.

As an internationally operating company whose sensors are used in a wide range of markets and different applications, taking over responsibility is of great importance to Sensirion. We strive for operational excellence while at the same time integrating social and ecological aspects into all our business activities to create greater added value for the environment.

In this context, our corporate values "fair & honest", "together" and "top performance" play a decisive role in the everyday working life of our employees and form the basis for the relationships with various stakeholders. For Sensirion, sustainable corporate governance is much more than just compliance with laws or regulations. It is the deep conviction that only together can we really make a difference. Whatever we do, we have the future in mind.

Marc von Waldkirch, CEO

Stakeholder engagement – more than a dialogue

Sensirion is an internationally operating company. Everything we do or do not has an impact on our stakeholders and vice versa. So, we do our best every day to generate added value in all dimensions of sustainability, for example on a social, economic, and ecological level. For us as a company and of course for our stakeholders. The basis for sustainable impact is our active stakeholder dialogue that focuses on our three core values:

- **Fairness and honesty:** for us, these are the foundations of every partnership. We maintain an appreciative and open dialogue.
- **Together:** we value transparent communication and active exchange. We want to know our stakeholders and their needs to jointly achieve the best possible solution.
- **Top performance:** we give our all, even if it involves additional effort. Why? Because we want to reach the "next level" together with our stakeholders.

The “next level” is a key tenet at Sensirion. Every day, we try to be better and to face up to new challenges. Together with our stakeholders, we aim to:

Make good things even better

Act sustainably out of conviction

Develop continuously in a rapidly changing environment

Identify and use chances for cooperation



Customer relationships

“We focus on our customers. Their needs are the drivers for innovation. Thus, it is essential that we know their expectations and wishes and discuss our ideas intensively and critically.”

As a high-tech company, we strive to meet and exceed the different needs and expectations of our customers. At the same time, our goal is to comply with the highest quality standards and to continuously improve our quality management system. We are aware that customer satisfaction is far more than meeting standards and providing technological excellence. It is about flexibility, reliability, and solution-oriented support as the following two examples demonstrate impressively. In 2020, Sensirion once again proved to be an agile organization specialized on solving real problems of our customers. This requires that we know our customers and their needs and can react flexibly and quickly to changing

conditions. The dialogue with our customers is the key to a successful cooperation – especially in the unsecure times our society is currently facing. Because customer visits, personal meetings and trade fair participations were not possible anymore, we have started to conduct webinars. In these webinars, our experts share their knowledge about key features and technical benefits of our sensor products and relevant applications. Furthermore, participants have the chance to ask questions and to talk to our sensor experts live. This new form of communication is highly appreciated by our customers and we will continue to offer it after the pandemic. In doing so, Sensirion will significantly contribute to the further reduction of CO₂ emissions from business travel.

Another example of the flexibility and responsiveness mentioned above is the extreme commitment of the team responsible for gas flow sensors, which plays an important role in medical ventilators. During the pandemic, a very high demand for these devices and thus for our sensors suddenly arose worldwide. In early April, we faced the challenge to increase our production output for medical ventilators by a factor of 10 within weeks. Suddenly, we had to manage everything in four shifts (including holidays and weekends) and this under the difficult conditions of the lockdown and a still unknown virus. Also, the colleagues from research and development were doing extra shifts to adapt the sensors to the customer's needs.

Part of the story – dialogue with our employees

“Our employees are our most valuable asset. They are the ambassadors of our unique corporate culture called SensiSpirit.”

Our employees decisively contribute to Sensirion's overall success. We want to offer them an inspiring working environment where teamwork, the promotion of top performance as well as fair and honest cooperation form the basis for our innovative high-tech company in which they can think outside the box and assume personal responsibility. Every single employee is an ambassador for our company culture – and every single employee has an active role to play in creating the future of Sensirion.

Sharing our values and our SensiSpirit among new employees joining Sensirion and reflecting the importance of these values with all employees on a regular basis are the motivation for our culture workshops. These all-day cultural workshops bring employees together in mixed teams to talk about corporate values, change, (individual) experiences, and room for improvement. In 2019, a new workshop series started. More than 400 employees distributed over four workshops discussed how our corporate values are lived, how they can be brought to life in our international subsidiaries or in new companies after a successful merger and acquisition (M&A) process, and what each employee might contribute to strengthen the SensiSpirit. Originally, it was planned to conduct two more workshops in 2020. Unfortunately, we were forced to postpone them due to the pandemic.

Dialogue with our community

“We are proud to be part of a vibrant community. As a company, we are embedded in the local environment and make our contribution as a corporate citizen.”

Social responsibility and sustainability are of crucial importance at Sensirion. Our sensors contribute to improving energy efficiency, increasing health, as well as ensuring safety and comfort in various applications and markets. Our aim is to make an active contribution to a smarter world. To carry the responsibility beyond the boundaries of the company and to directly promote social commitment in social,

cultural or ecological areas, Sensirion is particularly involved regionally and in education. For this reason, in November 2020, Sensirion announced that its internally developed CO₂ monitoring system will be installed for free in 2,500 classrooms in the canton of Zurich. The system will reduce the viral transmission risk by supporting regular, effective ventilation. Because pupils sit in classrooms for hours, they are exposed to potentially infectious COVID-19 aerosols. In winter, this is particularly problematic as classrooms cannot be continually ventilated; the pupils would have to keep on their winter coats all day. A CO₂ monitor can make the school day easier by indicating the right time for opening windows to ventilate the room. This time can vary according to the size of the room, the number of people in it and its natural ventilation rate. Our CO₂ sensor helps teachers ventilate effectively and regularly, thereby reducing the risk of infection and increasing classroom well-being and safety.

The Sensirion Alumni Group and our Student Ambassadors are two more examples that enrich our community. The Alumni Group allows former employees to stay up to date on the latest chapters of Sensirion's success story by subscribing to regular newsletters, keep in touch with former and current Sensirion employees at events, and expand their network. So, regardless of where our employees decide to continue their careers, they remain part of the Sensirion story. Our Student Ambassadors are former Sensirion interns who spent some time in our organization and know our company and culture. They are now back at university, e.g. for a Master's degree, and happy to share first-hand impressions, experiences, and information with their peers. For questions or a personal meeting, the Student Ambassadors can be contacted directly.

Dialogue with our suppliers

“We view our suppliers as partners who share our core values of fairness and honesty, teamwork and delivering top performance.”

The products and services provided by suppliers form an essential and integral part of the supply chain and are a crucial factor in Sensirion's competitiveness. We regard adherence to sustainability standards within the supply chain as a fundamental success factor ensuring endured competitiveness across the full value chain. By acting responsibly in collaboration with our partners, we aim to minimize risks and create stable long-term business relationships to the mutual benefit of both parties. The principles exercised within our Supplier Management Program also apply throughout the entire company. Suppliers are required to comply with the Responsible Business Alliance (RBA) Code of Conduct. The Responsible Business Alliance is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. Sensirion suppliers are actively encouraged to apply the same standards ensuring code of conduct compliance among their own suppliers. Key suppliers are audited by Sensirion on a regular basis. In 2020, 10 audits were conducted. Due to the pandemic and the related travel restrictions, fewer audits could be realized than in the previous year. The audits performed focus on various criteria including sustainability aspects. To achieve our goals, we must select and participatively work together with the best suppliers available on a worldwide basis. Many case-specific criteria are used for guiding the selection of new suppliers, but special attention is also given to the following points:

- Proven excellent technical expertise.
- Excellent reputation and good reference.
- Positive evaluation of a supplier's environmental engagement.
- Implemented and proven efficiency of the quality management system of a supplier.
- Successful evaluation of the first delivered samples.
- Competitive price for the product or service.

Social commitment

“We have the future in mind. And as this future starts today, we have integrated diverse measures and activities into our daily business routine to support a sustainable corporate management. Our engagement focuses on our stakeholders and the social, economic, and environmental dimension of sustainability.”

Writing success stories together

Only people who know what is required and are prepared to strive for excellence can produce top results. And we are not referring to overtime, but rather a joint effort to strive for new, extraordinary visions and solutions well beyond the mediocre. To achieve this, we need outstandingly talented staff at every level who fully support this target and are prepared to take responsibility early on. Staff who are not satisfied with average and for whom learning new things and out-of-the-box thinking are a matter of course. We do a lot to offer our talented employees an inspiring and safe working environment and optimal conditions for personal and professional development. Important pillars of this commitment are:

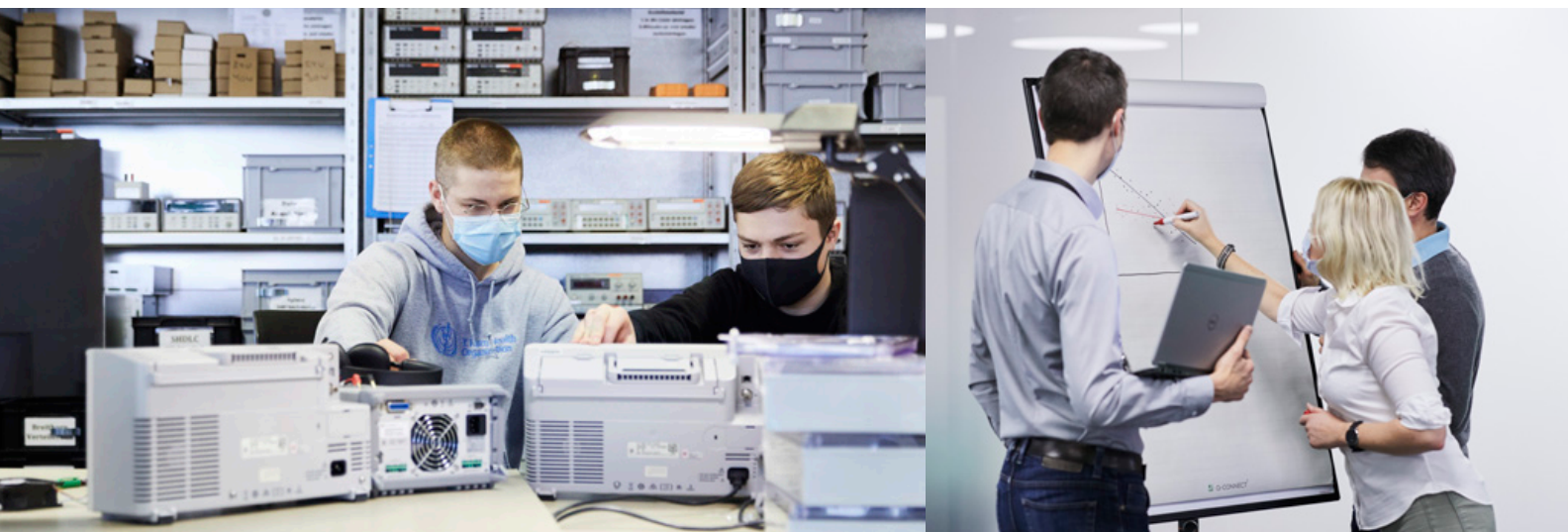
Equal opportunity – diversity – non-discrimination

Sensirion has recognized the advantage of diverse teams. As a company, we live and promote equal opportunities and an interdisciplinary approach. Diversity promotes creativity and innovation, as employees bring different backgrounds, perspectives, and experiences to the table. In line with our "fair & honest" value, all employees at Sensirion are equal and are not discriminated against in hiring and employment practices, such as compensation, promotions, awards, and access to training opportunities. All our workforce can meet as equals regardless of their function, gender, age, sexual orientation, religious background or origin, for example. We respect and appreciate all our team members at Sensirion and are committed to creating a community. We have anchored this diversity approach in our corporate values and in our Code of Conduct. This Code of Conduct addresses relevant information on important topics such as child labor, freedom of association, health, and safety, etc., and can be found on our homepage.

At Sensirion, all employees are given equal opportunities in the recruiting process and for promotion or for filling management positions. Regular equal pay analyses, flexible working time models for employees to reconcile family and career, extended maternity leave, which goes beyond legal requirements, and 15 days paternity leave support our culture that is based on appreciation and mutual respect.

Health and safety

We care about the physical and mental health of our employees. For this reason, Sensirion offers a wide range of indoor and outdoor sports activities free of charge and regeneration-supporting offers such as massages or yoga for an attractive price. Furthermore, employees benefit from free access to our own fitness center, from free fruit as well as from water, apple juice, and hot beverages every day. The two canteens offer fresh and balanced dishes every day at fair prices. Every employee can choose whether he or she would like the meat or vegetarian menu or would prefer to help himself to the extensive salad buffet. Apprentices have the same choice but pay only half price for the chosen menu. Menus that are left over at lunchtime are later distributed to employees free of charge. A nice gesture that helps to reduce food waste at headquarters.



Various development opportunities for young apprentices and all employees

We also attach importance to workplace ergonomics. From time to time, an external expert comes by to realign workplaces according to ergonomic aspects (e.g. alignment of the screen, height of the chair) and offers training on the topic of "Economic Sitting Posture". Many employees also have a combined desk, which can be converted into a standing desk allowing them to sit or stand at work. In times of home office, we have started to create short videos showing employees working from home how they can optimize their remote workplace.

Sensirion offers all its employees department-specific education and safety training. For employees in production, Sensirion offers various training courses on work instructions, handling of chemicals, electrostatic discharge (ESD) protection, behavior in the clean room, but also health-related training courses such as "Health in shift work" or special courses focusing on ergonomic workflows for cleaning staff.

Furthermore, evacuation exercises without prior notice help to review and improve our safety concept. Our internal first aid team is trained on how to handle medical emergencies. The number of occupational accidents at the headquarters in Stäfa amounted to four in 2020, which is below the industry average according to SUVA (Swiss National Accident Insurance Fund) statistics.

In our Social Responsibility Statement 2020, we underline our responsibility for labor, environment, health & safety and ethics. All these aspects are integrated into our management system and clearly go beyond our legal responsibility. In doing so, we are guided by the Code of Conduct of the Responsible Business Alliance (RBA). In February 2020, Sensirion was audited on the RBA requirements and passed with recognition "Platinum Status". Furthermore, we commit ourselves to upholding the employees' human rights and treat them with dignity and respect.



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

Training and education

Our long-term success is reliant on talent. At every level and everywhere. If you are striving for excellence, you need excellent team members. We support talented staff and give them responsibility in their specialist field or in management. We want to provide them with prospects so that they will stay with us in the long term. Another important concern, which the management actively supports, is that Sensirion fills management tasks and executive positions internally wherever possible. In this way, Sensirion wants to promote its own junior staff and give young people the chance to develop. That is why Sensirion places great value on a wide range of training and development opportunities for all employees. In addition to our in-house SensiAcademy that currently offers more than 120 different courses in areas such as Finance, Sales, R&D, Culture, IT, etc., we also support employees with external training in the form of contributions to training costs and/or by making paid working time available.

One of the most important tasks of our managers is to promote and develop talent among their employees. Appreciative but also critical feedback is very important, especially for particularly talented employees. Therefore, twice a year, all employees review their performance and development opportunities with their direct supervisor. The annual career development discussion during summer and the corresponding year-end discussion are an integral part of our talent development. We aim to make our employees better and to help them progress. This can include preparing a talented employee for a task outside of the current job or even for an international assignment.

For newly selected supervisors, Sensirion offers a personal mentoring program that comprises coaching by the line manager or another executive, internal SensiAcademy management courses, external courses on leadership topics, and the participation in management days and tailored management meetings.

Of course, we also challenge and encourage our young apprentices. Sensirion offers professional apprenticeships with federal certification in seven different fields. Our aim is to share our knowledge and our corporate culture in a pleasant learning environment. Sensirion organizes an annual apprentice excursion, an apprentice camp and a monthly apprentice exchange. We also pay for school and course supplies, and we even contribute to the cost of learning a language abroad for vocational school students. Sensirion offers apprenticeships with competitive employment conditions in a modern workplace.

Corporate volunteering

Since spring 2020, the Swiss economy has been facing an unprecedented challenge. Due to the current coronavirus crisis, people in Switzerland and abroad are suffering the social, economic and health consequences of the pandemic. For this reason, Sensirion decided to organize a one-day collective run under the motto "Moving Matters".

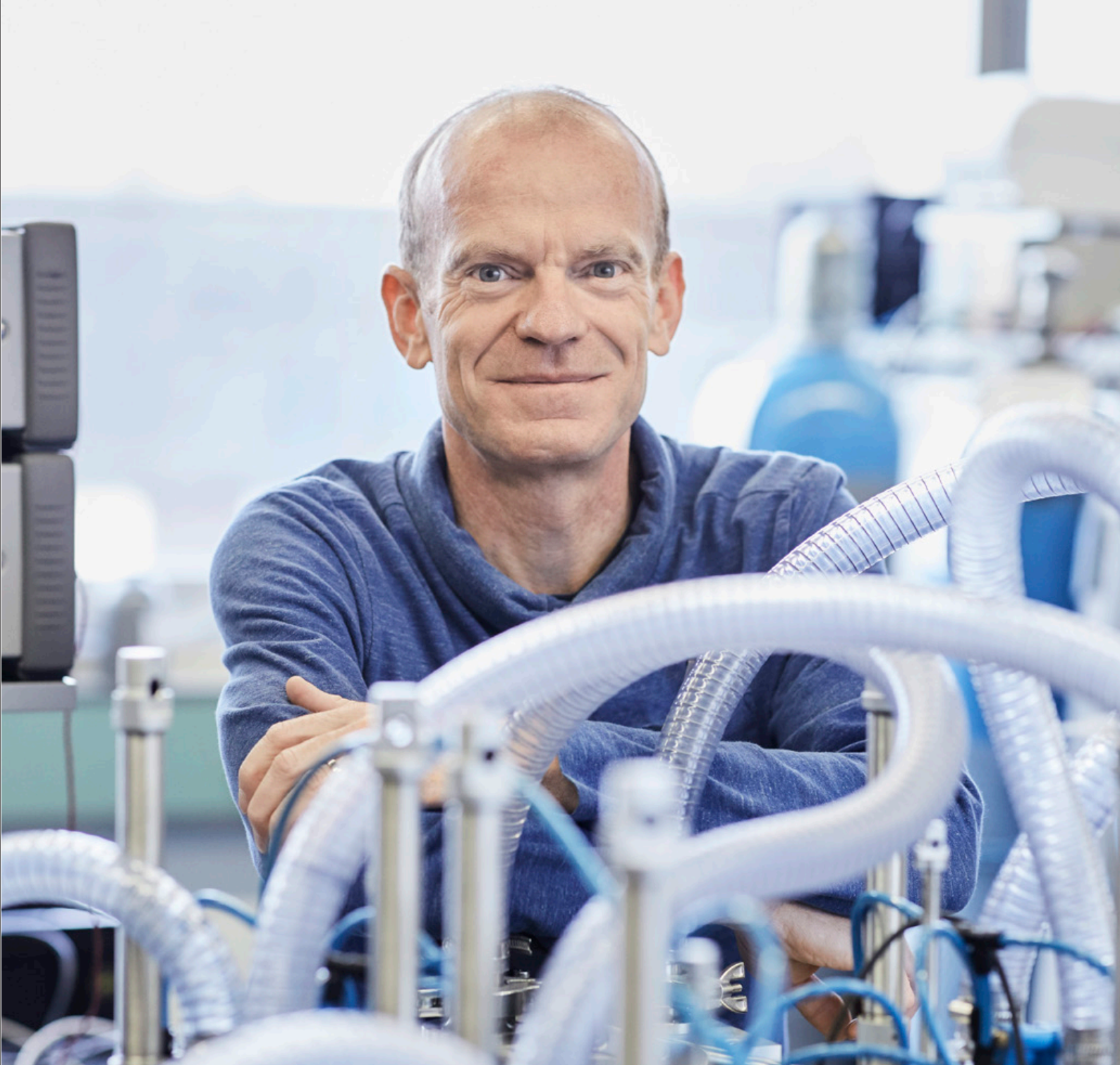
Our employees in Switzerland covered as many kilometers as possible in one day – on foot, by bicycle, with inline skates or with the stand-up paddle (SUP) on the water, in compliance with the COVID-19 hygiene regulations. For every kilometer completed, a sum of money was donated so that a total of 8166 kilometers resulted in the proud sum of CHF 35,000 which was handed over to Swiss Solidarity.

In addition to Sensirion's donation, many employees made private donations. With this sporting and community campaign, Sensirion did not simply want to collect money for the people affected, but rather send a signal of solidarity and cohesion in society and the economy in the difficult times of the coronavirus. Because the SensiSpirit for charity goes beyond borders, 66 employees in our subsidiaries also contributed by covering 618 km and thus sponsoring CHF 6,000 to local charities.

Work-life balance

Sensirion owes its "life force" to team members who put their hearts and souls into their work for Sensirion, making the impossible possible. This also includes heavy workloads and long hours for some projects. Alongside this, lots of sports and leisure activities and events like our famous "Friday beer" where employees meet for a beer to start the weekend have become established. They are important for the "feel-good factor", but also take up time. "Giving and taking" should be in balance.

To promote and improve the compatibility of family and career, Sensirion offers various flexible part-time models. Currently, 34 % of our employees with a permanent employment contract work part-time. 19 % of these employees are working between 25 % and 80 % and the other 15 % have a part-time workload between 85 % and 95 %. New mothers or fathers in particular take advantage of the opportunity to work part-time after maternity or paternity leave. Whenever possible, Sensirion tries to find the best part-time solution together with the employee – even in management positions.



“

**Thanks to our corporate culture,
work is always fun even in very stressful
situations.**

Bruno Meier, Senior Technician, R&D Gas Flow Sensors

Corporate culture: ownership, responsibility and feedback

Ownership in this sense means the responsibility that every employee must accept to ensure that problems are identified and worked through, and countermeasures can be implemented as efficiently, sustainably, and successfully as possible. Those who accept ownership and think for themselves also attempt to identify and solve problems and challenges and consciously take responsibility. Since Sensirion is a company undergoing rapid development, there are always new tasks, challenges, and opportunities – even outside people’s personal job description.

We want employees who can see the overriding objective and accept tasks and responsibility, even if they have not been assigned to them. We explicitly encourage employees who have an entrepreneurial spirit, tackle challenges in a sporting manner and have the courage to explore beyond well-trodden territory. Of course, this means that mistakes can be made. That is no problem as long as employees who make a mistake are honest about it. In doing so, they are not only showing integrity, but they are also helping to find a solution. This attitude towards mistakes enables the company to recover more quickly from setbacks and to react agilely to changing conditions.

In regular and anonymous employee surveys, Sensirion aims to identify potential for improvements. They are part of our distinctive feedback culture and help us to be and remain an attractive employer. This kind of employee engagement pays off for both sides: in 2019, Sensirion was ranked the best Swiss employer in the category “Large Company” (more than 250 employees) by Great Place to Work®.

Global cooperation

Our understanding of “Together” is not restricted to our Swiss site. We strive for international collaboration every day beyond borders and time zones. The important requirements for this include mutual respect and the intercultural skills of every single employee, which are particularly enhanced by business trips and/or overseas deployments.

But even those people who travel little or not at all owing to their function have opportunities to get to know their colleagues from all over the world at social occasions such as the annual SensiWeekend. In any event, valuing others is an absolute priority as it is the only way our SensiSpirit can become a standard all over the world.

Environmental commitment

“We have the future in mind and do everything we can to lower our impact on the environment. On the one hand, our efforts focus on an environmentally friendly production that avoids waste, increases material efficiency, and uses natural resources thoughtfully and as sustainably as possible. On the other hand, our innovative sensor products significantly contribute to more energy-efficient processes and applications in many areas. We have calculated that our sensors help to avoid around two million tons of CO₂ per year.”

Intelligent products

Sensirion's sensors are used in different applications and a wide range of markets. Millions of sensors in the field and our broad expertise significantly contribute to smart products and technologies. These in turn help to save energy and increase comfort or safety. The following examples illustrate our contribution.

Automotive industry

Sensirion's proven sensor solutions help automotive manufacturers meet stringent emission standards in the automotive industry.

An example: our humidity and temperature sensors in cars ensure that cabin air is always optimally regulated inside the vehicle for the driver by means of air-conditioning or climate-controlled seats. Furthermore, by determining the dew point, the vehicle's air-conditioning can be controlled to eliminate fogging of the windshields and ensure a clear view of the road ahead. Without these sensors, the air would have to be dried constantly, wasting a lot of energy. Thanks to our sensors, drying only takes place in a dosed manner when there is a risk of fogging.

Industrial market

Thanks to the many years of use of our established sensor solutions, we help family homes, industrial facilities, and entire building complexes to operate energy efficiently and at the same time increase comfort for a pleasant indoor climate.

An example: buildings are responsible for approximately 40 percent of global energy consumption. Using the appropriate building control system, energy consumption can be significantly reduced. Our knowledge concerning the optimum use of sensors in buildings makes a decisive contribution towards the more efficient operation of buildings while also achieving greater comfort for the occupants.

Green design: Sustainable product development – an example

Following our “future in mind” philosophy, Sensirion holistically takes on its corporate social responsibility. Why? Because, on the one hand, this results in an agile, safe, and inspiring working environment for our employees and, on the other hand, in innovative high-quality, reliable, and sustainable products for our customers. For businesses in general, it becomes more and more of a competitive advantage to consider sustainability aspects early on in the product development process. However, Sustainable Product Development (SPD) is not limited to the actual product development itself, but also focuses on the product design. The so-called Green Design has two main goals: the prevention of waste and the minimization of environmental impact.



“

Quality of life is a key driver behind Sensirion's products.

Daniel Rueffer, Business Development Manager at Sensirion, explains how the development of sustainable and reliable sensor solutions is driven by current as well as future trends and demands.

Many people around the world are exposed to air pollution. What exactly is Sensirion's contribution to sustainably improve their quality of life?

"Quality of life is a key driver behind Sensirion's products. If we take the example of air pollution, it is seen as one of humanities' biggest challenges to human health and well-being. It is, however, neither visible by eye nor detectable by the human nose, apart from extreme situations in a few regions.

The first step to minimize air pollution, and thus to establish more sustainable societies and economies, is to measure and thus visualize the impact of activities and policies on the environment with sensors such as Sensirion's pilot project called "Nubo Air". We truly hope that this innovative system will set new standards in many cities in the long run. At Sensirion, we know that genuine innovation requires long-term thinking and a readiness to take risks. Even if this sometimes means that we have to take two steps back to finally take one step forward."

Nubo Air is used in a first reference project in Basel, Switzerland. In this "Smart Climate" project, air data are measured with microsensors at ten locations in the Basel region. Can you explain in more detail how Nubo Air works?

"Nubo Air is a sensor system that gives policy makers, communities or cities like Basel a very easy tool to monitor the air quality in various locations. The sensors can be installed quickly in any location, for example on a street-light pole. They then collect data such as the fine dust concentration or temperature. This data is delivered live via a cloud system to the researchers, decisions makers or even the public. The city of Basel follows, for example, an open data approach and makes all data publicly available. This data can then be used to understand what causes air pollution and how to tackle it most efficiently. It can also be used to make simulations about how policies or environmental changes affect our daily lives."

The system can thus help decision makers to find ways to improve our society's footprint on the environment and public health. Could you address sustainability directly with the design of the product?

"This is a very good question. Another sustainability challenge for product design is electronic waste. Fewer and fewer products can be repaired and thus generate so called e-waste. Sensirion's products high reliability leads to longer overall product lifetime. Long lifetime translates to less e-waste. For Nubo Air, the challenge was more complex: the sensing technology to monitor air quality in cities is still rapidly evolving. On top, depending on the location, the environmental conditions can be very challenging. These two realities lead to the desire to replace air sensors in Smart Cities at a higher rate than other city infrastructure. We thus designed a cartridge system for Nubo Air that allows for easy replacement and upgrade of the sensing elements while keeping the rest of the system in use, significantly reducing the amount of waste produced."

A sustainable solution, but probably more difficult to design. Does sustainability always come at an extra cost?

"No, not at all. Innovative solutions can lead to higher sustainability without making a product less practical or costlier. In this case here, the cartridge not only reduces waste but also enables easier servicing and more advanced calibration methodology. Overall, the total cost of ownership is actually lower. However, it is very important to integrate sustainability very early in development. Once product development is advanced, it is very difficult or costly to adapt the product."

Environmental responsibility in operations

As a manufacturing company, we aim to minimize our environmental impact from operations and business travel. For this reason, we evaluate our processes on a regular basis to identify further opportunities to reduce our ecological footprint.

- Our production sites in Switzerland, China and South Korea are certified according to ISO 14001:2015 – an international environmental management standard – and according to IATF 16949:2016, which is the automotive industry’s addition to the ISO 9001 quality standard.
- The increasing miniaturization of our sensor components reduces energy consumption during production and transport costs and emissions.
- Material efficiency: Yield Engineering teams regularly check how material scrap can be avoided or further reduced.
- Sensirion has committed itself to compensate all CO₂ emissions from business flights with MyClimate. In 2020, we offset almost 148 tons of CO₂ from business travel. Of course, the pandemic helped to reduce the CO₂ emissions in general as travel restrictions applied.
- Since 2019, we have been promoting our new parking concept at our headquarters in Stäfa. Sensirion charges an annual parking fee but the generated revenue is completely returned to our employees via an annual eco-bonus, which in turn can be used to purchase a Half-Fare Card for public transport. In this context, we are very proud that 38 employees have decided to switch from car to public transport. At first sight, this figure might seem small, but considering how difficult it is to change one’s individual routines and behaviors, this number is worth mentioning. Employees who do not need a parking space but instead use public transport to get to work can purchase subsidized season tickets at very attractive prices.
- Hazardous substances in our products are reduced to a minimum. All products also meet the legal stipulations of RoHS and REACH, and Sensirion is happy to comply with even stricter criteria at clients’ request.
- In 2020, we invested 18% of our turnover in Research and Development. We are convinced that the foundation for sustainable properties in the use phase of a product is already laid during product development. Therefore, our financial efforts and our know-how are of decisive importance at an early stage.
- Again, in 2020, the environmental impact at our production site in Stäfa, Switzerland could be further reduced:

- 17% Reduction in water consumption per sensor produced

- 32% Reduction in energy consumption per sensor produced

- 11% Reduction in CO₂ emissions per sensor produced



Construction site in Debrecen, Hungary, and topping out ceremony

Green building

Currently, our building at our new site in Debrecen, Hungary is under construction. Sensirion selected Debrecen to handle the growing demand for sensors after a comprehensive evaluation of potential locations throughout Central and Eastern Europe. Decisive factors in selecting a location were proximity to our customers in Europe, the education level of potential employees and support from local business development companies like the Debrecen Urban and Economic Development Center (EDC) and the Hungarian Investment Promotion Agency (HIPA). Following the groundbreaking event at the end of June 2020, everything is progressing well. Completion of construction and the subsequent start of production are anticipated by the third quarter of 2021.

For Patrick Good, Director Maintenance & Infrastructure at Sensirion headquarters, the new building is both a challenge and an obligation at the same time when it comes to ecological aspects.

It goes without saying that sustainable construction is more expensive than conventional construction that places little or no emphasis on environmental aspects. In Hungary, Sensirion has clearly opted for the realization of a sustainable building that will have a positive impact in the long term thanks to the following features and advantages:

- Two-story construction instead of the normally prevailing one-story standard construction with high ceilings. As a consequence, a smaller building plot is needed. The lower story height requires less air treatment that finally will result in a lower energy consumption for cooling, heating and humidification or de-humidification.
- Operation free of fossil energy sources (natural gas/petroleum).
- Heating/cooling with reversible heat pumps; in summer supported by free cooling.
- Heat recovery and storage in big storage tanks of 60m³ each.
- Efficient cooling and distribution.
- Adiabatic spray humidification.
- State-of-the-art insulation/windows.

Once completed, we hope that our new production building will inspire others and encourage them to also invest in sustainable construction.

We also invested in the reduction of our ecological footprint at our headquarters in Stäfa. In November, we started the replacement of our monoblocs in our main office building. In ventilation systems, the various air treatment components such as filters, heat recovery, fans, air heaters, etc., are usually combined in a central unit. In large systems, this central unit is called a monobloc. The mentioned building is equipped with two such monoblocs. The second will be exchanged in spring 2021. The new monoblocs fulfil the specifications for energy class A+ according to EUROVENT RS 4/C/001-2019 and the adiabatic air supply humidification system is the first choice for environmentally friendly air humidification and cooling. Ultra-fine spray mist generated under high pressure guarantees high-performance, economical air humidification. This fact increases the well-being of our employees as the air is never too dry. Since September 2019, we have been operating a solar plant on the roof of one of our office buildings. Now, more than 1 year later in full operation and thanks to a beautiful summer, we could generate more than 119 MWh. Thus, the own consumption of our building with approximately 110 MWh could be more than covered. The yield not only exceeds our expectations but also corresponds to a CO₂ saving of 92 tons (as of the end of December 2020). The generated surplus was transferred into our second office building.

Change as chance

In a high-tech environment, change and dynamism form the basis for long-term corporate success. COVID-19 turned out to be our greatest challenge in 2020. As a company, we were forced to adopt new forms of work. We started to implement new communication methods with advanced IT tools and to digitally lead our employees through the crisis. We shared information from our remote workplace and realized that safety at work in all its facets is not a matter of course. We had to learn to live without social events and the wide range of sports and health activities that decisively contribute to our corporate culture called “SensiSpirit”. We had to find alternatives for the informal exchange with colleagues, because conversations at the coffee machine or during a freshly prepared lunch in the canteen were suddenly no longer possible. We faced the daily challenge of designing our new work-life-balance and of finding new routines.

At the same time, we felt more than ever connected to our colleagues from production, who – in the truest sense of the word – worked day and night to meet the enormous demands for sensors. Sensirion has the future in mind and recognized the potential to reduce its environmental impact by adhering to some behavioral changes even after the current crisis. For example, the insight that not every business trip makes sense if an on-site meeting lasts one hour but the journey to and from the meeting takes a total of four hours. The fact that home office can be a very productive source of new ideas and health as employees can use their time that is normally consumed by commuting to and from work for sports activities instead. Furthermore, the strong cohesion across team, divisional and corporate boundaries, and the genuine willingness to work together experienced an incomparable “boost”. In short: we have learned that a crisis can make us stronger: as a company, but also individually.

Sustainable Corporate Governance

For Sensirion, corporate governance is far more than compliance with legislation or additional voluntary requirements. In this context, we attach great importance to various topics while at the same time attempting to exceed expectations of our various stakeholders.

Anti-corruption & whistleblowing

Sensirion does not tolerate active or passive bribery. Our employees are encouraged to report deficiencies and grievances. This reporting can either be done internally via a special site on our intranet or externally via our homepage in our supplier portal. We grant the greatest discretion for such complaints and accept them anonymously. Those who complain have no consequences to fear. In addition to our Code of Conduct, Sensirion has an Anti-Corruption Policy in place which must be signed by every employee.

Fair competition

Highest standards of business integrity are applied. Sensirion respects the intellectual property of its competitors and expects the same from them. A fair competitive climate is achieved by avoiding preferences, conflicts of interest or aggressive behavior.

Intellectual property

In our Code of Conduct, we clearly state that intellectual property rights are to be respected and that the transfer of technology and know-how is to be done in a manner that protects intellectual property rights. Customer and supplier information is to be safeguarded.

Quality

Sensirion endeavors to ensure that its products and services meet the most stringent quality standards. Therefore, our quality management system is certified according to the International Standards ISO 16949 and ISO 9001. After all, reliable delivery and flawless products are a basic requirement for high customer satisfaction. To achieve this high goal, the products are subjected to accelerated aging tests during the development phase to ensure quality and longevity. With a final product qualification, the products are put to the acid test again based on current standards before being released for mass production. With this strategy, Sensirion makes sure that no end device must be disposed of due to a broken Sensirion sensor. Our Quality Policy focuses on the following key points:

- We are committed to achieving full customer satisfaction and strive for constant improvement of the quality of our products and services.
- Establishment and maintenance of efficient processes and tools to pursue the zero-tolerance-for-defects policy.
- The quality of products and services is systematically and periodically monitored, assessed, reviewed, and constantly improved.
- Customer satisfaction is monitored, assessed, reviewed, and improved constantly.
- Low turnover rate of employees is achieved by individual responsibility, directed education, and professional training, complemented by a sustainable human resources planning.
- An intense and open communication is fostered among all employees of Sensirion to establish a motivating and stimulating working environment. The dialog is cooperative, honest, and fair.
- Careful evaluation and systematic review of the key suppliers ensure a solid basis for all Sensirion products.

Financial and economic stability

In 2018 Sensirion has received a Dun & Bradstreet rating certificate with the best possible result, Rating 1. Only 2% of all Swiss companies receive the highest rating. This rating reflects our financial and economic stability. We are honored to have received this rating and consider it as a confirmation for our daily business actions.

Transparency

We value transparency in everything we do. A transparent, open internal and external communication helps to prevent misunderstandings and supports our corporate value "fair and honest". For detailed information covering all aspects of Corporate Governance, we refer to the Corporate Governance Report starting on page 60.

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 2020.

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).

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 109.

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 pages 119 and 120.

Significant shareholders

As of 31 December 2020, 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	32.7 %
Gottlieb Knoch, Zug, Switzerland	4.9 %
T. Rowe Price Associates, Inc., Baltimore, United States	3.8 %
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 2020.

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 2020 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#/>. 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 2020.

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 2020, 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 2020	% of capital	Shares	In CHF
Share capital	100.0%	15,573,350	1,557,335.00
Authorized share capital¹	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 2020, 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

The share capital of Sensirion Holding AG increased by CHF 28,036.60 from CHF 1,529,298.40 to CHF 1,557,335.00 between 1 January 2020 and 30 May 2020. A total of 280,366 fully paid-in registered shares with a par value of CHF 0.10 each were issued out of conditional capital to members of the Executive Committee and other employees under Sensirion’s employee participation plans (see the Compensation Report on pages 84 to 96 as well as Note 16 of the Consolidated Financial Statements on pages 127 to 128).

As a result, the conditional capital for employee participations (Article 3b of the [Articles of Association](#)) was reduced by CHF 2,060.90 (20’609 shares) from CHF 145,222.90 (1,452,229 shares) to CHF 143,162.00 (1,431,620 shares). The conditional capital for employee participations in connection with the IPO Loyalty Share Program was reduced by CHF 25,975.70 (259,757 shares), and the remaining conditional capital in connection with the IPO Loyalty Share Program of CHF 15,163.60 (151,636 shares) has been cancelled due to the expiry of conversion and options rights thereunder and can therefore no longer be used. These capital increases out of conditional capital were registered in the commercial register on 22 June 2020 and published in the Swiss Official Gazette of Commerce on 25 June 2020. Except for this capital increase, the share capital of Sensirion Holding AG did not change in 2020.

For information on changes of share and participation capital during 2019 and 2018, see our Annual Report 2019 on page 45 and our Annual Report 2018 on pages 33 and 34, 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 2020, Sensirion Holding AG has not issued any participation certificates.

Profit sharing certificates

As of 31 December 2020, 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 incumbent shareholder (or his legal successor, respectively) 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 2020, 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 2020. For information on Sensirion's employee participation plans, see the Compensation Report on pages 84 to 96 as well as Note 16 of the Consolidated Financial Statements on pages 127 to 128.



From left: Franz Studer, Ricarda Demarmels, Moritz Lechner, Felix Mayer, Heinrich Fischer and François Gabella

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 2020, the Board of Directors consisted of six 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 2020. 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 2020.

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

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

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 Avantama AG, 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 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 a member 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. 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 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.

Composition of the Board of Directors

At the Annual General Meeting on 11 May 2020, 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 2021. As announced on 14 December 2020, the Board of Directors intends to propose the election of Anja König as an additional member of the Board of Directors at the upcoming Annual General Meeting 2021. 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 2020, the Board of Directors held nine meetings, four of which were telephone conferences. The meetings lasted on average approximately eight hours each and the telephone conferences approximately one hour. All 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, and 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 Board of Directors approves the individual fixed and variable compensation of the members of the 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.

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 2020 Moritz Lechner), and the other Co-Chairman is to chair the annual general meeting of shareholders (as of 31 December 2020 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 2014, 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 2020, 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 2020, the Audit Committee held four meetings, which lasted on average approximately four 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 2020, 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 11 May 2020. 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;
- resolving on the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee, subject to approval of the individual compensation by the Board of Directors and 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 2020, the Nomination and Compensation Committee held five 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 2020, the Independent Directors' Committee consisted of Heinrich Fischer (Chairman and Lead Independent Director), Ricarda Demarmels, and François Gabella.

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 Director's Committee holds meetings as often as required or as requested by any of its members. The Independent Director's Committee held no meeting in 2020 since no matter to be reviewed or approved by the Independent Director's 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 receives a separate financial and business update from its business on a monthly basis.



From left: Johannes Schumm, Johannes Bleuel, Marc von Waldkirch, Matthias Gantner, Heiko Lambach and Andrea Orzati

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 2020, 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

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 serves on the Board of Directors of Teqable AG. 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 Polytechnique 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. Currently, Johannes Schumm serves on the Board of Directors of Clarity Movement Co., Ltd. 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 84.

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 46), 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 11 May 2020, 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; 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 2020 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 84 to 96). 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"), Raffelstrasse 28, 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 11 May 2020. 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 2020, 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 230,000.

For additional services performed by KPMG in the financial year 2020, Sensirion was charged total non-auditing fees as follows.

Additional fees , in thousand of CHF	Amount
Tax advice	49
Transfer pricing advice	10
Total	59

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 our mailing list for ad hoc disclosures by subscribing for our financial media releases at <https://www.sensirion.com/financial-newsletter>. Further information for shareholders is available at <https://www.sensirion.com/ad-hoc-notices>.

Contact

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Financial calendar

16 March 2021	2020 full-year results and annual report
25 March 2021	Capital markets day
18 May 2021	Annual general meeting
25 August 2021	2021 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 2020. 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 18 May 2021 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 2020, 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 11 May 2020. 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
- resolving on the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee, subject to approval of the individual compensation by the Board of Directors and of the maximum 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 2020, the Nomination and Compensation Committee held five 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 73 and 74.

Authorities in compensation-related matters

	AGM	Board	NCC	CEO
Compensation and benefits strategy; basic elements of compensation system		Approves	Proposes	
Maximum aggregate compensation of Board	Approves	Proposes	Proposes	
Individual compensation of Board members		Approves	Proposes	
Maximum aggregate fixed compensation of EC (prospective)	Approves	Proposes	Proposes	
Aggregate variable compensation of EC (retrospective)	Approves	Proposes	Proposes	
Individual compensation of 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	

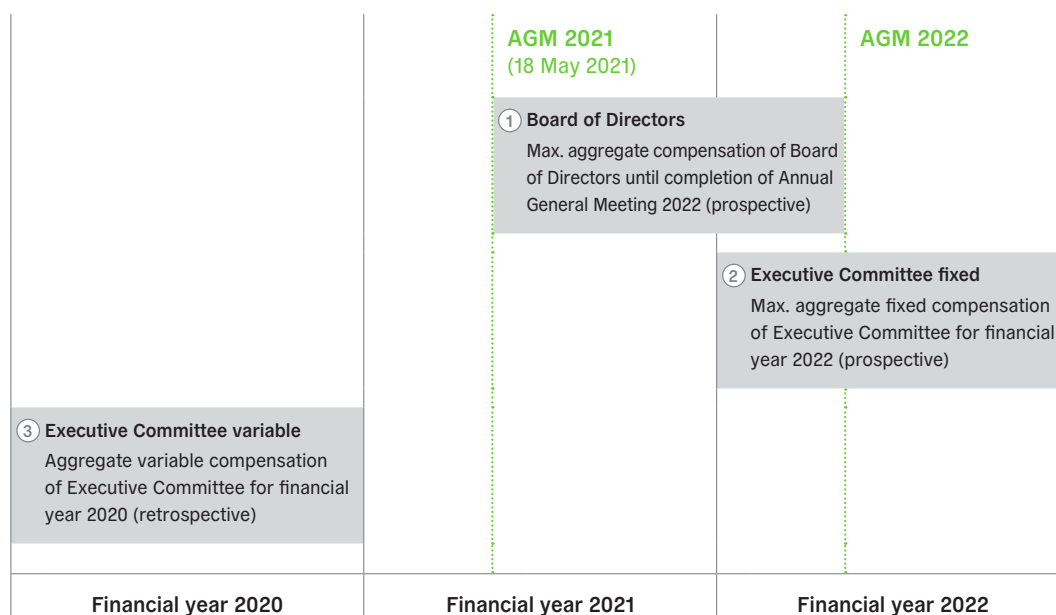
AGM: Annual General Meeting; Board: Board of Directors; NCC: Nomination and Compensation Committee; CEO: Chief Executive Officer; EC: Executive Committee

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 18 May 2021.



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 2018, prior to the IPO, 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 2020, the Board of Directors consisted of six members. At the Annual General Meeting on 11 May 2020, all current members of the Board of Directors were re-elected for another period. For the financial years 2020 and 2019, 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 2020 was within the maximum aggregate amount of compensation approved by the Annual General Meeting 2019 as set forth below. The compensation awarded to the members of the Board of Directors for the current term will be approved at the Annual General Meeting on 18 May 2021.

Compensation period	Approved (CHF)	Effective (CHF)
AGM 2019 – AGM 2020	930,000	915,360
AGM 2020 – AGM 2021	930,000	to be determined ¹

AGM: Annual General Meeting

¹ The effective amount will be disclosed in the 2021 Compensation Report.

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	50,000	10,000	4,436 ²	64,436
Dr. Franz Studer	50,000	20,000	5,070 ²	75,070
Total	700,000	110,000	105,360	915,360

¹ 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.

² Social security contributions required by Swiss Law.

Compensation of the Board of Directors in 2019 (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	–	40,371	290,371
Dr. Felix Mayer, Co-Chairman	250,000 ¹	–	36,620	286,620
Ricarda Demarmels	50,000	40,000	6,519 ⁴	96,519
Heinrich Fischer	50,000	40,000	4,497 ⁴	94,497
François Gabella ²	33,333	6,667	2,897 ⁴	42,897
Dr. Franz Studer ²	33,333	13,333	3,380 ⁴	50,046
Markus Glauser ³	12,500	7,500	971 ⁴	20,971
Total	679,166	107,500	95,255	881,921

¹ Each Co-Chairman received 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 did not receive any additional compensation as Co-Chairmen of the Board of Directors.

² Member of the Board of Directors since 14 May 2019.

³ Member of the Board of Directors until 14 May 2019.

⁴ Social security contributions required by Swiss Law.

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

As of 31 December 2020, 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 2020, no compensation was paid to former members of the Board of Directors. As of 31 December 2020, 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 2020, no compensation was paid to parties closely related to current or former members of the Board of Directors. As of 31 December 2020, 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 2018, prior to the IPO, 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 2020 by the Annual General Meeting on 18 May 2021.

The Nomination and Compensation Committee determines 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 2020, 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 2020, the RSUs awarded for the 2020 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 2020 to the members of the Executive Committee prior to the approval by the Annual General Meeting 2021.

As a consequence of a strong performance in 2020, first and foremost extra efforts to meet the heavily increased demand for gas flow sensors employed in ventilators and achieving growth in the regular business 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 50% compared to a reference level (for comparison: in 2019, the bonus was halved compared to the reference level). As a result, in 2020, the variable compensation in the form of the annual bonus, including RSUs, awarded to members of the Executive Committee represented around 28 % (in 2019 around 10%) of the base salary for the CEO and between 18% and 29% (in 2019 5% to 10%) 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.

RSUs granted to the members of the Executive Committee as a one-time award in connection with the IPO in 2018 under a special employee participation plan (the "IPO Loyalty Share Program") vested and were converted into shares on 15 January 2020 issued out of the Company's conditional capital. For further information, please refer to our [Annual Report 2019](#) on page 74.

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 his shares in Sensirion Holding AG if, as a result, the value of his shareholdings in Sensirion Holding AG falls below 100% of his 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 2020, the Executive Committee consisted of six members. For the financial years 2020 and 2019, the compensation of the members of the Executive Committee is set out in the tables below. Compared to 2019, the 2020 base salaries of the members of the Executive Committee remained stable, except for two members whose salaries were increased to reflect their extended experience and seniority. The bonuses in 2020 take into account the strong performance in 2020 and the comparison with peers prepared in 2018 prior to the IPO.

The fixed compensation awarded to the members of the Executive Committee for the financial year 2020 is within the maximum aggregate amount of fixed compensation of CHF 2,300,000 approved by the Annual General Meeting 2019.

Fixed compensation for the financial year	Approved (CHF)	Effective (CHF)
2020 (approved by AGM 2019)	2,300,000	1,914,913

AGM: Annual General Meeting

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 is based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 53.51) 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 18 May 2021. Following such approval, a revised fair value will be determined for accounting purposes only.

Compensation of the Executive Committee in 2019 (audited)

Compensation Components (in CHF)	Marc von Waldkirch (CEO)	Other EC (5 members)	Total EC
Base salary	441,012	1,205,011	1,646,023
Pension and social security, for base salary	73,533	197,258	270,791
Total fixed compensation	514,545	1,402,269	1,916,814
Variable bonus (restricted shares and RSUs) ¹	39,688	89,504	129,192
Social security, for variable bonus	3,175	7,160	10,335
Total compensation	557,408	1,498,933	2,056,341

¹ Variable bonus was based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 41.27) 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 11 May 2020. 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 2020, 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 2020, no compensation was paid to former members of the Executive Committee. As of 31 December 2020, 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 2020, no compensation was paid to parties closely related to current or former members of the Executive Committee. As of 31 December 2020, 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 2020, 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 2020 (the "2020 Bonus") and to any future bonuses.

The remaining RSUs outstanding under the IPO Loyalty Share Program granted to Sensirion employees in connection with the IPO in 2018 vested and were converted into shares on 15 January 2020 issued out of the Company's conditional capital. As of 31 December 2020, no RSUs are outstanding under the IPO Loyalty Share Program, which may not be used for any future awards.

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 2020, first and foremost extra efforts to meet the heavily increased demand for gas flow sensors employed in ventilators and achieving growth in the regular business 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 50% compared to a reference level (for comparison: in 2019 the bonus has halved compared to the reference level). In 2020, Sensirion awarded

bonuses to 661 employees who, in accordance with the Bonus and RSU Plan, were given the opportunity to choose between payment of their 2020 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 its 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 2020 Bonus in the form of a Cash Bonus. The election period for the 2020 Bonus ended on 4 January 2021.

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 2020, 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 2020, the RSUs awarded for the 2020 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 92 and 93 of this Compensation Report.

IPO Loyalty Share Program

Under the IPO Loyalty Share Program, Sensirion granted 560,267 RSUs to its employees (including members of the Executive Committee) prior to the IPO in 2018. No additional RSUs have been or will be granted under the IPO Loyalty Share Program. The RSUs were converted into shares of Sensirion Holding AG upon vesting as described above for the members of the Executive Committee. Each employee participating in the IPO Loyalty Share Program received such number of RSUs as corresponds to the proportion of his or her individual aggregate amount of bonus accumulated since incorporation of the Company over the aggregate amount of bonus of all current employees since the incorporation of the Company.

The remaining RSUs outstanding under the IPO Loyalty Share Program granted to Sensirion employees in connection with the IPO in 2018 have been vested and were converted into shares on 15 January 2020 issued out of the Company's conditional capital. As of 31 December 2020, no RSUs are outstanding under the IPO Loyalty Share Program, which may not be used for any future awards.

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 160 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 2020. 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 89, 90, 94 and 95 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 2020 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, 8 March 2021

KPMG AG, Râffelstrasse 28, CH-8036 Zurich

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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	2020	Δ in %	2019
Revenue	8	253,659	48.4%	170,960
Cost of sales		(107,491)		(79,165)
Gross profit		146,168		91,795
– as % of revenue		57.6%		53.7%
Research and development expenses		(45,676)		(41,530)
Selling and distribution expenses		(23,697)		(27,124)
Administrative expenses		(25,722)		(25,143)
Operating profit (loss)		51,073	2651.1%	(2,002)
– as % of revenue		20.1%		(1.2%)
Finance income	11	964		588
Finance costs	11	(5,940)		(2,220)
Share of loss of equity-accounted investees, net of tax		(203)		(349)
Profit (loss) before tax		45,894		(3,983)
Income taxes	18.1	(3,992)		1,237
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		41,902	1625.9%	(2,746)
– as % of revenue		16.5%		(1.6%)
Earnings per registered share				
Basic earnings per registered share (in CHF)	12	2.71		(0.18)
Diluted earnings per registered share (in CHF)	12	2.70		(0.18)
Earnings before interest, tax, depreciation and amortization (EBITDA)				
Earnings before interest, tax, depreciation and amortization (EBITDA)	13	64,082		12,327
– as % of revenue		25.3%		7.2%
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA)	13	68,821	236.7%	20,440
– as % of revenue		27.1%		12.0%

The notes on pages 107 to 149 are an integrated part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (OCI)

In thousands of CHF, for the year ended 31 December	Note	2020	Δ in %	2019
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		41,902	1625.9%	(2,746)
Remeasurements of defined benefit obligation	15.2	(5,514)		(8,408)
Equity investment at FVOCI – net change in fair value	27.2	288		74
Related tax	18.3	579		2,051
Items that will not be reclassified to profit or loss		(4,647)		(6,283)
Foreign operations – foreign currency translation differences	18.3	(792)		(1,940)
Items that are or may be reclassified to profit or loss		(792)		(1,940)
Other comprehensive income for the period, net of tax	18.3	(5,439)		(8,223)
Total comprehensive income for the period, attributable to owners of Sensirion Holding AG		36'463	432.4%	(10,969)

The notes on pages 107 to 149 are an integrated part of these consolidated financial statements.

Consolidated Statement of Financial Position

In thousands of CHF	Note	31 December 2020	in %	31 December 2019	in %
Assets					
Cash and cash equivalents		61,933		60,321	
Financial assets (short term deposit)	27.1	30,000		-	
Trade receivables	22	26,402		21,576	
Prepaid expenses		1,325		1,520	
Other receivables	22	7,455		3,442	
Inventories	21	26,469		21,978	
Total current assets		153,584	57.1%	108,837	50.5%
Property, plant and equipment	19	62,992		64,176	
Right-of-use assets	17	13,050		11,934	
Financial assets	27.2	7,389		3,519	
Equity-accounted investees		6,587		2,865	
Intangible assets	20.1	16,669		17,240	
Goodwill	20.2	5,195		5,360	
Deferred tax asset	18.4	3,722		1,566	
Total non-current assets		115,604	42.9%	106,660	49.5%
Total assets		269,188	100.0%	215,497	100.0%
Liabilities					
Trade payables		7,032		5,472	
Accrued expenses		9,544		3,979	
Employee benefits	14	7,791		5,017	
Lease liabilities	25/27.1	2,322		1,801	
Provisions	26	1,876		-	
Other liabilities		5,916		1,562	
Total current liabilities		34,481	12.8%	17,831	8.3%
Employee benefits	14	23,276		30,887	
Lease liabilities	25/27.1	11,419		10,540	
Provisions	26	3,959		-	
Total non-current liabilities		38,654	14.4%	41,427	19.2%
Total liabilities		73,135	27.2%	59,258	27.5%
Equity					
Share capital		1,557		1,529	
Capital reserve		151,211		147,888	
Treasury shares reserve		(1,735)		(1,735)	
Translation reserve		(1,710)		(918)	
Revaluation reserve		2,251		2,394	
Retained earnings		44,479		7,081	
Total equity, attributable to owners of Sensirion Holding AG	23	196,053	72.8%	156,239	72.5%
Total liabilities and equity		269,188	100.0%	215,497	100.0%

The notes on pages 107 to 149 are an integrated part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Attributable to owners of Sensirion Holding AG

In thousands of CHF	Note	Share capital	Capital reserve	Treasury shares reserve	Translation reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2019		1,514	144,530	(5,137)	1,022	1,856	16,648	160,433
Profit (loss) for the period		-	-	-	-	-	(2,746)	(2,746)
Other comprehensive income for the period	18.3	-	-	-	(1,940)	538	(6,821)	(8,223)
Total comprehensive income for the period		-	-	-	(1,940)	538	(9,567)	(10,969)
Capital increases		15	-	-	-	-	-	15
Sale of treasury shares		-	(3,402)	3,402	-	-	-	-
Equity-settled share-based payment transactions	16.1	-	6,760	-	-	-	-	6,760
Transactions with owners - contributions and distributions		15	3,358	3,402	-	-	-	6,775
Balance at 31 December 2019		1,529	147,888	(1,735)	(918)	2,394	7,081	156,239
Balance at 1 January 2020		1'529	147'888	(1'735)	(918)	2,394	7'081	156,239
Profit for the period		-	-	-	-	-	41,902	41,902
Other comprehensive income for the period	18.3	-	-	-	(792)	(143)	(4,504)	(5,439)
Total comprehensive income for the period		-	-	-	(792)	(143)	37,398	36,463
Capital increases		28	(125)	-	-	-	-	(97)
Equity-settled share-based payment transactions	16.1	-	3,448	-	-	-	-	3,448
Transactions with owners - contributions and distributions		28	3,323	-	-	-	-	3'351
Balance at 31 December 2020		1'557	151,211	(1,735)	(1,710)	2,251	44,479	196,053

The notes on pages 107 to 149 are an integrated part of these consolidated financial statements.

Consolidated Statement of Cash Flows

In thousands of CHF, for the year ended 31 December	Note	2020	2019
Cash flows from operating activities			
Profit (loss) for the period		41,902	(2,746)
Adjustments for:			
- Depreciation and amortization	17/19/20	17,748	15,893
- Loss (gain) on sale of intangible assets, property, plant and equipment and asset held for sale		(32)	(11)
- Other non-cash income		(270)	(470)
- Financial result without foreign exchange (gain)/loss		1,783	644
- Share of loss (profit) of equity-accounted investees, net of tax		203	349
- Equity-settled share-based payment transactions		3,121	6,554
- Tax expense (income)	18	3,992	(1,237)
Changes in:			
- Trade and other receivables		(8,839)	965
- Prepaid expenses		195	725
- Inventories		(4,491)	8,198
- Trade and other payables		2,814	(3,966)
- Accrued expenses		785	(454)
- Employee benefits (except voluntary prepayments of employer contributions)		4,049	1,787
- Voluntary prepayments of employer contributions		(14,400)	-
- Provisions		5,835	-
Interest and bank charges paid		(401)	(471)
Income taxes paid		(686)	(42)
Net cash from operating activities		53,308	25,718
Cash flows from investing activities			
Acquisition of property, plant and equipment	19	(8,784)	(10,249)
Proceeds from sale of property, plant and equipment		32	11
Investment in financial assets (short term deposit)		(30,000)	-
Acquisition of financial assets (equity securities)		(3,000)	-
Acquisition of equity-accounted investees		(1,900)	-
Acquisition of intangible assets	20	(1,861)	(4,122)
Development expenditure	20	(3,568)	(2,798)
Net cash from investing activities		(49,081)	(17,158)
Cash flows from financing activities			
Payment of lease liabilities	17	(1,842)	(1,774)
Proceeds from issue of share capital		28	15
Transaction costs related to issue of share capital		(125)	(67)
Net cash from financing activities		(1,939)	(1,826)
Net change in cash and cash equivalents		2,288	6,734
Cash and cash equivalents at 1 January		60,321	53,938
Effect of movements in exchange rates on cash held		(676)	(351)
Cash and cash equivalents at 31 December		61,933	60,321

The notes on pages 107 to 149 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 systems. 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.

2 Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. The consolidated financial statements were authorized for issue by the Board of Directors on 8 March 2021. Details of the Group’s accounting policies are included in Notes 3 to 6. Amendments to the IFRS, effective as of 1 January 2020, did not have a material impact on the consolidated financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

2.1 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Financial assets at FVPL (IFRS 9)	Fair value
Equity instruments at FVOCI (IFRS 9)	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

2.2 Functional and presentation currency

These consolidated financial statements are presented in Swiss Francs (CHF), which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3 Use of estimates and assumptions

In preparing these consolidated financial statements, management has made 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.

As a response to the COVID-19 pandemic, the Group has reassessed the underlying assumptions and estimates affecting these consolidated financial statements.

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare the financial statements in conformity with IFRS. Actual results may differ from these estimates under different assumptions or conditions. Information about assumptions and estimation uncertainties at 31 December 2020 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 15 – Post-employment benefits;
- Note 20 – Intangible assets (recoverability of development costs);
- Note 21 – Inventories (recoverability);
- Note 26 – Provisions (measurement);
- Note 27 – Determining the fair value of financial instruments on the basis of significant unobservable inputs.

4 Basis of consolidation

4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

For the year ended 31 December	2020				2019	
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	100
Sensirion China Co. Ltd., Shenzhen (China)	RMB 1,260,000	100	100	100	100	100
Sensirion Inc., Chicago (USA)	USD 660,000	100	100	100	100	100
Sensirion Japan Co. Ltd., Tokyo (Japan)	JPY 25,000,000	100	100	100	100	100
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	KRW 100,000,000	100	100	100	100	100
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	TWD 25,000,000	100	100	100	100	100
Sensirion Hungary Kft., Budapest (Hungary)	HUF 3,000,000	100	100	-	-	-
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	CHF 100,000	100	100	100	100	100
Sensirion Automotive Solutions Inc., Eaton Rapids (USA)	USD 250,000	100	100	100	100	100
Sensirion Automotive Solutions Korea Co. Ltd., Seoul (South Korea)	KRW 15,000,000,000	100	100	100	100	100
Sensirion Automotive Solutions (Shanghai) Co. Ltd., Shanghai (China)	RMB 28,450,000	100	100	100	100	100
IRsweep AG, Stäfa (Switzerland)	CHF 166,667	33	33	33	33	33
Lumiphase AG, Zürich (Switzerland)	CHF 133,323	25	20	-	-	-

4.2 Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. An associated company is a company in which Sensirion Group has significant influence. Significant influence is the ability to participate in the financial and business policy decisions of the investee, but not control or joint control of these decisions. Interests in associated companies are accounted using the equity method. Equity investments are initially recognized at cost, which includes transaction costs. Any goodwill identified is included in the carrying amount of the investment and is not recognized as separate goodwill. Subsequent to the initial recognition, the result of associated companies is absorbed into the Group pro rata and allocated to the carrying amount of the investment. Profit distribution by these companies reduces their carrying amount.

4.3 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.

4.4 Foreign currency

4.4.1 Foreign currency transactions

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 profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

4.4.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into CHF at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially, which leads to a loss of control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

5 Significant accounting policies

5.1 Revenue

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 it transfers control over a product to a customer. Our contracts generally include a standard warranty clause to guarantee that the products comply with agreed specifications.

Products	Nature, timing of satisfaction of performance obligations, and significant payment terms
Sensors	<p>The Group sells its standardized sensors generally via purchase orders to customers (i.e. end customers and distributors) and recognizes 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).</p> <p>Variable consideration in contracts with customers such as early payment discounts are generally not constrained as the Group has experience with these type of contracts and the uncertainty about the amount of consideration is expected to be resolved over a short period of time. Customers usually pay within 30 to 60 days from the delivery of the products.</p>

5.2 Employee benefits

5.2.1 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.

5.2.2 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.

5.2.3 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 that 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.

5.2.4 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

5.2.5 Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The actuarial assumptions on which the calculations are based are determined by market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The Group considers risk-sharing features when calculating the defined benefit obligation for the Swiss pension plan. These features reflect the actual limit of the contributions that the Group is required to pay as well as the employees' share of the cost of the pension plan. The application of risk sharing is based on the formal terms of the Swiss pension plan that comprise the plan rules as well as the relevant laws, ordinances, and directives concerning the occupational benefits plans, in particular the provisions contained therein concerning funding and measures to be taken to eliminate pension fund deficits.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5.2.6 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 profit or loss in the period in which they arise.

5.3 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense on borrowings / lease liabilities;
- net interest costs on the defined benefit liability and other long-term employee benefits;
- changes in the fair value of financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

5.4 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

5.4.1 Current tax

Current 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.

5.4.2 Deferred tax

Deferred 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 on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- 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; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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.

5.5 Inventories

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.

5.6 Property, plant and equipment

5.6.1 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 profit or loss.

5.6.2 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.

5.6.3 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 profit or loss. 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.

5.7 Goodwill and intangible assets

5.7.1 Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Research and Development

Expenditure on research activities is recognized in profit or loss 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 profit or loss 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.

5.7.2 Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

5.7.3 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 profit or loss. Goodwill is not amortized.

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.

5.8 Financial instruments

5.8.1 Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

5.8.2 Financial assets – Classification and subsequent measurement

The Group classifies non-derivative financial assets into the following categories: “amortized cost”, “fair value through profit or loss (FVPL)” and “fair value through other comprehensive income (FVOCI)” and subsequent measurement at “amortized cost”.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment’s fair value in OCI. Financial assets that are neither measured at amortized cost nor measured at FVOCI are measured at FVPL.

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost includes any loss allowances for expected credit losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
Financial assets at fair value through profit or loss (FVPL)	These are financial assets whose performance is evaluated on a fair value basis. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and presented within other financial income (expense) in the period in which it arises.

5.8.3 Financial liabilities

Financial liabilities are measured at amortized cost. These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5.8.4 Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

5.8.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.9 Impairment

5.9.1 Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for other financial assets are measured at an amount equal to lifetime ECLs, unless the credit risk (i.e. the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue

cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group formulates a "base-case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held), or the financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group recognized loss allowances for expected credit losses for trade receivables only. The impairment has been recorded in "Selling and distribution expenses" in the consolidated income statement.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5.9.2 Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to

the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.10 Equity

5.10.1 Costs of an equity transaction

Incremental costs directly attributable to the issue or buy-back of shares, net of any tax effects, are recognized as a deduction from equity.

5.10.2 Repurchase and reissue of shares (treasury shares)

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.

5.11 Leases

Where the Group is a lessee, leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis, using the incremental borrowing rate at the commencement date as the relevant discount rate for the identified lease contracts.

At the commencement date, the Group measures the right-of-use asset at cost which includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

In terms of subsequent measurement, the following applies:

- right-of-use asset: the right of use asset is measured at cost less any depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.
- lease liability: the lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is 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).

The Group depreciates right-of-use assets from the commencement date of the lease to whichever date is earlier, either the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the underlying asset is transferred to the Group, or if the Group is reasonably certain to exercise a purchase option, then the depreciation period runs to the end of the useful life of the underlying asset. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability or each period.

5.12 Provisions

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 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.

5.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets accessible to the Group on the measurement date for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 16 – Share-based payment arrangement;
- Note 27 – Financial instruments.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

6 Amendments issued but not yet effective

The following revised standards that may be relevant for the Group have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

	Effective date	Planned application by Sensirion Holding AG in reporting year
Revision or amendments of standards and interpretations		
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021	Reporting year 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	Reporting year 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	Reporting year 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Reporting year 2022
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023	Reporting year 2023

Based on a preliminary assessment, the new requirements will not have a significant impact on the consolidated financial statements.

7 Impact of the COVID-19 pandemic

The COVID-19 pandemic had a significant impact on the Group's revenues due to increased sales in the medical market. The pandemic has not significantly impacted the supply chain. Further, there were no significant bad debts that could be directly attributed to COVID-19 factors. However, inventory allowances increased due to uncertainty of the pandemic in future market demand. No other significant impacts resulted and no significant payments from governmental measures as a response to the pandemic have been received throughout the period. In order to minimize the risk of expected credit losses, individual payment terms have been agreed with customers.

8 Segment reporting and disaggregation of revenue

8.1 Basis for segmentation

The Group operates in one industry segment that 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.

8.2 Entity-wide disclosures and disaggregation of revenue

In thousands of CHF, for the year ended 31 December, and as % of revenue	2020		2019	
Revenue – Geographic information by countries				
Switzerland	8,751	3.4%	3,734	2.2%
USA	65,455	25.8%	30,699	18.0%
China	44,747	17.6%	20,817	12.2%
Germany	34,944	13.8%	31,890	18.7%
South Korea	29,367	11.6%	21,377	12.5%
Australia	14,402	5.7%	15,032	8.8%
Other foreign countries	55,993	22.1%	47,411	27.6%
Total	253,659	100.0%	170,960	100.0%

In thousands of CHF, for the year ended 31 December, and as % of revenue	2020		2019	
Revenue – Geographic information by regions				
APAC	110,759	43.7%	78,026	45.6%
EMEA	70,614	27.8%	58,831	34.4%
Americas	72,286	28.5%	34,103	20.0%
Total	253,659	100.0%	170,960	100.0%

In thousands of CHF	31 Dec 2020		31 Dec 2019	
Non-current assets – Geographic information				
Switzerland	82,975	79.4%	79,575	78.3%
South Korea	14,979	14.3%	15,944	15.7%
China	6,291	6.0%	5,585	5.5%
USA	210	0.2%	367	0.4%
Other foreign countries	38	<0.1%	104	<0.1%
Total	104,493	100.0%	101,575	100.0%

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

In total, the Group generated more than 10% of its total sales with one customer (previous year's period: 10% revenue generated with two costumers).

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	2020		2019	
Revenue – per customer market				
Automotive	55,221	21.7%	51,345	30.0%
Medical	112,334	44.3%	35,139	20.6%
Industrial	71,214	28.1%	70,342	41.1%
Consumer	14,890	5.9%	14,134	8.3%
Total	253,659	100.0%	170,960	100.0%

9 Expenses by nature

In thousands of CHF	Note	2020	2019
Changes in inventories		4,491	(8,198)
Raw materials and consumables		(70,208)	(38,305)
Employee benefits	10	(98,934)	(94,399)
Depreciation and amortization	17/19/20	(17,748)	(15,893)
Other		(20,187)	(16,167)
Total expenses		(202,586)	(172,962)

10 Employee benefit expenses / personnel costs

In thousands of CHF	Note	2020	2019
Wages and salaries		74,408	71,771
Social security contributions		4,867	5,433
Contributions to defined contribution plans		753	1,088
Post-employment defined benefit plans	15.2	4,977	4,570
Other long-term employee benefits		158	342
Share-based payment		3,246	6,554
Other employee benefit expenses		10,525	4,641
Total		98,934	94,399

The increase in other employee benefit expenses is mainly due to the increase in temporary employees due to the increased utilisation of production.

11 Net finance costs

In thousands of CHF	Note	2020	2019
Finance income			
Interest income		56	-
Net foreign exchange gains		818	508
Other financial income		90	80
Finance income		964	588

In thousands of CHF	Note	2020	2019
Finance costs			
Interest expense		(83)	(13)
Interest expense on lease liabilities		(357)	(404)
Net foreign exchange losses		(4,687)	(1,496)
Bank charges		(59)	(54)
Net interest costs of defined benefit plans	15.2	(51)	(162)
Other financial costs		(703)	(91)
Finance costs		(5,940)	(2,220)
Net finance costs recognized in profit and loss		(4,976)	(1,632)

12 Earnings per registered share

12.1 Basic earnings per share

The weighted-average number of registered shares for the period ended 31 December 2020 for the purpose of calculating basic earnings per registered share amounts to 15,486,851 (2019: 15,186,385).

12.2 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 15,491,081 (2019: 15,186,385).

13 Adjusted EBITDA

Management uses EBITDA and Adjusted EBITDA as key performance indicators because it believes they provide a more accurate assessment of the Group's business operations than the most closely comparable IFRS measure, profit (loss) before tax, and management believes that they and similar measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in the Group's industry.

Management defines EBITDA as profit (loss) for the period before net interest expenses, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for net finance costs excluding net interest expenses, share of loss (profit) of equity accounted investees, net of tax, and the non-recurring expense from the IPO Loyalty Share Program (including social security expenses) that management believes is not indicative of operational performance. All expenses out of the IPO Loyalty Share Program were recognized and settled by the end of 2019.

In thousands of CHF, for the year ended 31 December	Note	2020	2019
Reconciliation of profit (loss) to Adjusted EBITDA for the period			
Profit (loss) for the period		41,902	(2,746)
Net interest expenses	11	440	417
Income taxes	18	3,992	(1,237)
Depreciation	19/20	11,813	11,889
Amortization	20	5,935	4,004
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		64,082	12,327
Adjusted for:			
- Net finance cost excluding net interest expenses		4,536	1,215
- Share of loss (profit) of equity-accounted investees, net of tax		203	349
- IPO Loyalty Share Program, including social security expenses	16.1	-	6,549
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)		68'821	20,440

14 Employee benefits

In thousands of CHF	Note	31 December 2020	31 December 2019
Short-term employee benefits		7,791	5,017
Total employee benefit liabilities, current		7,791	5,017
Net defined benefit liability	15.2	19,750	27,573
Other long-term employee benefit liabilities		3,526	3,314
Total employee benefit liabilities, non-current		23,276	30,887

For details on the related employee benefit expenses, see Note 10.

15 Post-employment benefits

15.1 Defined benefit plans and funding

The Group has pension plans in Switzerland and South Korea that qualify as defined benefit plans. The Swiss pension plan accounts substantially for the whole net defined benefit liability reflected in the statement of financial position.

Pension plan in Switzerland

The Swiss pension plan is governed by the rules of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which specifies the minimum benefits that are to be provided by pension plans and stipulates that such plans are to be managed by independent, legally autonomous units. The assets of the pension plan are held within a separate foundation and cannot revert back to the employer. Pension plans are overseen by a governmental supervisory body.

The Group companies based in Switzerland are affiliated to a collective foundation administrating the pension plans of various unrelated employers. The pension plan of the concerned Group companies is fully segregated from the ones of other participating employers.

The most senior governing body of the collective foundation is the board of trustees that consists of an equal number of employers' and employees' representatives of the affiliated entities. The responsibilities of the board of trustees include, among others, the determination of and changes to the pension plan regulations and determination of the financing. The board of trustees has an obligation to act solely in the interests of the plan beneficiaries.

Plan beneficiaries, their spouses and children are insured against the financial consequences of old age, death and disability. The benefits are defined in the pension plan regulations that comply with the minimum requirements stipulated by the BVG. Retirement benefits are based on the accumulated retirement savings capital and can either be drawn as a life-long pension or as a lump sum payment. The pension upon retirement is calculated by multiplying the balance of the retirement savings capital with the applicable conversion rate. The retirement savings capital results from the yearly savings contributions by both employer and employee until retirement and carries interest thereon. The savings contributions are defined in the pension plan regulations. Minimum contributions and minimum interest are defined by the BVG and the Federal Council respectively.

Sensirion has a collective pension fund without full reinsurance of risks with effect from 1 January 2019. With this pension fund solution, Sensirion might be required to pay restructuring contributions. Based on the rules of the pension plan, both the Group and the employees have an obligation to finance 50% of the cost of the pension plan. This obligation can only be changed upon agreement with the Group.

In 2020, the Group's net defined benefit liability decreased by CHF 7,823 thousand. This decrease is mainly due to the voluntary prepayment of employer contributions of CHF 14,400 thousand that was contributed to the Swiss pension plan in 2020. Without the voluntary prepayment of employer contributions, the net defined benefit liability would have increased by CHF 6,577 thousand. The increase is mainly caused by another reduction of the discount rate applicable for the calculation of the actuarial loss on financial assumptions effective as of 1 January 2021. In prior year, the net defined benefit liability increased by CHF 9,091 thousand, mainly caused by a reduction of the discount rate applicable for the calculation of the actuarial loss on financial assumptions effective as of 1 January 2020.

Plan assets are managed and continually monitored by the pension fund. The effective return on plan assets in 2020 amounted to a loss of CHF 2,059 thousand (2019: gain of CHF 4,639 thousand) and resulted in a deficit of CHF 19,750 thousand for the pension plan recognized as non-current liability as of 31 December 2020 (31 December 2019: CHF 27,573 thousand).

Composition of plan assets

The plan assets are divided among the individual investment categories as follows:

In thousands of CHF	31 December 2020	31 December 2019
Assets held by insurance company (Switzerland)	80,284	68,334
Others (Switzerland)	403	1,181
Others (South Korea)	2,105	2,215
Total	82,792	71,730

15.2 Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

In thousands of CHF	2020			2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Opening amount	(99,303)	71,730	(27,573)	(80,049)	61,567	(18,482)
Included in profit or loss						
Current service (cost)	(4,886)	–	(4,886)	(4,479)	–	(4,479)
Interest (cost) income	(243)	193	(51)	(798)	636	(162)
Administration expenses	–	(91)	(91)	–	(91)	(91)
Total Included in profit or loss	(5,130)	102	(5,028)	(5,277)	545	(4,732)
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
– changes in demographic assumptions	–	–	–	(39)	–	(39)
– changes in financial assumptions	(1,562)	–	(1,562)	(13,040)	–	(13,040)
– experience adjustments	(1,645)	–	(1,645)	668	–	668
Return on plan assets excluding interest income	–	(2,252)	(2,252)	–	4,003	4,003
Effect of movements in exchange rates	97	(68)	29	207	(137)	70
Total Included in OCI	(3,110)	(2,320)	(5,430)	(12,204)	3,866	(8,338)
Other						
Contributions paid by the employer	–	17,675	17,675	–	3,675	3,675
Contributions paid by plan participants	(2,947)	2,947	–	(2,860)	2,860	–
Benefits (paid)/received	7,948	(7,341)	606	1,087	(783)	304
Total Other	5,001	13,281	18,281	(1,773)	5,752	3,979
Closing amount	(102,542)	82,792	(19,750)	(99,303)	71,730	(27,573)
Represented by						
Net defined benefit liability – Switzerland	(100,255)	80,688	(19,568)	(96,245)	69,515	(26,730)
Net defined benefit liability – South Korea	(2,288)	2,105	(182)	(3,059)	2,215	(844)

In 2020, the Group contributed a voluntary prepayment of employer contributions of CHF 14,400 thousand to the Swiss pension plan that led to a corresponding decrease on the net defined benefit liability. The Group expects to pay CHF 3,783 thousand in contributions to its defined benefit plans in the next financial year.

15.3 Actuarial assumptions

The following were the principal actuarial assumptions for the Swiss pension plan at the reporting date.

	31 December 2020	31 December 2019
Switzerland		
Discount rate	0.10 %	0.20 %
Future salary increase	1.00 %	1.00 %
Employee share of cost of the pension plan	50.00 %	50.00 %
Mortality table	BVG 2015 GT	BVG 2015 GT

Based on the plan regulations which limit the Group's contributions to the plan to 50% of the total contributions, past communications to the employees and the history of the cost split between Sensirion and its employees, the Group assumed that its share in the ultimate cost of the Swiss pension plan is also limited to 50% and that it does not have an additional constructive obligation. Based on the assumption that the plan continues to pay benefits and receive contributions as currently defined in the plan regulations and based on an implicit future return on plan assets equal to the discount rate, the calculation under IAS 19 shows that there is a structural deficit. This means that part of the benefits to be paid in the future is not financed by the plan assets and the future contributions from employer and employees. The Group assumed that the deficit is shared between the employer and the employees and that the Group's obligation is limited to 50%. Sensirion believes that the fact that the collective foundation may withdraw from the affiliation contract with Sensirion does not change this assumption since a termination of the contract would not necessarily increase Sensirion's legal and constructive obligation. The allocation of the deficit between employer and employees was performed for each active member. The part of the deficit relating to past service years reduced the DBO of the active members at the balance sheet date and the part relating to future service years will reduce future service costs. At 31 December 2020, the weighted-average duration of the defined benefit obligation was 21.9 years (2019: 22 years).

15.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation of the Swiss pension plan by the amounts shown below:

In thousands of CHF	31 December 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement) – Switzerland	(5,315)	5,770	(5,135)	5,578
Future salary growth (0.5% movement) – Switzerland	2,295	(2,191)	2,252	(2,121)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Without the application of risk-sharing assumptions for the Swiss pension plan, the net defined benefit liability in Switzerland would amount to CHF 25,706 thousand (2019: CHF 35,950 thousand). The service costs for Switzerland would be CHF 5,003 thousand instead (2019: CHF 4,390). The actual service costs including application of risk-sharing assumptions for the Swiss pension plan amount to CHF 4,464 thousand (2019: CHF 4,049 thousand).

16 Share-based payment arrangement

16.1 Description of share-based payment arrangements

Bonus and Restricted Share Unit Plan

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 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, which generally corresponds to mid-December of the annual performance period. 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 51,352 (2019: 18,967) and the number of RSU granted amounts to 12,930 (2019: 4,624). The fair value of one share at grant date amounts to CHF 52.90 (2019: CHF 41.70) and the fair value of one RSU at grant date amounts to CHF 52.90 (2019: CHF 41.70). The values correspond or are derived from 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 3,749 (2019: 1,569) and the number of RSU granted amounts to 3,749 (2019: 1,569). The estimated fair value of one share at grant date amounts to CHF 57.20 (2019: CHF 40.95) and the estimated fair value of one RSU at grant date amounts to CHF 57.20 (2019: CHF 40.95). The values correspond or are derived from the listed share price of the Company’s shares at 31 December 2020. These estimated fair values will be updated to reflect the circumstances at the date of the next annual general meeting.

For 2020, the Group granted a total annual bonus amount of CHF 7,152 thousand (2019: CHF 2,564 thousand). The amount is split between cash bonus of CHF 3,323 thousand (2019: CHF 1,452 thousand) and equity bonus of CHF 3,829 thousand (2019: CHF 1,112 thousand).

IPO Loyalty Share Program (equity-settled and cash-settled)

In March 2018, the Group established a program under which restricted share units (RSU) are granted to its employees. The amount of RSU under the plan was allocated to the participants in relation to the accumulated bonus amounts of each employee. Under the terms of the plan, 50% of the allocated amount of RSU had been vested if the employee had not resigned or if the Group had not terminated the services of the employee by 15 January 2019. The remaining 50% of the allocated RSU had been vested at 15 January 2020 if the employee was not under notice by that time. The RSU were directly converted into registered shares of the Company upon vesting for a payment of a conversion price CHF 0.10 each. If the allocation to an individual employee amounted to less than 200 RSU, a corresponding cash amount replaced the respective RSU.

The Group granted 560,267 RSU under the IPO Loyalty Share Program in 2018. The fair value of one RSU at grant date amounted to CHF 35.90, whereas the amount that was paid in cash has been remeasured throughout the vesting period and eventually upon settlement and amounts to CHF 42.15 for a RSU equivalent at 31 December 2018. The grant date fair

value of one RSU was derived from the bookbuilding process ahead of the IPO of the Company. For the IPO Loyalty Share Program, the Group recognized an employee benefit expense of CHF 16,157 thousand (including social security expenses of CHF 2,399 thousand) in 2018. In 2019, the Group has recognized the second part of the IPO Loyalty Share Program in profit or loss in the amount of CHF 6,549 thousand, including social security expenses of CHF 795 thousand. These expenses were classified under “Administrative expenses” in the consolidated income statement.

According to the terms of the plan, 50% of the allocated amount of RSU, in total 264,125 RSU, had been vested on 15 January 2019. The remaining 50% of the allocated RSU were vested at 15 January 2020 provided that the employment relationship still existed at the vesting date. All expenses out of the IPO Loyalty Share Program were recognized and settled by the end of 2019.

16.2 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 2020	31 December 2019
Restricted share units – IPO Loyalty Share Program	–	259,973
Restricted share units – Bonus and Restricted Share Unit Plan	38,995	22,316

16.3 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)
2020		
Outstanding at 1 January	282,289	–
Exercised during the year	(259,757)	–
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	–	–
2019		
Outstanding at 1 January	544,099	–
Exercised during the year	(264,125)	–
Granted during the year	6,193	0.10
Forfeited during the year	(3,878)	0.10
Outstanding at 31 December	282,289	0.10
Exercisable at 31 December	–	–

The RSU outstanding at 31 December 2020 has an exercise price of CHF 0.10 (31 December 2019: CHF 0.10) and a weighted-average contractual life of 2.01 years (31 December 2019: 0.13 years).

17 Leases

17.1 Amounts reflected in the financial statements

In addition to the lease liabilities presented in the consolidated statement of financial position, the following amounts relate to leases in that statement:

In thousands of CHF	31 December 2020	31 December 2019
Right-of-use assets		
Buildings	13,014	11,911
Cars	36	23

The consolidated income statement shows the following amounts related to leases:

In thousands of CHF	2020	2019
Depreciation charge of right-of-use assets		
Buildings	2,349	1,926
Cars	8	20
Expenses		
Related to short-term leases/low-value asset leases	78	52

Further information relating to leases are as follows:

In thousands of CHF	2020	2019
Total cash outflows for leases	2,199	2,178
Additions to right-of-use assets	3,591	2,814

As of 31 December 2020, there were additional future leasing obligations with a total contract value of CHF 5,380 thousand (31 December 2019: CHF 1,968 thousand) for which the leasing period has not yet started at year end.

17.2 Short-term leases and leases of low-value assets

The Group applies the short-term lease and leases of low-value assets exemption. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less from the commencement date and without a purchase option. Low-value assets are not exceeding an amount of CHF 5 thousand and mainly relate to equipment and small items of office furniture.

18 Income taxes

18.1 Tax income (expense) in the period

In thousands of CHF	Note	2020	2019
Current tax expense		(5,569)	(366)
Origination and reversal of temporary differences		1,577	1,456
Changes in tax rate		-	147
Deferred tax income (expense)	18.4	1,577	1,603
Total		(3,992)	1,237

18.2 Effective tax rate reconciliation

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 18.4% (2019: 20%) relates to the tax rate applicable at the domicile of Sensirion Holding AG. As a result of the Swiss tax reform, the holding privilege for Sensirion Holding AG will no longer be applicable in the future. To reduce disadvantages, the Canton of Zurich (headquarters of Sensirion) introduced certain provisions in the cantonal tax laws (e.g. patent box, additional R&D deductions) including transitional measures (step-up mechanism or dual rate approach). At Sensirion, these transitional measures will compensate the cash effects of the entry costs into the patent box introduced by the Swiss tax reform.

This equates to the Group underlying tax rate of 18.4% from 2020 onwards.

In thousands of CHF	Note	2020	2019
Profit (loss) before tax		45,894	(3,983)
Tax using the Group's tax rate of 18.4% (previous year: 20%)		(8,444)	797
Tax effect of			
- Non-deductible expenses		(43)	38
- Effect of companies with mixed tax rates		421	555
- Current year losses not recognized	18.5	(722)	(311)
Excess taxes deduction recognized in equity		(202)	(206)
Changes in tax rate		-	147
Effect of Swiss tax reform		4,880	-
Other		118	217
Income taxes		(3,992)	1,237

18.3 Amounts recognized in Other Comprehensive Income

The tax (expense) credit relating to components of the other comprehensive income is as follows:

In thousands of CHF	Before tax	Tax (expense) credit	After tax
2020			
Remeasurement of net defined benefit obligation	(5,514)	1,010	(4,504)
Foreign operations – foreign currency translation differences	(792)	–	(792)
Equity investments at FVOCI – net change in fair value	288	(431)	(143)
Other comprehensive income	(6,018)	579	(5,439)
2019			
Remeasurement of net defined benefit obligation	(8,408)	1,587	(6,821)
Foreign operations – foreign currency translation differences	(1,940)	–	(1,940)
Equity investments at FVOCI – net change in fair value	74	464	538
Other comprehensive income	(10,274)	2,051	(8,223)

18.4 Movement in deferred tax balances

In thousands of CHF	Balance at 31 December					
	Net balance at 1 January	Recognized in profit or loss	Recognized in OCI	Net	Deferred tax assets	Deferred tax liabilities
2020						
Trade receivables	(793)	(467)	–	(1,260)	–	1,260
Inventories	(1,190)	(136)	–	(1,326)	–	1,326
Property, plant and equipment	(2,771)	(397)	–	(3,168)	–	3,168
Right-of-use assets	(2,236)	(190)	–	(2,426)	–	2,426
Financial assets	–	–	(431)	(431)	–	431
Intangible assets	(1,904)	1,283	–	(621)	–	621
Employee benefits (current)	(1,406)	1,078	–	(328)	–	328
Provisions	(1,011)	(89)	–	(1,100)	–	1,100
Lease liabilities	2,240	217	–	2,457	2,457	–
Employee benefits (non-current)	5,890	(2,451)	1,010	4,449	4,449	–
Tax losses carried forward	4,747	2,729	–	7,476	7,476	–
Tax assets (liabilities) before set-off	1,566	1,577	579	3,722	14,382	10,660
Set-off of tax	–	–	–	–	(10,660)	(10,660)
Net tax assets (liabilities)	1,566	1,577	579	3,722	3,722	–
2019						
Trade receivables	(850)	57	–	(793)	–	793
Inventories	(1,841)	651	–	(1,190)	–	1,190
Property, plant and equipment	(3,043)	272	–	(2,771)	–	2,771
Right-of-use assets	(2,213)	(23)	–	(2,236)	–	2,236
Financial assets	(464)	–	464	–	–	–
Intangible assets	(2,012)	108	–	(1,904)	–	1,904
Employee benefits (current)	(1,567)	161	–	(1,406)	–	1,406
Provisions	(1,004)	(7)	–	(1,011)	–	1,011
Lease liabilities	2,070	170	–	2,240	2,240	–
Employee benefits (non-current)	4,358	(55)	1,587	5,890	5,890	–
Tax losses carried forward	4,478	269	–	4,747	4,747	–
Tax assets (liabilities) before set-off	(2,088)	1,603	2,051	1,566	12,877	11,311
Set-off of tax	–	–	–	–	(11,311)	(11,311)
Net tax assets (liabilities)	(2,088)	1,603	2,051	1,566	1,566	–

Deferred tax assets and liabilities are measured at the tax rates currently applicable in the individual countries and applied to future taxation. Deferred tax assets capitalized on intangible assets also include part of the effect of the tax reducing measures implemented due to the tax reform of the Swiss federal tax law, effective 1 January 2020. In subsequent periods, these tax assets will be recovered by means of amortization. Deferred tax assets consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of 31 December 2020, deferred tax assets were capitalized on tax loss carry forwards in the amount of CHF 7,476 thousand (2019: CHF 4,747 thousand).

18.5 Unrecognized deferred tax assets

The Group has CHF 6,170 thousand of unrecognized tax loss carry forwards and tax credits available (2019: CHF 3,144 thousand).

In thousands of CHF	31 December 2020		31 December 2019	
	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets
Expires in 3 years	1,547	309	1,587	318
Expires in 4 years	1,014	203	1,557	311
Expires in 5 years or beyond	3,609	722	-	-
Total	6,170	1,234	3,144	629

19 Property, plant and equipment

In thousands of CHF	Land and buildings	Production facilities	Under construction	Other	Total
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	-	-	-	-	-
Cost					
Opening amount 1 January 2019	49,573	70,045	5,312	14,572	139,502
Additions	737	3,730	4,130	1,652	10,249
Disposals	-	(1,297)	-	(1,196)	(2,493)
Reclassifications	44	2,352	(4,060)	1,450	(213)
Currency translation differences	(478)	3	(67)	(139)	(681)
Closing amount 31 December 2019	49,876	74,833	5,315	16,339	146,363
Accumulated depreciation and impairment					
Opening amount 1 January 2019	13,334	52,248	-	9,080	74,662
Depreciation	1,876	5,860	-	2,207	9,943
Disposals	-	(1,282)	-	(1,172)	(2,454)
Currency translation differences	(13)	94	-	(45)	36
Closing amount 31 December 2019	15,197	56,920	-	10,070	82,187
Total carrying amount	34,679	17,913	5,315	6,269	64,176
Carrying amount pledged as security for liabilities	-	-	-	-	-

20 Goodwill and intangible assets

20.1 Reconciliation of carrying amounts

In thousands of CHF	Total goodwill	Patents and trademarks	Development costs	Software	Under construction	Other intangibles	Total intangible assets
Cost							
Opening amount 1 Jan 2020	10,896	12,856	13,229	2,718	1,726	1,072	31,601
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	(165)	(80)	–	(5)	–	–	(85)
Closing amount 31 Dec 2020	10,731	13,801	16,055	2,927	1,408	1,072	35,263
Accumulated amortization and impairment							
Opening amount 1 Jan 2020	5,536	4,492	7,011	1,851	–	1,007	14,361
Amortization	–	1,661	3,621	653	–	–	5,935
Disposals	–	(622)	(1,060)	–	–	–	(1,682)
Currency translation differences	–	(18)	–	(2)	–	–	(20)
Closing amount	5,536	5,513	9,572	2,502	–	1,007	18,594
Total carrying amount 31 Dec 2020	5,195	8,288	6,483	425	1,408	65	16,669
Cost							
Opening amount 1 Jan 2019	11,150	9,238	11,215	2,516	636	1,072	24,677
Additions – internally developed	–	–	1,309	–	1,489	–	2,798
Additions – separately acquired	–	3,953	–	169	–	–	4,122
Disposals	–	(153)	–	–	–	–	(153)
Reclassifications	–	–	574	38	(399)	–	213
Currency translation differences	(254)	(182)	131	(5)	–	–	(56)
Closing amount 31 Dec 2019	10,896	12,856	13,229	2,718	1,726	1,072	31,601
Accumulated amortization and impairment							
Opening amount 1 Jan 2019	5,413	3,514	4,914	1,219	–	759	10,406
Amortization	–	1,161	1,966	629	–	248	4,004
Disposals	–	(149)	–	–	–	–	(149)
Currency translation differences	123	(34)	131	3	–	–	100
Closing amount	5,536	4,492	7,011	1,851	–	1,007	14,361
Total carrying amount 31 Dec 2019	5,360	8,364	6,218	867	1,726	65	17,240

The Group capitalizes development costs in relation to specific projects considering a number of criteria that are outlined in Note 5.7. Management applies assumptions in applying those criteria to its projects, especially in assessing the probability of future economic benefits. Such probability is often linked to the technical feasibility of the products. The point in time at which the technical feasibility of completing the intangible assets is demonstrated can vary significantly between the individual projects. The assessment is jointly performed by the respective project leader and the Group's Vice President of Research and Development.

Internal development costs in the total amount of CHF 3,568 thousand (2019: CHF 2,798 thousand) have been capitalized in the current financial year.

20.2 Impairment testing of goodwill

Goodwill at the level of cash-generating units (GCUs) is tested for impairment at least once per year or more frequently if there are indications of impairment. The Group carries out annual impairment testing as of 31 December of each fiscal year. Indications of impairment include, for example, a marked drop in the fair value of an asset, significant changes in the business environment, substantial evidence of obsolescence or a change in expected income. The basis for the impairment test is the calculation of the recoverable amount, which is the higher of fair value less costs to sell or the carrying amount. If the amount of impairment exceeds the goodwill assigned to the CGU, the units of other asset must be written down proportionately in line with their carrying amounts.

Goodwill is allocated to the Group's GCUs as follows:

In thousands of CHF	31 December 2020	31 December 2019
CGU Automotive Solutions	5,195	5,360
Total Goodwill	5,195	5,360

Impairment test on CGU Automotive Solutions

The CGU Automotive Solutions comprises the sensor and module business of AIC, which encompasses the design, manufacturing and sale of sensor modules for the automotive industry and a sales team in Switzerland. Its key products are auto-defogging sensors (ADS), air quality sensors (AQS) and particulate matter (PM2.5) sensors.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The key assumptions used in the estimation of the recoverable amount are disclosed in the table below.

In percent	31 December 2020	31 December 2019
Discount rate	12.11 %	12.55 %
Terminal growth rate	1.43 %	1.93 %

The discount rate was a pre-tax measure based on observable weighted average cost of capital (WACC) of comparable companies in the relevant market.

The basis of the discounted cash flow method in the Group is future cash flows derived from a five-year earnings planning. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product (GDP) rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth.

Goodwill was subjected to the annual impairment test as of 31 December 2020 as well as in prior year. In the actual as well as in previous period, the recoverable amount of the CGU Automotive Solutions was higher than its carrying amount. Therefore, no impairment loss was recognized either in 2020 or in 2019.

20.3 Amortization

The amortization of patents, trademarks and development costs is included in "Research and development expenses".

21 Inventories

In thousands of CHF	31 December 2020	31 December 2019
Purchased parts	11,541	9,612
Semi-finished and finished goods	18,739	11,935
Work in progress	5,012	3,678
Total	35,292	25,225
Allowance on purchased parts	(2,312)	(1,425)
Allowance on semi-finished and finished goods	(6,511)	(1,822)
Total	(8,823)	(3,247)
Total Inventories	26,469	21,978

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

In 2020, inventory of CHF 59,987 thousand (2019: CHF 42,660 thousand) was recognized as expenses and included in "Cost of sales".

In addition, inventory allowances have increased by CHF 5,576 thousand (2019: increased by CHF 511 thousand) during 2020 mainly due to the uncertainty of the COVID-19 pandemic in future market demand.

22 Trade and other receivables

In thousands of CHF	31 December 2020	31 December 2019
Trade receivables, gross	26,702	21,652
Allowance for doubtful receivables	(300)	(76)
Total trade receivables	26,402	21,576
Non-income tax receivables	3,852	1,138
Social security	1	249
Other	3,602	2,055
Total other receivables	7,455	3,442

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

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 27.3.

23 Share capital

23.1 Equity

As of 31 December 2020, the fully paid-up share capital of the parent company, Sensirion Holding AG, in the total amount of CHF 1,557,335 (2019: CHF 1,529,298) is divided into 15,573,350 registered shares (2019: 15,292,984) 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.

	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
	2019
In shares	Registered shares
Total in issue at 1 January	15,140,172
Capital increase from conditional share capital	152,812
Total in issue at 31 December	15,292,984

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. In 2019, a total of 264,125 employee options were exercised at an exercise price of the nominal value of CHF 0.10. The options were exercised through a conditional capital increase of 149,224 shares and the issue of 114,901 treasury shares. The costs arising from the capital increase were deducted from the capital reserve and amounted to CHF 67 thousand.

23.1.1 Registered shares

Holders of these shares which have a nominal value of CHF 0.10 are entitled to dividends as declared from time to time and are entitled 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.

23.1.2 Conditional capital

As of 31 December 2020, 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 332 thousand, encompassing 3,319,439 shares with a nominal value of CHF 0.10.

The Company's conditional capital is composed as follows:

In shares	2020	2019
Conditional share capital for employee participations	1,431,620	1,452,229
Conditional share capital for financing, acquisitions, and other purposes	1,455,817	1,455,817
Conditional share capital for employee participations in connection with the IPO loyalty share program	–	411,393
Total conditional share capital at 31 December	2,887,437	3,319,439

23.2 Nature and purpose of reserves

23.2.1 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.

23.2.2 Treasury shares reserve

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 2020, the Group held 75,857 of the Company's registered shares (2019: 75,857 registered shares). The treasury shares held at 31 December 2020 account for 0.5% of the issued capital.

23.2.3 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.

23.2.4 Revaluation reserve

The revaluation reserve relates to the fair value revaluation of equity investments at FVOCI, including income tax effects.

23.2.5 Retained earnings

The retained earnings include the accumulated net profits of the Group and remeasurements of the net defined benefit liability, including income tax effects.

23.3 Dividends

Holders of registered shares participate in any dividends declared by the Company. The Company has not paid any dividends in the periods presented.

23.4 OCI accumulated in reserves, net of tax

The following OCI accumulated in reserves are attributable to owners of Sensirion Holding AG. They are expressed net of tax.

In thousands of CHF	Note	Translation reserve	Revaluation reserve	Retained earnings	Total
31 December 2020					
Remeasurements of defined benefit liability	18.3	–	–	(4,504)	(4,504)
Foreign operations – foreign currency translation differences	18.3	(792)	–	–	(792)
Equity investments at FVOCI – net change in fair value	18.3		(143)	–	(143)
Total		(792)	(143)	(4,504)	(5,439)
31 December 2019					
Remeasurements of defined benefit liability	18.3	–	–	(6,821)	(6,821)
Foreign operations – foreign currency translation differences	18.3	(1,940)	–	–	(1,940)
Equity investments at FVOCI – net change in fair value	18.3		538	–	538
Total		(1,940)	538	(6,821)	(8,223)

24 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 2020	31 December 2019
Total liabilities	(73,135)	(59,258)
Less: cash and cash equivalents	61,933	60,321
Less: financial assets (short term deposit)	30,000	–
Net cash (debt)	18,798	1,063
Total equity	196,053	156,239
Net cash (debt) to equity ratio	9.6 %	0.7 %

25 Financial liabilities

The table below provides reconciliation of movements of financial liabilities to cash flows arising from financing activities. Due to the negative interest rate level, negative interests of CHF 66 thousand had to be paid in 2020 (31 December 2019: CHF 13 thousand).

In thousands of CHF	Note	Lease liabilities
Balance at 1 January 2020		12,341
Changes from financing cash flows		
Payment of lease liabilities	17	(1,842)
Total changes from financing cash flows		(1,842)
The effect of changes in foreign exchange rates		(349)
Other changes		
New leases		3,591
Interest expenses		357
Interest paid		(357)
Total other changes		3,591
Balance at 31 December 2020		13,741
Balance at 1 January 2019		11,365
Changes from financing cash flows		
Payment of lease liabilities	17	(1,774)
Total changes from financing cash flows		(1,774)
The effect of changes in foreign exchange rates		(64)
Other changes		
New leases		2,814
Interest expenses		404
Interest paid		(404)
Total other changes		2,814
Balance at 31 December 2019		12,341

26 Provisions

In thousands of CHF	Warranty 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

Warranty provisions are recognized for the first time in 2020 for newly launched sales projects due to the strong increase in the automotive sector. The warranty provisions have been estimated based on losses and warranty expenses to date and future losses. The calculation is based on various scenarios. Sensirion expects to settle the majority of the liability over the next three years.

27 Financial instruments

27.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at the reporting date, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As of 31 December 2020

In thousands of CHF	Note	Carrying amount				Total	Fair value			
		Financial assets at amortized cost	FVPL – Fair value through P/L	FVOCI – equity instruments	Other financial liabilities		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Equity securities	27.2	-	-	7,389	-	7,389	-	-	7,389	7,389
Investment in convertible bond with associate	22	-	858	-	-	858	-	-	858	858
Total financial assets measured at fair value		-	858	7,389	-	8,247	-	-	8,247	8,247
Financial assets not measured at fair value										
Trade receivables	22	26,402	-	-	-	26,402	-	-	-	-
Financial asset (short term deposit)		30,000	-	-	-	30,000	-	-	-	-
Cash and cash equivalents		61,933	-	-	-	61,933	-	-	-	-
Total financial assets not measured at fair value		118,335	-	-	-	118,335	-	-	-	-
Financial liabilities not measured at fair value										
Trade payables		-	-	-	7,032	7,032	-	-	-	-
Accrued expenses		-	-	-	9,544	9,544	-	-	-	-
Lease liabilities	25	-	-	-	13,741	13,741	-	-	-	-
Total financial liabilities not measured at fair value		-	-	-	30,317	30,317	-	-	-	-

As of 31 December 2019

In thousands of CHF	Note	Carrying amount				Total	Fair value			
		Financial assets at amortized cost	FVPL – Fair value through P/L	FVOCI – equity instruments	Other financial liabilities		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Equity securities	27.2	-	-	3,519	-	3,519	-	-	3,519	3,519
Investment in convertible bond with associate	22	-	500	-	-	500	-	-	500	500
Total financial assets measured at fair value		-	500	3,519	-	4,019	-	-	4,019	4,019
Financial assets not measured at fair value										
Trade receivables	22	21,576	-	-	-	21,576	-	-	-	-
Cash and cash equivalents		60,321	-	-	-	60,321	-	-	-	-
Total financial assets not measured at fair value		81,897	-	-	-	81,897	-	-	-	-
Financial liabilities not measured at fair value										
Trade payables		-	-	-	5,472	5,472	-	-	-	-
Accrued expenses		-	-	-	3,979	3,979	-	-	-	-
Lease liabilities	25	-	-	-	12,341	12,341	-	-	-	-
Total financial liabilities not measured at fair value		-	-	-	21,792	21,792	-	-	-	-

27.2 Fair value measurements

The fair value of equity securities classified in level 3 has been determined by discounting the estimated future cash flows of the investee using a rate of return that comprises the time value of money and the risk of the investment. As of 31 December 2020, the growth rates beyond the detailed planning periods have been set between 1.0% and 2.0% (2019: between 1.0% and 2.0%). The risk adjusted discount factor used for determination of fair value are set by 10.0% and 11.0% (2019: 11.00% and 36.29%). The projected average EBITDA amounts to between CHF 1,125 thousand and CHF 4,243 thousand (2019: CHF 2,142 thousand and CHF 4,716 thousand).

The fair value of the financial investment in MaxWell Biosystems AG was determined on the basis of the financing round together with third parties taking place shortly before the end of the year 2020. The financing round involved a capital increase with a total financing amount of CHF 4,000 thousand. The fair value of the financial investment is measured at FVOCI and assigned to level 3 in the fair value hierarchy.

The fair value for other receivables measured at FVPL and assigned to level 3 has been determined by discounting the estimated future cash flows using a risk adjusted discount factor of 11.00% and a growth rate of 2.00% (2019: discount factor of 11.00% and a growth rate of 2.00%). Other receivables measured at FVPL include mainly a convertible loan agreement to an associated company of the Sensirion Group. The maximum amount that may be granted amounts to CHF 1,500 thousand. As of 31 December 2020, a total of CHF 1,000 thousand has been granted. Interest rates for the loan have been set between 4% and 6%.

The estimated fair value would increase (decrease) if:

- the annual revenue growth rate was higher (lower);
- the EBITDA were higher (lower); or
- the risk-adjusted discount rate was lower (higher).

The valuation model for financial liabilities not measured at fair value, which mainly consists of lease liabilities, considers the present value of expected payments that have been discounted by using an incremental borrowing rate. Possible changes at the reporting date to one of the significant unobservable inputs in the fair value measurement of equity securities at FVOCI would have the following effects:

Effect in thousands of CHF	OCI, net of tax			
	31 December 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Annual revenue growth rate (10% movement)	749	(749)	542	(542)
Average EBITDA (10% movement)	392	(392)	347	(347)

The following table shows a reconciliation in respect of recurring level 3 fair values.

In thousands of CHF	2020	2019	2020	2019
	Equity securities	Equity securities	Other receivables	Other receivables
Opening amount	3,519	3,445	500	-
Acquisition of capital	3,000	-	-	-
Change in status of investment	582	-	-	-
Acquisition of convertible loan	-	-	500	500
Profit (loss) included in other comprehensive income	288	74	(167)	-
Closing amount	7,389	3,519	833	500

27.3 Financial risk management

The Group has exposure to credit risk, liquidity risk and market risk arising from financial instruments that are further outlined below.

27.3.1 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.

27.3.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The cash and cash equivalents are held with financial institution counterparties which are rated "A+" and "A-", respectively, based on Fitch ratings. At the reporting date of the current period, these ratings have not undergone a change.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. For trade receivables without a significant financing component, the Group uses the simplified approach under which IFRS 9 allows using an allowance matrix as a practical expedient for determining ECLs on trade receivables. Under this approach, Sensirion calculates historical loss rates based on days past due buckets. For calculating historical trend information, Sensirion uses average historical loss rates for the preceding

three annual reporting periods. Loss rates are adjusted to the current economic conditions and via macroeconomic overlay to consider forward-looking information.

As a response to the COVID-19 pandemic, the Group has reassessed the credit risks as well as the expected credit losses of accounts receivable. Consequently, impairment allowance on accounts receivable increased by CHF 224 thousand as of 31 December 2020.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

In thousands of CHF	31 December 2020			
	ECL rate	Gross carrying amount trade receivables	Impairment allowance	Credit-impaired
Current (not past due)	0.72 %	21,990	(130)	No
1-30 days past due	2.07 %	4,097	(80)	No
31-60 days past due	1.53 %	568	(59)	No
61-90 days past due	65.61 %	5	(3)	No
Over 90 days past due	79.42 %	42	(28)	Yes
Total		26,702	(300)	

Details of concentration of revenue are included in Note 7.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

In thousands of CHF	31 December 2020	31 December 2019
USA	7,733	1,928
Hong Kong	3,259	2,825
China	2,848	2,857
South Korea	2,817	3,374
Germany	1,914	4,025
Thailand	1,889	1,721
Japan	1,287	1,200
Switzerland	162	180
Other	4,493	3,466
Total	26,402	21,576

The Group maintains business relationships over a variety of geographical areas.

Movements in the loss allowance in respect of trade receivables

The movement in the loss allowance in respect of trade receivables during the year was as follows:

Loss allowance details

In thousands of CHF	2020	2019
	Individual impairments	Individual impairments
Balance at 1 January	76	90
Amounts written off	-	-
Net remeasurement of loss allowance	224	(14)
Balance at 31 December under IFRS 9	300	76

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries. At 31 December 2020, 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 (2019: CHF 40,000 thousand).

27.3.3 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, Sensirion ensures that sufficient liquidity to cover the short-term operational needs is continuously available. Within the liquidity plan, Sensirion 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. The unused lines of credit amount to CHF 40,000 thousand as of 31 December 2020 (31 December 2019: CHF 40,000 thousand). No credit lines are used as of 31 December 2020 (31 December 2019: CHF 0).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, include contractual interest payments and exclude the impact of netting agreements.

In thousands of CHF	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
As of 31 December 2020							
Non-derivative financial liabilities							
Trade payables	7,032	7,032	7,032	-	-	-	-
Lease liabilities	13,741	15,025	442	2,184	2,577	5,786	4,036
Total non-derivative financial liabilities	20,773	22,057	7,474	2,184	2,577	5,786	4,036
As of 31 December 2019							
Non-derivative financial liabilities							
Trade payables	5,472	5,472	5,472	-	-	-	-
Lease liabilities	12,341	13,555	364	1,746	3,836	3,069	4,540
Total non-derivative financial liabilities	17,813	19,027	5,836	1,746	3,836	3,069	4,540

27.3.4 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.

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 summary quantitative data about the Group's exposure to currency risk is as follows:

In thousands of CHF	USD	EUR	KRW
As of 31 December 2020			
Cash and cash equivalents	4,818	7,603	2,234
Trade receivables	7,692	4,295	2,251
Trade payables	(1,692)	(1,721)	(485)
Net statement of financial position exposure	10,818	10,177	4,000
As of 31 December 2019			
Cash and cash equivalents	6,194	2,342	1,036
Trade receivables	6,367	5,941	2,712
Trade payables	(860)	(1,301)	(740)
Net statement of financial position exposure	11,701	6,982	3,008

A reasonably possible strengthening (weakening) of above major currencies against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

In thousands of CHF	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
As of 31 December 2020				
EUR (10% movement)	1,340	(1,340)	1,340	(1,340)
USD (10% movement)	8,511	(8,511)	8,511	(8,511)
KRW (10% movement)	-	-	1,909	(1,909)
As of 31 December 2019				
EUR (10% movement)	2,854	(2,854)	2,854	(2,854)
USD (10% movement)	5,535	(5,535)	5,535	(5,535)
KRW (10% movement)	-	-	1,970	(1,970)

The following significant exchange rates have been applied:

In CHF	Average rate		Year-end spot rate	
	2020	2019	2020	2019
Euro (EUR) 1	1.0825	1.1276	1.0822	1.0931
US Dollar (USD) 1	0.9581	1.0044	0.8812	0.9836
South-Korean Won (KRW) 1,000	0.8077	0.8673	0.8110	0.8367

Sensirion 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.

28 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

Key management personnel compensation comprised the following:

In thousands of CHF	2020	2019
Short-term employee benefits	2,434	2,441
Post-employment benefits	372	366
Share-based payment	433	140
Total	3,239	2,947

Compensation of the Group's key management personnel includes salaries, non-cash benefits, share-based payments and contributions to a post-employment defined benefit plan. Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or a non-executive member of the Board or a member of Group Management. As of 31 December 2020, there were no loans, advances or credits due to the Sensirion Group or any of its subsidiaries by any of the members of the Board or the Group Management.

Other related party disclosures

In thousands of CHF	31 December 2020	31 December 2019
Other receivables	858	500

In thousands of CHF	2020	2019
Sales and other income	114	83

The Sensirion Group entered into convertible loan agreements with its associated company. The maximum amount that may be granted to its associated company amounts to CHF 1,500 thousand. As of 31 December 2020, a total of CHF 1,000 thousand has been granted. The loan is measured at FVPL and assigned to level 3 of the fair value hierarchy (see Note 27.1).

29 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on 8 March 2021. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting.

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.

The purchase price consists of the cash purchase price of EUR 12,500 thousand and a contingent purchase price component (earn-out agreement). The earn-out component is calculated and determined based on the sales generated by the Company in the earn-out period. The total earn-out amount that could become payable is set between EUR 0 and a maximum amount of EUR 7,000 thousand. The earn-out period begins on 1 January 2023 and ends on 31 December 2023.

At the time of acquisition, the net assets of Qmicro B.V. amounted to a provisional value of EUR 1,361 thousand. The assets acquired and liabilities assumed have not yet been subjected to a provisional purchase price allocation at the time of publication of the financial report.

No other events have occurred between 31 December 2020 and 8 March 2021 that would necessitate adjustments to the carrying values of the Sensirion Group's assets or liabilities, or which require additional disclosure.

30 Change in accounting standard

The Board of Directors of Sensirion Holding AG has decided to change the Group's accounting standard as per the next interim consolidated financial statements as at and for the six months ended 30 June 2021 from IFRS to Swiss GAAP FER with a transition date as of 1 January 2020. Swiss GAAP FER is a recognized, comprehensive and less granular set of accounting standards that will allow the Group to continue publishing high quality and transparent financial reports in compliance with the requirement to present a true and fair view.

The conversion from IFRS to Swiss GAAP FER will impact the consolidated financial statements mainly in the following areas:

- Goodwill identified in acquisitions will be offset directly with equity. Under IFRS, goodwill was capitalized and not amortized but tested annually for impairment.
- According to Swiss GAAP FER 16 "Pension benefit obligations", the existing economic obligations or benefits relating to the Swiss pension fund are measured based on the pension fund's financial statements in accordance with Swiss GAAP FER 26 "Accounting of pension plans". An economic obligation is recognized as a liability if the requirements for the recognition of a liability are met. An economic benefit is capitalized provided that it is permitted and intended to be used for future Group pension contributions. Freely available employer contribution reserves are capitalized. Under IFRS, defined benefit plans were measured using the projected unit credit method and recognized in accordance with IAS 19. As a result, the employee benefits liability is generally higher under IFRS than under Swiss GAAP FER.
- Leases that were generally on-balance for the Group as a lessee will be generally treated as operating leases under Swiss GAAP FER and the lease payments recognised in profit or loss.

The Swiss GAAP FER restatement as of 1 January 2020 will be published in the Group's half-year report as at 30 June 2021.

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 statement of financial position as at 31 December 2020 and the consolidated income statement, statement of profit or loss and other comprehensive 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 102 to 149) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 2020 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 5.1 to the consolidated financial statements
- Note 8 to the consolidated financial statements



INVENTORY VALUATION

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to MCHF 26.5 as at 31 December 2020. 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 5.5 to the consolidated financial statements
- Note 21 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS 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, ISAs 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, ISAs 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, 8 March 2021

KPMG AG, Raffelstrasse 28, 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	2020	2019
Revenue from royalties	1.6	7,738	5,281
Total income		7,738	5,281
Personnel expenses		(1,024)	(936)
Other operating expenses		(1,110)	(981)
Amortization on intangible assets		(16)	(19)
Financial income	2.5	583	608
Financial expense	2.5	(1,084)	(331)
Income taxes		(712)	(60)
Total expenses		(3,363)	(1,719)
Profit for the year		4,375	3,562

Balance Sheet

In thousands of CHF	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents		14,740	17,745
Financial assets	2.1	30,000	-
Other short-term receivables			
- from companies in which the entity holds an investment		1,025	549
Prepaid expenses and accrued income		95	20
Total current assets		45,860	18,314
Financial assets	2.1	98,606	110,394
Investments	2.2	21,522	16,716
Intangible assets		37	53
Total non-current assets		120,165	127,163
Total assets		166,025	145,477
Liabilities			
Trade payables			
- to third parties		23	32
Other liabilities			
- to third parties		127	74
- to companies in which the entity holds an investment		3,100	-
Accrued expenses		500	105
Total current liabilities		3,750	211
Equity			
Share capital		1,557	1,529
Legal capital reserves	2.4		
- Reserves from capital contributions		127,438	114,901
- Other capital reserves		4,469	4,400
Legal retained earnings			
- General legal retained earnings		603	603
- Reserves for treasury shares	2.3	1,735	1,735
Voluntary retained earnings			
- Retained earnings brought forward		22,098	18,536
- Profit for the year		4,375	3,562
Total equity		162,275	145,266
Total liabilities and equity		166,025	145,477

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 16 of the Consolidated Financial Statements on pages 127 to 128) 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 (IFRS), 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 2020	31 December 2019
Current financial assets		
Time deposit	30,000	-
Total current financial assets	30,000	-
Non-current financial assets		
Clarity Movement, Co.	524	1,075
MaxWell Biosystems AG	3,300	300
Loans to subsidiaries	94,782	109,019
Total non-current financial assets	98,606	110,394

Subordinated loans to the subsidiary Sensirion Automotive Solutions AG amount to CHF 44,543 thousand (31 December 2019: CHF 44,285 thousand).

2.2 Investments

In thousands of CHF		31 December 2020		31 December 2019	
a) Direct investments					
Company, location	Purpose	Share capital	in %	Share capital	in %
Sensirion AG, Stäfa (Switzerland)	Production, sales, development	CHF 2,000,000	100	2,000,000	100
Sensirion China Co. Ltd., Shenzhen (China)	Sales	RMB 1,260,000	100	1,260,000	100
Sensirion Inc., Chicago (USA)	Sales	USD 660,000	100	660,000	100
Sensirion Japan Co. Ltd., Tokyo (Japan)	Sales	JPY 25,000,000	100	25,000,000	100
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	Sales	KRW 100,000,000	100	100,000,000	100
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	Sales	TWD 25,000,000	100	25,000,000	100
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	Production, sales, development	CHF 100,000	100	100,000	100
Sensirion Hungary Kft., Budapest (Hungary)	Production	HUF 3,000,000	100	-	-
IRsweep AG, Stäfa (Switzerland)	Development	CHF 166,667	33	166,667	33
Lumiphase AG, Zürich (Switzerland)	Development	CHF 133,323	25	-	-

b) Significant indirect investments						
Sensirion Automotive Solutions Inc., Eaton Rapids (USA)	Sales	USD	250,000	100	250,000	100
Sensirion Automotive Solutions Korea Co. Ltd., Seoul (South Korea)	Production, sales, development	KRW	15,000,000,000	100	-	100
Sensirion Automotive Solutions (Shanghai) Co. Ltd., Shanghai (China)	Production, sales, development	RMB	28,450,000	100	28,450,000	100

2.3 Treasury shares and treasury participation certificates

Held by subsidiary Sensirion AG

In thousands of CHF	2020	2019
Treasury shares nom. CHF 0.10		
Stock at 1 January	75,857	241,351
Book value at 1 January	1,735	2,509
Sales	-	(165,494)
Selling price	-	(774)
Stock at 31 December	75,857	75,857
Book value at 31 December	1,735	1,735

2.4 Legal capital reserves

Reserves from capital contributions in the amount of CHF 114,833 thousand have been confirmed by the Federal Tax Authority. The additional increase of the reserves from capital contributions in the amount of CHF 12,537 thousand have not been confirmed by the Federal Tax Authority yet. Therefore, the reserves from capital contributions may still change and needs to be considered as provisional.

2.5 Financial result

In thousands of CHF	2020	2019
Financial income	583	608
Financial expenses	(1,084)	(331)
Total	(501)	277

The financial income of CHF 583 thousand (prior year: CHF 608 thousand) arises mainly from interest income from loans to subsidiaries. Financial expenses in the amount of CHF 1,084 thousand (prior year: CHF 331 thousand) mainly include valuation differences of financial assets as of 31 December 2020.

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.

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	2020		2019	
	Quantity	Value	Quantity	Value
Allocated shares to employees excluding the EC	51,352	2,942	18,967	779
Allocated RSUs to employees excluding the EC	30,089	1,724	265,189	10,886
Total	81,441	4,667	284,156	11,665

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	2020		2019	
	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	-	111,506	-
François Gabella, member	-	-	-	-
Dr. Franz Studer, member	-	-	-	-
Total Board of Directors	1,861,831	-	1,855,556	-

Executive Committee	2020		2019	
	Shares	RSUs ²	Shares	RSUs ²
Dr. Marc von Waldkirch, CEO	42,052	2,700	36,556	5,904
Dr. Johannes Bleuel, VP Operations	5,827	1,218	10,911	2,654
Matthias Gantner, CFO	11,006	1,207	9,003	2,250
Heiko Lambach, VP Human Resources	12,490	891	10,335	2,294
Dr. Andrea Orzati, VP Sales & Marketing	19,031	1,584	15,688	3,649
Dr. Johannes Schumm, VP Research & Development	8,338	1,307	6,488	1,919
Total Executive Committee	98,744	8,907	88,981	18,670

¹ Related parties: Including shares held by Fondation des Fondateurs, Zurich, Switzerland.

² Includes RSUs from the Bonus. In 2019, it also included RSUs from the Restricted Share Plan of the IPO Loyalty Share Program that were fully executed in 2020 (see Note 1.5).

3.6 Significant shareholders

As of 31 December 2020, the following shareholders held more than 3% of the shares:

Shareholder	2020	
	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, Zurich, Switzerland; Sensirion Holding AG	5,094,670	32.7 %
Chase Nominees Ltd. ²	1,159,071	7.4 %
Gottlieb Knoch, Zug, Switzerland	768,666	4.9 %
T. Rowe Price Associates, Inc., Baltimore, United States	580,128	3.7 %
Davent Holding AG, Wollerau, Switzerland ³	550,800	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 32.2% (31 December 2019: 32.8%) 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

Subsequent events are disclosed in note 29 on page 149 of the consolidated financial report 2020.

Proposed appropriation of available earnings

In thousands of CHF	2020
Retained earnings brought forward	22,098
Net profit for the year	4,375
Available earnings	26,473

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

In thousands of CHF	2020
Balance to be carried forward	26,473

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 balance sheet as at 31 December 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 155 to 161) for the year ended 31 December 2020 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 scepticism 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, 8 March 2021

KPMG AG, Raffelstrasse 28, 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	IFRS (International Financial Reporting Standard)

Financial Calendar

16 March 2021	2020 full-year results and annual report
25 March 2021	Capital markets day
18 May 2021	Annual general meeting
25 August 2021	2021 half-year results and interim report

Contact

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