

Renishaw Group Anti-Bribery Policy

1. Zero Tolerance Statement

Renishaw plc and its subsidiaries (“**the Group**”) have a zero tolerance approach to all forms of bribery and corruption and this global Renishaw Group Anti-Bribery Policy (the “**Policy**”) applies to all Group directors and employees and to third parties who provide services for and on behalf of the Group such as agents, distributors, service suppliers and consultants (the “**Intended Recipients**”).

The Group expects the highest standards of conduct and integrity generally from all Intended Recipients - these standards are already reflected in the Group Business Code which sets out the Group's policy in a number of specific areas.

It is the Group's policy to comply with all laws, rules and regulations governing anti-bribery and anti-corruption law, in all countries where the Group operates. The Group is committed to conducting its business and affairs so as to ensure that it does not engage in, or facilitate, any form of bribery or corruption.

2. Breach of this Policy

Breach of anti-bribery laws is a very serious matter and exposes both the Group and its directors and employees to potential criminal liability. It is therefore extremely important that the Policy is strictly observed.

If an individual is convicted of the criminal offence of bribery in the UK, they will be subject to a potentially unlimited fine and/or up to 10 years imprisonment.

Failure to observe this Policy, may lead to disciplinary action for Group employees up to and including dismissal, as well as notification to the relevant enforcement authorities.

3. What is Bribery under the UK Bribery Act 2010?

Bribery can take many forms.

Individuals

- A person who gives or offers an advantage (financial or otherwise), where he/she intends that advantage to induce the recipient to act improperly in some way, is likely to commit bribery.
- Similarly, a person who receives or agrees to accept an advantage (financial or otherwise), where he/she intends to act improperly in some way as a result of that advantage, is also likely to commit bribery.
- A person who gives or offers an advantage (financial or otherwise) to a foreign public official intending to influence the performance of their official function or obtain some business advantage, is likely to commit bribery.

The person giving or receiving a bribe (and offering or agreeing to receive a bribe) must be connected to the UK. For individuals, this will include persons who are nationals of or living in the UK.

Therefore, both giving and receiving bribes (and offering or agreeing to receive bribes) can be criminal, where there is an intention of some form of improper conduct or, in the case of a foreign public official, where there is an intention to influence that official or obtain a business advantage.

Companies

- Companies can also commit bribery. A company which carries on business in the UK will commit bribery **if any of its Associated Persons** bribes another person with the intention of obtaining or retaining business or a business advantage for that company.
- If a company is convicted of the criminal offence of bribery in the UK, it will be subject to an unlimited fine but, more importantly, it is likely to suffer irreparable damage to its reputation. Employees of a company may also incur personal criminal liability.

Importantly “Associated Person” is drafted widely to include employees and other third parties who perform services for or on behalf of a Company, for example **subsidiaries, agents, distributors, consultants and service providers.**

This means that, if an Associated Person of the Group engages in corrupt activity on behalf of the Group, the Associated Person’s actions could make the Group legally liable for acts occurring on its behalf anywhere in the world.

It does not matter whether the directors, employees or other managers of the Group are aware of the Associated Person’s act of bribery for the Group itself to commit a crime.

Accordingly, it is important that Intended Recipients are aware of what constitutes bribery and the different circumstances in which bribery may arise in the course of business.

It is also crucial that all Intended Recipients are aware that bribery, in any of its forms, is **absolutely prohibited.**

4. Relevant Law

Relevant Laws that Intended Recipients are required by the Group to abide by include:

- UK Bribery Act 2010 - came into force on 1 July 2011 - perceived to be the “*toughest anti corruption legislation in the world*”
- Foreign Corrupt Practices Act 1977 (US)
- OECD Anti-Bribery Convention (38 member countries)

See Appendix 3 for extra guidance on the relevant laws. For practical guidance for employees please see the Renishaw Intranet Anti-Bribery page which contains various worked examples and guidance notes.

Note - in addition, each country in which the Group operates is likely to have its own local laws around anti-bribery and these should also be adhered to by Intended Recipients, as well as any additional policies relating to the Group’s healthcare business, where applicable. The Group may issue local amendments/supplements to this Policy (as appropriate) for local or specialist laws/regulations/policies and reserves its right to update and re-issue it generally.

5. Guidance on contracting with Third Party Representatives of the Group

- All Group employees and directors are required to follow the Third Party Representative Guidelines, attached at Appendix 1.
- All other Intended Recipients (other than Group employees and directors) are required to co-operate with regard to the procedures Group employees and directors are required to follow in the Third Party Representative Guidelines.

6. Facilitation Payments

- Facilitation or “grease payments” are payments made with the purpose of expediting or facilitating the performance by a public official of routine bureaucratic transactions.

- Facilitation payments are a form of bribery and are illegal in most countries (including under the UK Bribery Act 2010). They are therefore forbidden by the Group except in the extreme case where “life, limb or liberty” is at risk.
- Facilitation payments can often be dressed up as administration fees, commission payments, a local tax, payments to charities, political parties or similar and care must be taken if such payments are requested.

7. **Gifts and Hospitality**

Unlawful gifts or lavish hospitality can also amount to bribery.

Even in countries where there is a certain custom or practice, Group policy is that Intended Recipients must only offer or receive gifts, benefits or hospitality in connection with any Group business where this is in accordance with the following key general principles:

- it does not influence, or have the potential to influence, any individual or organisation in such a way as to compromise or appear to compromise integrity or impartiality, or to create a conflict of interest or perception of conflict of interest;
- it is not offered as an inducement to the recipient individual or organisation to do or not do any particular act or is not otherwise offered as a favour;
- it is a modest gift or conventional hospitality provided that the above principles are complied with and the intention behind the offering of that gift or hospitality is not to influence the behaviour of the recipient but is instead offered as a gesture of goodwill;
- it should never be offered for a direct benefit in return;
- it must be permissible under all applicable local laws, rules and regulations;
- it would not be likely, if under scrutiny by external observers, to be seen as having an ulterior motive.

Intended Recipients are never allowed to accept or give cash or cash equivalents (cash equivalents include gift cards, gift certificates, loans, shares or options).

When dealing with a public official, the official's country/organisation will often have rules/laws imposing limits on the level of hospitality and gifts which can be accepted.

When dealing with the private sector, gifts or hospitality should not exceed any limits imposed by the recipient's organisation.

Additionally, all Group employees should also continue to comply with the Group expenses policy, and their own expenses limits, when providing gifts and hospitality.

If any employee is in any doubt about whether the provision of a particular gift or type of hospitality would be reasonable and proportionate, they should seek guidance from their manager. If the manager has any concerns, he/she should seek guidance from Group Legal or the CSR committee established to implement and review this Policy.

For further practical guidance, employees should see the Renishaw Intranet Anti-Bribery page which contains various worked examples.

8. **Record Keeping**

Proper, timely and accurate books and records must be kept by Intended Recipients of all transactions with third party representatives of the Group (as well as other transactions that could reasonably be covered by this Policy).

9. Whistleblowing

The Group expects employees or directors who:

- know, or have reasonable grounds to suspect, that any of their colleagues have been or may be involved in bribery, in the course of their employment; and/or
- know, or have reasonable grounds to suspect, that any third party representative who is performing services for the Group, has been or may be involved in bribery;

to inform one of the appropriate individuals below (given the employees or directors seniority) so that management can investigate the matter.

The procedure is as follows and if no action is taken, or no satisfactory answer is given at any stage, you should proceed to the next level:

1. Contact your General Manager/Divisional Director.
2. Contact the Group Human Resources Manager or Company Secretary.
3. Should the problem lie with your Manager or Director and General Manager, or you have a concern about reporting the malpractice, please contact the Group Human Resources Manager or member of the CSR committee directly who will assist.

Failure to report such matters is a disciplinary offence.

No employee will be penalised or subjected to other adverse consequences for refusing to pay bribes or using the whistleblowing procedures, even if it may result in the Group losing business.

10. Questions on this Policy

Any questions concerning any aspect of this Policy should be referred to Group Legal, who will provide the necessary guidance, working where required, with the CSR Committee.

Appendix 1 - Third Party Representatives Guidance

Introduction

- The UK Bribery Act 2010 introduced a new corporate offence of “**failure to prevent bribery**”.
- If a “**third party representative**” (NB – this includes, in particular agents and distributors but also includes other third parties who provide services for and on behalf of the Group such as service suppliers and consultants) pays a bribe, anywhere around the world, for the benefit of a Group company, Renishaw plc could be found guilty of a criminal offence of failing to prevent bribery (unless the Group could show it had “adequate procedures” in place).
- Therefore the Group requires all employees and directors dealing with third party representatives to follow certain “risk mitigation strategies” in order to prevent any bribery or corruption occurring. This Policy is intended to form part of the “adequate procedures” which the UK Bribery Act requires.

Third Party Representatives - Risk Mitigation Strategies

1. Due Diligence

Due diligence must always be undertaken on all third party representatives before entering into any agreements with them.

- The level of due diligence should reflect the level of perceived risk posed by the appointment. Due diligence should be conducted using a risk-based approach and common sense should dictate the level of risk in question.
- **At a minimum**, all third party representatives must complete the Group (short or long form) Due Diligence Questionnaire (see Renishaw Intranet Anti-Bribery page).

A higher level of due diligence will be required when operating in countries where any or all of the below circumstances exist:

- general levels of corruption are perceived as raised or high - Transparency International's Corruption Barometer provides risk ratings in different countries: http://www.transparency.org/policy_research/surveys_indices/gcb/2010/interactive;
- employees have identified "red flags" (see the Red Flags guidance in Appendix 2 to this Policy);
- a third party representative is paid to introduce customers to a Group company or to interact with public officials on the Group's behalf or has close ties to public officials; and/or
- there are any other ethical conduct concerns.

Where higher risks of corruption exist, additional due diligence should include:

- validation that there are no concerns about the third party's integrity (e.g. allegations that they have been involved in improper conduct);
- validation they have the appropriate expertise and resources to provide the services for which they are being retained - references may be needed;
- validation they have their own internal anti-bribery procedures;
- indirect investigations such as internet searches or enquiries of local sources such as Chambers of Commerce;
- further information checks are set out in the Long Form Due Diligence Questionnaire

2. **Contracts with and notifications of this Policy to Third Party Representatives**

The Group's objective is that all relationships with third party representatives will be covered by a written agreement including the right of termination in the event of a breach of this Policy:

- in the case of agents, distributors or consultants the contract should be based on the Group standard agent, distributor or consultant contract and for other third party representatives a written agreement should be used.
- the employee engaging the third party representative should **also ensure as a minimum** they understand and have been sent a copy of this Policy with an accompanying letter (a template letter can be found on the Renishaw Intranet Anti-Bribery page).
- the accompanying letter should be copied to Group Legal by that employee.

When entering into a contract with the third party representative, employees need to establish that:

- there is a genuine need for the services;
- the third party representative has the skills and experience needed to provide the services which should be accurately and clearly documented;
- the remuneration to be paid is fair, reasonable and is documented, including the location to which any money is being paid (off-shore accounts should be viewed with particular concern);
- records are kept of any payments for at least 6 years.

If in doubt please contact Group Legal.

3. **Monitoring**

Ongoing monitoring of third party representatives should be undertaken by the employees leading the relationship with them (particularly if any of the "red flags" in Appendix 2 become apparent or are suspected going forwards).

Appendix 2 - "Red Flag" situations

Employees should be alert to typical "red flag" situations, which may give rise to suspicions of corrupt activity or bribery and can include the following:

- refusal to agree to the anti-bribery Policy;
- unwillingness or refusal to explain unusual arrangements or the nature of the services to be provided;
- refusal to identify all parties involved;
- inconsistent details given about proposed arrangements or the parties involved;
- involvement of and/or payments to third parties not involved in the transaction;
- offers to provide general marketing or consultancy services with little or no obvious value;
- offers to provide services for which the third party does not appear to have the necessary experience or staff;
- requests to use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to the Group;
- third parties who offer privileged access to or have 'special relationships' with foreign government officials or political party;
- use of consultants or representatives who have been specifically requested by a public official or representatives of a customer;
- structuring arrangements in a way that does not appear to have any legitimate business purpose;
- attempts to evade normal record keeping and/or reporting;
- requests for payments to off-shore accounts or to other jurisdictions;
- requests for advance payments without providing proper justification for them;
- requests to vary the commission or payment method to meet unidentified expenses;
- offers of unusually generous gift or lavish hospitality;
- demands for unusually generous gift, lavish hospitality or other 'favours' before commencing or during negotiations;
- references to a need to pay bribes or make facilitation payments in order to conduct business in its jurisdiction;
- requests to provide employment or some other advantage to a friend or relative;
- requests for any arrangements that seem unusual, unjustified or wrong.

This list is illustrative only and is not an exhaustive list of all possible Red Flag situations. Wherever a situation feels wrong, even if it is explained as being 'the way things are normally done here', it should be a cause for concern.

Appendix 3 - Anti-Bribery & Anti-Corruption Law

Bribery Act 2010 – 4 offences – all widely drafted

- 1) **Paying bribes:** it is an offence to offer or give a financial or other advantage with the intention of inducing that person to perform a “relevant function or activity” “improperly” or to reward that person for doing so.
- 2) **Receiving bribes:** it is an offence to receive a financial or other advantage intending that a “relevant function or activity” should be performed “improperly” as a result.
- 3) **Bribery of foreign public officials:** This offence will be committed if a person offers or gives a financial or other advantage to a foreign public official with the intention of influencing the foreign public official and obtaining or retaining business, where the foreign public official was neither permitted nor required by written law to be so influenced.
- 4) **Failure of commercial organisations to prevent bribery:**
 - Can be committed only by commercial organisations. It will be committed where a person associated with a relevant commercial organisation (which includes not only employees, but agents and external third parties) bribes another person (i.e. commits one of the offences above) intending to obtain or retain a business advantage and the organisation cannot show that it had adequate procedures in place to prevent bribes being paid.
 - Creates a burden on corporates to ensure that their anti-corruption procedures are sufficiently robust to stop any employees, agents or other third parties acting on the corporates’ behalf from committing bribery.
 - Government guidance was produced showing what may be considered adequate procedures and this is available on the Intranet along with worked case studies.

Extra-territorial reach

All of the new offences will have extra-territorial application, namely the offences may be prosecuted if:

- committed by a British national or corporate or by a person who is ordinarily resident in the UK regardless of whether the act or omission which forms part of the offence took place outside the UK; and/or
- if any act or omission which forms part of the offence occurs within the UK in addition, the corporate criminal offence will apply to commercial organisations which have a business presence in the UK (regardless of where the bribe is paid or whether the procedures are controlled from the UK).

Foreign Corrupt Practices Act 1977

- Prohibits US citizens and permanent residents, both public and private US companies, and certain non-US individuals and entities from bribing foreign government officials in order to obtain a business advantage.
- In some circumstances, the US FCPA’s jurisdiction extends to non-US individuals and companies.

The US FCPA has two key elements:

- **Anti-bribery provisions** – prohibit giving or offering money, gifts or “anything of value” to a foreign government official to obtain or retain business.
- **Accounting provisions** – require companies to maintain adequate “books and records” and “internal controls” over financial transactions.