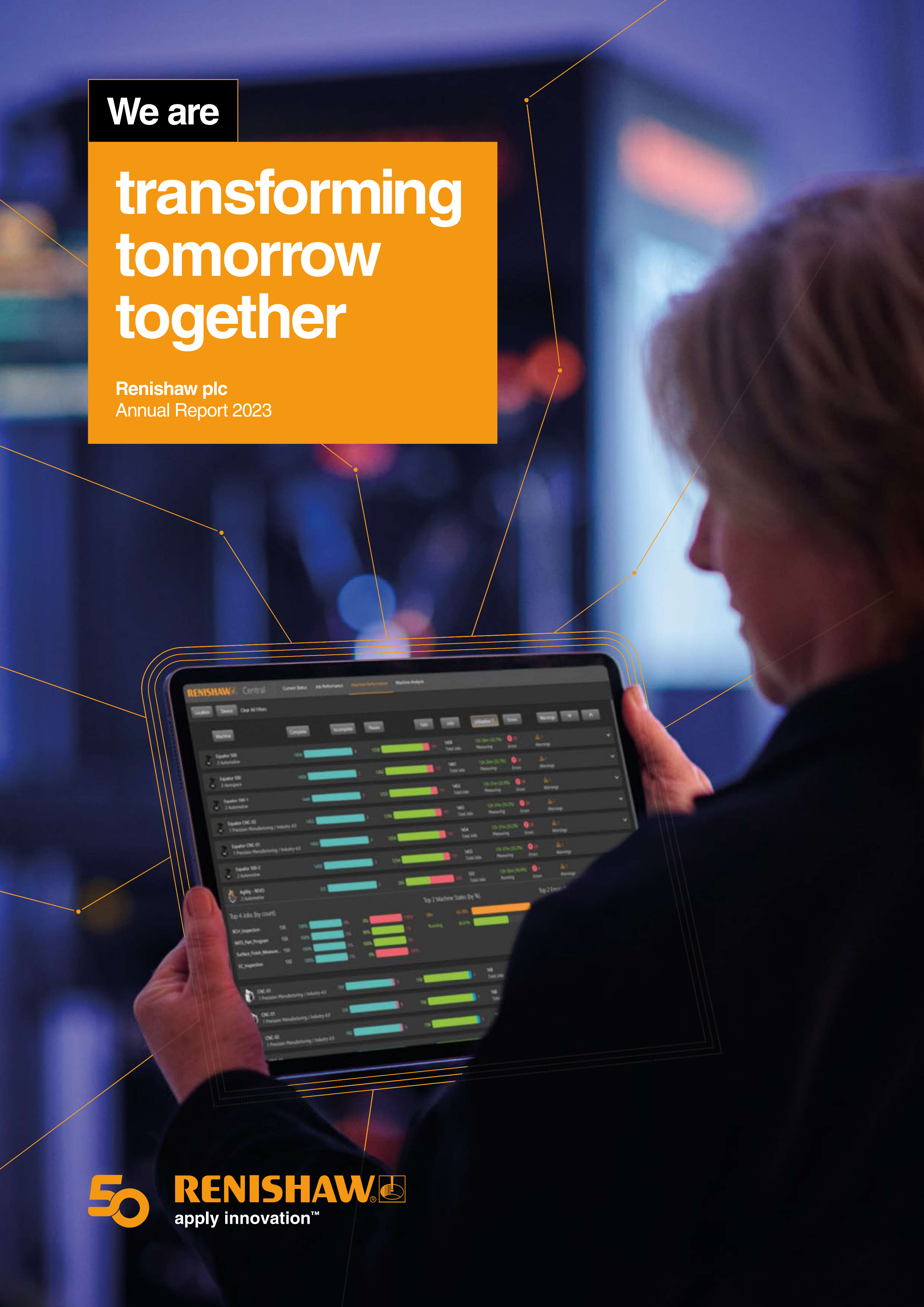
We are transforming tomorrow together

Renishaw plc
Annual Report 2023



RENISHAW
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Managing our resources and relationships

We are committed to our stakeholders

We've summarised our stakeholder relationships below, and on pages 85 to 88 set out how the Board has considered our stakeholders when making principal decisions (our 'Section 172 statement').

People

Why we engage

We want to provide an inclusive environment that allows our people to thrive and achieve their potential.

How we engage

- Hold employee briefings and equality, diversity and inclusion (EDI) forums. Catherine Glickman, Non-executive Director and employee engagement ambassador, attends these and gives regular briefings to the Board on recruitment and project progress.
- Form working groups with stakeholders from across the business on key people projects.
- Consult with Works Forums for UK sites, with representation from different business areas.
- Continue our Non-executive Director mentoring of senior leaders to support development of talent management and succession planning.

Outcomes

- Conducted global salary benchmarking with our largest ever spend on reward. This better aligns our global roles with market rates, making us more competitive.
- Introduced a job architecture framework that helps us align roles, based on the types of work performed. This means that all roles will be consistent, with the same job profile used for people with similar skillsets.
- Introduced core competencies for all roles to ensure we have people with the right skills and behaviours.

► **Read more on pages 65 to 67**

Planet

Why we engage

We want to carry on our transformation into a sustainable business that continues to create positive change for people as well as the planet.

How we engage

- Review and monitor our emissions, waste and energy consumption.
- Inform our shareholders about our climate transition plan through our Capital Markets Day and external reporting.
- Deliver employee engagement sessions covering sustainability topics, including sustainable innovation, life cycle assessments and how we support the UN SDGs.
- Respond to our customers' sustainability assessments and share our progress and plans.
- Research and reflect on our customers' major climate-related risks and opportunities.

Outcomes

- Met with our largest institutional investor to answer questions about our climate transition plan.
- Engaged with key customers across the world through their sustainability supply chain disclosures.
- Assessed some of our major customers' climate-related risks and opportunities to strengthen our understanding of these areas.
- Delivered 11 sustainability education sessions for employees.

► **Read more on pages 68 to 80**

Will Lee, Chief Executive, at the opening of our new technical centre in Bangalore, India.

Customers

Why we engage

We work closely with our customers to understand their production processes. We use this to develop precise, productive and practical technologies to solve their challenges.

How we engage

- Support our customers where they are located through our global technology centres.
- Visit customer sites to understand their challenges.
- Board visits – this year the Board visited two major customers in Germany to see first-hand their production challenges.
- Invite customers to our factories to see how we use our technologies in our own production.
- Gather feedback through a mix of face-to-face and digital channels.

Outcomes

- Opened a new technology centre in Bangalore, India, to support our growing customer base.
- Through visits the Board gained a greater appreciation of the strength of our customer relationships, and how these benefit both us and our customers.
- Hosted industry-specific events, including an event for aircraft maintenance, repair and overhaul. Focusing on applications for specific markets means we can present a range of solutions for customer needs.
- Worked with early adopters of our new Industrial Automation products, including adapting project plans to address their feedback.

► **Read more on page 81**

Communities

Why we engage

We are committed to conducting business in a socially responsible way.

How we engage

- Deliver science, technology, engineering and maths (STEM) education through our global education outreach programme.
- Give financial support for charities and not-for-profit organisations.
- Participate in local community and business initiatives including a 'Women empowering other women' event in Mexico.
- Included our communities in our 50th anniversary celebrations through our '50 at 50' charity initiative.

Outcomes

- Opened our new Gloucestershire STEM Centre. This will strengthen our outreach and allow more children to learn about STEM subjects and associated careers.
- Donated £0.3m to more than 290 charitable and not-for-profit organisations.
- Education Outreach teams in Wales and Gloucestershire supported 221 school-related activities, including seven work experience weeks for students.
- The Board approved £150,000 to be donated to 50 not-for-profit organisations in the countries where we operate.

► **Read more on page 82**

Managing our resources and relationships continued

◄ **Our Non-executive Directors hosted Q&A sessions during this year's Capital Markets Day.**

Shareholders

Why we engage

We recognise the trust that our shareholders have placed in us, and aim to provide sustainable long-term growth in return.

How we engage

- Held our annual Capital Markets Day in June 2023, where our Directors took part in dedicated Q&A sessions.
- Sir David Grant wrote to our largest institutional investors who voted against resolutions 6 and 7 at our 2022 AGM, inviting them to discuss their concerns (see page 98).
- The Board consulted with our largest institutional shareholders on the new Directors' Remuneration Policy proposals (see page 127).
- Webcast presentations for our interim and annual results, which include online Q&A sessions.
- Gave shareholders the ability to submit proxy voting instructions electronically, and hosted a dedicated email inbox for them to submit questions before the AGM proxy voting deadline.

Outcomes

- Board reviewing its approach to investor relations following feedback from investors, including at the Capital Markets Day.
- Board continues to monitor diversity, a key issue for our shareholders, as a result of investor feedback.
- The ability to vote and ask questions electronically at our AGM makes it easier for shareholders to engage.

► **Read more on page 83**

Suppliers

Why we engage

We build effective relationships with our suppliers to help ensure we can manufacture the products our customers need, as well as to support our infrastructure and operations.

How we engage

- Regularly communicate with our suppliers around the world, through our global teams and buyers in our suppliers' markets.
- Engage with suppliers early. We work closely with suppliers to ensure the ongoing supply of quality goods and services we need now and for the future.
- Chair 'Together Gloucestershire', a UK SME purchasing initiative.
- Conduct ongoing compliance audit and risk management processes.
- Engage with suppliers about challenges, and update the Board on significant matters that may affect our supply chain.

Outcomes

- Developing an education programme for suppliers to support them to achieve their sustainability ambitions.
- Added 47 new UK SME suppliers this year.
- Ensured we have a diverse and secure supply chain of high-quality, safe and ethical materials that has been unaffected since the start of the Russia-Ukraine conflict.

► **Read more on page 84**

People

Our overall aim is to attract and retain people with the right skills and to ensure that we continue to be a great place to work, grow and contribute.

This year we've made good progress with three key global projects that focus on:

- improving our performance review process;
- developing competitive rewards and benefits; and
- supporting career progression.

We are continuing to embed our values of innovation, inspiration, integrity and involvement, and our focus on our three key projects will help to foster a productive and collaborative working environment.

Developing and motivating our people

Having made changes to our performance review process in FY2022, we continued to simplify the process this year, following feedback from our employees. For example, using our global HR system, Workday, we have minimised the number of steps involved in the review process. We've also coached and supported managers to help them move away from annual conversations on performance towards ongoing conversations throughout the year. We've also worked with them to promote a focus on the importance of setting clear objectives.

We've also been working to address feedback from our people that highlighted a lack of clarity around career progression and how to access development training. In response to this feedback, we are working to improve the following areas:

Job architecture – we have implemented a new global job architecture, which helps us to align roles in our business, based on the types of work performed. This means that all roles, no matter where employees are based, will be consistent, with the same job profile used for people with similar skill sets.

Competencies – we are also developing a global competency framework for all roles. This complements our new job architecture and will ensure we have people with the right skills and behaviours throughout the business. Assessing these competencies will also help to drive desired behaviours and knowledge in our people, as well as to develop the skills required to progress with our strategy and our business objectives.

These competencies will be defined in two groups: core and functional. Core competencies are a set of attributes that we expect every employee to have. We have defined four core competencies, which we will incorporate into our next performance review cycle.

Functional competencies are the skills, knowledge, and behaviours that are specific to an area of work (i.e. a job family group). These are being developed and we aim to complete competency mapping for all groups during 2024.

Once complete, these competencies will help our people to better understand the requirements of their current role and provide insights into potential future roles.

Succession

Our Non-executive Directors have continued to mentor members of our Senior Leadership Team, to support development of talent management and succession planning. We also continue to develop succession plans to ensure there is a pipeline for business-critical roles. This involves our HR Business Partners working closely with our people to identify potential and develop personal development plans for business-critical roles.

We are conscious of the need to consider all forms of diversity in our succession planning. It is, however, unfortunate that the number of women in STEM remains low in proportion to the number of men, despite efforts made to promote the field to women by the Group and external bodies over previous years. This leads to a shallower than ideal talent pool of female engineers. We are ourselves taking steps to attract and retain women in engineering, and have recently appointed a new Non-executive Director, Professor Karen Holford, who will be an excellent role model to our female and male engineers alike.

Early careers

Our early career pathways are designed to provide an ongoing pipeline of specific skills. In March 2023, we formed an Early Careers Network (ECN) within the UK to create a community of people from different schemes, sites and departments. The ECN provides an inclusive space where members can:

- take part in events and activities with their peers;
- participate in sports and special interest groups; and
- meet other people in their cohort from around the business.

FY2023 worldwide early careers profile

Apprentices	Industrial placements
185	45

Summer placements	Graduates
18	158

Managing our resources and relationships continued

People continued

Rewarding and recognising our people

Last year, we reported on our work to move away from annual inflationary salary reviews towards a new benchmarking programme. Having first introduced the programme in the UK in FY2022, we have now rolled it out globally. This will better align our global roles with market rates. As a result of this work, our average pay in FY2023 has increased by 10.2%.

This year, we have also started to review our employee benefits. This is initially focused in the UK, and consists of two phases:

Phase one – FY2023

- New UK employee benefits portal bringing our offering together on one platform.
- Modernised death in service benefit that reflects the needs of our employees.
- Implemented a health cash plan that gives all UK employees access to healthcare. We designed this plan in response to a survey asking employees what types of cover they wanted.
- Retail discounts in response to the ongoing cost-of-living challenges.

Phase two – FY2024

- We are working towards a flexible benefits platform, which will allow employees to choose benefits to suit their circumstances.
- We are looking to provide our people with more options to help manage their financial wellbeing.
- We are aiming to implement a total reward statement, which will provide employees with information about the value of their employment package, including remuneration and benefits.
- We are planning to review our global benefits in FY2024.

Our projects to modernise how we develop and motivate employees (including early careers), and our continued investment in rewarding our people, will help us to progress with the UN SDGs where we can have the most impact. These are to promote fair and equitable earnings in employment and to reduce the proportion of youth not in employment, education or training. See pages 69 to 70 for more information on the UN SDGs.

As well as improving engagement with these projects, we have set ourselves the objective to implement a dedicated engagement platform in FY2024. This will keep strengthening our approach to employee engagement and help us to better understand our employees' needs.

Engaging with our people

It's essential that our people are engaged to fulfil their own potential and contribute to our success.

We use a variety of channels to engage with employees. In the last year we:

- issued global video updates from members of our Executive Committee following their monthly meetings;
- collaborated on our three key projects (set out on page 65) by forming working groups made up of stakeholders from around the business;
- consulted with our Works Forums at different UK sites, with representation from different business areas elected by employees. Catherine Glickman, Non-executive Director and employee engagement ambassador, also attends employee briefings and Equality, Diversity and Inclusion (EDI) forums. She provides regular briefings to the Board on recruitment and project progress;
- provided updates on Channel R, our global video channel. This year our independent Non-executive Directors featured in a video about their roles and responsibilities; and
- developed communications for employees without regular online access, such as announcements via our Workday mobile app.

We always look for ways to hear what our employees think so that we can keep strengthening our approach to people matters. For example, the feedback we received from our regional HR teams this year led us to roll out new regional absence, recruitment and onboarding processes more quickly than planned. Meanwhile, the work we're doing to strengthen our approach to reward and career progression is in direct response to feedback from employees asking for more clarity on career progression.

We have engaged on remuneration matters specifically with the workforce in a range of ways:

- the operation of a reward working group involving both UK and international members. This reviews our approach to reward, proposes improvements, and enables senior management to receive feedback from the wider workforce;
- engagement with stakeholder groups from all parts of the business, including Works Forums;
- running consultations on benchmarking of pay and UK death in service changes;
- discussing various pay and benefit changes in town halls; and
- a Channel R video to all colleagues specifically discussing reward matters.

◄ **Sir David Grant, Juliette Stacey, Stephen Wilson and Catherine Glickman – our independent Non-executive Directors in FY2023.**

◀ **Employees at our office in Tokyo, Japan.**

Nurturing an inclusive culture

We aim to create an inclusive environment where everyone can be themselves at work. By fostering a culture of respect, and building a workplace that is diverse in thought, we will encourage our people to achieve their full potential.

In the last year we:

- delivered awareness events through our network of voluntary EDI champions. Our champions support and promote EDI activities in their business areas and contribute to our future EDI objectives;
- continued our inclusive leadership training programme for managers;
- commenced an allyship training programme with EDI champions. This involves re-learning how we see the world to appreciate other people's perspectives; and
- progressed with the selected UN SDG to promote inclusive growth and decent work for all through the implementation of global salary benchmarking and new job architecture, which drives more consistency.

This year we also appointed a new EDI Lead. As well as supporting our UK EDI group, they will be responsible for developing, implementing and monitoring EDI activities.

Our EDI policy sets out our commitment to equality, diversity and inclusion. The policy will also help to form EDI-related competencies into the career frameworks we are developing. This will complement our new job architecture and drive consistency and accountability of EDI practices.

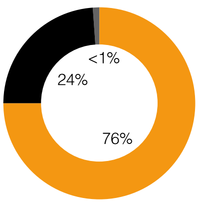
Our HR colleagues also updated the Board on the steps we are taking as a business to attract and retain women in engineering. At 30 June 2023 our gender diversity split was:

	Male	Male %	Female	Female %
Board[1]	6	75	2	25
Executive Committee[2]	6	86	1	14
Senior managers[3] and subsidiary directors[4]	44	92	4	8

1 Including the Executive Directors.
2 Including the Executive Directors.
3 As defined by the Companies Act 2006.
4 Means statutory directors.

Although we acknowledge that we do have some way to go, as evidenced by the table above, we are pleased to recognise women in senior management positions, including Louise Callanan, the Director of Additive Manufacturing, which was our fastest growing product line in FY2023.

All employee gender diversity ratio



Supporting wellbeing

The wellbeing of our people remains a priority. As part of the processes in place to support the wellbeing of our people, we have:

- extended counselling eligibility, through our global Employee Assistance Programme (EAP), to our employees' children aged 12 and above (previously 16 and above);
- appointed mental health first aiders across all UK sites, with ongoing training being rolled out globally as part of a longer term plan;
- created reflection rooms at our largest UK sites. These provide a calm and private space for employees who are experiencing sensory overload or need to pray during their working day;
- enhanced our UK paternity pay to include a further two weeks' leave at full pay; and
- offered mental health awareness training for managers.

Providing a safe working environment

We recognise the importance of promoting safe working practices and how these contribute to our overall success. We integrate health and safety into our daily activities through our robust and effective health and safety management system. This ensures that our activities are carried out in a way that protects the health, safety, welfare and wellbeing of our people. We have remained compliant with health and safety legislation, through our strategies for managing our health and safety risks across our sites with a focus on improving safety culture.

Following a global near miss campaign that commenced in March 2022 we have seen an increase in the number of near misses reported. Our people are encouraged to raise near misses so we can take the necessary corrective actions to prevent accidents before they occur. There have been 272 reports compared to 178 last year.

This year we experienced 182 accidents (FY2022: 145) against a year-end headcount of 5,175 (FY2022: 5,097). This equates to an Accident Frequency Rate of 21.12 per million hours worked (FY2022: 24.27). This is very low compared to the average for the UK manufacturing sector of 221.5 per million hours worked.

There were seven reportable accidents under the UK RIDDOR reporting requirements.

Focus for FY2024

- Continue to develop our approach to wellbeing.
- Develop and implement a more rigorous internal health and safety auditing approach within the UK. This will focus on more regular audits for higher risk areas of the business with a more targeted approach to key risks.
- Introduce manual handling refresher training within the UK to further reduce risks associated with manual handling activities.

Managing our resources and relationships continued

Planet

In November 2021, we announced our Net Zero targets and the UN SDGs that we are actively contributing towards. This means (i) minimising our environmental impact, and (ii) working in partnership with our customers, suppliers and local communities to create positive change for people as well as the planet.

Developing our sustainability delivery plan

This year, our sustainability delivery plan has continued to evolve as we learn how to embed sustainability into our business. We have moved towards a business-function-led, and sustainability-team-supported approach. This means we are now focused on enabling business functions to own specific sustainability challenges they are uniquely placed to solve. To support this, we have changed our approach to sustainability governance, which you can see in more detail on page 76.

We have refined our science-based targets ahead of sending them for approval to the Science Based Targets initiative (SBTi) in August 2023. Our intended targets, all set against an FY2020 baseline, are:

- achieve Net Zero in Scope 1 and 2 emissions by 2028;
- achieve a 50% reduction in Scope 3 emissions by 2030; and
- achieve Net Zero across all scopes by 2050 at the latest.

To achieve our targets, we need to reduce our greenhouse gas (GHG) emissions by 90% compared to our FY2020 baseline. We will also invest in credible carbon capture and removal programmes to address the remaining 10% of emissions.

More detail on how we've progressed towards achieving these targets this year, along with our longer-term plans, can be found in our climate transition plan on page 71.

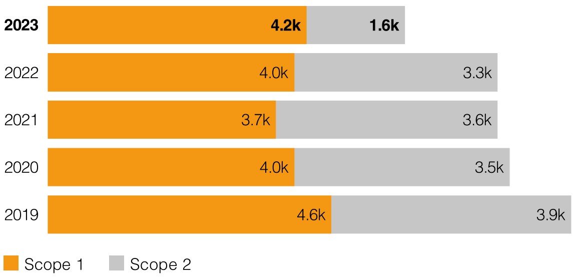
Quantifying our Scope 3 emissions

We have completed a more comprehensive assessment of our Scope 3 emissions. A breakdown of these emissions is available at **www.renishaw.com/sustainability**, along with the full details of our Scope 1 and 2 emissions and our calculation methodology.

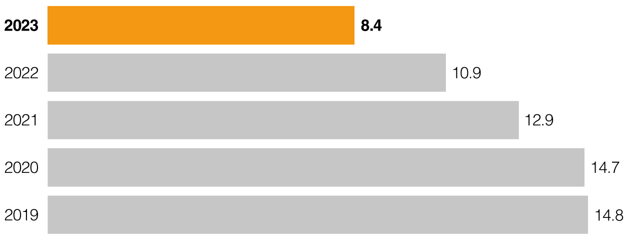
In brief, our GHG emissions have been calculated according to the principles set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We took a hybrid approach, using primary data if it was available and secondary data when it was not. Our secondary data was sourced from averaged data sets or financial modelling using the Scope 3 Evaluator from the GHG Protocol and Quantis.

We have not been able to determine the emissions associated with how our products are used, or what happens when the customer or end user disposes of them. We found these emissions particularly difficult to quantify as we sell tens of thousands of products into dozens of countries and a wide range of applications. Our initial estimates suggest these emissions will be a significant part of our overall Scope 3 footprint. This is why we are taking more time before disclosing these emissions to ensure our calculations are complete, consistent and transparent.

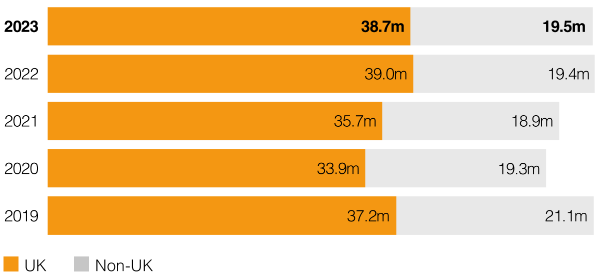
Total statutory emissions tCO_2e



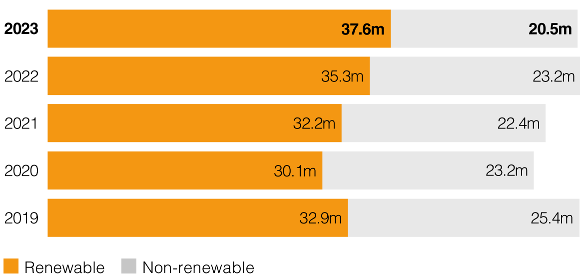
Statutory GHG emissions tCO_2e per £m revenue



Group energy consumption kWh



Energy source kWh



Total measured Scope 2 GHG emissions tCO_2e location-based

In line with our Group Environmental Data Policy, we calculate our GHG emissions using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We use the latest IPCC GWP 100-year horizon conversion factors, DESNZ, GHG Protocol, supplier-specific and factors taken from a respective country's National Inventory Report or national government/agency/regulator to calculate our emissions. We base as much data as we can on direct sources, such as meter readings and utility bills. We use estimated figures for June's Scope 1 and 2 emissions each year to ensure timely data capture, but we'll update this data in the next Annual Report. Data for previous years has been subject to a 'true up' due to improvements in data capture methodologies, official retrospective updates to carbon emission factors and the correction of historical data errors. Our 'statutory emissions' mean our Scope 1 and 2 emissions, and we use the market-based methodology to account for our efforts in generating and purchasing low-carbon energy. The location-based method is provided for disclosure only. All our emission data this year has been externally assured and received limited assurance against the ISO 14064-1:2019 standard.

From this initial assessment of our Scope 3 emissions, we estimate that in our baseline year (FY2020) they accounted for 97% of our total GHG emissions. While these figures are estimates, they give us a good indication of where our carbon hotspots are. Our Scope 3 emissions have risen by 9% compared to last financial year and there are two key reasons for this. Firstly, we have increased capital expenditure significantly compared to last year predominantly to support the expansion of our Miskin site. Secondly, there has been a 4-5% on average price increase for purchased goods for our UK manufacturing which has artificially increased the emissions that have been financially modelled. A breakdown of our emissions since our baseline year can be viewed at: **www.renishaw.com/sustainability**.

Carbon hotspots are the largest sources of emissions and our figures suggest our hotspots are within purchased goods and services, specifically the metals, electrical components and optical equipment we buy. We are now determining how to increase the accuracy of this data by moving away from financial modelling and instead sourcing primary data where possible.

As part of our work to quantify our Scope 3 emissions, we've completed life cycle assessments (LCAs) on a small sample of our products. This was more complex than anticipated, mainly due to the lack of data available for most purchased components.

Due to those challenges, we are instead developing a carbon accounting methodology based on the principles set out in the GHG Protocol Product Life Cycle Accounting and Reporting Standard. This approach will use more readily available industry average data with some component-level LCAs to calculate the carbon impact of what we buy with enough accuracy and greater speed. We expect this to be a more effective way for us to establish carbon pricing and embed low-carbon decision-making into our business processes such as product design and capital expenditure approvals.

Supporting the UN SDGs

Reducing GHG emissions is just one part of a balanced sustainability delivery plan. That's why, last year, we identified three UN SDGs – 8, 12 and 13 – as most relevant to our business and where we can have the most impact. We have continued to work to support these goals.

UN SDG 8 – Sustainable economic growth and decent work

We are committed to doing business responsibly with various projects to support the achievement of this goal spread throughout the business. For instance, elements of UN SDG 8 cover equality, diversity and inclusion (EDI). For more information on our work to promote EDI see page 67.

We also have the opportunity to provide technology that allows for inclusive employment by designing products that are equally easy to use regardless of characteristics such as gender, age and race. This year we created a 'design for inclusivity' guide for our product designers, to ensure they design our products with equality in mind.

Our education outreach and early careers programmes help to support youth employment – see more on page 82.

◄ **Some of our new electric vehicle charging stations helping us achieve Net Zero in Scope 1 and 2 emissions by 2028.**

Managing our resources and relationships continued
Planet continued

◄ **Our Sustainability team running a workshop for local students at our New Mills STEM Centre in Gloucestershire, UK.**

We also established our Global Purchasing Working Group this year, which has been building their sustainability knowledge and enhancing our approach to mitigating modern slavery – see more on page 84.

UN SDG 12 – Responsible consumption and production

In a world of increasingly scarce resources, we believe reducing waste through our own production processes and helping customers to manage their resources are the most effective actions we can take to support this goal.

Predominantly due to increasing our manufacturing capacity at Miskin, Wales, our waste levels increased to 3,029 tonnes this year (FY2022: 2,616 tonnes). In line with our Management of Waste Policy, we diverted 86.4% of our waste away from landfill, by finding ways to reuse, recycle, and compost, as well as recovering energy from waste.

Customers use our products to increase efficiency and accuracy which reduces their energy consumption and scrappage. Find out more about this in our performance reviews on pages 32 to 47.

We're working on a series of projects to reduce waste and increase the amount of material we recycle in our own operations, as well as helping customers reduce their own waste. For example, we are:

- providing a product dismantling programme at our West Dundee site in the USA to improve the recyclability of customer-returned products. Returned products are disassembled into their constituent parts, which maximises recycling rates. This year, we have separated and recycled more than 10 tonnes of waste through this programme;
- established our product packaging approach to ensure all product packaging is optimised for recyclability. We intend to minimise packaging volume and weight, which means there will be less packaging waste attributed to our products. This could also help lower our GHG emissions from logistics; and
- drafting our supplier packaging specification, so that our suppliers will use 100% recyclable and/or reusable/returnable materials in the packaging they send us.

UN SDG 13 – Climate action

We know that our growth objectives are at risk unless urgent action is taken to mitigate against the worst impacts of climate change. This year, we have significantly improved our understanding of climate change mitigation and adaptation which we have shared on pages 77 to 80. UN SDG 13 also covers educational goals aimed at ensuring people have access to the relevant information to raise awareness and drive sustainable development and lifestyle choices that are in harmony with nature. We are contributing to this through:

- running employee engagement sessions covering sustainability topics, including sustainable innovation, life cycle assessments and how we support the UN SDGs;
- developing sustainability training programmes for our buyers to learn how to engage with our suppliers on sustainability and support them to create their own sustainability plans;
- reviewing how sustainability can be included in the core competencies and job architecture being developed by our HR colleagues, as explained in more detail on page 65; and
- delivering our award-winning education outreach programme to local schools and colleges, which educates students on how we can achieve a sustainable planet together.

We are committed to Net Zero

Supporting the transition to a low-carbon future is a fundamental way in which we can demonstrate our purpose to transform tomorrow together. Our climate transition plan establishes our approach to achieving Net Zero in our own operations and how we are supporting decarbonisation with our supply chain and customers.

This year

GHG Emissions	Tonnes CO_2e	Comparison to FY2022
Scope 1 Direct	4,177	161 tonnes ↑
Scope 2 Indirect	1,613	1,691 tonnes ↓
Scope 3 Value chain	600,020	54,951 tonnes ↑

What we have done

- Invested a further £4.2m into projects that are driving us towards Net Zero for Scope 1 and 2.
- Increased the proportion of our electricity that is renewably certified to over 90%.
- Installed more solar panels at our UK sites.
- Renovated our site in Breda, Netherlands, with an air source heat pump, solar panels, enhanced insulation and EV charging ports.
- Installed over 170 EV charging ports across our UK sites.
- Introduced an ultra-low emissions vehicle (ULEV) scheme for UK employees with more than 150 people ordering vehicles.

What we are doing

- Replacing all gas and heating oil systems with lower carbon alternatives.
- Ensuring all new buildings are built to be zero emissions in operation.
- Introducing ultra-low emission vehicles across the Group.
- Achieving 100% certified renewable electricity by the end of 2024.
- Obtaining SBTi approval for our Net Zero targets by the end of 2023.
- Understanding the feasibility of using more recycled aluminium to make our products.
- Developing our carbon accounting methodology.
- Identifying credible carbon offset schemes for our residual Scope 1 and 2 emissions.

Going further

- Improving the efficiency of our logistics and distribution globally.
- Embedding carbon accountancy into business processes such as product design and capital expenditure approvals.
- Making better use of technologies to reduce the need for business travel.
- Using our Repair by Exchange service to further support a more circular economy.
- Supporting our supply chain and customers through education and target setting for Net Zero and decarbonisation.

What we will achieve

- Delivering on our purpose by providing world-leading solutions that maximise efficiency and reliability.
- Using low-carbon materials and manufacturing methods to offer low-carbon products to market.
- Maximising the circularity of our products through repair, reuse and recycling.
- Establishing low-carbon supply chains that support the achievement of global Net Zero targets.

By 2030 we will reduce our Scope 3 emissions by 50%

By 2050 we will reach Net Zero

By 2028 we will reach Net Zero for our Scope 1 and 2 emissions

FY2020 Baseline

GHG emissions	Tonnes CO_2e
Scope 1	4,027
Scope 2	3,507
Scope 3	212,488

Journey to Net Zero

Tonnes of CO_2e

2020 — 2023 — 2028 — 2030 — 2050 →

Managing our resources and relationships continued
Planet continued

Task Force on Climate-related Financial Disclosures statement

We knew when we set out our sustainability commitments, that to achieve our goals we would need to focus a lot of our effort on significantly reducing our GHG emissions and effectively managing our climate-related risks and opportunities. In this section, we disclose how we are identifying, assessing and managing our climate-related risks and opportunities through our climate-related governance, strategy, risk management, and metrics and targets. These are our TCFD-aligned disclosures for the purposes of Listing Rule 9.8.6R(8) which we consider to be consistent with all the TCFD recommendations and recommended disclosures.

The table below summarises our disclosures against the TCFD recommendations and recommended disclosures and demonstrates the significant progress we have made in the last 12 months. Our climate-related risks and opportunities will evolve over time, which means we will need to continue developing our approach to identifying, assessing and managing them.

Governance

Recommendation
Disclose the organisation's governance around climate-related risks and opportunities.

Recommended disclosure	Reference	Summary
A) Describe the Board's oversight of climate-related risks and opportunities.	– Full details of the climate-related matters our Board have considered can be found on page 76. – Audit Committee responsibilities are described further on page 109. – Executive Directors' incentive opportunity related to strategic objectives are on page 130.	– Our Board has overall responsibility for determining strategy and key focus areas and considered climate-related matters on four separate occasions. – Allen Roberts, Group Finance Director and Board member, maintained executive responsibility for managing the assessment and disclosure of our climate-related financial risks and opportunities. – Our Audit Committee reviewed the effectiveness of our risk management, including climate-related risk. – For FY2023, our strategic objectives, which formed 10% of the incentive opportunity for the Executive Directors, included a specific objective on sustainability. This included targets for Scope 1 and 2 emissions reduction, quantification of Scope 3 emissions and development of a plan to achieve the Net Zero targets we have set (see page 71).

B) Describe management's role in assessing and managing climate-related risks and opportunities.	– See our full sustainability governance structure on page 76.
	– More detail on our forthcoming sustainability governance improvements can be found on page 76.
		– We have managed climate-related risks and opportunities through our sustainability governance structure.
		– Our Sustainability Steering Committee provided strategic oversight of our sustainability approach, including climate-related matters. The Committee included members of the Executive Committee and senior managers.
		  – The Committee was chaired by our General Counsel & Company Secretary followed by the Director of Group Strategic Development and met monthly. The Committee was specifically responsible this year for ensuring we developed progress reporting against our target to reach Net Zero in our Scope 1 and 2 emissions by 2028, and quantifying our Scope 3 emissions.
		  – It received progress updates covering our sustainability delivery plan from the Chair of our Sustainability Committee.
		  – It also provided monthly climate-related updates to the Executive Committee.
		– We have decided to enhance our sustainability governance further in FY2024 through the creation of our ESG Steering Committee.

Strategy

Recommendation

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Recommended disclosure	Reference	Summary
A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	– Our processes for identifying the risks and opportunities and determining their potential impact is explained further on pages 77 and 79. – Our significant physical risks are detailed further on pages 77 and 78. – Our significant transitional risks and opportunities are detailed further on pages 79 and 80. – Our definition of 'high' risk for the physical risks assessed can be viewed at **www.renishaw.com/sustainability**.	– We have identified an initial set of physical and transitional climate-related risks and opportunities across the short (FY2023 – FY2028), medium (FY2029 – FY2049) and long term (FY2050+). We selected our short-term period to align with our five-year financial forecasts. Our medium and long-term time periods align with our Net Zero emission targets. – Our physical risk assessment has identified which of our manufacturing or major inventory-holding sites are or will be at 'high' risk from physical climate risks. Across all warming scenarios and timescales, including our current state, the risk of river flooding is 'high' for several sites and four of our sites in APAC are also 'highly' exposed to chronic climate risks such as heat stress, flash flooding, wildfires and sea level rise. – Our transitional climate scenario analysis has identified several technology and legal climate-related trends that we have assessed as net opportunities to our business in the medium to long term: the shift from ICE vehicles to EVs, growth in additive manufacturing and increasing carbon taxation. – In the medium to long term, we identified, but haven't financially quantified, that failure to achieve our Net Zero commitments could result in damage to our reputation and loss of business. – Other risks and opportunities identified are either not deemed as 'high' risk by our physical risk modelling or have been estimated using our five-year financial forecasts to be associated with less than 3% of our potential operating profit (excluding bonuses) in FY2028. We will continually monitor all emerging risks and opportunities. – In FY2024, we will enhance our understanding of current and emerging risks and opportunities by assessing how they could materialise in different ways across our supply chain, business applications, sectors, and geographies.
B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	– Further explanation of physical risk impacts are on pages 77 and 78. – Further explanation of transitional risk and opportunities impacts are on pages 79 and 80. – See our climate transition plan on page 71.	– For climate-related physical risks, 37% of the asset value we assessed is considered at 'high' risk of flooding. 8% of asset value assessed has 'high' exposure to various chronic climate risks. – Physical climate risks could affect our revenue and costs in numerous ways, including causing losses of manufacturing output, disrupting transport networks, creating supply chain delays and increasing our insurance premiums. – Our initial transitional risk and opportunity analysis indicates that we are well positioned to mitigate the risks and capitalise on the opportunities related to a transition to a low-carbon economy. Our response to these risks and opportunities have been incorporated into our overall strategy and decision making. – A transition from ICE vehicles to EVs may reduce demand for some parts of our business and carbon taxation could increase the cost of our materials. However, we believe these risks will be outweighed by the significant opportunities both these climate trends present to our business. – Our first climate transition plan describes our targets and planned activities for the transition to a low-carbon economy, and will be developed further in FY2024. – Estimates of the capital expenditure needed to support our Net Zero targets have been included in our five-year financial plan. – We have not yet identified any additional material climate-related factors to include in this financial plan.

Managing our resources and relationships continued
Planet continued

Strategy continued

Recommended disclosure	Reference	Summary
C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario.	– Further explanation covering our resilience and response to physical risks is on pages 77 and 78. – Further explanation covering our resilience and response to transitional risks and opportunities is on pages 79 and 80.	– We assessed our physical climate risks using specialist climate modelling that covered 1.5 °C, 2 °C to 3 °C and 4 °C warming pathways across current day, 2030, 2050 and 2100 time horizons. – The climate modelling indicated that the sites at 'high' physical risk remained mostly static when compared to our current risk exposure. Only one further site was considered at 'high' risk for river flooding under the various time horizons and warming pathways. – We have identified the potential impacts of these risks on our business and our response aimed at enhancing our resilience. The steps we are taking to improve our resilience to climate-related risks include our duplication of manufacturing processes, flood defences and liaising with local teams to ascertain the validity of the risk exposure suggested in this modelling. – Transitional risks and opportunities were analysed using a 1.5 °C warming pathway to assess the potential likelihood and their financial/strategic impact. – We believe that each climate-related trend disclosed is a net opportunity for our business and could be associated with 3-10% of our operating profit (excluding bonuses) by FY2028 and could increase to over 10% in the medium to long-term under a 1.5 °C pathway. – Our response to these climate-related trends includes developing our carbon accounting approach, completing life cycle assessments (LCAs) to demonstrate the sustainability benefits of AM and testing the feasibility of using more recycled aluminium in our products.

Risk management

Recommendation
Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended disclosure	Reference	Summary
A) Describe the organisation's processes for identifying and assessing climate-related risks.	– More detail on our risk management approach can be found on pages 48 and 49.	– Climate change, alongside our other principal risks, has been identified and assessed using our risk management framework. – Further work has taken place using our 'bottom-up' risk identification process by engaging with our Risk Committee and operational managers to establish climate-related risks that underpin the principal risk of climate change. – Transitional risks, including those associated with climate regulations such as carbon taxation, were presented under a 1.5 °C scenario to our internal stakeholders. Likelihood and impact scores were attributed to these risks and other climate risks identified through the engagement process. Using the impact scoring and our five-year financial forecasts, we quantified the potential low, medium, and high financial effects of these risks to our business in FY2028. – For our assessment of physical risks, we used the Munich Re climate hazard scoring system, which identified our operations with 'high' exposure to climate risks. We also incorporated financial values covering our buildings, fixed assets and inventory into the modelling. By combining these datasets, we were able to identify our high-value sites that have 'high' exposure to climate risks.
B) Describe the organisation's processes for managing climate-related risks.	– More detail on how we are managing physical climate risks can be found on page 57. – For further detail on our how we are executing our product group approaches see pages 34 and 43.	– Our Head of Group Manufacturing is now the principal risk owner for climate change since they manage our Sustainability team and are responsible for managing the physical climate risks that affect our operations and supply chain. Previously, this risk was owned by our General Counsel & Company Secretary. – The transitional risks and opportunities disclosed are managed through our product group approaches, which are the responsibility of our Product Group Directors.

Risk management continued

Recommendation
Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended disclosure	Reference	Summary
C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	– More detail on our risk management framework can be found on pages 48 to 50.	– We have used our risk management framework to integrate climate-related risks, with our Risk Committee and Audit Committee reviewing the proposed risks and recommending these to the Board for approval. – Climate change risk is also integrated into the principal risks of loss of manufacturing output and supply chain dependencies as both risks could be triggered or worsened by the physical risks associated with climate change. – Our Board also completed a 'top-down' review and approved our climate-related risks in June 2023.

Metrics and targets

Recommendation
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended disclosure	Reference	Summary
A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	– Most of our climate-related metrics are located on pages 68 to 71.	– We have disclosed cross-industry TCFD metrics used to manage our climate-related risks and opportunities. These metrics cover: – Scope 1, 2 and 3 GHG emissions (page 71); – energy use (page 68); – waste (page 70); – climate-related executive management remuneration (page 130); – assets considered at 'high risk' to physical climate-related risks (pages 77 to 78); and – capital expenditure towards achieving Net Zero for Scope 1 and 2 (page 71). – We have provided an explanation of our approach for establishing carbon accounting, which will help us create our internal carbon price (pages 68 to 69).
B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	– More detail on our Scope 3 emission hotspots can be found on page 69. – External assurance opinion can be viewed at **www.renishaw.com/sustainability**.	– Our emissions this year have been externally assured and are: – Scope 1: 4,177 tCO_2e – Scope 2 (market-based): 1,613 tCO_2e – Scope 3: 600,020 tCO_2e
C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	– Our climate transition plan demonstrates our roadmap for achieving our Net Zero targets on page 71. – Remuneration Policy and non-financial strategic objectives are expanded further on page 130.	– Our Net Zero targets, all set against our FY2020 baseline, are: – achieve Net Zero in Scope 1 and 2 emissions by 2028; – achieve a 50% reduction in Scope 3 emissions by 2030; and – achieve Net Zero across all scopes by 2050 at the latest. – The strategic objectives for the FY2023 annual incentive opportunity for our Executive Directors included: – delivering targeted reductions in Scope 1 and 2 emissions, which were achieved, to support progress towards our Net Zero target by 2028; and – quantifying Scope 3 emissions and developing a plan which will enable us to achieve a reduction in Scope 3 emissions by 50% by 2030.

Managing our resources and relationships continued
Planet continued

Climate-related governance

Since approving our sustainability delivery plan last year, our Board has maintained oversight and overall accountability for our approach to climate change. This year, our Board considered climate-related matters on four occasions:

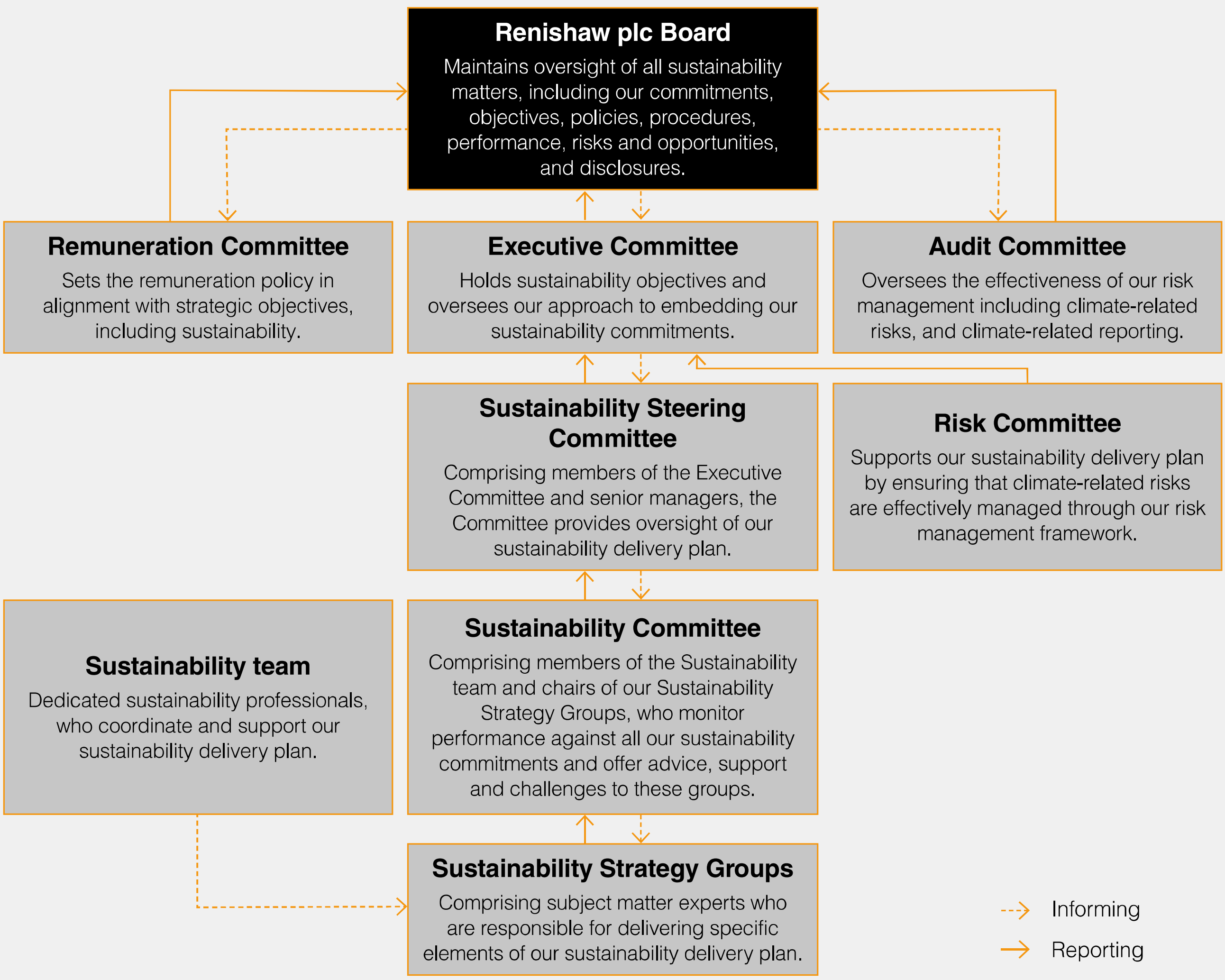
- in March 2023, it reviewed and approved our SBTi targets and Net Zero plan for Scope 1, 2 and 3 emissions (more detail on page 68);
- in April 2023, it reviewed and updated our five-year financial forecast which contains our capital expenditure plans to achieve Net Zero Scope 1 and 2 by the end of 2028;
- in April 2023, it reviewed and approved the draft principal risks, including climate change, with input from the Chair of the Audit Committee (more detail on page 49); and
- in June 2023, it agreed to a revised sustainability governance structure to further embed responsibility across our business areas. The Board also reviewed a paper detailing our progress in preparing our TCFD reporting and considered a newly established set of climate-related risks and opportunities that contribute to the principal risk of climate change.

We established our initial sustainability governance structure last year. Since then, we've been working to enhance that structure to embed sustainability more effectively into our everyday business practices. Key improvements include:

- deciding that in FY2024 Will Lee, Chief Executive, will hold executive responsibility for sustainability, including climate-related financial disclosures, taking over from Allen Roberts, Group Finance Director;
- agreeing to formalise the management of sustainability including climate-related financial disclosures in FY2024 through our new ESG Steering Committee. This will be chaired by Will Lee and membership will include Stephen Wilson, one of our Non-executive Directors, to provide independent oversight; and
- establishing new climate-related objectives for our Executive Committee covering the submission of our SBTi plans by August 2023 and creating our long-term climate transition plan by March 2024.

Sustainability governance structure

The governance of our sustainability commitments, including climate-related risks and opportunities, extends from the Board down to a number of Committees and Strategy Groups as shown below.



Climate-related physical risks

To better understand the impact of climate change on our business we used climate scenario analysis to identify climate-related physical and transitional risks and opportunities. To help us assess our physical risks we worked with specialist consultants who are experts in climate modelling. We have assessed our potential exposure to chronic and acute physical climate risks at all our manufacturing and major inventory-holding sites, considering various warming scenarios and timescales[1]. We have disclosed the physical risks to our sites that our climate modelling has identified as having 'high' exposure[2].

Increased severity of extreme weather events

What are the risks?

- Across all assessed warming pathways and time horizons, the risk from river flooding to several of our operations is considered 'high'. Four of our sites, accounting for 37% of asset value[3] assessed, are currently considered 'highly' exposed to flood risk.
- This increases to five sites, accounting for 42% of the asset value assessed, in 2030 under a warming pathway that would see an increase of 2 °C to 3 °C by the end of the century. Under warmer scenarios and future time horizons, the modelling indicates that no further sites are considered 'highly' exposed to flood risk.
- Our sites in Ireland and Scotland are considered to be at 'high' risk from extratropical cyclones across all warming pathways and time horizons.
- We have not yet assessed the acute climate risks posed to our supply chain. We are establishing an approach that will ensure we receive reliable information that we can use to make meaningful decisions.

Potential effects on our business

- Loss of manufacturing output due to temporary shutdowns could reduce our revenue.
- The transport networks we rely on could also be disrupted, causing delays and reducing revenue.
- Extreme weather events could also damage our assets and pose safety risks to our employees.
- We could face more expensive insurance premiums if extreme weather events are expected to increase.
- Our supply chain could face the same challenges, which could reduce our revenue due to delays and an inability to fulfil orders.

Our response

- Flooding is a considerable risk to several of our significant sites. In response, we have: (i) installed sensors to always monitor and inform us of the height of water; (ii) appointed teams of trained operatives who manage the installation and maintenance of our flood barriers; and (iii) ensured we have the ability at some sites to divert flood water into holding areas, away from our critical assets.
- Flood risk has also been a driver for developing our duplication of manufacturing processes approach, where we duplicate certain assembly lines, expertise and capacity at different manufacturing sites, to reduce the risk of disruption from an issue at one site.
- We have flood management plans in place at key sites that detail responsibilities and actions to be taken depending on the severity of the predicted flood event.
- We have carried out adaptation and mitigation works at our 'high'-risk sites. This has ensured our resilience against flooding, but the climate modelling indicates this will need to be increased in the future.

1 To assess physical risk, WTW's Climate Diagnostic Tool assesses present day and future exposure to a range of extreme (acute) weather-related events, as well as chronic climate-related hazards. The selected scenarios for the physical risk assessment were based on Representative Concentration Pathways RCP2.6 (1.5 °C), RCP4.5 (2 °C – 3 °C) and RCP8.5 (4 °C) using modified climate risk models to simulate future climate under 2030, 2050 and 2100 time horizons.

2 The definitions of exposure used to describe the physical climate risks in this modelling can be viewed at **www.renishaw.com/sustainability.**

3 Asset value includes i) land and buildings (with buildings included at insured reinstatement value), ii) other fixed assets (at net book value), iii) inventory (at Group cost), at 31 March 2023.

Managing our resources and relationships continued
Planet continued

More pronounced chronic climate risk

What are the risks?

- Across all assessed warming pathways and time horizons, we identified four of our key sites within APAC (accounting for 8% of asset value assessed) as ‘highly’ exposed to various chronic climate risks. These include heat stress, wildfire weather, storm surges and flash flooding.
- Drought does not present a ‘high’ risk to any of the sites we assessed, and we do not have water-intensive operations. However, we have not yet assessed drought or other chronic climate risks within our supply chain.

Potential effects on our business

- Frequent and persistent chronic climate risks could reduce productivity of employees, increase machinery downtime and ultimately reduce our revenue.
- Our ongoing costs and capital expenditure may increase if we have to invest more into climate adaptation measures at ‘highly’ exposed sites.
- Sites affected by chronic climate risk could also limit our ability to manufacture and transport products, reducing our growth potential.
- We could face more expensive insurance premiums if chronic climate risks are expected to increase.
- Our supply chain could face the same challenges, which could reduce our revenue due to delays, see a lowering of output from our suppliers and an increase in our material costs.

Our response

- We will review our business continuity plans at our highest risk sites, considering the climate modelling results and feedback from local teams to identify any gaps or areas that we need to develop further.
- We will then be able to identify suitable mitigation and adaptation measures that will reduce our risk. This may include enhancing our climate control capabilities at sites that are potentially exposed to high heat stress.
- In the coming year we will start to better understand the chronic risks in our supply chain, especially drought since we source from several water-intensive sectors such as the electronics and semiconductor manufacturing industries.

Climate-related transitional risks and opportunities

For assessing our climate-related transitional risks and opportunities, we have completed in-house assessments with all our product groups. Participants in these assessments identified risks and opportunities that could have a financial impact on our business. They also reviewed the climate-related risks and opportunities that our major customers disclose, where available. These risks and opportunities were analysed further using a 1.5 °C warming pathway[4] and our five-year financial forecasts to assess the potential likelihood and the financial/strategic impact across the short (FY2023 – FY2028), medium (FY2029 – FY2049) and long (FY2050+) term. Detailed below are the transitional risks and opportunities we believe could be associated with at least 3% of our potential operating profit, excluding bonuses, in FY2028.

Key: the percentage of the Group's operating profit, excluding bonuses, associated with climate-related trend

Low: < 3%	Medium: 3-10%	High: > 10%

Climate-related trend

Technology – Development of additive manufacturing (AM)

We believe that AM is becoming a more mainstream option for volume manufacturing. External forecasts predict a 20% growth in the AM market by 2030 and we believe that environmental sustainability will be a key driver for this growth. To achieve global sustainability targets, there will be significant disruption to established production processes.

- AM has the potential to reduce energy and material consumption compared to established subtractive manufacturing processes, as AM uses only the material you need rather than machining it away. Using AM could help our customers lower GHG emissions associated with their direct manufacturing processes. It would also avoid the generation of waste materials such as swarf, which would reduce embodied GHG emissions related to their material consumption.
- Another significant benefit of AM is its ability to make lighter products compared to other production methods. We are already seeing the positive effects this can have on our customers' sustainability objectives within the aerospace sector, where lighter AM parts reduce the energy in use and associated Scope 3 emissions required to fly. Lighter parts also create opportunities to use alternative materials with lower embodied carbon that wouldn't be viable in other production methods.
- AM can also offer superior thermal management performance due to the design freedoms that the net shape process offers. With the ability to form complex lattice and thin-wall structures, AM can produce very high surface area components which enables enhanced heat transfer compared with traditionally-made parts. This could create growth opportunities across markets such as EV and renewable energy generation, where electrical components need cooling to maximise efficiency.
- We also believe that the more established manufacturing processes our other products support will be complementary to AM. AM applications are likely to drive demand for alternative subtractive finishing solutions for removing small amounts of metal from complex shapes at higher speeds. This may drive new opportunities for on-machine process control. We also believe that, as AM designs continue to evolve, our uniquely flexible 5-axis inspection solutions and our automated path planning software will benefit from being able to reach features which would otherwise be inaccessible.

Potential velocity under a 1.5 °C pathway

Current state	FY2023 – FY2028 (short-term)	FY2029 – FY2049 (medium-term)	FY2050+ (long-term)
Low	Medium	High	High

Our response and resilience

- We have established our roadmap to reduce the barriers to AM adoption with more detail on page 40.
- We are focused on demonstrating the climate-related opportunities of adopting AM to our customers. One way in which we intend to do this is by completing life-cycle assessments on the AM components that we design into our own products.

4 1.5 °C warming pathway scenarios: The assessed climate-related trends were generated using the peer-reviewed International Energy Agency (IEA) "Net Zero by 2050 – A Roadmap for the Global Energy Sector" report and the 1.5 °C aligned targets our major customers have committed to.

Managing our resources and relationships continued
Planet continued

Climate-related trend

Technology – Transition from manufacturing internal combustion engine (ICE) vehicles to electric vehicles (EVs)

The transition to EVs is creating new processes, assembly plants, supply chains, research, and customers which offers significant opportunities for all our relevant products.

- Our Position Measurement products and services are expected to benefit from this transition as EVs contain more semiconductors, sensors, and flat panel displays than ICE vehicles. An increasing demand for semiconductors and the continual miniaturisation of components could result in the need for increased performance for production and inspection equipment, which would further benefit us.
- The reduction in piece parts and the longer lifespans of EVs compared to ICE vehicles could result in a net reduction in consumption of machined parts for powertrain applications. This is a revenue risk for Industrial Metrology.
- However, we believe that our Industrial Metrology products will benefit from new EV manufacturing processes that are expected to drive an uptake in process control and inspection equipment. Shifting supply chains are also expected to create opportunities to grow our market share in areas such as the control and gauging of EV component assemblies. We expect that these additional high-value metrology systems sales will more than offset any reductions in sensor sales for ICE applications.
- We are also benefitting from increased EV research funding with our Spectroscopy products used for battery research.
- The global trend towards automation and robot-use also creates opportunities for our newly launched Industrial Automation products. This will benefit from increased automation in new assembly plants for EVs.

Potential velocity under a 1.5 °C pathway

Current state	FY2023 – FY2028 (short-term)	FY2029 – FY2049 (medium-term)	FY2050+ (long-term)

Our response and resilience

- We will continue our engagement in EV applications development to provide the best solutions to our customers.
- As this EV market expands we will need to increase our resources dedicated to supporting this sector. We'll continue to form and maintain relationships with key customers to ensure our products meet their needs and will be incorporated into their future processes.

Climate-related trend

Policy and legal – Increasing carbon taxation

- Carbon taxation will affect us globally. In the short-term, the European Union's (EU) newly legislated Carbon Border Adjustment Mechanism (CBAM) could create risks by increasing costs in our supply chains, which could be passed on to us.
- The CBAM will initially cover a range of carbon-intensive commodities imported into the EU including aluminium and steel. While we only source 15% of our metals from outside the EU, producers within the EU will see a phasing out of the free carbon credits they have received historically. This will increase their costs.
- However, we believe that carbon taxation could ultimately create more opportunity for us. It may act as a driving force for increased use of metrology to reduce manufacturing process variation and scrap, driven by the high cost and carbon impact of input materials.
- Carbon taxation also incentivises repair and reclamation, which tends to require further automation and metrology solutions.

Potential velocity under a 1.5 °C pathway

Current state	FY2023 – FY2028 (short-term)	FY2029 – FY2049 (medium-term)	FY2050+ (long-term)

Our response and resilience

- Alongside the potential financial implications of the CBAM, we have also identified that our metal purchases are a large carbon hotspot in our Scope 3 emissions. We are investigating how we could incorporate aluminium with a higher recycled content and, therefore, lower embodied carbon into our products.
- We are also developing our approach to carbon accounting, which will help us establish our internal carbon pricing. This will help us gain more visibility of the embodied carbon in the materials we use and make more informed design and purchasing decisions.
- We will continue to promote the sustainability benefits that our products offer and the impact this could have for our customers' sustainability journeys.

Customers

We work with our customers to understand their requirements and technological challenges. We then use our experience and our precise, productive and practical technologies to support them.

Our long-term approach

Because we invest in our relationships we become a trusted supplier and many of our customers have been with us for decades. For example LK Metrology, a CMM manufacturer, has been a customer since 1973, when they ordered our first touch trigger probe to fit to their machines. LK Metrology is still a customer to this day.

Our expert engineers initially work closely with our customers to understand their processes and where we might be able to help solve their challenges.

Once we've made a sale, we can support our customers wherever they're based through our global network of technology centres and people. One of our great strengths is our ability to talk to our customers in their own language, and by respecting local business practices we can better tailor our sales, marketing and solutions.

We also invite customers to visit our manufacturing facilities in the UK. Here they can see how we use our own technologies to ensure efficient, high-quality production. This year, we welcomed customers from Germany, Mexico, the Netherlands, Norway, and the USA.

Customer engagement

We engage with our customers in different ways to meet their needs.

End users buy solutions directly from us to help them manufacture precision parts and enhance chemical analysis and neurological therapies. Working closely with our end users helps us understand how our technologies can improve their production, processes and procedures.

Machine builders use our manufacturing technologies to make their machinery. We also work closely with their R&D teams to integrate our technologies into their machines to help users operate them efficiently. Machine builders sell this equipment to their customers.

Distributors and channel partners sell to customers on our behalf. We carefully select this type of customer based on their sector-specific experience.

Working closely with our customers on testing new products provides feedback into our product development plans and helps us to understand how our technologies can meet their future needs. This gives our machine builder customers particular confidence in us as a technology partner, as they develop their own equipment to meet their customers' needs.

Product leaders regularly work with customers to get feedback on how we can help improve their performance. As an example, we have been gathering feedback from early adopters of our Industrial Automation products for the set-up and calibration of robotics. Our Chief Executive, Will Lee, and senior colleagues are also in touch with our customers and share regular updates on their conversations with our Board.

This year, our Board were pleased to meet with two major customers in Germany and see their production challenges first hand. This experience gave our Directors a greater appreciation of the strength of our customer relationships, as well as how these close working relationships benefit both us and our customers.

As the world has moved out of the COVID-19 pandemic, we have continued to build up our participation at in-person events. As well as attending trade exhibitions, we've also invited customers to our technology centres around the world. This year, we hosted industry-focused events, such as aerospace and automotive days. This included an event at our Singapore office for companies involved in aircraft maintenance, repair and overhaul. Focusing on applications in particular markets means we can present a range of solutions for specific customer needs.

We are also investing in digital marketing technologies. Our new sales enablement software will make it easier for our global sales teams to access product information and share it with customers. It will also allow us to better track customer engagement and sales effectiveness.

This year's opportunities and challenges

FY2023 has been challenging for our customers. The lack of stability in the macroeconomic environment made them hesitant to invest and led to stressed supply chains. Meanwhile, our customers in China have spent the year coming out of COVID-19 lockdowns. Our ability to ramp up production quickly remains a key differentiator for us, meaning we have been able to meet demand and support customers when needed.

In response to the market trend for more localised manufacturing, and to support our growing customer base in India, we opened a new technology centre in Bangalore this year. The opening event was a great opportunity to meet local manufacturers and talk to them about maximising their production and metrology processes. This new facility and our existing network of offices in India will be crucial in supporting the country's future growth. It will also enable us to expand our customer base in a country where logistics and travel can be challenging.

We have worked closely with automotive customers this year, who are adapting their internal combustion engine measurement technologies to inspect parts for electric vehicles. Repurposing existing capital equipment is an ongoing opportunity for our metrology products.

▲ Board members and regional leaders at our office in Pliezhausen, Germany.

Managing our resources and relationships continued

Communities

Guided by our values, we strive to be open, honest and consistent in our relationships with our local communities.

Supporting our communities in FY2023

We aim to support the communities that we're part of, and do this through:

- education outreach;
- financial support for charities and not-for-profit organisations; and
- local community and business initiatives.

Each country takes a tailored approach to community engagement, as activities need to suit site resources and the local area's culture and needs.

A key focus around the world are projects that support and encourage more young people to study science, technology, engineering and maths (STEM) subjects and consider a career in engineering.

We proactively work with more diverse audiences such as special educational needs and disability (SEND) schools and people from socio-economically disadvantaged areas. This helps us to give young people in our communities access to career options they may never have considered. It also helps to feed our talent pipeline for our early careers programmes and meet the future recruitment and diversity needs for our business. This also supports our commitment to support a UN SDG (SDG 8), which includes a target to substantially reduce the proportion of youth not in employment, education, or training by 2030 (see page 69).

Our education outreach programmes continue to grow. As result of the programme's success in the UK, we were delighted to open a dedicated STEM Centre at our headquarters in Gloucestershire to enable us to increase engagement in the area. This facility will host engineering workshops and give young people a unique insight into the world of STEM-based careers. We also hosted our first ever UK STEM Day for black, Asian and minority ethnic students.

In October 2022, we supported the China National Skills Competition held in Chengdu. This event aims to improve skills to fulfil the labour requirements of the manufacturing industry in China. Our products were used throughout the competition, which was a good opportunity to showcase our manufacturing technologies to customers and potential employees in the region.

We also support charities and not-for-profit organisations via our charities committees, employee fundraising and one-off donations. In the UK, we run an additional fund that supports people affected by global disasters.

Our India charities committee donated £125,000 this year to local organisations. The biggest donation was given to Apala Ghar, an organisation we have supported for six years, which helps orphaned children and senior citizens.

▲ **Attendees at our 'Women empowering other women' event in Mexico.**

Around the world, we also engage with our communities through local business initiatives, membership of trade associations and our connections with local and national governments.

In October 2022, our site in San Pedro Garza García, Mexico, hosted 'Women empowering other women' in conjunction with the British Consulate. 120 female students studying engineering and business attended and listened to speakers from Renishaw, local engineering businesses, the Secretary of Economy in Monterrey and the Department of International Trade.

In February 2023, the Welsh Government chose to launch its new innovation strategy for Wales at our Miskin site. At this event, Ministers outlined their aspirations to become an innovation-based nation and bring better healthcare, jobs and prosperity for businesses and local communities. It was a great opportunity to showcase our work in education outreach and site sustainability and how this will benefit our local community.

Sharing our 50th anniversary with our communities

Our 50th anniversary has been a fantastic opportunity to bring our communities together, and, in particular, to share our success with the areas that have been highly supportive of our growth.

Community engagement can be challenging, as some of our smaller sites have fewer employees and resources. So the Board was pleased to approve our '50 at 50' charity initiative, through which we will donate £150,000 to at least 50 not-for-profit organisations in the countries we operate in during the 2023 calendar year. Some of our larger sites, including India, Mexico and the UK, also hosted community and family open days, as well as customer and channel partner events.

Amount donated in FY2023	Organisations supported
£0.3m	297

This included £5,000 each to four charities chosen by each of the winning global values competition teams. More information on pages 90, 91 and 140. '50 at 50' donations will be made during FY2024.

Shareholders

As our shareholders are the ultimate owners of the business, it is important that the Board understands the views of its shareholders so it can operate the business in a way that delivers long-term value growth and sustainable returns. Around 53% of our shares are held by our founders, Sir David McMurtry and John Deer (our Executive Chairman and Non-executive Deputy Chairman respectively), who are both on the Board and able to contribute to Board debate and the decision-making process.

Investing in long-term, sustainable growth

Our Directors run the business on behalf of the shareholders to achieve long-term sustainable success, generate value for shareholders, and contribute to wider society. In a day-long meeting specifically concentrating on strategic matters, the Board debated and reaffirmed the five-year financial plan (see page 86 for more details on the plan and pages 22 to 25 for our strategy).

We have continued to invest in our people, facilities and sustainability targets (including our climate transition plan, and targeted research and development with the aim of providing long-term sustainable growth for shareholders as explained on pages 86 and 88). We have also continued to concentrate on our flagship product projects, focusing on the products that bring faster revenue benefits or are strategically important to the Group; pages 32 to 47 illustrate the latest updates.

Our interim dividend was 16.8 pence per share, and the Board proposes a final dividend of 59.4 pence per share, in line with our progressive dividend policy.

We continue to be in a strong financial position, with cash and cash equivalents and bank deposit balances of £206.4m at 30 June 2023 (30 June 2022: £253.2m). We have always valued having cash in the bank to protect the business from downturns, and we monitor our cash against a minimum holding according to forecast overheads and revenue downturn scenarios. This cash also enables us to react swiftly where investment or market capture opportunities arise, and we expect to continue our investments in capital expenditure in the coming years to meet expected future demand.

Engaging with shareholders

Following feedback from the investment community, we have reviewed our approach to investor relations during the year, recognising the important role that engagement can play to both our understanding of investor views and external understanding of our business and future prospects. In deciding to increase engagement, Will Lee, our Chief Executive, along with the Director of Group Strategic Development, held face-to-face meetings with several analysts, and reported insights back to the Board. We expect to hold further meetings in future and are developing a more formal engagement programme with analysts and investors.

In addition, we were pleased to welcome current and potential shareholders, analysts, brokers and financial advisers to our Capital Markets Day in June to give them a more in-depth understanding of our business and products and the opportunity to ask questions. The day was held at our headquarters at New Mills and included tours of the site.

During the day, Will held a key note session to all attendees providing an overview of our strategy. We also held eight smaller workshops throughout the day, on subjects covering finance, our strategy, individual product groups and sales priorities and our path to Net Zero.

Juliette Stacey, Chair of the Audit Committee, attended the finance workshops to address any questions relating to audit. The remaining Non-executive Directors hosted a Q&A session for each group of attendees. The day was designed to help investors gain a more in-depth understanding of our business and products and allowed them to ask detailed questions of senior management. The Board subsequently considered investor feedback collated by our broker UBS, which confirmed that the Capital Markets Day was very well received.

We held open webcasts for our FY2022 full-year results and FY2023 interim results, which also included Q&A sessions. Recordings of these are made available on our website.

We were again pleased to welcome our shareholders in person at our 2022 AGM. Our shareholders were able to submit questions in advance via email using our Q&A facilities. Shareholders were also able to submit proxy instructions electronically, which encouraged engagement from those who could not attend in person. Questions on the day were also encouraged as part of the AGM, and more informally with all Directors pleased to speak to shareholders afterwards.

Details of this year's AGM can be found in the Notice of Meeting, which will be provided separately to shareholders in due course.

As well as these engagement opportunities, Sir David Grant, our Senior Independent Director, wrote to 11 of our largest institutional shareholders following our 2022 AGM to invite them to discuss the concerns that led them to vote against resolutions 6 and 7. More details regarding how we intend to address Board diversity can be found in our Nomination Committee report on pages 106 to 107.

We also contacted some of our large institutional shareholders in June 2023 to update them on our proposals for our new Remuneration Policy. Further details about this engagement can be found on page 116.

Total dividend per share in respect of FY2023

76.2p

▲ **Sir David McMurtry talks to an attendee at our Capital Markets Day.**

Managing our resources and relationships continued

Suppliers

We aim to build effective long-term relationships with our suppliers to help ensure we can manufacture the products our customers need, and support our infrastructure and operations.

Approach to procurement

We classify the goods and services that we buy into three categories:

- **direct** – materials and components that are used to manufacture our products;
- **indirect** – goods and services that support our infrastructure and operations; and
- **product development** – goods and services to support the development of products before they are manufactured in volume.

While we procure most of our materials in the UK, we also have teams around the world where our suppliers are based. This means we can regularly engage with our suppliers, no matter where they are, in their local time zone and language.

We use tens of thousands of different raw materials and components, and we recognise that we can't take a 'one size fits all' approach to supplier relationships. For some suppliers we'll be a relatively small part of their business, while for others we could be a major customer.

Our approach to building strong relationships means our number of suppliers hasn't changed significantly as our business has grown; instead, many of our suppliers have grown with us.

Supply chain improvements and challenges

The significant supply chain challenges that we faced last year have eased somewhat, particularly in the shortages of electrical components and the lingering effects of the COVID-19 pandemic. While we have continued to experience some pinch points in our supply chains, the balance of supply and demand has been more positive this year. The cost of our supply chain is also becoming more stable and predictable.

Like many other businesses, we have faced increased costs in energy and other goods and services this year, due to the high inflationary environment. The Russia-Ukraine conflict has also affected the availability of some raw materials. Our strong supplier relationships and capacity to hold stock has meant the continuity of our supply hasn't been affected since the start of the conflict. The Board is regularly updated on significant matters that may affect our supply chain.

Developing ethical and sustainable supply chains

We're committed to doing business responsibly by minimising the negative environmental and social effects on our supply chain. We have, therefore, formed a working group, with representatives from our global purchasing teams, to embed sustainability into our business practices and processes. The group's first project has been to strengthen our mitigation of the risks of modern slavery and labour exploitation in our supply chains. We have commissioned a review of our current practices from the Slave Free Alliance and will develop a new approach using its feedback and guidance.

▲ **Checking deliveries at our Woodchester, UK manufacturing facility.**

We are also developing an education programme for our suppliers to help them achieve their own sustainability ambitions, with particular focus on Net Zero emissions and contributing to the UN SDGs. We will be trialling this programme with a pilot group of suppliers next year.

In response to UN SDG 8 to help promote policies that support the growth of micro, small and medium-sized enterprises (MSMEs), we are chairing Together Gloucestershire. This is a project close to our main purchasing operation that supports smaller businesses and helps them to grow and supply larger local companies, including Renishaw.

Supplier engagement

We regularly engage with our suppliers to build effective and trusted relationships through:

- **compliance** – in line with our value of integrity we ask our suppliers to comply with our trading terms and Group Business Code. This covers areas such as modern slavery (which is also covered by our Modern Slavery and Human Trafficking Statement), conflict minerals, anti-bribery, tax evasion, trade compliance, data protection and dangerous goods;
- **self assessments** – we ask new direct suppliers, and some indirect suppliers, to complete a self-assessment. This looks at the commercial aspects of their business, such as their financial position, to ensure they meet our requirements before we engage;
- **early engagement** – our purchasing and engineering teams work closely with suppliers to ensure a consistent supply of the quality goods and services we need now and in the future;
- **risk management processes** – we work with our suppliers to regularly assess supply chain risks and, where possible, we look to introduce secondary sources. This helps to protect the interests of our employees, customers and shareholders; and
- **supplier performance programmes** – our suppliers are assessed on a regular basis to ensure they meet expectations for delivery, quality, corrective actions and responsiveness. Where we find shortcomings, we engage with suppliers to ensure they are trained in good practice and that improvement programmes are put in place.

Number of global suppliers to UK operations for direct goods and services

493

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