

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) - 2023

TCFD RECOMMENDATION	DISCLOSURE WEG GOVERNANCE
<p>a) Describe how the Board oversees climate change-related risks and opportunities.</p>	<p>The Board of Directors stipulates strategic guidelines and approves investments and actions related to sustainability at WEG, including those related to climate change. As described in the internal regulations of the Board of Directors, its guideline is to ensure the company's continuity, within a long-term and sustainability perspective that incorporates economic, social, environmental and good corporate governance considerations in the definition of business and operations. This Board assignment applies to both risks and opportunities.</p> <p>The Board annually receives information on risks and opportunities that have been mapped by those responsible for WEG operations. Subsequently, it analyzes the information and defines actions to be taken, when necessary. In 2023, the Board analyzed and approved actions, in the strategic, tactical, and operational spheres, related to the WEG Group's risks identified in the last cycle.</p>
<p>b) Describe the Board's role in assessing and managing risks and opportunities related to climate change.</p>	<p>Corporate risk management at WEG is carried out by the company's Insurance and Risk Department, which within the organizational structure is part of the Financial Department. The Department consolidates the mapped and updated risks of the entire WEG group and presents the result of the risk analysis annually to the Board of Directors.</p> <p>In this process, the Board is updated in relation to the company's risks, as well as deliberates on related actions. The categories of risks assessed are established by WEG's Corporate Risk Management Policy, which is aligned with ISO 31000. Climate risks are covered in different categories. According to the result of the application of these criteria, the appropriate and proportional actions are defined for the identified risk, whether of financial or strategic impact. In addition to the risk management process, the strategic planning process is periodically reviewed, and in the last review cycle, opportunities and business drivers aligned with solutions for a low-carbon economy were identified.</p>

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<p>a) Describe the risks and opportunities related to climate change that the organization has identified in the short, medium, and long term.</p>	<p>RISKS: According to the WEG Group's Risk Management Policy, the following are considered:</p> <ul style="list-style-type: none"> • Short-term: period of up to 2 years. • Medium term: period of 3 to 5 years. • Long-term: period over 5 years. <p>Identified risks:</p> <ol style="list-style-type: none"> 1. Emerging regulation: mandates on the regulation of existing products and services. WEG is subject to new regulations, especially in the country where it operates, which may result in increased expenses for compliance. Time horizon: medium term. 2. Acute physical: cyclone, hurricane, typhoon. These weather events can impact WEG operations, paralyzing production occasionally, where it may be necessary to reestablish infrastructure/machinery that has been affected, necessary for the production process. Time horizon: short term. 3. Acute physical: flooding. This weather event may impact WEG operations, paralyzing production occasionally, where it may be necessary to reestablish infrastructure/machinery that has been affected, necessary for the production process. Time horizon: short term. <p>OPPORTUNITIES:</p> <p>Description of opportunities: Products and services: development of new products and services through R&D and innovation. As an example of opportunity, in the Solar Panels product lines, there is a potential increase in demand for clean energy generation solutions globally, due to the NDCs (Nationally Determined Contribution) assumed by more than 130 countries. As presented in the IEA (International Energy Agency) Scenarios, which indicates the evolution of the energy transition, especially in developed countries, through the replacement of current energy sources from energy generation from fossil fuels. These replacements signal a 170% increase in demand for solar energy from 2020 to 2030 in the Net Zero IEA scenario. This opportunity could increase demands, positively impacting Solar Panel products. Time horizon: short term.</p> <p>Description of opportunities: Resource efficiency: use of more efficient production and distribution processes. Through internal programs, we achieve resource efficiency in production processes. Two examples of programs are the WEG Manufacturing System (WMS) and the WEG KAIZEN. These programs have eco-efficiency and cleaner production as a management practice, in addition to participatory management that promotes the participation of employees in solving problems and continuous improvement activities that generate positive results in all processes. Time horizon: short term.</p>

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<p>b) Describe the impacts of risks and opportunities related to climate change on the organization's business, strategy and financial planning.</p>	<p>1. Emerging regulation: mandates on the regulation of existing products and services. Time horizon: medium term New regulations setting new energy efficiency limits could reduce revenue from certain product lines in certain markets Magnitude: Low</p> <p>2. Acute physical: cyclone, hurricane, typhoon. Time horizon: short term. In the regions where WEG has manufacturing parks, especially in the state of Santa Catarina (Brazil), there are historical records of cyclones and storms, which can impact the organization's operations, paralyzing production punctually for a period of time that will be necessary to reestablish infrastructure/machinery that has been affected, necessary for the production process. Magnitude: Medium/Low</p> <p>3. Acute physical: flooding. Time horizon: short-term In the regions where WEG has manufacturing facilities, especially in the state of Santa Catarina (Brazil) where the main plants are located, there are few records of floods capable of impacting the organization's operations, paralyzing production punctually/for a period of time that will be necessary to reestablish infrastructure/machinery that has been affected, necessary for the production process. Magnitude: Medium/Low</p> <p>Description of opportunities: Products and services: development of new products and services through R&D and innovation. Time horizon: short-term Innovation plays an important role in the company's financial impact. Our innovation index (percentage of revenue with products launched in the last 5 years) in 2023 was 59.1%. For WEG, technological innovation mainly refers to the development of new technologies, new products, materials and tests aimed at increasing efficiency, reducing costs, improving quality and reducing the raw material of products. Magnitude: High</p>

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<p>c)) Describe the resilience of the organization's strategy, considering different climate change scenarios, including a scenario of 2 °C or less.</p>	<p>Climate change has a strong relationship with WEG's strategy. In the review of the strategic planning, macro trends and scenarios to which WEG is exposed were analyzed, such as the containment of global warming, reconciling economic growth with higher energy consumption, as well as the reduction in the use of fossil fuels.</p> <p>Using the studies made available by the IEA (International Energy Agency) and studies that are based on the IEA's studies, such as those developed by the EPE (Energy Research Company), we evaluate the macro trends of the markets in which we operate in the electricity sector. In this way, our businesses seek to meet the needs pointed out by the IEA to carry out the energy transition. The IEA NZE 2050 transition scenario (Net Zero Emissions Scenario 2050), a scenario lower than 2°C, points to global development trends that drive global investments in infrastructures that make the transition scenario viable. In this sense, WEG seeks to capture opportunities in this scenario.</p> <p>Within this scenario, WEG has established the following strategic objectives:</p> <ul style="list-style-type: none"> • Contribute to building a more efficient and sustainable world by investing in energy efficiency, renewable energy, energy storage and electric mobility. • To be a world reference in motors, reducers, generators, transformers and electric drives. • Strengthen the industrial automation business, including solutions for the digitalization of industry and energy systems, as well as products for electrification in construction and infrastructure. • Develop the business globally through consistent ESG practices. <p>WEG has also established its Purpose, which plays a fundamental role in the Company's strategy, as it defines the reason for the organization's existence, what meaning it has for society and how it contributes to solving social and environmental problems. In addition, it provides synergy between the mission, vision and values.</p> <p>WEG Purpose: To develop technologies and solutions to contribute to building a more efficient and sustainable world. Within this context, the impact of risks and, especially, opportunities are relevant to the strategy, as well as the strategy is relevant for WEG to be an important player in the fight against climate change.</p>

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TCFD RECOMMENDATION	DISCLOSURE WEG RISK MANAGEMENT
<p>a) Describe the processes used by the organization to identify and assess risks related to climate changes.</p>	<p>The identification and assessment of risks related to climate change occur through WEG's corporate risk management process. This process is guided by the Corporate Risk Management Policy, which establishes the steps:</p> <ul style="list-style-type: none"> a) Identification of risks based on risk families (external, strategic, financial, people, compliance and governance and operations) and Classes, such as, for example, environmental and climate issues, which are a class of the "operations" family. Also in the "operations" family, there are classes related to up and downstream logistics risks. In the "Strategic Risks" family, there are classes of risks related to customers and, in the family of "external" risks, there are classes related to natural events (floods, floods, storms, etc.). b) Risk Analysis: encompasses the stages of classification of severity (evaluated in the human being, quality, environmental, impact, EBTIDA and image) and frequency (unlikely, remote, possible and probable) spheres, which are related to the event's occurrence horizon. c) Risk Assessment: result of the crossing between severity and frequency, resulting in the degree of risk (magnitude). d) Risk Treatment: definition and execution of actions to treat risks. e) Monitoring: risks are monitored annually and, according to the degree, reported to the Board of Directors, which deliberates on related strategic actions. <p>This process applies to all units of the WEG Group, as well as to affiliated and controlled companies</p>
<p>b) Describe the processes used by the organization to manage risks related to climate change.</p>	<p>The classification of risks considers aspects such as severity and frequency, which are related to the event's occurrence horizon. The intersection between severity and frequency establishes this identification and consequently the risk management process.</p> <p>Once identified and classified, the risks are managed according to the result of the classification of each one, where the appropriate and proportional actions for the risk are defined. This flow is applied to all risk categories monitored by the company, including those that include climate risks. As described in the Governance recommendation a), the risks are presented and evaluated annually by the Board of Directors.</p>
<p>c) Describe how the processes used by the organization to identify, assess and manage risks related to climate change are integrated into the organization's overall risk management.</p>	<p>WEG's processes for identifying, assessing and managing risks related to climate change are currently integrated into the general risk management process. This process is guided by the Corporate Risk Management Policy, which considers the following risk families: external, strategic, financial, people, compliance and governance, and operations. Climate issues are part of the "operations" family class.</p> <p>Also, in the "operations" family, there are classes related to up and downstream logistics risks. In the "Strategic Risks" family, there are classes of risks related to customers and in the family of "external" risks there are classes related to natural events (floods, floods, storms, etc.). All risks go through the same management process, through the relevance classification of each one.</p>

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TCFD RECOMMENDATION	DISCLOSURE WEG METRICS AND GOALS
<p>a) Report the metrics used by the organization to assess risks and opportunities related to climate change according to its strategy and risk management process.</p>	<p>WEG uses the GHG Protocol methodology as the basis for calculating its GHG emissions. The emissions inventory is verified by a third party and GHG emissions are monitored and disclosed annually. The data collected allows the company to understand how it is impacting and where it has opportunities for improvement to reduce its impacts, as well as to analyze its evolution compared to previous years. In addition, it helps to understand the risks and opportunities related to their impact.</p> <p>In addition to the emissions data reported in the Group's inventory, we have indicators of energy use, energy intensity, energy mix, investments in R&D for low-carbon products and new technologies. Specifically looking at opportunities, there are metrics of % of products aligned with the sustainable economy compared to other products.</p>
<p>b) Report Scope 1, Scope 2 and, if applicable, Scope 3 greenhouse gas emissions and the risks related to them</p>	<p>WEG's GHG emissions were calculated based on the GHG Protocol methodology.</p> <p>GHG emissions (tCO₂e/year) in 2023: ESCOPE 1: 49,919 ESCOPE 2: 63,506 ESCOPE 3: 21,803,746</p> <p>The continuous growth of the organization presents a risk of rising emissions, something that the company has been working on seeking greater efficiency in its processes. Also, it looks for other ways to reduce its impact risk.</p>
<p>c) Describe the goals used by the organization to manage risks and opportunities related to climate change and the performance against the targets.</p>	<p>The medium and long-term goals are to reduce 52% of its operational emissions by 2030 and reach Net-zero in 2050, using 2021 as the base year.</p> <p>In 2023, WEG achieved a 25% absolute reduction in GHG emissions, base year 2021, demonstrating its progress and commitment to the theme.</p>



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