

# 2019

Integrated  
Annual Report



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# Message from the President



**Harry Schmelzer Jr.**  
WEG's President

Aware of the market demands, thus offering increasingly efficient, sustainable and smart solutions, WEG has increased its product portfolio for the renewable energy, energy efficiency, electrical mobility and Industry 4.0 sectors.

Considered one of the most innovative companies in Brazil, leader on the market of transformers for renewable energies in Brazil and USA – with more than 196 MW of solar power plants and 650 MW of wind farms installed in the country, and developer of electrical solutions for buses, trucks and even aircrafts – the Company is now boosting its efforts to develop products, processes and services for industry 4.0.

In addition to creating a new digital business structure and acquiring two companies in 2019 – PPI-Multitask, specialized in the execution of Internet of Things and manufacturing systems, and V2Com, specialized in IoT and full telemetering solutions for electricity systems and smart grid – WEG continues to invest in the development of software solutions for the company's traditional products and keeps working to position itself as a supplier of data management software for the industry.

The constant search for new technologies is a sine qua non at the Company, and the company evidences such strategy by means of its Technological Innovation Index, which reached 50.1% in 2019, that is, half of the company's revenue is the result of sales of products launched in the last five years.

Constantly innovating in all areas and adding new products and new businesses to its portfolio every year, WEG is growing, developing and offering concrete opportunities for the market, with a high environmental, economic and social impact.

This growth, when aligned with ethical and sustainable concepts, involving the development of all stakeholders, generates important impacts on the Sustainable Development Goals (SDGs), an extremely important agenda that has been closely monitored by the company. With ethics, integrity and transparency, it has been possible to establish a harmonic environment favorable to the development not only of the company, but also of all employees, suppliers, customers and investors. That is what the company believes in, and that is what it works for.

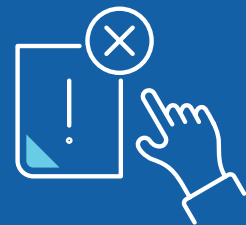
We will keep identifying opportunities, investing in people and communities where we operate and following our mission of continuous and sustainable growth while maintaining simplicity.

Thank you all and good reading!

# About this report

Dear reader,

Welcome to WEG Integrated Annual Report! In order to promote a good reading experience, this report has resources that seek to simplify the navigation.



## INTERACTIVE INDEX

An interactive index is provided at the top of the pages to facilitate browsing the topics covered in this report.

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We are signatories to the Sustainable Development Goals (SDGs), a priority global sustainability agenda followed by various sectors of society.

To check how WEG practices are aligned with each SDG, click on the icons below:

### SDGs: High impact



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### Other SDGs impacted by our actions



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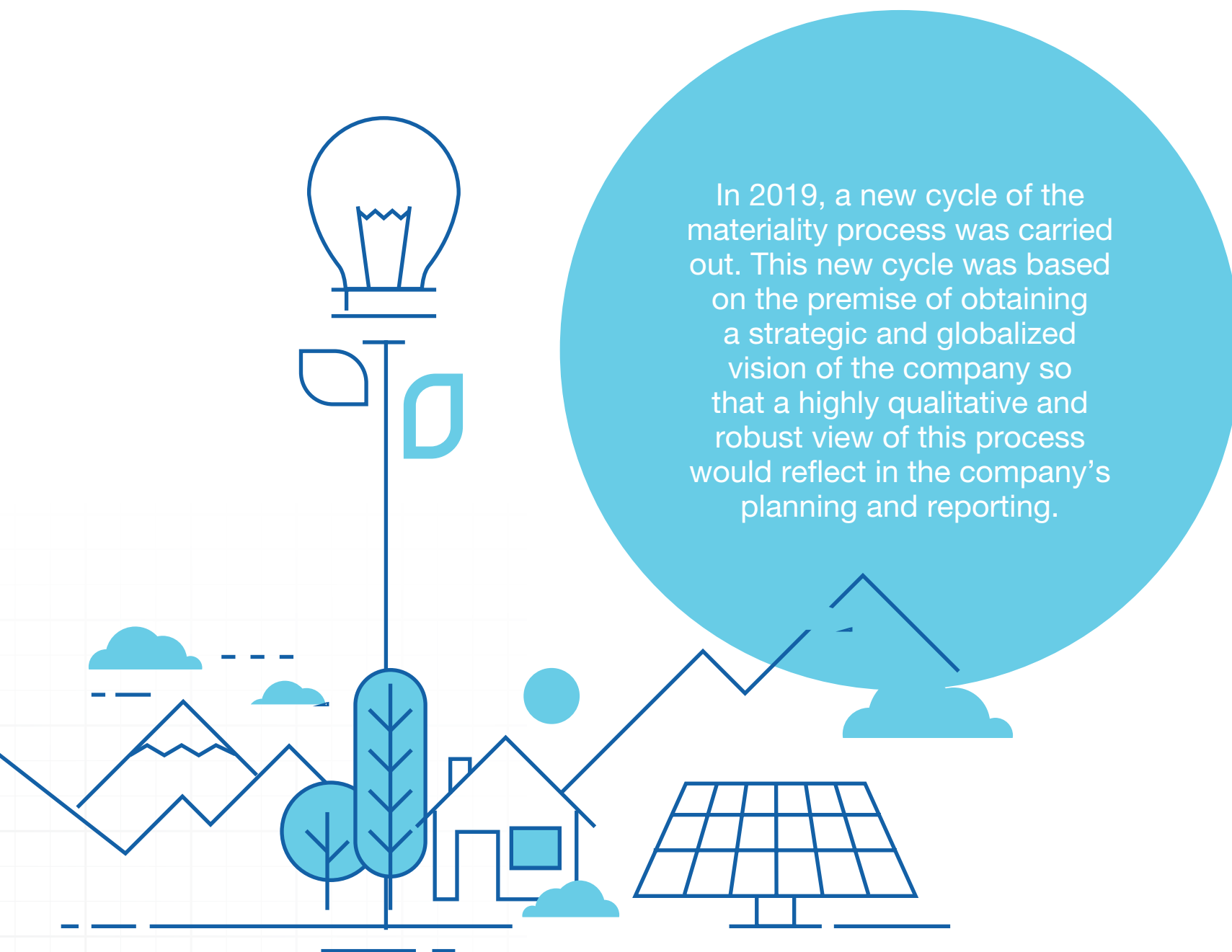
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[CLICK HERE TO LEARN MORE ABOUT THE SUSTAINABLE DEVELOPMENT GOALS \(SDGs\)](#)

### METHODOLOGY:

For nine years we have used the guidelines of the **Global Reporting Initiative (GRI)** to prepare this report. To continuously improve the report and follow the good practices of the market, in this issue we also started to use the guidelines of the **IIRC (International Integrated Reporting Council)**.

# Materiality



## INTERNAL CONSULTATION

The internal consultation involved our global senior management. The consultation was carried out through:

- **Direction:** CEO and all members of the Executive Board and other Directors appointed pursuant to the bylaws.
- **Board of Directors:** Two board members, one independent.
- **Managing Directors:** Six, representing the countries in which we have the greatest socio-environmental and economic impact, namely: Brazil, USA, China, South Africa, Mexico and Germany.

## CONSULTATION WITH STAKEHOLDERS

The consultation sought to understand the perspectives and perceptions of the main stakeholders from different countries, which is an essential part of the process to identify our material issues. The stakeholders consulted were:

- **Employees:** From the six countries in which WEG has the greatest socio-environmental and economic impact (Brazil, USA, China, South Africa, Mexico and Germany). They were indicated by the respective Managing Directors of each country.
- **Investors:** 10 global investors.
- **Customers:** 10 global customers.
- **Suppliers:** 10 global suppliers.
- **Local community and organized civil society:** Five social entities.
- **Trade associations:** Five trade associations.

## FORM OF CONSULTATION

The consultation process was online.

## RESULT

To apply the consultation, 18 topics relevant in the context of sustainability were identified. Within this scope and opening the possibility of including new topics, we carried out an internal consultation and with the main stakeholders.

The result sought to extract the aspects with capacity and potential to affect our value generation, impacting our strategy, governance and performance. And it will be used as an important source for planning and aligning our report with our stakeholders' expectations and demands.

### THE CONSULTATION PROCESS CLASSIFIED THE FOLLOWING ASPECTS:



WEG

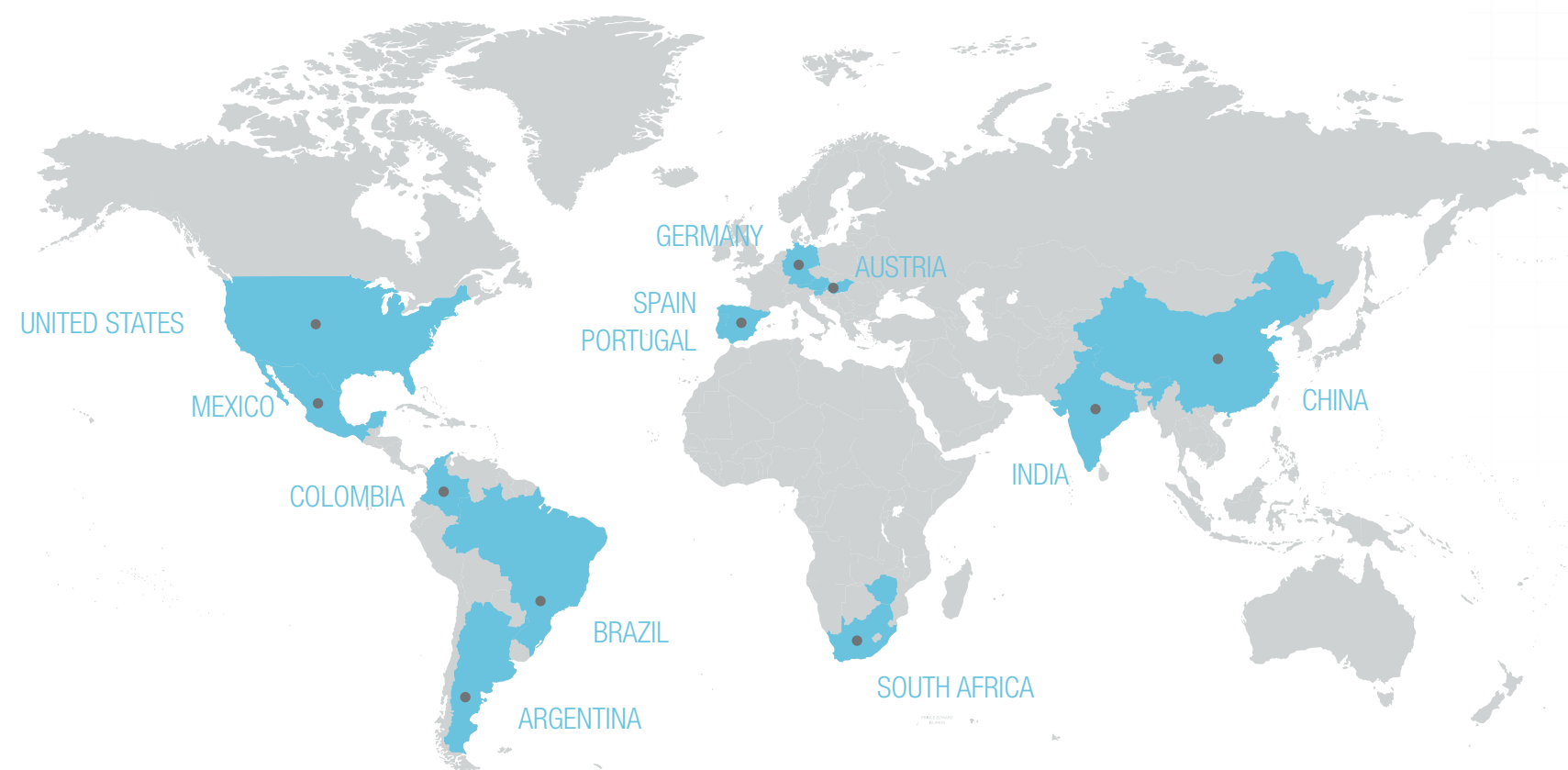


# Global presence

Manufacturing Plants  
**46**  
2019

**42**  
2018

**40**  
2017



Commercial operations in  
**36 COUNTRIES**



Distributors in  
**120 countries**



Sales to over  
**135 countries**

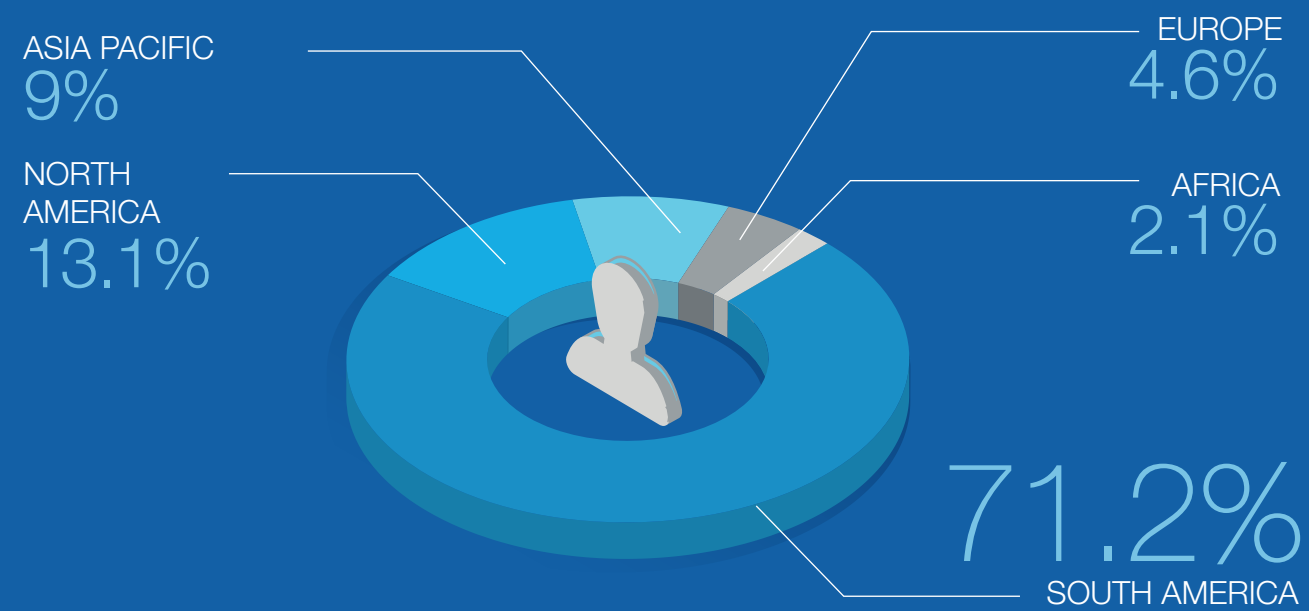


More than **1,400 Service Centers** worldwide



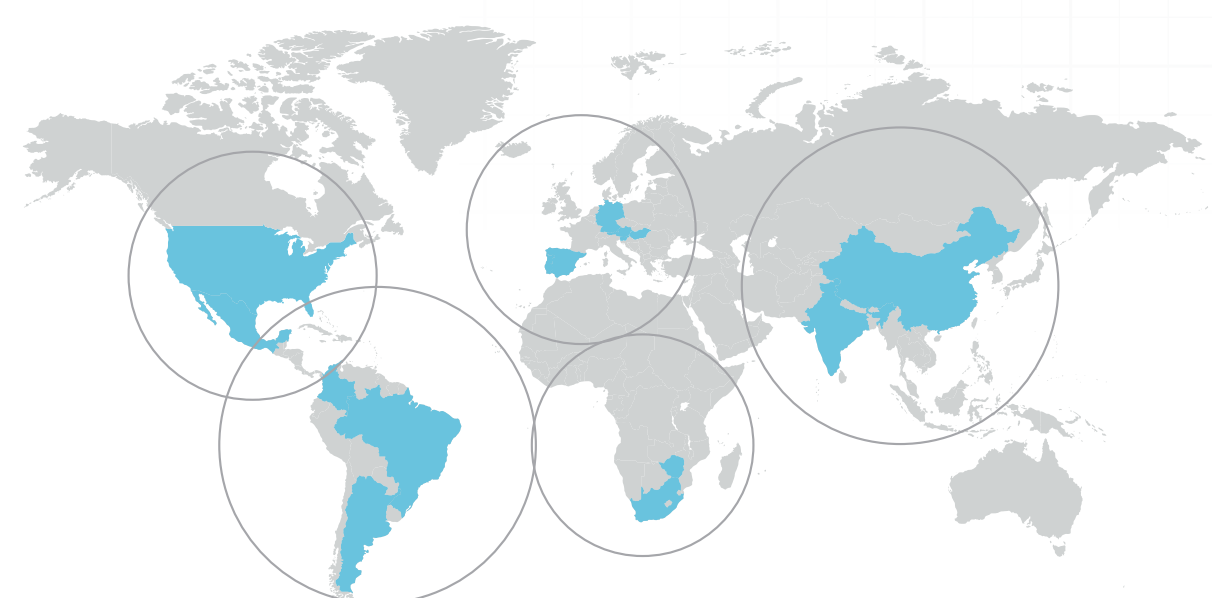
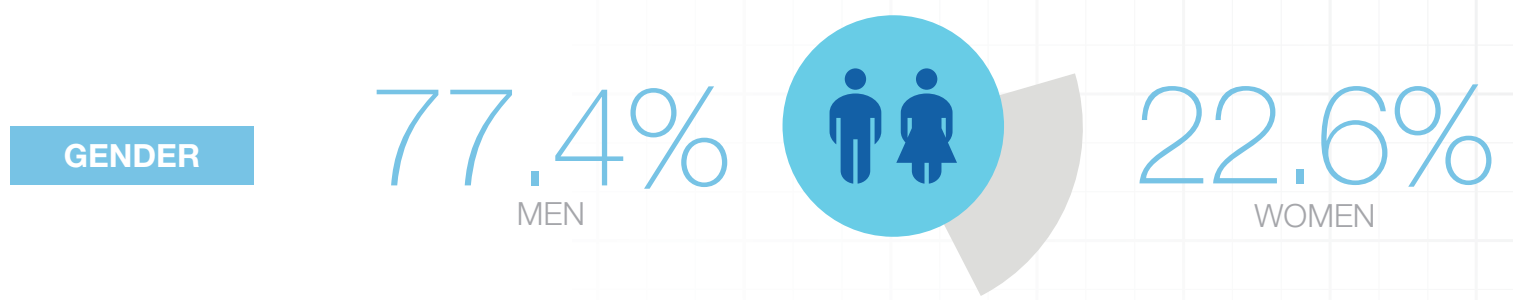
# Our Work Force

## TOTAL EMPLOYEES - GEOGRAPHICAL REGION

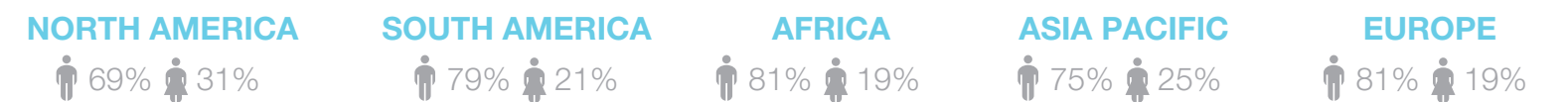


	2017	2018	2019
<b>HISTORY:</b>	29,448	31,104	31,830
<b>SOUTH AMERICA</b>	20,717	22,102	22,950
<b>NORTH AMERICA</b>	3,614	3,962	4,077
<b>ASIA PACIFIC</b>	3,165	3,052	2,729
<b>EUROPE</b>	1,267	1,319	1,426
<b>AFRICA</b>	685	669	648

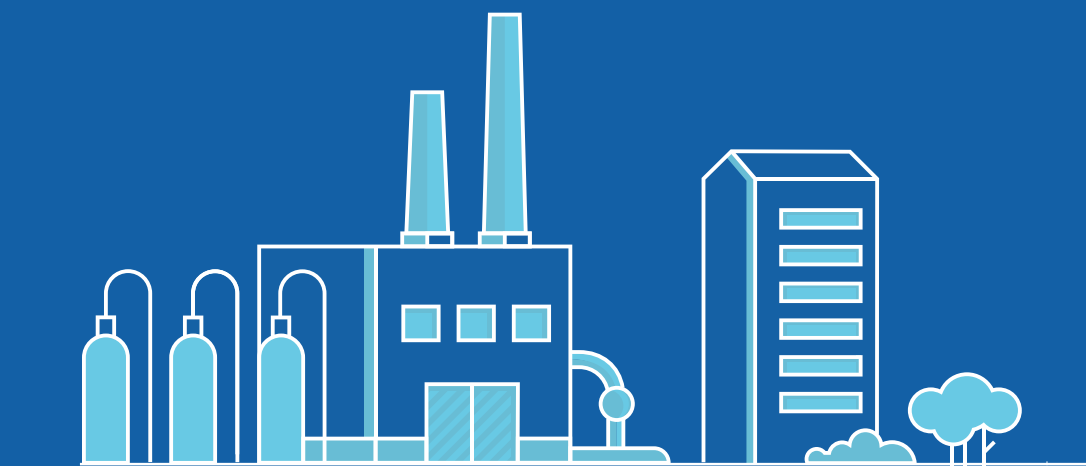
## EMPLOYEES BY:



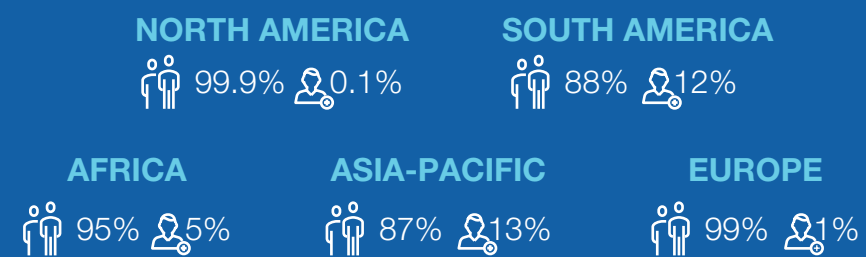
## GENDER - GEOGRAPHICAL REGION



### TYPE OF JOB

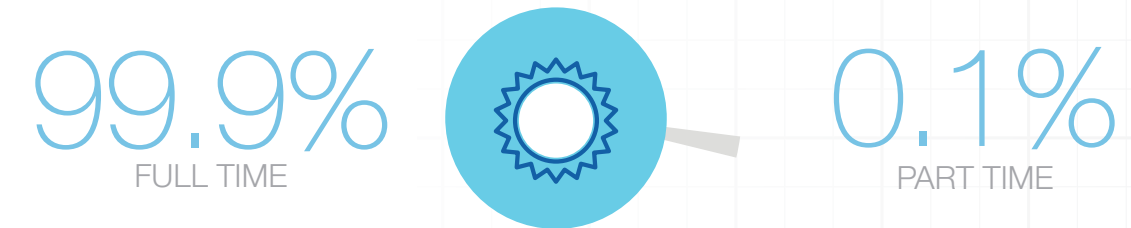


### TYPE OF JOB - GEOGRAPHICAL REGION

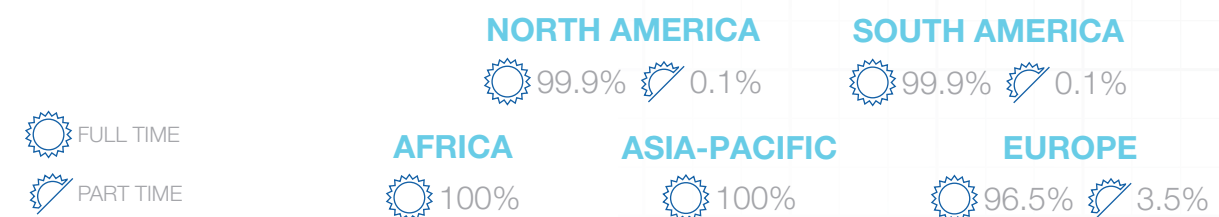


EMPLOYEES    OUTSOURCED WORKERS

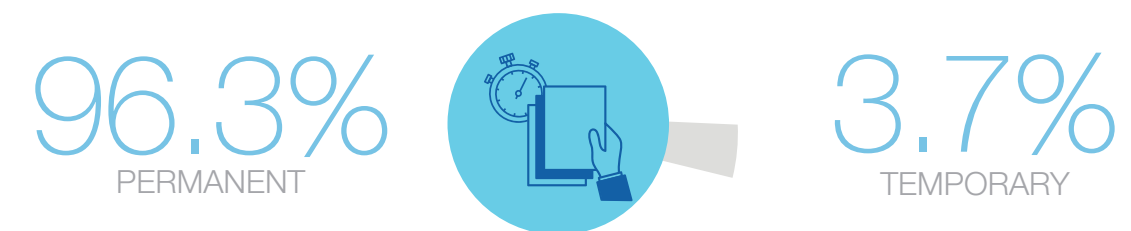
### SHIFT



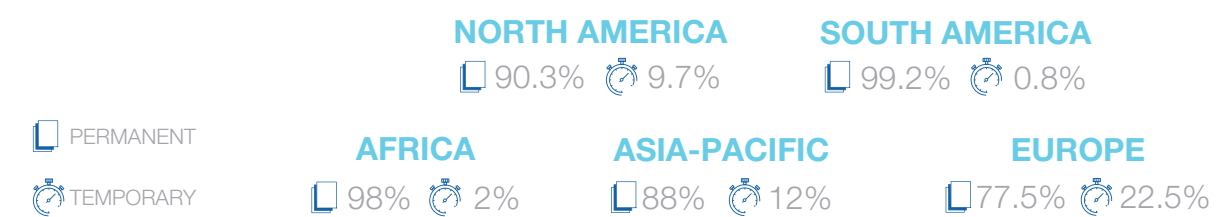
### SHIFT - GEOGRAPHICAL REGION



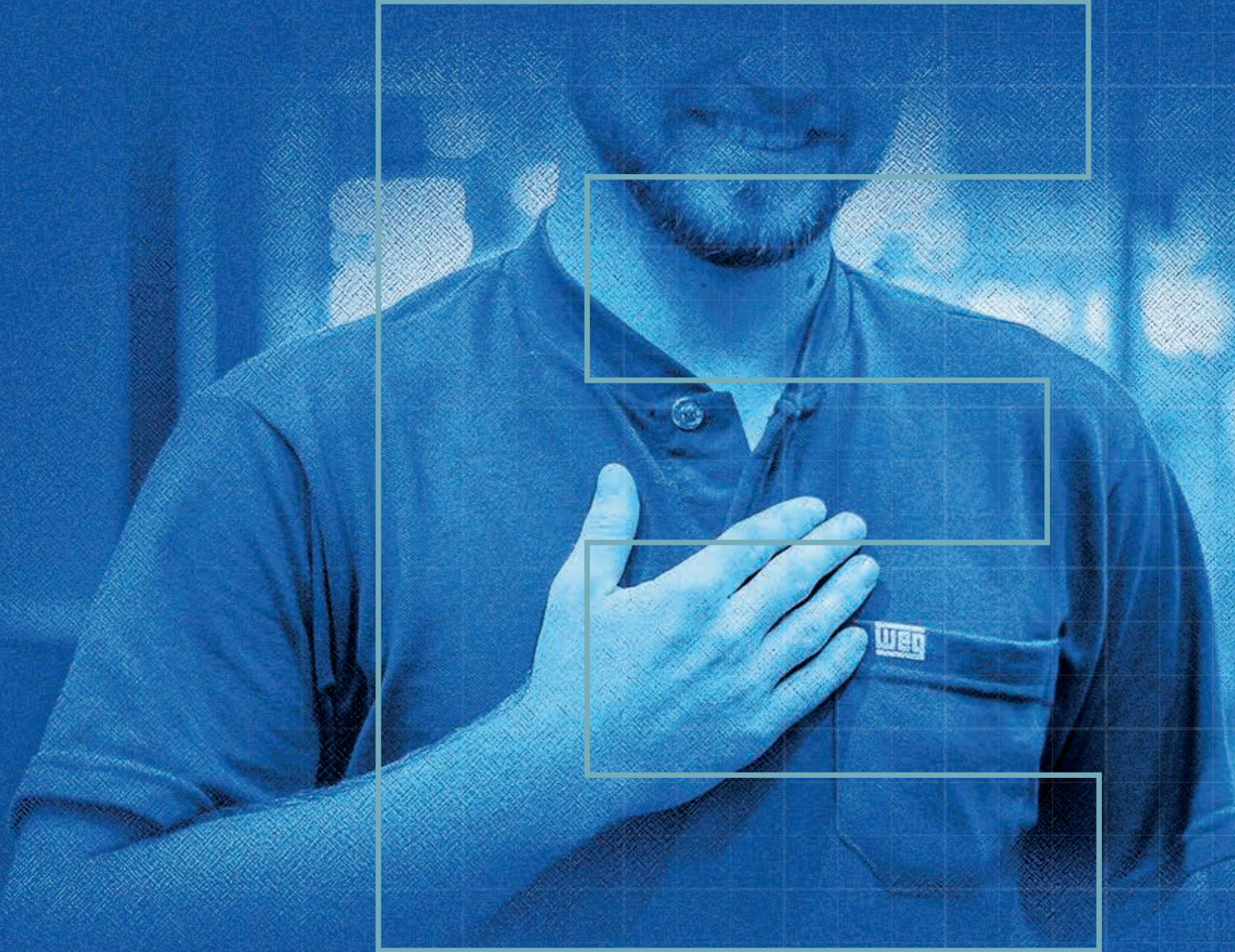
### TYPE OF CONTRACT



### TYPE OF CONTRACT - GEOGRAPHICAL REGION



# Ethics and Integrity



# Ethics and integrity

Ethics and integrity are essential aspects to develop a society or company solid and consistently. It is an issue that permeates all sectors of society, where poor management can be detrimental to economic and socio-environmental sustainability, while good management of ethics in business and relationships adds and generates value, such as the establishment of a harmonious environment that promotes the development of employees.



For a globalized company like WEG, in addition to internal management, this subject involves the company's relations with different stakeholders in different countries and cultures around the world.

In this context, the establishment of a robust system that is constantly improved in terms of policies, tools and actions is essential to avoid related risks and to maintain continuous and sustainable growth.

Therefore, we use and continuously improve a compliance system, which has specific policies and guidelines, risk mapping and prevention, a reporting system, independence of the area in charge, continuous training of employees in general, and training focused on strategic areas.

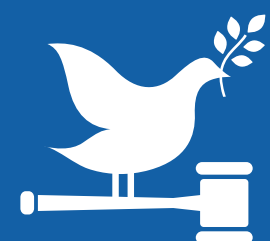
## CORPORATE POLICIES AND GUIDELINES

We established specific policies aimed at certain topics involving ethical issues. These policies establish guidelines for each subject to make it clear what we expect and the positioning for each issue, namely:

## PREVENTION AND FIGHT AGAINST CORRUPTION AND OTHER DETRIMENTAL ACTS

The Policy, applicable to WEG S/A and all of its subsidiaries, represents a synthesis of the company’s guidelines and forms a set of internal mechanisms for integrity, audit, prevention and fight against corruption. Corruption is defined as the act or wrongful effect, aiming at obtaining an advantage for one’s own or another. Also included in this Policy is the compliance with national and foreign legislation, such as the Foreign Corrupt Practice Act (FCPA) from the United States and the UK Bribery Act (UKBA). This Policy covers all administrators, members of the Audit Committee, managers, employees, suppliers, customers, commercial representatives and other people who may act on behalf of and authorized by WEG.

The Policy is revised every two years or whenever there are reasons to justify its revision in a shorter period, with approval by WEG’s Executive Direction, and referendum of the Board of Directors of WEG S/A.



This positioning is in line with SDG 16, which is: *“Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”*

Among the goals that compose the SDG 16, WEG’s practices are aligned to meet the goals:



### PEACE, JUSTICE AND EFFECTIVE INSTITUTIONS

- 16.3** Promote the rule of law, nationally and internationally, and guarantee equal access to justice for all;
- 16.5** Substantially reduce corruption and bribery in all its forms;
- 16.6** Develop effective, accountable and transparent institutions at all levels;
- 16.8** Broaden and strengthen the participation of developing countries in the institutions of global governance.

[CLICK HERE TO LEARN THE FULL POLICY](#)

### SOCIAL RESPONSIBILITY

Policy that addresses highly relevant subjects related to social issues and human rights. It involves the company's relationship with employees and stakeholders.



[CLICK HERE TO LEARN THE FULL POLICY.](#)

### PRIVACY

Privacy and the commitment to protect the personal data of our stakeholders is important to us. This policy aims at providing transparency in the way we collect, use, protect or handle such data.

It complies with the European Union's General Data Protection Regulation 2016/679 (GDPR) and other relevant laws on the same issue ("Data Protection Laws").

[CLICK HERE TO LEARN THE FULL POLICY](#)

### MARKETING

This policy aims at aligning the marketing projects and communication actions of the WEG GROUP with its mission and principles regarding sustainability in a responsible, transparent, ethical and true manner, respecting individuality, diversity and the environment. It also intends to minimize risks in the company's business activities related to the legislation and self-regulation codes of the sector.

[CLICK HERE TO LEARN THE FULL POLICY](#)

## CODE OF ETHICS

In addition to specific policies, we have our Code of Ethics, which contains directives on various subjects and also the guidelines that base our positioning, as well as what we expect from employees regarding the topics and in the relations with other stakeholders.

### Development and Approval

WEG's Code of Ethics is a cross-cutting theme based on the UN's human rights and on WEG's values and policies, ensuring the integrity of employees and stakeholders. All hierarchical levels of the company are involved, aiming at aggregating a broad and diversified vision. Additionally, WEG encourages other stakeholders to apply the guidelines of the Code of Ethics:



The Code of Ethics Management Commission coordinates the process, and the Direction and Board of Directors approve it.

### Duties of the Code of Ethics Management Commission

- Interpret the Code of Ethics in case of uncertainties in order to make its understanding uniform and avoid ambiguities in its application;
- Periodically analyze and revise, when necessary, the Code of Ethics in the light of ethical application and evolution in the social field and within the company;
- Monitor the alignment of the application across the units of the group;
- Check and inform the direction about the application of the Code at the company;
- Deliberate on the necessary resources for the application of the Code.

[ACCESS HERE WEG CODE OF ETHICS](#)

## RISK MANAGEMENT

Within our Corporate Risk Management System and its categories, we can identify risks related to ethics and integrity. Such identification is essential for the monitoring and occasional mitigation plans for potential risks.

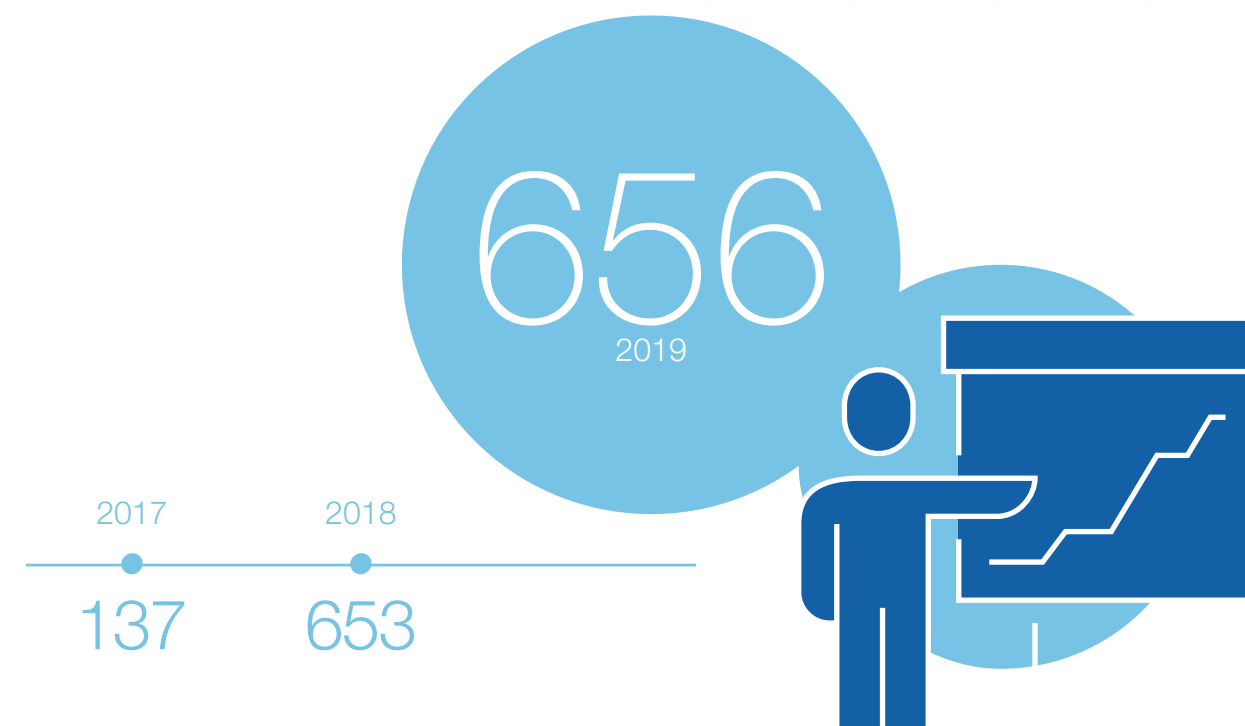
The system is assessed globally and has the following risk categories: Strategic, Financial, People, Compliance & Governance and Processes.

## CONTINUOUS TRAINING OF EMPLOYEES

### Training in the Policy to fight corruption and other detrimental acts for strategic areas

WEG provides regular training for all administrators, members of the Audit Committee, managers and employees who can act on behalf of and authorized by WEG. At the end, they sign the notice of acknowledgment to this policy. The training is global in scope and carried out in Portuguese, Spanish and English.

### EMPLOYEES TRAINED





### Training of new employees in the Code of Ethics

When new employees are hired, they are trained in the topics covered by the Code of Ethics, which addresses human rights, so that the Code is accessible and clearly understood by all employees. After the training, the new employee receives a copy of the Code of Ethics and signs the acknowledgement of receipt and term of commitment to the Code of Ethics.

Whenever updated, the Code is presented to all employees, who must sign the term of commitment again. WEG seeks to make its employees aware of the importance of the subjects that compose the Code by means of internal communication actions.

#### EMPLOYEES TRAINED



### Training in Human Rights

**1,673 employees**

were trained in human rights in 2019 – 39 of them from the assets security department.



### REPORTING MANAGEMENT SYSTEM

In order to report violations of the Code of Ethics and other policies, we provide different communication channels globally, namely:

-  WEG Site

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-  E-mail

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-  Telephones

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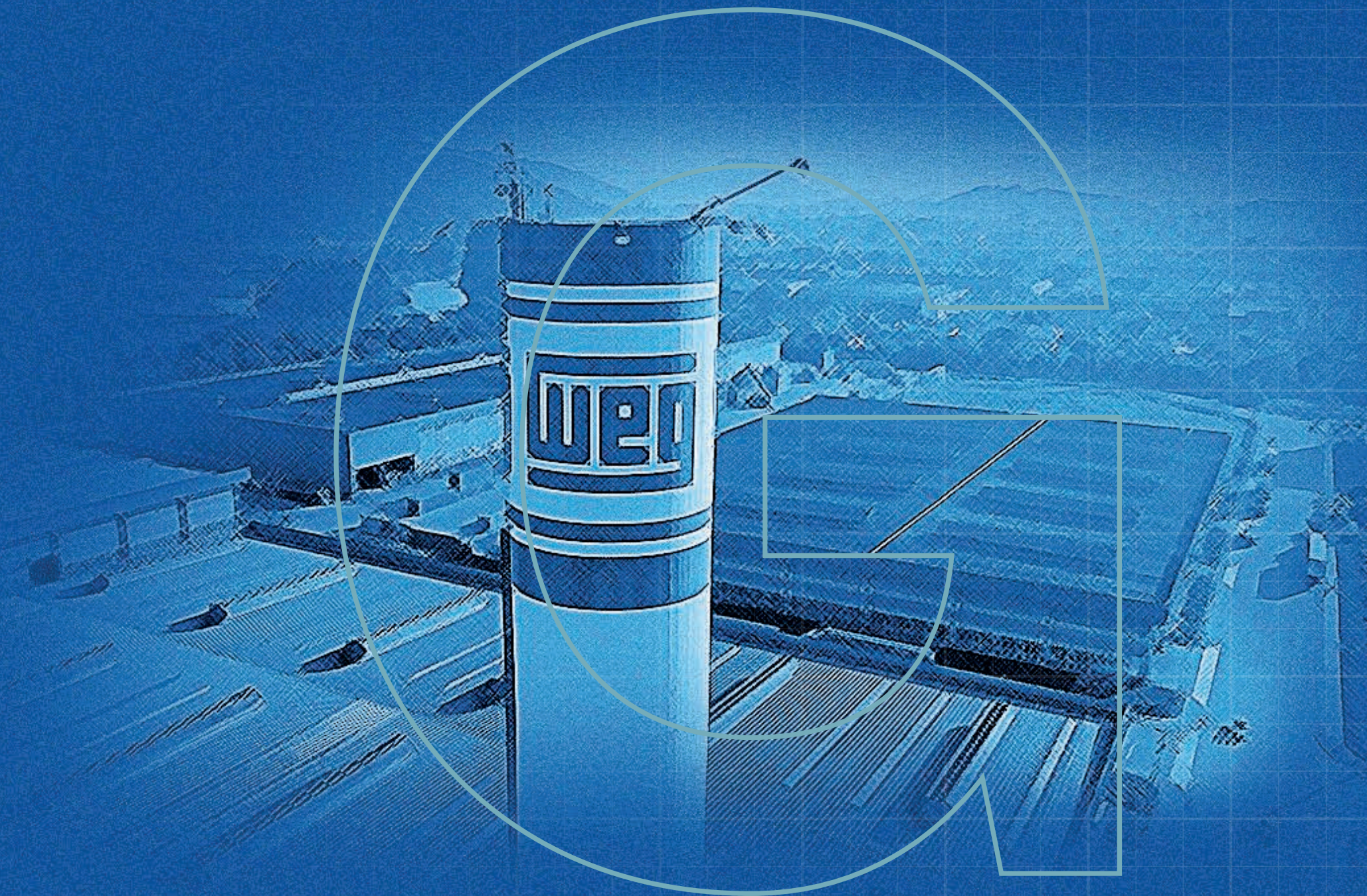
-  Letter

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-  Communication to immediate supervisor (leader, manager or director)

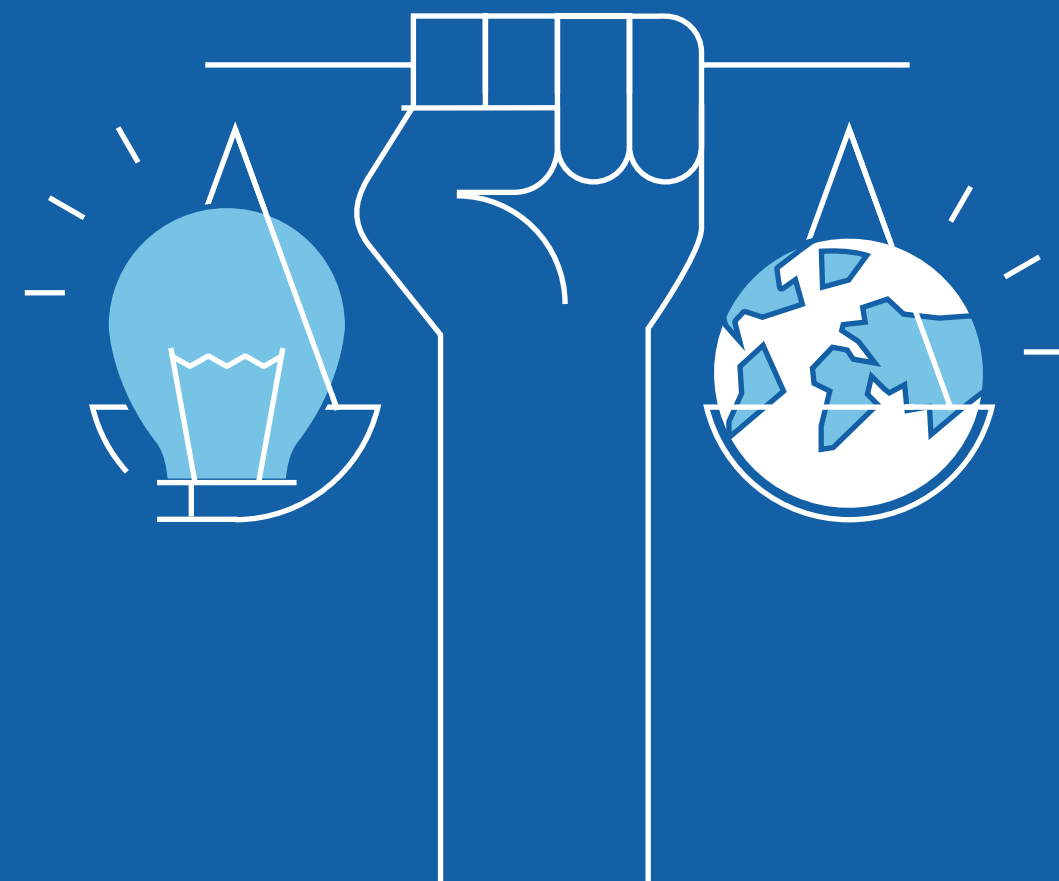
The provided information is kept confidential, except for situations in which WEG has the legal obligation to inform the authorities. The cases that are not included in the document are discussed by the Code of Ethics Management Commission together with the Human Resources Direction, which is responsible for this management tool.

# Corporate Governance



# Corporate Governance

The adoption of special Corporate Governance practices reflects the example set by the WEG' founders, and the respect for the partners who have joined the company along its history.



The company's commitment is to keep working within the same principles of transparency, fairness and accountability to shareholders and other stakeholders. In this context, WEG joined the B3 New Market listing segment. The administration of the WEG Group is exercised by the:

- Board of Directors, with deliberative functions;
- Executive Direction, with representative and executive functions;
- Audit Committee.

The Board of Directors consists of seven members, including a president and a vice-president. Three board members are considered "independent" in accordance with the provisions of the Listing Rules of B3 New Market.

The Board of Directors is responsible for formally assessing the performance of the company, of the Board itself, of the Direction and, individually, of the members of each of these corporate bodies. In order to do so, the Board of Directors meets whenever necessary, at least quarterly, convened by its President.

## MEMBERS



**Décio da Silva**  
President



**Nildemar Secches**  
Vice President



**Martin Werninghaus**  
Member



**Sérgio Luiz Silva Schwartz**  
Member



**Dan Ioschpe**  
Member  
(Independent)



**Miguel Normando Abdalla Saad**  
Member (Independent)



**Umberto Gobbato**  
Member  
(Independent)

Board members are elected and dismissible by the General Meeting for a unified period of two years, and they may be reelected. As a committee, we seek to gather competences in the Board of Directors such as:

- Experience in other Boards of Directors as a senior executive, in the management of changes and crisis, in the identification and control of risks and in people management;
- Knowledge of finances, accounting and legal aspects of WEG's businesses and national and international markets;
- Network of contacts significant for the corporation

**Individually, the applicants are expected to have:**

- Alignment with the corporation's values;
- Ability to defend his/her point of view based on his/her own judgment;
- Time availability;

- Motivation;
- Strategic vision;
- Teamwork skills;
- Knowledge of the best practices in Corporate Governance;
- Capacity to read and understand managerial, accounting and financial reports;
- Notions of corporate legislation;
- Perception of the corporation's risk profile.

The board member shall also be free of fundamental conflict of interest (not manageable, not occasional or situational, which is or is expected to be permanent), be permanently aware of matters of the organization and understand that his/her duties and responsibilities are comprehensive and not restricted to the meetings of the Board. As per the company's Bylaws, the positions of Chairman of the Board and CEO cannot be held by the same person.

## DIRECTION

The Direction is composed of ten members, namely: one Chief Executive Officer, a Chief Administrative Officer and other Directors. All members of the Direction are elected and dismissible at any time by the Board of Directors and may accumulate functions. The office term is two years, and reelection is permitted.

The Direction, within the limits set by law and by the Corporate Bylaws, is vested with broad and general management powers so as to enable the execution of all the necessary actions to regulate the operation of the company in order to achieve its corporate objectives.



**Harry Schmelzer Jr**  
Executive President Director



**André Luís Rodrigues**  
Financial Administrative Superintendent Director



**Carlos Diether Prinz**  
Director



**Luis Gustavo Lopes Iensen**  
Director



**Luís Alberto Tiefensee**  
Director



**Eduardo de Nóbrega**  
Director



**Hilton José da Veiga Faria**  
Director



**Reinaldo Richter**  
Director



**Manfred Peter Johann**  
Director



**Siegfried Kreutzfeld**  
Director

## OTHER DIRECTOR APPOINTED PURSUANT TO THE BY-LAWS – WEG S.A.



Wilson José Watzko



Paulo Geraldo Polezi



Daniel Marteleto Godinho

## AUDIT COMMITTEE

The Audit Committee is permanent, composed of three effective members and three alternate members, elected annually at the General Meeting.

### MEMBERS (DATE OF ELECTION: 04/23/2019 - TERM OF OFFICE: 1 YEAR)

Alidor Lueders	Effective Member
Vanderlei Dominguez da Rosa	Effective Member
Adelino Dias Pinho	Effective Member
Ilário Bruch	Alternate Member
Paulo Roberto Franceschi	Alternate Member
José Luiz Ribeiro de Carvalho	Alternate Member

## REMUNERATION

The achievement of goals and indicators regarding economic, environmental and social performance is the objective that guides all actions of the organization. For this reason, members of the Board of Directors and the Executive Direction receive, in addition to fixed remuneration, variable remuneration in accordance with the achievement of goals.

This form of compensation promotes consistent and transparent sharing of results, as well as the alignment of the interests of the company, directors and shareholders, in accordance with the best management and corporate governance practices.

*Proportion between the highest salary and the average of the employees (Brazil): 39,8*

# Risk Management

WEG developed its Enterprise Risk Management System in compliance with the best international practices and standards set out by global regulatory agencies adapted to the specific characteristics of the company. Guidelines, responsibilities, and limits are set in order to guide the actions of the Committees, Commissions, Departments and Sections in accordance with the instructions of the Board of Directors.

Anticipate, assess and produce effective responses to risks and opportunities are the scope of this system. In order to ensure that the achievement of strategic goals is not affected by unexpected events and conditions in any area of corporate activity, the system comprises the main dimensions:



**STRATEGY:** capacity to anticipate, protect itself and/or adapt to changes.



**FINANCIAL:** capacity to obtain and/or preserve financial resources.



**PEOPLE:** company's capacity to attract, develop, retain and keep available human resources.



**COMPLIANCE & GOVERNANCE:** ability to develop its activities following policies, internal control rules, laws and regulations, be able to protect itself against fraud, and ensure the correct operation of its Information Technology systems and infrastructure.



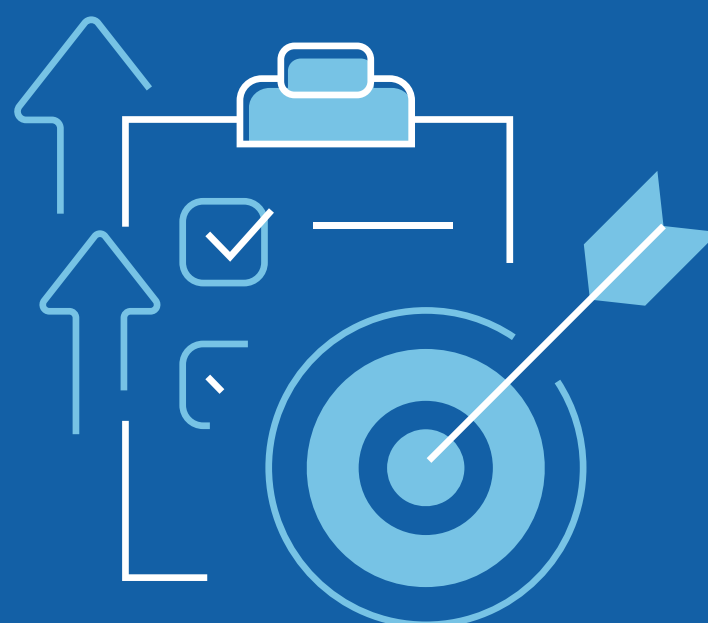
**PROCESS:** capacity to use available resources effectively and efficiently.

The Enterprise Risk Management System has the fundamental support of the corporate participative management structure, which establishes multidisciplinary commissions and committees to analyze, define, approve and implement changes in its business processes. Risk management is the responsibility of these committees and commissions, and it is periodically submitted to the approval of the Senior Management.

# Sustainability Governance

## INVESTOR RELATIONS DEPARTMENT

In 2019, the Corporate Sustainability team became part of the Investor Relations Department due to the synergy between these issues, and because the capital market is one of the main means to bring inputs for the continuous improvement of ESG management in companies. It also works on the management and the risks and opportunities of the subject in a more strategic way.



The responsibilities of the Corporate Sustainability team are:

- Content coordination and edition of the WEG Integrated Annual Report;
- Coordination of the process of participation in Sustainability Indexes;
- Coordination of the WEG Sustainability Group;
- Proposal and development of Sustainability Improvement projects;
- Fulfillment of other demands from stakeholders in corporate Sustainability.

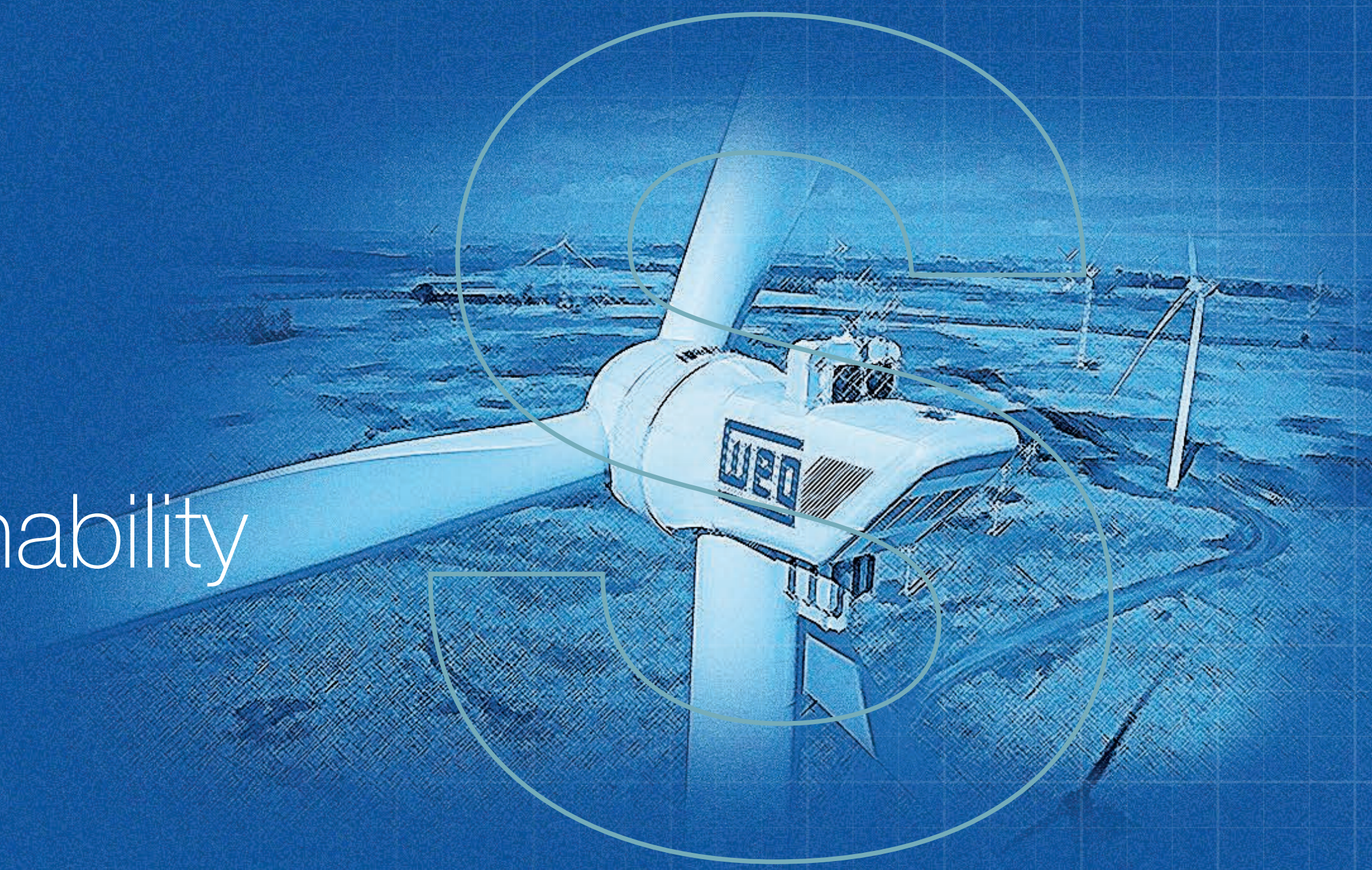
## INFORMATION DISCLOSURE COMMITTEE

The responsibilities of the Information Disclosure Committee (IDC) include monitoring, approving and deliberating over issues related to Corporate Sustainability in the scope of public information disclosure, such as the approval to publish the Annual Integrated Report, reporting of responses to sustainability indexes and awards, and other relevant information about WEG, ensuring that no relevant information that the company has not disclosed will be improperly disclosed.

The IDC reports to the Executive Direction

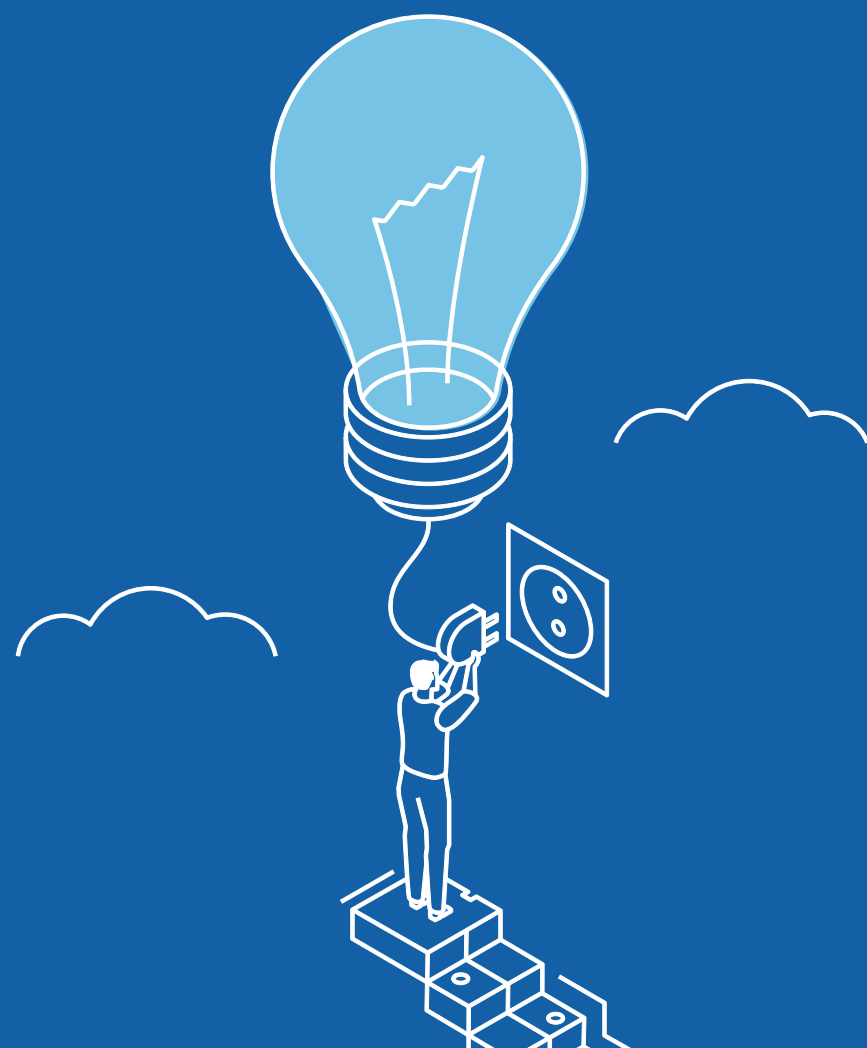


# Innovation and Sustainability



# Innovation and Sustainability

Currently, the global context increasingly demands innovations and technologies that help reduce environmental impacts caused by industries, city structures and the form of development of society as a whole. A model aligned with a low carbon economy in the short term is important to reduce the environmental and social impacts resulting from the current development model.



Innovation aligning high technology with sustainable concepts is something that applies to all WEG business units, such as renewable energy solutions, energy efficiency practices, and products and solutions with lower environmental impact. The solutions aim at cities, industry and end consumers (B2C), extending our positive impact with technologies aligned with the low carbon economy and reduction of environmental, social and economic impacts on society.

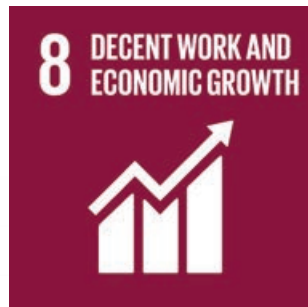
2019 was a year with great accomplishments in this regard, when we sought to achieve positive results for goals 7.2, 7.3, 8.2, 9.4 and 13.2 of the Sustainable Development Goals (SDGs). We see the SDGs as a priority agenda to generate positive impacts on sustainable development. The alignment with the SDGs makes sense because they address objectives and goals followed by different sectors of society.



### AFFORDABLE AND CLEAN ENERGY

**7.2** Substantially increase the share of renewable energy in the global energy matrix.

**7.3** By 2030, double the global rate of energy efficiency improvement.



### DECENT WORK AND ECONOMIC GROWTH

**8.2** Achieve higher productivity levels of the economies by means of diversification, technological modernization and innovation, including by focusing high added value sectors and labor-intensive sectors.



### INDUSTRY, INNOVATION AND INFRASTRUCTURE

**9.4** By 2030, modernize infrastructure and rehabilitate industries to make them sustainable, with increased efficiency in the use of resources, and greater adoption of clean and environmentally friendly technologies and industrial processes; with all countries acting according to their respective capabilities.



### CLIMATE ACTION

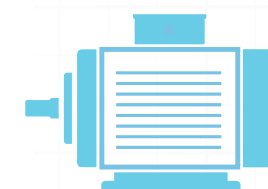
**13.2** Integrating climate change measures into national policies, strategies and plans.

# Innovation and Sustainability in our Business Units

## ENERGY EFFICIENCY

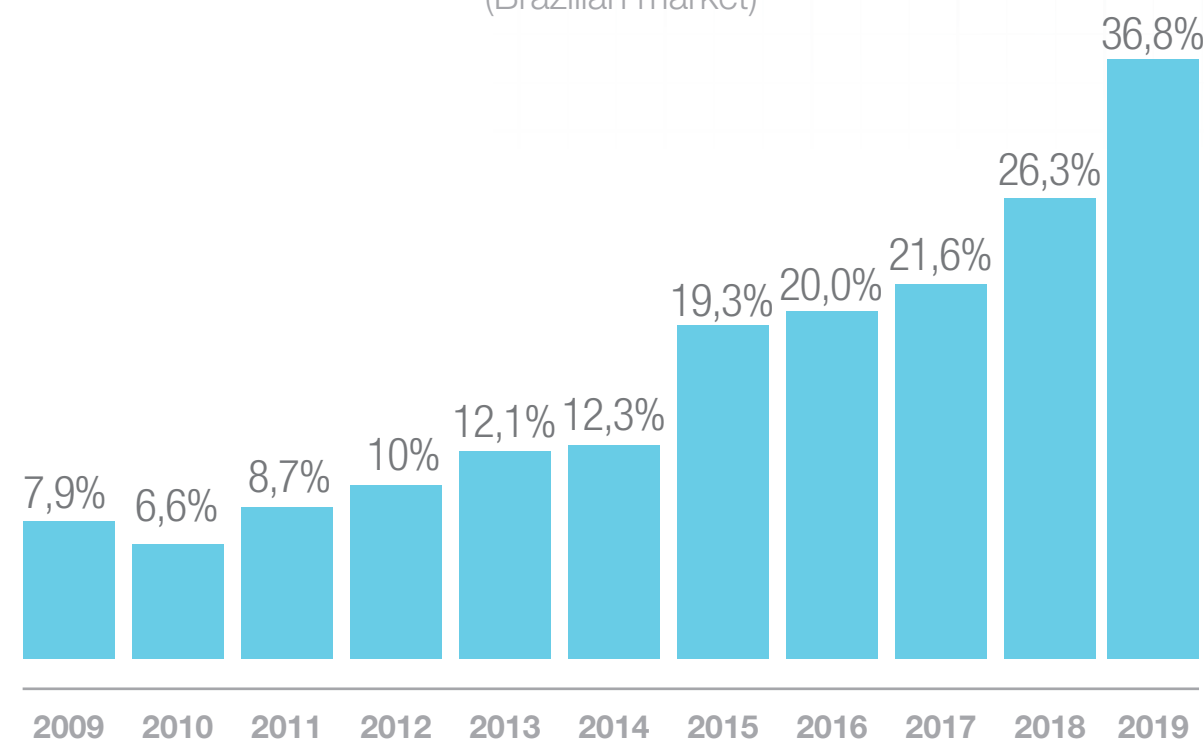
In August 2019, Ministerial Directive No. 1 of June 29, 2017 was published, defining the IR3 efficiency level (Premium) as the minimum level allowed to manufacture and import three-phase motors in Brazil. In February 2020, the new minimum efficiency limits for the trading of motors went into effect. This change in the Brazilian legislation has had an effect on the business of the Motors unit, as well as on customers and the national energy matrix, due to the reduction in consumption and demand for electric energy to drive the motors. As a consequence, there is a substantial decrease in atmospheric emissions from power generation.

Expanding the potential provided by the update in the legislation, we keep actions to promote the replacement of old motors with new and efficient ones by means of the Exchange Plan and Energy Efficiency Projects carried out with electricity distributors, in which old motors are taken as part of the payment in the purchase of new ones, contributing to a higher energy efficiency and the correct disposal of old motors. These actions also help promote the IR4 and IR5 levels, which are more efficient and exceed the minimum efficiency levels required, being a market competitive edge.



### FINANCIAL % OF PREMIUM MOTOR SALES OVER TOTAL INDUSTRIAL MOTORS

(Brazilian market)



## ELECTRICAL MOBILITY

### Integrated solutions for electric vehicles

Electric vehicles leave a greener path, because they are part of a group of vehicles called “zero emission”. In addition to not polluting, they are pretty quiet and provide lower operating and maintenance costs than the internal combustion solution. In addition, they are more efficient, recovering energy from the braking and helping the traditional braking system of the vehicle by means of the regenerative electric braking.

Always focusing on the development of technologies that contribute to the sustainable growth of the planet, WEG continuously develops its line of electric motors and frequency inverters for electric drive, combining efficiency and quality for different applications:

- Light vehicles such as golf carts, industrial tow trucks, electric forklifts and the like;
- Drive of auxiliary loads such as compressors, pumps, and fans installed on vehicles;
- Medium vehicles such as delivery trucks, minibuses and vans;
- Heavy vehicles such as buses and trucks;
- Locomotives and railway vehicles such as trains, monorails, light rail vehicles, and streetcars.

In 2019, one of the highlights in the area of electric mobility was the selection of WEG to participate in Volkswagen’s e-Delivery manufacturing consortium, the first 100% electric light truck of Brazil. WEG will be responsible for supplying the electric powertrain, as well as motors and inverters for auxiliary systems.

Other important partnerships signed in 2019 were the agreement with Embraer for the joint development of solutions for aircraft electric propulsion systems, the technological agreement with the company Randon to develop and supply inverters and electric motors for auxiliary drive systems in tractor-trailers, and the partnership with FuelTech to develop powertrain kits (motor + inverter) for converting internal combustion engine vehicles into electric vehicles.

## WEMOB electric vehicle charging stations

One of the largest global manufacturers of electric machines and automation technologies for the industry and energy systems, WEG is ready for the electric mobility market with the launch of its electric vehicle charging stations. For WEG, technological innovation mainly refers to the development of new technologies, products and materials, aiming at increasing efficiency, reducing costs, improving quality and reducing raw materials used in products. Thus, WEG becomes more competitive, gains new markets, keeps itself sustainable and contributes to the development of the planet.

Electric vehicles are a worldwide trend, and having a charger will be essential in this new scenario. For this reason, WEG developed the WEMOB line of Electric Vehicle Charging Stations, specially designed to meet the needs for power, charging speed and safety. In the Wall model, designed for homes and condominiums, and in the Parking model, developed for shopping malls, parking lots and public spaces, the EV charging stations provide greater security and protection than a conventional electrical outlet, in addition to recharging the batteries quick and reliably, preserving their useful life.

In 2019, 35 WEMOB Parking EV charging stations were provided for the VEM DF (Vehicles for Mobility) project, developed by the Brazilian Agency for Industrial Development (ABDI) and the Itaipu Technological Park (PTI). The stations are scattered around the city and can be used to charge any electric car.

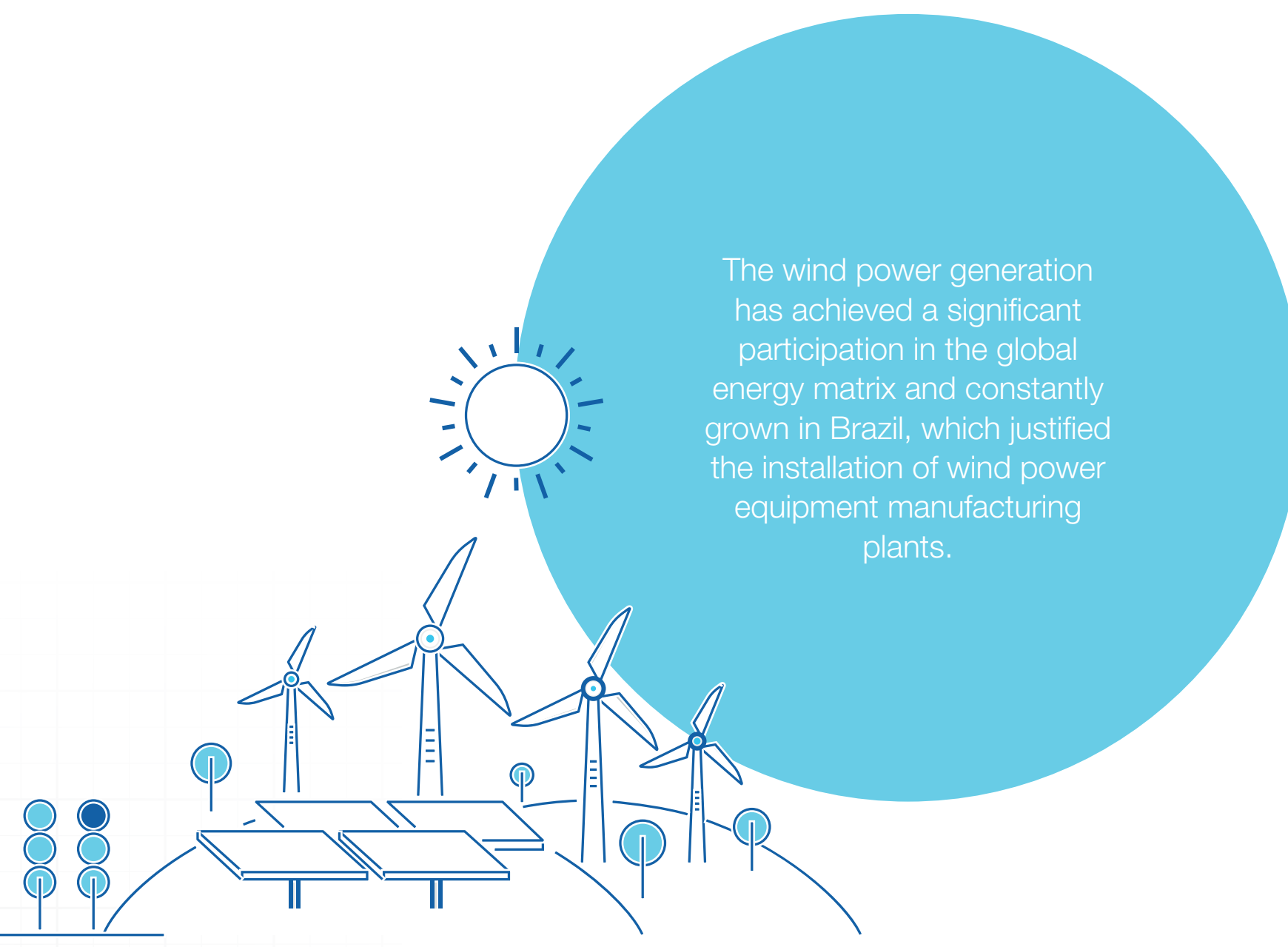
## SOLAR POWER

Watching closely the evolution of photovoltaic solar energy in Brazil and using all its technological experience, in 2019 WEG consolidated itself as one of the main suppliers of products and solutions for solar power plants in the country. Since 2016, when the company signed its first EPC supply contract (engineering, procurement and construction), it has delivered a more than 664 thousand photovoltaic modules, with powers between 330 and 375 Wp, and more than 193.0 MVA of solar inverters installed in power plants in the states of Pernambuco, Paraíba and Bahia. Together, the plants are capable of generating enough energy to supply more than 200 thousand homes and prevent the emission of 780.2 thousand tons of CO<sup>2</sup> per year.

But it is not only in large projects that WEG accumulates experience. With distributed generation solutions for small plants, industries, businesses and homes, the company has already built small plants in the states of Minas Gerais, Rio de Janeiro, São Paulo, Pernambuco, Santa Catarina and Mato Grosso. In addition, in 2019 WEG supplied a turnkey photovoltaic power station to the Salvador Airport, with rated power of 4.2 MWp. Installed at the end of the airport runway, the station generates power enough to supply 3,500 popular homes. Still in 2019, the company signed a contract with MRV, one of the largest builders of apartment buildings in Latin America, for the supply of photovoltaic generators and switches and sockets for residential condominiums in several Brazilian states.



## WIND POWER



The wind power generation has achieved a significant participation in the global energy matrix and constantly grown in Brazil, which justified the installation of wind power equipment manufacturing plants.

We, as part of this market since the 1990's, started the activities in the segment by developing and supplying generators and other equipment for wind power generation. Subsequently, in addition to the components, we manufactured wind turbines. From 2013, when we supplied the first wind turbines, until 2018, 308 wind turbines (650 mW) were installed. Believing that renewable energies are fundamental to a low-carbon economy, we continue to make constant investments in this segment.

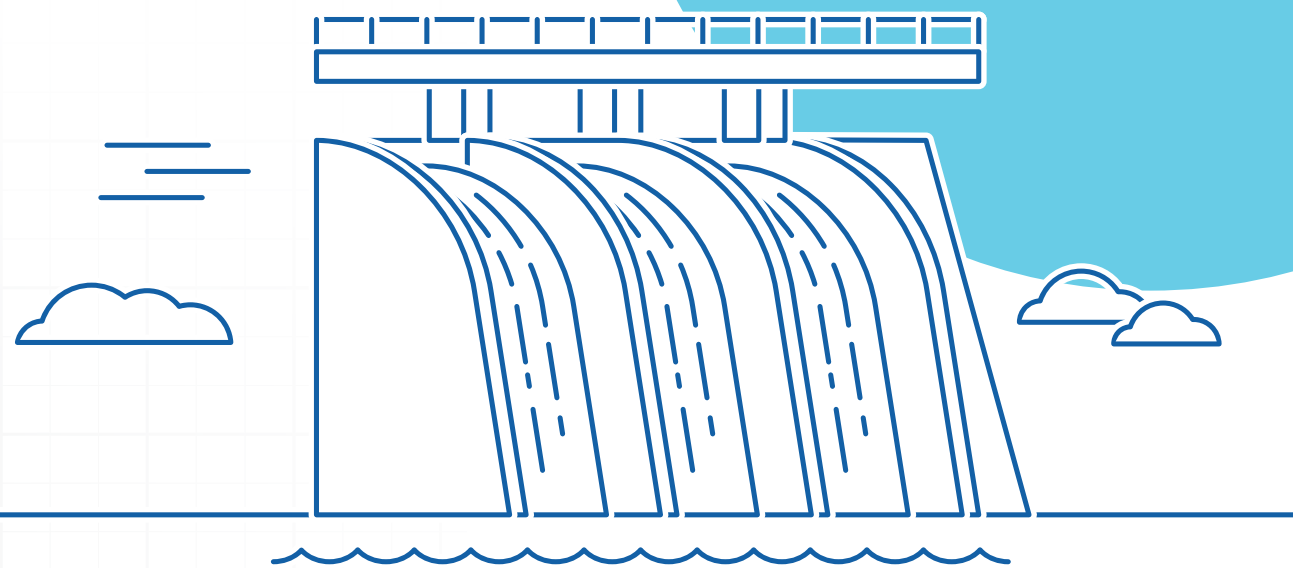
An example is the research and development project for the new wind turbine platform with power of 4.0 MW and blades of almost 75 m, which will be available on the market in 2020, thus keeping WEG among the main players on the Brazilian market.

### Perspectives

We signed contracts to supply wind turbines to an Aliança Energia wind farm. The agreement establishes the supply of 43 4.2 MW wind turbines. In addition to this supply, we will provide logistics, assembly, commissioning, operation and maintenance services.

## HYDROELECTRIC GENERATION

We supply full solutions for hydroelectric generation. Since 2018, there has been a significant increase in the supply of solutions for hydroelectric power plants up to 5 MW.



In this type of application, which does not require large reservoirs for water storage and are often run-of-the-river plants (without reservoirs), we offer a set of highly efficient hydraulic turbines and hydrogenerators. Those characteristics enable the building of a powerhouse with reduced dimensions and higher water efficiency, generating less impact on the environment.



## DEVELOPMENT OF NEW PRODUCTS FOR RENEWABLE ENERGIES

The Transmission & Distribution (T&D) business unit aims at developing and improving its products, always meeting the technical and operational requirements with the reduction of the environmental impact.

### Development of the new product line for Solar Power Plants

This strategic development aims at using and better exploiting renewable energy sources. To this end, a line of transformers has been developed for applications in photovoltaic plants, which favors efficiency and convenience in the application.

The new line of transformers for solar power plants has been developed for the alignment with the Sustainable Development Goals (SDGs) to increase the energy efficiency, reliability and modernization of equipment. Transformers developed with new technologies focused on increasing energy efficiency can provide social and environmental benefits by improving the energy system.

The reliability of transformers developed for solar power plants is intended to ensure the supply of energy, allowing many people to have access to electricity through renewable energy generation sources, which are less environmentally aggressive solutions that contribute to the people's well-being.

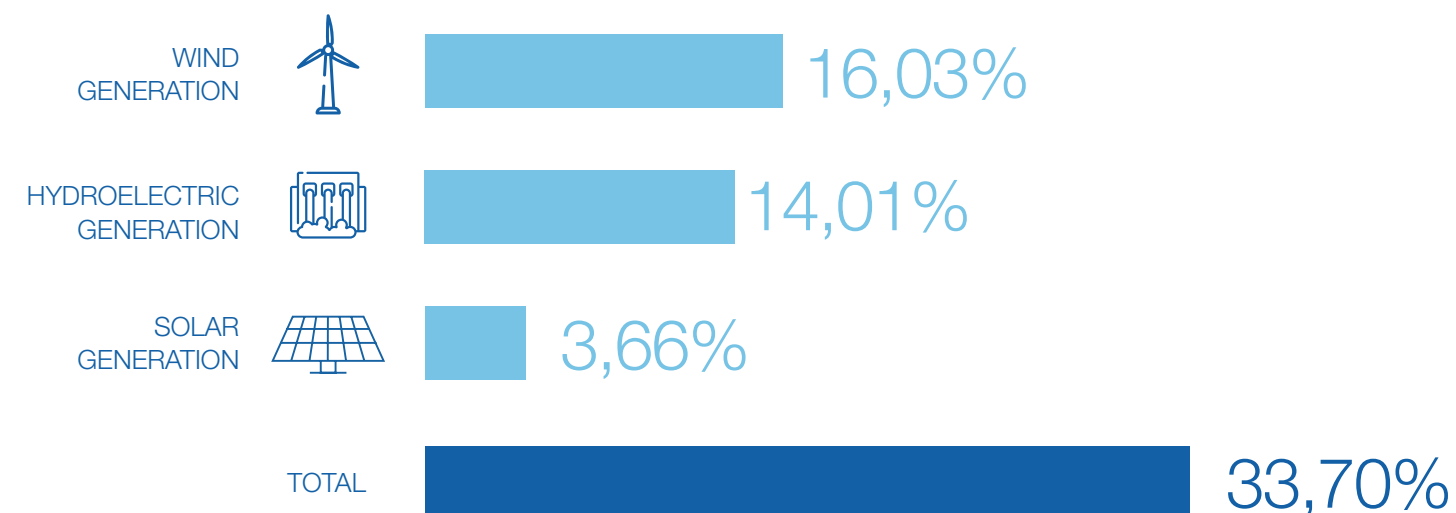
### Development of the New Product Line for Wind Farms

The sustainability concept was also employed in the redesign of the entire transformer line for wind farms, with the development of the new electrical project, reducing the size and the volume of natural resources necessary to make these machines. Such development is focused on the proper management of waste and promotes the rational use of natural and energy resources.

As the particular conditions of the specific application were considered in the development of the transformer, the final result produced an extremely compact machine. Additionally, due to the installation configuration, in which the source and the transforming unit are very close to each other, the system provides smaller losses and greater energy efficiency.

#### FINANCIAL % OF SALES TO THE RENEWABLE SEGMENT OVER THE TOTAL SALES TO THE BRAZILIAN MARKET

Renewable Participation x Total T&D Brazil Sales (2019)



## COATINGS



In our multiple applications for coatings, we encourage the development of lines with lower environmental impact. The developments with state-of-the-art technology aim at fulfilling the customers' needs, seeking to increase productivity, reduce losses and save inputs in the coating processes.

### Liquid coatings

Liquid coatings have lower environmental impact formulations, meeting the global environmental requirements. They are used in various segments: Sanitation, wind power, floors, machinery and equipment, automotive refinish, metallic structures, marine and offshore, among others.

### Solutions of the coatings business units that promote less environmental impact:

- Lines of coatings free of organic solvents (water-soluble coatings) and free of heavy metals, ensuring lower pollutant emissions.
- High solids coatings, which guarantee greater coverage, reducing waste and costs.
- State-of-the-art coatings, such as polyaspartic paints that ensure lower numbers of coats with top abrasion and impact resistance.
- Antifouling coatings that lower friction coefficients in vessel paints in order to reduce fuel consumption.
- Water soluble resin-based paint.

### Electroinsulators

Water-soluble and zero-VOC varnishes stand out. These state-of-the-art products can be applied to small motors used in household appliances, electric car motors and larger motors up to 350 hp.

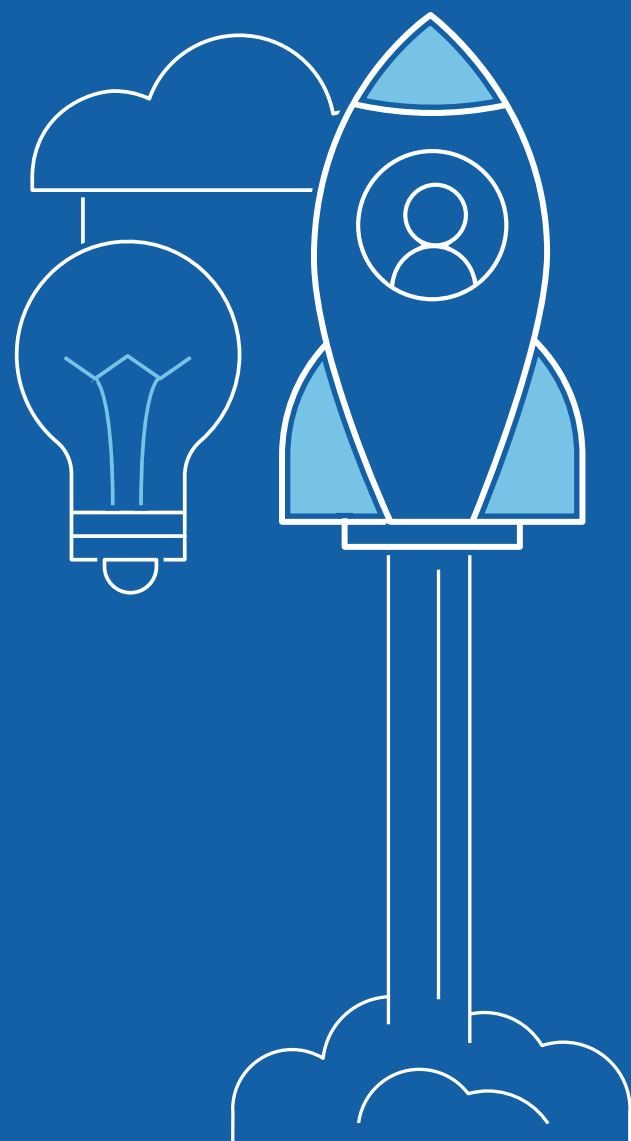
### Powder coatings

- In powder coatings, low-cure and super-durable paints stand out.
- Reduction in energy costs (gas consumption)
- Increased productivity (faster line speed or reduced curing time).

Superdurable paints have great prominence for their great durability, resisting to weathering, for example, two to three times more than conventional paints.

# Innovation

Following a mixed model of innovation (open and closed), our RD&I (Research, Development and Innovation) made a substantial contribution to the development of new technologies and to our growth in 2019. The main solutions developed are aligned with our research focuses: **Competitiveness**, **Reliability** and **Connectivity**.



## EXAMPLES:

- WEG Motor Scan
- W12 electric motor line
- Motors for electric drive of vehicles and aircrafts
- 4 MW wind turbines
- Solar power systems with IoT technology
- Electric vehicle charging stations
- Mobile substations
- Transformers and coatings with lower environmental impact



**80% of R&D projects scheduled for 2019 were completed.**

# Highlights and Recognitions

## NATIONAL INNOVATION AWARD (CNI)

We won the National Innovation Award (CNI) in the Product Innovation – Large Company category, with “WEG Motor Scan”, a monitoring system with non-invasive sensors for electric motors, a product created within the Industry 4.0 concept.

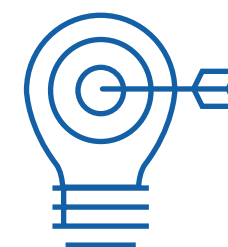
## RESEARCH AND DEVELOPMENT PARTNERSHIP

In 2019 we carried out the research and development of an electric motor for aircrafts in a partnership with Embraer. In December, the first tests were run successfully.

Other partnerships were also established with major players in the national market, such as Volkswagen, Celesc, CAIO and Eletra, FuelTech, Randon, among others), further boosting innovation through collaboration.

## INNOVATION IN NUMBERS

Investments in R&D in 2019 = **339 Million**



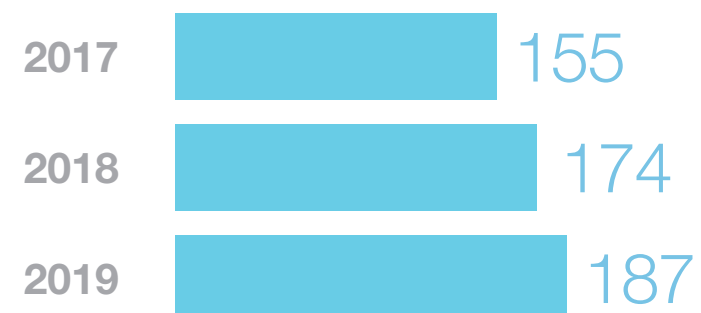
## INNOVATION INDEX

**50,1%**

6,4% higher than in 2018.

(percentage of sales of products launched in the past five years)

Number of patents and processes in progress:



# Partnership with Startups

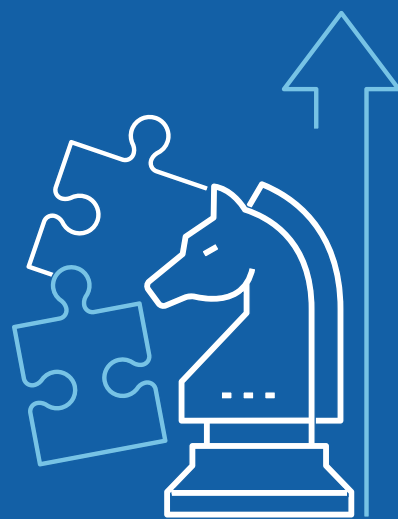
Since 2018, WEG has been acting more intensively in the open innovation model.

Throughout 2019, startups were called to offer solutions to the demands of the companies by means of priority demands:

- Monitoring
- Big Data and Advanced Analytics
- IoT / IIoT
- Resource and project management
- Technological materials.

MORE THAN 170 STARTUPS APPLIED.

Some of them (those with greater adherence to the demands) were selected for interview and presentation of their solutions to the interested areas at WEG.



# WEG Digital Solutions

WEG Digital Solutions is an ecosystem that connects and integrates equipment and sensors capable of collecting and storing data and transforming it into information that allows to monitor, control and automate operations, making analyses in real time. It is the application of WEG's expertise to develop more efficient technologies for the continuous growth of Industry 4.0.

## MES (Manufacturing Execution Systems)

Manufacturing Execution Systems, or simply MES, is the term used to designate systems focused on managing production activities and that establish a direct link between planning and the shop floor.

## IoT (Internet of Things)

The Internet of Things, or IoT, is a technological concept that connects everyday items to the world wide web. They are physical objects, vehicles, buildings, industrial equipment, plants and other structures that have sensors and connection to a network capable of collecting and transmitting data.

## WEM (WEG Energy Management)

WEG ENERGY MANAGEMENT is a software application for managing the consumption of resources such as electricity, water, gas, compressed air and fuels in industrial, residential or commercial applications.

# Acquisitions in 2019

We have recently acquired two strategic companies for our operations in the field of Industry 4.0, namely:



## V2COM: IOT AND TELEMETRY SOLUTIONS

V2COM is leader in IoT (Internet of Things) platform, smart systems and software applications that offer the market full solutions, including hardware, software, connectivity and services, reducing losses and increasing the efficiency in the processes of its customers.

## PPI-MULTITASK

Brazilian company specialized in promoting Operational Excellence in the industry through MES (Manufacturing Execution System), IIoT (Industrial Internet of Things) and Industrial Automation solutions.

# Environmental Management



# Environmental Management

Considering the population growth and the need for global development, environmental resources and the environment are and probably will be increasingly in demand. This context means that organizations must continually improve their processes and policies to generate lower environmental impacts and be more efficient.

In addition, the environmental management generates consequential impacts on other capitals of the company, such as financial, manufactured, human and relations with other stakeholders. Looking from the perspective of opportunities, good environmental management can positively impact those capitals, thus generating greater value for the environment and the business.



At WEG, we continuously seek to improve processes that reduce environmental impacts, basing the activities on preventive measures to protect the environment (such as the conservation of natural resources and management of the emission and waste generation), on investments in technologies and on constant process improvement by establishing environmental objectives and targets.

This environmental management is also important to stimulate and contribute to the agenda and goals of the Sustainable Development Goals (SDGs), understanding that the constant effort to improve efficiency and reduce the environmental impacts from economic activities are aligned and impact SDGs 12.



## RESPONSIBLE CONSUMPTION AND PRODUCTION

**12.2** By 2030, achieve sustainable management and efficient use of natural resources.

**12.5** By 2030, substantially reduce waste generation by means of prevention, reduction, recycling and reuse.



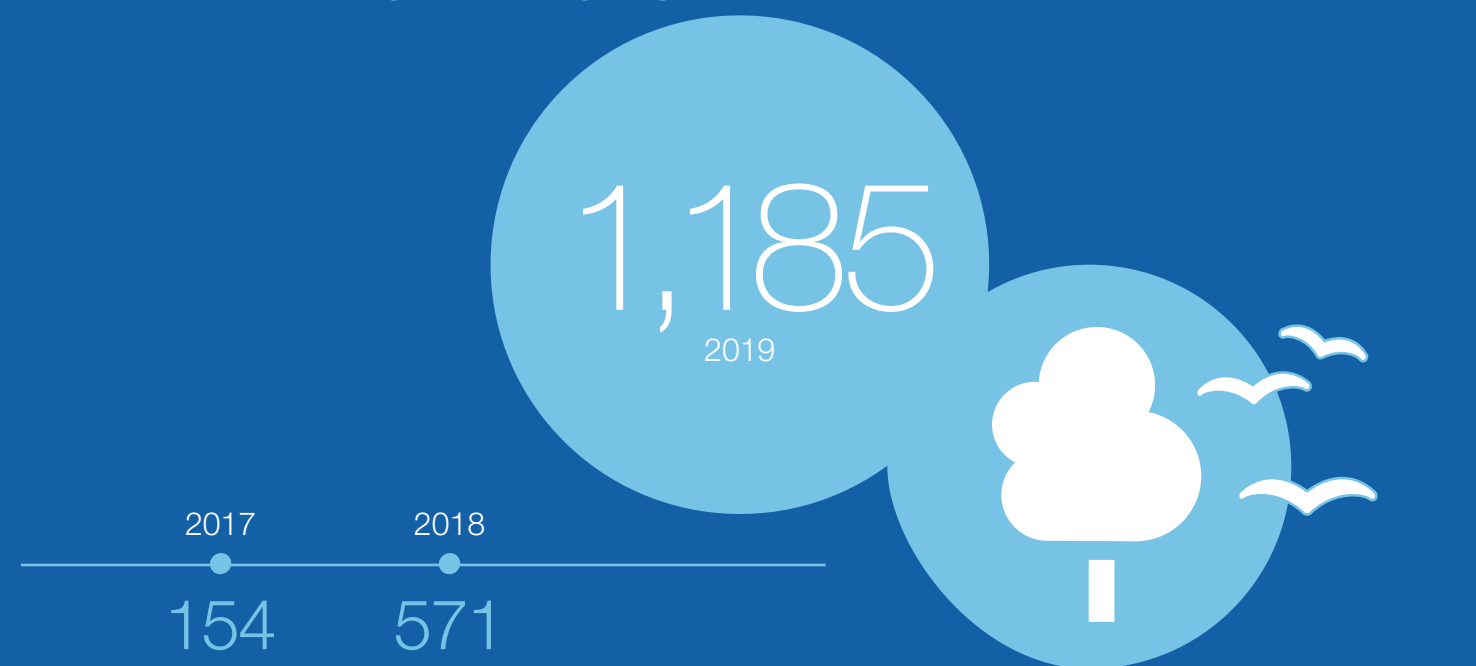
# Environmental Improvement Programs

## WEG KAIZEN

WEG Kaizen is one of the forms of participative management that promotes the participation of employees in problem solution and continuous improvement activities that generate positive results in all processes.

### History of WEG Kaizen projects implemented in Brazil with environmental gains:

NUMBER OF IMPROVEMENTS IMPLEMENTED IN KAIZEN WITH ENVIRONMENTAL GAINS



## WEG MANUFACTURING SYSTEM (WMS)

Our WEG Manufacturing System (WMS) program has eco-efficiency and cleaner production as its management practice. This program is based on the concepts, principles and techniques of WCM - World Class Manufacturing.

The WMS is based on technical and managerial pillars, including the Environment Pillar, which aims at:

- Reducing environmental impacts
- Reducing consumption of energy and water resources
- Reducing waste
- Reducing losses and waste.

### The objectives and indicators of the environment pillar of the program linked to the productive process are related to:

- Electricity, fuels and compressed air;
- Waste;
- Consumption of inputs;
- Chemical cleaning.

## ANNUAL TARGETS

Regarding the setting of “annual goals” to minimize waste, consumption in general in production/operation and increase efficiency in the use of natural resources, the company:

Category range affected in 2019:

( ) 0 a 50%      ( **X** ) 51 a 75%      ( ) 75% a 100%

### WEG QUALITY AND PRODUCTIVITY PROGRAM (WQPP)

Achieving international quality and productivity standards. This is the challenge of WEG Quality and Productivity Program (WQPP), involving employees in the preparation of goals and projects related to different areas of the company, such as the environment.



According to the program evaluation criteria, the company distributes up to **12.5% of the net profit** to all employees in Brazil



In 2019, **130 environmental goals** were set.

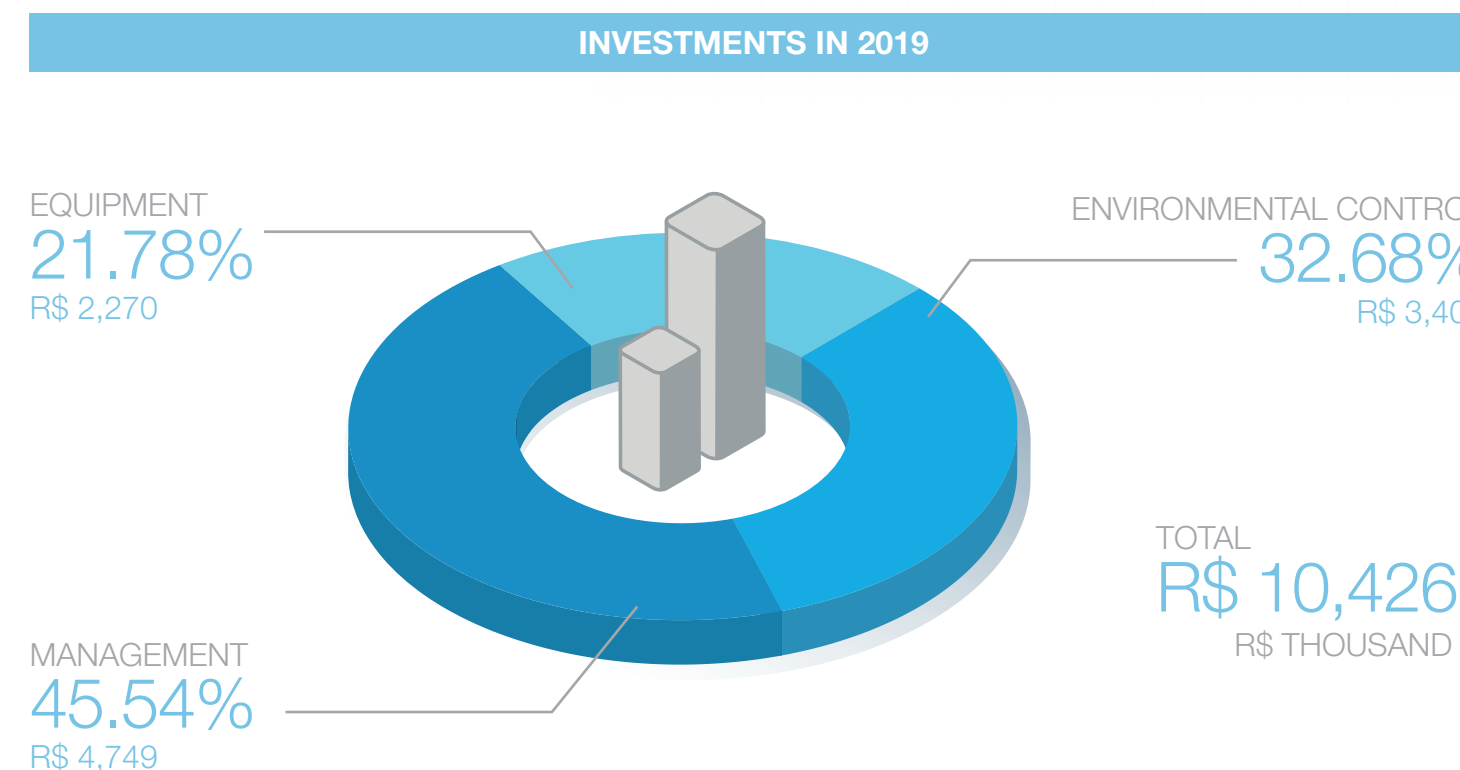
### INVESTMENTS IN ENVIRONMENT

Environmental investments are classified into three categories:

**Environmental control:** Related to waste treatment, disposal and treatment of atmospheric and liquid emissions, environmental liability insurance, equipment depreciation and expenses with equipment operation, maintenance services and materials.

**Equipment:** Related to the purchase of equipment for environmental control.

**Management:** Related to the remuneration of training personnel who act in environmental management, research and development, and certification of environmental management systems. Below is the amount invested in each category in Brazil in 2019:



### SUSTAINABLE PACKAGING AND BIODIVERSITY PRESERVATION

We have a packaging factory, RF Reflorestadora, in Brazil. This company produces all the wooden packaging used in our various product lines.

Therefore, we have our own reforestation areas that guarantee the continuous supply of wood and the preservation of this natural resource and areas of natural forests, legal reserves and permanent preservation areas that help in the preservation of the local biodiversity.

AREAS	
Reforestation	6,026.09 ha
Natural Forests	2,810.78 ha
Legal Reserve	2,445.54 ha
Permanent Preservation Areas	818.43 ha

### CERTIFICATIONS

[ACCESS WEG'S ISO 14001 AND 50001 ENVIRONMENTAL CERTIFICATIONS HERE](#)

### EXAMPLES OF IMPROVEMENT JOBS

In 2019, the factories worked on several process improvements to reduce the environmental impact of operations related to the examples below:

- Reuse of raw material in the productive process
- Reduction of waste generation
- Energy efficiency and emission reduction actions
- Process improvements bringing greater efficiency and less environmental impact
- Improvement in equipment to reduce the process environmental impacts

# Performance Indicators

Since the last Integrated Annual Report (2018), all environmental management indicators have had a global scope, covering the industrial parks present in countries where we have industrial operations.

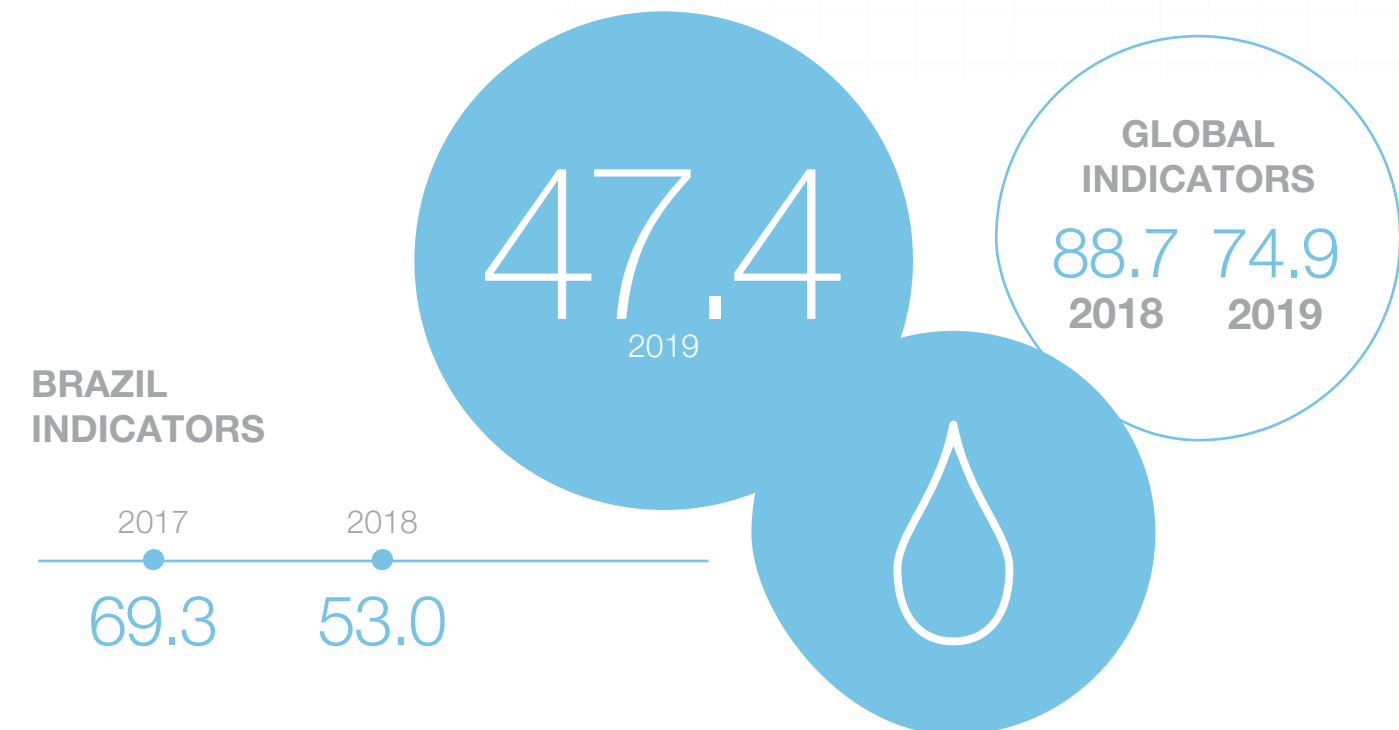
## WATER

### BRAZIL INDICATORS

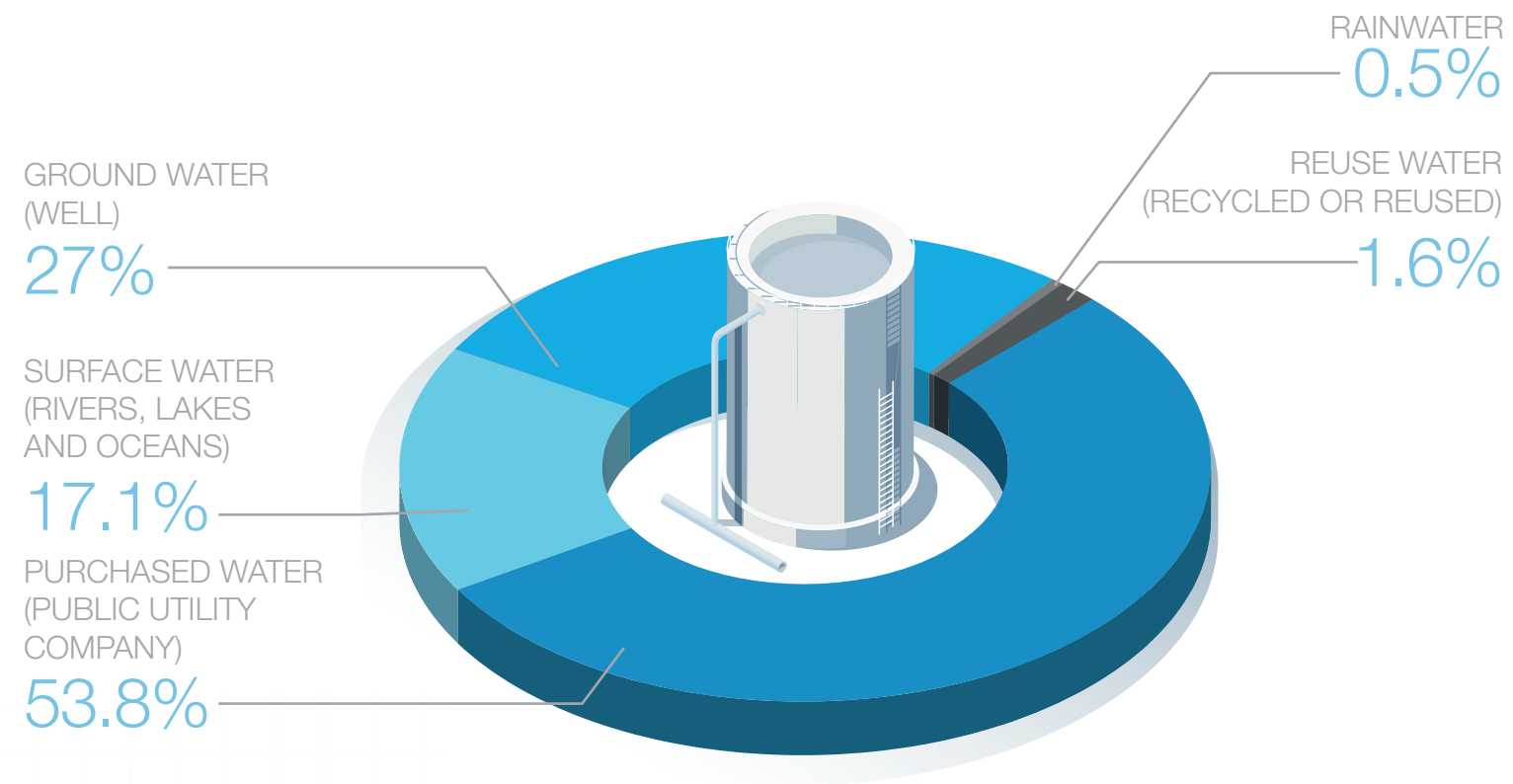
### GLOBAL INDICATORS

WATER CONSUMPTION – ABSOLUTE (m <sup>3</sup> )			
2017	660,207	2018 1,062,816	2019 1,000,538
2018	634,620		
2019	633,143		

### WATER CONSUMPTION / NOI (Net Operating Income)



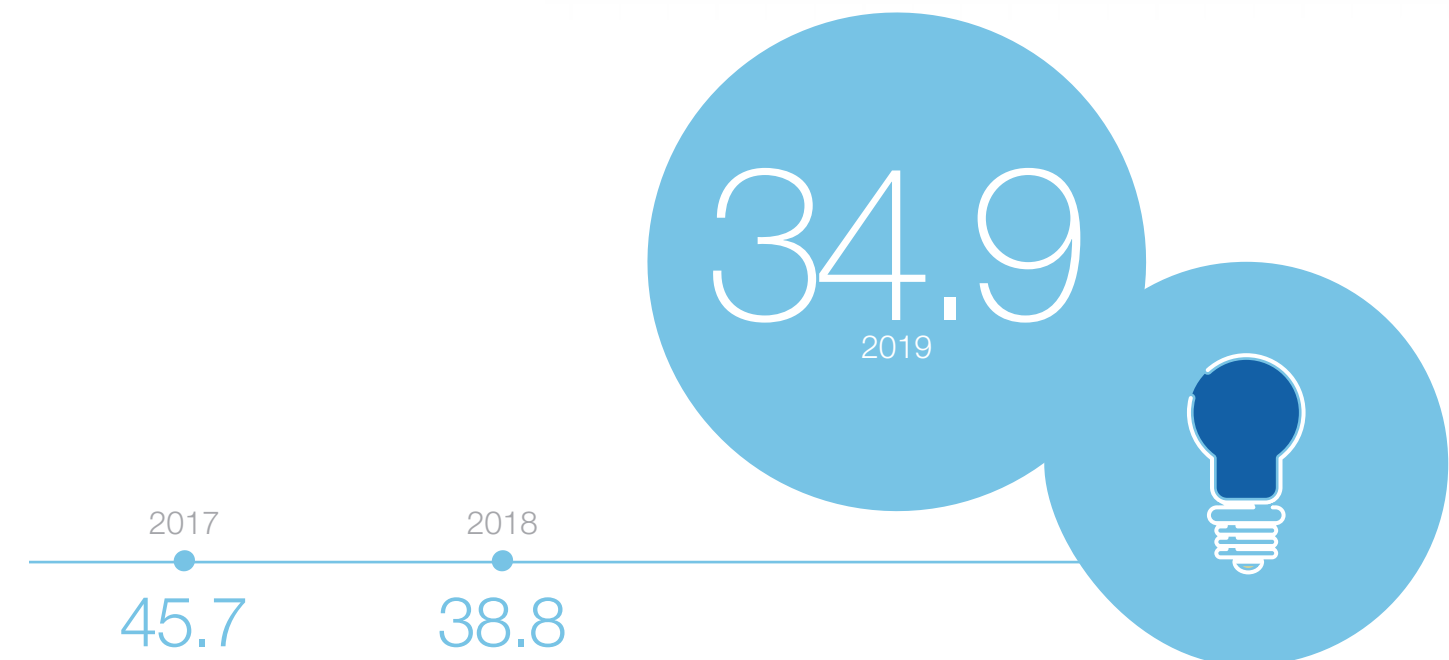
### WATER CONSUMPTION BY SOURCE (m<sup>3</sup>/year)



### ELECTRIC ENERGY

ABSOLUTE CONSUMPTION (MWh)	
2017	435,570
2018	465,310
2019	466,737

### CONSUMPTION OF ELECTRIC ENERGY / NOI (Net Operating Income)



## CO<sub>2</sub> EMISSIONS

### GREENHOUSE GAS EMISSIONS - SCOPE 1

Scope 1 refers to the emission of Greenhouse Gases resulting from production processes.

#### BRAZIL INDICATORS

#### GLOBAL INDICATORS

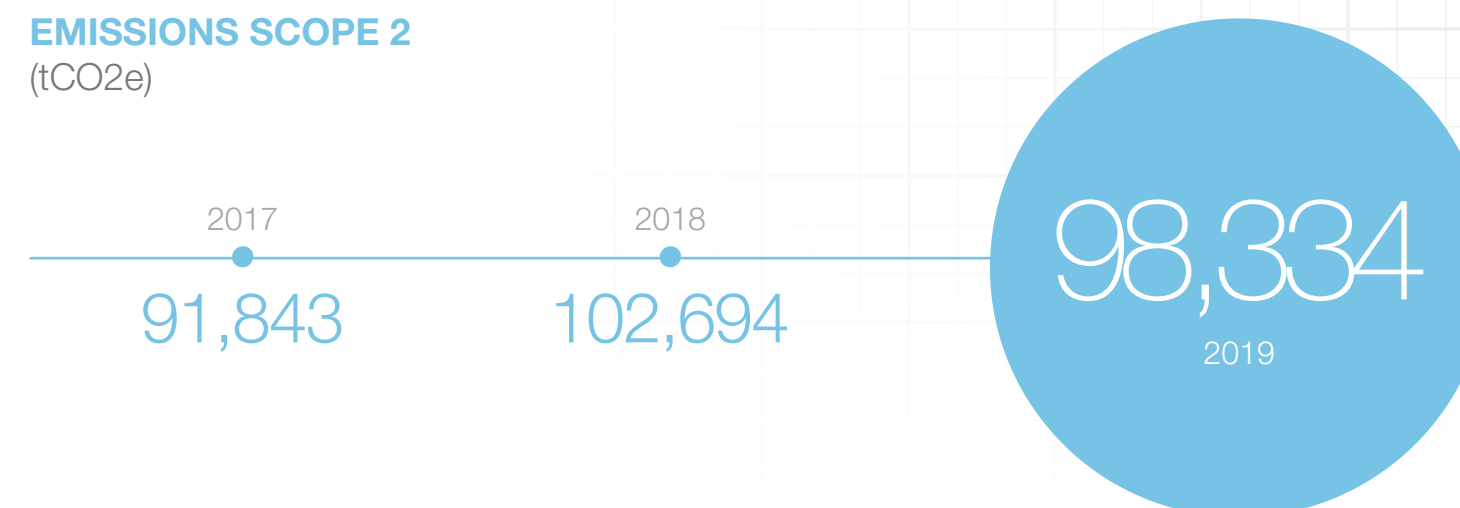
EMISSIONS SCOPE 1 (tCO <sub>2</sub> e)			
2017	10,100	2018 32,734	2019 32,370
2018	11,378		
2019	10,040		

EMISSIONS SCOPE 1 / NOI (Net Operating Income)			
2017	1.0	2018 2.7	2019 2.4
2018	0.9		
2019	0.7		

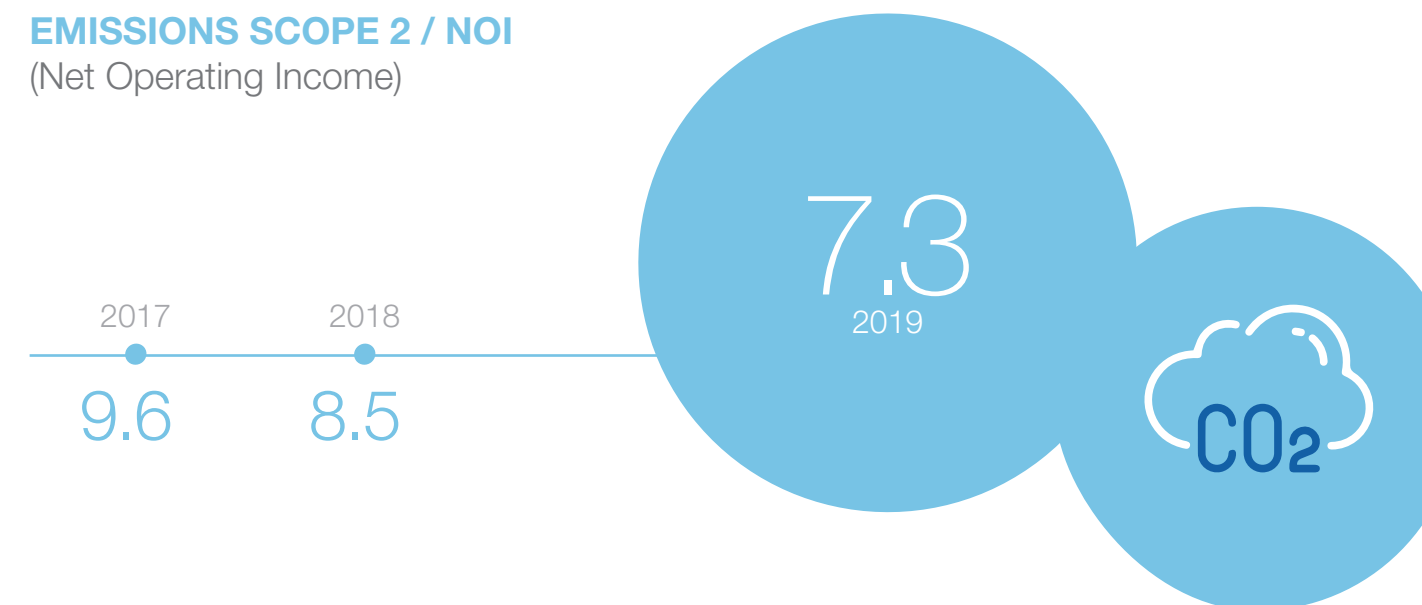
### GREENHOUSE GAS EMISSIONS - SCOPE 2

Scope 2 refers to the indirect emissions of Greenhouse Gases resulting from the purchase of electric energy.

#### EMISSIONS SCOPE 2 (tCO<sub>2</sub>e)



#### EMISSIONS SCOPE 2 / NOI (Net Operating Income)



## SOLID WASTE

### SOLID WASTE MANAGEMENT (Quantity (ton))

#### BRASIL INDICATORS

#### ABSOLUTE GENERATION

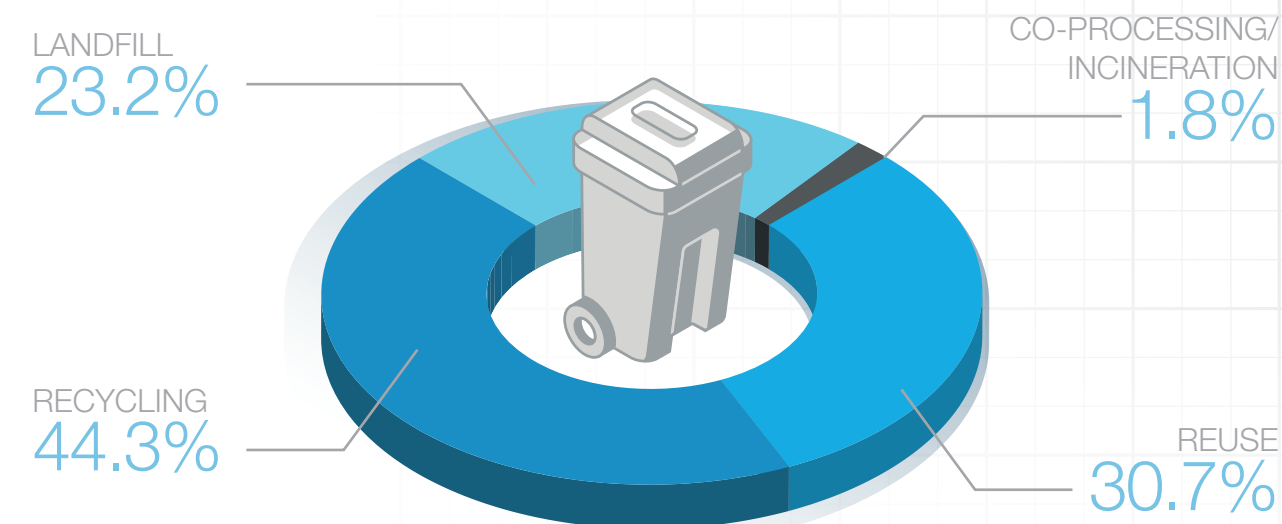
2017	195,097	2018 253,030	2019 253,163
2018	203,117		
2019	208,700		

#### GLOBAL INDICATORS

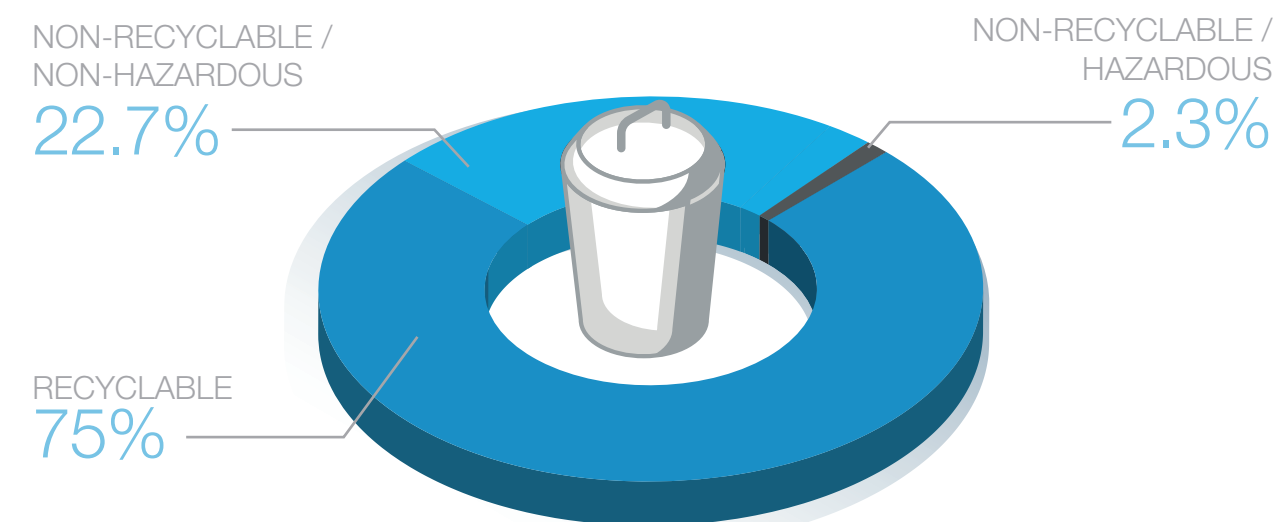
### GENERATION / NOI (Net Operating Income)



### TYPE OF DISPOSAL (Quantity (ton))



### GENERATION BY TYPE (Quantity (ton))



# People





# People

The success of any business depends on the life quality of the people who are dedicated to it, valuing a harmonious and ethical environment which respects human beings.



That is only possible through programs and policies that value and promote people's health and safety and encourage and provide conditions for qualification and professional growth. Those aspects have a direct impact on quality, synergy and productivity.

Our founders had a very strong conviction in this regard, and since our early years those processes have been improved, being an essential reason for achieving our objectives and goals in the governance, economic, social and environmental scopes.

Therefore, we seek to constantly improve and strengthen policies and processes that involve and impact our employees. Considering our operation in different countries, cultures and economies in the world, and our constant expansion, such approach naturally brings challenges, risks and related opportunities.

# Health and Safety at Work

Seeking to promote a healthy and safe environment for our employees, we are guided by our occupational safety policy to structure programs and processes that promote awareness and dissemination of the prevention culture.

We establish as a policy to value the health and safety of people in the development of their activities, products and services, and thus we are committed to:

- Adopting preventive approaches in all hierarchical levels;
- Identifying, eliminating and/or minimizing the significant risks to the safety and health of our employees, contractors and public in general;
- Identifying and complying with legal requirements for occupational health and safety related to our processes, products and services;
- Setting objectives and goals, aiming at continuously improving the performance of the management system.

# Governance

## HEALTH AND SAFETY COMMISSION

Formed by directors, the Committee is responsible for evaluating and approving improvement projects for safety and ergonomics in the workplace. In addition, it also analyzes the results of the annual goals, objectives and indicators, supporting investments necessary to establish the necessary prevention standard.

The Committee is formed by eight members, namely:

- HR Director (Coordinator)
- Two Managing Directors
- Industrial Director
- Three Production Directors
- Health and Safety Manager

# Continuous Process Improvement

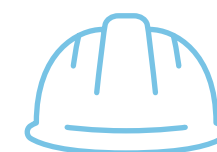
## WMS PROGRAM - SAFETY PILLAR

Since 2017 we have been implementing the WMS Safety Pillar tools in the model areas and in the expansion areas of the Manufacturing Plants. The Safety Pillar is structured as follows:

- **Step 0:** Establish the basic conditions and definition of the model area.
- **Step 1:** Analyze accidents and their causes.
- **Step 2:** Prepare action plan and horizontal expansion.
- **Step 3:** Establish initial safety standards (procedures).
- **Step 4:** Carry out audits, inspections and prepare preventive action plans.
- **Step 5:** Implement safety notes.
- **Step 6:** Implement continuous improvement and create autonomous standards.
- **Step 7:** Complete management system.

Thus, all current programs and tools undergo a review and update based on the structure of the manufacturing management system, aiming at improving safety, quality, productivity, maintenance and logistics by means of a set of methods and tools.

People are trained to take responsibility at each level, as required to implement the system.



## PERSONAL PROTECTIVE EQUIPMENT

We have professionals responsible for analyzing and developing Personal Protective Equipment, taking into account:

- Occupational and Operational Risks
- Changes in Work Process (Machines, Tools)
- Cost-effectiveness of the PPE
- High consumption of PPE in certain areas
- People with disabilities
- Requests from specific areas (Procurement, Occupational Health, PWCA - WEG Hearing Conservation Program and Production Departments)
- PPE performance analysis
- Compliance with Regulatory Standards and Legislation in force
- Potential to reduce costs

## MACHINES AND EQUIPMENT

We evaluate machinery and equipment (purchased or manufactured in-house), aiming at assessing risks and the existence or need for control measures, thus maintaining safe working conditions.

- **Evaluation prior to the purchase or in-house manufacture:** The assessment is carried out by the safety technician responsible for the area where the machine or equipment will be installed or another SSSOH professional. The assessment analyzes machines existing at the company, projects and technical specifications of suppliers, legal requirements and technical standards, and the occurrence of accidents involving this process or similar ones.

- **Assessment of the machine or equipment to release it for use:** When the machines or equipment are manufactured in-house, a prior assessment is carried out by the safety technician of the Tooling Section; if there is any unsafe condition, the change can be made before installation at the place of operation. The moment the machines or equipment are installed, it will be checked if the items proposed in the assessment prior to the purchase or in-house manufacture were considered or if there is a need for additional items.

The safety technician performs the assessment to release the machine or equipment to start activities. After 90 days, a new assessment is carried out, verifying the effectiveness of the protection devices.

## INVESTMENTS

### INVESTMENT IN SAFETY

(in Million R\$)

	2017	2018	2019
ADJUSTMENT OF MACHINES AND EQUIPMENT	3,2	3,3	3,7
INVESTMENT IN PPES	9,4	10,8	11,5

Abroad, the investment in safety was more than \$ 2,5 million in 2019.

## RESULTS

- We had 176 events (accidents + occurrences) in Brazil in 2019. This result represents a 28% reduction compared to 2018.
- 15.4% reduction in the number of events involving minor injuries, compared to 2018.
- Reduction of more than 10% in the rate of hazards and risks classified as significant for occupational safety and ergonomics.
- The implantation of the PPE biometric control in metallurgists has started, with the expectation of expansion to more areas in 2020.
- Implementation of the Safety Pillar tools of the manufacturing management system (WMS - WEG Manufacturing System) in the model areas and expansion areas. Achievement of Score 1 (Step 1, 2 and 3) for model areas and Step 1 for expansion areas 2019.
- The electronic management of service providers was implemented, eliminating controls in an Excel spreadsheet and allowing information integration and agility.



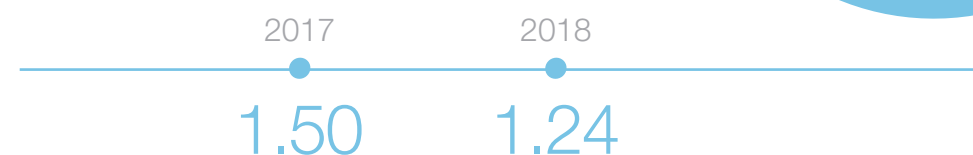
**3.d** Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.

# Indicators

(Brazil Data)

## INJURY RATE

(Number of people involved in accidents every 200 thousand hours of work)

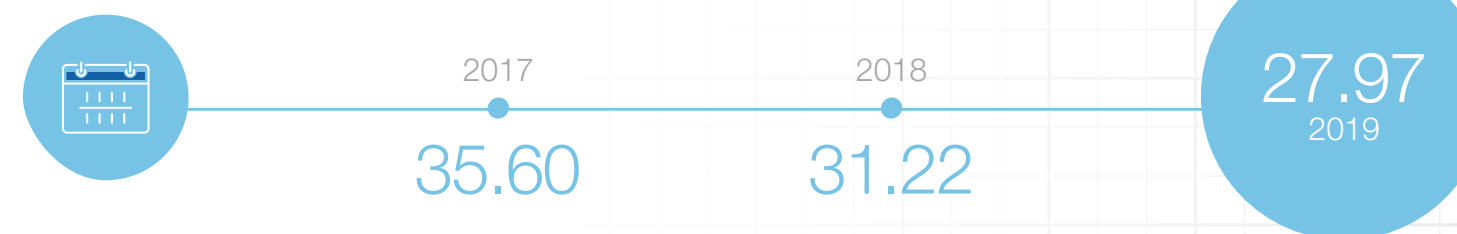


### INJURY RATE - BY REGION AND GENDER

		2017	2018	2019
SOUTH	Men	1.17	1.22	0.80
	Women	0.14	0.08	0.12
SOUTHEAST	Men	5.68	0.91	0.77
	Women	0.42	0.04	0.00
NORTH	Men	0.75	0.80	0.77
	Women	0.00	0.00	0.00

**NUMBER OF DEATHS OF EMPLOYEES AT WORK: ZERO**

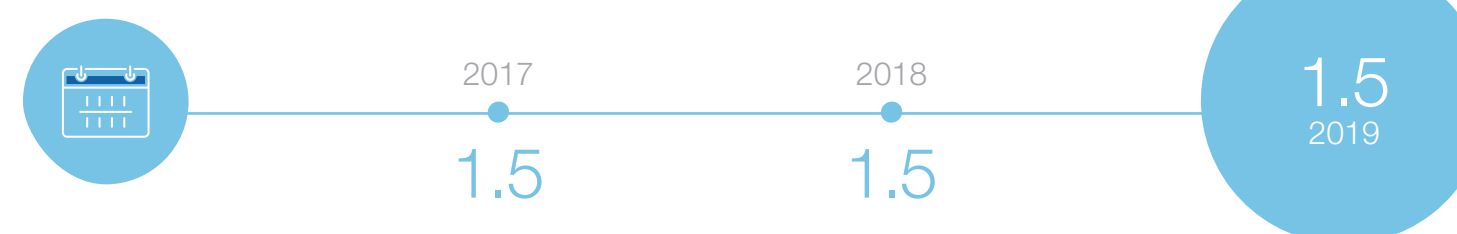
## RATE OF LOST WORKING DAYS



### RATE OF MISSED WORKING DAYS - BY REGION

	2017	2018	2019
SOUTH	33.31	32.56	29.40
SOUTHEAST	99.14	25.94	23.33
NORTH	1.12	1.60	1.55

## ABSENTEEISM RATE

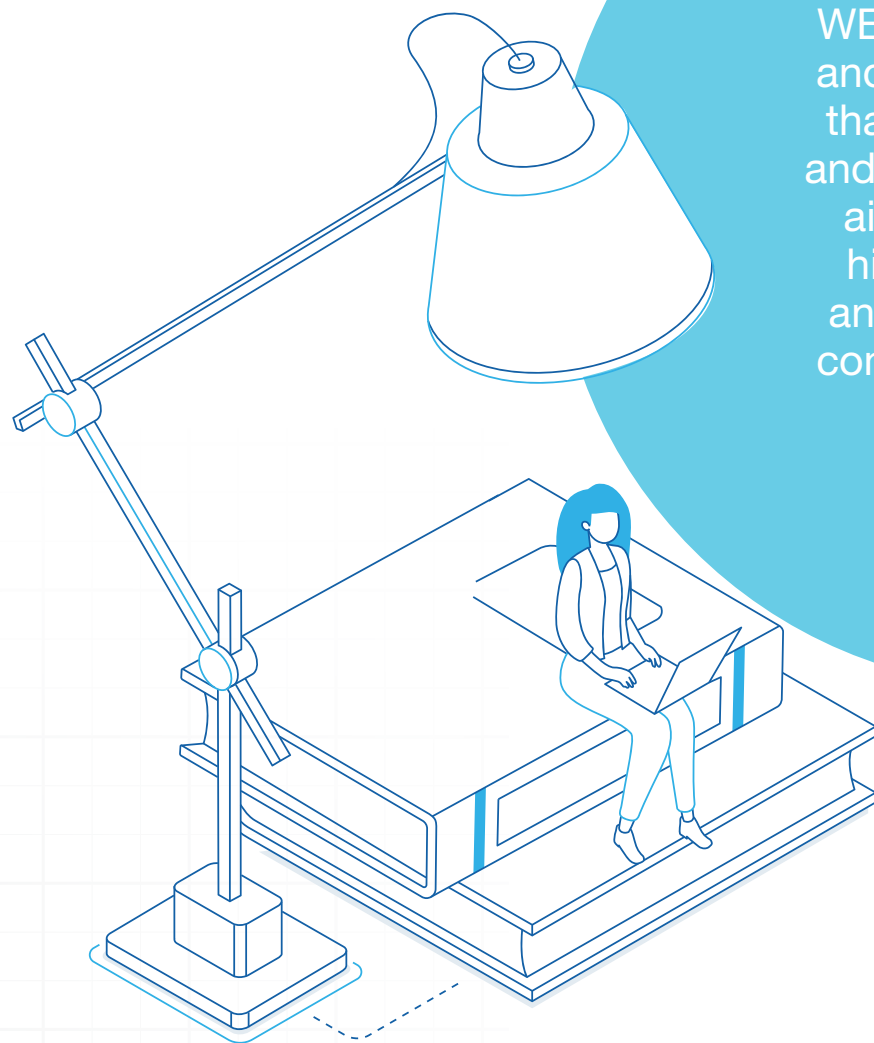


### ABSENTEEISM RATE - BY REGION

	2017	2018	2019
SOUTH	1.7	1.6	1.4
SOUTHEAST	1.4	0.8	0.7
NORTH	3.4	2.5	2.5

# Training and Development

WEG offers education and training programs that involve technical and behavioral training, aiming at offering a higher qualification and generating more competitive strategies to the market.



That is essential for the good performance and professional development of employees, as well as for contributing to the fulfilment of the organization's expectations of continuous and sustainable growth.

Investment in the development of our employees is a priority in the company, an inheritance of the founders. Such investment has enabled the achievement of our strategic objectives over the years.

These practices are aligned with and impact goal 4.4 of SDGs 4, as described below:



## QUALITY EDUCATION

**4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

# Performance and Competence Review

Employees are evaluated annually by their immediate superior to improve their development and recognize their strengths. Altogether, 10 competences are reviewed, broken down into criteria to better analyze them.

WEG has programs to raise the educational level and professional qualification to help employees in their development.



## EDUCATION ELEVATION PROGRAMS

•**EJA Profissionalizante (Youth and Adult Education):** In a partnership with the Social Service of the Industry (SESI), this program provides the employees with the chance to raise their educational level for free up to high school and qualify as a professional Mechanical Designer.

•**School Aid:** It is intended to provide scholarships to employees for technical, graduate, postgraduate and language courses. In 2019, 776 school aids were granted for employees' development.

•**In-company postgraduation:** It provides opportunities for the employees to update and specialize in the fields of engineering and business administration. Postgraduation can be specialization or a master's degree.

In 2019, eighteen specialization courses and three mastering courses in technical areas were completed by means of agreements with reputable education institutions. The programs involved approximately 842 employees.

# Professional Qualification Programs

## CENTROWEG - YOUNG APPRENTICE

The apprentice has guaranteed training at WEG Training Center (CENTROWEG). The professional training school develops competences, qualifying young people to perform activities requiring technical training. CENTROWEG started its activities on April 23, 1968.



The school has 21 LABORATORIES for practical activities and five classrooms arranged in an area of 2,550 m<sup>2</sup> with twelve PROFESSIONALS.

### COURSES

- Machining and Electromechanical Assembly (length of one year);
- Electronics, Electrotechnics, Maintenance Mechanics, Toolmaking, and Information System Programming (length of two years);
- Manufacture of Paints and Varnishes (length of six months);

Apprentices receive benefits such as:

- Apprentice wages;
- Subsidized meals;
- Subsidized transportation;
- Health and dental plan;
- Profit sharing;
- Private pension plan;
- Free learning materials;
- Job opportunity upon graduation.

### Results of the program

- Annually, about 140 professionals graduate;
- More than 4,000 young people have already studied at CENTROWEG;
- 49% of the 4,000 youngsters that studied at CENTROWEG remain working at the company until today;
- More than 120 management positions are occupied by students who participated in the program.



# In-house Training

We value the development of employees and offer in-house training in the technical and behavioral areas, with courses in person or distance learning. The courses are developed by internal instructors, which allows the development of the employee, ensuring one of the company's values – simplicity. In 2019, there were 68,605 participations in in-house training.

## OPEN EXTERNAL OR IN-COMPANY TRAINING COURSES

WEG maintains a partnership with several external education and professional development entities to provide employees with opportunities for training and improvement. In 2019, there were 13,309 participations in external training courses at partner entities or in-company.

## QPAP - PROFESSIONAL QUALIFICATION OF PRODUCTION APPRENTICES

The objective of the program is to qualify apprentices (up to age 24) in the production areas in functions or activities that require technical knowledge and/or mastery of equipment used in industrial processes.

## QPOP - PROFESSIONAL QUALIFICATION OF PRODUCTION OPERATORS

Opportunity of technical development for employees from the production areas.

## QPET - PROFESSIONAL QUALIFICATION FOR ENGINEERS AND TECHNOLOGISTS

Program intended for engineers and technologists who work in the technical, industrial and commercial areas of the Energy, Motors and Transmission & Distribution units. It aims at providing technical knowledge directed to the reality of the work.

## SIX SIGMA

In the search for excellence in processes and zero defects in products, we have invested in qualifying employees in the Six Sigma methodology for five years. Each trained professional is encouraged to develop their projects for continuous improvement, present the results and record the gains.

The Six Sigma Program is present in the five units of the WEG group, in plants in Brazil, China, Mexico, Portugal and Argentina, in both technical and administration areas.

The Program has more than 1,000 qualified professionals, at all hierarchical levels of the Organization, and more than 2,500 projects developed, reducing more than **R\$ 80 million** in operating expenses and improving the product quality. Such initiatives contribute to increasing the customers' satisfaction, improving the organizational climate and raising the profitability of WEG businesses.

# Leadership Development

Developing leadership is one of the main drivers of the company. This development provides leaders with a greater commitment to achieving the organization's strategic objectives and the engagement of its work force.

## EVALUATION OF POTENTIAL

Tool that consists of identifying employees with potential to take management positions, as well as to develop a specialist career. Based on this assessment, an individual development plan is drawn up.

## LEADERSHIP ACADEMY

WEG Leadership Academy is organized based on the Ram Charan's Leadership Pipeline, aiming at making leaderships even more efficient and productive, especially for considering that leaderships can be developed in-house.

WEG's Management Competences are the basis for building the content, and there is a Development Program for each hierarchical level, namely:

- Professional Development – Intended for employees who do not work as managers and need development in aspects of leadership to take future positions;
- Head of Section Development – Intended for Heads of Section;
- Management Development – Intended for Department Managers;
- Executive Development – Intended for Executive Officers.

One of the highlights of the Leadership Development Program is the WEG leadership week, which provides new leaders with immersion in WEG CULTURE and highlights the importance of their role in the PEOPLE MANAGEMENT process. In the Management and Executive Development Programs, the company develops the current executives and potential talents in the senior management career, meeting the increasing demand for new professionals.

Thus, we encourage the growth of employees that stand out, valuing and promoting their development. The programs are carried out in business schools in Brazil and abroad.

## SUCCESSION PLAN

The company has a tool to map the current executives and identify possible and potential successors. Potential talents are indicated by immediate superiors and validated by a specific committee.

The objective is to identify potential heads of section, managers and directors in the medium and long term, recognize/value the people of the company and plan the development/growth of these employees who stand out, preparing them for the future. Therefore, a development plan is generated to prepare them for new roles in up to three years.

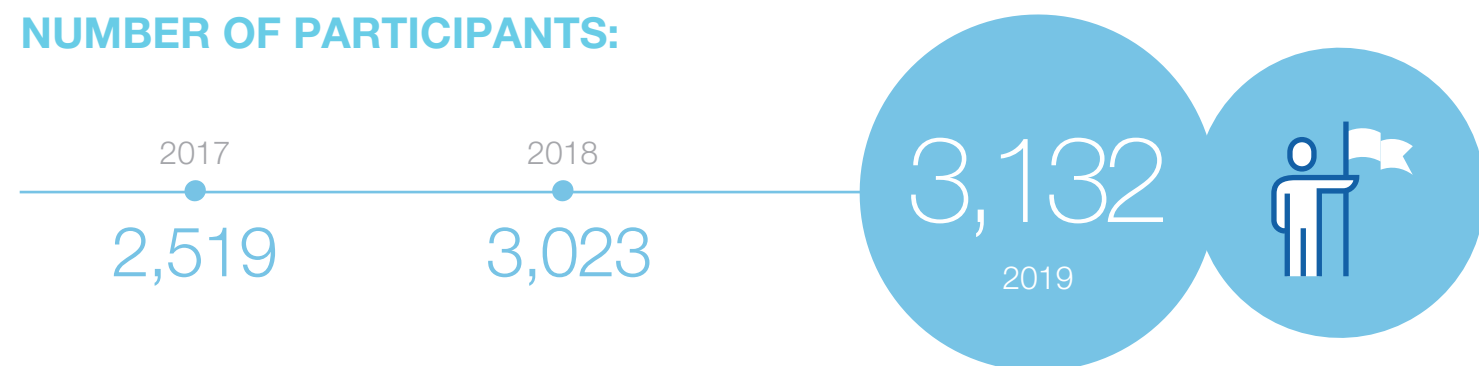
## COACHING

WEG offers its leaders another free development tool (Coaching) for them to work on self-knowledge and potentialize their skills so that they can reach their objectives that involve management and relationship competences.

### SEMINAR ON MANAGEMENT PRACTICES

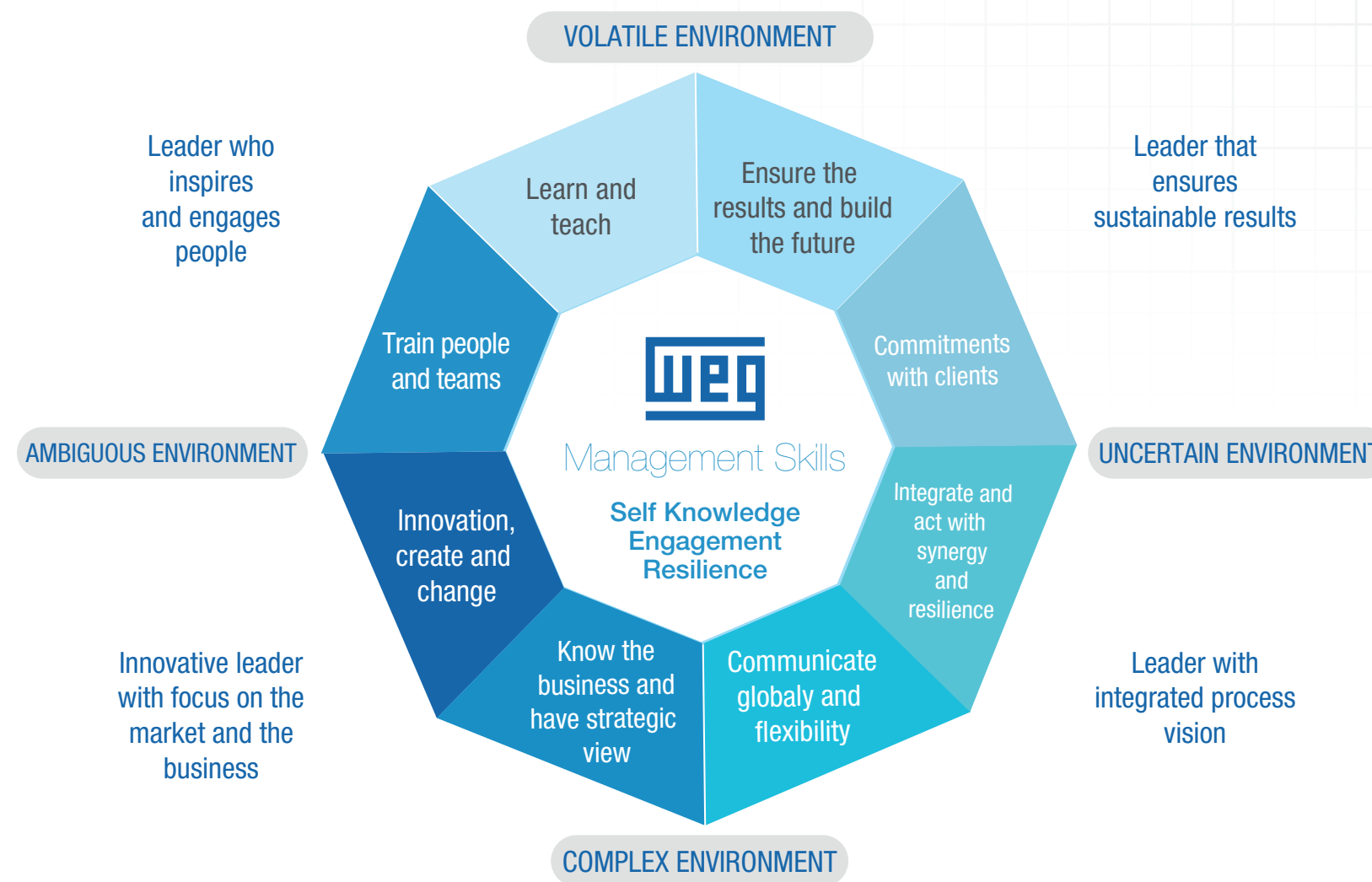
It was developed to share good people management practices as a way to stimulate the internal benchmarking among managers. These meetings are held monthly with predetermined subjects based on organizational climate indicators and management competence reviews. Managers who cannot attend in person have the possibility to follow them via Skype.

### NUMBER OF PARTICIPANTS:



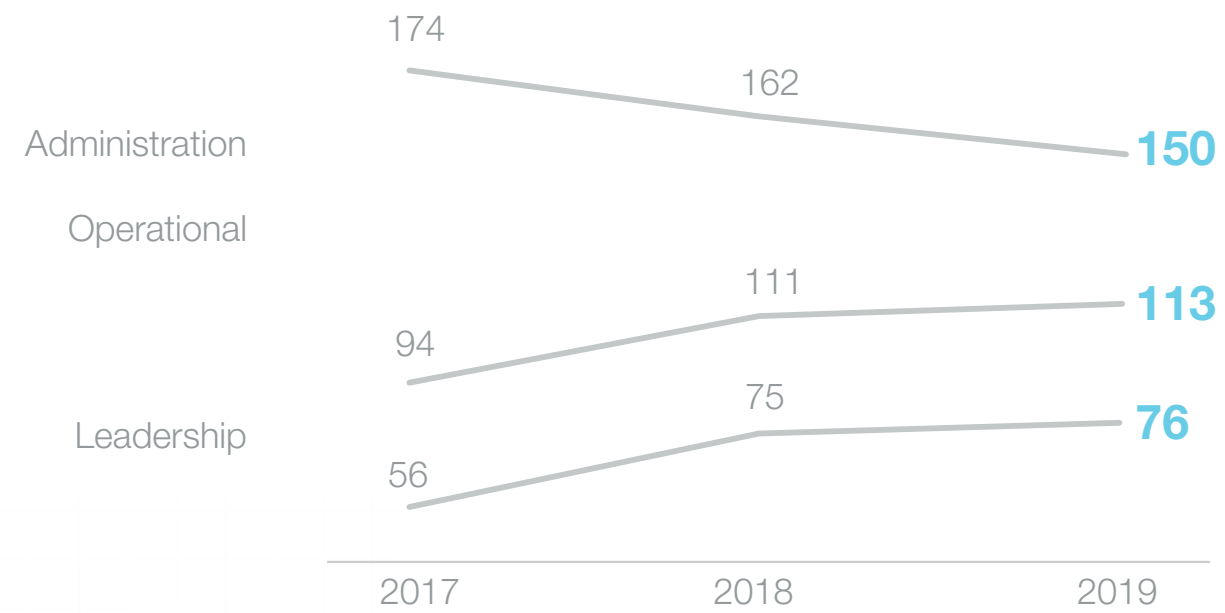
### MANAGEMENT COMPETENCE REVIEW

Tool that helps managers identify the best developed competences and those that can be worked on. Managers are evaluated every two years by their immediate superior, peers and subordinates. After conducting the review, the evaluated employees receive the result and subsequently draw up the self-development plan, which is reviewed at each cycle, aiming at its continuous development.

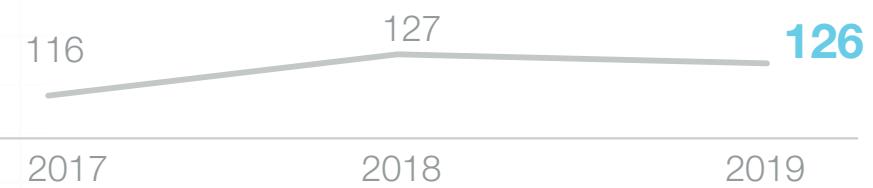


# Training Indicators

## AVERAGE OF TRAINING HOURS



### By employee



## INVESTMENT IN TRAINING

(in Million R\$)

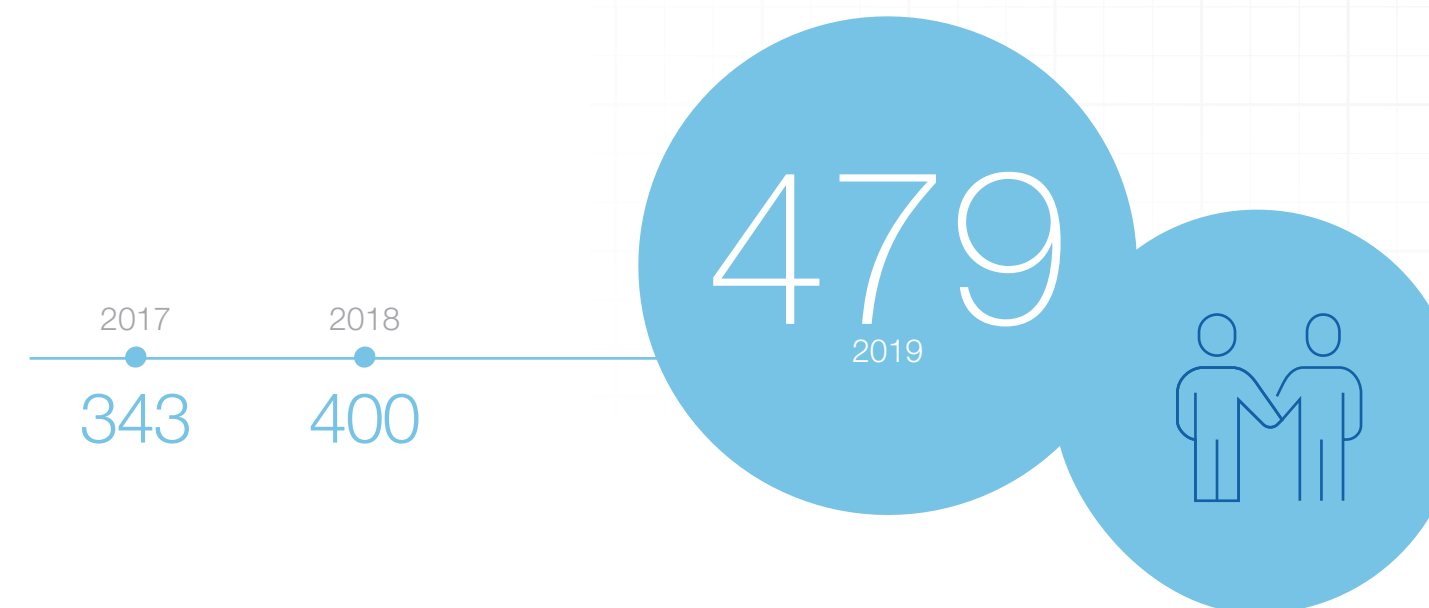


# Benefits



In 2019 we invested more than R\$ 479 million in benefits to employees, including: Health care, dental plan, pension plan, meals, flu vaccination program, life insurance, profit sharing, early childhood education program, Christmas gifts, among others.

## INVESTMENT IN BENEFITS (in Million R\$)



# Organizational Climate

The Internal Organizational Climate Survey is held every two years to identify the employees' satisfaction level regarding the policies, values, benefits, development and management. In the last application cycle, in 2018, the survey had almost 17 thousand participants.

The result of the survey is stratified by unit and place, seeking to identify the good practices and specific improvements to be developed locally. Based on the result, manager groups together with the HR department develop and implant an action plan supported by and aligned with the corporate directives.

# Recognition



## VOCÊ S/A MAGAZINE – THE 150 BEST COMPANIES TO WORK FOR

The “Best Companies to Work For” of VOCÊ S/A Magazine evaluates the employees' satisfaction and motivation in the work environment.

Employees from all locations and functions responded spontaneously about their satisfaction with the company. For four times in a row, we were among the 150 Best Companies to Work For, among the 10 best in the general classification, and the 2nd best in the Diverse Industries Category.



## CAREER VALUE AWARD - THE BEST IN PEOPLE MANAGEMENT 2019

The award provides participating companies with an overview of how engagement and satisfaction are perceived in various topics that compose the prosperity indicator, which are premises for the development of talents focused on a high performance culture. We are among the 35 Best Companies in People Management; 4th PLACE IN THE CATEGORY above 17 THOUSAND EMPLOYEES.

# Creating Value for Stakeholders



# Creating Value for Stakeholders

We have relations with different stakeholders that significantly impact our business, and which we impact as well. In order to achieve continuous and sustainable growth, these relationships must have well-aligned ethical aspects.

Therefore, we cultivate a solid and long-term relationship that adds and generates value for our priority stakeholders as well as for our development.



## CUSTOMERS

As one of our values, we will always develop new efficient manners to respond to situations of change and meet the needs of the customers. We have, in our structure, policies and processes that strengthen our relationship with our customers and stimulate a more sustainable value chain.

### **CUSTOMER TRAINING CENTER (CTC)**

Since it was founded in 2000, about 50 thousand people have already been trained in classroom courses at WEG Customer Training Center. The CTC aims at:

- Qualifying customers to handle and use WEG products;
- Contributing to technical development;
- Promoting the rational use of electric energy, generating a lower environmental impact;
- Strengthening relations with educational institutions.

### **Who can attend the courses?**

- Dealers;
- Service Technicians;
- OEMs (Machinery Manufacturers);
- End Consumers;
- Technical Schools and Universities;
- Commercial Representatives;
- WEG employees.



## MONITORING OF MARKET TECHNOLOGICAL TRENDS

Periodically new courses are launched, suitable for WEG’s new operation initiatives, such as:

- Solar Power;
- Industrial Communication Networks;
- Graphic HMIs (Operating Interfaces);
- Shielded Busbar (civil construction);
- UPSs;
- Floor Coating
- Switch-Disconnectors;
- High Voltage Substations;
- Hydraulic Turbines for Hydroelectric Generation in hydroelectric generation stations and small hydroelectric stations.

## STRUCTURE

- **1,200 m<sup>2</sup>** of infrastructure;
- **4** large equipped classrooms;
- **4** own instructors;
- Auditorium with **100 seats**;

## COURSES

- **34** classroom courses;
- **2** distance learning courses.

## IN 20 YEARS OF OPERATION:

- **Training hours:** over 70 thousand
- **Students who visited the company:** over 20 thousand

## 2019



Number of people trained in classroom courses: **3,277** and **1,085** enrollments in distance learning courses.

## CONHEÇA NOSSA CASA (VISIT OUR HOME) PROJECT

The Conheça Nossa Casa (Visit Our Home) project draws important WEG customers and partners. Five projects took place in 2019, involving over 80 visitors who had the opportunity to see our facilities and production processes, and administrative, engineering and production areas. They also had access to our vertical structure, from the analysis and conception of projects to the final delivery of solutions.

## FAIRS AND EXHIBITS

In order to strengthen relations with its customers and suppliers, WEG invests in the participation in fairs and exhibits to present its solutions for various segments. In 2019, WEG participated in ten fairs that drew more than twelve thousand visitors interested in the innovations presented by the company.

## SHAREHOLDERS AND INVESTORS

WEG S.A. (the “Company”) is a public company, holding that is part of the WEG Group. With its shares traded at B3 under the ticker symbol “WEGE3”, the company has been listed since June 2007 in the special segment of corporate governance named “New Market” (Novo Mercado, in Portuguese).

The company also owns American Depositary Receipts “ADRs” – Level I, which are traded in the OTC (“over-the-counter”) market in the United States under the ticker symbol WEGZY.

Maintaining a continuous dialogue with shareholders and potential investors is a priority for us. In order to report activities and results and receive communications from stakeholders, different communication and relationship channels are used. Among the activities carried out by the IR area in 2019 are meetings with national and foreign investors at conferences, as well as road shows in Brazil and abroad. Brazilian and foreign analysts were also received, in addition to telephone contacts.

### WEG DAY

In the second half of 2019, the WEG Day was held, an event which offered investment analysts and professional resource managers the opportunity to visit the manufacturing plants of Jaraguá do Sul (headquarters) and to attend presentations made by the President and other members of the Executive Direction about the company and perspectives of the different business units. This event was also held in New York.

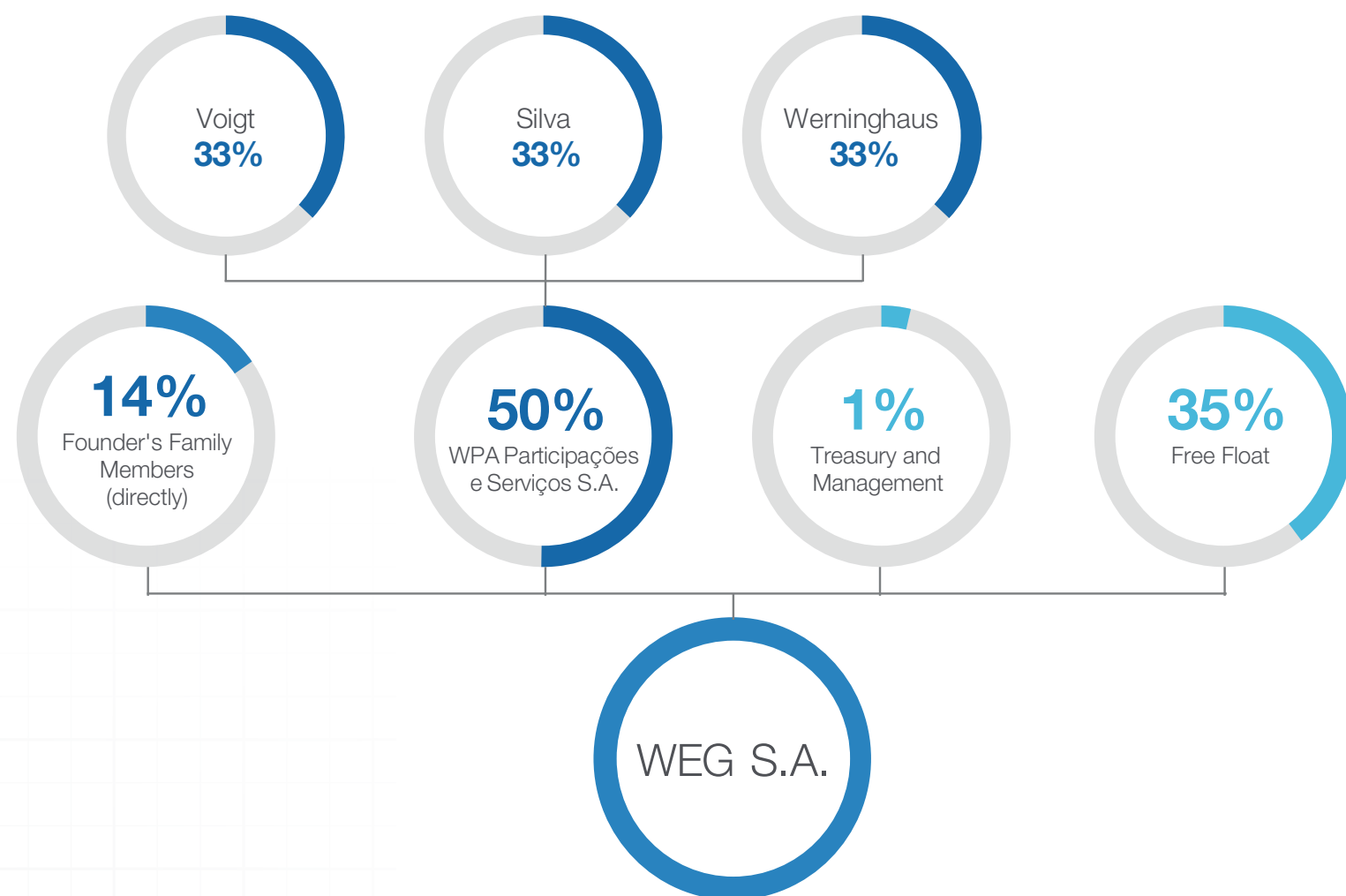
The content of the presentations in 2019 covered:

- Renewable Energy
- Global Business Segments
- Financial Performance:
- Long Term Strategy and Digital Business

In 2019 we held a WEG Day event for individual investors in Jaraguá do Sul -SC (headquarters), featuring the same topics presented to institutional investors.

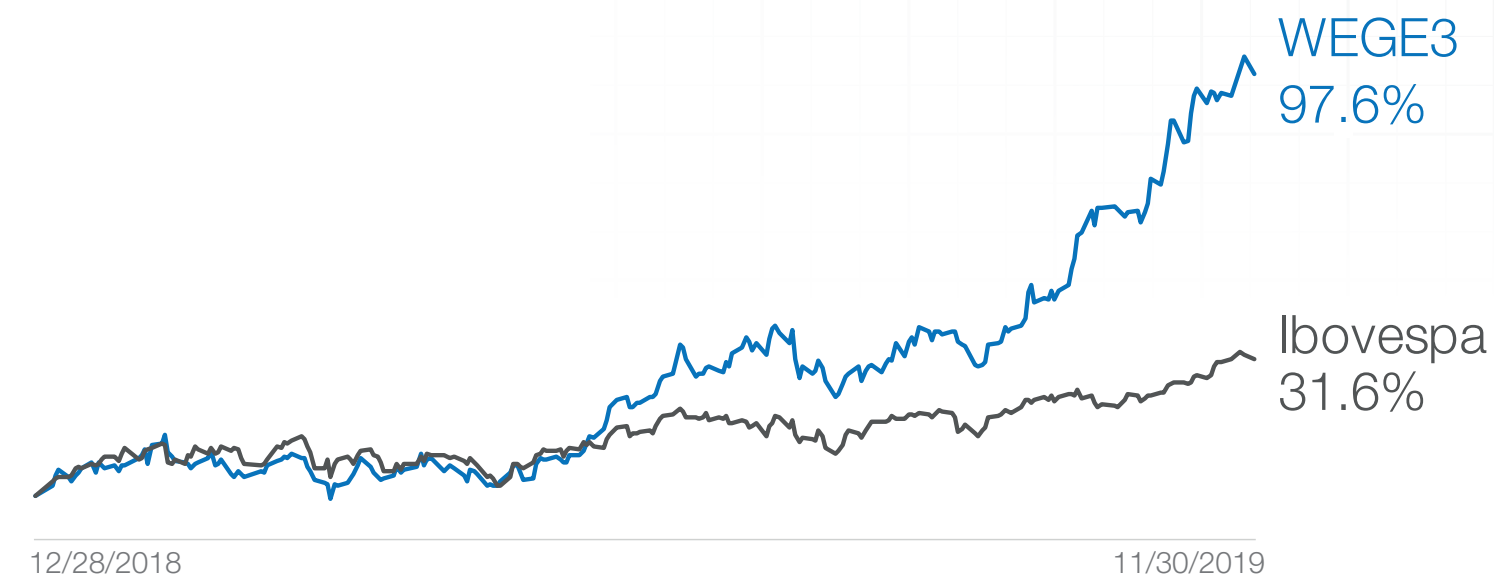
## SHAREHOLDING STRUCTURE

In December 2019, the percentage of the outstanding shares (free float) was 35% and the controllers, along with the company’s administrators, held 65% of the total capital of the company.



## SHARES

At B3, WEG shares under the ticker symbol “WEGE3” appreciated by 97.6% in 2019. The Ibovespa appreciated 31.6% in this period. We ended the year with the share quoted at R\$ 34.66, with a market value of R\$ 72.7 billion.



# Recognition

WEG was the great highlight of the Capital Goods sector in the “2019 Latin America Executive Team-Midcap” ranking prepared by the Institutional Investor magazine, one of the most respected specialized institutions in the international financial market.

The award selected the best CEOs, CFOs, programs, teams and investor relations (IR) professionals, as well as the best IR websites and the best annual meetings with analysts.

**Harry Schmelzer Jr.**, President of WEG, was awarded the Best CEO for the fifth consecutive year. André Luis Rodrigues was the Best CFO, Paulo Polezi was the best IR professional, and André Meneguetti Salgueiro took second place as the best IR professional in the category. In the general ranking, WEG’s Investor Relations team took first place in the Capital Goods category.

The survey reflects the views of approximately 1,000 investment analysts from financial service companies in Latin America.

# Highlights in ESG\*

In 2019, we maintained recognitions of the capital market for our sustainability management. Those recognitions came through related indexes, rankings and awards.

The indices and other recognitions are an important management tool for us, as they guide the best practices in sustainability, providing us with important feedback for planning the evolution of this subject within the company. Additionally, they give us a clear view of our points to be developed, contributing to the continuous improvement of the management of the subject, reduction of risks and development of opportunities.

\*Environmental, Social e Governance

## HIGHLIGHTS



We have been part of B3 Corporate Sustainability Index (ISE) portfolio for eight years in a row, being the only company in our sector in this portfolio.



Since 2014, we have been part of the DJSI-EM (Emerging Markets) index, being the only company from emerging markets classified in the Electrical Machinery and Equipment sector.



We have been part of the MSCI ESG LEADERS INDEX since 2012.



FTSE4Good

Since 2015 we have been part of the FTSE4Good index.



We have been part of the B3 Efficient Carbon Index (ICO2) since 2017.



CLEAN200™

We have been part of the ranking since 2016 (when it was launched).



Award to the Company with the Best ESG Report and Strategy granted by the IR Magazine Awards Brazil 2019.

FOR FURTHER INFORMATION, ACCESS OUR INVESTOR RELATIONS PAGE HERE

## SUPPLIERS

WEG believes that the continuity of the entire value chain is linked to the co-responsibility of the organization for its suppliers and service providers to adopt a management that uses economic, social and environmental criteria.

Our diversified business model, although with vertical characteristics, requires a large number of suppliers to meet our development needs. The supply chain management – with policies, tools and processes that guarantee compliance with the policies – is essential for our production process to occur with quality, with monitored and managed economic and socio-environmental risks, and for the identification of opportunities to improve our process constantly.

As business partners, our suppliers are encouraged to grow together with the company. For this purpose, we point out the following practices:

- Valuing of the local suppliers;
- Development of suppliers;
- WEG Assured Quality Program (certification granted by WEG);
- Technological exchange;
- Product development: development of materials and components together with suppliers for future application to WEG products;
- Periodic audits;
- Online communication system (allowing suppliers to view the programming of components and deliver the materials directly to the company's central stockroom);
- Relationship with service providers (training and awareness of safety and environment aspects so as to ensure that they perform their activities safely within the current regulations).

- Development, selection and assessment of suppliers based on sustainability criteria: New and strategic suppliers answer the Sustainability assessment form. The assessment form considers requirements related to the environment, health and safety management at work, and social responsibility.

The assessment generates a performance result, which allows verifying whether the supplier is in compliance with those requirements or if it needs an improvement plan to become a WEG supplier.

### CODE OF ETHICS FOR SUPPLIERS

We encourage the dissemination of the Code directives in all suppliers' decision and operation scopes, and also in their respective supply chains.

### REPORTING AND QUESTIONS

We provide different communication channels for any reports and/or questions, such as our website, e-mail, telephone and letter.

[TO LEARN ABOUT THE SUPPLIER CODE OF ETHICS, CLICK HERE](#)

## RISK MANAGEMENT IN THE SUPPLY CHAIN

We follow an Enterprise Risk Management Policy, which served as the basis for the preparation of a mapping and Contingency risk management policy in the group's supply chain. Thus, suppliers and critical materials can be assessed in order to investigate and mitigate possible risks associated with the operations.

In addition, in 2019 the Supplier's Manual was developed and implemented, addressing topics such as Quality, Environment, Health and Safety and Social Responsibility, in addition to strengthening relations and aligning expectations in commercial relations with suppliers.



## RESTRICTED SUBSTANCES

In order to reduce the use of restricted substances in our processes and products, we created the WEG Restricted Substances List, which undergoes periodic updates and is in line with the main national and international regulations. This list is used in different stages of WEG processes, such as the manufacture of products and packaging, the development of new materials and, mainly, with suppliers of raw materials, components and inputs.

Our List of Restricted Substances is also present in the Supplier's Code of Ethics and in the Supply Agreements of our supply chain, showing the importance of the subject within the company. In line with the company's interests, our suppliers are committed to delivering their products to us in accordance with this list.

In 2019, training sessions were held with suppliers and employees to emphasize the importance of restricted substances and their impact on people's health and the environment. For 2020, new training is being planned for both suppliers and employees.

In line with the issue of restricted substances, WEG is committed to ensuring that its products are free of conflict minerals and, consequently, does not finance armed conflicts.

## SUPPLIER ACTIVITIES BY BUSINESS UNITS IN 2019

### MOTORS

The Motors Unit purchases parts and raw materials from suppliers from different regions of Brazil, as well as from suppliers abroad. In 2019, it had business transactions with 5,733 suppliers, being 92.80% of the purchased value from Brazilian companies. 49,55% of the purchases made in Brazil were from the states of Santa Catarina, Amazonas and Espírito Santo (places where WEG has units).

The other most representative regions in the purchase volume were São Paulo, Rio de Janeiro and Minas Gerais. The main supplier groups are in the following segments: steel sheets, steel rods, copper rods, rolling bearings, aluminum ingots, plastic parts, machined parts, processed metal parts, stamped parts, insulating materials, electric conductors, fasteners and brakes.

### AUTOMATION

In 2019 over 1,400 suppliers, from different sectors (from screws to semiconductors) did business with the Automation Unit. Despite its highly complex products, the Unit purchased 43% of its raw materials in Brazil. Among those different materials are semiconductors, printed circuit boards, polymers, special alloys, electronic parts and magnetic components (reactors, transformers, inductors), and steel. The chain proved to be reliable once again reaching a compliance level of 99.56%.

#### Main changes in the period of the report

2019 was marked by intensive actions to improve the quality of its suppliers, the structuring of the supply chain for the factory in China and the search for cost reduction. The development of new suppliers resulted in potential savings of R\$ 5,97 million a year.



## COATINGS

In 2019 the Coatings Unit purchased its raw materials and other products from national and international suppliers. It maintained commercial relations with more than 1,850 suppliers. Purchases in Brazil accounted for 50% of the total value purchased, of which 88% were made in the Southeast and South regions. Imported materials were purchased from the American, Asian, European and African continents. The main purchased materials were: pigments, solvents, additives, mineral fillers, catalysts, hardeners, monomers and reagents, resins, packages, mineral and vegetable oils, industrial equipment, among others.

### Main changes in the period of the report

In 2019, the consolidated integration of Santa Catarina, São Paulo and Argentina units and the distribution center in Cabo de Santo Agostinho enabled to keep the efficiency in the logistics to supply industrial coatings and to strengthen the presence in the markets of anti-corrosion coatings, coatings for glass, mirrors, car parts and automotive refinish, and coatings for the marine, refinery, road implements and wind sectors.

## ENERGY

The Energy Unit carried out business transactions with over 1,700 suppliers in 2019, of which approximately 90% are from Brazil (97% of them located in Southern and Southeastern Brasil). WEG always encourages its business units to buy from regional suppliers so as to strengthen the local economy and generate opportunities.

The suppliers fall into different material categories, including: metal sheets, steel rods, copper rings and rods, insulating materials, processed metal parts, machined parts, cast parts or forged parts.

## TRANSMISSION AND DISTRIBUTION

WEG Transmission and Distribution buys production materials of higher technological complexity from foreign suppliers. For other items, which are the majority and generally demand intensive use of labor, the volume of purchase is quite concentrated in the domestic market. In 2019, it carried out business transactions with approximately 653 suppliers, being 93% from the local market, and 7% from abroad.

The suppliers fall into different material categories, including metal coils or sheets, insulating mineral oil, tap changers for transformers, paper fiber or polymer insulating materials, bushings with porcelain bodies, processed, machined or cast metal parts.

## LOCAL COMMUNITIES

A company in operation naturally ends up generating impacts on society, especially on the communities located in its surroundings, and it has responsibilities in this regard. The impacts generated may be positive (ranging from promoting employment with an impact on the local economy to meeting local demands for the sustainable development of these communities) and negative (causing harmful social, environmental and economic impacts on the local population).



In this context, we have operations in 46 industrial parks located in twelve countries, with different cultures and realities, where the local communities are subject to different impacts and have different needs.

Something that facilitates this process for us is that our good relationship with local communities is something cultural, which has been going on since the first years of our activities, through the positioning of our founders. An example is CENTROWEG (Youth Training Center), the first major project that started in 1968 and remains very relevant for the company today.

Another example of our work in this regard was the “Social Integration Circle - CIS”. The program, created in 1980, was formed by the wives of the directors and coordinated by a social assistant. It was developed through a socioeconomic research to know the reality of the employees in their homes. With the results, the company started to develop programs aimed at improving the life quality of employees and their families in an assistance and preventive manner through guidance. The program lasted 25 years.

These are examples of how this history of good relations with the community was especially important for our internal culture of relations with local communities, helping us in the risks, opportunities and new challenges of today.

## SOCIAL INVESTMENT POLICY

In 2019 we revised our Social Investment Policy, which was approved by the managing directors of our business units, representing our units worldwide.

The objective of the policy is to establish relations with communities focused on WEG's social investment criteria. The policy includes investments primarily in cities where we have industrial operations. Units outside Brazil assess projects locally, following the guidelines of this policy and submitting approval to their local governance structure.



## POLICY CRITERIA TO APPROVE INVESTMENTS IN SOCIAL PROJECTS

### Project requirements

Priority may be given to the project that meets the greatest number of requirements, being a. and b. decision-makers:

- a. Occur in cities where WEG keeps industrial operations;
- b. Derive from a private, non-profit entity, whose legislation enables tax deduction, and which have a recognized track record;
- c. Aim at a collective coverage;
- d. Cover and/or involve WEG employees and/or family members;
- e. Aim at social improvement and life quality of the population, especially children and adolescents;
- f. Be related to the necessities and interests of the community;
- g. Contribute to the sustainable development;
- h. Promote a positive image of WEG;
- i. Be kept by at least one more sponsor so as not to depend exclusively on WEG's resources;
- j. Be aligned with WEG's Code of Ethics and Policy of Prevention and **Fight against Corruption and Other Detrimental Acts.**
- k. Be aligned with one or more Sustainable Development Goals (SDGs).

In this policy update, we have improved the monitoring of the project. Any proposed project whose value is above 10 minimum wages, either through its own resources or incentive law, must present, in addition to the entity's documentation, a signed "Term of Commitment" that will formalize the partnership and enable the audit of the project.

## SOCIAL INVESTMENT GOVERNANCE

As our operational activities increased, the volume of requests for investments and social partnerships also grew. That generated the need for a well-structured governance and policy in order to prioritize service to local communities with transparent criteria and well-defined governance. As a result, in addition to complying with the policy, we will continuously improve this process and be prepared for possible challenges, risks and related opportunities.

Our governance is carried out through the Social Investment Group, a multidisciplinary group that meets monthly to analyze the projects sent to the company. Projects are analyzed based on our Social Investment Policy and established budget. The group carries out the deliberations and monitors the progress of the projects.

## GOAL

**GOAL 2020:** Auditing four supported projects. In addition to evaluating the project application, the audit will assist the entities in improving the weak points of the project. Assisting in project management.

## PROJECTS SUPPORTED IN 2019

We operated in the following categories of social investment projects



EDUCATION



CULTURE



HEALTH



SOCIAL INCLUSION

# Social Investment Indicators in 2019

About R\$ **13 million** invested in projects around the world.

More than **540 thousand** people were directly or indirectly impacted by projects just in Brazil.

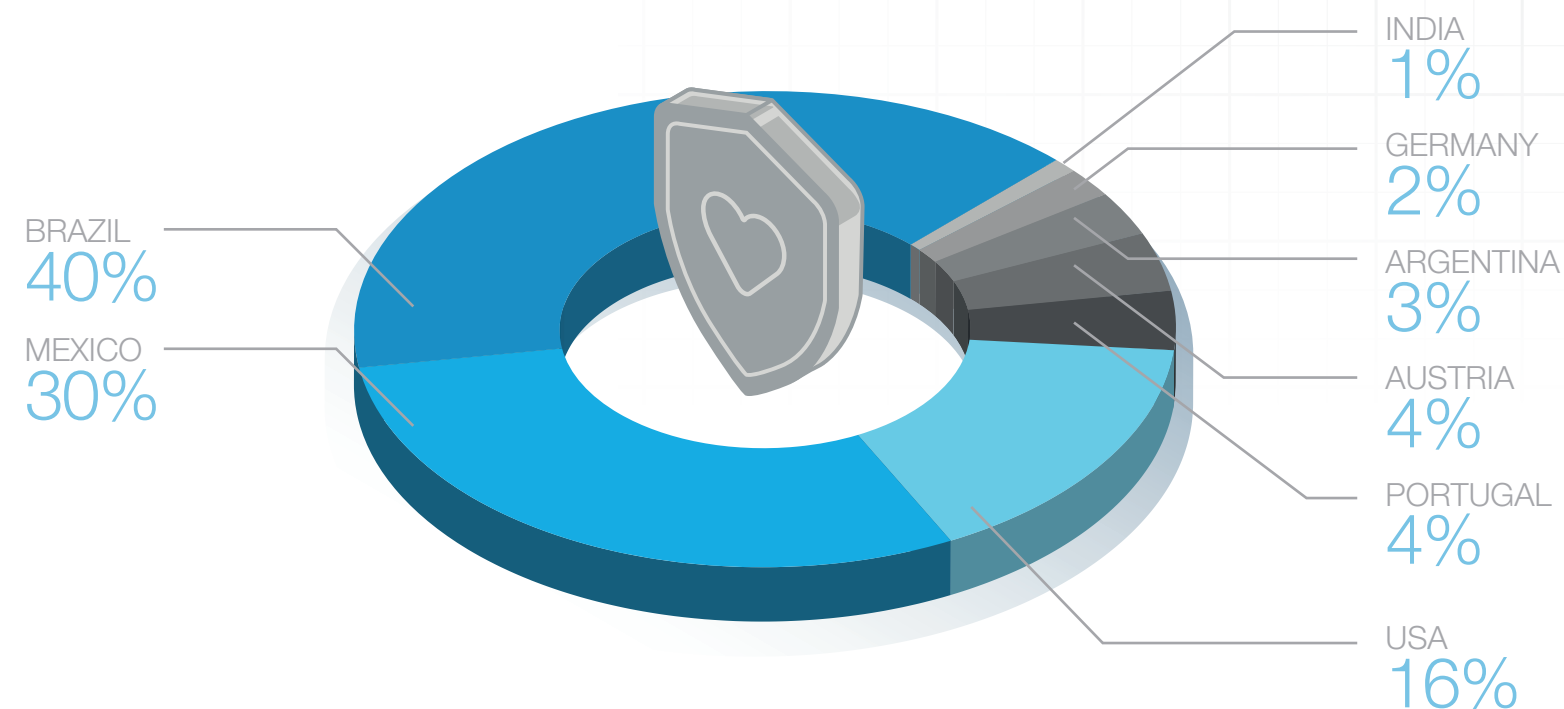


## COMMUNICATION CHANNELS

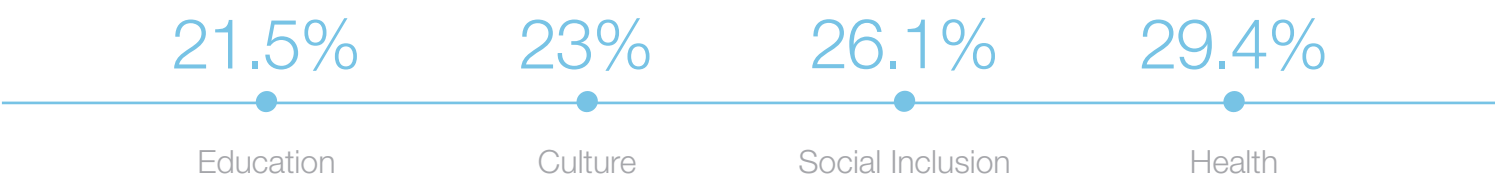
- Direct contact with the responsible area: [community@weg.net](mailto:community@weg.net).

126 social projects supported globally, being:

% OF TOTAL PROJECTS CARRIED OUT BY COUNTRY



% OF TOTAL PROJECTS CARRIED OUT BY CATEGORY



# Other Highlights in Community Relations:

## WEG SUSTAINABLE GROWTH MEETING

In 2019, we assembled the entities in three cities in Brazil where we have industrial operations – Jaraguá do Sul/SC, Itajaí/SC and Linhares/ES. At those meetings, we came up with topics that contribute to the management and fundraising for entities from the third sector. The topics worked on were:

- **Jaraguá do Sul:** Marketing in favor of the sustainability of institutions and fundraising;
- **Itajaí:** The importance of networking;
- **Linhares:** Explanation of how Municipal Funds (Childhood / Adolescence and Elderly) work.

In addition to the topics presented, we also talked about the importance of following the Sustainable Development Goals (SDGs) agenda for entities from the third sector.



## WEG SCIENCE AND TECHNOLOGY MUSEUM

WEG Museum of Science and Technology is located in the city of Jaraguá do Sul/SC, where the visitor can learn from energy generation processes to energy daily applications. Understanding the phenomena and the way our society uses them allows the visitor to understand the complexity of the operations involved in the simple act of lighting a lamp.

WEG is part of the history of electric energy in Brazil and worldwide. Electricity is the basis of all the processes and solutions of the company, which today is prominent worldwide.

Connecting these stories, preserving memory and offering an interactive and socially inclusive space is a daily challenge for the project. With access for wheelchair users, elevator, tactile floor and scale model, WEG Museum of Science and Technology is benchmark in accessibility and has become the ideal environment for emotion, reflection and citizenship. On the virtual tour we find a little bit of this universe.

The museum received 19,991 visitors in 2019 – 6,000 of them received via Educational Action or Guided Tour. It is a project that connects WEG's founders and history – in addition to all the technological evolution of electric energy – to employees, customers, community, suppliers and shareholders. A democratic place where everyone meets and gets fascinated.

## VOLUNTEERING PROGRAM



In 2019, we had 1,217 volunteer employees registered in our Volunteer Bank in Brazil.

In 2019, we had 1,217 volunteer employees registered in our Volunteer Bank in Brazil. Employees registered in our volunteer bank receive emails with requests for volunteer projects as demands arise, and, if interested in the action, they can enroll to participate in them.

We held lectures for volunteer employees focused on Sustainable Development Goals (SDGs) in order to demonstrate how they, as individuals, participating in volunteer groups can contribute to a global sustainable development agenda.

To facilitate our communication with entities that want to ask us volunteer projects, we created a communication channel on our website.

The demands are analyzed by the Volunteer Group and disclosed to employees registered in the volunteer bank.

In addition to the volunteering demands from local communities, we continue our partnership with JA Brasil (Junior Achievement), considered the largest and oldest organization of practical education in economics and business in the world. In 2019, 191 volunteers from Jaraguá do Sul/SC, Linhares/ES, Blumenau/SC and Itajaí/SC became involved with JA volunteering and impacted 2,081 students from 13 different schools.

We work with JA in two program types. The first type is discrete 4-hour courses, addressing Ethics, Financial Education and Industry 4.0. To bring those subjects to schools, we involve volunteer employees from Jaraguá do Sul/SC, Linhares/ES, Blumenau/SC and Itajaí/SC.

The second type is the Minicompany program, which lasts four months with groups of young people age 16 and older, providing practical business experience through the organization and operation of a company. Students learn concepts of free enterprise, market, marketing and production.

*“Junior Achievement’s minicompany gave our students the opportunity to work on various aspects expected from young people in the 21st century. In addition to developing the whole notion of how a company works – developing entrepreneurship and sales power – it raised socio-environmental awareness, promoted volunteerism, showed the importance of teamwork and provided interaction with true angels, whose experience and competence in the field brought a lot of inspiration for our students. I can only thank you for the opportunity offered to our students. It was a unique learning experience for the complete education of each one ”.*

Gilmara Hanemann Gorges - Director of the Holando Marcellino Gonçalves School, Jaraguá do Sul-SC

The volunteer projects carried out in 2019 were related to the categories: **health, education, culture, social inclusion and environment protection.**

### OUR PROJECTS ADHERE TO THE GOALS:



**3.d** Strengthen the capacity of all countries, particularly developing countries, for early warning, risk reduction, and management of national and global health risks



**4.1** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes



**11.4** Strengthen efforts to protect and safeguard the world’s cultural and natural heritage



**15.5** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species



# Economic-financial Performance

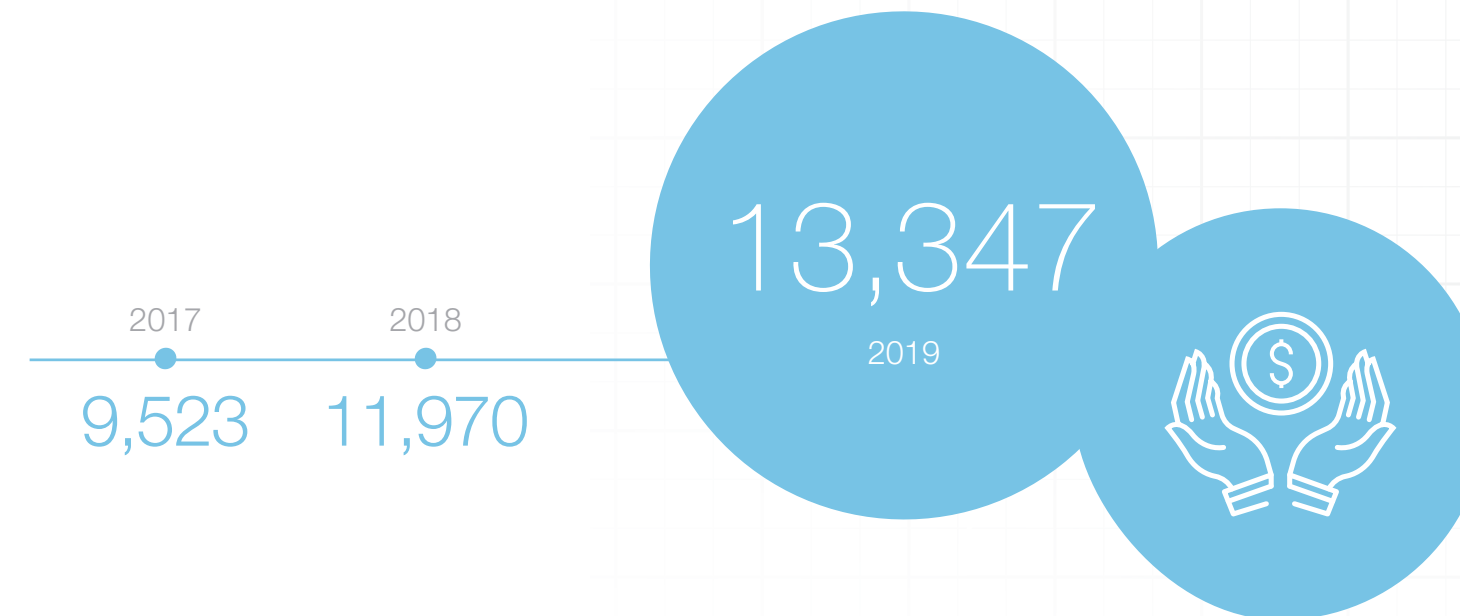
In 2019, both developed and emerging economies grew over the year. The continuity of this expansion scenario will depend on the performance of the prices of commodities, inflation and interest rates in the main economies, in addition to factors that can improve the projections of the global GDP, such as a final solution to trade disputes between USA and China.

In Brazil, despite the interest rate being at the lowest level since the implementation of the Real plan, the economic performance was marked by a slow recovery.



### OPERATING INCOME

In 2019, the consolidated Net Operating Income (NOI) reached R\$ 13,347 million, an increase of 11.5% in comparison to 2018.



### DOMESTIC MARKET

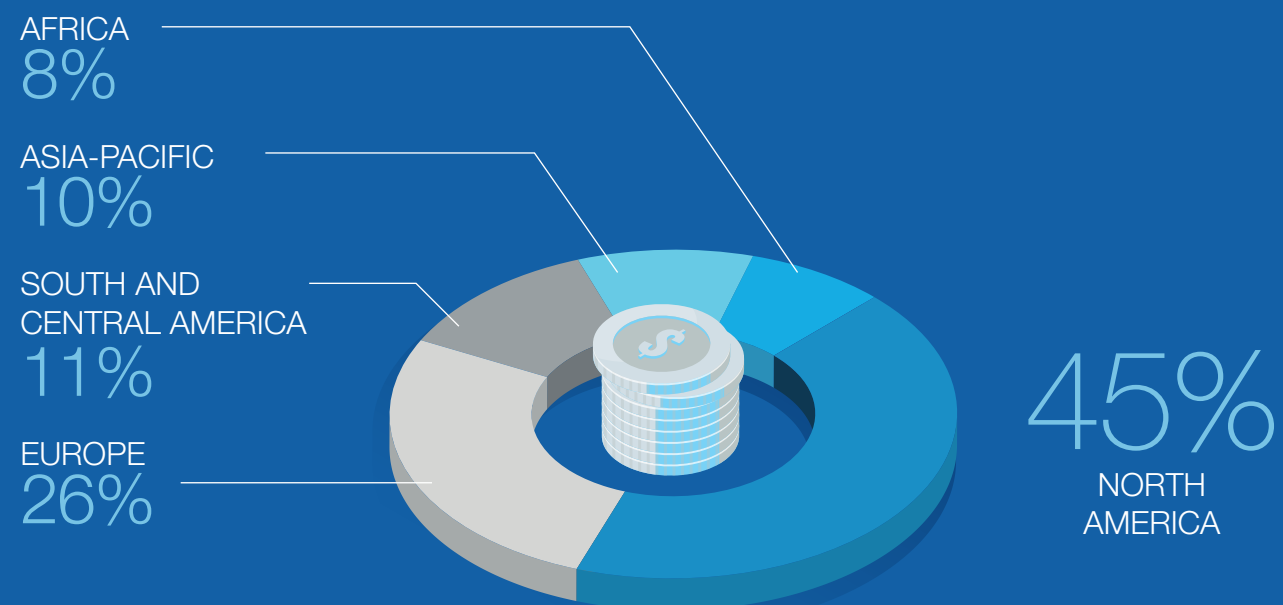
The net operating income in the domestic market reached R\$ 5,563 million, an increase of 9.5% in comparison to the previous year, representing 41.7% of the total net operating income. If adjusted by the acquisition of TGM Indústria e Comercio de Turbinas e Transmissões Ltda. (TGM), Geremia Redutores Ltda., PPI-Multitask and V2COM, the increase in the income would be 9,1% in 2019.

The Company's good performance in the domestic market is mainly explained by the good demand for short-cycle equipment, such as electric motors, serial automation equipment and especially distributed solar generation systems. For long-cycle equipment, we had a gradual improvement in the number of orders, mainly in the transmission and distribution and automation panels businesses. Additionally, specific industries, such as paper & pulp and mining increased the demand for long-cycle equipment in 2019.

## EXTERNAL MARKET

On the external market, the net operating income grew 13.0%, reaching R\$ 7,784 million, which corresponds to 58.3% of the total net income. In local currencies, weighted by the weight of each market, the growth in foreign market income was 10.4% in the year. This growth made a significant contribution to the advances in the business of long-cycle products, especially our GTD operations in North America.

### NET REVENUE BY GEOGRAPHIC REGION - EXTERNAL MARKET



FINANCIAL (IN MILLION R\$)	2017	2018	2019
Net revenue	9.523,8	11.970,1	13.347,4
EBITDA	1.466,3	1.824,1	2.244,5
EBITDA Margin (%)	15,4	15,0	16,8
Net Income	1.142,1	1.338,3	1.614,6
ROIC (%)	16,6	17,6	20,2

DISTRIBUTION OF VALUES (IN MILLION R\$)	2017	2018	2019
Dividends and interest on shareholders' equity	606,8	703,7	892,0
Employees	2.162,7	2.639,3	3.173,4
Government	1.209,5	1.454,9	1.476,6

[ACCESS HERE WEG'S INTEGRAL FINANCIAL STATEMENTS 2019](#)

# GRI Remissive Index

DESCRIPTION	PAGE
<b>STRATEGY AND ANALYSIS</b>	
G4-1: Message from the President	3
<b>PERFIL ORGANIZACIONAL</b>	
G4-3: Name of the organization	7
G4-4: Main brands, products	28
G4-5: Location of the headquarters	<b>Av Prefeito Waldemar Grubba, 3.300 – 89256-900 – Jaraguá do Sul – SC - Brasil</b>
G4-6: Number of the countries in which it operates and their names	8
G4-7: Nature and legal form of organization	19
G4-8: Covered markets	83
G4-9: Size of organization (No. of employees, sales, etc.)	9
G4-10: Total employees: contract type, gender, region, etc.	9
G4-11: Inform the percentage of employees covered by collective bargaining agreements.	In Brazil 100% of employees are covered by the collective bargaining agreements.
G4-12: Description of the supply chain of the organization	70
G4-13: Main changes in the period of the report	73
G4-15: Letters, principles or other initiatives that the organization subscribes or endorses	4
<b>MATERIAL ASPECTS IDENTIFIED AND LIMITS</b>	
G4-18: Process to define the content	5
G4-19: List all material aspects identified in the process of content definition of the report.	6
G4-20: For each material Aspect, inform the Limit of the Aspect inside the organization	6
G4-21: For each material Aspect, inform the Limit of the Aspect outside the organization	6
G4-22: Consequences of reformatting information provided in previous reports	6
G4-23: Significant changes in scope, limit or measurement methods	The environmental indicators became cover all units in the world.

# GRI Remissive Index

DESCRIPTION	PAGE
<b>ENGAGEMENT OF STAKEHOLDERS</b>	
G4-24: Present a list of stakeholder groups engaged with the organization	5
G4-25: Base to identify and select stakeholders with whom to engage	5
G4-26: Approaches for the engagement with the stakeholders	5
G4-27: Main subjects and concerns raised by means of the engagement with the stakeholders	6
<b>REPORT PROFILE</b>	
G4-28: Period covered by the report	Year of 2019
G4-29: Date of the last report published	In 2019, with the publication of the "Integrated Annual Report 2018"
G4-30: Publishing cycle of the report	Annual
G4-31: Contact for frequently asked questions regarding the report	sustentabilidade@weg.net
G4-32: Inform the 'I agree' option chosen by the organization	For the preparation of this Report, the guidelines of the Global Reporting Initiative (GRI), in its G4 version, were followed in the option 'Essential'.
G4-33: Current policy and practice regarding external verification of the report	The socio-environmental information has not yet been externally verified, and only the economic-financial information
<b>GOVERNANCE</b>	
G4-34: Inform the governance structure of the organization, including the committees of the highest governance office. Identify any committees in charge of assisting the council in making decisions that have economic, environmental and social impacts.	19
<b>ETHICS AND INTEGRITY</b>	
G4-56: Describe the organization's values, principles, standards and behavioral standards, such as codes of conduct and ethics.	12
<b>MATERIAL INDICATORS</b>	
G4-SO4: Communication and training in policies and procedures of fight against corruption	16
G4-46: Inform the role played by the highest governance office in the analysis of the effectiveness of the organization's risk management for economic, environmental and social matters	23
G4-LA6: Rates of injuries, occupational diseases, lost days, absenteeism and number of work-related deaths, separated by region and gender	53
G4-8: Covered markets	83
G4 EC1: Direct economic value generated and distributed	83

## GENERAL COORDINATION

Harry Schmelzer Jr. - Chief Executive Officer

## INFORMATION ANALYSIS

Information Distribution Committee

## CONTENT AND EDITORIAL COORDINATION

Corporate Sustainability Team

## ART AND GRAPHIC DESIGN DIRECTION

Compreendo Comunicação

## PICTURES

Pictures from WEG Group Files

## THANKS

Thanks To all employees and stakeholders who participated in the preparation of this report.



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