



Corporate social responsibility



Allen Roberts, Group Finance Director



At Renishaw, CSR means focusing on material impacts that affect us and relevant stakeholders, so that we concentrate on subjects we are best placed to influence or control.

Strategy update

Our CSR programmes all operate under the overarching principles set out in our Group Business Code (the Code), which can be found at www.renishaw.com/businesscode. The Code sets out the principles to which our business operates. We also communicate the Code to our suppliers and expect them to work to the spirit of the Code. The Code is split into five areas; Business Ethics, Employment, Health and Safety, Environmental and Management Systems, which are all managed by further policies.

The Annual report contains the information required for compliance with the Companies, Partnerships and Groups (and Non-Financial Reporting) Regulations 2016. The Non-Financial Information Statement comprises information found on pages 10 to 15 (business model), pages 32 to 36 (risks, anti-corruption and anti-bribery matters), and pages 38 to 43 (environmental matters, the Company's employees, social matters, respect for human rights).

2018 CSR targets and progress

| Energy consumption  | |
|---|--|
| Target | Progress |
| <ul style="list-style-type: none"> Decrease reliance on fossil fuel derived energy. <p>i For more see pages 42 and 43</p> | <ul style="list-style-type: none"> 49% (2017: 0%) of electricity purchased is from certified renewable sources. 3.7% of total global electricity consumption is from on-site generation. New solar array commissioned in India. |
| <p>1,521,391 kWh of electricity generated this year (26% increase from last year).</p> | <p>40,707,226 kWh of electricity consumed this year (4.8% increase from last year).</p> |

| GHG emissions  | |
|---|--|
| Target | Progress |
| <ul style="list-style-type: none"> 3% reduction in GHG emissions (tCO₂e) per million pounds turnover compared to 2017. <p>i For more see pages 42 and 43</p> | <ul style="list-style-type: none"> 70% reduction of GHG emissions from purchased electricity (market based). 19% decrease in GHG emissions from heating oil consumption. |
| <p>64% Decrease in market based GHG emissions (tCO₂e) per £m turnover compared to 2017.</p> | <p>24% Decrease in total absolute GHG emissions (market based), 6% increase using location based.</p> |

| Waste management  | |
|--|--|
| Target | Progress |
| <ul style="list-style-type: none"> 5% reduction of waste to landfill from global operations. <p>i For more see page 43</p> | <ul style="list-style-type: none"> Just over 2,750 tonnes of waste from our global operations was diverted from landfill. Waste Champions team has been set up to increase employee engagement and reduce waste arising. |
| <p>26% or 33 tonnes increase of waste to landfill from our global operations.</p> | <p>94% of all waste diverted from landfill.</p> |

| People  | |
|--|--|
| Target | Progress |
| <ul style="list-style-type: none"> 5% of our employees as apprentices, graduates or sponsored students on structured programmes. <p>i For more see page 39</p> | <ul style="list-style-type: none"> 399 people across the Group are on recognised training programmes. A record 227 apprentices, graduates and placements starting this summer. |
| <p>5% of our employees are apprentices, graduates or sponsored students on structured programmes.</p> | <p>£2.3m invested in employee training across the Group in this reporting period.</p> |

| | |
|--------------------------------|-------------------|
| Group Business Code | 5, 33, 38, 39, 44 |
| Diversity and Inclusion Policy | 5, 39, 45, 55 |
| Whistleblowing Policy | 33, 39, 57 |
| Anti-Bribery Policy | 33, 39, 44, 57 |
| Environmental Policy | 42 |
| Waste Policy | 42, 43 |
| Anti-Slavery Policy | 39 |
| Employee Handbook | 39 |
| Health and Safety Policy | 40 |

People

Renishaw's people are central to the success of our business and, over the past 45 years, our innovative, hard-working and loyal employees have helped to make Renishaw a highly successful, globally respected company. We have policies and commitments around the way that we treat our people and adhere to an open and equal status culture, believing strongly that equality and fairness are critical to the success of our organisation.

We continue to promote and celebrate equality, diversity and fairness across the Group, undertaking initiatives to develop and support our cultural improvement. We seek to increase diversity at all levels of the organisation, with a particular focus on gender diversity.

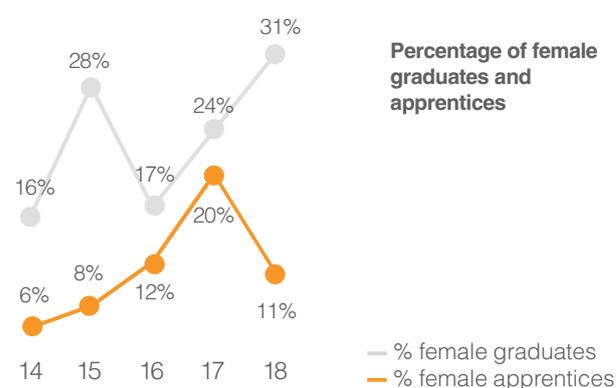
To help achieve these aims, Renishaw has been actively involved for a number of years in education outreach projects, particularly those intended to engage young people in science, technology, engineering and maths (STEM) subjects.

Renishaw's UK-based education outreach team continues to work with primary and secondary schools, as well as higher educational establishments, to encourage young people of all backgrounds to learn about engineering, discover what engineers do every day, and to encourage them to choose engineering as a career.

To allow us to support these education outreach activities across our key regions, we offer STEM outreach training to all our new graduates and second-year apprentices. We now have over 175 trained ambassadors involved in STEM activities, of whom around one-third are women. Our female-only STEM outreach events were attended by over 500 students in 2017. These efforts are already starting to have an impact on our recruitment, as shown by the improved gender diversity of our apprentice and graduate intakes in recent years.

Our remuneration practices are designed to reward and recognise skills, experience and achievement, and to be free of gender bias ensuring that employees are remunerated fairly for the work that they do.

Our global e-learning platform supports our training and compliance initiatives in areas such as Whistleblowing, Anti-Bribery and Renishaw's Group Business Code.



Human rights, equality and diversity

As a global company, Renishaw enjoys the advantages of a diverse workforce. With over 20 different nationalities represented within our senior management group, we benefit from the variety of expertise that they bring to the business. On 30th June 2018, we employed 4,862 people across the Group, an increase of 7% since last year. Of these, 3,728 (77%) are men and 1,134 (23%) are women. There are nine directors on the Board, consisting of seven men and two women. The senior management group is made up of 52 people, of which 51 (98%) are men and 1 (2%) is a woman. Renishaw regards its senior management group to be the Executive Board, the heads of each product line, sales territory, and manufacturing organisation that report directly into the Executive Board, and the directors of Renishaw's subsidiary undertakings.

We believe that equality and fairness are critical to the success of our organisation. As such we have several policies, including our Anti-Slavery Policy and our Employee Handbook, in place to ensure we foster a workplace that is open and fair to all. We have published our annual statements pursuant to the Modern Slavery Act and the Gender Pay Gap reporting requirements at www.renishaw.com.

We are introducing a comprehensive Diversity and Inclusion Policy across the Group that, together with the implementation of management development training, will highlight and help remove unconscious bias in respect of recruitment, promotion and reward.

Corporate social responsibility continued

Health and safety (H&S)

We continue to develop our health and safety management system and we are bringing more sites in line with our health and safety strategy. The overarching policy, HS201, details Renishaw's H&S management structure and processes, in line with industry best practice. The outcome of these policies is a clear and consistent approach to H&S that is used throughout the Group.

In order to provide due diligence, each division is internally audited against HS201 annually, with the Group H&S team being audited by the Group Quality and Compliance team.

The total number of accidents for the period was 233 (2017: 234) against a year-end headcount of 4,862 (2017: 4,530). This equates to an Accident Frequency Rate of 26.22 per million hours worked (2017: 30.79).

There were three reportable accidents under the UK RIDDOR reporting requirements: two musculoskeletal injuries and one leg fracture. This equates to a lost time injury rate of 0.37 per million hours worked compared with a UK manufacturing average for RIDDOR reportable accidents of 2.10 per million hours worked.

The main area of H&S risk with regards to business operations continues to lie with AM and its associated processes. These are tightly controlled and managed via training, policy and procedures, with the wider AM industry generally accepting Renishaw as one of the safest producers of AM machinery in operation.

Charity

In the UK, the employee-led Renishaw Charities Committee (RCC) was formed in the 1980s to distribute funds to charitable and voluntary organisations in its local communities and support the individual fundraising efforts of all UK employees. It has a particular focus on assisting activities that help enrich the lives of children and adults, from toddler groups and sports clubs, through to organisations that support the disabled and the bereaved. A separate fund is administered by the RCC, which donates monies to aid the victims of global disasters.

During the year, the RCC made donations to 269 diverse organisations totalling £108,000 (2017: £98,000). The RCC also fully matches funds raised by employees for UK national fundraising events such as Children in Need and Red Nose Day and supports individual employee fundraising activities.

Significant donations of £2,000 or more were made during the year to support nine organisations, including Thornbury Oasis, a new supported housing project for formerly homeless people, Ruskin Mill in Nailsworth, which is a specialist provider of education to learners with complex needs, a new pony for St James City Farm and Riding School in Gloucester, and a new 3.0 Tesla MRI scanner for Cobalt Health based at Cheltenham Hospital which allows high-definition specialist neurology and musculoskeletal imaging.



£10,000

A charitable donation of £10,000 was made towards the costs of a new 3.0 Tesla MRI scanner at Cheltenham Hospital in the UK, which allows high-definition specialist neurology and musculoskeletal imaging.

Globally, Renishaw is highly supportive of communities local to its operations. In the USA, we continue to support VetPowered LLC with technical assistance and the provision of metrology equipment. This organisation offers machining, fabrication, and maintenance and repair services to industry through a highly-trained veteran and wounded warrior workforce.

During the year, our subsidiary in India supported, through donations of more than £70,200, various care homes, orphanages and social organisations working in sectors including education, healthcare, child welfare, and environmental protection. This included continuing its support of Gurukulam, a residential school which provides education integrated with vocational training to 350 disadvantaged students in Pune. Renishaw India also donated an oxygen support system and 40 Fowler beds to the Pulmonary Ward of the Sassoon Hospital which treats economically disadvantaged patients, and also assisted the hospital with water purifiers, solar power plants and repairs to infrastructure.

Community

We recognise the positive contribution that can be made to our local communities on a global basis through varied interactions with politicians, local residents, businesses, schools and not-for-profit organisations. This is especially true in the west of England and South Wales, where we are a significant employer.

To ensure a strong pipeline of future talent for Renishaw and the wider engineering community, we communicate a positive story about the role played by science, engineering and manufacturing to enhance the lives of the general populace and the attractive nature of a career within these sectors.

Across the Group we continue to host tour groups and give talks to a range of organisations including primary and secondary schools, universities and colleges, business clubs and societies. We actively support the business community regionally, nationally and internationally, by sponsoring award schemes and through membership of trade and lobbying associations such as the Additive Manufacturing Users Group (USA), the European Society for Precision Engineering & Nanotechnology, SAE International, the Confederation of British Industry (CBI), the Dental Laboratories Association (UK), the Association of British Healthcare Industries, Verein Deutscher Werkzeugmaschinenfabriken e.V. (Germany), UCIMU-SISTEMI PER PRODURRE (Italy) and the UK's Manufacturing Technologies Association (MTA) where two senior managers are Board members.

We are also a member of various industry research centres across the globe, including Canada Makes (Canada), PräziGen (Germany), Light Alliance (Germany), BazMod (Germany), Global 3D Printing Hub (Spain), IAM 3D HUB (Spain), The Manufacturing Technology Centre (UK) and the Advanced Manufacturing Research Centre (UK).

To further our aim of establishing awareness of Renishaw as a significant and engaged employer, we continue to support a wide range of festivals, sports clubs and organisations in the west of England and South Wales. During the year this included gifting our hot air balloon for tethered rides for wheelchair passengers at the National Star College's 50th anniversary event and the sponsorship of the Lechlade Music Festival.

The sport of rugby has an especially high profile in South Wales and the west of England. Recognising the similar cultural challenges of attracting women into rugby and engineering, during the year we became shirt sponsors of both the Gloucester-Hartpury and Scarlets women's rugby teams. We continue to sponsor Samson Lee (Scarlets and Wales), Ben Morgan (Gloucester) and Tomos Williams (Cardiff Blues and Wales). During the year we also sponsored South Korean international footballer Ki Sung-yueng and the Gloucestershire County Cricket Club's 2nd XI.



Renishaw is working hard to encourage more girls into an engineering career. This starts at a young age, including Brownies groups such as the 1st Llanharan Brownies in South Wales who all earned special 'Renishaw engineering' badges.

We are a technical and financial sponsor of numerous university student racing teams, where we utilise our AM expertise to supply key components. This includes teams in Italy, Australia, the UK and Germany. During the year the Cardiff Racing team was crowned the first ever UK winners of the European Formula Student competition, utilising Renishaw's metal AM technology in its car.

Education

We work hard to inspire and motivate young people of all genders, ethnicity and backgrounds to study STEM subjects and consider engineering as a career. Our aim is to become a key educational resource for the hands-on learning of design, fabrication, manufacturing and engineering skills, helping to support schools with the national curriculum at a time of resource shortages.

In the calendar year 2017, we engaged with around 8,000 students through our various outreach programmes in South Wales and Gloucestershire/Bristol, managed by four full-time outreach staff and supported by our STEM Ambassadors.

With only 11% of the UK's engineering workforce being female, we are encouraging more girls to consider engineering as a career. During the year we worked with Brownies groups who earned 'Renishaw engineering' badges, we hosted activities for all of the Year 7 students from Stroud High School for Girls and we hosted a Girls only Rugby/Engineering camp with Gloucester Rugby. We also gifted 800 of the new 'Little Miss Inventor' books to all primary schools within our key catchment areas and arranged for some of our female STEM ambassadors to read these in selected schools during the week leading up to International Women in Engineering Day.

The Fabrication Development Centre (FDC), our dedicated education centre located at the Miskin site, was formally opened in March 2018; in calendar year 2017 it hosted 500 primary school pupils and 1,170 secondary school students, and with increasing interest from schools. Total numbers in 2018 are expected to be around 3,500 students.

We continued to expand our range of workshops available to schools, all of which are now bookable through the dedicated education outreach section of the corporate website, that was launched in autumn 2017.

In the USA, we are continuing to increase our focus on supporting education initiatives that will improve the available talent for our own skills requirements and that of our customers. During the 2018 Innovation Fest held at Renishaw Inc's headquarters in Illinois, we hosted local robotics teams and other young people to introduce them to a vast array of manufacturing technologies and try some hands-on activities. A new partnership has been formed with the Connecticut Center for Advanced Technology, which creates and implements bold ideas for applied technologies, energy solutions, STEM education, career development and export and cyber compliance.

Corporate social responsibility continued

Environment

Our environmental management activities are controlled by our Group Business Code which is supported by our Environmental and Waste policies. There are a variety of other policies and management controls as deemed appropriate dependant on the material impact to our business activities and the environment.

This year we have extended our Carbon Trust Standard certification for carbon to include all our UK locations and our manufacturing and assembly locations in Ireland and India. Through these efforts we now have 70% and 62% of our global energy consumption and greenhouse gas (GHG) emissions respectively, within the scope of this certification. This standard is independent confirmation that we have genuinely measured, managed, and reduced our GHG emissions.

Within this reporting period we have achieved an absolute reduction in our total GHG emissions of 24% (using market based calculations) and our normalised statutory emissions have decreased by 18% (location based calculations) and 64% (market based calculations). Renishaw is legally obliged to report on Scope 1 and 2 emissions (as defined by the Greenhouse Gas Protocol). However, through analysis, it is clear that our Scope 3 emissions amount to a significant proportion of our carbon footprint. The details of our GHG emissions for this year are shown in the table opposite.

To calculate our GHG emissions we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised addition), data gathered for our Carbon Reduction Commitment submission, and the UK Government's GHG reporting guidance, as the basis of our methodology and the source of emissions factors. Our GHG emissions are based on actual data taken from bills, invoices, meter readings and expense claims wherever possible.



840,000 kWh

840,000 kWh of generating capacity has been installed at our assembly plant in Pune, India, which amounts to around 42% of the site's electricity consumption.

| | 2018 ³ | 2017 ¹ | 2016 |
|--|-------------------|-------------------|------------------|
| Scope 1 | | | |
| Gas consumption | 1,052.20 | 886.30 | 771.82 |
| Owned transport | 2,386.11 | 2,241.78 | 2,492.30 |
| Generator diesel | 33.24 | 28.67 | 26.38 |
| Heating oil | 188.00 | 231.48 | 234.00 |
| Fugitive emissions | 206.42 | 266.00 | 305.73 |
| Total Scope 1 (tCO₂e) | 3,865.97 | 3,654.23 | 3,830.24 |
| Scope 2 | | | |
| Location based | | | |
| Purchased heat | 13.40 | 4.50 | 19.88 |
| Electricity | 14,114.40 | 15,746.08 | 17,003.42 |
| Total Scope 2 (tCO₂e) | 14,127.80 | 15,750.57 | 17,023.30 |
| Total statutory GHG emissions² (tCO₂e) | 17,993.77 | 19,404.80 | 20,853.54 |
| Normalised statutory GHG emissions² by revenue (tCO₂e/£m) | 29.43 | 36.15 | 48.81 |
| Scope 3 | | | |
| Business travel | 3,638.61 | 2,638.79 | 4,717.04 |
| Product distribution | 13,519.21 | 11,048.65 | 9,534.18 |
| Raw material purchase | 2,022.38 | 1,517.53 | 1,260.40 |
| Post and communications | 857.33 | 773.11 | 774.00 |
| WTT and T&D total ⁶ | 4,809.99 | 4,964.78 | 5,352.59 |
| Total significant Scope 3 (tCO₂e) | 24,847.52 | 20,942.86 | 21,638.21 |
| Total GHG emissions⁴ (tCO₂e) | 42,841.29 | 40,347.66 | 42,491.75 |
| Normalised total GHG emissions⁴ by revenue (tCO₂e/£m) | 70.06 | 75.16 | 99.47 |

Further information

| | | | |
|--------------------------------------|-------|-------|-------|
| Scope 1 out of scope (biofuel blend) | 57.08 | 55.68 | 60.85 |
|--------------------------------------|-------|-------|-------|

Scope 2 market based

| | | | |
|---|-----------------|------------------|------------------|
| Electricity | 6,452.89 | 21,659.34 | 20,853.54 |
| Total Scope 2 (tCO₂e)⁵ | 6,466.30 | 21,663.84 | 20,873.43 |

| | | | |
|--------------------------------------|-------|-------|-------|
| Scope 3 out of scope (biofuel blend) | 18.15 | 29.33 | 29.49 |
|--------------------------------------|-------|-------|-------|

¹ 2017 figures have been restated due to improvements in our methodology, updated GHG conversion factors and replacing the calculation used for the June 2017 data last year – see footnote 3.

² Statutory emissions are Scope 1 and 2 as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

³ To facilitate the timely capture of information, this disclosure uses internally reported data from July to May and the June data is given as an average of the previous three months. This will be restated next year if a significant difference is seen.

⁴ Total GHG emissions include Scope 1 and 2 (statutory) and significant Scope 3 (voluntarily reported) emissions.

⁵ Market based electricity is used where it is available to us. This is currently only within the UK and Europe. Where market based factors are not available location based factors are used in their place. Currently 85% of electricity consumed is covered by market based factors.

⁶ Well to Tank and Transmission and Distribution losses total, use location based conversion factors for calculations.

For our Scope 1 and 2 emissions, less than 1% of the data is based on estimates from averaged data sets.

During this reporting period we commissioned our first overseas solar array, this was installed at our manufacturing facility in Pune. It has a potential generating capacity of 840,000 kWh per annum, which amounts to around 42% reduction of the site's energy demand.

During this year we have completed an energy saving project on our production machinery, which now puts it into an energy saving mode when not in use. This project has the potential to reduce our energy demand by around 900,000 kWh per annum.

As part of our continued efforts to reduce the environmental impact of our business activities, we changed our UK half-hourly electricity contract to a certified 100% renewable supply contract. This means that just over 49% of all electricity purchased across the Group is now from a renewable source.

As we have moved to renewable electricity for many of our UK sites we are able to report a 70% decrease of GHG emissions from our electricity consumption, when calculated using the market based method. During the year we have also self-generated around 3.7% of our electricity demand with our four solar arrays.

Whilst our production has increased over the past four years, our electricity demand has stayed fairly even; this is due to the investment we have made in energy efficiency and on-site generation. We intend to continue to roll out our high standards of insulation, double or triple glazing and low energy lighting, coupled with on-site generation where suitable. We believe that our results show that careful investment in appropriate technologies works, reducing cost and risk to the business.

We are pleased to report that our 2016 and 2017 GHG emissions figures have been independently verified by thinkstep ltd and they have found no material evidence to suggest it is not accurate. The methodology was also verified as being compliant with the GHG Protocol Corporate Accounting and Reporting Standard (revised addition).



94%

94% of the Group's waste is diverted away from landfill. By placing clearly signposted bins in the places where waste streams are generated, we have been able to effectively manage our waste segregation at source.

Global waste totals (tonnes)

| | 2018 | 2017 | 2016 ¹ |
|--------------------------------------|-----------------|-----------------|-------------------|
| Landfilled | 162.93 | 129.52 | 146.07 |
| Reused | 0.00 | 0.00 | 0.96 |
| Composted | 71.76 | 27.50 | 23.28 |
| Incinerated | 240.70 | 310.60 | 431.02 |
| Recycled | 2,437.67 | 2,151.00 | 2,216.71 |
| Total non-landfilled | 2,750.12 | 2,489.10 | 2,671.97 |
| Percentage of waste sent to landfill | 5.92% | 5.20% | 5.47% |
| Total waste | 2,913.06 | 2,618.62 | 2,818.04 |

¹ Includes US data for the first time which accounts for 87.2 tonnes of landfill waste in 2016.



■ Recycled ■ Reused ■ Composted ■ Incinerated ■ Landfilled

Waste management

Our waste strategy, as defined in our Waste Policy, which we commenced in February 2014, has been further developed and this year we have assigned people across all our UK manufacturing sites as Waste Champions.

This team is enabling increased employee engagement and has been tasked with the oversight of reducing waste and increasing recycling. Our strategy continued to drive our efforts throughout the year, resulting in a further 2,750 tonnes of waste being diverted from landfill. Just under 87% of all waste generated this year originated from our UK sites which continue to maintain their certification to the Carbon Trust Waste Standard. These sites are recognised by the Carbon Trust for their efforts in moving waste away from landfill as a disposal choice, towards recovery, recycling, and reuse.

This year our target was 5% reduction of waste to landfill from our global operations. Despite our efforts to achieve our target, we have had an increase of around 33 tonnes (26% increase) of waste to landfill. This is due to increased accuracy in our data capture, increased manufacturing, some refurbishment work and an increase of one waste stream that we are currently only able to dispose of to landfill. Our Waste Champions team is working on finding alternative routes for this waste stream and others that are difficult to recycle; they are also investigating projects to cut waste at source. We are still reusing, recycling, or recovering more than 94% (2017: 95%) of our waste around the world.

Allen Roberts

Group Finance Director

This CSR report was approved by the Board on 26th July 2018 and signed on its behalf by

Sir David McMurtry

Executive Chairman



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