

The background of the cover is a close-up photograph of a stainless steel sink. The surface is covered with numerous water droplets of various sizes, creating a textured, reflective effect. A diagonal line, starting from the top left and extending towards the bottom right, is drawn over the image. The word "Grow" is positioned on the left side of this line, and the word "sustainably" is positioned on the right side, with the line passing through the middle of both words.

Grow sustainably

SUSTAINABILITY REPORT 2018

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Dr Peter Stadelmann
Chief Executive Officer

Born in 1965, Dr Stadelmann has been a member of the Executive Board at RATIONAL since 2012. He has been CEO since January 2014. He previously spent over 20 years in a variety of managerial functions at the Malik Management Centre St. Gallen. From 2006, he spent six years as operational Managing Director of the Malik Group. //

Dr Axel Kaufmann
Chief Financial Officer

Born in 1969, Dr Kaufmann has been Chief Financial Officer at RATIONAL since October 2015. After completing his education and studies, he joined Deutsche Bank, and was then at Siemens AG for over ten years before moving to Nokia Networks, where he took up managerial positions in the fields of finance and strategy. He was Chief Financial Officer at Koenig & Bauer AG from 2010. //

Peter Wiedemann
Chief Technical Officer

Born in 1959, Mr Wiedemann joined RATIONAL GmbH in 1988 as an engineer. He went on to work as a product manager, supported the development of the American subsidiary and took over the technical division as a member of the management team in January 1996. Since September 1999, he has had the same responsibility as a member of the Executive Board. //

Markus Paschmann
Chief Sales Officer

Born in 1966, Mr Paschmann has been Chief Sales Officer at RATIONAL since December 2013. After completing his studies in industrial engineering, he began his career at Siemens AG. He was then, among other things, head of the Global Business Unit Electronics at the Harting Technology Group and Managing Director. From 2006 to 2013 he was member of the Executive Board of Sick AG. //

Foreword by the Executive Board

Dear Ladies and Gentlemen,

Sustainable action and a commitment to social responsibility have been core elements of our corporate policy since RATIONAL was founded. Responsible corporate management and treating our environment with respect are a matter of course for us. In addition, we assume responsibility for our employees, make a positive contribution to the development of society and work together with all stakeholders in a spirit of long-term partnership and respect. The aim is to ensure that our children and grandchildren will continue to enjoy an ecologically, socially, and economically intact world.

Sustainability is an integral part of our business model. In our role as a solution provider for thermal preparation of food, we make a valuable contribution to this goal by meeting the human need for warm food cooked outside of the home with our innovative products and services. We support people in the professional kitchens of the world in safely preparing healthy meals of a consistently high quality while saving time and resources.

We consider a healthy diet to be an invaluable benefit of our technology, since our appliances cook food more gently than traditional cooking methods, thus helping people to have a healthier and more nutritious diet. The SelfCookingCenter®, the CombiMaster® Plus and the VarioCookingCenter® need less fat, preserve vitamins and minerals in vegetables and fish, and do not generate any harmful substances during the cooking process.

Moreover, the great efficiency of our products and services makes an important contribution to safeguarding resources and protecting the environment. The smaller size and lower consumption of energy, water and raw materials are two key attributes that score points for our appliances when measured against conventional cooking appliances in commercial kitchens. This is something we want to ensure not only through our cooking appliances, however, but also through the numerous services which we offer our customers free of charge.

The ConnectedCooking Internet platform allows our customers to connect the cooking appliances. Many steps are rendered redundant thanks to automatic software updates, transfer of recipes, remote control of appliances as well as remote access by service partners, which saves not only time but also a wealth of resources. Our endeavours in this respect earned us the "Green Ribbon" for sustainability in the catering and food service market at the Intergastra trade show in Stuttgart in February 2018.

One of our key accounts is SPAR in Norway. They use RATIONAL technology in their stores to prepare food. The article on page 23 shows how we have helped them reach their demanding sustainability goals through the high energy efficiency of the appliances.

We are happy about that and also a little bit proud. And we see it at the same time as an incentive to raise our own standards for environmentally friendly products a little more in future.



Dr Peter Stadelmann
CEO of RATIONAL AG

The RATIONAL Group's business model

The RATIONAL Group produces and distributes cooking appliances for the thermal preparation of food for large-scale and commercial kitchens worldwide. Sales revenues are also generated with accessories, care products, service parts and services. Our products are targeted at businesses that prepare at least 20 hot meals a day. Our primary corporate aim of delivering maximum benefit for customers lies at the heart of our corporate philosophy.

Our products are high-quality and very durable capital goods. We estimate their life to be 10 to 12 years, although this varies greatly depending on the intensity of use. In many cases, the appliances are used by our customers over many decades.

The Group's parent company is RATIONAL Aktiengesellschaft, whose registered office is located in Landsberg am Lech, Germany. Through 34 subsidiaries, of which 26 are sales companies, and local trading partners, the company has a global presence.

The majority of our sales revenues are generated with the SelfCookingCenter®, a combi-steamer with intelligent cooking processes. Combi-steamer technology involves transferring the heat during cooking via steam, hot air or a combination of the two. The software integrated into the SelfCookingCenter® 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 model of the combi-steamer called the CombiMaster® Plus. A combi-steamer replaces conventional cooking appliances like stoves, ovens or a grill.

Our core market is Europe, where we generated around 58% of our sales revenues in the past fiscal year. New markets outside Europe are, however, becoming increasingly important.

We also offer the VarioCookingCenter®, a product that complements the combi-steamer technology. It cooks with direct contact heat or in liquid, targets the same customer groups and can replace even more traditional cooking appliances such as deep-fat fryers, boiling pans or tilting frying pans, and is still primarily distributed in Europe. However, through selected partners, we have already undertaken business activities in some overseas markets such as Japan or Australia.

Our combi-steam models are produced exclusively at our headquarters in Landsberg am Lech (Germany). The VarioCookingCenter® is manufactured in Wittenheim (France).

We focus on low proprietary value creation in production, which essentially lies in the final assembly of the products and production of stainless steel components. We source approximately 85% of all components from external partners.

We use our own resources only if an item can be manufactured with better quality or more cost-effectively in-house than by third parties or if a specific element of system expertise is especially important for the future development of our products and services. We therefore enter into long-term partnerships with reliable suppliers. Intensive collaboration with suppliers and the high quality of the primary products, the logistics processes and the corporate quality of the suppliers are thus crucial criteria for us. 87% of all suppliers of series products are based in Germany and some 13% in other European countries.

About this report

Our commitment to sustainability

Sustainability and future-proof development mean placing environmental considerations on an equal footing with social and economic ones in order to leave our children and grandchildren with an ecologically, socially, and economically intact world.

Delimitation of the sustainability report with respect to the non-financial consolidated report

This sustainability report serves to fulfil the legal requirements of the CSR Directive Implementation Act for implementing Directive 2014/95/EU. What the policy makers are aiming to do is to increase corporate transparency with respect to ecological and social issues. This includes details concerning employee and social matters, protecting the environment and human rights, as well as efforts to combat corruption and bribery.

The section on resource-efficient production processes and the article on our customer SPAR Norway are not part of the non-financial consolidated report. Contents that are not part of the non-financial consolidated report are indicated by grey shading.

The remaining contents are part of the non-financial consolidated report and are in accordance with Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). We therefore fulfil the legal requirements imposed on certain publicly traded companies since the 2017 fiscal year.

This report is based on the sustainability reporting standards of the Global Reporting Initiative (GRI Standards 2016) in its presentation of the management approaches and in carrying out the materiality analysis.

The reporting period corresponds to the fiscal year from 1 January to 31 December 2018. Any matters described that refer to previous years or to the first months of 2019 are also relevant for the preceding fiscal year or relate directly to measures or activities in 2018.

Auditing the non-financial consolidated report

The non-financial consolidated report was the subject of a limited assurance engagement under ISAE 3000 (Revised) by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). This audit was commissioned by the Supervisory Board of RATIONAL AG.

The section on resource-efficient production processes and the article on the customer SPAR Norway are not part of the non-financial consolidated report of RATIONAL AG and were therefore not subject to the audit by PwC.

References to information outside of the scope of the 2018 Group management report and consolidated financial statements serve as further information and are not part of the non-financial consolidated report.

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 non-financial consolidated report was published on time in April 2019. It is published annually and is available online in PDF form on the company website at rational-online.com/en_gb/Company/About_us/Sustainability or can be requested in paper form at ir@rational-online.com.

Scope

This report refers in principle to the RATIONAL Group. In cases where information or performance indicators refer only to sub-segments of the Group, this will be stated explicitly.

Relevant non-financial performance indicators

The relevant non-financial performance indicators of the non-financial consolidated report are as follows:

- > Employee turnover
- > Employee satisfaction
- > Illness rate
- > Number of attendees (participating companies) at RATIONAL live seminars

Determining the material contents for the non-financial report

In 2017, different stakeholder groups were surveyed, discussions were conducted with relevant employees and managers at the company and a materiality workshop attended by the Executive Board was held in order to determine the material contents for the non-financial report in accordance with the Section 289c of the German Commercial Code (HGB).

One of the customer groups that is important to us is the key accounts, i.e. large chain customers that use our technology at many branch offices worldwide. This group attaches great importance to their suppliers' focus on sustainability and future viability. We have succeeded in winning numerous major international customers in the past years. In 2018, we queried them, in cooperation with our key account managers, about which aspects of sustainability are especially important to this customer group.

In addition to the issues already covered in the Sustainability Report 2017, customer safety and health (customer matters) and packaging plastic (environmental matters) were also identified as important concerns.

The topics presented in this report are based on the RATIONAL AG business model and its respective influence on the various sustainability issues.

Customer matters

Offering our customers the maximum benefit is our primary corporate aim. This has been at the core of our corporate philosophy for many years. In this respect, customer satisfaction is the principal concern of the RATIONAL business model in terms of customer matters. This comprises to a large extent the ergonomic and safe operation of our products to minimize accidents and/or occupational illnesses of operators.

Social matters

In terms of social matters, the RATIONAL business model focuses principally on enabling and promoting healthy nutrition through its range of cooking appliances, using a variety of cooking methods or cooking processes.

Employee matters

The principal focus of the RATIONAL business model in relation to employee matters is the high level of employee satisfaction, which is reflected in the low employee turnover rate, high satisfaction values in employee surveys and the low illness rate.

Environmental matters

The resource consumption of appliances in worldwide operation represents the material focus of the RATIONAL business model vis-à-vis environmental matters. The key issues here are savings in comparison with traditional cooking technology and ongoing reductions in resource consumption with each new development.

Observance of human rights

Observance of human rights is self-evident for RATIONAL. This is of major significance along the entire supply chain, given the limited vertical integration and intensive collaboration with suppliers. Internal rules of conduct (compliance management system, code of conduct, etc.) as well as the BME Code of Conduct for ensuring observance of human rights in the supply chain are important elements for implementation in this respect.

Combating corruption and bribery

Legally compliant behaviour and combating corruption and bribery are a matter of course for RATIONAL. This topic is of major significance along the entire supply chain, given the limited vertical integration and intensive collaboration with suppliers. Internal rules of conduct (compliance management system, code of conduct, anti-corruption policy, sanction list screening, etc.) as well as the BME Code of Conduct for ensuring the combating of corruption and bribery in the supply chain are important elements for implementation in this respect.

Risk analysis

Risks in general are understood to be all internal and external activities that may negatively impact the achievement of desired objectives in a defined reporting period. Risks are assessed on the basis of two criteria, i.e. amount of damage (or impact) and probability of occurrence.

In accordance with Section 315c of the German Commercial Code (HGB) in combination with Section 289c of the German Commercial Code (HGB), the non-financial report should indicate the material risks associated with the corporation's business activity as well as those related to its products and services which are or will be very likely to have a negative effect. It should also discuss the handling of these risks by the corporation.

We focus in this respect on the risks that are entailed in business activity done outside the company. The net approach is used when assessing risks, i.e., when assessing the risks, we include any countermeasures taken, which reduce the probability of occurrence and the possible extent of damage.

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.

Definition of material risks

The definition of material risks from the business activity relates to the two core questions in Section 289c of the German Commercial Code (HGB):

- a) Should the occurrence of the relevant risk from the business activity of RATIONAL AG be classified as very probable?
- b) Does the occurrence of the relevant risk have potential to have a serious impact on the respective area of business?

Delimitation with respect to the RATIONAL AG risk management system in accordance with Section 91 (2) German Stock Corporation Act (AktG)

The RATIONAL risk management system refers to all internal and external activities that may negatively impact the achievement of business objectives or strategies in a defined reporting period. The primary aim of the risk management system in this respect is the continued existence of the company.

A risk workshop with selected executives was conducted in 2018 within the framework of RATIONAL's risk management (in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). We also analysed the impact of new findings and assessments on internal and external risks (early risk detection), updated the risk inventory and the evaluation of potential risks, and checked the need for taking appropriate measures. The RATIONAL risk registry was then adjusted accordingly. The relevant risks were discussed at an Executive Board meeting.

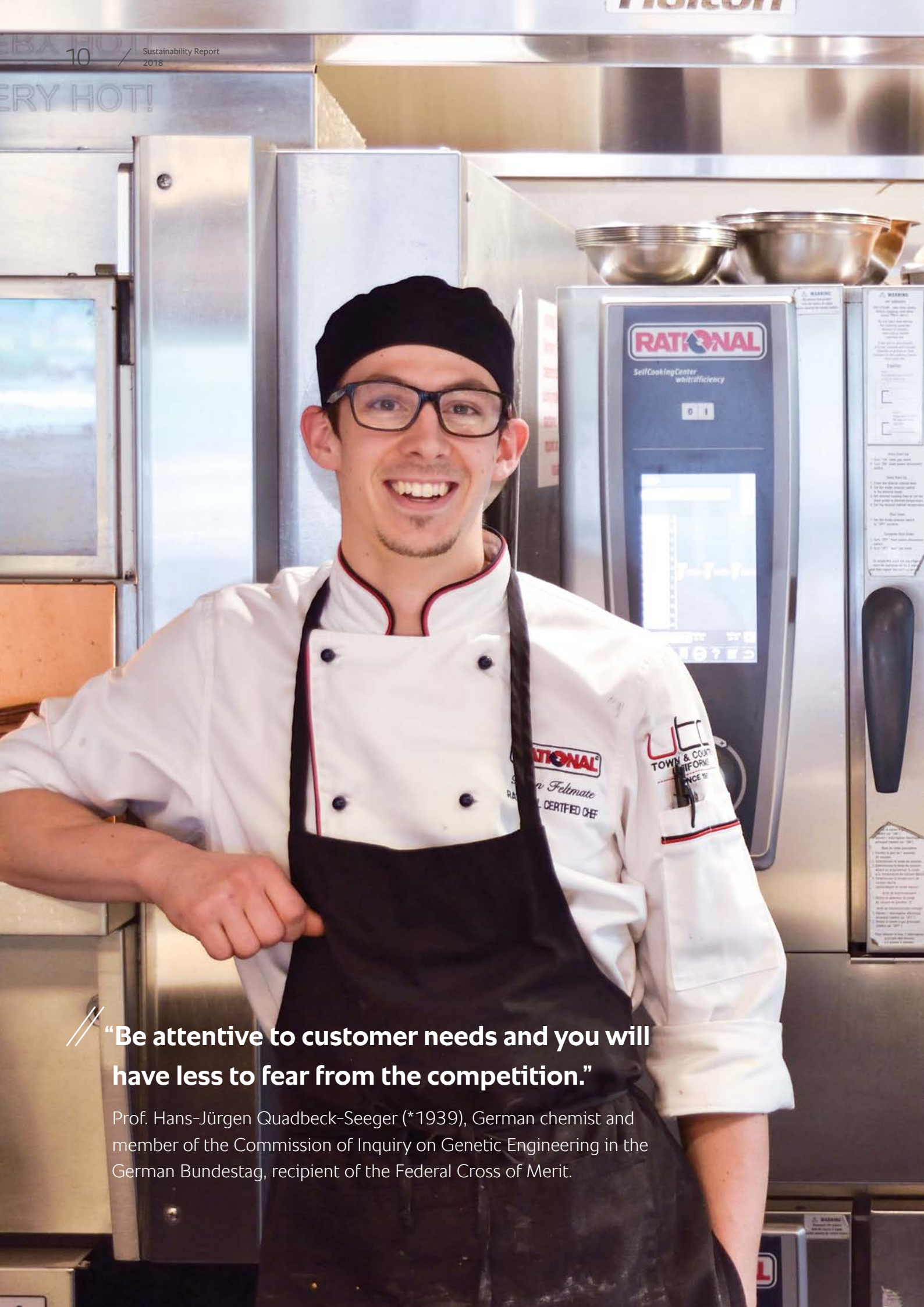
The following topic areas were dealt with as part of this process:

- > Environmental matters
- > Employee matters
- > Social matters
- > Observance of human rights
- > Combating corruption and bribery
- > Customer matters

No material risks were identified in this process, which are or will be very likely to have serious negative effects.

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).



“Be attentive to customer needs and you will have less to fear from the competition.”

Prof. Hans-Jürgen Quadbeck-Seeger (*1939), German chemist and member of the Commission of Inquiry on Genetic Engineering in the German Bundestag, recipient of the Federal Cross of Merit.

Customer benefit as our overriding corporate goal

Our primary aim: to inspire customers

"We offer people working in commercial kitchens the most beneficial solution to their thermal cooking tasks". This is the overriding principle that has been enshrined in our corporate philosophy for many decades and applies to our dealings with our customers, suppliers, employees and shareholders. In addition to high-quality food, efficient resource usage and comprehensive support, this also covers the health of the users of our devices.

Long-term partnership: ServicePlus package

We are a long-term partner for our customers that provides comprehensive support for the life of the relationship. Every contact with RATIONAL should be a positive experience for our customers. Based on our customers' experience, we offer them the right service, training and development offerings at the right time. We call this the RATIONAL ServicePlus package. The aim of these mostly free services is to enable optimum use of the appliances for our customers at any time, tailored to their personal needs.

Customers get their initial personal impression of our products at a trade fair or in a RATIONAL live seminar that usually lasts several hours. Following the device's installation and some initial personal instruction, the customer is able to use the device. If questions arise, our sales experts can be called on as can the RATIONAL application consulting and our RATIONAL ChefLine®. Technical service is performed for us by a specialized service partner. This combination of services ensures that our products are always fully functional.

Active users get tips and tricks from RATIONAL chefs at the RATIONAL Academy or RATIONAL expert kitchens, or from other enthusiastic users on how to get the most out of their SelfCookingCenter® or VarioCookingCenter®.

Ergonomics and occupational safety in the professional kitchen – focus on people

Although millions of people work in the professional kitchens of this world, it is still an uncomfortable workplace. Despite many safety regulations and technical innovations, they continue to entail major health risks, whether from accidents or typical occupational illnesses.

To guard against this, cooking appliances should not only facilitate simple preparation of high-quality meals, but also ensure ergonomic and safe working conditions. Recent years have seen much progress in this area.

Cooking technology from RATIONAL has made an important contribution to this, as presented below. The following overview shows what we consider to be the main health risks for employees in professional kitchens and the key sources of danger. These sources of danger and health risks can be reduced significantly by the user-friendly design of our appliances.

| | Sources of danger | | | | | | | | | |
|-------------------------|---------------------|--------------|-----------|---------------------------------|-----------------|-------------|-------------|---------------|--------------------|--------|
| | High heat radiation | Hot surfaces | Hot steam | Working height – overhead tasks | Airborne toxins | Heavy loads | Hot liquids | High humidity | Cleaning chemicals | Stress |
| Health risks | | | | | | | | | | |
| Spinal injuries | | | | X | | X | | | | X |
| Scalding | | | X | X | | | X | | | |
| Burns | | X | | | | | | | | |
| Chemical burns | | | | | | | | | X | |
| Respiratory diseases | | | | | X | | | | X | |
| Mental stress | | | | | | | | | | X |
| Cardiovascular diseases | X | | | | X | | | X | | X |
| Cancer | | | | | X | | | | | |

Fig. 1: Sources of danger and health risks in commercial kitchens.¹

¹ Source: own presentation, decades of experience at RATIONAL AG

Hot surfaces and liquids or steam lead to the risk of scalding and burning. Due to the cooking processes, the air quality in the kitchen is usually unhealthy, hot and humid. A Norwegian study published in January 2019 shows that cooking also releases irritants and allergens into the air. As a result, kitchen staff are permanently subjected to pollution that is classified as hazardous to health.

RATIONAL combi-steamers have a closed cooking chamber that is highly insulated with a triple-pane glass door. In the VarioCookingCenter®, only the base of the pan is heated, and because of its high cooking speed and rapid response the appliance is only switched on when it actually needs to cook. Heat is mainly applied to where it is needed, i.e. the food being cooked. The appliance does not heat up the kitchen air unnecessarily.

Another benefit is that the RATIONAL combi-steamer dispenses almost completely with hot fat. Work accidents involving hot fat, which not only cause burns but can also start fires, can therefore be practically ruled out.

Both appliance types have automatic drains that eliminate the need for open drains for the hot, steaming water. A two-stage safety lock prevents injuries caused by large amounts of hot steam escaping from the combi-steamer or high levels of air pollution. Since the door can initially only be opened a crack, the exhaust system immediately extracts the air-steam mixture upwards so that it poses no hazard to the user. With the VarioCookingCenter®, the automatic tilting system helps the kitchen staff handle large amounts of hot liquid, thus reducing the risk of accidents.

Another important issue is the cleaning of equipment. As with a household dishwasher, the SelfCookingCenter® and the CombiMaster® Plus clean themselves automatically with cleaning chemicals in tablet form. This eliminates chemical burns to the eyes, respiratory system and skin caused by spraying and handling liquid chemicals.

Overhead tasks and heavy loads are demanding and dangerous, which is why the height of the highest rack position of an appliance plays a critical role for occupational safety. RATIONAL has set a groundbreaking standard in this area. Only RATIONAL appliances with a maximum rack height of 1.60 metres have been available for many years now,

which is the maximum height recommended by the German Berufsgenossenschaft Nahrungsmittel und Gastgewerbe, the statutory accident insurance company for people in the food and catering industry. The restriction reduces not only the risk of burns from hot liquids being carried overhead, but also reduces the strain on the kitchen workers' backs because they no longer need to lift heavy containers overhead.

Another source of back pain is minimized by special transport accessories for large amounts of food and the automatic tilting system of the VarioCookingCenter®. Even the use of cleaning tablets reduces back strain by eliminating the need to carry heavy containers. The ergonomic working height of the racks and control panel also encourage a posture that is kind on the back when using the appliances.

Stress is considered the source of many complaints. The pressure to perform, physical strain or lack of time can lead to various physical or mental illnesses. RATIONAL combi-steamers and VarioCookingCenters® make work significantly easier for their users and help to noticeably reduce stress in terms of time, performance and physical strain.

Overnight cooking and ConnectedCooking spread out the cook's workload considerably, because the equipment works without their physical presence and can also be controlled and adjusted remotely. Intelligent cooking profiles and the automatic raising and lowering system of the VarioCookingCenter® reduce the cook's time pressure since the food does not have to be removed with down-to-the-second precision. The appliance stops on its own when it's done or automatically lifts the pasta from the boiling water.

Thanks to the fast cooking and response times of both technologies and the resulting much faster heat-up times, cooks can plan their workday more flexibly. In the evening, the appliance doesn't need be cleaned manually, because it does that on its own. All of these features make the daily kitchen routine easier and help reduce stress and recover from it.

To ensure the safety and health protection of the appliances, we have them GS certified, which means we have the products tested and production inspected by an independent testing and certification body.

Customer surveys and implementing improvement suggestions

To ensure that we properly assess the needs of our customers, we regularly conduct broad-based customer surveys with the external service provider KantarLive in which we query them as to their satisfaction with our products and services, as well as potential and necessary improvements. Around 900 RATIONAL combi-steamer customers in China, Japan, United Kingdom, USA and Germany from different customer segments took part in the latest comprehensive 2017/2018 customer satisfaction survey, the results of which were made available in March 2018.

The TRI*M index established in this survey primarily measures the strength of the customer relationship. The criteria considered include the overall assessment of the customer relationship, the repurchase intention, the probability of recommendations and the competitive advantage perceived by the customer. The index can record values of between -66 and 134.

RATIONAL achieved an average rating of 93 in the last customer surveys in a total of 10 countries. That puts us just outside the top 10% of companies in the KantarLive surveys with an index value of 94 points. The size of the score and the score itself, which largely matches last year's results in countries where the survey was repeated, indicates a good ongoing relationship with our customers.

In these highly detailed surveys, our customers also point out where they think we can do even better. Despite the very high level of satisfaction overall, there are still numerous options for improvement. Specific areas were successfully identified from the responses, including contact persons, support and further training, online and social media activities, and appliance features.

These suggestions are to be implemented by the respective national organisations in coordination with the Chief Sales Officer of RATIONAL AG. In the meantime, the first measures have already been implemented. For example, in China we have focused our salespeople, sales activities and training contents more on the special needs of individual customer groups. In Japan we have adapted the operation of our appliances more effectively through a more localized control concept and special accessories. And in Great Britain we are placing more emphasis on social media and online activities.

Interest in our products and services

An important indicator of customer satisfaction and interest in our products is the number of attendees (participating companies) at our RATIONAL seminars, which is reported to senior management in the framework of monthly reporting. The number of companies enrolling in these seminars is an important early indicator of future business performance for us.

Until fiscal 2018, the relevant indicator was the number of participants (participating companies) in our RATIONAL live Seminars (SelfCookingCenter® live and VarioCookingCenter® live). In 2018, we managed to increase this number by around 3%.

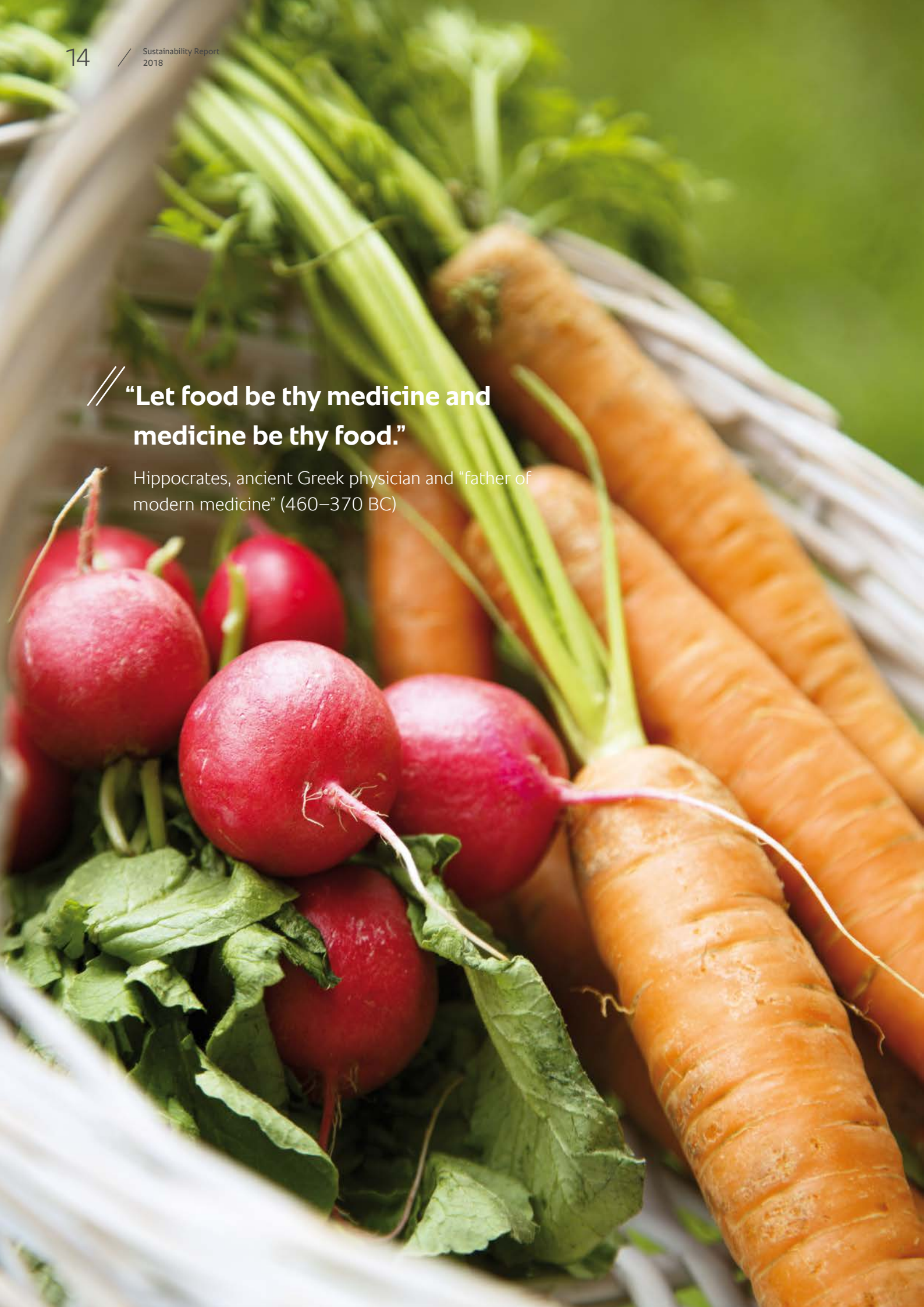
We will change this key performance indicator starting in fiscal year 2019, by adding participants at RATIONAL expert kitchens and the RATIONAL Academy to this number.

Direct feedback to the CEO

And finally, a special service offered by RATIONAL: Customers can send their comments or criticisms directly to our CEO, Dr Peter Stadelmann, who will actively assist in finding a solution and resolving the cause of the problem. Some 27 queries were received and dealt with in 2018.

“Let food be thy medicine and
medicine be thy food.”

Hippocrates, ancient Greek physician and “father of
modern medicine” (460–370 BC)



Gentle cooking for a healthy and nutritious diet

Our company founder Siegfried Meister decided back in 1983 to focus completely on combi-steamer technology, where steam and convection are combined in one appliance. Based on our estimates, 95% of the RATIONAL appliances currently in use are combi-steamers. More than 90% of all appliances sold in 2018 were combi-steamers. Accordingly, the following statements apply to combi-steamer technology.

Healthy nutrition is a major aspect of our corporate philosophy. In addition to optimally hygienic preparation of food, we want to ensure the high value of the consumed foodstuffs is maintained. Because of the importance of this issue, our nutrition experts work closely with the Executive Board to continuously improve and develop our equipment and services.

No harmful substances are produced during the cooking process when food is prepared by steaming. In addition, a significantly higher proportion of vitamins, minerals, trace elements and secondary plant substances are preserved with steaming than with traditional cooking methods. Preparing food in our combi-steamers therefore promotes people's health and well-being. This is our contribution to healthy eating.

Healthy nutrition – more than a fad

Everyone is talking about healthy eating these days. But a healthy diet is not merely a fad. Even Hippocrates pointed out the beneficial effect of high-quality food in ancient Greece. Nutrition has many facets in today's society. There are many established diets, and new ones are constantly being added: ovo-lacto vegetarian and vegan, whole food and raw food, paleo and low-carb, clean eating and slow food, as well as flexitarian and fruitarian. Diets are also shaped by the culture, such as the Mediterranean diet or most recently the Levantine cuisine.

The most important role of food is to supply the human body with nutrients – provided the food is free from bacteria, viruses, toxins, chemicals and heavy metals that are hazardous to health. Accordingly, healthy nutrition depends not only on what we eat, but also on the high-quality material of the utensils and cooking appliance as well as the right cooking method.

The quality of the food is as important as the type of food we select. High-quality foods are healthier, but often cost more, because they are produced, stored and transported more elaborately and with more care. The greatest customer benefit of RATIONAL's technology lies in preparing healthy meals of a consistently high quality. High quality means preserving relevant nutrients, minimising micro-organisms, avoiding unnecessary reductions in weight, and meeting high culinary demands.

Optimum steam saturation, product-specific temperature and time control as well as perfect uniformity virtually eliminate waste and reduce weight loss to a necessary minimum, e.g. to achieve a crisp crust.

Chefs also benefit in terms of money thanks to the savings in raw materials – lower liquid loss with high steam saturation, less waste – which they can in turn spend on higher-quality ingredients to serve guests higher-value dishes. The SelfCookingCenter® can thus already make a positive contribution to choosing healthy meals when purchasing the food.

In addition, the cooking method itself plays a crucial role. Many cooking methods are regarded as unhealthy since they require a lot of fat, generate harmful substances or destroy valuable nutrients in the food. Steam is currently considered to be the healthiest cooking method since the dishes prepared are rich in vitamins and need less fat. And since the food loses less weight – more fluid is retained in the food being cooked – there is more of it and the person eating it can feel satiated more quickly. Compared with other cooking methods, this results in more nutrients overall in proportion to the intake of calories.

Based on decades of RATIONAL cooking research, we have developed intelligent cooking profiles that use perfectly coordinated hardware and software to consistently produce high-quality food according to the cultural eating and cooking habits of people in around 120 countries – with reliable results every time. In terms of smell, taste, sound, look and texture, the meals increasingly match the cultural and personal culinary expectations in more and more countries and give an appetising impression. As a result, they make a positive contribution to people's well-being. The SelfCookingCenter® perfects the cooking process with steam, convection, or a combination of the two. It combines nutritionally high-quality meals with a culinary experience that appeals to all the senses, thus combining all the benefits of the combi-steamer.

More nutrients

Traditional food preparation depletes valuable nutrients through heat or by flushing them out. Scientific studies show that steaming preserves minerals, vitamins, trace elements, secondary plant substances and other nutrients much more effectively, which in turn strengthens the immune system.

Since SelfCookingCenter® saturates the food with steam very quickly, it cooks much faster than competitor models with which we compared ours. This stops enzymes that break down water-soluble vitamins or secondary plant materials (such as chlorophyll) very rapidly, and the valuable nutrients are retained more effectively.

Thanks to special cooking methods available with the SelfCookingCenter®, such as iLevelControl or Finishing®, the right dish in the right amount can be served fresh at any time with a large number or wide variety of dishes. This avoids nutrient-killing practices, like keeping food warm or reheating it.

Less fat

Food cooked in a combi-steamer with steam and convection requires very little fat. The RATIONAL CombiFry® system allows food to be deep-fried in top quality and without additional fat. Scientific studies have shown that gentle fat-free cooking is much healthier and can reduce caloric content by up to two thirds.

Fewer harmful substances

Steaming is not currently known to generate any harmful substances. Germany's Federal Ministry of Food and Agriculture therefore recommends steaming as the preferred cooking method, because grilling, roasting, frying, baking and deep-frying produce harmful substances in the food. RATIONAL cooking profiles are designed in such a way that the food is fried and baked as gently as possible to minimise the production of harmful substances.

The transfer of micro-organisms and harmful substances in the water to food is considered a risk, particularly in countries with low water quality. Since RATIONAL appliances produce the steam outside of the cooking cavity in a separate steam generator, no harmful substances can enter the cooking cavity or reach the food.

Best hygiene

RATIONAL products are always supplied with default settings, which ensure the hygienic safety of the cooking process and maintain the original quality of the food. The accurate temperature control in the SelfCookingCenter® ensures that high-risk foods are heated to hygienically safe temperatures to minimise dangerous germs in the food being cooked.

The intelligent CareControl system guarantees high levels of hygiene at all times. Automatic recording of the HACCP data (hazard analysis critical control point) allows the chef to monitor and ensure the hygienic safety of the food served at all times. The HACCP data recorded can then be evaluated continually by the chef on a daily basis using ConnectedCooking and made available to the regulatory authority as needed. ConnectedCooking allows direct intervention during ongoing cooking processes to make any adaptations necessary to ensure the hygienic safety of the food served.

Multi-resistant pathogens are an increasing problem in the generation of foodstuffs but also in further processing stages. In addition to setting high hygiene standards, this problem can be brought under control by using the right cooking methods. A basic rule to remember when cooking meat, for example, is that most of the dangerous germs are destroyed after 10 minutes at 70 degrees.

Our laboratory specialists stay informed of the latest developments in this area, for example, through various newsletters or daily news reports from the renowned Robert Koch Institute. The best possible solutions for killing off bacteria and viruses by cooking are then integrated into our cooking profiles. In this way we ensure at all times that our customers and their guests can produce and consume hygienically safe dishes.

Legal provisions

In Germany alone, there are currently more than 700 relevant food law regulations. These cover topics such as food hygiene, contamination or residues and harmful substances, some of which are relevant for the cooking process.

At RATIONAL we keep an eye on these legal provisions at all times. Even before these provisions become enshrined in law, we are well prepared, since we closely monitor the preceding discussions. In many cases, for example, we offer solutions for our customers that comply with limit values or ensure legally compliant cooking processes even before the relevant provision becomes binding.

Academy RATIONAL – Expert kitchens

Since healthy nutrition is important to us, we offer training courses for specific target groups at our Academy RATIONAL.

At the Vital Academy for company catering, we cook healthy and diverse meals with customers that enrich their catering operations and hence improve the level of satisfaction, performance and well-being of their employees and prevent the post-lunch doldrums. In school and kindergarten catering we focus predominantly on healthy and varied meals that are suitable for children, that become the children's favourite dishes and develop an appreciation for delicious and healthy food. We show our customers how they can use their existing

kitchen equipment to guarantee food safety and serving quality. In this we follow the guidelines of the German Nutrition Society (Deutsche Gesellschaft für Ernährung, DGE) and provide tips on HACCP documentation.

We were able to secure Holger Stromberg, chef to Germany's World Cup-winning football team, as an ambassador for healthy, balanced and tasty food. He passes on his experience to kitchen managers in RATIONAL's expert kitchens and helps them to show children how delicious healthy food can be.

Success story: School cafeterias

Providing healthy food for children, pupils and students is considered especially important by the public. Accordingly, policy-makers frequently focus on this topic and adopt incentive measures.

The first U.S. states introduced the so-called "no frying policy" in the mid-2000s. Since then, school cafeterias and caterers have been required to minimise the use of unhealthy cooking methods and have received funding for purchasing appropriate appliances, such as combi-steamers. In the meantime, this policy has been implemented in many U.S. states, with more to follow.

A government initiative was adopted in the UK in February 2014 that guarantees a free school lunch to all pupils in grades 1 and 2. Deep-fried or battered foods may only be offered on the menu twice a week. In the search for alternative food preparation technologies, many schools decided to equip their school cafeterias with SelfCookingCenters®.

In other large markets like France and Sweden, catering in educational institutions is extremely important, which is why we have been especially successful in these markets. The share of 'school business' is way above average here. We estimate that more than 50,000 RATIONAL units are in use worldwide in educational institutions.



/// **“The least movement is of
importance to all nature.”**

Blaise Pascal, French mathematician, physicist and
Christian philosopher (1623–1662)

Active environmental protection through resource-efficient products

According to a WWF estimate, up to one-third of the resources consumed worldwide are used to feed people. Alongside agricultural food production, this also includes global logistics and food preparation.

Protecting the environment is a key element in our sustainability efforts, which is why we strive to leave as small a 'footprint' as possible across the entire product life cycle. This applies in particular to the consumption of resources by the appliances in our customers' kitchens. Thanks to their reusable components, our products are almost totally recyclable.

Resource efficiency at the customer makes the difference

We estimate that more than 600,000 RATIONAL combi-steamers and around 30,000 VarioCookingCenters® are currently in use worldwide, producing up to 130 million meals per day. With resource-efficient appliances we can make a big contribution to protecting the environment.

It is critical in our view that every conserved resource should save money for our customers too, which means that ecological and economic goals are mutually dependent and have a positive mutual effect. Resource efficiency is becoming an increasingly significant criterion for the investment decisions of our customers and is therefore especially important in the daily use of our appliances in the kitchen. Because of the excellent economic efficiency of our products, major savings can be made in terms of energy, raw materials, water, cleaning chemicals, space and working hours spent using our appliances in customers' kitchens. And of course, this also has a major positive impact on our ecological footprint.

That is why we pay special attention in our research and development to the resource efficiency of our cooking appliances in addition to the cooking quality and set ourselves goals to improve the resource efficiency of our products with each new development. In order to improve these product features continually and thus offer our customers even greater benefits, we enhance staffing and financial capacities in this area on an ongoing basis. More than 160 employees currently work in the area of research and development on improving our products and services. We spent around 39 million euros on research and development in 2018. This corresponds to some 5% of our sales revenues. Moreover, we are working

intensively with external research facilities and universities on integrating the latest scientific findings into our development work.

The ultimate aim is to ensure new developments which – in addition to improving cooking quality – continually reduce the consumption of the resources outlined above during production and in the cooking and cleaning process, thus protecting the environment and also reducing costs for our customers. Specific savings targets are defined accordingly in the respective research projects. These are regularly assessed and checked in project reports and in the steering committee meetings in the presence of the Chief Technical Officer.

Resource efficiency milestones

The latest new developments where we made significant improvements in the resource efficiency were the new SelfCookingCenter® in 2016 and the new CombiMaster® Plus in 2017. These appliance series use around 10% less energy compared with the predecessor model. This is thanks to the new triple-pane glass door, energy-saving LED lighting, an improved door seal and even shorter cooking times.

Proven in practice

In collaboration with the ABB Schweiz AG staff restaurant in Dättwil-Baden operated by catering company SV Schweiz, the Zurich University of Applied Sciences (ZHAW) scientifically examined the energy and water savings when using multifunctional cooking appliances in comparison with traditional cooking technology. The study took place in 2014 as part of the refurbishment of the kitchen at ABB Schweiz AG. The results are still fully applicable today.

The study compared the consumption values per meal produced prior to refurbishing the kitchen (i.e. with traditional equipment) and following refurbishment (i.e. with the SelfCookingCenter® and VarioCookingCenter®). The measurement period was eight weeks in each case. Compared with traditional cooking methods, energy savings of 34% and water savings of 53% for each meal produced were achieved by using the RATIONAL technology.

Significant savings in energy, meat, CO₂ and water¹

If the roughly 130 million meals produced daily in our appliances were prepared with conventional cooking methods, we estimate the annual energy consumption to be more than 30 million megawatt hours. With RATIONAL appliances, our customers on average save around a third of this energy. This corresponds to the annual power generation of an average nuclear power plant in Germany.²

With steam preparation and much faster cooking times in our appliances, cooking loss – moisture lost from meat – can be reduced by up to 30% compared to traditional cooking³. Moreover, our appliances cook evenly on all racks, and the intelligent cooking profiles ensure the desired result every time, virtually eliminating waste. Chefs need to purchase fewer raw ingredients, which in turn do not need to be produced, processed and transported. In total, our customers save a total of around 400,000 tonnes of meat per year, for example.⁴

The annual savings in CO₂ through using our technology amount to around 9 million tonnes as a result of the reduced energy⁵ and meat⁶ consumption.

Our appliances also save a lot of water. These savings result from the use of both models. A practical study (see below) achieved total water savings of 53% through the use of our appliances compared to traditional cooking technology. Based on the estimate of up to 130 million meals prepared each day, this results in savings of around 58 billion litres per year compared to traditional cooking technology.

RATIONAL products bear the US ENERGY STAR

The US ENERGY STAR is the symbol of energy efficiency supported by the U.S. Government and offers information that consumers and companies can rely on to make informed decisions. Thousands of industrial, commercial, utility, government and local organisations trust in their partnership with the US environmental protection agency, EPA, to deliver cost-saving energy efficiency solutions. (Source: www.energystar.gov)

For our products to have the right to bear the US ENERGY STAR, their energy consumption must first be determined by an independent testing institute. These measured values are then submitted by this institute to ENERGY STAR. If the consumption values comply with the demanding limit values of the US ENERGY STAR, the relevant product is entitled to bear the seal. This procedure has to be carried out separately for all appliance types and sizes. The measured values have to be verified regularly by spot checks. The limit values mentioned above are adjusted downward at regular intervals in order to encourage improved energy efficiency. The label is only assigned for a product category if a sufficient number of measured values for products from different manufacturers exist in this category.

Around three quarters of the RATIONAL products sold in 2018 fiscal year are entitled to bear the ENERGY STAR. A sufficient number of measured values have not been submitted for the remaining appliance types and sizes, which means that no ENERGY STAR can be assigned as yet in these categories.

1 All the savings mentioned in this section are in comparison to traditional cooking technology.

2 Assumptions: All of the appliances sold in the last 12 years are still in use, average usage is 6 days a week, 0.94 kWh of energy consumption is saved with each meal cooked, a German nuclear power plant produces around 10 million MWh each year.

3 Based on internal comparisons with competitor appliances.

4 Assumptions: Every second meal includes 200 g of meat, 10 percent less cooking loss for meat on average.

5 Estimate based on Federal German Environment Agency's CO₂ emission factor for the German energy mix of 489 g CO₂/kWh in 2017.

6 Assumptions: 6,346 kg of CO₂ emitted per tonne of meat, share of pork 50%, of beef and poultry around 25% each (source: Federal Environment Agency, BUND Fleischatlas 2018, in-house estimates), all meat produced conventionally.

"Green Ribbon" for sustainability in the catering and food service market

RATIONAL was once again awarded the "Green Ribbon" for sustainability in the catering and food service market at the Intergastra trade fair in Stuttgart in February 2018. The prize is awarded jointly by the German business magazine "gastronomie & hotellerie" and "GV-kompakt", a specialist magazine for communal catering, and recognises companies, service providers and users who achieve relevant sustainability targets with their products and services.

RATIONAL received the award for its "ConnectedCooking" connectivity solution. Travel times and driving distances can be reduced and therefore valuable resources can be saved thanks to the networking of the appliances, automatic software updates, remote access and incorporation of technical service partners in this network. This solution therefore makes a valuable contribution to the conservation of our scarce resources.

Long service life – almost complete recyclability

Our researchers and developers place especially great emphasis on the durability of our products by designing them from the start for a minimum life cycle of ten years, even under extreme loads. We also focus on the use of recyclable components. Over 90% of all the materials used can be recycled with little technical effort and with almost no residue and then returned to the raw material cycle.

The table below shows the distribution of materials used in the production process of the RATIONAL combi-steamer. The distribution is measured by the weight of the materials as an average for the RATIONAL appliance family.

Materials used by weight (%)

| | 2017 | 2018 |
|----------------------|------|------|
| Stainless steel | 75 | 75 |
| Glass | 9 | 9 |
| Electrical materials | 6 | 6 |
| Insulation | 5 | 5 |
| Plastic | 4 | 4 |
| Electronics | 1 | 1 |



“We want our stores to be as sustainable as possible. RATIONAL is an important factor in helping our business succeed and in achieving our sustainability goals.”

Ole Fjeldheim, CEO of SPAR and EUROSPAR Norway

Most eco-friendly SPAR store

SPAR Snarøya near Oslo, Norway

This customer story is not part of the non-financial group report of RATIONAL AG.

The new flagship store of SPAR Norway cuts the CO₂ emissions by almost 60% and was recently awarded with the SPAR sustainable award. SPAR Snarøya is located in Bærum, a suburb of Oslo, the capital of Norway.

In the new store, there is a great focus on the use of environmentally friendly materials and many innovative solutions that help to reduce energy consumption and the carbon footprint for the building. The store has a sales area of 800m² built without wall insulation. The roof is covered with CO₂-capturing grass, and the 75 m² of solar panel on the facade generates over 7000-kilowatt hour of electricity per year.

However, not only on the outside were sustainability goals considered, but also on the inside of the store sustainability plays an important role. "We are removing bags with plastic on all our breads and replacing them with paper bags. This makes for a plastic reduction of more than 8 tons a year", states Ole Fjeldheim, CEO of SPAR and EUROSPAR Norway.

For the food production in the store, they use modern kitchen technology to keep energy consumption to a minimum. "We have used the RATIONAL SelfCookingCenter® for several years because of its outstanding quality and the support from local units. These are important factors for succeeding in every aspect of our business, including our sustainability goals. By using this multifunctional kitchen appliance we save a lot of energy."



Equipment: 2 × SelfCookingCenter® 101

/// **“Everyone wants to make the world a better place, and everybody can do it if only they start with themselves.”**

Karl Heinrich Waggerl, Austrian politician, educator and poet
(1897–1973)



Resource-efficient production processes

The following section is not part of the non-financial consolidated report of RATIONAL AG.

The information in the following section refers to the production of the RATIONAL combi-steamers at Landsberg am Lech.

As a company that focuses on sustainability, we incorporate environmental considerations into all of our business decisions. We want to extract the maximum benefit from every resource used, thereby minimising the negative impact on the environment. We achieve this, for example, by using returnable containers for upstream products and through our resource-efficient production processes. As part of RATIONAL's environmental performance evaluation, we determine relevant consumption and disposal indicators, compare them against the targets defined at the start of the year, discuss them with senior management and develop appropriate measures.

Resource-efficient production

We maintain an environmental management system that is certified according to ISO 14001 and an energy management system that is certified according to ISO 50001, and set ambitious targets for the reduction of waste as well as for resources, water, energy, and fuel consumption. The targets set for 2018 were intended to reduce the consumption of electricity, fuel, gas, water, cardboard/ paper by 1% per appliance produced or compared to a relevant comparative value,

Resource consumption – 2018 savings targets

| | per appl. pro- duced | per m ² floor space | per 100 km travelled |
|-----------------|-------------------------|-----------------------------------|-------------------------|
| Water | –1% | | |
| Energy | –1% | –1% | |
| Fuel | –1% | | –1% |
| Cardboard/paper | –1% | | |

These targets could not be achieved in full in 2018. The development and causes are explained below.

Water and wastewater

Water consumption at the Landsberg site remained almost constant in the past fiscal year. Because of higher output numbers, consumption for each appliance produced declined by more than 10% per appliance year on year. The major reason for this sharp decline was the significant increase in water consumption in 2017, due to the site supply for constructing the new assembly hall at the Landsberg site.

Water consumption

| Per appliance produced | 2017 | 2018 | Change in % |
|-----------------------------|------|------|-------------|
| Water consumption in litres | 225 | 200 | – 11 |

Almost no waste water is generated by our production processes. Any water that is polluted is cleaned and improved to drinking water quality by a treatment plant which is regularly checked by an independent institute. Regular tests are conducted to check the quality of waste water. No protected bodies of water are affected by the withdrawal of water or discharge of waste water. All our service water is provided by the municipal utility Stadtwerke Landsberg. The groundwater at the location is used to operate a heat pump and is recycled after heat exchange. RATIONAL discharges its waste water into the sewerage network of Stadtwerke Landsberg.

Energy and fuel consumption

Energy consumption at the Landsberg site and fuel consumption by the vehicles registered at the site for the main sources of energy used (natural gas, electricity, diesel and petrol) developed year on year in 2018 as follows:

Energy consumption

| Per appliance produced | 2017 | 2018 | Change in % |
|---|-------|-------|-------------|
| Energy consumption (gas, electricity) in kWh | 145.5 | 149.4 | 3 |
| Fuel consumption in litres | 6.5 | 5.9 | – 9 |

The increase in energy usage at the Landsberg site in relation to the appliances produced is attributable to the expansion of our assembly factory. The expansion of our production capacity, taking place over several years, has increased the gross floor space used by 18,000 square metres and hence by 30%. This ratio will improve again in the coming years as the number of appliances rises against a below-average increase in building space.

Every time we invest in a building, we use state-of-the-art technologies to ensure energy efficiency. Total expenditure on environmentally friendly building technology in the reporting period was around 1.5 million euros (2017: 2.0 million euros). The investments include state-of-the-art heating and cooling systems, and groundwater pumps. For room lighting, we are increasingly converting to power-saving LED lamps as well as automatic daylight-dependent lighting. We have also converted to energy-efficient compressors with heat recovery. The new energy management system allows us to individually document and analyse the requirements of many energy consumers and develop energy-saving measures.

The RATIONAL fleet is always kept state-of-the-art. 97% of company vehicles with internal combustion engines comply with the Euro-6 standard. Since 2018, we have also been using four small electric-driven vehicles for in-house traffic.

Paper consumption

Paper consumption at the Landsberg site rose by 3% year on year in 2018 from 699 grammes to 720 grammes per appliance produced. The use of copy and writing paper was significantly reduced due to the rising use of electronic media. The growth in printed manuals enclosed with our appliances, on the other hand, led to a noticeable increase in paper consumption.

Paper consumption (in grammes)

| Per appliance produced | 2017 | 2018 | Change in % |
|-------------------------|------|------|-------------|
| Copy and writing paper | 288 | 243 | -16 |
| Appliance manuals | 411 | 478 | 16 |
| Total paper consumption | 699 | 720 | 3 |

Emissions

By using modern building technology and optimising our testing processes, we hold CO₂ emissions to a low level. Since 2010, we have reduced the CO₂ emissions of each appliance produced by around 30%.

CO₂ emissions at Landsberg site

| Per appliance produced | 2017 | 2018 | Change in % |
|---------------------------------|------|------|-------------|
| CO ₂ emissions in kg | 74.0 | 76.1 | 3 |

Because of the higher energy consumption described above, however, CO₂ emissions also increased disproportionately in 2018. Accordingly, emissions per unit produced rose by 3%.

Waste generation

Waste is systematically reduced and recycled in an environmentally friendly manner and separated into fractions. Waste is recycled or recovered for its energy in accordance with the high legal standards and the recommendations of our waste disposal company. Food waste from our staff restaurants is taken to a biogas plant. The low quantities of hazardous matter are disposed of by a specialist company in compliance with ISO 14001. Our compliance with these standards is continually monitored in internal audits and certified annually by external auditors (DEKRA).

Electropolishing slurry and oil-smeared absorbent materials are the only hazardous waste we generate in our production processes.

Hazardous waste, disposed

| in kg | 2017 | 2018 | Change in % |
|---------------------------------|------|------|-------------|
| Total hazardous waste | 140 | 154 | 10 |
| thereof electropolishing slurry | 115 | 116 | 1 |

Electropolishing slurry is produced by an electrochemical weld-seam cleaning process. In 2015, we switched to improved welding technology in the production of most of the appliance types. The resulting reduced need for electropolishing has lowered the amount of electropolishing slurry produced annually by around 90%. We will convert the welding process for most appliance types in the medium term so that significantly less electropolishing slurry is generated.

The oil-smeared absorbent materials comprise paper towels that are slightly soiled with cleaning agents and oil when used to clean and maintain the machines, mainly in our training workshop and to a small degree in component production.

Waste materials not classified as hazardous are either recycled or disposed of. We pass on the recycled materials (stainless steel, mixed scrap metal, paper/cardboard, glass) to specialized recycling companies. We receive compensation from the disposal companies for these separated recyclables, the significant increase in which is mainly due to the higher volume of stainless steel scrap. The main reasons for this were the significant rise in the production volume, the resulting increased outsourcing of component production to partners and a special disposal campaign in connection with the move to the new factory hall. Wood and commercial waste, building rubble and food waste are disposed of by disposal companies for a fee.

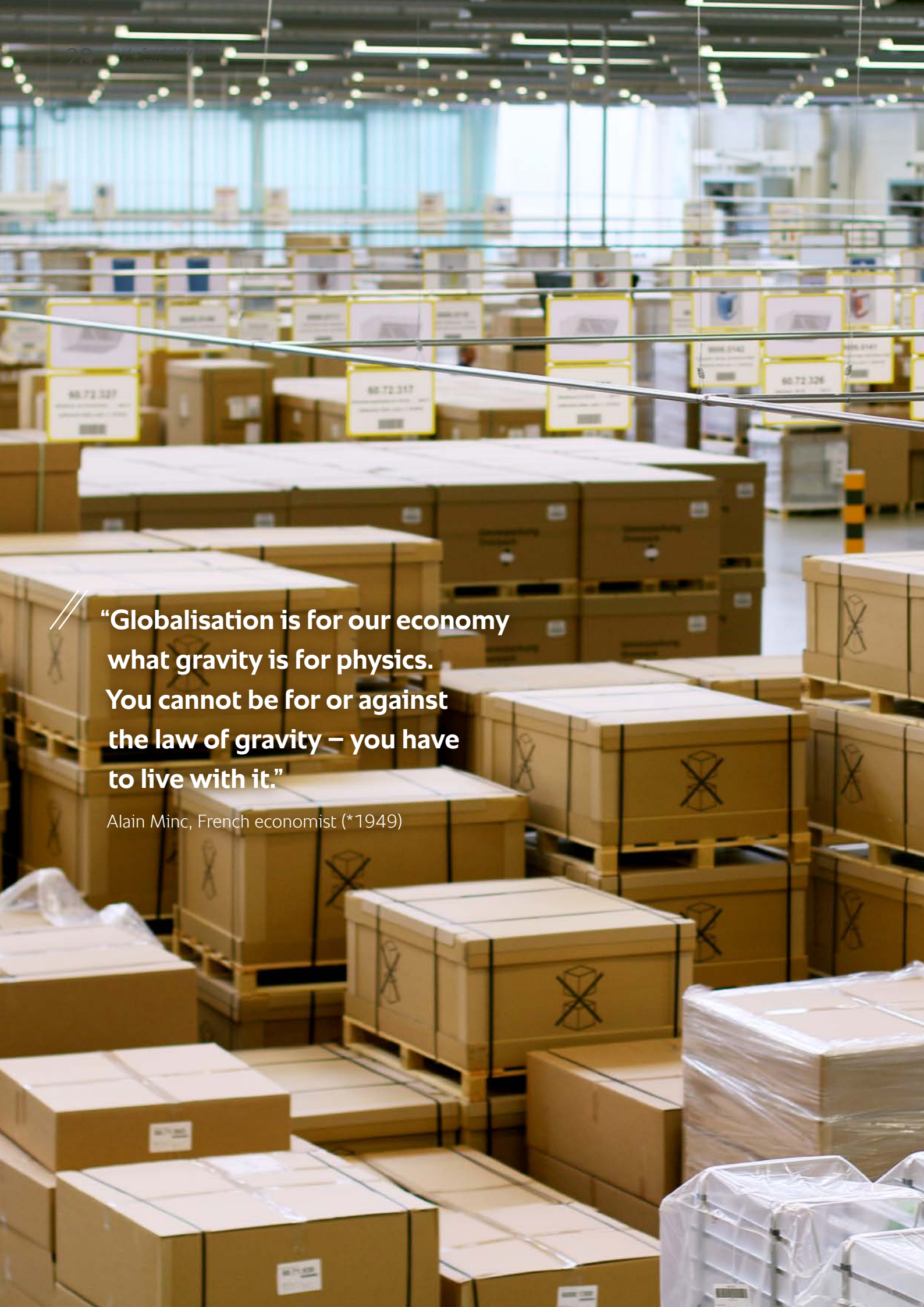
Distinguished for environmentally-friendly production

We were awarded the "Lean & Green Management Award" in 2014 in the manufacturing industry SME category and have been entitled to bear the corresponding label since then. This award honours companies that combine economic targets with resource efficiency. The Lean & Green consultants certified RATIONAL for its "Impressive green successes in the energy, water, waste, and sewage consumption figures".

"Customer-focused and business-minded employees are real-life values at RATIONAL," they continued. Ergonomics is mentioned as a clear focus and the environmentally friendly design is a goal specified in the production guidelines, explained the jury.

Non-hazardous waste

| in t | 2017 | 2018 | Change in % |
|---------------------|-------|-------|-------------|
| Total non-hazardous | 1,205 | 1,420 | 18 |
| thereof recycled | 916 | 1,120 | 22 |
| thereof disposed | 289 | 300 | 4 |



**“Globalisation is for our economy
what gravity is for physics.
You cannot be for or against
the law of gravity – you have
to live with it.”**

Alain Minc, French economist (*1949)

Sustainable logistics processes

The following section discusses shipping logistics at the Landsberg site and the packaging materials used for our products.

resource-efficient shipping logistics

In addition to the environmental friendliness of our products and production processes, we want to ensure our high standards, in line with ISO 14001, within our entire supply chain. We use the Kanban system for our supply logistics. In addition to maintaining low stocks while ensuring component availability at all times, it also ensures resource-efficient workflows. On the one hand, this system depends on relatively short distances to our suppliers and hence comparatively fast delivery. On the other, we use reusable packaging to ship the components and thus reduce the amount of packaging waste. Just under a third of our current suppliers of series products are certified in accordance with environmental management standards, for example, under ISO 14001 and ISO 50001. We intend to increase this share in stages in close cooperation with our suppliers. More detailed information on this can be found in the Section "Cooperation in partnership with suppliers".

We also strive for sustainable delivery to our customers. Our products are shipped to around 120 countries on every continent. Having environmentally friendly shipping logistics is therefore a major goal in this context. We prefer sea freight to air freight for overseas shipments. Products are only shipped by plane in rare cases if time is particularly critical. Our road transport logistics are performed using HGVs by ISO 14001-certified external companies.

Customer-focused product packaging¹

We focus in particular on avoiding transport damage by using suitable packaging materials.

A new packaging law was introduced in 2019 that applies to producers of goods which generate packaging waste for the end user. Accordingly, we report the packaging materials used for our products to a central office and pay a fee based on the packaging type and quantity.

Wherever it makes sense, we use recyclable or environmentally friendly materials. We especially try to avoid plastic and foil wherever the specific product characteristics make that possible. The corrugated cardboard packaging used for our appliances consists of 75% recycled material.

The table below shows the distribution of packaging materials for our various product groups.

In our appliance packaging, the share of recyclable materials is 97%. Plastic and foil account for only 3% of the packaging weight. Our service parts and accessories are almost exclusively packaged in cardboard and wood.

**Total amount of packaging materials
RATIONAL Group 2018**

| in t | Wood | Cardboard | Plastic | Foil |
|---------------|--------------|--------------|------------|------------|
| Appliances | 1,175 | 604 | 12 | 39 |
| Care products | 72 | 15 | 525 | 100 |
| Accessories | 275 | 305 | 3 | 3 |
| Service parts | 99 | 199 | 0 | 19 |
| Total | 1,620 | 1,123 | 540 | 160 |
| Percentage | 47 | 33 | 16 | 5 |

It is only for care products that we primarily have to rely on plastic packaging. Most of these are sold in the form of tabs, but a small amount is also sold as a liquid product. To permanently ensure the product quality, the liquids must usually be packaged in canisters or in plastic buckets and foil. Accordingly, around 90% of the packaging material is plastic or foil.

For appliance packaging in particular, we see the potential to replace even more plastic and foil with corrugated cardboard in future. For the care products, this savings potential is limited due to the product properties described above.

¹ The information in this section is based on packaging data for the German market. Group data has been extrapolated from this data.



**“Coming together is a beginning,
staying together is progress, and
working together is success.”**

Henry Ford, American entrepreneur, founder of the
Ford Motor Company (1863–1947)

Satisfied employees

The number of employees in the Group rose from 1,884 to 2,113 in 2018 (as of 31 December 2018). The table below shows the regional distribution and development:

| Employees by region | | | |
|----------------------------|--------------|--------------|-------------|
| | 2017 | 2018 | Change in % |
| Germany | 1,031 | 1,144 | 11 |
| Europe (excluding Germany) | 503 | 556 | 11 |
| North America | 121 | 149 | 23 |
| Latin America | 68 | 76 | 12 |
| Asia | 148 | 173 | 17 |
| Rest of the world | 13 | 15 | 15 |
| Total | 1,884 | 2,113 | 12 |

The Entrepreneur in the Company (U.i.U.®)

The principle of the Entrepreneur in the Company (U.i.U.®), which depends on a decentralised management structure, high levels of personal responsibility and self-organisation, forms the basis for collaboration between employees throughout the Group and for the self-image of all RATIONAL Group employees. The U.i.U.® entrepreneurs operate as independent business people within their own area of responsibility and are committed to the company's best interests. They endeavour to fulfil their tasks as well as possible, enhance their working methods, make the necessary decisions and take independent responsibility for them. They learn from their mistakes in order to avoid them in future. They are on a par with colleagues and superiors, and put forward their own opinions. Because of the growth recorded in recent years and our increasing international reach, we are gradually shifting competence and responsibility to our subsidiaries in line with the U.i.U.® philosophy. To optimise local processes, we are also creating support functions in major national organisations, such as culinary application experts, IT support or human resources management and development.

The best employees

Our employees have been the basis of our success in recent decades. To be successful we need the best people who are highly committed and dedicated every day to being there for our customers. People who succeed in reconciling opposites. They must be creative, yet efficient. Innovative, yet traditional. International but with a local touch.

We need employees who are not merely content with what has been achieved but who believe that things can always be done better, faster, more economically. People who question the status quo and try out new things. People who do not give up, even when faced with seemingly insurmountable challenges and keep chipping away at the problem in order to develop the best solutions for our customers. People who are not afraid to make mistakes, but learn from them and do better the next time.

And these are the people we have in our company. People with different backgrounds, training and experience. These people see themselves as Entrepreneurs in the Company and act as if it were their own company. They work independently in their own area, yet regard themselves as team players.

They approach the development of our solutions from different perspectives and ask themselves at every step: does it benefit our customers? Although their thinking is focused on detail, they take a holistic view of customer needs. They flexibly adapt our products and services to what customers want, while always maintaining the company's long-established strengths.

The best managers

And these people need the best managers, who act like good gardeners. Their job is to deploy their people based on their strengths while creating an environment in which they can grow and flourish. They allow their employees to do what they are best at and help them develop their strengths. They have trust in them and assign them appropriate tasks. They show them how important each individual employee is to the success of the whole company, so that they can get involved fully as entrepreneurs in the company.

It is especially important to us in this regard that employees do what they do best and what they enjoy. Because only those who do what they enjoy and can see the contribution they are making towards the whole will ultimately be satisfied both with themselves and their work. This is fundamental for the satisfaction of employees from our perspective.

We formulated the RATIONAL leadership principles and code of conduct in order to provide support for managers. These principles are intended to inspire them to reflect and to encourage daily implementation. Enabling and empowering employees is a simple and fast means of implementing the RATIONAL leadership principles, hence the "enthusiastic commitment among all U.i.U.®".

Moreover, we use our regular management training as a framework for providing instruction in the leadership principles as well as their implementation in case studies and role plays with the support of professional trainers and generally a Board Member.

When managers understand their job properly, their employees are highly motivated for their customers and enjoy coming to work. A high degree of satisfaction and loyalty among our employees and low absentee rates are proof that they are doing this very well.

U.i.U.® Compass – high level of employee satisfaction

In 2018, we conducted our first Group-wide employee satisfaction survey in cooperation with Kantar TNS. 81% of our employees worldwide answered 49 questions. The results were divided into different topic areas and evaluated, and then measures were developed accordingly. To satisfy the high standard we set for ourselves, we compared the results with those of the top 25% companies in the Kantar TNS benchmark. The results were presented to the Executive Board, discussed with the managers and employees, and measures were agreed together.

Two values from the U.i.U.®Compass demonstrate very clearly that our managers are doing their jobs very well: 89% of our employees are proud to work at RATIONAL. The engagement index stands at 83% (top 25% companies at Kantar TNS: 85%).

Employees especially appreciated the good development opportunities as well as the clear assignment of responsibilities and setting of corporate goals. The employees also value being able to see clearly how their own work contributes to achieving the company's targets.

The main challenges listed by the employees are the increased workload due to the strong growth and the need for improvement to structures and decision-making processes. Specific suggestions for promoting health and achieving a better work-life balance included providing fitness programs for the employees and more extensive home office options. We have honoured these frequently voiced wishes by establishing a cooperation with a corporate fitness provider as of December 2018 and a home office agreement that went into effect in March 2019.

High level of employee loyalty

The improvement turnover rate is a key indicator of employee loyalty and satisfaction. In 2018, the Group-wide rate was just 7% (2017: 9%). This figure is part of the monthly reporting to senior management.


Employee health and safety

The information provided in this section refers to the Landsberg am Lech site in Germany, at which more than 50% of the entire workforce is employed.

The health and safety of all employees is a matter of great importance for us. To prevent accidents at work and promote the health of employees, safety instruction and training are carried out at regular intervals, and the company doctor is available for regular check-ups. This is reflected in the low accident and sickness rate. A total of 35 industrial accidents occurred (2017: 31). Accident-related absences in relation to the target work hours of our salaried and hourly employees was 0.1% (2017: 0.1%). This figure is included in the HR department's monthly reports to the Executive Board.

A safety audit is carried out annually by an external auditor, which identifies individual fields in which occupational safety can still be improved further. These measures will be discussed, prioritised and implemented.

At 4.3% (2017: 4.2%), the average sickness rate (sickness-related absences in relation to target work hours) was slightly below the average computed by the BKK industry association for German employees (4.7%). There have been no work-related fatalities in the entire history of RATIONAL.

The background of the entire page is a soft-focus photograph of three hands giving a thumbs-up gesture. One hand is at the top left, another at the bottom left, and a third on the right side. The background is a lush green field with sunlight filtering through the trees, creating a bokeh effect.

/// **“The way to the goal starts on the day
you assume one-hundred percent
responsibility for what you do.”**

Dante Alighieri, Italian poet and philosopher
(1265–1321)

Ethics and legal compliance – worldwide

Ethical conduct and legal compliance are a matter of course for us

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.

This has an internal dimension, on the one hand, in terms of implementation in the RATIONAL Group, which we underpin with guidelines and policies and which all employees commit to when they sign their contract of employment. On the other, we want to ensure that our high standards are also observed within our supply chain. You will find information in this regard in the Section “Cooperation in partnership with suppliers”.

Observance of human rights

Observance of human rights is no longer merely a topic for states and governments. Companies from all sectors of industry increasingly see themselves as being responsible for incorporating human rights into their business standards. As locations and supply chains are becoming increasingly international, this is also an issue for small- and medium-sized enterprises like RATIONAL, whose production is focused exclusively in the core countries of Europe. Not all countries in which companies with subsidiaries or their suppliers are active have the same high legal standards that ensure observance of human rights. Since we are aware as a company of our enormous responsibility towards all people who contribute to the company's success within our supply chain, this issue has a high priority for us. Since we operate globally, we regard observance of human rights as our social and ethical obligation and an important prerequisite for the sustainable development of our company. At the same time, we pay attention to the responsibility of national governments to protect human rights.

Combating corruption and bribery

Incidents of corruption not only result in loss of image and negative economic developments for the companies and institutions involved, they also cause damage to the economy. Corruption creates inefficiencies and inhibits political, economic and social development. It is therefore important to introduce suitable measures to combat corruption. Reducing the incidence of corruption and bribery improves

the integrity of the business behaviour of all stakeholders and contributes to increasing the prosperity of broad sections of the population instead of just a small number of people.

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 cooperatively with respect to other employees, colleagues and all business partners.

A vast proportion of RATIONAL's business activities are carried out in countries where strict legal standards apply. Production is performed exclusively at the Landsberg am Lech (Germany) and Wittenheim (France) locations. 80% of RATIONAL employees work in Europe and 7% 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. Regardless of the country-specific probabilities of occurrence, our compliance management system should prevent, identify and sanction compliance violations in the form of corruption, fraud, violation of competition rules and other manifestations of white-collar crime in all markets in which we are active.

The RATIONAL compliance organisation

Responsibility for compliance in the RATIONAL Group lies with the Executive Board of RATIONAL AG. As regards implementation, the Compliance Officer is tasked with the setting up and enhanced development of the compliance management system. The Compliance Officer reports directly to the Executive Board. Moreover, local compliance managers have been appointed in the sales companies.

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 rule violations that can result in significant disadvantages for the company and its employees through criminal responsibility, civil liability or loss of reputation.

The RATIONAL compliance programme

The legal provisions are set out in easy-to-understand language for all employees in our RATIONAL rules of conduct in business. The rules clearly formulate the requirements for our employees in terms of compliance with laws, the function of the RATIONAL corporate philosophy as a value system for the company, the handling of conflict situations and the responsibility of each individual to take account of these points. Employees confirm acknowledgement when they sign their employment contract.

Moreover, specific rules of behaviour for dealing with business partners are also described here. In particular, this affects the prohibition of unfair competition practices, ban on corruption, handling of donations of all kinds, and the implementation of these standards with our suppliers.

This corporate policy deals moreover with the topic of avoidance of conflicts of interest. This relates especially to business dealings that can lead to conflicts between personal interests and the interests of RATIONAL or our customers, for example in the case of sideline activities.

The handling of information, especially personal data and trade secrets, is an important aspect of a trusted-based business relationship. Employees 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 instructed by their supervisors or the local compliance managers about RATIONAL's compliance requirements immediately upon joining the company, and have to confirm their participation and acknowledgement by means of their signature. In 2018, all new employees who have contact with business partners on behalf of RATIONAL took part in compliance training and completed a test afterwards. The participation and the result of the test are documented in the compliance management system.

RATIONAL Group employees can consult the RATIONAL confidential advisors in conflict situations. Any disclosures received are categorised and forwarded to the Compliance Officer. If corruption is suspected, our employees are also free to contact our Compliance Officer anonymously at any time.

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

The "RATIONAL Leitfaden zum Verhalten im Wettbewerb (Guidelines for Conduct in Competition)" support employees by explaining when anti-competitive or restrictive agreements or concerted practices are involved. Such activities are prohibited. Sales employees as well as employees in sales-related areas receive training regarding the contents of the guidelines immediately upon joining the RATIONAL Group. Refresher training is then carried out annually, attendance at which is mandatory for the relevant employees. Employees confirm their participation by means of their signature. Procedural controls are in place to ensure compliance with basic principles and guidelines. Standard contracts are therefore used for agreements with business partners, which have been approved in advance with a legal advisor. Moreover, contracts must be drawn up in line with the dual-control principle by two RATIONAL representatives in compliance with corporate guidelines.

The apparent giving or accepting of undue advantage and the associated suspicion of unlawful exerting of influence on business partners or public officials in business decisions is countered by compliance with the code of business conduct of the RATIONAL Group's anti-corruption policy. Documentation requirements exist in this respect as do maximum permitted thresholds for the giving and receiving of gifts and invitations. The policy also regulates against rendering of facilitation payments by RATIONAL. The affected employees receive training regularly from the local compliance managers concerning the requirements. Procedural controls are in place to ensure compliance with basic principles and guidelines. This refers, for instance, to the obligation to document gifts, standardised approval processes in compliance with the dual control principle and the use of standard contracts.

The basic principles for proper conduct from a tax perspective are stipulated in the RATIONAL Tax Handbook. Observance of compliance regulations is checked by Group Audit in the framework of regular audits of subsidiaries and central processes based on a documented audit concept. The results of the audits are reported to the Executive Board and the Supervisory Board of RATIONAL AG.

Customer privacy

The RATIONAL AG data privacy management system was adapted in 2018 to take account of the provisions of the General Data Protection Regulation (GDPR), which came into force on 25 May 2018. The primary focus of these is on a data privacy management system and a compliance structure in the company that takes account in particular of the core processes for lawfulness of processing, protection of the rights of individuals, and handling of data privacy incidents.

RATIONAL AG faces enormous challenges in this respect, which it will address in a number of ways. Measures have been developed for implementing GDPR based on an evaluation of the situation at hand. A data privacy policy was prepared in accordance with the requirements of GDPR. Corporate guidelines were accordingly drawn up, for example, on the core processes regarding protecting the rights of individuals and handling of data privacy incidents, and approved by the Executive Board in the course of 2018. The task of documenting the processing activities was initiated. Privacy and data protection impact assessments, along with a method for legally compliant contract data processing and the handling of information obligations are being introduced or implemented. Managers and employees are being made aware of and trained in privacy matters. Any measures already implemented will be examined and adapted where necessary in the future through audits and data privacy training.

RATIONAL AG is facing up to this challenge and responsibility together with management. A data privacy officer has been appointed and will monitor implementation in accordance with the requirements of the supervisory authorities, especially the Data Protection Conference (DSK), the Bavarian State Office for Data Protection Supervision or also Article 29 of the Working Party. There were no substantiated complaints in the reporting period concerning the violation of the protection or loss of customer data.

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. RATIONAL is involved in lesser proceedings regarding the alleged infringement of intellectual property rights as part of the normal course of business.

Corporate Governance – Managing the company responsibly

The last amendment to the German Corporate Governance Code entered into force on 24 April 2017. We gave an account for the 2018 fiscal year in the Corporate Governance Report and in the Corporate Governance Statement according to Sections 289f and 315d of the German Commercial Code (HGB). RATIONAL AG largely complies with the recommendations and suggestions set out in the German Corporate Governance Code. As a result, we were able to issue a Declaration of Compliance for the 2018 year under review, which came into force in February 2019. This was resolved at the meeting of the Supervisory Board on 30 January 2018 pursuant to Section 161 of the German Stock Corporation Act (AktG) and published in the 2018 Annual Report and on the RATIONAL homepage.

For us corporate governance means managing the company properly and responsibly and controlling business operations efficiently. Globally applicable laws and legal provisions are maintained, nationally and internationally recognised standards are respected and serve as guidance for our actions. Conduct is inherently in keeping with the highest ethical standards and communication with interested parties is open and transparent. The following statement regarding our dealings with customers, colleagues, partners and suppliers reflects our corporate philosophy: "We are always open, straightforward and honest."

// **“You make your way to the top
together with others.”**

Baltasar Gracián, Spanish writer and university lecturer
(1601–1658)



Cooperation in partnership with suppliers

The information presented in this section concerns collaboration with suppliers of components for the manufacture of the RATIONAL combi-steamer at the Landsberg am Lech site in Germany. Since the combi-steamer segment accounts for 90% of total sales, the following information covers around 90% of our regular production suppliers.

As a company with comparatively limited vertical integration, we want to ensure that our high standards are also maintained throughout our entire supply chain. In addition to environmentally friendly production processes, relevant issues in this regard in particular include combating corruption and bribery as well as observance of human rights along the entire supply chain.

Through our membership in the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME) as well as our commitment to the BME Code of Conduct, we also require that our suppliers commit to fulfilling these standards. In this way, we ensure international and cross-industry minimum standards along the entire supply chain, which offer us and our suppliers a basic level of protection nationally and internationally.

Kanban system – mostly reusable packaging

Kanban is a manufacturing system that ensures the even flow of upstream products made at the assembly factory. By employing three reusable containers for most of our components, we make sure that they are always available while keeping stocks low. Empty containers are either taken back by the supplier when delivering another full container or shipped back to the supplier by a logistics service provider. This system has enabled us to replace most of the disposable packaging.

Supplier management

As a company with relatively little vertical integration, we collaborate very closely and comprehensively with our suppliers, with whom we have developed long-term, partnership-based solutions.

All in all, we source series production material from more than 140 suppliers. 87% of all suppliers of series products are based in Germany and some 13% in other European countries. We have worked for six or more years with more than 80% of our suppliers.

Because the quality, productivity and reliability of our suppliers is important for the success of the company, we work in partnership with them and communicate our expectations openly. We offer them a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, commitment, flexibility, and innovative strength. And we naturally expect that our partners will also fulfil our high corporate governance standards within our supply chain too.

We are a member of the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME) and promote observance of human rights, ethical principles, fair labour practices, and abolition of forced and child labour.

We advocate an environmentally friendly delivery and production process, support anti-corruption and anti-discrimination measures, and reject agreements or collusion in violation of antitrust law. That goes for all business locations of the RATIONAL Group. In accordance with our membership in BME and our commitment to the BME Code of Conduct, we likewise expect that our suppliers will also fulfil these standards.

Compliance with environmental and social standards is communicated to and expected of our suppliers in the framework of our participation in the "Code of Conduct" of the BME (German Federal Association of Materials Management, Purchasing and Logistics).

This Code of Conduct is part of our framework contracts with suppliers. In addition, we refer in our orders and contracts to our corresponding expectations with respect to suppliers. Through their signature, contractors together with their business partners undertake to comply with this code of conduct and ensure that it is observed in their supply chain as well.

Since October 2012, we have also recommended that our suppliers accede to the BME Code of Conduct.

The BME Code of Conduct includes basic rules on the following points:

- > Combating corruption
- > Antitrust law agreements
- > Child and forced labour
- > Compliance with ethical principles towards suppliers (compliance)
- > Observance of human rights
- > Environmental and health protection
- > Fair working conditions

The BME Code of Conduct also makes reference to the international regulatory framework, such as the "UN Global Compact" for example, and therefore to worldwide, cross-company relationships.

Supplier assessment

In order to obtain an initial estimate, as part of procurement marketing, as to whether suppliers can live up to our corporate principles, they must answer a supplier self-assessment containing pinpointed questions on company organisation, technology, logistics, quality system, compliance, and environmental management. This self-assessment is the basis for the succeeding selection process and resultant supplier development and supplier loyalty measures. Suppliers are mainly chosen on the basis of the following factors: quality, cost and delivery time.

In addition to supplier certification, successful cooperation with suppliers is underpinned by long-term partner plans, monthly reporting of the principal key figures, and regular audits (28 in 2018). The RATIONAL supplier system separately assesses product quality and the quality of cooperation.

The criteria of "environmental standards" and "Code of Conduct" are included in the selection, but are not initially the sole exclusion criteria. 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.

As part of the regular supplier audits by our Strategic Purchasing department – performed, among other things, for the requalification of suppliers, relocation of production sites, routine planning, current events, or process changes – we point out conspicuous anomalies with regard to environmental and social standards and demand that they be rectified. If the supplier does not comply, we reserve the right as the customer to immediately cancel contracts with due notice.

In 2018, we began developing a concept together with an external specialist for special ESG (environment, social, governance) audits. The same partner will also help us to conduct these audits. Starting in 2019, we want to audit our core suppliers at random and on a rolling basis.

These audits will check whether our suppliers meet the requirements of the BME Code of Conduct. Our aim is to ensure that our own high requirements and those of our customers are complied with throughout our entire supply chain. We also want to help our suppliers to eliminate any weak spots and improve their processes so that we can maintain a long-term and loyal partnership.

Closing remarks

Sustainable business is often described synonymously as acting with your children and grandchildren in mind.

The desire to leave behind a liveable world for our descendants also motivates us when we consider the impact of our business activity.

It means enabling future generations to live in dignity and prosperity and ensuring that they have an intact natural habitat.

We make our contribution through environmentally friendly products, health-promoting cooking methods and fair treatment of employees and business partners.

And we will continue to do this in the future. Since the company was founded, sustainable business has not been

and never will be viewed merely as an end in itself, rather it is above all an important foundation for the enduring success of RATIONAL.

We will therefore support our customers in the future in preparing healthy meals efficiently, safely and in a sustainable manner. In so doing we will fulfil our primary aim of offering maximum benefit for our customers.

Landsberg am Lech, 29 April 2019

RATIONAL AG
The Executive Board



Dr Peter Stadelmann
Chief Executive Officer



Dr Axel Kaufmann
Chief Financial Officer



Peter Wiedemann
Chief Technical Officer



Markus Paschmann
Chief Sales Officer

Independent Practitioner's Report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

To Rational AG, Landsberg am Lech

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Rational AG, Landsberg am Lech, (hereinafter the "Company") for the period from 1 January to 31 December 2018 which comprises the sections not marked with a grey background in the Sustainability Report 2018 of the Company (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- > Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- > Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- > Identification of the likely risks of material misstatement of the Non-financial Report
- > Analytical evaluation of selected disclosures in the Non-financial Report
- > Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- > Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 29 April 2019
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
[German public auditor]

ppa. Mirjam Kolmar

Publisher and contact

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