

2018

INTEGRATED ANNUAL
REPORT

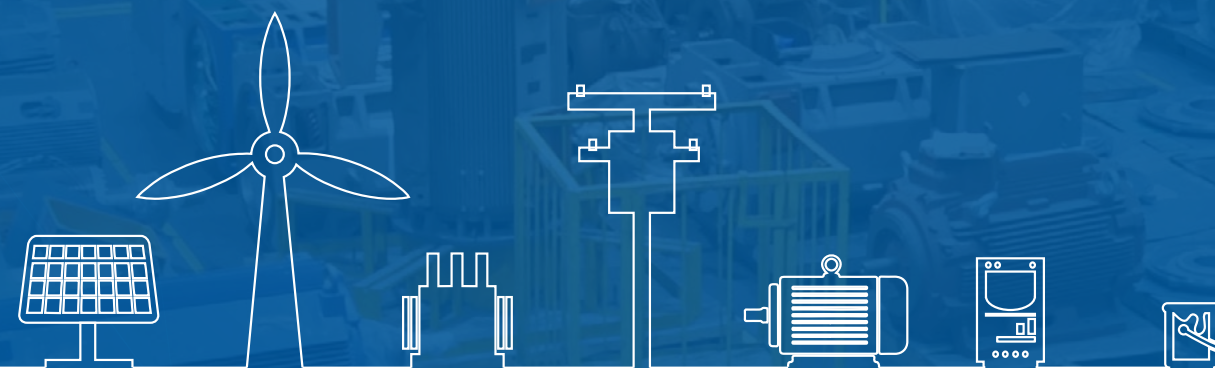


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Message from the President

WEG has consistently followed its investment plan in new businesses, new technologies, international expansion, as well as in the development of people.

With 42 plants in 12 countries and more than 31,000 employees worldwide, we achieved net sales of R\$ 11,970 million in 2018, of which about 3% (R\$ 307.6 million) were invested in research and innovation. Similar values were also allocated to employees by means of training, investments in education and benefits such as: medical care, dental plan, pension plan and profit sharing.

As a global manufacturer of electrical and electronic equipment WEG stands out in innovation for the constant development of solutions to meet the major trends related to energy efficiency, renewable energies, electrical mobility and Industry 4.0.

Each year we expand our presence in the world. Our escalation has been recognized by both the capital market and customers and entities, according to the list of awards mentioned in this report.

As for innovation, we are among the 1,000 public companies in the world that invest the most in innovation, and also the only one in Latin America listed in the Aon Hewit's Global Top Companies for Leaders. In the capital market, the company composes the Dow Jones Sustainability Emerging Markets Index and the MSCI Global Sustainability Index Series, the most important international acknowledgments of our performance.

In Brazil we also received several recognitions, among them the "Best Company to Work in Brazil" award, in the diverse industries category, of Você S/A Magazine. Recognition achieved via survey answered by our employees, showing that we are in the right direction, aligned with the expectations of all our stakeholders.

We are grateful to all of these employees, as well as to WEG's customers, suppliers and shareholders for their trust in the company. We will continue to identify opportunities and follow our mission of continuous and sustainable growth while maintaining simplicity.

Thank you all and have a good reading!



Harry Schmelzer Jr.
President of WEG

About This Report

GUIDE TO READ THIS REPORT

This report has features to facilitate interactivity and 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 OBJECTIVES (SDG)

To show the relationship of our activities with the Sustainable Development Objectives (SDG) and their goals, the icons representing each objective are present in different topics addressed in this report.

To consult directly how WEG practices are aligned to each SDG, click on the icons below:



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Materiality

The materiality process takes place every two years and seeks to identify, by means of internal consultation and with stakeholders, the Company's priorities related to sustainable development.

In 2019 WEG will carry out a new cycle of this process. The result will be disclosed in the next Report. The result of the consultation is used in the structure of this report, in line with the GRI methodology.

WEG INTERNAL CONSULTATION

The material aspects were defined through WEG Sustainability Group and ratified by the Executive Board.

CONSULTATION WITH STAKEHOLDERS

Stakeholders that participate in the consultation process:

- WEG employees
- Suppliers
- Investors
- Community
- Trade associations
- Customers

FORM OF CONSULTATION





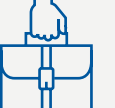





The consultation process occurred online.



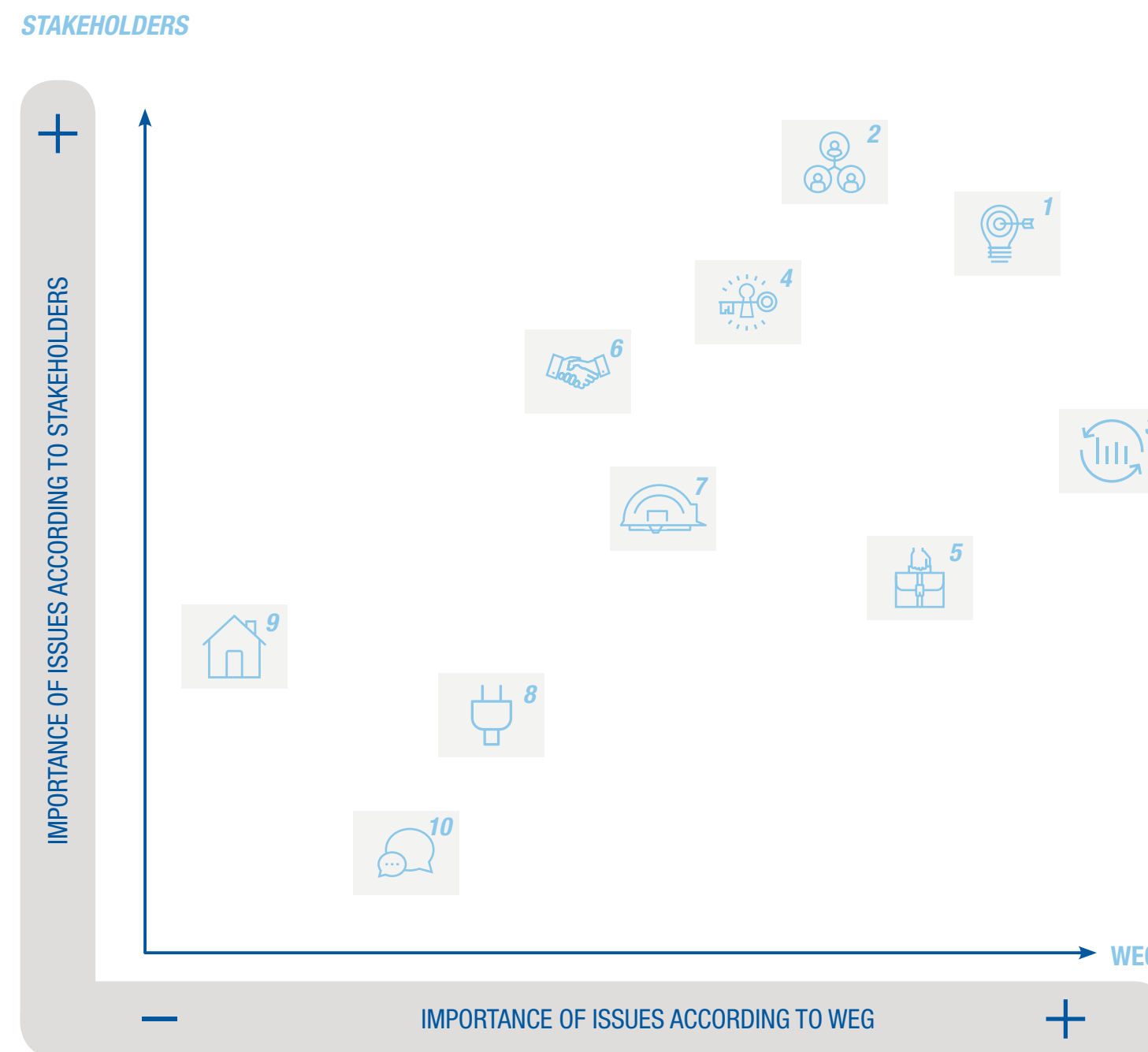
Photo: Anderson Vieira Oliveira

RESULT

The consultation process, which consolidated the opinions of WEG and stakeholders, defined in order of relevance the following material aspects:

- | | | | |
|---|--|--|-------------------------------------|
|  | 1. Innovation And Technology |  | 2. People Management |
|  | 3. Economic Performance |  | 4. Ethics And Integrity |
|  | 5. Corporate Governance |  | 6. Relations With Customers |
|  | 7. Health And Safety At Work |  | 8. Energy Management |
|  | 9. Relations With The Community |  | 10. Relations With Suppliers |

MATERIALITY MATRIX



WEG



GLOBAL PRESENCE



42

Plants



12 countries

Commercial operations in **34 countries**



Distributors in **120 countries**



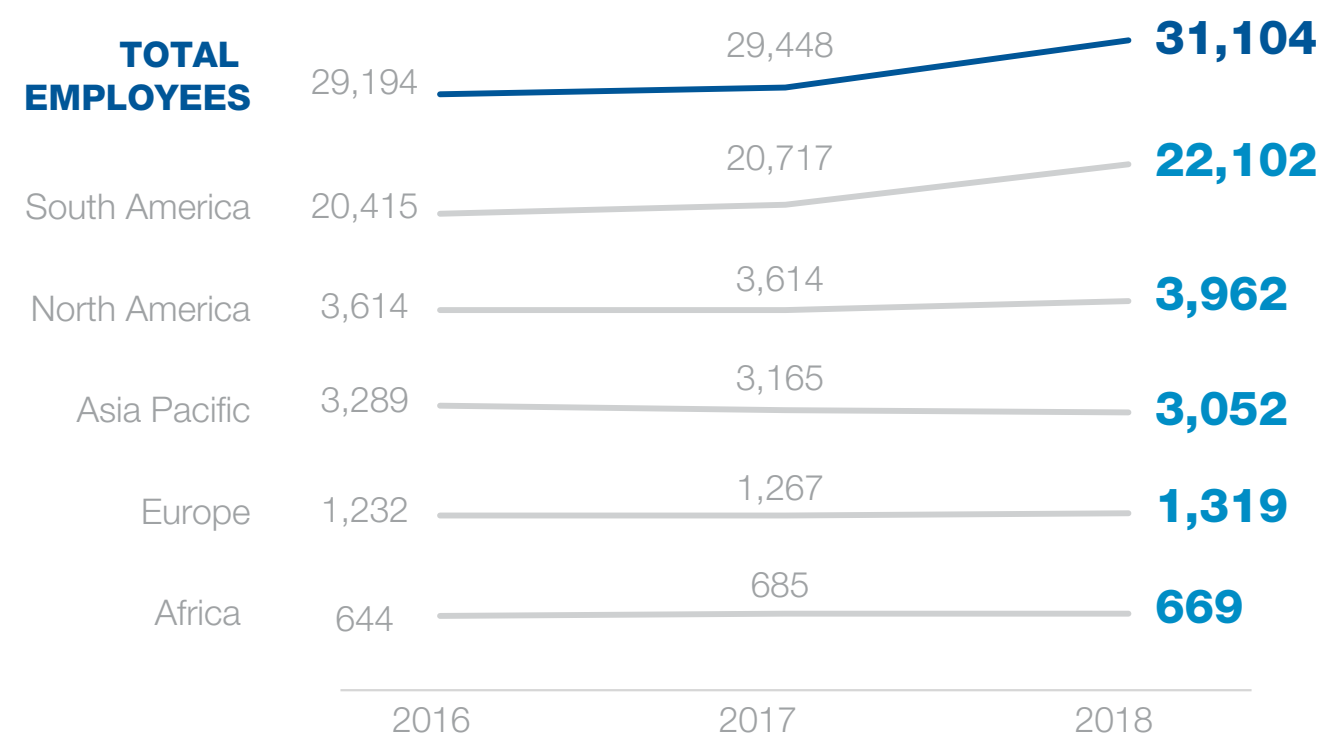
Sales to more than **135 countries**



More than **1,400 Technical Assistants** worldwide

Employees

WEG ended 2018 with 31,104 employees, an increase of 5.6% in comparison to the previous year. The distribution of employees by geographic region is:



TOTAL EMPLOYEES BY

Refers to Brazilian units

		2016	2017	2018
GENDER	MEN	15,550	15,448	15,487
	WOMEN	4,711	4,572	4,552
JOB TYPE	EMPLOYEES	20,261	20,020	20,039
	*OUTSOURCED WORKERS	1,707	2,091	2,175
PERIOD	FULL TIME	20,261	20,020	20,039
	PART TIME	-	-	-
TYPE OF CONTRACT	PERMANENT WORKERS	20,261	20,020	20,039
	TEMPORARY WORKERS	4	222	17

*not considering subsidiaries

CORPORATE GOVERNANCE



Corporate Governance

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

The company is committed to continuing to work within the same principles of transparency, fairness and accountability to shareholders and other stakeholders. In this context, WEG joined the Novo Mercado listing segment of B3 and adopted the ABRASCA Code of Self-Regulation and Good Practices of Open Capital Companies.

The administration of the WEG Group is exercised by the:

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



Board of Directors

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 New Market of B3.

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)

The members of the Board are elected and dismissed by the General Assembly for a unified term of two years, and they may be re-elected. As a committee, we seek to gather competences in the Board of Directors such as:

- Experience as a senior executive in other Boards of Directors, managing changes and crisis, identifying and controlling risks and managing people;
- 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 risk profile of the corporation.

The board member should also be free from fundamental (non-manageable, non-punctual or situational, which is or is expected to be permanent) conflict of interest and permanently attentive to the affairs of the organization, as well as understand that his/her duties and responsibilities are comprehensive and not restricted to the meetings of the Board.

According to the company's Bylaws, the same person cannot hold the positions of Chairman of the Board and CEO.

DIRECTION

The Direction is composed of 13 (thirteen) members, namely: a Chief Executive Officer, a Chief Financial 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 Board, 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.

EXECUTIVE BOARD - MEMBERS



Harry Schmelzer Jr
Chief Executive Officer



André Luís Rodrigues
Chief Financial Administrative Officer



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**
Director



Paulo Geraldo Polezi
Director of Finances
and IR



**Daniel Marteleto
Godinho**
Director

AUDIT COMMITTEE

The Audit Committee is permanent, composed of three (3) members and three (3) alternates, and the members are elected annually at the General Meeting.

MEMBERS DATE OF ELECTION: 04/24/2018 - 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 of economic, environmental and social performance is the objective that guides all the actions of the organization. For this reason, members of the Board of Directors and the Executive Board 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

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, evaluate 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 four large dimensions:



**STRATEGIC
DIMENSION:**

ability to anticipate, protect and/or adapt to changes.



**FINANCIAL
DIMENSION:**

ability to obtain and/or preserve financial resources.



**PEOPLE
DIMENSION:**

ability to attract, develop, retain and make the human resources available.



**PROCESS
DIMENSION:**

ability to use the available resources effectively and efficiently.

The Enterprise Risk Management System has the fundamental support of the corporation's 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 a referendum of the Senior Management.

Sustainability Governance

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 in the approval of the publication of the Integrated Annual Report, report of responses to sustainability indexes and awards, and other relevant information about WEG, ensuring that no relevant information not disclosed by the company will be improperly disclosed.

The Information Disclosure Committee reports to the Executive Board.

SUSTAINABILITY GROUP

The Sustainability Group acts corporately in the planning and execution of strategic sustainability actions. The formation of this group, which is highly multidisciplinary, seeks to reflect in the strategies and execution of improvements a broad and diversified vision in sustainable solutions that positively impact different processes and the relationship with the company's stakeholders.

AREAS THAT COMPOSE THE SUSTAINABILITY GROUP:

- Organizational Climate;
- Communication;
- Corporate Marketing;
- Environment;
- Product (EEBC - Energy Efficiency Business Center);
- Human Resources;
- Community Relations;
- Investor Relations;
- Health and Safety;
- Insurances and Risks;
- Supplies;
- Corporate Sustainability;
- Training.

CORPORATE SUSTAINABILITY

The responsibilities of the Corporate Sustainability team are:

- Content coordination and editorial 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
- Meeting of other corporate sustainability demands of stakeholders.



Main Recognitions in 2018

- Brazil Innovation Award – Valor Econômico Newspaper;
- Broadcast Companies Award – Agência Estado;
- Among the 100 companies with the best corporate reputation in Brazil - Merco Consulting;
- Global Supplier of the Year Award of 2018 of the Iberdrola Group, one of the most important energy groups in the world, leader in renewable sources;
- WEG in the Global Challengers list of The Boston Consulting Group (BCG);
- MSCI ESG Leaders Indexes;
- Dow Jones Sustainability Indices - EM;
- Corporate Sustainability Index (CSI) – B3;
- Efficient Carbon Index (ICO2) – B3;
- Carbon Clean 200;
- Sustainability Guide of Exame Magazine – Best Capital Goods Company;
- Best Company to Work in Brazil – Category Diverse Industries - Você S/A magazine;
- Best Companies in People Management – Career Value Yearbook;
- Leaders of Brazil Award – Machinery and Equipment Category – LIDE;
- The Best of Brazil Award – category Mechanics and Metallurgy – Época Negócios Magazine;
- Best Industry of Powder and Liquid Paints and Coatings for Industrial Floors – Paint & Pintura Magazine;
- Highlight of the Capital Goods sector in the ranking: "2018 Latin America Executive":
 - Best Investor Relations Program;
 - Best Investor Relations Team (2nd place);
 - Best Meeting with Analysts (2nd place);
 - Best Sustainable Impact Metrics;
 - Harry Schmelzer Jr., President of WEG - Best CEO for the fourth consecutive year;
 - André Luis Rodrigues was the Best CFO;
 - André Meneguete Salgueiro was the Best IR Professional (2nd place) in 2018 in the Capital Goods category.
- President of WEG, Harry Schmelzer Jr.:
 - 'Valuable Executive 2018' - Category Machinery and Equipment - Valor Econômico Newspaper;
 - Energy most influential executives - Full Energy Magazine;
 - Medal and insignia of the Council of the Barão de Mauá National Order – Grand Cross Class.

ECONOMIC PERFORMANCE



Economic Performance

In 2018, both developed and emerging economies grew, but with reviews of industrial production growth throughout the year in several countries, mainly due to the increased trade tensions between the US and China. The continuation of this expansion scenario will depend on the inflation and interest rates in the main economies, in addition to factors that can improve the projections of global GDP, such as a solution to US-China trade disputes.

In Brazil, although interests and inflation were at the lowest rates in recent years, the economic performance was marked by a slow recovery, influenced mainly by uncertainties in politics with the presidential elections and the truck drivers' strike, which affected production, consumption and GDP.

DOMESTIC MARKET

The net operating income in Brazil reached R\$ 5,082.6 million, an increase of 20.9% over the previous year, representing 42.5% of the total consolidated net operating income. If adjusted for the acquisition of TGM Indústria e Comercio de Turbinas e Transmissões Ltda (TGM), the revenue growth would be 18.1% in 2018. This growth can be explained mainly by the performance of the GTD area, which showed strong growth throughout the year mainly due to the higher share of revenue from solar power generation projects. In the industrial area, standardization of investments in maintaining the existing capacity has supported sales of short-cycle products, but projects to expand capacity or new investments were not consistently observed in Brazil.

OPERATING INCOME

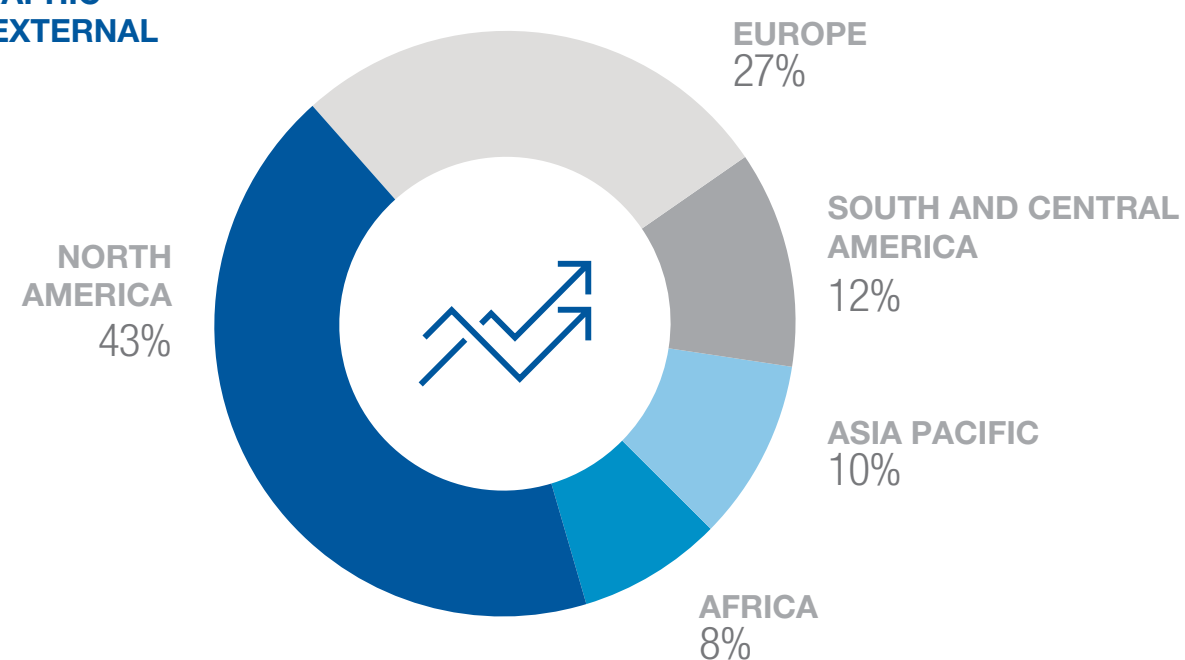
In 2018, the consolidated Net Operating Income (NOI) reached R\$ 11,970 million, an increase of 25.7% in comparison to 2017.



EXTERNAL MARKET

On the external market, the net operating income grew 29.5%, reaching R\$ 6,887.5 million, corresponding to 57.5% of the total net income. If measured in US dollars, there was a growth of 13.0% over the previous year and 8.0% if adjusted by the acquisitions made in the period. Revenue growth abroad is mainly explained by the higher level of the global industrial investment, the resumption of projects related to commodities - such as oil and gas, mining, pulp and paper - and by the devaluation of the Real in relation to the main global currencies throughout 2018, which benefited our revenues in Reais.

NET REVENUE BY GEOGRAPHIC REGION - EXTERNAL MARKET



INDICATORS

FINANCIAL (IN MILLION R\$)	2016	2017	2018
Net revenue	9,367.0	9,523.8	11,970.1
EBITDA	1,406.9	1,466.3	1,824.1
EBITDA Margin (%)	15.2	15.4	15.0
Net Income	1,117.6	1,142.1	1,338.3
ROIC (%)	14.0	16.6	17.6

DISTRIBUTION OF VALUES (IN MILLION R\$)	2016	2017	2018
Dividends and interest on shareholders' equity	578.9	606.8	703.7
Employees	2,051.1	2,162.7	2,639.3
Government	1,261.9	1,209.5	1,454.9

INNOVATION AND SUSTAINABILITY





Innovation and Sustainability

For WEG, technological innovation mainly refers to the development of new technologies, new products, materials and tests, aiming at increasing efficiency, reducing costs, improving quality and reducing raw materials used in products.

That is how the company becomes more competitive, gains new markets, keeps sustainable and contributes to the development of the planet and to people's life quality.

Creative people focused on innovation are essential for the evolution of products and processes. For this reason, WEG strongly relies on its Research & Development team and on an environment focused on stimulating creativity.

The ideas are organized and systematized via PWQP (WEG Quality and Productivity Program). Within the PWQP is the PDT (Technological Development Program), which brings together innovation projects related to new products and processes.

Based on the Technological Strategic Planning, the various projects that will be part of the programs are defined.

Innovation aligning high technology with sustainable concepts applies to all WEG business units, such as renewable energy solutions, energy efficiency practices, and products and solutions with the lowest environmental impact.

Accordingly, the practice of innovation with sustainability has a positive impact on the achievement of the Sustainable Development Objectives:



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.



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.



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.

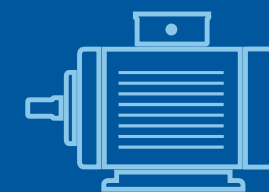


CLIMATE ACTION

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

Energy Efficiency

WEG continues to develop state-of-the-art solutions and technologies to reduce electricity consumption and, consequently, CO₂.



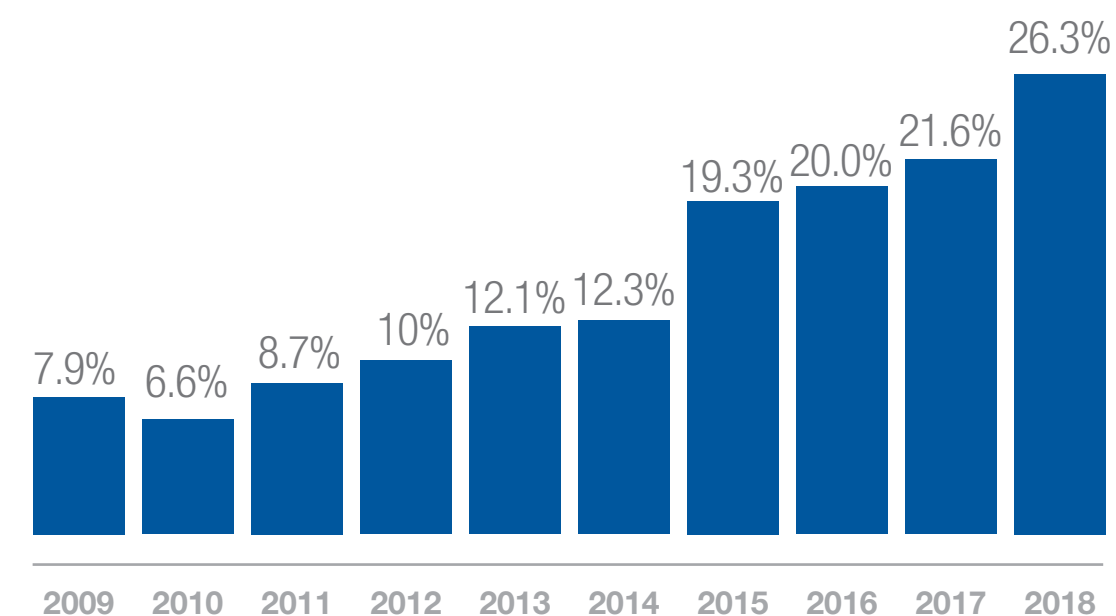
In 2018 the WE3 – Experts in Energy Efficiency – program was launched. Its objective is to develop partnerships with panel builders, who, through their technical and market knowledge, act as energy efficiency consultants mapping project opportunities in industries. We developed the WEG OPEX program, an alternative that, together with partners, allows the leasing of new equipment for energy efficiency projects without the need for investment (CAPEX).

Energy efficiency is expanded into actions to replace old motors with new and efficient ones, reflecting the influence of technology on energy efficiency.

The initiatives for replacing motors occur through the participation in ANEEL's Priority Energy Efficiency Project No. 002/2015 and the Replacement Plan, a program that encourages the replacement of old, damaged or low-efficiency used motors of any brand, granting a discount on the purchase of a new, high-efficiency WEG motor. In 2018 the Replacement Plan increased of more than 35%.

Digital technology is another way to promote energy efficiency at WEG. The **SEE+ (ENERGY EFFICIENCY SOFTWARE)** calculates energy savings in electric motors in the industry. It is free and cross-platform (available for computer, tablet or cell phone), generating complete reports on the feasibility to replace one or more electric motors.

PRODUCTS SOLD IN THE UNIT ENGINE WITH FOCUS ON HIGH ENERGY EFFICIENCY
(Brazil Market)





Solar Power

In 2018, the forecast for continuous growth in the distributed solar generation market was confirmed, and this is due not only to the fact that Brazil's solar irradiation is one of the highest in the world, but also to the recent incentive programs for the installation of photovoltaic systems, such as the Solar Industry program, an initiative of WEG together with FIESC and with Engie Brasil Electric Power Generator.

With more than 52 thousand consuming units with photovoltaic generators installed and an installed capacity exceeding 545 MW (data from ANEEL), Brazil has a gre-

at potential, since, according to the Company of Energy Research, it is estimated that in 2023 approximately 620 thousand consuming units will have photovoltaic systems, of which 565 thousand are residential and 55 thousand commercial, in a total of 2.2 GW of installed power in Brazil.

WEG, a pioneer in delivering energy solutions to the domestic market, uses all its expertise and technology to exploit the potential of renewable energy sources in distributed generation, providing its customers with a complete solution, including modules, inverters, trans-

formers, panels and substations, as well as all the integration engineering and application software, whether for plants, industries, trades or homes.

With supplies delivered to various applications, such as supermarkets, restaurants, banks and educational institutions, WEG projects continued growth in this market in 2019, and for that, it has a network of solar energy specialists trained to provide complete kits of equipment and installation services of residential, commercial and industrial systems of small, medium and large sizes.



Wind Power

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

WEG, as part of this market since the 1990's, started its activities in the segment by developing and supplying generators and other equipment for use in wind power generation. Subsequently, WEG decided to manufacture not only components but the complete wind turbines. From 2013, when WEG 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, WEG continues to make constant investments in this segment.

An example of this is the research and development project for the new wind turbine platform with a 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.



37% of net operating income (NOI) in the Energy Unit in 2018 was Wind Turbines.

Coatings with Lower Environmental Impact

WEG, in its multiple applications for coatings, encourages the development of lines with lower environmental impact.

The developments with state-of-the-art technology aim at meeting the needs of the customers, 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: Sanitation, Offshore, Floors, Automotive Refinishing, Metal Structures, among others.

WEG offers the market:

- Lines of coatings free of organic solvents (water-soluble coatings) and free of heavy metals, ensuring lower emissions of pollutants, with lower environmental impact.
- High solids coatings, which guarantee greater coverage, reducing waste and costs.
- State-of-the-art coatings, such as the Novolac Epoxy, which guarantees lower numbers of coats with top abrasion and impact resistance.

POWDER COATINGS

Powder coatings are a sustainable solution for applications in household appliances, metal furniture, car parts, metal structures, bicycles, agricultural and road implements. In this application, Low-Cure Powder Coatings stand out for reducing energy consumption (gas consumption) and increasing productivity (faster line speed or shorter curing time). In addition to that advantage, it is possible to use them with curing times that conventional powder coatings cannot accomplish due to some characteristic of the substrate or particularities in the production process. This line of products already corresponds to 26.5% of the sales of the unit and with perspectives of growth.

ELECTROINSULATORS

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

Lower Environmental Impact Transformers

HIGH ENERGY EFFICIENCY

WEG resized its entire line of distribution transformers, giving them a special performance. Such development includes both a different design to allow the best use of the available materials, involving total technical frugality in the overall sizing of the set, and the exploitation of better performance materials.

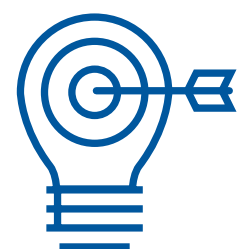
PEDESTAL TYPE

The pedestal type transformer - or Pad-Mounted - is designed for applications where the physical space is insufficient to install a conventional sheltered substation. Because of their installation in public places, these transformers require the use of environmentally friendly materials, such as vegetable oil, which provides several advantages, such as safety, biodegradability and origin from renewable sources.

Innovation in Numbers

Investments

R\$ 307.6
million



Innovation index

43.7%

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

Number of patents

174 granted and in progress

2,435

Employees involved in R&D activities

Partnership with Startups

- We signed a partnership with two Brazilian partners to expand our relations with startups within the innovation ecosystem.
- We interviewed 19 startups in person/virtually. We realized proof of concept with 8 of them.
- Our startup calls had five different challenges throughout 2018, with approximately 200 startups enrolled.

PEOPLE



Training and Education

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

That is essential for the good performance and professional development, as well as to contribute to meeting 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. This investment enables the achievement of our strategic objectives over the years.

These practices are aligned and impact the SDG 4, goal 4.4., as described below:



QUALITY EDUCATION

4.4 By 2030, substantially increase the number of young people and adults who have relevant skills, including technical and vocational skills, for employment, decent work and entrepreneurship.



PERFORMANCE AND COMPETENCE REVIEW

Tool intended for all employees, who are reviewed once a year by their supervisor. This review includes competences of: Communication, Knowledge, Creativity and Innovation, Focus on the Customer, Initiative, Negotiation, Attendance and Punctuality, Occupational Safety, Discipline, Productivity, Quality, Interpersonal Relationship, and Responsibility.

In 2018, the review was restructured, and the competencies were divided into more criteria, allowing a better direction of the manager regarding the development needs of the employee.

SCHOOLING ELEVATION PROGRAMS

WEG has programs to raise schooling and professional qualification to help employees in their development.

- **YAE (Youth and Adult Education):** In a partnership with the Social Service of the Industry (SESI), the program provides the employees with the chance to raise their educational level for free. By 2018, 555 employees graduated from elementary school and high school in this program.
- **School Support:** It is intended to provide scholarships to employees for technical, graduate, postgraduate and language courses.



Young Apprentice

CENTROWEG

At CENTROWEG, the apprentice has guaranteed training. The professional training school develops competences, qualifying young people to perform activities requiring technical training.

The school has 21 laboratories for hands-on activities and five classrooms arranged in an area of 2,550 m².

Benefits offered to the apprentices:

- Apprentice salary;
- Meals;
- 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 **3,900 young people** have already studied at CENTROWEG

- 48% of the **3,900 young people** remain working at the company until today

- More than **110 management positions** are occupied by students who studied at CENTROWEG

Professional Qualification Programs

INTERNAL TRAININGS: In order to improve the technical and behavioral performance, these trainings are divided into classroom courses and long-distance learning. The courses are developed with internal instructors to meet the reality and demand of the company, as well as strengthen the internal culture.

In 2018 there were **52,055 participations** in internal training.

OPEN EXTERNAL OR IN-COMPANY TRAINING COURSES: Development and training of employees in external entities.

In 2018 there were **15,363 participations** in open external courses or in-company training.

PROFESSIONAL QUALIFICATION OF PRODUCTION APPRENTICES

Objective: 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.

Number of Apprentices trained up to 2018: **806**

PROFESSIONAL QUALIFICATION OF PRODUCTION OPERATORS

Objective: Opportunity of technical development for employees from the production areas.

Number of participations until 2018: more than **30 thousand**

PROFESSIONAL QUALIFICATION FOR ENGINEERS AND TECHNOLOGISTS

Objective: Provide technical knowledge oriented to the reality of the work, equalizing the information about electrical rotating machines and distribution transformers, creating an advantage in internal and external customer service.

Intended for engineers and technologists who work in the technical, industrial and commercial areas of the Energy, Motors and Transmission & Distribution units. **Number of Participations** until 2018: **202**

Specializations

IN-COMPANY POSTGRADUATION: It creates opportunities for the employees to update and specialize in the fields of engineering and business administration. Post-graduation can be specialization or a master's degree.

SPECIALIZED COURSES COMPLETED IN 2018:

- 17 SPECIALIZATION COURSES
- 3 MASTER'S DEGREE IN TECHNICAL AREAS

The courses were carried out through agreements with reputable educational institutions, namely:

- UFSC (Federal University of Santa Catarina);
- FURB (Regional University of Blumenau);
- SOCIESC (Educational Society of Santa Catarina);
- UTFPR (Federal University of Technology – Parana);
- PUC-PR (Pontifical Catholic University of Parana);
- ESAG (Upper School of Administration);
- FEST (Espírito Santo Foundation of Technology);
- FGV-SP (Getúlio Vargas Foundation).

THE PROGRAMS CARRIED OUT INVOLVED APPROXIMATELY 801 EMPLOYEES.



Leaderships

Developing leadership is one of the main drivers of the company. This development aims at providing leaders with a greater commitment to achieve the company's strategic objectives.

POTENTIAL EVALUATION

Tool that identifies potentials, considering administrative, interpersonal and intrapersonal characteristics in order to support the company in strategic decision making in case of promotions to supervision, specialist, management or direction positions.

LEADERSHIP ACADEMY

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

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

- Professional Development (DP) – Intended for employees who do not work as managers and need development in aspects of leadership;
- Head of Section Development (DC) – Intended for Heads of Sections;
- Management Development (DG) – Intended for Department Managers;
- Executive Development (ED) – 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 highlight 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 of new professionals. Thus, WEG encourages the growth of employees that stand out, valuing and promoting their development. The programs are carried out in business school in Brazil and abroad, such as Amana, Cenex, Insead, Kellogg, Stanford, Indian Institute of Management, Trend School, among others. In parallel with this program, managers identified as potential talents may take an in-company specialization in Business Administration in a partnership with FGV-SP to prepare their potentials for future leadership roles.

COACHING

WEG provides its leaderships and expatriates with another career development tool for free: Coaching. It develops self-knowledge and boosts their skills to achieve their objectives, which involve management and relationship competences.

SUCCESSION PLAN

The company has a tool to map the current executives and identify possible and potential successors. Potential talents are indicated by supervisors and validated by a specific committee, based on future demand and/or retention study. The names are annually reevaluated by the 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 outstanding employees, preparing them for the future. Therefore, a development plan is generated to prepare them for new roles in up to three years.

SEMINAR ON MANAGEMENT PRACTICES

The Management Practice Seminar was developed to share good practices of people management as a way to stimulate the internal benchmarking among managers.

These meetings are held monthly with length of one hour and thirty minutes, and subjects established based on climate indicators and management competence reviews. Managers who cannot attend in person have the possibility to follow them via Skype.

In 2018 there were 3,023 participations.

MANAGEMENT COMPETENCE REVIEW

Tool that helps managers identify the best developed competences and which ones can be worked on. The managers are evaluated every two years by the immediate supervisor, peers and subordinates; the subordinates only evaluate the "Prepare people and build teams" competence.

After these evaluations, the managers generate a self-development plan (SDP), reviewed every evaluation process, aiming at their continuous development.



Organizational Climate

INTERNAL ORGANIZATIONAL CLIMATE SURVEY

The Internal Organizational Climate Survey is held every two years in order to identify the satisfaction level of the employees regarding the policies, values, benefits, development and management.



In 2018, the survey covered **16,984 RESPONDENTS** from all business units in Brazil.

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

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

The "Best Companies to Work" of VOCÊ S/A Magazine evaluates the employees' satisfaction and motivation in the work environment. It is the only evaluation of organizational climate in the country that has a qualitative step, occurring through the journalist's visit.



In 2018, we participated with a sample of **2,497**, representing **83% OF THE EMPLOYEES** selected in different parts of the country.

Employees from all locations and functions responded spontaneously regarding their satisfaction with the company. WEG was ranked as the best company in the Diverse Companies category and the 3rd with the Best Happiness Index at Work among the **150 BEST COMPANIES** to work.

CAREER VALUE AWARD THE BEST IN PEOPLE MANAGEMENT/2018

The award offers to the participating companies an overview of how engagement and satisfaction are perceived on various subjects that compose the prosperity indicator. It presents the factors that impact the prosperity indicator which are premises for the development of talents focused on high performance culture.

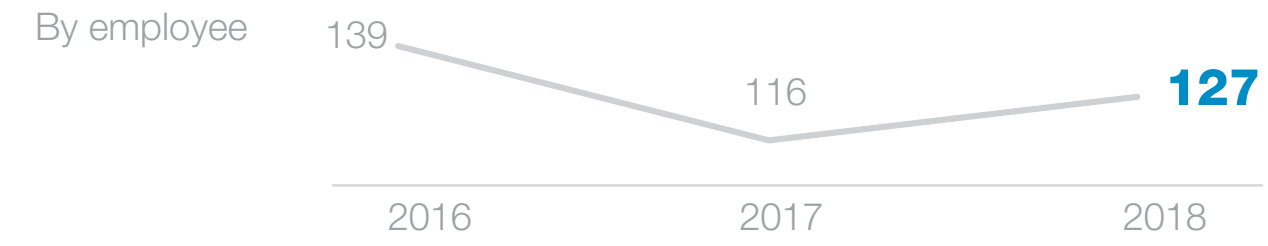
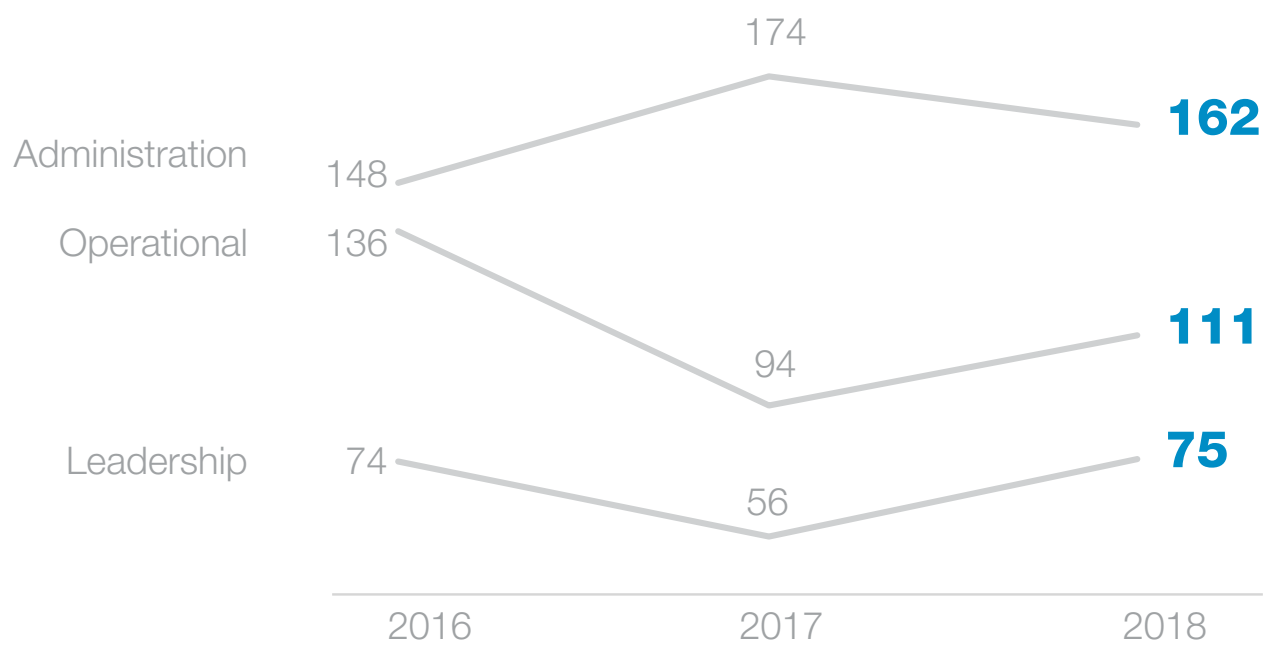
Through a questionnaire answered by 2,096, 84% of the selected employees, we were among the 35 Best Companies in People Management; 4th PLACE IN THE CATEGORY above 17 THOUSAND EMPLOYEES in 2018.





Training Indicators

AVERAGE OF TRAINING HOURS



INVESTMENT IN TRAINING

(in Million R\$)



Benefits Offered to Employees

WEG invested **400,3 MILLION** in benefits to its employees, including:

- Health Care
- Dental Care
- Pension Plan
- Meals
- Influenza Vaccination Program
- Life insurance
- Profit sharing
- Child Education Program
- Christmas Gift

Promotion of Health



HEALTH AND WELL-BEING

Aligned to SDG 3 - "Ensure a healthy life and promote well-being for all, at all ages." WEG promotes health and good practices for the well-being and life quality of employees by means of different programs and actions, including:

- Medical Care
- Chronic Diseases Health Program
- Preparation for Retirement
- Health Campaigns



PINK OCTOBER: Global movement to call people's attention to the current condition of the breast cancer and the importance of the early diagnosis. WEG promotes awareness campaigns with its employees.

BLUE NOVEMBER: A global movement to call people's attention to male diseases, with emphasis on the prevention and early diagnosis of prostate cancer. WEG promotes awareness campaigns with its employees.

ETHICS AND INTEGRITY



Ethics and Integrity

A sustainable operation depends basically on an ethical behavior at the company and in the relations between the stakeholders. WEG has a strong corporate policy structure and codes and constantly work on their improvement to ensure a management fully integrated to ethical aspects.

CODE OF ETHICS

DEVELOPMENT AND APPROVAL

WEG works in a cross-sectional discussion process, involving several hierarchical levels of the company to add to this process a broad and diversified vision. The Code of Ethics Management Commission coordinates the process, and the Direction and Board of Directors approve it.

INTERNAL APPLICATION

In order for the Code of Ethics to be accessible and clearly understood by all employees, its content is presented when employees enter the company, who must sign a term of commitment stating the receipt and compliance with the Code of Ethics. Whenever updated, the Code is presented to all employees, who must re-sign the term of commitment. WEG seeks to make its employees aware of the importance of the subjects that compose the Code by means of internal communication actions.



INCENTIVE FOR ITS STAKEHOLDERS TO APPLY THE GUIDELINES OF THE CODE OF ETHICS

Furthermore, WEG encourages its stakeholders, namely associated companies, suppliers, service providers, commercial representatives/distributors, dealers and repair shops, customers, investors, community and the government to apply the Code of Ethics guidelines.

COVERED TOPICS

- Compliance with Laws and Regulations;
- Information;
- Property;
- Employees and Work Environment;
- Suppliers and Independent Contractors;
- Customers;
- Community;
- Competitors;
- Shareholders and Stock Market;
- Finances and Accounting;
- Public Authorities;
- Trade Associations;
- Communication;
- Corruption;
- Environment.

DUTIES OF THE CODE OF ETHICS MANAGEMENT COMMISSION

- Interpret the Code of Ethics in case of uncertainties in order to make the understanding uniform and avoid ambiguities in its application;
- Analyze periodically and review, when necessary, the Code of Ethics in the light of the application and ethics evolvement 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 in the company;
- Deliberate on the necessary resources for the application of the Code.

DENOUNCEMENT MANAGEMENT SYSTEM

In order to make denouncements about violations, the Code of Ethics has different communication channels, applied globally, namely:



Communication to immediate supervisor (leader, manager or director)

The provided information are 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.

The Code of Ethics has global application with versions in Portuguese, English, Spanish, Mandarin and Russian.

Fight Against Corruption

WEG's positioning reflected in the company's proactive policies and practices aims at preventing and fighting corruption and other detrimental acts, detecting and solving misappropriation, fraud, irregularities and wrongful acts against the national or foreign public administration, as well as stimulating the denunciation for failure to comply with them. This positioning is in line with SDG 16, which is: "Promote peaceful and inclusive societies for the sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels."

Among the goals that make up the SDG 16, WEG 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 of its forms;
- **16.6** Develop effective, accountable and transparent institutions at all levels;
- **16.8** Expand and strengthen the participation of developing countries in the global governance institutions.



Policy of Prevention and Fight Against Corruption and Other Detrimental Acts

The Policy, applicable to WEG S/A and all 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 construed 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) from the United Kingdom.

This Policy covers all administrators, members of the Audit Committee, managers, employees, suppliers, customers, commercial representatives and other persons who may act on behalf of and authorized by WEG.

ACKNOWLEDGEMENT TERMS FOR ADMINISTRATORS, MANAGERS AND EMPLOYEES: The administrators, members of the Audit Committee, managers and other employees who keep relations with the national or foreign public administrations must sign the term or acknowledge the awareness of this Policy.

INSPECTION: Inspections must be carried out with transparency, impersonality, legitimacy and in accordance with WEG General Administration Manual.

DISCLOSURE AND TRAINING: WEG will disclose and keep this Policy available to all and will periodically train the persons it covers.

CONTROLS AND MONITORING: WEG shall maintain constant controls and monitoring to prevent wrongful acts in its activities and business.

INTERNAL AUDIT: The Internal Audit Department of WEG in Brazil will check the application and compliance with this policy, as it has independence to do this job.

TREATMENT OF NON-CONFORMITIES AND SANCTIONS: The Internal Audit Department will provide the appropriate actions for the immediate cessation of any act or omission contrary to the established in this Policy, as soon as it is identified and confirmed.

DENOUNCEMENTS: Anyone who observes or becomes aware of violations of this Policy may report such situations using the denunciations channels provided by WEG. The provided information will be kept confidential, except for situations in which WEG has the legal obligation to inform the authorities.

QUESTIONS AND OMITTED CASES: Any questions about this Policy can be answered through the channels provided by WEG. The occurrence of any situation not provided for in this Policy will be dealt with by a committee to be defined by the Chief Executive Officer of WEG S/A.

PERIODIC REVIEW: It will be reviewed every two years or whenever reasons to justify its review in a shorter period arise, with approval by the Executive Board of WEG, ad referendum of the Board of Directors of WEG S/A.

Subjects covered

- Acts detrimental to the public administration;
- Business relations contracts;
- Consortiums;
- Bidding processes with the public administration or interaction with it;
- Hiring of third parties;
- Mergers, acquisitions, joint-ventures, corporate restructuring and shareholders agreement;
- Corporate gifts;
- Sponsorships, contributions and donations;
- Receiving and granting benefits;
- Donations to candidates or political parties;
- Impediments;
- Conflict of interests;
- Accounting records.

HEALTH AND SAFETY AT WORK





Health and Safety at Work

Seeking to promote a healthy and safe environment for its employees, WEG is guided by its Health and Safety policy to structure programs and processes that promote awareness and dissemination of the prevention culture.

SAFETY AND ERGONOMICS COMMITTEE

Consisting of members of the Direction, the committee regularly analyzes process indicators, and the result of WEG Safety and Ergonomics Program.

WEG MANUFACTURING SYSTEM – WMS

WMS is a manufacturing management system to improve administrative and productive processes through a structured set of methods and tools.

It is structured in 10 technical pillars and 10 management pillars, with Safety being one of the technical pillars.

The Safety Pillar organizes the tools and methods in seven steps.

The creation of prevention culture evolves through the implementation of each of the safety pillar steps, which aims at eliminating accidents and risks in search of ZERO accidents.

OCCUPATIONAL AND COMMUTING SAFETY

The basic rules of safety principles were organized in the model of continuous improvement. They establish a logical order of performance in occupational safety and are a reference to establish preventive actions in the environment.

The principles are structured considering the preparation of a safe environment, qualification of people, compliance with rules and realization of risks and communication. The rules are disseminated in all work environments, through monthly meetings, daily safety dialogues and other forms of communication. For commuting, the rules follow the same structure, but oriented to defensive driving.

WEG HEARING CONSERVATION PROGRAM – PWCA

WEG Hearing Conservation Program (PWCA) aims at standardizing measures to promote, maintain and prevent the hearing health of employees exposed to "occupational noise risk".

WEG SAFETY AND ERGONOMICS PROGRAM – PWSE

Ergonomics and safety program intended for the manufacturing areas, encouraging the participation of employees in the solutions to improve the workstations.

INTERNAL COMMISSION OF ACCIDENT PREVENTION

It develops improvements for irregularities identified in the monthly inspections.



LABOR GYMNASTICS

The labor Gymnastics seeks to improve the life quality, encourage physical activity and integration of employees, in addition to preventing stress and occupational diseases.

EMERGENCY TEAMS - BRIGADE

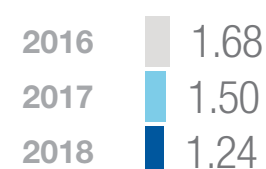
Emergency teams are composed of volunteer employees, trained and qualified to act in events such as fire, serious accidents, chemical spills, floods, and other situations.

Occupational Health and Safety Indicators

Brazil Data

INJURY RATE - CONSOLIDATED

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



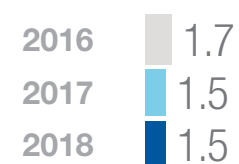
RATE OF LOST WORKING DAYS - CONSOLIDATED

(Number of days employees missed due to accidents with sick leaves every 200 thousand hours)



ABSENTEEISM RATE - CONSOLIDATED

(Quantity of absenteeism every 200 thousand hours of work)



INVESTMENT IN SAFETY

(in Million R\$)

ADJUSTMENT OF MACHINES AND EQUIPMENT
INVESTMENT IN PPES
TOTAL

	2016	2017	2018
ADJUSTMENT OF MACHINES AND EQUIPMENT	4,3	3,2	3,3
INVESTMENT IN PPES	8,4	9,4	10,8
TOTAL	12,7	12,6	14,1

INJURY RATE - BY REGION AND GENDER

		2016	2017	2018
SOUTH	MEN	1.57	1.17	1.22
	WOMEN	0.21	0.14	0.08
SOUTHEAST	MEN	1.12	5.68	0.91
	WOMEN	0.16	0.42	0.04
NORTH	MEN	0.35	0.75	0.80
	WOMEN	0.00	0.00	0.00

RATE OF LOST WORKING DAYS - BY REGION

	2016	2017	2018
SOUTH	57.37	33.31	32.56
SOUTHEAST	13.91	99.14	25.94
NORTH	84.54	1.12	1.60

ABSENTEEISM RATE - BY REGION

	2016	2017	2018
SOUTH	1.7	1.7	1.6
SOUTHEAST	1.4	1.4	0.8
NORTH	3.4	3.4	2.5
NORTHEAST	0	0.4	1.8

ENVIRONMENTAL MANAGEMENT





Environmental Management

All efforts to improve processes that reduce environmental impacts, such as the conservation of natural resources and the management of waste and emission generation, are needed to stimulate and contribute to an agenda aligned with the Sustainable Development Objectives (SDG), and consequently have a more sustainable development.

The policy of the WEG Group is to ensure the lowest environmental impact of its products and production processes, seeking:

- Compliance with the applicable environmental legislation;
- Continuous improvement by establishing environmental goals and objectives;

- Operation in a preventive way, aiming at protecting the environment of which it is part;
- Ecoefficient processes and products, preserving natural resources.

WEG's environmental management is based on preventive measures to protect the environment, investment in technologies and constant improvement of processes, establishing environmental goals and objectives.

The constant search for improved efficiency and reduction of environmental impacts from economic activities are aligned and impact the SDG 12 goals.



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 Indicators

As of this edition of the Integrated Annual Report, all environmental management indicators will have a global scope, covering all 42 Manufacturing Plants present in 12 *countries around the world.

**South Africa, Germany, Argentina, Austria, Brazil, China, Colombia, Spain, USA, India, Mexico and Portugal.*

For comparison, the indicators of the previous criteria (indicators of Brazil) will be maintained, and the indicators in the current criteria (global indicators) will be informed separately.

Water

BRAZIL INDICATORS

GLOBAL INDICATORS

WATER CONSUMPTION – ABSOLUTE (m³)

2016	635,962
2017	660,207
2018	634,620

2018
1,062,816

WATER CONSUMPTION / NOI (Net Operating Income)

2016	67.8
2017	69.3
2018	53.0

2018
88.7

WATER CONSUMPTION BY SOURCE (m³ / year)

BRAZIL INDICATORS

GLOBAL INDICATORS

PURCHASED WATER (PUBLIC UTILITY COMPANY)

2016	180,792
2017	188,584
2018	179,234

2018
575,899

SURFACE WATER (RIVERS, LAKES AND OCEANS)

2016	204,738
2017	209,533
2018	178,694

2018
178,694

GROUND WATER (WELL)

2016	219,985
2017	233,206
2018	248,531

2018
270,651

REUSE WATER (RECYCLED OR REUSED)

2016	30,444
2017	28,747
2018	27,677

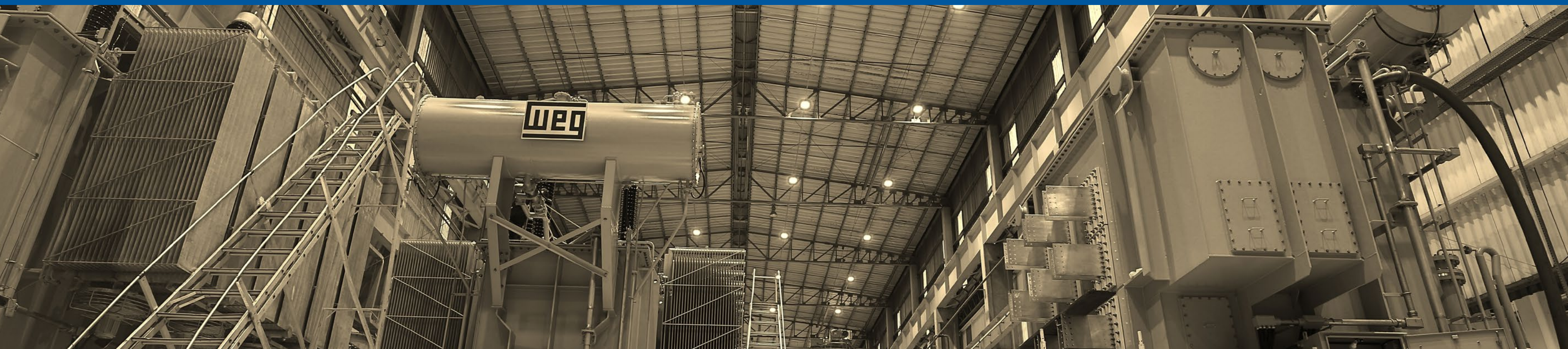
2018
37,037

RAINWATER

2016	3
2017	137
2018	485

2018
535





Electric Energy

ABSOLUTE CONSUMPTION (MWh)

2016	405,696
2017	435,570
2018	465,310

CONSUMPTION OF ELECTRIC ENERGY / NOI (Net Operating Income)

2016	43
2017	45
2018	39

CO₂ 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 ₂ e)		
2016	13,837	2018 32,734
2017	10,100	
2018	11,378	

EMISSIONS SCOPE 1 / NOI (Net Operating Income)		
2016	1.4	2018 2.7
2017	1.0	
2018	0.9	

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 ₂ e)	
2016	74,060
2017	91,843
2018	102,694

EMISSIONS SCOPE 2 / NOI (Net Operating Income)	
2016	7.9
2017	9.6
2018	8.5

Solid Waste

SOLID WASTE MANAGEMENT

(Quantity (ton))

BRAZIL INDICATORS

GLOBAL INDICATORS

ABSOLUTE GENERATION

2016	175,105	2018 253,030
2017	195,097	
2018	203,117	

GENERATION / NOI (Net Operating Income)

2016	18.6	2018 21.1
2017	20.4	
2018	16.9	

GENERATION BY TYPE

(Quantity (ton))

BRAZIL INDICATORS

GLOBAL INDICATORS

RECYCLABLE

2016	120,139	2018 189,158
2017	137,115	
2018	144,516	

NON-RECYCLABLE / NON-HAZARDOUS

2016	52,530	2018 57,415
2017	54,486	
2018	55,268	

NON-RECYCLABLE / HAZARDOUS

2016	2,436	2018 6,458
2017	3,496	
2018	3,333	

TYPE OF DISPOSAL
(Quantity (ton))

BRAZIL INDICATORS

GLOBAL INDICATORS

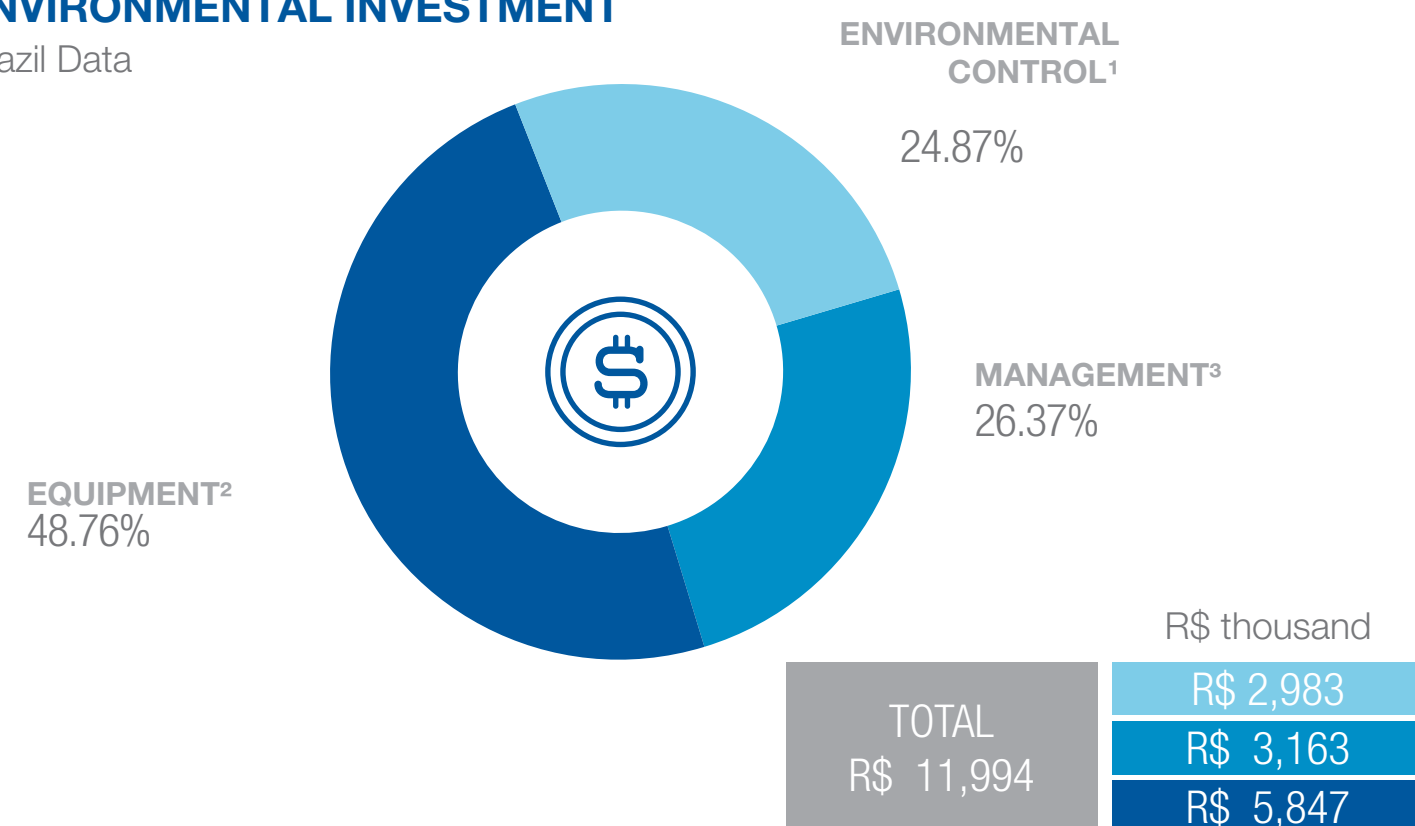
REUSE		2018 81,026
2016	64,744	
2017	77,310	
2018	78,904	
RECYCLING		2018 108,648
2016	55,403	
2017	60,268	
2018	65,612	
LANDFILL		2018 58,856
2016	53,536	
2017	55,912	
2018	57,149	
CO-PROCESSING/INCINERATION		2018 4,501
2016	1,421	
2017	1,606	
2018	1,453	



Other Environmental Information

ENVIRONMENTAL INVESTMENT

Brazil Data



Notes:

- 1 - Related to treatment and disposal of waste, treatment of atmospheric and liquid emissions, insurance of environmental liability and depreciation of equipment and expenses with materials and maintenance services, in addition to the operation of these.
- 2 - Related to the acquisition of equipment for environmental control.
- 3 - Related to the remuneration of training professionals who realize activities of environmental management, research and development, certification of environmental management systems.

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**

* Area of Legal Forest Reserve not considered in the item "Natural Forests"
 ** Areas of Permanent Preservation not considered in the item "Natural Forests"

CERTIFICATIONS

RELATIONS WITH CUSTOMERS





Relations With 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 46 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 the new initiatives of WEG operation, 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 m² of infrastructure;
- 4 large and equipped classrooms;
- 4 own instructors;
- Auditorium with 100 seats.

COURSES

- 30 classroom courses;
- 2 long-distance learning courses.

2018



Number of People trained in classroom courses: **3,004**



Hours of training: **3,455**



Enrolments in long-distance learning courses: **962**



Number of students: **1,320**



Total number of received Institutions: **37**

VISIT OUR HOME PROJECT

The Conheça Nossa Casa (Visit Our Home) project brings important WEG customers and partners. Five projects occurred in 2018, involving over 200 visitors, who had the opportunity to know our facilities, our 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 customers and suppliers, WEG invests in the participation in fairs and exhibits to present to the public the solutions of its various segments. In 2018, WEG participated in eight fairs that drew more than seven thousand visitors interested in the innovations presented by the company.

MARKETING POLICY

This policy aims at ensuring the alignment of the WEG GROUP's marketing communications actions and projects 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 regarding the sector self-regulation codes and legislation. Ultimately, it aims at creating positive values in society as a way of contributing to sustainable development.

RELATIONS WITH SUPPLIERS





Relations With 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.

FORMAL COMMITMENTS ESTABLISHED IN SUPPLY AGREEMENTS AND CONTRACTS

- Quality assurance of the products;
- Compliance with the RoHS Directive, which prohibits or restricts the use of certain chemical substances in raw materials and components or used in the manufacturing processes of electrical and electronic equipment;
- Compliance with the standards established by the environmental legislation;
- Commitment to not using child labor, forced or compulsory labor in its production chain;
- Compliance with labor and tax obligations in accordance with the laws in force;
- Commitment to developing internal policies to promote diversity and fight discriminatory practices in compliance with international labor standards and conventions;
- Commitment to extending the requirements above to its main business partners, encouraging the alignment of such policies;
- Commitment to developing local and/or regional suppliers and contract small and/or medium-sized suppliers in its supply chain.

Code of Ethics for Suppliers

The Code of Ethics is one more important communication channel about relevant ethical aspects for the evolution of the business with WEG suppliers.

WEG encourages the dissemination of the Code directives in all the scopes of decision and operation of the suppliers, and also in their respective supply chains.

VERSIONS:

Portuguese, English, Mandarin and Spanish.

DENOUNCEMENTS AND QUESTIONS:

WEG provides different communication channels for denouncements and/or questions, namely:



WEG Website



Email



Telephones
(Brazil and abroad)



Letter



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

- Valuing of the Local Supplier;
- Development of Suppliers;
- WEG Assured Quality Program (certification);
- 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 environmental aspects so as to ensure that they perform their activities safely within the standards in force);
- Development, selection and assessment of suppliers based on sustainability criteria: The new and strategic suppliers answer the sustainability assessment form. The assessment form, with versions in Portuguese, English and Spanish, considers requirements related to the environment, health and occupational safety management and social responsibility. The assessment generates a performance result, which allows evaluating whether the supplier is in compliance with those requirements or if it needs an improvement plan to become a WEG supplier.

WEG Supply Chain

In 2018 WEG had business relations with 11,482 suppliers. Below is a summary of the activities with suppliers in the business units:

MOTORS

The Motors Unit purchases parts and raw materials from suppliers from different regions of Brazil, as well as from suppliers abroad.

In 2018, it had business transactions with 5,492 suppliers, being 92.67% of purchased from Brazilian companies. 41% 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, steel work processing, stamped parts, insulating materials, electric conductors, fasteners and brakes.



AUTOMATION

In 2018 almost 1,600 suppliers, from different sectors (from screws to semiconductors) did business with the Automation Unit. Despite its highly complex products, the Unit purchased 58% 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. This year again we reached the lowest raw material rejection rate in the past 10 years, 0.32%.

Main changes in the period of the report

2018 was marked by intensive actions to improve the quality of its suppliers and extensive search for cost reduction, and the development of new suppliers resulted in potential savings of R\$ 5.7 million a year.



ENERGY

The Energy Unit carried out business transactions with over 1,900 suppliers in 2018, of which approximately 90% are from Brazil (97% of them located in Southern and Southeastern Brazil).

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, cast or forged parts.



TRANSMISSION AND DISTRIBUTION

WEG Transmission and Distribution buys production materials of higher technological complexity from other countries. For other items, which are majority and generally demand intensive use of labor, the volume of purchase is quite concentrated in suppliers of the domestic market.

In 2018, it carried out business transactions with approximately 590 suppliers, 90% from the domestic market, and 10% 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.



Foto: Edmilson Schmitz

COATINGS

In 2018 the Coatings Unit maintained the acquisition of raw materials and miscellaneous products from Brazilian and foreign suppliers, having business relations with more than 1,900 suppliers. Purchases in Brazil accounted for 54% of the total value purchased, of which 87% were made in the Southeast and South regions.

Imported materials were purchased from the American, Asian, European and African continents. The main purchased materials remained: 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 2018, the continuous integration of Santa Catarina, São Paulo, and Argentina units and the distribution center in Cabo de Santo Agostinho enabled the expansion of the logistics capacity to supply industrial coatings and the strengthening of the presence in the markets of coatings for glass, mirrors, plastic, car parts, automotive refinish and the wind segment.



RELATIONS WITH THE COMMUNITY



Relations With the Community

WEG seeks to positively impact the local communities where it operates.

Social projects that bring more education, culture, health and social inclusion are important to stimulate a society with more opportunities and quality of life for people.

At WEG, this relation with local communities and civil society is carried out by the area of Community Relations and through the Social Investment Group, which manages the resources. This group analyzes the projects technically to check that they are aligned with WEG Social Investment policy. If approved, the proposed projects are forwarded to the HR and Finance Directions, which give the final approval to the projects.

In some cases, the Managing Directors and the President may be involved in the decisions by means of the Meeting of the Executive Board.

ALIGNMENT WITH THE SDG

We are aware of the positive impact of maintaining good projects and encouraging the creation of new ones and/or inclusive and sustainable businesses with our stakeholders, strengthening the alignment of our practices with the SDG.



JARAGUÁ MAIS SAUDÁVEL (HEALTHIER JARAGUÁ)

WEG is part of the "Jaraguá mais saudável" program, located in the city of Jaraguá do Sul - SC (headquarters). The Jaraguá mais saudável program involves the pillars, Move (conveying the importance of physical exercise), Eat (importance of a healthy diet and incentive to local production) and Belong (deals with the feeling of thankfulness, feel part of this space, feel well where you are, relationships). In addition to being involved with Groups that think about improvements in the life quality of the city, WEG is applying the improvement with its employees through the ViverbemWEG (WEG Live Well) program.

TARGET - WEG

TARGET	RESULT	SDG LINKED	SDG TARGET RELATIONSHIP
Attend to 3,000 students from primary and secondary schools, applying educational actions.	OK: 4,365 students attended	QUALITY EDUCATION	SDG 4.1 - By 2030, ensure that all girls and boys complete the first and second levels of education, equitable and of quality, that conducts to results of learning that are relevant and effective.

Social Investment

The social investments (SI) are destined to the cities in which WEG has industrial operation, having four areas of action: Health, Education, Social Inclusion and Culture.

Investments are made through two sources of funds: Own Funds, from direct values of the company, and through tax incentives. The approval of the projects, as already mentioned, is analyzed based on the alignment with the WEG Social Investment Policy.

Principles governing the Social Investment Policy:

- Occur in cities where WEG keeps industrial operations;
- Derive from a private, non-profit entity, whose legislation enables the tax deduction, and which has a recognized record of accomplishment;
- Aim at a collective coverage;
- Bring social improvement and life quality for the population;
- Involve WEG employees and/or their relatives;
- Are related to the necessities and interests of the community;
- Contribute to the sustainable development;
- Promote a positive image of WEG;
- Are kept by at least one more sponsor so as not to depend exclusively on WEG's resources;
- Are aligned with WEG Code of Ethics and Policy of Prevention and Fight against Corruption and Other Detrimental Acts.

In 2018, R\$ 9,4 million

were invested in 44 social projects.



EXAMPLES OF SOCIAL PROJECTS SUPPORTED BY WEG IN 2018



BRAZIL

- Arte para Todos (Art for all) - (Blumenau)
Free workshops (music, theater, school reinforcement, capoeira, guitar, plastic arts) for children and young people between 06 and 14 years.
- Projeto Segredos (Secrets Project) - (Guaramirim)
The project aims to address the issue of violence and child abuse. With structure that offers clarification to the children and qualification to the teachers.



ARGENTINA

- Business training for Secondary School Principals (Córdoba) - Training in administration area.



UNITED STATES

- Blood Drive (Minneapolis) - Event for blood donation of employees. The employees register in advance and make the donation on the scheduled day.
- Support for Hospitals and Healthcare Entities (Atlanta) - Financial support for treatment of patients with Breast Cancer and for treatment of children at St Jude Children Research Hospital.



PORTUGAL

- Pirilampo Mágico (Magic Firefly) - (Vila Nova de Gaia) - WEG made it possible to buy souvenirs of the initiative by its employees, helping the entity that focuses on the education and rehabilitation of people with intellectual disabilities and / or multideficiency.
- Caminhada Solidária WEG (WEG Solidarity Walk) - (Maia) - WEG contributed the monetary value equal to the total amount collected in the enrollment for the walk, carried out by employees and family members. The amount collected was fully reimbursed to the Centro Social Paroquial da Maia - Lar de Nazaré, which serves the elderly.

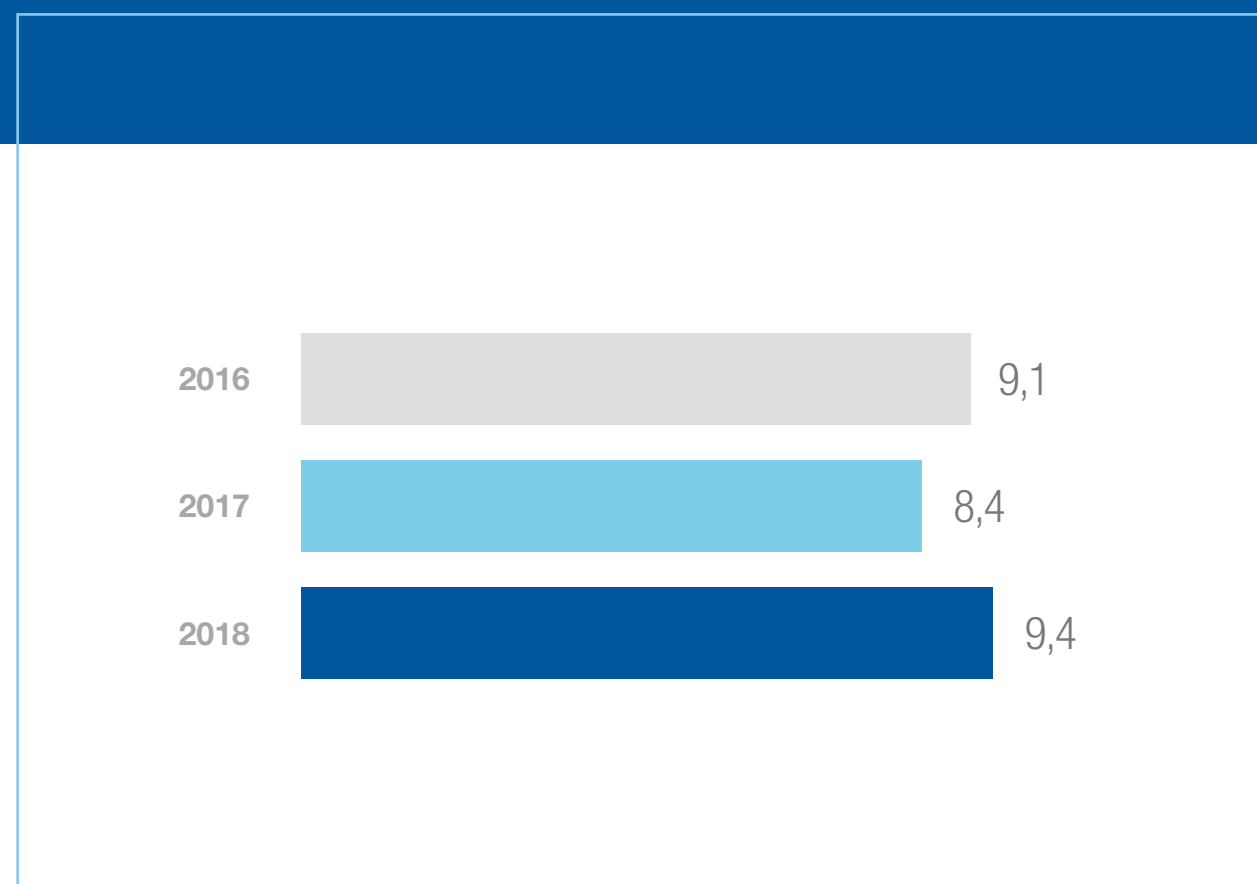


MEXICO

- Environment, Reforestation (Huehuetoca) Reforestation campaign, in which 510 trees of different species were planted in an area of two hectares, in addition to the donation of 50 trees to the Huehuetoca prefecture.
- School visits and links with educational institutions (Huehuetoca) Events generated in educational institutions where WEG participates altruistically, providing technical conferences for students.

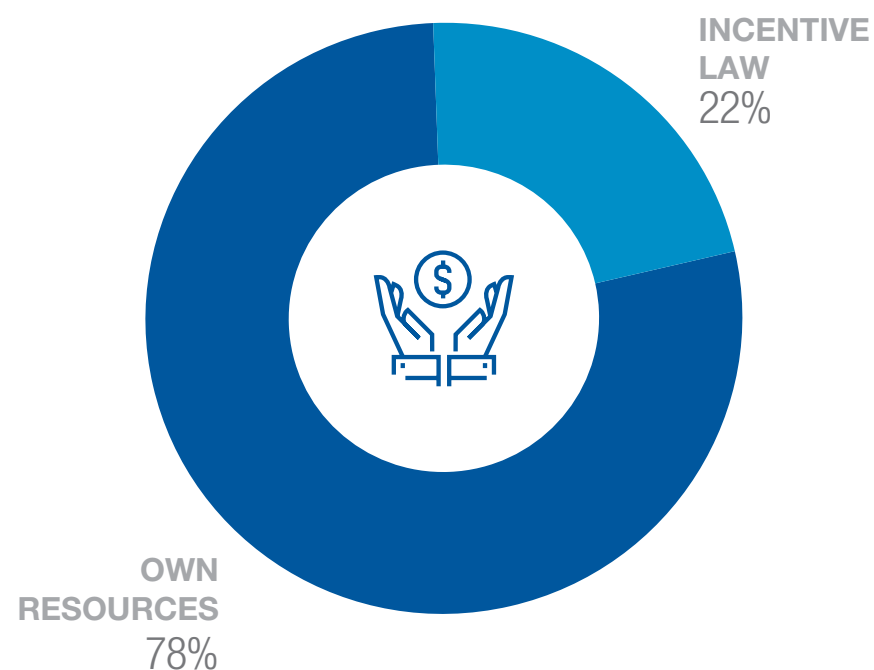
Social Investment Data

(in Million R\$)

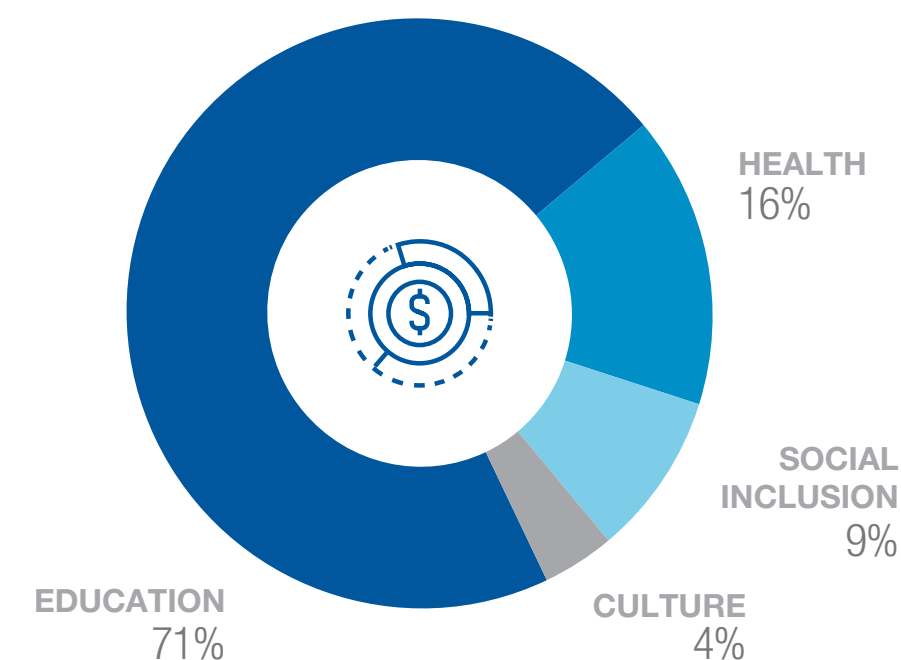


*Own Resources and via Incentive Laws

SOURCE OF THE FUNDS



INVESTMENT BY AREA



Of the invested funds, 78% were through Own Resources and 22% through Tax Incentives, divided into 5 Tax Incentive Laws (Rouanet Law, Sports Law, Childhood and Adolescence Fund, Elderly Fund and PRONAS).

Of the 44 projects supported, 21 serve Children and Adolescents.



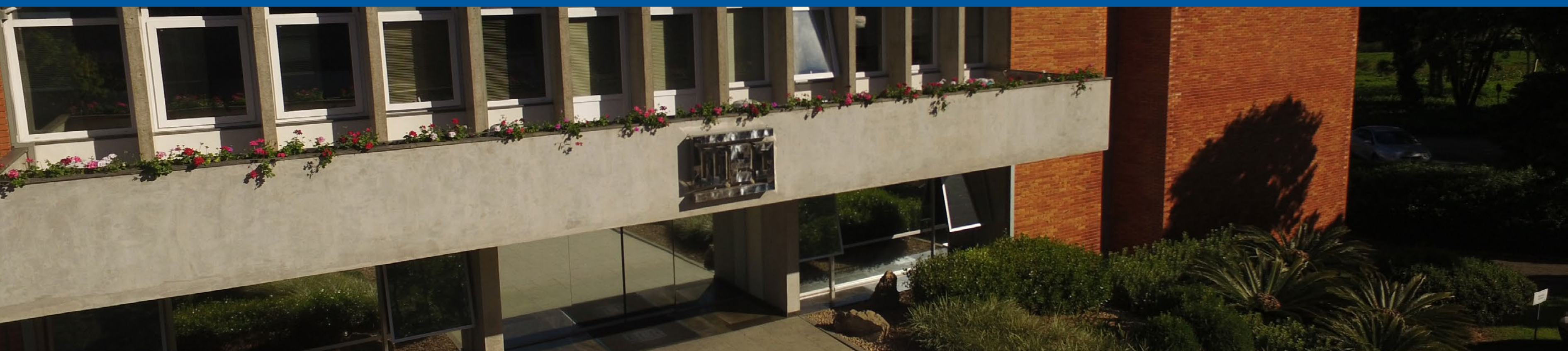
Practices Towards the Relation With the Community and Civil Society

CHANNEL FOR PROJECT REGISTRATION

In order to provide an accessible and transparent contact network with the local communities and civil society, the entities interested in registering their projects and needs must do so on our website, where they have a specific channel for registering such projects.

SUSTAINABLE GROWTH MEETING

In 2018 WEG held the Sustainable Growth Meeting in the city of Jaraguá do Sul - SC (headquarters), bringing together 20 entities and 53 participants, achieving a 92% satisfaction rate. The meeting addressed the importance of Accountability of the projects. When entities raise funds, the quality of the accountability of the investment and achievement of the objectives is critical to the transparency of the process. This encouragement and support from WEG with the entities strengthens the security of the correct application of funds.



SOCIAL ARTICULATION

Social Fund of Jaraguá do Sul – SC

In 2018, it was maintained the partnership with SESI-SC, an entity of the Industry Federation System (FIESC), and the Jaraguá do Sul Business Association (ACIJS) together with companies and entities of the civil society, in the Social Fund in Jaraguá do Sul -SC.

Initiative that offers management of social projects benefited by tax exemption legislation and guides companies to redirect part of their taxes to projects via Rouanet law, Sports law, FIA, Elderly Fund, PRONON and PRONAS from the region, strengthening the development of the local economy, with positive social effects.

HIGHLIGHT 2018 - VOLUNTEERING

The WEG Volunteering program, named "Volunteer Heart Program", had the restructuring of the Volunteer Bank and the creation of the Volunteer Group. In 2018 420 volunteer registered.

WEG believes that one of the essential components of volunteering is the experience of the volunteers, their professional background and life experience in the family and community.

WEG Volunteering programs of the Volunteer



Heart offer an opportunity for the employees that want to take part in the community, conveying knowledge by means of their experiences and skills.

The so-called Solidary Actions are projects and events that take place throughout the year and are offered to the volunteers. The employee has the possibility to participate in actions in the community. The entities register their need for volunteer work on our website.

EDUCATION AND ENTREPRENEURSHIP PROGRAMS

Aimed at children and adolescents from elementary and high school. The volunteers go to the classroom, where, by means of lectures, they convey concepts of entrepreneurship and notions of the business environment, which contribute to the education of future professionals. They also conduct occasional courses at schools on subjects such as: Let's talk about Ethics and My Money My Business.

THE VOLUNTEER AT THE MUSEUM

Develops a role of knowledge facilitator, orienting and helping the visitors in the interactive applications, guiding scientific experiments, sharing their professional experience and WEG's history.

They work in Programs like:

- Educational actions for students of public schools;
- Leisure activities in the Museum vacation program;
- Monitoring of interactive activities for employees and their families who participate in the Family at the Museum program; among others.



GOVERNMENT AND SOCIETY



Government and Society

Committed to the country's growth through job creation and sustainable growth, WEG maintains strong involvement with Trade Associations and Governments, focusing on industrial, commercial and sector policies of the industry installed in Brazil.

As a company operating in several segments of the industry, WEG is simultaneously present in various forums (Work Groups, Commissions, Chambers, Committees, Boards of Directors and Administration), distributed in different Entities and Trade Associations.

Depending on the nature of the subject, WEG participates through the Corporate Strategies Direction, HR Direction and Institutional Relations, or directly by means of representatives of the Business Units involved, as shown in the image below:



Internally, in the company, the subjects are discussed through specific Commissions and/or Committees formed by representatives of the respective areas involved. Such forums have the function of assessing proposals from the entities and recommending actions or positions on behalf of the company.

The process ensures that the positions and actions of the Company in the various forums occur in a coordinated way and are in line with the reality of all businesses and markets in which WEG operates, effectively fulfilling its role of promoting job creation and sustainable growth of the national industry.

GRI Remissive Index

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G4-1: Message from the President	3
ORGANIZATIONAL PROFILE	
G4-3: Name of the organization	15
G4-4: Main brands, products	24
G4-5: Location of the headquarters	Av Prefeito Waldemar Grubba, 3.300 – 89256-900 – Jaraguá do Sul – SC - Brasil
G4-6: Number of the countries in which it operates and their names	8
G4-7: Nature and legal form of organization	15
G4-8: Covered markets	22
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	67
G4-13: Main changes in the period of the report	69
G4-14: Explanation on how the organization applies the precautionary principle	16
G4-15: Letters, principles or other initiatives that the organization subscribes or endorses	4
G4-16: Participation in national/international defense associations and/or entities	82
MATERIAL ASPECTS IDENTIFIED AND LIMITS	
G4-17: Entities included in the consolidated financial statements or documents equivalent of the organization.	22
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
ENGAGEMENT OF STAKEHOLDERS	
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
REPORT PROFILE	
G4-28: Period covered by the report	Year of 2018
G4-29: Date of the last report published	In 2018, with the publication of the "Integrated Annual Report 2017"
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
GOVERNANCE	
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.	12
ETHICS AND INTEGRITY	
G4-56: Describe the organization's values, principles, standards and behavioral standards, such as codes of conduct and ethics.	45

GRI Remissive Index

DESCRIPTION	PAGE
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G4-SO4: Communication and training in policies and procedures of fight against corruption	47
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	16
G4-LA6: Rates of injuries, occupational diseases, lost days, absenteeism and number of work-related deaths, separated by region and gender	53
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General Coordination

Harry Schmelzer Jr. - Chief Executive Officer

Information Analysis

Information Distribution Committee

Content and editorial coordination

Corporate Sustainability Team

Coordination of editorial and graphic production

Corporate Marketing Section

Art and Graphic Design Direction

Compreendo Comunicação

Pictures from WEG Group Files

Thanks

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

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