

# Remuneration Report 2021 of RATIONAL AG

Section 162 of the Aktiengesetz (AktG, German Stock Corporation Act) requires the executive and supervisory boards of listed companies to prepare a clear, understandable annual report on the remuneration granted and owed to each individual current or former member of the executive and supervisory boards of the company and of companies of the same group in the previous fiscal year.

This remuneration report starts by presenting the basic principles and main features of the remuneration system for the Executive Board and Supervisory Board of RATIONAL AG. It also explains in particular the individualised remuneration, broken down by component, granted and paid to the individual current and former members of the Executive Board and Supervisory Board for the 2021 fiscal year.

The 2022 ordinary General Meeting of Shareholders of RATIONAL AG will, in accordance with section 120a of the AktG, resolve on the approval of the remuneration report for the 2021 fiscal year prepared and audited in accordance with section 162 of the AktG.

## A. Remuneration system for Executive Board members

Executive Board remuneration at RATIONAL AG is the responsibility of the Supervisory Board. At its meeting on 26 January 2021, the Supervisory Board of RATIONAL AG resolved a clear and understandable system for the remuneration of members of the Executive Board in accordance with the provisions of the Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie (ARUG II, Act Implementing the Second Shareholders' Rights Directive) (the "2021 Remuneration System"). On 12 May 2021, the virtual ordinary General Meeting of Shareholders approved the 2021 Remuneration System with a majority of 82.25% of the votes cast.

The 2021 Remuneration System for Executive Board members can be accessed on RATIONAL' website by following this link: [rational-online.com/media/investor-relations/rational-ag-remuneration-system-for-executive-board-members.pdf](https://rational-online.com/media/investor-relations/rational-ag-remuneration-system-for-executive-board-members.pdf)

The 2021 Remuneration System came into effect two months after it was first approved by the General Meeting of Shareholders, in other words, on 12 July 2021, and applies to all new Executive Board contracts entered into. The new or extended Executive Board contracts entered into with Executive Board members Executive Markus Paschmann and Jörg Walter in March 2021 and the contracts with Executive Board member Peter Wiedemann and Chief Executive Officer Dr Peter Stadelmann to be extended in 2022 have been migrated to the 2021 Remuneration System with retro-active effect from 1 January 2022.

For fiscal year 2021, the existing remuneration system for the Executive Board was applied; that system had been approved by the General Meeting of Shareholders on 21 April 2010 (the "2010 Remuneration System").

Here follows a summary of the 2010 Remuneration System for Executive Board members, which was applicable in fiscal year 2021, and a description of the individual remuneration components in fiscal year 2021.

## I. Summary of the 2010 Remuneration System

The remuneration payable to Executive Board members is set on the basis of the company's size and the global nature of its operations, its economic and financial situation and the level and structure of Executive Board remuneration at comparable companies. In addition to fixed annual remuneration (basic salary, fringe benefits), members of the Executive Board are granted variable remuneration.

In addition to short-term profitability (net profit/loss), the remuneration system focuses especially on the long-term nature of the corporate objectives, future customer requirements and the further development of the digital business as a relevant trend for the future.

### 2010 Remuneration System

Remuneration component	Objective	Sub-component	Type
<b>Non-performance-related remuneration</b>			
Basic salary	Remuneration commensurate with function, industry and company size	Fixed monthly remuneration	12 monthly instalments
Fringe benefits		Use of a company car, telephone, insurance premiums	Costs of the respective components are regularly reimbursed
Payments into pension scheme	Ensuring appropriate pension benefits	Contributions to provident fund	Payments into a defined contribution plan by RATIONAL AG
<b>Performance-related remuneration</b>			
One-year performance-related remuneration	Profitable growth of the Company	Net profit/loss for the fiscal year (accounts for 50% of variable target remuneration)	Setting of target net profit/loss (≤ 90% target achievement → 0% paid out; ≥ 110% target achievement → 200% paid out), in between: pay-out increases proportionately by 10% for each 1%age point by which target is exceeded
	Further development of strategic digital business segments	Expansion of the digital business (accounts for 25% of variable target remuneration)	Target achievement specified by Supervisory Board, pay-out ratio between 0 and 100% according to target achievement
	Long-term alignment of the Company with future customer requirements	Further development of long-term Strategy 2025 (accounts for 25% of variable target remuneration)	

**Maximum remuneration**

Maximum remuneration under the 2010 Remuneration System for the Executive Board can be calculated by simply adding the fixed remuneration components and the maximum amounts of the contractually agreed performance-related remuneration component, which can be achieved if targets are met in full. For the 2021 fiscal year, maximum Executive Board remuneration therefore amounted to 6,013 thousand euros for all active Executive Board members.

The 2021 Remuneration System will in future specify individual maximum remuneration separately for each member of the Executive Board within the meaning of section 87a of the AktG.

**Malus and clawback**

The 2010 Remuneration System does not have any malus and clawback arrangements. No remuneration components were demanded back. The 2021 Remuneration System does contain malus and clawback clauses.

**II. Individual remuneration of Executive Board members appointed in fiscal year 2021**

**Executive Board members in fiscal year 2021**

In fiscal year 2021, the Executive Board of RATIONAL AG had the following members:

- › Dr Peter Stadelmann, Chief Executive Officer since January 2014, Executive Board member since 2012
- › Peter Wiedemann, Executive Board member since September 1999
- › Markus Paschmann, Executive Board member since December 2013
- › Jörg Walter, Executive Board member since March 2021

**Remuneration granted and owed in fiscal year 2021**

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must disclose the remuneration granted and owed to each individual Executive Board member in the past fiscal year. The terms are defined as follows:

- › The term "granted" relates to "the actual flow of the remuneration component";
- › The term "owed" relates to "all legally existing liabilities for remuneration components that are due but have not yet been settled".

**Total Executive Board remuneration in fiscal year 2021**

The total remuneration paid to the Executive Board for the performance of its duties in the fiscal year 2021 was 6.0 million euros (2020: 4.4 million euros). Individualised Executive Board remuneration is presented in the tables below, showing all fixed and variable remuneration components and their relative share of total remuneration.

**Remuneration of the Executive Board members in fiscal year 2021**

	Dr Peter Stadelmann		Peter Wiedemann		Markus Paschmann		Jörg Walter <sup>1</sup>		Total <sup>2</sup>	
Basic salary	1,200	51%	770	54%	887	55%	350	53%	3,207	53%
Fringe benefits	57	2%	35	2%	22	1%	16	2%	131	2%
Payments into pension scheme	180	8%	116	8%	147	9%	66	10%	508	8%
Fixed remuneration	1,437	61%	921	65%	1,056	65%	432	66%	3,846	64%
Performance-related remuneration	900	39%	495	35%	570	35%	225	34%	2,190	36%
<b>Total remuneration granted and owed</b>	<b>2,337</b>	<b>100%</b>	<b>1,416</b>	<b>100%</b>	<b>1,626</b>	<b>100%</b>	<b>657</b>	<b>100%</b>	<b>6,036</b>	<b>100%</b>

<sup>1</sup> Mr Jörg Walter joined the Executive Board of RATIONAL AG as of 1 March 2021. The figures disclosed relate to the period from March to December 2021.

<sup>2</sup> Plus inventor remuneration of 3 thousand euros for the former Chief Executive Officer Dr Günther Blaschke.

**Non-performance-related remuneration components**

The non-performance-related remuneration components (fixed remuneration) totalled 3.8 million euros in 2021 (2020: 3.3 million euros); they comprised the basic salary, payments into the pension scheme and fringe benefits in kind relating primarily to the use of a company car, telephone, and insurance premiums. The incidental benefits are part of their remuneration package and the individual Executive Board members therefore have to pay tax on them.

**Performance-related remuneration components**

The 2010 Remuneration System specifies short-term variable remuneration. The performance-related remuneration components amounted to 2.2 million euros in the past fiscal year (2020: 1.1 million euros). They are based on the levels of target achievement defined by the Supervisory Board for the targets set for fiscal year 2021; they are shown in the table below.

**Corporate objectives, target achievement and grant rate**

Objectives	Weighting	Achievement in 2021	Grant rate in 2021
Net profit/loss in 2021 <sup>1</sup>	50%	144%	200%
Expansion of the digital business	25%	100%	100%
Further development of Strategy 2025	25%	100%	100%
<b>Total</b>		<b>122%</b>	<b>150%</b>

<sup>1</sup> In the range between 90% and 110% target achievement, the grant rate increases by 10%age points for each 1%age point rise in target achievement up to a maximum of 200%.

The performance against these targets was assessed at the end of the fiscal year. Depending on the performance achieved, payments for the variable remuneration component (corporate objective) may range between 0% and 100% (digital business, Strategy 2025) or between 0% and 200% (2021 operating profit) of the target bonus. When resolved by the Supervisory Board, the resulting payment amount is deemed granted and the actual flow is deemed to have occurred. Parts of the payments to Executive Board members are made in the form of advance payments in the fiscal year concerned, and the remainder is paid once the annual financial statements have been adopted. No variable remuneration components were clawed back in fiscal year 2021.

In the previous year (2020 fiscal year), the grant rate for the performance-related remuneration components was 90% due to the effects of the coronavirus crisis.

**Benefits promised in case of premature termination**

In the case of premature termination of the term of office on the Executive Board, the Executive Board contract can be terminated by giving six months' notice to the end of a month. In contractually agreed special cases, the notice period is nine months. In cases where the term of office is terminated prematurely without cause, any settlement that may be payable, including fringe benefits, amounts to no more than two annual remuneration amounts; in no case will it exceed the total amount for the remaining term of office under the service contract. Calculation of the settlement cap is based on total remuneration in the preceding fiscal year and, if appropriate, expected total remuneration for the current fiscal year. Benefits awarded for the early termination of an Executive Board member's term of office due to a change of control will not exceed 150% of the settlement cap. The service contracts do not, however, specify any right to the payment of a settlement in case of premature termination.

**Benefits promised in case of regular termination**

In cases of regular termination of service contracts, Executive Board members do not receive any benefits from the Company. Once they are eligible, they receive benefits from the provident fund, into which contributions were paid by the Company during the term of the service contract. These contributions are already reported as remuneration granted in the respective year in which the contribution is paid. Executive Board members do not receive any other Company benefits from the Company after termination of their contract, unless they have been promised such benefits on termination in individual circumstances.

**III. Remuneration of former Executive Board members**

Former Chief Executive Officer Dr Günther Blaschke received inventor remuneration of 3 thousand euros in 2021 (2020: 13 thousand euros).

**B. Remuneration system for Supervisory Board members**

Supervisory Board remuneration is specified in the Articles of Association of RATIONAL AG. The Supervisory Board receives fixed remuneration based on market conditions and oriented to suggestion G.18 of the German Corporate Governance Code (the Code). In accordance with recommendation G.17 of the Code, the Chairman of the Supervisory Board and his deputy receive higher compensation to reflect the larger time commitment. In addition, a company vehicle is made available to the Chairman of the Supervisory Board and his deputy, including for private use (other).

**Remuneration of the Supervisory Board members in fiscal year 2021**

	in kEUR		
	Fixed	Other	Total
Walter Kurtz	250	18	268
Dr Hans Maerz	200	10	210
Erich Baumgärtner	150	-	150
Dr Gerd Lintz	150	-	150
Werner Schwind	150	-	150
Dr Georg Sick	150	-	150
Dr Johannes Würbser	150	-	150
<b>Total</b>	<b>1,200</b>	<b>28</b>	<b>1,228</b>

**C. Comparative presentation of changes in Executive Board remuneration, Supervisory Board remuneration, employee remuneration and profits/losses**

The presentation below sets the annual change in the remuneration of members of the Executive Board and Supervisory Board against the average remuneration of employees and the Company's profit or loss in fiscal year 2021 and compares these figures to fiscal year 2020.

Change compared with previous year	in %
	2021 vs 2020
<b>Changes in Executive Board remuneration (current and former Executive Board members)</b>	
Dr Peter Stadelmann	+18
Peter Wiedemann	+17
Markus Paschmann	+35
Dr Günter Blaschke	-77
<b>Changes in Supervisory Board remuneration<sup>1</sup></b>	
Walter Kurtz	+5
Dr Hans Maerz	+5
Erich Baumgärtner	+5
Dr Gerd Lintz	+5
Werner Schwind	+5
Dr Georg Sick	+5
Dr Johannes Würbser	+5
<b>Changes in employee remuneration</b>	
Average no. of employees (FTEs) <sup>2</sup>	+10
<b>Changes in profit/loss</b>	
Net loss of RATIONAL AG <sup>3</sup>	-65
Consolidated net profit	+54

<sup>1</sup> In response to the coronavirus crisis in 2020, the Supervisory Board has opted to forego a part of its compensation.

<sup>2</sup> Employee remuneration is determined by dividing total remuneration (incl. social security expenses) reported in the notes to the consolidated financial statements less Executive Board remuneration by the average number of full-time equivalents (FTEs) in the fiscal year concerned.

<sup>3</sup> As a precaution and to preserve liquidity at our sales subsidiaries, profit distributions by the subsidiaries were reduced significantly in fiscal years 2020 and 2021. For this reason, RATIONAL AG's net profit was 65% down on the previous year.

**D. Report of the independent auditor on the audit of the remuneration report in accordance with section 162 (3) AktG**

To RATIONAL Aktiengesellschaft, Landsberg am Lech

**Audit Opinion**

We conducted a formal audit of the remuneration report of RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany, for the financial year from 1 January to 31 December 2021, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we did not audit the content of the remuneration report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

**Basis for the Audit Opinion**

We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (08.2021)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our auditor's report. Our audit firm has applied the requirements of the IDW Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1). We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

**Responsibilities of the Executive Board and the Supervisory Board**

The executive board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

**Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made in the remuneration report, in all material respects, and to express an audit opinion thereon as part of an auditor's report.

We planned and conducted our audit so as to be able to determine whether the remuneration report is formally complete by comparing the disclosures made in the remuneration report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did neither audit whether the contents of these disclosures are correct, nor whether the contents of individual disclosures are complete, nor whether the remuneration report has been reasonably presented.

**Handling of possible misrepresentations**

In connection with our audit, our responsibility is to read the remuneration report taking into account our knowledge obtained in the financial statement audit while remaining attentive to any signs of misrepresentations in the remuneration report regarding the correctness of the disclosures' contents, the completeness of individual disclosures' contents or the reasonable presentation of the remuneration report.

If, based on the work we have performed, we conclude that there is such a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Munich, 23 March 2022

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