



RATIONAL AG

**Non-financial
consolidated report
2020**

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About this report

Business model for the RATIONAL Group

Section 289c (1) of the German Commercial Code (HGB) stipulates that the business model must be described in brief in the non-financial statement. It is presented in the section “Fundamental information about the Group” of the management report, which is why we refer readers to that section here. The Group's organisational structure and locations, products and services, segments, and markets, customers and competitive situation are dealt with there. (www.rational-online.com/en_xx/company/investor-relations/publications-downloads/annual-reports/)

Information on the separate non-financial consolidated report

This separate non-financial consolidated report pursuant to Section 315b (3) of the German Commercial Code (HGB) serves to fulfil the legal requirements with respect to the CSR Directive Implementation Act. 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 contents are in accordance with Section 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. For this report we are focussing specifically on the interests of our stakeholders. In view of the large number and heterogeneity of the frameworks, we see no existing framework as appropriate at this time. The reporting period corresponds to the fiscal year from 1 January to 31 December 2020. Any matters described that refer to previous years or to the first months of 2021 are also relevant for 2020 or relate directly to measures or activities in 2020.

Auditing the non-financial consolidated report

The separate non-financial consolidated report was the subject of a limited assurance engagement under ISAE 3000 (Revised) by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). This audit was commissioned by the Supervisory Board of RATIONAL AG. References to information outside of the scope of the 2020 Group management report and consolidated financial statements serve as further information and are not part of the separate 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 separate non-financial consolidated report was published on time in April 2021. It is published annually and is available online in PDF form on the company website. (www.rational-online.com/en_xx/company/about-us/sustainability/)

Scope

This report refers in principle to the RATIONAL Group. Some information or performance indicators refer only to relevant sub-segments of the Group. This will be stated explicitly.

Relevant non-financial performance control indicators

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

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

Risk analysis

Definition of the risk areas

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

As a sustainable company with a long-term focus, we set great store by a holistic assessment of risk, which means a balanced assessment of non-financial and the resulting financial risks. The RATIONAL risk management system is structured so as to ensure that key risks are systematically identified, measured, managed, monitored and reported to the respective decision-maker. If the company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

Risk is understood as referring to all events internal and external to the company that may have an adverse effect on areas outside the company (environment, society, customers, employees, suppliers, etc.) as a result of its own business activities and may therefore also negatively affect the achievement of business targets in a defined assessment period.

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.

The net approach is used when assessing risks, in other words, when assessing the risks, we include any countermeasures taken, which reduce the probability of occurrence and the possible extent of damage.

Risk analysis

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.

The risks captured during the risk inventory are examined during risk analysis to establish cause-and-effect relationships. They are then assessed in terms of probability and their potential impact on the company's net assets and results of operations. This analysis also covers the non-financial risks. The risk analysis procedure is dealt with in the risk report in the 2020 group management report and so we refer readers to it here. It deals in detail with the analysis of non-financial risks and how they are captured and assessed.

Definition of the materiality of 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?

Risk survey results

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

Our materiality process

Stakeholder dialogue is a core element of our sustainability. The company needs it to address the differing interests of its various partners. It also helps us to expand our own commercial perspectives, identify important social developments early on and take appropriate action. That is why we strive to include all important stakeholders and their interests in all our considerations and developments. These stakeholders are our suppliers, dealers, customers, our customers' guests, our employees and their families, society, and later generations.

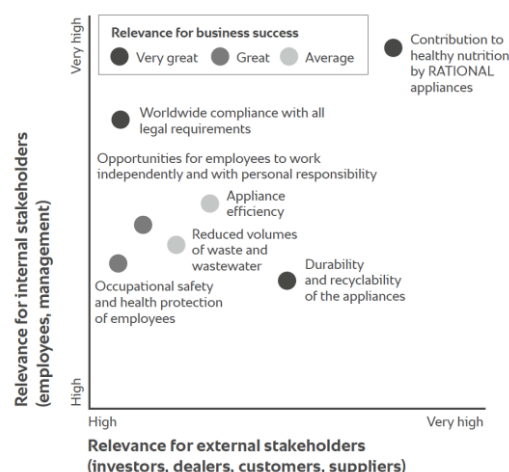
In late 2019 / early 2020, different stakeholder groups were surveyed, discussions were conducted with relevant employees and managers at the company and a materiality workshop attended by the Executive Board was held in order to determine the material aspects for the separate non-financial consolidated report in accordance with the Section 289c (3) of the German Commercial Code (HGB). No new materiality analysis was carried out for this report. In agreement with the management, the present materiality analysis is used as a basis.

That enabled us to obtain information on which sustainability matters are relevant to stakeholders and which strategic and operational issues we need to pay special attention to. In the opinion of management of RATIONAL AG, these statements are still valid.

A total of 2,115 persons were surveyed, including employees, management, the Executive Board, dealers, suppliers, customers, investors and the general public. We asked our stakeholders to select what they consider the most important sustainability aspects in eight categories: economic matters, RATIONAL products, production/logistics, customer matters, social matters, employee matters, corporate culture, and compliance.

We also surveyed the Executive Board and a selected group of people at the company to obtain their assessment of the impact of these sustainability aspects on commercial success. Within these eight categories, those surveyed were able to select the aspect they believed the most important for the company's business development, performance, and situation. As a result, we were able to identify the issues that have a material impact on sustainability aspects and on the company's business performance and situation.

An analysis of the material issues is presented in the following materiality matrix. Material issues in our analysis are those action areas that were assessed as being most important within one of the categories in terms of their materiality for the non-financial aspect and the impact of that aspect on the company's business development, performance and situation. We look at the category "economic matters" separately since it can be regarded as a financial aspect.



Our number one. The customer.

Customer satisfaction

In view of the varied nature of the sales and customer loyalty measures, we use the global RATIONAL customer satisfaction index as a key performance indicator for customer satisfaction to inform our management actions. This index is based on the customer satisfaction index of the opinion research institute KANTAR. It covers the criteria of company performance and customer preferences in relation to the products and services on offer. This index score is managed by statistically analysing the customer ratings in four main categories with multiple subcategories and using them to formulate recommendations for action. The categories are as follows:

- (1) Contacts and ways of getting in touch
- (2) Purchase/order process, including commissioning
- (3) Appliance features, including ease of use
- (4) Additional services

The RATIONAL satisfaction index is calculated at country level and aggregated into a global score. In 2020, the index was calculated for 15 countries. This index is shown on a scale of –50 to 150.

To ensure that we properly assess the needs of our customers, we regularly conduct a broad-based customer survey in which we query their satisfaction, but also potential and necessary improvements.

The latest customer satisfaction index includes customer surveys from the years 2016 to 2020, The index established in this survey primarily measures the strength of the customer relationship. The surveys in recent years were conducted in a total of 15 countries and cover around 80% of total sales revenues. The average index score for the latest customer surveys was 98 (previous year: 97 in 14 countries). That puts RATIONAL among the top 10% of companies in the KANTAR surveys. Companies with an index score of 93 or more points are regarded as being among the top 10%. The size of the score and the score itself, which even increased in countries where the survey was repeated, indicates a good ongoing relationship with our customers.

In these highly detailed surveys, our customers point out areas where they think RATIONAL can do even better. These suggestions are discussed with the Chief Sales Officer of RATIONAL AG and implemented by the respective national organisations.

The recommended measures have not been able to be implemented to date due to the current coronavirus situation. After the situation has returned to normal, the recommendations will again be discussed and implemented with the subsidiaries and internal processes. Key projects include target group-specific analysis of factors that sway purchase decisions in Italy and incorporation of its results in communication with our customers. There is also a clear need for additional consulting services in the Italian market; this aspect will likewise be addressed when situation normalises. In Brazil, a clear need for customers to be trained in using the appliances emerged; that will also be tackled and tailored to the specific target group there when normality returns.

Appliances that offer efficiency in diverse ways

Leveraging the effects of responsible use of resources and the added value that creates for customers are key aspects for RATIONAL. It is crucial in this respect for our customers to protect the environment by reducing consumption and to benefit financially when they save resources.

Focus on efficiency in research and development

Guided by that vision, we pay special attention in our research and development to the efficiency of our cooking appliances in addition to the cooking quality. In order to keep on improving product features that enhance efficiency, we are constantly increasing our personnel and financial capacities in this area. More than 190 employees currently work in research and development on improving our products and services. We spent around 42.3 million euros in 2020 (2019: 42.7 million euros) on research and development. That corresponds to just under 7% (2019: 5%) of sales revenues. Specific targets for saving resources are defined 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.

Our prime goal is always to deliver customer benefit and satisfaction. Everyday work in a kitchen normally entails very high levels of energy consumption, heavy peak demand periods and hence high costs for our customers. Thanks to our energy-efficient products, we can slash those costs and, as a result, enhance our customers' satisfaction.

Our customers are also paying greater attention to ecological aspects and making sure that they themselves act with an eye to conserving resources. Our products with their low energy consumption also help them to achieve their own ecological goals.

The new iCombi

We presented the iCombi Plus and iCombi Classic on the market in May 2020. Thanks to their improved cooking intelligence and resultant lower cooking times, increases in productivity and more efficient cleaning, we were able to reduce energy consumption by an average of some 10% compared with the predecessor models. The predecessor models SelfCookingCenter and CombiMaster Plus had already reduced energy consumption by around 10% compared to their predecessors thanks to the then new triple pane glass cabinet door, power-saving LED lighting and an improved door seal.

The new iVario

We launched the iVario, the successor to the VarioCookingCenter, in June 2020. The new iVario impresses with even faster and more efficient cooking processes, as well as even more precise controlling. Diverse ways of installing it and an optional height adjustment feature make working with it even more ergonomic and conducive to users' health. Thanks to the new iZone Control, chefs can divide each pan of the iVario into four small iVario zones and control these with different cooking profiles. That means they can cook different foods at the same time, use their appliances even more flexibly, increase capacity utilisation and cut energy consumption.

U.S. Energy Star¹

Thanks to the high energy efficiency of our appliances, around 65% of the products RATIONAL sold in 2020 have the right to bear the U.S. Energy Star.² The approval process for obtaining the U.S. Energy Star label is currently ongoing for parts of the iCombi Classic line and iVario.

¹ The U.S. Energy Star is the symbol of energy efficiency supported by the U.S. Government. The energy consumption of our appliances is determined by an independent testing institute, submitted by it to Energy Star and then examined by Energy Star to ascertain whether the demanding limit values are achieved.

² 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. A sufficient number of measured values have not been submitted for RATIONAL's remaining appliance types and sizes, which means that no Energy Star can be assigned as yet in these categories.

Food made easy. Gentle cooking for a healthy diet.

Because of the importance of healthy, high-quality food, our nutrition experts work closely with the Executive Board to continuously improve and further develop the foods that are produced. Based on our internal estimates, 94% of the RATIONAL appliances currently in use are combi-steamers. More than 90% of all appliances sold in 2020 were combi-steamers. Accordingly, the following statements apply to combi-steamer technology.

We believe RATIONAL's mission is to offer people healthy, high-quality nutrition thanks to appliances that cook food with impeccable hygiene and in a manner that preserves its nutritional value. Healthy nutrition is not only about providing important nutrients – eating is about enjoyment and feeling good. Impeccable hygiene in cooking foods is also a necessary condition in ensuring high-quality nutrition and will play an increasingly important role in the future.

With our products, we can make a significant contribution to improving the quality of food and life.

Health value

The most important task of food is to provide our body with nutrients. 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. Steaming also allows food to be prepared with far less fat.

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.

The iCombi saturate the food with steam very quickly, they cook 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 iCombi, 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 in the water can enter the cooking cavity or reach the food.

Enjoyment

The enjoyment derived from eating is a factor that should not be underestimated in assessing the quality of food. Whether a meal is perceived by our senses as enjoyable and high-quality depends on what it looks like, the sounds made when food is eaten – such as the crispy crackling on a roast joint – taste, mouthfeel and smell.

If these aspects are perceived as positive, that has a huge impact on the quality of food.

RATIONAL therefore has trained employees who are solely responsible for testing the quality and enjoyment of food cooked in the appliances by means of sensory methods as part of the development of new appliance generations. As part of that, we have conducted diverse tests on sensory aspects in collaboration with our sales chefs from a wide range of countries. We also have our own application development centre in Shanghai to specifically address cooking requirements in Chinese kitchens.

With each generation of appliances, we therefore measurably increase the tastiness, the sensory quality of food and hence the level of enjoyment.

RATIONAL's method of measuring the sensory perception of meals on the basis of look, sound, taste, mouthfeel and smell enables the quality of food to be quantified on a scale up to 100 points. The cooking result is compared with the respective expectations of customers worldwide on the basis of a large number of characteristics. The cooking profiles are then updated in the software for the appliances for the country in question.

When we launched our new iCombi generation of appliances, we modified how the scores for sensory quality were calculated so as to obtain greater precision in the event of deviating results. So as to enable an even better assessment of what customers ideally want from food, higher points deductions are imposed even in the case of minor deviations for each criterion under the new method.

The following scores are the mean values from 75 tests with different, internationally representative foods, in each case cooked using both generations of appliance. With our previous products, we achieved a sensory quality of 77.6 points using the new method of calculation (old method: 87.6 points). We improved those scores further with the iCombi. The corresponding comparative score with the new generation of appliances in the tests was 80.5 points (old method: 85.6 points). That means the cooking result with the new appliances is even closer to what customers ideally want, resulting in a better culinary experience for guests and making a positive contribution to their well-being and health.

High hygiene standards

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 and the iCombi ensures that high-risk foods are heated to hygienically safe temperatures to minimise dangerous germs in the food being cooked.

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. This rule can be applied using our core temperature sensor, which measures and documents the meat's core temperature during cooking.

Various newsletters and reports from the Robert Koch Institute supply our laboratories with up-to-date information. The best possible solutions for killing off bacteria and viruses by cooking are then integrated into our cooking profiles.

The aim of the intelligent CareControl system is to achieve high hygiene standards. 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.

Less is more. Durability and recyclability of our products.

Based on our internal estimates, 94% of the RATIONAL appliances currently in use are combi-steamers. More than 90% of all appliances sold in 2020 were combi-steamers. Accordingly, the following statements apply in part solely to combi-steamer technology. They are commented on in the following.

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. We aim to ensure that by delivering appliances that have a long service life. After all, our goal is not to make a quick profit with products that last only a short time. We believe it is important for our customers to be able to use their high-quality appliances for as long as possible.

Durability

RATIONAL wants to offer its customers appliances they can rely on for a long time to come by designing them from the start for a minimum life cycle of ten years, even under extreme loads. To enable that, the requirements for ensuring a product has a long service life are broken down from the overall system to the individual functions and components and defined. The solutions to satisfy those requirements are then developed. Finally, our appliances and their individual parts are subjected to intensive continuous testing to ensure that they actually have a long service life.

However, if components or parts should fail, it is important that we are able to supply a replacement quickly. That means customers can continue using their original appliance with the new components. That is why we guarantee customers the availability of spare parts even for appliances that we no longer produce.

In 2020, we generated sales revenue of 3.5 million euros from service parts for combi-steamers that were produced only up to 2004 (2019: 5.5 million euros; 2018: 6.3 million euros). This confirms that many of our appliances are still in use even after at least 16 years. One of the reasons for the significant decline is the restrictions on our customers, and so lower service activities, as a result of the coronavirus.

Recyclability

However, we do not want our appliances to be simply thrown away when they reach the end of their long service life – after all, a large proportion of the components in them can be recycled. Recyclability is also enshrined in the goals of our projects. That ensures future appliance generations will also be able to be recycled to a large extent.

The new combi-steamer series iCombi was launched worldwide in May 2020. The almost unlimited means of forming plastics was used to enable compact designs and a high level of functional integration. Systematic use of plastic components resulted in a slight reduction in total material usage. In particular, partial substitution of stainless steel by plastic, as well as leading-edge designs and joining techniques, mean that more than 20 kg less stainless steel is used in each appliance, entailing a significant reduction in energy consumption in making the raw materials. Weighted by the share of sold appliance sizes, the total average weight per sold appliance was reduced by 5.6 kg.

One significant aspect is the approximately 14 kg increase in the weight of the installed electronics and other technical components. More electronics means we can deliver smarter and more energy-efficient components and so create more compact designs. The ratio of glass used was reduced somewhat due to the fact that the VarioCookingCenter and iVario accounted for a slightly larger proportion of total sales.

All in all, around 90% of installed components (in terms of weight) can be recycled. A high degree of reusability means parts can be returned to the product cycle. As a result, resources are conserved and waste is reduced. Moreover, our customers can recycle the appliances after their long service life and so benefit from the high scrap value of stainless steel or electronics components. If customers wish, we collect their old appliances and return them to the raw material cycle.

Today, most of all the materials used can currently 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. The distribution is measured by the weight of the materials as an average for the RATIONAL appliance family.

Materials used by weight (in %)	2019	2020
Stainless steel	75%	69%
Glass	9%	8%
Electrics and electronics	7%	12%
Isolation	5%	5%
Plastics	4%	6%

Kind to the environment. Resource-efficient production and logistics.

Environmental performance evaluation

As a company that focuses on sustainability, we incorporate environmental considerations as far as possible into all of our business decisions. 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.

At the Landsberg site 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 targets every year for the reduction of waste as well as for resources, water, energy, and fuel consumption. Moreover, since 2020, our Landsberg site has been certified in accordance with the IEC 63000 standard with respect to the restriction of hazardous substances. In 2021 we plan to certify the environmental management system at our Wittenheim site in accordance with the requirements of ISO 14001.

The materiality analysis we conducted together with our stakeholders identified water consumption and waste generation as the key site-specific environmental issues. They are therefore look at in more detail in the following.

As part of our environmental performance evaluation, we set targets for reducing consumption of various resources relative to the number of produced appliances.

We constantly try to minimise the volume of waste by means of suitable measures and projects. Due to the fact that the regulatory requirements on classification of waste as hazardous and non-hazardous keep on changing, we believe it does not make sense to define annual quantitative targets.

Like the volume of waste, water consumption usually fluctuates significantly due to construction and development projects. Since we can optimise water consumption through internal measures, we have nevertheless set ourselves the target of reducing water consumption per appliance made at our two production sites Landsberg and Wittenheim by one percent.

Due to the fact that the performance indicators were expanded in 2020 to cover the Wittenheim site, the comparative figures for 2019 also include consumption at Wittenheim so as to ensure comparability over time.

Drinking water consumption

We constantly strive to minimise our water consumption. As part of that, we regularly examine our drinking water networks for leaks where liquids may escape unintentionally. Polluted waste water is cleaned and improved to drinking water quality by a treatment plant that 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 and discharge of waste water. All our service water is obtained from the municipal utility Stadtwerke Landsberg. We now operate four wells to use geothermal energy.

Our target in 2020 was to use one percent less water per appliance produced. We failed to reach that target by a clear margin. Water consumption rose by 7% in absolute terms in 2020. That is mainly attributable to the extensive product testing as part of development of the new product generations. On the other hand, the number of produced appliances fell by more than 20%, a result of the slump in sales caused by the coronavirus crisis. All in all, water consumption per appliance produced increased by 41%.

Water consumption³	2019	2020	Δ
Water consumption in litres per appliance produced	274	385	+41%

Waste generation

Our goal is to reduce waste and dispose of it in an environmentally friendly manner, separated it into fractions, and in compliance with statutory regulations. Waste is recycled or recovered for its energy in accordance with the high legal standards and the recommendations of our waste disposal companies. The low quantities of hazardous substances are disposed of by a specialist company in compliance with the German Circular Economy Act. Our compliance with standards, legislation and guidelines is continually monitored in internal audits and certified annually by external auditors (DEKRA).

Waste generation per appliance produced⁴		2019	2020	Δ
Hazardous waste	kg	0.028	0.126	+347%
Non-hazardous waste	kg	18.36	24.31	+32%
Share of non-hazardous waste	%	0.2%	0.5%	

The proportion of hazardous waste relative to total waste generation is less than one percent and so very low. That proportion rose significantly in 2020, in particular due to the fact that further types of waste were classified as hazardous. Given that hazardous waste accounts for a low volume, the result is a volatile change.

Hazardous waste

The types of waste classified as hazardous in our production processes totalled 8.6 tonnes in 2020 (2019: 2.5 tonnes).

The significant increase in hazardous waste is mainly attributable to four types of waste: V2A dust, insulating material, cleaning towels and compressed-gas containers (spray cans). Adjusted for these special effects, which are described in the following, there was a decline in types of waste classified as hazardous roughly in line with the fall in the volume of production.

V2A dust⁵ from metal processing has been classified as a hazardous type of waste since May 2019. Since then, 3.6 tonnes of V2A dust have no longer been disposed of together with the metal waste, but extracted directly in the production process and collected in special containers. The total volume from this period of time (May 2019 to December 2020) was disposed of at the end of 2020 and is included in the volume of waste disposed of in 2020.

There was a similar situation in relation to compressed-gas containers used in the production processes. Due to the risk of explosion, they have been classified as hazardous waste since mid-2019. In 2020, around 1.4 tonnes of compressed-gas containers were collected in special waste containers and disposed of separately. Up to 2019, they were mainly included in the mixed commercial waste.

³ The figures relate to the production sites Landsberg am Lech and Wittenheim; the figure for the previous year was adjusted from that in the previous year's report due to the inclusion of Wittenheim

⁴ The figures relate to the production sites Landsberg am Lech and Wittenheim; the figure for the previous year was adjusted from that in the previous year's report due to the inclusion of Wittenheim

⁵ V2A steels are alloyed with chrome and nickel, V2A dust is a waste product of processing

In addition, the change in product series meant that around 0.7 tonnes of insulating material for combi-steamers from the old series were disposed of in 2020.

In order to reduce electropolishing slurry, we largely switched to using paper towels for cleaning welding seams. Electropolishing slurry is a waste product from the production process. The plant for treating the waste water produced through this is regularly maintained. The process is monitored every month and external audits are conducted. Launch of the new combi-steamer series was accompanied by a change to the welding processes for all appliance types, meaning once again that significantly less electropolishing slurry will be produced. Electropolishing is occasionally necessary only for manual rewelding work. Electropolishing slurry was produced in 2020 in particular as part of the production of pans for some of the new iVario appliances, which commenced at the Landsberg site in the same year. Here, too, we plan to switch the welding processes in the medium term so as to reduce electropolishing slurry. This change in the cleaning process resulted in an increase of around one tonne in waste from cleaning towels. The soiled towels are classified as a hazardous type of waste.

Non-hazardous waste

Waste materials not classified as hazardous are either recycled or disposed of. We pass on the reusable materials (stainless steel, mixed scrap metal, paper/cardboard, glass) to specialised recycling companies. We mostly receive compensation from the disposal companies for these separated recyclables.

Wood and commercial waste, building rubble, green waste and food waste are disposed of by certified disposal companies. Food waste undergoes thermal recycling (in a biogas plant).

A large part of the waste is separated into fractions by us. The rest, so-called commercial waste, is taken to suitable sorting plants by disposal companies engaged by RATIONAL so that some of this waste can be recycled.

In 2020, the types of waste classified as non-hazardous were around the level of the previous year in absolute terms. Waste generation per appliance produced rose significantly only because of the sharp decrease in the number of appliances.

Our engine that drives sustainability. Our employees.

Entrepreneur in the Company – U.i.U. Compass

Our employees have been the basis of our success in recent decades. To be successful we need the best and most satisfied people who are highly committed and dedicated every day to being there, for our customers.

It is precisely for such employees that we create an environment in which they can develop their abilities freely and independently. The principle of the Entrepreneur in the Company (U.i.U.), which encompasses a decentralised management structure, high levels of personal responsibility and self-organisation, forms the basis for that.

In 2018, we conducted our first Group-wide employee satisfaction survey in cooperation with the market research institute Kantar. We repeated this employee satisfaction survey in 2020. 83% of our employees worldwide answered 52 questions and made use of the Comments field to add their own remarks. To satisfy the high standard we set for ourselves, we compare our results with those of the best 25% companies from all Kantar surveys (top 25 benchmark). Two values from the U.i.U. Compass demonstrate very clearly that employees feel at home at RATIONAL: 89% of them are proud to work at our company. The engagement index stands at 83% (top 25% companies at Kantar: 85%). We thus confirmed the very high scores from 2018.

Employees especially appreciated the good development opportunities as well as the clear assignment of responsibilities and setting of corporate goals. In addition, employees value the high regard and respect shown toward them and the support given by their direct manager and voiced their trust in senior management.

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. Other employee wishes include clarity about development opportunities and more flexible adaptation to changes in the industry.

RATIONAL takes that feedback from employees very seriously and regards this instrument as a key milestone in its corporate culture, which is why many suggestions and wishes were put into practice following the survey in workshops staged by all managers with their team. The RATIONAL Culture Group was set up specifically for that and consists of volunteer international employees who help inject new impetus and fresh ideas in the fields of health, well-being, project management, process management and communication. The Culture Group advises the Executive Board by making concrete suggestions and recommendations.

We believe that the employee survey generates very great benefits for our company. Employees can actively shape RATIONAL's future and so make a valuable contribution to establishing a thriving and lively corporate culture. To maintain this lively spirit and high degree of engagement, we plan to repeat this survey every two years and derive measures from its results.

In order to meet employees' wishes for more flexible ways of working, as well as to address safety aspects against the backdrop of the coronavirus crisis, the home office agreement that came into effect in March 2019 was expanded significantly. Time spent working from home could be increased unbureaucratically in 2020, in particular in view of the constraints imposed by the coronavirus, if that was compatible with business requirements. Employees were provided with the equipment they needed to be able to work as often as possible from home and perform it in the customary quality.

To strengthen communication channels at the company, two neutral contact persons each in Switzerland and France were appointed in 2019 in addition to the three existing confidential advisors in Landsberg.

Our forum for entrepreneurs, in which the Executive Board members report regularly on the latest business developments, could not be held due to the pandemic.

Since the spring of 2020, the members of our Executive Board have instead broadcast video messages in German and English to our employees worldwide. That not only improves communication from Landsberg to our foreign subsidiaries; the fact that the videos are provided on an online platform means employees all over the world can respond to the messages with questions and comments. Moreover, a global company-wide conference channel was set up and is used by employees not only as a formal means of sharing information, but also for personal networking and simply expressing opinions between colleagues.

Satisfied and loyal employees

As a reflection of the employee-centric measures we have taken, employee retention and satisfaction are at a high level. One upshot is the strong feeling of loyalty among our workforce. Staff turnover was 9% worldwide (2019: 8%).

Health protection for employees

The health of all employees is a matter of great importance for us. Numerous measures to promote health and safety facilities mean that employees suffer fewer occupational illnesses, injuries and strains. Employees can feel satisfied, be motivated and perform well only if the environment they work in is safe.

The information provided in this section refers to the Landsberg am Lech and Wittenheim production sites, at which just under two thirds of the entire workforce are employed.

Organisation

RATIONAL has its own "Occupational Health and Safety Promotion" organisation, made up of experts in the field of safety at work. It addresses issues such as health protection, work safety, occupational healthcare, training of safety experts, risk assessments, and health and safety training and instruction. In addition, there are quarterly meetings of the Work Safety Committee (ASA), which are attended by the company doctor, safety experts, the entrepreneurs or representatives appointed by them, to discuss occupational safety and accident prevention.

There are also annual safety audits by external auditors, who then submit a final report to the Executive Board. There are weekly internal inspections involving spot checks to ensure cleanliness and safety are maintained at the company. Special attention is paid in them to safety aspects, such as alarm plans, equipment, fire prevention, escape routes, protection of PCs and floor markings, and action is taken in response to breaches. Due to the coronavirus crisis, the safety inspections were only held irregularly and the safety audits had to be postponed to 2021. These measures will be conducted again as scheduled as soon as circumstances permit.

Measures to increase safety

Explicit measures to ensure safety at work are the risk and hazard assessments for machinery, workplaces, products and activities. The aim is to determine the condition of the machinery, operating facilities, workplaces and products and identify the risk potential from hazardous substances. As a result, we constantly have an eye on potential risk situations for our employees and can intervene and take action if and when necessary.

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

Measures to improve health

In order to promote employees' health, all staff are offered regular services by the company doctor. A further measure to improve health and employees' work-life balance is the offering from qualitrain in Germany. RATIONAL enables staff to obtain low-cost membership so that they can keep fit and healthy in numerous sports and wellness facilities. We currently have 152 active memberships (using online offerings) and almost the same number of dormant memberships due to the coronavirus crisis – or temporary terminations with an option to rejoin when the situation permits that again (2019: 299 memberships).

Protective measures in the context of the coronavirus crisis

When the coronavirus broke out, a "Health" crisis team was set up, the company's pandemic plan was continuously adapted and expanded, and many protective measures were implemented worldwide in order to prevent employees and business partners from being infected or to keep infections down. The main measures were a significant expansion in opportunities to work from home, intelligent adjustment to the shift models so as to reduce the number of colleagues present at one and the same time, the requirement to wear a mask in accordance with statutory regulations, distancing rules, means of disinfection, and hygiene concepts in all subsidiaries worldwide. We are very pleased that, thanks to the good preventive measures and discipline of employees, no infection broke out at the company's sites.

Sickness rate at an inconspicuous level

The average sickness rate (sickness-related absences in relation to target work hours) at the Landsberg and Wittenheim sites⁶ was 4.5% (2019: 4.7%⁷) and so slightly above the average computed for employees in Germany with statutory health insurance (4.3%). This figure is included in the HR department's monthly reports to the Executive Board.

⁶ The figures included for Landsberg and Wittenheim comply with country-specific regulations.

⁷ There were only disclosures on the Landsberg last year. In this report, the previous year's comparative figure has been adjusted to include Landsberg and Wittenheim.

A matter of course. Ethics and legal compliance.

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 section is divided into two parts: an internal dimension, on the one hand, in terms of implementation in the RATIONAL Group. In the second part, we aim to show that our high standards are also observed externally in our supply chain.

Internal dimension: RATIONAL's compliance programme

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.

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 is carried out in countries where strict legal standards apply. Production is performed exclusively at the Landsberg am Lech (Germany) and Wittenheim (France) locations. 81% of RATIONAL employees work in Europe and 6% in North America.

Strict legal standards apply in these countries, which promote observance of human rights and proper business conduct. In accordance with the Transparency International (TI) Corruption Perceptions Index (CPI), we largely do business in countries that have a low risk of corruption. The size of our subsidiary in the UK means we are a signatory to the UK Modern Slavery Act. As part of that, we undertake to disclose human rights risks in our operations and supply chains and report on how we minimise those risks.

Regardless of the country-specific probabilities of occurrence, our compliance management system is intended to prevent, identify and sanction compliance violations in all markets in which we are active. Business ties with persons from "risk countries" on the FATF blacklist or a sanctions list are not permitted in principle.

Involvement of the Executive Board and Compliance Officer

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 regularly to the Executive Board. Moreover, local compliance managers have been appointed in the sales companies.

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.

Involvement of employees

RATIONAL rules of conduct in business for employees

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

Regular compliance training for employees

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

RATIONAL confidential advisors for employees

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

RATIONAL Guideline on Fair Competition for employees

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

The RATIONAL Group's anti-corruption policy

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

The RATIONAL Tax Handbook

The basic principles for proper conduct from a tax perspective are stipulated in the RATIONAL Tax Handbook. Observance of compliance regulations is checked within 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) that came into force in 2018. Data privacy management has been continuously enhanced since then to reflect current circumstances.

Conformity with regulations in the reporting period

No substantial fines arose in the reporting period beyond the normal course of business as a result of non-compliance with laws and regulations. There were no grievances about ecological, social or human rights impacts, labour practices or violation of customer privacy. There were no incidents or grievances filed due to corruption, anti-competitive behaviour or anti-trust and monopoly practices. The company was not involved in any patent-related court action in 2020.

Corporate Governance – managing the company responsibly

The last amendment to the German Corporate Governance Code entered into force on 20 March 2020. Together with the Executive Board, an account was provided for the fiscal year 2020 in the Corporate Governance Report and Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB. RATIONAL AG largely complied with the recommendations and suggestions of the old version of the German Corporate Governance Code, which applied from 24 April 2017 to 20 March 2020, and with the version that has applied since 20 March 2020, in the period of time during which each version was valid. This resulted in the submission of the declaration of conformity of 28 January 2021. This was resolved at the meeting of the Supervisory Board on 27 January 2021 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) and published in the 2020 Annual Report. The declarations of conformity of recent years can also be found under Investor Relations on the RATIONAL website (www.rational-online.com).

External dimension: Our supplier management

The information presented in this section concerns collaboration with suppliers of components for the manufacture of RATIONAL combi-steamers at the Landsberg am Lech site and the manufacture of our VarioCookingCenter and iCombi at the Wittenheim site in Alsace.

Long-term, close bonds with customers

As a company with low vertical integration, we collaborate very closely and comprehensively with our suppliers. We offer them a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, and innovative strength.

All in all, we source production material from around 190 suppliers of series products. More than 40% of suppliers of series products provide the RATIONAL Group with parts for both product groups. All suppliers of series products are based in Germany or in other European countries (including Turkey and Switzerland). We have worked for six or more years with around 80% of our suppliers.

Successful ethical collaboration

As part of our participation in the Code of Conduct of the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME)⁶, we expect our suppliers to have an environmentally friendly delivery and production policy, 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.

These expectations are communicated to suppliers in framework agreements (of which the Code of Conduct is a part) and in orders. 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.

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

Process for selecting new suppliers

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. It is the basis for the further selection process, in which suppliers are mainly chosen based on the factors quality, cost, delivery time and sustainability.

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 and specify contractual standards, for example cooperation, quality assurance, claims for defects, prices, confidentiality/competition, integrity/code of conduct.

Regular audits

We have developed a new compliance management system (CMS) for the supply chain in cooperation with an external specialist and used it in full for the first time in 2020.

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

These six criteria will be evaluated to obtain an overall rating for all suppliers. The three suppliers with the lowest rating will then be audited by an external partner. This audit will deal intensively with issues such as corruption, respect for human rights, combating child labour, protection of the environment and work safety and, among other things, will involve inspections at the supplier’s premises.

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

Depending on the result of these audits, we will point out conspicuous anomalies in relation to above criteria 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.

For 2020, we did not conduct an assessment of these criteria as described in the table. Instead, we chose three very different suppliers – one new one, a long-standing partner with a substantial organisation, and an average SME – for an on-site audit by our external partner. Three suppliers have already been chosen to undergo an audit in 2021 involving a full assessment of these criteria.

The results from the first three audits are already available. We did not find any major deviations by our suppliers, such as in the area of child labour or violations of minimum wage requirements, as regards the criteria examined as part of our compliance management system.

Chief Sales Officer Independent Practitioner's Report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting⁸

To RATIONAL AG, Landsberg am Lech

We have performed a limited assurance engagement on the HGB 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 2020 (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 §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of 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 controls 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 information in 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

⁸ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

us to believe that the Company's Non-financial Report for the period from 1. January to 31. December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

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 the Company's management and 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 2020 has not been prepared, in all material aspects, in accordance with §§ 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, 27th of April 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
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ppa. Nico Irrgang

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