



Transforming  
Tomorrow  
Together

# Managing our resources and relationships

## How we engage with our stakeholders

We have summarised our stakeholder relationships below, and have set out on pages 56–57 how we have considered our stakeholders when making important decisions (our 'Section 172 statement').

Our stakeholders		
<h3>People</h3>	<h3>Customers</h3>	<h3>Suppliers</h3>
<p><b>Why we engage</b></p>	<p><b>Why we engage</b></p>	<p><b>Why we engage</b></p>
<p>Attracting, retaining, and motivating our people is vital to our success, so that we have the right skills and knowledge in our business.</p>	<p>To fulfil our purpose, it is vital that we understand our customers' needs and challenges. Doing so means that we can then support them in transforming their own capabilities in manufacturing, science and healthcare.</p>	<p>Having a robust supply chain of high-quality, safe and ethical raw materials is important to our success as a manufacturer.</p>
<p>We also need to hear how our people are feeling in terms of wellbeing, and to ensure that we are providing a safe place to work.</p>		<p>We also need to have strong relationships with our suppliers to help us meet our customers' evolving needs and changing demands.</p>
<p><b>How we engage</b></p>	<p><b>How we engage</b></p>	<p><b>How we engage</b></p>
<ul style="list-style-type: none"> <li>– Works Forums.</li> <li>– Business updates on Channel R, our in-house video channel.</li> <li>– Regular subsidiary and divisional meetings.</li> <li>– Diversity &amp; Inclusion group.</li> <li>– Chief Executive 'Teams' calls following the FSP announcement.</li> </ul>	<ul style="list-style-type: none"> <li>– Regular calls between our leadership and senior management teams, and those of our key customers.</li> <li>– Meetings and discussions at trade shows and conferences.</li> <li>– Webinars and online workshops.</li> <li>– Smart Manufacturing Ambassador programme on social media.</li> </ul>	<ul style="list-style-type: none"> <li>– Regular calls and meetings between our purchasing teams and our suppliers.</li> <li>– Purchasing teams located in key locations for working with suppliers, including China.</li> <li>– Supplier audits and performance reviews.</li> </ul>
<p><b>Actions</b></p>	<p><b>Actions</b></p>	<p><b>Actions</b></p>
<ul style="list-style-type: none"> <li>– Provided a COVID-safe working environment, with regular employee testing.</li> <li>– 'Thank you' payment made to all employees in January 2021.</li> <li>– Dedicated FSP pages on our intranet site, with written Q&amp;As.</li> </ul>	<ul style="list-style-type: none"> <li>– Mitigated the potential disruption from Brexit by holding more finished goods in the EU.</li> <li>– Supported our sales subsidiaries to continue operating safely throughout the COVID-19 pandemic and provide local support.</li> <li>– Continued to invest significantly in R&amp;D.</li> </ul>	<ul style="list-style-type: none"> <li>– Increased safety stocks of certain key components.</li> <li>– £119.5m spent with suppliers during the year.</li> <li>– Average payment days to UK suppliers of 47 days.</li> </ul>
<p>▶ Read more on pages 48–49</p>	<p>▶ Read more on page 50</p>	<p>▶ Read more on page 51</p>



## Communities

### Why we engage

Acting in a responsible way is important to us, and we want to make sure that we have a positive influence on the communities close to where we operate.

### How we engage

- Educational outreach work, including virtual workshops, led by four full-time members of our outreach team.
- Employee volunteering.
- Donations, including providing equipment.
- Active membership of trade associations and research centres.

### Actions

- £0.2m donated in the year.
- Held 112 online events and engaged with more than 5,000 students.
- In June 2021, the Board approved a new educational centre to open in Autumn 2021 at our Gloucestershire head office.

► Read more on page 52



## Shareholders

### Why we engage

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

### How we engage

- Webcasts to present our interim and annual results, including Q&A sessions.
- Feedback received at and after the AGM.
- Dedicated email inbox for shareholders to submit questions to before the AGM.
- Remuneration policy consultation process conducted with a number of our key shareholders, led by Chair of the Remuneration Committee.

### Actions

- Reinstated the dividend programme, with an interim dividend paid in April 2021 and a final dividend of 52.0p per share proposed.
- Remuneration policy implemented following consultation with shareholders.

► Read more on page 53



## Planet

### Why we engage

To deliver long-term value in a world of increasingly scarce resources, we need to minimise the impact our business has on the environment.

### How we engage

- Interaction with customers to understand their challenges in manufacturing in a world of increasingly scarce resources.
- Review and monitoring of our emissions, waste output, and energy consumption.

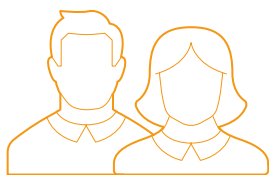
### Actions

- Reduced GHG emissions per £m of revenue.
- Developing our new Net Zero strategy, to be launched in 2022.

► Read more on page 54

# Managing our resources and relationships continued

## People



This year has been exceptionally challenging for our people due to the pandemic, and we are proud of how everyone has pulled together and responded. Nevertheless, those challenges have given us the opportunity to accelerate some of our work, such as developing more flexible working arrangements. The launch of our updated Group strategy in the year was also an opportunity to engage with our people across the business and to demonstrate that they are at the heart of our success.

### Developing and motivating our people

We introduced Workday, our HR system, into more of our overseas locations this year, and also launched our new global performance review process on Workday. In our 2019 employee survey, our people told us that they would like to see more career development and progression opportunities, and this new process helps us to deliver this. The changes were also designed to bring more transparency and consistency in helping our people review their performance, and to encourage better conversations with managers. By bringing all performance reviews onto the same platform, we also have higher-quality data to use.

We have a strong record of promoting from within, which helps to embed our culture as well as motivating and retaining our people. Our Early Careers programme is integral to this, and globally this year we welcomed 22 apprentices, 18 graduates and 19 industrial placements into the business, with 158 apprentices and 65 graduates in programmes across the Group. Our intake this year was lower than last year due to COVID-19 restricting what we felt we could provide to our trainees, however we are looking forward to welcoming around 180 trainees in autumn 2022.

The pandemic also meant that we moved our senior leadership development programme online and temporarily paused our plans to expand this programme. Restarting this and other face-to-face learning, and providing more structured development for our middle managers, is a priority for the coming year.

### Gender pay gap

**23.7%**  
mean

**23.2%**  
median

2020 UK average (median) pay gap 15.5%

### Gender bonus gap

**39.1%**  
mean

**26.8%**  
median

83.9% of women received bonus pay  
84.3% of men received bonus pay

### Nurturing an inclusive culture

We recognise that nurturing a diverse and inclusive culture is the right thing to do for the success of the business. Having a workforce that represents our customers, our suppliers, and the communities we work with helps us to better understand these stakeholders. A diverse and inclusive culture also helps us to realise the potential of our people, and strengthens our business by ensuring that the full range of views and experiences are shared.

Our Diversity & Inclusion group, established last year, has met throughout this year. Their initial focus has been on raising awareness of diversity and inclusion throughout the Group, including sharing resources on key topics. We also held an Inclusion Week in September 2020, with a series of videos produced by our people on what inclusion means, culture awareness, discussing gender, and supporting individuals. While this group is currently focused on UK activities, we are working with the regional HR teams to align all activities and aim to create a global Diversity & Inclusion strategy.

While we have continued to take action to improve diversity this year, we have more work to do. Although our Board's gender diversity is consistent with that of our business as a whole, our senior management team is much less diverse, and we have a mean gender pay gap in the UK of 23.7%. Our work in encouraging more women into engineering (see page 52) is part of how we will address this, and the activities we mentioned earlier to support middle management into senior management is also intended to help address this imbalance. We are also creating a Gender Pay group to look into this area in more detail and take corrective action, and are also gathering more data on ethnic diversity, where able to do so, to help inform our work on this area too.

### Engaging with our people

With the pandemic, the FSP, last year's restructuring, and this year's updated purpose, vision and strategy, we have needed to do more in terms of engagement with our people this year, and have made good progress. We regularly shared updates on our response to the pandemic, and shared 'Business Update' videos on our internal channel, 'Channel R'. Will Lee also presented the updated purpose, vision, and strategy in a series of 'Teams' calls with employees, each of which included time for anyone to ask questions directly to him.

Following the announcement of the FSP in March, Will Lee also held 'Teams' calls to explain what was happening and to hear questions and feedback directly. These calls formed the basis of written Q&As on the FSP, which were shared with our people and regularly updated. We also recorded and shared videos where Will Lee responded to the main questions raised by our people. Our Works Forums have also been important in engaging with our people, regularly meeting in the UK to share employee feedback with senior management.

Catherine Glickman, Non-executive Director, is our ambassador for workforce engagement and has continued to work with our HR teams during the year. With restrictions in the UK easing, we are intending to restart Catherine's onsite visits and direct engagement with our people next year. We will continue to promote the use of the Workday app too, which has been adopted by almost 100% of our manufacturing teams.

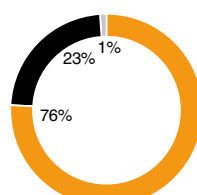
### Supporting wellbeing

Our main focus for wellbeing this year has been supporting our people throughout the pandemic. We created a wellbeing SharePoint site to share resources, and created a video with one of our mental health first aiders (MHFAs) to raise awareness of what support this team can provide and of the importance of talking about mental health. Our MHFAs provide both onsite and remote support, and our HR business partners also work closely with management and employees to address wellbeing issues.

Our Employee Assistance Programme remains available to all our people and their families, and is a free service that provides confidential support, as well as articles, videos, and podcasts to support wellbeing.

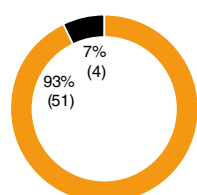
With COVID-19 requiring a large number of our people to work remotely, we have accelerated our review of different working practices. While there is a benefit to be gained for many teams by having people working in the same location, we recognise that having people work from home can help their wellbeing, their local communities, and the environment. During the year we therefore agreed our new hybrid working policy for the UK, which comes into effect in September 2021.

### All employee gender diversity ratio



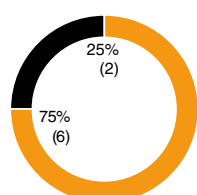
76% (3,528) Male  
23% (1,095) Female  
1% (41) Not disclosed

### Senior management team diversity



93% (51) Male  
7% (4) Female

### Board diversity



75% (6) Male  
25% (2) Female

### Management level diversity

Management level	M	M %	F	F %
Board	6	75	2	25
Executive Committee	7	88	1	12
Senior managers <sup>1</sup>	11	85	2	15
Subsidiary directors <sup>2</sup>	39	95	2	5

<sup>1</sup> Includes the direct reports of the Executive Committee, excluding those in administrative or non-managerial roles.

<sup>2</sup> Means statutory directors.

### Providing a safe working environment

This year saw the H&S team work tirelessly during the COVID-19 pandemic to ensure the key activities were able to continue, as well as protecting the health and safety of our employees and wider communities. This has been achieved through the implementation of safe working measures and on-site lateral flow testing for site-based employees during the second wave of the pandemic.

Despite the challenges of the pandemic, the team has continued to maintain compliance and implement consistent strategies for managing H&S risks across the Group. An example of this is the launch of the online IOSH Managing Safety training programme for line managers within the UK, which is delivered in-house on our learning management system in conjunction with the British Safety Council.

The team worked with Group HR to produce and implement robust homeworking guidance, including an updated homeworking display screen assessment to assess the health and safety risks of homeworkers.

The total number of accidents for the period was 124 (2020: 143) against a year-end headcount of 4,664 (2020: 4,463). This equates to an Accident Frequency Rate of 17.4 per million hours worked (2020: 19.2).

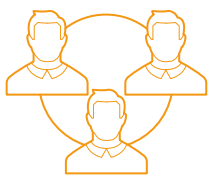
There were three reportable accidents under the UK RIDDOR reporting requirements: two musculoskeletal injuries and one fractured foot from a falling artefact. This equates to a lost time injury rate of 0.42 per million hours worked compared with a UK manufacturing average for RIDDOR reportable accidents of 2.3 per million hours worked.

### Looking ahead

We are aiming to restart some of the initiatives that were paused this year, such as onsite visits by Catherine Glickman and the rollout of management and leadership training. We are also planning to improve how we gather feedback for performance reviews, as well as expanding our work in succession planning for senior roles. We will continue with our work to improve diversity, and monitor how changes such as hybrid working are supporting our people and the success of the business.

# Managing our resources and relationships continued

## Customers



To deliver on our purpose, it is vital that we work closely with our customers to solve their complex challenges and help them to increase their own innovation, improve product quality, expand their production output and enhance their operational efficiencies. Together we can transform our world by addressing societal challenges.

### Building relationships

Our key aims for our customer relationships are to:

- build long-term, trusted relationships with our customers to maximise their satisfaction and return on investment. It is not just about a sale, but also about supporting and helping our customers develop their processes and improving the quality of their product output;
- bring high levels of integration to our customers' manufacturing environments. We are especially focused on those businesses who are looking to bring connectivity and the intelligent use of data within their manufacturing processes;
- deliver excellent customer support on a global basis. Our customers can be global, with orders being placed in one country and the product shipped to the eventual end user, who could be located on a different continent. Our ability to support our customers, wherever their machines are installed, builds their confidence and trust in us; and
- provide innovative services to support changing customer expectations and market requirements throughout the life cycle of all our product ranges. We are flexible with our approach and support customer needs from initial purchase, right through to obsolescence.

Renishaw was 'born global' and we have always understood the importance of providing excellent support at a local level. We achieve this through our subsidiary network and long-term distributors. This allows us to assure our customers that whatever their needs, we can support and assist them, resulting in a positive return on their investment.

Although machinery and the application of our products may be common around the world, business practices, local customs, levels of technical expertise and language, are very different, so employing local people is vital. The cost of operating local offices is higher than only using third-party distributors but ensures that Renishaw people are easily accessible to provide fast engineering support and answer queries, which has been critical during the pandemic. Our model is to use the strength of our UK operations for product development, but to decentralise decision-making to our subsidiary network. This allows our local offices to make fast decisions and also to tailor sales and marketing messages and customer solutions to their specific needs.

### Establishing feedback

Our future success depends on us:

- understanding customers' true needs and using this to inform future technology innovations;
- gathering customer feedback on new developments during testing programmes; and
- working with customers to help us develop our world-class customer support programmes.

Due to the highly technical nature of our customers' requirements and our products, we prefer to do this through direct contact. The voices of our customers are represented at numerous forums including regional sales and marketing conferences, product line conferences attended by representatives from the sales regions, and service conferences. Members of our Board, Executive Committee and regional presidents also regularly engage with machine builders and end users across our key sales regions. They receive feedback on our performance as a supplier and on how we can continue to help them improve their own products and operational performance.

In June 2021, Renishaw KK, our subsidiary in Japan, received a Supplier Award from the machine tool builder, Yamazaki Mazak, for Outstanding Delivery Performance during the first half of this financial year.

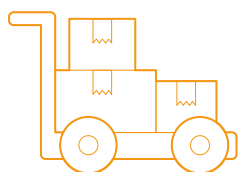
The pandemic has required us to adapt our customer communication channels and make more use of digital marketing technologies to engage with our customers.

A key focus during the year was the hosting of webinars across most of our key markets, allowing us to deliver tailored content about our products and have live engagement with attendees. We organised around 85 webinars with topics ranging from Raman spectroscopy for green energy research to process variation in manufacturing. We also took part in joint webinars with industry partners. Social media, especially LinkedIn, is an increasingly important channel for engagement. Our Smart Manufacturing Ambassadors programme, which gives social media training and support to customer facing employees, has increased our online engagement and support for customers.

During the year we attended just eight physical exhibitions, although we did take part in a further 15 virtual replacement exhibitions, including IMTS Spark in the USA. These generated multiple enquiries from customers and prospects, which were recorded and stored digitally in accordance with our privacy notice (which is set out on our website), to ensure appropriate follow-up by our sales teams. We do however look forward to the general resumption of trade exhibitions, which allow for a depth of interaction that is simply not possible using digital platforms.

To compensate for the loss of the many thousands of enquiries generated at trade shows, we have accelerated the implementation of marketing automation to coordinate our email, web and social media messaging, and to deliver more tailored customer experiences.

## Suppliers



The supply of outsourced goods and services is critical to our overall success. We have developed processes and procedures to ensure all supply chains and supplier relationships are managed in an effective way.

### Developing relationships

Our purchasing teams in the UK, Ireland, India, China, the USA, and various European countries work hard to develop strong, effective relationships with our suppliers. By having teams located close to many of our suppliers we can have regular and direct communications while addressing differences in culture, time zone and language.

In the UK many of our suppliers are within a 100-mile radius of our main manufacturing sites, and we take pride in working with local SMEs (small and medium-sized enterprises) where possible.

### Overcoming challenges in the year

The COVID-19 pandemic and Brexit have both presented challenges in the year in terms of our supply chain, and our strong relationships with suppliers have been important in overcoming these challenges.

Our Brexit planning ensured that we faced no significant disruption, as we had increased our purchasing in advance of the transition window ending on 1 January 2021, to limit the expected delays around this time. A combination of Brexit and reduced air freight as a result of the pandemic meant that we had to work closely with our shipping agents to ensure smooth supply, and these issues eased in the latter part of 2021.

The disruption in supply chains across the world as a result of the pandemic have been well documented and have been an area of focus in the business this year. The responsiveness and quick decision-making of our buyers has helped us to adjust quickly to the changing environment, and having teams based close to main sources of supply has also helped us to identify new suppliers where needed. We are grateful to our suppliers for their support in working with us throughout this challenging period,

Expenditure on goods and services:

**£119.5m**

Average UK payment days:

**47**  
(2020: 45)

and are pleased that supply disruption has not resulted in needing to halt our manufacturing at any point this year.

### Working with high-quality and ethical suppliers

We recognise the need to protect the interests of our employees, customers and shareholders by ensuring that our supply chains are as risk-free as possible. We use a risk management process that regularly assesses supply chain risk and, where possible, looks to introduce secondary sources for all key outsourced requirements. Where this is not possible, bespoke inventory policies are implemented to allow us to manage any potential disruption in the supply chain.

We actively involve suppliers in our supplier performance programme. Existing suppliers are assessed on a regular basis to ensure that they meet expectations in the areas of delivery, quality, corrective actions and responsiveness. Where there are shortcomings, we engage with suppliers to ensure they are trained in good practice and appropriate ongoing improvement programmes are put in place.

Our supply chain and engineering teams put great emphasis on ensuring that suppliers have the ability to meet our high standards of quality by engaging with suppliers as early as possible. Where necessary, we work closely with suppliers to ensure that they have the controls in place to ensure the ongoing supply of quality goods and services. We share known good practices and our knowledge and experience.

We are committed to conducting our business with honesty and integrity; suppliers are no exception to this policy. All suppliers we engage with are required to comply with our trading terms and Group Business Code, covering areas such as modern slavery, conflict minerals, human rights, anti-bribery, tax evasion, data protection and dangerous goods.

# Managing our resources and relationships continued

## Communities



Our values of integrity and involvement are central to the relationships we have with our communities around the world, where we strive to be open, honest and consistent. We aim to be an inspiring employer, a responsible business, and we recognise the impact we have on our communities. We aim to make a positive difference and maintain an open dialogue with community representatives.

### Our approach

We achieve these aims through:

- engagement with trade and general business organisations;
- support for community sustainability initiatives;
- financial support for charities and other not-for-profit organisations;
- engagement with local and national governments and elected representatives;
- our extensive education outreach initiatives and large work experience programmes;
- support for employee fundraising and volunteering;
- the free use of our facilities for educational and other community events; and
- the sponsorship of community sports clubs and festivals for science, music and the arts.

### Community engagement

We support a wide range of arts, music and sports organisations in the West of England and South Wales where our main UK sites are located. During the year, this included: the SS Great Britain Trust; Bristol Music Trust; sponsorship of Cardiff Blues and Scarlets Women rugby teams; and sponsorship of professional rugby players including Wales internationals Samson Lee and Tomos Williams.

We are increasingly active with initiatives that aim to create more sustainable communities, including a Greenway project that aims to provide a traffic-free route that connects our New Mills headquarters site with local towns and villages, and we are also a member of Stroud District Action on Plastic.

Due to the pandemic we have been unable to host the types of organisations that we have in previous years, including business clubs, primary and secondary schools, colleges and universities, so we have turned to virtual engagement, especially with schools.

We actively support the business community regionally, nationally and internationally, through active membership of trade associations and industry research centres. Some of these include: Canada Makes; the European Society for Precision Engineering & Nanotechnology; Verein Deutscher Werkzeugmaschinenfabriken e.V. and PräziGen (Germany); UCIMU-SISTEMI PER PRODURRE (Italy); Global 3D Printing Hub (Spain); Association of British Healthcare Industries and Manufacturing Technologies Association (UK); and the Additive Manufacturing Users Group (USA).

### Education outreach

Our education outreach programme is designed to excite, interest and engage young people, regardless of gender, sexuality, ethnicity or background, to study STEM subjects and to consider engineering as a career. We aim to be a key educational resource for the hands-on learning of design, fabrication, manufacturing and engineering skills, delivering virtual and physical workshops from our Gloucestershire HQ, where a new education centre will open in Autumn 2021, and the longstanding education centre at our Miskin site in South Wales, UK.

In an average academic year, we engage with around 22,000 students through our various outreach programmes in South Wales, Gloucestershire and Bristol. Due to the pandemic, most activities during the year had to move online, yet we still held 112 events and engaged with more than 5,000 students through the development of new interactive virtual workshops for 3D printing and coding, virtual careers/assembly talks and virtual work experience weeks. With a focus on diversity, we also developed activity packs for local schools to support International Day of the Girl, held Girls4STEM webinars and a female-only work experience week. Activity packs were also sent to nine SEND (special educational needs and disabilities) schools supported by virtual interactive workshops. Our four full-time outreach employees are supported by more than 130 STEM ambassadors.

We also work with education providers in many of our sales regions. In the USA, Renishaw Inc has partnered with Davis Technical College, Utah, to provide its CNC machining students with access to the latest Renishaw measurement technology and support from our engineers.

### Charitable giving

Around the world we support charities and not-for-profit organisations within our communities, through formal charities committees, individual employee fundraising and one-off fundraising events. The committees are focused on supporting organisations local to Renishaw offices that help enrich the lives of children and adults, from toddler groups and sports clubs, through to organisations that support people with disabilities and the bereaved. In the UK, an additional fund is administered by the employee-led charities committee, which donates monies to aid the victims of global disasters.

In 2021, we made direct donations totalling nearly £239,000 to over 170 different organisations. The UK's employee-led charities committee donated £10,000 to support countries hit hardest by the pandemic and continued to proactively support foodbanks located close to our major sites. In Germany, we supported emergency call boxes at local lakes; in Brazil, we supported children with new clothing, a toy and a pair of shoes as part of a Christmas campaign by a local church in Barueri; and in India, we supported multiple projects focused on healthcare improvements, female empowerment and education, especially for students from socially disadvantaged families. This included a £38,000 donation to the Janakalyan Rakta Pedhi Blood Bank for equipment that enabled increased supply of plasma and other blood projects in the Pune region during India's second wave of COVID-19.

During the year we also continued to support IT Schools Africa, to whom we donate older computer equipment to enable the charity to give a digital education to students and communities in Africa and Gloucestershire. Since 2012 we have donated 2,745 computers, laptops and monitors.



# Shareholders



With around 53% of our shares being held by the founders, Sir David McMurtry and John Deer (our Executive Chairman and Non-executive Deputy Chairman respectively), we have an investor profile that is quite different to most other large listed companies. We recognise the trust that our minority shareholders have placed in us, and aim to provide sustainable long-term growth in return.

## Investing for the future

To deliver sustainable long-term growth, we have continued to invest in research and development this year, with £76.6m spent on engineering costs in the year, of which £9.8m was capitalised. As explained on page 15 we have also better prioritised our projects this year, focusing on products that we believe offer the best return on our investment. To support future growth, we have also had planning permission approved to expand our manufacturing site at our Miskin site in Wales. With improved profits and cash, we have reinstated the dividend programme, with an interim dividend paid of 14.0 pence net per share on 6 April 2021 and propose a final dividend of 52.0 pence net per share.

## Improving performance and returns

In the previous financial year, we made some difficult decisions to preserve cash and protect the long-term success of the business. This included cancelling the interim dividend, deciding not to propose a final dividend, and undertaking a rightsizing programme which led to a number of redundancies in the Group. While these decisions were difficult, we believe they were appropriate and that our results this year support that.

Our financial performance has improved significantly despite disruption from COVID-19 throughout the year, with Adjusted profit before tax increasing from £48.6m last year to £119.7m this year, and statutory profit before tax increasing from £3.2m last year to £139.4m this year. Our cash and bank deposit balances have increased from £120.4m at 30 June 2020 to £215.0m at 30 June 2021.

## Shareholdings

Directors

52.84%

Individuals

1.09%

Institutions

46.07%

## FSP

In March 2021 the commencement of the FSP was announced, which we recognise as a significant event for our shareholders.

The Board carefully reviewed a number of proposals with its advisers and unanimously concluded that none would meet the Board's objectives of delivering an outcome that satisfactorily met the interests of all stakeholders. On 7 July 2021, the Board announced that it had unanimously decided to conclude the FSP.

Sir David McMurtry and John Deer have indicated to the Board they remain committed to Renishaw. More information on the Board's consideration of our other shareholders can be found on pages 56 to 57.

## Engaging with shareholders

Our 2020 AGM was held behind closed doors because of the ongoing pandemic. We invited shareholders to submit questions in advance to a dedicated email inbox.

During the year we also held open webcasts for the 2020 full-year results and 2021 interim results, with Q&A sessions held at the end of both. Recordings of these are made available on our website.

We would normally hold our Investor Day in the spring, however the pandemic has meant that we have not been able to do this in 2020 nor 2021. We look forward to reinstating this event when we can safely host investors at our head office in Gloucestershire, which we hope will be in 2022.

# Managing our resources and relationships continued

## Planet



We are committed to playing our part in looking after the environment and protecting it from significant issues such as climate change. We do this not only by improving the footprint of our own operations, such as reducing the emissions from our manufacturing facilities, but also by providing solutions to customers to help them manufacture more with less and to deal with the shift to a more sustainable world.

### Helping customers to manage scarce resources

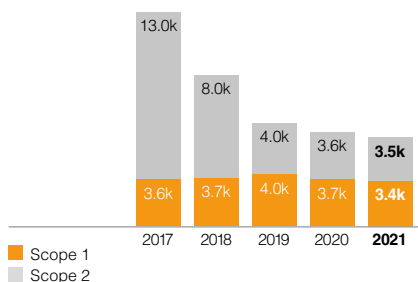
In a world of increasingly scarce resources, helping customers to manage these resources is at the heart of what we do. With our manufacturing technologies, we help customers to manufacture as accurately and efficiently as possible, reducing wastage. Our technologies are well placed to assist our customers who are changing their business model in response to the opportunities and risks of climate change, such as those moving from traditional ICE vehicles to plug-in hybrid electric vehicles (PHEV) and EV.

We have operated our RBE (repair by exchange) programme since 1992, where customers returning a faulty unit are offered a refurbished unit as a replacement, at a discounted rate. Actions such as this help to reduce waste across the supply chain and support product circularity. We have established a cross-functional working group to look for more opportunities to increase the circularity of our products.

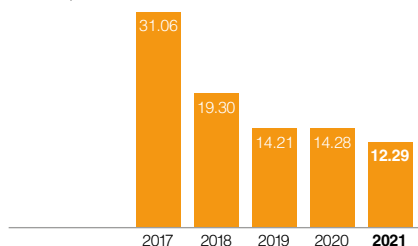
### Lowering our emissions

We are pleased to have reduced our statutory GHG emissions by 343 tCO<sub>2</sub>e this year. This is mainly due to using our Group-owned vehicles less as a result of the pandemic. Our total measured GHG emissions have increased however, mainly as a result of the switch to home working for many of our people and due to higher emissions from distribution as revenue has increased. While the inclusion of emissions from home working has increased the overall measured emissions this year, we are pleased that the significant reduction in air travel in our business has caused a reduction of 1,316 tCO<sub>2</sub>e from this form of travel. While we

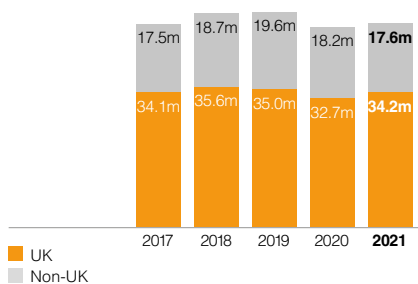
**Total statutory emissions**  
tCO<sub>2</sub>e



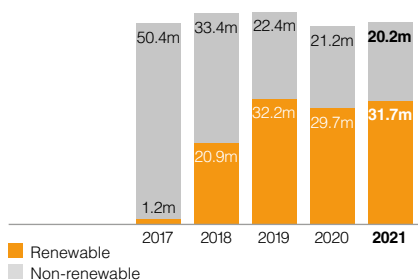
**Statutory GHG emissions**  
tCO<sub>2</sub>e per £m turnover



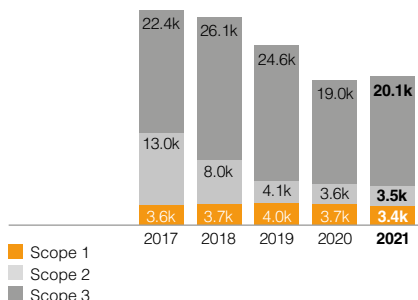
**Group energy consumption**  
kWh



**Energy source**  
kWh



**Total measured GHG emissions**  
tCO<sub>2</sub>e



Each GHG measure listed above is calculated using the market-based approach.

expect some air travel to return in the business as travel restrictions relax, our new ways of working and making better use of technology should mean that we do not return to our pre-pandemic levels of air travel.

In December 2020 we introduced our new Group policy on electricity purchasing, requiring all our Group companies to only use electricity from certified renewable sources. This means that when existing contracts expire, we will move to renewable electricity. We are looking at ways to further speed up this move to 100% certified renewable electricity.

### Minimising our waste

With a significant increase in trade from last year, our waste totals have increased from 2,236 tonnes to 3,671 tonnes. 94% of this increase however is waste that we have reused, recycled, or composted. Waste handling and processing restrictions have still been in place because of the pandemic, meaning that we have sent 9% of our waste to landfill this year, above our 5% target. While this is disappointing, prioritising the health and safety of our people and our contractors has been the right thing to do. We are confident that we can reduce this proportion as restrictions lift.

We have also been focused on ensuring our product and transit packaging has the lowest impact possible. By replacing the carton tape with a paper tape we have removed 475km of plastic tape from the supply chain.

We recognise a significant proportion of our waste is created from our manufacturing processes and have a dedicated manufacturing waste champions team to focus on improvements.

### Looking ahead

Our main focus for next year is to finalise our Net Zero strategy, which we have been developing this year, including ensuring that our people understand what we are doing and how they can support this. We will also look to expand our use of solar panels, and our factory in Dublin, Ireland, will provide a significant opportunity to improve our renewable energy consumption. We are optimistic that the easing of COVID-19 related restrictions will see improvements in reducing the proportion of waste we send to landfill.

More details on our emissions and waste management data can be found on page 157.

# Task Force on Climate-related Financial Disclosures

Next year's Annual Report, for the year ended 30 June 2022, is the first in which the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are mandatory for the Group. Ahead of this mandatory reporting, we have set out below our 2021 position and our priorities for reporting in 2022.

2021 position	2022 priorities
<b>Governance</b>	
<p>Allen Roberts, our Group Finance Director, is responsible for Corporate Responsibility (CR), including climate-related matters.</p> <p>Our risk committee meets throughout the year, and discusses financial and non-financial risks, with climate-related risks being incorporated into some of our principal risks.</p> <p>We also have a CR committee, with their climate-related work mainly being based around how to increase energy efficiency and reduce emissions from our operations.</p>	<p>▶ Develop our Board reporting of climate-related matters.</p>
<b>Strategy</b>	
<p>Climate change presents both risks and opportunities to the business. For example, the move to electric vehicles presents risks from the potential loss of business as automotive customers reduce their investment in production lines for ICEs, but also significant opportunities as they switch their investments to manufacturing facilities for EVs.</p>	<p>▶ Identify how our proposed Net Zero strategy will affect our business model, particularly in areas such as purchasing, and our sales and distribution channels.</p>
<b>Risk management</b>	
<p>Climate-related risks are identified from our risk identification and management process, outlined on page 32.</p> <p>Our principal risks of industry fluctuations, economic and political uncertainty, and loss of manufacturing output, include climate-related risks.</p>	<p>▶ Develop our risk reporting for climate-related matters.</p> <p>▶ Assess risk appetite for climate-related matters.</p>
<b>Metrics and targets</b>	
<p>We monitor our GHG emissions, energy consumption and waste totals, which can be found on page 54.</p>	<p>▶ Establish our Net Zero strategy, and report our progress against it.</p>

## Non-financial reporting statement

We need to include in our Annual Report certain non-financial information, as required under sections 414CA and 414CB of the Companies Act 2006. The table below shows where this information can be found in this Report, and it can also be found on our website [www.renishaw.com](http://www.renishaw.com)

Our business model is set out on pages 4 to 5, and our non-financial KPIs are disclosed on page 19.

	Policies and statements	Related principal risks
<b>Environmental matters</b> Pages 54–55	Group Business Code Group Environmental Policy	Industry fluctuations (page 34) Loss of manufacturing output (page 40)
<b>Employees</b> Pages 17, 48–49	Group Business Code	People (page 34)
<b>Social matters</b> Page 52	Group Business Code	Industrial fluctuations (page 34)
<b>Respect for human rights</b> Pages 48, 49, 51	Group Business Code Slavery and Human Trafficking Statement	People (page 34) Supply chain dependencies (page 34)
<b>Anti-bribery and anti-corruption</b> Pages 42–43	Group Business Code Group Anti-Bribery Policy	Non-compliance with laws and regulations (page 42)

## GHG emissions calculation

To calculate our GHG emissions we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the UK Government's GHG reporting guidance. The emission factors are taken from the DEFRA, IEA and IPCC libraries and energy suppliers. Our GHG emissions are based on data taken from bills, invoices, meter readings and expense claims or modelled using recognised methodologies. For our Scope 1 and 2 emissions, less than 2% of the data is estimated.

## Section 172 statement

### Key requirement

Under the Companies Act 2006, the Directors are required to explain how they have complied with their duty to have regard to the matters in section 172 (1) (a)-(f) (Section 172) of the Companies Act 2006. Under Section 172 a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing so the director must have regard to other matters including:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

Principal decision	Stakeholders
<p>As announced in March this year, Sir David McMurtry and John Deer, indicated to the Board their intention to sell their very substantial shareholdings in Renishaw.</p> <p>The Board considered various options with its advisers. In considering these options the Board had regard to the interests of all the Company's stakeholders. The Board unanimously concluded that it would be appropriate to investigate the sale of the Company and therefore launched an FSP.</p>	<p>Shareholders, employees, customers, suppliers, communities, regulators, Renishaw pension funds</p>
<p>In light of the improved financial performance of the Group, due to the quicker than expected recovery from the COVID-19 pandemic (primarily in APAC) and positive impact of our cost control measures implemented last year, the Board debated whether to reinstate dividends.</p>	<p>Shareholders, employees, customers, suppliers</p>
<p>The development, implementation and communication of our new purpose, vision and strategy across the Group, while ensuring these aligned with our culture and values, was a key area of focus during the year.</p>	<p>Employees, customers, suppliers, communities</p>
<p>With the continued challenges presented by the ongoing COVID-19 pandemic, the Board considered how best it can mitigate the negative impacts on the health, safety and wellbeing of our people, customers and communities that we operate in.</p>	<p>Employees, communities, customers, suppliers</p>

### Examples of the way in which the Board had regard to Section 172 matters

How the Board engaged with employees, suppliers and customers during the year is explained in the stakeholder engagement model on pages 46–47. Regular reports on health and safety, environment and security are provided to the Directors supporting them when considering the impact of their decisions on our community and the environment. Further information can be found on pages 32, 42, 49 and 54. Ensuring high standards of business conduct is critical for our success. The Directors also receive reports from the Group Legal, Quality, Compliance, Human Resources and Corporate Responsibility teams, and our Non-financial reporting statement on page 55 identifies policies and guidelines governing our approach to anti-corruption, anti-bribery, social matters and human rights. Consideration of the long-term impact of decisions is integral to the approval of strategy, and our strategic progress this year is disclosed on pages 12–17.

### Examples of how the Directors discharged their Section 172 duty when taking the principal decisions during the year

The Board takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease depending on the issue in question, so the Board seeks to understand the needs and priorities of each group during its discussions. This, together with considering the long-term consequences of decisions and maintaining our reputation for high standards of business conduct, has always been integral to the way our Board operates. During another challenging year, the below have been the principal decisions taken and how stakeholders views have been considered:

Engagement/Consideration	Outcome	Page(s)
<p>Will Lee held 'Teams' calls with senior managers to explain what was happening and to hear questions and feedback directly. These calls formed the basis of written Q&amp;As on the FSP, which were shared with our people and regularly updated.</p> <p>We also recorded and shared videos where Will Lee responded to the main questions raised by our people. Our Works Forums have also been important in engaging with our people, regularly meeting in the UK to share employee feedback with senior management.</p>	<p>In July 2021, the Board announced that it had unanimously decided to conclude the FSP. The Board carefully reviewed a number of proposals with its advisers and unanimously concluded that none met the Board's objectives of delivering an outcome that satisfactorily met the interests of all stakeholders.</p> <p>Sir David McMurtry and John Deer have indicated to the Board they remain committed to Renishaw.</p>	59
<p>Before reinstating dividends, it was important for the Board that our people had been brought back to their full pay and working hours, and that the Company had repaid the furlough scheme monies received for the year.</p> <p>All considerations took place with our long-term financial position and the pandemic in mind. The Board considered the impact of reinstating dividends on the Group's balance sheet, being able to deliver on our strategy and wider capital allocation plans including our R&amp;D activities, and ensuring there would be no impact on our other financial commitments or service and offerings to customers.</p>	<p>After considering the various factors, the Board concluded that reinstating the dividend policy was in the best interests of the Company, its shareholders and other stakeholders, while still allowing us to continue investing in R&amp;D which is central to our success and purpose.</p> <p>An interim dividend of 14.0p per share was declared in the Group's half-year results announcement and paid to shareholders on 6 April. A final dividend of 52.0p has also been proposed by the Directors, which will be voted on by the shareholders at the 2021 AGM.</p>	94
<p>The interests of all our key stakeholders, likely long-term consequences, the long-term sustainability of Renishaw and our role in society were all considered when setting the purpose and vision and evaluating the strategy options. This included reviewing how we create value for our various stakeholders and the changing needs of our customers.</p> <p>Employees were involved in articulating the Group's purpose and developing our new strategy. A bottom-up approach involving senior management helped ensure all parts of the business were considered. Teams in the business were also encouraged to develop their own strategies that aligned with and supported the purpose and vision.</p>	<p>Involving employees during the implementation phase helped ensure the purpose, vision and strategy genuinely reflected our business and considered the interests of our people. Our delegation of authority was refreshed to support the new strategy and vision.</p> <p>The new purpose, vision and strategy was communicated across the Group personally by our Chief Executive, Will Lee, via numerous virtual 'town hall' meetings, where employees could provide feedback and ask questions. A video was also posted on Channel R, our internal communications channel available on the employee intranet.</p>	7, 8, 10 and 12–17
<p>It was of utmost importance to the Board that the safety and wellbeing of our employees was put first during the pandemic. A working from home survey was sent out to all UK-based employees to determine working conditions while working from home, how they could be improved and their future preferences. The Board received the outcome of this survey along with frequent reports from the COVID-19 steering committee about the measures being implemented across the Group to protect our onsite workforce, and the great work our employees were doing to keep the business running.</p>	<p>The COVID-19 steering committee, formed last year, continued to undertake risk assessments and oversee the implementation of strict health and safety measures across all our sites. It also ensured best practice was shared and support provided across all our overseas locations so people could return to work safely when allowed. A new hybrid working policy was adopted as a result of the working from home survey. Our employees were also reminded of various resources available to help with their physical and mental wellbeing. A thank you payment was made to all employees in recognition of their dedication throughout the pandemic.</p>	9, 32, 44, 49

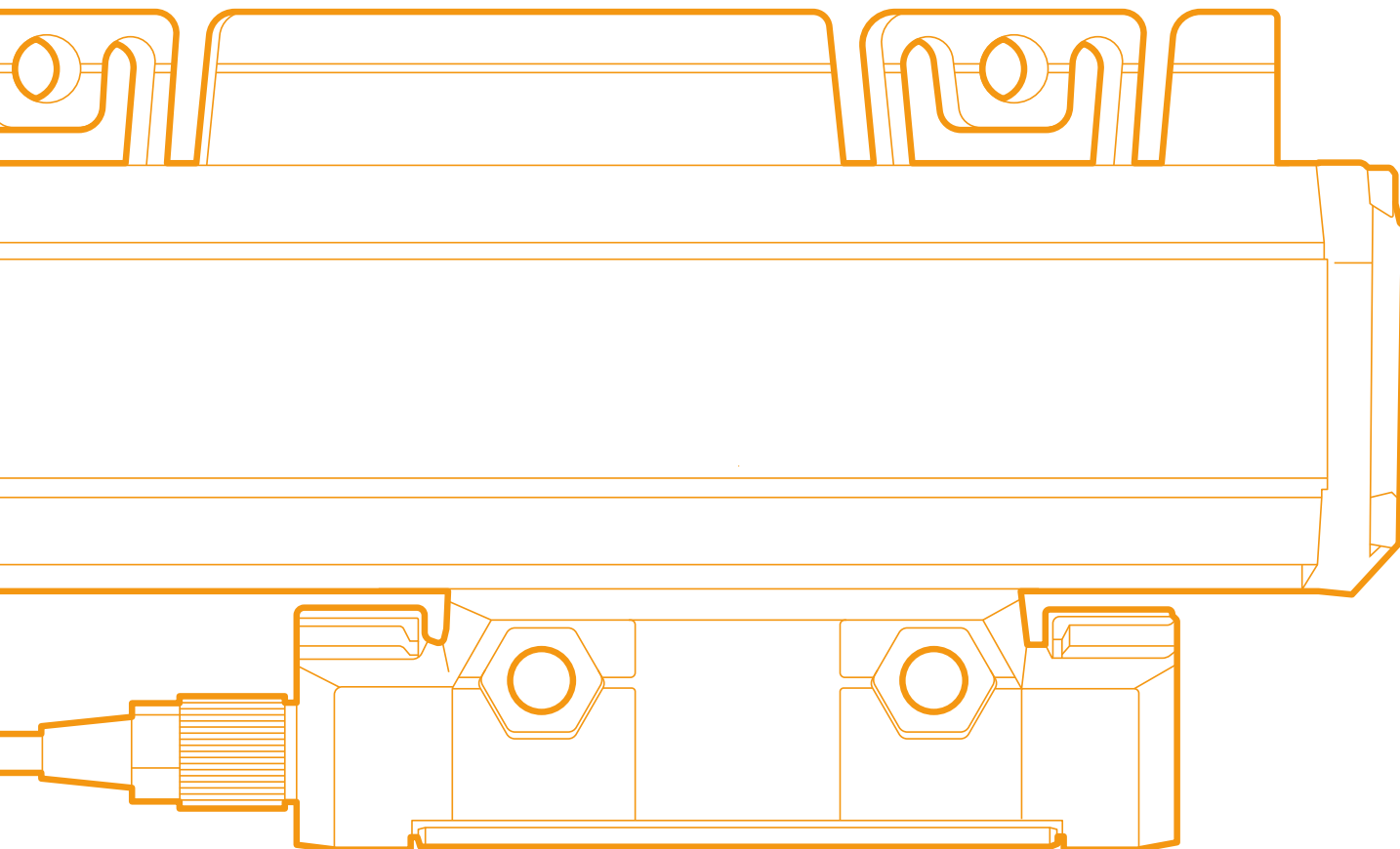
#### Allen Roberts

Group Finance Director

The Strategic Report on pages 1–57 was approved by the Board on 21 October 2021 and signed on its behalf by:

#### Sir David McMurtry

Executive Chairman



**RENISHAW**   
apply innovation™

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