

# Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB

Here follows the declaration of corporate governance pursuant to sections 289f and 315d of the HGB, in which the Executive Board's and Supervisory Boards report on corporate governance at RATIONAL in accordance with principle 22 of the German Corporate Governance Code, as amended on 16 December 2019. The report is supplemented by the remuneration report. The declaration of corporate governance is part of the management report of RATIONAL AG and the group management report in accordance with sections 289f and 315d of the HGB.

## Remuneration report and remuneration system

The remuneration report pursuant to section 162 of the AktG for fiscal year 2021 can be found under Investor Relations on RATIONAL's website (rational-online.com) and in the 2021 Annual Report. The auditors' opinion pursuant to section 162 of the AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the AktG and the latest remuneration resolution pursuant to section 113 (3) of the AktG are also publicly available under Investor Relations on RATIONAL's website (rational-online.com).

## Key corporate governance practices and compliance

Responsible, sustainable, and socially aware actions have always been a basic element of the corporate culture of RATIONAL AG and a foundation of the company's success. This includes integrity in dealings with customers, employees, business partners, shareholders, and the public.

By compliance, RATIONAL understands adherence to legislation, laws and the Articles of Association, together with observance of other internal regulations. RATIONAL AG continued to develop its own corporate governance in fiscal year 2021. RATIONAL largely complied with the recommendations of the German Corporate Governance Code. Where RATIONAL AG departs from the recommendations of the Code, this is reported in the following declaration of conformity. Other voluntary commitments exist in the form of compliance agreements with a number of our chain customers. The Company has developed a comprehensive philosophy and has management principles that are set down in writing. It also has a Code of Conduct that applies throughout the Group. The corporate philosophy stresses the self-image of the Company, its executive bodies and employees. There are also recommendations on how to behave in dealings with customers, partners and colleagues. All new employees receive training on this issue.

The Compliance organisation is continuously enhanced. The starting point for compliance activities is the RATIONAL AG Code of Conduct, which has been summarised in the form of RATIONAL rules of conduct in business and communicated throughout the Company. A RATIONAL compliance team was set up and a Compliance Officer appointed for the entire RATIONAL Group.

All employees at the RATIONAL Group receive training on compliance topics. Employees with computer access must also pass a test.

On the basis of the results of compliance risk analyses carried out in different company divisions, actions were defined to counter all material compliance risks. In addition to applicable internal compliance rules, these measures also include cooperation with qualified local partners. Moreover, the local requirements for a compliance programme are continuously monitored in countries where RATIONAL has its own subsidiaries and employees and, where necessary, adapted to the existing compliance programme.

An audit of the risk management system and the design of the compliance management system in accordance with the auditing standards of the Institute of Public Auditors in Germany confirmed the functional capability of both systems.

In 2021, both the compliance management system and the risk management system were strategically continued on the basis of the existing concepts.

## ESG organisation and strategy

RATIONAL AG has worked increasingly systematically towards attaining the ESG goals in recent years, with measures focusing on protecting the environment and natural resources. To expand the activities and add further social and corporate governance measures, a sustainability strategy was developed with an external consultant at the end of 2021. To ensure that ESG goals are met consistently, another unit will be created to this end in 2022, and a system for ESG KPIs will be developed as the first priority. Because of the importance of this issue, the team will organisationally report to the CEO.

## Management bodies of the company

RATIONAL AG is an Aktiengesellschaft (joint stock corporation) under German law. A basic principle of German

corporation law is the dual system of management, comprising an executive board and a supervisory board, each of which has its own autonomous areas of responsibility.

## Cooperation between Executive Board and Supervisory Board

The Executive Board and Supervisory Board of RATIONAL AG cooperate closely and on a basis of trust in the management and monitoring of the company. Full details of the cooperation between the Executive Board and the Supervisory Board are given in the Supervisory Board's report.

## The Executive Board and its working methods

The members of the Executive Board bear joint responsibility for the overall management of the company. They cooperate closely with one another and exchange information about important actions and procedures taking place within their divisions. Each member of the Executive Board is responsible for the divisions assigned to them on the basis of Executive Board resolutions. The Executive Board generally reaches decisions in meetings, which are held every two weeks. In addition, every member of the Executive Board can call a meeting by announcing the item on the agenda. Likewise, every member can request that a topic be included in the agenda for a meeting. Decisions by the Executive Board are always reached by a simple majority of votes cast by all of its members. If there is a tie, the Chairman of the Executive Board has the casting vote.

The Executive Board keeps the Supervisory Board comprehensively informed in good time, verbally and in writing as well as in regular meetings about planning, business development and the position of the company, including risk management.

## Composition of the Executive Board

The Executive Board of RATIONAL AG can consist of one or more persons. It had four members as at the balance sheet date. The assignment of division responsibility to the individual members is detailed in the executive organisation chart. In addition, the Supervisory Board specified an age limit of 65 years for members of the Executive Board. As at the balance sheet date, the Executive Board had the following members: Dr Peter Stadelmann (Chairman and CEO), Peter Wiedemann (Chief Technical Officer), Markus Paschmann (Chief Sales Officer) and Jörg Walter (Chief Financial Officer).

The Supervisory Board appointed Mr Walter to the Executive Board for a period of three years effective 1 March 2021; he took over the role of Chief Financial Officer from Dr Stadelmann, who had performed it on an interim basis.

In addition, the Supervisory Board extended Mr Paschmann's employment contract as Chief Sales Officer by another five years as from 1 March 2021.

To ensure long-term succession planning together with the Executive Board, the Supervisory Board advises on the requirements profile for members of the Executive Board and observes the suitability of potential internal succession candidates in the company on the basis of their progress against performance criteria. The Supervisory Board also communicates with the Executive Board on upcoming vacancies and potentially suitable candidates.

The members of the Executive Board do not perform any Supervisory Board duties in other listed companies.

No conflicts of interest occurred among Executive Board members in the past fiscal year.

## The Supervisory Board and its working methods

The Supervisory Board advises and monitors the Executive Board in the management of the company. It is involved in strategy and planning as well as in all matters of fundamental importance for the company. For significant business transactions — such as the annual planning and major investments — the rules of procedure for the Executive Board stipulate a veto right in favour of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and looks after the interests of the Board in its external dealings. The Supervisory Board reaches decisions in meetings by a simple majority of votes cast, unless the law specifies otherwise. If there is a tie, the Chairman of the Supervisory Board has the casting vote.

In the case of significant events, an extraordinary meeting of the Supervisory Board is convened if necessary. For its work, the Supervisory Board has set itself rules of procedure. The Supervisory Board conducts regular self-assessments, the latest one in June 2021, by surveying its members by means of a questionnaire and a subsequent discussion in order to gauge the effectiveness of the work of the Supervisory Board and its committees and identify potential improvements.

Details of the focus of the Supervisory Board's activities and advice in the year under review are given in the Report by the Supervisory Board.

#### Formation of Supervisory Board committees

The Supervisory Board has established professionally qualified committees to prepare meeting content for plenary meetings of the Supervisory Board. The members of the Audit Committee are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner. The Audit Committee mainly prepares the negotiations and resolutions of the Supervisory Board on all issues relating to the accounting, especially the annual financial statements, and resolves a recommendation for the Supervisory Board's proposal to the General Meeting of Shareholders for the election of the auditor. A Technology Committee was also established, which deals with and prepares technical topics for the full Supervisory Board. Its members are Dr Georg Sick (Committee Chairman), Mr Walter Kurtz and Dr Johannes Würbser.

The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a seven-member Supervisory Board, efficient discussions and lively exchanges of views on suitable candidates for nomination by the Supervisory Board to the General Meeting of Shareholders can also be held in the plenary session. Moreover, the fact that the Supervisory Board of RATIONAL AG is not subject to co-determination obviates the need to form a nomination committee that consists exclusively of shareholder representatives.

#### Right to appoint for members of the Supervisory Board

By resolution of the General Meeting of Shareholders on 29 April 2015, article 8 (6) sentence 1 of the Articles of Association of RATIONAL AG was amended. The wording of the resolution is as follows: "For as long as Mr Siegfried Meister and Mr Walter Kurtz are shareholders of the company, they shall have the joint right to appoint up to two members of the Supervisory Board. If one of the two holders of the right to appoint ceases to be a shareholder of the company, the remaining shareholder shall have the sole right to appoint. The right to appoint shall be exercised by submitting a written declaration to the Executive Board of the company."

#### Composition of the Supervisory Board

Under the Articles of Association, as amended by resolution of the General Meeting of Shareholders on 15 May 2019, the Supervisory Board of RATIONAL AG has seven members who are elected by the shareholders.

Mr Walter Kurtz is the Chairman of the Supervisory Board and Dr Hans Maerz is his deputy. Also on the Supervisory Board are Mr Erich Baumgärtner, Dr Johannes Würbser, Dr Gerd Lintz, Mr Werner Schwind and Dr Sick, proven experts

in finance, business law, sales and technology. The CVs of Supervisory Board members have been published on our website.

This body has six members (Dr Hans Maerz, Mr Erich Baumgärtner, Dr Gerd Lintz, Mr Werner Schwind, Dr Georg Sick, Dr Johannes Würbser) who are independent of the company and its Executive Board, and the Supervisory Board considers this to be a sufficient number. The Supervisory Board also considers Mr Erich Baumgärtner independent of the company and its Executive Board. Mr Baumgärtner was already elected to the Supervisory Board with effect from 1 January 2017 and therefore before the end of a two-year period after leaving the Executive Board at the end of 2015, meaning that one of the dependence indicators within the meaning of recommendation C.7 of the Code applies. However, a period of six years has now passed since Mr Baumgärtner left the Executive Board, so that sufficient time has elapsed since Mr Baumgärtner's previous engagement as a member of the Executive Board. Moreover, during his term of office as a member of the Supervisory Board, Mr Baumgärtner has sufficiently demonstrated that there is no risk of any undue influence by a former member of the Executive Board over the new Executive Board to cover up any irregularities of his own, which the recommendation of the Code seeks to prevent.

Since RATIONAL does not have a controlling shareholder within the meaning of recommendation C.9 of the Code, all members of the Supervisory Board are independent under this criterion.

The current composition of the Supervisory Board fully covers the skills profile. The members of the Supervisory Board complement each other in terms of age, educational and professional backgrounds, experience and knowledge, with the result that the Board as a whole can access a wealth of experience and a broad range of skills. The Supervisory Board is, as a whole, familiar with the sector in which the company is active. No age limit has been set for members of the Supervisory Board.

The term of office of the Supervisory Board members is five years. The current term of office will expire at the ordinary General Meeting of Shareholders in 2024.

No conflicts of interest occurred among Supervisory Board members in the past fiscal year.

#### Definition relating to the equal participation of women in executive positions in accordance with sections 76 (4) and 111 (5) of the German Stock Corporation Act (Aktengesetz)

RATIONAL AG is a listed company, but is not subject to parity co-determination. This means that, under the German Act

Supplementing and Amending the Rules for Equal Participation of Women in Executive Positions in the Private and the Public Sector, the introduction of a 30% ratio for women in the Supervisory Board of RATIONAL AG is not binding. However, the company's listing on the stock exchange requires the company to specify targets for increasing the percentage of women in the Supervisory Board, Executive Board and on the two management levels below the Executive Board as well as to set deadlines for attaining these targets.

In fiscal year 2017, the Executive Board and Supervisory Board of RATIONAL AG set themselves the following targets for the proportion of women in executive positions, thereby meeting their legal obligations:

- > For the Supervisory Board, a target of 0% has been specified for the proportion of women.
- > For the Executive Board, a target of 0% has been specified for the proportion of women.
- > For the first management level below the Executive Board, a target of 16.7%, or three women, in executive positions has been specified for the proportion of women.
- > For the second management level below the Executive Board, a target of 30.0%, or 11 women, in executive positions has been specified for the proportion of women.
- > The deadline for meeting these targets is 30 June 2022.

The targets specified for the Executive Board, the Supervisory Board and the first management level below the Executive Board were met in the reporting period.

For the second management level below the Executive Board, the absolute target of 11 women in executive positions was met. Due to restructuring, this was slightly below the relative target of 30.0% (29.3%).

#### Diversity concept

The Supervisory Board has not resolved a diversity concept for the composition of the Executive Board and the Supervisory Board. Appointments of Executive Board members and proposals of Supervisory Board members for election are made on the basis of their special skills and qualifications exclusively in accordance with the skills profile of the Supervisory Board and the requirements for Executive Board members. Other attributes such as gender, age, origin, national identity and educational and professional background have not been and will not be of any consequence for these decisions. The intention is to continue to abide by this policy in future. Nevertheless, the Supervisory Board pursues the objective to continually enhance the composition, and therefore the skills and experience, of the Executive Board and Supervisory Board and to maintain an appropriate balance of continuity and renewal. The Executive Board and Supervisory Board as a whole must have the knowledge, skills and experience required to discharge their duties properly.

The aim of HR management at RATIONAL is to encourage achievers and keep them in the company for the long term as a way of ensuring sustainable business success. All vacancies at RATIONAL are filled by appointing people with the best qualifications and skills for the job in question. Other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

These principles also apply when appointing members of the Executive Board. Management consists of selected experts from different departments who can look back on many years of successful collaboration. Corporate management is shaped by continuity, trust and consistent focus on maximum customer benefit, as envisaged by our company's founder, as well as the corporate philosophy and will take decisions on the composition of the Executive Board against this background.

#### Accounting and auditing

In accordance with legal requirements, there was a change of audit firm in 2021. On 12 May 2021, the General Meeting of Shareholders appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2021. The audit contract was awarded by the Supervisory Board.

The change of auditor was carefully prepared and reviewed by the Supervisory Board. Prior to the proposal being submitted to the General Meeting of Shareholders, the Supervisory Board obtained a declaration from the auditors on their personal and business relationships with the company. This gave no rise to any objections. The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board would be notified immediately about disqualification or reasons for bias during the audit.

The auditors are additionally required to report separately on any major weaknesses detected during the audit in the accounting-related internal control and risk management system.

The lead auditor of the 2021 annual financial statements was Mr Dirk Bäßler.

# Declaration in accordance with section 161 of the AktG and declaration of conformity with the German Corporate Governance Code

Pursuant to section 161 of the German Stock Corporation Act (Aktengesetz, AktG), the Executive Board and the Supervisory Board of RATIONAL AG, Landsberg am Lech, annually explain any departures from the recommendations of the Government Commission for a German Corporate Governance Code, as published in the official section of the Federal Gazette and applicable at the time of preparation of this declaration. The declaration of conformity of the Executive Board and Supervisory Board of 27 January 2022 is printed below. This declaration of conformity and all previous declarations of conformity are published on our website. The recommendations of the Government Commission for a German Corporate Governance Code, as amended on 16 December 2019 and published in the official section of the Federal Gazette on 20 March 2020, were complied with in the reporting period and continue to be complied with, with the exception of the recommendations itemised below for the reasons specified there:

## B. Appointments to the Management Board

**Recommendation B.1 of the Code:** "When appointing Management Board members, the Supervisory Board shall take diversity into account."

The Supervisory Board and Executive Board expressly welcome all efforts to counter any form of discrimination and to promote diversity in a reasonable manner. When appointing members of the Executive Board, the special skills and qualifications of the candidate are the only decisive criterion for the Supervisory Board. Other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

## C. Composition of the Supervisory Board

### I. General requirements

**Recommendation C.1 second half of sentence 1 of the Code:** "... while taking the principle of diversity into account."

**Recommendation C.2 of the Code:** "An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement."

The composition of the Supervisory Board of RATIONAL AG is guided by the company's interests and guarantees that the Executive Board is effectively monitored and advised. The candidates for election to the Supervisory Board are selected exclusively on the basis of knowledge, skills and experience.

Other attributes such as gender or national identity have not been and will not be of any consequence. No age limit has been set for members of the Supervisory Board. In compliance with the profile of skills and expertise, nominations to the General Meeting of Shareholders are based exclusively on the knowledge, skills and experience of the candidates in question. The intention is to continue to abide by this policy in future in order to retain experience and skills for the benefit of the company.

### II. Independence of Supervisory Board members

**Recommendation C.10 of the Code:** "The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the committee that addresses Management Board remuneration, shall be independent from the company and the Management Board."

Walter Kurtz has been a member of the Supervisory Board since 1998 and is therefore not considered independent of the company. Mr Kurtz has been Chairman of the Supervisory Board since 11 August 2017. Due to his many years of service in the company, which he managed with the company's founder Siegfried Meister for many years, Mr Walter Kurtz not only has invaluable experience, but also upholds the continued management of the company as its founder had intended.

### D. Supervisory Board Procedures:

#### I. Rules of procedure

**Recommendation D.1 of the Code:** "The Supervisory Board shall adopt its own rules of procedure and shall publish these on the company's website."

For its work, the Supervisory Board has set itself rules of procedure. However, the Supervisory Board opts not to publish the rules of procedure on the company's website. The main rules of conduct for the Supervisory Board are laid down in law and in the Articles of Association and publicly accessible. It does not believe that the additional publication of the rules of procedure would add any value.

#### II. Cooperation within the Supervisory Board and with the Management Board

##### 2. Supervisory Board committees

**Recommendation D.5 of the Code:** "The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candi-

dates to the Supervisory Board for its proposals to the General Meeting."

The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a seven-member Supervisory Board, efficient discussions and lively exchanges of views on suitable candidates for nomination by the Supervisory Board to the General Meeting of Shareholders can also be held in the plenary session. Moreover, the fact that the Supervisory Board of RATIONAL AG is not subject to co-determination obviates the need to form a nomination committee that consists exclusively of shareholder representatives.

## G. Remuneration of Management Board and Supervisory Board

### 2. Determining specific total remuneration

**Recommendation G.3 of the Code:** "In order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group. The peer-group comparison shall be applied with a sense of perspective, in order to prevent an automatic upward trend."

The Supervisory Board regularly reviews Executive Board remuneration. In assessing the appropriateness of Executive Board remuneration, information on board remuneration at other companies is also taken into account. There is no direct comparison with a defined peer group. The Supervisory Board believes that, due to the high degree of specialisation of RATIONAL AG and the different economic situation and profitability of other mechanical engineering companies, such a comparison is not very meaningful.

### 3. Determining the total amount of variable remuneration components

**Recommendation G.8 of the Code:** "Subsequent changes to the target values or comparison parameters shall be excluded."

The remuneration system for the Executive Board approved by the General Meeting of Shareholders specifies that subsequent changes to the financial performance criterion of short-term variable remuneration and subsequent changes to the performance criteria of long-term variable remunera-

tion are not allowed. However, the Supervisory Board is entitled, should any extraordinary events or developments occur, e.g. the acquisition or sale of part of the company, to temporarily adjust the terms of the respective plan appropriately at its reasonable discretion. In 2021, before the new remuneration system entered into force, the Supervisory Board resolved in view of the exceptional situation of the coronavirus pandemic to depart by way of exception from the performance criteria set originally in the determination of variable remuneration for fiscal year 2020 in order to adequately reward outstanding crisis management performance undertaken to secure the company's long-term success.


**Recommendation G.10 of the Code:** "Taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years."

Executive Board remuneration is based on the remuneration system approved by the ordinary General Meeting of Shareholders held on 12 May 2021. This system does not specify any share-based payment and therefore does not require members of the Executive Board to hold shares. In view of the good experience made in the past, the Supervisory Board accepts as given that management acts in the interests of the company's long-term success even without granting share-based payment to the Executive Board.

What is more, the long-term variable remuneration of Executive Board members is measured over a three-year performance period. Since the performance assessment is based on internal medium-term planning over the same period, the Supervisory Board deems this length of time appropriate.

Landsberg am Lech, January 2022

RATIONAL AG

  
Walter Kurtz  
for the Supervisory Board

  
Dr Peter Stadelmann  
for the Executive Board