

## **RENISHAW GROUP TAX STRATEGY**

### **Overview of Renishaw business**

Renishaw is a global, high-precision metrology and healthcare technology group, headquartered in the United Kingdom. Renishaw invests heavily in R&D, the majority of which is carried out in the UK, to create strong market positions with innovative products, with gross expenditure on engineering costs (including R&D) amounting to around 14% of group revenue<sup>1</sup>. Growth is primarily organic and is driven through innovative and patented products and processes, efficient, high-quality manufacturing and the ability to provide local support in expanding global markets. Products are manufactured in the UK, Ireland, India, Germany, USA and France. The Group has 80 locations in 36 countries from which Renishaw distributes and supports products for its global customer base, with around 95% of sales outside the UK. Renishaw has over 4,800 employees world-wide<sup>1</sup>.

### **Objectives and scope**

Renishaw plc's tax strategy supports the strategic commercial objectives of Renishaw and is applicable to Renishaw plc and its subsidiaries world-wide. In accordance with the Renishaw Group Business Code, it is the Renishaw plc Board's objective that Renishaw will comply with all applicable tax laws and regulations in the territories in which it operates. This objective sets a clear culture in which Renishaw operates in relation to taxation.

### **Tax risk management and governance**

Renishaw's key tax risks fall into a number of categories:

- Transactional – risks and exposures relating to specific transactions
- Operational – underlying risks associated with application of the tax laws to routine business operations
- Compliance – risks implicit in the tax accounting arrangements adopted in the preparation and submission of tax returns, making tax payments, and responding to enquiries raised in the process of reaching an agreed position with the tax authorities
- Financial accounting – risks associated with the processes and internal controls for arriving at the tax entries in the financial statements

Renishaw adopts the following approach to tax governance and risk management in order to fulfil its tax compliance obligations globally:

- The Renishaw plc Board is responsible for approving and overseeing Renishaw's tax strategy. Responsibility for adherence with the strategy is devolved to the Group Finance Director, who is also the UK Senior Accounting Officer, supported by the Head of Group Finance and Group Tax function.
- Day to day implementation of the strategy rests with the Finance functions of the respective Renishaw group companies, supported by the Group Tax function and external tax advisors where appropriate (for example, where there is not sufficient in-house expertise or in areas of complexity or uncertainty). It is the responsibility of the local Finance Director, Finance Manager or other individual, where delegated, of each company to ensure that there are robust tax compliance processes in place, with appropriate financial controls and, as a result, all tax returns are correct, properly completed and submitted to the relevant tax authority, and taxes paid, by the required deadlines.

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<sup>1</sup> Source: Renishaw plc Annual Report and Accounts 2018

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- The Renishaw plc Board receives updates on tax risks on a quarterly basis, and also biannually via the Audit Committee as part of the interim and year-end financial reporting processes. In addition, the Group Finance Director, the Head of Group Finance and the Group Tax Manager hold interim meetings to discuss the Group's tax affairs and to assess the tax impact of business developments.

### **Approach to tax planning**

Renishaw aims to structure its commercial operations, which are based where value is created, in a tax efficient manner in compliance with the tax laws of the jurisdictions in which the Group operates. Renishaw seeks to claim all available local allowances, credits, incentives and reliefs in support of the Group's commercial objectives. Examples include incentives in relation to research and development and the UK patent box regime. Renishaw interprets tax laws in the way it believes they are intended to apply and does not enter into tax planning arrangements that are contrived or artificial.

Renishaw's transfer pricing policy requires intercompany transactions to be carried out on an arm's length basis.

### **Acceptable levels of tax risk**

Whilst the Board has not set rigid levels of acceptable tax risk, its intention is for Renishaw to operate on a low tax risk basis and Renishaw does not engage in transactions considered to be high tax risk. It is however recognised that tax laws can often be complex and open to different interpretations. Renishaw may seek to reduce uncertainty or ambiguity through various actions, including engaging in early dialogue with the tax authorities where this option is available, and taking external professional advice.

### **Dealings with tax authorities**

Renishaw aims to have co-operative, open, honest, and transparent relationships with tax authorities globally, acting in a professional and courteous manner. Renishaw endeavours to engage with tax authorities on a real-time basis where possible and seeks to respond to enquiries in a timely manner.

*The Renishaw Group regards that by publishing this strategy, which applies until it is superseded, it has fulfilled its duty to comply with Paragraph 16(2) Schedule 19 of the Finance Act 2016 in respect of the year ended 30 June 2019. For the avoidance of doubt, this strategy covers the taxes listed in paragraph 15(1) of Schedule 19 Finance Act 2016.*

*This document was approved by the Renishaw plc Board on 13 May 2019 and published on 5 June 2019.*