



RATIONAL AG

**Non-financial consolidated
report 2021**

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About this report

Information on the separate non-financial consolidated report

This separate non-financial consolidated report pursuant to Section 315b (3) of the German Commercial Code (HGB) serves to fulfil the legal requirements with respect to the CSR Directive Implementation Act. The contents have been prepared in accordance with Section 315c in conjunction with 289c to 289e of the German Commercial Code (HGB).

In accordance with Section 289c (3) of the German Commercial Code (HGB), we have based this report on the current materiality analysis, which shows the interests of our stakeholders (see below).

National and international frameworks cover a large number of aspects that must be reported on but are not compatible with RATIONAL AG's corporate structure and data collection processes. We therefore see no existing framework as appropriate at this time.

The reporting period corresponds to the fiscal year from 1 January to 31 December 2021.

Auditing the non-financial consolidated report

The separate non-financial consolidated report was the subject of a limited assurance engagement under ISAE 3000 (Revised) by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich. This audit was commissioned by the Supervisory Board of RATIONAL AG. The scope of the audit and the opinion are set out in the "Independent auditor's report on a limited assurance engagement for non-financial reporting". The results of the audit were presented to the Supervisory Board in the framework of a Supervisory Board meeting.

Publication

The separate non-financial consolidated report was published on time in April 2022. It is published annually and is available online in PDF form on the company website.

[\(rational-online.com/en_gb/company/investor-relations/publications/\)](https://rational-online.com/en_gb/company/investor-relations/publications/)

Relevant non-financial performance control indicators

The relevant non-financial performance control indicators of the separate non-financial report are presented in the following. They are the most important relevant non-financial performance control indicators in accordance with Section 289c (3) of the German Commercial Code (HGB) and have been audited with a level of reasonable assurance as part of the audit of the annual financial statements.

- > Employee satisfaction: employee turnover
- > Customer satisfaction: RATIONAL customer satisfaction index

Disclosures in accordance with the EU Taxonomy Regulation

RATIONAL AG is covered by the reporting obligation according to Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB) and is therefore also obligated to report in accordance with the EU Taxonomy Regulation.

In view of this, it is RATIONAL AG's responsibility to publish information on how and to what extent the group's activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the EU Taxonomy Regulation (Regulation 2020/852 of the European Parliament and of the Council). According to Article of the above Regulation, the criteria for determining whether an economic activity qualifies as environmentally sustainable are whether the economic activity contributes substantially to one or more of the environmental objectives set out in Article 9 of the Regulation.

For the 2021 reporting year, the assessment is to be carried out for the objectives of "climate change mitigation" and "climate change adaptation." Technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to climate change mitigation or as enabling other activities to make a substantial contribution have been established in a delegated act made under Article 10 of the Regulation.

Economic activities that are defined as such and make a direct and substantial contribution to climate change mitigation are listed on the basis of classes of economic activity (NACE codes). Which economic activities are "enabling activities" that can make a substantial contribution to climate change mitigation are also described, likewise on the basis of NACE codes.

Sales revenues

RATIONAL cooking systems are used exclusively in the commercial sector. RATIONAL's main activities can thus be assigned to the NACE code C28.93. The NACE code C28.93 is not explicitly listed in Annex 1 of the delegated act made under Article 10 of the EU Taxonomy Regulation. The manufacture and distribution of RATIONAL cooking systems may be "enabling economic activities" and thus taxonomy-eligible.

RATIONAL cooking systems are used in extremely different applications, a broad range of food is thermally prepared in them, and RATIONAL has only limited influence on how its cooking systems are used. The "best performing alternative technology or solution available on the market" within the meaning of the EU taxonomy cannot be identified on the basis of the available set of criteria. According to our analysis, the described set of criteria cannot therefore be applied.

RATIONAL products and the group-wide sales revenues of 779.7 million euros generated in 2022 from them are classified as "not eligible under EU taxonomy" as the EU Taxonomy Regulation stands at present.

Capital expenditures (CapEx) and operating expenses (OpEx)

A detailed analysis of CapEx (25.8 million euros) and OpEx (272.7 million euros) in the context of the EU Taxonomy Regulation has revealed that in 2021 they were each less than 1% of the specified totals. Given their low level, we do not present them in detail here.

The RATIONAL Group's business model

The RATIONAL Group's organisational structure and sites

The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. Alongside RATIONAL AG, the Group comprises 31 subsidiaries, of which 23 are sales companies. Through the sales companies and local trading partners, the Group markets its products in almost all regions of the world. It also has production plants in Germany (Landsberg am Lech) and France (Wittenheim, Alsace).

Products and services

The RATIONAL Group provides products and solutions for thermal food preparation in professional kitchens. Around 71% (2020: 72%) of sales revenues were generated in the past fiscal year through the sale of cooking appliances.

We generate most of our sales revenues with combi-steamers with intelligent cooking profiles and, since May 2020, with the iCombi Pro model. Combi-steamer technology involves transferring the heat during cooking via steam, hot air or a combination of the two. The software integrated into the iCombi Pro recognises the size and consistency of the food and controls the cooking process until the desired cooking result is attained. In addition, we offer our customers a basic combi-steamer model as well as the iCombi Classic, which was launched in May 2020. All models are produced at the company's headquarters in Landsberg am Lech and distributed worldwide.

Since 2004, we have offered technology to complement that of the combi-steamer and, since June 2020, the iVario model. The iVario uses direct contact heat for boiling, frying, deep-frying and (pressure) cooking and is therefore able to replace conventional cooking appliances such as tippers, kettles, fryers, and pressure cooker braisers. The iVario is manufactured in Wittenheim, France, and actively distributed in Europe as well as, since 2020, in the Americas and Asia.

We generated around 29% (2020: 28%) of sales revenues in the past fiscal year with accessories, service parts and services for our combi-steamers and the iVario, as well as with care products for combi-steamers.

With ConnectedCooking, we offer our customers an online portal for the professional kitchen, comprising a free, cloud-based connectivity solution. Our customers can use it to connect their appliances, control them remotely, update their software and transfer cooking programs. In addition, under ConnectedCooking Pro we offer our customers other fee-based digital applications to optimise their kitchen processes (recipe management, appliance management and hygiene management). The first customers in the German and Austrian markets are already using ConnectedCooking Pro.

Our customers can benefit from a large range of free and fee-based services. These include the free-of-charge iCombi and iVario live events, the Academy RATIONAL and expert kitchens in our training centres, at trade fairs or on site at our customers. Digital formats such as webinars, live streams and uploaded videos, have grown significantly in importance since 2020, and there was increased demand for them again in the year under review. We also provide our customers with expert tips on our ChefLine. Fee-based consulting offerings include Academy events on specific topics and in-depth process consulting as part of post-installation support at the customer.

Segments

We report on the regional segments DACH (Germany, Austria, Switzerland), EMEA, North America, Asia and Other segments in accordance with the RATIONAL Group's internal control system.

Markets, customers, and competitive situation

Our products are targeted at commercial kitchens and businesses of all kinds that prepare at least 20 hot meals a day. The customer base ranges from restaurants and hotels, large-scale catering operations such as company canteens, hospitals, schools, universities, military facilities, prisons, and retirement homes right through to quick service restaurants, caterers, and delivery services, as well as supermarkets, bakeries, snack outlets, butchers' shops, and service stations.

To make headway into the untapped potential in the global market, we are expanding our global sales, marketing, and service network organically, step by step. In addition to higher penetration of already well-developed markets, we are also addressing the growing potential presented by emerging markets.

Our core markets are DACH and EMEA. We generated a total of around 60% of our sales revenues in these segments in the past fiscal year. In 2021, the North America segment accounted for 19% of sales revenues, while Asia contributed 18%.

We estimate that there are around 100 manufacturers of competitor products worldwide. Our market and competitive structure and the competitive situation vary from country to country.

Risk analysis

Definition of the risk areas

Risk management is a task of the entire Executive Board, which has delegated it to the Risk Manager. The Risk Manager is authorised to specify methods and set guidelines, and coordinates risk reporting in the RATIONAL Group. The Risk Manager is responsible for documenting the activities relating to identification, analysis, assessment, management and monitoring of risks at the Group level. The process managers and executives are responsible for identifying and measuring risks and for formulating and implementing risk management measures. To this end, they are equipped with guidelines that give them direction in the identification, analysis, assessment, monitoring and reporting of risk.

Risk is understood to refer to any transactions internal and external to the Company that may have a negative impact on the achievement of business targets during a defined observation period or negatively affect areas outside the group (environment, society, customers, employees, suppliers, etc.) as a result of their own business activities. Risks are assessed using the net approach. When assessing risks, we include countermeasures which reduce the probability of their occurring and/or the extent of damage.

Risk analysis

As a company with a long-term focus, we set store by a holistic assessment of risk, which means a balanced assessment of non-financial and the resulting financial risks, as well as primary financial risks. The risk analysis includes potential risks that can arise from the business activity of producing companies in general and from the business activity of RATIONAL AG in particular.

As part of the risk analysis, risks deemed relevant to the tasks and objectives of the RATIONAL Group are captured and assessed over a horizon of 36 months. The results of the previous year's risk inventory were reviewed in 2021. The risks captured during the risk inventory are examined during risk analysis to establish cause-and-effect relationships. They are then assessed in terms of probability and their potential impact on the company's net assets and results of operations. This analysis also covers the non-financial risks.

The managers of the company divisions identified by the Executive Board as being particularly relevant in terms of the occurrence of material risks submit their monthly reports to the Risk Manager, who analyses them for any risks that could threaten the continued existence of the business as a going concern and reports on this to the Executive Board. The company's specific risk-bearing capacity and defined risk tolerance are taken into account in this process. In addition, the risk is assessed to determine to what extent the interaction of several risks that are not existential when considered separately could lead to developments that threaten the continued existence of the business. Quantitative and stochastic risk aggregation methods are not used. The assessment is carried out at annual workshops staged with the managers. The findings are reported to and discussed with the Executive Board. To maintain the effectiveness of the risk management system at a sustainable high level, there are uniform standards that apply throughout the Group.

Risk survey results

No material risks result from the business activity of RATIONAL AG which are or will be very likely to have serious negative effects on the non-financial areas of business outlined in Section 289c of the German Commercial Code (HGB).

Our materiality process

Our sustainability strategy

This report relates to our existing strategy as described in the 2020 Sustainability Report. For us, sustainability means giving equal consideration to economic, environmental and social aspects in our management processes and thus consider the interests of all stakeholders in our Group under the slogan "Focus on people".

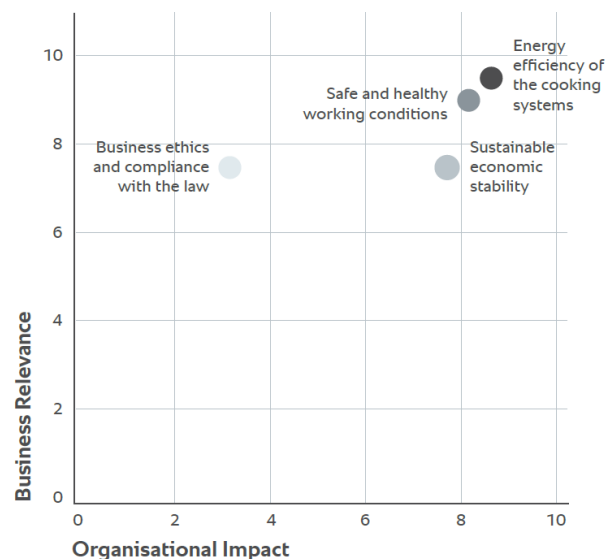
Based on the findings from the 2021 materiality analysis (see below), we began revising our sustainability strategy in autumn 2021. It is expected that RATIONAL's Executive Board will approve the new strategy in early 2022. It will be implemented and systematically enhanced in 2022 and subsequent years.

The materiality analysis

Stakeholder dialogue is a core element of our sustainable activity. The company needs it to address the concerns of its various stakeholders. It also helps us to expand our own commercial perspectives, identify important social developments early on and take appropriate action. That is why we strive to include all important stakeholder groups influenced by our business activities and their interests in all

our considerations and developments. These stakeholders are our suppliers, dealers, customers, our customers' guests, our employees and their families, society and also later generations – so that we can leave behind a world our grandchildren can live in.

On the basis of the 2019/2020 materiality analysis, we and a consulting firm that specialises in sustainability management conducted interviews with 20 representatives from the various stakeholder groups and held a materiality workshop with many relevant employees and managers in autumn 2021. 14 issues representing particularly material sustainability aspects for our stakeholders were defined in the social, environmental and governance categories. In line with the double materiality clause set out in Section 289c (3) of the German Commercial Code (HGB), the criteria assessed were the influence on the respective sustainability field from RATIONAL's business activity (organisational impact) and the impact of the sustainability field on RATIONAL's business development, performance and situation (business relevance).



An analysis of the material issues is presented in the above materiality matrix. The sustainability aspects defined as material are assigned to the sustainability matters in accordance with Section 289c of the German Commercial Code (HGB) in the table below.

Sustainability aspects acc. to Section 289c HGB	Material sustainability issues	Indicators
Environmental matters	Energy efficiency of the cooking systems	Ratio of cooking systems holding the U.S. ENERGY STAR
Employee matters	Safe and healthy working conditions	Absence rate
Social matters	Sustainable economic stability	Net Promoter Score, U.i.U. Compass, ratio of suppliers > 6 years
Observance of human rights	Business ethics and compliance with the law	Fines for violations of the law, grievances, negative audit results
Combating corruption and bribery		

Environmental matters – energy-efficient cooking systems

Energy efficiency is a competitive advantage

Everyday work in a kitchen entails high levels of energy consumption, peak demand periods and electricity costs for our customers.

Depending on the source of energy, various gases and harmful substances are released when energy is produced and may have a negative impact on people, the environment or the climate. Lower energy consumption over the service life of our cooking systems can reduce that damage.

Because of the high costs of energy and ecological aspects, our customers are increasingly vigilant when it comes to conserving resources. We help them achieve their ecological goals and cut costs, since our cooking systems consume less energy than is the case with traditional methods and predecessor models. An important seal of quality for energy-efficient products, and one that is acknowledged by customers worldwide, is the U.S. ENERGY STAR.

Closed cooking systems are more energy-efficient

RATIONAL wants to replace traditional cooking appliances that use a lot of energy with its cooking systems. That makes us more attractive to customers and is kinder to the environment. The closed cooking system in a combi-steamer prevents heat from constantly being released into the ambient air. The triple-glazed door we launched in 2016 optimises the retention of heat in the cooking cabinet. Software-based cooking profiles control the energy input for the food being cooked to suit requirements.

Focus on efficiency in research and development

Apart from enhancing the quality of food, a further key focus of our research and development activities is to keep on improving the energy consumption of our cooking systems. We put new cooking systems on the market in an innovation cycle that lasts seven to ten years. Our aim is for each new generation to reduce energy consumption systematically compared to its predecessor.

The specific targets for saving resources in the research projects are defined in project outlines and technical and functional specifications. For example, the target set when developing the iCombi generation was to cut energy consumption by 10% compared with its predecessor. The results are regularly assessed and checked in project reports and in the steering committee meetings in the presence of the Executive Board. As part of that, for example, various foods are cooked, and the energy consumption required for each food is analysed.

We are constantly increasing our personnel and financial capacities in research and development to achieve those goals. More than 220 employees are currently working to improve our cooking systems and services. We spent around 45.1 million euros in 2021 (2020: 42.3 million euros) on research and development. That corresponds to 6% (2020: 7%) of sales revenues.

U.S. ENERGY STAR as a key performance indicator

The U.S. ENERGY STAR is an internationally recognised seal attesting that a technology is energy-efficient. It is the symbol for energy-efficient appliances. A key criterion to be fulfilled is the maximum energy consumption of appliances over a certain period of time. The limits that must be met in order for appliances to be awarded the seal become more demanding on a continuous basis. In the year 2020 the energy consumption of our appliances was determined by an independent testing institute, submitted by it to ENERGY STAR to ascertain whether the demanding limit values are achieved.

Given the great relevance of the U.S. ENERGY STAR, the ratio of cooking systems that hold this label is a key performance indicator. We are enhancing the market perception of our cooking systems by undertaking cross-process efforts in research and development to achieve these ambitious targets to reduce consumption and furnish proof of that in the examination process.

We presented the iCombi Plus and iCombi Classic on the market in 2020. For the first time in 2021, the new appliance generation was solely produced and predominantly sold. Thanks to their improved cooking intelligence and lower cooking times as a result, increases in productivity and more efficient cleaning, we were able to significantly reduce energy consumption compared with the predecessor models. For the model range of gastro standard size 101 (10 shelves, one standard width) usually used for reference comparisons, the iCombi Pro achieved energy savings of around 18 % compared to its comparable predecessor (SelfCookingCenter) as a part of the standardised test procedures for ENERGY STAR.

76% of RATIONAL products bear the U.S. ENERGY STAR

Thanks to the high energy efficiency of our appliances, around 76% of the cooking systems RATIONAL sold in 2021 have the right to bear the U.S. ENERGY STAR. The label is assigned for a product category if a sufficient number of measured values for products from different manufacturers exists in this category.

The iCombi Pro holds the certificate for all types of appliances to which it is awarded. We obtained approval for parts of the iCombi Classic line in 2021. As for the iVario, the total population of similar appliance types is too small, meaning there is no relevant product category to which the ENERGY STAR could be awarded.

A total of 93% of all appliances sold in 2021 that could be awarded the ENERGY STAR in accordance with the relevant ASTM standard (American Society for Testing and Materials) therefore have the label. Only 7 % of RATIONAL appliances sold, for which the certificate would in principle be available, do not carry this certification.

Employee matters – safe and healthy working conditions

As required by law, detailed illness and accident data is collected at the two main locations Landsberg am Lech and Wittenheim, where almost two-thirds of all our employees work. These figures are not recorded in the same way at many foreign sales offices due to the fact that there are no regulations or no comparable regulations. Consequently, the data on absenteeism in this report for structurally similar subsidiaries that do not collect the data themselves has been extrapolated from the information available for around 75% of employees worldwide. The consistent Group-wide processes will be implemented in the coming years, starting in 2022.

A safe and healthy working environment, as well as numerous measures to promote health, mean that employees suffer fewer occupational illnesses, injuries, and stress. As a result, they are more satisfied and are more at home in a pleasant working atmosphere. Employees can feel satisfied, be motivated, and perform well only if the environment they work in is safe. Consequently, it is less likely that employees will leave the company, and their greater motivation and satisfaction means they contribute more to the company's success.

It is therefore essential to establish suitable concepts and measures to keep the number of work accidents, sickness rates and absences down. As part of that, our targets are geared towards the figures for the previous year, which we try to improve on or beat.

Organisation

RATIONAL has its own "Occupational Health and Safety Promotion" organisation, made up of experts in the field of safety at work. It addresses issues such as health protection, work safety, occupational healthcare, training of safety experts, risk assessments, and health and safety training and instruction.

There are quarterly meetings of the Work Safety Committee (ASA), which are attended by the company doctor, safety experts, spokespersons of the safety officers, and representatives appointed by the executive management to discuss occupational safety and accident prevention.

The results of the annual safety audit conducted by external auditors are then reported to the Executive Board. Internal process audits are conducted to monitor compliance with standards. Occupational safety issues are also part of the internal process audits. The concept for weekly inspections involving spot checks to ensure cleanliness and safety are maintained at the company is currently being revised and will be implemented in 2022 in an amended form. In future, special attention will also be paid in them to safety aspects, such as alarm plans, equipment, fire prevention, escape routes, protection of PCs and floor markings, and action will be taken in response to breaches. The concept will be implemented as soon as the coronavirus situation permits that again.

Measures to increase safety

Explicit measures to ensure safety at work are risk and hazard assessments for machinery, workplaces, products and activities. They are updated regularly or carried out on an ad-hoc basis, such as in the event of relocations, new hires or new building or conversion work, in accordance with statutory requirements. The aim is to determine the condition of the machinery, operating facilities, workplaces and products and identify the risk potential from hazardous substances. As a result, we constantly have an eye on potential risk situations for our employees and can take action if and when necessary.

Working with hazardous substances is also a safety risk for our employees. To minimise that risk, RATIONAL maintains a hazardous substances register. The goal is to reduce the number of hazardous substances in the work environment and completely eliminate potential carcinogens. Implementation of the software was commenced in autumn 2021 and is expected to be completed in the first quarter of 2022.

Measures to improve health

In order to promote employees' health, all staff are offered regular services by the company doctor. If employees have been ill for a lengthy time, we support employees to return gradually to working life – in compliance with statutory regulations – as part of our occupational re-integration management process.

As further measures to improve health and employees' work-life balance, we offer numerous community sports activities and registration with Qualitrain in Germany. RATIONAL enables staff to obtain low-cost membership so that they can pursue sporting activities at numerous sports and leisure facilities.

Protective measures in the context of the coronavirus crisis

When the coronavirus broke out, a "Health" crisis team was set up, which continuously adapts and expands the group's pandemic plan and implements many protective measures worldwide to prevent employees and business partners from being infected as far as possible. The main measures were a significant expansion in opportunities to work from home, the adjustment of the shift models to reduce the number of colleagues present at one and the same time, hygiene concepts at all subsidiaries worldwide with the requirement to wear a mask in accordance with statutory regulations, distancing rules, testing and vaccination offerings, and means of disinfection. We are very pleased that, thanks to the good preventive measures and discipline of employees, no large infections broke out at the group's sites.

Sickness rate at an inconspicuous level

The average group-wide absenteeism rate (absences in relation to target work hours) in 2021 was 2.9% (2020: no details). As this new key figure was calculated at group level for the first time, there is no comparative figure for the previous year (see explanation above).

The absenteeism rate at the Landsberg am Lech and Wittenheim locations was 3.6% (2020: 4.5%). Absenteeism at both the Group level and the production locations was therefore well below the sickness rate computed for persons insured by the BKK industry association in Germany (4.5%; 2020: 4.6%).

This figure is included in the HR department's monthly reports to the Executive Board.

Social matters – sustainable economic stability

From very early on, RATIONAL's founder Siegfried Meister defined customer benefit as the company's main aim under its corporate philosophy. Moreover, the corporate philosophy demands that all employees treat other colleagues with respect and as equals. In accordance with that philosophy, we also aim to be a long-term, reliable partner to suppliers at all times.

The company believes that the prime focus of forward-looking, entrepreneurial activity is always on delivering customer benefit. We define customers not only as dealers and users of our cooking systems. We also regard suppliers and other stakeholders, as well as internal customers such as colleagues and managers, as customers who we work together with. That means we treat all business partners as equals at all times and want to offer them maximum benefit.

We believe that growth entails responsibility. We combine growth with sustainability criteria, such as customer and employee satisfaction and lasting business relationships founded on a spirit of partnership. RATIONAL ensures its long-term growth and economic stability through uncompromising customer orientation. That means we always ask us what benefit the customer has in all we do. That makes us a long-term, reliable business partner to customers, dealers, employees and suppliers at all times.

It is our conviction that this is the foundation of our success and the reason why we have grown continuously, stably, and profitably since being founded.

Thanks to our responsible and sustainable growth, we offer our employees safe jobs. We offer our suppliers long-term, stable partnership. In return, we expect loyalty, dedication, flexibility and innovativeness. We support suppliers in economically difficult situations to improve the quality of their processes and their profitability. Our economic stability is vital so that we can be an enduring partner to customers and dealers. We are on hand to help as a permanent supplier of cooking systems, spare parts, care products and services.

As a result, all our business partners can count on us, our products and services long term, giving them the reliability they need for their business and life planning.

We are convinced that growth, stability and profitability are the result of the great benefit our cooking systems and services deliver to customers. In order to safeguard that high level of customer benefits, we conduct meticulous planning over a time frame of three years. We project realistic sales revenues and budget the headcount, activities, costs and investments required to generate them for that timescale. This three-year plan is the basis for the individual annual planning. We feel it important to grow in an even manner and at the same time to develop all processes further, integrate new employees extensively, build up the necessary resources, take our suppliers with us, and strengthen relationships with our customers and dealers. We do not want to grow for growth's sake, but instead be able to offer our existing and new customers more and more benefits.

We give equal consideration to our objectives, which are the result of plannable and sustainable growth, as we do to our long-term business success – and we strive in particular to ensure satisfied employees (KPI: low employee turnover), loyal customers (KPI: Net Promoter Score) and lasting partnerships with our suppliers (ratio of suppliers we have worked with for > 6 years). We aim to maintain employee turnover and the Net Promoter Score at a good level, in other words, at least at the level of the previous year. The ratio of suppliers we have worked with for more than six years should be kept at least stable during the term of one product generation.

As part of monthly reporting and in the monthly reports from the HR department, Strategic Purchasing and Sales, important decision-makers, including the Executive Board of RATIONAL AG, are constantly involved in these issues. As a result, timely and suitable countermeasures can be taken in response to any undesirable developments. Customer satisfaction surveys are performed once a year by the Market Intelligence team together with an independent external service provider. The results and recommendations are translated into concrete measures together with the Executive Board and regional sales managers and implementation of them is monitored.

Achievement of the objectives is measured using the strategic non-financial performance criteria from the customer satisfaction index (Net Promoter Score – NPS) and U.i.U. Compass (employee satisfaction) and the length of the supplier relationships.

The KPI for our customers' satisfaction is the internationally acknowledged Net Promoter Score. It is calculated every year with the involvement of management. The 2021 survey was conducted in 15 countries worldwide among all our relevant customer groups (Catering, Restaurants with Service, Restaurants without Service, Retail). The Net Promoter Score expresses the extent to which satisfied customers are willing to recommend our products to friends or business partners. High scores of nine or ten are awarded to those customers with a positive intention to recommend. These are considered active promoters. Customers who have given scores of seven and eight are passive and with scores of six or less they are called detractors. The NPS is calculated from the percentage of promoters minus the percentage of detractors and is presented on a scale from -100 to 100.

Our score of 61 points makes us one of the "best-in-class" companies (NPS of 60 to 80). By way of comparison: Companies in the food and beverage industry achieved 37 points, those in the manufacturing industry 30 points and B2B companies averaged 32 points.

The KPI for employee satisfaction is the staff turnover rate, which is determined monthly across the Group and is presented in the monthly reporting. Staff loyalty and satisfaction are at a high level. One upshot is the strong feeling of loyalty among our workforce measured by this key figure.

The low employee turnover is testimony to that. It was just 8% worldwide in 2021 (2020: 9%). The turnover rate across all industries in Germany in the past years has been around 30% (source: [haufe.de/personal/hr-management/fluktuation-wechselbereitschaft-der-arbeitnehmer-steigt_80_193940.html](https://www.haufe.de/personal/hr-management/fluktuation-wechselbereitschaft-der-arbeitnehmer-steigt_80_193940.html) called on 11 April 2022).

We measure the closeness of our ties with suppliers on the basis of the ratio of suppliers with whom we have worked for six or more years. In 2021 we had worked with 73% (2020: 80%) of our suppliers for more than 6 years.

Business ethics and compliance with the law

Compliance with all applicable laws worldwide and alignment with nationally and internationally recognised standards of conduct as well as ethical conduct are a matter of course for us as a company and for our employees. Observance of human rights and combating corruption and bribery are essential standards in this regard.

By acting with integrity, openness, and honesty towards all our business partners and stakeholders, we safeguard our image as a reliable partner and thus make our company more attractive to work together with. That also helps us avoid legal disputes and fines.

RATIONAL's primary compliance aim is to preserve our values through compliance with all relevant legal regulations and internal specifications and thus also protect the company and its institutions. The RATIONAL compliance management system is therefore focused on avoidance of any rule violations that can result in significant disadvantages for the company and its employees through criminal responsibility, civil liability, or loss of reputation. That includes aspects punishable under criminal law (such as bribery and corruption), as well as human rights aspects such as child or slave labour.

As a company with low vertical integration, we collaborate very closely and comprehensively with our suppliers. All in all, we source production material from around 171 suppliers of series products. In order to ensure that our high standards of ethical conduct and compliance are also upheld by our suppliers in business dealings, we obligate them to adopt the Code of Conduct of the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME) or alternatively to impose an equivalent commitment on themselves and abide by it in their supply chain. We request proof of that from the supplier. We ensure support for our suppliers by means of an audit procedure developed specifically for RATIONAL's needs and help them fulfil the requirements under the BME Code of Conduct – and beyond. That entails implementing an eco-friendly supply and production policy as well as anti-corruption and anti-discrimination measures, as well as measures to prevent collusion in violation of antitrust law.

The RATIONAL compliance management system – conformity with regulations as a core understanding

Social principles and policies are integral aspects of our actions and our internal standards. These standards demand that all employees worldwide behave fairly and in conformity with regulations with respect to other employees, colleagues, and all business partners. We therefore have a compliance management system that is audited by an independent auditor. Regardless of the country-specific probabilities of occurrence, our compliance management system is intended to prevent, identify, and sanction compliance violations in all markets in which we are active. Business ties with persons from "risk countries" on the FATF (Financial Action Task Force) blacklist or a sanctions list are prohibited.

A vast proportion of RATIONAL's business activities is carried out in western countries where strict legal standards apply (Europe, North America). Production is performed exclusively at the Landsberg am Lech (Germany) and Wittenheim (France) locations. 82% of RATIONAL employees work in Europe and 6% in North America. Strict legal standards apply in these countries, which promote observance of human rights and proper business conduct. In accordance with the Transparency International (TI) Corruption Perceptions Index (CPI), we largely do business in countries that have a low risk of corruption. The CPI is used exclusively to assess the risk of corruption in individual countries. The size of our subsidiary in the UK means we are a signatory to the UK Modern Slavery Act. As part of that, we undertake to disclose human rights risks in our operations and supply chains and report on how we minimise those risks. Only 9% of the workforce is employed in Asia and 3% in Latin America.

Successful ethical collaboration with our suppliers

As part of our participation in the Code of Conduct of the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME), we expect our suppliers to comply with its stipulations.

These expectations are communicated to suppliers in framework agreements (of which the Code of Conduct is a part) and in orders. By signing it, contractors undertake to comply with this code of conduct with their business partners and ensure that it is observed in their supply chain as well.

Involvement of employees

The following presents the internal company processes in place to ensure we live up to the highest standards of ethical conduct and compliance in business.

The legal provisions are set out in easy-to-understand language for all employees in our RATIONAL rules of conduct in business. Employees confirm acknowledgement when they sign their employment contract. They define specific rules of behaviour for dealing with business partners, such as the prohibition of unfair competition practices or avoidance of conflicts of interest. Employees also sign a confidentiality obligation and insider trading regulations.

The contents of the compliance policies are conveyed regularly in the framework of training. New employees are provided with instruction on RATIONAL's compliance requirements and have to confirm their participation and acknowledgement by means of their signature. In 2020, all new employees who have contact with business partners on behalf of RATIONAL took part in compliance training. All employees who joined us in 2021 are called to accomplish this training until Q1 2022. As part of that, all employees with access to the Internet complete an online training course. The other employees receive in-person training.

The RATIONAL Guideline on Fair Competition for employees explains when conduct can be regarded as preventing or restricting competition. Sales employees as well as employees in sales-related areas receive related training and gain certification if they successfully complete it. The Compliance organisation conducts an investigation as soon as it gains knowledge of violations of the guidelines. If the initial suspicion is confirmed, appropriate sanctions are initiated.

The RATIONAL Group's anti-corruption policy defines documentation requirements and maximum permitted thresholds for giving and receiving gifts and invitations. The policy also regulates against rendering of facilitation payments by RATIONAL.

Involvement of Group management

Responsibility for compliance in the RATIONAL Group lies with the Executive Board of RATIONAL AG. As regards implementation, the Chief Compliance Officer is tasked with the setting up and enhanced development of the compliance management system. Moreover, local compliance managers have been appointed in the sales companies. To ensure that figures are received, the local compliance managers report to the Chief Compliance Officer. That latter reports matters brought to his or her attention to the Executive Board and Supervisory Board of RATIONAL AG on an ad-hoc basis or regularly in the monthly report. Adequate measures to address the matter in question are then defined and implemented.

The Head of Strategic Purchasing reports to the Executive Board and Supervisory Board of RATIONAL AG every month. As part of that, he or she deals with the results of the supplier audits and any compliance-related matters, for example. The Executive Board is notified directly about any acute issues.

Once these disclosures have been examined and assessed, the Chief Compliance Officer involves the relevant company departments as well as the audit function and – insofar as is necessary – the investigating authorities. Furthermore, the Chief Compliance Officer is responsible for carefully and immediately documenting the disclosures that are to be processed as well as any compliance incidents.

Selection process and cooperation with suppliers

The information provided in this section relates to the working relationship with suppliers of series products at our production sites at Landsberg am Lech (Germany) and Wittenheim (France). The purchasing volumes of the other subsidiaries are insignificant from the Group perspective.

In order to obtain an initial estimate as part of procurement marketing as to whether suppliers live up to our corporate principles, they must sign a framework agreement in which the BME Code of Conduct is stipulated as the basis for the business relationship. From 2022 on potential suppliers will have to issue a supplier self-assessment containing pinpointed questions based on our audit approach. The self-assessment mainly covers the issues of cost-effectiveness, quality and performance at present. It is the basis for the further selection process.

The criteria of “environmental standards” (e.g. ISO 14001 or ISO 15001) and “BME Code of Conduct” are included in the selection, but are not initially the sole exclusion criteria. Alternatively, a supplier can also apply another code of conduct. Framework agreements are concluded with suppliers of series products, which specify contractual standards, for example, cooperation, quality assurance, claims for defects, prices, confidentiality/competition, and integrity/code of conduct.

In addition to supplier certification, successful cooperation with suppliers is underpinned by open and regular communication, monthly reporting for the principal key figures and regular audits in compliance with our internal audit approach (see above). Due to the coronavirus situation, only 35 audits were also carried out in 2021 (2020: 13). 57 audits were conducted in 2019. The RATIONAL supplier system separately assesses product quality and the quality of cooperation.

Regular sustainability audits at suppliers

We developed a new compliance management system (CMS) for the supply chain in cooperation with an external specialist and used it in full for the first time in 2020 at the Landsberg production site. It is also expected to be used at our production site in Wittenheim starting in 2023. It already covers some suppliers of RATIONAL Wittenheim if they supply both production sites. Expanding the system to other locations is not expedient since they are exclusively sales offices.

Since 2020, we assess our suppliers at random and on a rolling basis using the following criteria shown in the table below:

Criteria	Description
1. Integrity status	Check whether the supplier has subscribed and committed itself to a code of conduct and/or has likewise committed its own supply chain.
2. Transparency International Corruption Perceptions Index	Location-based corruption audit
3. Corporate culture	Size of the company as a statement on awareness of legal issues by the supplier
4. Impact status on RATIONAL	There is a high level of dependence for more than 50% of the supplier's sales revenues with RATIONAL, which is why more attention is given to compliance
5. Personal assessment of purchasing department	Assessment based on past experience with suppliers
6. Short interview	Answering and evaluating five short questions on, for example, money laundering

These six criteria are evaluated to obtain an overall rating for all suppliers. The three suppliers with the lowest rating have the highest risk of major deviations in relation to these criteria and are subsequently audited by an external partner. This audit deals intensively with issues such as corruption, respect for human rights, combating child labour, protection of the environment and work safety and, among other things, involves inspections at the supplier's premises.

Depending on the result of these audits, we point out conspicuous anomalies in relation to above criteria and demand that they be rectified. In the past, development measures were agreed with the supplier if applicable and implementation of them was monitored. The goal is to establish a lasting working relationship with suppliers after the problem areas have been remedied. If the supplier does not comply, we reserve the right as the customer to immediately cancel contracts with due notice.

We conducted a risk-oriented assessment of these criteria for 2021 – as described in the table – and selected three suppliers for auditing. Guided by past experience, we deliberately decided against using remote audits this time. The audits were not conducted in the reporting period due to the coronavirus situation but will be held in person on site in the second quarter of 2022.

Conformity with regulations in the reporting period

No substantial fines arose in the reporting period beyond the normal course of business as a result of non-compliance with laws and regulations. There were no grievances about ecological, social or human rights impacts, labour practices or violation of customer privacy. There were no incidents or grievances filed due to corruption, anti-competitive behaviour or anti-trust and monopoly practices. The company was not involved in any noteworthy patent-related or other court action in 2021.

Report of the independent practitioner

Limited assurance report of the independent practitioner regarding the non-financial statement of the group for the financial year from 1 January to 31 December 2021

To RATIONAL AG, Landsberg am Lech/Germany

Our Engagement

We have performed a limited assurance engagement on the separate consolidated non-financial report of RATIONAL AG, Landsberg am Lech/Germany, (hereafter referred to as “the Company”) for the financial year from 1 January to 31 December 2021 (hereafter referred to as “non-financial statement”).

Our engagement did not cover the contents of any websites referred to in the sustainability report.

Responsibilities of the Executive Directors

The executive directors of RATIONAL AG are responsible for the preparation of the non-financial statement in accordance with Section 315c in conjunction with Sections 289c to 289e German Commercial Code (HGB) and Article 8 of REGULATION (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as “EU Taxonomy Regulation”) and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section “Disclosures in accordance with the EU Taxonomy Regulation” of the non-financial statement.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial statement and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial statement that is free from material misstatements due to fraudulent behaviour (manipulation of the non-financial statement) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section “Disclosures in accordance with the EU Taxonomy Regulation” of the non-financial statement. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial statement is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Control of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the “Professional Charter for German Public Auditors and German Sworn Auditors” (BS WP/vBP) and of the IDW Quality Assurance Standard “Quality Assurance Requirements in Audit Practices” (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibility of the Practitioner

Our responsibility is to express a conclusion on the non-financial statement based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial statement of the Company, with the exception of the external sources of documentation or expert opinions referenced therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section “Disclosures in accordance with the EU Taxonomy Regulation” of the non-financial statement.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner’s professional judgement.

Within the scope of our limited assurance engagement, which we performed between October 2021 and April 2022, we notably performed the following work and other activities:

- Obtaining an understanding of the structure of the Group's sustainability organisation and of the stakeholder engagement
- Interviewing the executive directors and relevant employees involved in the preparation of the non-financial statement about the process of preparation, about the arrangements and measures (system) in place for preparing the non-financial statement as well as about the disclosures contained in the non-financial statement
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the non-financial statement
- Identification of probable risks of material misstatements in the non-financial statement
- Analytical evaluation of disclosures contained in the non-financial statement
- Tests of details to evaluate selected material disclosures in the non-financial statement
- Cross validation of disclosures in the non-financial statement and the corresponding data in the consolidated financial statements as well as in the combined management report
- Evaluation of the presentation of the disclosures on the sustainability performance

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate consolidated non-financial report of RATIONAL AG for the financial year from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "Disclosures in accordance with the EU Taxonomy Regulation" of the non-financial statement.

We do not express a conclusion on the contents of websites to which reference is made in the non-financial statement

Restriction of use

We issue this report as stipulated in the engagement letter agreed with RATIONAL AG (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of RATIONAL AG and the report is solely designed for informing RATIONAL AG about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Munich/Germany, 26 April 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
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