



RISK MANAGEMENT POLICY WEG GROUP

1. PURPOSE

Establish an operational and administrative program for risk management and business continuity for the WEG Group, contributing to the achievement of organizational objectives.

2. SCOPE

This policy applies to all units of the WEG Group in Brazil and abroad, as well as affiliated and controlled companies.

3. RISK MANAGEMENT

Risk management must involve the entire administration, aiming at creating a culture of risk prevention, providing alignment with the company's long-term strategy.

3.1. RISK IDENTIFICATION

Risks are the effects of uncertainty in achieving organizational goals. They can represent threats, but also opportunities for the organization and therefore it is essential that they are correctly identified.

The identification of risks must be carried out by the area responsible for the organizational process. The Insurance and Risk Department will support this process through:

- a) **Risk Inspection** in industrial units, warehouses and main commercial subsidiaries following the guidelines of item 5 of WEG Insurance Management Policy.
- b) **Information** received through company's managers, reports on emerging risks, market information, etc.
- c) **Risk Mapping:** Procedure for analyzing and classifying risks into six categories listed below:
 - 1) **External:** Risks originated in external processes/actions, beyond WEG's control, which may cause direct or indirect damages.
 - 2) **Strategic:** Ability to anticipate, protect or adapt to changes that may affect WEG's strategic directions.
 - 3) **Financial:** WEG's ability to capture or preserve financial resources.
 - 4) **People:** WEG's ability to attract, develop, retain and have at its disposal human resources or resources related to employee health and safety.
 - 5) **Compliance & Governance:** WEG's ability to develop its activities following policies, internal control rules, laws, regulations, as well as being able to protect itself from fraud.
 - 6) **Operations:** Ability to use available resources effectively and efficiently, ensuring the correct functioning of the operations chain and ensuring the correct operation of its Information Technology systems and infrastructure.

The mapping review will be carried out annually and coordinated by the Insurance and Risk Department, where the mapped risks will be classified according to the procedure described in the WPM-990 PT standard.

3.2. RISK CLASSIFICATION

The classification considers the result of the **severity** factor and **likelihood** factor presented below:

SEVERITY				
Level		Human	EBTIDA line	Image
1	Low	Minor Injuries	Up to USD 1MM	Repercussion in the Local Media
2	Moderate	Serious injury	From USD 1MM to USD 10 MM	Repercussion in the Regional Media
3	High	Morte	From USD 10MM to USD 30MM	Repercussion in the national media
4	Very High	N/A	Above USD 30MM	Repercussion in the international media

LIKELIHOOD		
Level		Description
1	Unlikely	Event occurred more than 10 years ago or its probability of occurring in the future is less than 10%.
2	Remote	Event occurred within the last 10 years or its probability of occurring in the future is between 10% and 20%.
3	Possible	Event occurred in the last 05 years or its probability of occurring in the future is between 20% and 50%.
4	Probable	Event occurred in the last 2 years or its probability of occurring in the future is above 50%.

With the result of the evaluation of the severity and frequency factors, it will be possible to measure the risks through the Risk Matrix, which consists of a visual tool for analyzing the company's exposure to the assessed risk.

RISK MATRIX					
Severity \ Likelihood		1	2	3	4
		Low	Moderate	High	Very High
4	Probable	Low	Medium	Very High	Very High
3	Possible	Very Low	Low	High	Very High
2	Remote	Very Low	Very Low	Medium	High
1	Improbable	Very Low	Very Low	Low	Medium

3.3. RISK TREATMENT

Based on the result of the risk matrix, the manager responsible for the process in which the risk was identified must present an action plan for the risks classified as: medium, high and very high, according to the procedure defined in the standard **WPM-990 PT**

4. BUSINESS CONTINUITY MANAGEMENT (BCM) OF WEG GROUP

BCM seeks to prepare WEG so that it can:

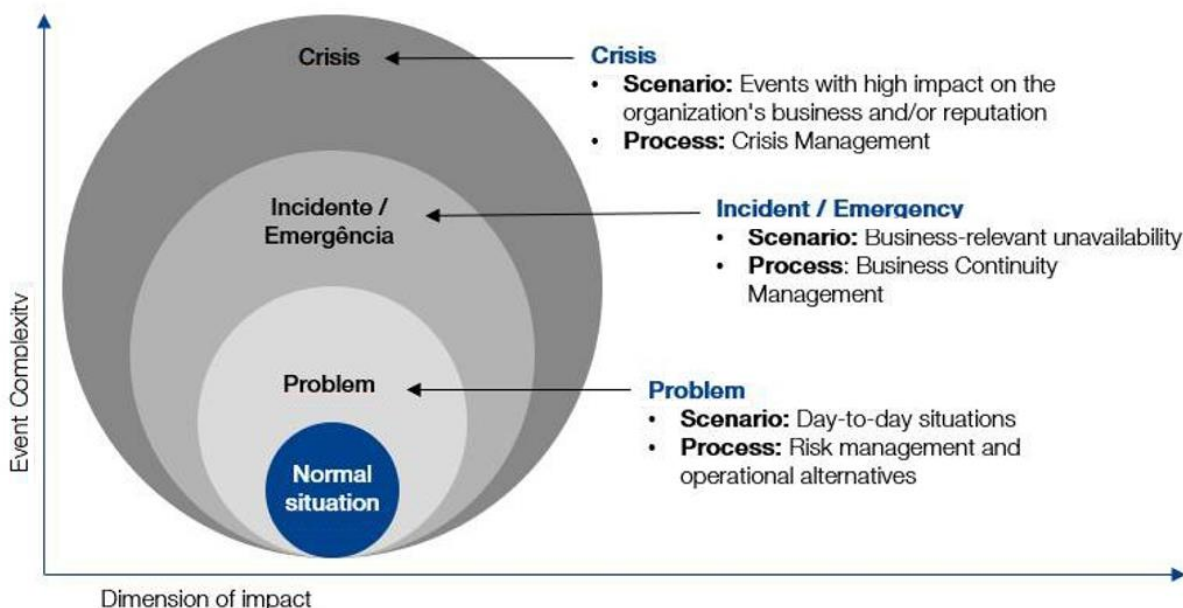
- Respond quickly to disruptive event scenarios (natural or man-made, accidental or intentional) by demonstrating command and control of the response to these events.
- Recover and restore critical operations after a disaster has occurred.

BCM will evaluate the business discontinuity scenarios identified according to item 3.1

4.1. DISRUPTIVE EVENTS

CBM focus is on responding to events “b” and “c” as follows:

- Problem:** Daily situation that must be monitored and treated with relevance, as it has the potential to generate significant impacts on the operation. In these cases the risks must be monitored in the risk mapping in accordance with the established action plans.
- Incident/Emergency:** Events that deviate from the standard operation and may cause interruption of the operation for some period, must be supported by the GCN process (fire, weather events, strikes, blockages, etc.)
- Crisis:** Event that has the potential to damage the image or harm the relationship with stakeholders (major accidents, recall, among others).



4.2. BUSINESS CONTINUITY PLAN (BCP)

The BCP is a document, prepared by the Insurance and Risk Department along with each business unit, to comprehend the interruption scenarios considering the macro flow of the unit's processes and determine the roles and responsibilities of the areas involved in the recovery activities. This must be reviewed every 2 years and recorded at the unit's board meeting.

4.3. FUNCTIONAL DECISION GROUPS

These are the people who will be activated in a discontinuity scenario. Contact information will be entered in the BCP and responsibilities are described below:

a) Crisis Management Group – Responsible for approving communication actions with stakeholders along with the executive board, supervising the activities of the operational group, in addition to managing contingency scenarios and supporting the decision-making process of the Executive Board. This group is made up of:

Finance and IR Diretor
HR and Sustainability Director
Corporate Legal and Compliance Manager

b) Operational Group – Crisis/emergency response group summoned by the director responsible for the activity/operation, whose role is to provide support, technology, infrastructure, food, transport, access to facilities, recovery activities, return to operation of the site, etc.

c) Support and communication areas – Responsible for making contacts with press, external entities, insurance companies and suppliers, in addition to ensuring adequate dissemination of information to internal areas.

4.4. POST CRISIS

Upon resumption of activities as a result of an interruption event, the Insurance and Risk Department will coordinate an assessment of lessons learned and opportunities for improvement:

- I. Costs involved in the event;
- II. Review of IRP and recovery roadmaps;
- III. Actions for correction and avoid similar situations;
- IV. Actions of communication with stakeholders;
- V. Lessons learned (what worked and what don't).

Those information shall be part of a report approved by executive Board.

5. REGULATIONS

ABNT NBR ISO 22301:2013: Segurança da Sociedade – Sistema de Gestão da Continuidade do Negócio

ABNT NBR ISO 31000:2009: Gestão de Riscos – Princípios e Diretrizes

NFPA 1600 – 2019: Standard on Continuity, Emergency, and Crisis Management

COSO 2017: Corporate Risk Management integrated with Strategy and Performance



6. REVIEW AND APPROVAL FORUM

This Policy must be reviewed every two years, with Controlling Committee, General Management and Board of Directors being the forum for approval.