We are transforming tomorrow together

Renishaw plc
Annual Report 2023

RENISHAW
apply innovation™

We are

a world leader in measuring and manufacturing systems

Our products give high accuracy and precision, gathering data to provide customers and end users with traceability and confidence in what they're making. This technology also helps our customers to innovate their products and processes.

► The front cover shows one of our people using Renishaw Central – our smart factory platform. See pages 10, 11 and 35 or our website for more information.

Why we do it

We are guided by our purpose: Transforming Tomorrow Together. This means working with our customers to make the products, create the materials, and develop the therapies that are going to be needed for the future.

We believe that our purpose is incredibly relevant in today's environment where the pace of change in technology is faster than ever. We also know that the future will be a world of scarce resources, needing high-performance, intelligent, personalised solutions that make the best use of these resources, and our expertise can help deliver this.

Our vision is to innovate and transform the capabilities of our customers and end users through unparalleled levels of:

Precision

Productivity

Practicality

How we do it

While our vision sets our direction, our strategy is our route to getting there.

We set out our strategy on pages 22 to 25. Our strategy supports our sustainable long-term growth by ensuring we have the agility and resources to identify and respond to opportunities in our markets.

Our purpose, vision and strategy are supported by our values of innovation, inspiration, integrity and involvement. These values guide the way we behave and the decisions we make, both as a business and as individual employees.

Contents

We use abbreviations and trademarks within this document. For brevity, we don't define or identify these every time they are used; please refer to the glossary on page 208 for this information. In our narrative commentaries in this report, as an example, FY2023 means the financial year ended 30 June 2023. Other dates in our narrative commentary, such as 2023, refer to the calendar year.

Renishaw at a glance

We are a global business

We work closely with our customers around the world to solve complex engineering and science challenges and improve their products and processes. We operate in three regions: the Americas, EMEA and APAC. Most of our R&D and manufacturing takes place in the UK, and we have other major manufacturing sites in Ireland and India.

We have two operating segments: Manufacturing technologies, and Analytical instruments and medical devices. You can find an overview of these on pages 14 to 17.

Key locations
67

Worldwide employees[1]
5,175

Revenue
£688.6m
(FY2022: £671.1m)

Adjusted[2] **profit before tax**
£141.0m
(FY2022: £163.7m)

Statutory profit before tax
£145.1m
(FY2022: £145.6m)

Total dividend per share for the year
76.2p
(FY2022: 72.6p)

Graduates and apprentices employed
343
(FY2022: 296)

R&D expenditure
£72.5m
(FY2022: £59.4m)

1 As at 30 June 2023.

2 Note 29, Alternative performance measures, defines how Adjusted profit before tax is calculated.

Americas

"Our customers in Mexico benefit from our technologies through each stage of their manufacturing process. They expect support from us when they need it. We understand their requirements and, as a result, we have built strong relationships with them."

Diego Barron
Product Manager, Mexico

Total Americas revenue FY2023
£161.5m
(FY2022: £148.2m)

Americas locations
7

Leo Somerville
President, Americas

EMEA

"To stand out from the competition, it takes much more than just good products. Our customers deserve to be heard and understood. Our EMEA team respond to their needs and go above and beyond. The fast, reliable and comprehensive support provides a valuable basis of trust for long-term customer loyalty."

Yvonne Fischer
Business Development Manager, Germany

Total EMEA revenue FY2023

£216.5m
(FY2022: £205.8m)

EMEA locations

22

Rainer Lotz
President, EMEA

APAC

"Although our head office is outside of APAC, our customers here know and trust that we can handle challenges and provide quality support. We provide a better service to customers by sharing know-how and collaborating with colleagues across the region with similar markets to Japan."

Hayata Hattori
Applications Engineer, Japan

Total APAC revenue FY2023

£310.6m
(FY2022: £317.0m)

APAC locations

29

Andy Buttrey
President, APAC

We are delivering our values

Our values underpin our purpose of Transforming Tomorrow Together. They guide the way we do business and how our employees act. They help our business to grow and evolve.

Innovation

We encourage our people to be innovative and challenge convention.

Integrity

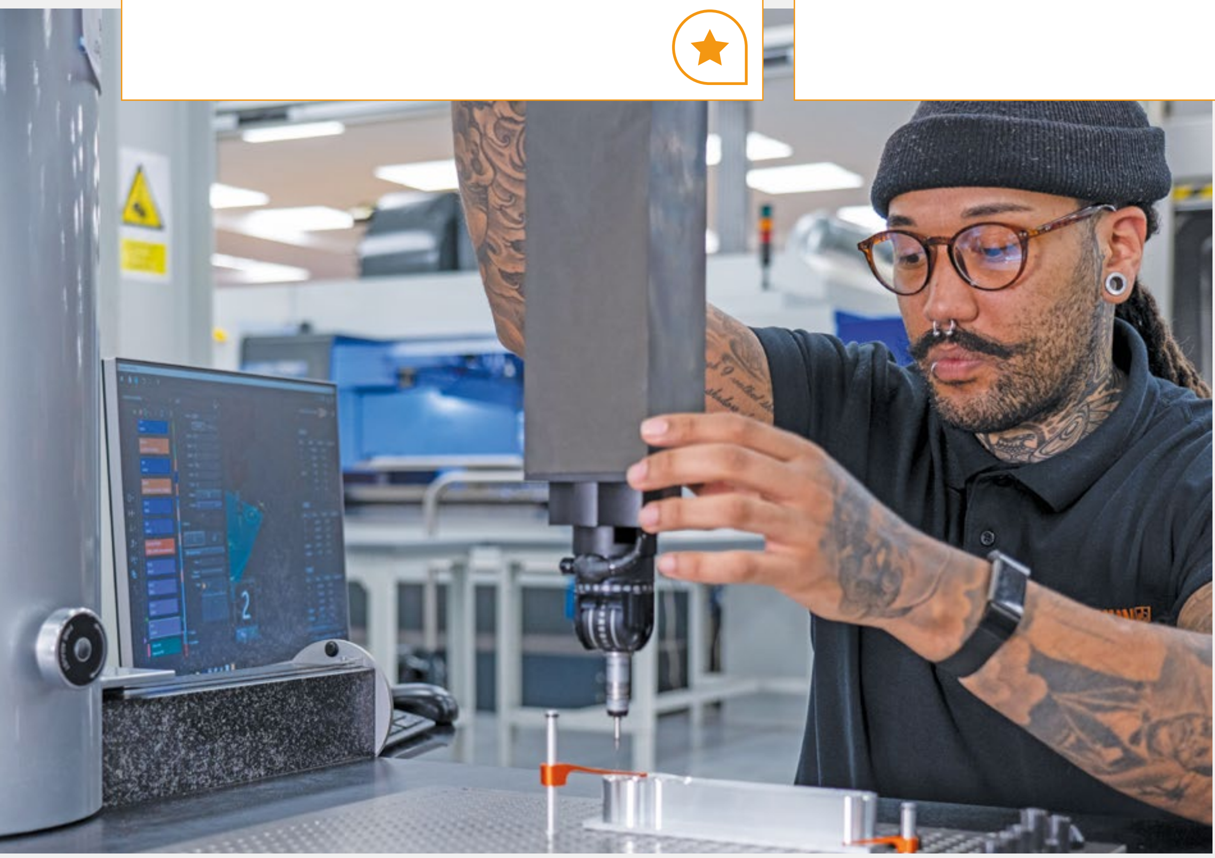
We will act with integrity at all times.

Inspiration

We should aim to inspire each other, our customers and the people we work with outside of the business.

Involvement

We encourage everyone to be fully involved and to support each other in contributing to the success of our business and the communities we operate in.



Celebrating our values in action

To recognise and celebrate real-life examples of our values in action, we launched a competition where teams around the world provided examples of how they are demonstrating our values.

We selected one winning team for each of our four values, and made a donation of £5,000 (or local currency equivalent) to a charity of that team's choice.

We received 34 entries, with judging carried out by the Executive Committee and senior leaders. The final decisions were made by our Executive Chairman, Sir David McMurtry, Chief Executive, Will Lee, and Group Finance Director, Allen Roberts.

Total charity donation

£20,000

"This new competition has been a fantastic way for the business to share success and celebrate how our people around the world demonstrate our values."

Diane Canadine
Head of Group HR

▶ **You can read about the competition winners on pages 90–91 and 140–141.**

Strategic Report

Chairman’s statement

We are reflecting on 50 years of success

“This year marks a significant milestone in Renishaw’s history as we celebrate our 50th anniversary.”

Sir David McMurtry
Executive Chairman

It’s a pleasure for me to use this opportunity to thank every one of our talented and inspiring people who have helped to make our business what it is today.

Since co-founding Renishaw in 1973 with John Deer, I continue to be immensely proud of how far we have come. From the early days of production taking place in John’s family home (with dust seals made from the underlay of my carpets!), we have grown into a truly global and respected business.

We’ve been pioneers and innovators on behalf of our customers throughout our 50 years. To play a part in this and to transform the capabilities of manufacturing – making the products, creating the materials and developing the therapies that are going to be needed for the future – is a true honour.

This has been a year of celebration for the Board and me, and it has also been a year of revenue growth despite challenging market conditions. Throughout FY2023 we have continued to build upon our strategy and deliver our purpose of Transforming Tomorrow Together.

The Board, like our people, embodies our values of innovation, inspiration, integrity and involvement. As we continue to grow, it’s important that we stay true to the principles that have ensured our success over the past 50 years.

50 years of innovation

Innovation has always been central to what we do. Our products have revolutionised component manufacturing and scientific research, helping to make the high-performing, precision products that we all use in our daily lives.

Each year we launch new products, and this year has been no different. We’ve released innovative new products for smart factories and robot metrology and introduced new technologies to strengthen our established product ranges. Will Lee, our Chief Executive, shares more details on pages 9 to 11.

I am a passionate engineer, and it’s a privilege to continue working on product developments that will transform our customers’ capabilities. This year, I have worked closely with our Additive Manufacturing (AM) team on our next-generation machine. To be involved in, and directly witness, the technological advancements our engineers make, means every day is very exciting.

◄ **50th anniversary celebrations in Taichung, Taiwan.**

Inspiring each other, our customers and our communities

Last year, I talked about how embedding and communicating our values are of particular importance to the Board.

To demonstrate that importance, we launched a new annual global values competition this year to encourage employees to share ways in which they have exemplified our values through their work.

The competition was a great success, and I was delighted to review the entries from across the business with my fellow Executive Directors. More information about the competition can be found on pages 90 to 91, and 140 to 141. As part of the contest, each winning team chose a charity to receive a £5,000 (or local currency equivalent) donation. So, through our values, we also aim to inspire our local communities by making a difference to people's lives.

We want to share our success with the communities where we operate, who have been highly supportive of our growth. Therefore, as part of our anniversary celebrations, the Board was delighted to approve a '50 at 50' charity initiative. During our 50th year, we will donate £150,000 to 50 not-for-profit organisations in our local communities.

Integrity is at the heart of what we do

Our ambition to be more sustainable is testament to how we put integrity at the heart of our business. It is also central to our purpose as we work closely with our customers to help them on their own sustainability journeys and are focused on promoting the sustainability benefits that our products offer. For example, as I have seen first-hand in my work with the AM team, this technology has the potential to reduce energy and material consumption compared to traditional subtractive manufacturing.

We are also playing our part in creating a sustainable future. This year we have made excellent progress in reducing our environmental impact. You can read more about our approach to sustainability and Net Zero ambitions on pages 68 to 80.

We expect our employees to always act with integrity. To support this, we are currently working on our new Code of Conduct which we will launch globally in FY2024. This will apply to our employees, customers and suppliers. It will provide guidance on decision-making and behaviours and bring all our key policies and compliance expectations together in one place.

This year we held an externally-facilitated Board evaluation which highlighted that the Board is working effectively. It found that meetings were conducted with a good dynamic, facilitating challenge but also encouraging the effective contribution of the whole Board. It also highlighted our culture of trust, openness and debate.

Following feedback from investors, including at our Capital Markets Day, the Board has also this year reviewed our approach to investor relations, and we will be looking at how we can increase engagement with investors over the next year.

Involvement of all our people is key to success

Equality, Diversity and Inclusion (EDI) remains an important area of focus for the Board. We pride ourselves on our open and collaborative culture. This year, we were pleased to appoint a dedicated EDI Lead, who will be instrumental in the development of our global approach to EDI. This will help us provide an inclusive, rewarding environment for all our people.

I am delighted to welcome Professor Karen Holford CBE to the Board as a Non-executive Director with effect from 1 September 2023. Karen brings extensive experience with her strong background in engineering research and development. A Fellow of the Royal Academy of Engineering, Karen received a CBE for services to engineering and the advancement of women in engineering in 2017, and her appointment also enhances the diversity of views we have on the Board.

We acknowledge that we still have a way to go as a business. In appointing Directors, the Board considers diversity at all stages of the process while being mindful that the right person for the long-term success of the Company should be appointed. The Nomination Committee continues to take diversity in all its forms into consideration when considering Board succession plans in FY2024.

To improve involvement across the business, we also reorganised our existing product groups during the year. We believe this will bring synergies between teams and technologies and simplify reporting to the Board. We are also currently reviewing succession plans throughout the business.

> "We pride ourselves on our open and collaborative culture."

Chairman's statement continued

Celebrating 50 years

Our anniversary year has given us a wonderful opportunity to celebrate. Throughout 2023, employees across the world have taken part in local events and activities to mark the occasion. From dressing up in 1970s clothing to family open days, it's been fantastic to see our people come together and celebrate.

This year also marked the anniversary of the opening of several of our global subsidiaries including China, who are celebrating 30 years in the market, and Austria, Canada, Hungary, Israel and Sweden which are each marking 20 years.

It's been wonderful to reflect on and celebrate our success, but we wouldn't be where we are today without our customers, suppliers and other stakeholders. We've had close relationships with many of them for most of our history and they continue to support us today.

We've achieved a great deal over 50 years. I would like to thank everyone who has been a part of Renishaw's story and I'm proud of the difference we continue to make to the world.

It's important to look back and mark these milestones, but we have always been focused on the future. So, as we move into our sixth decade, I am eager to see what Renishaw and our customers will accomplish next.

Sir David McMurtry
Executive Chairman

18 September 2023

The Board met eight times this year

Highlights include:

- approving significant investments to create sustainable long-term growth. This included agreeing significant capital expenditure on manufacturing equipment to both increase capacity and improve productivity;
- approving the appointment of Professor Karen Holford CBE as a Non-executive Director;
- overseeing the Executive Committee's progress of our strategy and objectives. This included attending regular 'show and tells' from our product development teams;
- monitoring the progress of our flagship product development. These are the products that we expect to be most commercially or strategically important;
- progressing our work to achieve Net Zero, including approving our commitment to reduce our Scope 3 emissions by 50% by 2030;
- participating in an externally-facilitated Board evaluation, which helped us evaluate our progress since last year. This confirmed that we have made good progress against our FY2022 evaluation actions and gave us a greater appreciation of the Board's positive dynamic, and culture of openness and trust; and
- engaging with employees around the world, including visits to our facility in Pliezhausen, Germany, and our manufacturing site in Miskin, Wales. The Non-executive Directors also featured in a global employee video to talk about their roles in the business and the function of the Board.

▲ 50th anniversary celebrations in Pune, India.

► 50th anniversary picnic at New Mills, our headquarters in Gloucestershire, UK.

We are continuing to pursue our long-term growth strategy

"In challenging trading conditions, our performance demonstrates the resilience of our business model, our excellent position in attractive markets, and the hard work and dedication of our teams around the world."

Will Lee
Chief Executive

I'm pleased to look back on a year in which we've made further progress, as we continue to fulfil our purpose, execute our strategy, and invest in our long-term success. We've achieved 3% revenue growth at actual exchange rates, although this was a 1% reduction at constant currency.

We delivered good growth in systems sales, one of our strategic priority areas, which was offset by weaker demand for optical encoders from the semiconductor sector. Our performance demonstrates the resilience of our business model, our excellent position in attractive markets, and the hard work and dedication of our teams around the world.

Our purpose of Transforming Tomorrow Together remains central to everything that we do. We continue to work closely with our customers, helping them to create the products, materials and therapies of the future. We play a leading role in the transition towards a sustainable future in which manufacturing processes are increasingly efficient, automated and self-governing.

Group performance

Total revenue this year was £688.6m, compared with £671.1m in FY2022, with both our operating segments delivering growth. While this is record revenue for the Group, at constant currency rates our revenue was 1% lower than last year. At actual currency rates we had growth in the EMEA and Americas regions but saw a small reduction in the APAC region. We introduced targeted price increases in H1 FY2023 which have contributed to the revenue growth.

Our Manufacturing technologies segment delivered 2.2% revenue growth. There were notable advances for our REVO 5-axis co-ordinate measuring machine (CMM) inspection systems, additive manufacturing (AM) machines, and machine calibration solutions. By contrast, we have seen lower capital investment in the key semiconductor market this year. This has reduced demand for our open optical encoders, most notably in the APAC region.

Meanwhile, our Analytical instruments and medical devices segment delivered 10.5% revenue growth. Our Spectroscopy product line achieved record revenue, with growing research and industrial applications for Raman spectroscopy, while our Neurological product line also grew.

Chief Executive's review continued

This year's Adjusted* profit before tax was £141.0m compared with £163.7m last year. Adjusted* earnings per share was 155.1p compared with 185.5p last year. Adjusted measures are the ones we use as a Board to measure our underlying trading performance. Statutory profit before tax was £145.1m compared with £145.6m last year, leading to Statutory earnings per share of 159.7p compared with 165.4p last year.

Profits fell this year due to a combination of modest revenue growth and inflationary increases in our labour costs and expenses. For more details, see the Financial review on pages 28 to 31.

Strategic progress

Innovation has always been the lifeblood of our business, and we continue to focus on developing new solutions for emerging customer needs. We have grown our R&D teams, and increased total engineering expenditure by 14.8%. This year, we've introduced new products to strengthen our market-leading product ranges. These include the RMI-QE machine tool radio transmission system (see page 37), and inLux scanning electron microscope interface for our Raman spectrometers (see page 45). We have a strong pipeline of significant new products under development, which we will introduce over the next few years.

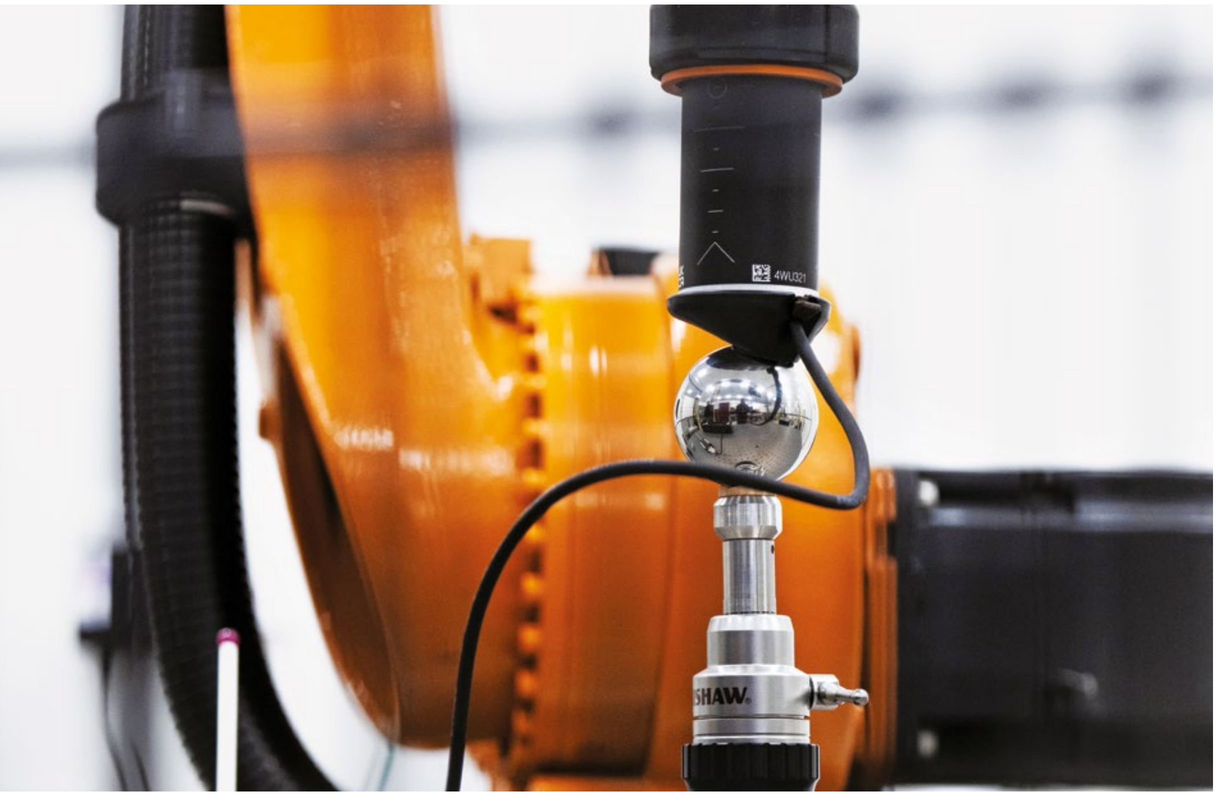
The use of industrial robots is accelerating as manufacturers automate work handling, fabrication, and assembly operations. This year, we launched our new Industrial Automation product line to enhance the accuracy and productivity of industrial robots. Our new products enable rapid robot cell installation, and reduce the time taken to recover from unplanned stoppages from several days to just a few minutes. We can also compensate for errors in a robot's motion. This improves positioning accuracy so that robots can be used for higher precision tasks. We are excited about our prospects in this high-growth market.

Over the years we've pioneered in-process control of machining processes, helping manufacturers to minimise waste and boost productivity. We are now taking this a step further with Renishaw Central, our new smart factory software platform. Central consolidates actionable data from almost any shop-floor metrology device, enabling fast, robust process control feedback. This means we can help customers improve process outcomes, rather than simply monitoring them. We believe this is a major step towards autonomous manufacturing.

Our global sales and marketing teams support our customers' success around the world. Our metrology probes and position encoders are primarily sold via machine builders and distributors, and our priority here is to boost fitment levels and gain market share. For example, our open optical encoders are being designed into a wide range of manufacturing equipment in the automotive, semiconductor, robotics, and automation sectors. Meanwhile, more than 100 machine tool builders have evaluated our FORTiS enclosed optical encoders and a growing number of early adopters are fitting them to machines being produced in volume.

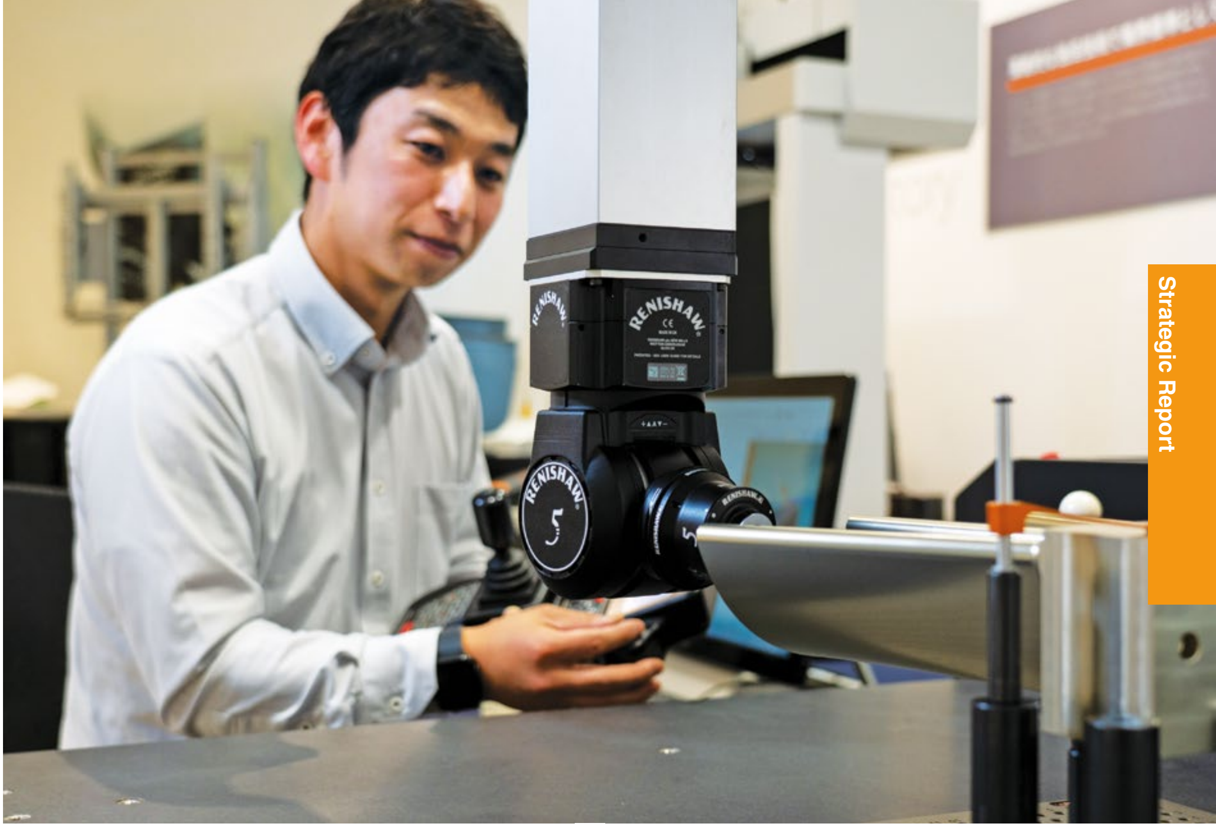
We also supply complete machines and software, mostly sold direct to end users, and serviced by our global teams. We have significant opportunities to gain market share in substantial, high-growth markets, so our priority is to grow these products towards market leadership positions.

Shop-floor metrology systems are a key growth area for us. We've been particularly successful this year with our AGILITY CMMs equipped with REVO 5-axis systems, where we have gained repeat sales from key customers in the automotive, aerospace and consumer electronics sectors. Our unique combination of rapid scanning and multi-sensor measurement, including optical and ultrasonic sensors, enables complete inspection in a single automated process. We've also increased sales of Equator flexible gauges for electric vehicle (EV) applications.



◀ This year we introduced a new Industrial Automation product line to enhance robot precision.

* Note 29, Alternative performance measures, defines how Adjusted profit before tax and Adjusted earnings per share are measured.



► We've gained repeat sales from key customers for our REVO 5-axis CMM inspection systems this year.

It's been a similar story for our RenAM family of multi-laser AM machines this year, with growth of repeat sales to the medical and consumer electronics sectors. Meanwhile, our Spectroscopy business has seen rising sales of the Virsa Raman analyser, which takes research-grade materials analysis out of the lab and onto the factory floor.

Our in-house manufacturing is also critical to our success, giving us the flexibility to meet changing demands, while maintaining our exacting standards. The current inflationary environment makes it essential that we improve our productivity, so we can absorb higher costs while remaining price competitive. We continue to upgrade our machine tools and expand our automated encoder assembly systems, which will enable us to rapidly ramp production up and down to track cyclical demand. We've also been running Renishaw Central in our machine shops over the last year, reducing our own unplanned stoppages and batch changeover times.

Meanwhile, we are making our biggest ever capital investment. We are progressing well with building works at our site in Miskin, Wales, that will, in a phased manner, increase our manufacturing floorspace by 50%, giving us room to grow in the years ahead.

Sustainability

Sustainability is at the heart of our purpose, and we are committed to making our entire business Net Zero by no later than 2050. We've made good progress on our plan, reducing greenhouse gas (GHG) emissions relating to our own operations and purchased energy, by 21% in FY2023 (see page 68).

A major focus this year has been our work towards fully quantifying the emissions relating to our supply chain and the distribution and use of our products, known as Scope 3 emissions. We estimate that these accounted for 97% of our total carbon emissions in our baseline year (FY2020). We are targeting a 50% reduction in these emissions by 2030, and will publish our full climate transition plan next year.

People

Sir David has already acknowledged the tremendous contribution our employees have made this year and throughout the past 50 years. I'd also like to add my own thanks for everything they've done to drive us forward towards our vision to innovate and transform the capabilities of our customers.

To pursue our purpose of Transforming Tomorrow Together, we need to attract and develop outstanding people. We are focused on modernising our approach to pay and reward, improving our performance reviews, and supporting career development to help our people fulfil their potential. We've increased our average pay by around 10.2% in FY2023 compared to FY2022, excluding other factors, such as headcount growth. Our global voluntary turnover rate has fallen from 10.7% to 6.8% this year.

We've responded to slowing customer demand for our optical encoders this year by reducing direct manufacturing headcount through non-replacement of leavers. We continue to take a long-term view for success, and our early careers programmes provide a vital pipeline of new talent to maintain and grow our teams. As of 30 June 2023, we employ 343 apprentices and graduates and in FY2023 we took on 45 industrial placement students.

Outlook

FY2023 has seen mixed conditions for our markets. Demand for most of our product lines has risen, with good growth in systems sales, but the semiconductor equipment sector has been notably weaker this year.

We have seen a steady start to FY2024 and our order book remains solid. We continue to see positive trends for investment in low emission transportation, defence, additive manufacturing and robotics. Meanwhile, demand from semiconductor equipment suppliers for position encoders remains subdued. While the short-term macroeconomic picture remains unclear, we continue to manage costs prudently, we are implementing further price rises, and remain focused on improving our productivity.

I'm confident in our strategy and the actions we're taking to deliver sustainable long-term growth, including our investments in people, infrastructure and product innovation.

Will Lee
Chief Executive

18 September 2023

Investment case

We are creating a sustainable, autonomous future

We pursue innovation-led growth in attractive markets that are driven by key global trends.

We're a leader in many of our markets, with diversification opportunities in high-growth, close-adjacent sectors.

We take a long-term approach, focusing on product innovation, cost-effective in-house manufacturing, and building trusted relationships with our customers.

Global presence

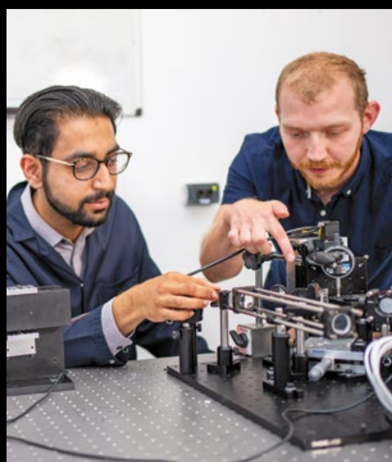
We have a global network of sales and support offices. This helps us access and support local markets, and build trusted relationships with our customers. Our global presence means that we can support demand wherever it arises, helping us to respond to changing global supply chains.

Our manufacturing sites in the UK, Ireland, and India, alongside our global purchasing teams, make us resilient to supply challenges.

Proven innovators

Innovation is part of our heritage and culture, and we've been transforming technology for 50 years. We've always understood the value of our intellectual property, holding nearly 1,800 patents. We reinvest a significant proportion of our revenue into engineering, including R&D, to deliver a pipeline of innovative new products.

Our technology delivers precision, productivity and practicality to customers, and helps them to innovate and transform capabilities in manufacturing and healthcare. We also apply innovation to our own processes, developing automated machining and robotic assembly processes. This ensures we can manufacture high-quality products with high profit margins.



Market opportunities

Our product development is driven by strong market opportunities and key global trends, including:

- skills shortages driving demand for automated, intelligent manufacturing;
- rising energy and material costs increasing the need for higher performing products and efficient manufacturing processes;
- rapidly upgraded semiconductor manufacturing equipment to support new computing and communications technologies;
- relocation of manufacturing as companies seek to secure their supply chains; and
- an ageing global population needing innovative new healthcare therapies.

Strong financial record

Our in-house innovation and manufacturing approach allows us to generate high gross profit margins, which we can reinvest to grow the business. We've primarily grown organically and financed this growth with our own reserves.

We have a robust balance sheet, with significant cash reserves to fund future growth.

This solid financial base has also meant that we can focus on taking a long-term view and helps us to weather shorter-term economic challenges. It also supports our progressive dividend policy.

Sustainable business

Our products allow our customers to improve their manufacturing efficiencies and develop efficient new products, supporting them as they build a more sustainable future. We expect these demand drivers to create strong growth opportunities as businesses develop their approach to sustainability.

Our focus on the long term means we have always worked hard to develop sustainable operations. We self-generate 11% of our electricity consumption and purchase most of our remaining electricity from renewable sources. Our Net Zero commitments promise that we will go even further.

Our products and where they are used

We are transforming tomorrow together

Over the next four pages we illustrate typical environments in which the products from our two segments (Manufacturing technologies and Analytical instruments and medical devices) are used. We also explain the applications for those products. Below is a graphic of a machining facility within which many of our Manufacturing technologies would be present.

▲ Equator 500 gauging system.

▲ TONiC super-compact optical encoder.

▲ REVO 5-axis CMM inspection system.

▲ Build chamber for RenAM 500Q additive manufacturing system.

▲ RCS T-90 robot diagnostic system, fitted in a working robot cell.

▲ OSP60 on-machine probe with SPRINT technology.

▲ QC20 ballbar diagnostic tool.

Manufacturing technologies

This segment consists of four areas: Industrial Metrology, Additive Manufacturing, Position Measurement and the new Industrial Automation line. Across these areas we provide our customers with technologies to maximise their manufacturing capabilities.

Our hardware and software solutions help to create more efficient, sustainable and innovative factories.

Here we explain how the different technologies you see in the graphic opposite are used by our customers.

Industrial Metrology

Our Industrial Metrology hardware and software solutions allow manufacturers to precisely measure machined parts, generate inspection reports, and control the performance of production machines.

We design and make a range of technologies that allow customers to make measurements at the most suitable point in a production process – either directly on the machine, on the shop floor, or in a separate quality lab.

1

Computer numerical control (CNC) machines enable consistent automatic machining of features using different cutting tools to remove material.

Our probes are used on CNC machine tools before machining to set up the machine and locate material, and to measure cutting tools. During or after machining, they check that parts are being produced as expected. They also generate data that allows the process to be monitored and self-corrected, or they can prompt for human intervention. Our software allows probes to be used for a wide range of applications on machines from multiple manufacturers.

Integrated probing dramatically cuts manual intervention and reduces the skills needed to support CNC machining processes. Our technologies automate these processes and control the quality output.

► **Find out more about our SPRINT technology for CNC machine tools.**

2

For applications where different batches of parts are produced, a flexible and easy-to-use part measurement system is essential. Our Equator gauging system can be used on the factory floor next to CNC machines to inspect parts at speed and feed back data to keep processes within tolerance. Hundreds of manufacturers worldwide are replacing traditional custom gauges and manual measurement devices with our flexible Equator system.

► **Find out more about our Equator gauging systems.**

We also provide systems for CNC machine performance measurement and calibration, ranging from regular health checks through to in-depth analysis and calibration tools. These systems ensure that the repeatability and accuracy of a CNC machine is maintained throughout its life.

► **Find out more about our machine diagnostics and preventative maintenance.**

► **Renishaw Central is our smart manufacturing data platform that collects, presents and actions accurate process and metrology data.**

Our products and where they are used continued

3

A co-ordinate measuring machine (CMM) is used to monitor quality and identify process problems. CMMs measure the dimensions of a manufactured part using a contact probe or other sensor.

CMM inspection is an important part of the manufacturing process. Measuring machined parts ensures they conform to design specifications, including feature size, position, form and surface finish.

We offer market-leading CMM multi-sensor systems using contact and non-contact measurement. Our software tools allow measurement planning, data collection, data presentation and analysis.

We also sell styli, the part of the contact probe measuring system that touches the measured parts, and fixtures that secure the parts in place on the CMM.

► **Find out more about our CMM technologies.**

4

Additive Manufacturing

Additive manufacturing (AM), also known as 3D printing, is the creation of components by building up layers of material. Our AM machines use laser powder-bed fusion technology. This works by spreading a thin layer of metal powder, and then using lasers to selectively melt sections of the powder. This is repeated, with each layer built on top of the one before it, to build up a high-strength solid metal part.

▼ **RenAM 500Q AM machine.**

AM is used to produce complex shapes that cannot be made by traditional manufacturing, such as machining.

► **Find out more about our AM solutions.**

Position Measurement

Machines for high-precision manufacturing need accurate position data to create and align features and components. Our encoder and calibration technologies give manufacturers this precise feedback to enable motion control and allow automated operation.

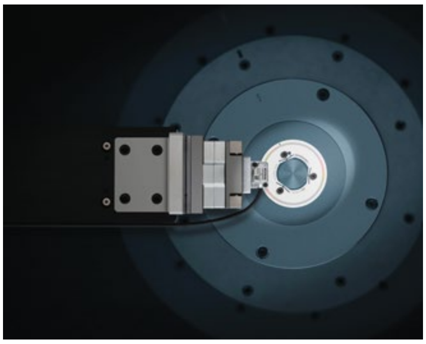
5

An encoder is a device that converts linear or rotary motion into an electrical signal that provides accurate and immediate feedback on position, speed and direction of motion.

We design and manufacture optical and laser encoder systems, while our joint venture, RLS, designs and produces magnetic encoders.

These devices are used for very small units of measurement in a variety of applications, including the assembly and manufacture of flat panel displays, factory automation, CMMs and surgical robots.

► **Find out more about our motion control solutions.**



▲ **CENTRUM bolted disc with an ATOM DX encoder, our smallest incremental optical encoder series.**

6

Our calibration systems are used by machine builders and users of precision machinery to ensure machines are working as intended.

They can be used at different times including during the construction of a machine, in a working machine before a process starts, during a machining process to diagnose errors, or as part of ongoing machine maintenance.

► **Find out more about our machine calibration and optimisation systems.**

7

Robots are used throughout production processes to minimise errors, increase production speed, reduce costs, and enhance safety.

Our new Industrial Automation products bring our metrology solutions into the world of robotic manufacturing cells.

We are focused on developing products that provide fast and easy robot set-up and recovery, and introduce in-process metrology for improved accuracy within automation cells.

► **Find out more about our range of industrial automation solutions.**

► **You can read more about our Manufacturing technologies in the Performance review on pages 32–41.**

Analytical instruments and medical devices

This segment consists of Spectroscopy and Neurological, where we supply our customers with innovative technologies to improve materials analysis and neurological therapies.

Our customers in this segment tend to be end users of our technologies working in healthcare and academia.

Customer engagement and support is a key differentiator for us and we can configure our products according to different needs.

Here you can see example environments in which our technologies could be used – a laboratory (right) using our spectroscopy systems and an operating theatre (below) with our neurological products.

Spectroscopy

We sell high-performance Raman spectroscopy systems which are used in a laboratory or in-situ to analyse the chemical and structural properties of sample materials.

▶ **inLux SEM Raman interface.**

Our products are used for R&D and in-field analysis in many diverse areas from engineering new materials, monitoring chemical processes and optimising battery performance, to early-stage cancer detection and cultural heritage.

▶ **Find out more about Raman spectrometers.**

Neurological

Our neurological solutions focus on neurosurgery, where we mainly sell to hospitals, and a drug delivery system which we sell to pharmaceutical companies.

2 Neurosurgery

Includes our neuromate stereotactic robot and neuroinspire surgical planning software. These products are used for procedures such as tissue biopsy, deep-brain stimulation (DBS) and stereoelectroencephalography (SEEG).

▶ **neuromate stereotactic robot.**

3 Drug delivery

Our drug delivery product focuses on the direct delivery of therapies to target areas within the patient's brain for the treatment of conditions such as Parkinson's disease. Drug delivery continues to be an area of investment for us with an aim to provide a strong revenue stream from consumable products.

◀ **neuroinfuse drug delivery system port and application set.**

▶ **Find out more about our neurological products.**

▶ **You can read more about Analytical instruments and medical devices in the Performance review on pages 42–47.**

A history of innovation

We are celebrating fifty years of innovation

Celebrating 50 years of innovation

Our company was established in 1973 by Sir David McMurtry, Executive Chairman, and John Deer, Non-executive Deputy Chairman.

In 1972, Sir David invented our very first product, the touch-trigger probe, to solve a dimensional measurement problem for the Olympus engines used in Concorde.

Since then, our people have helped design and develop a host of precision instruments that have transformed the manufacturing and healthcare industries. We are proud of that legacy and are committed to continue that track record by realising our purpose to transform tomorrow together.

Here we take a look back at just some of the key moments from our history.

1973 – 1983

▲ **The first touch-trigger probe and patent.**

▲ **Our first intake of sponsored students.**

1973 Renishaw Electrical Ltd registered. TP1, the first probe for co-ordinate measuring machines, made commercially available.

1977 First dedicated probe for machine tools – enabling automated setting and inspection.

1979 Start of our early careers programme with the first apprentices employed (our sponsored student scheme started in 1984).

1981 International expansion, with a manufacturing facility in Ireland and the first sales subsidiary, Renishaw Inc, established in Chicago, USA.

1983 Flotation on the London Stock Exchange's Unlisted Securities Market (full listing in 1984).

1984 – 1993

▲ **RAMTIC.**

1987 First laser interferometer system – transforming the speed and accuracy of machine calibration.

1989 Introduced the first range of encoder readheads and interfaces.

1991 QC10 ballbar system launched, enabling rapid analysis of machine tool positioning performance.

1991 Raman microscope introduced to provide detailed chemical and structural characterisation.

1992 Introduced Renishaw's Automated Milling, Turning and Inspection Centre (RAMTIC) – an in-house system still in use for component production.

1994 – 2003

1995 First laser scale system introduced.

1997 1,000 employees worldwide.

2000 Global revenue reaches £100 million.

2003 Largest international expansion in one year, opening offices in Austria, Canada, Hungary, Israel and Sweden.

▲ **Our office in Canada in 2003.**

2004 – 2013

2005 Launch of our REVO 5-axis measurement system, enabling a 10x increase in tactile measurement speeds.

2007 Entered the neurological market.

2011 Gauging and additive manufacturing products introduced.

2011 Miskin manufacturing site purchased in Wales.

2013 Metrology fixtures products introduced.

▲ **Our Equator gauging system.**

2014 – 2023

2018 Launch of our RenAM 500Q multi-laser additive manufacturing system.

2019 5,000 employees worldwide.

2021 Record year for UK graduate and apprentice opportunities – 96 graduates and 80 apprentices.

2021 Launched the FORTiS range of next-generation enclosed linear absolute encoders.

2022 Announced detailed Net Zero emissions commitments.

▲ **We now have more than 5,000 employees worldwide.**

"This is a year to reflect on the tremendous achievements of our co-founders and employees past and present, and to look forward with confidence to future decades of innovation and growth."

Will Lee
Chief Executive

Business model

We are solution providers

We work with our customers to understand their technological challenges, then design, manufacture and sell innovative products and processes to solve them.

Our business model helps us focus our resources and make the most of our strengths to deliver value for all our stakeholders.

Our resources

Customer relationships
We're able to invest in long-term relationships with our customers. This helps us to understand their needs and design solutions to solve their challenges.

People
Our 5,175 talented people around the world are committed to delivering our purpose, vision and strategy.

Supplier relationships
Our global and local suppliers provide us with the high-quality components and materials we need, as well as supporting our infrastructure and operations. We build long-term relationships and many of our suppliers have grown with us.

Research & development
Our strong IP portfolio and significant commitment to R&D expenditure helps set us apart from competitors and delivers long-term value.

Financial resources
We've funded our growth and infrastructure by reinvesting our profits. We also have a strong cash position, helping us to fund future development and deliver our strategy.

Delivering value for...

Our customers
- £100.6m spent on developing new products and improving our existing products.
- 67 key locations worldwide providing local customer support and technical expertise. We recently opened a new technology centre in Bangalore to support our growing customer base in India.

Our shareholders
- Total dividends of £55.5m for the year, an increase of 5% from FY2022.

Our people
- £278.8m in salaries, bonuses, social security and pension contributions.
- Introduced a new job architecture allowing us to align jobs globally based on types of work. This will provide our employees with clearer career pathways and will improve retention and development.

Our suppliers
- £47.0m committed to global capital expenditure projects.
- 493 global suppliers for direct goods and services to UK manufacturing operations.

Our communities
- Ongoing education outreach initiatives in countries such as Brazil, India, Mexico, UK, and USA.
- £0.3m in charitable donations during the year.

Our planet
- 21% reduction in our market-based statutory greenhouse gas emissions compared to FY2022.
- Self-generating 11% of our global electricity consumption through renewable sources.

Value creation and competitive advantage

Customer needs

We work closely with our customers to understand the challenges they face in manufacturing, materials analysis and healthcare.

Innovative engineering

Using this understanding from our customers and world-class engineering, we design innovative products that solve these problems and provide precision, productivity and practicality.

High-quality manufacturing

We then manufacture these products ourselves. This gives us control over their quality, cost and delivery.

Routes to market

We have local support and technical experts based in our main markets, helping us to respond quickly to our customers' and end users' needs.

Our strategy for creating long-term value

We are

led by a solid strategy

Our strategy ensures we have the agility and resources to identify and respond to opportunities in our markets by focusing on four key strategic pillars: sales and marketing, engineering, manufacturing, and corporate services. These pillars are underpinned by our people and culture and our sustainability approach, including our commitment to Net Zero.

Our strategy

Manufacturing technologies

► see pages 32 to 41 for the Performance review

Analytical instruments and medical devices

► see pages 42 to 47 for the Performance review

Sales and marketing

Manufacturing

Engineering

Corporate services

People and culture

Our sustainability approach

Sales and marketing

What we do

Support our customers' success around the world

Our priorities

- Ensure that we provide expert and quick customer support, aligning our sales and support teams with the locations where our customers are located.
- Maximise our opportunities in high-growth markets, such as semiconductor manufacturing equipment, robotics and additive manufacturing (AM).
- Expand our sales of shop-floor metrology systems, both direct to key end users and through distributors.
- Enter close-adjacent markets with non-substitutional new products, such as enclosed encoders for machine tools.

Our progress

- Added new technical support facilities in India to support customers as they increase their supply chain security.
- Built a growing list of customers using multiple AM machines in series production applications.
- Achieved good growth of our REVO 5-axis co-ordinate measuring machine (CMM) systems into the automotive, aerospace and consumer electronics sectors.
- More than 100 machine tool builders tested FORTiS enclosed encoders, and FORTiS incorporated into regular production with several early adopters.

Link to KPIs

Revenue (£m)

Adjusted profit before tax (£m)

Statutory profit before tax (£m)

▶ **Read more on page 26**

Link to risks

Our relevant principal risks for this area are marked SM on pages 52 to 59.

Manufacturing

What we do

Deliver quality products through cost-effective manufacturing

Our priorities

- Maintain our quality standards.
- Ensure we have the capacity and inventory to respond to changes in demand.
- Enhance our productivity to make better use of existing resources and maintain gross profit margins.
- Invest in our factory capacity to support our long-term growth.

Our progress

- Rebuilt inventory levels following recent supply chain disruption. Bringing delivery lead times down to target levels and building resilience in readiness for future demand increases.
- Some inventory levels are currently above target and will be progressively reduced for certain components over the next year, while retaining resilience for future demand increases.
- Implemented automation projects in high-volume assembly and machining operations, reducing direct labour requirements and quality costs.
- Started construction of additional factory space at Miskin, Wales, with the first hall due to complete in December 2023. This will help us expand manufacturing capacity in our growing CMM systems, enclosed encoder and AM products.

Link to KPIs

Revenue (£m)

Adjusted profit before tax (£m)

Statutory profit before tax (£m)

▶ **Read more on page 26**

Link to risks

Our relevant principal risks for this area are marked M on pages 52 to 59.

Our strategy for creating long-term value continued

Engineering

What we do

Develop innovative products and processes

Our priorities

- Complete our flagship product development projects on time. These are the products that either bring faster revenue benefits or are strategically important to us.
- Continue to invest in new and disruptive technologies.
- Introduce non-substitutional new products to enable diversification into close-adjacent markets.
- Expand our research teams in key areas, such as materials science, artificial intelligence, and application-specific integrated circuit (ASIC) design.

Our progress

- Launched new RMI-QE radio transmission system for our market-leading machine tool probing range (see page 37).
- Launched Renishaw Central, a new smart factory software platform, which has already proven its value in our own factories.
- Introduced our new Industrial Automation business, based on novel techniques researched by our Group Technology team.
- Continued to invest in growing our research teams, increasing engineering headcount by 4% to pursue long-term growth opportunities.
- Expanded ASIC design team to develop devices to enhance the performance of key products.

Link to KPIs

Total engineering costs (£m)

Adjusted profit before tax (£m)

Statutory profit before tax (£m)

▶ **Read more on pages 26 to 27**

Link to risks

Our relevant principal risks for this area are marked E on pages 52 to 59.

Corporate services

What we do

Enable an efficient, intelligent and responsible business

Our priorities

- Ensure that we meet our legal, ethical and regulatory obligations.
- Improve our IT systems and infrastructure to help our people work more efficiently, and to enhance our cyber security.
- Embed sustainability into our business strategy and operations.
- Manage risks effectively within our risk appetite, focusing on sustainable growth.

Our progress

- Strengthened 'Responsible Renishaw', our global compliance brand, with consolidation of our policies into a new Code of Conduct. This will be introduced globally in FY2024.
- Planned a phased implementation of Microsoft Dynamics 365 to streamline customer-facing and back office business processes, with initial deployments due in FY2024.
- Scoped a new Global Supplier Compliance Portal as a single source of information for supplier performance in areas such as modern slavery, product safety and sustainability.

Link to KPIs

Adjusted profit before tax (£m)

Statutory profit before tax (£m)

▶ **Read more on page 26**

Link to risks

Our relevant principal risks for this area are marked CS on pages 52 to 59.

People and culture

What we do

Provide a great place to work, grow and contribute

Our priorities

- Ensure that we offer competitive pay and benefits, to attract, retain and motivate our people.
- Support career progression to foster growth.
- Simplify our performance review process, to encourage better engagement and help people understand how their contributions support our strategy.
- Nurture an inclusive culture with a diverse workforce in an environment that supports our people's wellbeing.

Our progress

- Conducted global salary benchmarking and increased global average pay by 10.2%. This helped to reduce voluntary employee turnover from 10.7% to 6.8% this year.
- Introduced a new job architecture and started to develop competency frameworks to support career progression.
- Embedded a simpler annual and mid-year performance review process.
- Appointed an Equality, Diversity and Inclusion (EDI) Lead and strengthened our EDI champions network, focus groups and awareness activities.
- Strengthened our wellbeing programme with internal training, mental health first aiders and external advice, support and information.

Link to KPIs

Global voluntary employee turnover (%)

Adjusted profit before tax (£m)

Statutory profit before tax (£m)

▶ **Read more on pages 26 to 27**

Link to risks

Our relevant principal risks for this area are marked P on pages 52 to 59.

Our sustainability approach

What we do

Support the transition to a sustainable future

Our priorities

- Make our business Net Zero by no later than 2050.
- Reduce emissions relating to our business activities and purchased energy (Scope 1 and 2) to Net Zero by 2028.
- Reduce emissions relating to our supply chain and the distribution and use of our products (Scope 3) by 50% by 2030.
- Mitigate climate-related risks and capitalise on climate-related opportunities.
- Help our customers reduce their carbon emissions.
- Contribute to our broader commitment to sustainability by supporting the UN Sustainable Development Goals (UN SDGs) 8, 12 and 13.

Our progress

- Reduced Scope 1 and 2 emissions by 21% this year.
- Invested £4.2m in infrastructure improvements related to Net Zero.
- Introduced our ULEV scheme in the UK, with more than 150 employees ordering electric vehicles (EVs) through this programme, with similar schemes to be launched elsewhere in the Group in coming years.
- Worked towards fully quantifying our Scope 3 emissions and developed our climate transition plan.
- Assessed climate-related transition and physical risks and opportunities.
- Created various strategy and working groups who have identified projects and strategic aims contributing to UN SDGs 8, 12 and 13.

Link to KPIs

Statutory emissions (tCO_2e per £m revenue)

▶ **Read more on page 27**

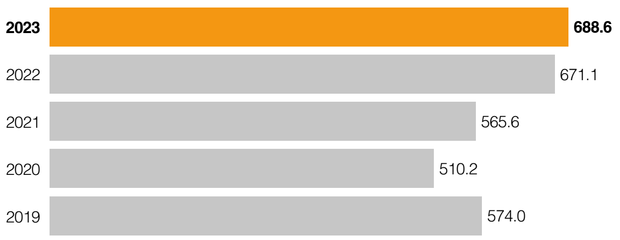
Link to risks

Our relevant principal risks for this area are marked S on pages 52 to 59.

Key performance indicators

Our KPIs are used by the Board to track and measure performance progress. Our management teams also use other metrics to monitor and assess performance at more granular levels.

Revenue £m



Why we measure this

Sustainable long-term growth is a key part of our strategy. Revenue growth helps increase our profits, which we reinvest in our business to deliver that strategy and use to pay dividends to our shareholders.

How we measure this

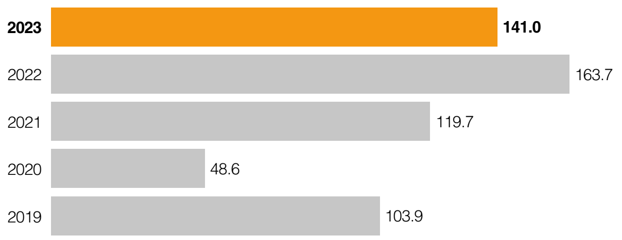
Revenue generated from operations, at actual rates of exchange.

How we performed

Revenue grew to £688.6m, an increase of 2.6% from FY2022.

We experienced a significant benefit to revenue this year due to changes in exchange rates. We also had good sales of AM machines, and CMM and machine calibration systems. These factors have helped to increase revenue overall for the Group, despite lower demand from the semiconductor sector resulting in lower revenue from encoder products.

Adjusted profit before tax £m



Why we measure this

This helps demonstrate the underlying trading performance of the business.

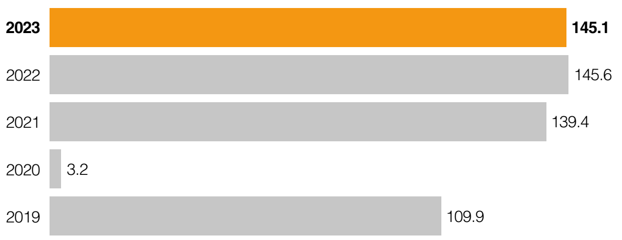
How we measure this

We adjusted Statutory profit before tax for: fair value gains and losses from forward currency contracts that did not qualify for hedge accounting and which have yet to mature; a revised estimate of FY2020 restructuring provisions; and a one-off past service cost for the US defined benefit (DB) pension scheme.

How we performed

As a result of increased costs in a year of modest revenue growth, this has decreased by 13.9%. The main driver of this is increased labour costs, following our global salary benchmarking review. Like many businesses, we have also experienced significant inflationary pressures on other costs.

Statutory profit before tax £m



Why we measure this

Profit demonstrates how our strategy is delivering value for our stakeholders.

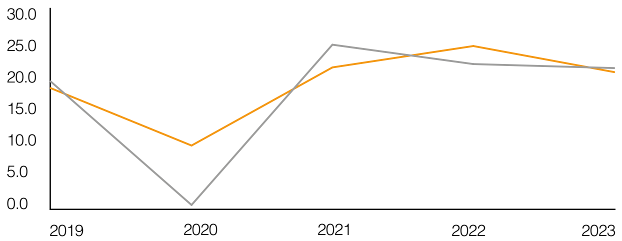
How we measure this

This is the Statutory profit before tax as reported on page 154.

How we performed

This has decreased by 0.4%, a lower decrease than our Adjusted profit measure. This is primarily because last year's Statutory profit before tax included an £11.7m cost relating to the UK DB pension scheme. Other year-on-year movements are explained further in Note 29 to the Financial statements.

Profit margin %



Why we measure this

Profit demonstrates how our strategy is delivering value for our stakeholders.

How we measure this

These are Adjusted and Statutory profit before tax, expressed as a percentage of Revenue.

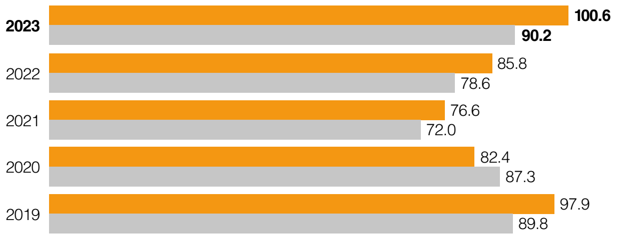
How we performed

Both measures have decreased this year, with operating costs increasing at a greater rate than revenue growth this year. This was mainly due to higher labour costs (where we are investing to attract and retain people to deliver future growth) and other inflationary pressures.

Statutory PBT   Adjusted PBT

Key F Financial NF Non-financial

Total engineering costs including R&D £m F



Why we measure this

Investing in engineering is fundamental to our growth, helping us to develop innovative new products and support our existing products.

How we measure this

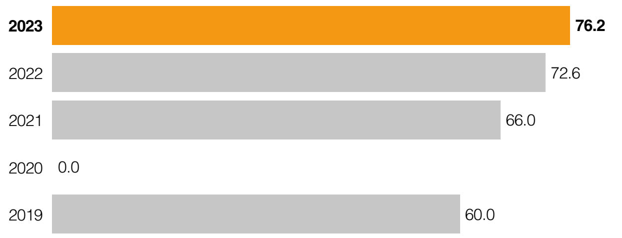
Annual expenditure on engineering, including R&D that has been capitalised in the year, and net of amortisation on capitalised R&D.

How we performed

Gross expenditure increased significantly, which is consistent with our expectations. This mainly reflects an increase in labour costs, helping us to retain and develop engineers to develop new technologies for future growth.

Included in the Consolidated income statement   Gross expenditure

Dividend per share in respect of the year pence F



Why we measure this

To track the underlying performance of the business and measure whether profit growth translates into improving shareholder returns.

How we measure this

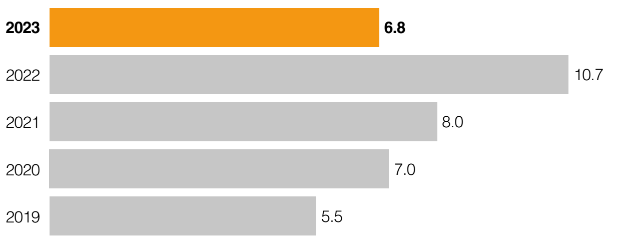
Interim dividend paid in the year, plus the proposed final dividend.

How we performed

We paid an interim dividend of 16.8 pence per share in 2023 and the Directors propose a final dividend of 59.4 pence per share. If approved, this would bring the overall dividend per share to 76.2 pence, an increase of 5% per share from the total dividend for FY2022.

Although both adjusted and statutory profit before tax have reduced this year, the Directors have considered the Company's future growth plans and our strong cash reserves, and so have increased the dividend per share this year in line with our progressive dividend policy.

Global voluntary employee turnover % NF



Why we measure this

The success of our strategy relies on our people feeling that Renishaw is a great place to work, grow and contribute.

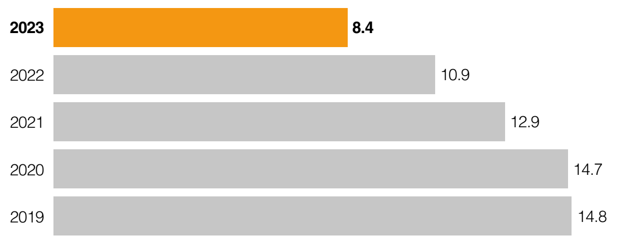
How we measure this

The number of voluntary leavers (excluding voluntary redundancy, if applicable) in the year, as a percentage of our total headcount.

How we performed

After investing heavily in pay and reward this year, our turnover rate has improved and we continue with activities to promote further engagement. More information can be found on pages 65 to 67.

Statutory GHG emissions tCO2e per £m revenue NF



Why we measure this

This helps us to ensure we are doing business responsibly and tracks how we are progressing with our Net Zero targets.

How we measure this

Tonnes of Scope 1 and 2 ('Statutory') CO_2e emissions from our operations, per £m of revenue, using the market-based method.

How we performed

We're delighted that our approach to Net Zero has continued to deliver a reduction of our Statutory GHG emissions as a proportion of revenue. Our GHG emissions have also reduced in absolute terms, with the introduction of 100% renewable electricity at major sites in India and the USA contributing significantly to this.

Financial review

We are in a strong financial position

“We have seen good systems sales performance in a year of challenging market conditions.”

Allen Roberts
Group Finance Director

We have achieved revenue for the year of £688.6m, compared with £671.1m last year. However, revenue at constant exchange rates* was £662.8m, a reduction of 1% from last year. The weakening of the semiconductor market during the year has resulted in challenging trading conditions, however we have seen good growth in our systems sales.

We have made significant investments in our production infrastructure and our people during the year. 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).

Revenue analysis

Manufacturing technologies revenue grew by 2.2% to £648.2m this year at actual rates. Our optical encoder revenue has fallen, mainly due to lower demand from the semiconductor market, notably in the APAC region. However, we are pleased that this has been largely offset by good growth in sales of our multi-laser AM systems, machine calibration systems, laser encoder systems, and CMM inspection systems.

Revenue from our Analytical instruments and medical devices segment grew by 10.5% to £40.3m this year, with record revenue for our Spectroscopy products. We also saw growth in our Neurological business. Further details of our performance by segment can be found on pages 32 to 47.

The below table shows revenue by geographic region.

	2023 revenue at actual exchange rates £m	Change from 2022 %	2022 revenue at actual exchange rates £m	Underlying change at constant exchange rates %
APAC	**310.6**	-2	317.0	-4
EMEA	**216.5**	+5	205.8	+3
Americas	**161.5**	+9	148.2	0
Total Group revenue	**688.6**	+3	671.1	-1

Operating costs

Our labour costs are our largest cost. We have taken a cautious approach to recruitment during the year and our headcount was 5,175 at 30 June 2023, compared with 5,097 at the end of June 2022. This growth includes continued investment in our early careers programmes.

We have carried out global salary benchmarking, which has helped improve employee retention. This, together with an increase in average headcount of 205, are the main drivers for total labour costs (excluding bonuses) increasing by 13% to £268.2m from £236.5m last year. Accordingly, our production, engineering, distribution and administrative costs have all increased. A reduction in performance bonuses of £6.6m has partially offset the total labour cost increases.

This year's gross margin (excluding engineering costs) was 64%, compared with 65% last year. This change is mostly due to a reduction in production volumes (leading to a lower recovery of fixed overheads) and the higher labour pay rates. We helped minimise the effect of these by introducing targeted price increases and not replacing leavers in our direct manufacturing teams.

We remain committed to our long-term strategy of delivering growth by developing innovative and patented products. To that end, we invested £72.5m in research and development expenditure, compared with £59.4m last year (see Note 4 to the Financial statements). We also incurred £28.1m (FY2022: £26.4m) of other engineering expenditure, to support existing products and technologies.

Travel and exhibition costs are higher this year as COVID-19-related restrictions have been lifted and we have been able to engage in more customer facing activity. In addition to the labour cost growth, this has increased our distribution costs by 12%.

We have also experienced inflationary increases across other cost categories, notably software licences, health insurance and professional fees.

Profit and tax

As a result of the increased costs in a year of modest revenue growth, Adjusted* profit before tax amounted to £141.0m, compared with a record £163.7m in FY2022. This is a reduction of 13.9%. Statutory profit before tax was £145.1m, compared with £145.6m in the previous year.

Sometimes infrequently occurring events can affect our financial statements, recognised according to applicable IFRSs. We exclude such events from adjusted performance measures to give the Board and other stakeholders another useful metric to understand and compare our underlying performance.

This year, the items we excluded from Adjusted profit before tax include: gains of £5.5m from forward contracts deemed ineffective for cash flow hedging (FY2022: £8.3m losses); a revised estimate of FY2020 restructuring provisions of £0.7m gain (FY2022: £1.7m gain); and a defined benefit (DB) pension scheme past service cost relating to termination of the US DB pension scheme totalling £2.1m. These have not affected cash flow during the financial year. Additional items excluded in the previous year are detailed in Note 29. The table below reconciles Adjusted profit before tax to Statutory profit before tax.

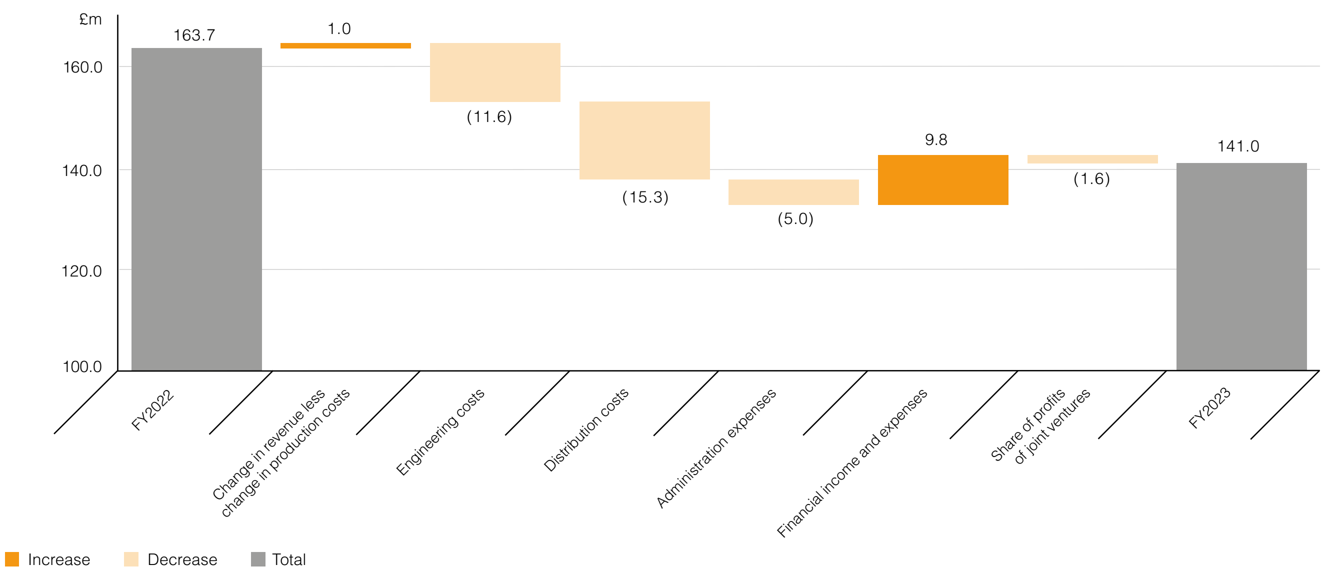
	2023 £'000	2022 £'000
Adjusted profit before tax	**140,983**	163,742
Revised estimate of FY2020 restructuring provisions	**717**	1,688
Third-party FSP (formal sale process) costs	**–**	200
US/UK DB pension schemes' past service cost	**(2,139)**	(11,695)
Fair value gains/(losses) on financial instruments	**5,504**	(8,349)
Statutory profit before tax	**145,065**	145,586

Adjusted operating profit in our Manufacturing technologies segment was £125.5m, compared with £158.6m last year. Meanwhile, in our Analytical instruments and medical devices segment, Adjusted operating profit was £4.9m, compared with £2.8m last year.

Financial income for the year was £9.7m, compared with £0.9m last year, and includes a £5.5m increase in interest on bank deposits mainly due to higher interest rates.

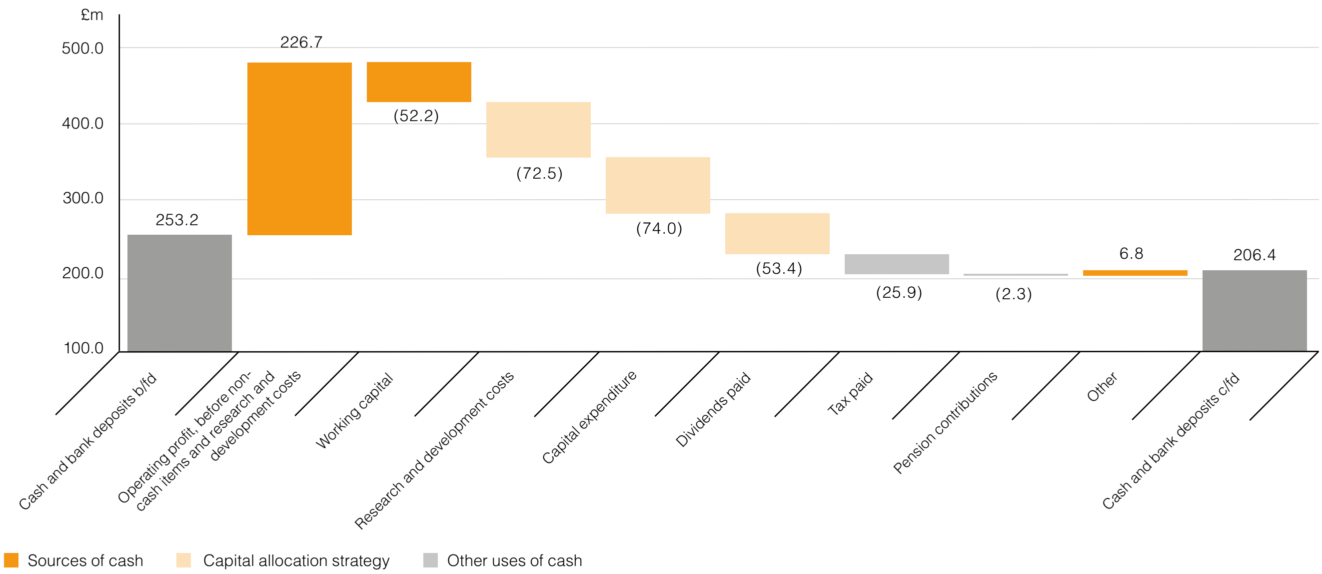
The FY2023 effective tax rate has increased to 20.0% (FY2022: 17.3%) mostly as a result of a reduction in patent box tax incentives and an increase in the UK tax rate from 19% to 25%. Note 7 provides further analysis of the effective tax rate.

Adjusted profit before tax bridge



Financial review continued

Sources and uses of cash



Consolidated balance sheet

We have invested £74.0m (FY2022: £31.0m) in capital expenditure, including production plant and equipment and the ongoing development of our production facility in Miskin, Wales.

Within working capital, we have increased our inventories to £185.8m from £162.5m at the beginning of the year. This is mainly a result of targeted increases in components and sub-assemblies for our optical encoder products following global supply chain shortages in previous years. Given the reduction in demand for optical encoders some of our components are currently overstocked. Now that supply chain challenges have eased, we have plans to reduce safety stock levels of critical components. However, we remain committed to our policy of holding sufficient finished goods to ensure customer delivery performance, given our short order book.

Trade receivables reduced from £127.6m to £123.4m due to lower levels of trading in the fourth quarter of FY2023 relative to the previous year. Debtor days remained constant year-on-year at 64 days. We continue to experience low levels of defaults, and hold a provision for expected credit losses at 0.4% of trade receivables (FY2022: 0.2%).

Total equity at the end of the year was £896.7m, compared with £815.2m at 30 June 2022. This is primarily a result of profit for the year of £116.1m, offset by dividends paid of £53.4m.

Cash and liquidity

We continue to have a strong liquidity position, with cash and cash equivalents, and bank deposit balances at 30 June 2023 of £206.4m (30 June 2022: £253.2m). This is a result of our trading performance, offset by our previously noted capital investments and working capital movements, and dividends paid of £53.4m.

In line with our capital allocation strategy, the chart above summarises our sources and uses of cash for the year.

We disclose details of 'severe but plausible' scenario forecasts used in our going concern and viability assessments on pages 60–61 and 161. We conclude that we have a reasonable expectation that we will retain a liquid position and be able to continue in operation for at least the next three years.

Pensions

At the end of the year, our DB pension schemes, now closed for future accrual, showed a net surplus of £57.4m, compared with £42.2m at 30 June 2022.

In October 2022, following a significant improvement in the UK scheme's funding position due to rising gilt yields, the Trustees (in consultation with the Company) de-risked the investment strategy by disinvesting from the scheme's equity and diversified growth holdings and investing the proceeds into index-linked gilts. The overall impact of these changes is to reduce investment risk, with the assets better matching the expected movements in the liabilities. We now believe the scheme is fully funded and are in the process of seeking to insure the liabilities.

During the year, pension schemes' liabilities decreased from £174.5m to £139.0m, on an IAS 19 basis, primarily reflecting the increase in the UK scheme discount rate from 3.6% to 5.1%.

Our DB pension schemes' assets at 30 June 2023 decreased to £196.3m from £216.7m at 30 June 2022, with UK asset values falling (in line with expectations) given the liability matching approach.

A termination of the US DB pension scheme was formally commenced during the year. The Trustees of the scheme and Renishaw Inc agreed that the surplus will be distributed to the members of the scheme, resulting in a change to members' benefits. Accordingly, this change has resulted in a charge of £2.1m to the Consolidated income statement, which has been excluded from Adjusted profit before tax.

See Note 23 for further details on employee benefits.

Treasury policies

Our treasury policies are designed to manage the financial risks that arise from operating in multiple foreign currencies. The majority of sales are made in these currencies, while most manufacturing and engineering is carried out in the UK, Ireland and India.

We use forward exchange contracts to hedge a proportion of anticipated foreign currency cash inflows and the translation of foreign currency denominated intercompany balances.

► **We're investing to expand our manufacturing facility in Miskin, Wales.**

There are forward contracts in place to hedge against our Euro, US Dollar and Japanese Yen cash inflows, and to offset movements on Renishaw plc's Euro, US Dollar and Japanese Yen intercompany balances. We do not speculate with derivative financial instruments.

Our treasury policies are also designed to maximise interest income on our cash and bank deposits and to ensure that appropriate funding arrangements are available for each of our companies.

Sustainability

With our Sustainability team doing more work this year to better understand the risks and opportunities of climate change, we have reviewed the effect on our financial statements and financial planning. Our five-year financial plan includes estimates of the capital expenditure needed in this period to help deliver our own Net Zero plans. We have also considered the potential impact on topics such as the expected useful lives of tangible assets and the headroom on intangible assets, and have not identified a material effect on this year's financial statements. We will continue to review this as the Group further develops its work on both our own Net Zero plans and the wider impact of climate change on our risks and opportunities.

Capital allocation strategy

Our Board regularly reviews the capital requirements of the Group, to maintain a strong financial position to protect the business and provide flexibility to fund future growth.

We've consistently applied our capital allocation strategy for many years. Organic growth is our first priority and we're committed to R&D investment for new products, manufacturing processes and global support infrastructure to generate growth in future returns and improve productivity. This is evidenced in the year by our capital expenditure, the increase in working capital and investments in R&D.

We may supplement organic growth with acquisitions in current and adjacent market niches that are aligned to our strategy.

We have always valued having cash in the bank to protect the core business from downturns, and we monitor our cash against a minimum holding according to forecast overheads and revenue downturn scenarios. This cash also allows us to react swiftly as investment or market capture opportunities arise.

Actual and forecast returns, along with our strong financial position, support our progressive dividend policy, which aims to increase the dividend per share while maintaining a prudent level of dividend cover.

Earnings per share and dividend

Adjusted earnings per share is 155.1p, compared with 185.5p last year, while Statutory earnings per share is 159.7p, compared with 165.4p last year.

We paid an interim dividend of 16.8 pence per share (FY2022: 16.0p) on 11 April 2023 and are pleased to propose a final dividend of 59.4 pence per share in respect of the year (FY2022: 56.6p).

Looking forward

Given the uncertain market conditions, we continue to be cautious as we enter FY2024, and are currently recruiting for critical roles only.

Where possible, we are implementing further price rises to mitigate ongoing inflation, and are focused on delivering productivity improvements across the business.

However, we have many drivers in our key markets to deliver long-term revenue growth and we continue to invest in the infrastructure required to meet the expected future demand. We expect to spend around £35m to complete phase 1 of our new production facility at Miskin, Wales, which is expected to be operational from early 2024, and continue to invest in automation and productivity opportunities.

Allen Roberts
Group Finance Director

18 September 2023

* Note 29, 'Alternative performance measures', defines how revenue at constant exchange rates, Adjusted profit before tax, Adjusted operating profit and Adjusted earnings per share are calculated.

Performance review
Manufacturing technologies

We are well positioned in key sectors

Our markets

Our unique blend of product innovation, pioneering research and world-class engineering means we are well positioned to help create the smart and efficient factories of the future.

Like every global business, demand for our products is affected by world trends. The common trends for our Manufacturing technologies segment are:

- **skills shortages and rising labour costs** – customers are increasingly interested in automation, intelligent manufacturing, robotics and easier-to-use technology to help manage these challenges;
- **rising energy and material costs** – this increases the need for higher performing products and efficient manufacturing processes;
- **upgraded semiconductor manufacturing** – a rapid advance in semiconductor production equipment is required to support new computing and communications technologies;
- **relocation of manufacturing** – world politics, trade relations and some supply chain concerns are driving self-sufficiency in critical technologies (e.g. semiconductors) as companies seek to secure their supply chains. This is driving investment around the world towards more localised manufacturing;
- **global competitiveness and greater efficiency** – manufacturers want products to improve efficiency, reliability and reduce scrap. We are also seeing a continued trend of measurement moving closer to the shop floor. There is increased demand for more direct process control and results from measurements to be fed back from automated processes; and
- **sustainable manufacturing and Net Zero commitments** – customers are setting sustainability targets and looking for products that maximise efficiency and automation, while reducing emissions and waste.

Our products are used across manufacturing processes to make a wide range of products, from smartphones to solar panels, and jet engines to dental implants. We sell our manufacturing technologies into five principal markets, which we explain in more detail in the panels opposite.

Automotive

There are multiple applications for our products in this sector as manufacturers rely on precision parts and automated processes to help them achieve performance targets. Automotive customers are also looking for products to help reduce manufacturing costs and manage the rapid evolution of component design.

The use of electronics, sensors and displays is rising in both the electric vehicle (EV) and internal combustion engine (ICE) markets. While we expect demand in the ICE market to fall over time, as governments adapt policy to meet sustainability targets, manufacturers continue to upgrade their existing ICE production to improve engine efficiency.

Our products are used throughout EV manufacture and offer our customers significant benefits in productivity and quality. For example, our REVO and Equator products are used to inspect EV motors, and our position measurement devices are used in highly-automated EV battery assembly.

During this period of rapid market change, component designs are evolving quickly and vehicle design life cycles are decreasing. This is driving demand for more flexible manufacturing, which supports the shift towards adaptable shop-floor measurement technologies.

▶ **Read more www.renishaw.com/automotive**

Electronics

With consumers expecting increasingly lightweight and compact products with more features, greater reliability, and longer battery life, regular updates and upgrades are required faster than ever before.

Our consumer electronics customers therefore demand flexible manufacturing systems that can adapt to shorter product life cycles, yet still deliver high-quality, high-volume components.

Consumer electronics is one of our largest sectors and includes products such as mobile phones and flat panel displays. The introduction of new generations of electronic devices will be key drivers for future growth.

▶ **Read more www.renishaw.com/electronics**

Semiconductors

This is a highly demanding sector that relies on speed, precision and reliability. Our range of encoder technologies can be found inside equipment at all stages of semiconductor production, from silicon wafer manufacturing to the cutting of individual semiconductor chips.

Supply chain uncertainty and shortages have now eased for most electronics components. As a result, short-term demand for new equipment has fallen, although we expect to see growth in our encoder products over the long term. This will be driven by increasing use of electronics and sensors in consumer and automotive markets.

Most major industrialised nations have announced significant investments in semiconductor chip production facilities, which should lead to a resumption of demand for manufacturing equipment in the medium and long term.

▶ **Read more www.renishaw.com/semiconductors**

Aerospace and defence

Our heritage lies in the aerospace business and, 50 years later, efficiency and safety remain this industry's key drivers. Our customers are looking for greater fuel efficiency, lighter components and ways to reduce costs. The fall in demand during the COVID-19 pandemic has eased, and there are significant order backlogs and strong global demand for fuel-efficient, narrow-body, single-aisle aircraft.

We have seen increased defence spending due to geopolitical tensions, including the Russia-Ukraine conflict.

Our products are used throughout the aerospace and defence sector. The manufacture and assembly of engines, wings, control systems and landing gear rely on process control and post-process inspection using our products. Our systems enable manufacturers to carry out repeatable, traceable and efficient processes to the tightest tolerances.

▶ **Read more www.renishaw.com/aerospace**

Precision manufacturing

Precision manufacturing covers a range of industries. Our customers within this sector (machine builders and end users) are faced with common challenges. These include increased demand for innovative new products with more complex parts, a shortage of skilled operators, tighter part tolerances for higher performing products, and the demand to be more efficient to meet sustainability targets.

Machine builders use our products to manufacture specialist equipment, such as machine tools and robots. For example, our encoders provide precision motion and our calibration products ensure machines are built to specification. They may also integrate our products to help end users operate their machinery efficiently.

Our end user customers use our precision technologies to help them manufacture precise and complex parts for different applications within multiple industries. Our manufacturing technologies are used throughout production for process control and component measurement.

Demand for our AM machines is rising as more customers are finding ways to use AM to revolutionise product design and efficiency.

We are also helping our customers use our solutions to implement smart manufacturing and automation in their operations.

▶ **Read more www.renishaw.com/precision-manufacturing**

Other markets

Heavy industry

New machinery and 'smart' farming technologies are needed to increase agricultural yields and reduce environmental footprint. Many key components used in high-end agricultural equipment rely on our products for process control.

The construction industry is investing in sustainable infrastructure and there is increased automation to counteract skills shortages. We make products for the manufacture of high-value construction equipment, such as chassis for heavy earth moving equipment.

Power generation and resource extraction

The manufacture of components for wind turbines requires our metrology products, including probes on machine tools. Our optical encoders are also being used to control solar panel manufacture.

Oil and gas equipment must be made to stringent safety standards, which requires accurate, cost-effective and traceable processes. The sector is also looking to improve the efficiency of large diesel engines, which requires greater component accuracy. Our products are well placed to assist with this.

Healthcare

Healthcare is a key sector for our AM business. Here, our machines are used to produce custom dental prosthetics and orthopaedic implants optimised for bone integration. Rising obesity rates and ageing populations are pushing up demand for orthopaedic procedures and we are well placed to meet this need.

Performance review
Manufacturing technologies continued

How we deliver precision, productivity and practicality

We work with our customers across different markets to understand their technological challenges.

Our unique blend of precision, productivity and practicality, coupled with our long-term approach to customer relationships, helps us to gain new customers and outperform market growth.

We provide:

- **precision** through products that give customers accurate production processes to deliver higher performance and sustainability;
- **productivity** through products that give manufacturers higher process yields, faster cycle times and more automation; and
- **practicality** through products that are easier to use and have embedded knowledge and data analytics.

Market conditions and performance

Our Manufacturing technologies segment delivered overall revenue growth this year, despite a downturn in the key semiconductor market, where our position encoders are used extensively.

We saw weaker demand for semiconductor equipment and computing, which affected sales of our optical encoders, most notably in the APAC region. This is not unusual in this cyclical market. Weaker demand has been coupled with the overstocking of components and finished machines by manufacturers following shortages during the COVID-19 pandemic.

We expect to see an upturn in demand in the medium term, as machine builders reduce stock levels and begin to place new orders. Our own highly-automated production, using our own products, together with our inventory policies, means we're able to supply customers faster than many of our competitors. That means we're well placed to benefit when consumer demand does increase.

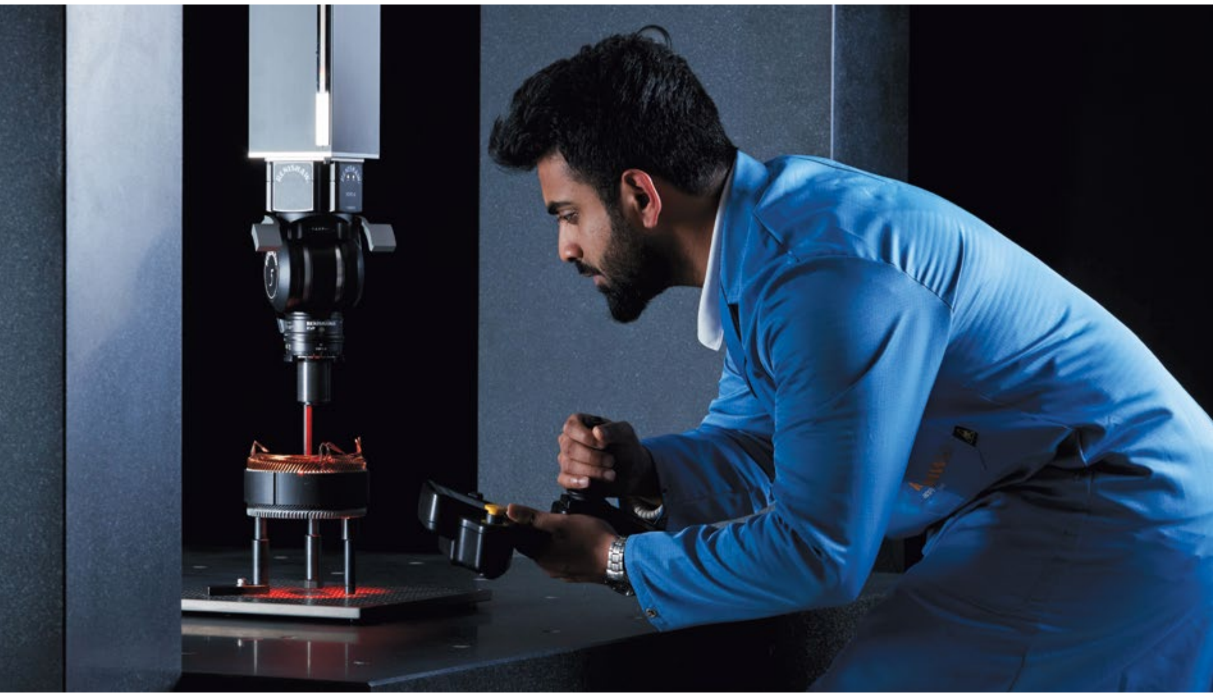
Reduced demand for our optical encoders was partly offset by rising demand for our AM systems, machine calibration, laser encoder, and REVO 5-axis CMM systems.

Many of the supply chain challenges that we have experienced in recent years have eased. We responded to these challenges by using our engineering teams to redesign some of our products using alternative components. During this time, we continued developing our flagship projects – those that we expect to be most commercially or strategically important. As supply chain challenges have eased, we have been able to grow our R&D teams and increase our engineering spend.

We continue to invest in using our own processes to manufacture our products. This is key in demonstrating to our customers the value we can add to their production processes. For example, we've been using Renishaw Central (our new smart factory software platform) in our own factories. This is important for us as it provides early feedback and is an invaluable source for future requirements in product development. We also additively manufacture parts for our own AM machines.

As mentioned in Our markets (page 32), we're seeing a move towards more localised manufacturing. This is an opportunity for our business, as we are well positioned around the world to take advantage of this trend. Our existing network of technology centres and local experts can work with customers at their manufacturing locations, and we have opened new facilities this year to support this.

We continue to take a long-term approach to customer support and invest heavily in these relationships. You can read more about this on page 81.



▶ **REVO probe inspecting an electric vehicle stator.**

Industrial Metrology

Derek Marshall
Director of Industrial Metrology

What we do

Industrial Metrology is one of our most established areas of the business and has customers across almost every sector of manufacturing. Our metrology solutions transform automation for our customers, allowing them to precisely measure production parts and control the performance of their machines.

We offer a market-leading range of sensors for CMMs and computer numerical control (CNC) machine tools, as well as a growing suite of measurement systems and metrology software. We're also driving the smart factory agenda, focusing on metrology, machine connectivity and process control.

Our technologies also enable customers to improve the sustainability of their processes by helping to reduce part variation and waste. For example, customers use our products to compensate for process changes during long production runs, to ensure high quality throughout production. There is also continued growth in metrology applications for machine set-up and performance management, which helps to ensure continued stability over a machine's lifetime.

We lead the way in shop-floor metrology, and continue to develop our range of probing systems and software, working closely with CMM builders. They are seeing high demand for 5-axis measurement from their customers looking to automate and manufacture more complex parts. Our revolutionary REVO 5-axis multi-sensor system enables comprehensive inspection of complex components in a single automated process.

We also sell to end users, and a significant part of our approach is to continue to work closely with these customers. By doing this, we learn more about the end applications for our products and understand their future challenges and requirements.

Software forms an increasingly important part of our approach. We're investing heavily in developing dedicated metrology software, smart factory solutions and our market-leading apps for mobile and on-machine platforms.

Performance

We saw growth this year with a significant proportion coming from direct end user sales.

We've been particularly successful with our REVO CMM systems with MODUS software and have seen repeat sales from key customers in the automotive, aerospace and consumer electronics sectors. In many cases, this is due to REVO's ability to combine tactile, surface finish and ultrasonic thickness measurement onto one inspection platform.

At CIMT, China's largest exhibition for the machine tool industry held in April 2023, we were pleased to showcase AGILITY, our own CMM system. The AGILITY system is designed to deliver high-performance, fully-integrated measurement using REVO measurement systems and we've seen growing demand this year, with repeat orders from key customers.

Metrology is critical to smart manufacturing. We're seeing a continuing trend towards using measurement systems as an integral part of production processes rather than in a quality assurance lab. To support this, we're continuing to work closely with third-party metrology software providers to increase the range of software options for the Equator gauging system. This approach continues to open up market opportunities for this system and gives greater flexibility to our customers.

This year we launched our new smart factory software platform, Renishaw Central. This captures actionable data from shop-floor metrology and AM systems, and provides insights into the entire manufacturing process. Central's key point of difference is that it enables direct, fast and robust process control feedback – improving process outcomes, not just monitoring them. We've been using Central in our own manufacturing operations this year and it has helped to guide our own process improvement work – with positive results in our own production capacity. Using the product ourselves is a great way to demonstrate the benefits of manufacturing connectivity and consistent data collection to our customers. We're now expanding the global availability of Renishaw Central through our technology centres and distribution channels.

We were pleased to launch our RMI-QE flagship product last year, which underpins our next generation of machine tool probes and reduces power consumption. Following the launch, we are developing more components to enable new capabilities from our radio transmission product range. You can read more about RMI-QE in the case study on page 37.

A key part of our strategy is to move into new and adjacent markets, using our expertise across different business areas to offer new products to existing customers. Our Position Measurement team recently launched FORTiS, our enclosed optical encoder designed for the machine tool market. This product has further strengthened the long-term relationships we hold with our CNC machine tool builder customers.

Performance review
Manufacturing technologies continued

We are improving battery life

Industrial Metrology case study

Machine tool spindle probing technologies are key to process automation.

Spindle probing allows data to be collected at different points in a manufacturing process to check the condition of parts and tools, and machine performance. It can also process trends resulting from environmental changes and manual interventions.

This data can be used to automatically adapt processes to the current situation, to avoid producing a bad part. This helps eliminate waste, re-work and manual intervention. Measurements can also be stored for later analysis and used to help identify longer-term process improvements.

CNC machine tools that use our spindle probes with radio signal transmission need a radio machine interface for the machine's controller to receive data from the probe.

Our QE series radio transmission probing system acts as a combined radio transceiver and machine interface. It also provides the communication for sensors, offering reliable, automated on-machine tool setting, tool breakage detection, part set-up, and part verification.

Updates to the probes' electronics and radio transmission deliver an increase in battery life of up to 400% when used with the RMI-QE interface (compared to the previous generation). This gives an industry-leading battery life of up to five years, based on typical usage.

> "We are proud of the technological advancements this system delivers, and, with the battery life improvements achieved, equally proud of minimising its environmental impacts."

Steve Petersen
Marketing Manager

Increase in battery life of up to 400% when used with the RMI-QE interface

400%

Performance review
Manufacturing technologies continued

Position Measurement

Steve Oakes
Director of
Position Measurement

What we do

Our Position Measurement technologies enable fast, accurate motion control of industrial machinery in applications ranging from semiconductor processing and flat panel display manufacture, through to robotics and factory automation.

We design and manufacture a range of position encoders to meet the different needs of machine builders across these applications:

- cost-effective magnetic encoders designed and built in Slovenia by our joint venture, RLS, for robotics and general automation;
- mid-market optical encoders for a wide-range of uses including back-end semiconductor processing, electronics packaging and precision machine control; and
- high-specification laser encoders for state-of-the-art front-end semiconductor manufacturing.

We also make market-leading laser calibration systems. These help machine builders and end users build, calibrate and check the performance of machine tools and CMMs at different stages of precision manufacturing. We continue to invest in software, developing our CARTO package to increase functionality and ease-of-use of data capture, analysis and compensation for all our calibration devices.

A key strategic objective for Position Measurement is to adapt our existing technologies for areas where we already have presence and market knowledge, such as the machine tool industry. Our FORTiS range of enclosed encoders, and SpinCo rotary sensors, have been very well received by machine tool builders. We have gained key accounts at significant customers thanks to these products.

We continue to add to our existing product ranges. This year we introduced CENTRUM, the world's first self-centring metal disc scale, as an alternative to fragile glass encoder discs. CENTRUM discs have innovative, patented mounting features that automatically centre and align the scale during installation. This process removes the need for a skilled operator and allows assembly in seconds rather than minutes.

Performance

We've seen record sales this year for our laser calibration systems. This demonstrates the high levels of activity at machine builders and the growing market acceptance of our XM-60 multi-axis calibrator. The XM-60 is the only system of its kind on the market that can measure all geometric errors along an axis. It also enables faster and easier error mapping and diagnostics.

Demand for our optical encoder products in the semiconductor and electronics industries has fallen in line with the global downturn in those sectors. This is due to weaker consumer demand, coupled with the overstocking of components and finished machines by manufacturers after the shortages experienced during the COVID-19 pandemic. The reopening of the Chinese market, after strict COVID-19 lockdowns were lifted, has already started to stimulate some growth. We believe the semiconductor outlook remains strong in the medium term as machine builders use up existing stock and begin to place more orders. However, the timing of this recovery is uncertain.

As nations invest in more localised manufacturing, our recent focus has been on preparing to meet this demand. The productivity improvements we put in place during the pandemic, and our ownership of the whole production process, means we are ready to respond with short lead-times and high capacity.

Sales of our laser encoders have grown, as manufacturers look to increase production of the most advanced devices for increased transistor density and reduced power consumption.

Demand for RLS magnetic encoders reduced with a notable softening from APAC in the final quarter of the year. Despite this, the global drivers for growth remain, as manufacturers look to improve productivity and ensure continuity in the event of future lockdowns through greater automation and the use of collaborative robots, also known as cobots.

We are

reducing energy costs

Position Measurement case study

The FORTiS encoder series has been designed to improve machine tool performance, productivity and energy consumption.

In terms of sustainability challenges, the largest source of electricity consumption over an enclosed encoder's lifetime is the compressed air that is fed through the encoder to repel contamination, known as air purge.

Thanks to our new DuraSeal seals, the FORTiS encoder enclosure offers dramatically reduced air consumption, resulting in lower operating costs and greater system longevity.

The FORTiS encoder system offers a 70% reduction in compressed air consumption compared to other optical enclosed encoders. As a result, this can reduce the encoder's attributable CO_2e emissions and lower the total cost of ownership for the machine user, since less electricity is required to provide the air purge.

"Five years of accelerated life testing have enabled the development of our new advanced DuraSeal lip seals. These offer excellent resistance to wear and machine tool lubricants, superior sealing and contamination protection."

Ian Eldred
Principal Mechanical Engineer

Reduction in compressed air consumption

70%

Performance review
Manufacturing technologies continued

Additive Manufacturing

What we do

AM, or 3D printing, is the creation of 3D components by building up layers of material. Our AM machines use laser powder-bed fusion technology, which works by spreading a thin layer of fine metal powder, and then using lasers to selectively melt sections. This is repeated, with each layer built on top of the previous layer, to build up a solid metal part. The process uses a digital build file to control what sections of each layer are melted. This allows AM to produce high-strength and complex shapes that can't be produced by traditional manufacturing techniques, such as machining or casting.

AM has huge growth potential as an increasing number of manufacturers embrace the benefits. These include lighter weight aerospace components to increase fuel efficiency, and improved patient outcomes for orthopaedic devices.

Our aim is to accelerate adoption of AM as a high-volume production process. We deliver solutions that offer maximum value for manufacturing higher numbers of parts and provide tools to make the adoption of AM easier for new users. Our extensive range of products for improving production processes uniquely enables us to offer end-to-end support for high-volume AM production. Our family of RenAM 500 machines and software provide market-leading productivity in a compact footprint. The platform supports manufacturers as they adopt AM and make the transition from lab through pre-production to volume manufacture. We are now developing our next generation machine that is focused on reducing AM part costs, which remains the most significant barrier to broader adoption.

Maximising the value of AM requires integration with other manufacturing technologies that form the smart manufacturing environment. Our software enables users to prepare files for 3D printing and analyse data from machines. This combination allows them to modify build files and produce high-quality parts as quickly as possible. Our open approach also supports connection to third-party design and smart manufacturing software.

We work in partnership with customers to build parts and prove out applications as part of the sales process. Our training and services help our customers expand their AM capabilities. A key part of our approach is to invest resources to build relationships with customers who need multiple systems for volume production, targeting repeat purchases.

Performance

AM was our fastest growing product line in FY2023 and our focus on multiple machine sales is continuing to gain traction. We've seen significant repeat orders from customers in the medical and electronics industries.

We recently launched our new machine calibration package, which allows users to quickly verify the performance of lasers on their machines. This makes the most of our expertise in process control to enable traceability to a metrology standard. This capability is essential for customers in regulated industries and helps to reduce our support costs.

We've also expanded the range of metals that can be used in our machines and boosted their productivity to support accelerating AM use in volume production.

There are still barriers to AM adoption, including cost per part. We've seen good revenue growth in high-value part sectors such as medical and dental where AM is highly suited to patient-specific dental prosthetics and orthopaedic implants. The business case for AM here is well established. We're now focused on optimising our AM systems to boost productivity, enable higher throughput and reduce cost per part to open opportunities across more sectors.

We're engaged with international standards committees to establish best practice for AM to reduce the cost and complexity of adopting this technology. We're also working to encourage designers to think additively as most engineers are trained to design for subtractive machining. Through our applications and training support, and intuitive software, we're reducing the barriers that our customers face when considering the transition to AM.

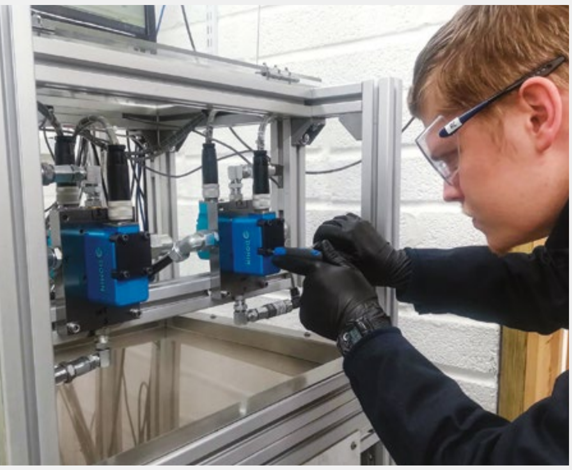
The AM market is growing rapidly, and we're confident this will continue over the coming years, particularly in the electronics and precision manufacturing markets. Expanding our AM assembly capacity, as part of investment to expand our site in Miskin, Wales, is evidence of this confidence. Our next-generation AM machine will help to further accelerate adoption, and with our strong global team we are well placed to benefit from future growth.

We are

helping customers make more efficient products

"Over its lifetime, each of these game-changing valves has the potential to save multiple tonnes of CO_2e. Using them we can spearhead the advance of the fluid power industry towards a sustainable future."

Marcus Pont
Chief executive officer of Domin Fluid Power Ltd



Additive Manufacturing case study

With help from our metal AM technology, UK-based Domin Fluid Power Ltd (Domin) has disrupted the hydraulics industry by redesigning servo valves from first principles. This has achieved a better performing, more sustainable product at a lower price point.

Due to its inherent design freedom, AM allows Domin to build complex parts, free of tooling and with minimal operations and assembly. For example, metal AM provides the ability to design complex geometries with internal features that can significantly enhance efficiency in fluid applications. It produces parts with good strength-to-weight ratio and requires less material than conventional machining, as it only forms metal where required.

"We believed that metal additive manufacturing was the final puzzle piece and were confident we could generate true industry change and make a positive impact," explains Marcus Pont, chief executive officer of Domin. "By combining additive manufacturing with other innovations like high-speed motor control, modern electronics, big data and connected technology, there is real potential for disruption."

"Most hydraulic systems today only operate at 23% efficiency, resulting in the wastage of billions of kilowatt-hours every year," adds Pont. "Globally, hydraulics produces twice the CO_2e emissions of the aerospace industry."[1]

This year, Domin installed a RenAM 500Q AM system at its new Technology Centre near Bristol, UK.

▶ **Read more at www.renishaw.com/domin**

1 Oak Ridge National Laboratory, Estimating the Impact (Energy, Emissions and Economics) of the U.S. Fluid Power Industry, December 2012.

Performance review
Analytical instruments and medical devices

We are

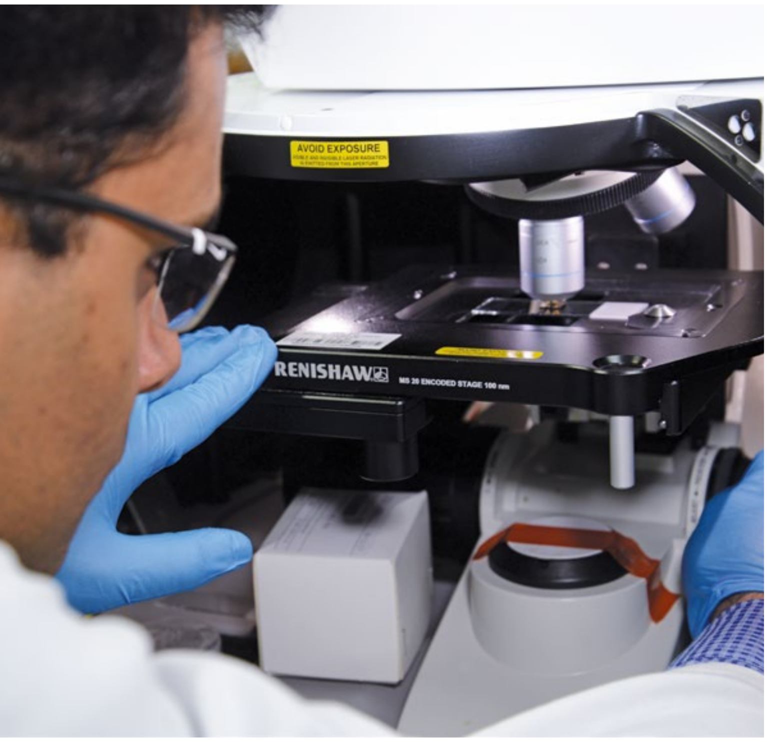
supporting scientific and medical progress

Our markets

We provide our customers with comprehensive chemical analysis technology and neurological therapies that are needed now and for the future.

Academia

Our Spectroscopy business was born out of academia, and there is still a strong demand in this sector for flexible and powerful systems that support research and development. Our customers need cutting-edge tools to advance their research, so we continue to add new features and functionality to our inVia Raman microscope. This keeps our system relevant in the market and makes it easier for our customers to conduct world-leading research and justify further funding and investment.



▲ **Chemical analysis using a Raman spectrometer.**

Healthcare

Healthcare providers and hospitals are looking for faster and more precise surgical therapies to increase procedure efficiency and improve patient outcomes. Demand is growing for more economical and patient-specific treatments, as well as technologies to reduce the potential for human error. Our neurosurgical robot and planning software support these trends.

Our Spectroscopy products are also used in the healthcare sector for studies into early cancer detection, disease diagnostics and drug discovery.

High-tech manufacturing

Our Raman spectroscopy systems are well placed to benefit from the way material analysis is moving away from R&D and onto the shop-floor. Manufacturers that make high-tech products want to use Raman data to better understand their products and processes, and solve problems quickly. They also need easy-to-use and intuitive systems for data collection. This type of customer now represents a fast growing and significant part of our target market, and our flexible Raman product range can already meet this need.

Pharmaceutical

As global life expectancy rises, we expect pharmaceutical customers to need more innovative products to help develop new treatments for neurological diseases. There are opportunities here for our drug delivery system, which is already being used in trials to develop therapies for neurological conditions, such as Parkinson's disease.

Within spectroscopy, our tools are embedded in R&D and our dedicated pharmaceutical analysers are being used to analyse drugs and vaccines more efficiently by speeding up the chemical analysis process.

Spectroscopy

Tim Batten
Director of Spectroscopy

What we do

Our aim is to advance materials analysis to help our customers better understand the chemical and structural information of a material sample at a molecular level.

We provide:

- **precision** through spectroscopy products that give high-resolution sampling;
- **productivity** through systems that give automated analysis and rapid, reliable results; and
- **practicality** through products that are flexible and meet a wide range of customer needs.

We believe we supply the most flexible and best-performing Raman spectrometers on the market. We are focused on making it easier to integrate our systems with other analytical techniques, including scanning electron microscopes (SEM). inLux is our new SEM Raman interface that brings the structural and chemical analysis of Raman spectroscopy to the inside of a SEM. It combines highly correlated SEM and Raman data, enabling users to better understand their samples and advance their scientific endeavours.

This year, we were pleased to announce a further enhancement to our award-winning inVia Raman microscope. We collaborated with Becker & Hickl GmbH, who are leaders in fluorescence lifetime imaging microscopy (FLIM) technology, to produce a combined FLIM-Raman microscope. This can be used to better characterise samples in applications, such as life sciences and semiconductors.

One of our objectives is to make easy-to-use, flexible and compact benchtop systems for dedicated applications and we're continuing to look at new markets beyond the laboratory. We aim to get more of our Virsa Raman analysers, a portable product for sample analysis, into industrial applications such as bio-fermentation, a process used for vaccine production by pharmaceutical companies. This fits with the continuing trend of Raman systems moving from high-tech and scientific research environments, to real-life applications in the field.

We continue to develop high-performance and intuitive systems for users without specialist Raman knowledge.

Market conditions

We continue to grow and see more research and industrial applications for Raman spectroscopy. One example of this is the growing need for research into battery technology, as demand for electric vehicles (EV) rises. Our customers are using our flexible systems to research new materials and optimise their recipes, to improve performance and capacity, enable faster charging, and extend battery life.

China is an important market for us, and the sales challenges we saw due to local COVID-19 lockdowns have now ended. Trade relations between the USA and China have resulted in increased export control requirements, which are slowing some shipments. We entered and ended this financial year with a strong order book for China, which is an important market for our Spectroscopy products.

Performance

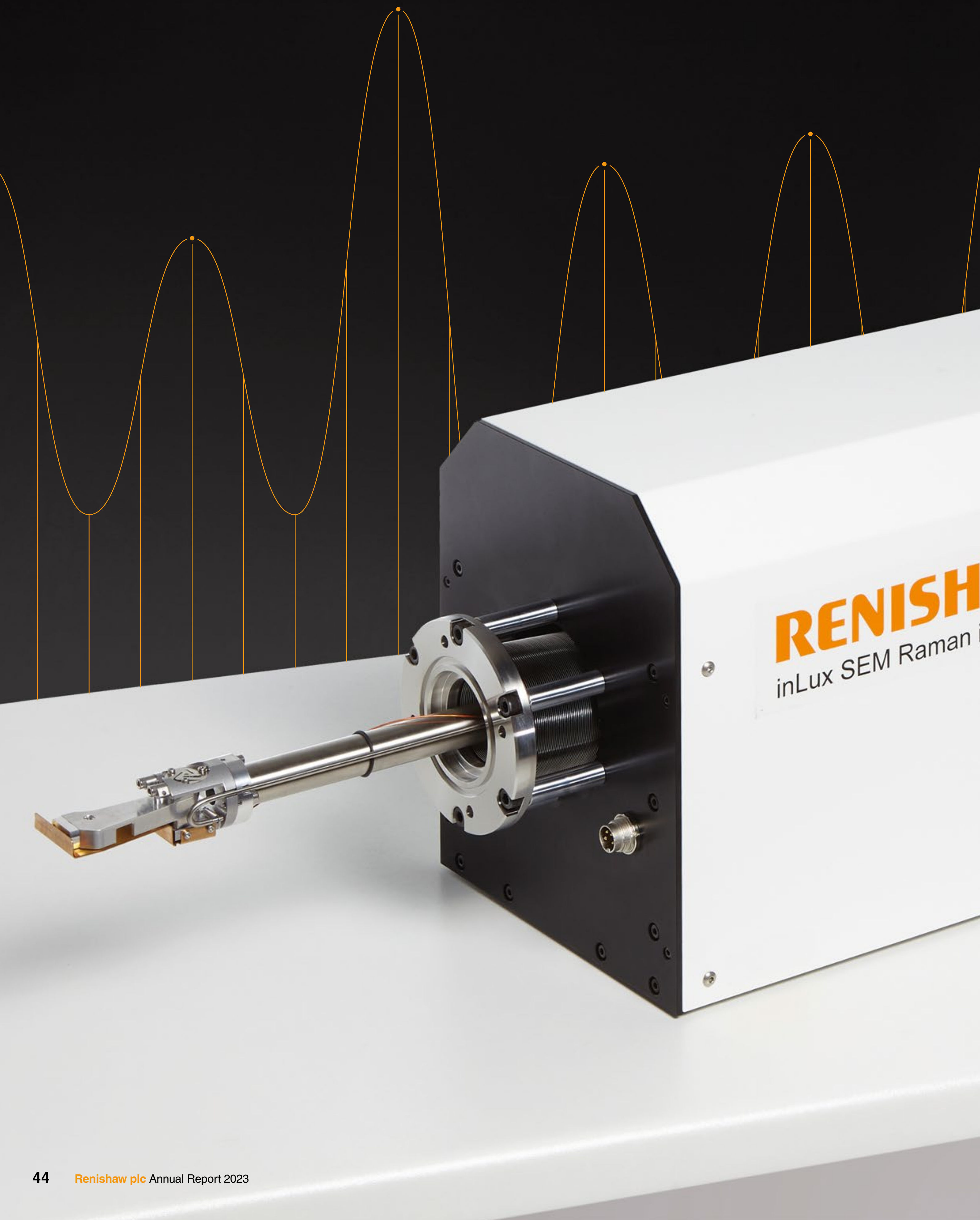
We saw record revenue this year, with strong growth across all of our markets.

Our core academic market served by our inVia Raman microscope has been growing steadily. We've had a very good second half of the year, with a strong order book that will be carried forward into FY2024.

There has been strong demand for our Virsa Raman analysers from a broad range of applications such as solar cell analysis, plant science and cultural heritage. This validates our approach of taking Raman technology away from laboratory-only use and into applications where sampling can take place in-situ.

Our revenue is not only generated through Raman system sales, but through the ongoing service and support contracts we have with our customers. To further maximise these opportunities, we have increased resource in our EMEA region, which will be focused on increasing service revenue.

Performance review
Analytical instruments and medical devices continued



We are making cost-effective Raman solutions

Spectroscopy case study

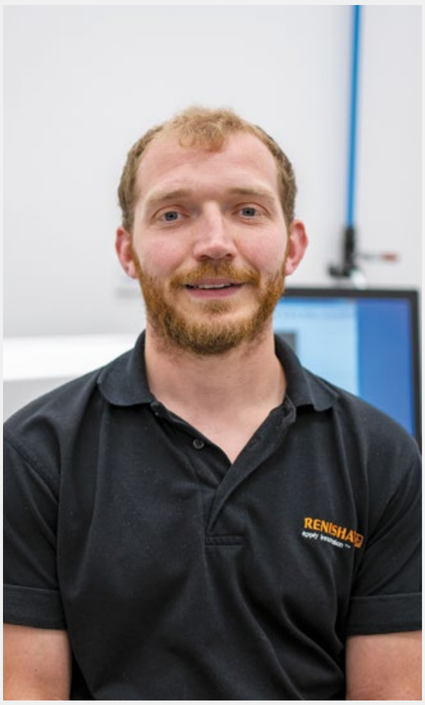
The new inLux interface is a cost-effective and universally compatible solution for in-situ Raman analysis inside scanning electron microscopes (SEMs).

Co-located Raman analysis with scanning electron microscopy can help to differentiate microplastics, identify industrial contaminants, find valuable minerals in geological drill cores, and identify defects in semiconductor wafers. All of which means that more SEM users can quickly access chemical and structural information to fully understand their materials.

The inLux interface has many practical advantages over its predecessors. Due to the shared SEM and Raman probe Z-axis, users are assured that the same sub-micrometre features are imaged by both techniques. Truly in-situ scanning electron microscopy and Raman imaging can fully use SEM chambers for larger samples like semiconductor wafers or cultural heritage items.

Recent advances in optics and engineering have led to vast improvements in speed and sensitivity during Raman analysis, making it practical to image a wide range of sample types. Together, the inLux interface coupled to a Virsa Raman analyser can bring in-situ Raman analysis to many existing SEM users for the cost of a typical SEM accessory.

▶ **Read more at www.renishaw.com/inlux**



“We have been making combined SEM Raman solutions for more than 20 years. Our latest innovation, the inLux interface, is the culmination of our expertise and has been specifically designed as an easy-to-use accessory. The inLux interface provides a wealth of chemical information to SEM users to help them to better understand their samples and solve their challenges.”

Pete Johnson
Optical Engineering Team Leader

Performance review
Analytical instruments and medical devices continued

Neurological

Rupert Jones
Managing Director of Renishaw Medical

What we do

We design and make products that support transformative, cutting-edge therapies to help patients suffering from neurological diseases and enable research into previously untreatable conditions.

We provide:

- **precision** through products that give accurate device delivery and improved procedure safety;
- **productivity** through products that enable fast planning, automated placement and shorter surgeries; and
- **practicality** through products that support image-guided planning for surgery and help to give more predictable patient outcomes.

We have two focus areas: neurosurgery and drug delivery.

Our neurosurgery business includes our neuromate surgical robot and neuroinspire planning software. These help surgeons with precision tool positioning and implant placement and can also help surgeons to plan a procedure ahead of surgery, saving time in theatre. We have an extensive number of neuromate stereotactic robots worldwide with patients benefiting from our technology. We also have a range of accessories that allow our robotic platform to be used for surgical procedures such as brain tissue biopsy, deep brain stimulation and stereoelectroencephalography (SEEG).

Our drug delivery system is used to deliver therapies or drugs directly to a patient's brain. These are consumable devices that can be used for gene therapies, which are delivered as a single dose, or for drugs and agents that need repeated delivery over time. We are the only provider of this kind of device, and our system has been used in drug trials to treat neurological conditions, including Parkinson's disease.

We take a long-term approach to customer support and understanding. We work closely with pharmaceutical companies to improve outcomes for patients and one of the ways we do this is through our Lab2Clinic programme. This programme provides guidance and training to pharmaceutical businesses, to help them through the many steps involved in the successful delivery of a drug to its target area. Most clinical trials fail, but through successful adoption of this programme, we are mitigating the business risk associated with trial failure.

We also work closely with healthcare providers. At our Charfield site in Gloucestershire, UK, where most of our team are based, we recently created a state-of-the-art training facility for customers. This is a great asset for us and will help us to continue to build our pipeline of prospective customers.

Market conditions

This year, we have seen reduced investment across healthcare and pharmaceutical markets, with geopolitical concerns especially affecting the USA, where many of our target customers are based. This has affected the speed and magnitude at which pharmaceutical companies are investing in new drug development and trial programmes.

There is however increased market awareness of our drug delivery platform, and we remain confident in our strategy of developing ongoing relationships with pharmaceutical companies.

As ever, one of the key challenges for our business is the changing regulatory landscape, and we are mindful of the very long timescales involved with trials. Our model of taking a long-term approach and being able to generate revenue throughout the trials process, means our risk profile is far lower than that of a pharmaceutical company. Our approach means that we don't rely on a successful trial outcome to generate revenue. Growing the number of trials we participate in is key for our long-term success.

We are seeing new competition emerging in the area of surgical robotics, but we are well established in brain surgery.

Performance

We have seen increased revenue for our neurosurgery products. This is due to renewed growth in our robot sales and steady growth in our service and support revenue.

Our supply chain challenges have eased this year, although we are still seeing shortages of some key components. Recruitment for certain specialist roles is still presenting some challenges.

Revenue from our drug delivery business continues to be slow due to the long lead-time of pharmaceutical programmes, but we remain confident in our opportunity pipeline. Due to the uncertainty of the near-term cash flows, we have partially impaired related capitalised development costs amounting to £1.6m.

Our drug delivery device has been proven to work well in trials and there is a need for this device in the market. However, each clinical trial we have been involved with has not progressed due to drug-related issues. Conversations with pharmaceutical companies are progressing well and we continue to be optimistic about revenues in FY2024.

We are reducing operating times for patients

Neurological case study

The Children's Epilepsy Surgery Service (CESS) was started with the intention of democratising access to paediatric surgical treatments for epilepsy. For children with drug resistant epilepsy, there are very few treatment options, and this can seriously affect their education and social development.

Therefore, four centres, consisting of six hospitals, were set up in the UK to support specialist treatment.

We have supported the service for many years, with each of the hospitals using our neuromate stereotactic robotic system.

The neuromate system helps to streamline SEEG procedures, which are key to CESS activities. SEEG involves implanting between 10 and 20 diagnostic electrodes into a patient's brain with the aim of determining the origin of epileptic seizures.

While the electrodes are in place, the brain activity is monitored and data gathered. When seizures occur, the epilepsy team can use the data from these events to determine the origin of the seizure. This area, or zone, is then removed, with the goal of making the patient seizure-free.

In November 2022, we were proud to help the CESS celebrate its 10th anniversary with an event at our New Mills headquarters in Gloucestershire, UK. The event, organised by Professor Helen Cross OBE, of Great Ormond Street Children's Hospital and University College London, included an agenda of educational talks and shared experiences to help further the capability of the service.

"People often forget that Renishaw stretches beyond industrial applications. Working within neurological products, I'm lucky enough to see the real-life benefits to our customers and their patients. The future of robot-assisted surgery looks bright and I'm proud to be a part of it."

Nina Sainte-Marie
Operations Manager

Risk management

We are

effectively identifying and managing risk

Risk management in FY2023

With the world coming out of the COVID-19 pandemic, and with ongoing geopolitical, climate and economic concerns, we have been particularly conscious of a competitive labour market, and supply chains under stress. Due to the programme of global initiatives led by our HR colleagues (detailed on pages 65 to 66), we have seen our People risk mitigated over the last year. We have also seen an easing in supply challenges, which has decreased our Supply chain dependencies risk. Over the last year, however, we have seen an increase in the Economic and political uncertainty risk and have also increased our focus on climate-related risks and opportunities.

Our approach – risk management and risk appetite

Our annual risk review process starts with our strategic objectives. We look at external risks and the global environment, as well as internal risks across our business.

Our risk identification process aims to identify risks that represent the most significant threat to achieving our strategic objectives. This, combined with evolving global challenges, has resulted in some changes to our principal risks this year, as set out in the table on pages 52 to 59.

Each principal risk has an owner, who is periodically invited to attend Risk Committee meetings to discuss their risk, latest developments or issues, and the work they're coordinating to mitigate it.

As well as identifying our principal risks and their anticipated impact and likelihood, we conduct a formal risk appetite assessment. The results are shown in the table on pages 52 to 59. This lets us assess if we're taking the right amount of risk, and consider opportunities as well as mitigation strategies.

We recognise how vital risk management is in achieving our strategic objectives. Considering both risks and opportunities is an essential part of our operations and decision-making.

How do we identify risks?

Our risk identification process comprises two stages:

1. Top-down process

The Chair of the Risk Committee conducts risk interviews with senior managers, focusing on the risks that are most significant for us. The anonymised output from these interviews is aggregated to identify key themes and trends, as well as any new or emerging risks.

2. Bottom-up process

Regional and product group managers complete risk reports, with a focus on key day-to-day operational risks. These results are aggregated to identify trends and any new principal or emerging risks.

The results from both processes shape our principal risks. The proposed principal risks are assessed by the Risk Committee and then considered by our Audit Committee and Board.

◀ **Hot air balloons at New Mills, our headquarters in Gloucestershire, UK.**

Oversight

Governance

Top-down

Board

- Overarching responsibility for risk management.
- Determines our risk appetite and identifies our principal risks and opportunities.
- Evaluates proposed strategies against risk appetite.

Audit Committee

- Assesses the changing status of various principal risks throughout the year (e.g. risks relating to cyber, people, compliance with laws, and climate).
- Reviews the effectiveness of our risk management and internal control processes.
- Supports the Board in monitoring and assessing risk exposure and makes recommendations to the Board on proposed principal risks.
- Oversight of matters discussed at Risk Committee.
- Oversight of key areas – including internal controls, risk management, and Internal Audit.

Operational risk management

Bottom-up

Risk Committee

- Comprises executive members (including our Group Finance Director and members of our Executive Committee) and senior management from across the business.
- Manages our risk identification process.
- Collects and aggregates risk information.
- Helps senior management govern, identify, manage and report on principal and emerging risks.
- Manages central repository of risk data from across the product groups and regions in terms of their respective principal risks.

Operational managers

- Effective day-to-day risk management.
- Design and implement key controls.
- Identify risks at an early stage.
- Embed risk management.
- Monitor risks, mitigating or escalating as appropriate, and respond to manage those risks.
- Provide updates to the Risk Committee.

Ethics Committee

- Comprises four members of the Senior Leadership Team (all of whom also sit on the Risk Committee).
- Considers matters that are referred to it, usually by internal stakeholders.
- Considers particular ethical issues and makes a recommendation to the Executive Committee on how to proceed.
- Most matters referred to the Ethics Committee involve a risk appetite decision, for example where the proposed course of conduct is lawful but may involve some reputational risk.

Independent oversight

Internal Audit

- Provides input on the effectiveness of the risk programme.
- Assesses the effectiveness of controls for certain principal risks, particularly financial risks.
- Holds scheduled audits of our largest Group companies annually, and of other Group companies biennially, and gives executive summaries to the Audit and Risk Committees. Significant shortcomings are discussed and acted upon promptly.
- Facilitates process enhancements.
- Requires all operating companies to complete annual self-certification questionnaires regarding compliance with certain key policies and procedures.

Oversight from the Audit Committee

This year, we have increased the reporting of Risk Committee activities to the Audit Committee, to better ensure that our Non-executive Directors are kept up-to-date with developments in risk management. As well as reviewing the principal risks and approving their ranking, the Audit Committee has monitored the programme of management's work in this area in FY2023. The minutes of all Risk Committee meetings are shared with the Audit Committee, which has also received regular updates throughout the year on specific risks, including Cyber and Climate change.

Risk management continued

Risk management activities carried out throughout the year

Risk identification
- Top-down interviews with senior managers.
- Bottom-up risk reports are refreshed by regional and product line managers.
- Consolidated outputs from the bottom-up and top-down process are considered by the Risk Committee.
- Risk Committee agrees draft principal risks.
- Draft principal risks are considered by the Audit Committee and Board.

Risk oversight
- Risk appetite is considered by the Risk Committee.
- Risk Committee agrees a schedule of in-depth risk reviews for the year ahead.
- Composition, membership and effectiveness of the Risk Committee is considered.
- Audit Committee reviews minutes from all Risk Committee meetings.

Risk reporting
- Consultation with each principal risk owner to prepare draft wording for the Annual Report.
- 'Severe but plausible scenarios' are identified for our viability assessment.

Risk monitoring
- In-depth reviews by the Risk Committee; risk owners give updates on their principal risks.
- Biannual updates from Responsible Renishaw Forum, Speak Up and Internal Audit.
- Annual updates on business continuity and crisis management, and insurance cover.

Risk movement

Increased risks

Economic and political uncertainty – this risk has increased as we are seeing some disruption to trade routes involving China. This disruption, along with other geopolitical issues, could significantly influence our strategy and its implementation.

Cyber – activity in this area (including attempted attacks) has continued to increase. We remain focused on reviewing and strengthening our control environment but recognise that one successful attack could have a material impact on our operations.

Decreased risks

People – this risk has decreased, partly due to the considerable work led by our HR team in the last year (see pages 65 to 67 for more information). These actions have resulted in a significant drop in leaver numbers, and the changes we have made to pay through our global salary benchmarking activities have contributed positively to our ability to attract new talent.

Supply chain dependencies – our responses to the challenges faced during, and as a result of, COVID-19 have demonstrated that we manage this risk well, therefore reducing its impact and likelihood.

Loss of manufacturing output – we have demonstrably managed this risk well in the face of challenges over the last few years. As a result, both the potential impact and likelihood of this risk being triggered have reduced.

Pensions – during FY2023, the Company and Trustees of the UK defined benefit pension scheme agreed to de-risk the investment strategy by disinvesting from the scheme's equity and diversified growth holdings and investing the proceeds into index-linked gilts. This followed a significant improvement in the UK scheme's funding position due to rising gilt yields. The Board has agreed to seek to insure the scheme liabilities and, as a result, this risk is unlikely to be a principal risk in FY2024.

Key themes in FY2023

Because of the complex global environment in which we operate, effective risk management is fundamental to the delivery of our strategic objectives. Our continued focus on risk identification and management, processes that require collaboration with the Board and senior management, has meant that our risk framework has been at the top of the agenda this year.

Climate change

We continue to be conscious of the increasing global threat of climate change. We acknowledge that climate change, without any mitigating actions, poses a risk to our ability to achieve our strategic growth objectives.

This year we have carried out significant work to further our understanding of our exposure to climate-related risks and opportunities across several scenarios and time horizons. Our approach to assessing and managing climate risk has been informed by the disclosure recommendations created by the Task Force for Climate-related Financial Disclosures (TCFD). Our full disclosure is on pages 72 to 80.

Cyber security and data protection

We have seen an increase in the number of sophisticated phishing attacks against us, our customers and our supplier base. Because of this, we are particularly conscious of the need to maintain our high level of vigilance against cyber security threats. The Risk Committee is provided with regular updates on the strength of our controls.

We continually monitor and adopt good industry practices, and respond quickly to threats. We have continued to invest in training and technologies to mitigate, detect, and respond to this risk. This has included physical and logical control measures to protect our information and systems. Through phishing simulation exercises, training and communications, we continue to regularly promote awareness among our people.

One of the potential consequences of a cyber attack could be a breach affecting our data. We have made an ongoing commitment to achieving high standards of compliance with the General Data Protection Regulation (GDPR) and other data protection laws in the countries where we operate.

As part of this, we have a Privacy team that keeps policies, procedures, training and other compliance requirements under review. This year, we have also been working on a new Code of Conduct, which will set out, among other things, how we can preserve the privacy of our stakeholders.

Business continuity

Early in FY2023, the Risk Committee resolved to annually review the topic of business continuity and crisis management. Having reviewed our Group Crisis Management Policy and Procedure, which already included the lessons learned from the COVID-19 pandemic, the Committee agreed that the policy should be enhanced to provide more detail in certain areas. As such, a project is currently underway to incorporate the steps we are already taking to mitigate the risks in terms of cyber security, manufacturing, and finance operations, into our policy.

Emerging risks

We continue to assess our emerging risks. These are uncertain in nature and have the potential to develop over time and affect our performance. While they may increase the impact and likelihood of our principal risks occurring, we do not currently expect them to become future principal risks.

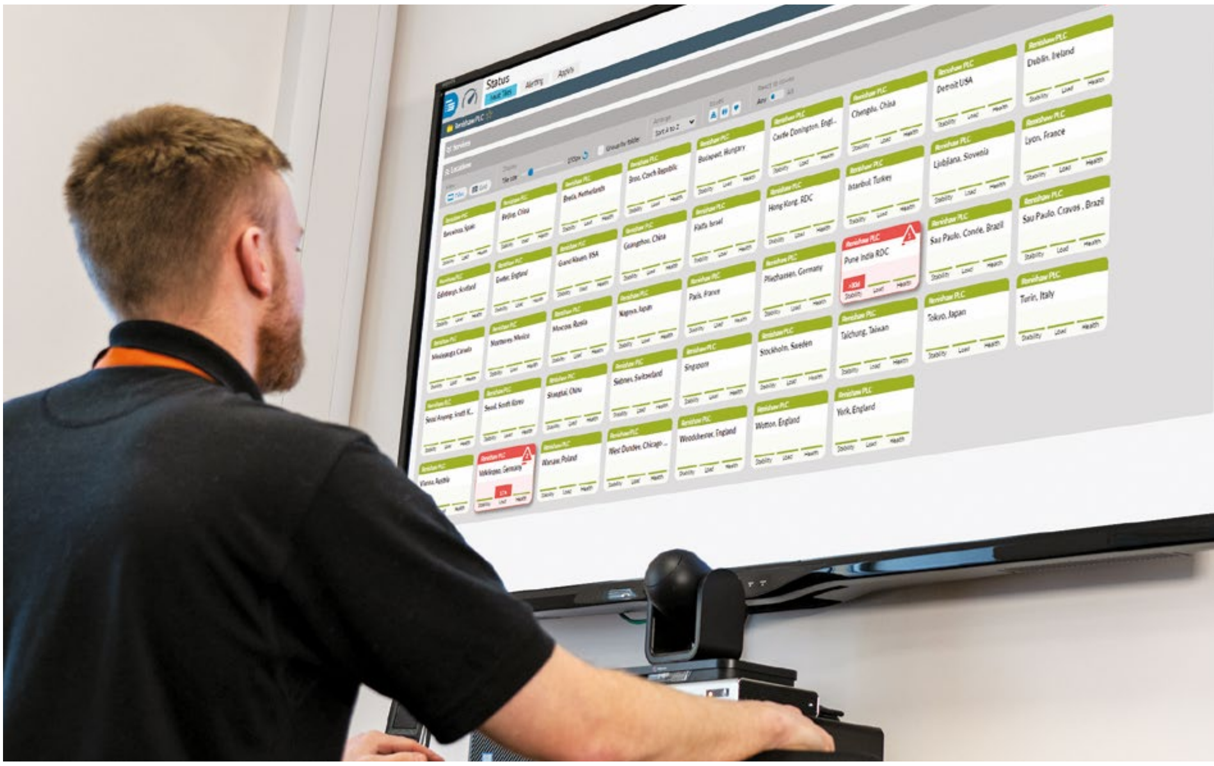
As part of our risk management process, we maintain a dynamic approach to monitoring emerging risks. This includes regular consideration at Risk Committee, Audit Committee, and Board meetings. For example, we continue to monitor the effect that changing work patterns, including hybrid working, has on our principal risks (including People, Innovation strategy, and Cyber). We continue to look at ways to manage this so that our people can collaborate and innovate. We also consider developments in disruptive technology and software, including identifying future opportunities as well as risks.

Priorities for the year ahead

Alongside our usual annual risk identification and monitoring activities, in FY2024 we will:

- increase our focus on the potential impact of geopolitical crises;
- continue to assess the Climate change risk, particularly in relation to our TCFD disclosure work, and strengthen responses to a potential climate event;
- conduct in-depth reviews on all our internal principal risks;
- review and monitor management's response to the UK Government's audit and corporate governance reforms, in relation to non-financial controls;
- consider data protection and cyber security risks further, particularly in light of an increase in the frequency and sophistication of attacks; and
- continue to monitor and assess emerging risks.

► **A member of our IT and Security team.**



Principal risks and uncertainties

Risk movement

↑	Increased risk
↓	Decreased risk
↔	Stable risk

Link to strategy

SM	Sales and marketing	**E**	Engineering	**P**	People and culture
M	Manufacturing	**CS**	Corporate Services	**S**	Sustainability

Economic and political uncertainty ↑

Appetite	Link to strategy	Risk owner
HIGH	All	Chief Executive

Risk description

As a global business, we may be affected by global political, economic or regulatory developments. This could include a global recession, USA-China trade relations, or the Russia-Ukraine conflict. This risk can also drive industry fluctuations.

Potential impact

- Loss of financial and physical assets in a region.
- Supply issues leading to failures to meet contractual obligations.
- Reduced revenue, profit and cash generation.
- Increased risk to credit, liquidity and currency.

What we are doing to manage this risk

- Monitoring external economic and commercial environments and markets in which we operate, and identifying relevant headwinds.
- Maintaining sufficient headroom in our cash balances.
- Maintaining appropriate levels of buffer inventory.
- Resilient business model and clear strategy, both of which are subject to regular scrutiny.

Innovation strategy ↔

Appetite	Link to strategy	Risk owners
HIGH	E	Directors of Industrial Metrology, Position Measurement and Additive Manufacturing

Risk description

Failure to create new cutting-edge, high-quality products, or failing to protect the intellectual property that underpins these products, which allows us to differentiate ourselves from our competitors.

As a business driven by innovation, there is a higher risk when venturing outside our traditional field of expertise where the science and engineering are less proven.

Potential impact

- Failure to lead the market in innovation of products in our core and adjacent sectors.
- Loss of market share.
- Reduced revenue, profit and cash generation.
- Failing to recover investment in R&D.

What we are doing to manage this risk

- Increase in R&D expenditure with a continued focus on investment for new product development.
- Establishing a ‘Product Group Directors Team’, which focuses on R&D productivity initiatives around the Group. Topics in FY2023 included: embedding the flagship projects programme and establishing in-depth quarterly reviews with the Chief Executive; and evolving hybrid working. We will see the impact of these initiatives in FY2024.
- Monthly monitoring of the ‘key technologies’ R&D targets, with an aim of identifying business value and accelerating our promising new technologies and associated patents very early in the life-cycle.
- Continuing the drive towards incremental development and more open customer collaboration at early stages of R&D projects, to ensure our innovations are successful in the market.

Appetite

LOW	Minimal risk exposure is considered the safest approach, which may mean lower returns.
MEDIUM	A balanced approach that carefully considers the risks and rewards.
HIGH	Greater risk tolerance, which may involve maximum risk for maximum return.

People

Appetite	Link to strategy	Risk owner
MEDIUM	P	Head of Group HR

Risk description

Our people are fundamental to the success of our business.

Inability to attract, retain and develop key talent at all levels of the organisation, as well as a failure to ensure we have appropriate succession plans in place, could mean we fail to successfully deliver our strategic objectives.

Potential impact

- Loss of expertise, skills, and specialist talent could affect delivery of objectives.
- Poor retention and engagement could slow the delivery of our strategic objectives and product delivery.
- Failure to develop future leaders, insufficient talent progression.
- Loss of market share, reduced revenue, poor customer service, and reduced profit.

What we are doing to manage this risk

- Continuing our focus on attracting, rewarding and retaining our people globally.
- Continuing our global salary benchmarking programme, with our largest investment in reward, to date. We have seen an improvement in retention since conducting our benchmarking exercises.
- Working towards implementing a global engagement platform.
- Continuing to invest in our education and early career programmes as well as talent development and succession planning. For example, we opened our dedicated STEM Centre at our headquarters in Gloucestershire, UK.
- Developing a competency framework to complement our new job architecture.
- Advancing our employee engagement through multi-media communications, surveys, promoting wellbeing, evolving feedback mechanisms and further developing our work to build an inclusive culture.
- Establishing continuity plans to enable rapid adaptation to changing circumstances.

Industry fluctuations

Appetite	Link to strategy	Risk owner
HIGH	SM, M, E	Chief Executive

Risk description

We're exposed to the cyclical nature of demand from the aerospace, automotive, semiconductor and consumer electronics markets, which may be more severe if downcycles in these key industries coincide. This risk can also be influenced by economic and political uncertainty.

Potential impact

- Reduced revenue, profit and cash generation.
- Increased competition on prices.
- Loss of market share if unable to meet rapid increases in demand.

What we are doing to manage this risk

- Closely monitoring market developments.
- Expanding our product range to serve different industry sectors and markets.
- Identifying and meeting the needs of rapidly growing markets, for example in robotic automation.
- Maintaining a strong balance sheet and strategic inventories with the ability to flex manufacturing resource levels.

Principal risks and uncertainties continued

Risk movement

↑	Increased risk
↓	Decreased risk
↔	Stable risk

Link to strategy

SM	Sales and marketing	**E**	Engineering	**P**	People and culture
M	Manufacturing	**CS**	Corporate Services	**S**	Sustainability

Route to market/customer satisfaction model ↔

Appetite	**Link to strategy**	**Risk owner**
MEDIUM	SM	Chief Executive

Risk description

Failure to implement appropriate and efficient sales and support processes relating to systems integration and the sale of capital goods could restrict growth opportunities in these areas.

Potential impact

- Low capital efficiency – high people costs and low productivity.
- High application engineering and distribution costs.
- Adversely affects customer satisfaction levels, revenue, and profits.

What we are doing to manage this risk

- Focusing on key customers to generate repeating revenues.
- Closely monitoring customer feedback.
- Collaborating with complementary third parties.
- Adopting new approaches to the sale of capital goods.

Cyber ↑

Appetite	**Link to strategy**	**Risk owner**
LOW	All	Director of Group Operations

Risk description

External and internal threats that could result in a loss of (i) data, including IP; or (ii) our ability to operate our systems, which could severely affect our business.

Potential impact

- Loss of IP and/or commercially sensitive data and/or personal data.
- Inability to access, or disruption to, our systems leading to reduced service to customers.
- Financial loss and reputational damage.
- Impact on decision-making due to lack of clear and accurate data, or disruption caused by the lack of service.

What we are doing to manage this risk

- Ensuring substantial resilience and back-up is built into our systems, which are continuously updated for current threats and good industry practice. This includes duplication of hardware, dual and diverse connections where possible, and regular back-up schedules.
- Regularly discussing cyber and security risks at Board and Audit Committee meetings, including the strength of our control environment.
- Deploying physical and logical control measures to protect our information and systems. Real-life restores of data and services are carried out regularly.
- Conducting regular security awareness training, including phishing simulation exercises, which are proving effective. We also conduct external penetration testing as appropriate.

Appetite

LOW	Minimal risk exposure is considered the safest approach, which may mean lower returns.
MEDIUM	A balanced approach that carefully considers the risks and rewards.
HIGH	Greater risk tolerance, which may involve maximum risk for maximum return.

IT transformation failure ↑

Appetite	Link to strategy	Risk owner
LOW	All	Director of Group Operations

Risk description

The upgrade of our Sage CRM and Sage ERP systems to Microsoft Dynamics 365, to remove legacy systems and ensure our global operations are better integrated, could affect our business if there are major technical issues, or it is poorly integrated. This risk could also result in problems if there are significant delays to the programme or it runs significantly over budget.

Potential impact

- Major disruption to our systems, causing delays to our operations.
- Affect our ability to process or issue invoices and customer orders, or to procure goods and services.
- Increased costs, including to fix technical issues and restore or upgrade other affected systems.

What we are doing to manage this risk

- Maintaining close project management between ourselves, Microsoft and our system integrator.
- Working to a clear, risk-elimination-based roadmap with measurable milestones.
- Strengthening the deployment team to accelerate roll out, with targeted recruitment and upskilling.
- Obtaining commitment from the Board to invest as necessary.

Supply chain dependencies ↓

Appetite	Link to strategy	Risk owner
LOW	M, S	Head of Group Manufacturing

Risk description

Critical components, or some components that we buy from single-source suppliers, make us vulnerable to an interruption in supply.

Potential impact

- Inability to fulfil customer orders, leading to a reduction in revenue and profits, and damage to reputation.
- Failure to meet contractual requirements.
- Increased cost of alternative sourcing or redesign.
- Loss of market share.

What we are doing to manage this risk

- Maintaining a risk dashboard for our key manufacturing sites, to help us prioritise and determine stock levels.
- Adapting stock levels for high-risk items, to take account of supply lead times and time to redesign in the event of loss of supply. We actively seek cost-effective alternative sources of supply (including in-house manufacturing), to reduce dependency on single-source suppliers, with a continued focus on key components.
- Collaborating with product groups on an ongoing basis to review risks and, where appropriate, carry out reviews and updates to specifications where necessary to facilitate alternative sourcing or redesign.

Principal risks and uncertainties continued

Risk movement

↑	Increased risk
↓	Decreased risk
↔	Stable risk

Link to strategy

SM	Sales and marketing	**E**	Engineering	**P**	People and culture
M	Manufacturing	**CS**	Corporate Services	**S**	Sustainability

Competitive activity ↔

Appetite	**Link to strategy**	**Risk owner**
LOW	All	Chief Executive

Risk description

Failure to adapt to market and/or technological changes.

Potential impact	What we are doing to manage this risk
– Reduced revenue, profits and cash generation. – Loss of market share. – Price erosion. – Loss of reputation as a leader in innovation.	– Ensuring we are diversified across a range of products, industries and geographies. – Closely monitoring market developments, particularly across our core product groups. – Maintaining local sales and engineering support to quickly identify changing local needs. – Continuing to build our product portfolio through our strong historic and ongoing commitment to R&D (see Note 4 to the Financial statements for details of R&D expenditure).

Capital and resource allocation ↔

Appetite	**Link to strategy**	**Risk owner**
MEDIUM	E	Group Finance Director

Risk description

This risk could be triggered by a failure to properly allocate budget and resource between core and emerging activities.

Potential impact	What we are doing to manage this risk
– Investing in declining or less profitable areas at the expense of more profitable and strategically important areas. – Reduced profits. – Loss of market share. – Impact on innovation.	– Defining, prioritising, and developing strategies for all core and emerging areas of the business. – Scrutinising all expenditure, including regular reporting on labour costs and capital expenditure. – Regular reporting of cash balances. – Tracking performance objectives, including regular reporting on flagship project progress.

Appetite

LOW	Minimal risk exposure is considered the safest approach, which may mean lower returns.
MEDIUM	A balanced approach that carefully considers the risks and rewards.
HIGH	Greater risk tolerance, which may involve maximum risk for maximum return.

Exchange rate fluctuations

Appetite MEDIUM | **Link to strategy** SM | **Risk owner** Group Finance Director

Risk description

We report our results and pay dividends in Sterling and, with more than 90% of our revenue generated outside the UK, we're exposed to volatility in exchange rates that could have a significant impact on our results.

Movements of Sterling against our major trading currencies cause cash flow, currency translation, and intercompany balance translation risks.

Potential impact

- Significant variations in profit.
- Reduced cash generation.
- Increased competition on product prices.
- Increased costs.

What we are doing to manage this risk

- Maintaining rolling forward contracts for cash-flow hedges in accordance with Board-approved policy, and one-month forward contracts to manage risks on intercompany balances.
- Tracking overseas net assets value compared to the market capitalisation.
- Obtaining input from external sources, including our banks.

Climate change

Appetite LOW | **Link to strategy** All | **Risk owner** Head of Group Manufacturing

Risk description

We could be exposed to climate-related physical risks, such as hurricanes, floods, wildfires and pandemics, which could potentially affect our ability to operate.

Other risks related to a transition to a low-carbon economy could also affect us if we fail to react adequately to new climate-related legislation, technology or market factors.

Potential impact

- Increased costs of key raw materials, due to climate-related legislation affecting the macroeconomic landscape with the introduction of carbon taxes.
- Disruption to operations caused by climate-related hazards could reduce our revenue, create safety risks to our people and increase our operational costs.
- If we fail to achieve Net Zero commitments, we could experience damage to reputation and loss of business.

What we are doing to manage this risk

- Our Sustainability team supports the Risk Committee in evaluating and understanding the possible effect of climate-related risks and opportunities.
- Climate-related hazards have been a driver in developing our manufacturing approach. More detail on our risk mitigation work can be found in the descriptions of our Loss of manufacturing output and Supply chain dependencies risks.
- Using our product groups' priorities to manage climate-related transitional risks.
- Reviewing and maintaining business interruption and other insurance cover.
- Investing to reduce energy consumption and increase renewable energy generation across the Group. For example, we are aiming for all new buildings and refurbishments to achieve Net Zero emissions in operation.

Principal risks and uncertainties continued

Risk movement

↑	Increased risk
↓	Decreased risk
↔	Stable risk

Link to strategy

SM	Sales and marketing	**E**	Engineering	**P**	People and culture
M	Manufacturing	**CS**	Corporate Services	**S**	Sustainability

Loss of manufacturing output ↓

Appetite	Link to strategy	Risk owner
LOW	M	Head of Group Manufacturing

Risk description

Manufacturing output can be adversely affected by factors including environmental hazards, technical delays or outages, plant or equipment failure, inadequate resourcing levels, or factors affecting the workforce, such as a pandemic.

Potential impact

- Inability to fulfil customer orders leading to a reduction in revenue, failure to meet contractual requirements and damage to reputation.
- Increased costs of alternative sourcing or redesign.
- Impact on maintenance of buffer inventory.
- Loss of market share.

What we are doing to manage this risk

- Duplicating high-dependency processes, such as component manufacturing and finishing, electronic printed circuit board assembly, and microelectronics assembly, across multiple manufacturing locations.
- Ensuring we have flexible manufacturing capacity and sufficient resilience across our manufacturing sites.
- Ensuring standardised approaches to assembly, annual risk assessments, and business continuity planning.
- Reviewing and maintaining business interruption and other insurance cover.

Non-compliance with laws and regulations ↔

Appetite	Link to strategy	Risk owners
LOW	All	General Counsel & Company Secretary and Managing Director – Renishaw Medical

Risk description

We operate in a large number of territories and in some highly-regulated sectors. We are subject to a wide variety of laws and regulations, including those relating to anti-bribery, anti-money laundering, sanctions, competition law, privacy, health and safety, product safety and medical devices.

There is a risk that somewhere in the Group we may not be fully compliant with these laws and regulations.

Potential impact

- Damage to reputation and loss of future business.
- Potential penalties and fines, and cost of investigations.
- Management time and attention in dealing with reports of non-compliance.
- Inability to attract and retain talent.

What we are doing to manage this risk

- Maintaining our whistleblowing hotline (Speak up), available to all employees and third parties who provide services for or on behalf of the Group, which means that our people and other stakeholders can make us aware of any potential non-compliance issues.
- Establishing global compliance programmes for all high-risk areas, which includes policies, key controls and effective communication. Training also includes refreshed mandatory anti-bribery and anti-corruption modules.
- Promoting all compliance functions under the umbrella brand 'Responsible Renishaw'. This helps to raise awareness about compliance, and makes it easier for our people to find the information they need to comply.
- Maintaining our global privacy programme.

Appetite

LOW	Minimal risk exposure is considered the safest approach, which may mean lower returns.
MEDIUM	A balanced approach that carefully considers the risks and rewards.
HIGH	Greater risk tolerance, which may involve maximum risk for maximum return.

Product failure

Appetite	Link to strategy	Risk owners
LOW	E, M	Group Quality Manager and Quality Manager – Healthcare Regulatory

Risk description

The quality of our products could be adversely affected by internal threats, such as inadequate quality management processes. Product quality could also be affected by external threats, such as substandard performance from third-party suppliers. We could also be affected by other external risk factors, including grey market and counterfeit goods in our supply chain, and this may result in latent risks where product failures are not yet realised.

This risk is particularly notable in our neurological products, where failure could result in significant personal injury claims or regulatory action.

Potential impact

- Damage to reputation.
- Claims, including personal injury.
- Potential penalties and fines, cost of investigations and high recall costs for medical devices.
- Increase in non-revenue-generating warranty activity.
- Inability to fulfil customer orders leading to a reduction in sales.

What we are doing to manage this risk

- Ensuring we have rigorous internal product development and testing procedures (during development, manufacturing and release) to international standards where applicable, to ensure high levels of quality assurance. This includes following ISO 14971 and ISO 13485 for all medical devices.
- Interacting with customers and regulators to obtain and address feedback.
- Conducting a thorough vendor approval process, and regular monitoring of third-party suppliers to ensure incoming parts and sub-contracted activity meet requirements.
- Applying grey market product verification activity where component sourcing is not from original equipment manufacturers (OEMs) or franchised providers.
- Limiting our liability through our terms and conditions of sale and we also have product liability insurance. For clinical studies, we have separate trial insurance.

Pensions

Appetite	Link to strategy	Risk owner
MEDIUM	P	Group Finance Director

Risk description

Investment returns and actuarial assumptions of our defined benefit (DB) pension schemes are subject to economic and social factors outside our control.

Potential impact

- Any deficit may need additional funding in the form of supplementary cash payments to the plans, or the provision of additional security.
- Significant management time.
- External support costs.
- Damage to reputation.

What we are doing to manage this risk

- Implementing recovery plan for the UK DB scheme in June 2019, with the aim of funding to self-sufficiency by 2031.
- Appointing a corporate Trustee in June 2022, which has reduced management time and support costs.
- Engaging with the corporate Trustee on investment strategy.
- The corporate Trustee works to a statement of investment principles, and the Company and corporate Trustee seek appropriate independent professional advice, if needed.
- During FY2023, the Company and Trustees of the UK DB scheme agreed to de-risk the investment strategy by disinvesting from the scheme's equity and diversified growth holdings and investing the proceeds into index-linked gilts. This followed a significant improvement in the scheme's funding position due to rising gilt yields. As a result, the Trustees agreed to £8.7m of funding due between 1 October 2022 and 30 September 2023 being deferred to 2026.

Viability statement

The Directors have assessed our prospects and viability, in accordance with the UK Corporate Governance Code. This assessment took account of our current position and principal risks, and the details of the assessment and the conclusion reached are set out as follows.

Context

In making the assessment, the Directors considered the following factors that they felt provided important context.

Financial resources – we have significant financial resources, with cash and cash equivalents and bank deposits at the start of the viability assessment period of £206.4m. We have a strong history of creating cash for the business. The only external source of finance included in the viability assessment is the existing property mortgage in Japan (see Note 20 on page 178), which is assumed to be repaid in full in the assessment period. We have no debt covenants.

Business model and markets – our business model includes designing and manufacturing products ourselves, giving us the flexibility to respond to customers' needs and control over where we direct our manufacturing resources. We can also direct our sales and marketing resources where needed, should market trends and conditions change. In addition, we are also diversified over a range of markets, as explained on pages 32, 33 and 42.

Business planning – our business planning process uses a top-down approach (the 'corporate view') as well as detailed forecasts from both our product groups and our sales regions, to ensure we consider a range of perspectives. We also use external sources of information, such as market trends and economic growth rates, in our business planning process.

Risk management – we have a robust risk assessment and management process, as set out on pages 48 to 51. As we explain in the scenarios section below, the crystallisation of our principal risks has been considered in the viability assessment.

Assessment period

The Directors used a three-year period, to the end of September 2026, in making their viability assessment. While a five-year business plan has been prepared, the Directors feel that a three-year period is more suitable for this assessment and better reflects our business model, where we typically have short-term contracts with customers, a short order book, and can adapt our manufacturing to meet demand in months rather than years.

Principal risks

The Directors reviewed our principal risks and considered which could have a significant effect on the Group's financial position, business model and/or future performance if they were to crystallise within the period to September 2026. Financial models, described below, were used in assessing the potential impact.

Financial modelling

Each scenario used the same starting point, being the pessimistic version of our five-year business plan (with the revenue in this pessimistic forecast also referred to as the 'highly probable' revenue forecast for hedge accounting). For context, revenue in the first year of this pessimistic base scenario is similar to FY2023 revenue of £688.6m, while costs and other cash outflows still reflect ambitious growth plans.

◄ **Manufacturing employee at our Woodchester, UK site.**

The three scenarios then took this same starting point and revised the forecasts to reflect:

Scenario	Summary
1	A significant reduction in revenue, incorporating: – a worsening of the global economy; – a disruptive event that causes both a short-term Group-wide disruption of trade and a sustained significant loss of revenue from key customers after the event; – a strengthening of Sterling; – a delay in launching key new products; and – no revenue growth from capital equipment.
2	Significant increase in costs, incorporating: – a significant fine or penalty; – a sustained increase in inflation; – additional professional fees; – reduced operating profit margins on the sale of capital equipment; and – additional costs to respond to a one-off disruptive event.
3	Combined reduction in profitability, incorporating: – a reduction in revenue less significant than scenario one and an increase in costs less significant than scenario two.

We incorporated appropriate, realistic mitigating actions into each scenario, such as reducing capital expenditure, bonuses and dividends relative to the revised performance and position in these scenarios.

This modelling showed that cash balances remained positive in all three scenarios, and exceeded £100m at the end of the assessment period (30 September 2026) in each scenario.

We also performed a 'reverse stress test', identifying the reduction in profit, after mitigating actions, needed to exhaust cash in the assessment period. This identified a trading level so low that the Directors feel that the events that could trigger this would be highly unlikely. The Directors also concluded that a one-off cash outflow that would exhaust the Group's cash in the assessment period was also highly unlikely.

Outcomes, mitigating actions and upsides

The financial modelling demonstrated that should the Group experience 'severe but plausible' conditions in the period to September 2026, positive cash and bank deposit balances can be maintained throughout. As a vertically integrated business that typically funds future growth through cash reserves, we have a good degree of control on how we use cash, and a range of mitigating actions we can take to respond to challenging conditions.

In making their viability assessment, the Directors also considered recent trading performance and how well the Group responded to challenges in recent years such as the COVID-19 pandemic and global supply chain disruption.

Conclusion

Based on this assessment, incorporating a review of the current position, the scenarios, our principal risks and mitigation, the Directors have a reasonable expectation that we'll be able to continue operating and meet our liabilities as they fall due over the period to 30 September 2026.

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

185

Industrial placements

45

Summer placements

18

Graduates

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.

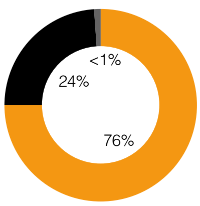
Our HR colleagues also updated the Board on the steps we are taking as a business to attract and retain women in engineering. At 30 June 2023 our gender diversity split was:

	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.

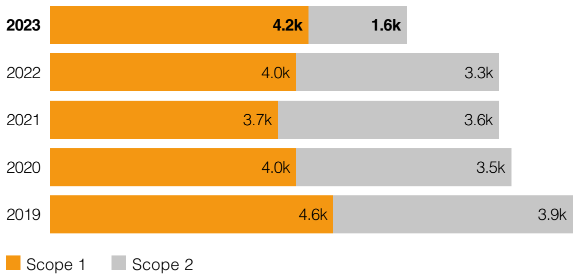
Quantifying our Scope 3 emissions

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.

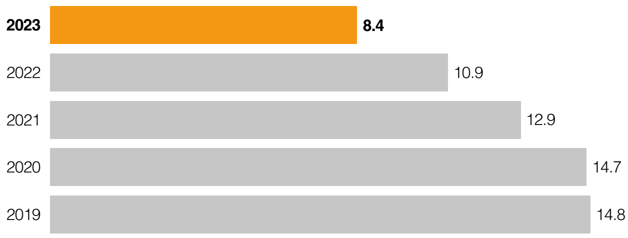
In brief, our GHG emissions have been calculated according to the principles set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We took a hybrid approach, using primary data if it was available and secondary data when it was not. Our secondary data was sourced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

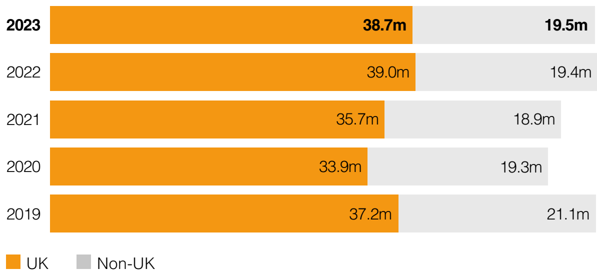
Total statutory emissions tCO_2e



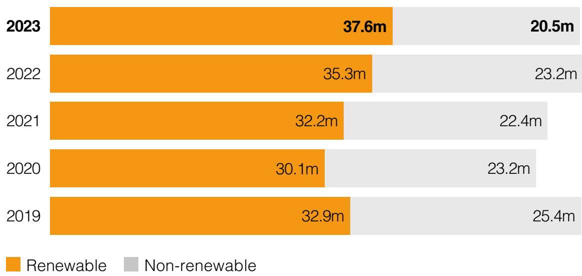
Statutory GHG emissions tCO_2e per £m revenue



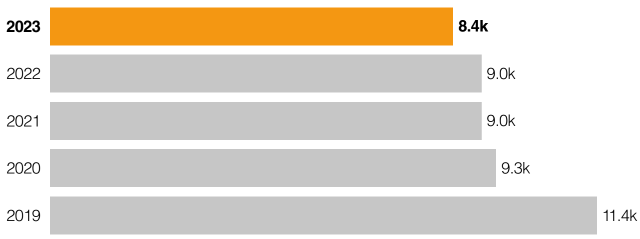
Group energy consumption kWh



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.

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

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.

By 2028 we will reach Net Zero for our 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.

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

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 2050 we will reach Net Zero

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:

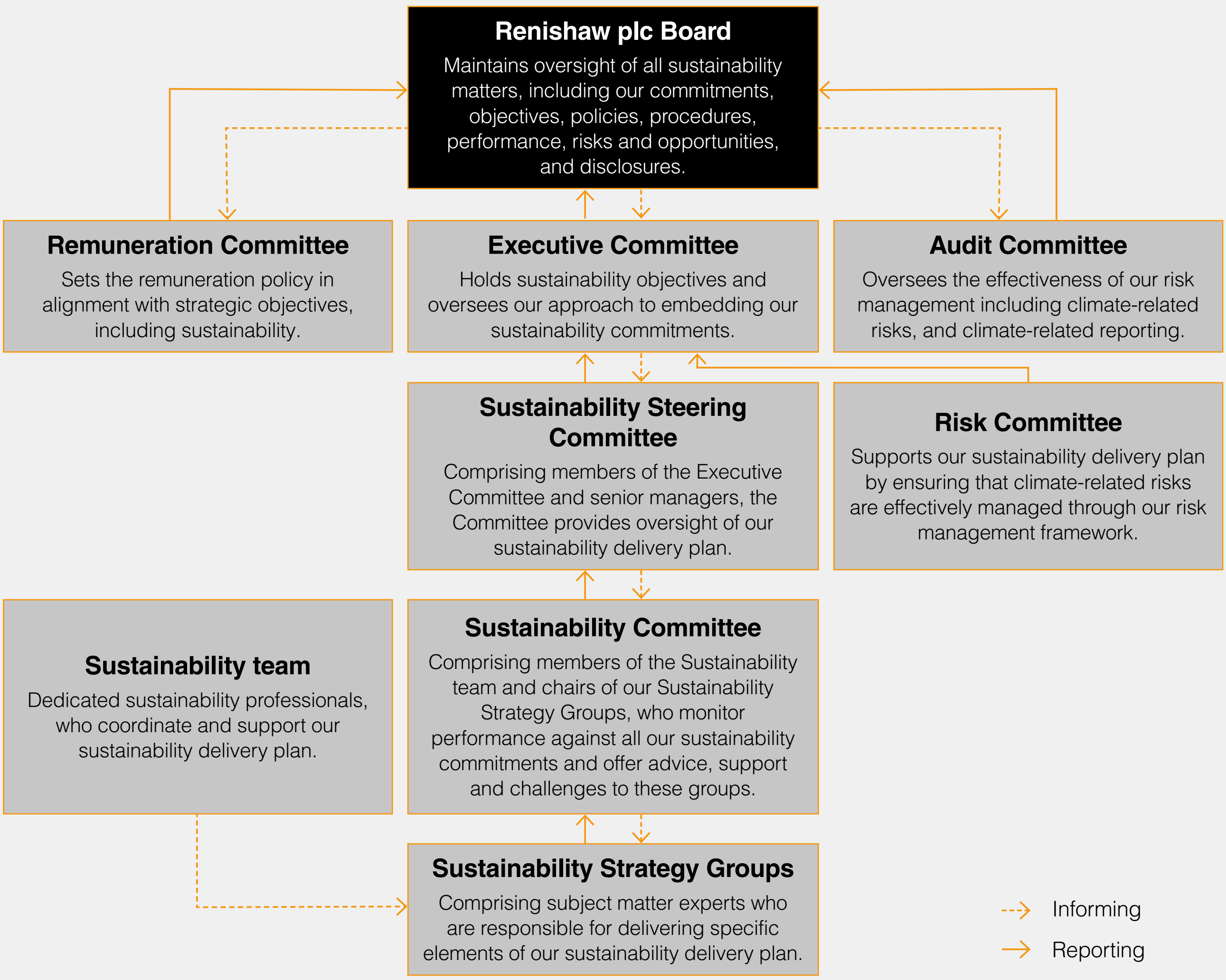
- in March 2023, it reviewed and approved our SBTi targets and Net Zero plan for Scope 1, 2 and 3 emissions (more detail on page 68);
- in April 2023, it reviewed and updated our five-year financial forecast which contains our capital expenditure plans to achieve Net Zero Scope 1 and 2 by the end of 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.

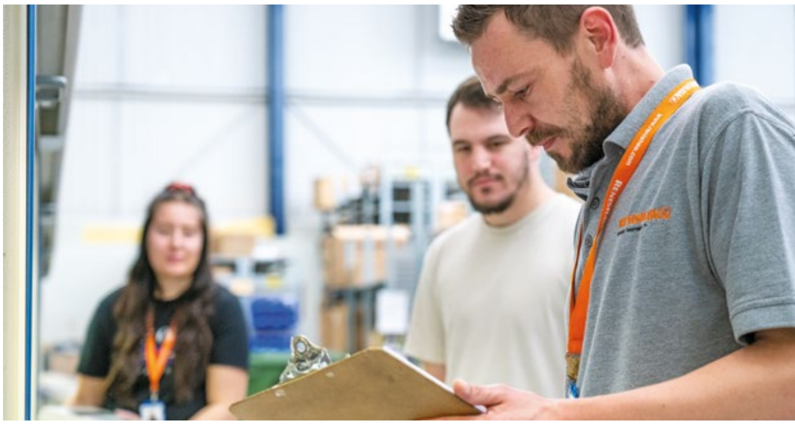
Supply chain improvements and challenges

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

Section 172 statement

Directors are required by Section 172 of the Companies Act 2006 to act in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they must also have regard to wider responsible business behaviour including the following factors:

- the likely consequences of any decision in the long term;
- the interests of our people;
- the need to foster business relationships with suppliers, customers and other stakeholders;
- the impact of our operations on the community and the environment;
- the desirability of maintaining a reputation for high standards of business conduct; and
- the need to act fairly between the Company's members.

Not only is this the Directors' statutory duty, but it is also the right way to conduct business to achieve long-term, sustainable success. Effective and inclusive decision-making is at the heart of our governance structures and is a foundation for effective value creation over the longer term. During this financial year, with continuing global economic uncertainty, inflationary pressure and the Russia-Ukraine conflict, balancing the needs and expectations of our stakeholders continues to be an important and challenging task.

The Board takes its role of ensuring that it fulfils its obligations to those affected by our business in its stakeholder consideration and engagement very seriously. It has ensured that such consideration is embedded throughout the business, with the Executive Committee and senior management actively engaged in communication and engagement initiatives.

How has the Board had regard to Section 172 matters?

We explain our engagement with employees, suppliers, and customers during the year in the Managing our resources and relationships section on pages 62 to 64. Details of how the Board operates and matters considered by the Board are set out in the Directors' Corporate Governance Report from page 100. The Directors regularly consider reports on health and safety, environment, and security. This supports the Directors in their decision-making, helping them understand the impact those decisions have on our local communities and the environment. It is critical to our success that we promote and ensure high standards of business conduct. Further information can be found on pages 50 to 51, 58, and 67 to 71. The Group Legal and Company Secretariat, Quality, Compliance, HR and Sustainability teams also report regularly to the Board. Our Non-financial and sustainability information statement on page 89 identifies policies and guidelines governing our approach to climate-related financial disclosures, environmental matters, our people, anti-corruption and anti-bribery, social matters and human rights. Considering the long-term effect of the decisions made by the Board is an integral part of the approval of strategy, and our strategic progress this year is disclosed on pages 22 to 25.

How did the Directors discharge their Section 172 duty during the year?

The Directors recognise that the decisions they make today will affect the business into the long term. We have identified our key stakeholders on pages 62 to 64 and set out reasons for, and methods of, engagement with each group. We acknowledge that different stakeholders have different needs, so our Board tries to understand these needs and priorities through engagement to inform its decision-making. This, together with considering the long-term consequences of decisions and maintaining our values and reputation for high standards of business conduct, underpins the way we operate and our governance framework.

In understanding the needs and priorities of our stakeholders, we also acknowledge that situations may arise where stakeholder groups have conflicting priorities. When this happens, we consider the priorities of each group. We assess them individually and collectively from the perspective of our strategic objectives and the continued long-term sustainable success of the business.

This statement explains how our Directors:

- have engaged with our employees, shareholders, customers, suppliers, our communities and others (for more information about our engagement, see pages 62 to 64); and
- have considered our employees' interests, the need to act fairly between members of the Company, the need to foster business relationships with suppliers, customers and our communities, the impact of our operations on the community and environment, our reputation for high standards of business conduct, and the outcomes of those considerations on the principal decisions taken during the financial year.

In this statement, we define principal decisions of our Board as those taken in this financial year, which relate to matters of key strategic importance, and which are significant to any of our key stakeholders.

Set out on the following pages are examples of how key stakeholders, Section 172 duties, and other matters were considered by the Board when making its principal decisions in 2023.

▲ **Employees on our early careers programme.**

Section 172 statement continued

Five-year financial plan

What was the principal decision?	The Board considered:
The review and updating of our five-year financial plan.	Shareholders; customers; suppliers; employees; the environment and communities; and the long-term sustainable success of the Company.

How were the above matters considered?

The five-year financial plan is reviewed by the Board twice a year. In the second quarter, a refresh of the plan is performed, followed by a more detailed update in the fourth quarter.

The Board conducted an in-depth review of proposals and updates on capital allocation, capital expenditure, competitive outlook, operating expenses and shareholder distributions. This included reviews in Board meetings leading up to the April 2023 Board strategy meeting, at which the strategic direction of the Group, and the corresponding five-year financial plan, were discussed.

Discussions included a review of the macroeconomic environment, market drivers, current sales trends, and the financial strength of the organisation (including revenue risk analysis and a review of pessimistic revenue scenarios). The Board, based on input from the Executive Committee, balanced key priorities, including capital and operating expenditure plans, and rewarding our people competitively, alongside shareholder distributions.

The Board also considered the short-term actions to mitigate the pessimistic revenue scenarios, such as only recruiting critical roles.

As part of the strategy evaluation, the Board also considered the development of our employees and internal manufacturing capabilities, as well as expanding the range of markets and applications that we serve to drive sustained long-term growth and meet the current and future needs of our business.

The Board engaged with employees, suppliers, investors and customers during the year to better understand their views on some key considerations, such as pay and reward, and use of cash.

What was the outcome?

The outcome was an updated five-year financial plan (and approved related proposals), which will help enable delivery of our purpose and strategic priorities. This plan incorporates our long-standing commitment to research and development, and takes account of the views of our stakeholders.

The Group capital expenditure element of the plan includes a significant investment to develop our manufacturing site in Miskin, Wales. This will create local employment opportunities and supports our Net Zero targets.

The Board also affirmed strategic focus areas, to drive growth beyond the five-year financial plan window.

Related outcomes approved via proposals presented to the Board during the past year include:

- agreeing significant capital expenditure on manufacturing equipment to both increase capacity and improve productivity;
- completing global employee salary benchmarking programme, using external data (which resulted in an average pay increase of 10.2% in FY2023) and a new global job architecture (for more information, see page 65);
- maintaining a progressive dividend policy;
- agreeing an additional £1.3m for pay increases for the apprentices and graduates in our UK early careers programme; and
- increasing investment in engineering, including research and development.

▶ For more information, see pages 28 to 31

Proposals relating to the UK defined benefit (DB) pension scheme

What was the principal decision?	The Board considered:
The approval of a proposal to seek to insure the liabilities of the UK DB pension scheme.	Employees and former employees participating in the pension scheme; the important stakeholder relationships with the Trustee and the Pensions Regulator in the UK; the long-term sustainable success of the Company; and maintaining high standards of business conduct.

How were the above matters considered?

The Board reviewed the funding position on several occasions throughout the year. The March 2023 proposal was prepared with input from the Company's UK pension and legal advisors, and the corporate Trustee. The Board continues to monitor progress, take advice, and engage as appropriate. The key advantages of the proposal are to protect members' benefits and, at the same time, remove the risk of funding a deficit, as well as reducing the ongoing governance costs and time required to manage the pension scheme.

What was the outcome?

The Board supported and approved the proposal, subject to a price point that would require no further Company funding. It was noted that, if successful, it would result in a positive outcome for the pension scheme (its members and Trustees) and the Company as mentioned above. The process to seek insurance is ongoing at the time of this Report.

▶ For more information, see pages 30 and 59

Employees at our New Mills site, UK. ▶

Section 172 statement continued

Approval of our climate transition plan

What was the principal decision?	The Board considered:
Whether to approve the climate transition plan, which considers how we should reduce our environmental impact and align with the UK and global commitments to reach Net Zero greenhouse gas emissions.	Shareholders; our relationship with suppliers; the environment and communities; government; the long-term sustainable success of the Company; and maintaining high standards of business conduct.

How were the above matters considered?

The Board engaged with the Sustainability Steering Committee in March 2023 to review and challenge the proposed Science Based Target initiative targets for Net Zero emissions across Scope 1, 2 and 3. In particular, the Board considered the actions we could take, and the collaboration that would be needed with suppliers and customers, to achieve a 50% reduction of Scope 3 emissions by 2030, as well as the potential effects on our costs and business processes. So that we and our investors, employees and customers can understand performance against the targets, the Board discussed the need for verifiable data. When reviewing the climate transition plan, the Board took the UK's Net Zero commitment into consideration.

The Board also engaged with: (i) shareholders regarding the climate transition plan, including at our AGM, specific briefings and other communications; (ii) our employees, including through our regular sustainability briefings and ultra-low emission vehicle (ULEV) briefings; and (iii) customers, including responding to customer sustainability assessments.

The Board considered feedback from the various engagement activities. The Board anticipates that it will benefit the communities in which we operate, as well as customers and our people. Like many of our stakeholders, our employees want to work for a business that takes its environmental responsibilities seriously.

What was the outcome?

The Board approved the climate transition plan, including our commitment to reduce Scope 3 emissions by 50% by 2030. The Board is confident that the climate transition plan, and its challenging targets, will have a positive impact on all stakeholder groups.

During the year, we have continued to make progress towards our target of Net Zero for Scope 1 and 2 emissions by 2028. This included switching to renewable energy contracts for our main sites in India and the USA, as well as finalising such contracts for all UK sites. We are also moving to ULEV fleet vehicles in the UK. As part of our commitment to reduce Scope 3 emissions, we have also introduced a ULEV salary sacrifice scheme, initially in the UK, which will help our employees to reduce their commuting emissions. We have installed EV charging points at many of our UK sites, including more than 80 ports at our New Mills site.

► For more information, see page 71

◄ **Solar panels at our manufacturing facility in Pune, India.**

Non-financial and sustainability information statement

We are required by sections 414CA and 414CB of the Companies Act 2006 to include in our Annual Report certain non-financial and sustainability information. The table below shows where this information can be found in this Report.

Our business model is set out on pages 20 to 21 and our non-financial KPIs are disclosed on page 27.

Reporting requirement(s)	Further information	Policies	Related principal risk(s)
Climate-related financial disclosures	TCFD statement (pages 72 to 80)	n/a	Climate change (page 57)
Environmental matters	Managing our resources and relationships – planet (pages 68 and 70)	Group Business Code Group Environmental Data Policy Group Management of Waste Policy	Climate change (page 57)
Our employees	Managing our resources and relationships – people (page 67) Directors' Corporate Governance Report (page 99) Other statutory and regulatory disclosures (page 137)	Group Business Code Equality, Diversity and Inclusion Policy Speak Up Policy Group Occupational Health and Safety Policy	People (page 53)
Social matters	Managing our resources and relationships – people (pages 65 to 67) and communities (page 82) Directors' Corporate Governance Report (page 99) Other statutory and regulatory disclosures (page 137)	Group Business Code Equality, Diversity and Inclusion Policy Speak Up Policy Group Occupational Health and Safety Policy	People (page 53)
Respect for human rights	Managing our resources and relationships – people (page 67) and suppliers (page 84) Directors' Corporate Governance Report (page 99)	Group Business Code Equality, Diversity and Inclusion Policy Speak Up Policy Group Modern Slavery and Human Trafficking Policy	People (page 53) Non-compliance with laws and regulations (page 58)
Anti-corruption and anti-bribery	Directors' Corporate Governance Report (page 99)	Group Business Code Group Anti-Bribery and Corruption Policy	Non-compliance with laws and regulations (page 58)

Allen Roberts
Group Finance Director

The Strategic Report on pages 1 to 89 was approved by the Board on 18 September 2023 and signed on its behalf by:

Sir David McMurtry
Executive Chairman

We are celebrating our values competition winners

▲ The software 'Motion Planner' team in Pune, India.

"The values competition was a great way to give our employees an insight into some of the inspirational work happening around the business. We received 10 entries for the innovation category and seven for inspiration. Innovation was not only demonstrated in our product areas, but through our peoples' continuous challenging of processes to improve the way we do things."

Marc Saunders
Director of Group Strategic Development

Our values competition winners:

Innovation

The competition winners for innovation were one of our software teams, based in Pune, India.

They submitted an entry for their work developing off-surface and on-surface planners for measuring systems used to inspect complex components. The planners fully automate motion planning, which manufacturers currently perform manually through trial and error.

Using these planners results in almost exact simulation and saves time, since an operator no longer needs to go to a machine beforehand. They also eliminate the need for experts to plan complex parts, deskilling the planning process and saving further time.

The team chose Smt. Patashibai Lunkad Blind School as the charity to receive £5,000 in local currency equivalent. This is a residential school based in Pune that aims to improve the lives of young people who are blind or partially sighted, enabling them to be self-sufficient and live a life of respect, with employment.

Our values competition winners:

Inspiration

The competition winners for inspiration were a team of apprentices based at our manufacturing sites in Gloucestershire and South Wales. As part of our manufacturing apprentice development programme, they delivered nine continuous improvement projects using lean manufacturing principles.

All the apprentices' projects delivered benefits to our business, either by reducing waste or increasing productivity.

The winning team chose Velindre Cancer Centre to receive £5,000.

Based in Cardiff, UK, Velindre is the premier cancer centre in Wales, providing high-quality radiotherapy and chemotherapy treatments, care and support to cancer patients. It also gives more than £1m per year to fund cancer research programmes.

▶ **You can read about the other values competition winners on pages 140–141.**

▼ **Manufacturing apprentices in Miskin, Wales.**

Governance

Directors' Corporate Governance Report

We are contributing to success through good governance

“Throughout the year the Board made sure we assessed shareholder and stakeholder interests with long-term, sustainable success in mind.”

Sir David Grant
Senior Independent Director

The year in review

I am pleased to introduce the Directors' Corporate Governance Report for the year ended 30 June 2023. The Board's focus on supporting management's disciplined delivery of our strategy has remained despite continued external challenges: economic issues such as rising inflation and a growing cost-of-living squeeze; geopolitical issues such as the continuing impact of the Russia-Ukraine conflict and global challenges in semiconductor manufacturing; and growing concerns in cyber, energy supply, and climate change. Cognisant of these and other challenges, we have made good progress in our strategy; introducing new products into close-adjacent markets, and taking advantage of long-term growth opportunities in additive manufacturing, shop-floor measurement, materials research, and semiconductor manufacturing. We continue to invest in our people, product development, and infrastructure to deliver long-term growth.

The Board and the Executive Committee have worked hard to maintain and build on a resilient and sustainable governance framework, which we believe makes us stronger and better placed to take sound decisions in the interests of the Company and its stakeholders.

As COVID-19 restrictions have lifted, it's been a pleasure to return to in-person Board meetings. In September 2022 I, along with other Board members, visited our site at Pliezhausen, Germany, and met with our EMEA senior management colleagues who are responsible for 21 of our sales and marketing locations. We also held our Board and Committee meetings in March 2023 at our Pliezhausen site. These visits provided us with valuable insights into the opportunities and challenges our overseas subsidiaries are experiencing in the current business climate. We also enjoyed meeting some of our key customers in Germany. We really appreciated being able to see first-hand the strength of our customer relationships and the benefits our customers gain from a range of our products. We held our April meetings at our Miskin site in Wales, where we also saw the good progress being made in the ambitious expansion of this manufacturing site.

Our people

Our people remain our greatest asset in pursuing long-term growth opportunities. As communicated last year, the Board approved the major investments in our reward packages that we have made; this has continued this year to ensure that our pay remains competitive, so that we can retain and attract talented people. The Board continues to monitor this to maintain our competitive position and we have acquired benchmarking data for all roles (including those overseas) during FY2023, with the aspiration that pay across our global locations will be locally competitive. For more information on these activities, please see page 66.

Board changes

We have also continued to progress succession planning with another new appointment to add to those made last year. We welcomed Professor Karen Holford as an Independent Non-executive Director on 1 September 2023. Karen's appointment further enhances the breadth of experience, with her background in engineering and research and development, as well as the diversity of views we have on the Board. Further information on our Board's skills and experience can be found on pages 94 to 95.

Board effectiveness

This year, Gould Consulting conducted an independent Board and Committee effectiveness evaluation. An external evaluation was originally scheduled to take place last year. However, we considered that the evaluation would be more robust and insightful once Juliette Stacey and Stephen Wilson (appointed in January and June 2022 respectively) had spent more time with the Board. I am pleased to report that the evaluation concluded that the Board and its Committees continue to operate effectively. Details of the evaluation, including the areas identified for improvement and the progress made against last year's actions, can be found in the Nomination Committee Report on pages 105 to 106.

Stakeholders

You will read on pages 85 to 88 about how we consider the views of our stakeholders in our decision-making process. Our engagement with stakeholders, including our people, provides the Board with enhanced context and background when making decisions. Further information on our stakeholder engagement can be found on pages 62 to 64 and in our Section 172 statement on pages 85 to 88.

Risk management and sustainability

Regular reporting has provided the Board and its Committees with information to help to guide management in responding to the events of the year, as well as to monitor our principal risks. These are more fully described on pages 52 to 59. We recognise climate change as a principal risk and are committed to helping address this global threat.

We have focused on our sustainability plans. It is important to recognise that the drive to Net Zero represents many opportunities for our business as our products positively contribute to our customers' own sustainability ambitions by reducing energy consumption, minimising waste, and improving the inherent performance of the products that they supply to their customers. For more information on sustainability see pages 68 to 80.

Our purpose and values

The Board remains committed to helping Renishaw embed its purpose and values, both of which are key to delivering our strategy. This year, that included support for a global competition, encouraging our people to share how they demonstrate our values: innovation, inspiration, integrity and involvement. We received entries from across the Group, and we announced the winning teams in December 2022. Each winning team chose a charity to receive a £5,000 (or local currency equivalent) donation, including a school for blind children in India and a cancer treatment centre in Wales. You can read more about our purpose and values on pages 1, 4 and 9.

Succession planning and diversity

We continue our focus on diversity and inclusion. We support the aspirations of gender and ethnic diversity as set out in the FTSE Women Leaders Review and Parker Review respectively and are reporting for the first time against the Financial Conduct Authority's diversity targets set out in the Listing Rules. This diversity focus does not stop with the Board and you will read on pages 97, 106 and 107 about the steps we are taking to address diversity across the business.

As reported last year, in October 2021 the Board approved our global Equality, Diversity and Inclusion (EDI) Policy. We have updated this in FY2023 to include in particular the responsibilities of the Board in relation to EDI, and to reflect the FCA's requirements in terms of the diversity considerations that should apply at Board and Board Committee level. The appointment of Professor Karen Holford, mentioned above, was made against this new policy. Further details of the updated policy can be found in the Nomination Committee Report on page 106.

Director remuneration

Our Remuneration Committee has carried out a thorough review of our policy in the context of market practice, feedback from our people on benefit initiatives, wider workforce pay policies, and views received from our investors as part of the consultation exercise conducted on our Remuneration Policy proposals. The 2023 Remuneration Policy is set out on pages 120 to 126.

Looking forward

In FY2024, the Board will focus on:

- continuing to consider succession plans, including Non-executive Director recruitment;
- increasing our oversight of sustainability matters;
- finalising the proposal to insure the liabilities of the UK defined benefit pension scheme (see page 87 for more details);
- the UK government's audit and governance reforms. We will continue to oversee management's key activities and timeline to address the proposed reforms. For more information see page 108; and
- considering the proposed changes to the Governance Code once proposals have been finalised by the FRC.

The progress we have made this year has provided us with a sound platform from which we look forward with confidence. The 2023 AGM will be held on 29 November 2023 and I look forward to meeting many of you then.

Sir David Grant
Senior Independent Director

18 September 2023

Directors' Corporate Governance Report continued

Board of Directors as at 18 September 2023

We are

driven by strong leadership

1

2

3

4

5

6

7

8

9

10

11


▶ **Read more extensive Board biographies online. Visit www.renishaw.com/directors**

1. Sir David McMurtry N*

Executive Chairman

Appointed September 1975

Areas of expertise

Strategy, product development, engineering, science/technology

Contribution, skills and experience

- Co-founder of Renishaw, provides strong leadership to the Board, and responsible for Group innovation, product strategy and Group technology.
- Significant contribution to the long-term, sustainable success of the Company and all aspects of the business.
- Strategic vision, and technical and industry knowledge.

External appointments

- None

2. John Deer

Non-executive Deputy Chairman

Appointed July 1974

Areas of expertise

Manufacturing, strategy, international

Contribution, skills and experience

- Co-founder of Renishaw, contributes to Board leadership and strategic decisions for growing the business.
- Extensive manufacturing and quality experience contributes to the delivery of efficient, high-quality manufacturing.
- Strategic vision, and commercial and international experience.

External appointments

- None

3. Will Lee

Chief Executive

Appointed August 2016 as Group Sales and Marketing Director; February 2018 as Chief Executive

Areas of expertise

Sales and marketing, strategy, engineering, operations

Contribution, skills and experience

- Effective and strong leadership and management, both technical and commercial, with an acute awareness of the industry and its opportunities and challenges.
- Maintains a wide breadth of knowledge, as well as strong stakeholder relationships that continue to develop the business.
- Joined the Renishaw graduate scheme in 1996 and since then has held various senior management positions in engineering, operations, and sales and marketing, resulting in an in-depth understanding of the Group's business, products and markets.

External appointments

- None

4. Allen Roberts

Group Finance Director

Appointed October 1980

Areas of expertise

Finance, strategy, internal controls, operations, compliance

Contribution, skills and experience

- Chartered accountant, with an invaluable contribution to financial planning and strategy, including adept management of financial risks and business development.
- Deep understanding of the Group's businesses, products, relationships and the sectors in which Renishaw operates.
- Experienced in the management of financial risks, reporting and planning.

External appointments

- None

5. Sir David Grant A N R

Senior Independent Director

Appointed April 2012

Areas of expertise

Engineering, people, science/technology

Contribution, skills and experience

- Contributes to talent recruitment, increasing diversity and development of workforce.
- Extensive engineering experience and recognised for his contributions to industry.
- Various previous leadership positions at international engineering companies and government-related science and technology bodies.

External appointments

- None

6. Catherine Glickman A N R*

Independent Non-executive Director

Appointed August 2018

Areas of expertise

People, remuneration, pensions, strategy

Contribution, skills and experience

- Breadth of human resources experience in other listed companies and as a non-executive director is particularly valued by the Board.
- Skilled at developing reward structures that align leadership motivation with Group strategy.
- Extensive HR, remuneration and pensions experience, as well as previous international experience with Genus plc and Tesco plc.

External appointments

- Non-executive director and remuneration committee chair of TheWorks.co.uk plc.
- Non-executive director of East of England Ambulance Service NHS Trust.

7. Juliette Stacey A* N R

Independent Non-executive Director

Appointed January 2022

Areas of expertise

Finance, M&A, strategy, corporate governance, internal controls, compliance

Contribution, skills and experience

- Chartered accountant with an in-depth understanding of finance, M&A and strategy.
- Career experience in finance, as well as executive roles in both listed and non-listed company environments.
- Roles as chair of audit committees at other listed companies brings a wider industry perspective.

External appointments

- Senior independent director and audit committee chair of Fuller, Smith & Turner plc.
- Non-executive director and audit committee chair of Sanderson Design Group plc.

8. Stephen Wilson A N R

Independent Non-executive Director

Appointed June 2022

Areas of expertise

Software, finance, strategy, business development, IT transformation, international

Contribution, skills and experience

- Extensive experience in the software sector, including strategic, financial and business development and IT transformation.
- Career experience in finance and business development, including in global businesses.
- Executive and non-executive roles in listed company environments.

External appointments

- Executive director of Genus plc.
- Non-executive director of Canonical Holdings Ltd.

9. Professor Karen Holford A N R

Independent Non-executive Director

Appointed September 2023

Areas of expertise

Engineering, research and development, science/technology, people and diversity

Contribution, skills and experience

- Engineering experience across industry and higher education.
- Leadership and strategic advisory positions including within government-related science and technology bodies.
- Skilled at advancing diversity in the workforce.

External appointments

- Chief executive and vice chancellor of Cranfield University.

10. Jacqueline Conway

General Counsel & Company Secretary

Appointed November 2019 (on sabbatical from April to October 2023)

Areas of expertise

Corporate governance, risk and compliance

Contribution, skills and experience

- Responsible for providing legal and governance advice to the Board and senior management, as well as leading the legal function.
- Specialised in corporate governance, risk and compliance.
- Substantial experience of operating in a listed environment.

11. Karen Atterbury

Interim Company Secretary

Appointed April 2023

Areas of expertise

Corporate governance, compliance, M&A

Contribution, skills and experience

- Substantial experience in supporting and advising boards and senior management of listed companies.
- Extensive M&A, compliance and corporate governance experience.

Committees

A	Audit Committee
N	Nomination Committee
R	Remuneration Committee
*	Chair of Committee

Directors' Corporate Governance Report continued
Executive Committee

1. Gareth Hankins
Head of Group Manufacturing

Appointed February 2018

Contribution, skills and experience

- Responsible for manufacturing operations, procurement, facilities management and sustainability across the Group.
- Skilled leader with acute insight into operations and manufacturing.
- Experience in engineering, production, and operations and business management, including previous role as operations manager for styli and custom products.

2. Leo Somerville
President, Americas

Appointed March 2004

Contribution, skills and experience

- Responsible for development of the Americas region.
- Strong leadership and business development skills, combined with in-depth market and product knowledge.
- Experience as project manager for machine tool probing in the UK, and as business manager for machine tool probing and calibration products at Renishaw, Inc.

3. Dave Wallace
Director of Group Operations

Appointed January 2008

Contribution, skills and experience

- Responsible for Group Operations, with oversight of Group Commercial Development, Group Quality, Group Compliance, our centralised Group Engineering teams, Group IT and Security, and Group Commercial Services and Marketing.
- Deep insight into Renishaw's products, markets, and product development, as well as strong management skills.
- Has worked in various functions of the business, including as Director and General Manager for the CMM Products Division and previously held Executive Committee responsibility for the Industrial Metrology business.

4. Will Lee* (Chair)
Chief Executive

▶ **See page 94 for biography**

5. Sir David McMurtry*
Executive Chairman

▶ **See page 94 for biography**

6. Allen Roberts*
Group Finance Director

▶ **See page 95 for biography**

7. Jacqueline Conway
General Counsel
& Company Secretary

▶ **See page 95 for biography**

* These members of the Executive Committee were also Board Directors during FY2023.

▶ **Further information on the Executive Committee can be found on page 99.**

Scope of disclosures

In this Corporate Governance Report, we have incorporated:

- the Audit Committee Report (page 108);
- the Nomination Committee Report (page 103); and
- the Directors' Remuneration Report (page 114).

This report is structured in accordance with the five sections of the UK Corporate Governance Code (Governance Code) and we describe how we have applied its principles. The Governance Code can be viewed at: **www.frc.org.uk**.

We report on the operation of our business in the following ways:

The Group's business and likely future developments

The Chairman's statement (pages 6 to 8), the Chief Executive's review (pages 9 to 11) and other sections of the Strategic Report give a review of the Group's business and likely future developments. Results are also reported by operating segment in Note 2 to the Financial statements, together with an analysis of revenue by geographical market.

Management Report

The Strategic Report includes a management report, as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR).

Directors' Report

The Directors' Corporate Governance Report and Other statutory and regulatory disclosures as set out on pages 136 to 138 together form the Directors' Report.

Corporate Governance Report

The Company's corporate governance practices are set out in the Directors' Corporate Governance Report (on pages 91 to 139), which forms part of the Directors' Report, as required by the DTR.

Shareholder information

Certain information, which the FCA's Listing Rules (LR) require that the Company provides to its shareholders, is contained in the Directors' Corporate Governance Report (pages 91 to 139), the Directors' Remuneration Report (pages 114 to 135), and Other statutory and regulatory disclosures (pages 136 to 138). This includes information relating to arrangements with controlling shareholders.

Reporting against the Governance Code

To avoid duplication in this report, the table below cross-references explanations given elsewhere of how we have sought to apply the principles and comply with the provisions of the Governance Code. We report against other relevant Governance Code principles and provisions within this Directors' Corporate Governance Report.

Topic	Page(s)
Company purpose	1
Values	4, 5
Workforce engagement	62, 66
Other stakeholder engagement	62–65
Strategy and business model	20–25
Effective controls	102
Sustainability	68–80
Capital allocation	31, 56
Workforce policies and practices	65–67, 89, 137
Risk management	48–51

1. Board leadership and Company purpose

Purpose, values and culture

Renishaw's purpose of Transforming Tomorrow Together, as well as its values of innovation, inspiration, integrity and involvement, help guide the Board and our people when making decisions. These principles will help Renishaw grow and evolve without losing focus on what is important.

A strong culture is needed to ensure Renishaw can achieve its purpose. The Board is responsible for monitoring and assessing culture. The Chair sets the culture for the Board, promoting openness and debate. This informs the culture that the Chief Executive embeds throughout the business with the support of the Directors.

This year, the Board approved the introduction of a new Code of Conduct, to be launched in FY2024. This will set out the ethical expectations not only for employees but all key stakeholders. It will provide a foundation for 'Responsible Renishaw', the Group's global compliance brand, which guides employees on doing business responsibly in line with Renishaw's culture and core values, fostering alignment. Throughout the year, the Board received updates covering all aspects of Responsible Renishaw, and communications took place around the Group to engage and educate employees on Responsible Renishaw topics. Employees are also invited to share their feedback on compliance through an annual survey, the feedback from which is shared with senior leadership and used to shape future communications.

Engagement with employees underlies the Board's understanding of Renishaw's culture. In March 2023, the Board visited our site at Pliezhausen, Germany, where the Directors held an open forum for employees to ask questions. The Board has also been engaging with our people through our global values competition, which aims to recognise and celebrate examples of our values in action across the business.

The Board was pleased to receive updates from our HR colleagues on the steps we are taking as a business to attract and retain women in engineering.

Directors' Corporate Governance Report continued

Stakeholder engagement, including the AGM

Shareholders

The Board consulted with the Company's largest institutional shareholders and most influential proxy advisory firms on the new Directors' Remuneration Policy proposals, to ensure their feedback was considered. Further information on the new Remuneration Policy can be found in the Directors' Remuneration Report on pages 120 to 126. The Board hopes that the new Remuneration Policy will be widely supported at our AGM held later this year.

The AGM takes place at the Company's headquarters or one of its other main sites, and we send our shareholders appropriate advance notice of the meeting. The Chief Executive and other nominated presenters give presentations on the business, and the Chairs of the Audit, Remuneration, and Nomination Committees are available for questions during and after the meeting.

The Board was pleased to return to normality for our 2022 AGM, this being the first held without any attendance restrictions since the COVID-19 pandemic. We experienced higher attendance numbers compared to our 2021 AGM, and the Board greatly appreciated the opportunity to speak with more of the Company's shareholders. Due to positive feedback from the wider investor community, we have kept the Q&A facility, which was first introduced at the 2020 AGM. This allows the Company's shareholders to submit questions via email before the proxy voting deadline and also helps them to engage with the Board, even when they are not able to attend the AGM. Details of this year's AGM can be found in the Notice of Meeting, which will be provided to shareholders separately in due course.

Each year, different resolutions are proposed for each substantially separate issue, and all resolutions are taken on a poll. We report on the number of votes lodged in respect of each resolution, the balance for and against each resolution, and the number of votes withheld. This information is published via a Regulatory Information Service (RIS) and on our website following the meeting.

At the 2022 AGM, the Board was again pleased that the majority of resolutions were passed with a high level of support from the Company's shareholders. The Board considered the votes against resolutions 6, the re-election of Sir David McMurtry (29.75%) and 7, the re-election of John Deer (25.86%). In order to better understand the reasons for these votes against, the Board reviewed the voting recommendations of relevant proxy voting agencies, where these had been made available. Following the AGM, Sir David Grant wrote to those proxy advisory firms and the Company's largest institutional shareholders who voted against these resolutions or recommended doing so, inviting them to discuss their concerns with him in his role as Senior Independent Director. Discussions have been constructive, providing the Board with a greater understanding of stakeholders' concerns, and stakeholders with a greater appreciation of Renishaw's position. From these discussions, it was clear that although many of our stakeholders have an understanding and appreciation of Renishaw's unique history and culture, some of the Company's governance arrangements do not reflect the expectations of some investors and their concerns about governance. Sir David provided feedback on these conversations to the Board. The Company published an update as required under the Governance Code in May 2023.

The Board continues to monitor the situation and engage with shareholders to understand their views on this issue and any other significant matters.

In addition to the AGM, we also hold an annual Capital Markets Day aimed at current and potential shareholders, analysts, brokers and financial advisers. All of the Directors usually attend, and representatives from across the Group give presentations and answer questions from participants throughout the day. Details of our June 2023 Capital Markets Day can be found on page 83. At this year's Capital Markets Day, all the Directors were available to speak to stakeholders. This included Juliette Stacey, in her role as Chair of the Audit Committee, attending finance workshops to address any finance and audit related topics. The remaining Non-executive Directors also held Q&A sessions throughout the day, where they engaged directly with small groups of attendees. Information about our 2024 Capital Markets Day will be published in due course. We also hold online Q&A sessions with the Executive Chairman, Chief Executive, and Group Finance Director as part of the full- and half-year results webcasts.

The Board continues to monitor progress with engagement mechanisms and regularly review our investor relations policy. The Company's overall approach to shareholder engagement is set out on page 83.

Other stakeholders

The Board remains committed to engaging effectively with other stakeholders to ensure we continue delivering value for them.

Catherine Glickman remains our designated employee engagement ambassador. Catherine has extensive HR and remuneration experience, and because of this the Board considers that this engagement mechanism is the most appropriate for Renishaw. The Board believes her background and expertise make her ideally suited for this role, ensuring our employee's views reach the boardroom. Catherine gives the Board helpful feedback from workforce engagement activities, including joining employee briefings and through her attendance at EDI forums. She provides regular briefings to the Board on recruitment, retention, and the progress of our key people projects. Further information on Catherine's engagement activities can be found on pages 66 to 67 and 127.

The Board also takes a close interest in the Group's customers, the challenges they face, and how best Renishaw can support them. The Board receives regular updates on conversations that Will Lee and senior colleagues have with our customers.

More details on the above engagements, and other activities, can be found in the Managing our resources and relationships section on pages 62 to 84. How the Board has considered stakeholders in discussions and decision-making can be found on pages 85 to 88.

Anti-bribery and corruption

Renishaw is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever we operate, and to implementing and enforcing effective systems to counter bribery and corruption. Renishaw's policy is to conduct all its business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption which must be communicated to third parties with whom we do business. Our Group Anti-Bribery and Corruption Policy prohibits the offering, paying, solicitation and receipt of bribes in any form.

In addition, Renishaw's Gifts and Hospitality Policy requires any giving or receipt of gifts, benefits or hospitality to be reasonable and proportionate. As part of an update to the policy in FY2022, we introduced a Gifts and Hospitality Register and a straightforward process for employees to seek approval when required.

We require third parties to sign up and adhere to anti-bribery and corruption clauses, and to comply with anti-bribery and corruption laws, in all relevant Group companies' standard terms and conditions, standard form and negotiated agreements (including relationship agreements such as agency, distribution and consultancy agreements). Anti-bribery and corruption training is mandatory for all employees.

The Group has due diligence procedures for the onboarding of third-party agents and distributors to control bribery and corruption risks, which includes third-party screening. We are currently reviewing our approach to 'Know your customer' matters, to enhance our customer-related due diligence.

Employee whistleblowing

The Board encourages our people to raise concerns about suspected unlawful or unethical behaviour and has outlined its expectations in our whistleblowing policy, our Speak Up Policy. The Group's confidential global hotline service, 'Speak Up', is there for people to raise any concerns about suspected unlawful or unethical behaviour. The service is also available to officers, suppliers, customers, consultants, contractors, volunteers, job applicants, and any third parties who provide services for or on behalf of the Group. This year we logged 18 cases, all of which were promptly followed up. All cases are reviewed by our triage coordinators (currently the Head of Group Finance and Director & General Manager of Styli and Fixturing Product Division) and are then allocated to an appropriate investigator. Every matter reported is investigated, unless it is considered outside of the scope of Speak Up (for example, if someone raises an issue that falls under our Grievance Policy). Regular meetings are held with key stakeholders to track the progress of investigations to help ensure cases are closed in a timely manner. The Board monitors the operation of this Policy and concerns raised, with the Audit Committee reviewing significant incidents and their outcomes.

Conflicts of interest

The Board has a conflicts of interest policy and a register of situational conflicts. This includes procedures for the disclosure and review of any conflicts and potential conflicts, and authorisation by the Board (if considered appropriate). The Board reviews all authorisations granted, and their associated terms, every year. New disclosures are made where applicable.

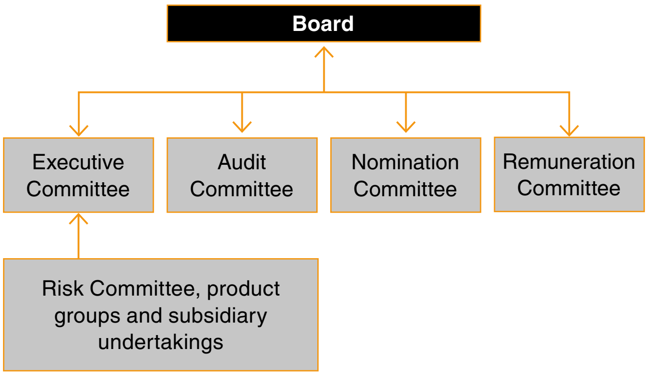
2. Division of responsibilities

Governance structure

While the Board has overall responsibility for governance across the Group, it delegates certain matters to its three formally constituted Committees – the Audit Committee, the Remuneration Committee, and the Nomination Committee.

Our Executive Committee is responsible for the executive management of our businesses. It usually meets once a month and is chaired by the Chief Executive. Members also include the Executive Directors and senior managers, as noted on page 96. It considers the performance and strategic direction of our operating segments, performance against objectives, and other matters of general importance to the Group.

A chart showing the governance structure is set out below.



The formal schedule of matters reserved for the Board includes:

- the approval of full-year and half-year results, and trading statements;
- company and business acquisitions and disposals;
- major capital expenditure;
- borrowing facilities;
- reviewing the effectiveness of workforce engagement mechanisms;
- reviewing whistleblowing policy and processes;
- ensuring maintenance of a sound and effective system of internal control and risk management;
- forecasts, business plans and budgets;
- material agreements;
- director and company secretary appointments and removals;
- patent-related disputes and other material litigation; and
- major product development projects.

The formal schedule of matters reserved for the Board and the terms of reference for each of the Audit Committee, Nomination Committee, and Remuneration Committee are available on our website at: **www.renishaw.com/corporategovernance**. The Committees reviewed their terms in July and August 2023.

A framework of delegated authorities maps out the structure below the Board and includes the matters reserved to the Executive Committee. It also includes the level of authorities given to management below the Executive Committee.

The table below shows the number of meetings of the Board and its Committees, alongside Directors who attended and the number of meetings they were eligible to attend, during FY2023.

Director[1]	Board	Audit Committee	Nomination Committee	Remuneration Committee
Sir David McMurtry	8/8	N/A	4/4	N/A
Will Lee	8/8	N/A	N/A	N/A
Allen Roberts	8/8	N/A	N/A	N/A
John Deer	7/8[2]	N/A	N/A	N/A
Catherine Glickman	8/8	7/7	4/4	6/6
Sir David Grant	8/8	7/7	4/4	6/6
Juliette Stacey	8/8	7/7	4/4	6/6
Stephen Wilson	8/8	7/7	4/4	6/6

1 Professor Karen Holford was appointed after the end of FY2023, with effect from 1 September 2023, and so was not eligible to attend any meetings in FY2023.

2 John Deer was absent from the Board meeting on 13 September 2022 due to a pre-existing commitment.

Directors' Corporate Governance Report continued

Board and Committee meetings

The table below sets out the Board and Committee meetings which occurred in FY2023.

Month	Meetings
July 2022	A
August 2022	B A N R
September 2022	B A
October 2022	B A* R
November 2022	B A* N
December 2022	
January 2023	B A N R
February 2023	
March 2023	B R
April 2023	B A N R
May 2023	
June 2023	B R

Key

B	Board
A	Audit Committee
N	Nomination Committee
R	Remuneration Committee
*	Unscheduled meeting

Subjects discussed by the Board during the year

Below is a high-level summary of the subjects the Board discussed during the year. For an in-depth look into some key decisions made by the Board in FY2023, see our Section 172 statement on pages 85 to 88.

Strategy

- Reviewed and updated our five-year financial plan.
- Reviewed and approved our strategic objectives.
- Received regular updates from Executive Committee and product groups regarding progress towards FY2023 objectives.

Operational/commercial

- Received regular flagship project updates from product groups.
- Received regular regional sales updates.
- Approved approach to key product sales.
- Oversaw expansion progress at our site in Miskin, Wales.
- Undertook a deep dive into health and safety performance.

Financial

- Approved our full and half-year results, as well as our interim and final dividends.
- Considered the ongoing Russia-Ukraine conflict and the effect on our businesses, including the financial impact of cessation of trade in Russia in FY2022.
- Considered our capital allocation strategy.
- Approved pension buy-in proposal (see page 87).
- Reviewed and approved our tax strategy.

Leadership and people

- Reviewed plans for Board-level succession planning.
- Approved amendments to our EDI Policy.
- Reviewed HR proposals to improve attraction and retention of women in engineering.
- Supported proposed investment in a new employee engagement platform to better understand employee concerns and issues.

Internal control and risk management

- Approved our 2023 principal risks.
- Considered reports on compliance with financial, regulatory, corporate responsibility, and sustainability commitments.
- Approved new Code of Conduct.

Governance and stakeholders

- Approved the external provider for the FY2023 Board and Committees effectiveness review. Participated in and reviewed the resulting report.
- Received updates on key governance matters at every meeting.
- Reviewed our registers of Directors' situational conflicts and related parties.
- Considered investor relations practices.

Sustainability and the environment

- Approved our SBTi targets and Net Zero plan for Scope 1, 2 and 3 emissions.
- Received updates from the Sustainability team regarding the work carried out to identify and quantify the climate-related risks and opportunities facing the Group.

Composition and commitment of the Board

The Governance Code recommends that at least half of a board, excluding the chairman, should comprise independent non-executive directors. The Board currently comprises nine Directors; two Executive Directors in addition to the Executive Chairman and six Non-executive Directors, five of whom are considered to be independent.

Sir David Grant, Catherine Glickman, Juliette Stacey, Stephen Wilson and Professor Karen Holford are considered to be independent in character and judgement, and there are no relationships or circumstances that are likely to affect their judgement.

Length of tenure reviews

Sir David Grant

As Sir David Grant has served as an Independent Non-executive Director for more than 11 years, the Nomination Committee, without Sir David participating in discussions, carried out a rigorous review of his independence, effectiveness and commitment. Following recommendation by the Nomination Committee, the Board believes Sir David continues to be independent in character and judgement, and there are no relationships or circumstances that are likely to affect, or could appear to affect, his judgement. The Board also benefits from his extensive knowledge of the Company and expertise in engineering. Given that Professor Karen Holford has joined the Board relatively recently, the Board believes it is in the best interests of the Company for Sir David to remain on the Board to provide some continuity and facilitate succession planning.

Sir David McMurtry

Sir David McMurtry has held the position of Executive Chairman since the Company listed in 1984. Following careful consideration of Provision 19 of the Governance Code (relating to a chairman's tenure), the Board concluded that Sir David's continued service as Executive Chairman remains in the best interests of the Company and its shareholders. This is in part because of his unique history as a co-founder of Renishaw and continued effective leadership of the Board, but equally importantly his contribution to the Group's long-term, sustainable success from his role and responsibilities for innovation and product strategy. See page 105 for more information.

The Board continues to actively consider succession plans, in particular for the Non-executive Directors, having refreshed the composition of the Board last year with the appointments of Juliette Stacey and Stephen Wilson. The Board has continued its succession planning this year with the appointment of Professor Karen Holford. These appointments have not only increased the independence of the Board, but also the range of skills and backgrounds, helping with diversity of thought and constructive challenge of management. This year's external Board evaluation conducted by Gould Consulting concluded that the Board remains effective. More details about the Board evaluation can be found on pages 105 and 106.

The terms of appointment of the Non-executive Directors set out the expected time commitment, as well as the requirement to discuss any changes to other significant commitments with the Executive Chairman and Chief Executive in advance. They are available for inspection at the Company's AGM and its registered office upon written request.

None of the Executive Directors holds a directorship in a FTSE100 company.

The Board considers that all Renishaw's Non-executive Directors demonstrate commitment to their roles and dedicate sufficient time to their Company duties. Each of them provides support to the Board particularly on areas related to their skills and experience, which for Sir David Grant is engineering technologies, for Catherine Glickman is HR matters, for Juliette Stacey is finance, for Stephen Wilson is the software sector, global business and investor relations, and for Professor Karen Holford is engineering and research and development. Further details of their contribution, skills and experience are summarised in their biographies on pages 94 to 95.

Senior Independent Director and Non-executive Directors

Sir David Grant is the Senior Independent Director. He is available to discuss material concerns with shareholders, including if the normal channels of the Executive Chairman, the Chief Executive, or the Group Finance Director fail to resolve any shareholders' concerns.

The Non-executive Directors and Executive Chairman meet without the other Executive Directors present to discuss performance, corporate governance, and other matters. The Independent Non-executive Directors also regularly meet without the Executive Directors, Executive Chairman or other Directors present.

Division of responsibilities

There was a clear division of responsibilities at Board level throughout FY2023. This ensured that there was an appropriate balance of power and authority, so there is no one person with unfettered powers of decision-making. The Board and Executive Committee each meet on a regular basis to make decisions of significance to our business segments and review management actions.

You can find written statements of our Chief Executive's and Executive Chairman's key responsibilities, which also detail the key responsibilities of the Senior Independent Director, on our website at: **www.renishaw.com/corporategovernance**.

Development

The Company offers its Directors the opportunity to attend formal training courses regarding their duties. The Company also provides them with guidance notes, papers and presentations on changes to law and regulations, as appropriate. Non-executive Directors are invited to attend internal events, which are a great way to keep up to date with product development and marketing initiatives. These events are also an opportunity for the Non-executive Directors to engage with business units and functions.

This year, members of the Board, including the Independent Non-executive Directors, twice visited our site at Pliezhausen, Germany. This allowed the Directors to get first-hand experience of how the subsidiaries within the Group operate and to meet key employees and customers in the EMEA sales region. As well as this visit, the Board and Committees held their April meetings at the Miskin, Wales site, which was a great opportunity for all Directors to see the progress of this production facility expansion first hand. Further information on these visits can be found on page 92.

Business leaders (including from the finance and legal functions, product groups, and sales regions) give regular presentations at Board meetings, to update the Directors on their areas of responsibility, including updates regarding products and business strategies. These also give the Directors the chance to discuss latest developments, and current and future initiatives.

A tailored induction pack is given to new Directors, and the induction programme (together with the continuing development programme) includes site visits and briefings by senior managers, attendance at internal senior management conferences and external trade shows, as well as overseas subsidiary visits, as applicable. We will provide Professor Karen Holford with an induction pack and programme as she settles into her new role in FY2024.

Directors' Corporate Governance Report continued

Information and support

Board members receive business updates, financial information, and forecasts with relevant commentaries in advance of each Board meeting. These allow the Directors to review financial performance, current trading, and key business initiatives. Directors also have access to the Company Secretary, who advises the Board on all governance matters. Where necessary, the Directors have access to independent professional advice, at the Company's expense, to discharge their responsibilities as Directors. The Company maintains liability insurance for the Directors and officers and have entered into indemnities as disclosed in Other statutory and regulatory disclosures on page 136.

3. Composition, succession and evaluation

Nomination Committee

A description of the membership and activities of the Nomination Committee, as well as the Board's commitment to diversity, can be found in the Report on pages 103 to 107.

Re-election

In accordance with the Governance Code, all of the Directors retire from the Board at each AGM and offer themselves for re-election and re-appointment.

4. Audit, risk and internal control

Audit Committee

A description of the membership and activities of the Audit Committee is set out in the Report on pages 108 to 113.

Financial and business reporting

The respective responsibilities of the Directors and auditor in connection with the financial statements are set out in the Directors' responsibilities section on page 139 and the Independent Auditor's Report on pages 142 to 152.

Risk management and internal control

The Board is responsible for risk management and internal control, and for reviewing the effectiveness of these systems. The Group has an established process for the review of business risks throughout the Group, which includes the Risk Committee. Further information on Renishaw's risk management and internal controls can be found in the Risk Management section on pages 48 to 51. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only give reasonable, but not absolute, assurance against material misstatement or loss.

The Board has conducted a robust assessment of the principal and emerging risks that Renishaw faces, including those that would threaten the Group's business model, future performance, solvency, or liquidity. Renishaw's principal risks and uncertainties can be found on pages 52 to 59. The Board is satisfied that there is an ongoing process for identifying, evaluating, and managing the significant risks that the Group faces. This is regularly reviewed and accords with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board verifies that necessary action has been or is being taken to remedy any significant failings or weaknesses identified from its review.

The Group has defined lines of responsibility and delegation of authorities. The Group also has established and centrally documented control procedures, including approvals of capital and other expenditure, information and technology security, and legal and regulatory compliance.

The Internal Audit function helps to give independent and objective assurance that the control procedures are appropriate and effectively applied. The Group Internal Audit Manager attends Audit Committee meetings to present annual internal audit plans and the results of such audits. The Audit Committee monitors actions on an ongoing basis. Further information can be found in the Audit Committee Report on page 113.

The Board ensures that the Group has effective internal controls over the financial reporting and consolidation processes. Monthly accounts and forecasts are presented to the Board for review. The Internal Audit function carries out a review of our subsidiaries' accounting processes and financial statements to give assurance to the Board on the integrity of the information supplied.

The Board reviews the effectiveness of the system of internal controls, including via the Audit Committee. It receives regular reports from the Internal Audit function, external auditors, and other advisers, and carries out an updated risk and controls analysis every year. The review covers material controls, including financial, operational, and compliance controls, and risk management systems.

The Audit Committee has regularly received updates upon the UK government's audit and governance reforms, designed to restore trust in audit and corporate governance, focusing on the key required activities and timeline for the internal controls aspect of the reforms, as well as Renishaw's proposed approach to managing fraud risk. The Company continues to refine its compliance plans as the reforms become clearer.

Going concern

The Directors have assessed the Group's position as a going concern, and updated the assessment before signing this report. The Board considered the Group's forecast profits and cash flows for the period from the date of approval of the Annual Report to 30 September 2024. The Board is satisfied that the Group has adequate resources to continue operating as a going concern for the foreseeable future, and that no material uncertainties exist with respect to this assessment. More detail is provided on page 161.

Viability statement

The Board approved the Company's viability statement on pages 60 to 61.

5. Remuneration

The methods used to apply the Governance Code principles relating to remuneration are set out in the Directors' Remuneration Report. A description of the membership and activities of the Remuneration Committee is set out on page 117.

Compliance statement

The Board considers that it has complied with the provisions of the Governance Code throughout FY2023 except in relation to the following matter:

- Provision 19 (that the chair should not remain in post beyond nine years from the date of their first appointment). A full explanation of the reasons for this is given on page 101 and 105.

Sir David Grant
Senior Independent Director

18 September 2023

We are developing the skills for success

"Building a strong Board with the skills for long-term sustainable success."

Sir David McMurtry
Chair of the Nomination Committee

Introduction

I am delighted to present our Nomination Committee Report for the year ended 30 June 2023. The Nomination Committee continues to play a pivotal role in the stewardship of the Group. It does this by ensuring the optimal skills and experience are present around the Board table, and at senior management level, to set and achieve our strategic objectives. Not only have we completed a full external, interview-based evaluation of the Board and its Committees, but we have recently concluded succession planning exercises and completed the appointment of a further Non-executive Director to the Board.

Board appointment

Further to our disclosures in our FY2022 Report, in FY2023 the Committee continued its search for a new Non-executive Director with skills in engineering research and development. An external search was undertaken and we considered a list of candidates. Following this review, the Committee recommended to the Board that Professor Karen Holford CBE be appointed as a Non-executive Director with effect from 1 September 2023.

In an engineering career spanning both industry and academia, Karen has previously held engineering roles with Rolls-Royce and AB Electronic Products Limited, which culminated in a senior engineering management position leading a large mechanical design team. Moving into academia, and concentrating on research and development, Karen more recently held leadership positions with Cardiff University and is currently chief executive and vice chancellor of Cranfield University. A Fellow of the Royal Academy of Engineering, Karen received a CBE for services to engineering and the advancement of women in engineering in 2017. We are delighted to welcome Karen to the Board.

Board and senior management succession

While our priority during FY2023 was to continue our search for a suitable Non-executive Director to join the Board, we have continued to make improvements in our succession planning for senior management and key operational roles. Additionally, we have recently completed a contingency succession planning review of all Board level roles. These exercises are described later in this Report.

Board evaluation

We have concluded a comprehensive interview-based external Board Evaluation exercise during the year involving Directors and members of senior management. Following the publication of the final report, we considered the results as they were relevant to the Committee and as they related to Board composition, size, diversity, and succession planning. The results are outlined in detail later in this Report. Generally, I am pleased to report that the Board evaluation confirmed that the Board and each Committee continued to function effectively.

Priorities for FY2024

Over the coming year, our priorities will be to:

- concentrate on increasing Board diversity;
- strengthen the breadth and diversity of the talent pipeline for senior management roles; and
- continue to progress the Company's processes for succession planning, with a focus on the development of key talent.

The following Report sets out in detail the work that we have undertaken during FY2023.

Sir David McMurtry
Chair of the Nomination Committee

18 September 2023

Nomination Committee Report continued

Role and responsibilities

The Committee met on four occasions during FY2023 to fulfil its responsibilities delegated by the Board. It operates under written terms of reference, which are regularly reviewed and published on **www.renishaw.com/corporategovernance**.

The Committee's primary duties are:

- reviewing the size, structure and composition – including the balance of skills, knowledge, experience, and diversity – of the Board and its Committees (taking into consideration the outcome of the Board evaluation exercise), and recommending changes to the Board, as appropriate;
- overseeing succession planning for the Board and other senior management. In doing so, it pays due consideration to the creation of a pipeline for succession which promotes diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The Committee also takes into account the leadership skills and expertise required in the future to achieve the Group's strategic goals;
- recommending to the Board its policy on equality, diversity and inclusion (EDI) as it applies to the Board and its Committees, its objectives, and link to strategy;
- recommending to the Board its policy on EDI as it applies to appointments and nominating candidates for appointment;
- leading the process for new Board appointments and nominating candidates for appointment; and
- reviewing the performance of, and making recommendations to the Board on, the re-election of Directors at the AGM.

Committee composition

The Nomination Committee is chaired by Sir David McMurtry. It comprises a majority of Independent Non-executive Directors as required by the Governance Code, with the other five members being the Independent Non-executive Directors. Only Committee members are entitled to attend meetings, although Will Lee is regularly invited to attend by the Chair of the Committee, unless discussions are due to take place on his role. The Committee membership is shown below, along with attendance at meetings during the year:

Committee member*	Attended
Sir David McMurtry (Chair)	4/4
Sir David Grant	4/4
Catherine Glickman	4/4
Juliette Stacey	4/4
Stephen Wilson	4/4

* Professor Karen Holford was appointed after the end of FY2023, with effect from 1 September 2023, and so was not eligible to attend any meetings in FY2023.

Key activities

Skills assessment and succession

- Reviewed talent and succession plans for key senior operational and executive roles.
- Considered Non-executive Director recruitment.
- Reviewed the structure, size and composition of the Board and its Committees.
- Reviewed the skills necessary to support the achievement of strategic objectives.

Governance

- Reviewed the Committee Terms of Reference.
- Reviewed the time commitment required of the Non-executive Directors and evaluated whether enough time was being committed to deliver their duties.
- Assessed the independence of each Non-executive Director, agreeing that all Non-executive Directors (excluding John Deer) remain independent (see page 101 and 105 for further information on the Chair, and page 101 for further information regarding Sir David Grant).
- Recommended the re-election of each Director due to retire at the AGM.

Board evaluation

- Monitored the implementation of the action plan arising out of the FY2022 internal Board evaluation.
- Arranged the FY2023 external interview-based Board evaluation.
- Reviewed the results of the evaluation in relation to its own performance, and any items relating to the composition of the Board and succession planning.
- Recommended an action plan arising out of the FY2023 Board evaluation to the Board for approval.

Succession planning

Ensuring the future leadership and stewardship of the business is vital to support long-term effectiveness and the achievement of the Company's strategic goals. It also supports the Group's EDI objectives and ensures the business is well placed to take advantage of future opportunities.

The Committee is mindful of its role, not only to plan for succession for Board and senior management roles, but also to ensure a diverse pipeline of quality leaders capable of leading the Group in the future. When considering succession planning, the Committee has regard to both contingency and long-term succession planning.

Contingency succession planning aims to identify suitable individuals who could assume the responsibilities of another on a short-term basis in the case of a sudden absence. A review of key senior management and operational roles has been undertaken and suitable individuals identified who could effectively assume additional responsibilities until the incumbent is in a position to return.

Long-term succession planning aims to plan and identify internal candidates who could be appointed to the role for the longer-term in the case of a vacancy. The Committee carried out an exercise for the Senior Leadership Team and key operational roles to identify potential successors, assess their suitability in the short, medium and long term, identify their development plans and consider the need for an external candidate.

Board succession

A succession planning exercise was undertaken in August 2023 for all Board roles. When reviewing the Non-executive Directors' succession, a review of each Director's length of tenure was undertaken to plan for the progressive refreshment of the Board.

The Committee considered that two new Non-executive Directors had been appointed in FY2022 and that an active process was underway to appoint a further Non-executive Director. Professor Karen Holford was appointed to the Board with effect from 1 September 2023.

In reviewing the length of tenure of each Director, the Committee was mindful that a number of Directors had held their positions for significant periods of time. This was taken into consideration when looking at the succession plan. Further information is set out in the Directors' Corporate Governance Report on page 101.

Tenure of the Chairman

The Governance Code sets out the governance principles that applied to the Company during FY2023. Provision 19 recommends that the Chairman should not remain in post beyond nine years from the date of his first appointment to the Board.

The Executive Chairman, Sir David McMurtry, co-founded Renishaw together with John Deer in 1973. Sir David was appointed to the Board in September 1975 and has been Executive Chairman since the Company listed in 1984. He also served as Chief Executive from 1975 to 2018, when Will Lee was appointed.

While Sir David's tenure exceeds the nine years recommended under the Governance Code, his length of service reflects that he continues to be a major driver of innovation and growth in the business. He is focusing on the next generation project for AM, which will help to ensure Renishaw becomes a technical leader for selected applications within this field. Sir David's unique skills, experience and knowledge of the industry explain the rationale for his lengthy tenure and the unanimous support of the rest of the Board for him remaining in post.

Board appointment process

The Board has an established process for identifying and evaluating candidates for appointment to the Board and senior management roles. Equally, Board and senior management appointments are subject to the principles set out in the EDI Policy, which formalises the Group's commitment to diversity at all levels (more information on this policy is set out on page 106).

The Committee's procedure for Board appointments, which was followed in respect of the recent appointment of Professor Karen Holford, includes the following steps:

- engaging external recruitment consultants, Kingsley Gate, with whom there is no connection with the Company, to assist with the recruitment of Karen Holford;
- appointing a sub-committee of the Board to oversee the process;
- evaluating the balance of skills, knowledge, experience and diversity on the Board, including considering the skills and experience required of the candidates;
- agreeing role specifications for the proposed appointment;
- reviewing a longlist of candidates provided by the consultant;
- reviewing candidate profiles and considering a shortlist of diverse candidates, where applicable;
- interviewing the candidate or candidates who best fit the role specification against objective criteria, with due regard to the benefits of diversity on the Board;
- inviting the preferred candidate to meet the whole Board; and
- recommending the preferred candidate to the Board.

All Non-executive Directors are appointed to the Board for an initial three-year period subject to annual performance review and re-election by shareholders at the AGM.

Following the thorough Board level skills review reported last year, the Committee agreed that it was important to find a candidate who was well known in the field of engineering research and development, and who had specialist skills in this regard. The Committee is pleased to report that Professor Karen Holford has joined the Board with effect from 1 September 2023. Karen's expertise in pioneering engineering innovation makes her ideally-placed for this role.

Board evaluation

The Board undertakes an annual evaluation of its performance and effectiveness to identify opportunities for improvement. The intention is that this is conducted externally at least every three years as outlined by the Governance Code.

Key findings from the FY2022 review

The 2022 Annual Report reported on the FY2022 internal Board evaluation. Progress on the main findings is outlined in the table below:

	Timeliness and conciseness of Board papers	**Strategic matters**	**Succession and talent**
FY2022 outcomes	Continued focus on timeliness and conciseness of Board papers.	Continued focus on strategic matters.	Continued focus on talent management and succession planning.
Actions for FY2023	Clear timetables for submission of papers and agree a new format for performance update and Chief Executive's commentary.	Invite Senior Leadership Team members to Board meetings to participate in discussions on key strategic matters.	To extend the mentoring scheme, review succession plans for all critical roles, and complete the recruitment of a third new Non-executive Director.
Progress made in FY2023	New format for performance update agreed and greater emphasis on discussion with pre-reads being taken as read.	Senior Leadership Team members invited to the Board to discuss key strategic matters within their speciality such as the Company's sustainability strategy.	Mentoring scheme extended, succession plans reviewed by the Nomination Committee, and Professor Karen Holford appointed to the Board.

Nomination Committee Report continued

FY2023 Board evaluation

Having deferred the external Board evaluation in 2022 to allow the Directors appointed during the year to fully take part, the Nomination Committee commissioned an external review of the Board and its Committees during FY2023.

The General Counsel & Company Secretary and Senior Independent Director led the search for an external Board evaluator and met virtually with a number of specialist providers. Two shortlisted providers were presented to the Committee for consideration. The Committee agreed to appoint Gould Consulting Ltd ('Gould Consulting'). Gould Consulting has no connection to the Company or its Directors and has not been previously engaged by Renishaw to undertake a Board evaluation.

Preparation for the review included discussions with the Executive Chair, General Counsel & Company Secretary, and Senior Independent Director to scope the review and agree the approach. Gould Consulting were asked to carry out a comprehensive review, including the effectiveness of the Board and each of the Committees. Each Director (and certain members of the Senior Leadership Team) completed a questionnaire. Gould Consulting then used the answers to frame their subsequent individual interviews. As part of the review, Gould Consulting also attended meetings of the Board and the Nomination Committee as silent observers. The General Counsel & Company Secretary ensured that Gould Consulting had the necessary access and support during the evaluation. Gould Consulting then presented their final report to the Committee in April 2023.

The external review concluded that the Board was effective in the way it performed its role. In particular, it was noted that meetings were being chaired well, and conducted with a good dynamic that allowed a culture of trust, openness, and effective debate and challenge. The areas noted in the table below were highlighted as opportunities to further enhance Board performance.

An action plan was compiled and agreed by the Board in August 2023 based on the report's recommendations. The Company Secretary is responsible for tracking these actions and reporting back to the Board periodically on progress made.

Gould Consulting have reviewed the disclosures made regarding this Board evaluation exercise.

	Strategic planning	Succession planning	Relationship with investors
FY2023 outcomes	To enhance the Board's oversight of strategy by taking a higher-level view for the Group as a whole.	To continue focusing on identifying successors for Directors and senior leaders, considering future skills requirements.	Increase interaction with investors to gain a better understanding of their views of the Company and its markets.
Actions for FY2024	Increase Board time dedicated to items of strategic importance. Develop ongoing oversight mechanisms for achievement of targets.	Update and refresh the succession plans for the Board and senior leaders.	Establish an investor relations programme with regular updates to the Board.

Equality, diversity and inclusion

Renishaw recognises the importance and value of all forms of diversity, including gender, sexual orientation, age, ethnicity, religion or belief, disability and educational/professional background, as well as the importance of creating a culture of inclusion. The Group's EDI Policy confirms our commitment to establish an inclusive work culture that supports our strategic goals; is free from discrimination, harassment and victimisation; and sets out the values and principles that apply to all employees.

In March 2023, the Board reviewed and updated the EDI Policy which now confirms the Board's responsibility for:

- supporting the Chief Executive and Head of Group HR in relation to their responsibilities in promoting a culture that is supportive of the benefits of equality, diversity and inclusion;
- considering diversity issues at Board and Committee level, and recognising the benefits of diversity in all of its forms;
- developing a diverse pipeline for succession to senior management and Board-level roles; and
- working towards the achievement of the diversity targets set out in the FCA's Listing Rules.

The EDI Policy was applied by the Committee when recommending the appointment of an additional Non-executive Director during FY2023. The EDI principals, as set out in the Policy were discussed with the recruitment consultant at Kingsley Gate, who took account of its provisions when preparing a long list of candidates for discussion. This culminated in the appointment of Professor Karen Holford to the Board on 1 September 2023, increasing the proportion of women on the Board.

Additionally, across the Group, steps have been taken to further implement the EDI Policy. Information on actions throughout the year is set out on page 67.

Board diversity

The Committee recognises the valuable contribution that diversity can bring to Board and Committee discussions, and the decision-making process. The role of diverse perspectives in quality decision-making is widely understood by reducing the risk of 'groupthink'. Therefore, the Committee aims to build a diverse Board, with a wide range of skills and experience, who can truly add value to the long-term sustainable success of the business by demonstrating a true diversity of perspectives. The Committee confirms that it applies the Group's EDI Policy and operates to its standards, while recognising that appointments should continue to be made on merit and against objective criteria. Recruitment consultants engaged by the Company for senior positions are selected on the basis that they will present a diverse list of candidates, including female candidates and those from ethnic minority backgrounds.

As shown in the table on page 107, as at 30 June 2023 the proportion of women on the Board was 25%. Following Professor Karen Holford's appointment on 1 September 2023, this increased to 33%.

Although the proportion has increased, the Company has not yet met the Listing Rules' target of 40% female Directors. The Company also does not have a director on the Board from a minority ethnic background, nor one of the senior Board positions (Chairman, Chief Executive, Senior Independent Director or Group Finance Director) held by a woman (each as required by the Listing Rules). The Company's pre-existing internal records provided the information required to make these disclosures.

The Board has appointed three Non-executive Directors since the start of FY2022, all of whom add valuable experience and insight. It is regretful that these appointments, while increasing the percentage of women on the Board, have not enabled the achievement of the targets set out in the Listing Rules despite the Board's focus on increasing diversity. However, the Board is confident that these Non-executive Directors were the right individuals for the roles. In appointing Directors, the Board considers diversity at all stages of the process while being mindful that the right person for the long-term success of the Company should be appointed. The Board and Committee remain fully supportive of continuing to increase this and all other aspects of diversity as suitable candidates present themselves and as vacancies arise. The Committee continues to take diversity in all its forms into consideration when considering Board succession plans.

Senior management diversity

The Executive Committee consists of six men and one woman (14% women). For the purposes of the Governance Code, the Executive Committee (including Executive Directors) and their direct reports (excluding those in administrative or non-managerial roles), is made up of 36 men and seven women (16% women).

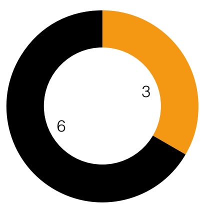
For the purposes of the Listing Rules, gender identity and ethnic background as at 30 June 2023 is reported in the tables below. Our pre-existing internal records provided the information required for this report. References to the Board in the table below include all Executive Directors, and executive management includes the members of the Executive Committee (including the Executive Directors). The Listing Rules use acronyms for roles which the Group describes differently internally. The terminology from the Listing Rules is used in the table below, but please note that references to 'CEO' refer to our Chief Executive, references to 'CFO' refer to our Group Finance Director, and references to 'SID' refer to our Senior Independent Director.

For the engineering sector to reach its full potential, it is important that it reflects the society in which it operates. The Committee will continue to focus on improving all forms of diversity at senior management level across the Group and ensure that policies are in place to support a diverse intake into our industry.

Gender identity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	67	4	6	86
Women	2	25	–	1	14
Not specified/prefer not to say	–	–	–	–	–

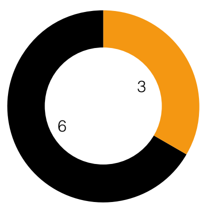
Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	100	4	7	100
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Board composition*



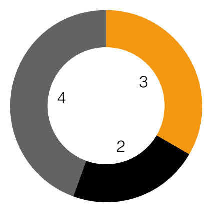
Executive
Non-executive

Gender*



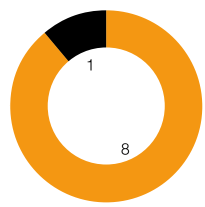
Female
Male

Tenure*



0–3 years
3–6 years
9+ years

Nationality*



British
Irish

* Figures correct as of 18 September 2023.

Sir David McMurtry
Chair of the Nomination Committee

18 September 2023

Audit Committee Report

We are balanced in our scrutiny and oversight

“I’m particularly pleased with the progress we’ve made in developing the Committee’s scrutiny of non-financial areas.”

Juliette Stacey
Chair of the Audit Committee

I’m pleased to present the Audit Committee report for the year ended 30 June 2023. Our work during the year has focused on oversight of the Group’s principal risks and key financial and non-financial reporting risks, and we commissioned a deeper review and response from management on cyber risk in particular. We also maintained our challenge of management’s response to judgements and estimates and scenarios supporting the Company’s Viability and Going Concern assessments.

In last year’s Report we noted that Renishaw had yet to take all the necessary actions to fully comply with all aspects of mandatory reporting for the Task Force on Climate-Related Financial Disclosures (TCFD). This year the Committee has overseen the further development of our TCFD reporting (see pages 72 to 80) and management’s assessment of climate change risks under various scenarios and the potential financial impact of these risks. We were pleased with management’s decision to use external consultants to support this work.

We have also focused on management’s response to the UK government’s consultation on ‘Restoring trust in audit and corporate governance’. That includes approving the scope of the financial controls part of this programme as well as approving management’s approach to developing an Audit and Assurance Policy, the Resilience Statement, and an updated fraud risk management framework.

The Internal Audit team have been able to conduct the majority of its work programme in person this year, now that COVID-19-related travel restrictions have fallen away, with 20 overseas subsidiaries and joint ventures visited since our last report, and the Committee welcomes the increase in assurance that in-person working brings.

Looking ahead to FY2024, we anticipate further internal assurance benefit to arise from our considered response to the FRC’s proposed changes to the UK Corporate Governance Code, noting that at the time of preparing this report its consultation is ongoing.

I will be attending the AGM on 29 November 2023 and look forward to answering any questions about the work of the Audit Committee.

Juliette Stacey
Chair of the Audit Committee

18 September 2023

The role of our Committee and how we work

Committee member*	Attended
Juliette Stacey (Chair)	7/7
Catherine Glickman	7/7
Sir David Grant	7/7
Stephen Wilson	7/7

* Professor Karen Holford was appointed after the end of FY2023, with effect from 1 September 2023, and so was not eligible to attend any meetings in FY2023.

Committee membership

The Audit Committee comprises of the Independent Non-executive Directors, and the Board considers that, as a whole, the Committee has competencies relevant to Renishaw's sector to fulfil its responsibilities, including relevant professional qualifications and experience in senior finance roles. The Independent Non-executive Director biographies can be found on pages 94 to 95. Professor Karen Holford was appointed to the Board as a Non-executive Director on 1 September 2023. Professor Holford was appointed to the Audit Committee on the same date, and attended the September 2023 Committee meeting.

The Audit Committee is advised internally by the General Counsel & Company Secretary, and the Deputy Company Secretary acts as secretary to the Committee.

Committee meetings

The Committee met seven times during FY2023, increasing the number of meetings this year to cover the additional work on cyber risk and the UK government's proposed audit and governance reforms, with a further three meetings held since the year-end that mainly focused on the full-year external audit and Annual Report. The Chief Executive, Group Finance Director, Head of Group Finance, Group Internal Audit Manager, General Counsel & Company Secretary, and External Audit Partner and Manager are regular attendees. The Committee also invites other managers to attend the Committee and provide updates when needed.

Committee effectiveness

The effectiveness of the Audit Committee was reviewed in the year by Gould Consulting as part of the Board Evaluation process detailed in the Nomination Committee report on page 106. A number of improvements had already been adopted by the Committee prior to the external review, such as reducing the number of attendees at each meeting and developing the Committee's relationship with the new external audit partner.

Key duties of the Audit Committee

- Maintaining the integrity of financial reporting for the Group.
- Managing the relationship with the external auditors.
- Internal control and risk management.
- Overseeing the effectiveness of risk management and internal controls systems, including Internal Audit.

An overview of our work in these areas during the year is set out opposite and our terms of reference can be found on our website at **www.renishaw.com/corporategovernance**.

Key activities

Internal control and risk assessment

- Reviewing the Risk Committee's assessment of principal and emerging risks.
- Reviewing the effectiveness of internal controls.

Internal audit

- Agreeing the scope and resourcing of Internal Audit's work.
- Evaluating Internal Audit's findings and monitoring the responses from management, and discussing these with the Group Internal Audit Manager.

Financial reporting

- Reviewing the Annual Report, Interim Report, and trading updates before publication.
- Discussing management's assessment of significant judgements, estimates, and financial reporting topics (as explained in more detail on the next page) and challenging management's view.
- Assessing whether the Annual Report is fair, balanced, and understandable.
- Reviewing the assumptions and financial modelling for the viability and going concern assessments.

External audit

- Reviewing EY's audit plan, including their scope and methodology, ahead of the FY2023 audit.
- Discussing with EY their progress and findings throughout the audit.
- Assessing the effectiveness of EY and reviewing any non-audit services they provide.

The Audit Committee reports to the Board on a timely basis on all of these activities, and more detail on the above work follows on pages 110 to 113.

As part of the Committee's oversight of financial reporting, we reviewed how management had considered a letter received during the year from the FRC regarding its review of the Interim Report to 31 December 2022. No questions or queries were raised by the FRC, and we have considered their observations when preparing this Annual Report. The FRC's review was based solely on the Group's Interim Report for the six months to 31 December 2022 and provides no assurance that the Interim Report was correct in all material respects.

The Committee also reviewed the steps management had taken to develop the Group's TCFD reporting, following a letter received from the FCA during the year regarding the Group's FY2022 TCFD statement. Further details are included on page 112.

Audit Committee Report continued

Financial reporting, and critical judgements and estimates

The Audit Committee monitors the integrity of the financial information published in the interim and annual financial statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed.

We consider the issues below as the most significant in relation to this year's financial statements. Each of these has been discussed with management and the external auditors. Management's work on these areas has been reviewed, and challenged where relevant.

Cash flow hedges

Description	Our review and conclusions
Most of the Group's sales are generated outside of the UK. This means most invoices to, and payments from, customers are in foreign currency. Forward currency contracts are therefore used to manage the effect on Revenue of movements in exchange rate. Where these contracts are designated as hedges of future cash flows, and therefore intended by management to be eligible for hedge accounting, the hedged item is a layer component of forecast sales transactions. Management need to estimate both 'more likely than not' and 'highly probable' revenue forecasts to determine the correct accounting treatment. If contracts are no longer eligible for hedge accounting, future movements in the fair value of these contracts would be recognised through the Consolidated income statement, rather than Other comprehensive income and expense.	Revenue forecasts, including 'more likely than not' and 'highly probable' levels had been presented by management at Board meetings. We discussed the rationale for the 'highly probable' and 'more likely than not' levels, and the assumptions used in generating the forecasts. We also confirmed with management that they had used these Board-approved forecasts to support the hedge accounting treatment, and agreed with management's conclusion that the contracts designated as hedges of future cash flows were eligible for hedge accounting.

Defined benefit pension schemes

Description	Our review and conclusions
To determine the value of the defined benefit pension liability, management need to estimate the present value of the future obligations. Assumptions of discount rates, inflation rates and mortality rates are used in this estimate, and are determined by management in consultation with independent actuaries. With a gross defined benefit pension liability of £139.0m at 30 June 2023, small changes in these assumptions could have a material effect on the value of the liability.	We reviewed the assumptions of discount rates, inflation rates and mortality rates, including the movement in these assumptions since FY2022. We also confirmed with management that these assumptions had been determined in consultation with independent actuaries.

Goodwill

Description	Our review and conclusions
Where the Group recognises goodwill from the acquisition of a business, an estimate of the discounted future cash flows of this business (representing a 'cash-generating unit') is needed. This is compared to the carrying value of goodwill, to identify whether an impairment to goodwill is needed. At 30 June 2023 goodwill totalled £11.2m.	There are three main cash-generating units (CGUs) for which goodwill is recognised, relating to the acquisitions of itp GmbH, Renishaw Mayfield S.A. and Renishaw Fixturing Solutions LLC. We reviewed the discounted future cash flows for these CGUs, and the key assumptions behind these forecasts. We then reviewed the headroom between the capitalised costs and the discounted future cash flows, and agreed with management's assessment that no impairment was needed.

Inventories

Description	Our review and conclusions
The Group holds a significant amount of inventory (£185.8m at 30 June 2023). Estimates of future demand are used to determine the provision needed for slow-moving and potentially obsolete inventory, so that inventory is appropriately valued at the lower of actual cost and net realisable value. Management generates an estimate of the next 12 months' demand for individual inventory items based upon historic usage levels, demand from existing customer orders, and manufacturing build plans. Adjustments to this estimate are made where needed, for example where significant purchases of critical components have been made for 'safety stock'. At 30 June 2023, the inventory provision was £24.5m.	We reviewed the year-end provision in both absolute terms and as a proportion of gross inventory, and also compared this to previous periods. We discussed the rationale for the movements with management, noting the increase in gross inventory since 30 June 2022 and slower than expected demand in H2 of FY2023. We also asked Internal Audit to confirm that during the year they had reviewed the inventory provision workings prepared by subsidiaries, confirming that there had been no change in how this estimate is prepared. Overall, we concluded that the provision was reasonable.

Research and development projects

Description	Our review and conclusions
The Group undertakes a significant amount of R&D work each year, and two key decisions are needed to determine the appropriate accounting treatment for related costs. The first decision is a judgement as to whether expenditure during the year on R&D activities meets the requirement for this expenditure to be capitalised. The second decision, for projects that have met the criteria for capitalisation, is to estimate the discounted future cash flows of the project and compare this to its capitalised development costs. If the future cash flows are lower than the capitalised development cost, an impairment should be recognised.	We reviewed the costs of the projects capitalised in the year, and agreed that they had been capitalised at the appropriate point in their development. We also reviewed the discounted future cash flows for both these projects and the ones that had previously been capitalised, together with the key assumptions behind these forecasts. We then reviewed the headroom between the capitalised costs and the discounted future cash flows, and agreed with management's assessment that an impairment of £1.6m was needed for capitalised drug delivery costs due to uncertainty over short-term cash flows.

Taxation

Description	Our review and conclusions
At the year end, some of our Group companies had the potential to recognise deferred tax assets, relating to unused tax losses and other temporary timing differences. Management prepares forecasts of probable taxable profits for each of these companies and uses these forecasts to determine the value of the deferred tax asset that can be recognised. When management think it's probable that a company will have enough taxable profit to use its tax losses, a deferred tax asset can then be recognised. This deferred tax asset represents the value of the tax loss that is expected to be used in the future to offset future taxable profits. With net deferred tax assets at 30 June 2023 of £18.8m, the estimates supporting the recognition of these assets are a key estimate.	We reviewed management's assessment, discussing the assumptions made in generating taxable profit forecasts for the relevant companies. We also reviewed how these company-level forecasts tied into the Group's overall business plan. We were satisfied with how management has accounted for deferred tax, and with the disclosures made in the financial statements.

Audit Committee Report continued

Going concern and viability

The Committee reviewed the financial modelling undertaken by management, which the Board used in making their going concern and viability assessments. This review included assessing the basis of the severe but plausible scenarios and how they addressed the principal risks, and the key assumptions and main mitigating actions included in each scenario. We confirmed with management that cash balances were positive in each month in the assessment period. We also reviewed the reverse stress tests that management had prepared for the period to 30 September 2024 and 30 September 2026 for going concern and viability respectively, noting that the sustained falls in revenue (and therefore profit and operating cashflows) in the reverse stress tests are more severe than the levels experienced during the COVID-19 pandemic.

The Committee also considered the other elements of the going concern and viability assessments, including the lack of significant external borrowing, the absence of covenants, and the current trading performance of the Group. Overall, the Committee concluded that the use of the going concern basis for preparing the financial statements is appropriate, and supported the viability assessment reviewed and authorised by the Board.

Fair, balanced and understandable assessment

The Audit Committee reviewed whether the FY2023 Annual Report, taken as a whole, was fair, balanced and understandable and also whether it provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In making its assessment the Committee took into account:

- agreeing a suitable timetable for the production of the FY2023 Annual Report, agreed between the Finance team and the external auditors;
- using corporate reporting specialists to support the revised structure and content in the Strategic Report;
- ensuring that the fair, balanced and understandable requirements were a key part of the Annual Report project team's focus;
- involving senior management and the Board in preparing and reviewing the Annual Report, and explicitly asking whether they felt that the Annual Report was fair, balanced and understandable; and
- engaging our remuneration and legal advisers, and corporate reporting specialists, in reviewing the Annual Report.

As noted earlier, TCFD reporting has been a focus for the Committee this year. To support the fair, balanced and understandable assessment we received update reports from management on their progress in meeting the TCFD requirements, which were discussed in detail with the Committee, culminating in the review of the disclosures. We also reviewed management's work in assessing the impact of climate change on the financial statements.

Following its review, the Audit Committee confirmed to the Board that the 2023 Annual Report was fair, balanced and understandable, and the Board's statement is set out on page 139.

Internal controls and risk management

The Board has overall responsibility for the Group's approach to risk management and internal control. The Risk Committee has operational responsibility for risk management, and the Board has delegated responsibility to the Audit Committee for the oversight of this work and the effectiveness of internal controls.

This section of our report explains our role in risk management and the Group's internal control environment. It also summarises the work of Internal Audit, and how we assess the effectiveness of this function.

Risk management

The Risk Committee has a well-established process to identify and manage risks. Using a top-down approach, the Chair of the Risk Committee interviews senior managers from across the Group to identify the more prevalent and strategic topics to be considered. In addition, detailed risk reports are received from regional and product line managers, focusing on key operational risks. Each principal risk owner is invited to Risk Committee meetings to provide updates and present risk mitigation action plans.

The Risk Committee combines this work with identifying trends and any new emerging risks, to draft the Group's principal risks. During the year, the Audit Committee has considered and endorsed these principal risks presented by the Risk Committee.

Internal controls

The Group's systems and processes are designed to provide reasonable but not absolute assurance of:

- reduced risk of material misstatements, errors or losses;
- mitigation of risk that might cause a failure of business objectives;
- safeguarding assets against unauthorised use or disposal;
- maintenance of proper accounting records and the reliability of financial information used within the business for publication; and
- compliance with applicable laws and regulations.

Internal controls are embedded throughout the business's systems, and the Group Business Code explains how we expect our people to behave with honesty and integrity and provides specific requirements on topics such as trade controls and legal compliance. Everyone in the business undertakes relevant training and assessment within three months of joining Renishaw. We further embed our expectation of people's behaviour by having integrity as one of our values.

On a day-to-day basis, management is responsible for implementing internal controls. The Group Internal Control Manual sets out key financial processes and controls, mainly aimed at financial management and financial reporting.

The manual is available to all employees and the Internal Audit team test subsidiary compliance with these controls during its audit work. Self-assessment of compliance is certified by each Group company on an annual basis.

During the year, management has continued to develop the financial controls framework, focusing on supporting teams to better document their existing processes and controls. This work is expected to continue in FY2024 with a focus on the balance between preventative and detective controls, and how controls will operate when Microsoft Dynamics 365 has been rolled-out across the Group.

The Committee oversees the effectiveness of other material controls, including operational and compliance controls, by receiving regular updates from our Responsible Renishaw Forum on compliance topics, including its assessment of the maturity of the control environment. In addition, principal risk owners provide confirmation to the Committee that they are not aware of any significant deficiencies in the key controls for their respective risks.

Whistleblowing

The Committee has oversight of the Group's whistleblowing process. This is set out in more detail on page 99, with the Committee reviewing significant whistleblowing incidents and their outcomes.

Internal audit

Internal Audit work is performed in-house, led by the Group Internal Audit Manager. The Audit Committee agrees the Internal Audit team's plan of work at the start of each financial year and checks their progress against this plan during Committee meetings.

With COVID-19-related restrictions largely having eased, the team undertook all but one of their scheduled overseas subsidiary visits in person this year, and with most of the Group's trading taking place outside of the UK the Committee welcomed the return to this in-person work.

The Committee receives periodic reports on audit work completed and discusses areas of significance in the audit findings. At each committee meeting, the Group Internal Audit Manager provides updates on the responses to the findings from local teams.

At the end of each financial year, the Committee assesses Internal Audit's effectiveness, considering if its work was effective by reviewing the volume, age and severity of findings, and then provides feedback to the Group Finance Director. The Audit Committee also reviews the responses to questionnaires completed by those teams audited in the year.

Overall, the Committee agreed that this year's Internal Audit work was effective and will continue to support its ongoing efforts in speedier resolution of findings in FY2024.

External audit

Appointment, reappointment and tendering

EY was first appointed as our auditors at our 2016 AGM, and the first audit engagement partner rotation took effect for FY2022.

We consider that the Company has complied with the Competition & Markets Authority's Statutory Audit Services Order for the financial year under review. We also note the FRC's 'Audit Committees and the External Audit: Minimum Standard' ('the Standard') that was published shortly before the end of FY2023, and its requirements regarding audit tendering. The Committee intends to adopt the requirements for the next tender and will monitor management's use of firms for non-audit work ahead of the tender, to ensure that there is a sufficient choice of potential auditors.

We currently expect to carry out our next audit tender process in 2026 for the FY2027 audit. As noted in the following sections, the Committee is satisfied with the external auditors' independence, objectivity and effectiveness, and so considers this proposed tender timeline to be in the best interests of the Company's shareholders.

Independence and objectivity

Both the Group and EY take action to ensure that EY are independent and objective. Anup Sodhi has been in the role of lead audit partner since July 2022, after the previous lead audit partner rotated off the audit after five years. Having previously served as EY's Engagement Quality Control Reviewer on our audit, Anup will rotate off the engagement this year.

The Group has a non-audit services policy, which was reviewed during the year to confirm its continued appropriateness. Some non-audit work is permitted by the policy in line with the FRC's Guidance on Audit Committees and the requirements of the FRC's Revised Ethical Standard 2019.

EY require non-audit work to be approved by the Group's lead audit partner before the work starts; approval is not granted if the lead audit partner concludes there's a risk to the independence and objectivity of the audit. Separation of EY's specialist teams also ensures that members of the audit team do not perform non-audit work for the Group.

This year, EY's fees for non-audit work were £11,500. This was for two engagements; Wotton Travel Limited's annual ABTA reporting, and review procedures for VAT s56a certification for Renishaw UK Sales Limited.

Quality and effectiveness

The external auditors are invited to attend our Audit Committee meetings, and report their plan for the full year audit and interim results review. I meet with the lead audit partner on a regular basis, and the Committee meets with them at least annually, without management present, to allow both Committee members and the external auditors to raise any issues directly. We also discuss their remit during these meetings.

The Standard sets out how the Committee should assess the effectiveness of the external audit, in the context of the Group's circumstances. The Committee's review of the effectiveness of the FY2023 external audit reflects the points that a Committee should undertake per the Standard, and took into account:

- the quality and scope of EY's audit plan, and an evaluation of delivery and performance against the plan;
- EY's identified risks to audit quality and how these had been addressed;
- the skills, mindset, efficiency and performance of the audit team;
- the communication between the Group and EY;
- EY's understanding of the Group's business and industry sector;
- specific observations from the FRC's inspection of the FY2020 audit conducted by EY; and
- the FRC's Audit Quality Inspection and Supervision report into EY, published in July 2023.

After considering these matters, our Committee was satisfied with the effectiveness of the year-end process and recommended to the Board that EY be reappointed at the Company's AGM on 29 November 2023.

Juliette Stacey
Chair of the Audit Committee

18 September 2023

Directors' Remuneration Report
Committee Chair's statement

We are rewarding sustainable profit and strategic delivery

"Our proposed Policy is simple and responsible, designed to incentivise the achievement of our objectives while supporting our culture."

Catherine Glickman
Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for FY2023. I would like to thank shareholders for their continued support and engagement as we bring the Remuneration Policy (the Policy) to the AGM for a binding vote and the Directors' Remuneration Report (excluding the Policy) for an advisory vote.

Performance for FY2023

We have seen revenue at actual exchange rates continue to grow despite lower demand from the semiconductor sector. There has been growth across both our Manufacturing technologies – specifically in system sales and additive manufacturing machines – and Analytical instruments and medical devices segments.

We've continued to invest in our people, our capabilities, and in innovative new products and manufacturing capacity to support our growth objectives, while managing costs carefully and focusing on productivity.

Remuneration in context

We take a fair, prudent and balanced approach to remuneration, considering our people, our shareholders and other stakeholders.

Our people are well trained and highly-skilled, and over the past months they have been targeted by competitors and external recruiters. Our focus, therefore, has been and continues to be on retention, addressed through three streams of work:

- defining, recognising and rewarding high performance;
- defining career development options which will be supported by structured development programmes; and
- globally benchmarking our reward packages and investing to ensure we are competitive.

We have made major investments in pay over the last year, as explained in our trading updates, with the result that our average pay increase in FY2023 was 10.2%. I am pleased to confirm that we are retaining our people, and our employee turnover has reduced, meeting the targets that we set. The experience of our people and their reward is a major factor when we consider the remuneration of the Executive Directors annually, together with our strategy, founder views, shareholder and executive feedback and market practice.

FY2023 annual incentive opportunity for Executive Directors

Our Executive Directors have delivered record revenue, continued to work closely with customers developing products that meet current and future needs, while making progress on the strategic objectives.

This year's annual incentive was made up of two elements: a financial element worth 90% awarded against Adjusted profit before tax (PBT) targets and 10% against strategic objectives. The latter only pays out if the threshold Adjusted PBT is met.

Unfortunately this year the threshold Adjusted PBT was not met. As a result, despite good progress on many of the strategic objectives, there is no award under either element of the annual incentive. We aligned the Senior Leadership Team with the Executive Directors' bonus in FY2022; as the metrics are the same, they will not receive an award this year either. The full details of the targets and performance against the strategic objectives are explained in the Annual Report on remuneration.

FY2023 employee bonus awards

As we normally do, a percentage of our annual profit has been set aside to invest in bonus awards for eligible Renishaw employees.

Awards are dependent on seniority and performance, with the UK minimum award this year being £950 (pro-rated). Due to our Adjusted PBT for FY2023 being lower than FY2022, the average employee bonus award this year is less than it was last year.

Proposed changes to Policy

In line with the normal three-year cycle, we are required to put a new Policy forward to a binding shareholder vote at the 2023 AGM. During the year, we have reviewed the Policy, taking into account: i) feedback provided by shareholders; ii) the views of our founders, Non-executive Directors and executive team; iii) our business and talent strategy; iv) market practice; and v) remuneration arrangements in place for the wider Renishaw workforce. Our conclusions are summarised in the following paragraphs.

No changes to the overarching framework

We operate a simple framework of base salary, benefits, pension, and an annual incentive with an opportunity of 150% of salary for the non-founder Executive Directors. The annual incentive is delivered 50% in cash and the remainder deferred into shares for three years. For Sir David McMurtry, the maximum annual incentive opportunity is 100% of base salary, which is paid in cash.

We have considered whether now is the right time to introduce a separate long-term incentive plan, following feedback from some shareholders. We have concluded that the current framework is simple, consistent with the approach to remuneration for the wider workforce, and is working effectively. Therefore, we have determined that it is not the right time to introduce a new element. We are mindful that the absence of a separate long-term incentive plan means that the overall value of the total package for Executive Directors at Renishaw is modest compared to businesses of similar size and complexity.

Considering our growth ambitions over the next three years, the following changes are proposed to provide sufficient flexibility in the Policy. This flexibility is intended to ensure we can continue to attract and retain high-calibre executives and recognises the competitive market for talent in our sector.

Flexibility to increase the incentive opportunity

The new Policy will include flexibility to increase the annual incentive opportunity up to 225% of salary, if considered necessary in future years. For the avoidance of doubt, there is no current intention to use this headroom. The annual incentive opportunity for FY2024 will remain at 150% of salary (i.e. unchanged from FY2023).

The inclusion of this additional headroom is proposed to ensure there is appropriate flexibility in the Policy to continue to offer an appropriately competitive overall package with reward aligned to performance and good stewardship of the business. The Committee would consider the use of this additional headroom in certain scenarios including, but not limited to, recruitment and retention, where there has been a significant growth in the size and/or complexity of the business, and where additional stretch has been included in performance conditions. In the event this headroom is used in the future, there would be no increase in the maximum incentive opportunity element that is paid in cash. As illustrated in the table below, in order to provide an additional retention element, any enhanced incentive opportunity award would be delivered in deferred shares, subject to continued employment and a performance underpin.

The Committee would also review the stretch in the performance targets (taking into account market conditions at the time) to ensure that any increase in quantum is commensurate with the level of performance required.

The new Policy will also include the flexibility for up to 20% of the maximum annual incentive to pay-out at an appropriately stretching level of threshold performance. This change is aligned with market practice. Should the additional headroom be used, a full explanation would be provided in the following year's Directors' Remuneration Report.

	FY2024 – no change	Additional flexibility in the Policy – no current intention to use this headroom
Maximum opportunity	150% of salary for the non-founder Executive Directors. For Sir David McMurtry, the maximum opportunity is 100% of base salary, which is paid in cash.	Overall maximum up to 225% of salary (50% of maximum for on-target performance) for the non-founder Executive Directors. No change for Sir David McMurtry.
% of bonus paid in cash	50% of the bonus earned (i.e. up to 75% of salary) for the non-founder Executive Directors paid in cash. For Sir David McMurtry, the bonus earned is paid in cash.	In the event the overall maximum opportunity is increased to 225% of salary, one-third (i.e. up to 75% of salary – no change from current % of salary that can be paid in cash). No change for Sir David McMurtry.
% of bonus deferred into shares for three years	50% of the bonus earned (i.e. up to 75% of salary) for the non-founder Executive Directors. The deferred shares have a three-year deferral period and are subject to continued employment.	In the event the overall maximum opportunity is increased to 225% of salary, two-thirds (i.e. 150% of salary) for the non-founder Executive Directors. In this case, half of the deferred shares would be subject to a three-year deferral period subject to continued employment, while the other half would be subject to continued employment and a performance underpin. The performance underpin would be determined by the Committee at each award date. The Committee would consider what was important for that year, which could include but not be limited to: underlying performance; progress on new products against their targeted 'gate' milestones; quality of new product launches, performance against the business case and sales forecasts; progress against the sustainability targets; and quality of research into disruptive technologies.

Committee Chair's statement continued

Other changes

Shareholding guidelines

Under the current Policy the Chief Executive and any new Executive Directors are expected to build up and maintain a level of share ownership of at least 200% of base salary. All other incumbent Executive Directors are expected to build up and maintain a level of share ownership of at least 50% of base salary. Under the new Policy, the share ownership guideline for all Executive Directors will be 200% of base salary. Under the current Policy, 50% of any net vested share awards (after disposal to meet tax liabilities) must be retained until the shareholding guidelines are met. Under the new Policy, for any new awards, this will be increased to 100% of any net vested share awards (after disposal to meet tax liabilities) until the shareholding guidelines are met.

No changes are proposed to the post-employment holding period: Executive Directors (excluding Sir David McMurtry) will be required to maintain a personal shareholding in Renishaw at a level of at least the lower of their actual shareholding and the level of their minimum shareholding guideline for one year after they step down from the Board, and 50% of that level for a further year.

Aligning Chief Executive and Group Finance Director pension opportunity with the wider workforce

Our Policy allows for a maximum pension contribution for incumbent Executive Directors of 11%, in line with contributions available to long-serving employees (i.e. those who joined the business before 2007). We plan to align the contribution with that of the UK wider workforce, currently 9% of salary, no later than 1 January 2025.

Other minor changes

The following minor changes to the Policy are proposed to ensure there is sufficient flexibility built into other areas:

- additional flexibility to allow the introduction of additional benefits based on individual circumstances (in line with market practice);
- the maximum level of benefits is set at a level the Committee considers appropriate based on the nature and location of the role and individual circumstances. The updated Policy includes the option for non-founder Executive Directors to participate in all-employee share plans, on the same terms as those available to the wider workforce;
- in line with market practice, other remuneration elements may be included in exceptional circumstances as set out on page 123;
- the ability to pay an outplacement fee; and
- flexibility to pay a bonus in cash rather than deferred shares on cessation of employment in compassionate circumstances (e.g. death or ill-health).

Our approach to Executive Director remuneration for FY2024

Base salary

We plan to align the Executive Directors' salary review with the wider workforce. There was no review effective July 2023. We will review salaries, informed by salary increases for the wider workforce, market competitiveness and affordability later in 2023, with any increase effective from 1 January 2024.

We have also aligned our Non-executive Directors' fee review with this timetable.

Annual incentive opportunity

As outlined above, for the non-founder Executive Directors the annual incentive opportunity for FY2024 will remain at 150% of salary (i.e. unchanged from FY2023). For Sir David McMurtry, the maximum opportunity will remain at 100% of base salary, paid in cash.

Metrics for FY2024 will be materially the same, but with an increase in the weighting of the strategic objectives from 10% to 20%, and a corresponding decrease in the financial objectives to 80%. This reflects the Committee's view that the strategic objectives are now rigorous, stretching and quantifiable, and grouped under strategic direction, innovation, people and culture, sustainability and productivity. Specific targets for FY2024 will include new product development against gated milestones, product launches meeting their sales and financial targets, delivery of environmental targets and corporate initiatives, including the rollout of Microsoft Dynamics 365. The Senior Leadership Team will have the same Adjusted PBT targets and strategic objectives as the Executive Directors to ensure everyone is working to the same targets.

In line with the new Policy, for achieving an appropriately stretching level of threshold performance 20% of the bonus based on Adjusted PBT will be earned.

Engaging with our people and our shareholders

The Committee values the insight received from its engagement activities with its people and our shareholders and takes all feedback received seriously. We use various methods to engage with our people and as employee engagement ambassador, I attend meetings with the Head of Group HR and Senior Leadership Team alongside other methods of engagement. Additionally, we have consulted with our largest 20 shareholders and proxy advisory firms on our new Policy and considered all feedback received in developing our final proposals which are being put to the AGM for approval. See page 127 for more information.

Looking ahead – key focus areas for the Committee

During FY2024 our key focus will be on ensuring that the Policy is working, specifically that the strategic objectives are driving the right behaviours and outcomes for the longer term. We will also focus on ensuring we retain talented people by:

- getting better employee insight through new engagement tools;
- improving the quality of performance management;
- delivering the career development programmes that capitalise on our strength of offering early responsibility and interesting work; and
- continuing the benchmarking work to ensure competitive pay

In setting our Policy, our aim is to always consider the wider workforce, our shareholders, and other stakeholders, and to remunerate executives fairly and responsibly. We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. I hope that our shareholders will approve the Policy, which aims to attract, motivate and retain Executive Directors while supporting the creation of long-term sustainable shareholder value and reinforcing our culture.

On behalf of the Committee, thank you for your continued support. As always, I am happy to answer questions or receive feedback; please contact me at **CompanySecretary@Renishaw.com**.

Catherine Glickman
Chair of the Remuneration Committee

18 September 2023

Committee members, advisers and meetings

What does the Committee do?

The Remuneration Committee helps Renishaw attract, retain and motivate talented people through the review and implementation of competitive remuneration arrangements and motivating incentive structures. Any performance-related element is linked to overall financial performance and in the case of the Executive Directors and senior leaders, key strategic objectives. This helps to align the interests of colleagues with those of all shareholders

The Committee is responsible for:

- designing the framework and policy for executive remuneration;
- determining the remuneration for each of the Executive Directors and other senior management;
- ensuring that suitable financial and strategic objectives are in place to reward and encourage strong performance; and
- reviewing workforce remuneration and related policies.

The Committee terms of reference are published on our website at **www.renishaw.com/corporategovernance**.

To avoid duplication, the table below cross refers to disclosures given elsewhere of how we have sought to comply with Provision 41 of the Governance Code.

Topic	Page(s)
– An explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics.	116, 120–123
– Reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps.	132
– A description, with examples, of how the Remuneration Committee has addressed the factors in Provision 40.	128
– Whether the Remuneration Policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary.	129
– What engagement has taken place with shareholders and the impact this has had on Remuneration Policy and outcomes.	127
– What engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy.	66, 127
– To what extent discretion has been applied to remuneration outcomes and the reasons why.	n/a

Members

All members of the Committee are Independent Non-executive Directors: Catherine Glickman (Chair); Sir David Grant; Juliette Stacey; Stephen Wilson; and Professor Karen Holford (with effect from 1 September 2023). The Committee met six times in FY2023 and we set out on this page a summary of the topics discussed in those meetings.

Jacqueline Conway, General Counsel & Company Secretary, acts as secretary to the Committee. During Jacqueline's sabbatical from April to October 2023, Karen Atterbury, Interim Company Secretary, fulfilled the role of secretary to the Committee. Executive Directors may attend Committee meetings by invitation (to advise on the remuneration and performance of senior management and to take part in specific discussions), although they do not take part in any specific discussions that directly relate to their own remuneration.

Advisers

The Committee use independent advisers as needed and our current adviser is Deloitte LLP (Deloitte). Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee believe that the advice received from Deloitte is objective and independent.

Total professional fees and expenses paid to Deloitte for advice received was £40,200.

Deloitte was appointed by the Committee in March 2021 following a competitive tender process and has provided other remuneration advice during FY2023.

Key activities

Governance

- Reviewed the output from the FY2022 effectiveness evaluation.
- Took part in the FY2023 effectiveness evaluation.
- Reviewed and approved the Directors' Remuneration Report.

Remuneration Policy and its operation

- Approved the Executive Directors' and Senior Leadership Team's deferred equity awards for FY2022.
- Considered the achievement of the financial and strategic objectives for FY2023.
- Considered and approved the updated Directors' Remuneration Policy, to be submitted to the Company's shareholders for their approval.

People

- Reviewed employee turnover statistics.
- Approved people objectives for FY2023.
- Approved the employee salary benchmarking scheme.
- Approved the Senior Leadership Team salaries.
- Reviewed the gender pay gap statistics.
- Approved a new global employee engagement platform.
- Approved the employee bonus proposal for FY2023.

Committee meeting attendance record

Committee member*	Attended
Catherine Glickman (Chair)	6/6
Sir David Grant	6/6
Juliette Stacey	6/6
Stephen Wilson	6/6

* Professor Karen Holford was appointed after the end of FY2023, with effect from 1 September 2023, and so was not eligible to attend any meetings in FY2023.

Remuneration at a glance
Executive Director remuneration in FY2023

Base salary

The Executive Directors received salary increases of 5%, effective 1 July 2022. This was lower than the average increase effective January 2023 for the wider workforce at 10.2%.

Sir David McMurtry
Executive Chairman
£766,194

Will Lee
Chief Executive
£703,500

Allen Roberts
Group Finance Director
£447,676

Annual incentive

Our incentive opportunity is based on financial and strategic objectives, although the award is only payable if the threshold Adjusted* PBT financial objective is met.

* Note 29 (Alternative performance measures) defines how Adjusted PBT is calculated.

Financial objectives

In FY2023, Adjusted PBT was weighted 90% in the annual incentive opportunity.

The Adjusted PBT for FY2023 is £141.0m. As this is less than the threshold target of £146m, no award was made.

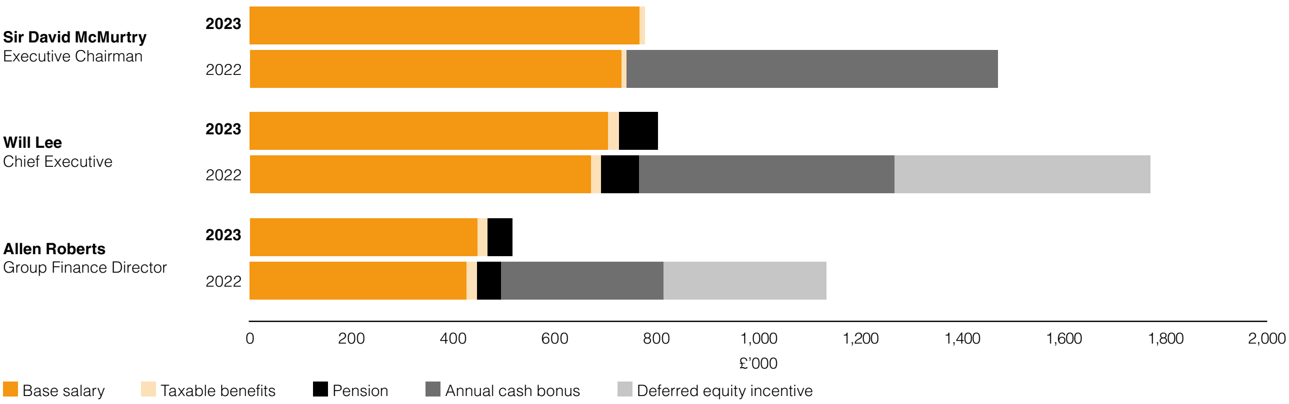
Strategic objectives

10% of the annual incentive opportunity is based on achievement of the strategic objectives.

Because the Adjusted PBT did not reach the threshold, there is no award for achievement of the strategic objectives. The Committee did review performance against the strategic objectives. Significant progress has been made on many objectives, with good progress on system sales, sustainability, and people and culture; and slower progress on manufacturing productivity and the timing of certain flagship projects. A detailed commentary is given on page 130.

Total remuneration

The graph below shows a comparison of the Executive Directors' total remuneration (including a breakdown of the components) for FY2023 and FY2022.



Executive Directors' shareholdings (as of 30 June 2023)

The table below shows the Executive Directors' shareholdings against the minimum shareholding guidelines for Executive Directors. Sir David McMurtry and Allen Roberts have achieved their minimum shareholding guidelines, and Will Lee is in the process of building towards his. His proportionate shareholding has increased since FY2022.

	Current Executive Directors		
	Sir David McMurtry	Will Lee	Allen Roberts
Shares	26,377,291	7,695	6,840
Actual (× salary)	1,343.3	0.427	0.596
Requirement (× salary)	0.5	2.0	0.5

Executive Director remuneration in FY2024

Proposed Remuneration Policy

The 2023 Policy was developed over the course of the year taking into account our business and talent strategy and market practice. The Remuneration Committee discussed the proposals with the founders and took into account the themes from its workforce engagement activities and the pay policies across the Group. The Remuneration Committee consulted with shareholders and proxy advisory firms during the year on the proposals and the feedback received was largely supportive. The Remuneration Committee also assessed the Policy for clarity, simplicity, risk management, predictability, proportionality and alignment to culture, as set out on page 128.

A summary of the proposed changes is set out in the Committee Chair's statement on pages 114 to 116 and the full Policy for shareholder approval is set out on pages 120 to 126.

Base salary

No salary increase will be awarded to our Executive Directors at the time of the writing of this report. A review, aligned with awards to the wider workforce and affordability, and informed by consideration of market conditions, will be carried out later in 2023, to be effective 1 January 2024.

Benefits

No changes are proposed for FY2024.

Pension

Under the new Policy, we are proposing to align pension contributions for Executive Directors to those available to the majority of the UK wider workforce (currently 9% of salary). This change will be made with effect no later than 1 January 2025. For FY2024 until then, the pension contributions for Executive Directors will be 11% of salary, in line with other long-serving employees.

Annual incentive

Maximum opportunity

The maximum opportunity for FY2024 will be 150% of salary for non-founder Executive Directors and 100% of salary for Sir David McMurtry.

Composition

For the non-founder Executive Directors, 50% of any bonus earned will be deferred into shares. Any award made to Sir David McMurtry will be made in cash.

Metrics

The annual incentive opportunity will continue to be based on financial and strategic objectives with the award only being payable if the Adjusted PBT meets the threshold.

Financial objectives

In FY2024, Adjusted PBT will be the sole financial objective and be weighted as 80% of the annual incentive opportunity.

Strategic objectives

In FY2024, 20% of our annual incentive opportunity will be subject to the achievement of strategic objectives. This weighting has doubled from FY2023 (10%) to ensure an appropriate and meaningful proportion of the bonus is based on the achievement of specific strategic drivers of sustainable value creation (including but not limited to the Company's Net Zero ambitions). The objectives will be grouped under strategic direction, sales, innovation, people and culture, sustainability and productivity. Specific targets will be disclosed in next year's report.

Shareholding guidelines

Minimum shareholding

Share ownership guidelines for all Executive Directors will be 200% of salary. They must retain 100% (50% for shares awarded prior to 30 September 2023) of any net vested share awards (after disposal to meet tax liabilities) until the shareholding guidelines are met.

Post-employment shareholding

No changes are proposed to the post-employment holding period: Executive Directors (excluding Sir David McMurtry) will be required to maintain a personal shareholding in Renishaw at a level of at least the lower of their actual shareholding and the level of their minimum shareholding guideline for one year after they step down from the Board, and 50% of that level for a further year.

Malus and clawback

Part or all of any annual incentive payment (whether paid in cash or deferred into shares) may be subject to repayment in the event of any: (i) material financial misstatement; (ii) error in calculation; (iii) misconduct; (iv) corporate failure; (v) material loss; and/or (vi) reputational damage.

Remuneration Policy

Executive Directors' Remuneration Policy

This section of the Directors' Remuneration Report sets out the proposed Directors' Remuneration Policy of the Company, to be approved at the 2023 AGM. If approved by shareholders, this Policy will come into force after the 2023 AGM, for a period of up to three years. Changes to the Policy approved at the AGM in 2020 (and subsequent variations) are summarised in the Committee Chair's statement. The 2023 Policy was determined by the Committee after reviewing the impact of the 2020 Policy, key governance factors, market practice, and after taking account of shareholder feedback arising out of the consultation undertaken in June 2023. The Committee further reviewed the Policy against the six themes set out in provision 40 of the UK Corporate Governance Code as described on page 128.

The Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would, in the opinion of the Committee, be inappropriate to seek or await shareholder approval. To ensure conflicts of interest are managed, the Committee ensures no Director determines the Policy regarding their own remuneration.

Executive Directors' policy table

Base salary	
Purpose and relevance to strategy	To provide a competitive remuneration package to motivate and retain Executive Directors of the required calibre to help the Group meet its objectives to deliver the Group's strategy.
Operation	Salaries are normally reviewed and set annually – from FY2024, they will be reviewed in November/December and effective from 1 January. Base salary is set in the context of pay for similar roles in companies of similar size and complexity.
Maximum	Base salary increases will normally be capped at the level of salary increases for the broader workforce in the Executive Director's home market, unless the Committee in its absolute discretion determines that circumstances warrant a higher increase. Example circumstances include: to reflect a significant change in a director's role or responsibilities, or if (in shareholders' interests) a director was intentionally appointed on a salary that is below what the Committee considers to be the appropriate level of market salary and their subsequent performance in the role warrants a higher salary increase. The rationale for any such higher increase will be disclosed in the relevant annual remuneration report.
Performance measures	Continued good performance.

Benefits	
Purpose and relevance to strategy	To provide market-competitive benefits that motivate and retain Executive Directors and enable them to give maximum attention to their role.
Operation	Benefits provided on an ongoing basis include: – a car or car allowance; – private medical insurance; – life assurance; and – long-term disability cover. If, on the appointment of a new Executive Director, relocation is required to the director's place of work, reasonable and proportionate relocation support may be provided. Additional benefits may be provided in the future taking into account individual circumstances. If the Company establishes an 'all employee' share plan, any non-founder Executive Director may participate on the same basis as any other qualifying employee.
Maximum	The maximum level of benefits will be set at a level that the Committee considers appropriate, taking into account the nature and location of the role and the individual circumstances of the Executive Director. Excluding accommodation and relocation costs, benefits are not expected to exceed £50,000 per annum.
Performance measures	Not applicable.

Annual incentive opportunity (comprising cash bonus and deferred equity awards)	
Purpose and relevance to strategy	To incentivise and reward execution of the Group's objectives, reward outperformance and encourage Executive Director share ownership.
Operation	Targets are normally reviewed annually and any payout is determined by the Committee after the year end. For the non-founder Executive Directors, for any financial year where the opportunity is 150% of salary, 50% of any earned payout will be deferred into shares for three years. For any financial year where the opportunity is more than 150% of salary, up to two-thirds of any earned amount will be deferred into shares for three years. Dividends may accrue on deferred shares over the deferral period and, if so, will be paid as additional shares on vesting. The number of additional shares may be calculated assuming reinvestment into shares on such basis as the Committee determines. If an opportunity of more than 150% of salary is awarded, an underpin will apply via enhanced underpin/malus provisions, as set out below. The Committee sets Group performance targets. In the case of financial measures, for achieving an appropriately stretching level of threshold performance, up to 20% of the maximum opportunity is earned, increasing typically on a straight line basis to a target at which 50% of the maximum opportunity would be earned, and to a cap at which the maximum opportunity could be earned. The targets for payouts above 100% of salary to maximum will incentivise and reward even greater outperformance of expectations for any year. For strategic measures, payouts are determined by the Committee between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met. Sir David McMurtry participates in the annual bonus plan: his incentive opportunity is capped at a maximum of 100% of salary, to be paid in cash. In line with the Governance Code, the Committee retains discretion to amend payouts should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of circumstances that were unexpected or unforeseen, or is inappropriate for any other reason. Part or all of any annual incentive payment (whether paid in cash or deferred into shares) may be subject to repayment in the event of any: – material financial misstatement; – error in calculation; – misconduct; – corporate failure; – material loss; and/or – reputational damage. If an opportunity of more than 150% of salary is awarded, half of any deferred amount will be subject to a further repayment provision, such that repayment may be required if an underpin is not met over the deferral period; the terms of any such underpin would be confirmed in the relevant Directors' Remuneration Report. These provisions may be applied to a deferred equity award at any time up to the third anniversary of its grant and to a cash bonus at any time up to the third anniversary of its payment.
Maximum	150% of salary for non-founder Executive Directors for the financial year ending 30 June 2024. Flexibility for up to 225% of salary for any non-founder Executive Directors for any other financial year. 100% of salary for Sir David McMurtry.
Performance measures	Based on Group performance, which will ordinarily include Adjusted PBT (one of the key measures of performance used by the Board) as the primary measure. The Committee may introduce other metrics (financial and strategic) to reflect the Group's priorities, or make adjustments to or substitute performance measures applying to existing annual incentive opportunities to appropriately reflect underlying performance, provided that the bonus will always be subject to achievement of the threshold financial performance. Targets will be set around the Group's internal strategic plan. Any strategic metrics shall not form more than 25% of the overall bonus opportunity.

Remuneration Policy continued

Executive Directors' policy table continued

Pension	
Purpose and relevance to strategy	To provide a pension contribution/allowance in line with the wider workforce of the home country of the Executive Director and to motivate and retain Executive Directors of the required quality to meet the Group's objectives.
Operation	Executive Directors receive pension contributions into the Company's defined contribution scheme, or all or part as an allowance paid in lieu. Will Lee is a deferred member of the Company's defined benefit scheme, which closed for future accruals on 5 April 2007. Sir David McMurtry receives no pension contribution or allowance in lieu.
Maximum	The maximum contribution to the defined contribution scheme, or, where applicable, additional salary payment in lieu of contributions, is: – until 1 January 2025 at the latest, 11% of base salary for Executive Directors who joined Renishaw prior to 2007, in alignment with other long-serving employees; – with effect from 1 January 2025 at the latest, for Executive Directors who joined Renishaw prior to 2007 a level not exceeding that available to the majority of the wider workforce (currently 9% of base salary); and – for Executive Directors who joined Renishaw after 2007 a level not exceeding that available to the majority of the wider workforce (currently 9% of base salary). The Committee retains discretion to determine the approach and calculation of the wider workforce pension level, including, if relevant, the methodology for international directors.
Performance measures	Not applicable.

Minimum shareholding guideline	
Purpose and relevance to strategy	Supports the alignment of Executive Director and shareholder interests.
Operation	Each Executive Director is expected to build up and maintain a level of share ownership of at least 200% of base salary. Until the minimum shareholding guideline is met, net vested share awards (after sales to meet tax liabilities) must be retained. In the case of awards granted after 30 September 2023, all of the net vested awards must be retained. In the case of awards granted on or before 30 September 2023, 50% of the net vested awards must be retained. Executive Directors' shareholdings are reviewed annually by the Committee to ensure progress is being made towards achievement of the guideline level of shareholding. The Committee retains the discretion to modify the application of this guideline in exceptional compassionate circumstances. Shares that are subject to deferred annual equity awards can count towards the shareholding guideline on a net of assumed tax basis.
Maximum	Not applicable.
Performance measures	Not applicable.

Post-employment shareholding policy	
Purpose and relevance to strategy	Supports the principle of long-term share ownership that is promoted by the 2018 UK Corporate Governance Code.
Operation	Executive Directors (excluding Sir David McMurtry) will be required to maintain a personal shareholding in Renishaw at a level of at least the lower of their actual shareholding and the level of their minimum shareholding guideline for one year after they step down from the Board, and 50% of that level for a further year. The post-employment shareholding policy applies to shares acquired pursuant to deferred annual equity awards granted after 30 September 2020. The Committee retains the discretion to modify the post-employment shareholding requirement in exceptional circumstances; for example, on a change of control or if a conflict of interest arises with an Executive Director's next appointment; or in compassionate circumstances.
Maximum	Not applicable.
Performance measures	Not applicable.

Operation of share plans

All discretions under any share plan established by the Company will be available to the Committee under this Policy, except where explicitly limited by this Policy. Share plan awards may be settled, in whole or in part, in cash, although the Committee would only settle an Executive Director's award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares or in respect of the tax liability arising in connection with an award.

Policy for the remuneration of employees more generally

The Group aims to provide a remuneration package that is competitive in an employee's country of employment, which is appropriate to promote the long-term success of the Group. The Company intends to apply this Policy fairly and consistently ensuring that it can compete successfully in the marketplace and sufficiently retain and motivate employees. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to performance conditions.

Approach to recruitment remuneration

When agreeing the remuneration package for a new Executive Director, the Committee will ordinarily apply the Policy for the existing Executive Directors to ensure a consistent approach. The Committee retains discretion to award other elements of pay that it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below. Circumstances in which these other elements may be awarded include:

- an interim appointment being made to fill an Executive Director role on a short-term basis;
- if exceptional circumstances require that the Chair or a Non-executive Director takes on an executive function on a short term basis; and
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

The Committee may also alter the performance criteria and deferral period applicable to the annual incentive opportunity if the Committee considers that the circumstances of the recruitment merit such alteration. Any use of this discretion would be accompanied by a full rationale in the relevant annual remuneration report.

The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').

Salary, pension and benefits

For an external hire, base salary will be set in line with the factors set out in the Policy table, taking into account the individual's experience and the amount required to attract the individual to join the Company. Pension and benefits will be provided in line with the Policy table.

Where a new Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable relocation assistance and other appropriate allowances if business needs require it.

Variable remuneration

Variable remuneration will ordinarily be provided in accordance with the Policy table and up to the maximum permitted by the Policy table. Any award in respect of forfeited remuneration as described below is excluded from the maximum permitted variable remuneration. In exceptional circumstances, a long-term incentive may be offered as described on the following page.

Forfeited remuneration

The Committee may make payments or awards to buy-out remuneration forfeited by new hires in connection with leaving a previous employer. Any such buyout awards would ordinarily have a fair value no higher than that of the awards being replaced, and would be structured as far as possible to replicate the remuneration being forfeited, in terms of any vesting horizons or performance linkage.

Existing obligations

When an internal appointment is made, any pre-existing obligations will be honoured and payment will be permitted under the Policy.

Remuneration Policy continued

Committee discretion in exceptional circumstances

The Committee retains discretion in exceptional circumstances to offer a long-term incentive to support Renishaw in securing the best Executive Director candidate, if the Committee considers it to be in shareholders' best interests to do so. The annual quantum of any long-term incentive award grant would be set so that the aggregate variable remuneration for the Executive Directors in any year did not exceed 350% of salary. Any use of this discretion would be accompanied by a full rationale in the relevant annual remuneration report.

Service contracts and policy on payment for loss of office

The Executive Directors' service contracts are for an indefinite period and require 12 months' notice of termination by either party. There are no obligations in any Executive Director's service contract, or Non-executive Director's letter of appointment, which would require the Company to pay a specific amount of compensation for loss of office.

The Executive Directors' service contracts reflect the Company's policy regarding notice periods. No payment will be made for a termination by the Company for a breach by the Executive Director of their service contract. In other cases, payment in lieu of notice will be considered up to the 12 months' notice period to cover base salary, benefits and pension contributions. If additional compensation is required to be considered, such as on a settlement agreement, the Committee will consider all relevant commercial factors affecting the specific case. Directors' service contracts are available for inspection at the Company's registered office upon written request to the Company Secretary. A table containing the dates of the current service contracts for each of the Executive Directors is set out on page 135.

A summary of the key elements of the Policy for loss of office is set out below.

Provision	Policy
Notice period	12 months' notice by either party. No obligation to pay a specific amount in compensation for loss of office.
Pension	Pension will continue to apply until the termination date; payment in lieu of notice will be considered up to a period of 12 months.
Treatment of annual incentive plan awards	No annual incentive is payable for the financial year, unless the Committee determines otherwise in certain 'good leaver' circumstances. These include ill health, death, disability, retirement in agreement with the Committee, redundancy, or any other reason as the Committee in its absolute discretion may determine. For 'good leavers', any payment would normally be pro-rated for time and reflect the Company's performance against the targets set at the start of the year. It would also take into account the circumstances of the individual's loss of office. The Committee retains discretion to pay any bonus earned for the year of cessation wholly in cash, but would do so only in circumstances it considers compassionate, such as in the event of death or ill-health. Unvested deferred equity awards normally lapse, unless the Committee determines otherwise for a 'good leaver'. In such cases, unvested awards would normally be pro-rated to reflect the portion of the deferral period that has elapsed on cessation of employment, and vest on the normal vesting date (except in the event of death, when vesting would be brought forward). Unvested awards normally vest early on a change of control of the Company or other relevant event in accordance with the rules of the plan.
Benefits	Benefits will continue to apply until the termination date; payment in lieu of notice will be considered up to a period of 12 months. If the Company establishes an 'all employee' share plan, the treatment of any awards under it on cessation of employment and on a change of control of the Company or other relevant event would be determined in accordance with the rules of the plan. In appropriate circumstances, the Committee may continue the provision of certain benefits (for example, private medical insurance) for a period following cessation.
Other payments	In appropriate circumstances, payments may also be made to a departing Director in respect of accrued holiday pay, and outplacement and legal fees.

Statement of consideration of employment conditions elsewhere in the Group

The Committee takes into account the pay and employment conditions of the Group in the country in which the Executive Director resides, and is satisfied that the approach taken is fair and reasonable based on market conditions and practice, and the best interests of shareholders. When considering the annual salary review, the average base salary increase awarded to employees provides a guide when determining the salaries of the Executive Directors (located in the same country). The approach of the Committee to engagement with employees in relation to executive remuneration is described in the Committee Chair's statement on page 116.

Statement of consideration of shareholder views

The Committee has taken into account feedback provided by external shareholders when drawing up the revised Remuneration Policy for 2023. The 20 largest external shareholders, as well as the main proxy voting agencies, were consulted in June 2023 regarding the proposed changes. The Committee is grateful for the feedback received as part of this process, which included both written responses and conversations with the Chair of the Remuneration Committee. The feedback indicated broad support for the initial proposals. While no substantive changes were made to the Policy as a result of the feedback, the questions raised by shareholders and proxy voting agencies helped to clarify certain points and shape the Committee's understanding of investor preferences when finalising Policy proposals.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Illustrations of application of Remuneration Policy

The bar charts below for each Executive Director show remuneration for the financial year ending 30 June 2024 under different performance scenarios:

- firstly, the minimum remuneration payable in respect of salary, benefits and pension;
- secondly, the remuneration payable if performance is on target and in line with the Company's expectations; and
- thirdly, the remuneration payable if the maximum cash bonus and deferred annual equity incentive is payable.

Note that deferred equity incentive plan awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement. As the Executive Directors are not in receipt of a long-term incentive, the fourth scenario under the reporting regulations (requiring the impact on the value of long-term incentives of 50% share price growth over the performance period) is not shown; this is unchanged from the third scenario above.

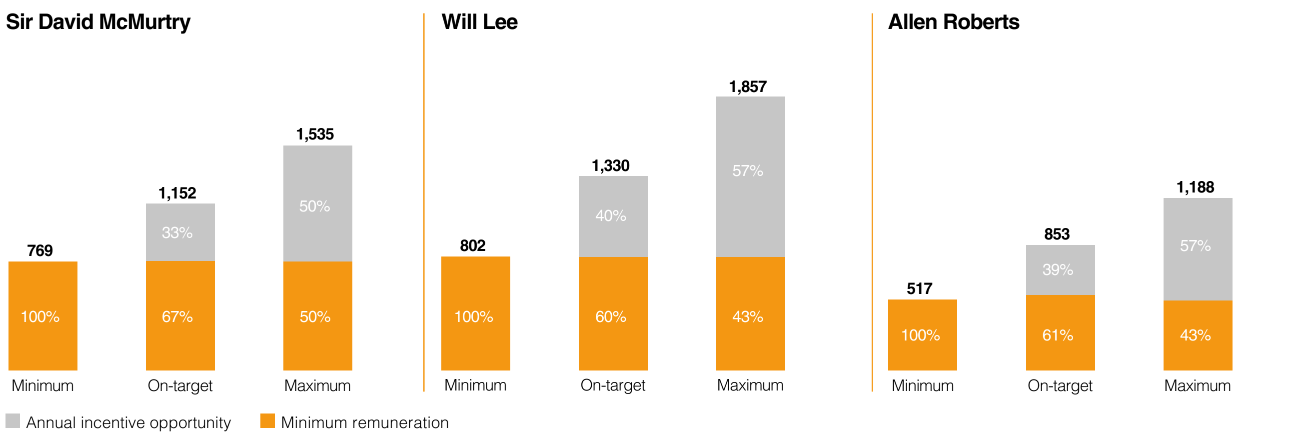
Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office notwithstanding that they are not in line with the provisions set out above where the terms of payments were agreed:

- before the Policy came into effect (provided that, in the case of any payments agreed on or after 16 October 2014 they are in line with any applicable shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders); or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Illustrations of application of Remuneration Policy (£'000)



Remuneration Policy continued

Non-executive Directors' policy table

The fees for any Non-executive Chair would be determined by the Committee and the fees for other Non-executive Directors are determined by the Chair and the Executive Directors. Set out below is a table summarising the approach to fees for the Non-executive Directors.

The Non-executive Directors are appointed for an initial three-year period subject to annual performance review and re-elections at AGMs, unless terminated earlier by either party on one month's written notice. Appointments will not normally continue beyond nine years in office, although there may be exceptions where a certain skillset is difficult to replace and/or in order to allow Renishaw to conduct a comprehensive recruitment exercise. In the event of the appointment of a Non-executive Chair, a longer notice period may be agreed of up to six months.

Board fees	
Operation	– Fees are set taking into account the responsibilities of the role, the expected time commitment and prevailing market rates. – The Non-executive Directors are currently all paid a single all-inclusive fee. A basic fee with additional fees paid for the chairing of Committees and assuming the role of Senior Independent Director may be introduced in the future. Additional fees may also be paid for other Board responsibilities, roles or time commitments, if this is considered appropriate. – Fees are reviewed at appropriate intervals, usually on an annual basis, with reference to fees payable to non-executive directors of companies of a similar size and complexity. – Non-executive Directors do not receive incentive pay or share awards and do not currently receive any benefits or pension arrangements. – Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-executive Directors (including any associated tax liability). – Performance measures are not applicable. – Maximum: basic fees are subject to the aggregate limit set in accordance with the Company's Articles of Association, as amended by shareholder approval from time to time.
Link to strategy	To provide a competitive fee to attract and retain Non-executive Directors of the required calibre to meet the Group's objectives.

Approach to remuneration and consideration of stakeholders

Introduction

When the Committee makes decisions on Executive Director pay, it also takes into account the policies and practices in place for the wider workforce. The Committee considers a variety of stakeholder views when determining executive pay, including those of our shareholders, colleagues, and external bodies. See pages 62 to 84 for more information on how we consider our stakeholders' views more generally.

Employee engagement

As Chair of the Committee, Catherine Glickman acts as employee engagement ambassador and has attended meetings with HR and members of the Senior Leadership Team during the year to be briefed on the feedback received from consultations and engagement on reward initiatives. During FY2023, particular consultation and feedback was sought in relation to the implementation of pay benchmarking and the change in the UK death in service benefit. This feedback provides Catherine with the background and context when shaping the reward framework for the Executive Directors and senior management.

Feedback from engagement activities is communicated to the Committee via the Head of Group HR and Chair of the Remuneration Committee. Further information on employee engagement, including remuneration matters, can be found on page 66.

In FY2024, Catherine looks forward to further personal engagement with our people through various forums, including the planned new engagement platform due to be implemented. Additionally, the Company will engage with employees regarding the proposed Directors' Remuneration Policy that we will present at the 2023 AGM. That will include its alignment with wider company pay policy.

Engagement case study: benchmarking

In deciding to move from annual cost-of-living pay awards to a benchmarking-based system, the Company formed working groups with representation from around the business to gather views on the proposals and explain the impact. In advance of the initiation of benchmarking, a Channel R video was produced and circulated to all colleagues in June 2022 recording a discussion between the Head of Group HR and the Chief Executive explaining how benchmarking would operate. The changes that would be required to job grading structures and how they would take place were also covered, together with the process that we would follow starting in the UK in July 2022.

Consideration of employment conditions

The Committee is involved in setting the remuneration for our Senior Leadership Team. The Committee also reviews the remuneration and related policies of the wider workforce, with particular reference to the UK, since it is the market in which the Executive Directors are based. This allows the Committee to ensure sufficient alignment between the remuneration policies of the wider workforce and the Executive Directors. It also gives additional context for making informed decisions on executive pay, and ensures performance objectives are aligned with our culture and strategy. The pension arrangements for the Executive Directors are currently aligned to those available to longer serving members of the Company's workforce as set out on page 116. As explained in the Chair's statement in this Directors' Remuneration Report, the proposal in the new Policy is that commencing no later than 1 January 2025, the pension contribution rate for the Executive Directors will reduce further and be fully aligned with those available to the UK workforce as a whole.

Employee pay

To reward and recognise performance this financial year, eligible employees received an annual bonus paying out a UK minimum of £950 (pro-rated). During FY2023 we continued working on our goal to reach our targets for pay by aligning pay to market-competitive rates. A benchmarking exercise of our pay and benefits was undertaken using global, industry-wide comparison, which resulted in a major investment in pay for employees. This work has helped to reduce our voluntary employee turnover rate. The Committee is regularly updated on turnover rates and reasons for leaving so that it remains vigilant and can make informed decisions. Further details of the work carried out on pay in FY2023 and the priorities for FY2024 are on page 66.

While the Executive Directors' remuneration package is more heavily weighted towards variable and share-based payments compared to our wider workforce, the Committee has increased the alignment of our Senior Leadership Team remuneration to shareholder interests and the Executive Directors through participation in our Senior Leadership Team Annual Bonus Plan. This operates on the same basis as the Executive Directors' annual incentive. See page 116 for more information on the Senior Leadership Team Annual Bonus Plan.

Consideration of shareholder views

The Committee has considered feedback provided by external shareholders when drawing up the proposed Policy. The largest 20 external shareholders, as well as proxy advisory firms, were consulted in June 2023 regarding the proposed changes. Feedback was received in both written form and via conversations with Catherine Glickman. The Committee is grateful for the feedback received, which was generally supportive of the proposed changes and provided helpful and constructive suggestions. While no substantive changes were made to the Policy as a result of the feedback, the questions raised to clarify certain points, such as the use of the additional headroom under the annual incentive opportunity, were taken into account in shaping the language used in the Policy.

Alignment with strategy

The strategic alignment of each element of pay is set out in on pages 120 to 123. The strategic objectives for FY2023, which represented 10% of the bonus opportunity, are set out on page 130.

The strategic objectives for FY2024 will similarly be linked to our strategy. The opportunity will be increased to 20% of the annual incentive opportunity to more closely align executive remuneration with delivery of the Group strategy. FY2024's objectives will be grouped, as in previous years, under strategic direction, sales, innovation, people and culture, sustainability and productivity. Further details, including the targets, will be disclosed in next year's Directors' Remuneration Report.

Both the FY2023 and FY2024 strategic objectives drive long-term growth, new product development, and our work on sustainability (including our Net Zero targets). They are all linked to the strategy and values of the Group, which underpin our culture and drive behaviours consistent with our purpose. In addition to the strategic objectives, as described earlier in this Report, were we to offer a bonus opportunity above 150% of salary, up to two-thirds of the bonus earned would be paid in deferred shares with half of those shares subject to a performance underpin. This underpin would be determined by the Committee and encourage performance that is sustainable over the long term.

Approach to remuneration and consideration of stakeholders continued

Principles underlying our remuneration framework

The Committee has reviewed our Executive Director Remuneration Policy and practices in the context of the UK Corporate Governance Code, particularly Provision 40, as follows:

Factor	How did we address this factor?
Clarity and simplicity	We operate simple and transparent reward mechanisms that are well understood by our investors and workforce. We consulted with investors in relation to the new Policy and engage with the workforce on remuneration as described on pages 66, 116 and 127.
Risk	There is an appropriate mix of fixed and variable pay, and financial and strategic objectives. The new Policy maintains robust measures to manage risk and to ensure alignment with long-term shareholder interests including: (i) discretion to override formulaic outcomes; (ii) malus and clawback provisions; (iii) minimum shareholding requirement and bonus deferral into shares; and (iv) in-employment and post-employment shareholding requirements.
Predictability	The charts on pages 125 and 134 clearly show the amounts that could be earned by the Executive Directors under the new Policy.
Proportionality	Payouts from the annual bonus require performance against stretching targets. The Committee assesses performance holistically at the end of the period, taking into account performance against the financial and strategic objectives. There is no payout if the threshold financial objectives are not met. The Committee may exercise discretion to ensure that payouts are appropriate.
Alignment with culture	The strategic alignment of each element of pay has been clearly laid out in the proposed Remuneration Policy on pages 120 to 123. The strategic objectives for FY2023 are set out on page 130 and are all linked to our strategy and values, which underpin our culture. The weighting of the FY2024 strategic objectives will increase from 10% to 20%, further encouraging the successful implementation of our strategy and driving behaviours consistent with our purpose, values and culture.

Annual Report on remuneration

This section of the report sets out the remuneration of the Directors in FY2023 and also contains details of how the Committee intends to implement the proposed Remuneration Policy for FY2024. During FY2023, the Remuneration Policy operated as intended in terms of performance and quantum. The information on pages 129 to 135 has been audited where required under the regulations and is indicated as audited where applicable.

This Remuneration Report has been prepared in accordance with Schedule 8 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), LR 9.8 of the Listing Rules and the Governance Code.

Single total figure table (audited) – Executive Directors

	Salary		Benefits		Pension		Bonus*		Total fixed remuneration		Total variable remuneration		Total remuneration	
	FY2023 £'000	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000
Sir David McMurtry	**766**	730	**3**	3	**n/a**	n/a	**0**	730	**769**	733	**0**	730	**769**	1,463
Will Lee	**704**	670	**21**	20	**77**	74	**0**	1,006	**802**	764	**0**	1,006	**802**	1,770
Allen Roberts	**448**	426	**20**	20	**49**	47	**0**	640	**517**	493	**0**	640	**517**	1,133
Total	**1,918**	1,826	**44**	43	**126**	121	**0**	2,376	**2,088**	1,990	**0**	2,376	**2,088**	4,366

* The value of the bonus includes both the value of the annual cash bonus and the face value of shares to be awarded under the Deferred Annual Equity Incentive Plan (DAEIP) in respect of the relevant financial year. Deferred shares will normally vest on the third anniversary of grant, subject to continued employment.

Single total figure table (audited) – Non-executive Directors

	Fees		Expenses		Total remuneration[1]	
	FY2023 £'000	FY2022 £'000	**FY2023 £'000**	FY2022 £'000	**FY2023 £'000**	FY2022 £'000
John Deer	**75**	70	**0**	0	**75**	70
Catherine Glickman	**75**	70	**0**	0	**75**	70
Sir David Grant	**75**	70	**0**	0	**75**	70
Juliette Stacey	**75**	35[2]	**0**	0	**75**	35
Stephen Wilson	**75**	6[3]	**0**	0	**75**	6
Total	**375**	**251**	**0**	**0**	**375**	**251**

1 The Non-executive Directors are not eligible for any variable remuneration and only receive fixed remuneration.

2 Juliette Stacey was appointed as a Non-executive Director on 1 January 2022. Therefore, these figures reflect remuneration received during the period from 1 January 2022 to 30 June 2022.

3 Stephen Wilson was appointed as a Non-executive Director on 1 June 2022. Therefore, these figures reflect remuneration received during the period from 1 June 2022 to 30 June 2022.

Benefits

	Car allowance £'000	Private medical cover applies to all Executive Directors and insurance on personal cars apply to some Directors £'000
Sir David McMurtry	0	3
Will Lee	20	1
Allen Roberts	20	0

Incentive outcomes for FY2023

The incentive opportunity is based on financial and strategic objectives, although the award is only payable provided the financial threshold is met (irrespective of performance against the strategic objectives).

The financial objective, based on stretching Adjusted PBT targets, comprised 90% of the award; the strategic objectives comprised 10%.

The threshold Adjusted PBT target was not met, and therefore the strategic objectives did not pay out. Thus, there will be no award under the annual incentive programme for FY2023.

Full details of the financial objectives, strategic objectives and performance against them are set out in the following tables.

Financial objectives

	Threshold	Stretch	Maximum	Achieved in FY2023
Adjusted PBT	£146.0m	£177.0m	£186.0m	**£141.0m**
% of bonus payable for Adjusted PBT performance	0%	60%	90%	**0%**

The Adjusted PBT for FY2023 was £141.0m. This result is less than the threshold target set by the Committee and therefore no bonus was payable in FY2023. In assessing the bonus pay-outs, the Committee considered the experience of other stakeholders and the wider workforce and determined that no discretion would be applied.

Annual Report on remuneration continued

Strategic objectives

Because the threshold level of Adjusted PBT for FY2023 was not met, there is no award under the strategic objectives. Performance against the strategic targets is set out in the table below:

Strategic objective	Outcome of objective	% of bonus payable	% of bonus paid out
Group strategy Deliver the Group strategic plan for FY2023	– Launched Renishaw Central, the smart factory software platform. – Grew AGILITY sales to target customers. – Accelerated a programme of migration with customers to latest technologies, enabling obsolescence of legacy products.	10%	0%
Innovation Drive innovation with a focus on new product development and disruptive technology	– Progress on flagship products in Manufacturing technologies: in Industrial Metrology with REVO 5-axis multi-sensor system, launch of RME-QE flagship product; in AM with work both on existing and next generation RenAM machines; in Industrial Automation with a range of products to deliver rapid robot cell commissioning. – In the Analytical instruments and medical devices segment, we launched inLux, the new SEM Raman interface.		
People and culture Develop our people's leadership, development and capability	– Significant progress on our people priorities: implementation of a global career framework; developing the competency framework; global salary benchmarking completed with targeted investment in reward; reduced voluntary turnover from 10.7% to 6.8%, exceeding target.		
Sustainability Deliver our sustainability plan, developing the Scope 3 reduction plan and delivering Scope 1 and 2 emissions reductions	– Achieved a 21% reduction of Scope 1 and 2 GHG emissions this year through initiatives including purchasing more renewable electricity for our sites, and renovating our site in Breda, Netherlands with an air source heat pump, solar panels, enhanced insulation and EV charging ports. – Progress made towards fully quantifying our Scope 3 emissions, with most of the relevant data captured; developing Scope 3 reduction plans against our long term reduction goals. – SBTi five year plan pending submission.		
Productivity Increase capacity and productivity of manufacturing facilities and progress implementation of Microsoft Dynamics 365	– Miskin expansion progressing well. – Decreased demand in the semiconductor industry required adjustments in production during the year, which affected manufacturing productivity. – Renishaw Central installation, upgrading of machine tools, automation projects and using AM for AM part production have all improved manufacturing productivity. – Substantial progress on deployment of Microsoft Dynamics 365 platform.		

Total pension entitlements

Will Lee is a member of our UK closed defined benefit scheme. The normal retirement age is 65. On death, pension benefits would pass to that member's dependents.

Since the closure of the defined benefit scheme, contributions have been made to a defined contribution scheme or paid in cash.

At 30 June 2023:	Value of defined benefit pension entitlement £'000 per year	Pension contributions in respect of FY2023*
Will Lee	11	Paid in cash

* as disclosed in the single figure table.

Payments to past Directors

No payments were made to past Directors during the year.

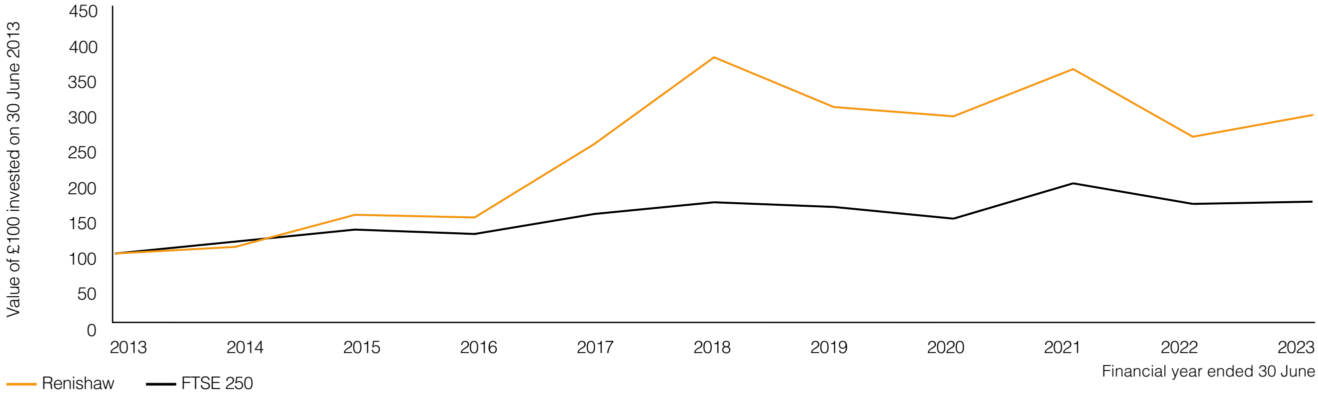
Loss of office payments

There were no loss of office payments during the year.

Performance graph

The graph below shows our TSR performance, compared with the FTSE 250 index. The Committee believes this is the most appropriate broad index for comparison, as Renishaw is a member of this index. TSR performance was rebased to 100 at 30 June 2013.

TSR performance



Chief Executive total remuneration

The table below sets out information relating to the remuneration of the Chief Executive for each of the years in question:

Year	FY2014	FY2015	FY2016	FY2017	FY2018[1]	FY2019	FY2020	FY2021	FY2022	**FY2023**
Will Lee (from 1 February 2018)										
Single figure of total remuneration (£'000)					594	653	601	1,488	1,770	**802**
Annual incentive payout (includes annual cash bonus and deferred equity incentive) % of maximum					95	0	0	100	100	**0**
Long-term incentive vesting % of maximum					n/a	n/a	n/a	n/a	n/a	**n/a**
Sir David McMurtry (until 31 January 2018)										
Single figure of total remuneration (£'000)[2]	632	1,298	668	1,207	818					
Annual bonus payout % of maximum	0	100	0	77	100					
Long-term incentive vesting % of maximum	n/a	n/a	n/a	n/a	n/a					

1 The remuneration shown is on a pro-rated basis for the period when Sir David McMurtry stepped down and Will Lee took office to the end of the financial year.
2 Represents the total remuneration received by Sir David McMurtry in relation to this role.

Governance

Annual Report on remuneration continued

Chief Executive pay ratio

The table below sets out the Chief Executive pay ratios as at 30 June in the years 2020 to 2023. The report will build up over time to show a rolling 10-year period. The ratios compare the single total figure of remuneration of the Chief Executive with the equivalent figures for the lower quartile (P25), median (P50) and upper quartile (P75) employees. Ratios are also presented using base salary only.

Option B has been selected as this method of calculation is considered to be the most robust method of identifying the individual reference points in a Group, such as Renishaw, with multiple operating segments.

Total remuneration

Financial year	Employee remuneration			Pay ratio		
	P25	P50	P75	P25	P50	P75
FY2023	**£27,484**	**£45,554**	**£55,940**	**29.2**	**17.6**	**14.3**
FY2022	£31,099	£42,246	£48,457	56.9	41.9	36.5
FY2021	£28,438	£37,720	£45,170	52.3	39.4	32.9
FY2020	£27,476	£35,619	£51,563	21.9	16.9	11.6

Base salary

Financial year	Employee remuneration			Pay ratio		
	P25	P50	P75	P25	P50	P75
FY2023	**£24,134**	**£39,100**	**£48,205**	**29.1**	**18.0**	**14.6**
FY2022	£27,213	£36,276	£41,331	24.6	18.5	16.2
FY2021	£24,420	£32,670	£42,480	23.0	17.2	13.2
FY2020*	£24,650	£32,634	£47,092	20.5	15.5	10.7

* Where necessary, adjustments were made to the underlying data to reflect a reduction in working hours during April 2020 to June 2020 in connection with the COVID-19 pandemic. The reductions in salary and employer pension contributions during this time have been added back to give a full-time equivalent figure. No other adjustments were made to the underlying data.

The base salary for the Chief Executive increased by 5% in July 2022. This was lower than the average for the wider workforce.

The P25, P50 and P75 employees are identified from the April 2022 Gender Pay Gap reporting data. In the 12 months to April 2022, we significantly increased our production workforce, which has had the effect of lowering the P25 base salary. The P50 and P75 base salaries have increased, primarily as a result of significant investment in employee pay, benchmarked to market pay rates.

The ratios for total remuneration have reduced significantly this year due to the nil bonus for the Chief Executive who received the maximum bonus in FY2022.

Taking into account the above, the Committee considers the median pay ratio consistent with the Company's approach to pay and reward. The Committee will continue to monitor the ratios on an annual basis.

Statement of Directors' shareholding and share interests

The interests of Directors and their connected persons in the Company's ordinary shares as at 30 June 2023 are set out below. There have been no changes to those interests between 30 June 2023 and the date of signing of this Annual Report.

	Number of ordinary shares of 20p each beneficially owned (as at 30 June 2023)	**Unvested and subject to continued employment** (awarded under the DAEIP)	**Minimum shareholding guideline**	**Current shareholding***	**Minimum shareholding guideline met**
Sir David McMurtry	26,377,291	n/a	0.5× salary	1,343.3× salary	Yes
Will Lee	7,695	22,580	2× salary	0.427× salary	Building
Allen Roberts	6,840	15,255	0.5× salary	0.596× salary	Yes
John Deer	12,076,790	n/a	n/a	n/a	n/a
Catherine Glickman	675	n/a	n/a	n/a	n/a
Sir David Grant	–	n/a	n/a	n/a	n/a
Juliette Stacey	–	n/a	n/a	n/a	n/a
Stephen Wilson	1,500	n/a	n/a	n/a	n/a

* Current shareholdings for comparison with the shareholding requirements for Executive Directors are calculated based on annualised salary as at 30 June 2023 and by reference to the closing share price on 30 June 2023 (3,902p).

DAEIP awards granted during the year

On 26 October 2022, the Executive Directors, excluding Sir David McMurtry, were granted DAEIP awards of shares under the annual incentive opportunity for performance over FY2022. The details of these awards are summarised below and reflected in the above table.

Executive Director	**Number of shares**	**Face value £'000**[1]	**Face value % of salary**[2]	**Vesting date**
Will Lee	14,324	503	75	27 October 2025
Allen Roberts	9,115	320	75	27 October 2025

1 Based on the five-day average share price of 3,508p preceding the award date.

2 Expressed as a percentage of salary at 30 June 2022.

In line with our Remuneration Policy, awards normally vest on the third anniversary of the award date, subject to continued employment only.

Percentage change in remuneration of the Directors

The following table sets out the percentage change in the Directors' remuneration, compared with the percentage change in average remuneration to Renishaw plc employees from FY2019 to FY2023. The figures shown in the table below refer to the base salary actually received by each Director, therefore these figures do not include the fees (whether all or part) that were waived for any financial years. Where an item is not relevant for that Director or where it has changed from or to a zero figure in the timeframe, the change is shown as not applicable. All percentages in the table are rounded to the nearest whole number and all references to years are to the financial years.

	Salaries/Fees				**Benefits/Expenses**				**Annual bonus**			
	2022/23 %	2021/22 %	2020/21 %	2019/20 %	**2022/23 %**	2021/22 %	2020/21 %	2019/20 %	**2022/23 %**	2021/22 %	2020/21 %	2019/20 %
Sir David McMurtry[1]	**5**	n/a	n/a	-23	**0**	0	0	0	**n/a**	2	n/a	0
Will Lee	**5**	19	11	-8	**5**	0	0	0	**n/a**	19	n/a	0
Allen Roberts	**5**	2	5	-2	**0**	0	0	0	**n/a**	2	n/a	0
John Deer[2]	**7**	n/a	n/a	-38	**-21**	-37	-94	-43	**n/a**	n/a	n/a	0
Catherine Glickman	**7**	25	5	6	**n/a**	0	0	0	**n/a**	n/a	n/a	n/a
Sir David Grant	**7**	25	5	-4	**n/a**	0	0	0	**n/a**	n/a	n/a	n/a
Juliette Stacey[3]	**114**[6]	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Stephen Wilson[4]	**1,186**[6]	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Renishaw plc employee (average)[5]	**11**	9	1	3	**4**	4	1	1	**-15**	22	n/a	n/a

1 Sir David McMurtry waived his salary from 1 July 2020 to 30 June 2021. As disclosed in our FY2021 Annual Report, Sir David's base salary increased by 2.1% from £714,700 (for the year ended 30 June 2021) to £729,709 (for the year ended 30 June 2022).

2 John Deer stepped down as an Executive Director on 29 January 2020 (becoming a Non-executive Director). Therefore, the FY2020 figure was calculated on the basis of the salary received as an Executive Director during the period from 1 July 2019 to 29 January 2020 and the fees received as a Non-executive Director during the period from 30 January 2020 to 30 June 2020. John Deer waived his fee from 1 July 2020 to 30 June 2021. He did not waive his fee for the year ended 30 June 2022 and therefore was paid a fee of £70,000 in line with the other Non-executive Directors.

3 Juliette Stacey was appointed as a Non-executive Director on 1 January 2022. Therefore, these figures reflect remuneration received during the period from 1 January 2022 to 30 June 2022.

4 Stephen Wilson was appointed as a Non-executive Director on 1 June 2022. Therefore, these figures reflect remuneration received during the period from 1 June 2022 to 30 June 2022.

5 Reflects the average percentage change in salary, benefits and bonus for employees of Renishaw plc (excluding the Board).

6 The Non-executive Director fees for Juliette Stacey and Stephen Wilson have increased by 7% since their appointments on 1 January 2022 and 1 June 2022 respectively. The remaining percentage differences are due to their FY2022 fees having been pro-rated for the portion of the year they were on the Board.

Annual Report on remuneration continued

Executive Directors serving as non-executive directors of other companies

During the year none of the Executive Directors were paid to serve as a non-executive director of any other company.

Relative importance of spend on pay

The following table sets out the total amount spent in FY2023 and FY2022 on remuneration to all Group employees and on dividends to shareholders:

	FY2023 £'000	FY2022 £'000	Change %
Employee remuneration	**278,847**	254,268	10
Shareholder dividends paid*	**53,407**	49,494	8

* Does not include dividends declared but not yet paid.

Except as shown above, no other distributions have been made to shareholders, or other payments or uses of profit or cash flow, that affect the understanding of the relative importance of spend on pay.

Statement of implementation of Remuneration Policy in the next year

Base salary

During the year under review, the Remuneration Committee considered the timing of the Executive Directors' base salary review and agreed to align this with the annual pay review for the wider workforce. Therefore any FY2024 increases will be considered in November/December 2023 and take effect from 1 January 2024.

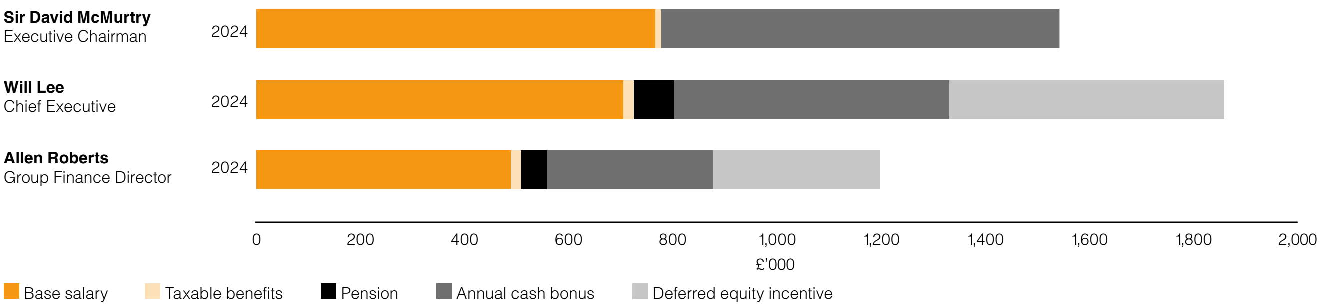
Annual incentive opportunity

There are no changes planned for the annual incentive opportunity for FY2024: the maximum opportunity will be 150% of salary for non-founder Executive Directors and 100% of salary for Sir David McMurtry. Measures will continue to be Adjusted PBT and strategic objectives. However, for FY2024 a greater weighting will apply to the strategic objectives, which will represent 20% of the annual incentive opportunity with Adjusted PBT reducing to 80% of the incentive opportunity. This is to more closely align outcomes to the achievement of stretching strategic targets that underpin Group strategy.

The FY2024 strategic objectives will relate to strategic direction, sales, innovation, people and culture, sustainability and productivity. These drive long-term growth, new product development, and our work on sustainability, specifically on our environmental targets, and are all linked to the strategy and values of the Group, which underpin our culture and drive behaviours consistent with our purpose. Further details (including the targets) will be disclosed in next year's Directors' Remuneration Report.

Awards are subject to the achievement of the threshold target of Adjusted PBT: should this be met, achievement against the strategic objectives will be judged. The Committee will then review the out-turn against underlying business performance and the wider stakeholder experience. In line with the new Policy, for achieving an appropriately stretching level of threshold performance, 20% of the bonus based on Adjusted PBT will be earned. Malus and clawback provisions will also apply.

The chart below shows the potential remuneration for the Executive Directors for FY2024, in the event that the maximum incentive opportunity were achieved.



Base salary as at 1 July 2023. Assumes maximum DAEIP opportunity for FY2024.

Pension and benefits

No changes will be made to the implementation of the pension and benefits elements of the Policy. For FY2024, non-founder Executive Directors will receive 11% of salary, in line with other long-serving employees, although the Committee has confirmed that, no later than 1 January 2025, the Executive Directors' pension entitlement will be reduced to that of the wider workforce, currently 9% in the UK.

Non-executive Directors

In line with the decision to move the pay review for the Executive Directors to align it with the annual pay review of the wider workforce, the review of fees for the Non-executive Directors will also take place later in the year and any change will take effect on 1 January 2024.

Executive Director service contracts

The Executive Directors' service contracts are for an indefinite period and require 12 months' notice of termination by either party. There are no obligations in any Executive Director's service contract that would require the Company to pay a specific amount of compensation for loss of office.

The Executive Directors' service contracts reflect our policy regarding notice periods. No payment will be made for a termination by the Company for a breach by the Executive Director of their service contract. In other cases, payment in lieu of notice will be considered up to the 12 months' notice period to cover base salary, benefits and pension contributions. If additional compensation must be considered, such as on a settlement agreement, the Committee will consider all relevant commercial factors affecting that case. Executive Directors' service contracts are available for inspection at our registered office upon written request to the Company Secretary.

Executive Director	Date of current service contract
Sir David McMurtry	18 October 2018
Will Lee	1 June 2020
Allen Roberts	20 April 2021

Non-executive Director letters of appointment

The Non-executive Directors' letters of appointment require 1 month notice of termination by either party. There are no obligations in any Non-executive Director's letter of appointment that would require the Company to pay a specific amount of compensation for loss of office.

Non-executive Directors' letters of appointment are available for inspection at our registered office upon written request to the Company Secretary.

Non-executive Director	Date first appointed to the Board	Expiry date of current term of office
John Deer	1 July 1974	31 January 2025
Catherine Glickman	1 August 2018	1 August 2024
Sir David Grant	25 April 2012	25 April 2025
Juliette Stacey	1 January 2022	1 January 2025
Stephen Wilson	1 June 2022	1 June 2025
Professor Karen Holford	1 September 2023	1 September 2026

Statement of voting at general meeting

At the AGM held on 30 September 2020, votes cast in respect of the Directors' Remuneration Policy were as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Remuneration Policy	59,462,931	92.78	4,627,677	7.22	64,090,608	894,466

At the AGM held on 30 November 2022, votes cast in respect of the Directors' Remuneration Report were as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Remuneration Report	60,623,585	96.23	2,377,891	3.77	63,001,476	694,153

This report was approved by the Board and has been signed on its behalf by:

Catherine Glickman
Chair of the Remuneration Committee

18 September 2023

Other statutory and regulatory disclosures

Review of the business

A review of the business and likely future developments is given in the Chairman's statement, the Chief Executive's review and the other sections of the Strategic Report. Segmental information by geographical market is given in Note 2 to the Financial statements.

The principal activities of the Company are the design, manufacture, sale, distribution and service of manufacturing technologies products and services, and analytical instruments and medical devices, as outlined on pages 32 to 47 of the Strategic Report. The Group has overseas subsidiaries to manufacture, market, and distribute some of the Group's products and support customers in the following major markets outside the UK:

- **Americas**: Brazil, Canada, Mexico, and USA;
- **APAC**: Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, and Taiwan; and
- **EMEA**: Austria, Czech Republic, Finland, France, Germany, Hungary, Ireland, Israel, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland, Turkey and UAE.

There are also representative offices in Indonesia, Slovakia, Thailand and Vietnam.

In addition, in Slovenia the Group has a joint venture, RLS Merilna tehnika d.o.o. (RLS), and a subsidiary that designs and arranges the procurement of application-specific integrated circuits.

▶ **Further information is available on our website: www.renishaw.com.**

Research and development

The Group continues to invest significantly in developing future technologies, with R&D activities located primarily in the UK. We develop technologies that lead to patented products and methods to help deliver our segmental strategies. Further information on R&D expenditure is contained in Note 4 to the Financial statements on page 165. The amount of R&D expenditure capitalised, the amount amortised, and impairment charges in the year are given in Note 12 on page 173.

Dividends

The Directors propose a final dividend of £43,236,395 or 59.4p per share which, together with the interim dividend of £12,228,475 or 16.8p per share, gives a total dividend for the year of £55,464,870 or 76.2p per share. In comparison, last year the Board agreed a total dividend for the year of £52,844,482 or 72.6p per share.

As at 30 June 2023, 68,978 shares were held by the Renishaw plc Employee Benefit Trust (EBT). These shares may be used to satisfy awards made to employees under the Company's employee share plan – namely, the Renishaw Deferred Annual Equity Incentive Plan (DAEIP). Under the terms of the EBT, any dividends payable on these shares are waived.

Directors and their interests

The Directors at the end of the year are listed on pages 94 and 95. In accordance with the provisions of the Governance Code, all Directors will retire and, being eligible, offer themselves for re-election to office or, in the case of any Director who was first appointed to the Board since the last AGM, election to office at the AGM to be held on 29 November 2023. Details of these Directors are shown on pages 94 and 95 and full biographical details are available at **www.renishaw.com/directors**.

The rules on appointment, reappointment and retirement by rotation of the Directors and their powers are set out in the Company's Articles of Association. There are no powers given to the Directors that are regarded as unusual.

The Directors' interests in our share capital (with the equivalent number of voting rights), as notified to the Company, are listed on page 133. There has been no change in the holdings shown on page 133 in the period 1 July 2023 to 18 September 2023.

All the interests were beneficially held, except for 2,278,161 shares (2022: 2,278,161 shares) which were non-beneficially held by John Deer but in respect of which he has voting rights.

As announced on 12 July 2023, Sir David McMurtry, as one party, and John Deer and Mrs M E Deer, as the other party, have entered into a voting agreement. Under this agreement the parties agree that: (i) John Deer and Mrs M E Deer will vote their shares in favour of any ordinary resolution if requested to do so by Sir David McMurtry; and (ii) Sir David McMurtry will vote his shares against any special or extraordinary resolution if requested to do so by John Deer. The voting arrangement is for a period of five years unless it terminates earlier in accordance with its terms.

Directors' and officers' indemnity insurance and Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company's Articles of Association provide for the Directors and officers of the Company to be appropriately indemnified. In accordance with the Company's Articles of Association and to the extent permitted by law, Directors (excluding the founders) have been granted an indemnity in respect of loss and liability incurred as a result of their office. Neither the Company's indemnity nor insurance provides cover in the event that a Director is proven to have acted dishonestly, fraudulently or negligently. Copies of all indemnities granted are available for inspection at the Company's registered office.

The Company also maintains insurance for its Directors and officers in respect of their acts and omissions during the performance of their duties.

Responsibility statement

As required under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, a statement made by the Board regarding the preparation of the Financial statements is set out on page 139.

Share capital and change of control

Details of the Company's share capital, including rights and obligations, is given in Note 26 to the Financial statements. The Company is not a party to any significant agreements that might terminate upon a change of control.

A shareholder authority for the purchase by the Company of a maximum of 10% of its own shares was in existence during FY2023. However, the Company did not purchase any of its own shares during that time.

Auditor

A resolution to reappoint Ernst & Young LLP as the auditor of the Company will be proposed at the forthcoming AGM.

Disclosure of information to auditor

The Directors who held office at the date of approval of this statement confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that our auditor is aware of that information.

Annual General Meeting

Shareholders will receive the notice convening the AGM and an explanation of our proposed resolutions separately. At the meeting, the Company will be seeking shareholder approval for, among other things, the ability to make market purchases of its ordinary shares, up to a total of 10% of the issued share capital.

Substantial shareholdings

Apart from the shareholdings (and corresponding voting rights) of Sir David McMurtry and John Deer (36.23% and 16.59% respectively), the table below discloses the voting rights that have been notified to the Company under the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules DTR 5. These represent 3% or more of the voting rights attached to issued shares in the Company, as at 30 June 2023. Please note that these holdings may have changed since being notified to the Company. However, notification of any change is not required until an applicable threshold is crossed.

Substantial shareholdings	% of issued share capital	Number of shares
BlackRock, Inc.	4.92%	3,578,133
Capital Research and Management Company	4.76%	3,465,738
Standard Life Investments Limited	4.99%	3,631,612

There have been no changes notified to the Company, in the holdings shown above, in the period 1 July 2023 to 18 September 2023.

Employees

The retention of our highly skilled people is essential to our future. The Directors place great emphasis on the continuation of our training programme and competitive rewards. Health and safety matters are another key area of focus, and well-established systems of safety management are in place throughout the Group to safeguard employees, customers and others.

Employment policies are designed to provide equal opportunities irrespective of race, religion, gender, age, socio-economic background, disability or sexual orientation. The Company gives full and fair consideration to applications for employment from people with disabilities, where suitable, for appropriate vacancies. Employees who become disabled while with the Company will be given every opportunity to continue their employment through reasonable adjustments to their working conditions and equipment. Where this is not possible, the Company offers retraining for other positions. They will also be afforded opportunities to continue training and gain promotion on the same basis as any other employee.

Details on how the Directors have engaged with employees and had regard to their interests are set out in various sections of this Annual Report, including pages 65 to 67. Information provided to employees on the performance of the business, consultation with employees and performance incentives is set out in various sections of the Annual Report, including pages 127.

There are no agreements with employees providing for compensation for any loss of employment that may occur because of a takeover bid.

Suppliers, customers and other stakeholders

Details on how the Directors have had regard to the need to promote the Group's relationships with suppliers, customers, and others is set out on pages 62 and 89. In this same section, the effect of that consideration on the Directors' principal decisions during FY2023 is also contained.

Political donations

No political donations were made during the year.

Events after the balance sheet date

There have been no material events affecting the Company since the year end.

Financial risk management, objectives and policies

Descriptions of the following can be found in Note 25 to the Consolidated financial statements on pages 184 to 189:

- the use of financial instruments;
- the Group's financial risk management objectives and policies;
- policies in relation to hedge accounting; and
- exposure to market risk, including credit and liquidity risk.

Other statutory and regulatory disclosures continued

Controlling shareholders' arrangements

The LR require that premium listed companies with 'controlling shareholders' must enter into a relationship agreement containing specific independence provisions. A controlling shareholder is a shareholder who individually or with any of their concert parties exercises or controls 30% or more of the votes that may be cast on all, or substantially all, the matters at a company's general meeting.

The independence provisions required by the LR are that:

(i) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

(ii) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the LR; and

(iii) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the LR.

Sir David McMurtry (Executive Chairman, 36.23% shareholder) is a controlling shareholder. John Deer (Non-executive Deputy Chairman, together with his wife, 16.59% shareholder) is also a controlling shareholder by virtue of a long-standing voting agreement between him (and his wife) and Sir David McMurtry. The Board confirms that the Company has not been able to enter into a relationship agreement with its controlling shareholders, containing the independence provisions required by the LR. The Company has notified the FCA of this, as required by the LR.

The controlling shareholders have informed the Board that they are not willing to enter into a relationship agreement. They are of the view that the requirement to enter into a relationship agreement infringes upon their rights as shareholders and their track record demonstrates that they act in the best interests of the Company.

As there is no relationship agreement in place, the LR provide that certain enhanced oversight measures will apply.

This means, unless, and to the extent the FCA agrees otherwise, all transactions with the controlling shareholders must be approved by the Company's shareholders (excluding the controlling shareholders) in accordance with the related party transaction requirements of the LR, and none of the normal exemptions apply.

The FCA has given the Company guidance about the application of the enhanced oversight measures to the remuneration and benefits received by the controlling shareholders in their capacity as Directors (in accordance with the Company's approved remuneration policy). The FCA has also advised on other ordinary course corporate matters, such as the payment of dividends to all of our shareholders. The FCA has confirmed that either: (i) these are not transactions or arrangements that fall within the enhanced oversight measures; or (ii) they will permit a modification of the enhanced oversight measures so these will not apply, provided the arrangements remain in the ordinary course of business and, in the case of salary reviews and bonuses, they fall within the small transaction exemption in the Annex to LR 11. This guidance continues to apply in respect of remuneration awarded under the existing Remuneration Policy (see pages 114 to 135).

Greenhouse gas emissions and energy consumption

Disclosures concerning GHG emissions and energy consumption are set out on pages 68 to 80.

Disclosure of information under LR 9.8.4R

The information that fulfils the reporting requirements under this rule can be found on the pages identified in the table below.

Section	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7), in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Not applicable
(11)	Provision of services by a controlling shareholder	Directors' Remuneration Report, starting on page 92
(12)	Shareholder waivers of dividends	Other statutory and regulatory disclosures, starting on page 136
(13)	Shareholder waivers of future dividends	Other statutory and regulatory disclosures, starting on page 136
(14)	Agreements with controlling shareholders	Other statutory and regulatory disclosures, starting on page 136

Signed on behalf of the Board.

Karen Atterbury
Interim Company Secretary

18 September 2023

Renishaw plc
Registered number 01106260
England and Wales

Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and Financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company Financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards, and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the Financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for that period.

In preparing each of the Group and Company Financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable accounting standards; and
- prepare the Financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and enable them to ensure that the Financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and corporate governance statement that comply with the relevant laws and regulations.

Directors' confirmations

Each of the Directors, whose names and functions can be found on pages 94 and 95, confirms that, to the best of his or her knowledge:

- the Financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business during the year and the position of the Group and of the Company at the year end, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board.

Allen Roberts
Group Finance Director

18 September 2023

Our values competition winners:

Integrity

The rise in demand for electronic components means that we have sometimes needed to redesign products, substitute components from existing suppliers, or purchase components from alternative sources.

The Quality Assurance and Assembly team at our Woodchester manufacturing facility in the UK, performed essential work to manage this risk. They made sure product quality was maintained to our high standards throughout component shortages.

The winning team chose James Hopkins Trust to receive £5,000.

Based in Gloucester, UK, the charity provides care for babies and children up to the age of five who have life-limiting or life-threatening conditions, while also providing support for their families.

We are sharing our success

▲ **COVID-19 Committee members.**

Our values competition winners:

Involvement

Our COVID-19 Committee won our involvement category for their work developing global guidance and taking action to prevent the spread of the virus at our sites around the world.

Formed in February 2020, the team's work meant that, when compared with similar-sized businesses and local community rates, we kept transmission levels low within our business. This helped to protect our people and ensure we could continue to operate as fully as possible.

The winners selected the Stroke Association to receive £5,000.

A UK national charity based in London, the charity works to prevent stroke, and to support everyone touched by stroke, fund research, and campaign for the rights of stroke survivors of all ages.

▶ **You can read about the other values competition winners on pages 5, 90 and 91.**

▲ The Quality Assurance and Assembly team in Woodchester, Gloucestershire.

“It was a privilege to be a competition judge and review the entries this year. Not only has the competition allowed us to celebrate living our values internally, it’s also been a fantastic opportunity to share our success with our communities through the charitable donations.”

Rob Macdonald
Head of Group Finance

Financial statements

Independent Auditor's Report to the members of Renishaw plc

Opinion

In our opinion:

- Renishaw plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Renishaw plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023 which comprise:

Group	Parent Company
Consolidated balance sheet as at 30 June 2023	Balance sheet as at 30 June 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income and expense for the year then ended	Related notes C.30 to C.45 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.
Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We understood the process undertaken by management to perform the going concern assessment.
- We obtained management's going concern assessment, including the cash flow forecasts for the going concern period, which covers the period from approval of the 2023 financial statements through to 30 September 2024. The Group has modelled a base scenario, based on the pessimistic version of the business plan; three 'severe but plausible' downside scenarios linked to the principal risks identified by management reflecting: a significant reduction in revenue; a significant increase in costs; and a combined reduction in profitability. The Group has also modelled a reverse stress test based on liquidity in order to determine how much additional downside in trading could be absorbed before the Group exhausted its cash and cash equivalents and bank deposit balances.
- We assessed the appropriateness of the duration of the going concern assessment period to 30 September 2024.
- We evaluated the key assumptions underpinning the Group's base case forecast. In particular we compared the revenue growth projections to external industry forecasts and latest economic data for indicators of contradictory information.
- We considered the results of management's reverse stress test, assessing whether such a scenario was remote with reference to management's forecasts, the Group's historic trading and other information obtained throughout the audit, such as how the Group has responded to market challenges.
- We analysed management's historic revenue and profit forecasting accuracy to obtain support over management's ability to forecast accurately and the reliability of their going concern assessment.
- We tested the clerical accuracy of the model used to prepare the Group's going concern assessment and the appropriateness of the model for this purpose; and
- We assessed the appropriateness of the Group's disclosures concerning the going concern basis of preparation.

We observed that the Group held cash and cash equivalents and bank deposits of £206m and had borrowings of £5m at 30 June 2023 which are not subject to financial covenants. Revenue for FY2023 increased by 2.7% to £689m compared to FY2022 (2022: £671m) and the Group generated a statutory profit before tax of £145m for the year ended 30 June 2023 (2022: £146m). Management's reverse stress test indicated the Group would have to suffer a trading level so low (between 50 and 60% of FY2023 revenue) before it depleted its cash and cash equivalents and bank deposit balances. The Directors feel that the events that could trigger this would be remote. The Directors also concluded that the risk of a one-off cash outflow, that would exhaust the Group's cash and cash equivalents and bank deposit balances in the assessment period, was also remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 30 September 2024.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of eight components and audit procedures on specific balances for a further six components. – The components where we performed full or specific audit procedures accounted for 96% of adjusted profit before tax (as defined in Note 29 of the financial statements), 88% of Revenue and 93% of Total assets.
Key audit matters	– Management override via revenue recognition through the posting of manual journals. – Valuation of the defined benefit pension liability.
Materiality	– Overall Group materiality of £7.1m which represents 5% of Adjusted profit before tax.

Independent Auditor's Report to the members of Renishaw plc continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 54 reporting components of the Group, we selected 14 components covering entities within the UK, Ireland, USA, Japan, Germany, Hong Kong, China, India, France, Italy and South Korea which represent the principal business units within the Group.

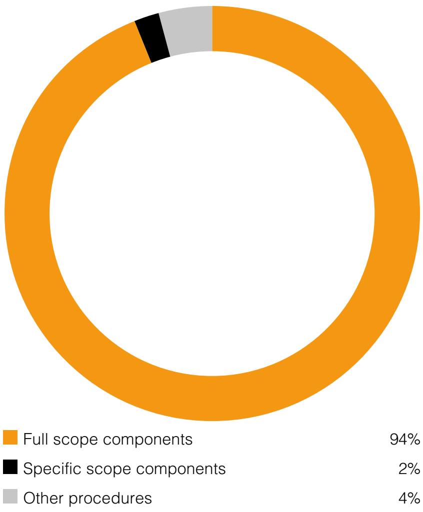
Of the 14 components selected, we performed an audit of the complete financial information of eight components ("full scope components") which were selected based on their size or risk characteristics. For the remaining six components ("specific scope components"), we performed audit procedures on specific accounts within that each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 96% (2022: 98%) of the Group's Adjusted profit before tax, 88% (2022: 88%) of the Group's Revenue and 93% (2022: 93%) of the Group's Total assets. For the current year, the full scope components contributed 94% (2022: 94%) of the Group's Adjusted profit before tax, 79% (2022: 80%) of the Group's Revenue and 85% (2022: 86%) of the Group's Total assets. The specific scope components contributed 2% (2022: 4%) of the Group's Adjusted profit before tax, 9% (2022: 8%) of the Group's Revenue and 8% (2022: 7%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

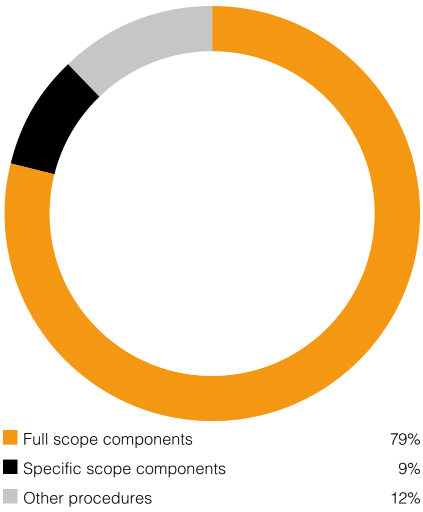
Of the remaining 40 components that together represent 4% of the Group's Adjusted profit before tax, none are individually greater than 0.6% of the Group's Adjusted profit before tax. For these components, we performed other procedures, analytical review of revenue for eight review scope components where revenue exceeded Group performance materiality, aggregated overall analytical review for the remaining components, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

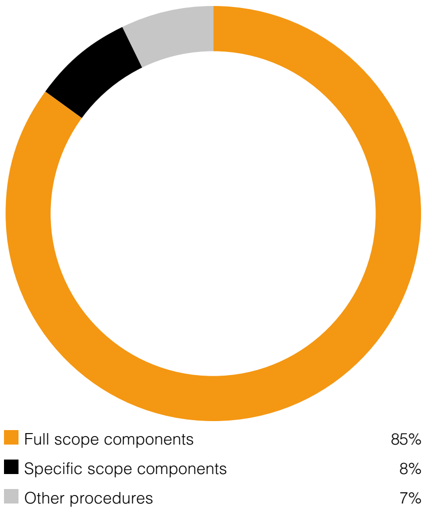
Adjusted profit before tax



Revenue



Total assets



Changes from the prior year

There was no change in our scoping of full scope components as compared to the prior year. Two specific scope components were added, and one specific scope component was removed from our scope, resulting in an increase from five specific scope components in the prior year to six in the current year.

Two review scope components were added and two review scope components were removed from our scope, resulting in a total of eight review scope components in the current year, consistent with the total number in the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the eight full scope components, audit procedures were performed on three of these directly by the primary audit team. Of the six specific scope components, audit procedures were performed on five of these by the primary team. For the five full scope components and one specific scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Group audit team visits the full scope locations in the Far East in the current year. These locations were last physically visited by the primary team during the 30 June 2019 audit cycle due to travel restrictions caused by the COVID-19 pandemic. Following easing of travel restrictions, during the current year audit cycle, visits were undertaken by the primary audit team to the full scope components in China, Hong Kong and Japan. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management and, reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Renishaw plc. The Group has determined that the most significant future impacts from climate change on their operations will be from extreme weather events, technological developments of additive manufacturing and from transition to electric vehicles and increasing carbon taxation. These are explained on pages 72 to 80 in the required Task Force for Climate related Financial Disclosures and on page 57 in the principal risks and uncertainties. They have also explained their climate commitments on pages 68 to 71. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in Note 1 to the financial statements on climate change how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. The Group has concluded that climate change did not have a material effect on the accounting judgements and estimates, nor on the carrying value of assets and liabilities for the year ended 30 June 2023, but recognise that climate change may pose a greater risk to the Group over time.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transitional, their climate commitments, the effects of material climate risks disclosed on pages 72 to 80 and the significant judgements and estimates disclosed in Note 1 on asset values, including goodwill, capitalised development costs and deferred tax assets, where these are impacted by future cash flows, and the effect on inventories and right of use assets, and the useful economic lives and residual values of property, plant and equipment following the requirements of the UK-adopted International Accounting Standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor's Report to the members of Renishaw plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk direction

↑ Increased risk

↓ Decreased risk

↔ Stable risk

Management override via revenue recognition through the posting of manual journals (2023: £688.6 million, 2022: £671.1 million) ↔

Refer to the Accounting policies (page 162); and Note 2 of the Consolidated Financial Statements (page 163)

There is an incentive for management to manipulate the revenue recognised through manual journals posted throughout the year, to improve financial performance.

We consider that the vast majority of the Group's revenue transactions are non-complex by nature, with revenue recognised at a point in time with no significant judgement required to be exercised by management.

The risk level is consistent with prior year.

Our response to the risk

We obtained an understanding of the processes and assessed the design and implementation of key controls for each of the material revenue streams.

To test the appropriateness of revenue recognition throughout the period, we performed the following audit procedures:

- For components contributing 87% of total Group revenue, we used data analytics to analyse 100% of the revenue transactions recorded in the year, testing the correlation between revenue, trade receivables and cash and performing tests of detail over non-correlated transactions.
- We verified that cash receipts that correlate to trade receivables are recorded accurately, and relate to revenue, through testing a sample of cash journal entries to cash received during the period and testing a sample of trade receivable balances at year end to debtor confirmations or cash received post year end or evidence of delivery of goods to the customer.
- We used data analytics to identify potential instances of management override, by performing searches for:
  i) manual journals based on the transaction type
  ii) journals recorded outside of normal working hours
  iii) journals posted by inappropriate individuals
- These journals were then agreed to underlying supporting documentation and business rationale, selecting those exceeding 10% of performance materiality for manual journals.
- We performed representative sampling for the one remaining in-scope component where we did not use data analytics, tracing revenue transactions recorded throughout the year to cash receipts. We also performed the same procedures, as listed above, for manual journal entries to test for potential instances of management override.

In addressing this key audit matter, audit procedures were performed by a combination of the Primary Team and each of the component audit teams under our supervision.

We performed full and specific scope audit procedures over this risk area, which covered 88% of total consolidated Group revenue, of which components contributing 51% of Group revenue were tested by overseas component teams under our supervision.

Key observations communicated to the Audit Committee

Based on the procedures performed, revenue recognised in the period is appropriate.

We noted a strong correlation between revenue, trade receivables and cash across the Group.

Our procedures did not identify instances of inappropriate management override across the Group.

Valuation of the defined benefit pension liability (2023: £139.0 million, 2022: £174.5 million)

Refer to the Audit Committee Report (page 108); Accounting policy (page 159); and Note 23 of the Consolidated Financial Statements (page 180)

A total defined benefit pension liability of £139.0 million was recognised at 30 June 2023 (2022: £174.5 million) in respect of the Group's schemes, primarily in the UK and Ireland. There is an increased risk of material misstatement due to the size of the liability, the level of judgement involved in estimating the key assumptions to calculate the liability, and the fact that relatively small movements in assumptions can result in a material impact to the financial statements.

In the prior year there was increased complexity in accounting for a change to the UK Trust Deed. The risk has decreased in the current year due to this matter not recurring.

Our response to the risk

We obtained an understanding of the processes and assessed the design and implementation of key controls for estimating the defined benefit pension liability.

To test the appropriateness of the defined benefit pension liability, our audit procedures included:

- Evaluating the competence and objectivity of management's external actuarial specialists.
- Assessing the completeness and accuracy of the member data used by the actuaries to estimate the scheme liabilities by testing the clerical accuracy of the member data schedules, checking there were no additions to the participants in the year and performing an analytical review of the year-on-year movements in the data.
- Involving EY actuarial specialists as part of our audit team to:
  - i) independently estimate an acceptable range for each of the significant assumptions used in estimating the UK and Irish scheme liabilities, which included the discount rate; rate of inflation; and mortality assumptions. We compared each of the significant assumptions used by management's actuarial specialist to our independent acceptable range.
  - ii) Perform a roll forward of the UK and Irish scheme liabilities from 30 June 2022 to 30 June 2023 and independently reconcile the output to the amounts calculated by management's external actuarial specialist.
- Evaluating whether the disclosures in the Group financial statements are in accordance with those required by IAS 19.

In addressing this key audit matter, audit procedures were performed by the Primary Team.

Key observations communicated to the Audit Committee

We concluded management's external actuarial specialists are competent, the key assumptions used to estimate the defined benefit pension liability are within our acceptable range and the movement in the liability from prior year to current year is reasonable.

The disclosures provided in Note 23 to the Group financial statements are in accordance with those required by IAS 19.

In the prior year, our auditor's report included a key audit matter in relation to the assessment of hedge effectiveness of forward currency contracts. In the current year, we concluded this risk has decreased due to the maturity in the year of the legacy foreign currency options that were considered ineffective as a cash flow hedge. The remaining financial instruments are less complex, plain vanilla forward currency contracts and do not require significant direction of efforts of the engagement team.

Independent Auditor's Report to the members of Renishaw plc continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £7.1 million (2022: £8.2 million), which is 5% (2022: 5%) of Adjusted profit before tax. We believe that Adjusted profit before tax is the most relevant performance measure to the stakeholders of the Group. Adjusted profit before tax excludes fair value gains and losses on financial instruments that are not eligible for hedge accounting. These instruments are significantly impacted by the volatility in valuation and this is outside the Group's control and is not reflective of the Group's recurring performance. A past service cost arising from the termination of the US pension plan has also been excluded from Adjusted profit before tax, along with an adjustment for the revision of an estimate related to a restructuring provision. We consider these costs to be non-recurring by nature and therefore not reflective of the Group's recurring or underlying performance.

We determined materiality for the Parent Company to be £8.9 million (2022: £8.9 million), which is 1% (2022: 1%) of equity.

Starting basis	– Statutory profit before tax - £145.1m
Adjustments	– Adjustments (refer to Note 29) - decrease basis by £4.1m – Fair value gain on financial instruments (£5.5m) – Pension past service cost £2.1m – Revised estimate of restructuring provision (£0.7m)
Materiality	– Total adjusted profit before tax £141.0m – Materiality of £7.1m (5% of adjusted profit before tax)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £5.3m (2022: £6.2m). We have set performance materiality at this percentage due to the past history of few misstatements indicating a lower risk of misstatement in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £3.3m (2022: £0.4m to £3.7m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m (2022: £0.4m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 210, including the Strategic Report set out on pages 1 to 91, the Directors' Corporate Governance Report set out on pages 92 to 141, and the Shareholder information set out on pages 209 to 210, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit::

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the members of Renishaw plc continued

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 102;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 60 and 61;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 60 and 61;
- Directors' statement on fair, balanced and understandable set out on page 139;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 to 59;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 102; and
- The section describing the work of the Audit Committee set out on pages 108 to 113.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 139, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, FRS 101 and the Companies Act 2006, the UK Corporate Governance Code and the relevant tax compliance regulations in the UK and overseas jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the London Stock Exchange, the Bribery Act 2010, Occupational Health and Safety Regulations, General Data Protection Regulation and export controls.
- We understood how Renishaw plc is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment, including the level of oversight of those charged with governance. We made enquiries of management, internal audit, the Group's legal counsel and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the programs and controls that the Group has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud; how senior management monitor those programs and controls, evaluating conditions in the context of incentive and/or pressure to commit fraud, considering the opportunity to commit fraud and the potential rationalisation of the fraudulent act, and by making enquiries of senior management, including the Group Finance Director, Head of Group Finance, Group Internal Audit Manager and Chair of the Audit Committee. We planned our audit to identify risks of management override, tested higher risk journal entries and performed audit procedures to address the potential for management bias, particularly over areas involving significant estimation. Further discussion of our approach to address the identified risks of management override are set out in the key audit matters section of our report.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquires of management, including the Group's legal counsel, internal audit and full scope component management, of known instances of non-compliance or suspected non-compliance with laws and regulations; attendance at audit committee meetings; review of committee and board meeting minutes, including board meeting minutes for full scope components to identify any non-compliance with laws and regulations; journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; and review of the volume and nature of complaints received by the whistleblowing hotline during the year. Our procedures also included reading investigation reports from management and management's legal specialist and involving our internal specialists to support our assessment of the conclusions reached in the reports. We also completed procedures to conclude on the compliance of significant disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.
- We communicated regularly with the full scope component teams and attended key meetings with the component audit teams and local management in order to identify and communicate any instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Independent Auditor's Report to the members of Renishaw plc
continued

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Parent Company on 13 October 2016 to audit the financial statements for the year ending 30 June 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 30 June 2017 to 30 June 2023.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anup Sodhi
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

18 September 2023

Financial statements contents

Introduction

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations. The full statement of Directors' responsibilities can be found on page 139.

The notes (forming part of the financial statements) provide additional information required by statute, accounting standards or other regulations to assist in a more detailed understanding of the primary financial statements.

Consolidated financial statements

Primary statements

Notes (forming part of the financial statements)

Company financial statements

Primary statements

Notes to the Company financial statements

Consolidated income statement
for the year ended 30 June 2023

from continuing operations	notes	2023 £'000	2022 £'000
Revenue	2	**688,573**	671,076
Cost of sales	4	**(337,908)**	(313,527)
Gross profit		**350,665**	357,549
Distribution costs		**(137,744)**	(122,455)
Administrative expenses		**(74,894)**	(69,736)
UK defined benefit pension scheme past service cost	23	**–**	(11,695)
US defined benefit pension scheme past service cost	23	**(2,139)**	–
Losses from the fair value of financial instruments	25	**(1,399)**	(10,413)
Operating profit		**134,489**	143,250
Financial income	5	**9,669**	932
Financial expenses	5	**(1,861)**	(2,938)
Share of profits of joint ventures	13	**2,768**	4,342
Profit before tax		**145,065**	145,586
Income tax expense	7	**(28,963)**	(25,235)
Profit for the year		**116,102**	120,351
Profit attributable to:			
Equity shareholders of the parent company		**116,102**	120,351
Non-controlling interest	26	**–**	–
Profit for the year		**116,102**	120,351
		pence	pence
Dividend per share arising in respect of the year	26	**76.2**	72.6
Dividend per share paid in the year	26	**73.4**	68.0
Earnings per share (basic and diluted)	8	**159.7**	165.4

Adjusted profit before tax for the year was £140,983,000 (2022: £163,742,000). See note 29 Alternative performance measures for more details.

Consolidated statement of comprehensive income and expense
for the year ended 30 June 2023

	notes	2023 £'000	2022 £'000
Profit for the year		**116,102**	120,351
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Current tax on contributions to defined benefit pension schemes		**–**	1,653
Deferred tax on contributions to defined benefit pension schemes		**–**	(1,653)
Remeasurement of defined benefit pension scheme assets/liabilities	23	**13,612**	69,078
Deferred tax on remeasurement of defined benefit pension scheme assets/liabilities		**(3,071)**	(15,997)
Total for items that will not be reclassified		**10,541**	53,081
Items that may be reclassified to the Consolidated income statement:			
Exchange differences in translation of overseas operations	26	**(8,000)**	12,151
Exchange differences in translation of overseas joint venture	26	**–**	118
Current tax on translation of net investments in foreign operations	26	**313**	(1,529)
Effective portion of changes in fair value of cash flow hedges, net of recycling	26	**23,167**	(28,423)
Deferred tax on effective portion of changes in fair value of cash flow hedges	7, 26	**(5,692)**	6,155
Total for items that may be reclassified		**9,788**	(11,528)
Total other comprehensive income and expense, net of tax		**20,329**	41,553
Total comprehensive income and expense for the year		**136,431**	161,904
Attributable to:			
Equity shareholders of the parent company		**136,431**	161,904
Non-controlling interest	26	**–**	–
Total comprehensive income and expense for the year		**136,431**	161,904

Consolidated balance sheet
at 30 June 2023

	notes	2023 £'000	2022 £'000
Assets			
Property, plant and equipment	9	**286,085**	243,853
Right-of-use assets	10	**8,402**	9,950
Investment properties	11	**10,323**	10,568
Intangible assets	12	**46,468**	44,218
Investments in joint ventures	13	**22,414**	20,570
Finance lease receivables	14	**9,935**	6,961
Employee benefits	23	**57,416**	43,241
Deferred tax assets	7	**19,944**	22,893
Derivatives	25	**9,443**	–
Total non-current assets		**470,430**	402,254
Current assets			
Inventories	16	**185,757**	162,482
Trade receivables	25	**123,427**	127,551
Finance lease receivables	14	**3,764**	3,348
Contract assets		**861**	578
Short-term loans to joint ventures		**–**	302
Current tax		**19,558**	8,901
Other receivables	25	**27,979**	27,068
Derivatives	25	**5,373**	7,121
Bank deposits	15	**125,000**	100,000
Cash and cash equivalents	15, 25	**81,388**	153,162
Total current assets		**573,107**	590,513
Current liabilities			
Trade payables	25	**21,551**	30,947
Contract liabilities	18	**9,971**	12,956
Current tax		**7,118**	10,078
Provisions	17	**2,758**	4,244
Derivatives	25	**5,089**	17,890
Lease liabilities	21	**3,009**	3,714
Borrowings	20	**4,694**	919
Other payables	19	**48,130**	51,949
Total current liabilities		**102,320**	132,697
Net current assets		**470,787**	457,816
Non-current liabilities			
Lease liabilities	21	**5,624**	6,466
Borrowings	20	**–**	5,160
Employee benefits	23	**45**	996
Deferred tax liabilities	7	**38,770**	22,815
Derivatives	25	**120**	9,463
Total non-current liabilities		**44,559**	44,900
Total assets less total liabilities		**896,658**	815,170
Equity			
Share capital	26	**14,558**	14,558
Share premium		**42**	42
Own shares held	26	**(2,963)**	(750)
Currency translation reserve	26	**6,772**	14,459
Cash flow hedging reserve	26	**6,552**	(10,923)
Retained earnings		**871,777**	798,541
Other reserve	26	**497**	(180)
Equity attributable to the shareholders of the parent company		**897,235**	815,747
Non-controlling interest	26	**(577)**	(577)
Total equity		**896,658**	815,170

These financial statements were approved by the Board of Directors on 18 September 2023 and were signed on its behalf by:

Sir David McMurtry **Allen Roberts**

Directors

Consolidated statement of changes in equity
for the year ended 30 June 2023

Year ended 30 June 2022	Share capital £'000	Share premium £'000	Own shares held £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total £'000
Balance at 1 July 2021	14,558	42	(404)	3,719	11,345	674,603	44	(577)	703,330
Profit for the year	–	–	–	–	–	120,351	–	–	120,351
Other comprehensive income and expense (net of tax)									
Remeasurement of defined benefit pension scheme assets/liabilities	–	–	–	–	–	53,081	–	–	53,081
Foreign exchange translation differences	–	–	–	10,622	–	–	–	–	10,622
Relating to joint ventures	–	–	–	118	–	–	–	–	118
Changes in fair value of cash flow hedges	–	–	–	–	(22,268)	–	–	–	(22,268)
Total other comprehensive income and expense	–	–	–	10,740	(22,268)	53,081	–	–	41,553
Total comprehensive income and expense	–	–	–	10,740	(22,268)	173,432	–	–	161,904
Share-based payments charge	–	–	–	–	–	–	180	–	180
Own shares transferred on vesting	–	–	404	–	–	–	(404)	–	–
Own shares purchased	–	–	(750)	–	–	–	–	–	(750)
Dividends paid	–	–	–	–	–	(49,494)	–	–	(49,494)
Balance at 30 June 2022	**14,558**	**42**	**(750)**	**14,459**	**(10,923)**	**798,541**	**(180)**	**(577)**	**815,170**
Year ended 30 June 2023									
Profit for the year	–	–	–	–	–	116,102	–	–	116,102
Other comprehensive income and expense (net of tax)									
Remeasurement of defined benefit pension scheme assets/liabilities	–	–	–	–	–	10,541	–	–	10,541
Foreign exchange translation differences	–	–	–	(7,687)	–	–	–	–	(7,687)
Changes in fair value of cash flow hedges	–	–	–	–	17,475	–	–	–	17,475
Total other comprehensive income and expense	–	–	–	(7,687)	17,475	10,541	–	–	20,329
Total comprehensive income and expense	–	–	–	(7,687)	17,475	126,643	–	–	136,431
Share-based payments charge	–	–	–	–	–	–	677	–	677
Own shares purchased	–	–	(2,213)	–	–	–	–	–	(2,213)
Dividends paid	–	–	–	–	–	(53,407)	–	–	(53,407)
Balance at 30 June 2023	**14,558**	**42**	**(2,963)**	**6,772**	**6,552**	**871,777**	**497**	**(577)**	**896,658**

More details of share capital and reserves are given in note 26.

Consolidated statement of cash flow
for the year ended 30 June 2023

	notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the year		**116,102**	120,351
Adjustments for:			
Depreciation of property, plant and equipment, and investment properties	9,11	**19,882**	25,898
Loss on sale of property, plant and equipment	9	**155**	157
Impairment of property, plant and equipment	9	**–**	1,259
Depreciation of right-of-use assets	10	**4,223**	4,205
Impairment of right-of-use assets		**–**	1,837
Amortisation of development costs	12	**5,150**	4,698
Amortisation of other intangibles	12	**1,012**	1,225
Impairment of development costs	12	**1,611**	–
Write-off of intangible assets		**–**	3,510
Loss on disposal of intangible assets		**550**	–
Share of profits from joint ventures	13	**(2,768)**	(4,342)
Profit on disposal of investment in associate		**–**	(582)
Write-off of lease liabilities		**–**	(1,985)
Defined benefit pension schemes past service cost	23	**2,437**	11,695
Financial income	5	**(9,669)**	(932)
Financial expenses	5	**1,861**	2,938
(Gains)/losses from the fair value of financial instruments	25	**(5,504)**	8,349
Share-based payment expense	24	**677**	180
Tax expense	7	**28,963**	25,235
		48,580	83,345
Increase in inventories		**(23,275)**	(48,919)
Increase in trade, finance lease and other receivables		**(12,379)**	(11,301)
(Decrease)/increase in trade and other payables		**(15,013)**	12,288
Decrease in provisions		**(1,486)**	(2,015)
		(52,153)	(49,947)
Defined benefit pension scheme contributions	23	**(2,341)**	(8,866)
Income taxes paid		**(25,891)**	(23,410)
Cash flows from operating activities		**84,297**	121,473
Investing activities			
Purchase of property, plant and equipment, and investment properties	9,11	**(74,024)**	(30,960)
Sale of property, plant and equipment		**7,948**	687
Development costs capitalised	12	**(10,448)**	(7,966)
Purchase of other intangibles	12	**(379)**	(929)
(Increase)/decrease in bank deposits	15	**(25,000)**	20,000
Interest received	5	**6,302**	834
Dividends received from joint ventures	13	**924**	525
Proceeds from sale of shares in associate		**–**	582
Payments from pension scheme cash escrow account		**–**	10,578
Cash flows from investing activities		**(94,677)**	(6,649)
Financing activities			
Repayment of borrowings	20	**(914)**	(974)
Interest paid	5	**(656)**	(591)
Repayment of principal of lease liabilities	22	**(4,206)**	(4,081)
Own shares purchased	26	**(2,213)**	(750)
Dividends paid	26	**(53,407)**	(49,494)
Cash flows from financing activities		**(61,396)**	(55,890)
Net (decrease)/increase in cash and cash equivalents		**(71,776)**	58,934
Cash and cash equivalents at the beginning of the year		**153,162**	95,008
Effect of exchange rate fluctuations on cash held		**2**	(780)
Cash and cash equivalents at the end of the year	15	**81,388**	153,162

Notes (forming part of the consolidated financial statements)

1. Accounting policies

This section sets out our significant accounting policies that relate to the financial statements as a whole, along with the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements. Where an accounting policy is applicable to a specific note in the financial statements, the policy is described within that note.

Basis of preparation

Renishaw plc (the Company) is a company incorporated in England and Wales. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group, and 'we') and equity account the Group's interest in joint ventures. The parent company financial statements present information about the Company as a separate entity and not about the Group.

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards (IAS). The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The consolidated financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentational currency, and all values are rounded to the nearest thousand (£'000).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements. Judgements made by the Directors, in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are noted on page 161.

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Joint ventures are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued (except to the extent that the Group has incurred legal obligations or made payments on behalf of an investee).

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated on consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currencies

On consolidation, overseas subsidiaries' results are translated into Sterling at weighted average exchange rates for the year by translating each overseas subsidiary's monthly results at exchange rates applicable to each of the respective months. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rates prevailing at that date. Differences on exchange resulting from the translation of overseas assets and liabilities are recognised in Other comprehensive income and are accumulated in equity.

Monetary assets and liabilities denominated in foreign currencies are reported at the rates prevailing at the time, with any gain or loss arising from subsequent exchange rate movements being included as an exchange gain or loss in the Consolidated income statement. Foreign currency differences arising from transactions are recognised in the Consolidated income statement.

Notes continued

1. Accounting policies continued

New, revised or changes to existing accounting standards

The following accounting standard amendments became effective as at 1 January 2022 and have been adopted in the preparation of these financial statements, with effect from 1 July 2022:

- amendments to IFRS 3, References to the Conceptual Framework;
- amendments to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use; and
- amendments to IAS 37, Onerous Contracts - Costs of Fulfilling a Contract.

These have not had a material effect on these financial statements.

At the date of these financial statements, the following amendments that are potentially relevant to the Group, and which have not been applied in these financial statements, were in issue but not yet effective:

- amendments to IAS 1, Classification of Liabilities as Current or Non-current (not yet endorsed by the UK);
- amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies;
- amendments to IAS 7, Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (not yet endorsed by the UK);
- amendments to IAS 8, Definition of Accounting Estimates;
- amendments to IAS 12, International Tax Reform Pillar Two Model Rules;
- amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- amendments to IFRS 16, Lease Liability in a Sale and Leaseback.

The adoption of these Standards and Interpretations in future periods is not expected to have a material impact on the financial statements of the Group.

The Finance (No 2) Bill 2023, that includes Pillar Two legislation, was substantively enacted on 20 June 2023 for IFRS purposes. As permitted by the amendments to IAS 12 International Tax Reform Pillar Two Model Rules the Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Alternative performance measures

The financial statements are prepared in accordance with adopted IFRS and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that we use include those which have been derived from our reported results, to eliminate factors which distort year-on-year comparisons.

These are considered non-GAAP financial measures. We believe this information, along with comparable GAAP measurements, is useful to stakeholders in providing a basis for measuring our operational performance. The Board use these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our performance (see note 29).

Separately disclosed items

The Directors consider that certain items should be separately disclosed to aid understanding of the Group's performance.

Gains and losses from the fair value of financial instruments are therefore separately disclosed in the Consolidated income statement, where these gains and losses relate to certain forward currency contracts that are not effective for hedge accounting. Restructuring costs are also separately disclosed where significant costs have been incurred in rationalising and reorganising our business as part of a Board-approved initiative, and relate to matters that do not frequently recur.

During the period, a change to the US defined benefit pension scheme rules, per note 23, resulted in a significant non-recurring amount being recognised in the Consolidated income statement. In the previous period, a change to the UK defined benefit pension scheme rules resulted in a significant non-recurring amount being recognised in the Consolidated income statement. These have also been separately disclosed.

These items are also excluded from Adjusted profit before tax, Adjusted operating profit and Adjusted earnings per share measures, as explained in note 29 Alternative performance measures.

1. Accounting policies continued

Critical accounting judgements and estimation uncertainties

The preparation of financial statements in conformity with UK-adopted IAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. The results of this form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may therefore differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas of key estimation uncertainty and critical accounting judgement that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are summarised below, with further details included within accounting policies as indicated.

Item	Key judgements (J) and estimates (E)	Page
Taxation	E – Estimates of future profits to use deferred tax assets	166
Research and development costs	J – Whether a project meets the criteria for capitalisation	172
Goodwill and capitalised development costs	E – Estimates of future cash flows for impairment testing	172
Inventories	E – Determination of net realisable value	177
Defined benefit pension schemes	E – Valuation of defined benefit pension schemes' liabilities	180
Cash flow hedges	E – Estimates of highly probable forecasts of the hedged item	184

Climate change

We have considered the potential effect of physical and transitional climate change risks when preparing these consolidated financial statements and have also considered the effect of our own Net Zero commitments. Our consideration of the potential effect of climate change on these consolidated financial statements included reviewing:

- discounted cashflow forecasts, used in accounting for goodwill, capitalised development costs, and deferred tax assets;
- useful economic lives and residual values of property, plant and equipment;
- planned use of right-of-use assets; and
- expected demand for inventories.

We also considered the estimated capital expenditure needed in the next five years to deliver our Net Zero plan.

Overall, we do not believe that climate change has a material effect on our accounting judgements and estimates, nor in the carrying value of assets and liabilities in the consolidated financial statements for the year ended 30 June 2023. We will continue to review the effect of climate change on financial statements in the future, and update our accounting and disclosures as the position changes.

Going concern

In preparing these financial statements, the Directors have adopted the going concern basis. The decision to adopt the going concern basis was made after considering:

- the Group's business model and key markets, as set out on pages 20 to 21 and 32 to 33 respectively;
- the Group's risk management processes and principal risks, disclosed on pages 48 – 59;
- the Group's financial resources and strategies (pages 62 – 84); and
- the process undertaken to review the Group's viability, including scenario testing, as set out on pages 60 – 61.

The financial models for the viability review were based on the pessimistic version of the five-year business plan, but covering a period to 30 September 2026. For context, revenue in the first year of this pessimistic base scenario is similar to FY2023 revenue of £688.6m, while costs and other cash outflows still reflect ambitious growth plans. In the going concern assessment, the Directors reviewed this same version of the plan but to 30 September 2024, as well as the 'severe but plausible' scenarios used in the viability review, again to 30 September 2024. These scenarios reflected a significant reduction in revenue, a significant increase in costs, and a third scenario incorporating both a reduction to revenue and an increase in costs but to a less degree than the first two scenarios. In each scenario the Group's cash balances remained positive throughout the period to 30 September 2024.

The Directors also reviewed a reverse stress test for the period to 30 September 2024, identifying what would need to happen in this period for the Group to deplete its cash and cash equivalents and bank deposit balances. This identified a trading level so low (between 50 and 60% of FY2023 revenue) that the Directors feel that the events that could trigger this would be remote. The Directors also concluded that the risk of a one-off cash outflow that would exhaust the Group's cash and cash equivalents and bank deposits balances in the assessment period was also remote.

Based on this assessment, incorporating a review of the current position, the scenarios, the principal risks and mitigation, the Directors have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over the period to 30 September 2024.

Notes continued

2. Revenue disaggregation and segmental analysis

We manage our business by segment, comprising Manufacturing technologies and Analytical instruments and medical devices, and by geographical region. The results of these segments and regions are regularly reviewed by the Board to assess performance and allocate resources, and are presented in this note.

Accounting policy

The Group generates revenue from the sale of goods, capital equipment and services. These can be sold both on their own and together.

a) Sale of goods, capital equipment and services

The Group's contracts with customers consist both of contracts with one performance obligation and contracts with multiple performance obligations.

For contracts with one performance obligation, revenue is measured at the transaction price, which is typically the contract value except for customers entitled to volume rebates, and recognised at the point in time when control of the product transfers to the customer. This point in time is typically when the products are made available for collection by the customer, collected by the shipping agent, or delivered to the customer, depending upon the shipping terms applied to the specific contract.

Contracts with multiple performance obligations typically exist where, in addition to supplying products, we also supply services such as user training, servicing and maintenance, and installation. Where the installation service is simple, does not include a significant integration service and could be performed by another party then the installation is accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices. The revenue allocated to each performance obligation is then recognised when, or as, that performance obligation is satisfied. For installation, this is typically at the point in time in which installation is complete. For training, this is typically the point in time at which training is delivered. For servicing and maintenance, the revenue is recognised evenly over the course of the servicing agreement except for ad-hoc servicing and maintenance which is recognised at the point in time in which the work is undertaken.

b) Sale of software

The Group provides software licences and software maintenance to customers, sold both on their own and together with associated products. For software licences, where the licence and/or maintenance is provided as part of a contract that provides customers with software licences and other goods and services then the transaction price is allocated on the same basis as described in a) above.

The Group's distinct software licences provide a right of use, and therefore revenue from software licences is recognised at the point in time in which the licence is supplied to the customer. Revenue from software maintenance is recognised evenly over the term of the maintenance agreement.

c) Extended warranties

The Group provides standard warranties to customers that address potential latent defects that existed at point of sale and as required by law (assurance-type warranties). In some contracts, the Group also provides warranties that extend beyond the standard warranty period and may be sold to the customer (service-type warranties).

Assurance-type warranties are accounted for by the Group under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Service-type warranties are accounted for as separate performance obligations and therefore a portion of the transaction price is allocated to this element, and then recognised evenly over the period in which the service is provided.

d) Contract balances

Contract assets represent the Group's right to consideration in exchange for goods, capital equipment and/or services that have been transferred to a customer, and mainly includes accrued revenue in respect of goods and services provided to a customer but not yet fully billed. Contract assets are distinct from receivables, which represent the Group's right to consideration that is unconditional.

Contract liabilities represent the Group's obligation to transfer goods, capital equipment and/or services to a customer for which the Group has either received consideration or consideration is due from the customer.

e) Disaggregation of revenue

The Group disaggregates revenue from contracts with customers between: goods, capital equipment and installation, and aftermarket services; operating segment; and geographical location.

Management believe these categories best depict how the nature, amount, timing and uncertainty of the Group's revenue is affected by economic factors.

2. Revenue disaggregation and segmental analysis continued

Within the two operating segments there are multiple product offerings with similar economic characteristics, similar production processes and similar customer bases. Our Manufacturing technologies business consists of industrial metrology, position measurement and additive manufacturing (AM) product groups, while our Analytical instruments and medical devices business consists of spectroscopy and neurological product lines. More details of the Group's products and services are given in the Strategic Report.

Year ended 30 June 2023	**Manufacturing technologies £'000**	**Analytical instruments and medical devices £'000**	**Total £'000**
Revenue	648,240	40,333	688,573
Depreciation, amortisation and impairment	28,431	3,447	31,878
Operating profit before losses from fair value of financial instruments and US defined benefit pension scheme past service cost	132,843	5,184	138,027
Share of profits of joint ventures	2,768	–	2,768
Net financial income/(expense)	–	–	7,808
US defined benefit pension scheme past service cost	–	–	(2,139)
Losses from the fair value of financial instruments	–	–	(1,399)
Profit before tax	**–**	**–**	**145,065**

Year ended 30 June 2022	Manufacturing technologies £'000	Analytical instruments and medical devices £'000	Total £'000
Revenue	634,588	36,488	671,076
Depreciation, amortisation and impairment	36,552	2,570	39,122
Operating profit before losses from fair value of financial instruments and UK defined benefit pension scheme past service cost	162,549	2,809	165,358
Share of profits of joint ventures	4,342	–	4,342
Net financial income/(expense)	–	–	(2,006)
UK defined benefit pension scheme past service cost	–	–	(11,695)
Losses from the fair value of financial instruments	–	–	(10,413)
Profit before tax	–	–	145,586

There is no allocation of assets and liabilities to operating segments. Depreciation, amortisation and impairments are allocated to segments on the basis of the level of activity.

The following table shows the analysis of non-current assets, excluding deferred tax, derivatives and employee benefits, by geographical region:

	2023 £'000	2022 £'000
UK	**231,619**	181,530
Overseas	**152,008**	155,725
Total non-current assets	**383,627**	337,255

No overseas country had non-current assets amounting to 10% or more of the Group's total non-current assets.

The following table shows the disaggregation of Group revenue by category:

	2023 £'000	2022 £'000
Goods, capital equipment and installation	**624,992**	615,641
Aftermarket services	**63,581**	55,435
Total Group revenue	**688,573**	671,076

Aftermarket services include repairs, maintenance and servicing, programming, training, extended warranties, and software licences and maintenance. There is no significant difference between our two operating segments as to their split of revenue by type.

Notes continued

2. Revenue disaggregation and segmental analysis continued

The analysis of revenue by geographical market was:

	2023 £'000	2022 £'000
APAC total	**310,637**	317,023
UK (country of domicile)	**38,899**	31,536
EMEA, excluding UK	**177,582**	174,290
EMEA total	**216,481**	205,826
Americas total	**161,455**	148,227
Total Group revenue	**688,573**	671,076

Revenue in the previous table has been allocated to regions based on the geographical location of the customer. Countries with individually significant revenue figures in the context of the Group were:

	2023 £'000	2022 £'000
China	**155,360**	152,772
USA	**138,721**	128,531
Japan	**67,915**	69,829
Germany	**61,565**	58,636

There was no revenue from transactions with a single external customer which amounted to more than 10% of the Group's total revenue.

3. Employee costs

The remuneration costs of our people account for a significant proportion of our total expenditure, which are analysed in this note.

The aggregate employee costs for the year were:

	2023 £'000	2022 £'000
Wages and salaries	**226,126**	207,783
Compulsory social security contributions	**26,579**	24,497
Contributions to defined contribution pension schemes	**26,142**	21,988
Share-based payment charge	**677**	180
Total payroll costs	**279,524**	254,448

Wages and salaries and compulsory social security contributions include £11,338,000 (2022: £17,914,000) relating to performance bonuses.

The average number of people employed by the Group during the year was:

	2023 Number	2022 Number
UK	**3,332**	3,132
Overseas	**1,804**	1,799
Average number of employees	**5,136**	4,931

Key management personnel have been assessed to be the Directors of the Company and the Senior Leadership Team (SLT), which includes an average of 21 people (2022: 21 people).

The total remuneration of the Directors and the SLT was:

	2023 £'000	2022 restated* £'000	2022 £'000
Short-term employee benefits	**5,659**	8,061	3,763
Post-employment benefits	**511**	444	121
Share-based payment charge	**677**	180	180
Total remuneration of key management personnel	**6,847**	8,685	4,064

Short-term employee benefits include nil (2022: £2,791,000) relating to performance bonuses payable in cash.

The share-based payment charge relates to share awards granted in previous years, not yet vested. No shares (2022: £1,915,000 equivalent) are to be awarded in respect of 2023 (see note 24).

Further details of Directors' remuneration are given in the Directors' Remuneration Report.

* The assessment of key management personnel was updated during the year to include the SLT, who are, along with the Directors, deemed to have authority and responsibility for planning, directing and controlling the activities of the Renishaw Group. This also follows the expansion of the deferred annual equity incentive plan (DAEIP) to include the SLT, as explained in the Governance section. Accordingly, 2022 figures have been restated.

4. Cost of sales

Our cost of sales includes the costs to manufacture our products and our engineering spend on existing and new products, net of capitalisation and research and development tax credits.

Included in cost of sales are the following amounts:

	2023 £'000	2022 £'000
Production costs	**247,665**	234,919
Research and development expenditure	**72,500**	59,415
Other engineering expenditure	**28,063**	26,356
Gross engineering expenditure	**100,563**	85,771
Development expenditure capitalised (net of amortisation)	**(5,298)**	(3,268)
Development expenditure impaired	**1,611**	–
Research and development tax credit	**(6,633)**	(3,895)
Total engineering costs	**90,243**	78,608
Total cost of sales	**337,908**	313,527

Production costs includes the raw material and component costs, payroll costs and sub-contract costs, and allocated overheads associated with manufacturing our products.

Research and development expenditure includes the payroll costs, material costs and allocated overheads attributed to projects identified as relating to new products or processes. Other engineering expenditure includes the payroll costs, material costs and allocated overheads attributed to projects identified as relating to existing products or processes.

5. Financial income and expenses

Financial income mainly arises from bank interest on our deposits. We are also exposed to realised currency gains and losses on translation of foreign currency denominated intragroup balances and offsetting financial instruments.

Included in financial income and expenses are the following amounts:

Financial income	notes	2023 £'000	2022 £'000
Bank interest receivable		**6,302**	834
Interest on pension schemes' assets	23	**1,639**	–
Fair value gains from one-month forward currency contracts	25	**1,728**	98
Total financial income		**9,669**	932

Financial expenses	notes	2023 £'000	2022 £'000
Interest on pension schemes' liabilities	23	**29**	306
Currency losses		**1,130**	1,414
Lease interest	21	**348**	481
Interest payable on borrowings	20	**46**	52
Other interest payable		**308**	110
Realised currency reserve losses from discontinuation of foreign operation		**–**	575
Total financial expenses		**1,861**	2,938

Currency losses relate to revaluations of foreign currency-denominated balances using latest reporting currency exchange rates. The losses recognised in 2022 and 2023 largely related to an appreciation of Sterling relative to the US dollar affecting US dollar-denominated intragroup balances in the Company.

Certain intragroup balances are classified as 'net investments in foreign operations', such that revaluations from currency movements on designated balances accumulate in the Currency translation reserve in Equity. Rolling one-month forward currency contracts are used to offset currency movements on remaining intragroup balances, with fair value gains and losses being recognised in financial income or expenses. See note 25 for further details.

Notes continued

6. Profit before tax

Detailed below are other notable amounts recognised in the Consolidated income statement.

Included in the profit before tax are the following costs/(income):

	notes	2023 £'000	2022 £'000
Depreciation and impairment of property, plant and equipment, and investment properties (a)	9,11	**19,882**	27,157
Loss on sale of property, plant and equipment (a)	9	**155**	157
Depreciation and impairment of right-of-use assets (a)	10	**4,223**	6,042
Amortisation, impairment and write-off of intangible assets (a)	12	**7,773**	5,923
Profit from sale of shares in associate (c)		**–**	582
Impairment of net assets of foreign operation (b)		**–**	2,126
Grant income (a)		**(3,017)**	(2,840)

These costs/(income) can be found under the following headings in the Consolidated income statement: (a) within cost of sales, distribution costs and administrative expenses, (b) within distribution costs, and (c) within administrative expenses. Further detail on each element can be found in the relevant notes.

Grant income relates to government grants, relating to R&D activities, which are recognised in the Consolidated income statement as a deduction against expenditure. Where grants are received in advance of the related expenses, they are initially recognised in the Consolidated balance sheet and released to match the related expenditure. Where grants are expected to be received after the related expenditure has occurred, and there is reasonable assurance that the entity will comply with the grant conditions, amounts are recognised to offset the expenditure and an asset recognised.

Costs within Administrative expenses relating to auditor fees included:

	2023 £'000	2022 £'000
Audit of these financial statements	**707**	718
Audit of subsidiary undertakings pursuant to legislation	**576**	526
Other assurance	**6**	32
All other non-audit fees	**–**	–
Total auditor fees	**1,289**	1,276

7. Taxation

The Group tax charge is affected by our geographic mix of profits and other factors explained in this note. Our expected future tax charges and related tax assets are also set out in the deferred tax section, together with our view on whether we will be able to make use of these in the future.

Accounting policy

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the Consolidated income statement except to the extent that it relates to items recognised directly in Other comprehensive income, in which case it is recognised in the Consolidated statement of comprehensive income and expense. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Key estimate – Estimates of future profits to support the recognition of deferred tax assets

Deferred tax assets are recognised to the extent it is probable that future taxable profits (including the future release of deferred tax liabilities) will be available, against which the deductible temporary differences can be used, based on management's assumptions relating to the amounts and timing of future taxable profits. Estimates of future profitability on an entity basis are required to ascertain whether it is probable that sufficient taxable profits will arise to support the recognition of deferred tax assets relating to the corresponding entity.

7. Taxation continued

The following table shows an analysis of the tax charge:

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on profits for the year	**5,814**	9,288
UK corporation tax – prior year adjustments	**(1,307)**	(28)
Overseas tax on profits for the year	**14,161**	16,734
Overseas tax – prior year adjustments	**291**	(176)
Total current tax	**18,959**	25,818
Deferred tax:		
Origination and reversal of temporary differences	**9,140**	(1,372)
Prior year adjustments	**(1,052)**	166
Derecognition of previously recognised tax losses and excess interest	**439**	623
Recognition of previously unrecognised tax losses and excess interest	**(591)**	–
Effect on deferred tax of changes in tax rates	**2,068**	–
	10,004	(583)
Tax charge on profit	**28,963**	25,235

The tax for the year is lower (2022: lower) than the weighted UK standard rate of corporation tax of 20.5% (2022: 19%). The differences are explained as follows:

	2023 £'000	2022 £'000
Profit before tax	**145,065**	145,586
Tax at 20.5% (2022: 19.0%)	**29,738**	27,661
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(1,695)**	(1,834)
Permanent differences	**1,595**	978
Companies with unrelieved tax losses	**292**	–
Share of profits of joint ventures	**(567)**	(825)
Tax incentives (patent box and capital allowances super-deduction)	**(679)**	(1,400)
Prior year adjustments	**(2,068)**	(38)
Effect on deferred tax of changes in tax rates	**2,068**	–
Recognition of previously unrecognised tax losses and excess interest	**(591)**	–
Derecognition of previously recognised tax losses and excess interest	**439**	623
Irrecoverable withholding tax	**609**	2
Other differences	**(178)**	68
Tax charge on profit	**28,963**	25,235
Effective tax rate	**20.0%**	17.3%

We operate in many countries around the world and the overall effective tax rate (ETR) is a result of the combination of the varying tax rates applicable throughout these countries. The FY2023 effective tax rate has increased mostly as a result of a reduction in patent box tax incentives and an increase in the UK tax rate from 19% to 25%.

The Group's future ETR will mainly depend on the geographic mix of profits and whether there are any changes to tax legislation in the Group's most significant countries of operations.

Deferred tax

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and there is an intention to net settle the balances. After taking these offsets into account, the net position of £18,826,000 liability (2022: £78,000 asset) is presented as a £19,944,000 deferred tax asset (2022: £22,893,000 asset) and a £38,770,000 deferred tax liability (2022: £22,815,000 liability) in the Consolidated balance sheet.

Where deferred tax assets are recognised, the Directors are of the opinion, based on recent and forecast trading, that the level of profits in current and future years make it more likely than not that these assets will be recovered.

Notes continued

7. Taxation continued

Deferred tax balances at the end of the year were:

	2023			2022		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	735	(25,124)	(24,389)	517	(19,966)	(19,449)
Intangible assets	–	(3,922)	(3,922)	–	(2,980)	(2,980)
Intragroup trading (inventories)	16,765	–	16,765	20,158	–	20,158
Intragroup trading (fixed assets)	1,770	–	1,770	1,457	–	1,457
Defined benefit pension schemes	6	(14,354)	(14,348)	125	(11,173)	(11,048)
Derivatives	–	(2,184)	(2,184)	3,508	–	3,508
Tax losses	2,281	–	2,281	3,893	–	3,893
Other	5,894	(693)	5,201	4,953	(414)	4,539
Balance at the end of the year	27,451	(46,277)	(18,826)	34,611	(34,533)	78

Other deferred tax assets include temporary differences relating to inventory provisions totalling £2,256,000 (2022: £1,774,000), other provisions (including bad debt provisions) of £913,000 (2022: £975,000), and employee benefits relating to Renishaw KK of £806,000 (2022: £853,000), with the remaining balance relating to several other smaller temporary differences.

The movements in the deferred tax balance during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	78	10,890
Movements in the Consolidated income statement	(10,004)	583
Movement in relation to the cash flow hedging reserve	(5,692)	6,155
Movement in relation to the defined benefit pension scheme liabilities	(3,071)	(17,650)
Movements in the Consolidated statement of comprehensive income and expense	(8,763)	(11,495)
Currency translation	(137)	100
Balance at the end of the year	(18,826)	78

The deferred tax movement in the Consolidated income statement is analysed as:

	2023 £'000	2022 £'000
Property, plant and equipment	(4,940)	(2,328)
Intangible assets	(942)	(371)
Intragroup trading (inventories)	(3,393)	5,619
Intragroup trading (fixed assets)	313	205
Defined benefit pension schemes	(229)	2,255
Derivatives	–	284
Tax losses	(1,612)	(4,472)
Other	799	(609)
Total movement for the year	(10,004)	583

Deferred tax assets of £2,281,000 (2022: £3,893,000) in respect of losses are recognised where it is considered likely that the business will generate sufficient future taxable profits. Deferred tax assets have not been recognised in respect of tax losses carried forward of £6,563,000 (2022: £4,815,000), due to uncertainty over their offset against future taxable profits and therefore their recoverability. These losses are held by Group companies in France, Brazil, Australia, Canada and the US, where for 97% of losses there are no time limitations on their utilisation.

In determining profit forecasts for each Group company, the key variable is the revenue forecasts, which have been estimated using consistently applied external and internal data sources. Sensitivity analysis indicates that a reduction of 5% to relevant revenue forecasts would result in an impairment to deferred tax assets recognised in respect of losses and intragroup trading (inventories) of less than £300,000. An increase of 5% to relevant revenue forecasts would result in additions to deferred tax assets in respect of tax losses not recognised of less than £200,000.

It is likely that the majority of unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption. However, £65,555,000 (2022: £61,204,000) of those earnings may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. The tax liabilities for the earnings for which management intend to repatriate in the foreseeable future are not material and consequently no deferred tax liability has been recognised.

8. Earnings per share

Basic earnings per share is the amount of profit generated in a financial year attributable to equity shareholders, divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share are calculated on earnings of £116,102,000 (2022: £120,351,000) and on 72,719,565 shares (2022: 72,774,147 shares), being the number of shares in issue. The number of shares excludes 68,978 (2022:14,396) shares held by the Employee Benefit Trust (EBT). On this basis, earnings per share (basic and diluted) is calculated as 159.7 pence (2022: 165.4 pence).

There is no difference between the weighted average earnings per share and the basic and diluted earnings per share.

For the calculation of adjusted earnings per share, per note 29, earnings of £116,102,000 (2022: £120,351,000) are adjusted by post-tax amounts for:

- fair value (gains)/losses on financial instruments not eligible for hedge accounting (reported in Revenue), which represents the amount by which revenue would change had all the derivatives qualified as eligible for hedge accounting, £5,488,000 gain;
- fair value (gains)/losses on financial instruments not eligible for hedge accounting (reported in Gains/(losses) from the fair value of financial instruments), £1,133,000 loss;
- a revised estimate of 2020 restructuring costs, £570,000 gain; and
- a US defined benefit pension scheme past service cost, £1,626,000 loss.

9. Property, plant and equipment

The Group makes significant investments in distribution and in-house manufacturing infrastructure. During the year we have significantly expanded our production facility in Wales and invested in our manufacturing equipment in the UK. We expect to complete this facility and continue our investments in property, plant and equipment in the coming year.

Accounting policy

Freehold land is not depreciated. Other assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided to write off the cost of assets less their estimated residual value on a straight-line basis over their estimated useful economic lives as follows: freehold buildings, 50 years; plant and equipment, 3 to 25 years; and vehicles, 3 to 4 years.

Year ended 30 June 2023	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 July 2022	**217,820**	**263,557**	**7,520**	**7,481**	**496,378**
Additions	**1,730**	**16,934**	**1,033**	**54,075**	**73,772**
Transfers	**3,240**	**4,847**	**–**	**(8,087)**	**–**
Disposals	**(5,383)**	**(9,681)**	**(1,369)**	**–**	**(16,433)**
Currency adjustment	**(4,022)**	**(2,501)**	**(72)**	**–**	**(6,595)**
At 30 June 2023	**213,385**	**273,156**	**7,112**	**53,469**	**547,122**
Depreciation					
At 1 July 2022	**43,816**	**202,214**	**6,495**	**–**	**252,525**
Charge for the year	**4,175**	**14,891**	**576**	**–**	**19,642**
Disposals	**(1,619)**	**(5,544)**	**(1,167)**	**–**	**(8,330)**
Currency adjustment	**(725)**	**(2,015)**	**(60)**	**–**	**(2,800)**
At 30 June 2023	**45,647**	**209,546**	**5,844**	**–**	**261,037**
Net book value					
At 30 June 2023	**167,738**	**63,610**	**1,268**	**53,469**	**286,085**
At 30 June 2022	174,004	61,343	1,025	7,481	243,853

Losses on disposals of Property, plant and equipment amounted to £155,000 (2022: £157,000).

Additions to assets in the course of construction comprise £42,646,000 (2022: £826,000) for land and buildings and £11,429,000 (2022: £6,318,000) for plant and equipment.

At 30 June 2023, properties with a net book value of £88,778,000 (2022: £54,208,000) were subject to a fixed charge to secure the UK defined benefit pension scheme liabilities.

Notes continued

9. Property, plant and equipment continued

Year ended 30 June 2022	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 July 2021	216,783	242,432	7,421	7,109	473,745
Additions	5,715	16,756	1,150	7,144	30,765
Transfers	2,800	3,972	–	(6,772)	–
Transfers to Investment properties	(11,563)	–	–	–	(11,563)
Disposals	97	(3,587)	(1,269)	–	(4,759)
Currency adjustment	3,988	3,984	218	–	8,190
At 30 June 2022	217,820	263,557	7,520	7,481	496,378
Depreciation					
At 1 July 2021	38,530	182,557	6,416	–	227,503
Charge for the year	4,623	20,029	1,056	–	25,708
Impairment	1,259	–	–	–	1,259
Transfers to Investment properties	(1,222)	–	–	–	(1,222)
Disposals	81	(2,837)	(1,180)	–	(3,936)
Currency adjustment	545	2,465	203	–	3,213
At 30 June 2022	43,816	202,214	6,495	–	252,525
Net book value					
At 30 June 2022	174,004	61,343	1,025	7,481	243,853
At 30 June 2021	178,253	59,875	1,005	7,109	246,242

10. Right-of-use assets

The Group leases mostly properties and cars from third parties and recognises an associated right-of-use asset where we are afforded control and economic benefit from the use of the asset.

Accounting policy

At the commencement date of a lease arrangement the Group recognises a right-of-use asset for the leased item and a lease liability for any payments due. Right-of-use assets are initially measured at cost, being the present value of the lease liability plus any initial costs incurred in entering the lease and less any incentives received. See note 21 for further detail on lease liabilities. Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term.

Year ended 30 June 2023	**Leasehold property £'000**	**Plant and equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Net book value				
At 1 July 2022	**8,055**	**117**	**1,778**	**9,950**
Additions	**261**	**64**	**2,907**	**3,232**
Reductions in consideration	**(308)**	**–**	**(13)**	**(321)**
Depreciation	**(2,737)**	**(93)**	**(1,392)**	**(4,222)**
Currency adjustment	**(202)**	**1**	**(36)**	**(237)**
At 30 June 2023	**5,069**	**89**	**3,244**	**8,402**

Year ended 30 June 2022	Leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Net book value				
At 1 July 2021	10,297	102	2,030	12,429
Additions	1,293	115	1,058	2,466
Depreciation	(2,805)	(102)	(1,298)	(4,205)
Impairment	(1,837)	–	–	(1,837)
Currency adjustment	1,107	2	(12)	1,097
At 30 June 2022	8,055	117	1,778	9,950

11. Investment properties

The Group's investment properties consist of five properties in the UK, Ireland and India, which are occupied by rent-paying third parties.

Accounting policy

Where property owned by the Group is deemed to be held to earn rentals or for long-term capital appreciation it is recognised as investment property.

Where a property is part-occupied by the Group, portions of the property are recognised as investment property if they meet the above description and if these portions could be sold separately and reliably measured. If the portions could not be sold separately, the property is recognised as an investment property only if a significant proportion is held for rental or appreciation purposes.

The Group has elected to value investment properties on a cost basis, initially comprising an investment property's purchase price and any directly attributable expenditure. Depreciation is provided to write off the cost of assets on a straight-line basis over their estimated useful economic lives, being 50 years. Amounts relating to freehold land is not depreciated.

	2023 £'000	2022 £'000
Cost		
Balance at the beginning of the year	**11,905**	–
Transfers from Property, plant and equipment	**–**	11,563
Additions	**252**	195
Disposals	**–**	(102)
Currency adjustment	**(261)**	249
Balance at the end of the year	**11,896**	11,905
Depreciation		
Balance at the beginning of the year	**1,337**	–
Transfers from Property, plant and equipment	**–**	1,222
Charge for the year	**240**	190
Disposals	**–**	(81)
Currency adjustment	**(4)**	6
Balance at the end of the year	**1,573**	1,337
Net book value	**10,323**	10,568

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties.

Amounts recognised in the Consolidated income statement relating to investment properties:

	2023 £'000	2022 £'000
Rental income derived from investment properties	**915**	453
Direct operating expenses (including repairs and maintenance)	**258**	105
Profit arising from investment properties	**657**	348

The fair value of the Group's investment properties totalled £14,718,000 at 30 June 2023 (2022: £14,626,000). Fair values of each investment property have been determined by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of each investment property being valued.

Notes continued

12. Intangible assets

Our Consolidated balance sheet contains significant intangible assets, mostly in relation to goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets, and capitalised development costs. We make significant investments into the development of new products, which is a key part of our business model, and some of these costs are initially capitalised and then expensed over the lifetime of future sales of that product.

Accounting policy

Goodwill arising on acquisition represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, net of deferred tax. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment or earlier if there are any indications of impairment. The annual impairment review involves comparing the carrying amount to the estimated recoverable amount and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised in the Consolidated income statement.

Intangible assets such as customer lists, patents, trade marks, know-how and intellectual property that are acquired by the Group are stated at cost less amortisation and impairment losses. Amortisation is charged to the Consolidated income statement on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets included in the Consolidated balance sheet reflect the benefit derived by the Group and vary from five to 10 years.

Expenditure on research activities is recognised in the Consolidated income statement as an expense as incurred. Expenditure on development activities is capitalised if: the product or process is technically and commercially feasible; the Group intends and has the technical ability and sufficient resources to complete development; future economic benefits are probable; and the Group can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated income statement as an expense as incurred.

Capitalised development expenditure is amortised over the useful economic life appropriate to each product or process, ranging from five to 10 years, and is stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation commences when a product or process is available for use as intended by management. Capitalised development expenditure is removed from the balance sheet 10 years after being fully amortised.

All non-current assets are tested for impairment whenever there is an indication that their carrying value may be impaired. An impairment loss is recognised in the Consolidated income statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value-in-use. An asset's value-in-use represents the present value of the future cash flows expected to be derived from the asset or from the cash-generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Goodwill and capitalised development costs are subject to an annual impairment test.

Key judgement – Whether a project meets the criteria for capitalisation

Product development costs are capitalised once a project has reached a certain stage of development, being the point at which the product has passed testing to demonstrate it meets the technical specifications of the project and it satisfies all applicable regulations. Judgements are required to assess whether the new product development has reached the appropriate point for capitalisation of costs to begin. These costs are subsequently amortised over their useful economic life once ready for use. Should a product be subsequently obsoleted, the accumulated capitalised development costs would need to be immediately written off in the Consolidated income statement.

Key estimate – Estimates of future cash flows used for impairment testing

Determining whether goodwill and capitalised development costs are impaired requires an estimation of the value-in-use of cash-generating units (CGUs) to which goodwill has been allocated. To calculate the value-in-use we need to estimate the future cashflows of each CGU and select the appropriate discount rate for each CGU.

12. Intangible assets continued

Year ended 30 June 2023	Goodwill £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences and intellectual property £'000	Total £'000
Cost					
At 1 July 2022	**20,475**	**4,629**	**168,212**	**22,379**	**215,695**
Additions	**–**	**254**	**10,448**	**125**	**10,827**
Disposals	**–**	**–**	**–**	**(10,518)**	**(10,518)**
Currency adjustment	**(214)**	**(8)**	**–**	**(8)**	**(230)**
At 30 June 2023	**20,261**	**4,875**	**178,660**	**11,978**	**215,774**
Amortisation					
At 1 July 2022	**9,028**	**2,240**	**139,460**	**20,749**	**171,477**
Charge for the year	**–**	**179**	**5,150**	**833**	**6,162**
Impairment	**–**	**–**	**1,611**	**–**	**1,611**
Disposals	**–**	**–**	**–**	**(9,969)**	**(9,969)**
Currency adjustment	**–**	**33**	**–**	**(8)**	**25**
At 30 June 2023	**9,028**	**2,452**	**146,221**	**11,605**	**169,306**
Net book value					
At 30 June 2023	**11,233**	**2,423**	**32,439**	**373**	**46,468**
At 30 June 2022	11,447	2,389	28,752	1,630	44,218

Year ended 30 June 2022	Goodwill £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences and intellectual property £'000	Total £'000
Cost					
At 1 July 2021	19,533	15,783	177,291	24,962	237,569
Additions	–	53	7,966	876	8,895
Write-off	–	–	–	(3,510)	(3,510)
Disposals	–	(11,211)	(17,045)	–	(28,256)
Currency adjustment	942	4	–	51	997
At 30 June 2022	20,475	4,629	168,212	22,379	215,695
Amortisation					
At 1 July 2021	9,028	13,254	151,807	19,685	193,774
Charge for the year	–	201	4,698	1,024	5,923
Disposals	–	(11,211)	(17,045)	–	(28,256)
Currency adjustment	–	(4)	–	40	36
At 30 June 2022	9,028	2,240	139,460	20,749	171,477
Net book value					
At 30 June 2022	11,447	2,389	28,752	1,630	44,218
At 30 June 2021	10,505	2,529	25,484	5,277	43,795

Goodwill

Goodwill has arisen on the acquisition of several businesses and has an indeterminable useful life. It is therefore not amortised but is instead tested for impairment annually and at any point during the year when an indicator of impairment exists. Goodwill is allocated to cash generating units (CGUs), as set on page 174. This is the lowest level in the Group at which goodwill is monitored for impairment and is at a lower level than the Group's operating segments.

The analysis of goodwill according to business acquired is:

	2023 £'000	2022 £'000
itp GmbH	**2,985**	2,985
Renishaw Mayfield S.A.	**2,089**	2,055
Renishaw Fixturing Solutions, LLC	**5,454**	5,677
Other smaller acquisitions	**705**	730
Total goodwill	**11,233**	11,447

Notes continued

12. Intangible assets continued

The recoverable amounts of acquired goodwill are based on value-in-use calculations. These calculations use cash flow projections based on the financial business plans approved by management for the next five financial years. The cash flows beyond this forecast are extrapolated to perpetuity using a nil growth rate on a prudent basis, to reflect the uncertainties over forecasting beyond five years.

The following pre-tax discount rates have been used in discounting the projected cash flows:

Business acquired	CGU	2023 Discount rate	2022 Discount rate
itp GmbH	itp GmbH entity ('ITP')	**13.2%**	11.3%
Renishaw Fixturing Solutions, LLC	Renishaw plc ('PLC')	**14.3%**	11.5%
Renishaw Mayfield S.A.	Renishaw Mayfield S.A. entity ('Mayfield')	**26.3%**	22.9%

The Group post-tax weighted average cost of capital, calculated at 30 June 2023, is 10.7% (2022: 9.0%). The increase is mainly driven by higher risk-free rates in the market. Pre-tax discount rates for Manufacturing technologies CGUs (ITP and PLC) are calculated from this basis, given that they are aligned with the wider Group's industries, markets and processes. The Analytical instruments and medical devices' CGU (Mayfield) has a higher risk weighting, reflecting the less mature nature of this segment.

During the period, the CGU relating to the goodwill arising on the acquisition of Renishaw Fixturing Solutions, LLC has been changed from the Renishaw fixturing product line to Renishaw plc. This follows the closure of Renishaw Fixturing Solutions, LLC, with production of fixturing products now undertaken by the manufacturing division of Renishaw plc.

For there to be an impairment in the PLC, ITP or Mayfield CGUs the discount rate would need to increase to at least 20%, 18% and 32% respectively.

The following bases have been used in determining cash flow projections:

CGU	2023 Basis of forecast	2022 Basis of forecast
itp GmbH entity	**five-year business plan**	five-year business plan
Renishaw plc	**five-year business plan**	five-year business plan
Renishaw Mayfield S.A. entity	**five-year business plan**	five-year business plan

These five-year business plans are considered fair estimates based on management's view of the future and experience of past performance of the individual CGUs, and are calculated at a disaggregated level. Within these plans, revenue forecasts are calculated with reference to external market data, Renishaw past outperformance, and new product launches, consistent with revenue forecasts across the Group. Production costs, engineering costs, distribution costs and administrative expenses are calculated based on management's best estimates of what is required to support revenue growth and new product development. Estimates of capital expenditure and working capital requirements are also included in the cash flow projections.

The key estimate within these business plans is the forecasting of revenue growth, given that the cost bases of the businesses can be flexed in line with revenue performance. Given the average revenue growth assumptions included in the five-year business plans, management's sensitivity analysis involves modelling a reduction in the forecast cash flows utilised in those business plans and therefore into perpetuity. For there to be an impairment there would need to be a reduction to these forecast cash flows of 29% for ITP, 30% for PLC and 21% for Mayfield. Management deems the likelihood of these reductions to be unlikely.

Internally generated development costs

The key assumption in determining the value-in-use for internally generated development costs is the forecast unit sales over the useful economic life, which is determined by management using their knowledge and experience with similar products and the sales history of products already available in the market. Resulting cash flow projections over five to 10 years, the period over which product demand forecasts can be reasonably predicted and internally generated development costs are written off, are discounted using pre-tax discount rates, which are calculated from the Group post-tax weighted average cost of capital of 10.7% (2022: 9.0%).

There was an impairment of £1,611,000 (2022: nil) of internally generated development costs in the year, which wholly related to a drug delivery project in our Neurological business. Revenue from our drug delivery business continues to be slow due to the long lead-time of pharmaceutical programmes, although we remain confident in our opportunity pipeline. The uncertainty of the near-term cash flows resulted in this partial impairment of £1,611,000, with the remaining net book value totalling £1,984,000 at 30 June 2023.

For the largest projects, comprising 95% of the net book value at 30 June 2023, a 10% reduction to forecast unit sales, or an increase in the discount rate by 5%, would result in an impairment of less than £800,000.

13. Investments in joint ventures

Where we make an investment in a company which gives us significant influence but not full control, we account for our share of their post-tax profits in our financial statements. We have joint venture arrangements with two companies, RLS and MSP.

The Group's investments in joint ventures (all investments being in the ordinary share capital of the joint ventures), whose accounting years end on 30 June, were:

	Country of incorporation and principal place of business	**Ownership % 2023**	Ownership % 2022
RLS Merilna tehnika d.o.o. ('RLS') – joint venture	Slovenia	**50.0**	50.0
Metrology Software Products Limited ('MSP') – joint venture	England & Wales	**70.0**	70.0

Although the Group owns 70% of the ordinary share capital of MSP, this is accounted for as a joint venture as the 'control' requirements of IFRS 10 are not satisfied. This is primarily because the shareholders agreement includes that for so long as the Group's holding is less than 75% of the total shares of MSP, Renishaw agrees to exercise its voting rights such that it only votes as if it has the same aggregate shareholding as the remaining Management Shareholders.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**20,570**	16,634
Dividends received	**(924)**	(525)
Share of profits of joint ventures	**2,768**	4,342
Currency differences	**–**	119
Balance at the end of the year	**22,414**	20,570

Summarised financial information for joint ventures:

	RLS		**MSP**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Assets	**43,168**	42,308	**4,539**	4,601
Liabilities	**(4,969)**	(7,422)	**(378)**	(963)
Net assets	**38,199**	34,886	**4,161**	3,638
Group's share of net assets	**19,100**	17,443	**2,913**	2,547
Revenue	**35,764**	35,247	**2,554**	2,492
Profit/(loss) for the year	**5,162**	7,886	**264**	570
Group's share of profit/(loss) for the year	**2,583**	3,943	**185**	399

For the nature of the activities, see note C.45.

The financial statements of RLS have been prepared on the basis of Slovenian Accounting Standards.

The financial statements of MSP have been prepared on the basis of FRS 102.

Notes continued

14. Leases (as lessor)

The Group acts as a lessor for Renishaw-manufactured equipment on finance and operating lease arrangements. This is principally for high-value capital equipment such as our additive manufacturing machines.

Accounting policy

Where the Group transfers the risks and rewards of ownership of lease assets to a third party, the Group recognises a receivable in the amount of the net investment in the lease. The lease receivable is subsequently reduced by the principal received, while an interest component is recognised as financial income in the Consolidated income statement. Standard contract terms are up to five years and there is a nominal residual value receivable at the end of the contract.

Where the Group retains the risks and rewards of ownership of lease assets, it continues to recognise the leased asset in Property, plant and equipment. Income from operating leases is recognised on a straight-line basis over the lease term and recognised as Revenue rather than Other revenue as such income is not material. Operating leases are on one to five year terms.

The total future lease payments are split between the principal and interest amounts below:

	2023			2022		
	Gross investment £'000	**Interest £'000**	**Net investment £'000**	Gross investment £'000	Interest £'000	Net investment £'000
Receivable in less than one year	**4,375**	**611**	**3,764**	3,703	355	3,348
Receivable between one and two years	**3,600**	**447**	**3,153**	2,882	252	2,630
Receivable between two and three years	**3,283**	**289**	**2,994**	2,015	148	1,867
Receivable between three and four years	**2,478**	**151**	**2,327**	1,779	70	1,709
Receivable between four and five years	**1,502**	**41**	**1,461**	770	15	755
Total future minimum lease payments receivable	**15,238**	**1,539**	**13,699**	11,149	840	10,309

Finance lease receivables are presented as £9,935,000 (2022: £6,961,000) non-current assets and £3,764,000 (2022: £3,348,000) current assets in the Consolidated balance sheet.

The total of future minimum lease payments receivable under non-cancellable operating leases were:

	2023 £'000	2022 £'000
Receivable in less than one year	**1,394**	1,246
Receivable between one and four years	**1,569**	2,365
Total future minimum lease payments receivable	**2,963**	3,611

During the year, £974,000 (2022: £1,184,000) was recognised in Revenue from operating leases.

15. Cash and cash equivalents and bank deposits

We have always valued having cash in the bank to protect the Group from downturns and enable us to react swiftly to investment or market capture opportunities. We currently hold significant cash and cash equivalents and bank deposits, which is mostly in the UK and spread across several banks with high credit ratings.

Accounting policy

Cash and cash equivalents comprise cash balances, and deposits with an original maturity of less than three months or with an original maturity date of more than three months where the deposit can be accessed on demand without significant penalty for early withdrawal and where the original deposit amount is recoverable in full.

Cash and cash equivalents

An analysis of cash and cash equivalents at the end of the year was:

	2023 £'000	2022 £'000
Bank balances and cash in hand	**80,196**	141,208
Short-term deposits	**1,192**	11,954
Balance at the end of the year	**81,388**	153,162

Bank deposits

Bank deposits at the end of the year amounted to £125,000,000 (2022: £100,000,000), of which £30,000,000 matured on 7 August 2023, £45,000,000 matures in December 2023, and £50,000,000 matures in March 2024.

16. Inventories

We have increased our inventories in the year, in line with increases in global demand and reflecting planned increases in certain component safety stock levels to mitigate global supply shortages, and remain committed to high customer delivery performance.

Accounting policy

Inventory and work in progress is valued at the lower of actual cost on a first-in, first-out (FIFO) basis and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses that are required to bring inventories to their present location and condition. Overheads are absorbed into inventories on the basis of normal capacity or on actual hours if higher.

Key estimate – Determination of net realisable inventory value

Determining the net realisable value of inventory requires management to estimate future demand, especially in respect of provisioning for slow moving and potentially obsolete inventory. When calculating an inventory provision, management use historic usage levels (capped at 18 months), demand from customer orders and manufacturing build plans as a basis for estimating the future annual demand of individual stock items, except in the following instances:

- for key products and their components, provisions are typically made for quantities held in excess of three years' demand. A demand basis lower than three years is used for those key products and related components where the sales history is more volatile; and
- where strategic purchases of critical components have been made, an outlook beyond three years is considered where appropriate.

An analysis of inventories at the end of the year was:

	2023 £'000	2022 £'000
Raw materials	**66,210**	56,034
Work in progress	**35,354**	31,002
Finished goods	**84,193**	75,446
Balance at the end of the year	**185,757**	162,482

At the end of the year, the gross cost of inventories which had provisions held against them totalled £24,525,000 (2022: £17,520,000). During the year, the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £8,228,000 (2022: £481,000).

A 10% reduction in the value of exceptions in the Renishaw plc inventory provision calculation would result in an increase in the write-down of inventories of £1,130,000. Inventories in Renishaw plc account for 64% of the total Inventories of the Group.

17. Provisions

A provision is a liability recorded in the Consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provision we hold is in relation to warranties provided with the sale of our products.

Accounting policy

The Group provides a warranty from the date of purchase, except for those products that are installed by the Group where the warranty starts from the date of completion of the installation. This is typically for a 12-month period, although up to three years is given for a small number of products. A warranty provision is included in the Group financial statements, which is calculated on the basis of historical returns and internal quality reports.

Warranty provision movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**4,244**	6,259
Created during the year	**2,382**	1,975
Unused amounts reversed	**(717)**	(1,688)
Utilised in the year	**(3,151)**	(2,302)
	(1,486)	(2,015)
Balance at the end of the year	**2,758**	4,244

The warranty provision has been calculated on the basis of historical return-in-warranty information and other internal reports. It is expected that most of this expenditure will be incurred in the next financial year and all expenditure will be incurred within three years of the balance sheet date.

Notes continued

18. Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods, capital equipment and/or services to a customer for which the Group has either received consideration or consideration is due from the customer. Our balances mostly comprise advances received from customers and payments for services yet to be completed.

Balances at the end of the year were:

	2023 £'000	2022 £'000
Goods, capital equipment and installation	**615**	1,470
Aftermarket services	**4,793**	4,471
Deferred revenue	**5,408**	5,941
Advances received from customers	**4,563**	7,015
Balance at the end of the year	**9,971**	12,956

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the year is £9,971,000 (2022: £12,956,000). Of this, £2,214,000 (2022: £1,620,000) is not expected to be recognised in the next financial year.

19. Other payables

Separate to our trade payables and contract liabilities, which directly relate to our trading activities, our Other payables mostly comprises amounts payable to employees, or relating to employees.

Balances at the end of the year were:

	2023 £'000	2022 £'000
Payroll taxes and social security	**6,677**	6,823
Performance bonuses	**11,338**	16,179
Holiday pay and retirement accruals	**7,383**	7,810
Indirect tax payable	**4,486**	1,762
Other creditors and accruals	**18,246**	19,375
Total other payables	**48,130**	51,949

Holiday pay accruals are based on a calculation of the number of days' holiday earned during the year, but not yet taken. Other creditors and accruals includes a number of other individually smaller accruals.

20. Borrowings

The Group's only source of external borrowing is a fixed-interest loan facility in our Japanese subsidiary, entered into to directly finance the purchase of a new distribution facility in Japan in 2019.

Third-party borrowings at 30 June 2023 consist of a five year loan entered into on 31 May 2019 by Renishaw KK, with original principal of JPY 1,447,000,000 (£10,486,000). Principal of JPY 12,000,000 is repayable each month, with a fixed interest rate of 0.81% also paid on monthly accretion. The residual principal at 31 May 2024 of JPY 739,000,000 can either be repaid in full at that time, or extended for another five years. There are no covenants attached to this loan.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**6,079**	7,449
Interest	**46**	52
Repayments	**(914)**	(974)
Currency adjustment	**(517)**	(448)
Balance at the end of the year	**4,694**	6,079

Borrowings are held at amortised cost. There is no significant difference between the book value and fair value of borrowings, which is estimated by discounting contractual future cash flows, which represents level 2 of the fair value hierarchy defined in note 25.

21. Leases (as lessee)

The Group leases distribution properties and cars from third parties and recognises an associated lease liability for the total present value of payments the lease contracts commit us to.

Accounting policy

At the commencement date of a lease arrangement the Group recognises a right-of-use asset for the leased item and a lease liability for any payments due. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the applicable entity. The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured if there is a change in future lease payments arising from a change in an index or rate (such as an inflation-linked increase) or if there is a change in the Group's assessment of whether it will exercise an extension or termination option. When this happens there is a corresponding adjustment to the right-of-use asset. Where the Group enters into leases with a lease term of 12 months or less, these are treated as 'short-term' leases and are recognised on a straight-line basis as an expense in the Consolidated income statement. The same treatment applies to low-value assets, which are typically IT equipment and office equipment.

Lease liabilities are analysed as below:

2023	Leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Due in less than one year	**1,737**	**21**	**1,520**	**3,278**
Due between one and two years	**691**	**13**	**1,192**	**1,896**
Due between two and three years	**510**	**13**	**858**	**1,381**
Due between three and four years	**351**	**6**	**387**	**744**
Due between four and five years	**110**	**1**	**66**	**177**
Due in more than five years	**3,481**	**–**	**–**	**3,481**
Total future minimum lease payments payable	**6,880**	**54**	**4,023**	**10,957**
Effect of discounting	**(1,566)**	**(1)**	**(756)**	**(2,324)**
Lease liabilities	**5,314**	**53**	**3,267**	**8,633**

2022	Leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Due in less than one year	2,916	33	930	3,879
Due between one and two years	1,857	18	523	2,398
Due between two and three years	805	10	278	1,093
Due between three and four years	624	9	78	711
Due between four and five years	553	3	7	563
Due in more than five years	3,611	–	–	3,611
Total future minimum lease payments payable	10,366	73	1,816	12,255
Effect of discounting	(1,993)	(1)	(81)	(2,075)
Lease liabilities	8,373	72	1,735	10,180

Lease liabilities are also presented as a £3,009,000 (2022: £3,714,000) current liability and a £5,624,000 (2022: £6,466,000) non-current liability in the Consolidated balance sheet.

Amounts recognised in the Consolidated income statement relating to leases were:

	2023 £'000	2022 £'000
Depreciation of right-of-use assets	**4,223**	4,205
Impairment of right-of-use assets	**–**	1,837
Derecognition of lease liabilities	**–**	(1,985)
Interest expense on lease liabilities	**348**	481
Expenses relating to short-term and low-value leases	**471**	51
Total expense recognised in the Consolidated income statement	**5,042**	4,589
Total cash outflows for leases	**5,025**	4,613

During the previous year we withdrew from Russia, including moving out of a leased property by August 2022. We therefore derecognised amounts relating to the leased property totalling £1,985,000, with a corresponding impairment to the right-of-use asset of £1,837,000.

Notes continued

22. Changes in liabilities arising from financing activities

	1 July 2022	Cash flows	Other	Currency	30 June 2023
Lease liabilities	10,180	**(4,206)**	**2,918**	**(259)**	**8,633**
Borrowings	6,079	**(914)**	**46**	**(517)**	**4,694**
	16,259	**(5,120)**	**2,964**	**(776)**	**13,327**

	1 July 2021	Cash flows	Other	Currency	30 June 2022
Lease liabilities	12,562	(4,081)	513	1,186	10,180
Borrowings	7,449	(974)	52	(448)	6,079
	20,011	(5,055)	565	738	16,259

See notes 20 and 21 for further details on borrowing and leasing activities.

23. Employee benefits

The Group operates contributory pension schemes, largely for UK, Ireland and USA employees, which were of the defined benefit type up to 5 April 2007, 31 December 2007 and 30 June 2012 respectively, at which time they ceased any future accrual for existing members and were closed to new members. The Group's largest defined benefit scheme is in the UK.

Accounting policy

Defined benefit pension schemes are administered by trustees who are independent of the Group finances. Investment assets of the schemes are measured at fair value using the bid price of the unitised investments, quoted by the investment manager, at the reporting date. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Remeasurements arising from defined benefit schemes comprise actuarial gains and losses, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in Other comprehensive income and all other expenses related to defined benefit schemes are included in the Consolidated income statement.

The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the Consolidated balance sheet under Employee benefits. Where a guarantee is in place in relation to a pension scheme deficit, liabilities are reported in accordance with IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. To the extent that contributions payable will not be available as a refund after they are paid into the plan, a liability is recognised at the point the obligation arises, which is the point at which the minimum funding guarantee is agreed. Overseas-based employees are covered by a combination of state, defined benefit and private pension schemes in their countries of residence. Actuarial valuations of overseas pension schemes were not obtained, apart from Ireland and USA, because of the low number of members.

For defined contribution schemes, the amount charged to the Consolidated income statement represents the contributions payable to the schemes in respect of the accounting period.

Key estimate – Valuation of defined benefit pension schemes' liabilities

Determining the value of the future defined benefit obligation requires estimation in respect of the assumptions used to determine the present values. These include future mortality, discount rate and inflation. Management makes these estimates in consultation with independent actuaries.

The total pension cost of the Group for the year was £26,142,000 (2022: £21,988,000), of which £126,000 (2022: £121,000) related to Directors and £6,220,000 (2022: £5,292,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit pension scheme was carried out as at 30 September 2021 and updated to 30 June 2023 by a qualified independent actuary. The mortality assumption used for 2023 is the S3PxA base tables and CMI 2022 model, with long-term improvements of 1% per annum. Adjustments have been made to both the core base tables and CMI 2022 model to allow for the scheme's membership profile and best estimate assumptions of future mortality improvements.

Major assumptions used by actuaries for the UK, Ireland and US schemes were:

	30 June 2023			30 June 2022		
	UK scheme	Ireland scheme	US scheme	UK scheme	Ireland scheme	US scheme
Rate of increase in pension payments	**3.05%**	**2.70%**	**–**	3.05%	2.45%	–
Discount rate	**5.10%**	**3.60%**	**–**	3.60%	3.20%	4.50%
Inflation rate (RPI)	**3.25%**	**2.70%**	**–**	3.10%	2.45%	–
Inflation rate (CPI)	**2.25% pre-2030** **3.25% post-2030**	**–**	**–**	2.10% pre-2030 3.10% post-2030	–	–
Retirement age	**64**	**65**	**65**	64	65	65

23. Employee benefits continued

The life expectancies from the retirement age of 65 for the UK scheme implied by the mortality assumption at age 65 and 45 are:

	2023 years	2022 years
Male currently aged 65	**21.1**	21.5
Female currently aged 65	**23.5**	23.8
Male currently aged 45	**21.8**	22.2
Female currently aged 45	**24.3**	24.7

The weighted average duration of the UK defined benefit obligation is around 17 years (2022: 22 years).

The assets and liabilities in the defined benefit pension schemes were:

	30 June 2023 £'000	% of total assets	30 June 2022 £'000	% of total assets
Market value of assets:				
Index linked gilts	**55,183**	**28**	1,489	1
Credit and fixed income funds	**54,656**	**28**	19,489	9
Cash and other	**40,576**	**20**	802	–
Multi-asset funds	**26,966**	**14**	82,442	38
Fixed interest gilts	**13,219**	**7**	1,502	1
Equities	**5,729**	**3**	111,025	51
	196,329	**100**	216,749	100
Actuarial value of liabilities	**(138,958)**	**–**	(174,504)	–
Surplus in the schemes	**57,371**	**–**	42,245	–
Deferred tax thereon	**(14,348)**	**–**	(11,048)	–

Note C.40 gives the analysis of the UK defined benefit pension scheme. For the other schemes, the market value of assets at the end of the year was £14,642,000 (2022: £22,888,000) and the actuarial value of liabilities was £14,687,000 (2022: £20,973,000). The UK scheme was in a net surplus position at 30 June 2023 totalling £57,416,000, (2022: surplus £40,331,000), and is therefore presented in non-current assets in the Consolidated balance sheet. The Ireland scheme was in a net deficit position at 30 June 2023 (2022: deficit), totalling £45,000, and is therefore presented in non-current liabilities.

Equities are held in externally-managed funds and primarily relate to UK and US equities. Credit and fixed income funds, fixed interest gilts, and index linked gilts relate to UK, US and Eurozone government-linked securities, again held in externally-managed funds. The fair values of these equity and fixed income instruments are determined using the bid price of the unitised investments, quoted by the investment manager, at the reporting date and therefore represent 'Level 2' of the fair value hierarchy defined in note 25. Multi-asset funds are also held in externally-managed funds, with active asset allocation to diversify growth across asset classes such as equities, bonds and money-market instruments. The fair value of these funds is determined on a comparable basis to the equity and fixed income funds, and therefore are also 'Level 2' assets. Cash and other at 30 June 2023 mostly comprises a Sterling liquidity fund, in which the principal is preserved and same day liquidity is available.

In October 2022, following a significant improvement in the UK scheme's funding position due to rising gilt yields, the Trustees (in consultation with the Company) de-risked the investment strategy by disinvesting from the scheme's equity and diversified growth holdings and investing the proceeds into index-linked gilts. The overall impact of these changes is to reduce investment risk, with the assets better matching the expected movements in the liabilities. We now believe the scheme is fully funded and are in the process of seeking to insure the liabilities. No scheme assets are directly invested in the Group's own equity.

The movements in the schemes' assets and liabilities were:

Year ended 30 June 2023	Assets £'000	Liabilities £'000	Total £'000
Balance at the beginning of the year	216,749	(174,504)	42,245
Contributions paid	2,341	–	2,341
Interest on pension schemes	7,745	(6,135)	1,610
Remeasurement loss from augmentation of members' benefits (US)	–	(1,930)	(1,930)
Remeasurement gain/(loss) under IAS 19	(16,722)	30,334	13,612
Scheme administration expenses	(398)	–	(398)
(Loss)/gain on settlements	(1,098)	989	(109)
Benefits paid	(12,288)	12,288	–
Balance at the end of the year	**196,329**	**(138,958)**	**57,371**

Notes continued

23. Employee benefits continued

Year ended 30 June 2022	Assets £'000	Liabilities £'000	Total £'000
Balance at the beginning of the year	231,355	(255,053)	(23,698)
Contributions paid	8,866	–	8,866
Interest on pension schemes	4,337	(4,643)	(306)
Remeasurement loss from augmentation of members' benefits (UK)	–	(11,695)	(11,695)
Remeasurement gain/(loss) under IAS 19, the asset ceiling and IFRIC 14	(17,264)	86,342	69,078
Benefits paid	(10,545)	10,545	–
Balance at the end of the year	216,749	(174,504)	42,245

The analysis of the amount recognised in the Consolidated statement of comprehensive income and expense was:

	2023 £'000	2022 £'000
Actuarial gain/(loss) arising from:		
Changes in demographic assumptions	**2,028**	3,860
Changes in financial assumptions	**37,318**	67,442
Experience adjustment	**(9,012)**	(7,818)
Return on plan assets excluding interest income	**(16,722)**	(17,264)
Adjustment for the asset ceiling	**–**	3,280
Adjustment to liabilities for IFRIC 14	**–**	19,578
Total amount recognised in the Consolidated statement of comprehensive income and expense	**13,612**	69,078

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income and expense was a loss of £8,807,000 (2022: loss of £22,419,000).

The net surplus of the Group's defined benefit pension schemes, on an IAS 19 basis, has increased from £42,245,000 at 30 June 2022 to £57,371,000 at 30 June 2023, primarily reflecting the effect of an increase in the UK discount rate, based on increases in corporate bond yields, which was partially offset by a reduction in investment asset values.

In 2022, the Company agreed to an augmentation of UK scheme members' benefits to reflect current and historic administrative revaluation practice. The impact on liabilities of this plan amendment, totalling £11,695,000, was recognised as a past service cost in the Consolidated income statement.

In 2023, a termination of the US plan (other than distribution of surplus) was completed, with most members opting for lump sum payments, and it was agreed that the surplus will be distributed to qualifying scheme members. Accordingly, the surplus of £1,930,000 has been treated as an augmentation to member benefits. This, together with related expenses of £209,000, has been reported separately in the Consolidated income statement as a past service cost and excluded from adjusted profit measures.

For the UK scheme, the latest actuarial report prepared in September 2021 shows a deficit of £52,800,000, which is based on funding to self-sufficiency and uses prudent assumptions. IAS 19 requires best estimate assumptions to be used, resulting in the IAS 19 net surplus being higher than the actuarial deficit.

The existing deficit funding plan for the UK defined benefit pension scheme is in place until 30 June 2031, at which time any outstanding deficit will be paid. The agreement will end sooner if the actuarial deficit (calculated on a self-sufficiency basis) is eliminated in the meantime. The net book value of properties subject to fixed charges under this agreement at 30 June 2023 was £88,778,000 (2022: £54,208,000).

The charges may be enforced by the Trustees if one of the following occurs: (a) the Company does not pay funds into the scheme in line with the agreed plan; (b) an insolvency event occurs in relation to the Company; or (c) the Company does not pay any deficit at 30 June 2031.

Under the Ireland defined benefit pension scheme deficit funding plan, a property owned by Renishaw Ireland (DAC) is subject to a registered fixed charge to secure the Ireland defined benefit pension scheme's deficit.

For the UK defined benefit scheme, a guide to the sensitivity of the value of the respective liabilities is as follows:

	Variation	Approximate effect on liabilities
UK – discount rate	Increase/decrease by 0.5%	-£9.6m/+£10.7m
UK – future inflation	Increase/decrease by 0.5%	+£8.2m/-£7.6m
UK – mortality	Increased/decreased life by one year	+£4.0m/-£3.8m

24. Share-based payments

The Group provides share-based payment arrangements to certain employees in accordance with the Renishaw plc deferred annual equity incentive plan. The Governance section provides information of how these awards are determined.

Accounting policy

Renishaw shares are granted in accordance with the Renishaw plc deferred annual equity incentive plan (the Plan). The share awards are subject only to continuing service of the employee and are equity settled. The fair value of the awards at the date of grant, which is estimated to be equal to the market value, is charged to the Consolidated income statement on a straight-line basis over a three-year vesting period, with appropriate adjustments made to reflect expected or actual forfeitures. The corresponding credit is to Other reserve.

The number of shares to be awarded is calculated by dividing the relevant amount of annual bonus under the Plan by the average price of a share during a period determined by the Remuneration Committee of not more than five dealing days ending with the dealing day before the award date. These shares must be purchased on the open market and cannot be satisfied by issuance of new shares or transfer of existing treasury shares.

The Renishaw Employee Benefit Trust (EBT) is responsible for purchasing shares on the open market on behalf of the Company to satisfy the Plan awards. These are held by the EBT until transferring to the employee, which will normally be on the third anniversary of the award date, subject to continued employment. Malus and clawback provisions can be operated by the Committee within five years of the award date. During the vesting period, no dividends are payable on the shares. However, upon vesting, employees will be entitled to additional shares or cash, equivalent to the value of dividends paid on the awarded shares during this period. This amount is accrued over the vesting period.

Own shares held are recognised as an element in equity until they are transferred at the end of the vesting period, and such shares are excluded from earnings per share calculations.

The total cost recognised in the 2023 Consolidated income statement in respect of the Plan was £677,000 (2022: £180,000). See note 26 for reconciliations of amounts recognised in Equity.

In accordance with the Plan, no shares (2022: £1,915,000 equivalent) are to be awarded in respect of 2023. See the Directors' Remuneration Report for further details of the Plan.

Notes continued

25. Financial instruments

The Group has exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments. This note presents information about the Group's exposure to these risks, along with the Group's objectives, policies and processes for measuring and managing the risks.

Accounting policy

The Group measures financial instruments such as forward exchange contracts at fair value at each balance sheet date in accordance with IFRS 9 'Financial Instruments'. Fair value, as defined by IFRS 13 'Fair Value Measurement', is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This note provides detail on the IFRS 13 fair value hierarchy.

Trade and other current receivables are initially recognised at fair value and are subsequently held at amortised cost less any provision for bad and doubtful debts and expected credit losses according to IFRS 9. Loans to associates and joint ventures are initially recognised at fair value and are subsequently held at amortised cost. Trade and other current payables are initially recognised at fair value and are subsequently held at amortised cost.

Financial liabilities in the form of loans are initially recognised at fair value and are subsequently held at amortised cost. Financial liabilities are assessed for embedded derivatives and whether any such derivatives are closely related. If not closely related, such derivatives are accounted for at fair value in the Consolidated income statement.

Foreign currency derivatives are used to manage risks arising from changes in foreign currency rates relating to overseas sales and foreign currency-denominated assets and liabilities. The Group does not enter into derivatives for speculative purposes. Foreign currency derivatives are stated at their fair value, being the estimated amount that the Group would pay or receive to terminate them at the balance sheet date, based on prevailing foreign currency rates.

Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in Other comprehensive income and in the Cash flow hedging reserve, and subsequently transferred to the carrying amount of the hedged item or the Consolidated income statement. Realised gains or losses on cash flow hedges are therefore recognised in the Consolidated income statement within revenue in the same period as the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or when the hedging instrument or hedged item no longer qualify for hedge accounting. If the forecast transaction is still expected to occur, but is no longer highly probable, the cumulative gain or loss in the cash flow hedge reserve remains in that reserve until the transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Consolidated income statement.

Changes in fair value of foreign currency derivatives, which are ineffective or do not meet the criteria for hedge accounting in IFRS 9, are recognised in the Consolidated income statement within Gains/losses from the fair value of financial instruments.

In addition to derivatives held for cash flow hedging purposes, the Group uses short-term derivatives not designated as hedging instruments to offset gains and losses from exchange rate movements on foreign currency-denominated assets and liabilities. Gains and losses from currency movements on underlying assets and liabilities, realised gains and losses on these derivatives, and fair value gains and losses on outstanding derivatives of this nature are all recognised in Financial income and expenses in the Consolidated income statement.

Key estimate – Estimates of highly probable forecasts of the hedged item

Derivatives are effective for hedge accounting to the extent that the hedged item is 'highly probable' to occur, with 'highly probable' indicating a much greater likelihood of occurrence than the term 'more likely than not'. Determining a highly probable sales forecast for Renishaw plc and Renishaw UK Sales Limited, being the hedged item, over a multiple year time period, requires judgement of the suitability of external and internal data sources and estimations of future sales.

Fair value

There is no significant difference between the fair value of financial assets and financial liabilities and their carrying value in the Consolidated balance sheet. All financial assets and liabilities are held at amortised cost, apart from the forward foreign currency exchange contracts, which are held at fair value, with changes going through the Consolidated income statement unless the contracts are subject to hedge accounting.

The fair values of the forward foreign currency exchange contracts have been calculated by a third-party expert, discounting estimated future cash flows on the basis of market expectations of future exchange rates, representing level 2 in the IFRS 13 fair value hierarchy. The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications are: level 1 where instruments are quoted on an active market; level 2 where the assumptions used to arrive at fair value have comparable market data; and level 3 where the assumptions used to arrive at fair value do not have comparable market data.

25. Financial instruments continued

Credit risk

The Group's liquid funds are substantially held with banks with high credit ratings and the credit risk relating to these funds is therefore limited. The Group carries a credit risk relating to non-payment of trade receivables by its customers. The Group's policy is that credit evaluations are carried out on all new customers before credit is given above certain thresholds. Risk is spread across a large number of customers with no significant concentration with one customer or in any one geographical area. The Group establishes an allowance for impairment in respect of trade receivables where recoverability is considered doubtful.

An analysis by currency of the Group's financial assets at the year end is as follows:

	Trade & finance lease receivables		Other receivables		Cash and cash equivalents and bank deposits	
Currency	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Pound Sterling	**17,530**	21,391	**20,592**	19,565	**161,489**	201,668
US Dollar	**49,609**	45,433	**814**	867	**12,465**	13,965
Euro	**28,418**	28,314	**1,433**	1,568	**6,481**	8,712
Japanese Yen	**16,555**	19,480	**137**	457	**6,481**	5,720
Other	**25,014**	23,242	**5,003**	4,611	**19,472**	23,097
	137,126	137,860	**27,979**	27,068	**206,388**	253,162

The above trade & finance lease receivables, other receivables and cash and bank deposits are predominately held in the functional currency of the relevant entity, with the exception of £19,669,000 (2022: £21,271,000) of US Dollar-denominated trade receivables being held in Renishaw (Hong Kong) Limited and £1,697,000 (2022: £1,852,000) of Euro-denominated trade receivables being held in Renishaw UK Sales Limited, along with some foreign currency cash balances which are of a short-term nature.

The ageing of trade receivables past due at the end of the year was:

	2023 £'000	2022 £'000
Past due zero to one month	**11,808**	9,548
Past due one to two months	**3,880**	3,879
Past due more than two months	**9,732**	5,252
Balance at the end of the year	**25,420**	18,679

Movements in the provision for impairment of trade receivables during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**2,540**	3,826
Changes in amounts provided	**1,784**	(834)
Amounts used	**(886)**	(452)
Balance at the end of the year	**3,438**	2,540

The Group applies the simplified approach when measuring the expected credit loss for trade receivables, with a provision matrix used to determine a lifetime expected credit loss.

For this provision matrix, trade receivables are grouped into credit risk categories, with category 1 being the lowest risk and category 5 the highest. Risk scores are allocated to the customer's country of operation, their type (such as distributor, end user and OEM), their industry and the proportion of their debt that was past due at the year-end. These scores are then weighted to produce an overall risk score for the customer, with the lowest scores being allocated to category 1 and the highest scores to category 5. The matrix then applies an expected credit loss rate to each category, with this rate being determined by adjusting the Group's historic credit loss rates to reflect forward-looking information.

Notes continued

25. Financial instruments continued

Where certain customers have been identified as having a significantly elevated credit risk these have been provided for on a specific basis. Both elements of expected credit loss are shown in the matrix below and have been shown separately so as not to distort the expected credit loss rate.

Year ended 30 June 2023	Risk category 1 £'000	Risk category 2 £'000	Risk category 3 £'000	Risk category 4 £'000	Risk category 5 £'000	2023 Total £'000
Gross trade receivables	3,126	60,826	57,991	4,922	–	126,865
Expected credit loss rate	0.34%	0.38%	0.41%	0.44%	–	0.39%
Expected credit loss allowance	11	228	240	22	–	501
Specific loss allowance	–	219	1,313	1,405	–	2,937
Total expected credit loss	11	447	1,553	1,427	–	3,438
Net trade receivables	3,115	60,379	56,438	3,495	–	123,427

Year ended 30 June 2022	Risk category 1 £'000	Risk category 2 £'000	Risk category 3 £'000	Risk category 4 £'000	Risk category 5 £'000	2022 Total £'000
Gross trade receivables	2,742	51,598	70,298	5,453	–	130,091
Expected credit loss rate	0.19%	0.20%	0.22%	0.24%	–	0.21%
Expected credit loss allowance	5	104	154	13	–	276
Specific loss allowance	–	–	1,502	762	–	2,264
Total expected credit loss	5	104	1,656	775	–	2,540
Net trade receivables	2,737	51,494	68,642	4,678	–	127,551

Finance lease receivables are subject to the same approach as noted above for trade receivables.

Derivative assets are assessed based on the credit risk of the banks counterparty to the forward contracts.

Other receivables include mostly prepayments and indirect tax receivables. Prepayment balances are reviewed at each reporting period to confirm that prepaid goods or services are still expected to be received, while tax balances are reviewed for recoverability.

Other receivables at the year end comprised:

	2023 £'000	2022 £'000
Indirect tax receivable	**9,304**	9,010
Software maintenance	**5,857**	7,430
Grants	**1,426**	1,250
Other prepayments	**11,392**	9,378
Total other receivables	**27,979**	27,068

The maximum exposure to credit risk is £386,309,000 (2022: £425,211,000), comprising the Group's trade, finance and other receivables, cash and cash equivalents and derivative assets.

The maturities of non-current other receivables, being only derivatives, at the year end were:

	2023 £'000	2022 £'000
Receivable between one and two years	**9,443**	–
Receivable between two and five years	**–**	–
	9,443	–

25. Financial instruments continued

Liquidity risk

Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation. We use monthly cash flow forecasts on a rolling 12-month basis to monitor cash requirements.

With cash and cash equivalents and bank deposits at 30 June 2023 totalling £206,388,000 and £84,297,000 cash flows generated from operating activities in the period, the Group remains in a strong liquidity position.

In respect of cash and cash equivalents and bank deposits, the carrying value is materially the same as fair value because of the short maturity of the bank deposits. Bank deposits are affected by interest rates that are either fixed or floating, which can change over time, affecting the Group's interest income. An increase of 1% in interest rates would result in an increase in interest income of approximately £1,250,000.

The contractual maturities of financial liabilities at the year end were:

				Contractual cash flows		
Year ended 30 June 2023	**Carrying amount £'000**	**Effect of discounting £'000**	**Gross maturities £'000**	**Up to 1 year £'000**	**1–2 years £'000**	**2–5 years £'000**
Trade payables	**21,551**	**–**	**21,551**	**21,551**	**–**	**–**
Other payables	**48,130**	**–**	**48,130**	**48,130**	**–**	**–**
Borrowings	**4,694**	**36**	**4,730**	**4,730**	**–**	**–**
Forward exchange contracts	**5,209**	**–**	**5,209**	**5,089**	**120**	**–**
	79,584	**36**	**79,620**	**79,500**	**120**	**–**

				Contractual cash flows		
Year ended 30 June 2022	Carrying amount £'000	Effect of discounting £'000	Gross maturities £'000	Up to 1 year £'000	1–2 years £'000	2–5 years £'000
Trade payables	30,947	–	30,947	30,947	–	–
Other payables	51,949	–	51,949	51,949	–	–
Borrowings	6,079	82	6,161	926	5,235	–
Forward exchange contracts	27,353	–	27,353	17,890	9,463	–
	116,328	82	116,410	101,712	14,698	–

Market risk

As noted in the Strategic Report under Principal risks and uncertainties, the Group operates in several foreign currencies with the majority of sales being made in these non-Sterling currencies, but with most manufacturing being undertaken in the UK, Ireland and India.

A large proportion of sales are made in US Dollar, Euro and Japanese Yen, therefore the Group enters into US Dollar, Euro and Japanese Yen derivative financial instruments to manage its exposure to foreign currency risk, including:

i. forward foreign currency exchange contracts to hedge a significant proportion of the Group's forecasted US Dollar, Euro and Japanese Yen revenues over the next 24 months;

ii. foreign currency option contracts, entered into alongside the forward contracts above until May 2018 as part of the Group hedging strategy, are ineffective for cash flow hedging purposes. Note 29, 'Alternative performance measures', gives an adjusted measure of profit before tax to reflect the original intention that these derivatives were entered into for hedging purposes. The final option contract matured in November 2021; and

iii. one-month forward foreign currency exchange contracts to offset the gains/losses from exchange rate movements arising from foreign currency-denominated intragroup balances of the Company.

Notes continued

25. Financial instruments continued

The amounts of foreign currencies relating to these forward contracts and options are, in Sterling terms:

	2023		2022	
	Nominal value £'000	**Fair value £'000**	Nominal value £'000	Fair value £'000
US Dollar	**345,010**	**5,009**	306,270	(26,249)
Euro	**179,992**	**1,389**	129,799	1,711
Japanese Yen	**30,318**	**3,209**	37,941	4,306
	555,320	**9,607**	474,010	(20,232)

The following are the exchange rates which have been applicable during the financial year:

	2023			**2022**		
Currency	**Average forward contract rate**	**Year end exchange rate**	**Average exchange rate**	Average forward contract rate	Year end exchange rate	Average exchange rate
US Dollar	**1.24**	**1.27**	**1.21**	1.34	1.22	1.33
Euro	**1.13**	**1.16**	**1.15**	1.12	1.16	1.18
Japanese Yen	**141**	**183**	**166**	132	165	156

Hedging

In relation to the forward currency contracts in a designated cash flow hedge, the hedged item is a layer component of forecast sales transactions. Forecast transactions are deemed highly probable to occur and Group policy is to hedge around 75% of net foreign currency exposure for USD, EUR and JPY. The hedged item creates an exposure to receive USD, EUR or JPY, while the forward contract is to sell USD, EUR or JPY and buy GBP. Therefore, there is a strong economic relationship between the hedging instrument and the hedged item. The hedge ratio is 100%, such that, by way of example, £10m nominal value of forward currency contracts are used to hedge £10m of forecast sales. Fair value gains or losses on the forward currency contracts are offset by foreign currency gain or losses on the translation of USD, EUR and JPY based sales revenue, relative to the forward rate at the date the forward contracts were arranged. Foreign currency exposures in HKD and USD are aggregated and only USD forward currency contracts are used to hedge these currency exposures. Sources of hedge ineffectiveness according to IFRS 9 Financial Instruments include:

- changes in timing of the hedged item;
- reduction in the amount of the hedged sales considered to be highly probable;
- a change in the credit risk of Renishaw or the bank counterparty to the forward contract; and
- differences in assumptions used in calculating fair value.

During 2020, global macroeconomic uncertainty resulted in a reduction to the 'highly probable' revenue forecasts of Renishaw plc and Renishaw UK Sales Limited, being the hedged item, which resulted in proportions of forward contracts failing hedge effectiveness testing, with nominal value amounting to £247,547,000. These contracts have matured in the periods since, and the remaining nominal value of ineffective forward contracts at 30 June 2023 was nil (2022: £63,045,000). Fair value gains of £5,504,000 (2022: £8,349,000 losses) recognised in the Consolidated income statement relate to the unwinding of the mark-to-market valuations of the ineffective contracts.

No contracts have become ineffective during the period. A decrease of 10% in the highly probable forecasts would result in around £30,000,000 nominal value of forward contracts becoming ineffective.

25. Financial instruments continued

For both the Group and the Company, the following table details the fair value of these forward foreign currency derivatives according to the categorisations of instruments noted on page 187:

	2023		2022	
	Nominal value £'000	Fair value £'000	Nominal value £'000	Fair value £'000
Forward currency contracts in a designated cash flow hedge (i)				
Non-current derivative assets	**268,908**	**9,443**	–	–
Current derivative assets	**118,271**	**4,461**	77,460	7,077
Current derivative liabilities	**109,434**	**(5,048)**	128,950	(12,046)
Non-current derivative liabilities	**21,148**	**(120)**	179,149	(9,463)
	517,761	**8,736**	385,559	(14,432)
Amounts recognised in the Consolidated statement of comprehensive income and expense	**–**	**23,167**	–	28,423
Forward currency contracts ineffective as a cash flow hedge (i)				
Current derivative liabilities	**–**	**–**	63,045	(5,504)
Amounts recognised in Losses from the fair value of financial instruments in the Consolidated income statement	**–**	**(1,399)**	–	(11,551)
Foreign currency options ineffective as a cash flow hedge (ii)				
Amounts recognised in Losses from the fair value of financial instruments in the Consolidated income statement	**–**	**–**	–	1,138
Forward currency contracts not in a designated cash flow hedge (iii)				
Current derivative assets	**17,134**	**912**	4,880	44
Current derivative liabilities	**20,425**	**(41)**	20,526	(340)
	37,559	**871**	25,406	(296)
Amounts recognised in Financial income/(expense) in the Consolidated income statement	**–**	**1,728**	–	98
Total forward contracts and options				
Non-current derivative assets	**268,908**	**9,443**	–	–
Current derivative assets	**135,405**	**5,373**	82,340	7,121
Current derivative liabilities	**129,859**	**(5,089)**	212,521	(17,890)
Non-current derivative liabilities	**21,148**	**(120)**	179,149	(9,463)
	555,320	**9,607**	474,010	(20,232)

The total losses recognised in Revenue in the Consolidated income statement relating to cash flow hedges previously recognised through other comprehensive income amounted to £21,553,000 (2022: £3,385,000).

For the Group's foreign currency forward contracts at the balance sheet date, if Sterling appreciated by 5% against the US Dollar, Euro and Japanese Yen, this would increase pre-tax equity by £24,655,000 and increase profit before tax by £1,789,000, while a depreciation of 5% would decrease pre-tax equity by £27,251,000 and decrease profit before tax by £1,977,000.

Notes continued

26. Share capital and reserves

The Group defines capital as being the equity attributable to the owners of the Company, which is captioned on the Consolidated balance sheet. The Board's policy is to maintain a strong capital base, ensuring the security of the Group, and to maintain a balance between significant returns to shareholders, with a progressive dividend policy. This note presents figures relating to this capital management, along with an analysis of all elements of Equity attributable to shareholders and non-controlling interests.

Share capital

	2023 £'000	2022 £'000
Allotted, called-up and fully paid 72,788,543 ordinary shares of 20p each	**14,558**	14,558

The ordinary shares are the only class of share in the Company. Holders of ordinary shares are entitled to vote at general meetings of the Company and receive dividends as declared. The Articles of Association of the Company do not contain any restrictions on the transfer of shares nor on voting rights.

Dividends paid

Dividends paid comprised:

	2023 £'000	2022 £'000
2022 final dividend paid of 56.6p per share (2021: 52.0p)	**41,190**	37,850
Interim dividend paid of 16.8p per share (2022: 16.0p)	**12,217**	11,644
Total dividends paid	**53,407**	49,494

A final dividend of 59.4p per share is proposed in respect of 2023, which will be payable on 7 December 2023 to shareholders on the register on 3 November 2023.

Own shares held

The EBT is responsible for purchasing shares on the open market on behalf of the Company to satisfy the Plan awards, see note 24 for further detail. Own shares held are recognised as an element in equity until they are transferred at the end of the vesting period.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**(750)**	(404)
Disposal of own shares on vesting of awards	**–**	404
Acquisition of own shares	**(2,213)**	(750)
Balance at the end of the year	**2,963**	(750)

In November 2021, 14,396 shares were purchased on the open market by the EBT at a price of £52.10, costing a total of £750,017. The fair value of these awards at the grant date, being 28 October 2021, was £734,317. These shares will vest on 28 October 2024, with no forfeitures expected at 30 June 2023.

In November 2022, 54,582 shares were purchased on the open market by the EBT at a price of £40.24, costing a total of £2,212,831. The fair value of these awards at the grant date, being 26 October 2022, was £1,915,000. These shares will vest on 26 October 2025, with no forfeitures expected at 30 June 2023.

Other reserve

The other reserve relates to share-based payments charges according to IFRS 2 in relation to the Plan, along with historical amounts relating to investments in subsidiary undertakings not eliminated on consolidation.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**(180)**	44
Share-based payments charge in respect of shares vesting in 2022	**–**	16
Transfer of own shares on vesting of awards	**–**	(404)
Share-based payments charge in respect of shares vesting in 2024	**245**	164
Share-based payments charge in respect of shares vesting in 2025	**432**	–
Balance at the end of the year	**497**	(180)

26. Share capital and reserves continued

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas operations and currency movements on intragroup loan balances classified as net investments in overseas operations.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**14,459**	3,719
(Loss)/gain on net assets of foreign currency operations	**(5,905)**	3,529
Transfer of accumulated loss relating to net assets of Russian operation	**–**	575
(Loss)/gain on intragroup loans classified as net investments in foreign operations	**(2,095)**	8,047
Tax on translation of net investments in foreign operations	**313**	(1,529)
(Loss)/gain in the year relating to subsidiaries	**(7,687)**	10,622
Currency exchange differences relating to joint ventures	**–**	118
Balance at the end of the year	**6,772**	14,459

See note 5 for further information on intragroup loans classified as net investments.

Cash flow hedging reserve

The cash flow hedging reserve, for both the Group and the Company, comprises all foreign exchange differences arising from the valuation of forward exchange contracts which are effective hedges and mature after the year end. These are valued on a mark-to-market basis, are accounted for in Other comprehensive income and expense and accumulated in Equity, and are recycled through the Consolidated income statement and Company income statement when the hedged item affects the income statement, or when the hedging relationship ceases to be effective. See note 25 for further detail.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**(10,923)**	11,345
Losses on contract maturity recognised in revenue during the year	**(21,553)**	(3,385)
Revaluations during the year	**44,720**	(25,038)
Deferred tax movement	**(5,692)**	6,155
Balance at the end of the year	**6,552**	(10,923)

Non-controlling interest

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**(577)**	(577)
Share of profit for the year	**–**	–
Balance at the end of the year	**(577)**	(577)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited – 7.6%.

27. Capital commitments

At the end of a financial year, we typically have obligations to make payments in the future, for which no provision is made in the financial statements. In 2022, we committed to the expansion of one of our production facilities in Wales, UK, which is expected to cost an additional £35m over the next year.

Authorised and committed capital expenditure at the end of the year were:

	2023 £'000	2022 £'000
Freehold land and buildings	**35,607**	65,328
Plant and equipment	**11,423**	22,760
Motor vehicles	**14**	319
Total committed capital expenditure	**47,044**	88,407

Notes continued

28. Related parties

We report our two joint venture companies, RLS Merilna tehnika d.o.o. and Metrology Software Products Limited, as related parties.

Joint ventures and other related parties had the following transactions and balances with the Group:

	2023 £'000	2022 £'000
Purchased goods and services from the Group during the year	**117**	553
Sold goods and services to the Group during the year	**24,271**	29,355
Paid dividends to the Group during the year	**924**	525
Amounts owed to the Group at the year end	**35**	1
Amounts owed by the Group at the year end	**2,837**	3,950
Loans owed to the Group at the year end	**–**	350

There were no bad debts relating to related parties written off during 2023 or 2022.

By virtue of their long-standing voting agreement, Sir David McMurtry (Executive Chairman 36.23% shareholder) and John Deer (Non-executive Deputy Chairman, together with his wife, 16.59%), are the ultimate controlling party of the Group. See page 137 of the Governance Report for further details in relation to this. The only significant transactions between the Group and these parties are in relation to their respective remuneration, as detailed in the Governance Report.

29. Alternative performance measures

There are sometimes infrequently occurring events which impact our financial statements, recognised according to applicable IFRS, that we believe should be excluded from adjusted performance measures to give readers additional useful and comparable views of our underlying performance.

In accordance with Renishaw's alternative performance measures (APMs) policy and ESMA Guidelines on Alternative Performance Measures (2015), APMs we use are Revenue at constant exchange rates, Adjusted profit before tax, Adjusted earnings per share, and Adjusted operating profit.

Revenue at constant exchange rates is defined as revenue recalculated using the same rates as were applicable to the previous year and excluding forward contract gains and losses.

Revenue at constant exchange rates:	2023 £'000	2022 £'000
Statutory revenue as reported	**688,573**	671,076
Adjustment for forward contract gains	**7,815**	(744)
Adjustment to restate current year at previous year exchange rates	**(33,549)**	–
Revenue at constant exchange rates	**662,839**	670,332
Year-on-year revenue growth at constant exchange rates	**-1.1%**	–

Year-on-year revenue growth at constant exchange rates for 2022 was +18.3%.

Adjusted profit before tax, Adjusted earnings per share and Adjusted operating profit are defined as the profit before tax, earnings per share and operating profit after excluding:

- costs relating to a revision to a provision made in 2020 relating to restructuring (a);
- third-party costs relating to the formal sales process ('FSP') (b);
- a UK defined benefit pension scheme past service cost (c);
- a US defined benefit pension scheme past service cost (d); and
- gains and losses in fair value from forward currency contracts which did not qualify for hedge accounting and which have yet to mature (e).

a) Restructuring costs, where applicable during a year, are reported separately in the Consolidated income statement and excluded from adjusted measures on the basis that they relate to matters that do not frequently recur. During 2022, a revised estimate of a warranty provision relating to restructuring in 2020 resulted in a reduction to this provision of £1,688,000, then in 2023 a further revision resulted in a reduction of £717,000. As this provision was initially excluded from adjusted measures, the revised estimates have also been excluded.

b) Third-party legal and advisory costs relating to the 2021 FSP were excluded from adjusted measures in 2021. During 2022, £200,000 was released from an accrual made in respect of these costs relating to indirect tax, which was also excluded in the previous year.

29. Alternative performance measures continued

c) In 2022, the Company agreed to an augmentation of UK defined benefit pension scheme members' benefits. This was effected in the scheme Rules through a Deed of Amendment to the Trust Deed and Rules, signed by the Trustees and Company on 20 June 2022, therefore relates to a matter which is not expected to frequently recur. The impact on liabilities of this plan amendment, totalling £11,695,000, were recognised as a past service cost, reported separately in the Consolidated income statement and excluded from adjusted profit measures.

d) In 2023, a termination of the US plan (other than distribution of surplus) was completed, with most members opting for lump sum payments. It was agreed that the surplus will be distributed to qualifying scheme members. Accordingly, the surplus of £2,139,000 has been treated as an augmentation to member benefits, reported separately in the Consolidated income statement and excluded from adjusted profit measures. See note 23 for further detail.

e) From 2017, the gains and losses from the fair value of financial instruments not effective for cash flow hedging have been excluded from statutory profit before tax, statutory earnings per share and statutory operating profit in arriving at Adjusted profit before tax, Adjusted earnings per share and Adjusted operating profit to reflect the Board's intent that the instruments would provide effective hedges. This is classified as 'Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i)' in the following reconciliations. The amounts shown as reported in revenue represent the amount by which revenue would change had all the derivatives qualified as eligible for hedge accounting.

Gains and losses which recycle through the Consolidated income statement as a result of contracts deemed ineffective during 2020, as described in note 25, are also excluded from adjusted profit measures, on the basis that all forward contracts are still expected to be effective hedges for Group revenue. This is classified as 'Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii)' in the following reconciliations.

The Board considers these alternative performance measures to be additional useful measures to analyse the underlying performance of the Group.

Adjusted profit before tax:	**2023 £'000**	2022 £'000
Statutory profit before tax	**145,065**	145,586
Revised estimate of 2020 restructuring provisions	**(717)**	(1,688)
Third-party FSP costs	**–**	(200)
UK defined benefit pension scheme past service cost	**–**	11,695
US defined benefit pension scheme past service cost	**2,139**	–
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i):		
– reported in revenue	**–**	2,621
– reported in (gains)/losses from the fair value of financial instruments	**–**	(1,138)
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii):		
– reported in revenue	**(6,903)**	(4,685)
– reported in (gains)/losses from the fair value of financial instruments	**1,399**	11,551
Adjusted profit before tax	**140,983**	163,742

Adjusted earnings per share:	**2023 pence**	2022 pence
Statutory earnings per share	**159.7**	165.4
Revised estimate of 2020 restructuring provisions	**(0.8)**	(0.3)
Third-party FSP costs	**–**	(1.9)
UK defined benefit pension scheme past service cost	**–**	13.0
US defined benefit pension scheme past service cost	**2.2**	–
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i):		
– reported in revenue	**–**	2.9
– reported in (gains)/losses from the fair value of financial instruments	**–**	(1.3)
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii):		
– reported in revenue	**(7.5)**	(5.2)
– reported in (gains)/losses from the fair value of financial instruments	**1.5**	12.9
Adjusted earnings per share	**155.1**	185.5

Notes continued

29. Alternative performance measures continued

Adjusted operating profit:	2023 £'000	2022 £'000
Statutory operating profit	**134,489**	143,250
Revised estimate of 2020 restructuring provisions	**(717)**	(1,688)
Third-party FSP costs	**–**	(200)
UK defined benefit pension scheme past service cost	**–**	11,695
US defined benefit pension scheme past service cost	**2,139**	–
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i):		
– reported in revenue	**–**	2,621
– reported in (gains)/losses from the fair value of financial instruments	**–**	(1,138)
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii):		
– reported in revenue	**(6,903)**	(4,685)
– reported in (gains)/losses from the fair value of financial instruments	**1,399**	11,551
Adjusted operating profit	**130,407**	161,406

Adjustments to the segmental operating profit:

Manufacturing technologies	2023 £'000	2022 £'000
Operating profit before losses from fair value of financial instruments and UK and US defined benefit pension schemes' past service cost	**132,843**	162,549
Revised estimate of 2020 restructuring provisions	**(717)**	(1,688)
Third-party FSP costs	**–**	(197)
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i):		
– reported in revenue	**–**	2,576
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii):		
– reported in revenue	**(6,644)**	(4,605)
Adjusted manufacturing technologies operating profit	**125,482**	158,635

Analytical instruments and medical devices	2023 £'000	2022 £'000
Operating profit before losses from fair value of financial instruments and UK and US defined benefit pension schemes' past service cost	**5,184**	2,809
Third-party FSP costs	**–**	(3)
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (i):		
– reported in revenue	**–**	45
Fair value (gains)/losses on financial instruments not eligible for hedge accounting (ii):		
– reported in revenue	**(259)**	(80)
Adjusted analytical instruments and medical devices operating profit	**4,925**	2,771

Company balance sheet
at 30 June 2023

	notes	2023 £'000	2022 £'000
Assets			
Property, plant and equipment	C.31	**177,288**	133,171
Right-of-use assets		**2,151**	1,814
Investment properties		**5,758**	5,657
Intangible assets	C.32	**34,137**	28,442
Investments in subsidiaries	C.33	**298,174**	288,174
Investments in joint ventures	C.34	**1,453**	1,453
Long-term loans to Group undertakings		**74,173**	95,919
Employee benefits	C.40	**57,416**	40,331
Derivatives	25	**9,443**	–
Total non-current assets		**659,993**	594,961
Current assets			
Inventories	C.36	**122,905**	100,034
Trade receivables	C.37	**35,675**	81,864
Short-term loans to Group undertakings		**–**	774
Current tax		**16,087**	7,501
Other receivables		**19,490**	18,739
Derivatives	25	**5,373**	7,121
Bank deposits	15	**125,000**	100,000
Cash and cash equivalents		**16,267**	111,162
Total current assets		**340,797**	427,195
Current liabilities			
Trade payables		**13,810**	21,618
Short-term loans from Group undertakings		**–**	1,026
Provisions	C.38	**2,130**	3,727
Lease liabilities		**15**	15
Derivatives	25	**5,089**	17,890
Other payables	C.39	**47,620**	54,046
Total current liabilities		**68,664**	98,322
Net current assets		**272,133**	328,873
Non-current liabilities			
Deferred tax liabilities	C.35	**41,875**	24,944
Lease liabilities		**2,152**	1,797
Long-term loans from Group undertakings		**100**	346
Derivatives	25	**120**	9,463
Total non-current liabilities		**44,247**	36,550
Total assets less total liabilities		**887,879**	887,284
Equity			
Share capital	C.41	**14,558**	14,558
Share premium		**42**	42
Own shares held	26	**(2,963)**	(750)
Cash flow hedging reserve	26	**6,552**	(10,923)
Retained earnings		**868,733**	884,077
Other reserve		**957**	280
Total equity		**887,879**	887,284

The Company reported a profit for the financial year ended 30 June 2023 of £27,559,000 (2022: £115,520,000).

These financial statements were approved by the Board of Directors on 18 September 2023 and were signed on its behalf by:

Sir David McMurtry **Allen Roberts**

Directors

Company statement of changes in equity
for the year ended 30 June 2023

Year ended 30 June 2022	Share capital £'000	Share premium £'000	Own shares held £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Other reserve £'000	Total £'000
Balance at 1 July 2021	14,558	42	(404)	11,345	770,262	504	796,307
Profit for the year	–	–	–	–	115,520	–	115,520
Other comprehensive income and expense (net of tax)							
Remeasurement of defined benefit pension scheme assets/liabilities	–	–	–	–	47,789	–	47,789
Changes in fair value of cash flow hedges	–	–	–	(22,268)	–	–	(22,268)
Total other comprehensive income and expense	–	–	–	(22,268)	47,789	–	25,521
Total comprehensive income and expense	–	–	–	(22,268)	163,309	–	141,041
Share-based payments charge	–	–	–	–	–	180	180
Own shares transferred on vesting	–	–	404	–	–	(404)	–
Own shares purchased	–	–	(750)	–	–	–	(750)
Dividends paid	–	–	–	–	(49,494)	–	(49,494)
Balance at 30 June 2022	14,558	42	(750)	(10,923)	884,077	280	887,284
Year ended 30 June 2023							
Profit for the year	–	–	–	–	27,559	–	27,559
Other comprehensive income and expense (net of tax)							
Remeasurement of defined benefit pension scheme assets/liabiities	–	–	–	–	10,504	–	10,504
Changes in fair value of cash flow hedges	–	–	–	17,475	–	–	17,475
Total other comprehensive income and expense	–	–	–	17,475	10,504	–	27,979
Total comprehensive income and expense	–	–	–	17,475	38,063	–	55,538
Share-based payments charge	–	–	–	–	–	677	677
Own shares purchased	–	–	(2,213)	–	–	–	(2,213)
Dividends paid	–	–	–	–	(53,407)	–	(53,407)
Balance at 30 June 2023	**14,558**	**42**	**(2,963)**	**6,552**	**868,733**	**957**	**887,879**

Notes to the Company financial statements

C.30. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Basis of preparation

The financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible fixed assets;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The financial statements have been prepared on the historical cost basis, except for the fair value of financial instruments. Historical cost is based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Critical accounting judgements and estimation uncertainties

The areas of key estimation uncertainty and critical accounting judgement that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year for the Company are consistent with those of the Group, as summarised on page 161.

Going concern

In preparing these financial statements, the Directors have adopted the going concern basis. The decision to adopt the going concern basis was made as part of the assessment of the Group's going concern status, details of which are set out on page 161.

Having considered the impact on the Company of the same factors set out on page 161, and the Company's business model, risk management and principal risks, and significant financial resources and cash balances, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Investments

Investments in subsidiary and associated undertakings are stated at cost less any provision for permanent impairment losses.

Property, plant and equipment, and depreciation

Property, plant and equipment assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of assets less their estimated residual value on a straight-line basis over their estimated useful economic lives as follows:

- freehold buildings, 50 years;
- plant and equipment, 3 to 25 years;
- motor vehicles, 3 to 4 years; and
- no depreciation is provided on freehold land.

Inventories

Inventories are valued at the lower of actual cost (on a FIFO basis) and net realisable value. Cost comprises direct materials and labour plus overheads applicable to the stage of manufacture reached.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Company financial statements continued

C.30. Accounting policies (continued)

Taxation

The charge for taxation is based on the Company's profit for the year. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

Employee benefits

The Company operated a contributory pension scheme, of the defined benefit type up to 5 April 2007, after which this scheme was closed for future accruals to existing members and was closed to new members. Since 5 April 2007, the Company has operated a defined contribution scheme.

The scheme is administered by trustees who are independent of the Company finances.

Pension scheme assets in the defined benefit scheme are measured at fair value using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The expected return on the scheme's assets and the interest on the scheme's liabilities arising from the passage of time are included in other finance income.

The pension scheme's surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet. Where a guarantee is in place in relation to a pension scheme deficit, liabilities are reported in accordance with IFRIC 14. To the extent that contributions payable will not be available as a refund after they are paid into the plan, a liability is recognised at the point the obligation arises, which is the point at which the minimum funding guarantee is agreed.

Accruals are made for holiday pay, based on a calculation of the number of days' holiday earned during the year but not yet taken, and also for performance bonuses, if applicable.

Derivative financial instruments

In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for speculative purposes.

The Company uses forward exchange contracts to hedge its exposure to foreign exchange risk arising from operational and financing activities. Forward exchange contracts are recognised at fair value, being the estimated amount that the Company would pay or receive to terminate them at the balance sheet date based on prevailing foreign currency rates. Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in Other comprehensive income and in the currency hedging reserve, and subsequently transferred to the carrying amount of the hedged item or the income statement. The ineffective part of any gain or loss is recognised in the income statement immediately.

Other financial instruments

Loans to joint ventures are initially recognised at fair value and are subsequently held at amortised cost.

Loans to Group undertakings are initially recognised at fair value and are subsequently held at amortised cost using the effective interest rate method. Where such intercompany loans are repayable on demand the Company determines whether any impairment provision is required by assessing the company's ability to repay the loan. Where it is determined that a recipient company does not have the capacity to repay the loan at the balance sheet date, or the loan is not repayable on demand, an expected credit loss model is used to calculate the impairment provision required.

Trade and other current receivables are initially recognised at fair value and are subsequently held at amortised cost less any provision for bad and doubtful debts. Trade and other current payables are initially recognised at fair value and are subsequently held at amortised cost.

Warranty

The Company provides a warranty from the date of purchase, except for those products that are installed by the Company where the warranty starts from the date of completion of the installation. This is typically for a 12-month period, although up to three years is given for a small number of products. A warranty provision is included in the accounts, which is calculated on the basis of historical returns and internal quality reports.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on such translation are recognised in the income statement.

C.31. Property, plant and equipment

Year ended 30 June 2023	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 July 2022	107,114	200,969	3,843	7,382	319,308
Additions	101	9,542	–	48,262	57,905
Transfers of assets in the course of construction	1,409	4,774	–	(6,183)	–
Disposals	(249)	(3,070)	(541)	–	(3,860)
At 30 June 2023	**108,375**	**212,215**	**3,302**	**49,461**	**373,353**
Depreciation					
At 1 July 2022	24,250	158,405	3,482	–	186,137
Charge for the year	2,001	10,904	202	–	13,108
Released on disposals	(34)	(2,606)	(539)	–	(3,179)
At 30 June 2023	**26,217**	**166,703**	**3,145**	**–**	**196,065**
Net book value					
At 30 June 2023	**82,158**	**45,512**	**157**	**49,461**	**177,288**
At 30 June 2022	82,864	42,564	361	7,382	133,171

At 30 June 2023, properties with a net book value of £88,778,000 (2022: £54,208,000) were subject to a fixed charge to secure the UK defined benefit pension scheme liabilities. See note 23 for additional information.

Additions to assets in the course of construction comprise:

	2023 £'000	2022 £'000
Freehold land and buildings	**37,474**	826
Plant and equipment	**10,788**	5,978
	48,262	6,804

C.32. Intangible assets

Year ended 30 June 2023	Goodwill £'000	Internally generated development costs £'000	Software licences, intellectual property and other intangible assets £'000	Total £'000
Cost				
At 1 July 2022	9,305	162,384	25,255	196,944
Additions	–	10,448	1,653	12,101
Disposals	–	–	(10,439)	(10,439)
At 30 June 2023	**9,305**	**172,832**	**16,469**	**198,606**
Depreciation				
At 1 July 2022	9,305	137,485	21,712	168,502
Charge for the year	–	4,892	1,001	5,893
Released on disposals	–	–	(9,926)	(9,926)
At 30 June 2023	**9,305**	**142,377**	**12,787**	**164,469**
Net book value				
At 30 June 2023	**–**	**30,455**	**3,682**	**34,137**
At 30 June 2022	–	24,899	3,543	28,442

Notes to the Company financial statements continued

C.33. Investments in subsidiaries

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**288,174**	288,548
Additions	**10,000**	–
Impairment	**–**	(374)
Balance at the end of the year	**298,174**	288,174

During the year, the Company made an additional investment of £10,000,000 in Renishaw UK Sales Limited.

Details of the Company's subsidiaries are given in note C.44.

C.34. Investments in joint ventures

Investments in joint ventures at 30 June 2023 were £1,453,000 (2022: £1,453,000). There were no movements during the year.

Details of the Company's joint ventures are given in note C.45.

C.35. Deferred tax

Balances at the end of the year were:

	2023			2022		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**–**	**(22,506)**	**(22,506)**	–	(15,792)	(15,792)
Intangible assets	**–**	**(3,592)**	**(3,592)**	–	(2,311)	(2,311)
Defined benefit pension scheme	**–**	**(14,354)**	**(14,354)**	–	(10,474)	(10,474)
Derivatives	**–**	**(2,184)**	**(2,184)**	3,508	–	3,508
Other	**761**	**–**	**761**	125	–	125
Balance at the end of the year	**761**	**(42,636)**	**(41,875)**	3,633	(28,577)	(24,944)

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and there is an intention to net settle the balances. After taking these offsets into account, the net position of £41,875,000 liability (2022: £24,944,000 liability) is presented as a deferred tax liability in the Company's balance sheet. Where deferred tax assets are recognised, the Directors are of the opinion, based on recent and forecast trading, that the level of taxable profits in current and future years make it more likely than not that these assets will be recovered.

Movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**(24,944)**	(11,687)
Movements during the year	**(16,931)**	(13,257)
Balance at the end of the year	**(41,875)**	(24,944)

C.36. Inventories

An analysis of inventories at the end of the year was:

	2023 £'000	2022 £'000
Raw materials	**52,193**	43,845
Work in progress	**35,303**	30,672
Finished goods	**35,409**	25,517
Balance at the end of the year	**122,905**	100,034

C.37. Trade receivables

An analysis of trade receivables at the end of the year was:

	2023 £'000	2022 £'000
Trade receivables	**37**	13
Amounts owed by Group undertakings	**35,638**	81,851
Balance at the end of the year	**35,675**	81,864

C.38. Provisions

Warranty provision movements during the year were:

	2023 £'000	2022 £'000
Balance at the beginning of the year	**3,727**	5,795
Created in the year	**2,253**	1,860
Unused amounts reversed	**(717)**	(1,688)
Used in the year	**(3,133)**	(2,240)
	(1,597)	(2,068)
Balance at the end of the year	**2,130**	3,727

The warranty provision has been calculated on the basis of historical return-in-warranty information and other quality reports. It is expected that most of this expenditure will be incurred in the next financial year and all expenditure will be incurred within three years of the balance sheet date.

C.39. Other payables

An analysis of other payables due within one year at the end of the year was:

	2023 £'000	2022 £'000
Amounts owed to Group undertakings	**24,075**	26,373
Amounts owed to joint ventures	**–**	150
Other taxes and social security	**3,902**	3,849
Other creditors and accruals	**19,643**	23,674
Balance at the end of the year	**47,620**	54,046

Other creditors and accruals includes £7,039,000 (2022: £10,054,000) relating to performance bonus accruals.

C.40. Employee benefits

The Company operated a defined benefit pension scheme, which, at 5 April 2007, ceased any future accrual for current members and was closed to new members. Employees of the Company are now covered by a defined contribution scheme.

The total pension cost of the Company for the year was £18,923,000 (2022: £15,891,000), of which £126,000 (2022: £121,000) related to Directors. The latest full actuarial valuation of the scheme was carried out at 30 September 2021 and updated to 30 June 2023 by a qualified independent actuary.

The major assumptions used by the actuary for the scheme were:

	30 June 2023	30 June 2022
Rate of increase in pension payments	**3.05%**	3.05%
Discount rate	**5.10%**	3.60%
Inflation rate (RPI)	**3.25%**	3.10%
Inflation rate (CPI)	**2.25%**	2.10%
Retirement age	**64**	64

The mortality assumption used for 2023 is the S3PxA base tables and CMI 2022 model, with long-term improvements of 1% per annum. Adjustments have been made to both the core base tables and CMI 2022 model to allow for the scheme's membership profile and best estimate assumptions of future mortality improvements. The weighted average duration of the defined benefit scheme obligation is around 17 years (2022: 22 years). See note 23 for further details of mortality assumptions and sensitivities.

Notes to the Company financial statements continued

C.40. Employee benefits (continued)

The assets and liabilities in the scheme were:

	30 June 2023 £'000	% of total assets	30 June 2022 £'000	% of total assets
Market value of assets:				
Credit and fixed income funds	**54,656**	**30**	9,147	5
Index linked gilts	**53,738**	**30**	1,489	1
Cash and other	**38,642**	**21**	754	–
Multi-asset fund	**21,432**	**12**	79,613	41
Fixed interest gilts	**13,219**	**7**	–	–
Equities	**–**	**–**	102,859	83
	181,687	**100**	193,862	100
Actuarial value of liabilities	**(124,271)**	**–**	(153,531)	–
Surplus/(deficit) in the scheme	**57,416**	**–**	40,331	–
Deferred tax thereon	**(14,354)**	**–**	(10,474)	–

All equities had quoted prices in active markets in the UK, North America, Europe, Asia Pacific, Japan and emerging markets.

The movements in the scheme were:

Year ended 30 June 2023	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Surplus in scheme at the beginning of the year	193,862	(153,531)	40,331
Contributions	2,177	–	2,177
Interest on pension scheme	6,962	(5,443)	1,519
Remeasurement gain/(loss) under IAS 19	(16,432)	30,119	13,687
Scheme administration expenses	(298)	–	(298)
Benefits paid	(4,584)	4,584	–
Surplus in scheme at the end of the year	**181,687**	**(124,271)**	**57,416**

Year ended 30 June 2022	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Deficit in scheme at the beginning of the year	204,959	(224,122)	(19,163)
Contributions	8,702	–	8,702
Interest on pension scheme	3,812	(4,086)	(274)
Remeasurement loss from augmentation of members' benefits	–	(11,695)	(11,695)
Remeasurement gain/(loss) under IAS 19, the asset ceiling and IFRIC 14	(16,809)	79,570	62,761
Benefits paid	(6,802)	6,802	–
Surplus in scheme at the end of the year	193,862	(153,531)	40,331

The analysis of the amount recognised in Other comprehensive income and expense was:

	2023 £'000	2022 £'000
Actuarial gain/(loss) arising from:		
Changes in demographic assumptions	**1,802**	3,987
Changes in financial assumptions	**36,137**	59,797
Experience adjustment	**(7,820)**	(7,072)
Return on plan assets excluding interest income	**(16,432)**	(16,809)
Adjustment for the asset ceiling	**–**	3,280
Adjustment to liabilities for IFRIC 14	**–**	19,578
Total recognised in the Other comprehensive income and expense	**13,687**	62,761

C.41. Share capital

	2023 £'000	2022 £'000
Allotted, called-up and fully paid 72,788,543 ordinary shares of 20p each	**14,558**	14,558

The ordinary shares are the only class of share in the Company. Holders of ordinary shares are entitled to vote at general meetings of the Company and receive dividends as declared. The Articles of Association of the Company do not contain any restrictions on the transfer of shares nor on voting rights.

C.42. Related parties

During the year, related parties, these being the Group's joint ventures (see note 13), had the following transactions and balances with the Company:

	2023 £'000	2022 £'000
Purchased goods and services from the Company during the year	**81**	76
Sold goods and services to the Company during the year	**2,138**	3,898
Amounts owed by the Company at the year end	**154**	150
Loans owed to the Company at the year end	**–**	350

C.43. Capital commitments

Capital commitments at the end of the year, for which no provision has been made in the financial statements, were:

	2023 £'000	2022 £'000
Authorised and committed	**43,662**	87,299

C.44. Subsidiary undertakings

The following are the subsidiary undertakings of Renishaw plc as at 30 June 2023, all of which are wholly-owned and held by a subsidiary undertaking, unless otherwise stated. The country in which each subsidiary has its registered/principal office is its domicile and country of incorporation. The accounting year-end for each subsidiary undertaking is 30 June unless otherwise stated. The shareholdings in all the subsidiary undertakings are in the ordinary share capital of those undertakings unless otherwise stated. The principal activities for all the subsidiary undertakings are those of the Company, as set out in the Other statutory and regulatory disclosures, except as indicated below:

D Dormant company	* 31 March year end
F Finance company	^ 31 December year end
H Holding company	† Ordinary-A shares
T Travel agency	‡ Ordinary-C shares

Company	Registered Office
Owned by Renishaw plc	
MTT Investments Limited[D]	New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR United Kingdom
Renishaw Advanced Materials Limited[D]	
Renishaw International Limited[F]	
Renishaw Medical Limited[D]	
Renishaw PT Limited[D]	
Renishaw Software Limited[D]	
Renishaw Transducer Systems Limited[D]	
Renishaw UK Sales Limited	
Wotton Travel Limited[T]	
Measurement Devices Limited[D]	Research Park North, Riccarton, Edinburgh, Scotland, EH14 4AP United Kingdom
Renishaw Diagnostics Limited[†‡] (92.4%)	
Renishaw Tehnicni Inženiring d.o.o.	4th Floor, Faculty of Electrical Engineering, University of Ljubljana, Tržaška cesta 25, Ljubljana, 1000 Slovenia
Renishaw Neuro Solutions Limited	Wotton Road, Charfield, Wotton-under-Edge, Gloucestershire, GL12 8SP United Kingdom

Financial statements

Notes to the Company financial statements continued

C.44. Subsidiary undertakings (continued)

Company	Registered Office
Owned by MTT Investments Limited	
MTT Technologies Limited[D]	New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR United Kingdom
Owned by Renishaw International Limited	
itp GmbH	Rathausstraße 75-79, 66333, Völklingen Germany
OOO Renishaw^ (not actively trading)	Kantemirovskaya Ulitsa, 58, 115477, Moskva, Russian Federation
Renishaw (Austria) GmbH	Industriestraße 9, Top 4.2, 2353, Guntramsdorf Austria
Renishaw (Canada) Limited	2196 Dunwin Drive, Mississauga, Ontario, L5L 1C7 Canada
Renishaw (Hong Kong) Limited	Ever Gain Plaza Tower 2, 28/F, 88 Container Port Road, Kwai Chung Hong Kong
Renishaw (Ireland) DAC	Swords Business Park, Mountgorry, Swords, County Dublin, K67 FX67 Ireland
Renishaw (Israel) Limited	HaTnufa Street 3, Kraytek Building, PO Box 4, Yokne'am Illit, 2069204 Israel
Renishaw (Korea) Limited	RM#1314, Woolim e-Biz Center, 28 Digital-ro 33-gil, Guro-gu, Seoul Republic of Korea
Renishaw AB	Biskop Henriks väg 2, 176 76, Järfälla Sweden
Renishaw AG	Stachelhofstrasse 2, 8854, Siebnen, Schübelbach Switzerland
Renishaw Benelux BV	Nikkelstraat 3, 4823 AE, Breda Netherlands
Renishaw GmbH (5.1% owned by Renishaw plc)	Karl-Benz Straße 12, 72124, Pliezhausen Germany
Renishaw Gulf Measuring & Control Systems Trading LLC^	Office 501, 5th Floor, Block B, Business Village, Port Saeed, Deira, Dubai United Arab Emirates
Renishaw Healthcare, Inc.	c/o C T Corporation System (Chicago), 208 South LaSalle Street, Suite 814, Cook County, Chicago IL 60604 United States
Renishaw Hungary Kft	Gyár utca 2, Budaörs, 2040 Hungary
Renishaw Ibérica S.A.U.	Gavà Park, Carrer de la Recerca, 7, Gavà, 08850, Barcelona Spain
Renishaw K.K.	4 Chome-29-8 Yotsuya, Shinjuku-ku, Tokyo, 160-0004 Japan
Renishaw Latino Americana Ltda.^	Calçada dos Cravos, 141, Alphaville Comercial, Barueri, São Paulo, 06453-053 Brazil
Renishaw Metrology Systems Limited*	S.No.283, Hissa no.2, S.No.284, Hissa no.2 & 3A, Raisoni Industrial Estate, Village Mann, Taluka Mulshi, Pune, 411057 India
Renishaw México S. de R.L. de C.V.^ (0.001% owned by Renishaw, Inc.)	Iridium 5004, Parque Industrial Milenium, Apodoca, Nuevo León, 66600 Mexico

C.44. Subsidiary undertakings (continued)

Company	Registered Office
Renishaw Oceania Pty Limited	c/o KPMG, Tower Two, Collins Square, 727 Collins Street, Docklands VIC 3008 Australia
Renishaw Oy	c/o WaBuCo Oy, Energiakuja 3, Helsinki, 00180 Finland
Renishaw S.A.S.	15 Rue Albert Einstein, 77420, Champs-sur-Marne France
Renishaw S.p.A.	Via dei Prati 5, 10044 Pianezza, Torino Italy
Renishaw s.r.o.	Olomoucká 1164/85, Brno-Černovice, Brno, 627 00 Czech Republic
Renishaw Sp. z o.o.	ul. Osmańska 12, 02-823, Warszawa Poland
Renishaw SRL (0.1% owned by Renishaw UK Sales Limited)	Section A.2.13, 2nd Floor, Building A, Central Business Park, Calea Șerban Vodă 133, București, 040205 Romania
Renishaw Teknoloji Çözümleri LŞ	Turgut Özal Blv. No:193, Şerifali Mahallesi, Dudullu Osb, Ümraniye, İstanbul, 34775 Turkey
Renishaw US Holdings, Inc.[H]	c/o The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington DE 19801 United States
Renishaw, Inc.	c/o C T Corporation System (Chicago), 208 South LaSalle Street, Suite 814, Cook County, Chicago IL 60604 United States
Owned by Renishaw (Hong Kong) Limited	
Renishaw (Malaysia) Sdn. Bhd.	Upper Penthouse, Wisma RKT, 2, Jalan Raja Abdullah, Chow Kit, 50300 Kuala Lumpur, Wilayah Persekutuan Malaysia
Renishaw (Shanghai) Management Company Limited[^]	288 Jiang Chang San Lu, Zhabei Qu, Shanghai, 20436 China
Renishaw (Shanghai) Trading Company Limited[^]	286 Jiang Chang San Lu, Zhabei Qu, Shanghai, 20436 China
Renishaw (Singapore) PTE Limited	988 Toa Payoh North, #06-07/08, 319002 Singapore
Renishaw (Taiwan) Inc	2F. No. 2, Jingke 7th Road, Nantun District, Taichung, 40852 Taiwan

Notes to the Company financial statements continued

C.44. Subsidiary undertakings (continued)

Company	Registered Office
Owned by Renishaw US Holdings, Inc.	
Renishaw Fixturing Solutions, LLC	c/o The Corporation Company, 40600 Ann Arbor Road East, Suite 201, Plymouth, MI, 48170 United States
Renishaw Properties, Inc.	c/o The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington DE 19801 United States
Owned by Renishaw (Ireland) DAC	
Renishaw Mayfield SA	Stachelhofstrasse 2, 8854, Siebnen, Schübelbach Switzerland
Owned by Renishaw Medical Limited	
Renishaw Medical AM Solutions Limited[D]	New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR United Kingdom
Owned by Renishaw Neuro Solutions Limited	
Renishaw Mayfield SARL	31 Rue Ampère, 69680, Chassieu France

C.45. Joint ventures

The following are the joint ventures of Renishaw plc at 30 June 2023. The country in which each entity has its registered/principal office is its domicile and country of incorporation. The accounting year-end for each joint venture is 30 June unless otherwise stated. The shareholdings are in the ordinary share capital of those undertakings unless otherwise stated. The principal activities for the joint ventures are those of the Company, as set out in the Other statutory and regulatory disclosures.

Company	Registered Office
Owned by Renishaw plc	
Metrology Software Products Limited (70%)	6F Greensfield Court, Alnwick, Northumberland, NE66 2DE United Kingdom
Owned by Renishaw International Limited	
RLS Merilna tehnika d.o.o. (50%)	Poslovna cona Žeje pri Komendi, Pod vrbami 2, Komenda, 1218 Slovenia

10-year financial record

Results	note 2023 £'000	note 2022 £'000	note 2021 £'000	note 2020 £'000	note 2019 £'000	note 2018 £'000	note 2017 £'000	note 2016 £'000	2015 £'000	note 2014 £'000
Overseas revenue	**649,674**	639,540	538,636	482,784	539,915	580,940	509,212	404,472	469,221	331,682
UK and Ireland revenue	**38,899**	31,536	26,923	27,431	34,044	30,567	27,595	22,752	25,499	23,816
Total revenue	**688,573**	671,076	565,559	510,215	573,959	611,507	536,807	427,224	494,720	355,498
Adjusted operating profit	**130,407**	161,406	118,568	51,700	93,711	143,045	108,733	86,952	143,924	70,388
Adjusted profit before tax	**140,983**	163,742	119,666	48,614	103,862	145,081	109,079	87,475	144,196	70,106
Taxation (excluding adjusted items)	**28,126**	28,685	23,611	11,547	16,557	20,942	12,819	14,880	22,850	10,720
Profit for the year (excluding adjusted items and tax on adjusted items)	**112,857**	135,057	96,055	37,067	87,305	124,139	96,260	72,595	121,346	59,386

Capital employed	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Share capital	**14,558**	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558
Share premium	**42**	42	42	42	42	42	42	42	42	42
Reserves	**882,058**	800,570	688,730	532,264	568,677	533,994	429,214	366,785	413,918	336,163
Total equity	**896,658**	815,170	703,330	546,864	583,277	548,594	443,814	381,385	428,518	350,763

Statistics	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Overseas revenue as a percentage of total revenue	**94.4%**	95.3%	95.2%	94.6%	94.1%	95.0%	94.9%	94.7%	94.8%	93.3%
Adjusted earnings per share	**155.1p**	185.5p	132.0p	51.0p	119.9p	170.5p	132.4p	100.4p	167.5p	82.3p
Proposed dividend	**76.2p**	72.6p	66.0p	0.0p	60.0p	60.0p	52.0p	48.0p	46.5p	41.2p

Note

The results and adjusted earnings per share for the years 2014, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 exclude certain items. These were:

– 2014 profit on disposal of shareholding in Delcam plc (£26.3m); and

– 2016 (£25.8m pre tax loss), 2017 (£8.0m pre tax gain), 2018 (£10.1m pre tax gain), 2019 (£6.1m pre tax gain), 2020 (£21.6m pre tax loss), 2021 (£23.0m pre tax gain) and 2022 (£8.3m pre-tax loss) gains and losses from financial instruments not effective for cash flow hedging;

No years prior to 2016 have been adjusted for gains and/or losses from financial instruments not effective for cash flow hedging.

– 2020 (£23.8m loss), 2022 (£1.7m gain) and 2023 (£0.7m) restructuring costs;

– 2021 (£3.2m loss) and 2022 (£0.2m gain) third-party FSP costs;

– 2022 (£11.7m loss) UK defined benefit pension scheme past service cost;

– 2023 (£2.1m loss) US defined benefit pension scheme past service cost.

Glossary

AGM	Annual General Meeting
AM	additive manufacturing (3D printing)
APAC	Asia Pacific
APMs	alternative performance measures
ASIC	application-specific integrated circuit
Governance Code	UK Corporate Governance Code 2018
CO_2e	carbon dioxide equivalent
Company	Renishaw plc
CMM	co-ordinate measuring machine
CNC	computer numerically controlled
CPI	consumer price index
DESNZ	Department for Energy Security and Net Zero
DTR	the FCA's Disclosure Guidance and Transparency Rules
EBT	Employee Benefit Trust
EDI	Equality, diversity and inclusion
EMEA	Europe, Middle East and Africa
EPS	EPS – earnings per share
ERP	enterprise resource planning
EU	European Union
EUR	Euro
EV	electric vehicle
EY	Ernst & Young LLP
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSP	formal sale process
FX	foreign exchange
GBP	Great British Pound or Pound Sterling
GHG	greenhouse gas
GMP	Guaranteed minimum pension
Group	Renishaw plc and its subsidiaries
H&S	health and safety
HKD	Hong Kong Dollar
HQ	headquarters
HR	human resources
ICE	internal combustion engine
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IP	intellectual property
IPCC	Intergovernmental Panel on Climate Change
JPY	Japanese Yen
KPI(s)	key performance indicator(s)
kW	kilowatt – an amount of power equal to 1,000 watts
kWh	kilowatt hour – an amount of energy equivalent to delivering 1 kW of power for an hour
LR	the FCA's Listing Rules
M&A	mergers and acquisitions
NCI	non-controlling interest
OCI	other comprehensive income
OEM	original equipment manufacturer
P&L	profit and loss account
PBT	profit before tax
RIS	Regulatory Information Service
R&D	research and development
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
SBTi	Science Based Targets initiative
Scope 1	Direct GHG emissions occur from sources that are owned or controlled by the Company, for example, emissions from combustion in owned or controlled boilers, generators, vehicles, etc.
Scope 2	GHG emissions from the generation of purchased electricity consumed by the Company
Scope 3	indirect GHG emissions are a consequence of the activities of the Company, but occur from sources not owned or controlled by the Company
SEEG	stereoelectroencephalography
SEM	scanning electron microscopy
SME	small and medium-sized enterprise
STEM	science, technology, engineering and mathematics
tCO_2e	tonnes of carbon dioxide equivalent
TCFD	Task Force on Climate-related Financial Disclosures
TPR	The Pensions Regulator
TSR	total shareholder return, calculated as change in share price, assuming dividends are immediately reinvested
ULEV	ultra-low emission vehicle
UK	The United Kingdom of Great Britain and Northern Ireland
UN SDG	United Nations Sustainable Development Goal
USD	United States Dollar
US	United States of America

Trademarks

The following registered and unregistered trademarks, which are owned by Renishaw plc and its subsidiaries, appear throughout this Annual Report.

AGILITY®	CARTO™	CENTRUM™	DuraSeal™	Equator™	FORTiS™	inLux™
inVia™	neuroinspire™	neuromate®	RenAM®	REVO®	SpinCo™	Virsa™

Shareholder information

Ordinary shares

The Company has one class of ordinary 20p shares listed on the London Stock Exchange under code RSW, ISIN number GB0007323586.

Registrars

For all enquiries about shareholders' holdings, transfer and registration of shares, and changes of name and address, contact the Company's registrars, Equiniti Limited:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: +44 (0)371 384 2169

Website: **www.shareview.co.uk**

Calls are charged at the standard geographic rate. Calls outside the UK will be charged at the applicable international rate. Lines are open from 8:30am to 5:30pm (UK time), Monday to Friday (excluding English and Welsh public holidays).

AGM

Our 2023 AGM will be held on Wednesday, 29 November 2023 at our headquarters at New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR at 10am. Further details can be found in the Notice of Meeting, which will be set out in a separate circular to shareholders in due course. Shareholders holding shares in the Company through a nominee service should arrange to be appointed as a corporate representative or a proxy in respect of their shareholding in order to attend and vote at the meeting.

Financial reports

The Annual Report and copies of previous financial reports are available at **www.renishaw.com/investor**. The half-year results and the preliminary announcement of the full-year results are published on our website promptly after they have been released through a Regulatory Information Service.

Electronic communications

All shareholder communications, including the Company's Annual Report, are made available on the Renishaw website, and you may opt to receive email notifications informing you when shareholder communications are available to view and download rather than receiving paper copies through the post. Receiving communications electronically provides certain advantages to shareholders and Renishaw, including accessing documents more quickly, reducing our environmental impact and reducing the cost of printing and delivery of documents. If you would like to sign up for this service, visit Equiniti's Shareview Portfolio website. You may change the way you receive communications at any time by contacting Equiniti.

Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. This is the most secure and efficient method of payment. A mandate form can be obtained from Equiniti or you will find one on your last dividend confirmation.

Financial calendar

Annual General Meeting

29 November 2023

Half year

31 December 2023

Half-year results

February 2024

Trading update

May 2024

Final dividend

Ex-div date 2 November 2023
Record date 3 November 2023
Payment date 7 December 2023

Interim dividend (provisional)

Ex-div date 7 March 2024
Record date 8 March 2024
Payment date 9 April 2024

Registration details and Company Secretary

General Counsel & Company Secretary

Jacqueline Conway (on sabbatical from April to October 2023)

Interim Company Secretary

Karen Atterbury

Registered office

New Mills
Wotton-under-Edge
Gloucestershire
GL12 8JR

Telephone: +44 (0)1453 524524
Email: **companysecretary@renishaw.com**
Website: **www.renishaw.com/investor**

Registered number

01106260 (England and Wales)

Auditor and corporate advisers

Auditor

Ernst & Young LLP

Solicitors

Norton Rose Fulbright LLP
Herbert Smith Freehills LLP

Corporate broker

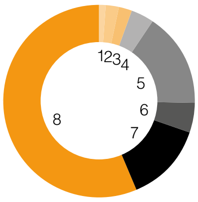
UBS

Principal bankers

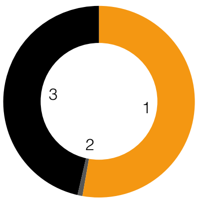
Lloyds Bank
BNP Paribas
HSBC

Shareholder information continued

Shareholder profile



Shareholdings	**%**
1 1 – 5,000	1.12
2 5,001 – 25,000	2.31
3 25,001 – 50,000	2.17
4 50,001 – 100,000	3.86
5 100,001 – 500,000	15.95
6 500,001 – 1,000,000	4.89
7 1,000,001 – 3,000,000	13.51
8 more than 3,000,000	56.18



Shareholdings	**%**
1 Directors	52.85
2 Individuals	0.99
3 Institutions	46.15

Share fraud

We are aware some of our shareholders have received unsolicited calls or correspondence, offering to buy or sell their shares for a price in excess of the current market price. The callers can be very persuasive and extremely persistent and often have professional websites and telephone numbers to support their activities. These callers will sometimes imply a connection to Renishaw and provide incorrect or misleading information. Please be aware this is likely to be a scam – the safest thing to do is hang up.

You are advised to be wary of unsolicited advice or offers to buy shares. See **www.fca.org.uk/consumers/protect-yourself-scams** for further advice.

Find out more or report suspected fraud to the FCA on their consumer helpline 0800 111 6768 (overseas callers dial +44 207 066 1000) or using the share fraud reporting form available at **www.fca.org.uk/consumers/report-scam**.

If you have already paid money to share fraudsters contact Action Fraud on 0300 123 2040 (overseas callers dial +44 300 123 2040) or their online fraud reporting tool at **www.actionfraud.police.uk/reporting-fraud-and-cyber-crime**.

Cautionary note and safe harbour: this Annual Report has been prepared for the purpose of assisting the Company's shareholders to assess the strategies adopted by the Company and the potential for those strategies to succeed and no one, including the Company's shareholders, may rely on it for any other purpose.

This Annual Report has been prepared on the basis of the knowledge and information available to the Directors at the time. Given the nature of some forward-looking information, which has been given in good faith, the Company's shareholders should treat this information with due caution.

Design and production by Radley Yeldar | ry.com

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Splendorgel, a paper which is certified by the FSC®. The pulp used in this product is bleached using a totally chlorine free (TCF) process.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001785

apply innovation™

Renishaw plc
New Mills, Wotton-under-Edge,
Gloucestershire GL12 8JR
United Kingdom
T: +44 (0) 1453 524524
F: +44 (0) 1453 524401
E: uk@renishaw.com

For more information visit:
www.renishaw.com