



# Foresight / / changes the world



**Sustainable** /  
/ and efficient

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Sustainability has been an integral part of our general company policy for many years.

Sustainable and future-proof development means giving equal consideration to environmental, social and economic aspects. The aim is to ensure that our children and grandchildren will continue to enjoy an intact ecological, social and economic structure.



# Foreword by the Executive Board

## Dear Ladies and Gentlemen,

Sustainable business and a responsible role in society have been core components of our business and production processes since RATIONAL was founded. Responsible corporate management and treating our environment with respect are a matter of course for us. In addition, we want to assume responsibility for our employees, make a positive contribution to the development of society and work together with our customers and suppliers in a spirit of long-term partnership and respect.

We, at RATIONAL, build a long-term contribution to this, in the form of innovative products and services, to ensure that our customers are able, to the greatest possible extent, to satisfy the basic human need for warm food when away from home. We support people in the professional kitchens of the world in preparing healthy meals of a consistently high quality, with savings in time and, above all, in resources.

We believe that one of the most important benefits of our technology is a healthy diet, since our appliances cook food more gently than traditional cooking methods, thus helping people to eat better. The appliances need less fat, preserve vitamins and minerals in vegetables and fish, and do not generate any harmful substances during the cooking process.

We are delighted that our customers can save an additional 10% in energy with the even more resource-efficient SelfCookingCenter® appliances launched in 2016 compared to the predecessor models. They even save up to 60% compared to traditional cooking technologies.

In total, the global fleet of RATIONAL appliances reduces CO<sub>2</sub> emissions by 13 million tonnes annually through its lower consumption of energy and raw materials. That corresponds to the emissions from around 2.5 million mid-range cars.

We are happy about that and also a little bit proud.

I would like to thank our employees for joining us in pursuing this path. We believe that it is sometimes worth taking detours in order to ultimately reach the right goal. That is why we will keep striving to continuously improve in order to meet or even exceed our own standards for environmentally friendly products, even if the path that leads there is not always easy.



**Dr Peter Stadelmann**  
CEO of RATIONAL AG

# Sustainability management

The contents of this report on sustainability management have been presented in compliance with the “Core” version of the Global Reporting Initiative guidelines (GRI G4). Some of the contents are also contained in the latest Annual Report in addition to here. The correctness of the disclosures in the Annual Report has been audited by the auditors of the consolidated financial statements. The Sustainability Report was not subject to any audit.

The disclosures and data relate to the companies at Landsberg am Lech, unless specifically stated otherwise. Landsberg am Lech accounts for around 94% of the production volume, and around 50% of all employees work there. An online survey of the most important stakeholders in 2015 identified their focal topics on the subject of sustainability. As part of that, end customers, dealers, suppliers, capital market players and representatives of the general public (externally), as well as employees and managers (internally), rated the various aspects on a scale of 1 to 10. These groups were defined at the management level.

The table below shows the thirteen most important sustainability topics from the perspective of our stakeholders. They exceed the internally defined threshold of 8.5 points.

## Stakeholder survey

No.	Topic	Ø Total	Ø Externally	Ø Internally
1.	Customer benefit of the products	9.2	9.0	9.6
2.	Economic stability	9.1	9.0	9.2
3.	Compliance with laws and statutory regulations	9.0	9.0	9.0
4.	Observance of human rights	8.9	8.8	9.3
5.	High quality of service	8.8	8.7	9.2
6.	Data protection and IT security	8.8	8.9	8.6
7.	Innovative products	8.7	8.5	9.0
8.	Reduction of environmental impact	8.7	8.7	8.5
9.	Active combating of corruption	8.7	8.7	8.4
10.	Open and transparent communication	8.6	8.6	8.8
11.	Sustainable business	8.5	8.4	8.8
12.	Resource efficiency	8.5	8.5	8.5
13.	Environmentally friendly products	8.5	8.6	8.4

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



# Gentle cooking for a healthier and more nutritious diet

The greatest customer benefit of RATIONAL's technology lies in preparing healthy meals of a consistently high quality. Everyone's 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.

Healthy nutrition has numerous facets. We are currently seeing the development of a host of eating trends – vegan, vegetarian, fruitarian, flexitarian, paleo, clean eating, low-carb, raw fruits and vegetables, slow food, and many more. We at RATIONAL, however, believe that high-quality food performs important functions regardless of the respective diet.

The most important task 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 right way to prepare it.

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. Optimum steam saturation, product-specific temperature and time control, and perfect uniformity eliminate waste and minimise weight loss. The cook saves on raw materials and money, which he can spend in turn on higher-quality ingredients. As the selected cooking technology, the SelfCookingCenter® thus already makes a positive contribution to producing 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. Steaming is currently considered to be the healthiest cooking method, because it requires little fat and is gentle on the nutrients. And since the food loses less weight – more fluid is retained – there is more of it with more nutrients per calorie, and the person eating it feels satiated more quickly.

Based on decades of RATIONAL cooking research, we have developed intelligent cooking profiles that use perfectly coordinated hardware and software to consistently produce top-quality food according to the cultural eating and cooking habits of people in more than 100 countries. In terms of smell, taste, sound, look and texture, the meals always match the cultural and personal culinary expectations and give an appetising impression. As a result, it makes 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 food with tasty meals that appeals to all the senses, thus optimising all the benefits of steaming

## More nutrients

Traditional food preparation reduces 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 RATIONAL appliances saturate the food with steam very quickly, they cook much faster than comparable models. This stops enzymes that break down water-soluble vitamins or secondary plant materials (such as chlorophyll) very rapidly, and these 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 killers 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 fat. Scientific studies have shown that gentle fat-free cooking is much healthier and can reduce caloric content by 36%.

**Fewer harmful substances**

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

Its only risk involves the transfer of micro-organisms and harmful substances in the water to food surfaces, 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**

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 guarantee maximum 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.

**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, make their employees more effective, 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 permanently arouse their desire for delicious and healthy food. We show our customers how they can use their existing kitchen equipment to achieve safety in food 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 win Holger Stromberg, who spent ten years as a chef and nutrition consultant for the German Football Association, as an ambassador for healthy, balanced and tasty food. He imparts his knowledge and experience to kitchen managers in specialist kitchens at RATIONAL and helps them to show children how delicious healthy food can be.

**Success story: School cafeterias**

The first U.S. states introduced the so-called “no frying policy” in the mid 2000s. School cafeterias and caterers are required to minimise the use of unhealthy cooking methods and receive 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. As a result, our market share in American school cafeterias is between 30 and 40%.

A law was passed in the UK in February 2014 that guarantees a free school lunch to all pupils in grades 1 and 2. Since then, deep-fried or battered foods are only allowed twice a week. In the search for alternative food preparation technologies, the decision was taken to equip all school cafeterias in Great Britain with SelfCookingCenters®. In the meantime, we have been able to equip around 800 kitchens in the UK.



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

# Active environmental protection

Around 30% of the resources consumed worldwide are used to feed people. Alongside agricultural food production, this also includes global logistics and food preparation. Accordingly, an important goal at RATIONAL, as early as the research and development stage, is to leave the smallest possible footprint along the entire value chain of our products.

We call this approach “whiteefficiency®”.

## Environmental protection through resource-efficient production and logistics processes

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 recoverable components and running environmentally certified production facilities.

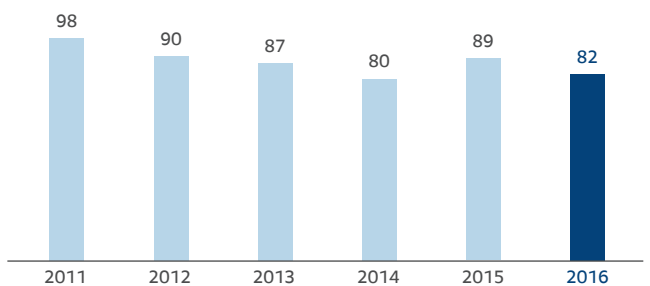
As a company which focuses on sustainability, we incorporate environmental considerations into all our business decisions. We maintain an environmental management system that is certified according to ISO 14001 and an energy management system that is certified according to ISO 50001, and set ambitious targets for the reduction of waste as well as for resources, water, energy and fuel consumption. Our targets for 2016 were to reduce consumption of electricity, fuel, gas, water, cardboard and paper by 1% per appliance produced, and we succeeded in achieving them.

Our total investments in environmentally friendly building technology in the reporting period were around 0.8 million euros (2015: 0.5 million euros). They include state-of-the-art heating and cooling systems, such as heating and cooling ceilings, groundwater pumps, heat recovery and buffer storage. For room lighting, we are increasingly converting to power-saving LED lamps as well as automatic daylight-dependent lighting. The building envelope of our new research and development centre meets the strict requirements of the KfW70 standard. The new energy management system allows us to individually document and analyse the requirements of many energy consumers and derive saving measures.

By using this modern building technology and optimising our testing processes, we hold CO<sub>2</sub> emissions to a relatively low level. Since 2011, we have reduced the CO<sub>2</sub> emissions per appliance produced by around 17%.

CO<sub>2</sub> emissions per appliance produced

in kg



The somewhat higher CO<sub>2</sub> emissions per appliance produced in 2015 were primarily attributable to extensive conversion measures in that year, the increase in the scope of product testing and a larger overall building area due to the fact that we put our new service parts centre into operation at the end of 2014.

We were able to significantly reduce these amounts again in 2016, but were still slightly above the 2014 figure. The reasons for this are the general increase in building space and primarily the construction work carried out during the past fiscal year in Landsberg.

Production of our appliances does not cause any ozone-depleting substances and NO<sub>x</sub>, SO<sub>x</sub> or other significant air emissions. Consumption of the main sources of energy used within the organisation (electricity, diesel, petrol and natural gas) developed year on year in 2016 as follows:

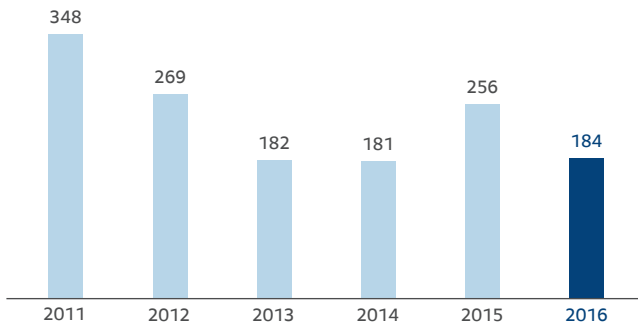
**Energy and paper consumption**

Per appliance produced	2015	2016	Change in %
Electricity (in kWh)	178.5	162.8	- 9
Diesel (in l)	6.5	6.3	- 3
Petrol (in l)	1.2	0.9	- 25
Natural gas (in kWh)	60.2	53.7	- 11
Paper consumption (in kg)	432	401	- 7

Water consumption decreased by around 30% over the previous year. The main reason for this decline was a base effect from the previous year. The significant increase in 2015 was mainly caused by extensive product tests in the run-up to the launch of new appliance generations and by the extremely hot summer of 2015, which required more landscape irrigation than usual.

**Water consumption per appliance produced**

in l



Almost no waste water is generated by our production processes. Any water that is polluted is cleaned and turned into 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 and discharge of waste water. All our service water is provided by the municipal utility Stadtwerke Landsberg from

sources that are not at risk. 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.

To ensure environmental compatibility, sea freight is preferred to air transport for overseas shipments. Products are only shipped by plane if time is particularly critical. Our road transport logistics are performed using HGVs by ISO 14001-certified external companies. The fleet is always kept state-of-the-art. Around 70% of the vehicles comply with the Euro 6 standard and the rest essentially meet the Euro 5 standard.

To expand our production capacities at the Landsberg location, around 8 hectares of forest were cleared at the end of 2016. In part, compensation areas were planted in return. The project complied with all environmental, plant and animal protection requirements. RATIONAL does not run any locations in or adjacent to protected areas. Our business activity, products and services do not cause any negative impacts on protected areas or impairments to endangered or especially protected plant and animal species.

We consistently reduce the amount of waste we produce. After we separate it in an environmentally friendly manner, it is recycled or used to produce energy in accordance with the recommendations of our waste management contractor. 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).

**Waste generation**

Total disposed waste	2015	2016	Change in %
<b>Hazardous</b>			
Electropolishing slurry (in kg)	124	73	- 41
<b>Total recycled waste</b>			
<b>Hazardous</b>			
Oil-smearred absorbent materials (in kg)	80	50	- 38
<b>Not hazardous</b>			
Paper, woods, metals, commercial waste (in t)	986	1,118	13
Mixed scrap, building rubble (in t)	67	51	- 24
Catering waste, glass, electronic scrap (in m³)	93	84	- 10

Electropolishing slurry and oil-smearred absorbent materials are the only hazardous waste we generate in our production processes. Electropolishing slurry is produced by an electrochemical weld seam cleaning process. The significant reduction in electropolishing slurry is attributable to improved welding technology and so to less need for electropolishing. We expect further reductions in the future. We will convert the welding process for all appliance types in the medium term so that no more electropolishing slurry is generated. The oil-smearred absorbent materials comprise paper towels that are slightly soiled with cleaning agents and oil and are used to clean and maintain the machines, mainly in our training workshop and to a small degree in component production. All other types of waste are classified as non-hazardous.

The increase in paper, wood, metal and commercial waste is due primarily to the modernisation activities at our Landsberg location.

**Environmental protection through the use of our appliances by customers**

For our customers, resource efficiency is becoming an increasingly significant criterion for investment decisions. For this reason, it is particularly important in the daily use of our appliances in the kitchen. Our technology makes it possible to reduce the use of energy, raw ingredients, water, cleaning chemicals, space and working hours. This is where the biggest savings are made in the life cycle of our products. Every conserved resource saves our customers money, which means that their ecological and economic goals are mutually dependent and have a positive mutual effect.

In 2016, we were once again able to improve the resource efficiency of our products. The new appliance series we launched on the market in August 2016 uses around 10% less energy than its predecessor. This is thanks to the new triple-pane door, energy-saving LED lighting, an improved door seal, and even shorter cooking times.

More than 500,000 RATIONAL appliances are currently in use worldwide, producing around 120 million meals per day. With traditional cooking methods, the annual energy used to produce these meals is around 40 million megawatt hours. With RATIONAL appliances, our customers save up to 60% of this energy, which is equivalent to the annual power generation of two average nuclear power plants or the total energy consumption of 1.2 million single-family homes (around two-thirds of all single-family homes in Bavaria).

In addition, food is saved through the use of our technology, especially meat. By using steam and cooking much faster, our products reduce cooking loss – moisture lost from meat – by up to 20%. Our appliances cook evenly from the lowest to the highest shelf, and the intelligent cooking profiles deliver the desired result every time. As a result, there is virtually no more waste, and our customers can serve 100% of the meals they produce to their guests. Chefs can purchase fewer raw ingredients, which in turn do not need to be produced, processed and transported. In total, our customers save more than 250,000 tonnes of meat per year.

These savings in energy and meat consumption reduce annual CO<sub>2</sub> emissions by more than 13 million tonnes. That corresponds to the annual CO<sub>2</sub> emissions of around 2.5 million mid-size vehicles (140 g CO<sub>2</sub>/km) driving an average 40,000 kilometres per year, or around 5% of all cars in Germany.

In addition, our products save on cleaning chemicals and water, because they detect their degree of contamination and need for maintenance independently. CareControl automatically calculates the best cleaning process, which reduces the consumption of energy, water and chemicals. This is kind to the customers' wallet and the environment.

#### **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.

The table below shows the distribution of materials used in the production process in 2016. The distribution is measured by the weight of the materials as an average for the RATIONAL appliance family.

#### **Used materials by weight**

in %

	<b>2016</b>
Stainless steel	77
Glass	7
Electrical materials	6
Insulation	5
Plastics	4
Electronics	1

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

Henry Ford

# Employees

The principle of the Entrepreneur in the Company (U.i.U.<sup>®</sup>), which encompasses 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 employees. All employees are equally valued, are given the same respect and have comparable opportunities. By signing their contract of employment, they have committed themselves in writing to refrain from and act against any kind of discrimination, sexual harassment or other personal attacks against individuals. Two confidential contact persons are available to employees in the company at all times. Any problems can be voiced and solved anonymously.

The total number of employees in the Group rose in 2016 from 1,530 to 1,713 (as of 31 December 2016). The regional composition of our workforce is shown in the table below.

## Employees by region

	2015	2016	Change in %
Germany	865	971	12
Europe (excluding Germany)	355	396	12
Americas	137	171	25
Asia	133	138	4
Rest of the world	40	37	-8
	<b>1,530</b>	<b>1,713</b>	<b>12</b>

Staff loyalty and satisfaction are at a high level. Surveys from 2016 show that 89% (2015: 94%) of all employees are proud to work for RATIONAL, a result that reflects the strong feeling of loyalty among our workforce. Because of this high level of satisfaction, our employees do not want a collective bargaining agreement. In 2016, 106 employees (2015: 93) throughout the Group were honoured for their long service to the company. Staff turnover is just 3% in Germany and 15% abroad (2015: 4% and 12% respectively). 283 (2015: 234) new employees were hired worldwide in the reporting period. The figures are not differentiated by gender, age and region.

## Share of employees who received a performance review in 2016

	in %
Female employees	87
Male employees	91
Employees	89
Managers	100
<b>Total</b>	<b>91</b>

Performance reviews are given regularly by the target agreements being achieved. In total, a target agreement was concluded with 91% of all employees worldwide in 2016.

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. Only 19 work accidents occurred in the reporting period (2015: 30). The absenteeism rate due to accidents was below 0.1% (2015: 0.1%). A safety audit was carried out for the first in 2016 by an external auditor. It identified individual fields in which occupational safety can still be improved further. These measures will be discussed, prioritised and implemented.

The average sickness rate of 4.3% (2014: 4.8%) was roughly equivalent to the German average in the metal and electrical industry. For data protection reasons, no differentiation is made by gender or region in calculating the absenteeism and sickness rates. There have been no work-related fatalities in the entire history of RATIONAL.



### Share of female managers and employees

	Employees		Thereof women in %	
	2015	2016	2015	2016
Total staff	1,530	1,713	29	28
Germany	866	971	28	27
Abroad	664	742	33	29
<hr/>				
Total management positions	234	275	23	20
Germany	111	118	21	20
Abroad	123	157	25	21

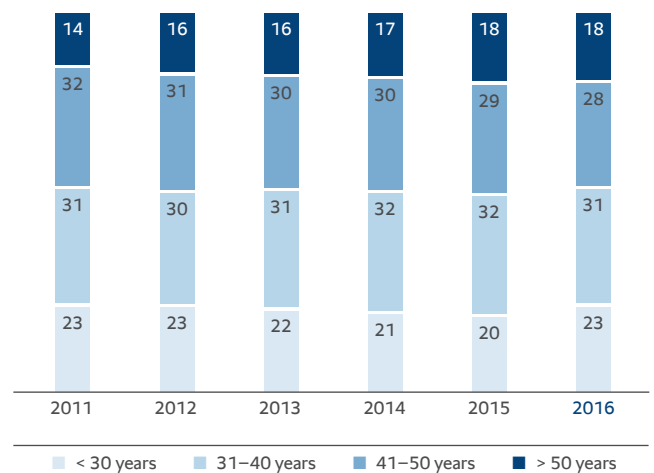
Skills, qualifications and experience are the only factors in deciding appointments or promotions. No distinction by gender is made as regards the standard entry-level salary. 87% of all managers are hired from the local community, i.e. they hold the nationality of the location where they are employed. All companies and managerial levels in the RATIONAL Group have been included in the calculation.

The following table shows the ratio of female managers and employees at the Group. The figures include all managerial levels.

The Group employs 22 (2015: 18) severely disabled persons with a degree of disability greater than 50%. Other diversity indicators have not been recorded to date. The chart below shows the age structure at RATIONAL AG.

### Age structure of the workforce

in %



/// **“Ownership means responsibility.”**

Albert Schweitzer



# Social responsibility


As a company, we bear great social responsibility. Sustainable and responsible corporate governance ensures the company's long-term viability and growth. We are the biggest payer of municipal trade tax in Landsberg am Lech and create many new jobs each year, which makes us a major contributor to the development of the city and region of Landsberg am Lech.

In 2016, we once again transformed our largest building into a concert hall and invited fans of classical music to a symphony concert with tickets costing just 15 euros. RATIONAL traditionally donates the proceeds (21 thousand euros) to a good cause in the region. In 2016, the beneficiary was Hospiz- und Palliativverein Landsberg am Lech e.V., an organisation that provides hospice and palliative care.

We are committed to supporting people in difficult situations in their lives by regularly donating money to local social organisations. A total of 31 thousand euros was donated to charity in 2016. In addition, RATIONAL buys upstream products and services from two workshops for people with disabilities, and also uses their employees in the parts dispatch department.

RATIONAL's activities do not have negative impacts on local communities. There are no significant indirect economic consequences as a result of our business activity.

The number of young people training to become cooks has declined significantly in recent years, particularly in industrial countries. As a result, manpower is increasingly becoming a bottleneck in professional kitchens. The intelligent cooking profiles and self-cleaning features of our appliances enable customers to have routine activities like checking the cooking process and cleaning the combi-steamers performed by the appliances themselves. We thus help our customers to deal with this resource bottleneck in the best way possible.

The image features three hands making thumbs-up gestures against a background of out-of-focus green foliage. One hand is at the top left, another at the bottom left, and a third on the right side. The text is overlaid on the top-left hand.

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

Dante

# Corporate governance and compliance

We believe that good corporate governance means managing the company responsibly and controlling business operations efficiently. Legal provisions are complied with, conduct is inherently in keeping with the highest ethical standards and communication is open and transparent with all interested parties. Compliance with legal provisions is set out in easy-to-understand language for all employees in our rules of conduct in business.

The Compliance Officer reports directly to the Executive Board, continually enhances the compliance management system and advises the Executive Board on all matters relating to it. The Compliance Officer is responsible for implementing these matters efficiently together with the Executive Board. To prevent corruption, all employees receive on entry into the company a guideline that applies throughout the Group and contains rules of conduct on how to deal with inducements offered by third parties. In addition, all employees must complete compliance training each year and pass a test. If corruption is suspected, our employees are also free to contact our Compliance Officer anonymously at any time.

In principle, RATIONAL does not make political contributions or exert political influence.

A member of our management is chairman of the specialist department "Steam-convection ovens" at the HKI industry association (Industrieverband Haus-, Heiz und Küchentechnik e.V.). Another member of management also holds a leading position at the "United against waste – Gemeinsam gegen Verschwendung" initiative. Other RATIONAL employees work in leading positions or are members of the Foodservice Consultants Society International (FCSI) Deutschland-Österreich e.V., the Foodservice Consultants Society International (FCSI) Nordic, and the Institute of Culinary Art (ICA) Germany.

Investment agreements and contracts are not screened for human rights clauses, since we do not make any significant investments in regions with a worrying human rights situation. All business locations are obligated to observe human rights by signing RATIONAL's compliance guidelines. All security personnel at RATIONAL are trained in civil and human rights policy and have been examined in this by the Chamber of Commerce and Industry.

Operational changes are communicated to our employees and other interested parties who are involved as soon as they have been decided on and are not specified in collective agreements.

In the reporting period, no administrative fines were incurred as a result of failing to comply 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 discrimination, violations involving rights of indigenous peoples, corruption, anti-competitive behaviour or anti-trust and monopoly practices. RATIONAL is involved in small proceedings on the basis of alleged infringement of intellectual property rights (own patents) as part of the normal course of business.

There were no incidents or grievances filed due to non-compliance with regulations or voluntary codes concerning product and service information and labelling and their impact on health and safety in the reporting period. There were also no incidents or grievances filed in relation to marketing communication for our products and services. Products that are classified as hazardous or are banned are not offered, sold or traded at RATIONAL.



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

Baltasar Gracían

# Supplier management

As a company with little vertical integration, the quality, productivity and reliability of our suppliers are particularly crucial to the success of our business. We offer our suppliers a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, commitment, flexibility and innovative strength.

In order to obtain initial estimates as part of procurement marketing as to whether suppliers 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 is the basis for the further selection process and resultant supplier development and supplier loyalty measures. Suppliers are mainly chosen on the basis of the factors quality, cost and delivery time. The criteria of environmental standards and Code of Conduct are included in the selection, but are not the sole exclusion criteria in supplier selection. We require our suppliers to operate in an ecologically sound and socially responsible manner through our compliance with the Code of Conduct of the Federal Supply Chain Management, Procurement and Logistics Association (BME). Framework agreements are concluded with suppliers of series products and specify contractual standards (e.g. cooperation, quality assurance, claims for defects, prices, confidentiality/competition, integrity/code of conduct).

We aim to work with our suppliers so that we both become and stay world leaders. To achieve that, we jointly develop long-term solutions based on a spirit of partnership. Most of our suppliers of series products deliver directly to RATIONAL.

77% of our spending goes to suppliers from Germany, 22% to suppliers from other European countries, and just 1% to suppliers from third countries. All in all, we procure series production material from 140 suppliers. We have worked with 60% of our suppliers for six or more years. In addition to supplier certification, successful cooperation with suppliers is underpinned by long-term partner plans, monthly reporting for the principal key figures and regular audits (37 in 2016). The RATIONAL supplier system separately assesses product quality and the quality of cooperation.

We are a member of the German Federal Association of Materials Management, Purchasing and Logistics (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.

The code of conduct is part of our framework agreements and we point out to suppliers what we expect from them in this regard in our orders and contracts. By signing it, contractors undertake to comply with this code of conduct with their business partners and ensure that it is observed in their supply chain as well. Since October 2012, we have also recommended that our suppliers themselves consent to the BME Code of Conduct.

Compliance with ecological criteria, fair labour practices and standards and human rights, rejection and active combating of forced and child labour, and the right to freedom of association and collective bargaining are communicated to and demanded of our suppliers by the BME Code of Conduct. Our business environment means that there is no significant risk of our suppliers violating these criteria. There are currently no negative impacts on society arising from our suppliers. Ecological criteria pertaining to existing or new suppliers are only being audited in the areas of HR/training and operating resources.

As part of our regular supplier audits – performed, among other things, due to re-qualification of suppliers, relocation of production sites, routine planning, current events or process changes – we point out conspicuous anomalies in relation to environmental and social compatibility 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.

Most of our current suppliers of series products are certified in accordance with environmental management standards, such as ISO 14001. There were no changes in the supply chain that had significant actual or potential ecological impacts in 2016.



Landsberg am Lech, 20 April 2017

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

# GRI-G4 index table

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<b>Strategy and Analysis</b>			
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<b>Organisational profile</b>			
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4	Brands, products, and services		Annual Report, P. 48
5	Headquarters		Annual Report, P. 48
6	Number of countries where the organisation operates		Annual Report, P. 49
7	Nature of ownership and legal form		Annual Report, P. 48
8	Markets served		Annual Report, P. 49
9	Scale of the organisation		Annual Report, P. 74 et seq.
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11	Percentage of total employees covered by collective bargaining agreements		16
12	The organisation's supply chain		23
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14	Precautionary approach or principle		2, 11
15	Social charters, principles, or other initiatives the organisation endorses		21
16	Memberships in associations		21
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17	Entities included in the organisation's consolidated financial statements		Annual Report, P. 82
18	Report content, aspect boundaries, implementation		6
19	Material aspects		6
20	Materiality within the organisation		6
21	Materiality outside the organisation		6
22	Effect of and the reasons for any restatements of information		Not applicable
23	Significant changes from previous reporting periods		Not applicable
<b>Stakeholder engagement</b>			
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<b>Report profile</b>			
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56	Values, principles, standards and norms of behaviour		Annual Report, P. 49 et seq.
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This report was published on 20 April 2017.