

# GERDAU 2020 ANNUAL REPORT



Ready for  
the future



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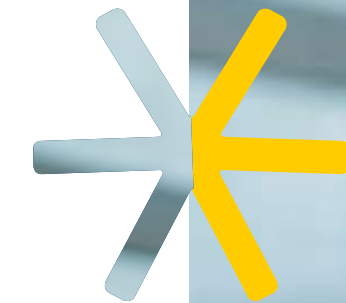
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Employee  
Riograndense  
Unit (RS)

# Contents

// The secret to maintaining a lasting and relevant company certainly involves practicing clear principles, values, and purposes with all employees; attracting talent that shares this vision of the future and feels challenged and motivated to question things and leave their comfort zone; and always placing customers at the center of our decisions. Here at Gerdau, we call this “passion for customers.”



Guilherme Johannpeter, Chairman of Gerdau's Board of Directors



## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

### TOWARD THE NEXT 120 YEARS

In taking stock of 2020, I would like to start this message by talking about a finding. At the end of one of the most challenging years in our history, while we faced one of the most severe health crises on the planet, we showed excellent operational and financial results while maintaining our most fundamental principle: safety above all. I find that, although today we are a different organization than we were 120 years ago, we maintain our values and principles as the great differentiator of Gerdau's longevity and success.

In addition, we consolidated our governance model in 2020. We completed three years under new leadership with tangible results and advances in the development of a more fluid and agile corporate culture and ESG (Environmental, Social, and Governance) aspects are increasingly present in all decision-making processes. With this consolidated model, I have, with the effective participation of our Board of Directors, taken a more strategic look that allows us to think more deeply about the company's long-term continuity.

# passion for customers



In 2020, the relationship with our customers was critical and proved to be one of the pillars of support in these challenging times.

Also in terms of governance, I would like to mention the approval by the Board of Directors of the proposal to include performance targets for ESG indicators in its Long-Term Incentive Plan for the company's senior management. Effective as of 2021, the norm sets out that about 20% of the value of long-term bonuses incorporated into the variable pay of executives will be based on the achievement of ESG goals. We understand that this is a way of giving strategic visibility to sustainability within the organization, a topic that will allow us to guide the company into the future.

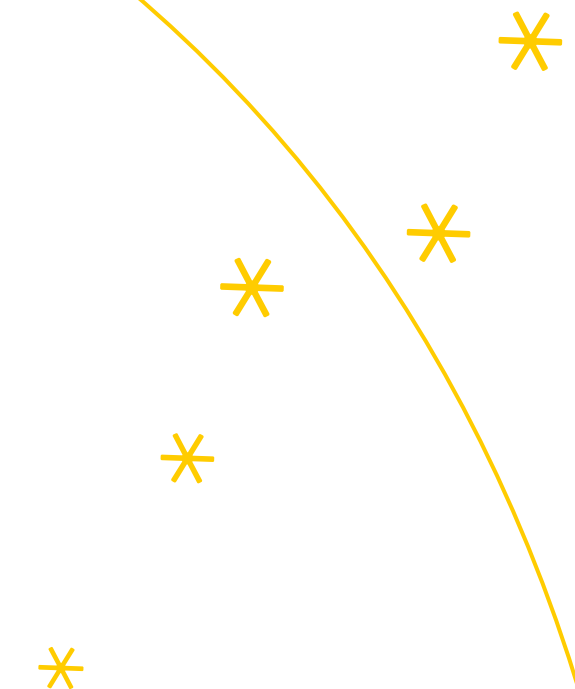
Speaking of sustainability, I am very proud of all the efforts made by every employee and every operation, not only in preserving the integrity of our people, but also in making a difference in the communities where we operate. Many initiatives were conducted, including donating personal protection equipment for hospital construction, for which our steel was an instrumental element. Building hospitals in record time in Brazil, in addition to leaving a huge legacy for society, showed us the potential of modular

construction, which is one of the great focuses of Gerdau Next, our new business division, which was structured in 2020 and offers promising plans for our future.

And in thinking about our future, we must not forget how we got here. In January 2021, Gerdau celebrated 120 years—a very significant milestone for Brazilian and family-owned companies. A story built by five generations of a genuinely enterprising family and by thousands of families of Brazilians, Americans, Argentines, and other nationalities that made possible the Gerdau we have today. Projecting the next 120 years means honoring the trajectory and principles that have led us to steadily increase our focus on our customers through teams that perform with ethics and integrity, respecting our differences, and placing safety first. And we want more: we want to continue shaping the future, creating and developing products and businesses for the new challenges and needs that lie ahead.

Kind regards,

**Guilherme Johannpeter**  
**Chairman of Gerdau's Board of Directors**





// In 2020, we showed that we are a company capable of operating today, while looking to the future. This ability, which we could call business ambidexterity, can be seen in the excellent results we achieved and in the creation of Gerdau Next, which will expand and accelerate new businesses created by the company and focuses on activities related to the steel and associated chain, thus reinforcing our vision of long-term growth.



Gustavo Werneck,  
CEO of Gerdau

## MESSAGE FROM THE CEO

# SIMPLICITY AND AGILITY TO OVERCOME CHALLENGES

[GRI 102-14](#)

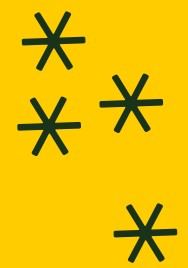


2020 will be marked in Gerdau's history as a period of consolidation for the huge transformations that the company has undergone in recent years and for becoming a solid base for us to overcome one of the most challenging times in our 120-year journey. Looking back, I see everything we have accomplished throughout the year, on numerous fronts, from consistent financial results to the important advances in our ESG initiatives, I am certain that all of our achievements have a single reason: our **purpose**, represented by our **people**.

Gerdau's employees played an important role in our achievements in 2020, inside and outside the company. Among the actions to minimize the impacts of the COVID-19 pandemic in the communities where we operate, I highlight the targeting of social investments to combat the effects of the virus. More than R\$20 million was invested, part of which was

# growth





for the construction of two hospitals—one in Porto Alegre (RS) and another in São Paulo (SP)—leaving a permanent legacy in these regions. Both hospitals were built in record time, in about 30 days, and represent two of the fastest constructions in the history of Brazil. It is said that in times of crisis, our values are put to the test. At Gerdau, our values proved to be even more robust through our intense performance in social projects, represented by the letter “S” in ESG.

In this challenging scenario, we benefitted from our business models, based on strong ties with our customers, flexibility in production routes, diversification of markets where we operate, and an agile culture for decision making. With regard to the latter, I would like to stress our ability to quickly react and effectively serve our customers, as when we noticed the first signs of recovery in the markets.

In 2020, we created Gerdau Next to expand and accelerate new businesses that have been created by the company in recent years through activities related to steel and associated chains, reinforcing our vision of long-term growth. As examples of relevant actions of Gerdau Next, I point out the creation of

the startup accelerator Ventures Gerdau and the acquisition of a stake in construtech venture builder Brasil ao Cubo.

In order to advance to the Gerdau of the future, sustainable foundations need to be created. Thus, I highlight other advances we achieved in the ESG agenda. In terms of diversity, we continue to work on being an inclusive and diverse company with important advances such as the increase in the number of women occupying leadership positions in the company. In addition, we joined B Movement Builders, a global community of leaders who have been working to build a more inclusive, egalitarian, and regenerative economic system for people and the planet.

On the following pages, we will detail some of the points that I briefly introduced in this letter. I invite you to learn about the challenges faced by Gerdau and also our achievements in a year that will certainly mark our history.

Enjoy your reading!

**Gustavo Werneck**  
**CEO of Gerdau**





Gerdau Germinar Biocenter,  
Ouro Branco (MG)

# 2\_ About the report



# THE REPORT

[GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-54](#)



Employees at the  
Araçariçuama Unit (SP)



On the following pages, you will learn about Gerdau S.A.'s financial, social, and environmental performance in the period from January 1 to December 31, 2020, as well as the initiatives and measures adopted over the period to face the impacts of the COVID-19 pandemic on our businesses, which were considered essential by the authorities and, therefore, were able to continue operating and supplying important segments of the economy. In the face of this huge challenge, the company defined as its fundamental objective the preservation of the health and safety for its own and third-party employees, family members, suppliers, customers, and neighboring communities, as well as maintaining its operations and jobs.

In addition to the social responsibility initiatives that had already been planned for the year, Gerdau made important investments for humanitarian purposes. This reinforced its active collaboration with the communities where it operates in the collective efforts to combat COVID-19. The main initiatives of the company, due to the extraordinary circumstances of 2020, will be presented throughout this report.

In order to guide readers in analyzing our economic, social, environmental, and governance performance in 2020, the report was prepared following the standards of the Global Reporting Initiative (GRI), Core option, uses as a reference the principles of the International Initiative for Integrated Reporting (IIRC), and has the company's 120 years, which was celebrated on January 16, 2021, as a guiding thread for its narrative.

Additionally, the GRI data were matched with some of the indicators that adhere to the Sustainability Accounting Standards Board (SASB) standard, a process that should be further developed in the next reporting cycle.

## INDICATORS HANDBOOK

Gerdau is publishing, for the first time, a GRI indicators handbook that is part of this report, making it even more complete. [Click here](#) to browse. Throughout the sections, you can also access the document through the links that will be displayed next to the indicators.



The material topics and the UN's Sustainable Development Goals (SDGs) are being presented in a way that correlates with the various types of capital (*see more in our business model*) according to the core subject of the section. The topics considered most relevant when communicating with stakeholders and society continue to be those outlined in the materiality process, conducted by the company in 2019.

## GERDAU: 120 YEARS

In 2021, the company completes 120 years of history. To remember its journey, this report highlights the main milestones in a timeline that you can follow in each section.

### TIMELINE

To see the full timeline, [click here](#).



# 1901

João Gerdau acquires nail factory Pontas de Paris, in Porto Alegre (RS).

# 1948



Gerdau acquires a controlling interest in Usina Riograndense (RS), beginning production of steel.

## MATERIAL TOPICS

[GRI 102-46, GRI 102-44](#)



What are the material topics that comprise an organization's materiality matrix (according to the criteria of the Global Reporting Initiative - GRI Standards)?

They are topics that reflect the significant impacts—environmental, social, or economic—on the organization's activities, products, services, and business relationships, or those topics that have a relevant influence on the assessments and decisions of its stakeholders.

In 2019, Gerdau carried out a materiality process, which is a procedure structured and supported by a specialized consulting firm. Through this procedure, the company defined the relevant material topics to guide its strategy and management, and guide communications with stakeholders and society. See the main steps of the materiality process below:

- ➔ Planning
- ➔ Analysis of external and internal documents
- ➔ Media search
- ➔ Benchmarking in sector
- ➔ Interviews with company leaders
- ➔ Online survey with stakeholders
- ➔ Validation of material topics with Gerdau's management



Employees at the Araçariçuama Unit (SP)



## GRI 102-47, GRI 102-44



The material topics defined in 2019 and maintained for this reporting cycle are:

## MATERIALITY MATRIX

The report follows the GRI Standards disclosure items—Core option—which is one of the main global standards for this type of reporting. This format is fully adequate, therefore, for the transparent way in which Gerdau develops its activities, and it is intended to provide information to its stakeholders: employees, customers, shareholders, suppliers, government, and communities.



### Diversity and inclusion

This topic covers the promotion of diversity, gender equality, and inclusion of minorities at different levels of the company.



### Co-product management

This topic covers the management of waste and hazardous materials, with a focus on reducing their impacts. It can lead to cost benefits and reduce negative impacts when considering waste disposal and the associated risk of environmental and human contamination. The company's differentiation in the market can be promoted through the destination of materials and the reuse of co-products from the process.



### Scrap recycling

This topic covers the recycling of materials (e.g., scrap) and can lead to cost benefits and reduce negative impacts; most importantly, it differentiates the company in the market by using materials from recycling.



### Management of water and effluents

This topic covers risks related to water scarcity and management of water and effluents. It focuses on reducing consumption and on proper disposal to maintain balanced ecosystems.



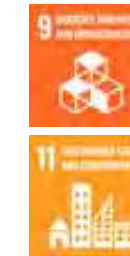
### Energy management

This topic covers the implementation of actions to increase process efficiency and the prioritization of alternative energy sources. It is important because, in addition to the intensive use of energy, it also depends on the availability of this resource. Effective energy management should lead to a reduction in operational costs, and the use of renewable energy sources has a positive impact on the mitigation of greenhouse gas emissions, contributing to the climate agenda.



### Climate change mitigation and adaptation

This topic covers the adoption of actions to mitigate greenhouse gas emissions (GHG) in the operations and supply chain, in addition to planning for the resilience of the operation and providing effective carbon solutions for society to combat climate change.



### Innovation in processes and products

This topic covers digital transformation and focuses on process and product innovation (use of alternative materials, innovative products/solutions, etc.) and the establishment of partnerships and internal guidelines for the culture of innovation.

Digital integration was pointed out in the process as one of the drivers for sustainability at Gerdau, promoting innovation in products and processes (including the customer journey). This ensures an improved experience in customer relations.



### Occupational health and safety

This topic covers health and safety management and focuses on establishing a culture of safety, investments in infrastructure and personal protective equipment, raising awareness of risky activities and behavior, and precautions when using harmful materials.



### Ethics and corporate governance

This topic covers the adequacy of the organizational structure and the adoption of governance practices to ensure the company's robustness, legal compliance, and alignment with values such as ethics, transparency, and integrity. The company should seek to ensure that the internal audience and stakeholders have transparent and trustworthy relationships, ensuring ethics and compliance in all of the company's relationships with different stakeholders (anti-corruption and legal compliance).



### Stakeholder relations

This topic covers the company's openness to effective relationships and engagement with stakeholders (employees, investors, society, government, Indigenous peoples, NGOs, and others).

Gerdau's 10 material topics are related to 11 of the UN's Sustainable Development Goals (SDGs)—a global development agenda with 17 points, launched in 2015 during the sustainable development summit promoted by the UN.





Employees at the Araçariçuama Unit (SP)

# 3 Value Creation Model



# GERDAU BUSINESS MODEL

To demonstrate the company's value creation over time, we follow the International Integrated Reporting Council (IIRC) framework, which presents the resources (inputs) used by Gerdau in its business and the impacts (outputs) on society caused by the company.

According to the IIRC, capitals are stocks of value that increase, decrease, or are transformed through the organization's activities and products. In this framework, they are classified into financial, manufactured, intellectual, human, social and relationship, and natural capitals.

## INPUTS

The following is how these capitals were transformed by Gerdau in its business processes and what impacts and results were delivered to society throughout 2020.

### FINANCIAL CAPITAL

- > Maintenance of mining activity
- > Expansion and maintenance of production units, purchase of raw materials, services, and other inputs
- > Investments in modernization and maintenance of operations and logistics
- > Investments in research and innovation



### MANUFACTURED CAPITAL

- > Head Office in São Paulo (SP)
- > 250,000 hectares planted with eucalyptus
- > 32 steel production units
- > 75 Comercial Gerdau stores
- > 2 iron ore mines
- > Commercial offices in the 10 countries where the company operates



### INTELLECTUAL CAPITAL

- > Development of an agile organization
- > Development of research and new technologies
- > Partnerships with universities and research centers to foster innovation
- > Development of new products
- > Silicon Valley outpost



### HUMAN CAPITAL

- > Company employees and contractors in offices, production units, forest plantations, and mining
- > Other employees throughout the value chain



### SOCIAL AND RELATIONSHIP CAPITAL

- > Relationship with the communities near our operations through structured planning and volunteer actions
- > Relationship with NGOs, sector organizations, customers, the press, government, and other social players
- > Investor and customer relations
- > Relationship with cooperatives and professionals involved in the collection of metal products for recycling



### NATURAL CAPITAL

- > Recycling of ferrous scrap
- > Water use in operations
- > Land use in operations
- > Use of ore
- > Forest base



### Gerdau's Purpose

**EMPOWER PEOPLE WHO  
BUILD THE FUTURE**

### Objectives

- 1 Remain a fully competitive and sustainable company.
- 2 Become an increasingly customer-centric organization.

### Principles

- > **Safety above all**
- > **Do what is right**
- > **Empowerment**
- > **Simplicity**
- > **Diverse and inclusive environment**
- > **Generate value for all**
- > **We are customer-centric**



## RESULTS



## FINANCIAL CAPITAL \*



- > Free cash flow of **R\$4.5 billion**.
- > **R\$ 43.8** billion in net revenue.

- > Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of **R\$ 7.7 billion**.
- > Net income of **R\$ 2.4 billion**.



## MANUFACTURED CAPITAL \*



- > Global production of **12.5 million tons of raw steel** in 10 countries (Brazil, Argentina, Uruguay, Peru, Colombia, Venezuela, Dominican Republic, Mexico, United States, and Canada) with 5.5

- million tons in the Brazil business operation and **4.7 million tons** in the North America business operation.
- > Production of 1.4 million tons of raw steel in the special steel operations in Brazil and the United States.

- > Production of 574,000 tons of raw steel in South America.



## INTELLECTUAL CAPITAL \*



- > 9,265 new customers through digital channels.
- > 90.1% of target customers using digital channels (48% in 2019).
- > R\$41.6 MM added to EBITDA Brazil BO from new digital revenue sources (R\$17.4 MM in 2019).
- > 38,100 t of sales in 2020 were captured by digital channels.
- > Creation of the *Realizar* 2020 program: more than 90

- professionals started working in squads to capture value for the business.
- > Development of Gabi (Gerdau Autonomous Buyer Intelligence), a procurement robot.
- > Implementation of artificial intelligence solutions in US operations.
- > Deployment of the monitoring and remote services center in Brazil.

- > Robotization map, a roadmap containing 63 opportunities aiming to eliminate situations and tasks of extreme risk to people and ergonomic risks and to gain productivity in processes.
- > Creation of Gerdau Next.
- > Acquisition of interest in the modular construction company Brasil ao Cubo, a construtech (technology company applied to construction).



## HUMAN CAPITAL \*



- > **28,350 employees**.
- > Development of a series of health and safety initiatives to protect employees during the COVID-19 pandemic.
- > Recorded the lowest historical accident frequency rate.
- > Upskilling of employees to leverage the digital mindset.

- > Implementation of a series of initiatives to promote diversity and inclusion, including: Helda Gerdau Program to support the training and development of female leaders who intend to hold prominent positions in the company; program to help combat violence against women; signing of the anti-racism policy.

- > Setting **goals** for diversity: have 30% of leadership positions held by women by 2025, a challenge linked to the long-term remuneration of the company's Senior Management.
- > Creation of the LGBTI+ talent pool.
- > Adaptation of employee training and capacity building to the online model, given that part of it was conducted in person.



## SOCIAL AND RELATIONSHIP CAPITAL \*



- > Mobilization of the supply chain on the topic of diversity with the Inspire Gerdau initiative.
- > Definition of a social strategy to tackle COVID-19 with investments of R\$20 million.

- > Construction of treatment centers adjacent to hospitals in São Paulo (SP) and Porto Alegre (RS) and an expansion in the number of beds in Minas Gerais (MG).

- > Miscellaneous donations of PPE (such as masks and hand sanitizer) in Brazil, the United States, Argentina, Colombia, Mexico, Peru, the Dominican Republic, and Uruguay.



## NATURAL CAPITAL \*



- > **R\$417 million** in environmental investments.
- > Tests for the use of vehicles powered by renewable fuels in Gerdau units to contribute to the reduction of the company's carbon emissions.
- > Contracting of carbon-offset transportation on a coastal shipping route operated by the shipping company Norsul. In

- the first half of the year, 1,630 tons of CO<sub>2</sub>e were neutralized for shipments in the period.
- > Investment of R\$417 million in improving eco-efficiency practices and technologies to protect air, water, and soil.
- > Cascading of the ESG action plan by the business operations.
- > Reporting, for the first time, the emissions of its operations in Brazil to the Carbon Disclosure Project (CDP) with positive scores compared to the sector.

- > Recycling of more than 11 million tons of scrap in its mills in Brazil and the Americas; 73% of the steel produced by Gerdau has ferrous scrap as its main raw material.
- > We are part of the Carbon Efficient Index (ICO<sub>2</sub>), an indicator created by B3, Brazil's Stock Exchange. Gerdau is the only steel producer to be included in this portfolio.







Elânio Assis do Nascimento, Electrical Maintenance Technician, Cearence Unit (CE).

# 4\_who we Are





Araçariçuama Unit (SP)

## GERDAU PROFILE

[GRI 102-1](#), [GRI 102-2](#), [GRI 102-3](#), [GRI 102-4](#), [GRI 102-5](#), [GRI 102-8](#)



GerdaU is the largest Brazilian steel producer and one of the main suppliers of long steel in the Americas and of special steel worldwide. In its operations in Brazil, GerdaU also produces flat steel and iron ore for its own consumption. The company has a new-business arm, GerdaU Next, with participation or control of companies in the construtech market, logistics, metal foundations, marketplace for civil construction, and an accelerator of startups.

The company is a publicly-traded corporation, headquartered in São Paulo, and has industrial operations in Canada, United States, Mexico, Dominican Republic,

Colombia, Venezuela, Peru, Argentina, Uruguay, and Brazil.

In 2020, the COVID-19 pandemic led to a redirecting of GerdaU's social investments. The amount of resources allocated to actions related to the pandemic was approximately R\$ 20 million. The company's environmental investments totaled R\$ 417 million in the year, and other social investments reached almost R\$ 39 million. GerdaU supported 350 social projects in the communities where it operates, impacting more than 500,000 people, in addition to 1,538 volunteer employees in the year.

### TIMELINE

To see the full timeline, [click here.](#)

## 1971



First branch of Comercial GerdaU, São Paulo (SP)

## 1980



GerdaU goes international with the acquisition of Siderúrgica Laísa (Uruguay)



## GERDAU IN NUMBERS

[GRI 102-7](#)[View the  
Indicators  
Handbook](#)

32 steel  
production units

28,350 direct  
and indirect  
employees  
worldwide

2 iron ore  
mines

250 mil  
hectares  
of forest base,  
including  
eucalyptus  
plantations and  
preservation  
areas

Presence in  
10 countries

75 Comercial  
Gerdau stores

Largest  
ferrous scrap  
recycler in  
Latin America:  
annually  
transforms  
11 million  
tons of scrap  
steel in its  
operations in  
Brazil and abroad

Shares  
traded on the  
São Paulo,  
New York,  
and Madrid  
Stock  
Exchanges

Net revenue in 2020:  
R\$ 43.8 billion

## GERDAU UNITS WORLDWIDE



ENGLAND  
Manchester

LEGEND:

 Innovation outposts

 Operating and  
commercial units





Midlothian Plant, Texas (USA)

[GRI 102-18, GRI 102-22, GRI 102-23, GRI 102-24](#)



Of the nine members of the Board of Directors elected by Gerdau's shareholders in 2020, five are independent members; one is a woman and one is appointed by the preferred minority shareholders. *(see the new composition of the Board for 2021 in the chart below).*

## NEW COMPOSITION

At the Ordinary General Meeting, held on April 23, 2021, Gerdau's shareholders approved the new configuration of its Board of Directors. The Board is now composed of seven members: Guilherme Chagas Gerdau Johannpeter (Chairman), André Bier Gerdau Johannpeter and Claudio Johannpeter (Vice Presidents), Gustavo Werneck, Fernando Fontes Lunes (independent member), Claudia Sender (independent member), and Augusto Brauna Pinheiro (independent member).



The Board of Directors is supported by Advisory Committees, which make recommendations on topics within their competence. Among them is the Remuneration Committee, which was also made up of a majority of independent members in 2020.

The role of the Strategy and Sustainability Committee is to support the Board in relation to industry trends with the potential to impact the business in the short, medium, and long terms. When discussing the allocation of capital and developing plans for investments, the Strategy and Sustainability Committee considers not only production aspects and financial returns, but also ESG factors, which are important for decision-making. In other words, environmental, social, and governance topics today have a relevant strategic weight at the company's highest level decision-making process.

In addition to the two above-mentioned committees, the Board of Directors is also advised by the Corporate Governance Committee and the Finance Committee, totaling four advisory committees.

The members of the Board of Directors are elected by the Annual General Meeting, and the members of the Advisory Committees are elected by the members of the Board of Directors. The committees are composed of at least one board member, and the other members may be employees or external advisors, depending on the needs of the Board of Directors.

The independent board members were appointed by the controlling shareholders according to the independence criteria set out in the manuals on good governance practices, their professional expertise, and their adherence to Gerdau's principles, including diversity in professional experiences and gender.

As part of the governance structure, the Fiscal Council oversees the acts of the administration and financial statements of the company.

The Executive Board and business operations leaders are responsible for the organization's executive management.

## GOVERNANCE IN 2020

In early 2020, the Board of Directors approved its own internal regulations and the regulations of its advisory committees, in addition to the company's corporate sustainability policy, its materiality matrix, and the ESG scorecard (associated with environmental, social and governance issues). In April 2020, Guilherme Chagas Gerdau Johannpeter assumed the chairmanship of the Board of Directors, replacing Claudio Johannpeter.

Due to the pandemic, in July 2020, for the first time the Ordinary and Extraordinary General Meeting was held 100% digitally. In this Ordinary and Extraordinary General Meeting, close to 1,410 investors participated via the Distance Voting Bulletin. Of these, 335 investors voted in the separate election for the Board of Directors, electing a representative of the minority shareholders.

Other governance topics were also highlighted in 2020: climate management initiatives were classified as a B- by the Carbon Disclosure Project (CDP) in the Climate Change module. This score is higher than the South American average and that of its sector (*learn more here*). Also in 2020, the sustainability, human rights, anti-corruption, and tax policies were approved, in addition to the revision of the Compliance Policy and the Code of Ethics, and the launch of the Code of Ethics and Conduct for Third Parties.



## ESG AND LONG-TERM REMUNERATION

[GRI 102-35](#)



The Extraordinary General Meeting (EGM), held on December 18, 2020, approved the proposal to include performance targets on ESG (environmental, social, and governance) indicators in its Long-Term Incentive Plan (ILP) for the company's senior management.

Effective as of 2021, the norm sets out that about 20% of the value of long-term bonuses incorporated into the variable pay of executives will be determined by the achievement of ESG goals. The percentage of ESG targets achieved will be calculated based on two new indicators: percentage

of women in leadership positions and CO2 emissions. In addition, the targets will have 40% of the economic value added (EVA), with the other 40% being restricted actions that are not conditional on results.

The disclosure of an ESG scorecard since Gerdau's 2019 Annual Report adds visibility to the environmental, social, and governance indicators prioritized by the company.

The adoption of these indicators in the composition of long-term executive remuneration is part of the process

to reveal Gerdau's ESG information to the market and the general public in the name of transparency and the sustainability commitments assumed by the company in its decision-making process and in its ESG action plan.














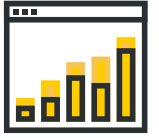


Gerdau also recognizes that greater transparency and engagement with clear performance targets on ESG issues create new challenges, in particular the need to effectively disseminate this agenda throughout the production structure of a large company.

## GERDAU'S SENIOR MANAGEMENT





# SCORECARD ESG | MATERIALITY MATRIX

DIMENSION	INDICATORS	2018	2019	2020	ASSOCIATED MATERIAL TOPICS	ASSOCIATED SDG
 Environmental	Greenhouse Gases per volume of steel (tCO <sub>2</sub> /t steel)	–	0,96	0,93	Climate Change Mitigation and Adaptation and Energy Management	 
	Water Consumption (m3/t steel)	3,21	4,09	3,91	Water and Wastewater Management and Stakeholder relations	
	% of reuse of co-products	75	78	78	Circular economy, energy management, and innovation and digital transformation	 
 Social	% active volunteers	21	23	5,7	Stakeholder relations	
	Number of people benefited	20.491	58.730	665.866	Stakeholder relations	
	% of social investments made in relation to gross profit	0,20	0,31	0,56	Stakeholder relations	
 People	% of women in leadership positions (Brazil BO)	17	17	22	Diversity and inclusion	 
	% of women in the company (Brazil BO)	11	12	13	Diversity and inclusion	
	% of Blacks in leadership positions (Brazil BO)	12	16	25	Diversity and inclusion	
	% of PwD in the company (Brazil BO)	2,60	2,80	2,90	Diversity and inclusion	
	Health and safety index (severity rate)	463	160	244	Occupational Health and Safety	 
 Governance	ICVM 586 - Brazilian Corporate Governance Code	56%	57%	67%	Ethics and Corporate Governance	
	EVA - Economic value added(manager/(managerial information)	-1,80%	-3,97%	0,00%	Ethics and Corporate Governance	
	Personnel (R\$ millions)	5.043.856	4.517.403	5.216.144	Ethics and Corporate Governance	
	Taxes, fees and contributions (R\$ millions)	1.853.641	2.679.237	3.720.556	Ethics and Corporate Governance	
	Remuneration of third-party capital (R\$ millions)	2.117.794	1.757.103	1.917.421	Ethics and Corporate Governance	
	Return on equity (R\$ millions)	2.326.382	1.216.887	2.388.054	Ethics and Corporate Governance	

 The highlighted lines refer to the indicators that are part of the LTI (Long-Term Incentive).



## MANAGEMENT REMUNERATION

GRI 102-35



Gerdau's management remuneration is in line with market practices and is based on a survey carried out by global remuneration consultants. In relative terms, the global package approved in the general meeting represents approximately 0.65% of the EBITDA, below the average of the most traded companies at B3 (according to the Corporate Governance Yearbook published by the magazine Capital Aberto).

As of 2020, the maximum limit for variable pay has been reduced from 20% to 15% of Gerdau's overall net income. This change is guided by the company's history and market references and is intended to align the variable pay with the interests of shareholders.



**Gerdau has 75 Comercial  
Gerdau stores in Brazil**

## HIGH STANDARDS WORLDWIDE

Gerdau complies with high international corporate governance standards, guided by strict ethical principles. The company has participated in the capital market for more than seven decades, and its shares are listed on the São Paulo, New York, and Madrid stock exchanges.

In the Brazilian market, it is part of B3's (Brasil Bolsa Balcão) level 1 corporate governance. Gerdau adopts practices that go beyond what is required by law, such as granting tag-along rights to 100% of its shares and paying a minimum dividend of 30% of the adjusted net income.





## RISK MANAGEMENT

**GRI 102-15**



Gerdau regularly monitors operational and business risks that have the potential to impact its activities.

The company's monitoring is performed through a control structure and by the Business Operations Committee, supervised by the Risk Committee. Gerdau monitors the following risks:

- ➔ Business
- ➔ Compliance and operational
- ➔ Safety
- ➔ Labor
- ➔ Environmental
- ➔ Financial
- ➔ Fiscal
- ➔ Labor
- ➔ Image and regulatory

Gerdau's risk management structure is decentralized and enhances the technical knowledge and profile of professionals in each of the business operations: Brazil, North America, South America, and Special Steels. For operational risks, taking into consideration the analysis of cost vs. risk exposure, a Three-Line Model should be established:

**1<sup>st</sup> line:** environment with routine and control activities, formal procedures and guidelines, authority for approval, systemic blocks, access restrictions, reconciliations.



**2<sup>nd</sup> line:** management activities, including monitoring, evaluation, process improvement, and accountability.



**3<sup>rd</sup> line:** Internal and/or external audits in all processes.



Employee at Whitby Mill (Canada)





Employee of the Ouro Branco Mill (MG)

## GERDAU'S INTEGRITY PROGRAM

[GRI 102-16, GRI 102-17 GRI 103-1, GRI 103-2, GRI 103-3: ANTI-CORRUPTION, GRI 205-1, GRI 205-2, GRI 205-3 AND GRI 419-1](#)



Gerdau's Integrity Program underscores the company's commitment to its Code of Ethics and Conduct, compliance with legislation, policies and guidelines, and dissemination of its culture of ethics and compliance practices. The program also detects and mitigates internal and external risks that could impact the business.

The Code of Ethics and Conduct, policies, and guidelines outline Gerdau's duties to comply with laws, execute routines, and follow sound governance and authority levels. In addition to the Compliance Policy, Gerdau has in place the Anti-Corruption Policy and the guidelines for relationship with public officials, donations, and sponsorships, contracts

with compliance risks, courtesies, and disciplinary sanctions.

All these documents are in line with the ten principles that, jointly, take the place of the mission and values statements and constitute the pillars that support the new purpose, with a great emphasis on the principle of **doing what's right**.

In its relationship with third parties, with an emphasis on transparency and fair competition, the company published, in 2020, its Code of Ethics and Conduct for Third Parties, available on its website, and added compliance clauses to contracts and purchase orders clauses, requiring terms of commitment to adhere to ethical and anti-corruption practices. To see all files related to compliance, [click here](#).



The company does not condone any unethical practices, corruption, and/or disregard for legislation in the countries where it operates. Ethical non-compliance of any nature is considered a serious infringement, which may result in the application of disciplinary sanctions, including termination of contract and accountability of employees and third parties. All operations and processes with a direct impact on cash flow are evaluated by internal audits in an ongoing and alternating basis. The Compliance Area performs risk assessments on processes that generate greater compliance risk.

Gerdau also has in place an anonymous and confidential communication channel, available to internal and external audiences, so that questions and suspicions about violations of its Code of Ethics and Conduct or of the legislation in force can be reported and addressed. Reports can be submitted through Gerdau's website, telephone, email, or a letter directly addressed to the Fiscal Council. Gerdau guarantees the whistleblower's anonymity and non-retaliation, as well as the confidentiality of the report.

The compliance area periodically reports the status of the reports received and investigated to the Audit Committee, the Risk Committee, the Board of Directors, and the Executive Board, where number and reasons are detailed for the events received and any questions

answered, always maintaining a commitment to confidentiality and secrecy. In addition, 100% of these cases are reviewed by external audit and by the internal control area to ensure proper functioning of the process and handling of grievances.

The variable pay and performance assessment of the compliance team is linked to the evolution of the Integrity Program. Gerdau offers semiannual training for all employees on the main topics of the company's Code of Ethics. Depending on their activities, employees also are trained on anti-corruption and competitive practices through e-learning or workshops in person, and have to sign the Terms of Commitment with anti-corruption legislation, ethics and compliance practices.



Employee of the São Paulo  
office (SP)

## ETHICS CHANNEL

**The channels below are available to all Gerdau stakeholders, to report on facts that involve the company or its professionals and to answer questions about ethics and compliance:**

### Telephone

Ext. 1901  
Brazil + 55 51 3323-1901  
USA 1-800-732-7116



### Email

canal.etica@gerdau.com.br



### Website

Employees can register incidents through  
<https://www2.gerdau.com.br/sobre-nos/canal-da-etica>







# 5\_Human and Intellectual Capital

Gerdau has developed new work models with the implementation of squads





Employee of the Pindamonhangaba unit (SP)

## OUR PEOPLE

**GRI 102-41, GRI 103-2: 403 OCCUPATIONAL HEALTH AND SAFETY**



To talk about the people at Gerdau in 2020, we need to first talk about corporate culture. The humanitarian and economic crises caused by the COVID-19 pandemic have put the human and organizational resources of companies, governments, and entire societies to the test. Facing this unique scenario, Gerdau leveraged a base developed years before that was instrumental as a tool for change: its successful cultural transformation, which began in 2014—and deepened in 2019—toward a more open, collaborative, agile, transparent, and less hierarchical company.

This new culture was the fertile ground for the development of an environment of autonomy, simplicity, openness, and trust, which are

attributes that proved to be indispensable for Gerdau's successful journey through these unprecedented 12 months with its numerous challenges.

The company's purpose—**to empower people who are building the future**—served as a North Star for all employees. While it was imperative to take care of people and the business in an environment of great challenges and uncertainty, it was also necessary to look ahead and continue working to build that future. Gerdau's ten principles (*see box*) were the foundation for all company initiatives and served as beacons for the attitudes and actions of each of the areas.

### MATERIAL TOPIC ASSOCIATED WITH THE CAPITAL:

Diversity and inclusion



Innovation in processes and products



Occupational health and safety



## TIMELINE

To see the full timeline, [click here](#).

# 1989



Gerdau enters North America with the acquisition of Courtice Steel (Canada). In the photo, a steel mill in the city of Darren

# 1992



Gerdau enters the special steel segment with the acquisition of Siderúrgica Piratini, Charqueadas (RS)



## TEN PRINCIPLES



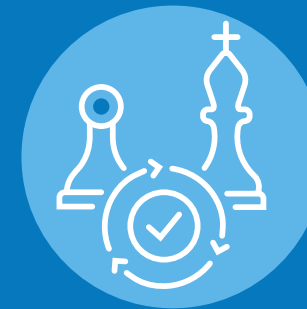
**Safety first** – No result is more important than people's lives.



**Autonomy** – We take responsibility for making the best decisions for the business.



**Doing what's right** – Ethics and respect are essential in everything we do.



**We are all leaders** – We are engaged and committed to our development and the development of those around us.



**Every customer is unique** – We work to make each customer's business thrive, driving mutual success.



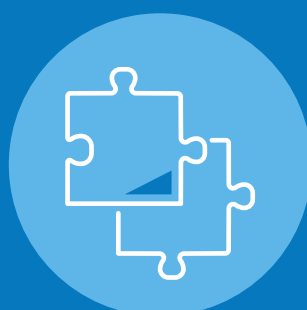
**Creating value for everyone** – We accomplish our purpose by sustainably creating value for all our stakeholders.



**Openness** – We don't know everything, and we believe that a team will always achieve better results than an individual.



**Simplicity** – We focus on what adds value. As a result, we become more agile and improve productivity.



**Diverse and inclusive environment** – - We have created a diverse and inclusive environment where everyone can be heard, respected, and have opportunities.



**Learning, unlearning, relearning** – We believe that in order to continue evolving, it is essential to adapt to new scenarios, innovate, and find better ways of working.



Employee of the Whitby Mill (Canada)





Employee at the  
Pindamonhangaba unit (SP)

## GUIDELINES FOR TAKING ACTION

From the first moments of the global pandemic, when everything seemed uncertain and threatening, Gerdau defined clear lines to guide its response to the crisis: protecting the **health and safety** of its employees and family, paying close attention to **mental health**; and prioritizing the **maintenance of jobs** when addressing measures to protect the company's financial health amid the shock in economic activities caused by the pandemic.



2020 brought, along with the pandemic and the resulting crises, new and drastic situations on a global scale that demanded rapid responses in scenarios of major uncertainty. The openness and trust, which had been nourished and stimulated in recent years at Gerdau, provided employees with the willingness to explore new solutions and the psychological support to rapidly change when change was needed.

It was necessary, for example, to quickly decide (and implement the decisions with urgency and efficiency): which employees would be immediately placed in home office; what security protocols would have to be adopted for those who would continue to work in the production units; who would be responsible for coordination, and how, in great detail, these and so many other changes in the company's routines and processes. Gerdau's ongoing digital transformation process, which started in 2016, was a factor that greatly contributed to agile and rapid changes in the work system.

All this differed greatly from the usual time, planning, and decision parameters of the companies. However, the transition was facilitated by the realization that the demands of the new scenario were perfectly in line with the basic principles of cultural transformation undertaken by Gerdau, such as: **safety first, autonomy, simplicity, openness,** and willingness to **learn, unlearn, and relearn.**

Gerdau reacted quickly and clearly to the outbreak of the COVID-19. Some of the many initiatives taken are listed below in four distinct categories: **caring for people, support for leaders, adjustments in operations, and business and the future.**

## CARING FOR PEOPLE

In the first weeks after adopting restrictive measures worldwide, Gerdau isolated people who were part of risk groups, put in home office the employees performing administrative activities—both in the corporate office and in the production units—and adopted, in their operations, health and safety protocols recommended by health agencies. It also initiated actions to support communities where the company operates.

Meetings and communication campaigns were also launched in order to keep all stakeholders updated and engaged in the fight against the COVID-19. The first CEO Talk, an open virtual meeting with the CEO of Gerdau, was held at the end of March to answer questions about corporate decisions during the pandemic. CEO Talk would be repeated regularly thereafter. In all, more than eight meetings were held by the CEO with employees and leaders, in addition to dozens of other virtual events promoted by company leaders.



Below are some of the initiatives in  
“caring for people” across all operations:



- Clear and objective messages about personal care and signage regarding hygiene and distancing measures on buses, cafeterias, restrooms, and other common areas of the company's units. Information was sent periodically through the company's internal communication channels to people who also worked from home office.

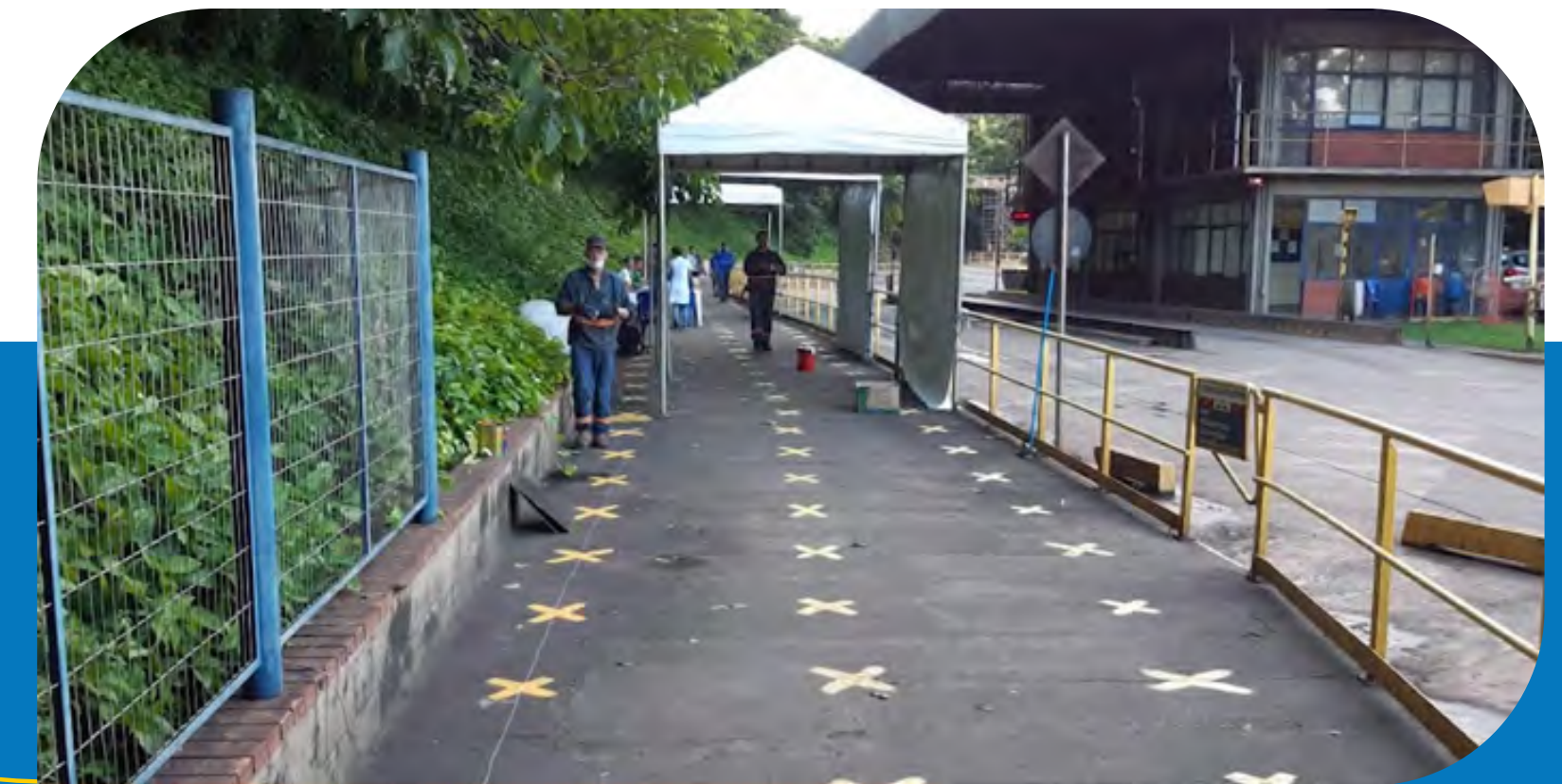
- Early implementation of the H1N1 flu vaccination campaign for all employees and dependents.

- Strengthening the psychological care channel of the + *Cuidado* program to give employees emotional support and better conditions to face the tensions and anxiety generated by an uncertain future during the pandemic.

- • The virtual service channel (telemedicine) via Hospital Albert Einstein in São Paulo was reinforced and made available to employees and their families from all over Brazil as a way to discourage going to clinics and hospitals in a period of high risk of contagion.

- • Promoting webinars on the following topics: how to maintain a healthy home office environment; family relationships and the pandemic; finance in times of crisis; tensions caused by the new working conditions and their effects on personal life.

Images of adjustments  
in Gerdau operations to  
maintain the safety of  
employees



- Producing the brochure “*Liderando em Tempos de Crise*” (“Leading in Times of Crisis”) to help leaders in the communication and engagement of their teams. In addition, management held periodic meetings with leaders to update them on the escalation of the crisis.

- Adapting and preparing cafeterias and common areas in accordance with the new sanitation and social distancing protocols (including the availability of 70% alcohol hand sanitizer).

- Creation of daily crisis committees in all countries to ensure agile decision-making during the pandemic.

- Hiring more vehicles to transport people in order to reduce the number of employees per bus.

- Daily crisis committees in all operations to streamline decision-making.

- People who work in reception, serve external audiences, prepare food, and clean the units received the proper PPE and were trained to follow the new protocols.







- > To avoid crowding and reduce the risk of contagion, domestic and international trips, non-essential training, events, and face-to-face meetings with many participants were canceled. When feasible, they were replaced with online meetings.



- > Preparing structured spaces for meals with social distancing.

- > Defining protocols to be adopted in case of possible or confirmed positive cases with guidance and support for employees and direct family members.



- > Isolating employees from high-risk groups.
- > Administering rapid tests to detect antibodies.

- > Employees in administration have been working remotely from the beginning of the pandemic to date.
- > Creating a system to monitor and control cases of COVID-19 with notices to local authorities on such cases.
- > • Developing a protocol for factories with onsite health questionnaires, mandatory mask use, and taking the temperature of all employees and service providers.
- > Implementing routine disinfection and sanitization in all locations
- > Alternating schedules and shifts to minimize employee contact in dressing rooms.



[Click here to watch the video about the precautions against COVID-19.](#)

- > Additional hand disinfection stations and shoe cleaning stations are available.
- > Collaborating with the construction industry for the development of its safety and prevention protocols.
- > Purchasing masks for all employees and developing a system for identification and guidance regarding the distancing and monitoring of employees' health.

- > Guidance for third party companies on the protocols to be followed.

Images of adjustments in Gerdau operations to maintain the safety of employees





## AFTER THE PANDEMIC

### WORK OF THE FUTURE WILL BE MORE FLEXIBLE

The pandemic will end, and production and labor relations in the industry will return to a pattern of stability. However, the consensus among scholars indicates that there should be a new standard instead of just the resumption of the same pre-2020 practices. How to prepare a company like Gerdau for this new normal?

The company created a group to study possible scenarios in the post-pandemic world and the future of work. It is still too early to disclose any comprehensive forecasts, but the company is starting to adopt more flexible provisions in its employment contracts based on the experience acquired from the new forms of work experienced throughout 2020.

- Greater flexibility in the home office work mode. The company announced that, even after the pandemic, it will increase from one day to two fixed days of home office.
- Flexibility of the work base for a percentage of administrative employees and the possibility of non-exclusivity so that they can work in other places besides Gerdau.
- Possibility of a 10% or 20% permanent reduction in workload, chosen by the employee.

### PRESERVED TRAINING PROGRAMS

In the midst of the significant changes that marked 2020 and a new reality, adjustments also needed to be made to programs and activities that Gerdau deemed important to preserve, despite the difficulties of the moment, with a focus on the development of people.

It is important to highlight the training and personal development programs that were maintained and adapted to the online format, even in the face of the great disruption caused by the pandemic. Of the five main Gerdau training programs, only one—the **G.Lead**, which trains managers—was put on hold in 2020 due to the need for collective and on-site experimentation.

The coordinators and specialists enrolled in the registration process for G.Lead, however, continued their participation in extra-program webinars and lectures on several topics, such as sustainability, as a way of investing in their professional training.

The rest of the programs were transferred to an online format and were not interrupted in 2020: G.Start, an internship program for university students; G.Future, which prepares employees to assume initial leadership positions; G.Makers, a training program on digital mindset and innovation; and G.Data, aimed at non-programmers who want to develop their data analysis skills.

Employee at the Ouro Branco Mill (MG)





## HEALTH AND SAFETY FIRST

[GRI 103-1, 103-2, 103-3, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8, GRI 403-9](#)



Gerdau has a health and safety management system with practices and tools in place to protect all its employees from any risks related to this topic. For the company, safety comes first and no result is more important than people's lives. In 2020, when people's health and safety were put to the test due to the COVID-19 pandemic, this principle was practiced even more intensely throughout the year. To learn about all the health and safety practices carried out by the company to protect its employees, [click here](#).

Regarding the safety of employees in operations, Gerdau has a specific practice for identifying hazards and assessing risks. The hierarchy of controls is considered in the definition of actions to reduce risks and in handling high criticality risks. Leaders of operational areas carry out the hazard identification and

risk assessment processes with oversight and support from health and safety professionals. Assessments that adopt more complex and specialized methodologies are also monitored or conducted by external consultants specializing in these tools.

In addition, we have continuously invested in improving our management system, reinforcing the culture of identifying situations that can lead to accidents and fatalities, as well as helping our people to develop an attitude toward safety as one of their skills. We know that the safety culture is a journey that must be constantly reinforced. Every year, for example, on World Safety Day, promoted by the Worldsteel Association (the leading global entity representing steel-producing companies), our units drive actions and discussions that lead our employees to reflect on the importance of safety in our daily lives, inside and outside the company.

In addition to occupational risks, Gerdau carries out health promotion campaigns on various topics, including:

- ➔ Anti-tobacco
- ➔ Prevention of alcohol and drug use
- ➔ Prevention of breast and prostate cancer
- ➔ •Prevention of heart disease factors, hypertension, diabetes, etc.

To learn more about the health and safety work carried out by Gerdau and the leading indicators related to the topic, access the [indicator's handbook](#).



In 2020, Gerdau held its global health and safety meeting, adapting it into an online event with the participation of the main company leaders. The main safety highlights in the period are the following:

- ➔ In 2020, we recorded the lowest historical injury frequency rate, reaching 0.86. This achievement is the result of our efforts to prioritize the training of employees in behavioral actions, which led to a reduction in the number of work-related accidents.
- ➔ We reinforced training for employees to identify events with a high potential for serious injuries and fatalities, known by the acronym PSIF, to eliminate the risks of these events.
- ➔ A global contest was held to engage employees on the topic of safety, developing people who are better trained to identify potential risks for events with a high potential for serious injury or death. In this way, we reinforce our culture of safety, recognizing that prioritizing people's safety is a principle that must always be remembered and practiced.
- ➔ Advances in Safety 4.0 by using technology to control risks.





# GERDAU PELO DIREITO DE VIVER COM ORGULHO

Gerdau's position on LGBTI+  
Pride Day on social media

## DIVERSITY AND INCLUSION

**GRI 103-1, GRI 103-2, GRI 102-12 E GRI 103-3: 405**

**DIVERSITY AND EQUAL OPPORTUNITY**



In 2020, Gerdau accelerated investments in a more diverse and inclusive organization. The topic is becoming stronger and more consistent.

Today, the agenda of diversity is seen as a pillar that is connected to the sustainability of the business. In other words, Gerdau understands that in order to remain competitive in the future, it must be even more diverse.

Following the initial work on corporate culture conducted in recent years, which also focused on raising awareness about diversity, 2020 was the time to implement substantive changes. These changes took place by creating a culture that not only values diversity and promotes the inclusion of people, but that also has an impact on demographics. Changes have begun to appear in the company's numbers and in people's inclusive attitudes.

### NO DIVERSITY, NO INNOVATION

Gerdau embraces diversity and the inclusion of people as a strategic value because it realizes the importance of being open to different social and ethnic groups. Its staff represents a real part of society, anchored in the principles of **doing the right thing** and in an **inclusive and diverse environment**.



The following are some of the initiatives implemented in 2020:



Employee at the Ouro Branco Mill (MG)

#### ➔ **Helda Gerdau Program**

Created to support the training and advancement of female leaders who intend to assume leadership positions in the company. The program promotes principles of women's empowerment by ensuring that men and women have equal conditions for development and professional careers. This program offers business training, project management, and soft skills, in addition to mentoring with company executives. 27 professionals take part in this program.



#### ➔ **• Internship Program (G.Start)**

The internship program is one of the main entry points to the company and provides a pipeline for future leadership positions, which is why we set the goal of 50% participation of women. The racial criterion was also considered in the program, and 37% of those hired in the year were Black. The program focuses on getting to know the essence of the candidate, since the objective is to attract people who are aligned with the company's values and who can become future leaders.

#### ➔ **Trainee Program (G.Future)**

We set the target of having 50% participation of women in our trainee program, which trains professionals for the first level of leadership. Initially, we considered only internal candidates, and to reach the target number of women, we opened 11 positions to the market exclusively for female engineers. This action aimed to reinforce the pipeline of women for leadership positions in the engineering areas.

#### ➔ **Pertencer Program**

This program offers training for women and people with disabilities to prepare employees with an interest in holding operational positions in the various Gerdau units. The only requirement to participate in the program is to have completed high school.

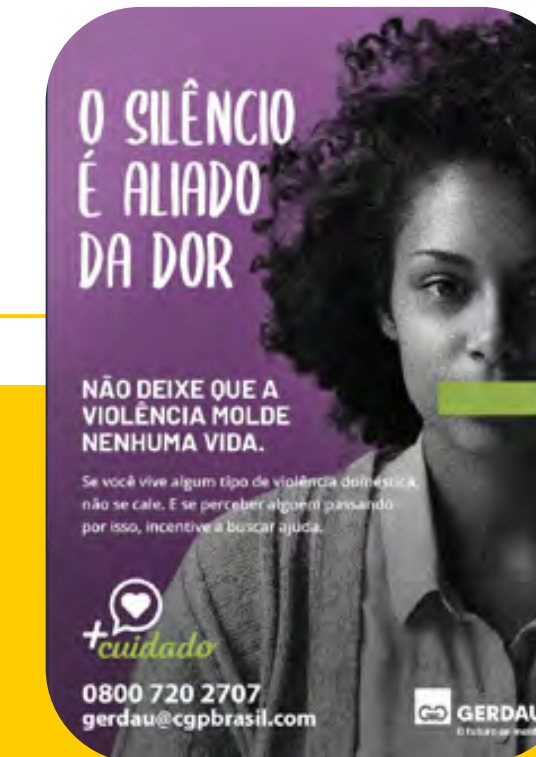


Employee at the Gerdau office in Tampa (USA)



### ➔ Program to help combat the violence against women

The program, implemented in all company units, is structured around three pillars: dealing with sexual harassment; a safe environment and support for victims; education and change in organizational culture. Several initiatives were conducted in 2020, such as webinars, training for the leaders, the medical team, and the People team, dissemination of a brochure, and internal communication actions. In addition, the employee care network, + *Cuidado*, started to handle cases of violence against women with a specific protocol that offers psychological, legal, and social support or any other necessary referral. Support is extended to dependents. Gerdau is part of the business coalition to end violence against women and girls.



### ➔ Signing of the anti-racism policy

Gerdau signed the anti-racism manifesto produced by Instituto Identidades do Brasil (ID\_BR) and Sistema B Brasil. As a signatory to the manifesto, the company is committed to supporting organizations and projects that are led by Blacks or are involved with the anti-racism agenda, dedicating hours of racial education training to employees and disseminating the profile of diversity in the company, as well as defining employability goals for Black professionals. Also, in 2020, Gerdau implemented a number of initiatives in this area such as the *Gerdau Transforma* and *Career Talks* with Black leaders, among others. For 2021, goals were established for the participation of black people in the company's development programs.

### ➔ Gender equality on the agenda

In line with the various actions taken to promote diversity, the policies and practices in the People area were reviewed. This review covered several aspects that contribute to the agenda of gender equality. In the People area, this revision covered several points of interest for women, such as restrictions on business travel during pregnancy and up to three months after returning from maternity leave. It also included at least one woman in the succession map for critical positions. After this period, and while breastfeeding, employees have the right to take the baby and a companion on business trips up to the time the child is two years of age.



## GOALS FOR DIVERSITY

In 2020, Gerdau defined the percentage of women's participation in all company's development programs, aiming to populate the succession pipeline with more women.

Strategically, short- and medium-term goals were defined and linked to the remuneration of Senior Management. The goal is to have 30% of leadership positions held by women by 2025.



## SURVEY ON DIVERSITY AND INCLUSION

In 2020, Gerdau carried out its first diversity and inclusion survey with the objective of determining where the company is at in its diversity culture, in addition to providing support to strengthen the professional performance of employees in the company with respect to differences in gender, race, and sexual orientation, among others. According to the census, we identified that 3% of our employees are people from the LGBTI+ community.

## HELDA GERDAU

Several investments were made, with an emphasis on the implementation of the program for the development of female leaders—**Helda Gerdau** and the **Pertencer Program**—to train women and people with disabilities for positions in the operational areas. Specific training and communication actions were also carried out concerning harassment, which offer guidance on the use of the Ethics Channel to report situations of discrimination and moral or sexual harassment.

As of 2021, cultural aspects, measured in the diversity survey, are part of the progress in monitoring diversity and inclusion.





## WEEK TO CELEBRATE DIVERSITY

The 2020 Diversity Week, in May, was the third event of its kind held by Gerdau. It was also the first to be held fully online and had a record number of participants—almost 500 people daily—a larger audience than all other virtual events held in the year. This confirms the interest and maturity of this topic within the organization.



## AWARDED DIVERSITY

In August 2020, Gerdau launched the film *Similarities*, which portrayed the company's diversity and inclusion journey through the stories of employees in video testimonials broadcast on social media, in which five professionals shared their journeys. Besides promoting discussions on the topic inside and outside the company, the initiative won the ABERJE 2020 award in the Audiovisual category.



Watch the video with the employees' stories



## Women in operations and management

In an industry such as steel, where the workforce is overwhelming male, Gerdau understands the need to advance in terms of female participation in the operation of the production units. The numbers are starting to shift toward reducing this imbalance. In 2020, female participation in operational positions at Gerdau broke the historical threshold of 2% and reached 4.4% by the end of the year.

Likewise, the number of women in leadership positions also advanced. In 2019, the percentage of women in these positions was 18%. By the end of 2020, that percentage had increased to 21%. For the first time in its history, Gerdau has one woman on the Board of Directors (since 2019) and three women in management positions (C-Suite). Michele Robert, a 43-year-old engineer, became the first woman to head one of the company's Business Operations. In November, she took over leadership of Gerdau Summit, a joint venture focused on the supply of parts for wind power generation, jointly managed with Japan's Sumitomo Corporation and Japan Steel Works (JSW).

**Michele Robert:**  
first woman  
to head one of  
Gerdau's Business  
Operations

## LGBTI+ TALENT POOL



In 2020, Gerdau launched its talent pool aimed at the LGBTI+ community. Registration of résumés can be done continuously, with no interruption. One of the goals of the project is to bring the company closer to new talent and promote the registration of their résumés in the recruitment platform.

When a job opens, HR will contact the people in the pool whose résumé matches the profile for the position. In this way, it will be possible to create job opportunities for these professionals while driving diversity in the work teams.

## PUBLIC COMMITMENTS

In recent years, Gerdau has been a signatory to pacts and coalitions that formalize their public commitments to promote diversity and inclusion. The company became a signatory to the Forum of Business and LGBTI+ Rights, the Business Coalition for Racial and Gender Equality, the Pact for the Inclusion of People with Disabilities, and the Corporate Coalition to End Violence against Women and Girls. Gerdau signaled its commitment to gender equality by joining the UN Women's Empowerment Principles in 2017.





## DIVERSITY IN THE SUPPLY CHAIN

Gerdaу started a wide-ranging effort to involve its supply chain with the topics of diversity and inclusion. Launched at the end of 2020, the initiative, called Inspire Gerdaу, should begin to bear fruit in 2021 by encouraging greater alignment of suppliers with the company on this topic.

### INSPIRE GERDAU NUMBERS

**150** large suppliers signed a commitment to advance their companies in terms of sustainability pillars.

There are eight general commitments and one pillar to be built around a demographic goal. At the beginning of the program, Gerdaу determines the stage where the participating supplier is at for each of the commitments. One year later, the company repeats its measurement to assess the progress achieved in 2021.



**400** suppliers have been invited and may sign commitments throughout 2021.



## SUPPORTING THE CULTURE OF DIVERSITY

Some training programs that were already on the Gerdaу leadership development agenda were improved in 2020. An example is the training on unconscious biases—one of the first activities to raise awareness of diversity and inclusion developed at Gerdaу—which migrated to an online format. Thus, even during the pandemic and the suspension of on-site work in part of the company's activities, training for new leaders and refresher training for others kept diversity training alive.

We also launched inclusive leadership training in 2020. Designed to better balance the conceptual topic and bring a more practical approach to how managers should exercise diversity on a daily basis, the training course was included in the list of mandatory courses for all company leaders.

In 2020, more than 4,600 employees were trained on unconscious biases, and about 400 leaders received training on inclusive leadership.

### IN LINE WITH THE UN SUSTAINABLE DEVELOPMENT GOALS

By internally promoting inclusion and diversity, Gerdaу contributes to the achievement of the UN's 10th Sustainable Development Goal (SDG)—reduced inequality and empowerment and promotion of social, economic, and political inclusion for all, regardless of age, gender, disability, race, ethnicity, origin, religion, economic status, or other condition—and to achieve the 5th SDG, which sets goals for gender equality by 2030. Gerdaу aspires to be one of the most inclusive companies in the industrial segment and to reflect, among its employees, all the diversity of society.



GERDAU'S DIVERSITY PROFILE

GRI 405-1  
DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

View the Indicators Handbook

KEY AGE GROUP:

- Under 30
- 30 to 50
- Over 50

KEY GENDER:

- Men
- Women

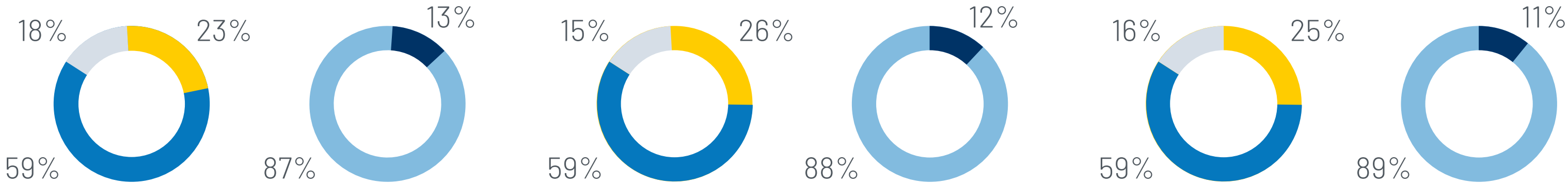
EMPLOYEES BY EMPLOYMENT CATEGORY, AGE GROUP, AND GENDER

EMPLOYEES	2020		2019		2018	
	AGE GROUP(%)	GENDER(%)	AGE GROUP(%)	GENDER(%)	AGE GROUP(%)	GENDER(%)
Apprentices	<div><div>96</div><div>3</div><div>1</div></div>	<div><div>58</div><div>42</div></div>	<div><div>98</div><div>2</div></div>	<div><div>63</div><div>37</div></div>	<div><div>99</div><div>1</div></div>	<div><div>69</div><div>31</div></div>
Interns	<div><div>95</div><div>5</div></div>	<div><div>50</div><div>50</div></div>	<div><div>95,5</div><div>4,9</div><div>0,1</div></div>	<div><div>54</div><div>46</div></div>	<div><div>95,5</div><div>4,2</div><div>0,3</div></div>	<div><div>55</div><div>45</div></div>
Operational	<div><div>21</div><div>60</div><div>19</div></div>	<div><div>96</div><div>4</div></div>	<div><div>22</div><div>62</div><div>16</div></div>	<div><div>98</div><div>2</div></div>	<div><div>21</div><div>62</div><div>17</div></div>	<div><div>98</div><div>2</div></div>
Administrative	<div><div>28</div><div>60</div><div>12</div></div>	<div><div>63</div><div>37</div></div>	<div><div>28</div><div>60</div><div>12</div></div>	<div><div>64</div><div>36</div></div>	<div><div>26</div><div>61</div><div>13</div></div>	<div><div>64</div><div>36</div></div>
Specialists/Coordinators	<div><div>10</div><div>69</div><div>20</div></div>	<div><div>78</div><div>22</div></div>	<div><div>11</div><div>68</div><div>21</div></div>	<div><div>80</div><div>20</div></div>	<div><div>10</div><div>67</div><div>23</div></div>	<div><div>81</div><div>19</div></div>
Management	<div><div>3</div><div>75</div><div>22</div></div>	<div><div>81</div><div>19</div></div>	<div><div>5</div><div>73</div><div>22</div></div>	<div><div>84</div><div>16</div></div>	<div><div>5</div><div>71</div><div>24</div></div>	<div><div>86</div><div>14</div></div>
Executive Board	<div><div>61</div><div>39</div></div>	<div><div>86</div><div>14</div></div>	<div><div>48</div><div>52</div></div>	<div><div>94</div><div>6</div></div>	<div><div>47</div><div>53</div></div>	<div><div>91</div><div>9</div></div>

MEMBERS OF GOVERNANCE BODIES

Fiscal Council	<div><div>100</div></div>	<div><div>100</div></div>	<div><div>100</div></div>	<div><div>100</div></div>	<div><div>100</div></div>	<div><div>100</div></div>
Board of Directors	<div><div>25</div><div>75</div></div>	<div><div>87</div><div>13</div></div>	<div><div>44</div><div>56</div></div>	<div><div>89</div></div>	<div><div>29</div><div>71</div></div>	<div><div>100</div></div>

GRAND TOTAL





# INNOVATION AND TECHNOLOGY

GRI 103-1, 103-2 AND 103-3: OWN TOPIC: INNOVATION AND DIGITAL TRANSFORMATION



The topic of innovation and digital transformation in processes and products allows Gerdau to monitor and anticipate customer needs, creating and leveraging value propositions

that guarantee their satisfaction and loyalty. It also promotes the improvement of production processes, reducing costs, increasing efficiency, and competitiveness in the market.

In addition, innovation allows us to develop new business opportunities and keeps Gerdau connected with the main market trends and future opportunities.

In 2020, the digitalization of processes and operations was a relevant tool to strengthen the competitiveness of Gerdau's operations and to capture opportunities for improvement stemming from strategic business ventures. The migration of employees to a home office format was also important in the process. By adopting a virtual workplace and cloud solutions, the company has gained more agility and flexibility. Another important initiative was the greater use by customers of the company's digital channels, such as eGerdau, online quotes, placement of orders, and others.

In terms of customer experience, there have been significant advances in the traceability platforms, which allow for the tracking of cargo. And at Gerdau stores, the channel Gerdau Commercial gained efficiency in dealing with both the physical and the digital, offering better customer service.



Juntos Somos + is transforming the construction industry

## NUMBERS OF DIGITAL TRANSFORMATION

**9.265**  
new customers  
through digital  
channels

**90,1%**  
of target  
customers using  
digital channels  
(48% in 2019)

**R\$ 41,6 MM**  
added to EBITDA  
Brazil BO from  
new digital  
revenue sources  
(R\$17.4 MM in  
2019)

**38.100 t**  
of sales in 2020  
were captured  
by digital  
channels



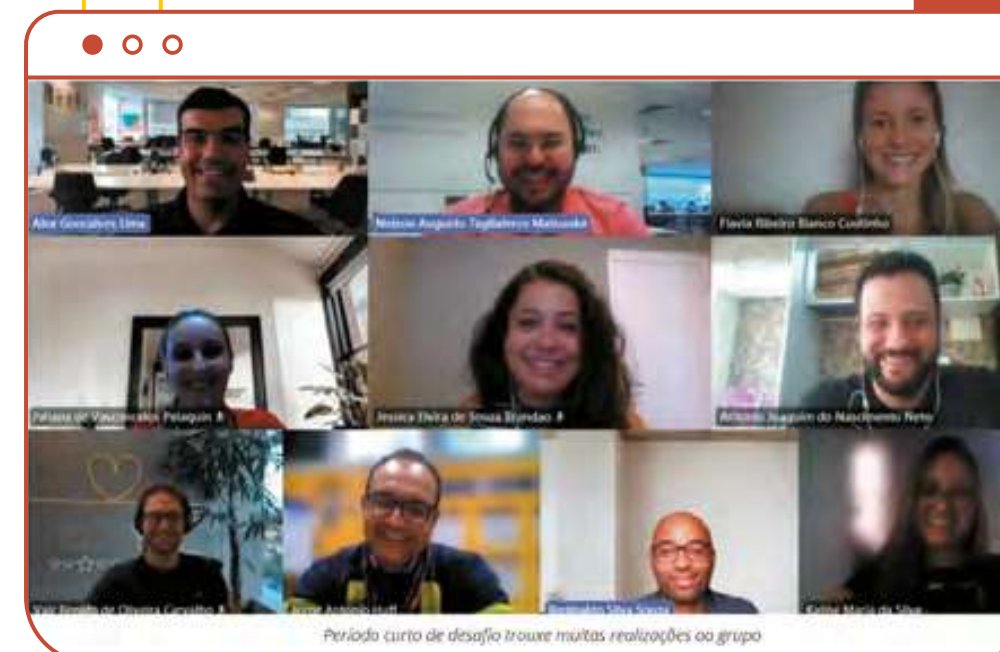
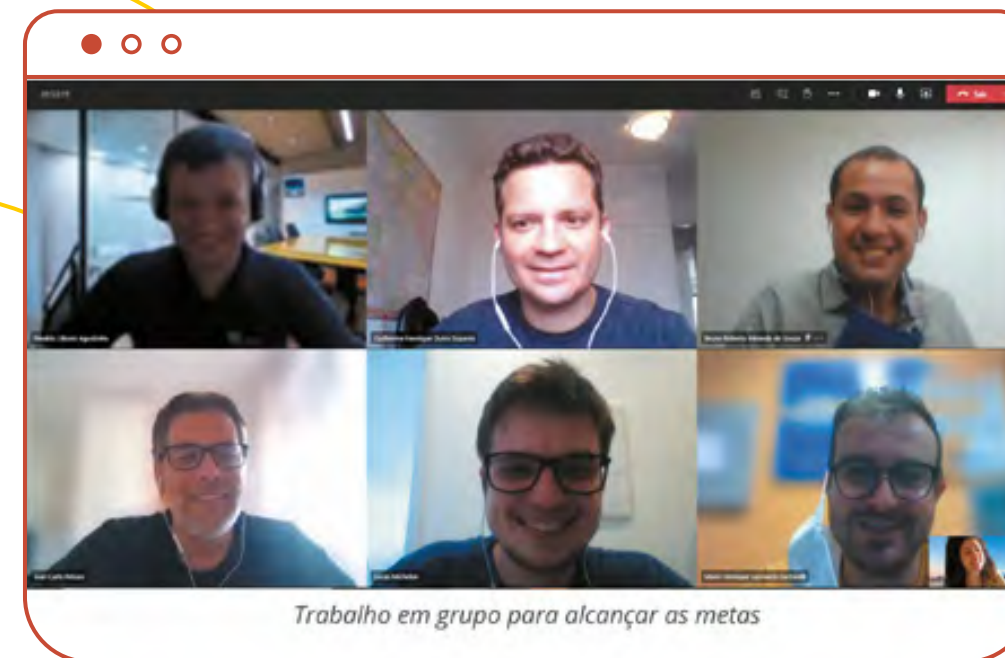


## REALIZAR 2020

The *Realizar 2020* program played an important role in consolidating elements of the cultural and digital transformation, which has been underway at the company since 2014. The program, which was initiated at the very beginning of the pandemic—when there was little visibility of how the markets where the company operates would react to the crisis—brought together 96 employees from different areas and units in Brazil who were relocated from their regular functions to dedicate themselves exclusively to the project. These professionals worked in a multidisciplinary way divided into squads, using the agile methodology as a lever and focusing on capturing value for the business at a time of major uncertainty.

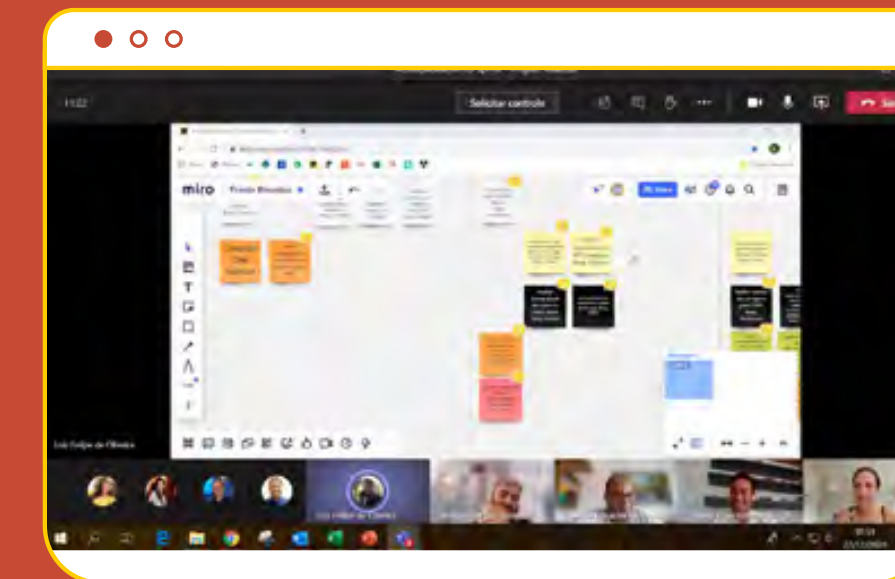
These talent teams, coordinated in the form of squads, addressed a set of challenges and topics, such as commercial, industrial, and occupational safety, at a time when the uncertainties brought about by the pandemic made visibility of the business scenario more difficult.

In addition to suggesting viable solutions to the challenges proposed, which resulted in gains of US\$830 million, Realizar 2020 provided other intangible gains, such as the expansion of the corporate vision and culture of agility, with consequent changes in mindset. In this sense, it was an advance in the transformation to new, less hierarchical, and more collaborative forms of work put into practice in a more horizontal organizational structure.



PROGRAMA  
**REALIZAR**

## GREAT ACHIEVEMENTS\*



Financial gains  
of **R\$ 830**  
million

**9**  
agile teams in  
operations

**94**  
people directly  
involved

**<30**  
days for  
the teams  
to begin  
operations

**12**  
units  
integrating  
the program

**32**  
hours of  
training

**200+**  
mentoring  
hours

**15**  
people  
involved in  
managing  
the program

**300+**  
backlog  
items  
mapped

\* em evolução/andamento



## PATHS OF DIGITAL TRANSFORMATION

In 2020, Gerdau increased its skills related to the data-driven journey, with data enrichment in its global datalake that allowed for the development of several intelligent solutions that captured business results using advanced analytics and artificial intelligence. Some examples are:

- ➔ Increasingly intense and refined use of data and comprehensive application of the resources of Industry 4.0, which promotes the joint and seamless use of physical and digital processes and tools, blurring the boundaries between the analog and digital worlds.
- ➔ Designing models that promote data-driven decision making, whether to facilitate the customer experience, eliminate bottlenecks and inefficiencies in the supply chain, or increase back office productivity through automation of processes.

## GOVERNANCE IN DIGITAL

## TRANSFORMATION

Management of digital transformation initiatives is done through monitoring of performance indicators (KPIs), tracked monthly by the Digital Committee. These KPIs calculate the financial return of the portfolio of digital initiatives in order to contribute to a more objective and transparent assessment of the topic. KPIs must be approved by the Digital Committee, and their metrics should be in accordance with the company's strategic needs. In addition to measuring financial return, performance of the squads involved in digital projects is also monitored using agile methodology indicators, such as the velocity chart.

The Digital Committee prioritizes initiatives with great capture potential, which are scalable for the entire organization. The company has invested in digital talent through specific training programs, in agile methodologies, in data science, and in more effective training processes, such as bootcamps. Thus, in 2020, Gerdau completed another training of the G.Data Program in Brazil, which allowed data science to be taught to xx non-programmer employees who increased the organization's ability to explore data for decision-making. In the USA, an equivalent program was conducted by the BeDataDriven movement.

## MAIN FOCUSES FOR DIGITAL TRANSFORMATION

- ➔ Provide the best possible experience to our customers.
- ➔ Search for safety and productivity, expanding our actions focused on Industry 4.0.
- ➔ Integrate our supply chain with a focus on the customers.
- ➔ Optimize raw materials.
- ➔ Next generation sales.





## DIGITAL INITIATIVES IN BRAZIL AND IN THE UNITED STATES

The customer journey in Brazil and in the USA improved digital channels, which created a better customer experience. In Brazil, Comercial Gerdau stores

have advanced in the transformation of their solutions, consolidating a “phygital” (physical + digital) experience. See the main initiatives in both countries below:



Monroe Unit,  
Michigan (USA)

### USA

- ➔ **Implementation of an artificial intelligence solution** for the operation of all Electric Arc Furnaces in the North America BO, with more than US\$7 million savings in the consumption of electrodes and energy and a reduction of emissions of CO<sub>2</sub>.
- ➔ **Development of artificial intelligence** to optimize addition of alloys into the furnace, aiming to reduce the cost of alloys.
- ➔ **Continuity of the robot deployment roadmap** for bundle tagging, counting, and shape at the Midlothian and Ontario mills.
- ➔ **Application of a quick quote tool** that optimizes the work of customers in the construction segment to make the necessary purchases for their projects.
- ➔ **Evolution of eGerdau**, our B2B portal that allows customers to have a better experience.



## BRAZIL

➔ **Implementation of remote monitoring and services**, located in Belo Horizonte (MG), with a focus on data integration (big data), high levels of precision, accuracy, and continuous improvement of the company's process models. The monitoring center, a partnership between Gerdau and Primetals, is composed of a multidisciplinary team (metallurgists, automation engineers, and data scientists) and is also used for training, remote assistance for users, and as a hub to investigate potential areas for process improvement.

➔ **Thermochemical model**, an initiative of operational excellence and data analysis applied at two Gerdau mills in Minas Gerais that converts data into better decisions for blast furnace specialists. The thermochemical model analyzes all process variables, looking for the lowest consumption of bio-reducing agents. As a result, we have increased productivity and improved equipment performance.

➔ **Quandec**, a model for the steel production process in the reduction phase that optimizes planning, from raw material purchases to the delivery of pig iron to the melt



Employees at the Ouro Branco Mill (MG)

shop. It identifies the best cost-benefit ratio in the short and medium term. The model is implemented in four Gerdau mills.

➔ **Safety analytics.** An innovative safety analytics project was consolidated on a global scale in 2019. Artificial intelligence (AI) models are used to predict the risk of work-related accidents based on historical data—big data accumulated by the company—allowing actions to be taken to prevent risks from becoming actual accidents. Today, almost all Gerdau plants in Brazil have the safety analytics tool in place, and the project is being escalated to operations in Mexico and the United States.

➔ **Meltdown**, an artificial intelligence model to optimize energy consumption in the melt

shop furnaces of semi-integrated mills. The data collected in this model are processed by an intelligent monitoring center in Belo Horizonte (MG), which sends operators at the mills the information necessary to improve the energy efficiency of the furnaces. This reduces energy consumption, CO<sub>2</sub> emissions, and steel production costs.

➔ **•SMDO – Gerdau Asset Management System**, an online monitoring and diagnostic system consisting of an innovative platform that performs functions related to the prediction and diagnosis of failures in equipment and industrial processes, as well as support for maintenance procedures. It is a centralized monitoring environment for 700 critical assets in all units in Brazil, and also in

Argentina, based on predictive software that is supported by a team of specialists. Thus, we can identify failures early, significantly reducing maintenance costs and production losses, with a consequent reduction in the exposure of employees to risks.

➔ **Robotization map**, a roadmap containing 63 opportunities, aiming to eliminate situations and tasks of extreme risk to people, ergonomic risks, and gain productivity in processes (intensively repetitive tasks). Currently, we have robots operating in melt shop processes and downstream lamination, and we will continue to advance on this area.





## GERDAU *next* IS BORN

*Empreender além do aço.*

Gerdau Next, conceived in July 2020, is the company that consolidates Gerdau's new businesses with the mission of globally diversifying the company's business portfolio by creating and incorporating new companies in strategic segments. Gerdau Next is dedicated to building new developments for the Gerdau of the future.

Gerdau Next's goal is to increase Gerdau's total revenue by looking beyond the company's traditional businesses.

The new businesses that will be developed and managed may come from different sources, such as:

- ➔ Initiatives of **intrapreneurship**, when new businesses are created in-house, in sectors or areas related to the company's traditional businesses.
- ➔ Through **partnerships and stakes in startups**, whether prospected in the market or accelerated by Ventures Gerdau (an accelerator launched by Gerdau Next), or through opportunities created by Corporate Venture Capital Paris Ventures.
- ➔ Through **mergers and acquisitions** (M&A).



## THE PRIORITY FOR GERDAU NEXT IS HIGH VALUE ADDED



In addition to the definition of origin, in 2020, Gerdau established its priority focus for new businesses. In this process, a valuable contribution was the strategic document “Gerdau’s Future,” prepared in 2019, based on a discussion about the company’s strengths, global market trends, long-term objectives, and vision for the future.

An important guideline, defined in Gerdau’s Future, indicates that the company will increasingly become a provider of high value-added goods and services, with a focus on the Americas, and a producer of commodities.

Taking into account this goal, five priority investment lines for the next ten years, pointed out in Gerdau’s Future, were converted into six main areas of focus for Gerdau Next and approved by the Strategy and Sustainability Committee and Gerdau’s Board of Directors. These include:

- ➔ Businesses that will **increase the productivity of the construction sector.**
- ➔ Initiatives that position Gerdau as a **major player in logistics and infrastructure.**
- ➔ Opportunities to leverage the company’s advantages in **scrap metal recycling processes.**
- ➔ Creating a robust portfolio of **renewable energy** projects.
- ➔ Development of advanced materials and their applications, including **graphene.**
- ➔ Cultivating a digital mindset to create **disruptive digital** solutions.



### MORE INNOVATION: TRIIDER IS NOW JUNTOS SOMOS +

In 2020, *Juntos Somos +* (Together We Are +), a retail building material loyalty program maintained by Gerdau (in a joint venture with Votorantim Cimentos and Tigre), acquired 100% of the Triider app, from Porto Alegre (RS). It is an electronic platform created to connect domestic service providers (cleaning, carpentry, hydraulics, and maintenance of electrical appliances) to customers who require their work.

Triider started its operations in the city of Porto Alegre and, after the integration with *Juntos Somos +*, began to operate in the cities of Brasília, Belo Horizonte, Curitiba, Salvador, Rio de Janeiro, and São Paulo.





Level Building, built by Brasil  
ao Cubo, in Tubarão (SC)



## THE CASE OF BRASIL AO CUBO

At the end of 2020, Gerdau Next completed the acquisition of 33% of the modular construction company Brasil ao Cubo, a construtech (technology company applied to construction) based in Tubarão (SC). The companies already knew each other: Brasil ao Cubo was accelerated within Gerdau in 2018/19, and in 2020, the companies came together (along with other partners) to build—in record time—two public hospitals for the treatment of patients with COVID-19 in São Paulo (SP) and Porto Alegre (RS).

Brasil ao Cubo developed a proprietary method of manufacturing steel structures outside the construction site, in an industrial park that produces metal modules in a series, which are then assembled at the construction site. The system makes it possible to build four times faster than ordinary construction, reduces water consumption, and cuts waste and losses.

It combines substantial gains in sustainability and productivity, in line with the values and focus on innovation in the development of Gerdau Next. This was a case that made an important contribution to society in an emergency pandemic scenario, while contributing to the strategic objective of diversifying Gerdau's business portfolio and putting innovation into practice.

In addition to being a good fit with Gerdau's strategy, Brasil ao Cubo has demonstrated the potential for exponential growth—it had revenues of less than R\$2 million two years ago, reached nearly R\$150 million in 2020, and has contracted work in the pipeline totaling close to R\$230 million.

Today, the company has about 300 employees and plans to invest in a new industrial park to increase its production capacity in 2021.



## THE FIRST PORTFOLIO

Gerdau Next's initial portfolio brought together companies that had recently been established and simultaneously launched companies that were still in a design and MVP phase. In the first months, as a diverse and capable team was formed, other new businesses were incorporated.

Combining all of them under the umbrella of a holding company for new businesses will allow for greater clarity in the allocation of resources and agility in investment decisions.

Gerdau Next was designed to operate under the fail fast principle, according to which risks must be faced early and bets on businesses that do not produce results in the short term must also be quickly abandoned. The adoption of this experimentation culture, characteristic of technology companies and companies in the Silicon Valley, requires a strong cultural transformation.

Below are some companies (besides Brasil ao Cubo, already presented on page 48) that compose Gerdau Next's portfolio:



**Ventures Gerdau.** Gerdau's startup accelerator launched its first selection process in 2020 with huge success. The first round of Gerdau Ventures acceleration involved an ecosystem of partnerships, including StartSe, Terracotta Ventures, ACE, and Autodesk. The 5 startups chosen from the 236 registered presented disruptive proposals linked to artificial intelligence, algorithms, sensors, or the Internet of Things that are in line with Gerdau Next's objective of promoting productivity advances in the construction sector. The five winners were:

- ➔ OrçaFascio - a budgeting and work monitoring platform
- ➔ Dersalis - risk and productivity management using IoT
- ➔ CMC - modular volumetric construction using steel structures
- ➔ Docket - a platform to obtain real estate documents and certificates
- ➔ ConstrufLOW - a project coordination platform that uses embedded artificial intelligence



**Debate on the Ventures Acceleration Program, with accelerated companies and Gerdau leaders**







**Paris Ventures.** Located in Silicon Valley, Gerdau's Corporate Venture Capital (CVC) invests with minority stakes in ventures to support founders in developing and scaling their businesses.



**G2Base.** Gerdau's metallic foundations division, in operation since 2018, became a business with its own identity in 2020. Embedded in Gerdau Next, it has great growth potential. G2Base is an example of Gerdau's movement toward providing services with greater added value. Instead of simply selling steel profiles for building foundations, leaving the construction of foundations to third parties, as was the company's traditional practice, G2Base offers a package of services and products that involve profiles for the design and execution of building foundation work. In 2020, G2Base built the foundation for the Praia Grande Hospital in Santos (SP) and won tenders for projects on the Boa Viagem beach in Recife (PE), among others.



**Gerdau Graphene.** An initiative launched in the second quarter of 2021, is positioned to be the leading developer of graphene in the Americas. The company plans to offer more technology for the construction, rubber, thermoplastics, paint, and sensor sectors across global markets. Gerdau has been researching graphene since 2019 through a partnership with the Graphene Engineering Innovation Center (GEIC) at the University of Manchester in the United Kingdom. Graphene is obtained from graphite and has an attractive potential for applications in the steel industry, such as protecting parts against corrosion in industrial environments and in construction. Learn more at: <http://graphene-gerdau.com.br>



**NIMA.** The Advanced Materials Innovation Center (NIMA - *Núcleo de Inovação em Materiais Avançados*) resulted from a challenge by the automotive industry that led Gerdau to look at disruptive technologies beyond its core business. Its purpose is to support changes in the sector, and in three years, it has realized important achievements such as the development of three business plans: graphene; additive manufacturing, and energy storage.



**G2L.** As Gerdau's logistics operator, it gained its own fleet in the final months of 2020. To provide logistics solutions for the Brazil BO and foreign customers, it has set up a logitech (logistics platform) that will also allow it to operate with autonomous carriers and gain the ability to propose to customers—whether from Gerdau or third parties—the ideal mix of services from its own fleet and third-party fleet. Learn more at: <https://www.logisticag2l.com.br/>



**Juntos Somos +.** With the largest network of relationships in the civil construction market, its purpose is to bring together leading companies in the sector and connect them to store owners and construction professionals. The initiative started in 2019 through a partnership between Gerdau, Votorantim Cimentos, and Tigre, and it currently has more than 20 participating companies, 80,000 stores, and 500,000 professionals who are trained, earn points, and redeem prizes from the network every day. Learn more at: <https://www.juntossomosmais.com.br/>.



G2L operates nationwide, serving the operations of Gerdau and other 35 customers





Volunteers in the Teto (Roof) project, which seeks to build emergency homes for underprivileged populations

# 6\_ Social and Relationship Capital





Gerdau, in partnership with the NGO Teto, supports the construction of emergency homes in needy communities

## COMMUNITY RELATIONS

**GRI 103-1, 103-2, AND 103-3**



The COVID-19 pandemic emerged at the turn of 2019/2020 and led to changes in all plans for 2020. Gerdau began to assess the social implications as soon as the impact of COVID-19 became clear in Asia and Europe, where countries were initially affected.

In March 2020, the Board of the Gerdau Institute decided to put together a specific budget to respond to the demands brought on by the pandemic.

It became clear, in the debate concerning the path to be taken, that it would not be possible to just redistribute part of the normal 2020 budget. The company's social action strategy supports medium- and long-term social transformation projects (see

more in *Social strategy*). Interrupting this support and giving a new destination to the resources already earmarked was not an option, at the risk of making Gerdau's usual partners unfeasible.

Once the strategy was defined, we had to decide how much should be added to the budget to face the COVID-19 pandemic. The numbers initially estimated had to be readjusted along the way in order to adapt to the growing demand for support. The additional amount already earmarked for traditional social projects was set in the second quarter of the year at R\$20 million for Gerdau's social investments in Brazil. The units in Latin America and the United States used their local budgets to meet their demands.

### MATERIAL TOPIC ASSOCIATED WITH THE CAPITAL:



### TIMELINE

To see the full timeline,  
[click here.](#)

# 1997



Gerdau joins Açominas, current mill in Ouro Branco (MG)

# 1997



Gerdau arrives in Argentina. In the photo, mill in the province of Santa Fé, opened in 2017



## GERDAU'S COMMITMENT TO MINIMIZE THE EFFECTS OF THE PANDEMIC

Gerdau allocated **R\$20 million** to an additional social investment budget to be invested in Brazil for projects and initiatives related to combating the COVID-19 pandemic and its effects on the most vulnerable populations.

COVID-19 Treatment Center  
in Porto Alegre (RS)



COVID-19 Treatment Center  
in São Paulo (SP)

To evaluate the projects that were going to receive these resources, Gerdau used the same process and premises it normally uses for its social investments: seeking working partners in the regions where we operate and focusing on actions with the greatest potential for positive social impact, as well as actions that can leave a legacy. What could remain as a benefit for society after the end of the pandemic?

An immediate response was to create and improve hospital structures. An increase in well-equipped hospital beds for medical services

would have an immediate positive impact on the treatment of patients of COVID-19, and it would also remain as a legacy for the public health system that caters to the general population.

Based on this understanding, Gerdau and its partners (*see page 54*) built two hospitals in São Paulo and Porto Alegre in record time. The work was carried out by Brasil ao Cubo, a construction company specializing in modular metal structures. Besides these two new ones, the structures of eight other hospitals were remodeled or improved: seven in Brazil and one in Argentina.



## THE FASTEST HOSPITAL CONSTRUCTION IN BRAZIL'S HISTORY

**GRI 102-43**



How could we build a new hospital wing in time to fight a rapidly spreading epidemic? We did it by building with industrially produced modules that are assembled on the construction site like pieces of a jigsaw puzzle, reducing construction time to as little as a quarter of what is needed on a conventional construction site.

Modular construction is the specialty of Brasil ao Cubo, a constructech that had been accelerated in the Gerdau Builders program—a social project developed by the company together with Endeavor. And Gerdau produces steel, the raw material used in the constructions of Brasil ao Cubo, whose module factory is located in the state of Santa Catarina.

This combination of technologies and alliances with the public sector and private companies gave rise to the idea of building new hospital wings in São Paulo and Porto Alegre, which in the initial phase would treat COVID-19 patients through the Unified Health System (SUS), expanding the capacity to fight COVID-19 at a crucial time in the pandemic, when the hospital

networks in large Brazilian cities were at risk of becoming overcrowded. In the second phase, when the pandemic is over, the beds will be incorporated into conventional public healthcare.

Different partnerships were established in each region: in São Paulo, Gerdau joined forces with Ambev, with Hospital Israelita Albert Einstein, and with the city government to expand Hospital Municipal Moyses Deutsch in M'Boi Mirim, in the southern part of the city. In Porto Alegre (RS), the company, in partnership with Ipiranga, Grupo Zaffari, Hospital Moinhos de Vento, and the city government, built a new wing in the facilities of Hospital Municipal Independência.

Gerdau supplied steel, engineering and project management expertise, and financial resources to both hospitals. In total, the company invested R\$9.2 million in these projects, which are recognized today as the fastest in the history of hospital construction in Brazil.



**160 new beds  
were built in record  
time in Brazil**



COVID-19 Treatment Center in Porto Alegre (RS)





Fundação  
Ouro Branco  
Hospital  
Received new  
equipment  
and beds

## MORE BEDS IN MINAS GERAIS

Gerdau supported the renovation of the São Camilo Hospital in Conselheiro Lafaiete (MG), increasing the number of beds fivefold. **The healthcare unit had 12 beds and now has 60, which have been allocated to patients being treated for COVID-19.** In Ouro Branco, the investment was aimed at the Fundação Ouro Branco (FOB) Hospital for improvements and an increase in the number of beds to treat patients with COVID-19. **Gerdau's investment gave the unit 25 exclusive hospital beds, five of which are in the ICU.** Support for FOB doubled the number of beds available to fight COVID-19.

The company also donated equipment and furniture to public healthcare facilities (emergency units and hospitals) in the cities of Divinópolis, Ouro Preto, Congonhas, Itabirito, and Moeda in the state of Minas Gerais; São Jerônimo and Sapucaia do Sul in the state of Rio Grande do Sul; and Pin-damonhangaba in the state of São Paulo. In Argentina, the company provided equipment to the hospital in the city of Pérez in Rosario.

## DIALOGUE WITH SOCIETY

GRI 102-13



In 2020, Gerdau received 289 contacts, including calls and WhatsApp messages, from residents of communities near its operations in Minas Gerais, a state that accounts for the largest volume of the company's steel production in Brazil, as well as mining and forestry activities. Through the *Prosas de Vizinhos* (Neighbors' Chat) program, the company provides a toll-free number (0800 031 2118) and receives calls on a wide range of topics, thereby opening the door for dialogue with the company. In addition, in June 2020, the company launched the *Aproxima Gerdau* newsletter aiming to provide information on relevant topics to customers, communities, partners, and other stakeholders in Brazil. From the launch in June 2020 to April 2021, 11 newsletters were published.





Donations to the  
community of  
Araçariguama (SP)  
(photo above) and  
Divinópolis (MG)



Donations to the community near the  
Riograndense Unit (RS)



## MISCELLANEOUS DONATIONS

**+ PPE >** Gerdau donated more than 200,000 pieces of personal protective equipment—such as masks, gloves, caps, face shields, coveralls, and goggles—to public service organizations in Brazil and in the other countries where it operates. The beneficiaries were health and safety professionals, such as doctors and nurses, paramedics, firefighters, and police officers.

**+ Hand sanitizer production >** Nearly 400,000 liters of 70% alcohol hand sanitizer were produced by Gerdau in its Charqueada (RS) mill to be donated to the public healthcare system. This initiative has benefited cities in Rio Grande do Sul, Rio de Janeiro, Minas Gerais, and São Paulo.

**+ Baskets of staple products and meals >** Donation of more than 12,000 baskets of staple products and hygiene kits in several locations in Brazil.

**+ Mask production >** Through the Center for Innovation in Advanced Materials (NIMA - Núcleo de Inovação em Materiais Avançados), Gerdau helped in the production and distribution of 20,000 reusable face shields, in partnership with the Women in 3D Printing Brazil group, to be donated to health professionals and public security agents in six Brazilian states.

**+ Fund 1 >** The company also made a R\$1.5 million donation to the Minas Gerais state recycling cooperatives fund, which works through a recycling grant for workers in this sector supported by the state government. Gerdau views recycling as a strategic social agenda, based on its close relationship with scrap metal recyclers who supply fundamental input for its steel-making plants in electric furnaces (mini-mills).

**+ Fund 2 >** Gerdau also participates in two funds that provide support to entrepreneurs: the Covid-20 Fund, led by Sistema B and Capitalismo Consciente Brasil, whose aim is to support companies linked to the conscientious capitalism movement and Certified B Corporations; and the *Volta por Cima* Fund, led by Artemisia and Articuladora de Negócios de Impacto da Periferia (ANIF), focused on impact businesses. The focus of the investment is to support entrepreneurs accelerated in *Programa Lab Habitação*, a joint initiative with the companies Tigre, Vedacit, and Votorantim Cimentos.



## ACTIONS OUTSIDE BRAZIL

Gerdau conducted a series of initiatives in other countries where it operates:

### Argentina

- ➔ Donation to the Rosario Food Bank.
- ➔ Donation of disposable masks to the Pérez fire department.
- ➔ Donation of thermometers to the Pérez assistance center.

### Colombia

- ➔ Donation of financial resources for the purchase of medical equipment to the city of Tunja Boyacá.
- ➔ Donation of baskets of staple products to the community of Tuta and Sotaquirá Boyacá.

### Mexico

- ➔ Donation of PPE to the government of Hidalgo.
- ➔ Donation of baskets of staple products to the community of Sahagún.

### Peru

- ➔ Donation of five tons of food and drinking water to the community of Chimbote.
- ➔ Donation of PPE to the police department.
- ➔ Providing transportation for healthcare professionals.

### Dominican Republic

- ➔ Donation for the purchase of medicines, food, and medical equipment through the *Sanar Una Nación* program.

### Uruguay

- ➔ Participation in the food donation campaign with Fundación Tênis.

### North America

- ➔ Donation of financial resources to partner entities in the communities where we operate:
- ➔ United Way (COVID-19 fund).
- ➔ Spring (support for combating domestic violence).
- ➔ Feeding Tampa Bay (meal program).
- ➔ Homeless Program.
- ➔ Interfaith Shelter (homeless program).
- ➔ Vetcor (support for local hospitals).
- ➔ Inspired Living (support for home nursing).
- ➔ Food Bank.
- ➔ Communication action to foster local businesses, encouraging the purchase from these entrepreneurs.
- ➔ Donation of PPE to the Fire Department: goggles, hand sanitizer, coveralls, and N95 masks.
- ➔ Donation of PPE to police departments: goggles, gloves, and disposable masks.
- ➔ Donation of disposable masks to nursing homes.
- ➔ Donation of PPE to local hospitals such as Henry Ford Allegiance Hospital and Mercy Hospital: N95 masks, pairs of gloves, coveralls, and goggles.
- ➔ Donation of meals to nurses working in hospitals.



Donations of  
cylinders made  
by Siderperu in  
Chimbote (Peru)



## RECOGNITION OF SUSTAINABILITY: HOW TO BECOME A B CORPORATION

In 2020, Gerdau accelerated the preparatory process to undergo the 2021 international audit to be certified as a B Corporation in the Brazil Business Operation, a globally recognized certificate stating that the company follows good sustainability practices, according to ESG (environmental, social, and governance) criteria and that it effectively connects its business to its purpose, leaving a legacy for society.

In 2019, Gerdau had already conducted a self-assessment of its adherence to these criteria, using a tool developed by Sistema B. This self-examination revealed opportunities for improvement. These included expanding the engagement of the supply chain with the principles and practices of sustainability and diversity and setting long-term environmental targets, such as reducing CO<sub>2</sub> emissions and reusing water in the company's operations.

In the case of suppliers, they were all asked to answer a questionnaire about their ESG practices. These data allowed for a more precise and updated mapping of the entire supply chain in

Brazil. Also in 2020, the company launched the *Inspire* Program, focused on diversity and inclusion among suppliers.

Furthermore, the evaluation revealed that initiatives conducted in previous years contribute to Gerdau's certification as a B Corporation. This is the case of the company's sustainability policy and human rights policy and of the conversion of the Strategy Committee, linked to the Board of Directors, into a Strategy and Sustainability Committee, indicating that ESG issues are strategically addressed by Gerdau's highest internal level.

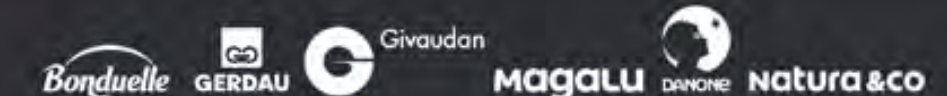
Gerdau plans to stagger certification as a B Corporation for the entire company in three phases. In the first phase, Gerdau Aços Brasil will be certified; in the second phase, the North American operations will be certified; and in the third and last phase, the Latin American operations and Aços Especiais Brazil will be certified, completing the process.



## JOINING B MOVEMENT BUILDERS

Gerdau is also a member of B Movement Builders, a group composed of large publicly traded companies that participate in Sistema B (in Brazil, Natura, Magalu, and Gerdau are part of this subgroup; in Europe, Danone, Bonduelle, and Givaudan are included).

Sistema B expects that these multinationals can contribute to the growth of the system in the environment of large companies, as well as generate a positive impact on a larger scale considering the network of stakeholders in these organizations.



## B Movement Builders

A coalition of multinational, publicly traded companies committed to transforming the global economy.



6

companies



USD 60B

in revenue



250,000

employees



120

countries



• Food and Beverages  
• Cosmetics  
• Fragrances and Spices  
• Retail and Steel  
industries

Learn more: [bcorporation.net/b-movement-builders](https://bcorporation.net/b-movement-builders)



## THE COMPANY'S SOCIAL STRATEGY

In 2020, the company continued to implement the social action strategy revised in 2018 and organized into three lines of action: entrepreneurial education, housing, and recycling. Partnerships and projects were strengthened, even during the pandemic.

Social investments related  
to this strategy reached  
**R\$ 40 million**,  
including company resources  
and incentive investments.

One program that has expanded its actions in the last year is ***Gerdau Transforma***, a development and training project that targets future entrepreneurs and people who already work in the shadow economy or as freelancers.

Based on quick in-person classes, the program had to be adapted to a virtual format, and the loss in proximity to the students turned out to be a gain in outreach and increased class sizes.

Launched in 2019 only in the state of Minas Gerais with 227 participants, *Gerdau Transforma* grew in 2020 to more than 1,096 certified participants and advanced its internationalization, with classes established in Argentina, Mexico, and Peru.

Gerdau donated R\$1.5 million to the bolsa reciclagem (recycling scholarship) in Minas Gerais, benefiting 1,600 pickers of recyclable materials.



## GERANDO FALCÕES

In 2020, the first implementation of the Gerando Falcões program was completed with Gerdau's support. After two years of providing technical and structural support, the entity Fazenda Arte, from Divinópolis, finalized the qualification process by training the NGO's leader at Falcons University. Following the qualification process, the entity will receive consulting services from Gerando Falcões for a few more years, along with a commitment to expand the social impact.

For 2021, the goal is to implement a new hub for the project, this time in the region of Ouro Branco in the state of Minas Gerais.



## GERDAU VOLUNTEER PROGRAM

Gerdau ended 2020 with 1,538 employees working as volunteers. These are people who dedicate their time and talent to work on social projects supported by the company. In other words, approximately 5.7% of Gerdau's employees performed volunteer work.

The outbreak of the pandemic forced Gerdau to suspend its in-person volunteer activities for most of the year in order to preserve the health and safety of its employees and partner organizations.

On the other hand, it was an opportunity to accelerate and implement innovations in the Gerdau Volunteer Program. Digital volunteer actions such as classes and mentoring young people were conducted, and international volunteering was implemented. During this initiative, volunteers from the company in Latin America had the opportunity to mentor students from the Dominican Republic, Colombia, and Peru.

Plans for 2021 are to expand the opportunities for digital volunteer work, initiatives that will continue to be available to employees after the pandemic.



Gerdau volunteers in Salvador (BA)



## JUNIOR ACHIEVEMENT

Gerdau professionals act as volunteer instructors in Junior Achievement (JA) programs, such as JA Startup, dedicating hours of their time to discuss topics of the new economy with high school students. Gerdau also supported the development of an app to digitalize all the content of this program. The tool includes support material for mentors, gamification, student journeys, and classroom materials. JA Startup is the result of Gerdau's partnership with JA, one of the largest social education organizations for young people in the world, operating in 100 countries and one of the first to bring entrepreneurship programs to this audience in

Latin America. The purpose of the partnership between Junior Achievement and Gerdau, developed in Argentina, Brazil, Colombia, Peru, the Dominican Republic, and the United States, is to contribute to the development of the entrepreneurial spirit in young people and prepare them for the job market.

## START GERDAU

A company initiative in partnership with Instituto Ser+, with the support of Accenture, the program promotes professional training for low-income youth in São Paulo and Rio de Janeiro. Start is aimed at students who have completed or are about to complete high school in a public institution. Students must also be part of a household with an income of less than one minimum wage per person. With employability targets for the students, 20% of them were employed in the same year. Other important results in terms of diversity and inclusion: 62% of the participants were women, 71% were Black and Pardo\*, and 22% were from the LGBTI+ community. The goal for 2021 is to expand the project to Minas Gerais and Rio Grande do Sul.

\*In Brazil, Pardo is an ethnic and skin color category used by the Brazilian Institute of Geography and Statistics (IBGE) in the Brazilian censuses.



Diversity at Start Gerdau

62% of female participants

71% of Blacks and Pardos\*

22% of the LGBTI+ community

## Commitments







GerdaU MM Museum

## DIGITAL MUSEUM

The GerdaU Mines and Metal Museum (MM GerdaU), located at Praça da Liberdade in Belo Horizonte, had to adapt to pandemic conditions, closing its building as of March 2020 and moving all its activities online. Transformed into a virtual museum, it was possible to provide remote access to its content, organized into collections, lectures, expositions, and exhibitions.

Besides the MM GerdaU's virtual attractions, which are already available, others will be made available throughout 2021 as part of the Digital Museum project. The Digital Museum aims to operate in six areas such as visits, educational programs, and access to the collection, among others. All will be offered virtually and from anywhere in Brazil and abroad.

**For a virtual tour of the Museum, [www.mmgerdau.org.br](http://www.mmgerdau.org.br) and register.**



## SUPPLIER RELATIONS

**GRI 102-9**



The services and products suppliers provide to the company's production chains include energy, natural gas, alloys, chemical components, and materials of all types.

For Gerdau, suppliers are important and often strategic stakeholders. The relationship model promoted by the company implies a two-way channel: Gerdau is interested in having the most suitable suppliers for its operations, suppliers that guarantee the sustainability of the business. At the same time, the company is always willing to support the development and growth of its partners.

An example of Gerdau's concern with its suppliers is the Monkey tool, developed and implemented during the pandemic to allow small and medium suppliers to guarantee their cash flow in a period of uncertainty.

Nearly 40% of Gerdau's suppliers in Brazil are Individual Microentrepreneurs (MEIs), small, medium, or micro enterprises.

These are firms that have a very large social relevance and that, in a difficult situation like the pandemic, needed a simple financial solution to cover their payroll.

Monkey was set up as a digital platform through which small and medium suppliers can advance receivables at competitive rates, without the need for a financial structure to negotiate with a banking institution. This was one way Gerdau found to contribute to the continuity of small businesses linked to its production chain.

Fornecedores Gerdau



18,000  
worldwide



12,000  
in Brazil





## GABI, THE ROBOT BUYER

Since December 2020, more than 50% of Gerdau's C-curve procurement is performed by a robot. Her full name is **Gerdau Autonomous Buyer Intelligence: Gabi**.

Gabi was designed in 2018, in-house, by Gerdau's procurement and information technology teams without support from an outside consultant or vendor. In 2019, she was already running end-to-end procurement processes. Gabi takes in user demand; searches her database; evaluates potential suppliers; sends and receives back quotes, best bids, and reviews; chooses the winning proposal; and issues the order. The purchases Gabi is currently making at Gerdau amount to a few hundred million Brazilian reais. These are purchases that do not require complex evaluations and are limited to the comparison of simple characteristics that can be easily automated.

With Gabi's arrival on the procurement team (to take on duties normally performed by four people), employees have been freed up to perform activities that are more demanding and strategic. They are now focused on less routine tasks than comparing quotes and placing orders.

## MARITIME TRAVEL, CARBON OFFSET

In 2020, for the first time, Gerdau contracted carbon offset transportation on a coastal shipping route operated by the shipping company Norsul. In the first half of the year, 1,630 tons of CO<sub>2</sub> were neutralized for shipments in the period.

## PARTNERSHIP WITH SUPPLIERS FOR CLEANER AND MORE SUSTAINABLE VEHICLES

Tests for the use of vehicles powered by renewable fuels in Gerdau units were started in 2020 to contribute to the reduction of the company's carbon emissions.

A truck powered by natural gas, from Swedish manufacturer Scania, is being tested at the Várzea do Lopes mine (MG). This is the first time that a gas-powered vehicle has been tested in mining.

Fagundes, a partner providing transportation services at the mine, is also participating in the experiment, which includes the construction of a natural gas refueling station inside the unit with specific technical standards and safety protocols.

In addition to the gas-powered truck, Gerdau has initiated tests of an electric bus for transporting employees. And in 2021, some of the company's units will begin operating experimental gas-powered buses, aiming to reduce greenhouse gas emissions from the burning of fossil fuels.



Truck powered by natural gas at the Várzea Lopes mine (MG).

## LESS CARBON IN NATURE

The replacement of road transport with multimodal combinations had a positive impact on the reduction of carbon emissions caused by Gerdau's logistics operations. More than 1.5 million tons of cargo were moved using multimodal transport, replacing approximately 76,000 trucks that stopped circulating on Brazilian roads.

As a result, carbon emissions were reduced by an average of 49.01%, compared to the emissions that would have occurred if all this cargo had been transported only by road. In all, an estimated 48,000 tons of CO<sub>2</sub> were prevented from being emitted; it would have taken more than 220,000 trees to sequester the same amount of carbon in 30 years.



## THE IMPORTANCE OF SUPPLY CHAIN MANAGEMENT DURING THE PANDEMIC

GRI 102-10



When the effects of COVID-19 began to affect Gerdau's domestic and international suppliers as early as February 2020, an alarm was sounded on the other side of the Atlantic: those impacts would soon be felt in Brazil.

Gerdau's entire supply chain was divided into distinct groups according to their supply characteristics. They were:



**1. Supply management and security plan for special materials.**



**2. Development of alternative sources.**



**3. Essential services to continue the company's operations.**

Faced with this challenging scenario, the procurement team used data analytic tools, which made it possible to anticipate events such as logistical blockages and disruptions in operations that could cut off Gerdau's supply chain and to search in advance for alternative suppliers to fill the gap.

In one of the cases, the operations of some of our suppliers based in the same city were interrupted due to a temporary blockade. But Gerdau learned about this possibility one week earlier and managed to restore the supply in time by engaging another partner. The ability to anticipate movements by analyzing and processing market information was fundamental to guaranteeing the supply of the production lines and the operational security of the organization.

Once the novel coronavirus arrived in Brazil, the entire complex logistics network that feeds Gerdau's operations had to be kept in operation. All contracts with the network of independent transportation companies that provide services to the company were maintained, so as not to jeopardize its partners.

Thanks to this decision, nearly 180 service providers, from small to large carriers, were assured of their survival during the pandemic. In addition to securing their income at a critical time, Gerdau provided support to those professionals who needed to continue working outside their homes, raising their awareness of the health and safety risks they faced.

The company established a safety protocol in the operations aimed at outsourced partners inside its units, taking their temperatures from the start of the pandemic; ensuring social distancing and the use of masks and hand sanitizer; and providing constant guidance on how to minimize risks. And during the most severe restrictions, when even the truck drivers' support points on the roads were closed, Gerdau provided them with restrooms and food at its units, as well as meals for the road.







Gerdau Commercial Unit, Recife (PE)

## CUSTOMER RELATIONS

At Gerdau, customers are at the center of our actions and decisions. Detailed journeys of our various types of customers are designed from time to time by our commercial area so we can have a strong, omnichannel service. We have several digital tools in place that ensure a deep knowledge of our customers, creating a differentiated business experience for each one of them.

Regarding personal interaction, we have a strong commercial team responsible for serving our customers. Our team is composed of external salespeople who have a deep understanding of our customers' needs and make regular visits and contacts, aiming to work on a business agenda, discuss trends, and identify needs, pains, and opportunities for the ongoing evolution and maintenance of a long-term relationship.

To support this process, we also have an internal service team that assertively assists customers in managing their needs. Digital tools like Sales Force provide quick and reliable information for our customers. In the digital experience, customers have a high level of



autonomy, using our digital eGerdau platform and apps where they can view products, request quotes, place orders, manage their orders, track their financial situation, download various documents, and use other features. We also have extensive interactions on social media, blogs, and webinars, generating relevant content and information for all the production chains in which we operate.

We constantly track customer experiences and satisfaction through analytics and quick surveys such as NPS. In this way, we monitor customer perceptions and new opportunities to keep moving forward and continuously improve our



relationships. Gerdau's teams have been working intensively to supply its customers during this time of strong recovery. Since the beginning of the pandemic, we have remained close to our customers, understanding their needs and positioning our team to help them capture opportunities. Our efforts include hiring more than 100 employees to increase our capacity in the slitting and folding unit, to serve the construction industry, and to continuously invest in updating our line of products and solutions in special steels.

Another important initiative was the website developed for Gerdau Aços Especiais' customers, allowing them to track and manage their orders. Also, on the new platform users interact with ISA, our artificial intelligence that streamlines the quoting processes for new requests. Developed by Gerdau professionals, who formed squads using agile methodology, ISA offers customers a fully digital experience. The work of the squads was so positive that, in 2021, Gerdau will expand this concept and create value streams for new products and services and for industrial optimization as well, thus accelerating the creation of value for customers, improving processes, and innovating with agility in various scenarios.



[Employees at the São Paulo office \(SP\)](#)



#### PASSION FOR CUSTOMERS

In 2020, we started the *Paixão pelo Cliente* (Passion for Customers) project, based on the diagnosis of our interaction channels. As part of this project, we created new strategies and channels to receive grievances, address complaints, and reduce delays in the delivery of Gerdau products. We also strengthened our data-driven strategy, through which we invested in several supply chain and commercial initiatives using big data and analytics platforms.

[Employees at the São Paulo office \(SP\)](#)



## GOVERNMENT RELATIONS

**GRI 102-13**



When doing business and performing its production activities, Gerdau abides by a set of tax, environmental, legal, and regulatory obligations when dealing with public agents. The company has a corporate guideline on the relationship with public agents, which sets out how contacts should be made and the necessary precautions that need to be taken to ensure a proper and lawful relationship, whether directly or through a representative.

Our employees have an obligation to strictly comply with the anti-corruption and anti-money laundering laws in effect in their operations. All of them, and those representatives acting on behalf of Gerdau, are prohibited from offering, promising, making, authorizing, or providing (directly or indirectly through third parties) undue advantages, payments, gifts, or the transfer of anything of value to any person, whether or not a public official, in order to illegally influence or reward any official action or decision by such person for the benefit of Gerdau.

The employees and third parties representing the company must always be extremely disciplined in complying with the anti-corruption and anti-money laundering laws, with our rules, and with the applicable laws that govern the relationship with public authorities.

Gerdau participates in the most representative associations of the business and steel sectors to offer its contribution and learn from its peers in the market:

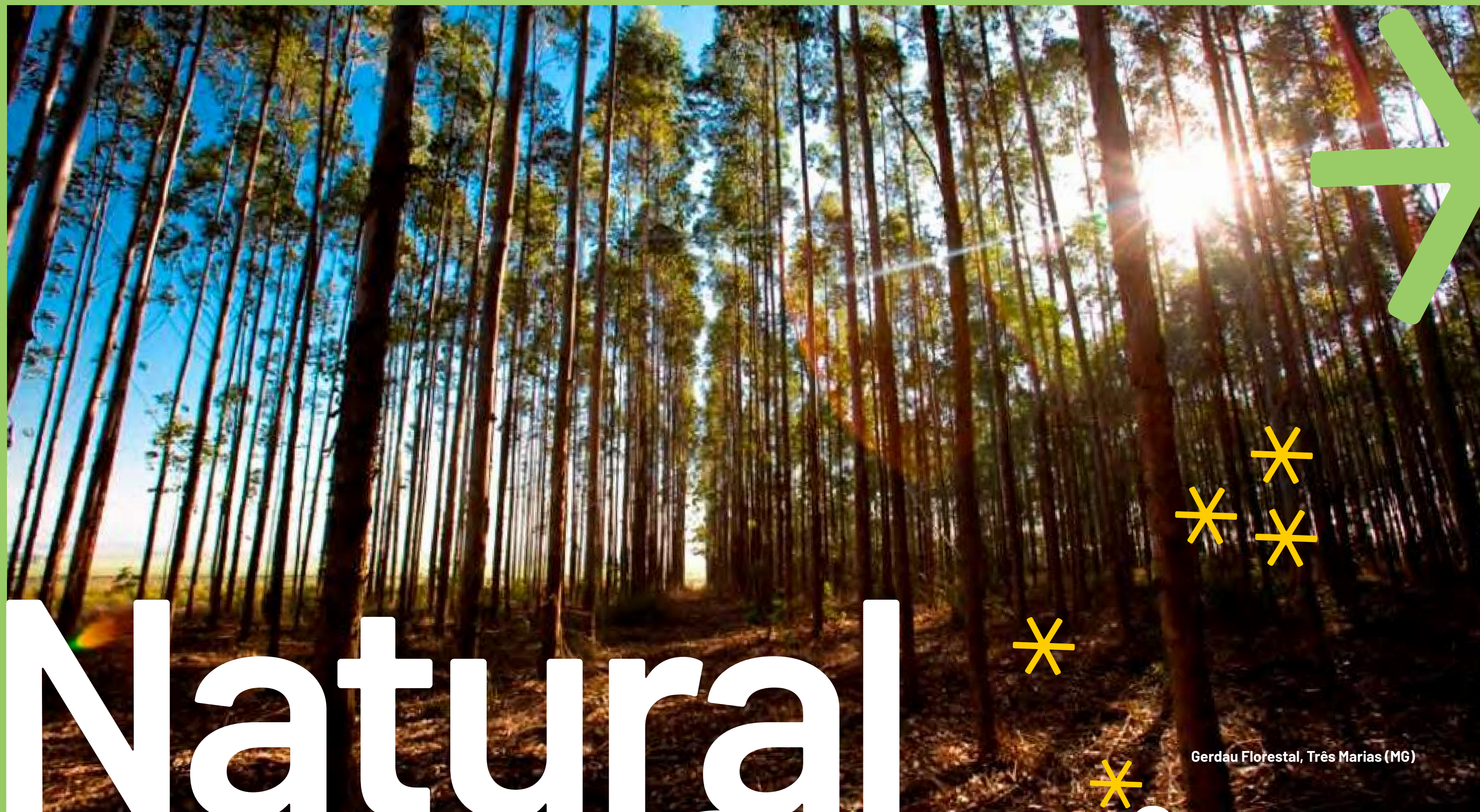
- ➔ Alacero - Asociación Latinoamericana del Acero (Latin American Steel Association)
- ➔ ABRACE - (Association of Large Industrial Energy Consumers and Free Consumers)
- ➔ Amcham (Brazil – United States Chamber of Commerce)
- ➔ ABRASCA - Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly-Held Companies)
- ➔ ABERJE - Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication)
- ➔ AMIF - Associação Mineira da Indústria Florestal (Minas Gerais Forest Industry Association)
- ➔ Capitalismo Consciente (Conscious Capitalism)
- ➔ FIEMG - Federação das Indústrias do Estado de Minas Gerais (Federation of Industries of the State of Minas Gerais)
- ➔ FIRJAN - Federação das Indústrias do Estado do Rio de Janeiro (Federation of Industries of the State of Rio de Janeiro)
- ➔ FIESP - Federação das Indústrias do Estado de São Paulo (Federation of Industries of the State of São Paulo)
- ➔ FIERGS - Federação das Indústrias do Rio Grande do Sul (Federation of Industries of the State of Rio Grande do Sul)
- ➔ Instituto Aço Brasil (Brazil Steel Institute)



**Gustavo Werneck, Gerdau's CEO, at the ALACERO 2020 Virtual Conference**

- ➔ IBRAM - Instituto Brasileiro de Mineração (Brazilian Mining Institute)
- ➔ IBRI - Instituto Brasileiro de Relações com Investidores (Brazilian Institute of Investor Relations)
- ➔ IBGC - Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Corporate Governance)
- ➔ IEE - Instituto de Estudos Empresariais (Institute for Business Studies)
- ➔ IEDI - Instituto de Estudos para o Desenvolvimento Industrial (Institute for Industrial Development Studies)
- ➔ Instituto Millenium
- ➔ IBÁ - Indústria Brasileira de Árvores (Brazilian Tree Industry)
- ➔ MBC - Movimento Brasil Competitivo (Competitive Brazil Movement)
- ➔ UN Global Compact
- ➔ World Steel Association

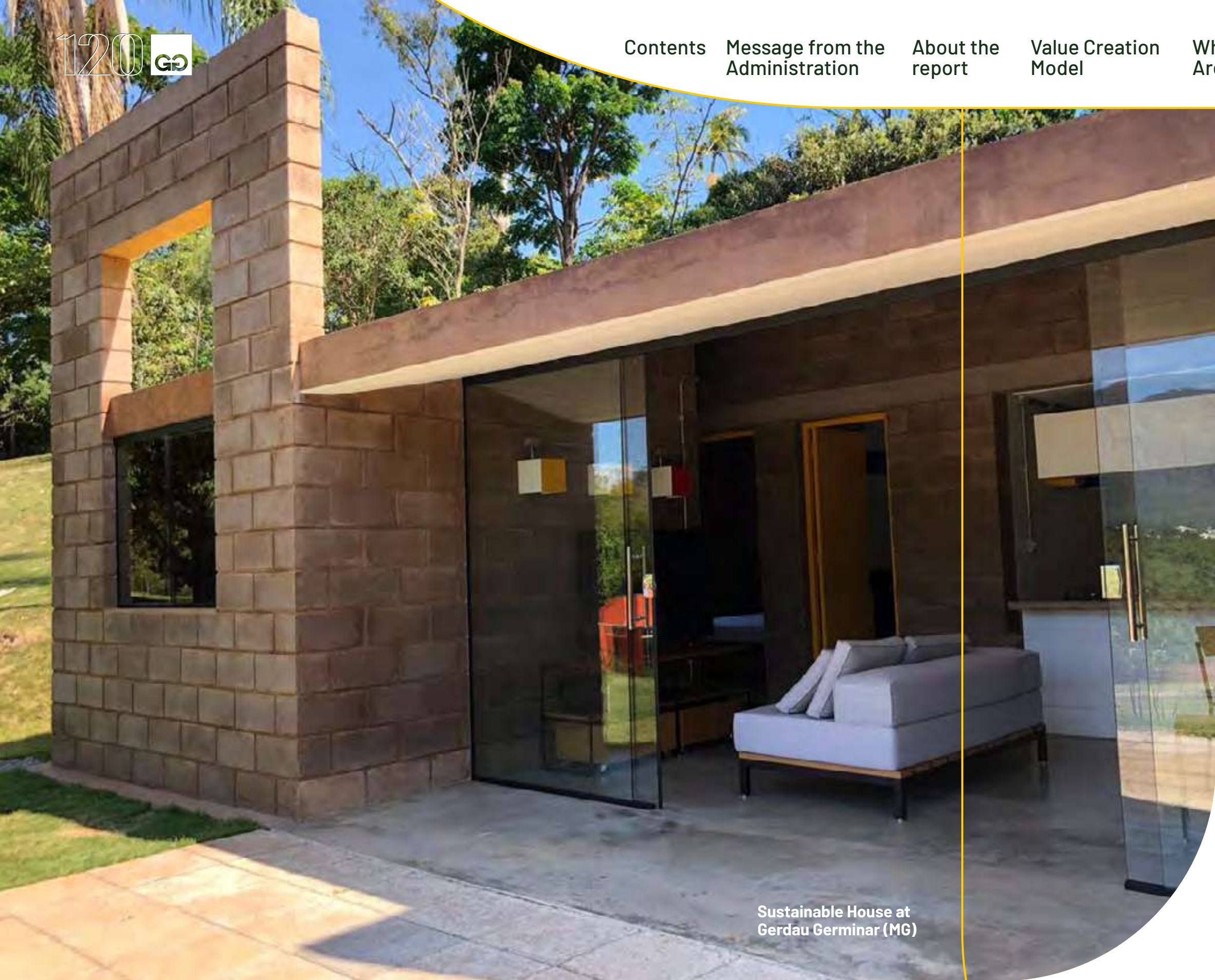




Gerdau Florestal, Três Marias (MG)

# 7\_Natural Capital





Sustainable House at Gerdau Germinar (MG)

## ENVIRONMENTAL STRATEGY AND POLICY

[GRI 103-1, 103-2, 103-3: 307 ENVIRONMENTAL COMPLIANCE, GRI 307-1](#)



The topics related to sustainability and to the strategic priority of environmental issues advanced significantly at Gerdau in 2020. Issues related to the environmental aspects of the steel industry became a more frequent subject in the meetings of Gerdau's Board of Directors and its strategic committees.

Gerdau has a Sustainability Policy and an Environmental Management System in place that reinforces the company's commitment to creating value for its stakeholders and are in line with global regulatory guidelines and best practices. These guidelines are cascaded throughout the company's operations, detailing responsibilities and procedures to be followed.

Increasingly, the ESG plan—with the environmental component playing a major role in industrial activities—is being regarded as a key factor to be taken into account in the debate, planning, and decision making on the company's day-to-day operations. It is no longer viewed as something separate from the production core, or as a concern restricted to the environmental departments. As another sign of the company's willingness to recognize the importance of this matter, in 2020 it invested R\$417 million in the improvement of eco-efficiency practices and in technologies to protect the air, water, and soil.

### MATERIAL TOPIC ASSOCIATED WITH THE CAPITAL :



### TIMELINE

To see the full timeline, [click here.](#)

1999



Gerdau acquires its majority stake in Ameristeel, in the United States. In the photo, the mill in Jackson, Tennessee.

2001



Gerdau assumes control of Ameristeel in the United States. In the photo, the mill in Midlothian, Texas.



It should be noted that the company is cascading the ESG action plan throughout its business operations, aiming to promote the integration of practices in the countries where it operates, considering the local specificities of each operation. For example, the Brazil business operation has a committee that has begun implementing Enterprise Risk Management (ERM). This working group convenes monthly to discuss the risks that could impact business operations in Brazil, and it conducts evaluations on environmental topics and identifies action plans. Within the scope of this committee, a strategic risk assessment framework was created with the support of specialists from some of the corporate areas, such as planning, internal controls, compliance, and internal audit.

In this way, the company defines its risk management guideline and procedure based on business analyses, including the topics related to environmental management and ESG Scorecard indicators. Industry trends that can impact business in the short, medium, and long term are evaluated, as well as environmental, social, and governance factors, image, and legislation.

To establish the environmental performance targets for our operating units in Brazil, we address efficiency in the environmental roadmap, a strategic process for identifying

projects and drivers for our short- and medium-term management. The projects related to environmental efficiency include operational improvements in our units and corrective, preventive, and risk management actions. An example is a project to renovate the gasometer at our Ouro Branco (MG) mill to increase the efficiency of natural gas burning and reduce greenhouse gas emissions with an investment of US\$59 million in 2020.

We also performed diagnostics in our operating units, evaluating the current situation, important indicators, and the journey with

actions to reach the goals related to water intensity and reuse of waste. A first phase will be established for 2021. This mapping includes data from the operating units in Brazil, which account for 69% of all waste generation and 82% of all water withdrawn by Gerdau.

Additionally, environmental indicators were defined that will be monitored, measured, recorded, audited, and tracked by the leaders of the operating units. Throughout 2021, medium and long-term goals will be established for our global operations.



Araçariçuama Unit (SP)

## CORPORATE GUIDELINE FOR THE ENVIRONMENT

Gerdau has a corporate directive that deals with this topic that establishes minimal and objective requirements on environmental management and relevant environmental topics. All operations must meet current legal requirements and manage their environmental demands. The operations regularly check their compliance with the laws, regulations in force, and when necessary, promptly develop and implement projects (CAPEX or OPEX) for the solution of potential environmental non-conformities. In addition, all operations are familiar with potential risks and have plans underway to eliminate them or minimize them to permitted levels. The Operation's Risk Committee deliberates on the subject and supports the

company in monitoring its environmental compliance actions to assess whether the suggested directives provide the expected impacts or require adjustments.

Gerdau's environmental management system provides for the treatment of failures in cases of non-compliance. In this process, which unit leaders manage, the causes of problems are analyzed, and plans for corrections and improvement are set out. Gerdau's units are audited in the environmental management system, in compliance with legal requirements, and the continuous improvement of their processes.



## ENERGY EFFICIENCY: SOLAR ENERGY TO MAKE STEEL

[GRI 103-1, 103-2, AND 103-3: 302 ENERGY](#)



Steel production is energy-intensive and, therefore, Gerdau constantly seeks efficient use and raises the awareness of the entire chain on the subject. Managing energy is based on the reliability of data on consumption, mapping of consumer areas, and opportunities in projects and initiatives on the subject. The purchase and selection of more efficient energy sources are two of the fundamental pillars for the business's continuous economic and sustainable growth in these times of energy transition.

Energy management is based on the reliability of consumption data, which makes it possible to ascertain the consumption profile of each material in consumer areas and allows for mapping opportunities for improvement. The company invested in the digitalization of energy management and mathematical modeling software, ensuring the control and online monitoring of all consumption, the expected energy consumption according to production planning, and other process parameters.

All the efforts in energy management, continuous improvement projects, and redefining function and changes in the fuel mix resulted in a reduction of 89,000 tCO<sub>2</sub> in greenhouse gas emissions at the Ouro Branco (MG) mill in 2020.

Starting at the end of 2021, a Gerdau mill in northern Texas, U.S., will be running entirely on solar energy. This ambitious energy efficiency project, announced in mid-2020, results from a 20-year energy purchase agreement between the solar energy company 174 Global Power and Gerdau in North America.

174 Global Power will build an 80-megawatt solar power generation facility, with more than 230,000 solar panels, next to the Gerdau plant in the city of Midlothian, TX. The plant will be connected directly to the Gerdau mill, which will pay 174 Global Power for the energy consumed. Construction of the solar plant is expected to be completed by the end of 2021. The project will offset the average emissions from more than 13,000 homes in Texas.

Solar power plant at Midlothian Power Plant (USA)

## NATURAL GAS

Natural gas is an important energy transition fuel, and Gerdau has sought to expand its use and availability. In 2020, the company worked to expand the supply of natural gas alternatives in the new market, still under development, advancing on the regulatory front and carrying out the first gas transport contract by a consumer.







Rivers and springs are preserved by the more than 91,000 hectares of native forests maintained by Gerdau in Minas Gerais

## REUSE OF WATER

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 303-1, GRI 303-2](#)



Conservation and maximum use of water are also important topics for Gerdau. Water is a critical input for the company's operations, making it even more important to reduce and reuse it throughout the value chain. Water management is part of Gerdau's strategy, and the company continually invests in efficient water recirculation programs, contributing both to the lower withdrawal of new water and to reducing the volume of effluents and the environmental impact of discharge in its operations.

The company monitors the use of water and has systems in place to reuse and recirculate water in its mills. The company's sustainability policy determines that the reuse of this resource should be maximized when using water in its processes while discharging a minimum volume of effluents.

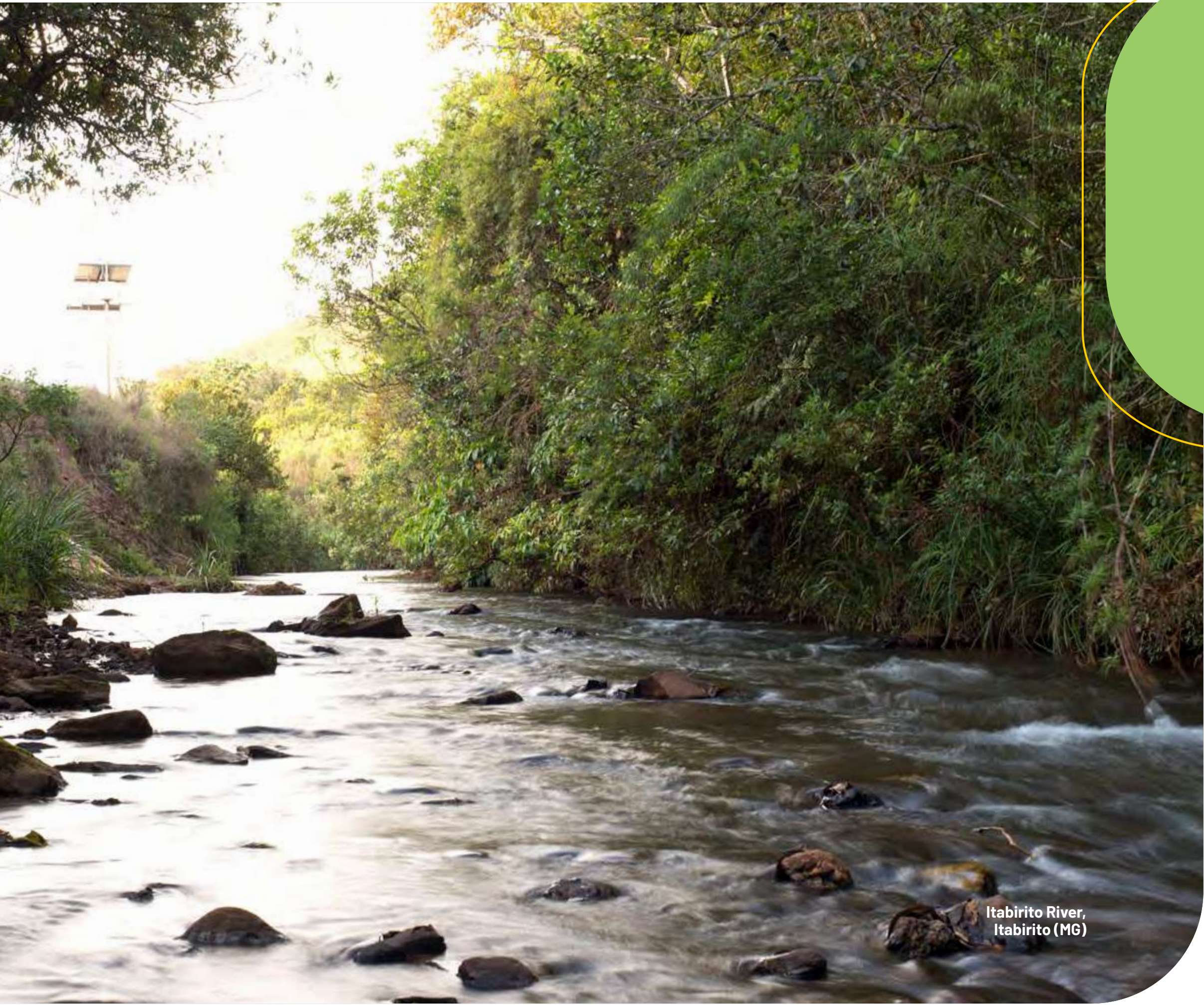
In 2019, a diagnostic of the water management systems of the units in Brazil

was initiated and involved the environmental and utility teams. In 2020, studies were completed at Gerdau units in Brazil, which helped identify opportunities and advances in the company's water efficiency management. This work aims to identify opportunities to reduce water consumption and improve the performance of water and effluent treatments.

Based on this diagnostic, goals to reduce water intensity were established for each operating unit in Brazil, defining 5.9 m<sup>3</sup>/ton of steel produced to be reached in 2021.

Gerdau reuses 97.7% of the water used in its units in the production processes. In 2020, 51.5 million cubic meters were withdrawn for use in production, an increase of only 1% compared with the previous year. Variations like this are associated with fluctuations in the production process and were impacted by decision-making regarding the sustainability of the business during the pandemic.



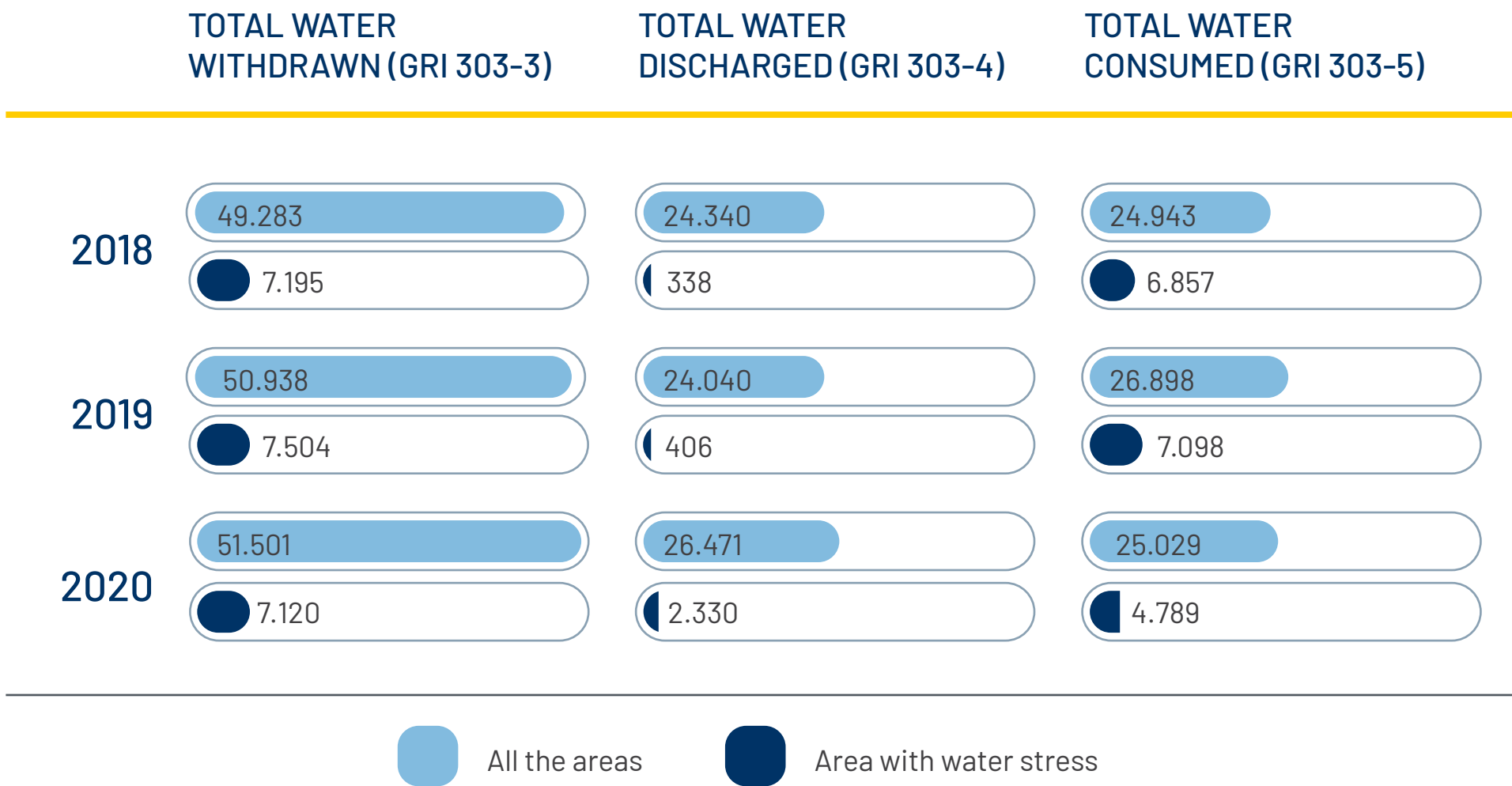


# MANAGEMENT OF WATER RISKS

The risk management tool is also used to identify scenarios related to water and allocating the necessary resources for its mitigation. Data on water withdrawal, treatment, and consumption are monitored and controlled on a daily basis at our units.

Water-related impacts are identified and are part of the environmental risk management of our operations. The topics are discussed monthly with all the leaders involved and with the Senior Management to seek opportunities for improvement and continuous improvement of our water management.

## GRI 303-5 – Water consumption (in megaliters)\*



\* The increase in water withdrawn and discharged from 2019 to 2020 refers to the inclusion of units not reported in 2019



## REUSE OF WASTE

[GRI 103-1](#), [GRI 103-2](#), [GRI 103-3](#), [GRI 301-2](#)



Gerdau transforms thousands of tons of scrap into steel every year, which places the company as the largest recycler in Latin America. The use of recyclable raw materials in the steel production process offers several benefits and reflects the company's commitment to sustainable development. By using scrap, Gerdau reduces the demand for natural resources and energy consumption and minimizes the emission of gases, in addition to reducing the amount of material discarded in landfills and unsuitable locations.

Scrap comes from two different sources. The main source is obsolescence; in other words, it is the scrap discarded by society, such as stoves, refrigerators, and old cars, and which is collected from scrap yards. The company also works with scrap from industrial activities in general, such as metalworking, infrastructure, automotive, parts, machinery, and equipment. Gerdau's internal audit processes include management of scrap-related operations. The opportunities identified in the internal audits are treated and monitored by the leaders.

In 2020, Gerdau generated **7.3 million tons of waste**

and reused **78%** of these materials internally or in external partnerships.

**The steel industry typically generates a significant volume of waste in its processes. Gerdau dedicates great effort to developing technological solutions that allow for the reuse of these materials in its mills or for other production purposes to reduce the need for landfills and deposits, which are traditionally used to dispose of this waste.**

In 2019, Gerdau formed a research and development (R&D) team to search for alternatives to dispose of waste from its mills and based on the circular economy and sustainability principles. The results of this work—co-products—have contributed to preserving natural resources, saving energy, and reducing the disposal of polluting materials by returning them to the production cycle instead of discarding them.

As an example, at our Riograndense unit in Sapucaia do Sul (RS), new customers were identified to receive our mill scale, increasing the reuse of this co-product by 80% compared with the previous year. An increase of 30% was recorded in the reuse of a co-product called steel aggregate compared with 2019. This material was sold and used in major construction projects, such as the expansion of the Porto Alegre airport.

In the United States and Canada, we recycle sleeve filter bags, reusing them in electric arc furnaces (EAF), thus reducing waste. At the Forth Smith (Arkansas) mill, we installed a new plant to transform slag into steel aggregate to increase the efficiency of the use of this co-product.



In 2020, we structured the topic of co-products as part of our strategic planning, focusing on escalating the goal to increase the percentage of reuse and the percentage of waste destination and identify projects and opportunities in our operations. For Gerdau's units in Brazil, we have set a target for 2021 of reusing 95% of the waste.



# RECYCLING

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 306-1, GRI 306-2](#)



In 2020, Gerdau recycled  
**11 million tons**  
of ferrous scrap, making  
it the largest recycler in  
Latin America.

Nearly 73% of all steel produced by Gerdau has ferrous scrap as its main raw material. In 2020, Brazil had a shortage of ferrous scrap available for recycling by the steel industry. Travel restrictions and the economic crisis caused by the pandemic reduced the disposal of materials, and Gerdau adjusted its raw material collection practice, carrying out very intense and close work with its scrap suppliers. Scrap and junkyards in state Departments of Motor Vehicles, for example, were one of the sources we sought to complement the volume of scrap that was demanded. Ships abandoned in ports were also acquired to be dismantled and smelted in furnaces.

The use of ferrous scrap as a raw material in semi-integrated mills has positive effects in mitigating climate change: it saves natural resources, reduces energy consumption, and reduces the emission of greenhouse gases. Data from the World Steel Association indicate that every ton of steel produced from recycled ferrous scrap is equivalent to saving 1.5 tons of greenhouse gases.

**Gerdau is the  
largest recycler  
of this product in  
Latin America**

Employee at the Araçariçuama  
Unit (SP)





# EMISSIONS

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 305, GRI 102-12, GRI 201-2](#)



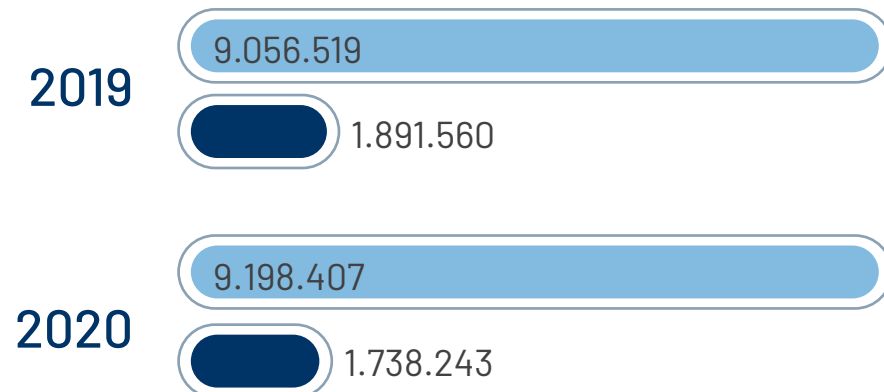
Carbon emissions are a key topic in the debate on climate change and a sensitive point for the steel industry, given the level of emissions from its mills compared with the industrial sector as a whole. This topic is discussed and monitored by the Strategy and Sustainability Committee and the Board of Directors, as well as at the executive level by the Risk and Disclosure Committees, with a previously defined frequency.

We manage actions to mitigate the effects of climate change, with a focus on energy efficiency, the use of scrap metal as raw material, and the use of charcoal. The company was structured in 2020 to identify potential energy efficiency projects or other alternatives to reduce emissions. Gerdau's units are evaluating the life cycle of their products, considering the analysis of effectiveness and negotiations related to risks caused by climate change, with a focus on the use of the material in the market.

In 2020, Gerdau started reporting its operations in Brazil to the Carbon Disclosure Project (CDP). CDP is an international NGO that encourages companies, cities, and other public or corporate organizations to report data on their environmental performance,

## GRI 305-1 - Direct emissions (Scope 1) of greenhouse gases (GHG)

### DIRECT GREENHOUSE GAS (GHG) EMISSIONS IN TONS OF CO2 EQ

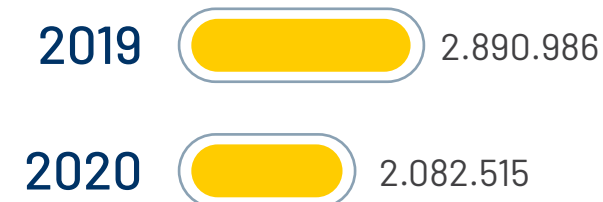


Emission sources considered in Scope 1: Industrial processes; Stationary combustion; Mobile combustion, Fugitive, Solid waste, and effluents.


 Total Scope 1  Biogenic CO<sub>2</sub> emissions

## GRI 305-2 - Energy indirect (Scope 2) GHG emissions from the acquisition of energy

### DIRECT GREENHOUSE GAS (GHG) EMISSIONS IN TONS OF CO2 EQ



Emission sources considered in Scope 2: Electric Energy acquired  
Breakdown of data on Scope 1 and 2 emissions: Dominican Republic and Venezuela are not included. Gases included in the calculation: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, PFC, and HFC. References used for calculation: IPCC, GHG Protocol, WSA (World Steel Association)

 Total Scope 2

## CO<sub>2</sub> Emissions

Gerdau: 0.93 tCO<sub>2</sub>e/t of steel produced

Gerdau's emissions are approximately half of the global average for the steel industry: 1.83 tCO<sub>2</sub>e/t steel produced.

Source: World Steel Association

from which the organization prepares analyses of risks, opportunities, and critical environmental impacts.

The score received by Gerdau by the CDP was B-, which is within the range of companies that carry out coordinated management of climate change, reinforcing our commitment to the topic and transparency in our environmental actions. This score was higher than the regional average for South America (D) and for the metals and metallurgy sector (D).

As a positive highlight, we scored an A for our global greenhouse gas (GHG) emissions, which are lower than the global average. Another noteworthy score has to do with the GHG reduction initiatives, which included detailed energy efficiency cases at our Ouro Branco (MG) operating unit.

Because it uses carbon from renewable forest sources, the large-scale use of scrap, and the high level of reuse of gases, Gerdau's carbon intensity is below the global average of the steel industry (released in 2019 by the World Steel Association).



## REDUCTION OF EMISSIONS IN 2020

In 2020, we totaled 0.93 tCO<sub>2</sub>e/t of steel produced.

The accounting for emissions from non-steel producing units was included, such as mining, slitting, and folding facilities and metallurgical operations.

The reduction in greenhouse gas emissions compared with the previous year is due to better performance of the integrated unit that uses non-renewable coal, even with an increase in its production in relation to the other production methods. Another factor that contributed to this result was the adoption of renewable energy emission factors at our units in Canada, validated by third-party auditors. We audit 92.3% of our emissions, which was an increase of 24% compared to the previous year, further reinforcing the transparency of the data reported and the reliability of the information.



## AUDIT FOR EMISSIONS

In addition, the company is audited by a third party concerning our greenhouse gas inventory data, Scope 1: direct GHG emissions; Scope 2: indirect GHG emissions from energy; and Scope 3: other indirect GHG emissions for Brazil, U.S., and Canada units. Points of improvement were determined to manage the topic at our operational units and are included in the action plans with monthly follow-ups.

Gerdaу tries to make its processes energy efficient and to use carbon sources with less potential for greenhouse gas (GHG) emissions through economically viable and innovative solutions to meet the goals defined by the organization. The company also identifies, evaluates, and manages topics related to climate change, observing risks and opportunities and embedding this topic in its strategy and financial planning. The topic is also included in the company's Sustainability Policy.

In 2020, Gerdaу participated in the Simulation Emissions Trading System of the Fundação Getulio Vargas (FGV). Through this initiative, FGV and a group of Brazilian companies look to understand how carbon pricing instruments, which are being discussed internationally, would work as alternatives to pursue the goal of reducing greenhouse gas emissions.

We are also part of Carbon Efficient Index (ICO2), an indicator created by B3, Brazil's Stock Exchange, in partnership with the National Economic and Social Development Bank (BNDES). The index is composed of shares of companies participating in the IBrX-50 that agreed to adopt transparent practices with respect to their greenhouse gas emissions (GHG), stating their concern with global warming. Gerdaу is the only steel producer to be included in this portfolio.

Headquarters (SP)



## EMISSIONS TARGET

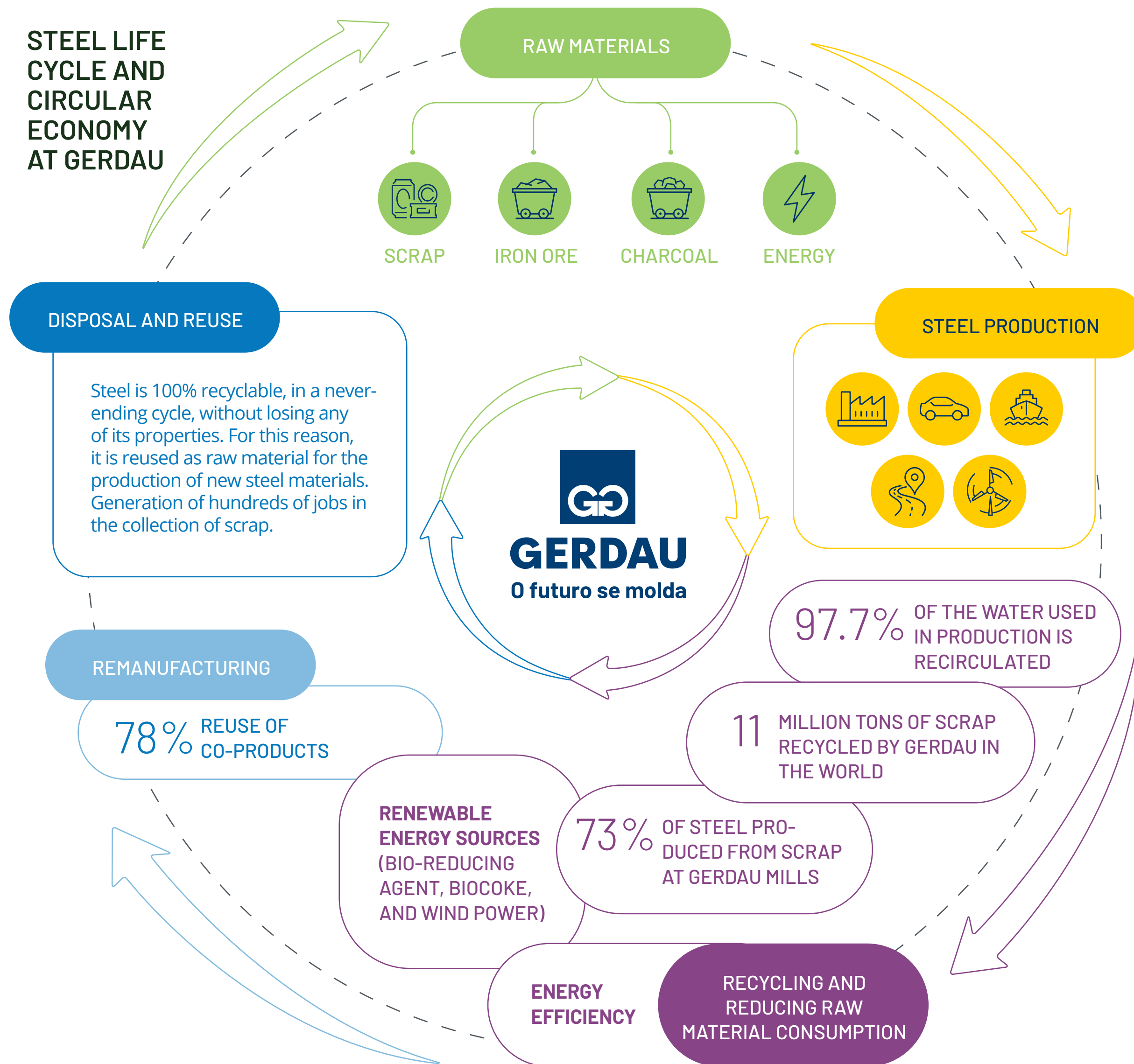
In the Gerdaу Integrated Report 2019, the company also started to inform its stakeholders and the public about its carbon emissions and other ESG (environmental, social, and governance) indicators. All of these steps are preparation for a bigger leap: the adoption of a goal to reduce Gerdaу's carbon emissions in the medium and long term, which will be announced publicly.

The establishment of this goal started in 2020 and involved using a methodology in which the most cost-effective way of achieving the desired reductions is explained. The studies done to reach this goal require the definition of which concrete initiatives will be adopted, their cost, and their implementation schedule.

The goal of reducing Gerdaу's carbon emissions, given the complexity and technical requirements associated with its determination, has its own timing that does not coincide with that of the other goals announced. Technically and financially viable investment projects involving this topic were defined, which must be aligned with the company's investment plan. The effective reduction of greenhouse gas emissions can only be determined after the implementation of the aforementioned projects.



## STEEL LIFE CYCLE AND CIRCULAR ECONOMY AT GERDAU



Gerdau understands that it must assume a commitment to reduce emissions in line with international agreements and protocols and based on economically viable technologies. We have the support of a consulting firm specializing in the steel industry that is assisting us in the study of possible projects, with a bias toward reducing greenhouse gases; in the analysis of energy efficiency, taking into account the current production process; and in the analysis of the changing production and technology scenarios with the lowest effective carbon cost. We adopted the methodology of MAC, Marginal Abatement Cost Curve, and MEAC, Marginal Energy Abatement Cost Curve, to structure short-, medium-, and long-term goals to reduce emissions. The purpose of this study is to learn about the technologies available and under development that are relevant to the steelmaking process in operations at Gerdau; to analyze which are eligible; to prioritize and plan the investments; and

then to disseminate them externally in the coming years. To this end, we apply the best available knowledge on initiatives and technologies for the production of steel with low greenhouse gas emissions and energy efficiency, in addition to serving as a basis for the study of internal carbon pricing. The project started in 2020 at our Ouro Branco (MG) mill, an integrated mill that uses coal and has a greater potential for reducing greenhouse gases. It was possible to identify initiatives focused on energy efficiency, generating environmental and financial gains in the short- and long term.

But a complete decarbonization of this unit requires disruptive initiatives that are technologically not yet available on an industrial scale. In this way, the company will further expand the topic in 2021, looking to improve data quality and planning of the most relevant projects.





## IMPACT ASSESSMENT

In the company's long-term plans, we began to include the impact of carbon pricing in major engineering projects and analyze the business operations strategy. The strategic assessment of climate change now permeates the organization. It allows the Board of Directors to make a more precise analysis of the strategy, including the carbon issue as a critical factor. The assessment and remuneration of executives have been revised to include topics related to climate change for all senior management.

Gerdau Germinar,  
Ouro Branco (MG)



### GERMINAR 30 YEARS

*Gerdau Germinar*, the company's environmental education program in Minas Gerais, completed three decades in 2020 and reached 465,000 beneficiaries. Aiming to promote sustainable development and contribute to the development of an environmental culture, especially among children and young people, the program covers six municipalities in the Alto Paraopeba region (MG): Congonhas, Conselheiro Lafaiete, Itabirito, Moeda, Ouro Branco, and Ouro Preto ((especially the Miguel Burnier and Mota districts). 100% of the schools in the region are involved, whether through technical visits, training, or the *Gerdau Germinar* award, which seeks to encourage and recognize the practice of environmental education.

One of the actions celebrating the 30th anniversary of *Gerdau Germinar* was the launch of the book "*Monitoramento Participativo de Rios Urbanos*" (in loose translation: "Participatory Monitoring of Urban Rivers") by Marcos Callisto, Professor at the Federal University of Minas Gerais (UFMG). The book was developed through a partnership between *Gerdau Germinar* and the university's Benthos Ecology laboratory.







## SUSTAINABLE FESTIVALS

During a week in October, Gerdau applied decals to the stairs of the Clínicas Station on Line 2 (green) of the São Paulo subway system. The action was part of the *Virada Sustentável SP* (SP Sustainable Festival) initiative, of which Gerdau is one of the sponsors. Through communication in the subway, the company sought to raise awareness and sensitize people about the circular economy and the importance of reducing and reusing the waste generated on the planet.

During the Sustainable Festival in Porto Alegre, for two days in November, Gerdau promoted an outdoor event called “*Olha pro céu, meu amor*” (“Look up to the sky, my love”) in Redenção Park, one of the city’s most traditional locations. The purpose of the action was to stimulate the population to reflect on what future they would like to start shaping today and what legacy they want to leave for the next generations.

Outdoor event called *Olha pro céu, meu amor* (Look up to the sky, my love), in Redenção Park in Porto Alegre



Experience action at the São Paulo subway about the importance of the circular economy



## GERDAU CHALLENGES UNIVERSITY STUDENTS

In 2020, through the 13th edition of the ABERJE University Award (PUA), organized by the Brazilian Association of Corporate Communication (ABERJE), Gerdau launched a challenge for higher education students: to develop a creative solution for actual organizational situations, with the company as its central theme. The goal is to assess competencies

required by the market by integrating knowledge from the communication area and stimulating the creativity of university students.

Undergraduate students from across Brazil, regularly enrolled in learning institutions accredited by the Ministry of Education (MEC), participated in the award. The teams, with two and four members, competed for cash prizes according to their classification. The winning group received R\$10,000; the first runner up, R\$5,000; and the second runner up, R\$3,000. With more than 500 entries, the award reached a record number of participants.

UFRGS students who won this edition







# 8\_Financial and Manufactured Capital



Employee at the Ouro  
Branco Mill (MG)

## GERDAU RESULTS

The company's results in 2020, a year marked by instability in the markets due to the COVID-19 pandemic, demonstrate the teams' ability to capture opportunities while observing the improved period experienced by the global steel sector. The company's adjusted EBTIDA reached R\$7.6 billion—the highest EBTIDA in its history. The table on the right shows the main results, according to the company's businesses.

### OPERATING INCOME

CONSOLIDATED	12M20	12M19	△
<b>Volumes (1,000 tons)</b>			
Raw steel production	12.194	12.453	-2%
Steel sales	11.461	12.090	-5%
<b>Results (R\$ million)</b>			
Net revenue	43.815	39.644	11%
Cost of sales	(37.884)	(35.441)	7%
Gross income	5.931	4.203	41%
<b>Gross margin</b>	<b>13,5%</b>	<b>10,6%</b>	
Selling, General & Administrative expenses	(1.530)	(1.430)	7%
Sales expenses	(513)	(476)	8%
Selling & Administrative expenses	(1.017)	(954)	7%
<b>% SG&amp;A/Net Revenue</b>	<b>3,5%</b>	<b>3,6%</b>	
Adjusted EBITDA	7.690	5.733	34%
<b>Adjusted EBITDA margin</b>	<b>17,6%</b>	<b>14,5%</b>	

### TIMELINE

To see the full timeline,  
[click here.](#)

# 2001



Gerdaul turns 100 and joins the select group of century-old companies.

# 2006



Gerdaul arrives in Peru with the acquisition of Siderperu. In the photo, mill in the city of Chimbote.

#### MATERIAL TOPIC ASSOCIATED WITH THE CAPITAL:

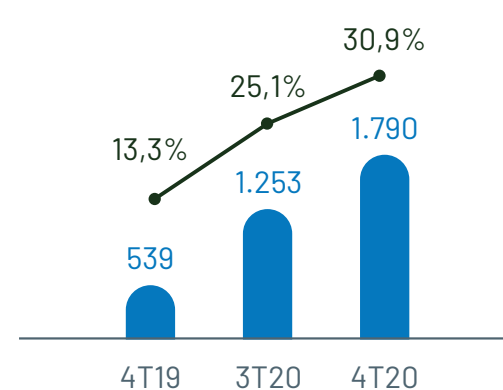
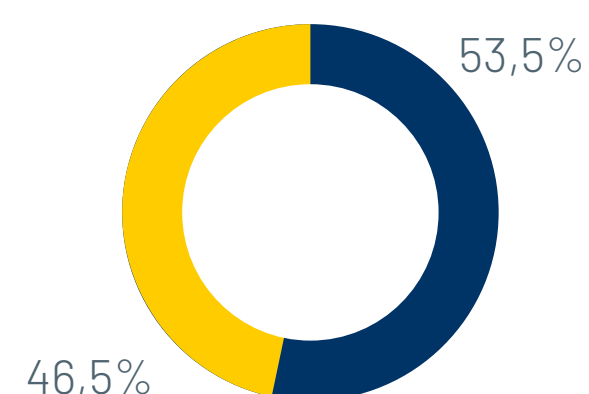
Ethics and corporate  
governance



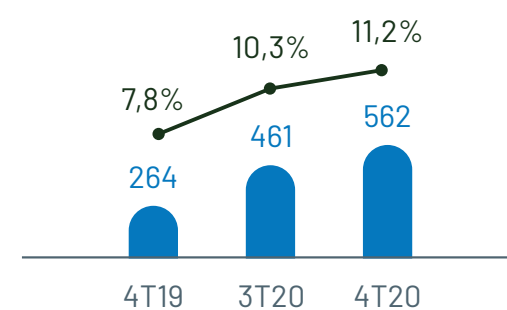
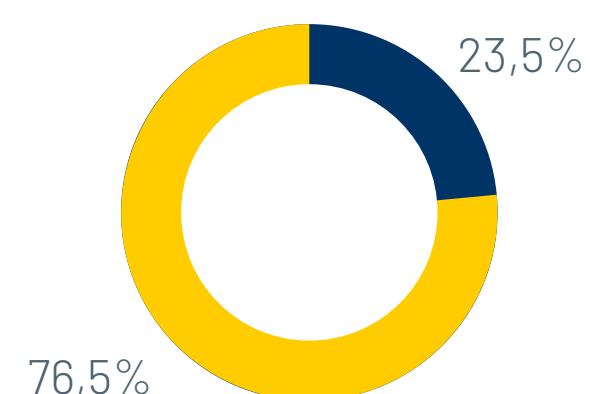


## EBITDA AND EBITDA MARGIN

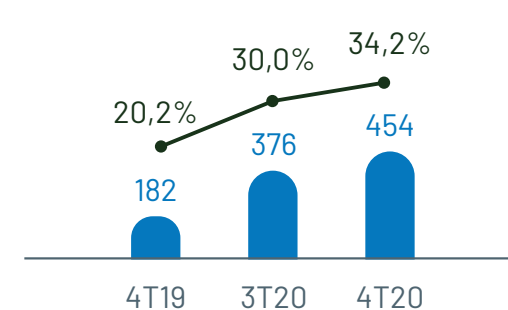
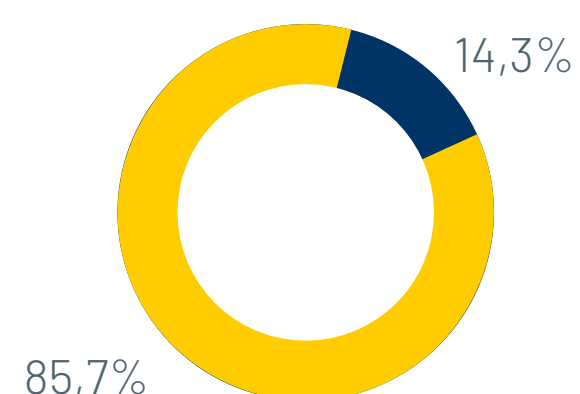
### Brazil BO



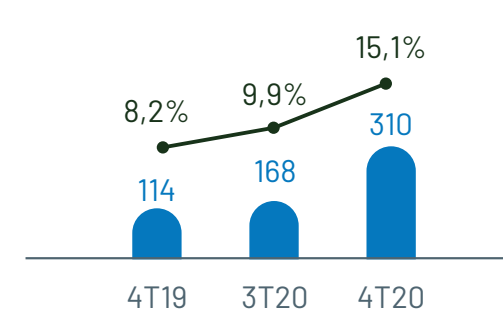
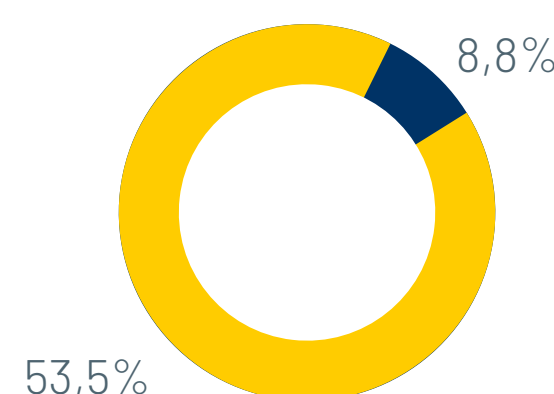
### North America BO



### South America BO



### Special Steels BO



EBITDA (R\$ million)
 EBITDA margin (%)
 Share in adjusted EBITDA per BO (last 12 months)

Investments in expansion and technological advances will be made to the extent that the expectations of market evolution and free cash flow generation for the period are maintained.

## DIVIDENDS

In the aggregate for the year, R\$714.5 million was allocated to shareholders of Gerdau S.A. (R\$0.42 per share) and R\$259.5 million to shareholders of Metalúrgica Gerdau S.A. (R\$0.24 per share).

## CAPEX

CAPEX in 2020.

2020

826

264

560

1.651

General Maintenance

Maintenance Ouro Branco

Expansion and technological advances

## FREE CASH FLOW (R\$ billion)

2018

2.6

2019

4.4

2020

4.5



## BRAZIL

GRI 102-6



**Brazil is responsible for the largest portion of Gerdau's steel production. The company's production matrix in the country is quite diversified and, in addition to its industrial units, the company has the following operations in Brazil:**

- ➔ Owned steel distribution stores
- ➔ Mining operations for its own consumption
- ➔ Port terminals
- ➔ Eucalyptus forest base

## Long and Flat Steel

In 2020, the Brazil Business Operation accounted for 39.3% of Gerdau's net revenues and produced 5.5 million tons of raw steel in its Brazilian mills in the long and flat steel operations. This volume represents stability over 2019 production, which was 5.6 million tons.

Sales in the domestic market showed significant growth in Q420 compared with the same period

in 2019, resulting from growing demand in construction and industry. There was also a significant increase in the number of retail construction customers accessing the company's online platforms, reflecting the acceleration in the transformation process.

In flat steel, the highlight was the demand for heavy steel plates, which supplied the wind power and infrastructure markets. Exports decreased following a natural movement to prioritize the delivery of products to the domestic market.



**Elefante:** Gerdau launches a new version of barbed wire in Brazil with the highest breaking load on the market today, without losing its renowned ease of handling and installation.

## SILAT IS NOW GERDAU GRI 102-10



In 2020, Gerdau completed the acquisition of Siderúrgica Latino-Americana S.A. (SILAT), located in Caucaia (CE), and announced in the second half of 2019. The operation was approved by the Administrative Council for Economic Defense (CADE) in September 2020, and Gerdau assumed control of the Ceará mill on December 1. This transaction reinforces Gerdau's position in the steel value chain through the acquisition of a strategic asset in the Northeast region, given the prospects for a recovery in the Brazilian civil construction sector. SILAT has an annual rolling mill installed capacity of 600,000 tons and a plant with the annual capacity to produce 100,000 tons of expanded products. Focused on the civil construction sector, the company has been in the state of Ceará since 2012 producing rebar, welded screens, steel mesh, and trusses.



**SILAT, Caucaia Unit (CE)**



Eucalyptus seedling nursery, Três Marias (MG)

## Gerdau Florestal

Gerdau Florestal, located in the state of Minas Gerais, is present in the Cerrado and Atlantic Forest biomes and has 254,000 hectares of forests, 91,000 of which are set aside for the conservation of biodiversity. These conservation areas play an important role in contributing to the environmental stability of the properties and the natural control of pests and diseases.

Gerdau Florestal is responsible for supplying the charcoal—referred to here as bio-reducing agent—used in blast furnaces of the company's integrated steel mills in Barão de Cocais, Divinópolis, and Sete Lagoas. Its planted forests, therefore, are sources of renewable raw material for producing the charcoal that will serve as a bio-reducing agent in the manufacture of pig iron and steel.

This configuration of the production chain makes Gerdau a large forest-based company. The company is the largest producer of charcoal in the world. Its planted forest base and the charcoal produced ensure an important competitive edge in relation to steel producers that use coal.

They also provide other benefits: Gerdau's forest massif—with the preserved native forest areas associated with it— plays a key role in controlling

greenhouse gas emissions that cause climate change, and it is home to thousands of animal species. In 2020, our forest area removed a total of 661,750 tCO<sub>2</sub>eq from the atmosphere through its growth and carbon absorption process.

A new process was implemented in charcoal production technology to control the temperature of Gerdau Florestal's carbonization furnaces. With this, the company took the first step toward digitalizing the monitoring of the carbonization process and automating it further down the line.

In 2019, Gerdau made important investments implementing a forest management system and in software to optimize long-term planning for the sector. In two years, from 2018 to 2019, nearly R\$1.5 million was invested in these systems, giving Gerdau robust tools to manage its forest base in the long term.

Gerdau also uses a drone to capture images of forest assets and (still in the testing stage) to determine the stock of bio-reducing agents and timber. This initiative is part of the company's experimentation with digital tools and imaging technology in forest management, such as satellite imagery and radar technology.



## Mining

Gerdau follows the strategic guideline of producing iron ore to supply its own mills, which gives an important competitive edge to the steel it produces. In 2020, the two mines operated by Gerdau in Minas Gerais delivered a total of 7.2 million tons of iron ore, of which 5.9 million tons were consumed in the company's own mills. The balance, whose ore content is lower than that required to be used in Gerdau's blast furnaces, was sold in the market.

## Permits

In 2020, Gerdau secured two new permits for mineral exploration in Minas Gerais. One of the permits allows for the continuation of the existing operation in Várzea do Lopes, and the other for the operation of a new area known as Várzea Leste Norte (*learn more in the box below*). Together with the resumption of operations of Ore Treatment Unit 1 (see more about the resumption of this operation below), the two areas will make it possible to maintain the competitiveness of the Ouro Branco mill, also in Minas Gerais.



### A SUSTAINABLE SERRA DA MOEDA

Serra da Moeda  
SUSTENTÁVEL

Gerdau's operation at the Várzea Lopes mine is reaching the end of its useful life. To maintain the current mining pace, in 2020 the company established ongoing dialogue with the community and public authorities.

## DAMS

Today, Gerdau maintains only one ore tailings dam, the Alemães dam, in Ouro Preto (MG), built using the upstream method. Gerdau has decided to no longer use this system. The solution to de-characterize the construction method of the Alemães dam was presented to the relevant federal and state agencies.

Gerdau's project is to build a new dam with a different construction system in the same place as the current structure. This will eliminate the risk of liquefaction associated with upstream dams.

The National Mining Agency (ANM) approved Gerdau's project in January 2020. The solution is currently being evaluated by the agencies of the state of Minas Gerais, and Gerdau expects to have its proposal approved soon.



## Brazil

Three Gerdau units produce special steel in Brazil: Charqueadas (RS); Pindamonhangaba (SP); and Mogi das Cruzes (SP). Special steels have specific characteristics for applications with high mechanical requirements. They are fundamental in the automotive chain, serving other relevant markets, such as oil and gas, wind power, machinery, and equipment.

Gerdau conducts research in partnership with customers to develop specific steels for industry today and tomorrow.

The automotive market is one of the main markets in the special steel segment

Mill, Charqueadas (RS)



## SOUTH AMERICA BUSINESS OPERATION

The company has its own units in Argentina, Peru, Uruguay, and Venezuela. Production of raw steel totaled 574,000 tons in 2020. Steel production and sales in 2020 increased compared to the same period in 2019 and to the quarter immediately preceding, mainly as a result of the continued good performance of construction in Peru and Argentina. Net revenue increased due to higher volumes sold and the impact of foreign exchange. Fourth-quarter EBTIDA and EBTIDA margin were a result of robust demand in construction, mainly in Peru and Argentina, and the important contributions

from joint ventures. This was the highest EBTIDA of the South America operation since 2008.

It should be noted that the South America business operation comprises: steel production mills, retail facilities, product stores (including joint ventures and associated companies), and scrap processing facilities. The mills with the highest installed capacity are in Argentina and Peru. The companies in the South America Business Operation (which includes the joint venture in the Dominican Republic) meet the demands of their domestic markets.



Gerdau Unit in  
Montevideo, Uruguay

## URUGUAY AND ARGENTINA

In Argentina, there was an increase in the level of demand for long steel in 2020. This was a reflection of the recovery in industry, driven mainly by the agricultural, appliances, and automotive sectors, and the continued good levels of activity in civil construction, driven by private investments and public infrastructure works. The volumes delivered on the domestic market in Uruguay also remain at positive levels.

## COLOMBIA AND DOMINICAN REPUBLIC

The year 2020 and the COVID-19 pandemic put Gerdau to the test in its operations outside of Brazil. In line with the company's values, care for employees, safety, and commitment to customers were non-negotiable. All employees kept their jobs and were also able to take care of themselves and advise their families on the measures necessary to prevent COVID-19 infection.



Siderperu  
(Chimbote, Peru)



As for the customers, Gerdau supported them in developing their protocols and created digital platforms that provided greater proximity to meet their needs. In relation to shareholders, the company achieved good results and maintained profitability in a challenging year.

Gerdau also helped with the emergency response in Colombia and the Dominican Republic by donating the necessary supplies to fight the pandemic and by delivering food to communities in need.

## PERU

The main challenge for Siderperu in 2020 was, without a doubt, adapting to a context of uncertainty. The year began with fierce competition in the Peruvian domestic market but with weak demand. Added to this was the

government's subsequent shutdown to cope with the COVID-19 pandemic.

On the other hand, this unusual context accelerated the digitalization of a larger number of projects. This is something that had been in the pipeline for some time but gained emphasis in 2020. Siderperu implemented an innovation and digital transformation division whose mission is to facilitate strategic projects and foster a digital and innovation culture throughout the organization. Siderperu expects higher domestic demand in early 2021. To this end, it has already adjusted its inventories and operations to capitalize on opportunities. Furthermore, it is expected that increased public investments in the second half of the year will fuel the growth of the private sector and contribute to the reactivation of the economy, a slow but steady process.



Gerdau Unit in  
Rosario, Argentina





## NORTH AMERICA BUSINESS OPERATION

This operation includes all operations in North America (Canada, United States, and Mexico) except for special steels and jointly controlled and affiliated companies, both located in Mexico. In 2020, the share of this region in Gerdau's net revenue was 38.7%. Steel production and sales in Q420 showed increased volumes compared to Q320, demonstrating the continued resilience of the non-residential construction market and of the industry.

Total investments in construction (CPIP) grew by over 7% in the last 12 months, until November, reaching US\$1.4 trillion. Industrial activity also remained strong, as indicated by the ISM index, which reached 60.7 in December 2020 (over 50 represents growth). Q420 EBITDA and EBITDA margin were higher compared to the comparative periods, following the gross profit and gross margin results. It should be noted that this is our best EBITDA margin for a fourth quarter since 2007.

### UNITED STATES

In 2020, great internal efforts were made to improve efficiency and reduce costs. We sought to offer a portfolio focused on customer needs. This, along with the transformation undergone by the North American operation, made it more agile in responding to the market. The ongoing initiatives to reduce costs and improve the operation's performance are also noteworthy.

### MEXICO

Gerdau is present in Mexico through Gerdau Corsa, one of the country's leading producers of structural beams, rebar, bars, and profiles. The main highlight (and challenge) of the business in 2020 was to maintain the growth of Gerdau Corsa's market share while facing the severe restrictions imposed by the pandemic.

Decreased demand and disruptions in production were the main impacts of the COVID-19 pandemic on the business. Gerdau Corsa created strict health and hygiene protocols to protect employees and the business. In 2020, Gerdau Corsa also recertified all of its mills in the ISO 45001 health and safety standard.



Charlotte Unit, North Carolina (USA)



## SPECIAL STEEL BUSINESS OPERATION

This operation comprises all Gerdau's special steel units in the United States and Brazil, and in 2020, accounted for 13.5% of the company's net revenue. Steel production and sales increased in 4Q20 over the fourth quarter of the previous year. This performance reflects the rebound of the automotive sector in the operations in Brazil, along with the recovery of volumes in the United States, as already seen in the previous quarter.

The impact of oil prices on the American oil and gas sector and the lower exports of automobiles from Brazil to Argentina are still being reflected. On the other hand, there was a significant upturn in the automotive sector, thanks to increased numbers in production and sales volume, both in Brazil and in the United States.

## SPECIAL STEELS IN THE UNITED STATES: INVESTMENTS IN PRODUCTION MODERNIZATION

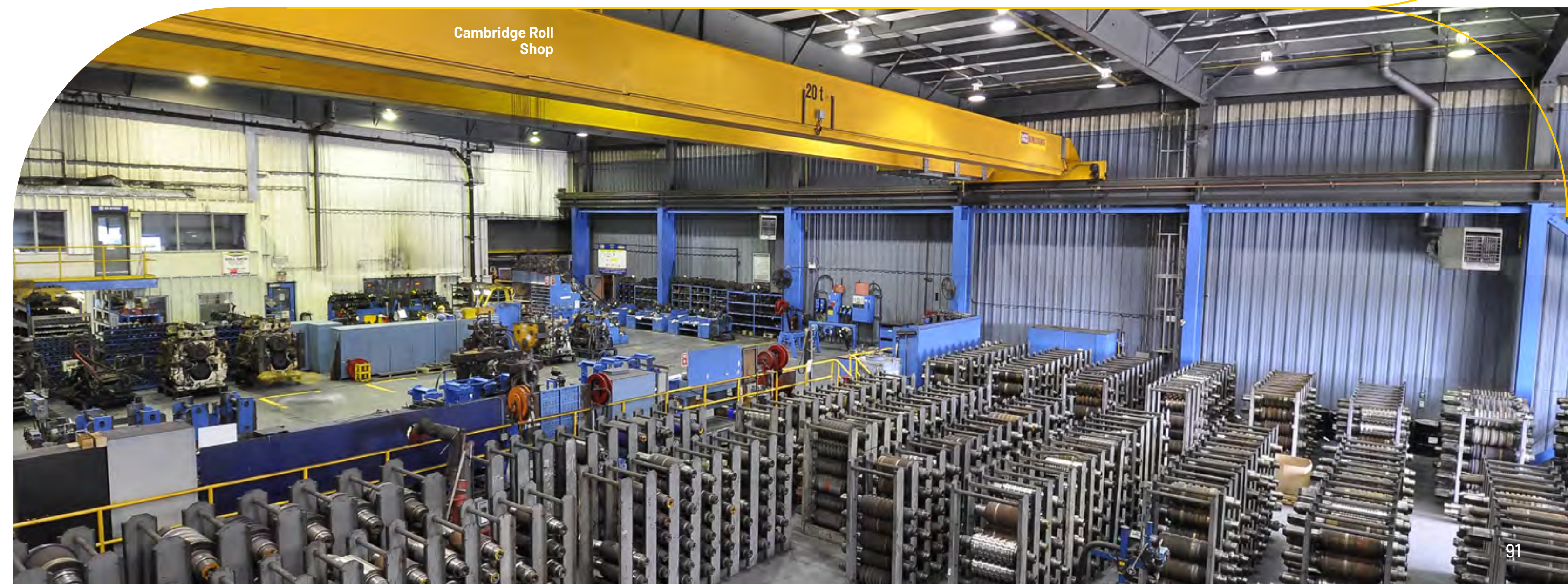
The program for investments in the production capacity of Gerdau's unit in Monroe (Michigan) has made good progress, with the 2020 entry into operation of a new double ladle furnace and an automatic alloy adding system.

The program will be completed in 2021, when a new electric furnace will be put

into operation in the same unit. At the end of this investment cycle, Gerdau's Monroe mill will be on par with the best similar plants in the world.

The investments in the production line will help accelerate a series of product development projects that achieved good results in 2020 and should tend to grow

in the coming years. The purpose of the projects is to develop cleaner and higher strength steels, based on the continued demand from automotive industry customers, and Gerdau has been very successful in its pipeline in developing these products.





The year 2020 also marked the decision to complete a profound reorganization of production at Gerdau's special steel units in North America. On the demand side, this movement was driven by a sharp drop in markets caused by the COVID-19 pandemic, and on the production side, by the modernization of equipment and expansion of production capacity conducted at the Monroe plant.

The centerpiece of the reorganization was the shutdown of the melt shop and rolling mill at Gerdau's Jackson unit, also in Michigan. The change caused more than 400 items from Gerdau's product catalog to be transferred to other units. This process involves new certifications and approvals and has to be done in close collaboration with the customers/consumers of the products affected. At the end of the process, Gerdau will maintain the same production capacity as before the reorganization. Still, it will be concentrated in just two melt shops and rolling mills instead of three, with significant gains in efficiency.

Of the Gerdau units in the region, the Jackson mill, where the melt shop and rolling mill were idled, was the oldest, smallest scale, and most technologically outdated. Its replacement—for the most part by the more modern assets incorporated at the Monroe mill—has allowed the company to become much more competitive in the North American market. In terms of manpower, the reorganization of assets in North America resulted in the layoff of approximately 150 people at the Jackson mill, reducing the workforce of Gerdau Special Steel North America from approximately 1,550 to 1,400 people.

In terms of the environmental footprint of Gerdau's operations, a measurable improvement will be achieved due to the entry into operation of more modern equipment capable of greater production scale. Two important indicators will show significant reductions: greenhouse gas emissions and water consumption per ton of steel processed. And, in the longer term, the reuse of co-products should grow.



Employee of the Michigan  
Unit (USA)





Gerdau office in Tampa (USA)

## FAVORABLE POLICIES

Certain policies adopted in recent years by the U.S. federal government point to more consistent support for the U.S.-based industry. One of them is the USMCA, the new North American trade agreement that replaced NAFTA. The USMCA stipulates higher levels of local production, spurring a gradual relocation movement in the United States of businesses that had been transferred to other countries.

In terms of consumer trends, experts agree that electric vehicle production will pose a challenge to the fossil fuel-powered car market. However, they point out that this change seems to be occurring at a slower pace in the United States than in Europe and Asia.

Based on these studies as well as on Gerdau's proximity to customers in the automotive sector—working on the development of steel suitable for new vehicles on the path to transition to electrification—we can assume that, in the United States, the impact of the mass transition to electric mobility will take place in the medium and long term rather than in a shorter and more immediate period.



**BRAZIL****Top of Mind Award**

Best Product of the Year Award  
Categories: "Screen, Truss, and  
Annealed Wire" and "Rebar"

**Anamaco Award**

Master: "Steel Mesh or Screens  
for Concrete," "Nails," and "Steel  
Rebar"

Listed in the ranking of the 100  
Best Companies in Customer  
Satisfaction, by the Mesc Institute.

**Aberje 2020 Award**

1st place in Brazil in the "Audiovi-  
sual" category, for the film "Simila-  
rities," which portrays the journey  
of diversity.

**Aberje 2020 Award**

1st place in Brazil in the "Orga-  
nizational Sustainability" cate-  
gory for the "Sustainable House"  
project, which uses tailings from  
mining.

1st place in the Minas Gerais  
and Midwest region in the  
"Audiovisual" category for the  
project "Similarities."

1st place in the Minas Gerais  
and Midwest region in the  
"Organizational Sustainability"  
category for the "Sustainable  
House."

**Communicator of the year:  
Awarded to Pedro Torres,  
elected by Aberje as one of  
the ten communicators of  
the year in Brazil.**

**Companies that Best  
Communicate with Journalists  
Award**

1st place in the "Steel and  
Metallurgy" category.

**Best CEOs who Communicate  
with Journalists Award**

Gustavo Werneck: Listed in the  
ranking of the ten CEOs who best  
communicate with journalists.

**Abrasca Award (Association  
of Publicly Traded Companies)**

Best Integrated Reporting in  
Brazil, in category 1 of the  
"Ranking of Publicly Traded Com-  
panies" for the Gerdau Integra-  
ted Report 2019.

**AB Diversity Award**

Gerdau was recognized by Auto-  
motive Business magazine for  
having maintained, despite the  
pandemic, the best inclusion and  
diversity practices.

**Women in Leadership Award**

Promoted by WILL - Women in  
Leadership in Latin America |  
BR, US, UK, in partnership with  
Grupo Globo - Mídia e Conteúdo,  
and Instituto Ipsos Brasil, the  
award recognized Gerdau in the  
"Industry" category as one of the  
companies with the best prac-  
tices and policies to encourage  
gender equality and promote  
female leadership.

**Jatobá Communication Award**

Category: "Business Organi-  
zations - Social and Corporate  
Responsibility"  
1st place for "Gerdau's Sustaina-  
ble House: a brand experience"

**Case of the year**

1st place for "Gerdau's Sustaina-  
ble House: a brand experience"

**Executivo de Valor – Valor  
Econômico Journal**

Gustavo Werneck, CEO of  
Gerdau, was voted Executivo  
de Valor 2020 in the "Mining  
and Steel" category.

**Facebook Award**

Gerdau was recognized for  
the case "Generating more  
requests for quotes with a  
social ads strategy."

**Neoway Advisor Award**

Gerdau was recognized for the  
case "Branch vocation process  
and customer cloning."

**ABEMD**

Gerdau received silver awards  
for two



# 9 Awards and Recognitions



**ESTADOS UNIDOS**

**Recognition Award of Excellence in Safety and Health** 2020 from WorldSteel Association, in "Best Practices in the Melt Shop Red Zone."

**Gold Award of Excellence** for "Best Advancement in Strategy and Administration of Benefits," from Grupo Brandon Hall.

**Gold** in the Caterpillar Supplier Quality Excellence Program

**Automotive Supplier of the Year Award** from Fastmarkets

**MEXICO**

**Supplier of the Year Award** from CIE Automotive Mexico.

**ARGENTINA**

**Corporate Citizenship Award** from Amcham Argentina in the "Sustainable Initiatives Society - Communities" category.

**URUGUAI**

**Energy Efficiency Award** Special Mention, "Industry" category, granted by the Ministry of Industry, Energy, and Mining of Uruguay.

**PERU**

**Silver Effie Award** for the advertising campaign "*Fierros de la Resistencia no Peru.*"

**First place** in the *Merco Talento* sector (industry) ranking, Peru

In 2020, Siderperu achieved ISO 45001 (formerly OHSAS 18001) certification and ISO 14001 recertification. It also received the second extension of ISO 9001, with zero non-conformities.

**DOMINICAN REPUBLIC**

In 2020, Gerdau Metaldom in the Dominican Republic was recognized as the "Best Place to Work" for young professionals. It was also chosen as "Company of the Year" by the Dominican-Brazilian Chamber of Commerce.

# \* \* \* Awards And Recognition

**TIMELINE**

To see the full timeline,  
[click here.](#)

2007



Gerdau acquires the Feld group and establishes itself in Mexico. In the photo, mill in Cd. Sahagún Plant, opened in 2015

2009



Start of iron ore production in Minas Gerais.

2013



Start of flat steel production in Ouro Branco.

2018



Gerdau has its first CEO outside the family. Gustavo Werneck replaces André Gerdau Johannpeter as CEO.





Ouro Branco Unit (MG)

# 10\_GRI content index



# GRI STANDARDS CONTENT SUMMARY

GRI STANDARDS		SASB STANDARDS	PAGE / CONTENT	REASON FOR OMISSION
GRI 102: General Disclosures 2016				
102-1	Name of the organization			
102-2	Activities, brands, products, and services		AR page <a href="#">15</a>	
102-3	Location of headquarters		AR page <a href="#">15</a>	
102-4	Location of operations		AR page <a href="#">15</a>	
102-5	Ownership and legal form		AR page <a href="#">15</a>	
102-6	Markets served		AR pages <a href="#">16</a> ; <a href="#">84-91</a>	
102-7	Scale of the organization	EM-IS-000.A, EM-IS-000.B, EM-IS-000.C	AR page <a href="#">16</a>	
102-8	Information on employees and other workers	EM-MM-000.B	AR page <a href="#">16</a> <a href="#">Indicators Center</a>	
102-9	Supply Chain	EM-IS-430a.1	AR page <a href="#">62</a>	
102-10	Significant changes to the organization and its supply chain		AR pages <a href="#">64</a> ; <a href="#">84</a> During the period, there were no significant changes to the organization or its supply chain.	
102-11	Precautionary Principle or approach		Gerdaubases its risk analysis on the precautionary principle, but does not formally adopt this principle.	
102-12	External initiatives		<a href="#">Indicators Center</a>	
102-13	Membership of associations		AR page <a href="#">66</a>	
102-14	Statement from senior decision-maker		AR pages <a href="#">5-6</a>	
102-15	Key impacts, risks, and opportunities		AR page <a href="#">22</a>	
102-16	Values, principles, standards, and norms of behavior		AR pages <a href="#">23-24</a>	
102-17	Mechanisms for advice and concerns about ethics		AR page <a href="#">24</a>	
102-18	Governance structure		AR pages <a href="#">17-18</a>	



GRI STANDARDS		SASB STANDARDS	PAGE / CONTENT	REASON FOR OMISSION
GRI 102: General Disclosures 2016				
102-22	Composition of the highest governance body and its committees		AR pages <a href="#">17-18</a>	
102-23	Chair of the highest governance body		The president of the highest governance body is not an executive director.	
102-24	Nominating and selecting the highest governance body		AR pages <a href="#">17-18</a>	
102-35	Remuneration policies		AR pages <a href="#">19</a> ; <a href="#">21</a>	
102-40	List of stakeholder groups		<a href="#">Indicators Center</a>	
102-41	Collective bargaining agreements	EM-MM-310a.1	All employees are covered by the collective bargaining agreements. Agreements do not apply to third-party professionals.	
102-42	Identifying and selecting stakeholders		<a href="#">Indicators Center</a>	
102-43	Approach to stakeholder engagement		RA <a href="#">52-67</a> ; <a href="#">Indicators Center</a>	
102-44	Key topics and concerns raised		AR page <a href="#">10</a>	
102-45	Entities included in the consolidated financial statements		The following companies are included in Gerdau S.A.'s earnings release: S.A.: <ul style="list-style-type: none"><li>•Metalúrgica Gerdau S.A.</li><li>•Gerdau S.A.</li><li>•Empresa Siderúrgica del Peru S.A.A. Peru</li><li>•Gerdau Aços Longos S.A. Brazil</li><li>•Gerdau Açominas S.A. Brazil</li><li>•Gerdau Internacional Empreendimentos Ltda.</li><li>•Gerdau Ameristeel Corp. USA</li><li>•Gerdau Macsteel Inc. USA</li><li>•Gerdau Metaldom Corp. Dominican Republic</li><li>•Diacó S.A. Colombia</li><li>•Gerdau Summit Aços Fundidos e Forjados S.A. Brazil</li><li>•Gerdau Corsa S.A.P.I. Mexico</li><li>•Siderúrgica Tultitlán, S.A. de CV Mexico</li><li>•Gerdau Laisa S.A. Uruguay</li><li>•Sipar Aceros S.A. Argentina</li><li>•Siderúrgica Zuliana, C.A. Venezuela"</li></ul>	



GRI STANDARDS

SASB STANDARDS

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REASON FOR OMISSION

GRI 102: General Disclosures 2016

102-46	Defining report content and topic Boundaries	AR page <u>09</u> <u>Indicators Center</u>
102-47	List of material topics	Page <u>10</u>
102-48	Restatements of information	The number of employees as of 2020 includes employees on leave. Adjustments were also made to the calculations in GRI 403-9 to ensure better comparability with the sector. As of 2020, Gerdau adopted the 2020 version of the GRI 306 Waste standard.
102-49	Changes in reporting	There were no significant restatements of the information provided above or of the material topics and their boundaries.
102-50	Reporting period	January 1 to December 31, 2020.
102-51	Date of most recent report	Gerdau 2019 Integrated Report. Published on 6/18/2020.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Contact point for questions regarding the report: ana.camargo@gerdau.com.br
102-54	Claims of reporting in accordance with the GRI Standards	AR page <u>08</u>
102-55	GRI Content Index	AR page <u>96</u>
102-56	External assurance	This report did not undergo an external assurance process.



GRI STANDARDS		SASB STANDARDS	PAGE / CONTENT	REASON FOR OMISSION
Material topics				
Climate change mitigation and adaptation				
GRI 103: Management Approach 2016: GRI 201: Economic Performance 2016	103-1	Explanation of the material topic and its Boundary	AR pages <a href="#">82-84</a>	
	103-2	The management approach and its components	AR pages <a href="#">82-84</a>	
	103-3	Evaluation of the management approach	AR pages <a href="#">82-84</a>	
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	AR page <a href="#">76</a> <a href="#">Indicators Center</a>	
GRI 103: Management Approach 2016: 305: Emissions   2016	103-1	Explanation of the material topic and its Boundary	AR pages <a href="#">69; 76</a> <a href="#">Indicators Center: Boundary of the material topic</a> <a href="#">Indicators Center: Explanation of the material topic</a>	
	103-2	The management approach and its components	EM-IS-110a.2 AR pages <a href="#">69-70; 77-79</a> <a href="#">Indicators Center</a>	
	103-3	Evaluation of the management approach	EM-IS-110a.2 AR pages <a href="#">77-78</a> <a href="#">Indicators Center</a>	
305: Emissions   2016	305-1	Direct (Scope 1) GHG emissions	EM-IS-110a.1 AR page <a href="#">76</a> <a href="#">Indicators Center</a>	
	305-2	Energy indirect (Scope 2) GHG emissions	AR page <a href="#">76</a> <a href="#">Indicators Center</a>	
	305-4	GHG emissions intensity	<a href="#">Indicators Center</a>	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	EM-IS-120a.1 <a href="#">Indicators Center</a>	



GRI STANDARDS

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REASON FOR OMISSION

Material topics

Ethics and corporate governance

GRI 103: Management Approach 2016:	103-1	Explanation of the material topic and its Boundary		AR pages <a href="#">23-24</a> <a href="#">Indicators Center</a>	
	GRI 205: Anti-corruption   2016	103-2	The management approach and its components	EM-MM-510a.1	AR pages <a href="#">23-24</a>
		103-3	Evaluation of the management approach		AR pages <a href="#">23-24</a>
GRI 205: Anti-corruption   2016		205-1	Operations assessed for risks related to corruption		AR page <a href="#">24</a> <a href="#">Indicators Center</a>
		205-2	Communication and training about anti-corruption policies and procedures		AR page <a href="#">24</a> <a href="#">Indicators Center</a>
		205-3	Confirmed incidents of corruption and actions taken		No corruption event associated with public agents or representing any type of corruption involving senior management or considered relevant fraud has been identified.
GRI 103: Management Approach 2016: 307: Environmental Compliance   2016	103-1	Explanation of the material topic and its Boundary		AR page <a href="#">70</a> <a href="#">Indicators Center</a>	
	103-2	The management approach and its components		AR page <a href="#">70</a> <a href="#">Indicators Center</a>	
	103-3	Evaluation of the management approach		AR page <a href="#">70</a> <a href="#">Indicators Center</a>	
GRI 307: Environmental Compliance   2016	307-1	Non-compliance with environmental laws and regulations	EM-MM-140a.2	<a href="#">Indicators Center</a>	
GRI 103: Management Approach 2016: 419: Socioeconomic Compliance   2016	103-1	Explanation of the material topic and its Boundary		AR pages <a href="#">23-24</a> <a href="#">Indicators Center</a>	
	103-2	The management approach and its components		AR pages <a href="#">23-24</a>	
	103-3	Evaluation of the management approach		AR pages <a href="#">23-24</a>	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area			In 2020, Gerdau did not receive significant fines or non-monetary sanctions (over US\$8 million) due to non-compliance with laws and regulations in the social and economic spheres.



GRI STANDARDS

SASB STANDARDS

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REASON FOR OMISSION

Material topics				
Scrap recycling				
GRI 103: Management Approach 2016: 301: Materials   2016	103-1	Explanation of the material topic and its Boundary		AR pages <a href="#">69</a> ; <a href="#">74</a> <a href="#">Indicators Center</a>
	103-2	The management approach and its components		AR pages <a href="#">69-70</a> ; <a href="#">74</a>
	103-3	Evaluation of the management approach		AR page <a href="#">74</a>
GRI 301: Materials   2016	301-2	Recycled input materials used	EM-MM-150a.2	<a href="#">Indicators Center</a>
Co-product management				
GRI 103: Management Approach 2016: 306: Waste   2020	103-1	Explanation of the material topic and its Boundary		AR pages <a href="#">69</a> ; <a href="#">75</a> <a href="#">Indicators Center: Boundary of the material topic</a> <a href="#">Indicators Center: Explanation of the material topic</a>
	103-2	The management approach and its components		AR pages <a href="#">69-70</a> ; <a href="#">75</a> <a href="#">Indicators Center</a>
	103-3	Evaluation of the management approach		<a href="#">Indicators Center</a>
GRI 306: Waste   2020	306-1	Waste generation and significant waste-related impacts		<a href="#">Indicators Center</a>
	306-2	Management of significant waste-related impacts		<a href="#">Indicators Center</a>
	306-3	Waste generated	EM-MM-150a.1, EM-MM-150a.3	<a href="#">Indicators Center</a>
	306-4	Waste diverted from disposal	EM-MM-150a.1, EM-MM-150a.2, EM-MM-150a.3	<a href="#">Indicators Center</a>
	306-5	Waste directed to disposal	EM-MM-150a.1, EM-MM-150a.3	<a href="#">Indicators Center</a>
	MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	EM-MM-150a.1, EM-MM-150a.3	<a href="#">Indicators Center</a>



GRI STANDARDS

SASB STANDARDS

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REASON FOR OMISSION

Material topics

Energy management

GRI 103: Management Approach 2016: 302: Energy   2016	103-1	Explanation of the material topic and its Boundary		AR pages 69; 71 <a href="#">Indicators Center: Boundary of the material topic</a> <a href="#">Indicators Center: Explanation of the material topic</a>
	103-2	The management approach and its components		AR pages 69-71 <a href="#">Indicators Center</a>
	103-3	Evaluation of the management approach		<a href="#">Indicators Center</a>
GRI 302: Energy   2016	302-1	Energy consumption within the organization	EM-IS-130a.1, EM-IS-130a.2	<a href="#">Indicators Center</a>
	302-3	Energy intensity		<a href="#">Indicators Center</a>

Management of water and effluents

GRI 103: Management Approach 2016: 303: Water and Effluents   2018	103-1	Explanation of the material topic and its Boundary		AR pages 69; 72 <a href="#">Indicators Center: Boundary of the material topic</a> <a href="#">Indicators Center: Explanation of the material topic</a>
	103-2	The management approach and its components		AR pages 69-70; 72-73 <a href="#">Indicators Center</a>
	103-3	Evaluation of the management approach		<a href="#">Indicators Center</a>
GRI 303: Água e Efluentes   2018	303-1	Interactions with water as a shared resource		<a href="#">Indicators Center</a>
	303-2	Management of water discharge-related impacts	EM-MM-140a.2	AR page 72
	303-3	Water withdrawal	EM-IS-140a.1	<a href="#">Indicators Center</a>
	303-4	Water discharge		<a href="#">Indicators Center</a>
	303-5	Water consumption	EM-IS-140a.1	AR page 73 <a href="#">Indicators Center</a>



GRI STANDARDS

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REASON FOR OMISSION

Material topics			
Innovation in processes and products			
GRI 103: Management Approach 2016: Own topic: Innovation in processes and products	103-1	Explanation of the material topic and its Boundary	AR page <a href="#">41</a> <a href="#">Indicators Center</a>
	103-2	The management approach and its components	AR pages <a href="#">41-50</a>
	103-3	Evaluation of the management approach	AR page <a href="#">43</a>
Tópico próprio: Inovação nos processos e produtos	GER-1	Financial return on digital projects	<a href="#">Indicators Center</a>
Stakeholder relations			
GRI 103: Management Approach 2016: Own topic: Stakeholder Relations	103-1	Explanation of the material topic and its Boundary	AR page <a href="#">52</a> <a href="#">Indicators Center</a>
	103-2	The management approach and its components	AR pages <a href="#">52-57</a> ; <a href="#">59-62</a> ; <a href="#">65-67</a>
	103-3	Evaluation of the management approach	AR page <a href="#">66</a>
Own topic: Stakeholder Relations	GER-2	Number of stakeholders involved in engagement projects	<a href="#">Indicators Center</a>



GRI STANDARDS

SASB STANDARDS      PAGE / CONTENT

REASON FOR OMISSION

Material topics			
Occupational Health and Safety			
GRI 103: Management Approach 2016:	103-1	Explanation of the material topic and its Boundary	RA page <a href="#">32</a> <a href="#">Indicators Center</a>
	GRI 403: Occupational Health and Safety   2018	103-2 The management approach and its components	AR pages <a href="#">26-30</a> ; <a href="#">32</a>
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## GERDAU 2020 ANNUAL REPORT

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