

Annual Report **2021**



GERDAU
Shape the future

*People who
shape the future*

Employees at our Cearense
(CE) site, Brazil -
Fabiane Oliveira
da Silva and Hector
Jesus Lovera
Narvaez



An employee at our Barão de Cocais (MG) site, Brazil - Maria Laura Gonçalves Reis

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A new and sustainable cycle

Our company began as a small nail factory acquired in Porto Alegre, southern Brazil, in mid-1901. Gerdau's history has since been shaped by five generations of a genuinely enterprising family and by thousands of other families of Brazilians, Americans, Argentines and other nationalities. Our forward-looking vision has taken us increasingly further, across cultural barriers and across borders.

We believe the secret to keeping our company sustainable and relevant over the years has lied in: upholding a clear set of principles, values and purposes in our dealings with stakeholders; attracting talents who share our future vision and feel driven and motivated to challenge themselves and get out of their comfort zone; and putting customers at the center of our decisions at all times. At **Gerdau** we call this "passion for customers".

We are no doubt a different company today, but our essence remains unchanged. And in order to thrive over the next 120 years, it remains my belief that entrepreneurship can and should drive the social transformation we so pressingly need, in all aspects of our lives.

As we celebrate our 120th anniversary—a historic milestone—we are well poised for a new cycle of sustainable growth. 2021 saw our best performance to date, thanks in no small part to our ongoing cultural transformation and a strengthened governance model. We've now been four years under new leadership, delivering very tangible results and further progress in developing a more streamlined and agile corporate culture, with ESG (Environmental, Social and Governance) aspects increasingly embedded in all decisions. Now with a well-cemented governance model, I have worked closely with our Board of Directors in taking a more strategic approach that looks more deeply at the longevity and long-term success of the business.

We recognize that not only investors but also customers and broader society are increasingly looking at organizations' ESG performance. And I'm pleased to report that, alongside our strong financial performance in 2021, we made consistent progress on sustainability, including greenhouse gas (GHG) emissions reductions. Our emissions are currently half the global average in our industry. This performance reflects a management approach that works to find solutions to global challenges, including climate change and its impacts.

Importantly, our production facilities recycle ferrous scrap as their primary raw material, accounting for 71% of our production throughput; and we use charcoal from planted forests—which we refer to as a bioreducer—as a renewable energy source.

I'm increasingly convinced that innovation in business relies on having the right people in the right positions, and having closely aligned incentives across shareholders, employees, customers and communities. This symbiosis is what drives us and helps us go further.

Thank you and enjoy the report.

Guilherme Chagas Gerdau Johannpeter
Chairman of the Board of Directors

The secret to keeping our company sustainable and relevant has lied in upholding a clear set of principles, values and purposes in our interactions with all stakeholders.



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Toward the next 120 years

In 2021 we celebrated our 120th anniversary as a company. There are few century-old companies in Brazil, and becoming one of them is certainly a source of pride for us. Our story has been built by five generations of an enterprising family that, alongside the thousands of others on our team, has led us to our position as Brazil's leading steel producer and the largest ferrous scrap recycler in Latin America.

Gerdau's century and two decades of operation illustrate not only the importance of our industry—steel is present in almost every aspect of people's everyday lives—but also the need for transformation over time. This has led us to reinvent ourselves and launch a collective effort in 2015 to cut through complexity and increase our focus on what matters, becoming more agile and efficient in delivering the solutions the world needs.

This has translated into business decisions and opportunities to tap into new markets. Gerdau Next is a case in point. By venturing into segments such as renewable energy, contechs, logistics and graphene, we are shaping a better future that reconciles social development and sustainability with sustained enterprise success and financial performance.

As part of this, the ESG agenda is increasingly being embedded in our planning and decision-making. For instance, in 2021 we announced two major renewable energy investments: a solar farm in Texas and another in Minas Gerais, Brazil, to supply clean electricity to our industrial facilities.

In addition to innovating in business, we want to use our transformational capacity to bring about social improvement in the countries where we operate.

Gustavo Werneck,
CEO



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I also believe our industry needs to make big strides in diversity and inclusion, ensuring the workplace reflects the diversity of our society. To this end, we have set a target to reach 30% women in leadership positions by 2025. From a baseline of 17% in 2017, we are now at 23%. We now also have 5% women in operator positions at Gerdau for the first time in 120 years. In 2021, more than 1,000 women were working directly in production roles, breaking our historical barrier of 2%.

In addition to innovating in business, we want to use our transformational capacity to bring about social improvement in the countries where we operate. In 2021, as part of our COVID-19 response, we maintained safety protocols in place to minimize the risk of transmission among our teams. As a result, despite the unprecedented health and economic crisis, we were able to deliver our best financial performance in a century and two decades of operation. And in recognition of their dedication and effort throughout the year, each of our employees in Brazil and in the eight countries where we operate in the Americas received an additional bonus in December.

I believe our people's aspirations and ambition played a key role in achieving this extraordinary result in 2021. Their energy, coupled with the continued development of our organizational culture and our passion for customers, form a powerful equation that gives us confidence that the best is yet to come!

And with our strong performance in the year, we had plenty of value to share with our communities. This led us to launch the largest social program we have ever undertaken, called *Reforma Que Transforma* ("Transformational Renovations").

Over the next ten years, we will remodel people's homes in low-income communities using an innovative social technology. We will invest a total of R\$ 40 million in an estimated 13,000 home renovations, benefiting around 50,000 Brazilians.

Besides financial and operating performance, I believe a company's success can also be measured in terms of the public's admiration and respect. The roughly 42,000 applications for 221 spots in our 2021 Trainee Program—more than for any other trainee program in Brazil in the year—demonstrate that the seeds we've planted are already yielding admiration and interest in the generations that will help us build our next 120 years at Gerdau.

I believe 2021 will be a landmark not only as the year we celebrated our 120th anniversary—an extraordinary milestone for any business organization—but also because it showed that the foundations for our next 120 years are not only strong and solid, but also flexible—like steel.

Read on in this report to learn more about some of the highlights I have presented in brief in this message. I invite you to read about the challenges we faced and the successes we achieved in a year that will certainly leave a mark in our history. I hope you find our report informative and inspiring.

Gustavo Werneck
CEO



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Employees at our Caucaia Mill (CE) - Ismael Ferreira and Luciana Freitas

The following pages describe our environmental, social and financial performance in the period from January 1 to December 31, 2021, and our journey toward our purpose of empowering the people who build the future. You will also learn about how we tackled the lingering COVID-19 pandemic for a second year, and prioritized the health and safety of our direct and third-party employees and their families, as well as our suppliers, customers and communities. We sought to understand society's needs during this period of challenges

and uncertainties, and to protect jobs in our operations, while also continuing to meet market demand.

As we celebrated our 120th anniversary, we launched a number of initiatives that we describe in this report. We have developed our report in accordance with the Global Reporting Initiative (GRI) Standards 2016: Core option, as well as drawing guidance from the International Integrated Reporting Framework (<IR> Framework) published in January 2021 by the

International Integrated Reporting Council (IIRC), to help guide readers in their annual analysis of our economic, social, environmental and governance performance.

The GRI Standards are among the leading global standards for sustainability reporting, and provide a transparent method of informing our stakeholders (employees, customers, shareholders, suppliers, governments and communities) and society about our activities in 2021.

As in the previous reporting cycle, we mapped our GRI disclosures to some of the disclosures in the Sustainability Accounting Standards Board's (SASB) Iron & Steel Producers and Metal & Mining standards.

Material topics and the United Nations Sustainable Development Goals (SDGs) are mapped to our capitals (*learn more in our [Business Model](#)*), which also define the four main chapters in the report: Human and intellectual capital, Financial and manufactured capital, Social and relationship capital and Natural capital.

In 2022 we will carry out a new materiality exercise to inform our strategy and our communications in the next reporting cycle.

In addition, for the first time our report has been independently assured by Bureau Veritas to improve transparency and balance in our sustainability reporting. The assurance letter can be found at the end of the report.

For any questions or feedback about the report or its contents, please write to: cpg-comunicacaoemarca@gerdau.com.br.

WHAT ARE MATERIAL TOPICS?

According to the GRI Standards 2016, an organization's material topics are topics that inform its strategy and management approach, and its communications with stakeholders and society.

Material topics also include those that reflect the significant environmental, social or economic impacts from an organization's activities, products, services and business relationships, or substantively influence the assessments and decisions of stakeholders.

In defining material topics, we conduct a robust stakeholder engagement process that includes

planning, reviews of external and internal documents, media research, industry benchmarking, interviews with the leadership team, stakeholder interviews and online surveys, and validation with senior leadership.

We have identified the stakeholder categories that impact and/or are impacted by Gerdau's operations as follows: customers, direct and third-party employees, shareholders, suppliers, government and communities. Our stakeholders also include unions, civil society, investors, the capitals market, trade associations, and institutions and the media.

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This report was informed by the materiality matrix developed in 2019 based on the GRI reporting principles, as described on pages 9 and 10 of the [Gerdau 2020 Annual Report](#). Our previous materiality matrix comprised the following ten topics:



OCCUPATIONAL HEALTH AND SAFETY

This topic concerns our health and safety management practices, with a particular focus on safety culture, investments in infrastructure and personal protective equipment, raising awareness about unsafe activities and behavior, and precautions when using harmful materials.



ENERGY MANAGEMENT

This topic concerns actions to increase process efficiency and use alternative energy sources. This topic is important as our operations are not only energy intensive, but also highly reliant on energy. Effective energy management can reduce operational costs, and using renewable energy sources has a positive impact in mitigating greenhouse gas emissions, supporting the climate agenda.



DIVERSITY AND INCLUSION

This topic concerns promoting diversity, gender equality, and inclusion of minorities at different levels of the organization.



CLIMATE CHANGE MITIGATION AND ADAPTATION

This topic concerns our actions to mitigate greenhouse gas (GHG) emissions in our operations and supply chain, and our approach to planning for resilience in our operations and providing effective carbon solutions for society to combat climate change.



CO-PRODUCT MANAGEMENT

This topic concerns our approach to managing waste and hazardous materials, with a particular focus on reducing impacts. This can provide cost savings and minimize negative impacts from waste disposal and the associated risk of environmental and human contamination. We can provide the market with competitive differentiators by compliantly disposing of materials and re-utilizing co-products from our production process.



PROCESS AND PRODUCT INNOVATION

This topic concerns our digital transformation efforts to advance product innovation (use of alternative materials, innovative products/solutions, etc.), and establishing partnerships for and internal guidance on our culture of innovation. Digital integration was mentioned in the materiality assessment as one of our sustainability drivers at Gerdau, supporting our efforts to advance innovation in our products and processes (including the customer journey) and thus provide an improved customer experience.



SCRAP RECYCLING

This topic concerns our efforts to recycle materials (e.g., scrap) to achieve cost savings and minimize negative impacts, while also creating a competitive differentiator through the use of recycled materials.



ETHICS AND CORPORATE GOVERNANCE

This topic concerns our efforts to improve the organizational structure and implement governance practices to ensure a solid company, regulatory compliance and alignment with values such as ethics, transparency and integrity. We must make sure our employees and stakeholders maintain integrity and transparency in their relationships, and that we uphold ethics and compliance in all dealings with our different stakeholders (anti-corruption and compliance).



WATER AND EFFLUENT MANAGEMENT

This topic covers risks related to water scarcity and managing water and effluents, with an emphasis on reducing consumption and compliant disposal to protect ecosystems.



STAKEHOLDER ENGAGEMENT

This topic concerns our openness to effectively engaging with stakeholders (employees, investors, society, government, indigenous peoples, NGOs, etc.).



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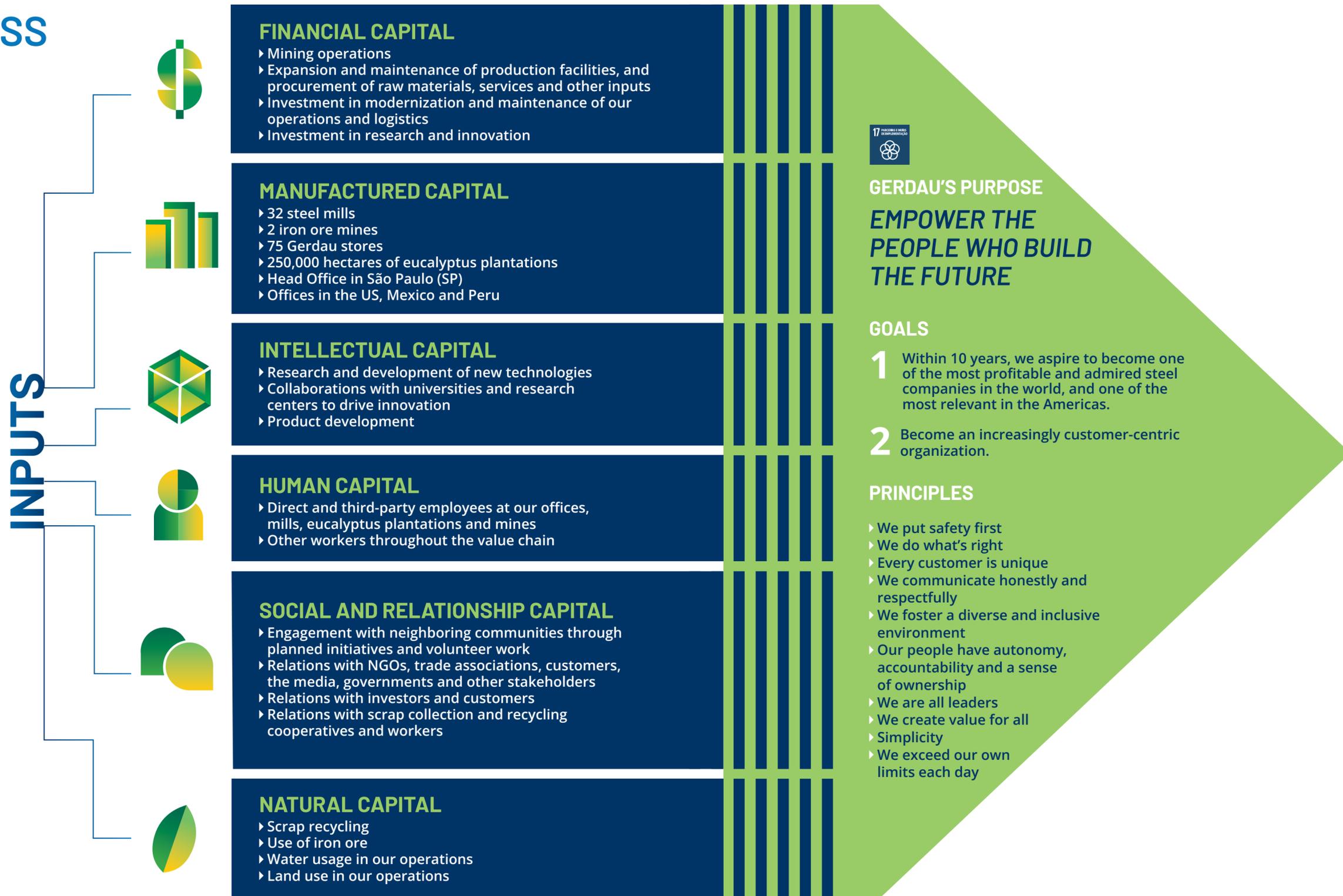


3 Value creation model

Below we describe how these capitals were transformed at Gerdau through our business processes and what impacts and results were delivered to society throughout 2021.

GERDAU BUSINESS MODEL

We use the framework developed by the International Integrated Reporting Council (IIRC) to show how we create value. This framework describes the capitals we draw on as inputs and how we convert them into outputs affecting society. According to the IIRC, the capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. They are categorized in the framework as financial, manufactured, intellectual, human, social and relationship, and natural capital.



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RESULTS



FINANCIAL CAPITAL



- ▶ Net revenue: **R\$ 78.3 billion**. Our best performance in 120 years.
- ▶ Gerdau ended fiscal year 2021 with record adjusted EBITDA at **R\$ 23.2 billion**, with an EBITDA margin of 29.6%. Adjusted net income was **R\$ 15.6 billion**, another all-time annual record



MANUFACTURED CAPITAL*

- ▶ **13.3 million** metric tons of raw steel produced annually
- ▶ **11 million** metric tons of scrap recycled annually in Latin America



INTELLECTUAL CAPITAL*



- ▶ Sales via digital channels at **17%**
- ▶ **88%** of our customers use at least one of our digital channels
- ▶ **20 million** people reached by our campaign celebrating Gerdau's 120th anniversary, strengthening our reputation
- ▶ Launched Gerdau Graphene, a company devoted to developing and marketing products using graphene
- ▶ Joined external initiatives promoting social and environmental practices, such as B Movement Builders, the People with Disabilities Inclusion Pact, Conscientious Capitalism, among other initiatives
- ▶ Formed a joint venture with Shell Brazil to develop a solar farm in Minas Gerais



HUMAN CAPITAL*



- ▶ **36,000** direct employees worldwide
- ▶ Received a record **42,000** applications in our trainee program, demonstrating our ability to attract talents
- ▶ Special bonus: **24,000** operations employees in Brazil received a bonus of one additional monthly salary, in addition to their mandatory 13th salary
- ▶ We recorded our lowest injury frequency rate to date
- ▶ Launched a leadership development academy, called *Siga*, to prepare **2,000** employees to deliver high performance in an increasingly technology-enabled and inclusive environment
- ▶ Created Gerdau Flex: a system of flexible benefits for employees
- ▶ Exceeded our target to increase the share of women in operations positions, which rose from 5% to 8%; we now have **1,191** women in operations positions



SOCIAL AND RELATIONSHIP CAPITAL



- ▶ Invested **R\$ 128 million** across: 456 housing, recycling and entrepreneurial education programs, with around 2,000 employees participating as volunteers; the COVID-19 Fund for emergency actions in response to the novel coronavirus pandemic; and tax deducted programs and sponsorships
- ▶ **42,000** applications for G.Future, Gerdau's trainee program
- ▶ 1,318 businesses supported through entrepreneurship projects
- ▶ Launched our *Reforma que Transforma* ("Transformational Renovations") program, which will remodel 13,000 vulnerable homes in 12 regions where we have operations in Brazil, benefiting an estimated 50,000 people over a period of 10 years
- ▶ Joined *Movimento pela Equidade Racial (MOVER)*, an initiative that, among other goals, will open up 10,000 positions in leadership for black people by 2030
- ▶ 206 medium and large suppliers joined our Inspire Gerdau pact to promote diversity and inclusion



NATURAL CAPITAL*



- ▶ Invested **R\$ 638 million** in improving our eco-efficiency practices
- ▶ Expanded our planted forest assets to produce biomass, a source of renewable raw materials for producing charcoal
- ▶ Modernized our environmental control equipment and processes, including dedusting, wastewater treatment plants and scrap shredders, minimizing impacts and creating opportunities to address material topics including stakeholder engagement, water and wastewater management, and scrap recycling
- ▶ Our Ouro Branco mill recorded its highest productivity in six years
- ▶ Maintained a carbon stock of **13.6 million** tCO₂e through our forests
- ▶ Incorporated co-products into our strategic planning, setting targets to increase reuse and alternative disposal of waste materials
- ▶ Gerdau joined the Science Based Targets initiative's (SBTi) Expert Advisory Group (EAG) for the steel industry

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* 2021 data

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GRI 102-1, GRI 102-2, GRI 102-3,
GRI 102-4, GRI 102-5, GRI 102-6



An employee at the
Miguel Burnier Mine (MG)
- Sheila Pereira

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Gerdau is Brazil's largest producer of steel, a leading producer of long steel in the Americas and one of the world's leading suppliers of special steel. In our Brazil operations, we also produce flat steel and iron ore for our own use. In addition, Gerdau has launched a new business arm, called Gerdau Next, that owns controlling or other interests in companies in the contech, logistics, steel foundations and construction marketplace segments, as well as acting as a startup accelerator.

We are the largest scrap metal recycler in Latin America, with 11 million metric tons of scrap being transformed into brand new

steel every year, equivalent to 71% of the steel we produce.

We also have 250,000 hectares of renewable eucalyptus forests in Minas Gerais. Of the total area, 91,000 hectares are set aside for conservation of native forests—an area larger than the city of São Paulo. Gerdau is currently the world's largest producer of charcoal, a bio-reducer used to produce pig iron.

STEEL PRODUCTION

Gerdau produced 13.3 million metric tons of raw steel in 2021, of which 71% was produced in electric arc furnaces and 29% in blast furnaces.

A publicly traded corporation, Gerdau is headquartered in São Paulo, in the district of Pinheiros, and has operations in Brazil, Argentina, Canada, Colombia, the US, Mexico, Peru, Dominican Republic and Uruguay. This report describes the performance and initiatives of our operations in these regions, as well as the operations of Gerdau Summit.

Gerdau Next, launched in 2020, is a new business arm devoted to diversifying Gerdau's portfolio of products and services in strategic and profitable segments adjacent to steel, as part of a transformation effort to advance sustainability, mobility and productivity in construction.

Gerdau Next Ventures, our start up accelerator, supports our efforts on the entrepreneurship front, and we have a team in Silicon Valley tasked with sharing experience and collaborating with the innovation ecosystem in the region.

As part of our social and environmental responsibility efforts, in 2021 we invested a total of R\$ 638 million in environmental initiatives, and we allocated the largest amount of funding to date to social investment: R\$ 128 million across: 456 housing, recycling and entrepreneurial education programs, with around 2,000 employees participating as volunteers; the COVID-19 Fund for emergency actions in response to the novel coronavirus pandemic; and tax deducted programs and sponsorships.



Our
Cearense
Mill (CE)

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OUR PRINCIPLES GRI 102-16



Employees at the Barão de Cocais Mill (MG)



We put safety first

Business results are never more important than people's lives.



We do what's right

Ethics and respect are central to everything we do.



Every customer is unique

We strive to help our customers thrive, achieving success together.



We communicate honestly and respectfully

We believe that speaking our minds openly is a way of showing respect for our colleagues. We don't know everything, and that's why we believe in the importance of respectful and meaningful discussion with a genuine interest in supporting each other's growth.



We foster a diverse and inclusive environment

We respect and embrace diversity, creating an environment in which everyone is given a voice, is respected and has equal opportunity.



Owner mindset

We are responsible for making decisions in the best interests of the business, with our purpose and our principles as a compass.



We are all leaders

We are engaged around and committed to our own and others' development.



We create value for all

We fulfill our purpose by creating value for all stakeholders, sustainably.



Simplicity

We focus on things that create value; this makes us more agile, efficient and productive.



We exceed our own limits each day

We are constantly looking for ways to do things better and to be the best we can be. We dream big and adapt to the circumstances, and search for new and better ways of doing things.

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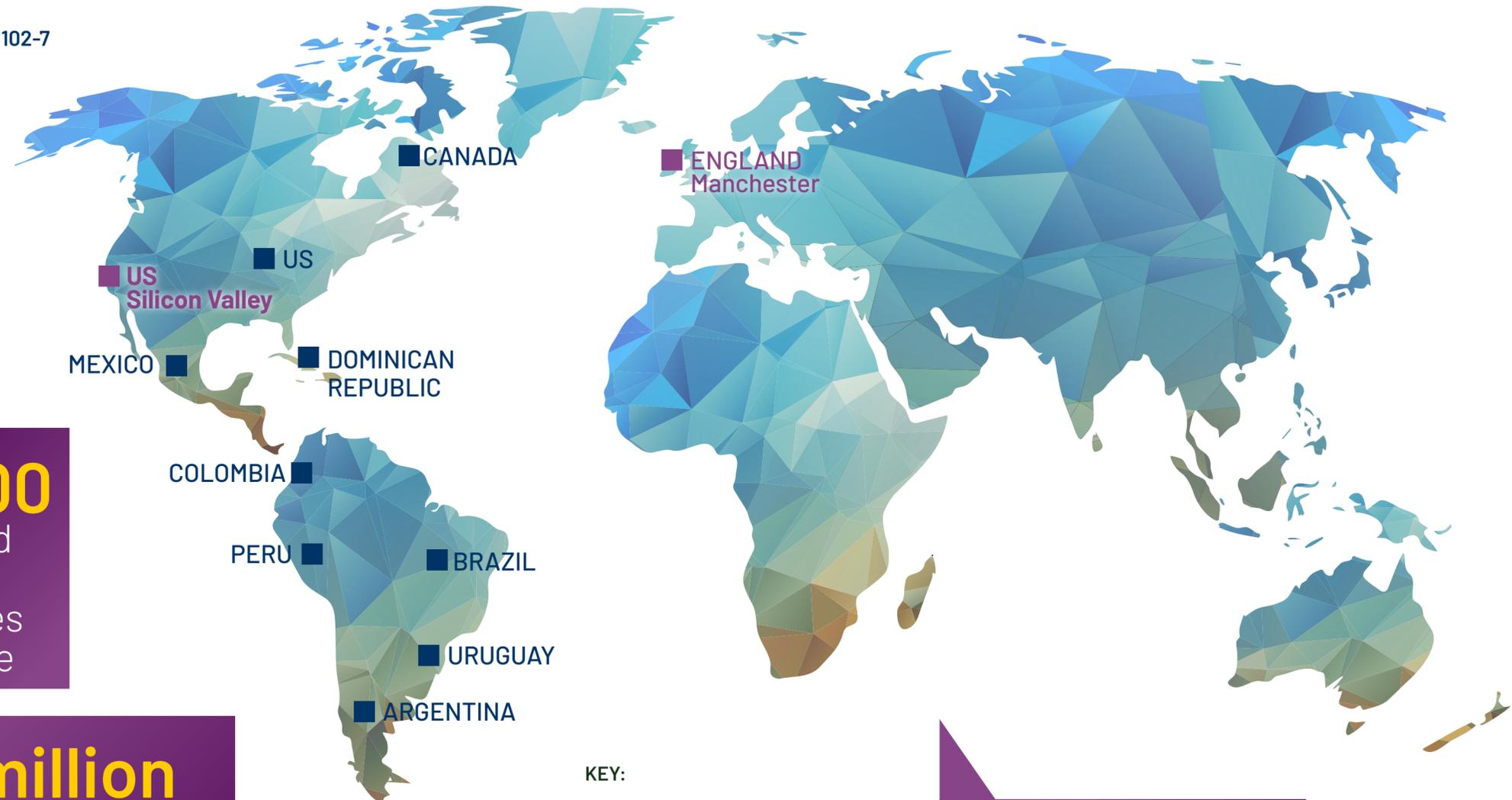
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GERDAU AT A GLANCE GRI 102-7



Industrial operations in **9 countries**

32 steel mills

75 Gerdau stores in Brazil

36,000 direct and indirect employees worldwide

Shares listed on the São Paulo (B3), New York (NYSE) and Madrid (Latibex) stock exchanges

11 million metric tons of steel scrap processed per year by our operations in Brazil and worldwide

2 iron ore mines

250,000 hectares of forests, including eucalyptus plantations and protected areas

Net revenue of **R\$ 78.3 billion**

KEY:

■ INNOVATION OUTPOSTS

■ INDUSTRIAL OPERATIONS

GERDAU OPERATIONS WORLDWIDE



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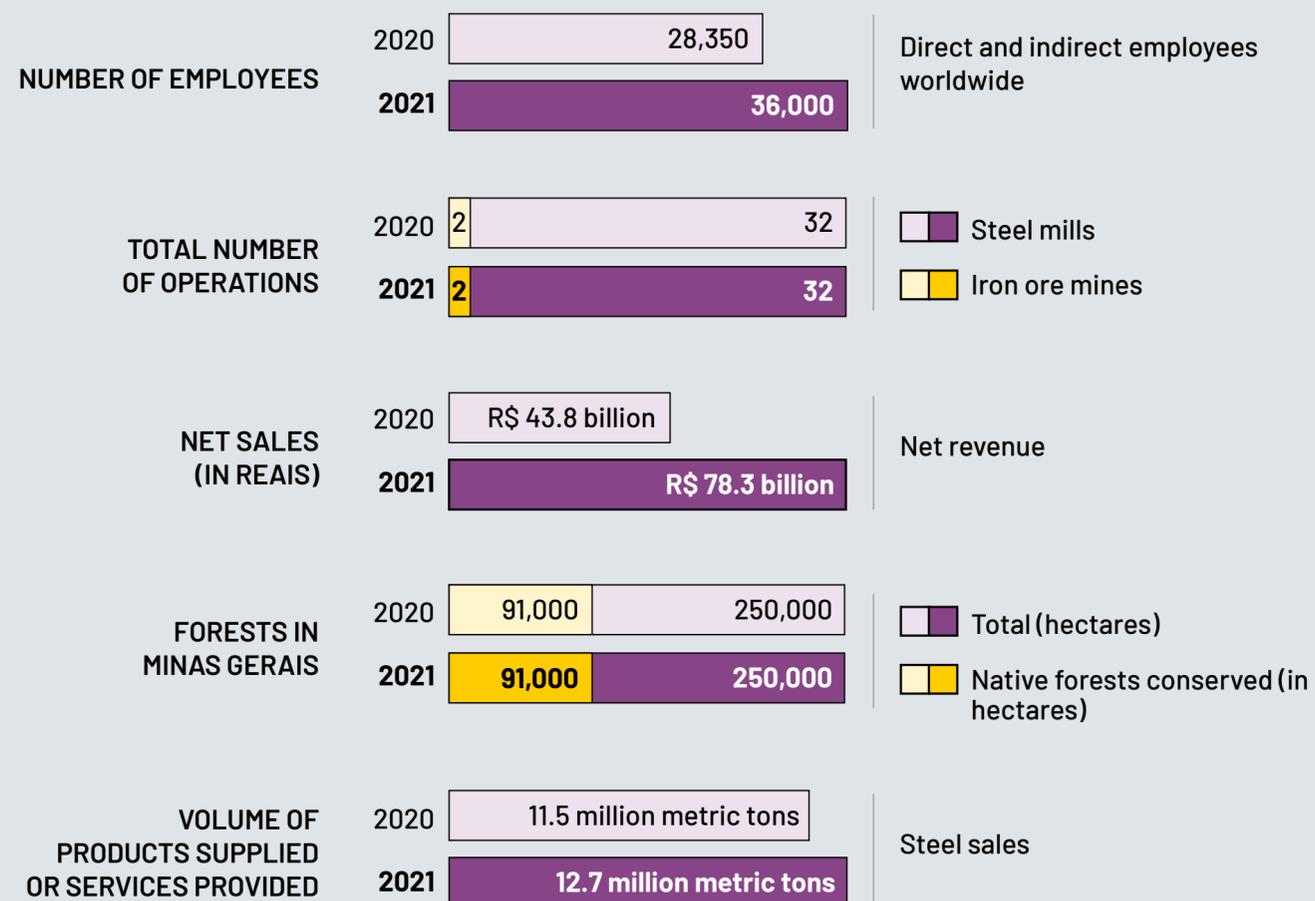
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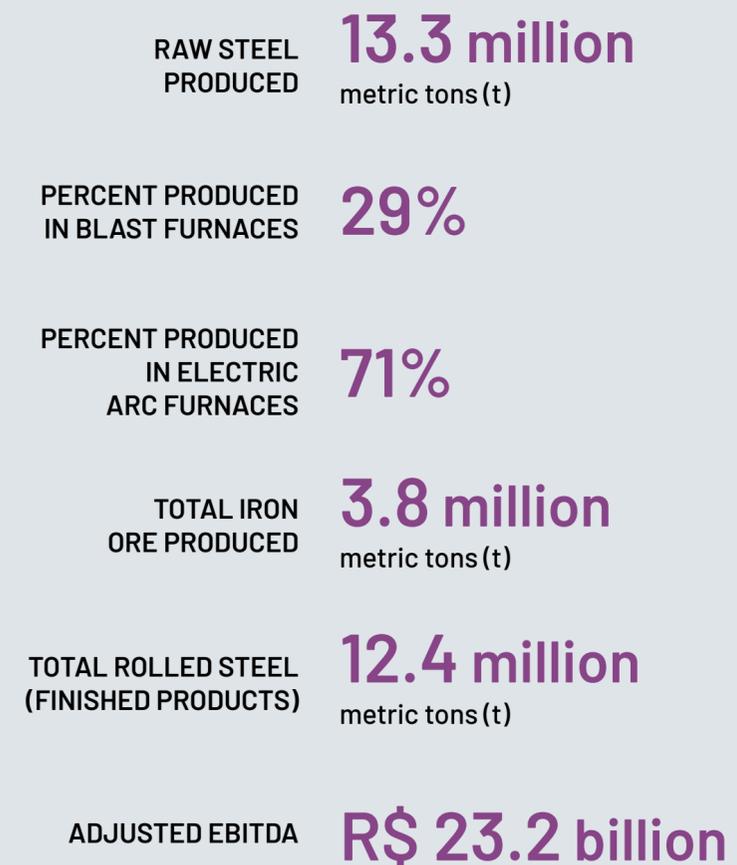


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GRI 102-7
SCALE OF ORGANIZATION



SASB EM-IS-000.A, SASB EM-IS-000.B AND SASB EM-IS-000.C
2021 AT A GLANCE



ESG SCORECARD | MATERIALITY MATRIX

DIMENSION	DISCLOSURES	2019	2020	2021	RELATED MATERIAL ISSUES	RELATED SDG
 ENVIRONMENTAL	Greenhouse gas emissions per unit of steel (tCO ₂ / t steel)	0.96	0.93	0.90	Climate change mitigation and adaptation and energy management	 
	Water consumption (m ³ /t steel)	4.09	3.91	3.68	Water and effluent management and Stakeholder engagement	 
	% reuse of co-products	78	78	89.6	Circular economy, Energy management and Innovation and digital transformation	
 SOCIAL	% active volunteers	23	5.7	6.3	Stakeholder engagement	  
	Number of people benefited	58,730	665,866	4,221,811	Stakeholder engagement	
	% social investment out of gross income	0.31	0.56	0.61	Stakeholder engagement	
 PEOPLE	% women in leadership positions	17	22	23.6	Diversity and inclusion	 
	% female employees (Brazil)	12	13	17.1	Diversity and inclusion	
	% black people in leadership positions (Brazil)	16	25	26.3	Diversity and inclusion	
	% PwDs (Brazil)	2.80	2.90	3.20	Diversity and inclusion	
	Health and safety rate (severity rate)	160	244	243	Operational Health & Safety	
 GOVERNANCE	ICVM 586 – The Brazilian Corporate Governance Code	57%	67%	67%	Ethics and Corporate Governance	
	ISS Score	10	10	10	Ethics and Corporate Governance	
	Economic value added (managerial information)	-3.97%	0.00%	22.6%	Ethics and Corporate Governance	
	Personnel (R\$ million)	4,517,403	5,216,144	6,455,468	Ethics and Corporate Governance	
	Taxes, charges and contributions (R\$ million)	2,679,237	3,720,556	10,046,474	Ethics and Corporate Governance	
	Interest on third-party capital (R\$ million)	1,757,103	1,917,421	1,821,095	Ethics and Corporate Governance	
	Payouts on equity (R\$ million)	1,216,887	2,388,054	16,018,412	Ethics and Corporate Governance	

Indicators marked yellow are factored in our Long-Term Compensation (ILP) program.

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5 *Our 120-year history*



Few companies can boast a century and two decades of operations. That is why 2021 was such a significant landmark for Gerdau, as we celebrated our 120th anniversary. We arrived here by constantly transforming our company in close alignment with customers' demands and the need for a more sustainable future society. 2021 was marked by celebration initiatives that connected our more than century-long legacy to our purpose of empowering the people who build the future.

Our 120th anniversary celebrations began with a digital event on January 15 that brought together more than 4,000 employees from our operations in 10

countries. During the event, we launched our commemorative trademark and the program of events for the year. Among the highlights of the event was when CEO Gustavo Werneck received two members of the Board of Directors and the Gerdau family, André, Claudio and Guilherme, for a session to recall some of the memorable moments in the company's history.

During the event, all our operations planted commemorative trees, distributed cake, and began decorating our facilities with our 120th anniversary identity.

On January 16 we launched an integrated campaign to celebrate our anniversary with all our stakeholders.



120



AN INSPIRATIONAL CONCEPT

By comparing Gerdau's legacy to a tree with deep roots and bearing profitable fruit, we communicated the concept of a century-old company with a strong and solid track record and that consistently delivers results as times change. We made this analogy to the Paraná pine, a species endemic to the south of Brazil, where Gerdau was founded. As part of the campaign, we created ads for print, radio, television and digital media. The tree analogy took us back to our roots, emphasizing our history as well as the current societal causes that we have committed to cultivate and transform.



Watch the two videos on our [YouTube channel](#)

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Gerdau, one of the world's leading producers of long steel products, has its roots in the dream of an enterprising family. In 1901 the Gerdau family planted a nail factory in Porto Alegre (RS). As the company grew, it ramified and became intertwined with people's everyday lives. With your life.

The house you live in, the car you drive, the bridges you cross, and the place where you work. Gerdau is a part of so many things that matter to you. It's not just about steel: it's about feeling at home, moving, bringing together, and achieving. As it celebrates its 120th anniversary, Gerdau continues to bear fruit. It is not only the largest steel producer in Brazil, but also the leading scrap recycler in Latin America: 71% of its steel output is produced from scrap. But Gerdau is marking this date not only to celebrate its legacy but also to reaffirm its commitment to the future.

*

*Gerdau is cultivating today the pressing issues of tomorrow, including education, housing, sustainability and entrepreneurship. Because as important as reaping are the seeds we plant for the future.**

**The ad text for our 120th anniversary campaign.*

The campaign, launched during a primetime news program (*Jornal Nacional*, TV Globo) on January 16, used a 360° media strategy that included broadcast and cable TV, digital media and out-of-home (OOH) media. We also published four articles penned by Gustavo Werneck, our CEO, and Guilherme Gerdau, Chairman of the Board of Directors.



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CAMPAIGN RESULTS:



Press articles:
106



Digital: **18 million**
people reached



Print media:
more than 10 million
people reached

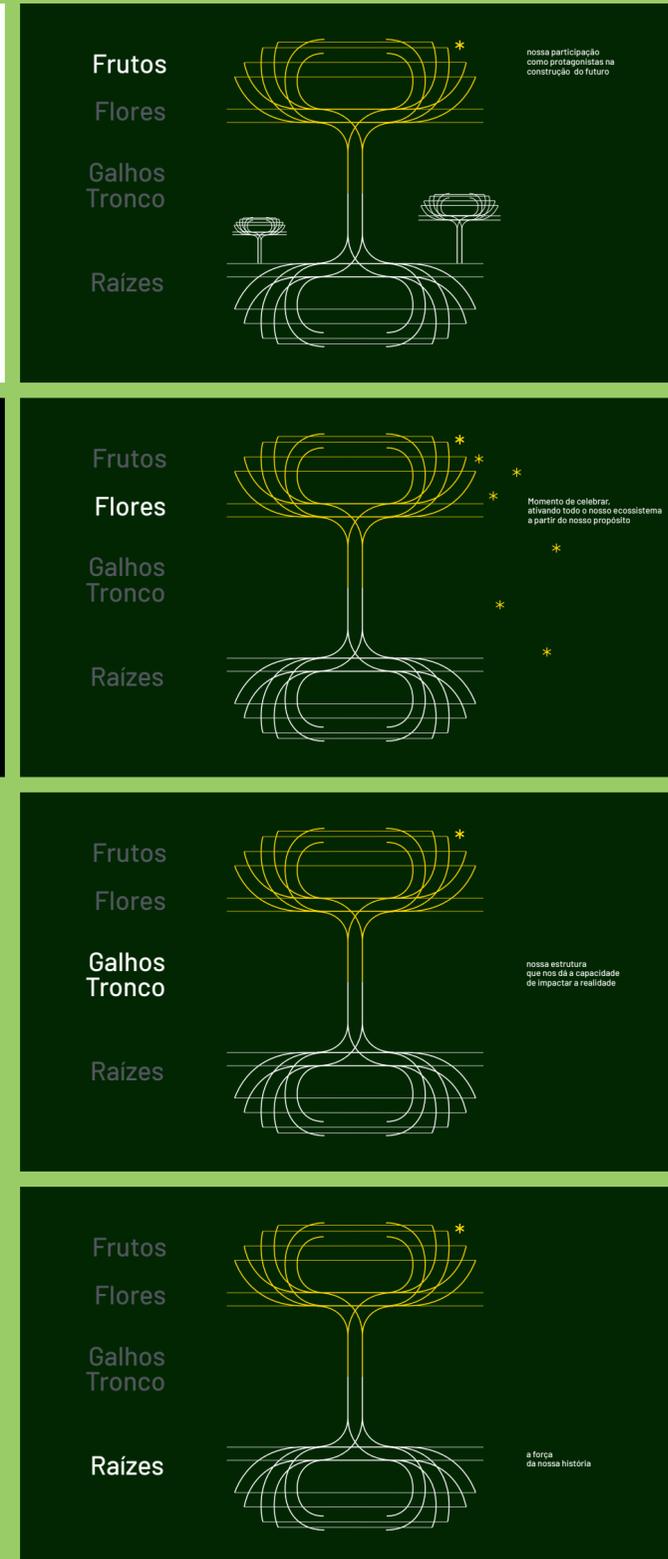


TV: **40 million**
people reached



NEW BLOSSOMS, NEW COLORS

Gerdau's 120th anniversary campaign used an analogy to a tree, in which the company's century-old roots have ramified to create new opportunities and new life. The intertwined roots provided the inspiration for our 120th anniversary trademark. By fusing Gerdau Blue with Gerdau Yellow, we created a special commemorative color, Gerdau Green, connecting our new brand to concepts such as hope, Brazilianness and sustainability.



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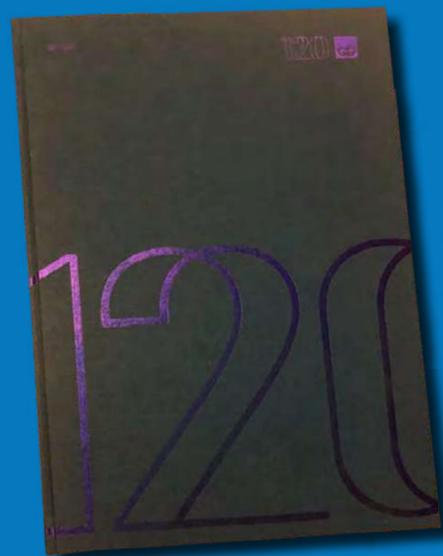
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INITIATIVES FOR EMPLOYEES

Blue Book

Our Blue Book was created as a corporate “time capsule” platform. All employees were invited to leave messages about what they expect for Gerdau over the next 120 years. These messages will be compiled into a time capsule book so in the future people can read about the expectations of those who helped write our history.

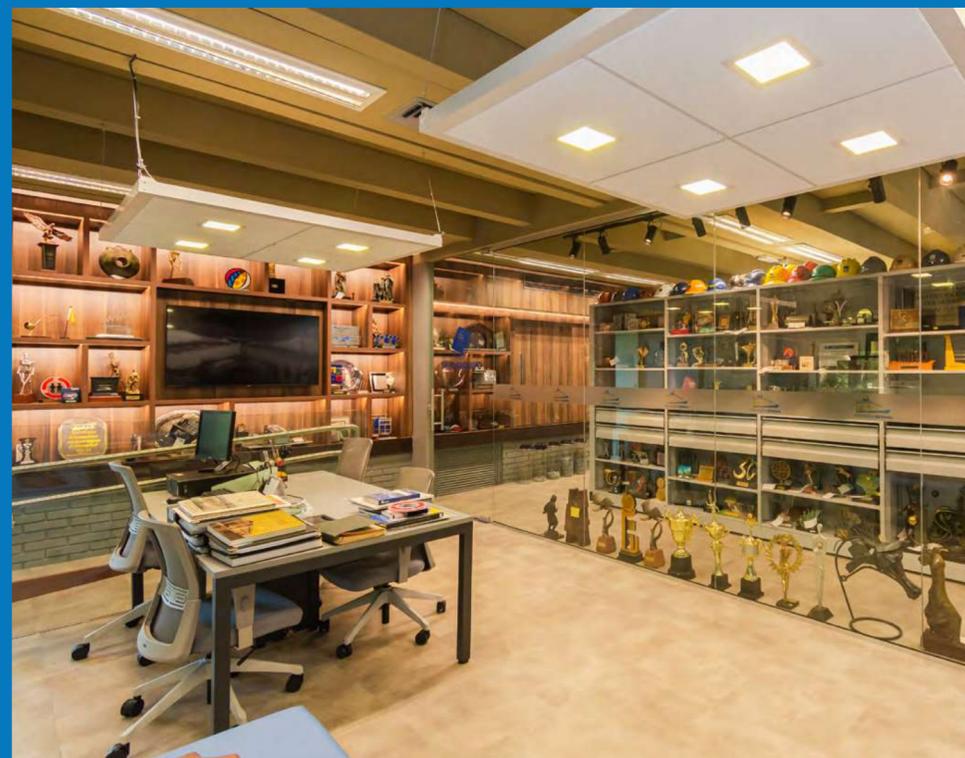


Commemorative signs

To bring our 120th anniversary celebration closer to employees’ day-to-day routines, all our operations set up a large, 10 meter-wide steel sign written, “Gerdau 120 Years”, creating a commemorative environment at the workplace.



The Gerdau Heritage Space at the Riograndense mill (RS)



Our heritage

As part of the initiatives to mark our 120th anniversary, we remodeled the Gerdau Heritage Space, a collection of 50,000 physical and digital items describing our history as a company. Located at the Gerdau Riograndense plant in Sapucaia do Sul (RS), the space, now fitted with state-of-the-art equipment, is open to visitors who come to see Gerdau’s very first mill.

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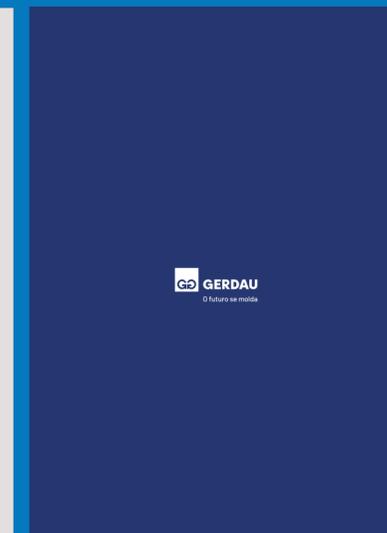
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Sticker album

To engage employees' families in the celebrations, we launched a sticker album to encourage employees to interact and collect mementos of our history in the form of stickers.



A 120th anniversary sticker album

INITIATIVES FOR EXTERNAL STAKEHOLDERS

Social media

Social media users were offered digital cards to share, Instagram Story filters, and GIFs with messages about our heritage and corporate stance on topics such as recycling, innovation and diversity.



Nail packaging

As a way of engaging external stakeholders in our anniversary celebrations and recalling our roots as a nail factory founded 120 years ago in Porto Alegre (RS), we created commemorative packaging for our nail range, modeled after our very first nail pack, produced in 1901.



Gerdau's listing on the New York Stock Exchange

For more than two decades we have been listed on the New York Stock Exchange (NYSE), a testament to the solidity of the company we have built so far. To celebrate our 120 years of history, on September 2 our leadership team was invited to participate remotely in the NYSE's traditional Closing Bell ceremony. That same day, we remotely held another edition of Gerdau Day, providing updates on our future plans and topics such as our ESG agenda to investors, analysts and the media, in a collaboration with the NYSE.

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Projection mapping at MM Gerdau

At our Mining and Metals Museum, MM Gerdau, in Belo Horizonte (MG), we projected images created by artists Rafael and Ricardo Cançado, the creators of the Christ Redeemer projections celebrating New Year in 2019 and 2020. People passing through Liberdade square, where the museum is located, between December 7 and 14, were treated to a projection mapping show—a technique in which images are projected on irregular surfaces. The two artists created a concept that fused our 120th anniversary with the notion of harmony between nature and minerals. The images depict the emergence of our galaxy, then volcanoes and minerals, going from the formation of planet Earth to the association of minerals and technology. The initiative was part of the 2021 Liberdade Light Festival, an annual event in the city, and was a way to celebrate our anniversary in one of the locations where we have operations.

As part of the program, the museum also hosted musical performances by Manu Dias, the Canarinhos of Itabirito Choir, the Ouro Branco Chamber Orchestra, and Clube da Esquina, with Telo Borges and Flávio Venturini. From December 15, 2021 to January 6, 2022 the building also featured special scenic lighting.



Mining and Metals Museum, MM Gerdau, in Belo Horizonte (MG)



Christmas tree in Porto Alegre

In December we set up a Christmas tree in Porto Alegre (RS), southern Brazil, as a gift to the city where our company was born, in 1901. The Christmas tree had a 38 meter-high steel structure and LED Christmas lights. The opening ceremony, on December 10, in *Orla do Guaíba* Park, marked the beginning of the Christmas celebrations in the city, and was another way for us to celebrate our anniversary in 2021 with local residents and tourists.

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Sports sponsorship

Gerdau agreed to sponsor the Minas Tênis Clube women's and men's volleyball teams for the 2021/2022 season. Also as part of our 120th anniversary celebrations, we signed an agreement with Clube Atlético Mineiro, one of the largest football clubs in Brazil, to train athletes and strengthen its young talent pool. Gerdau also announced a partnership with Instituto Galo that will train youth talent aged 6 to 18 in Belo Horizonte and minor cities in Minas Gerais. In all, 240 beneficiaries will receive educational support and will have access to high-level sports training provided by a dedicated, multidisciplinary team. This was another way to celebrate our anniversary together with one of the locations where we operate.

João Bosco and the Ouro Preto Orchestra Tour

We sponsored a season of concerts with singer, composer and violinist João Bosco in partnership with local musicians from Ouro Preto, offering high-quality cultural entertainment to six cities in Minas Gerais—Divinópolis, Belo Horizonte, Três Marias, Ouro Branco, Barão de Cocais and Ouro Preto—as a token of thanks to the city hosting our largest operation. The shows were free in five cities—all but Belo Horizonte—and the last show was live-streamed on YouTube, with more than 20,000 people watching simultaneously online. Both the musicians and organizers and the audience followed appropriate COVID-19 safety protocols, including mandatory mask wearing, social distancing and temperature screening. Under the conductorship of Rodrigo Toffolo and with arrangements by Nelson Ayres, the concert combined excellence and versatility and featured orchestra versions of Brazilian songs such as *O Bêbado e o Equilibrista* ("The Drunk and the Tightrope Walker"), *Mestre-sala dos Mares* ("Master of the Seas") and *Corsário* ("Corsair"). This first-ever joint performance by João Bosco and the Ouro Preto Orchestra was made into a CD and DVD featuring the concert in Belo Horizonte.



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MATERIAL TOPICS RELATED TO THIS CHAPTER:

Diversity and inclusion



Ethics and governance



Occupational health and safety



An employee at the Gerdau Summit in Pindamonhangaba (SP) - Leticia Beatriz Soto Riva

OUR PEOPLE

2021 remained a challenging year in terms of occupational health and safety, given the continuing COVID-19 pandemic. However, the lessons learned from our pandemic response in 2020, coupled with our collaborative, agile, transparent and lean culture, allowed us to create a workplace environment based on individual ownership and trust, an important enabler of our hybrid operating model (telecommuting and on-site work) in 2021.

We had the right tools—both human and technology resources—and we were able to identify optimal decision-making strategies to support business continuity with our teams working on-site and telecommuting. Reflecting this, we received a Company of the Year award from business magazines *Época Negócios* (*Anuário Época Negócios 360º*) and *Exame*, and we received recognition from Great Place To Work (GPTW) for excellence in the workplace.

As previously mentioned, our purpose is to **empower the people who build the future**, and this can only be achieved by showing respect and gratitude for our now more than 36,000 employees around the world. Initiatives focused on providing employees with a safe, healthy, diverse and inclusive environment that provides equal



Employees in the Açonorte plant (PE) - from left to right: Catarina Alvares Medeiros, Nayara Emanuela Correia Santos and Natalia Gomes Estrela

opportunity for personal and professional growth, were among our key People-related actions in 2021. For example, we organized **200 internal training sessions** that were attended by **10,000 employees**, including programs designed to train our leaders to manage the business with a focus on society's future needs.

After delivering our best financial performance to date in 2021, we provided extra bonuses to employees as a token of thanks for their dedication, working together to help us **remain highly competitive and sustainable and become an increasingly customer-centric organization.**

Special bonus

The 24 thousand male and female employees in our operational team in Brazil and another nine countries where we operate received an exceptional bonus in December, an additional salary, on top of the 13th salary required by law and the profit-sharing program. The bonus was an acknowledgment of their dedication, commitment and contribution over the year to our best ever financial performance, despite the challenges posed by the covid-19 pandemic, which reinforces our commitment to employee safety and well-being. End-of-year bonus policies already exist for executives, which is why we also acknowledged our operational staff at the end of 2021, a year of exceptional achievements.

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FUTURE LEADERS

GRI 103-2: TRAINING AND EDUCATION AND GRI 404-2



In 2021 we launched a leadership development academy, *Siga*, as part of our new training culture at Gerdau. The goal of the academy is to prepare its 2,000 participants to deliver high performance in an increasingly technology-enabled and inclusive environment. Tailored training pathways include both practical and theoretical training, as well as discussion groups. Each leader owns their own training and can design their own training pathway.

We offer a wide range of options—webinars, podcasts, games, practice communities, experience sharing, mentoring and projects—that help our leaders learn, unlearn and relearn. We provide real opportunities to connect with peers, and encourage constant networking in an environment where ideas are free-flowing. The academy's

structure is an industry-first in Brazil. All employees are required to complete a set of core, mandatory topics related to our culture and management model. Cross-cutting subjects address behavioral and leadership issues, and must be prioritized. Content Center subjects are focused on business and individual development needs, and can be optionally selected based on each leader's training pathway.

The program is designed to develop our collective intelligence—the aggregate knowledge and skills held by our team. Goals, time management, communication, feedback, diversity and customer service are some of the topics addressed in the program to train our leaders in both hard and soft skills. We expect all 2,000 employees to complete the development pathway and that others will initiate their training in 2022, preparing new leaders for our next 121 years.

Employees at our Açonorte mill (PE) - Daniella Tereza Santiago Vilas Boas, Catarina Alvares Medeiros, Rodrigo Jose de Freitas Silva, Mario Candoia Silva de Araujo and Wilson Madureira Pinto



OUR LARGEST TRAINEE PROGRAM TO DATE

Gerdau's Trainee Program offered **221 vacancies** in Brazil and received a record **42,000** applications, demonstrating our ability to attract talents.

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NEW TALENTS

In 2021 we launched our largest trainee program to date, called G.Future, offering 221 vacancies across different areas of the organization, including both administrative and operations positions based in the states of São Paulo, Rio de Janeiro, Minas Gerais, Pernambuco, Bahia, Ceará, Paraná and Rio Grande do Sul.

We set a record of 42,000 applications, ranking among the companies with the largest number of training candidates in Brazil. The program sought candidates with two different profiles: Trainees and Expert Trainees. Candidates in the first group were required to have graduated between 2018 and 2021, but were not required to have prior experience; candidates in the second group were required to have graduated between 2016 and 2018, and to have had prior experience in the target position.



A welcome event for trainees with Gerdau CEO Gustavo Werneck

CULTURE MANAGEMENT GRI 102-43

In 2014 we launched a cultural transformation journey that we then strengthened in 2019 through our *Futuro Gerdau* initiative. In 2021 we made further progress in evolving our organizational culture. During the year, we organized **16 meetings and workshops** with **23 members** of our senior leadership team to discuss progress on our organizational culture against our aspiration for the next ten years, our strategic pillars, priority indicators and the cultural behaviors we want to reinforce. We presented the outcomes from these discussions in October 2021 during our Leadership Summit, which participants then cascaded to their teams. We also unveiled the new plan to our **23,000 employees** in February 2022. This was among the significant initiatives led by our People department in the year, helping to build the organization we need for the coming years.

To learn more about the pillars of our culture, [click here](#).



GRI 103-1; 103-2 405: DIVERSITY AND EQUAL OPPORTUNITY

With diversity among our strategic values, G.Future made sure to include women, black people, people with disabilities and LGBTI+ people in the program. **Out of 221 openings, 46% were for women and 33% for black applicants.** The trainee program runs for 18 months and aims to support participants' professional development to become future leaders. G.Future offers a development pathway in which candidates undergo training on topics such as business, digital transformation, ESG, operational excellence, steelmaking, leadership, culture, and position-specific skills and knowledge, such as new business, engineering, manufacturing, sales and technology. They also work on projects in multidisciplinary groups, and receive personalized mentoring to hone their talents.

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BENEFITS AND COMPENSATION

NEW GERDAU FLEX PROGRAM

We have implemented flexible benefits for all our employees, and are one of just a handful of companies offering this type of benefit to all teams. We are doing this so that employees can choose the package of benefits that best suits them.

AGILE HR

As is the case for all our sectors, Personnel has adapted to the digital transformation and created agile teams to rethink processes in the multiple segments within its remit, such as People, Careers, Performance, Compensation, Development and Recruitment, which is helping us make strategic decisions and deliver value for our business; an example of this is the People+Digital squad, which draws on data analytics so that Personnel's decisions are increasingly data driven.

During the year we provided approximately **1,000 psychological counseling** sessions and ran **30 initiatives** geared to our **18,000 employees**

FIGHTING COVID-19

GRI 403-6

With covid-19 continuing to blight the landscape in 2021 and based on our learnings acquired in 2020 through remote and in-person work in operations, we identified the need to ramp up our employee precautions. We accordingly set up a new practice dedicated to mental health that developed the More Care program [*Mais Cuidado*].

The program delivers a series of initiatives to protect the mental health of employees, a number of whom were duly isolated. Other initiatives were implemented in the course of the year including psychological support, webinars with experts, roundtables and awareness campaigns.

An employee at the Gerdau Summit in Pindamonhangaba (SP) - Luiz Carlos Silidonio



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A PROGRESSIVELY INCLUSIVE COMPANY

GRI 103-1, GRI 103-2 AND GRI 103-3: 405:
DIVERSITY AND EQUAL OPPORTUNITIES

At Gerdau, we believe diversity and inclusion are essential. We understand that teams with different life stories, experiences and singularities offer different perspectives and consequently bring innovative solutions to our business.

Diversity is accepting people for who they are, as this is the only way people can fulfill their true potential and be happier. Diversity means recognizing that each individual can contribute to the business in different ways. Diversity is talent and personality.

Inclusion, however, is much more than acceptance. It means nurturing collective respect in a healthy workplace, without social barriers. It means understanding that a company reflects its community and that instilling plurality within the organization is a major step to unleashing each individual's capacity.

This topic is addressed in our policies and documents such as our Code of Ethics, Social Responsibility Policy, Human Rights Policy, Sustainability Policy, Travel Policy, and Telecommuting Rules for People with Disabilities.

An employee at the Rio Grandense Mill (RS) – Jaqueline Daniela de Lisboa



In Brazil, we exceeded our target of having 5% women in operations positions—we ended the year with 8%, or **1,176 women**, out of a contingent of 14,881 operations employees. We have also reached **23.7% women in leadership positions**, against a target of 23%. In terms of Race and Ethnicity, we now have **26.3% black people in leadership positions**. We have set a target to reach **30% women in leadership positions** by 2025, and **28% black people** in leadership positions by year-end 2022. In 2021 we hired the largest number of **People with Disabilities (PwDs)** to date. **Approximately 700 PwDs** are now members of our workforce.

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Promoting social inclusion and gender equality

We want to be one of the most inclusive companies in industry, and we want our workforce to reflect all the diversity there is in society. Our efforts to promote diversity and inclusion support UN Sustainable Development Goal (SDG) 10—to reduce inequality, and empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status—and SDG 5—which sets gender equality targets to be met by 2030.

The figures are meaningful, but the major progress in consolidating our Diversity and Inclusion culture in the company's daily routines is the practice's standout achievement in 2021. We began to correctly perceive how the topic is a part of decision-making, translated in the conduct of leaders and local initiatives, and how it is valued and promoted, as an organic consequence of instilling this agenda in our operational units' action plans. We are reaping the rewards of the seeds we have sown in recent years, in tandem with the transformations society itself is undergoing.

Our endeavors were recognized with six institutional awards for Diversity and Inclusion: **AB Diversity Award** (a survey that evaluates inclusion in the automobile sector); honorable mention in the **Women's Empowerment Principles (WEPs) Award**; **highflyer in the category Race**; first place in the **Steel and Mining sector in the Exame Diversity Guide**; and **Women in Leadership Latin America (Will) Award**. We received the **ABRH-PB Human Being award** for the program *Belong [Pertencer]*.

AFFINITY GROUPS

We operate five topics, supported by affinity groups: Gender, Race, Ethnicity, LGBTI+, PwD and 50+. The latter is a new category in 2021 and was created to address ageism issues - prejudice or discrimination against people based on their age. These groups have a sponsoring director and coordinator for each

A communication campaign during LGBTI+ pride month



topic, who help organize initiatives with ambassadors, that mobilize employees and report on the projects.

Each of these workstreams has a specific strategy and goals, geared towards inclusion and increasing the representation of traditionally excluded groups.

In 2021, more than 500 of our people were participating in affinity groups as members or ambassadors, and we also have a Diversity Committee and local committees, in order to involve all units and operations

in developing and implementing initiatives to foster diversity.

One of the leading initiatives for changing mindsets and advancing in the topic are the training sessions provided in our leadership development pathway. This includes a workshop on Unconscious Biases - which identifies prejudice or biased opinions around a given topic or social group - and *Inclusive Leadership*, which aims to make leaders more aware of the topic and able to address it in their teams.

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An employee at the Miguel Burnier Mine (MG) - Carla Barbosa de Morais Lauriano



In 2021,
2,000
employees
completed
training on
diversity and
inclusion

Both training courses are mandatory and all managers attend in order to assure an ever more inclusive workplace. There are also recommended courses such as *Diversity Terminology and Concepts* and *Combating Violence against Women*. In 2021, 2 thousand employees completed training related to diversity and inclusion.

In 2021, countless initiatives were implemented in aid of diversity and inclusion. See below a number of noteworthy initiatives in the year:

Helda Gerdau Program

Launched at the end of 2020, the program gained momentum in 2021, supporting the development and growth of our female employees aspiring to management positions in our company. This is achieved through business coaching in leadership and project management, in addition to mentoring with company executives. We strive to foster principles of female empowerment, in the belief that men and women should have equal professional development and career opportunities. There were 24 participants in year one, 45% of whom have secured a promotion.



team are also given advice on how to prepare the pregnant woman and team for the period of leave and subsequent return to work.

Plural Eles A group for men only that hold talks about men's issues. Participation is voluntary and the periodical meetings address topics contributing to gender equity and raising male awareness about the role of being a man. Four meetings took place in 2021.

Tackling Violence against Women

Support program for male and female employees caring for female employees experiencing violence, amongst other things, offering support and advice.

We have qualified professionals that offer psychological and legal advice and a support network through the More Care service. As an important

initiative for an inclusive workplace and respect for people, we also implement initiatives to prevent and address cases of harassment and discrimination. Leaders underwent coaching and we carried out communication initiatives about using the company's reporting hotline. The audit team investigating reports was trained in investigation methods specific to this type of situation and also how to take in and protect victims.

Liga das Famílias Program

The Family League program comprises a series of initiatives targeting mums and dads awaiting a new arrival, including extended maternity leave of 180 days, paternity leave of 20 days and prenatal advice, amongst other things. A differential is the travel policy adapted for moms-to-be, in order not to disrupt gestation and breastfeeding. If needed, breastfeeding moms that need to travel for business purposes can take their newborn and a companion with them. Leaders with a pregnant woman in their



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Ageism workshop and awareness

the 50+ affinity group began its work in the second half of 2021, carrying out a workshop to raise employee awareness around the topic, furthering their comprehension, which was attended by around one thousand people. In Diversity Week, we also held talks with excellent participation, showing that this is an agenda that needs to be discussed, valuing employees aged over 50 within the organization and their possibilities for career growth or even entering new fields. Our trainee program, for example, did not impose age limits, providing

opportunities for all, based on performance rather than date of birth.

Diversity Week The initiatives during Diversity Week focused on expanding dialog with all our employees, including Operations personnel. Different activities were carried out in all our units.

Inclusive LGBTI+ practices

Resume database Created at the end of 2020, the recruitment platform for the LGBTI+ community grew in size in 2021, holding some 2 thousand resumes.



An employee
at our Monroe
Mill (US) -
Brooks Smith

DIVERSITY WEEK

- ▶ **May 17 to 21**
- ▶ **850+** webinar attendees each day
- ▶ **1,042** people attending at peak
- ▶ **2,400+** people reached by the online events
- ▶ **4.79** (out of 5) was the average rating given for the content presented
- ▶ Discussions with our operations
- ▶ Materials distributed internally
- ▶ Discussion groups
- ▶ Awareness-raising videos
- ▶ #IAmCommitted

New resumes can be included at any time, i.e. there is no cut-off point. One of the goals is for us to get closer to new talents in this group and encourage people to register their resumes. When a position appears, we therefore contact suitable people in the database, creating job opportunities for them whilst fostering team diversity.

Booklet A booklet was created to advise leaders on the recruitment and onboarding of LGBTI+ personnel into their teams.

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Inclusive Communication Guide We created a guide to instruct all teams holding events and producing communication materials to consider the various requirements that PwDs may have.

Telecommuting We implemented a series of initiatives to create more opportunities to include people with disabilities in our operations. These include our telecommuting policy, which allows employees to work from home.

Mover In 2021 we and 46 other companies joined the Movement for Racial Equity (Mover), in which our approach, action and investments are founded on three pillars: **Leadership, Awareness** and **Jobs and Training**. The main targets include the creation of 10 thousand new leadership positions for black

mo
>ver

pra ser maior, só fazendo juntos.

An employee at Gerdau Summit in Pindamonhangaba (SP) - Flavio Donizeti de Lima



people by 2030 through a series of internal initiatives, including more inclusive recruitment and selection processes and fast-tracking careers. Another objective is to create opportunities for 3 million black people through competitions for study grants, mentoring, connecting with the job market and supporting black entities focusing on education, employability and entrepreneurship. Mover also intends to serve as a support platform for raising the general public's awareness about racism, by sponsoring audiovisual content and communications in the press and points of sale, amongst other initiatives. The investment forecast to roll out the initiatives in the first three years is R\$ 45 million (for all companies).

In accordance with our diversity and inclusion strategy, for 2022 we plan to:

- ▶ **Launch the second class of the Helda Gerdau Program, which will be global in 2022.** Two classes will take place concurrently, one with 25 vacancies for Brazil and other Latin American countries and another with 25 vacancies for North America.
- ▶ **Launched training in our learning platform for leaders and teams around LGBTI+ issues.** One related to Responsible Masculinity and another about issues related to the LGBTI+ community.
- ▶ **Second edition of the Diversity and Inclusion Survey** to monitor our demographics and workplace in respect of this topic.

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THE PACT COMPRISES A SET OF EIGHT COMMITMENTS:

1. Include diversity and inclusion as a **core agenda** for the business

2. **Transparently** communicate our commitments to diversity and inclusion

3. Create a diversity **program or policy** to guide our activities across the organization

4. Take a no-tolerance approach to any forms or expressions of **prejudice and/or discrimination** at the workplace

5. Ensure all leaders in the organization are **trained** in diversity and inclusion

6. Ensure there is **no wage gap** for the same position or the same work within the organization on any basis

7. Complete a **demographic census** on diversity in the workforce and in leadership positions within the company

8. Develop a plan to **hire, retain and develop** black, female, PwD and LGBTI+ employees, ensuring our workforce is representative of the diversity in Brazilian society

In 2020 we launched an effort to engage our supply chain around diversity and inclusion. We want to encourage increased supplier alignment with our principles related to these issues.

In 2021, 206 medium and large suppliers had joined the Inspire Gerdau pact, among them 46 law firms.

One of our primary goals for 2023 is to increase the share of leadership positions embodying the diversity and inclusion we aspire for.

Participating companies were offered an 18-month training program on implementing good practices in diversity. More than 1,500 training sessions were administered to participating companies as part of the program, including benchmarking sessions (in which participants learned about the practices used at six different companies), seven mentoring sessions, more than three hours of content on our education platform, two video classes and seven podcasts.

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DIVERSITY AT GERDAU

GRI 405-1

PERCENTAGE OF EMPLOYEES BY JOB CATEGORY, AGE GROUP AND GENDER	2021					2020					2019				
	Age group			Gender		Age group			Gender		Age group			Gender	
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Executive Board	0%	68%	32%	86%	14%	0%	61%	39%	86%	14%	0%	48%	52%	94%	6%
Middle Management	0%	79%	21%	80%	20%	3%	76%	21%	81%	19%	5%	73%	22%	84%	16%
Specialists/Coordinators	9%	20%	71%	75%	25%	10%	70%	21%	78%	22%	11%	68%	21%	80%	20%
Administrative	26%	61%	13%	59%	41%	27%	60%	13%	63%	37%	28%	59%	13%	64%	36%
Interns	95%	5%	0%	46%	54%	95%	5%	0%	50%	50%	95%	5%	0%	54%	46%
Operational	22%	61%	17%	94%	6%	21%	61%	18%	97%	3%	21%	61%	18%	98%	2%
Apprentices	99%	1%	0%	37%	63%	97%	3%	0%	58%	42%	97%	2%	0%	63%	37%

* People who elected not to self-identify their gender did not affect the overall percentage reported. However, this created a difference in the reported totals.

PERCENTAGE OF BLACK EMPLOYEES AND PEOPLE WITH DISABILITIES BY EMPLOYEE CATEGORY	2021		2020		2019	
	People with Disabilities (PwDs)	Black	People with Disabilities (PwDs)	Black	People with Disabilities (PwDs)	Black
Executive Board	0%	1%	0%	2%	0%	0%
Middle Management	1%	13%	1%	12%	1%	8%
Specialists/Coordinators	1%	16%	1%	14%	0%	10%
Administrative	3%	27%	3%	27%	2%	19%
Interns	0%	28%	0%	37%	0%	27%
Operational	2%	35%	2%	33%	2%	35%
Apprentices	2%	47%	11%	40%	13%	36%
Interns out of total employees (%)	2%	31%	2%	30%	2%	31%

Note: GLA (Argentina), GJD (Dominican Republic and Columbia) and GLY (Uruguay) have not reported information about other minority groups. Historical data has been restated to reflect updates to and the standardization of the reporting system, consolidating data from other previously unreported operations.



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SASB EM-MM-000.B

PERCENTAGE OF CONTRACTORS



The number of employees and contractors hired increased in the year to accommodate the higher production rates during the year and the restart of previously curtailed operations.

GRI 102-8 AND SASB EM-MM-000.B

TOTAL WORKFORCE BY EMPLOYMENT TYPE AND GENDER	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full time	2,283	17,445	20,328	14,828	2,294	17,122	15,063	2,213	17,276
Part time	827	540	1,367	0	0	0	0	0	0
Total	3,710	17,985	21,695	14,828	2,294	17,122	15,063	2,213	17,276

Note: data for our Brazil operations excludes the Board of Directors.

TOTAL WORKFORCE BY EMPLOYMENT CONTRACT AND BY GENDER	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent	2,283	17,445	20,328	14,308	14,308	1,885	14,166	1,532	15,698
Temporary	827	540	1,367	520	409	929	897	681	1,578
Total	3,710	17,985	21,695	14,828	2,294	17,122	15,063	2,213	17,276

Note: data for our Brazil operations excludes the Board of Directors.

TOTAL WORKFORCE BY EMPLOYMENT CONTRACT AND BY REGION	2021			2020			2019		
	Permanent	Definite term or temporary	Total	Permanent	Definite term or temporary	Total	Permanent	Definite term or temporary	Total
Brazil	20,328	1,367	21,695	16,193	929	17,122	15,698	1,578	17,276
North America (US and Canada)	6,075	18	6,093	5,732	17	5,749	6,194	18	6,212
Dominican Republic	1,992	60	2,052	1,662	445	2,107	NA - joint ventures	NA - joint ventures	0
Colombia	1,992	60	2,052	1,662	445	2,107	NA - joint ventures	NA - joint ventures	0
Mexico	1,503	38	1,541	1,422	104	1,526	1,256	84	1,340
Peru	919	44	963	905	56	961	869	64	933
Argentina	700	40	740	625	0	625	645	6	651
Uruguay	214	5	219	180	0	180	196	0	196
Total	31,731	1,572	33,303	26,719	1,551	28,270	24,858	1,750	26,608

Note: data for Brazil excludes the Board of Directors.

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Employees at our Rosario mill (Argentina) - Carina Gorosurreta and Juan Cabrera



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GRI 405-1 PERCENTAGE OF MEMBERS OF GOVERNANCE BODIES, BY AGE GROUP AND GENDER	2021					2020					2019				
	Age group			Gender		Age group			Gender		Age group			Gender	
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Oversight Board	0%	0%	100%	88%	12%	0%	0%	100%	100%	0%	0%	0%	100%	88%	12%
Board of Directors	0%	22%	78%	89%	11%	0%	27%	73%	91%	9%	0%	22%	78%	89%	11%
Total percentage of members of governance bodies	0%	12%	88%	88%	12%	0%	21%	79%	93%	7%	0%	12%	88%	88%	12%

Other minorities are not represented in these bodies.

Nb: data regarding the operation in Brazil. Includes members of Gerdau S.A and Metalúrgica Gerdau

GRI 102-12

EXTERNAL INITIATIVES

EXTERNAL INITIATIVE	MANDATORY/VOLUNTARY	DATE ADOPTED
 Pacto de Promoção da Equidade Racial	Voluntary	July 2021
 Mover	Voluntary	June 2021
 +Mulher360	Voluntary	April 2021
 B Movement Builders	Voluntary	September 2020
 CDP	Voluntary	August 2020
 SEJA ANTIRACISTA	Voluntary	June 2020
 Fórum de Empresas e Direitos LGBTI+	Voluntary	February 2020
 HUB DE ECONOMIA CIRCULAR	Voluntary	November 2019
 Business Coalition to End Violence against Women and Girls	Voluntary	November 2019
 Rede Empresarial de Inclusão Social	Voluntary	October 2019
 Coalizão Empresarial para a Equidade Racial e de Gênero	Voluntary	September 2019
 Pacto Global Rede Brasil	Voluntary	August 2019
 CAPITALISMO CONSCIENTE BRASIL	Voluntary	March 2019
 THE LEADERS OF INTRA-ENTREPRENEURSHIP CENTER	Voluntary	January 2019
 ONU MULHERES	Voluntary	July 2017

An employee at the Cearense Mill (CE) - Irinelde de Oliveira Braga



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COMMITMENT TO SAFETY

GRI 103-1, 103-2, 103-3: 403 OCCUPATIONAL HEALTH AND SAFETY

Safety first is our number one principle—**business results are never more important than people's lives**. We have developed a plan with a list of priorities and prevention actions that are constantly monitored in order to create a safe workplace environment.

Our Integrated Health, Safety, Environment and Quality (HSEQ) Policy states that: "For Gerdau, the well-being of people is a value that is above the other objectives and priorities of the Company. No emergency, production or result can endanger the health or safety of people, the preservation of the environment, and the quality of products and services."

Our primary standard providing related guidance is Corporate Standard 25 – *Health & Safety Management*, which outlines safety practices and minimum requirements to be met in all Gerdau operations worldwide. All operations are audited against this standard. Another important policy is Corporate Standard 21 – Critical Risks, which addresses the primary risks affecting our operations. This standard has 14 appendixes containing requirements to ensure safe operations. These two standards provide guidance and are applicable to our leadership and safety teams across our operations worldwide. Twice a year our Global Safety Committee brings together the safety leadership teams from all operations and countries to discuss common issues and areas of concern identified locally, and then agree on safety priorities for the year and action plans addressing three types of barriers: physical, systemic and attitudinal.

SAFETY PRIORITIES 2021

PHYSICAL BARRIERS

- ▶ **Serious Injury and Fatality Potential (PSIF)** – We are working to eliminate situations creating a risk for serious injuries or fatalities. Launched in 2019, this initiative remains a priority for Gerdau. In 2021 we developed a Power BI platform for managing PSIFs, creating greater visibility around these issues in order to develop solutions to them.
- ▶ **Critical risks** – in 2021 we focused on risks such as gases, overhead cranes, work at heights, rolling processes, lockout/tagout and electrical risks.

SYSTEMIC BARRIERS

- ▶ **Process Safety** – implementing process safety indicators.
- ▶ **Change management** – performing safety analyses whenever implementing changes.
- ▶ **Digital initiatives** – increasing the use of Safety Analytics, a predictive safety system that identifies areas where accidents are more likely to occur, and implementing integrated safety management software, among other initiatives.

ATTITUDINAL BARRIERS

- ▶ **Leadership and operator safety training** – providing classroom-based and online training or retraining.
- ▶ **Knowledge management** – sharing good practices and knowledge about PSIF in meetings and webinars with guest experts.
- ▶ **Cross audits** – plants audit each other in a process that creates mutual benefits: the plant performing the audit gains new insights, while the plant being audited learns about safety weaknesses. A total of 30 cross audits were carried out in 2021.

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An employee at
the Laisa Mill
(Uruguay) - Ana
Rode Acosta

SAFETY MANAGEMENT

GRI 403-1, GRI 403-7, GRI 403-8

The Gerdau safety management system applies to all employees, contractors and other people (truck drivers, sales representatives, visitors etc.) who are on our premises. It also applies to Gerdau employees working outside our premises.

The system has been designed based on systems and practices developed by specialized consulting firms, behavioral management practices, and OSHAS 18001 and ISO 45001.

Our primary safety-related target is eliminating high consequence injuries and fatalities. This is

tracked using two indicators for which the following targets have been set for 2022: Security Rate = 100 and Frequency Rate = 0.9.

In 2021 we recorded our **lowest loss-time injury frequency rate to date**, down by approximately 10% from 2020. The Severity Rate was level with the previous year.

Despite the safety plans and protocols we have in place, and which we enforce through training and local oversight, we regret to report three fatalities in 2021, two involving contractors and one involving a direct employee, as well as one serious injury.

Collaborative safety

GRI 403-4

Employees collaborate in developing, implementing and assessing our health and safety management system through safety event reporting tools, by owning the implementation of safety practices, and through periodic team meetings with our leadership.

Relevant occupational health and safety information is communicated to all employees through our corporate communication channels, email, visual management dashboards and safety meetings.

Our operations have formal health and safety committees composed of employees and managers. In countries where this is mandatory, some committee members are appointed by employees to represent them. Meetings are held on a monthly basis and any required decisions can be taken during the meetings themselves, as there are members of management in attendance.

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WORLD SAFETY WEEK

In April we organized two online seminars to mark World Day for Safety and Health at Work. The seminar was attended by around **6,000 employees in more than 170 Gerdau operations** in Brazil, the US, Colombia, Mexico, Peru, Argentina, Dominican Republic, Canada, Uruguay, and Costa Rica. The event featured messages from our leadership team and a lecture given by safety expert Hebert Cabral. During the event, interactive videos also helped to raise employee awareness about safety.

An employee at Gerdau Summit in Pindamonhangaba (SP) - Jefferson Viviane de Castro



In 2021 Gerdau had approximately 2,000 contractors who are not employees, but whose work and/or workplace is controlled by the organization, compared to 13,000 in 2020. All contractors are covered by our health and safety management system, which is internally audited.

In 2021, 11% of our workforce was based in operations that were independently audited, compared to 12% in 2020. The calculation used the number of hours worked to determine the average number of direct and third-employees covered. Operations are deemed to be third-party audited if they have been independently certified for safety (e.g. against ISO 45001, OHSAS 45001 etc.).

Our safety management practices work to prevent or mitigate risks in our operations and tasks. These practices apply to our own operations as well as to contractors, who are required to provide evidence of their accident prevention initiatives. We also have policies addressing the transportation of our raw materials and products to ensure safety when in transit.

In 2022 our Safety department will focus on Severe and Fatal Injury Potential (PSIF), working to improve our ratings and our effectiveness in managing related initiatives. We will also enhance initiatives related to contractor management, digital, leadership training and behavioral management.



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WORK-RELATED INJURIES

GRI 403-9, SASB EM-IS-320A.1 and SASB EM-MM-320A.1

Gerda has a system through which employees report any and all safety-related events occurring in their work environment. In 2021 our total recordable incident rate (TRIR) was 5.13 and our fatality rate was 0.029. Our near-miss frequency rate was 264.37 for direct employees and 107.99 for contractors.

Average hours of health, safety and emergency response training are not available, as training hours are tracked individually by each operation and not on a consolidated basis.

Gerda has made extensive efforts to eliminate accidents. Each year we address the root causes of accidents as priorities in our safety planning and, as a result, we have seen a decline in the number of work-related injuries and in our high-consequence injury rate.

However, in 2021 there was a larger number of contractors working in our operations, reflecting both the higher production rates and newly kicked-off investments/projects. As a result, the absolute number of lost-time occupational injuries and the severity rate increased, although the weighted average injury rate was not as high. The larger number of contractors made safety management more challenging, and explains the higher figure shown in the table opposite.

DIRECT EMPLOYEES	2021	2020	2019
Number of fatalities as a result of work-related injuries	1	1	0
Rate of fatalities as a result of work-related injuries	0.02	0.02	0.00
Number of high-consequence work-related injuries (excluding fatalities)	5	9	10
Rate of high-consequence work-related injuries (excluding fatalities)	0.08	0.17	0.17
Number of recordable work-related injuries	365	334	338
Total recordable incident rate (TRIR)	5.93	6.22	5.83
Number of hours worked	61,600,052.00	53,683,160.00	57,987,207.00
Injury severity rate ¹	178.60	242.70	123.50
Lost-time injuries	55	55	63
Injury frequency rate – lost-time injuries + fatalities	0.91	1.04	1.09
Near-miss frequency rate ²	264.37	-	-

¹ The severity rate calculation used in all countries where we operate is days lost as a result of work-related injuries plus days deducted as a result of fatalities (6,000 days) and amputations (NBR 14280 Schedule). This calculation is based on Brazilian regulations (which are similar to those in other countries).

² This information was first reported in 2021, when we began reporting SASB disclosures.

WORKERS WHO ARE NOT EMPLOYEES, BUT WHOSE WORK AND/OR WORKPLACE IS CONTROLLED BY THE ORGANIZATION	2021	2020	2019
Number of fatalities as a result of work-related injuries	2.00	1.00	1.00
Rate of fatalities as a result of work-related injuries	0.05	0.04	0.03
Number of high-consequence work-related injuries (excluding fatalities)	2.00	1.00	2.00
Rate of high-consequence work-related injuries (excluding fatalities)	0.05	0.04	0.06
Number of recordable work-related injuries	161.00	101.00	180.00
Total recordable incident rate (TRIR)	3.88	3.59	5.33
Number of hours worked	41,520,647.00	28,104,750.00	33,745,526.00
Injury severity rate ¹	338.40	247.10	228.30
Lost-time injuries	27.00	14.00	37.00
Injury frequency rate – lost-time injuries + fatalities	0.70	0.53	1.13
Near-miss frequency rate ²	107.99	-	-

¹ The severity rate calculation used in all countries where we operate is days lost as a result of work-related injuries plus days deducted as a result of fatalities (6,000 days) and amputations (NBR 14280 Schedule). This calculation is based on Brazilian regulations (which are similar to those in other countries).

² This information was first reported in 2021, when we began reporting SASB disclosures.

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Hazards with the potential to result in high-consequence injuries include mobile equipment, overhead cranes, confined spaces, electricity, work at heights, scrap handling, molten steel, rolling process hazards, gases, ionizing radiation, production of pig iron and bio-reducer, fires and explosions.

GRI 403-2

For each risk we have corporate standards establishing requirements to eliminate hazards

or mitigate risks to acceptable levels through engineering measures, physical barriers, and task-specific procedures and PPE. These measures apply to all direct employees and contractors, as well as truck drivers and visitors on our premises.

Gerdau has invested continuously in safety and has improved overall performance year on year. In 2021 we successfully reduced our company-wide injury severity rate—which includes lost-time injuries and fatalities.



Charqueadas (RS)

SASB EM-IS-320A.1 AND SASB EM-MM-320A.1

Total recordable incident rate (TRIR)

5.13

Fatality rate

0.029

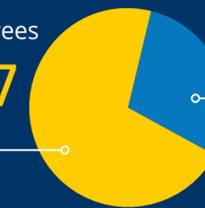
Near-miss frequency rate

Direct employees

264.37

Contractors

107.99



Center for Chemical Process Safety

In 2021 we joined the Center for Chemical Process Safety (CCPS), a forum on good process safety practices, where we follow trends and share insights with our peers.

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HEALTH

GRI 403-3, GRI 403-5 AND GRI 403-6

Workers receive occupational health and safety training based on a position/role-specific training matrix outlining mandatory training content and, where applicable, the minimum retraining frequency.

Gerdau has established minimum requirements for managing and improving knowledge, mindsets and skills:

- ▶ Appropriate training and qualifications for health and safety-critical roles are a prerequisite for hiring, and workers' training certificates are inspected before they are assigned to perform critical activities.
- ▶ General health and safety induction training is provided to all direct employees and contractors before they begin work in our operations. Following induction training, employees take written tests for which there is a minimum passing score.
- ▶ Workstation-specific training is also provided and buddies are assigned to all employees who have been newly hired, transferred or are returning from more than 45 days of leave.
- ▶ Role-specific Occupational Health & Safety and Process Safety matrices outline procedures for critical tasks, requirements for risk identification and analysis, legal requirements, and other company requirements.

All contractors receive induction training and training on Risk Analysis and the Permit to Work system, as applicable. Proof of this and other mandatory training for contractors

must be provided before they are allowed on our premises. Contractor training documents/certificates are managed by a third-party firm.

All Gerdau Operations have an on-site clinic with trained medical staff (physicians, nurses and nursing assistants). The number of staff in each role is determined by the size of the operation and the number of employees.

Gerdau also has the following occupational health and hygiene services that work to identify hazards and minimize risks: Occupational Hygiene Program, Occupational Health Surveillance Program, Ergonomics Program, Alcohol and Substance Abuse Control Program, Respiratory Protection Program and Hearing Protection Program.

To facilitate worker access to non-occupational health services, Gerdau provides health insurance benefits to all employees and their dependents.

Occupational health services may vary from country to country, but all employees are eligible to health insurance based on their organizational seniority/role.

In addition, Gerdau regularly runs health promotion campaigns on different topics, including the following:

- ▶ Smoking prevention
- ▶ Prevention of alcohol and drug abuse
- ▶ Prevention of heart risks, hypertension, diabetes, etc.

All programs are freely accessible to all employees.



An employee at our Riograndense operation (RS) - Luciana Silva

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RECOGNITION IN HEALTH AND SAFETY GRI 103-2 AND GRI 103-3 403: OCCUPATIONAL HEALTH AND SAFETY

Monitoring employee exposure to gases in the workplace is crucial in preventing Serious Injuries and Fatalities (SIF) in steelmaking. This led us to seek out a more comprehensive gas monitoring solution than conventional portable monitoring using personal gas detectors. We have since invested in online monitoring of all fixed and portable gas detectors so that we can take prompt action whenever alarm setpoints are exceeded.

We have also used the collected data to inform preventive action addressing employee behavior as well as process improvements that are not dependent on individual employee actions or on-site oversight. The active online gas monitoring system includes all required connectivity infrastructure and uses Internet of Things (IoT) technology to centrally monitor portable, mobile and fixed gas meters.

This allows us to monitor readings in critical areas in real time directly from the main operations rooms and the Emergency Response Center, and we have created standard response procedures for each type of emergency. Gas detectors are centrally monitored 24/7, and exposure alerts are sent by email and SMS messages to designated people according to the type of exposure. The system produces reports and dashboards from stored data, enabling Gerdau to take preventative action on both processes and behavior.

Our Ouro Branco Mill was recognized within the Safety and Health Excellence Recognition Programme 2021

The initiative, first implemented at our Ouro Branco Mill (MG), was recognized by the World Steel Association's Safety and Health Excellence Recognition Programme 2021, this being the tenth consecutive time we have received this distinction.



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CORPORATE GOVERNANCE

GRI 102-18, GRI 102-22, GRI 102-24

We observe best corporate governance practices and follow market trends to instill them in our universe of processes, policies and standards that regulate our administration, in accordance with international standards, underpinned by ethical principles.

We periodically revise our Corporate Guidelines (CG) and Operational Guidelines (OG) to continually update the guidelines we want to follow. In 2021,

we updated the Rules of Procedure of the Oversight Board of Gerdau S.A. and Metalúrgica Gerdau S.A., revised corporate escalation limits and Escalation Limit and Responsibility CG and our Corporate Securities Trading, Insider Trading and Related Parties Policies.

In 2021, the Gerdau S.A. Board of Directors presented Gerdau's ESG journey to all meetings, related to business strategy issues, demonstrating the importance given to environmental, social and governance issues when taking decisions at the company.

The appointment and selection to the highest governance body took place at the

annual general meeting held on April 23, 2021. The selection criteria include independence, competence and experience in economic, environmental and social topics.

One of the features of our governance is that the Board of Directors is supported by four Advisory Committees who make recommendations on topics within their remit:

- ▶ **Compensation Committee**
- ▶ **Strategy & Sustainability Committee**
- ▶ **Corporate Governance Committee**
- ▶ **Finance Committee**

Members of the Advisory Committees are appointed by the members of the Board of Directors, consisting of at least one director, where the other members can be employees or independent advisers.

OUR BOARD

In 2021 we appointed new members to our Board of Directors, which now has seven members, including three independent members and one female representative.



Guilherme Chagas Gerdau Johannpeter
(Chairman of the Board)



André Bier Gerdau Johannpeter
(Vice-Chairman)



Claudio Johannpeter
(Vice-Chairman)



Gustavo Werneck
(member)



Fernando Fontes lunes*
(independent member)



Claudia Sender
(independent member)



Augusto Brauna Pinheiro
(independent member)

* Fernando lunes stepped down from the Board in March 2022.

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ESG Factors

Our Strategy & Sustainability Committee advises the Board of Directors on, among other matters, environmental, social and governance (ESG) factors and industry trends that can affect the business in the short, medium and long term. In discussing the allocation of capital and investment plans, the Strategy & Sustainability Committee factors not only production and financial aspects but also ESG aspects in its decision-making. It attaches strategic weight to environmental, social and governance aspects, and has included ESG indicators and performance targets in the Long-Term Incentive Plan (LTIP) for our senior leadership.

A new LTIP Plan was introduced in 2021 under which 20% of executives' variable compensation bonus is linked to ESG targets. This portion of the bonus is calculated based on two new indicators: the percentage of women in leadership positions and CO₂ emissions. In addition, 40% is linked to *economic value added* (EVA). The remaining 40% are restricted shares not linked to performance.

The ESG scorecard presented in this report provides greater visibility around the environmental, social and governance indicators prioritized by top management. Factoring these indicators into our executives' long-term compensation is a part of our efforts to disclose ESG information to the market and the general public, enhancing transparency around Gerdau's sustainability commitments.

OUR LEADERSHIP

Business operations leaders are tasked with the organization's executive management. These members are:



Gustavo Werneck
CEO



Aldo Tapia
Peru Operation



Carlos Baginski
Internal Audit



Caroline Carpenedo
People & Social
Responsibility



Chia Wang
North America
Operation,
Long Steel



Fábio Spina
Legal &
Institutional
Relations



Flávia Souza*
Procurement



Fernando Pessanha
Mexico
Operation



Fladimir Gauto*
Executive
Director



Gustavo França
Digital & TI



Hermenio Gonçalves
Industrial &
Engineering



Jefferson Marko
Colombia and
Dominican Republic
Operations



Juliano Prado
Gerdau
Next



Marcos Faraco
Brazil, Argentina, and
Uruguay Operations,
Long and Flat Steel



Michele Robert
Gerdau
Summit



Rafael Japur**
Chief Financial
(CFO) and Investor
Relations Officer



Rodrigo Belloc
North America
Operations,
Special Steel



Rubens Pereira
Brazil Operation,
Special Steel

*Flavia Souza took over the Procurements board in November 2021. Fladimir Gauto continues carrying out other duties at Gerdau.

**Rafael Japur assumed the Executive Vice Presidency of Finances (CFO) and Investor Relations on January 01, 2022. Harley Scardoelli has retired.

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Gerdau executives during Gerdau Day 2021, organized in an online format

INVESTOR RELATIONS

We have been a part of the capital market for more than seven decades and our shares are listed on the stock exchanges of São Paulo (Brasil, Bolsa, Balcão – B3), New York (NYSE) and Madrid (Latibex). In the Brazilian market, we are a part of the B3 Level 1 Corporate Governance. We also adopted practices beyond those required by law, such as awarding a tag along for all of our shares

and paying a minimum dividend of 30% of adjusted net income.

We currently have upwards of 170 thousand investors and seek to maintain an ethical and transparent relationship with all of them. In 2021, we held an on-line event on the New York Stock Exchange (NYSE), called Gerdau Day, open to shareholders and investors from around the world and another in Brazil, called Apimec

Day, seeking to build closer relations between Gerdau and investors. Virtual interaction has been an important tool for communicating with these stakeholders. We seek to diversify our reporting channels, to include podcasts, videos, digital media and newsletters, to cater to all investors. We also set up a Data Science laboratory which offers graphs and other formats for consultation.

MANAGEMENT REMUNERATION

GRI 102-35

The annual Remuneration Proposal for Gerdau Management is put together based on the assumptions outlined in the Remuneration Policy and market practices, which have the support of specialist Global Remuneration Consultancy firms, both to define the relative value of positions and to ascertain market benchmarks.

The benchmark value uses Brazilian or global companies of a similar size to Gerdau, operating in the steel and related industries, or even potential competitors for our professionals.

Gerdau's remuneration goals in relation to Management are:

- ▶ Nurture a culture of achievement and meeting challenging targets;
- ▶ Achieve short- and long-term results consistently and sustainably; and
- ▶ Attract and engage elite executives via competitive remuneration practices.

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DOING THINGS RIGHT

GRI 103-1, GRI 103-2 AND GRI 103-3:
419 SOCIOECONOMIC COMPLIANCE

Guaranteeing socioeconomic compliance is a part of the company's principles (Doing things right), which is a signatory of the UN's Global Compact. The topic also informs the company's governance, ESG strategy and investor relations, and is also a commitment from Gerdau to the community.

The company draws on its Code of Ethics & Conduct, Sustainability Policy and Anti-corruption Policy to manage the topic, for which there are no specific targets although the company is advancing in ESG practices and conducting audits certifying this progress. In 2021 all employees also underwent training in our Code of Ethics & Conduct and participated in the dissemination of information and coaching about diversity.

Controls are managed to permanently assess best practices and enhance the automation of detection controls focusing on risk.

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

205 ANTI-CORRUPTION AND SASB EM-MM-510A.1

Also part of the Doing Things Right principle is instilling anti-corruption in the company's culture. The topic is also guided by our Anti-corruption Policy, Code of Ethics & Conduct, Code of Ethics & Conduct for Third Parties and Compliance Policy, and is also one of the core goals of the Integrity Program of Gerdau Compliance.

In addition to training all employees in our Code of Ethics & Conduct, in 2021 the Integrity Program was rolled out in the new companies, we reinforced our anti-corruption message at clients and suppliers and conducted accountability campaigns and encourage the use of reporting hotlines by all employees.

In addition to the aforesaid corporate culture, policies and guidelines, to prevent corruption and bribery internally Gerdau fosters an environment of controls, governance and accountability in committees and matrix structures. Controls also conducts reviews and our reporting hotline is available to all stakeholders (internal and external).

In addition to the Code of Ethics & Conduct for Third Parties, for its value chain the company also has contracts and purchase orders with anti-corruption clauses, accreditation of business partners, background checks and due diligences conducted by Compliance, a structured controls system, revisions by control departments and a reporting hotline which third parties can use.

GRI 419-1

In 2021, Gerdau did not receive meaningful fines¹ or non-monetary sanctions due to the violation of social and economic laws and regulations.

¹ Over and above USD 8 million, in line with the materiality criteria outlined with other market publications.



An employee
at Gerdau
Florestal (MG) -
Victor Gabriel
Inácio dos Santos

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INTEGRITY PROGRAM

GRI 102-16

All of Gerdau's policies and guidelines and its Code of Ethics & Conduct emphasize the requirement for all employees to comply with laws, conduct themselves ethically, establish internal controls, follow solid governance and observe escalation levels. Compliance's documents include the compliance and anti-corruption policies and guidelines on dealings with government officials, donations and sponsorships, contracts with compliance risks, free gifts, conflicts of interest, antitrust compliance and disciplinary measures.

Gerdau's Integrity Program bolsters our commitment to comply with all legislation and ethics and compliance practices, harnessing prevention and detection by disseminating a culture of ethics, monitoring internal and external risks which could impact our business and permanently assessing and advising our business on the routines and controls established for compliance risks.

These practices are aligned around our ten principles set out in our Code of Ethics & Conduct constituting the pillars sustaining our proposition, with an emphasis on **Doing Things Right**.

We do not tolerate any unethical practices, corruption and/or violation of legislation in the countries we operate in, where violations means ethical nonconformity of any nature, which could result in disciplinary measures, including contractual severance and prosecution of employees and third parties.

All operations and processes impacting cash are permanent and revolving, assessed by the internal audit. Compliance conducts risk assessment on processes posing the greatest compliance risks.

GRI 205-2

Our employees underwent training in Ethics and Conduct, including executives and directors in all of Gerdau's geographies, which amongst other topics includes Anti-corruption.

Policies are available to all employees on the intranet and are notified of any updates. Every half all employees receive the list of policies in force. Business partners are notified through contractual clauses and commitments.

In 2021 all materially important suppliers and clients received a communiqué reinforcing Gerdau's commitment to fighting corruption, along with a link to our Code of Ethics and Conduct for Third Parties and Ethics Hotline.

Gerdau's policies and standards underscore the requirement for all employees to comply with applicable laws and regulations and conduct themselves ethically



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WHISTLEBLOWING

Compliance periodically reports the status of grievances received and investigated to the Oversight Board, Risk Committee, Board of Directors and Statutory Executive Board, detailing the volume and the facts behind the reports received, answered and addressed. All cases are also reviewed by the independent auditor and Internal Controls, ensuring the process is effective and grievances addressed.

Every two years all employees undergo training in our Code of Ethics and Conduct through e-learning tools and in-person workshops, and anti-corruption training and anti-trust practices are also required for certain positions. Participants sign the Commitment upon completion of the training.

An employee at our Caucaia Mill (CE) – Leticia Gustavo Pinto



ETHICS HOTLINE (REPORTING HOTLINE) GRI 102-17

We have channels available for all stakeholders to report concerns involving our company or our employees. Reports are kept anonymous and confidential, and whistleblowers are protected from retaliation:



Phone:

Brazil and Latin America
+55 51 3323-1901
 US
1-800-732-7116



Email:

canal.etica@gerdau.com.br



Website:

Reports:
<https://www2.gerdau.com.br/compliance>

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AUDIT DEVELOPMENT

GRI 205-1

One of the internal audit's roles is to assure suitable risk coverage, acting independently through periodical assessments, which used to be in person but switched to a hybrid format as a result of the pandemic, with technological progress and new skills.

This technology progress has been taking place since 2016, thanks to the digital transformation and tools introduced to the process. Currently, a large part of the audit team is able to manage databases using programming languages.

Activities which used to take months to cover certain risks can now be done in minutes. By way of algorithms, artificial intelligence and big data processing architecture, risk coverage was also expanded and it was possible to connect digital structures in traditional and industrial processes to process and interpret data generating alerts and actions to prevent digital losses. Risk management applications were developed by the audit team and shared with the company to support the processes in monitoring their routines.

An employee
at our Monroe
Mill (US) -
Jake Smith



In addition to the expanded risk coverage, another calculation that began to be used by internal auditors was behavioral attitudes, such as discrimination and harassment. The practice's independence provides treatment with greater impartiality for

grievances. Internal audit reports are submitted to the Board of Directors and the Oversight Board is responsible for monitoring.

All operations and processes that directly impact assets are assessed by

the Internal Audit on a permanent and revolving basis, under either the audit plan or as a result of an alleged breach of ethics. Compliance conducts risk assessment on processes posing the greatest compliance risks.

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RISK MANAGEMENT

GRI 102-15

Our controls practice and Business Operations Committee monitor operational and business risks which could impact our activities, with the assistance of the Risk Committee. We monitor Business, Compliance and Operational, Safety, Occupational, Environmental, Financial, Tax, Labor and Image Regulatory risks.

Our risk management process is decentralized, and is conducted by Business Operations and Corporate Processes. However, critical risk results are consolidated and periodically reported to Senior Management.



An employee at
the Rosario Mill
(Argentina) -
Rocio Retamozo

The **Three Lines Model** should be established for operational risks, taking into account cost analysis versus risk exposure:

Line 1: system of controls with routine and control activities, procedures, approval limits, systemic blocks, access restrictions and reconciliations.

Line 2: management activities, monitoring, process analysis, financial reporting, internal controls management.

Line 3: conducting internal and/or external audits on all processes.

SASB EM-IS-430A.1

Cost is something that stands out in relation to risks that could affect the supply of raw materials. Most of the inputs (alloys, electrodes and refractories) behave like commodities, i.e. their price changes according to supply/demand.

Prices have been on an upward trajectory since the second half of 2020, firstly because of soaring demand, because global steel production was extremely high in 2021, especially in the first half. Higher steel production means higher consumption of these inputs.

The second factor was the supply squeeze due to several reasons:

- ▶ **The impact of covid-19:** many countries that produce and export the material diminished production as a result of lockdowns.
- ▶ **Energy Restrictions:** the energy crisis in China (shortage of coal and environmental concerns) and Europe (shortage of natural gas) affected the production of inputs worldwide.
- ▶ **Maritime shipping:** this is slower and more expensive. The cost of certain routes rose by more than 600%. To protect and guarantee the supply, many companies moved forward purchases, thereby driving up prices.
- ▶ **Climate crisis impacts:** lower availability of electricity and water shortages due to a period of water stress, fires or severe climate conditions.

Gerdau responded to this challenge with a strategy and diversification. We protect ourselves from this rampant volatility by diversifying. We accordingly seek to diversify our procurement portfolio alternating pricing in Brazilian Reais and US dollars; fixed prices (hedges) and variable prices; and making purchases domestically and internationally.

To achieve a full supply, we increased our inventories of certain materials, imported substantial amounts when prices were more favorable and continually monitored the market, making opportune purchases.

Another crucial factor is the partnership we have with our suppliers. We seek enduring and mutually beneficial relationships, regardless of the situation.

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RISK FACTORS

In 2019 we created a Strategy & Sustainability Committee that, in discussing the allocation of capital and investment plans, factors not only production and return-on-capital aspects but also ESG aspects in its decision-making. In addition, since 2021 we have incorporated ESG indicators and performance targets, such as CO₂, in the Long-Term Incentive Plan (LTIP) for our senior leadership.

Our risk management guidelines and procedures are designed based on an assessment of the business, including matters related to climate change and our ESG Scorecard indicators. We look at industry trends that can affect the business in the short, medium and long term, and environmental, social, governance, reputational and regulatory factors.

Climate-change risk factors include unexpected interruptions in the production capabilities at Gerdau's principal sites and installations, which would increase production costs, reducing shipments and earnings for the affected period.

We report via the Carbon Disclosure Project (CDP) Climate module the disclosures recommended by the Task

Force on Climate-Related Financial Disclosures (TCFD) that are related to climate-change risks, as follows:

Regulatory Risk: We assess proposed carbon market scenarios, including the different types of instruments: regulations on carbon pricing via taxes on emissions; regulations on carbon quantities through an emissions trading system; or any combination of the two.

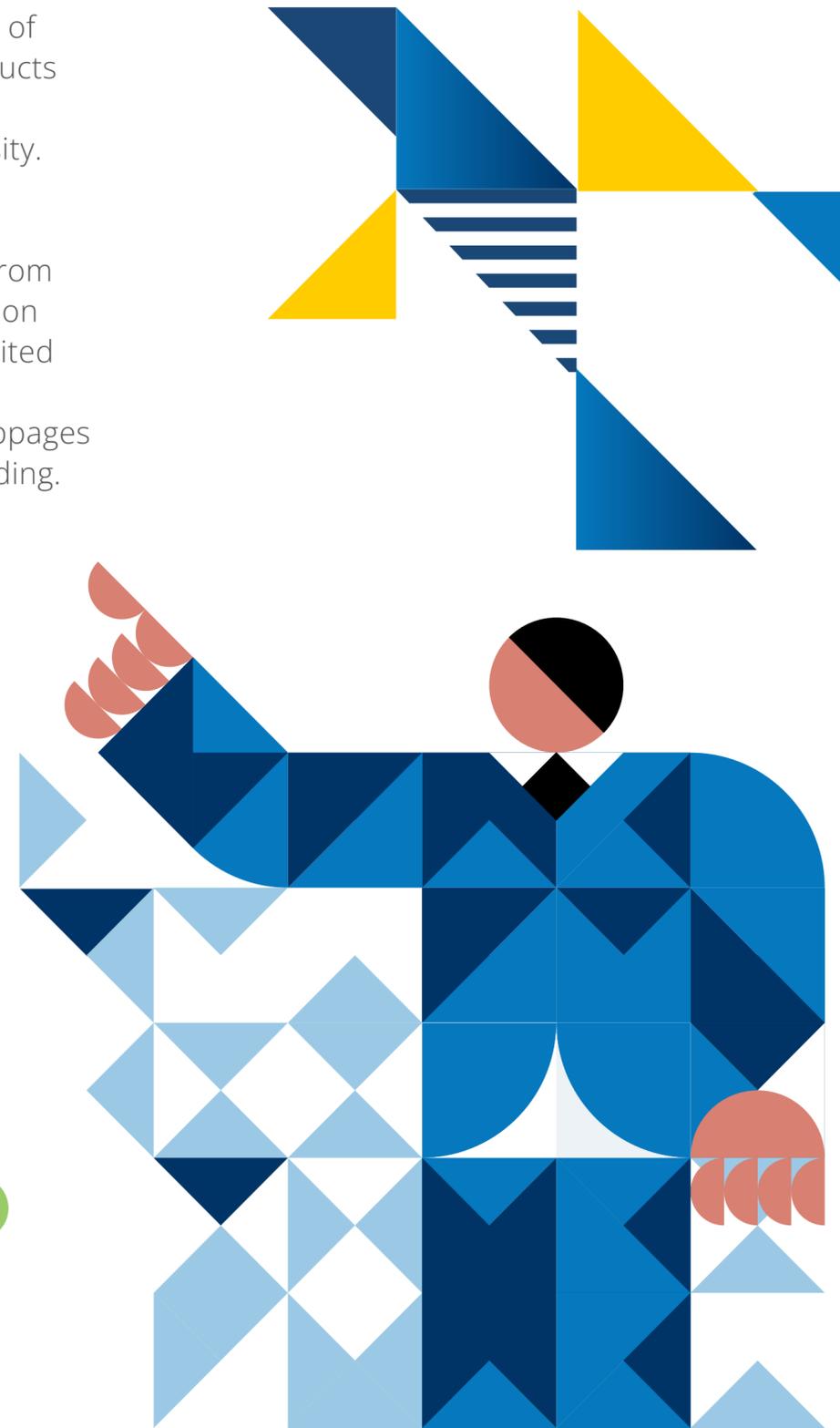
Technology Risk: uncertainties surrounding processes using new technologies, including disruptive technologies.

Legal Risk: Risks related to policy and regulatory issues, such as requirements to monitor and report on impacts from GHG emissions; new taxes and markets linked to high-impact activity; and the inability to operate if environmental regulations are violated.

Market Risk: Risks related to carbon taxes and pricing and the high cost of GHG-intensive raw materials.

Reputational Risk: the risk of reduced demand for our products if we fail to meet customers' expectations on carbon intensity.

Physical Risk: Operational risks stemming, for example, from droughts, resulting in production stoppage as a result of the limited availability of resources in our operations, or production stoppages as a result of unexpected flooding.



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INNOVATION & TECHNOLOGY

GRI 103-1, GRI 103-2, GRI 103-3

GERDAU TOPIC: PROCESS AND PRODUCT INNOVATION

We will be unable to keep pace with today's fast-changing society's and customer needs if we fail to invest in innovation. At Gerdau, innovation is the way we keep a step ahead of market trends and capture opportunities both to create new businesses, products and services, and to improve our processes and systems.

In 2021, **we went from *be digital* to *go digital***, meaning that digital transformation materialized in the form of robust practices and initiatives on all sorts of business fronts.

We have a pipeline of significant projects that are creating positive change in each of our businesses. This is a continuous and consistent journey that involves experimenting with new ideas, taking risks, and increasing simplicity and agility in our processes. Our initiatives are based on five pillars: People, Competitiveness, Data and Artificial Intelligence, Customer Satisfaction, and Technology.



Juntos Somos + is transforming the construction industry

Gerdau Challenge FIEMG Lab

With the Gerdau Challenge Fiemg Lab we organized another open innovation initiative, **with dozens of startups participating and 66 projects presented.** By the end of the program we had two solutions for each of the challenges proposed by Gerdau.

The Gerdau Challenge Fiemg Lab is in its second year, and is an open innovation initiative that seeks to find innovative solutions for the challenges of the industry within the startups ecosystem. The program ranges from challenge design and modeling through following industrial tests.

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Expanding the portfolio and developing new products and strategies remains one of our approaches to differentiate our offering. We developed API X80 thick plate used to manufacture large diameter pipes for the Oil & Gas industry. API X80 is considered one of the most complex thick steel plates, and is broadly recognized by the market. We also launched our GG70 rebar, the first high-strength rebar in Brazil, reinforcing our pioneering role in the construction industry. This new solution will improve the utilization of direct and indirect inputs, meaning increased job productivity and sustainability, and was developed in response to the needs of customers in specific sectors.

Digital transformation of our channels during the pandemic facilitated customer contact. When we started out in 2021, 2.5% of our sales used digital channels, by year end they had increased to 17%. Statistics show that 88% of our long and flat steel customers in Brazil use at least one of our digital channels. E-Gerdau is our customer transaction platform, and in 2021 added features such as credit application/approval, cargo handling, a mobile version, and a customer notification and payments center.

Smart Connect is the technology we use to integrate the Gerdau system and the customer's system, so that documents such as orders and invoices can be exchanged electronically.

We also started interacting with customers via WhatsApp, which may sound like something trivial, but has proven to be quite practical. Our WhatsApp customer base now has one market segment, and in 2021 handled over a thousand interactions.

We advanced in qualifying a generation of sales persons who are more digital and analytical, equipping them with digital tools so they may become more of a consultative sales person for our customers. Data allows us to better understand customer behavior, and we have started a CRM process to improve the omnichannel experience.

Our partnership with *Juntos Somos Mais* advanced in capturing the loyalty of construction material retailers, with a significant increase. We have a virtual store for retailers, where they are served by our proprietary distribution network (Comercial Gerdau), which by late 2021 had completed 65,000 transactions. *Juntos Somos+* is a joint venture with Votorantim Cimentos and Tigre.



New GG70 rebar, the first high-strength rebar in Brazil

Steel Store

Comercial Gerdau is our official distributor, ensuring supply to civil construction, farming, manufacturing and industries, and construction material merchants. It turned 50 in 2021, and continues to focus on *customer-centricity*, which we adopted to ensure the satisfaction and loyalty of the customers of this direct consumer channel.

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1. PEOPLE

GRI 103-2: 404 TRAINING AND EDUCATION AND GRI 404-2

Since launching our digital transformation journey, we have prepared Gerdau for new careers and internal development programs that can make us increasingly attractive to all generations and allow us to recruit and develop new talents.

We have created a working model based on multidisciplinary squads using agile methodology. We currently have 40 global squads with employees from the Technology, Business, Operations and Support teams.

Our focus in capacity building is to build a culture of continuous learning among our employees. To this end, we have created chapters that share and cascade knowledge about digital skills. Our training programs are for all employees, from those just beginning their careers to those looking to specialize in specific subjects, such as Data & Artificial Intelligence.

Our goal is to embed innovation and technology in each of our business processes. Gerdau has established an ecosystem of universities, open innovation hubs, technology vendors, startups and strategic partnerships to expand our spectrum of solutions. As part of this, we've created an official open innovation hub in Minas Gerais in collaboration with FIEMGLab, and we are now replicating the format at Porto Digital in Recife (PE).

GERDAU PROGRAMS:

G.Start ▶
PROGRAMA DE ESTÁGIO

This internship program improves the technical knowledge of interns offering a robust learning path. **We have 650 interns across Brazil.**

G.Future ▶
Talentos do Aço Gerdau 2022

Trainee program focusing on developing tomorrow's leaders. **In 2021 we offered over 221 positions for 42 thousand registrants.** The 18-month development plan started in March, 2022.

G.LEAD ▶

Prepares coordinators and experts for management positions, **with over 40 participants from different parts of Brazil and Argentina in 2021.**

G.DATA ▶
Dados produzindo resultados.

Helps train data-driven employees capable of solving the real challenges of their areas using their knowledge of data science. **The three editions of the program trained some 70 persons.**

Summer Job ▶

Together with Unicamp, students contribute to the development of data-driven systems and foster the company-university ecosystem. **In 2021 42 people registered for 7 positions.**

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2. COMPETITIVENESS

A digital pillar that involves improving safety standards and the competitiveness of our industrial processes using Industry 4.0 technologies.

WE WORK ON THE FOLLOWING FRONTS:

- ▶ **Technological update of our industry base:** IT and AT heatmap
- ▶ **Visibility and traceability of our manufacturing processes:** IoT and connectivity
- ▶ **Data-focused operations:** Analytics, artificial intelligence, optimizers, cross-cutting solutions, and digital twins
- ▶ **Lower risks for people and processes:** Safety 4.0 and robotization map

Within Industry 4.0, the primary fronts we are active on include:

Artificial intelligence in support of our operations: We've improved performance across key levers at our industrial facilities in Brazil, including:

- ▶ **a 4% reduction in alloy consumption** in ladle furnaces
- ▶ **20% lower maintenance costs** for critical assets
- ▶ **a 9% reduction in fuel consumption** and a 10% decrease in rolling cylinder and disk costs
- ▶ **a 4% reduction in the gas consumption** of reheat furnaces at our rolling mills

Artificial intelligence to improve GSB yields: using artificial intelligence (AI) models trained with data from sensors in our Brazil Special Steel operations, we have optimized and improved steel yields at our melt shops and rolling mills. In 2021 alone, we captured a total of R\$ 13 million in added value from these initiatives.

Employees at the Ouro Branco Mill (MG)



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Digital twins: virtual representations of existing processes at our industrial facilities; real-time data is used to model different manufacturing scenarios, helping to quickly and securely identify the optimal approach to production, and to interpret real-world behavior in a digital environment. We are currently advancing three major initiatives:

- ▶ **Ouro Branco – Melt Shop**, to maximize production volumes. We have currently achieved an improvement of 12 runs per month on average (approximately R\$ 40 million per year), optimizing utilization of our installed capacity.
- ▶ **Bioreducers and Forestry**, to reduce bioreducer variability in blast furnaces.
- ▶ **Mini Mills and Metals**, to optimize electric arc furnace performance.

Machine learning to optimize alloy usage: a tool to achieve alloy savings while ensuring the mechanical properties required by quality standards. Five plants in North America have implemented the technology so far.

Employing technology can also be an important enabler in improving safety, and we have invested across different fronts in the areas of Safety and Robotization:

Online, active monitoring of gas exposure:

using IoT for online monitoring and detection of gas leaks.

- ▶ **214 fixed gas detectors are currently monitored**, and this will be expanded to 580 detectors
- ▶ **A significant reduction in leak incidence** >58 ppm (70%) and >150 ppm (90%) for the fixed CO detectors being monitored
- ▶ **Recognition for safety** – World Steel Association 2021

Image-based intelligence models: more than six models using image-based artificial intelligence to identify high risk situations in industrial processes, such as falls, failure to wear PPE, safe machine clearances, red zones, monitoring of overhead crane engagement with steel ladles, and online thermal imaging of steel ladles.

Safety analytics: a platform designed to reduce injuries in our industrial operations using machine learning and data available from enterprise management systems. The platform has delivered an effectiveness rate as high as 80% and a 40% reduction in lost-time and no-lost-time injuries at our mills.

Robotization: in Brazil, we mapped out critical workstations with increased safety and ergonomic risks that can be eliminated using robots. A total of 62 critical workstations have been identified, and seven robots have been deployed. In the US, we are also using smart robotics applications to improve safety, productivity and quality. More than ten smart robotics and advanced automation solutions have been implemented at GLN in recent years.



Employees at Gerdau Florestal (MG) – Vitor Alves Moreira and Rafaela Célis de Souza Silva

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3. DATA AND ARTIFICIAL INTELLIGENCE

Our operations are data-driven to improve our competitiveness and results. We use tools such as Big Data, artificial intelligence and machine learning extensively.

Open access to data: we have developed a self-service platform that allows users to analyze data to identify gaps and opportunities. Our data scientists and engineers now use an analytics kit to access the Big Data and data science environment, with the same technology as used by Uber, Google and Facebook.

Data culture: our strategy is focused on four pillars: Communication, Events, Skills and Training. Within the Skills and Training pillars, we have created data training pathways with our *Siga* academy program, and have run pilots at three departments. Through these workshops, in 2021 we trained and introduced our data-driven culture to approximately 170 people. Initiatives within the Events pillar range from short events (Data Pills) to roundtables with universities (FIA, Unicamp) and technology giants (Microsoft, IBM, AWS).

Experimentation and deployment of Artificial Intelligence: in 2021 we ran case studies, labs and GDATA initiatives to develop approximately 35 data science models across different areas and processes at Gerdau.

Data science platform: this platform was developed to accelerate and mainstream data science at Gerdau, using accelerators to create and deploy predictive models rapidly and efficiently, based on modern methods that have been successfully used at industry-leading companies such as Cisco, GE, Unilever, Lenovo, Mars etc.

A culture of innovation



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4. CUSTOMER SATISFACTION

We are committed to serving our customers with the excellence they expect from us. Our ambition is to be among the leading steelmaking companies for customer satisfaction.

At **Gerdau Aços Brazil** we have advanced the following projects:

Customer journey – Long and Flat Steel:

we mapped out the customer journey in three of our main customer segments (building and construction, retail and industry), creating opportunities to improve processes and develop new products and services.

Digital customer service: we have digitized our customer service center using a composite of technologies that support more personalized service.

LMC: Gerdau has 90,000 stores registered in our loyalty program; more than R\$ 7.4 billion to date in transactions via our virtual store; and 28% uptake by customers.

Smart connect – direct integration with customers: a business solution using business-to-business (B2B) services and connections. A pilot involving three customers generated sales of 2,750 metric tons across 320 orders via the new digital channel in the period from September to December 2021. In 2022 we plan to scale up this new approach to integration with our customers.

In the **Special Steel** business, we've developed new digital functionality to streamline interactions with B2B customers. For example, customers previously had to contact someone at Gerdau to request quotes, place orders or track their shipments. All of this functionality is now available 24/7 via our customer portal. Today, 50% of our customers in Brazil regularly access the portal, and we have achieved a satisfaction rate higher than 80% among digital service users.

In **North America**, we've made continued progress on our *e-gerdau* platform, with a focus on self-service. Gerdau has established a partnership with P44 to provide information on transit time, as now also offers a shipment building feature. Our systems support customer integration via APIs, allowing customers to connect and retrieve desired data for use in their systems; we now also offer a new request for quote experience, supporting a shorter RFQ cycle using the self-service tool.

Employees at our Monroe Plant (US)



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5. TECHNOLOGY

We see investment in technology as being crucial for business competitiveness and sustainability, and use innovation as a lever for business transformation. By engaging people and deploying state-of-the-art tools, we have continued to work together to improve our organizational results.

Technology architecture: we implemented the Gerdau Tech Platform—a portfolio of over 80 tech-enabled solutions to standardize the reference architectures that Gerdau uses to integrate with the business ecosystem. This platform supports implementation of transformational initiatives that deliver benefits such as solution reuse and scalability, ease of integration with our value chain, supply chain optimization using algorithms and mathematical models, and up to 25% time savings in creating a new digital product.



An employee at
Gerdau Summit in
Pindamonhangaba
(SP) - Flavio
Donizeti de Lima

Cloud: our digital products use cloud computing power, and more than 52% of our solutions are now in the cloud; we extensively use algorithms, mathematical models and analytics supported by a corporate datalake.

DevSecOps Culture:

- ▶ **A technical squad** that delivers technology artifacts every three weeks. In 2021, we ran 21 sprints and our business squads delivered more than 480 value components.
- ▶ **Products and automated pipeline** that enable us to release new digital functionality in up to 10 minutes, expanding the reuse and scalability of a given product.
- ▶ **Gtech** – a training program for our Technology department that addresses new processes, reference architectures and other supplementary training. In 2021 more than 50% of the team attended a total of approximately 3,700 hours of training.
- ▶ **Technology Chapter** – a recurring forum to share experience about new technology. In 2021 we held around 40 sessions involving our internal team and external guests, with more than 500 people attending.

Cybersecurity:

- ▶ **Cyber threats** – we analyze an average of 7 billion events each month within our security systems, using tools powered by artificial intelligence (AI) and machine learning (ML); our Global SOC (Cyber Security Operations Center) monitors and responds to cyber threats 24 hours a day, 365 days per year, in three languages.
- ▶ **Real-time monitoring for IIoT (Industrial Internet of Things)** – we were one of the first companies in our global industry to use real-time threat monitoring for IIoT in the cloud, in conjunction with a specialized SOC in our industrial operations, providing superior protection to our Industrial Control Systems (ICS).

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GERDAU *next*

Gerdau Next is a Gerdau business launched in July 2020 to develop and operate a portfolio of new businesses adjacent to steel. In its first year, Gerdau Next firmed up its value proposition and captured important synergies across Group companies.



Mission: Diversify Gerdau's business portfolio globally through new, relevant and profitable businesses in strategic segments: Building & Construction, Mobility and Sustainability.

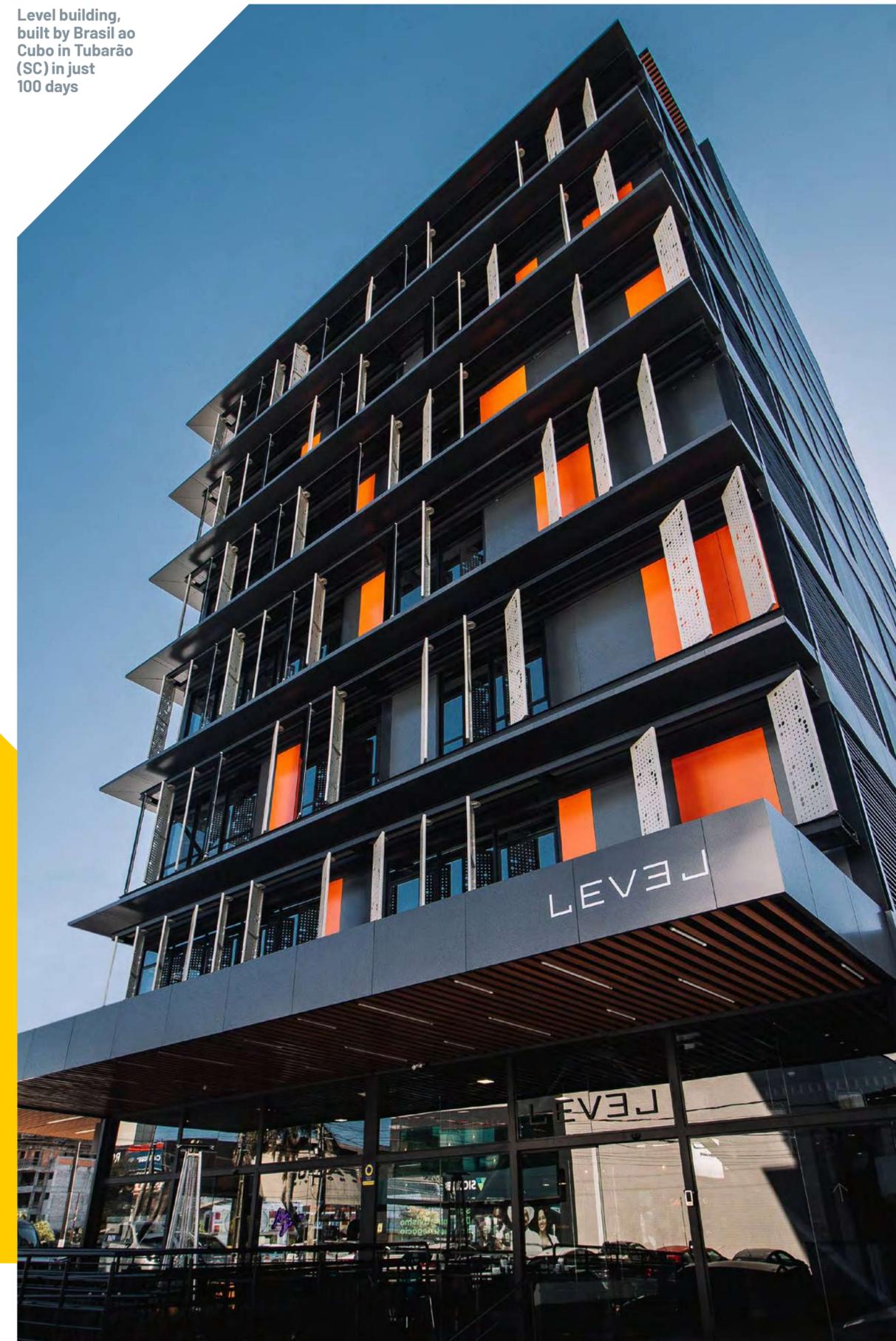


Growth strategy: Develop new businesses through: intra-entrepreneurship, open innovation (collaboration with startups and external partners), and mergers and acquisitions.



Portfolio: our current portfolio comprises 11 businesses, including 3 wholly-owned companies and 8 joint ventures, as well as the investees of Gerdau Next Ventures' venture capital fund.

Level building,
built by Brasil ao
Cubo in Tubarão
(SC) in just
100 days



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In the Building & Construction vertical, Gerdau Next has interests in modular construction companies Brasil ao Cubo (Santa Catarina, Brazil) and Plant PreFab (California, USA), offering agile off-site construction solutions that have sustainability as one of their core competitive advantages. The solutions generate less waste, use less water, have less impact at the project site, and use renewable energy sources.

G2Base is a Gerdau contech firm that manages the construction of steel foundations with up to 40% higher productivity. The company has completed more than 15 projects in different sectors.

Also in the Building & Construction segment, Gerdau has established a presence in the largest materials marketplace in Brazil through a joint venture with Votorantin Cimentos and Tigre, generating an annual GMV of R\$ 7.5 billion. Juntos Somos Mais recently acquired the startup Triider and the Brazilian operation of Habitissimo, within the B2B2C value chain.

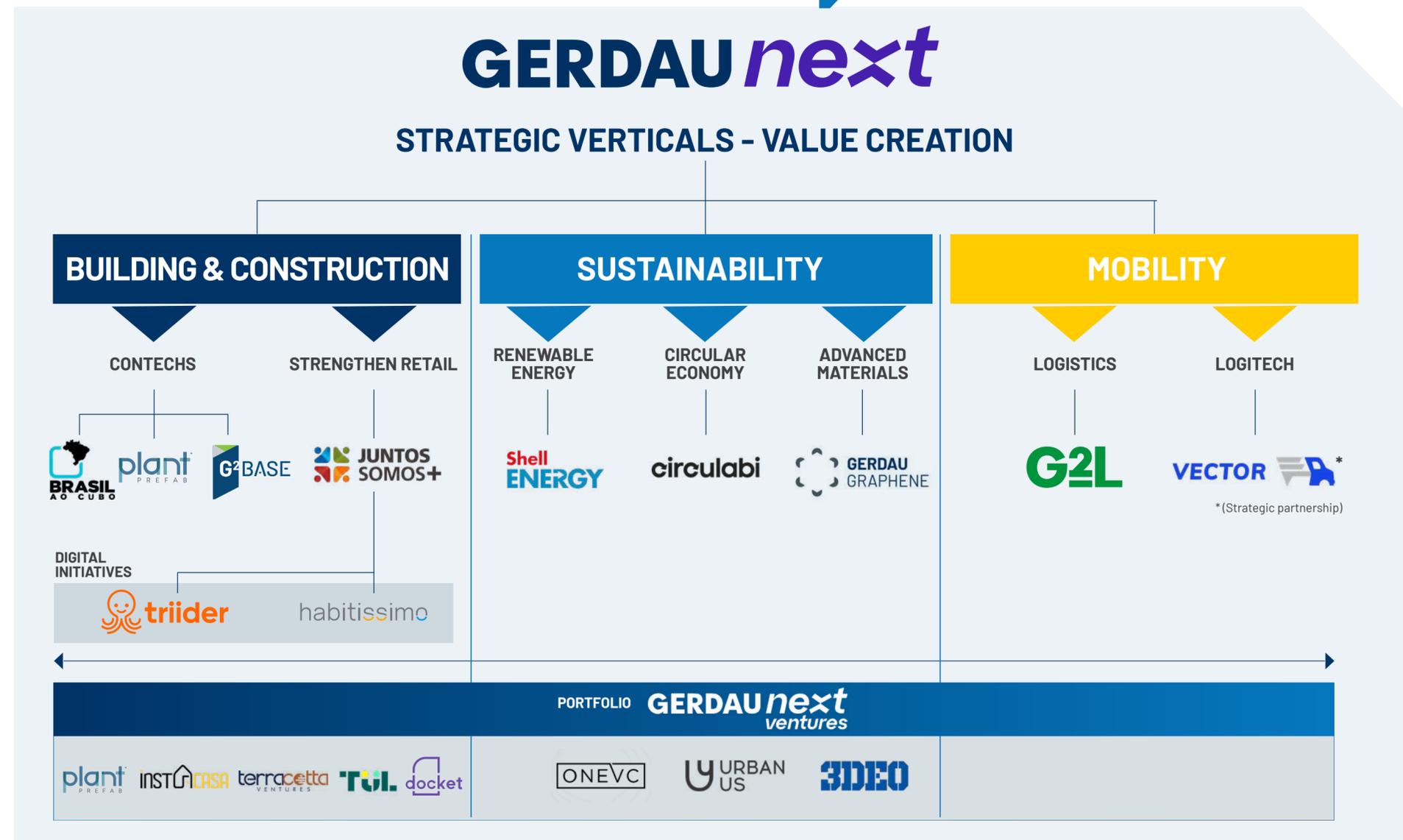
In sustainability, Gerdau Next develops renewable generation assets, and has recently formed a joint venture with Shell in Brazil to build solar farms in the state of Minas Gerais.

Circulabi is a B2B platform under development that aims to address pain points in industry across procurement, sales and MRO management, as an important solution for a circular economy.

After 4 years of extensive research and development at the Gerdau innovation center in Manchester, England, Gerdau Graphene was

founded to develop and market products with applications for graphene in the Americas.

In the Mobility vertical, Gerdau Next owns a multimodal logistics operator, G2L, that now serves 215 customers, as well as managing Gerdau's inbound and outbound logistics operations. Gerdau Next recently concluded a strategic partnership with Logitech Vector.



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A project at
the Port of
Itaqui (MA)



COMBINED STRENGTHS

Gerdaу Next's value proposition is to capture value by harnessing synergies across Group companies, delivering a full-service offering to customers, from project design through to completion. Integrating Gerdaу with Gerdaу Next construction and logistics firms.

An example of this is a turnkey, 53,000 m² project recently completed at the Port of Itaqui, in São Luís do Maranhão.

Gerdaу's scope of supply included engineering design, reinforcing steel, technical consulting, materials handling via G2L, steel foundation construction via G2Base, and project delivery via Brasil ao Cubo, in a consortium with companies specializing in port operations. We later formed a similar consortium for projects at the Port of Santos. Gerdaу delivers comprehensive services and adjacent products. The combined strengths of Gerdaу Next companies provide a competitive advantage when bidding for large industry and infrastructure construction projects.



Steel and
technical
consulting

+

G2L

Logistics

+



Foundations

+



Design and
contech



G2Base, a contech that produces and integrates foundations into steel construction projects, setting new standards for productivity, has developed a new and innovative business model for the construction sector. The company provides a full-service offering to real estate developers, including all elements needed for building foundations.

G2Base was created to address a perceived gap in delivering the innovation and services potential that Gerdaу has to offer to the real estate development value chain. An assessment found that a single point of contact for managing construction projects could improve productivity and organization in executing unique project designs. In addition, the new format supports faster and more sustainable execution: it eliminates waste, water consumption, noise, dust and vibration. The novel process reduces the final foundation block volume and ultimately the cost of the foundations, as well as requiring fewer trucks at the project site, for a leaner overall process.

G2Base is positioned as an important player in the construction value chain, leading

negotiations with customers, and deploying best engineering practices and technology to deliver innovative solutions. Superior execution productivity, for example, can be achieved using an independent profile lifting system that improves efficiency by 40%, and by using Lean Construction Management to eliminate waste, minimize safety risks to construction workers, and avoid a lack of pre-execution planning. Safety is addressed at each stage of the process, and workers' integrity is prioritized.

Using Internet of Things technology, G2Base has developed a process that employs artificial intelligence to process field data, online pile driving telemetry data and online set and elastic rebound data to increase productivity. It also uses other strategies to optimize construction logistics, including cloud and data lake solutions that provide a better understanding of the bearing behavior of each driven pile. To improve construction management, G2Base uses a customized, 100% automated project log that employs machine learning and generates data in real time, including photos, reports, documents, climate data and permits—all in the cloud.

<https://www.g2base.com.br>

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RENEWABLE ENERGY

Gerdau Next's investments in renewable energy are building momentum. Besides contributing to energy self-sufficiency in our operations, Gerdau Next is helping to develop a clean energy mix, supporting our greenhouse gas (GHG) emissions reduction targets, helping to reduce our environmental footprint, and providing long-term economic benefits to the cities where our solar farms are developed.

Shell
ENERGY

In 2021 we signed a memorandum of cooperation with **Shell Energy Brazil** to develop solar farms in the country. Our Heze Solar Farm, in the state of Minas Gerais (MG), has an installed capacity of 260 MWp and from 2024 will supply part of the electricity requirement of our steelmaking facilities in the region. Gerdau and Shell each have an equal share in the joint venture, a strategic component of both companies' energy transition and decarbonization strategies. This is a voluntary initiative to offer more products and services aligned with our efforts to build a future with a more renewable and responsible energy supply. The Heze solar farm will also sell its power output to free consumers, helping to expand generation capacity in the state of Minas Gerais and improve energy reliability in the region by developing sustainable energy sources. Also as part of the joint venture with Shell, we are exploring other renewable energy opportunities to build and expand on this alliance over the long term.

The design
of our solar
farm in
Minas Gerais

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A natural gas-fueled G2L truck



G2L, Gerdaу's logistics operator, is now positioned as one of the largest players in the segment. With a mission to deliver innovative and sustainable solutions, G2L currently serves more than 40 customers across different industries, including steelmaking, pulp and paper, building and construction, retail, agriculture, as well as managing Gerdaу's own logistics operations.

With its highly trained team and industry leadership, G2L works each day to connect and support the people who move the world. It has a presence across 25 strategic locations in Brazil, a workforce of more than 600 employees and serves more than 4,000 cities in Brazil with a wide range of solutions: transportation operations, distribution center management, control towers, intra-logistics, 4PL container operations, yard management, among other solutions.

Investing in innovation and technology has been an integral part of our business since our company was founded. Our customers are at the center of our decisions. Over the last few years we've developed a digital solution that uses artificial intelligence to simplify and build closer relationships with shippers.

In a new cycle of growth, in 2022 G2L invested R\$ 50 million to improve the quality and capabilities of its fleet, and initiative fully aligned with Gerdaу's commitment to significantly reduce greenhouse gas emissions. As part of the initiative, some of the 58 newly purchased tractor units will run on natural gas. G2L has invested more than R\$ 120 million in providing customers with a state-of-the-art fleet. Investments in technology and modern equipment help to improve safety performance at G2L.

<https://www.logisticag2l.com.br>

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Gerdau Next Ventures is the result of a merger of Paris Ventures and Ventures Gerdau. Our corporate venture capital and startup acceleration fronts have been unified into a new unit that now manages strategic investments, startups and innovation programs in an integrated manner. Gerdau Next Ventures invests in and accelerates startups that have high growth potential and strategically resonate with our new business verticals: building and construction, mobility and sustainability, working to structure winning partnerships to transform business and society. In 2021 we led the series B funding round of Plant Prefab, a California-based, B Corp-certified modular homebuilding startup that uses sustainable designs, materials and operations. We also invested in Colombian startup Tul, which has developed an innovative digital model for distribution of building materials in Colombia and Mexico. In addition, we invested in Docket, a Brazilian startup that participated in our first acceleration round, launched in 2020. We participated in the series A funding round of California-based startup 3DEO, which has developed 3D metal printing technology designed to build high-quality products at lower production costs. We successfully launched acceleration batch 2 in the US, under the theme “Smart and Sustainable Buildings”. Among hundreds of candidates, 6 disruptive startups were selected:

- ▶ **Asynos:** a turnkey, ultra-low-cost IoT sensor solution.
- ▶ **Carbocrete:** a technology that enables the production of cement-free, carbon-negative concrete.
- ▶ **cove.tool:** a platform to optimize construction projects.
- ▶ **Ivaldi:** 3D printing for digital part inventories.
- ▶ **Mobile Fluid Recovery:** a startup that transforms industrial waste into valuable and reusable resources.
- ▶ **Rematter:** a management software system for metal recyclers.

<https://www.linkedin.com/company/gerdau-next-ventures/>



Created in 2021, **Gerdau Graphene** is an additive company that focuses on the development and marketing of graphene-containing chemical and mineral additives, as well as master-batches used by the coatings, cement (concrete and mortar), plastics, rubber, and lubricant industries. Its main value proposition is to deliver additives that improve the performance of its manufacturing industry customers by incorporating graphene into its formulas.

Graphene was discovered in 2014, and is a nanomaterial comprised of carbon lattices where the atoms are linked in hexagonal structures. It is one of the crystalline forms of carbon, along with diamond and graphite. Because of its unique features, it is the greatest electrical conductor, one of the best thermal conductors, and one of the hardest and most resistant materials known to man. Its optical properties allow it to transmit almost 98% of the incident light. It is also waterproof and extremely flexible.

Led by the R&D and Product teams, and partnering with research centers in Brazil and abroad, Gerdau Graphene is an integrator along the graphene value chain, bringing this technology to industry in Brazil and the Americas.

Currently we have an advanced post at the Graphene Engineering Innovation Center (GENIC) at the University of Manchester, in the UK, and an Application Center in partnership with the IPT (Institute for Technology Research) in São Paulo, along with proprietary labs in Mogi. It is headquartered in São Paulo, and has a branch in the US.

<https://www.gerdaugraphene.com/pt.html>

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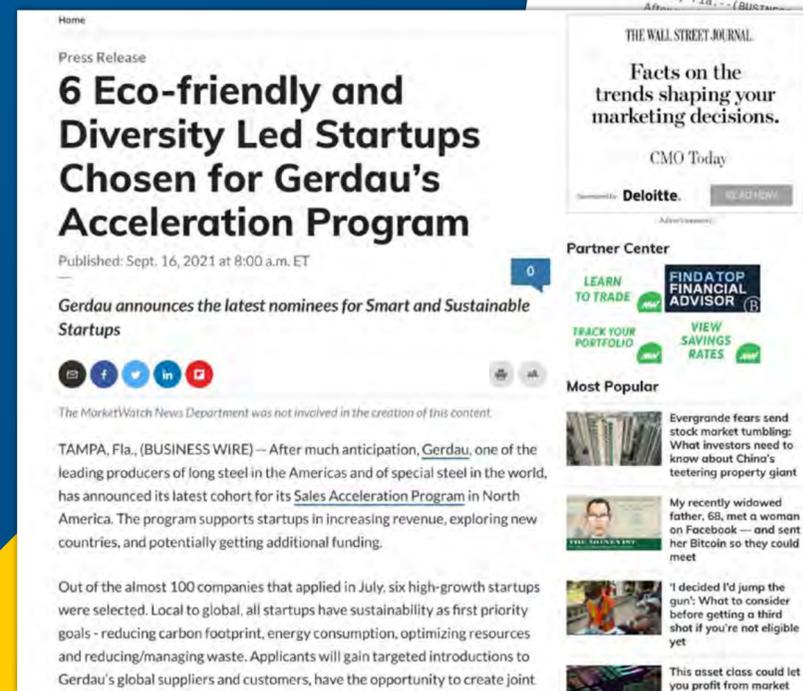
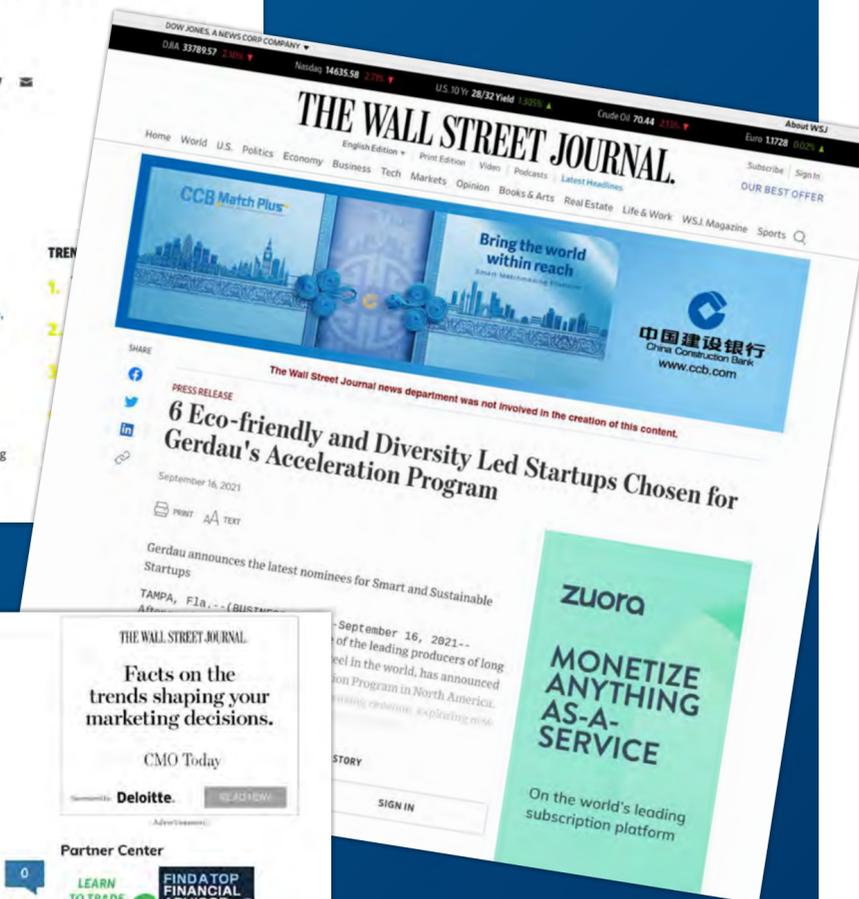
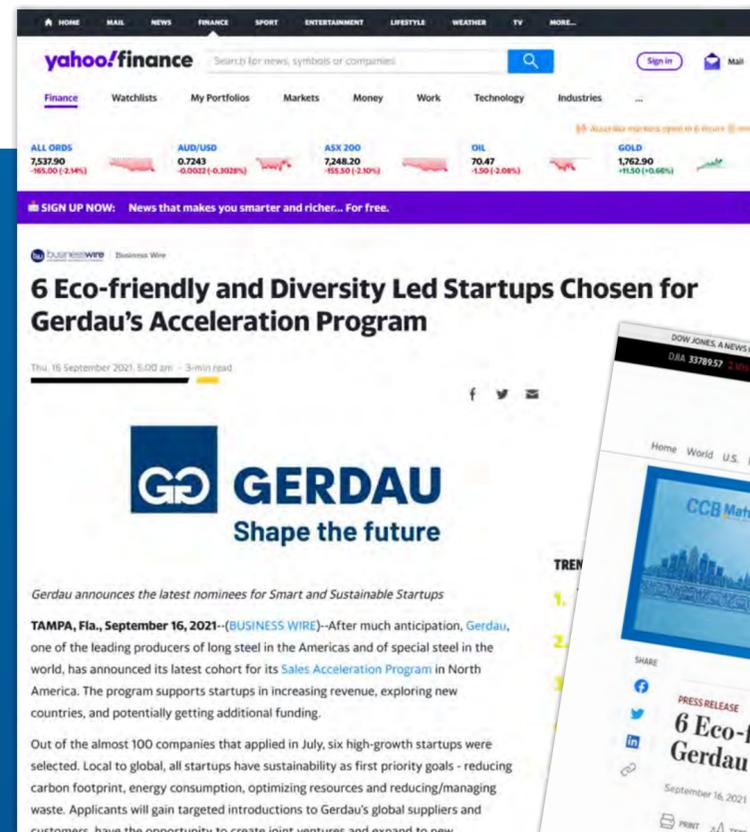
ACCELERATING STARTUPS IN THE US, CANADA, AND MEXICO

In September 2021 Gerdau chose six startups focusing on environmental sustainability, education, the impact of greenhouse gas emissions, energy consumption, resource optimization, and waste reduction/waste management in North America.

The first round of the Startup Acceleration Program took place in August, 2020 in Brazil, and focused on Contechs. Five of the 236 startups that registered made it to the end and were selected. The second round will be international and will explore other markets, a natural step as Gerdau is an important player in North America. Acceleration allows companies to expand their networks by having contact with different areas of Gerdau and their customers and partnerships. The idea is that the entire ecosystem will work together and benefit from acceleration. This program started with a commercial diagnostic in November, and was followed by weekly sales trainings and presentations to Gerdau customers.

In a second phase, startups will join company teams around the world to explore options and build a business plan around opportunities for international expansion. The entire process is led by Gerdau Next Ventures, a startup accelerator that answers to Gerdau Next, the Company's new business division.

Gerdau Next Ventures is the Gerdau Next venture capital and startup accelerator, whose mission is to diversify the portfolio, find disruptive trends, and venture into new segments.



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7 Social and relationship capital

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GRI 103-1, GRI 103-2, GRI 103-3
CBA TOPIC: STAKEHOLDER ENGAGEMENT

MATERIAL TOPIC RELATED TO THIS CHAPTER:

Stakeholder engagement



A home remodeled as part of our *Reforma que Transforma* project, in Barão de Cocais (MG)



COMMUNITY ENGAGEMENT

Our social strategy focuses on three areas: housing, education for entrepreneurship, and recycling. We believe decent housing, knowledge for personal and professional development, and care for the environment are the requirements that will lead us to a better society in future. In 2021, not only did we beat a financial record, but it was also the year with the largest social investment in our history. R\$ 128 million were invested to empower those who will build the future.

This was split into initiatives based on tax incentives, continued activities of our COVID-19 fund to address the pandemic, and initiatives linked to our social strategy in 65 towns. One of the most important is the launch of our program entitled *Reforma que Transforma* ["Transformational Renovations"], our largest social project in 120 years that, over the course of ten years, will remodel 13,000 vulnerable homes in the 12 regions of Brazil where we have operations. We expect this will benefit 50,000 people.

Our relationship with the communities is guided by our Sustainability Policy and the Corporate Social Responsibility Guidelines. There are annual internal targets for the number of people benefited, businesses developed, active volunteers, and investment.

OUR SOCIAL ACTIVITIES IN 2021

4,221,811
people benefited

R\$ 128 million
in social investments

1,969
volunteers

1,318
businesses supported



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OUR JOURNEY TO BECOME A B CORPORATION

One of our goals is to be certified as a B Corporation, a global recognition that we follow good practices in sustainability according to ESG (Environmental, Social, and Governance) criteria, and effectively link our business to our purposes, leaving a legacy for society.

The original plan was to obtain certification in three steps – the first for long and flat steel products in Brazil,

the second for our operations in North America, and the third and last phase for our operations in Latin America and special steels in Brazil. During the year we changed this plan, moving up the schedule for our Gerdau Summit and Siderperu operations, both of which advanced in the diagnostic and improvement plan and should be certified in the first half of 2022. We also postponed the certification of Gerdau Aços Brasil because of its complexity.

Since 2019 we have been on a journey in search of this recognition, starting with a self-assessment of compliance with the requirements

using a tool developed by System B. Self-assessment revealed opportunities for improvement, among them increased engagement of our supply chain with the principles and practices of sustainability, and a definition of long-term environmental goals such as reduced CO₂ emissions. We have advanced in all these areas, having created the Inspire Gerdau program in 2020 to engage suppliers in diversity and inclusion, as well as climate change efforts.

In 2021 we expanded this effort, working with our suppliers in a program for Responsible Procurement

Management, and developing an ESG module for our *Siga* leadership development training (*more about this is available in the chapter entitled [Our People](#)*). We also created a communication plan to make employees aware of the importance of individual behaviors and actions. We know that our Sustainability and Human Rights Policies and the fact that our governance includes a Sustainability Strategy Committee positions us strategically to address ESG agendas. However, we continue our efforts to advance in the criteria and achieve our goal of having all our operations certified by 2024.

A greenhouse project in Rosário, Santa Fe (Argentina)



INVOLVEMENT IN SYSTEM B

B Movement Builders is a group of large publicly traded companies that participate in System B (other members include Natura, Magalu, Danone, Bonduelle, and Givaudan). System B expects these multinationals will contribute to system growth within large corporations, and have positive impact on a major scale, bearing in mind all stakeholders. We continued to subscribe to the movement in 2021 and, to disclose and strengthen ecosystem B, we support events to debate topics such as diversity, inclusion, and climate change.



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A remodeled home in Barão de Cocais (MG)



Reforma que transforma
UMA INICIATIVA GERDAU

REFORMA QUE TRANSFORMA

Foster transformation of the housing scenario for the low-income population in Brazil, combining management expertise and industry knowledge with our vocation to be part of Brazil's social challenges. This is the goal of our largest social project in 121 years, with an initial investment of R\$ 40 million in company funds.

Created in 2021, the *Reforma Que Transforma* ["Transformational Renovations"] program is aligned with the housing dimension of our social strategy. We created this project based on having found that the greatest social demand is not to build new housing, but to improve existing housing. In this context we see three problems regarding housing in Brazil: homes put up with no technical knowledge or support, qualification of those involved in remodeling, and limited or no access to credit.

This project kicked off in 2022 and aims to renovate over 13,000 vulnerable homes in Brazil over the course of ten years, offering participating families two options, either credit at below-market interest rates, or a complete donation of the revamp, as per the social vulnerability criteria.

We believe that decent and safe housing, along with an environment that fosters well-being and health, have the power to transform and have a positive impact across all of society, improving health, education, food security, and physical safety, as well as social and family relationships. This includes preparing the entire ecosystem, training the players involved and developing a network of partner building supplies stores, creating continuous economic impact on each city and town where the project is executed.

How does it work?

The program will renovate unsafe housing by first identifying the room that is most at risk. A renovation kit will be used, capable of delivering the job in seven days and enabling time and cost control to capture scale. Subsidized credit will also be available at below-market rates to help families arrange to have their homes renovated. The funds collected will be paid back into the program, benefiting another family, and so on.

Who will benefit?

Beneficiaries will be identified with the support of city governments and project partners, using criteria defined with the social service departments in each of the 12 selected municipalities. Our goal is to impact some 50,000 people.

Where will the project take place?

Ouro Preto (MG), Ouro Branco (MG), Itabirito (MG), Barão de Cocais (MG), Divinópolis (MG), Maracanaú (CE), Recife (PE), Charqueadas (RS), Sapucaia do Sul (RS), Araçariguama (SP), Pindamonhangaba (SP) and Rio de Janeiro – district of Santa Cruz (RJ).

What has already been done?

In 2021 we completed all of the preparation steps to ensure projects can start in 2022. We visited some 400 homes and spoke to the families to understand the needs of each region. This yielded an in-depth study of the situation in each city or town. This document was delivered to the city governments and could contribute to improving public policies. We also spoke to the management in each of the participating towns, mapped the building supplies stores, the individuals capable of doing the jobs, and local partners. One of the premises for this project is that building inputs and workers must be locally sourced, helping drive the local economies.

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FACING THE PANDEMIC

As we remain in a pandemic, we invested R\$ 11 million to continue the projects to fight COVID-19. In 2020 we created the COVID-19 fund, and in 2021 continued projects to build and refurbish hospitals, donations of the supplies and equipment necessary to address the impact on public health, and grocery packages donated to the population.

In 2021 we installed new ICU beds at Hospital Municipal Vila Santa Catarina in São Paulo, a joint effort with Hospital Israelita Albert Einstein, BTG Pactual, Suzano, and Península Participações. This 40-bed Intensive Care Unit (ICU) was built in just 37 days. It joins other works such as the annexes of Dr. Moysés Deutsch Municipal Hospital in M'Boi Mirim, in the southern part of the city, which gained another 100 infirmary beds in 33 days, and Hospital Independência in Porto Alegre, which gained 60 infirmary beds in 30 days, the fastest hospital venture in Brazil, both built in 2020.

Pre-fabricated modular construction assembled on-site was used for all three hospitals. This approach is much faster than conventional construction, is cost effective, reduces waste, and increases safety. This novel off-site modular construction technique was developed by Brasil ao Cubo, a contech in the Gerdau Builders acceleration program. This presented an opportunity to combine steel, innovation, and strategic partners to make a difference in an urgent societal demand.

In 2021 we also supported the refurbishing of the Fundação Hospital in Ouro Branco, MG and the Waldemar das Dores Municipal Hospital in Barão de Cocais, MG, as well as donation of hospital equipment to the cities of Sapucaia do Sul, RS, Araçariguama, SP, Pindamonhangaba, SP, and Porto Alegre, RS.



The Hospital Municipal Vila Santa Catarina in São Paulo gained new ICUs with funds from Gerdau and other companies

CONSOLIDATED DATA FOR THE COVID-19 FUND (2020-2021):

R\$ 30 million
invested

3 hospitals
built

3 social funds
supported

9 hospitals
refurbished

Personal Protective Equipment (PPE), grocery packages, and personal care kits donated

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Our *Unidos pela Vacina* ["United for Vaccination"] movement distributed equipment to help vaccinate the population, such as refrigerators to store COVID-19 vaccines, and to accelerate the vaccination process within the Unified Health System (SUS) in four municipalities.

Oxygen concentrators

One of the urgent measures in 2020 was to increase the beds available to treat COVID-19 patients in the Unified Health System (SUS), while in 2021 the biggest demand was for respirators for patient treatment.



NÉCTAR DO FUTURO ("NECTAR OF THE FUTURE")

One of the pillars of our social activities is the concept of shared value, which combines social gains and business impact. The Nectar of the Future project, created in 2020 in Três Marias, MG is an example of an initiative based on this concept. This program brings together beekeepers who are members of beekeeper associations, focusing on management developments. The main goal of the initiative is to strengthen rural entrepreneurship in the region, contributing to economic and social development in the areas surrounding our forests.

This program allows beekeepers to place their hives in and around our forests; it also includes an acceleration program, and the production of a social product that will increase

its visibility and reinforce our commitment to beekeepers. Program participants currently have 3,000 hives that produce over 8 metric tons of wild honey. In 2021 we increased the number of participating beekeepers to 23.

We believe in entrepreneurship as a tool for social transformation and to build the future. This is why some 15 years ago we opened our forest units for beekeepers. In 2020 many of the activities we had planned were put on hold due to the pandemic, but in July 2021 we launched a 12-month acceleration program that is diagnosing, training, and supporting beekeepers in planning and management, and the processing and sale of their products.

Along with a group of **12 companies**, we helped to purchase and distribute **5,133 oxygen concentrators** for the National Healthcare System.

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FOSTERING ENTREPRENEURSHIP

In 2021, *Gerdau Transforma* ["Gerdau Transforms"], our project to train and develop entrepreneurs, trained 8,459 people in 25 groups, including dedicated groups for women and people of color. All activities were online, which enabled a broader reach. Training is free and is a partnership with Agência Besouro de Fomento Social. Participants are followed for a 90-day incubation period after the course, to address any lingering questions. In this step, 1,971 people in 466 municipalities participated.

Aprimorar ["Improve"] Project

In 2021 we resumed our *Aprimorar* program to foster professional qualification in the industry, such as welders, lathe operators, and electricians. Training is performed in partnership with Senai, and it is free and open to anyone who is interested and meets the course requirements. We have already graduated four groups, totaling 120 professionals, most of them around Ouro Branco and Divinópolis in Minas Gerais, and plan to invest R\$ 6 billion to expand and improve our units, creating even more job opportunities.

GERDAU INSTITUTE COMMITTEES (CIG)

SASB EM-MM-210B.1.

Gerdau develops social responsibility and volunteer initiatives in all of the communities where it is present. Furthermore, our governance values the local independence of the Gerdau Institute Committees (GICs) at these units.

GICs are the groups responsible to implement the local social action strategy within the needs of each location.

Each year Gerdau organizes a meeting with the community to bring it closer to the population, social organizations, and the local government. This event seeks to create a channel for dialog, increased transparency, and commitment to local development.

To implement projects, and to capture maximum impact, we use partner social organizations that are aligned with defined goals and results.

Volunteering in Jackson, Michigan



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CORPORATE SOCIAL VOLUNTEERING GERDAU

Our social activities seek to mobilize people to create social transformation, fostering civic engagement through the Gerdau Volunteer Program, where employees donate their time and skills for social development. In 2021, volunteers worked on causes linked to the United Nations Sustainable Development Goals (SDGs), such as Quality Education (74 actions), Good Health and Well-being (55 actions), Eradicating Poverty (72 actions), Zero Hunger and Sustainable Agriculture (21 actions), among others. Gerdau is a signatory of the Global Compact and is committed to promoting actions aligned with the 17 SDGs.

VOLUNTEERING NUMBERS IN 2021

231 initiatives **6,791** hours donated

1,969 employees engaged



PROGRAMA DE
VOLUNTARIADO
GERDAU



Junior Achievement

Among the main activities of our volunteer program is our partnership with Junior Achievement (JA), one of the world's leading social and education for youth organizations, where our professionals act as volunteer instructors for programs such as JA Startup, spending hours of their time on themes such as the new economy with secondary school students. In 2021, **22 groups** involved **236 volunteers** and **741 youth**.

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Junior Achievement Group in Uruguay



Sol Maior Association in Porto Alegre (RS)

SPORTS AND CULTURE SPONSORSHIPS

In addition to the initiatives already described, we also highlight social actions based on the use of tax incentives. In 2021 we made incentivized investments in Brazil in culture, sports, healthcare, funds for the elderly, and the child and adolescent fund.

We invested R\$ 7 million in Porto Alegre, supplementing state government funds to resume the construction of the cultural complex called Multipalco, a venue of theaters, arts classrooms, and other cultural venues that will

benefit the population. This job, which had been at a standstill, includes refurbishing and restoring a theater that is over 100 years old.

In Belo Horizonte, MG we reopened our Mines and Metals Museum (MM Gerdau), located on Praça da Liberdade so people can again visit in-person, after fully virtual activities throughout 2020. This museum also hosted year-end music and light events to celebrate our 120 years (*read more in the chapter entitled [Our 120th Anniversary](#)*). We should point out that in-person visits and musical shows follow all recommended health protocols for the prevention of COVID-19.

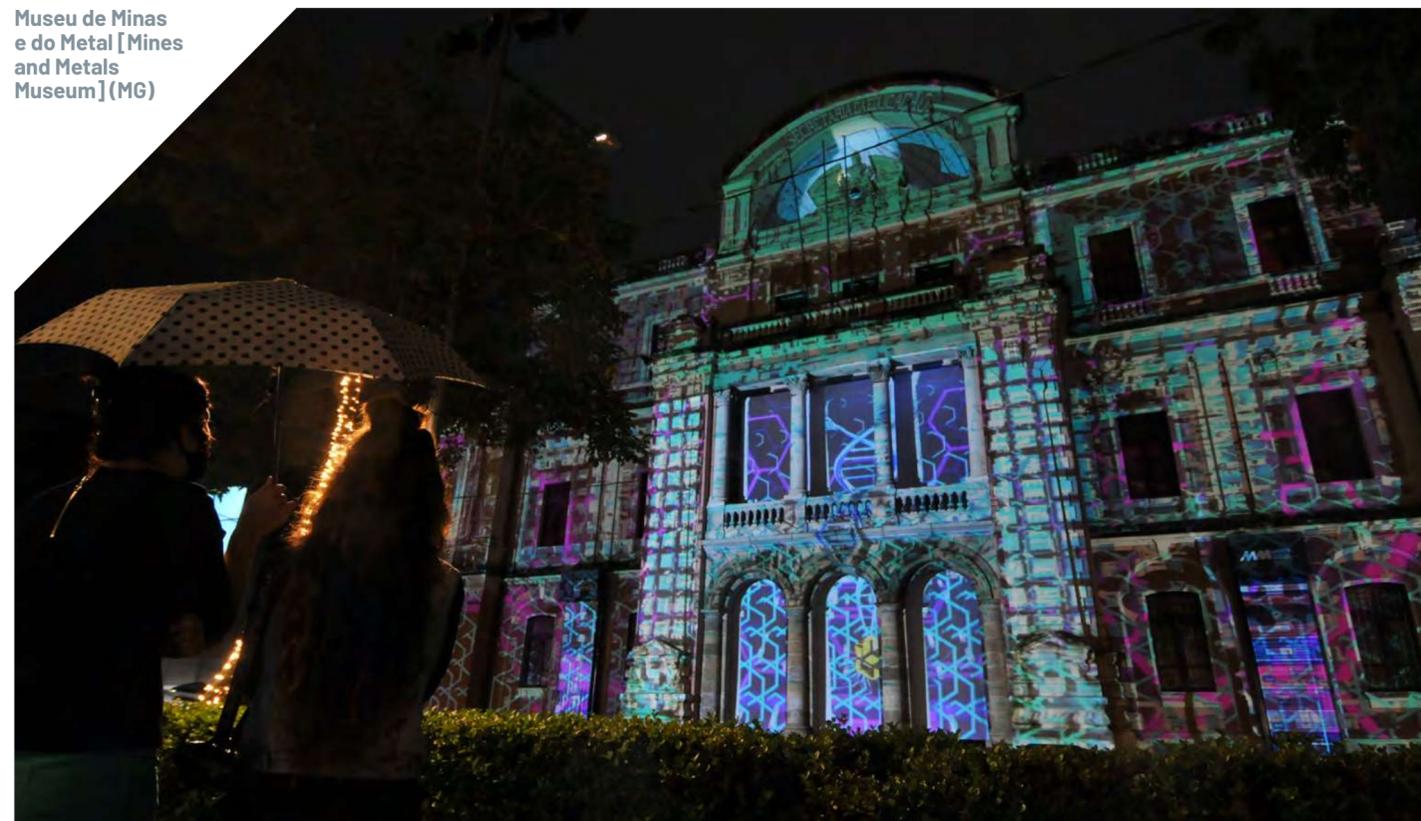
GER-2 – NUMBER OF STAKEHOLDERS INVOLVED IN ENGAGEMENT PROJECTS

Gerdau continued its social investment in the COVID-19 Fund in 2021, donating equipment to hospitals and supporting a vaccination structure that significantly increased the number of people benefited, as shown in the table below.

These numbers also include other projects such as robotics (Inova Education) in the state of São Paulo, benefiting 2,500,000 individuals). The number of volunteers is still suffering from the pandemic, and has yet to return to 2019 levels.

	2021	2020	2019
People benefiting from engagement projects	4,221,811	665,866	64,500
Number of businesses developed	1,318	1,757	604
Number of projects	479	350	400
Number of volunteers	1,969	1,538	6,400

Museu de Minas e do Metal [Mines and Metals Museum] (MG)



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GERANDO FALCÕES [CREATING FALCONS]

In 2021 we accelerated the second of Gerdau's partner social organizations, Falcons University, part of the Creating Falcons effort. The head of the Miguel Fernandes Torres Institute in Ouro Branco, MG participated in the trainings and this organization will be accelerated in the coming years, building a Creating Falcons network.

Last year Acesa, the Cultural Social and Artistic Education Association [Associação Cultural de Educação Social e Artística] of Divinópolis is the next in line to be benefited in 2022.



Lenir Castro (ACESA)
- Falcons University
Program, part
of Creating
Falcons

GOVERNMENT RELATIONS

GRI 103-1, GRI 103-2, GRI103-3 GERDAU TOPIC:
STAKEHOLDER ENGAGEMENT

Our corporate guidelines for relationships with government agents guide these relationships, whether they are direct or through a representative. When we engage in business and our productive activity we fulfill a number of tax, environmental, legal, and regulatory obligations that require dealing with government agents, thus our care to ensure these relationships are compliant.

Based on our Code of Ethics, our employees must rigorously abide by anti-corruption and anti-money laundering activities in all their interactions. Furthermore, directly or indirectly (via third parties) offering, promising, making, authorizing, or providing undue advantages, payments, gifts, or the transfer of anything of value to any person, whether a government agent or not, to illegally influence or reward any official action or possible decision in our favor is strictly prohibited.

Our rules and applicable regulations that govern our relationship with government agents are reviewed from time to time, and encourage ethics, honesty, and transparency in business.

MEMBERSHIP OF TRADE ASSOCIATIONS

GRI 102-13

Networking with our peers allows us to share insights and participate in and contribute to strategic discussions surrounding the steel industry. To this end, Gerdau is represented at some of the leading trade associations in our industry, both in Brazil and internationally, including:

- ▶ Asociación Latinoamericana del Acero (Alacero)
- ▶ Brazilian Association of Wholesale and Free-Market Power Consumers (ABRACE)
- ▶ Brazilian Association of Listed Companies (ABRASCA)
- ▶ Brazilian Association for Business Communications (ABERJE)
- ▶ Minas Gerais Forestry Industry Association (AMIF)
- ▶ American Chamber of Commerce for Brazil (AmCham)
- ▶ Conscientious Capitalism
- ▶ Minas Gerais State Industry Federation (FIEMG)
- ▶ Rio de Janeiro State Industry Federation (FIRJAN)
- ▶ São Paulo State Industry Federation (FIESP)
- ▶ Rio Grande do Sul Industry Federation (FIERGS)
- ▶ Instituto Aço Brasil
- ▶ Brazilian Mining Institute (IBRAM)
- ▶ Brazilian Investor Relations Institute (IBRI)
- ▶ Brazilian Corporate Governance Institute (IBGC)
- ▶ Business Research Institute (IEE)
- ▶ Industrial Development Research Institute (IEDI)
- ▶ Instituto Millenium
- ▶ Indústria Brasileira de Árvores (Ibá)
- ▶ Movimento Brasil Competitivo (MBC)
- ▶ United Nations (UN) Global Compact
- ▶ World Steel Association

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Jackson
and Bruno
Baltar at a
scrap yard in
Rio de Janeiro
(RJ)

OUR SUPPLIERS

12,000
in Brazil

18,000
worldwide



SUPPLIER RELATIONS

GRI 102-9

Suppliers support our manufacturing chain and the overall operation of our business, as it is they who provide the goods and services that are essential to keep us in operation, from chemicals through natural gas, energy, alloys, and all sorts of materials.

This is why they are strategic for us. We are committed to ensuring a reliable, quality, ethical, and sustainable origin along the entire chain of our products and services. This is one reason our anti-corruption policy extends to our entire supply chain. We look for relationship models where we are both interested in suppliers suitable for our business, and willing to support the growth and development of their business. This is why we have numerous measures that focus on these stakeholders, such as:

▶ **Inspire Gerdau** – This program is managed by our Procurement area, and its main role is to qualify our suppliers in issues of gender, race, LGBTI+, etc., aligning them to our principles around this agenda (*read more about this in the [Our People](#) chapter*).

▶ **Dia do(a) sucateiro(a) [Scrap Collector's Day]**– Our relationship with those who collect scrap is very important, as 71% of the steel we make comes from ferrous scrap. Despite all the technology, gathering scrap is still heavily dependent on people. This includes major corporations in different segments that seek increased circularity of their manufacturing processes, along with transparency and peace of mind regarding the disposal of their scrap, and smaller ventures and cooperatives that support their families by collecting and selling scrap. All these players are important to recycling, and we believe in long-lasting partnerships with them. We would like to be even closer to these essential suppliers, so on June 12, Scrap Collectors Day, we prepared a campaign to honor them and share some life stories involving this long-lasting relationship. The two videos developed for this activity include testimonials by real men and women in our supply chain across Brazil. Both were shared on Gerdau social media, and are available on our YouTube channel: www.youtube.com/Gerdau-Brasil

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CUSTOMER RELATIONS

Customers are at the core of all Gerdau decisions. We work to make sure we are aligned with the needs of our customers, and serve them with excellence. 2021 was a particularly challenging year. To understand this, one must remember that 2020 was the start of the pandemic and the company was hit with stopping its operations and a “V” shaped market recovery, with demand outpacing supply soon after activities started up again.

We started out by trying to address this mismatch, looking at market changes and intensifying our contact with customers. We were one of the first companies to resume commercial services, and were ready to support any needs. As a result, we increased our ability to react and respond with solutions customized on a customer-by-customer basis. In this way, we were able to ensure the continuity of our operations and support the production chain. We kept the entire chain supplied with steel.

Employees at the Açonorte, PE facility



PASSION FOR CUSTOMERS PROGRAM

All measures to serve customers with excellence were combined into a structured program that guides our commercial, marketing, and supply chain areas to take our Customer-Centricity and Customer Experience to new levels.

This program ranges from the behavioral aspect of teams, projects, and initiatives through sharing concepts and methodologies related to the theme.

Paixão pelo Cliente

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CUSTOMER SATISFACTION METRIC

We have adopted Net Promoter Score (NPS) as a metric to measure customer satisfaction and loyalty. It has become a strategic indicator for making business decisions, along with other sustainability-related indicators.

Between July 2021 and November 2021 we trained 1,200 employees in our commercial, marketing, and supply chain areas in customer-centricity and NPS. In addition to making Gerdau more connected and closer to its customers, this initiative gave it a new view of customer pain-points and opportunities. This work has yielded significant fruits, such as Gerdau Design, a consulting service to better evaluate the best construction solution for each job, a demand that emerged from open listening of customers by multifunctional teams. We also reformulated and reinforced our activation and trade marketing campaigns with our distribution channels.

Brazil using a new marketing approach

Our marketing area in Brazil was reorganized in 2021, and is now completely focused on markets and customers, split by segments such as civil construction, manufacturing industry, channels, and others so that teams can go deeper into specific demands and come up with better strategies to serve.

Agile teams

We created agile methodology squads in Gerdau's Marketing and Sales areas, as we had in other company areas. The focus is to look at the customer journey by segment, understanding their needs and bringing them into the company. Teams focused on expanding their outlook when it comes to creating unique customer experiences.



Employees at Gerdau Laisa (Uruguay) - Federico Montero and Melina Gonzalez



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MATERIAL TOPICS RELATED TO THIS CHAPTER:

Process and product innovation



Jackson Plant (US)

OUR BUSINESSES

At Gerdau, keeping our operations running with 80% of our global workforce of 36,000 people working on-site, and dealing with the lingering pandemic in 2021, remained a challenge. Prevention rules and protocols and vaccination campaigns in 2021 were important in protecting all our employees while keeping our mills fully operational.

Our vertically integrated business model, in which we produce our own raw materials and market our own products, provides a significant competitive advantage. This, coupled with our digital transformation to achieve greater customer proximity and improve operational safety controls, and our ability to adapt to the circumstances, helped us deliver exceptional results in 2021.



An employee at Gerdau Sumit in Pindamonhangaba (SP)

We set a new record for sales that supported **our highest adjusted EBITDA to date in 2021 at R\$ 23.2 billion**, with an **EBITDA margin of 29.6%**; **net income was R\$ 15.6 billion**, another all-time annual record.

OPERATING PERFORMANCE

CONSOLIDATED	2021	2020	Δ
Volumes ('000 metric tons)			
Raw steel production	13,294	12,194	9%
Steel sales	12,722	11,461	11%
Results (R\$ million)			
Net revenue	78,345	43,815	79%
Cost of sales	(57,528)	(37,884)	52%
Gross profit	20,817	5,931	251%
Gross margin	26.6%	13.5%	13.0 p.p
Selling, general and administrative expenses	(2,106)	(1,530)	38%
Selling expenses	(716)	(513)	40%
General and administrative expenses	(1,390)	(1,017)	37%
% SG&A/Net Revenue	2.7%	3.5%	-0.8 p.p
Adjusted EBITDA¹	23,222	7,690	202%
Adjusted EBITDA margin	29.6%	17.6%	12.1 p.p

¹ A non-GAAP financial measure prepared by the company. Gerdau reports adjusted EBITDA to provide additional information about cash flows in the period.

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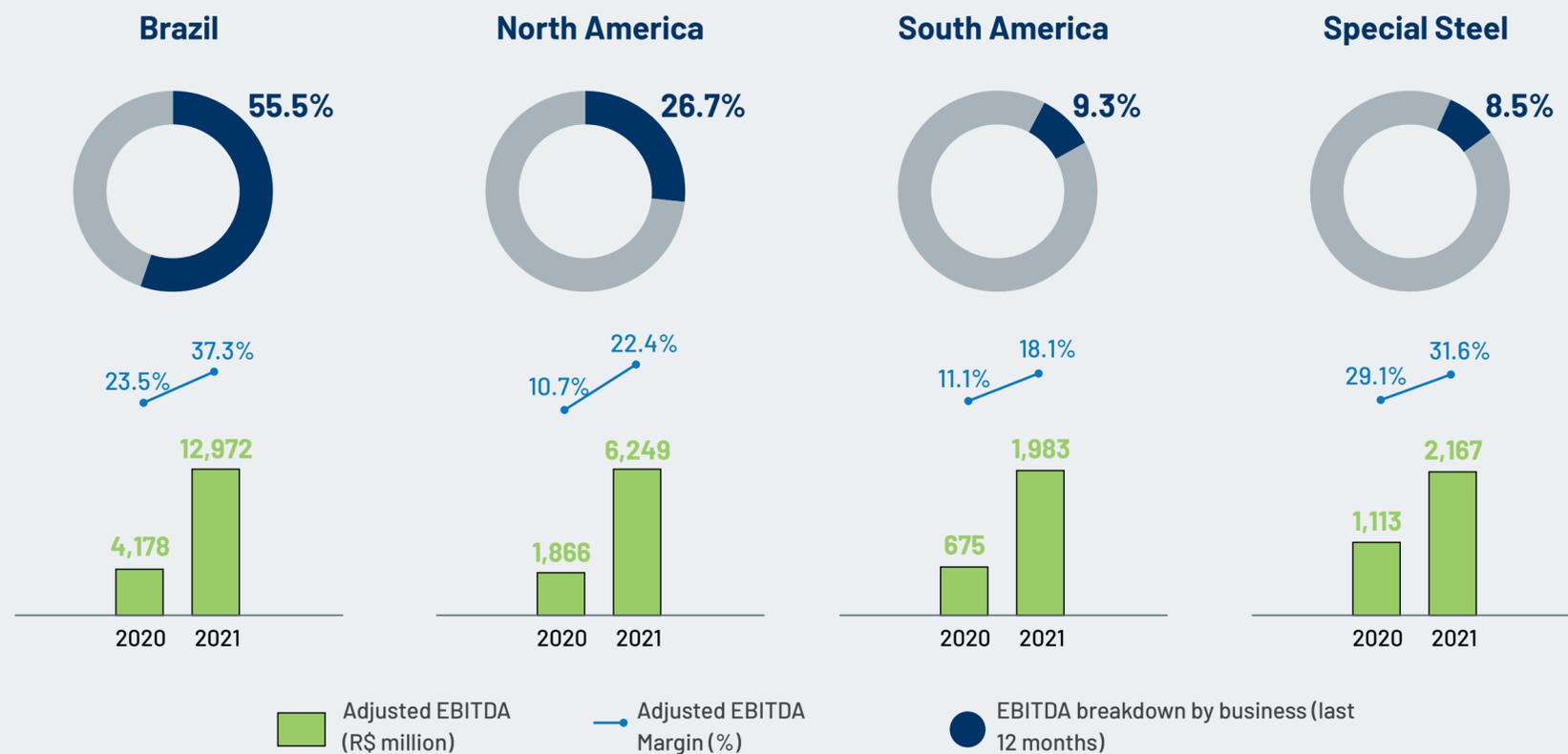


This year provided an opportunity to demonstrate that we are able to capture opportunities amid a crisis, and that our business model is resilient: 2021 will be a landmark not only as the year we celebrated our 120th anniversary, but also as the year we delivered our best financial and operating performance ever. This performance reflects the high levels of steel demand in all markets where we operate, and especially in the construction and industrial segments in North America and Brazil.

The year was also marked by important investments, with total capital expenditure of R\$ 3 billion in the period.

In 2022 we plan to invest an estimated **R\$ 4.5 billion**. Of this total, **investments in improving our environmental practices will be upward of R\$ 800 million, 33% higher** than in 2021.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN



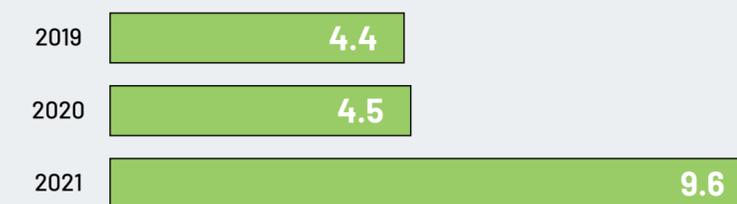
CAPEX

Capital Expenditure in 2021 (R\$ billion)



FREE CASH FLOW

(R\$ billion)



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BUSINESS OPERATIONS BRAZIL

Our Brazil operations include:

- ▶ Mills in Ceará, Minas Gerais, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul and São Paulo
- ▶ Gerdau steel distribution stores
- ▶ Vertically integrated mines in Minas Gerais
- ▶ A port terminal in Espírito Santo
- ▶ Eucalyptus forest assets in Minas Gerais

Wire rod at the Açonorte Mill (CE)



LONG AND FLAT STEEL

GRI 102-10

In 2021 we announced plans to invest R\$ 6 billion in Minas Gerais over the next five years, including in modernization, upgrades and expansion of our local operations. These investments underscore our commitment to the state's sustainable economic and social development, and will support more than 6,000 new direct and indirect job posts in the region.

Investments will span three fronts: growth, technology adoption and diversification, with improvement of environmental practices as

an overarching front. The investment plan covers all regions where Gerdau has operations, benefiting dozens of cities through the development of steel, mining, renewable energy and planted forests operations.

As another significant capital expenditure investment, we will allocate R\$ 200 million at the Riograndense Mill in Rio Grande do Sul to upgrade its melt shop facilities, implement industry 4.0 upgrades, and improve environmental and safety conditions in the steel production process, such as by modernizing the dedusting system.



An event to kick off Gerdau's investments in Minas Gerais

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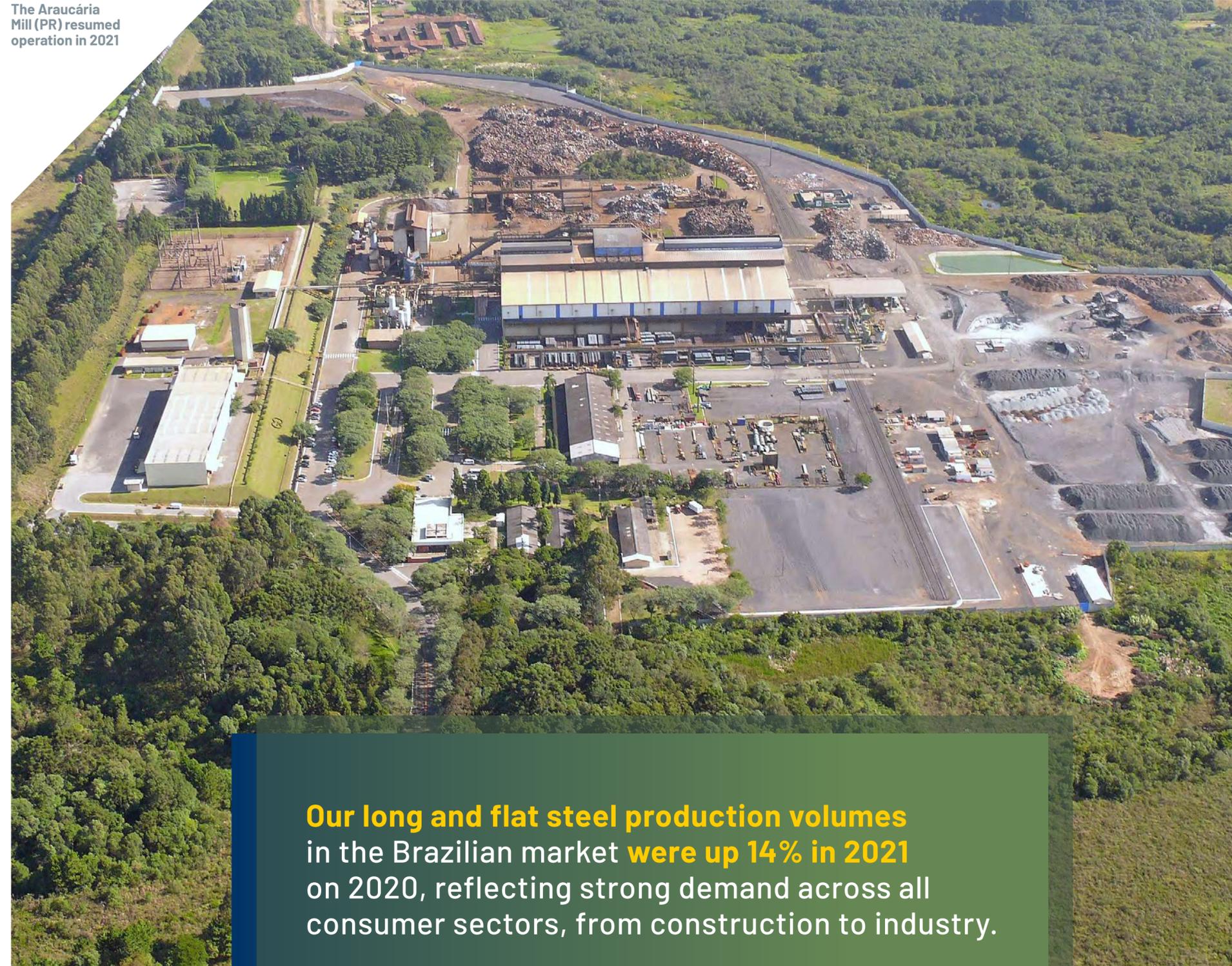
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The Araucária Mill (PR) resumed operation in 2021



We also resumed operation of the Araucária Mill (PR), with an annual production capacity of 420,000 metric tons. The mill had been curtailed since 2014 and is being gradually restarted in an investment of approximately R\$ 55 million, with volumes adjusted to accommodate growth in domestic demand. The restarted mill supports 300 direct and indirect job posts.

In response to market demand, we initiated production of a new high-strength rebar product, Gerdau GG 70, which is responsive to our customers' need for a high-performance solution that delivers improved productivity and sustainability. The new product will target a range of construction segments and especially infrastructure, industrial and retail construction.

Siderúrgica Latino-Americana (Silat), a mill located in Caucaia (CE), has been fully integrated into our operations and renamed Gerdau Caucaia, with an installed capacity of 600,000 metric tons.

We restarted rolling mill #1 at Cosigua (RJ) in mid-2021 to cater to market demand, with a raw steel production capacity of 936,000 metric tons and a rolled product production capacity of 1,520,000 metric tons.

In diversity and inclusion, in 2021 our flat and long steel business hired 800 women, with 33% of leadership positions now held by women and with nearly triple the previous number of women in operations positions.

Our long and flat steel production volumes in the Brazilian market were up 14% in 2021 on 2020, reflecting strong demand across all consumer sectors, from construction to industry.

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A Gerdau
Florestal unit in
Três Marias (MG)

FORESTRY

GRI 103-2: 304 BIODIVERSITY AND GRI 304-3

We use charcoal from planted forests as a renewable and sustainable energy source in the blast furnaces at our Barão de Cocais, Divinópolis and Sete Lagoas Mills (MG). Charcoal is used as a bioreducer in the primary stage of steelmaking. Our forestry assets span across 24 municipalities in Minas Gerais, and have been planted on land already disturbed by pastureland, agriculture or other land uses.

We currently have approximately 250,000 hectares of forests (including planted forests and native vegetation) with around 90,000 hectares set aside for conservation of biodiversity. This is important in maintaining environmental and biological stability in our plantations, as one of the primary risks of loss of

biodiversity lies in fragmented habitats, which create a number of alterations including an imbalance between pests, diseases and natural predators, as well as climate change.

Given our presence in the *Cerrado* and Atlantic Forest biomes, and recognizing their importance to Brazil's biodiversity, in recent years we have been operating under a long-term commitment to preserve biodiversity in the areas where we operate. The areas we select to preserve are based on technical variables such as: representativity, our territorial influence, areas of high conservation value as determined by the Brazilian Ministry of the Environment, and fully protected areas.

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INVESTMENTS IN SUSTAINABLE PRACTICES

GRI 102-10

Gerdau currently has approximately 150,000 hectares of planted forests used to produce charcoal as a bioreducer in the production of pig iron and steel. Gerdau uses forestry management practices that are recognized as being sustainable, ranging from plantation planning through minimum tillage (only along the tree rows) to leaving litter from the previous harvest on the soil, including leaves, branches and twigs.

Part of the R\$ 6 billion in announced investments to expand our operations in Minas Gerais will be allocated to expanding our forestry assets by 20%, illustrating their importance for our business and for improving our competitive advantage through sustainability.

As part of our efforts to implement sustainable forestry practices, in 2021 we resumed operation of our own tree nursery to improve forest yields, and we have continued to engage in scientific research on the genetic improvement of eucalyptus species of the genera *Corymbia*, *Corymbia citriodora* and *Corymbia torelliana*, which are known for their high yields, resistance to certain pests and diseases, and suitability for industrial processing.

Gerdau Florestal
(MG)

We are the world's largest producer of charcoal.

We maintain forest assets to produce charcoal, a renewable raw material that we use as a bioreducer in the production of pig iron. This gives us an important competitive differentiator compared to steel producers using coal. Charcoal also offers environmental benefits as a renewable energy source that helps to reduce greenhouse gas (GHG) emissions.



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MINES

GRI 102-10

Gerdau has continued to pursue a strategy of mining its own iron ore for steelmaking, which provides us with an important competitive advantage. We currently have two mines in operation in Minas Gerais—Várzea do Lopes, in Itabirito, and Miguel Burnier, in Ouro Preto—which produced a total of 5.6 million metric tons of iron ore in 2021.

In 2021 we resumed operation of our Miguel Burnier mine, and implemented dry-stack tailings disposal to eliminate the need for a tailings dam. In 2019 we had made the decision to shut down the mine until completing the system; last year, with the dry tailings disposal system in place, 85% of our tailings were dry-stacked.

LESS EMISSIONS

We established a partnership with Companhia de Gás de Minas Gerais (Gasmig) to use gas-fueled trucks in our mine operations. We are currently piloting the use of a single vehicle, and the results so far have been promising: vehicle performance has been similar to that of a truck running on diesel, and this provides a future alternative for our sustainability strategy.



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MINING DAM MANAGEMENT

SASB EM-MM-540A.2

Gerdau manages its mining dam facilities using stringent controls and processes, including those required by applicable laws and regulations. Our geotechnical department, which reports to our mining and raw materials director, is responsible for managing Gerdau's dam structures. A technical team monitors dam safety instrumentation and performs routine inspections. This team is also responsible for populating a dam safety database throughout the lifecycle of each dam, including post-closure.

Our monitoring system uses manual and/or automated geotechnical, hydrological and hydrogeological instrumentation to monitor pore pressures, water levels, displacement, rainfall, vibration and flow. Risk assessments are not carried out in accordance with [GISTM requirement 10.1](#).

On a monthly basis a team of independent consultants assesses the performance of our Alemães Dam, with assessment findings reported directly to our CEO. The Bocaina Dam, which has been decommissioned, is also assessed by independent consultants but not at a defined frequency.

ALEMÃES DAM SASB EM-MM-540A.3

The Emergency Response Plan for the Alemães Dam includes six-monthly emergency drills. These include both indoor as well as practical drills involving activation of emergency response resources. We also administer annual instructional lectures involving local communities and government agencies. In addition, internal training on our Mine Dam Emergency Response Plan (PAEBM) is provided to all employees working at the dam, and retraining is provided every six months. This does not apply to our Bocaina Dam, which has been decommissioned.

Dam decommissioning

We are in discussions with the appropriate authorities toward decommissioning our Alemães Dam in Ouro Preto (MG). The decommissioning work has been approved by the National Mining Agency (ANM) and is now pending validation at the state level. As part of the decommissioning project, a new tailings storage facility will be built that eliminates the risk of liquefaction, in replacement of the current upstream-raised facility.

TAILINGS STORAGE FACILITY INVENTORY TABLE - 2021 SASB EM-MM-540A.1

Facility name	Location	Ownership status	Operational status	Construction method	Maximum permitted storage capacity (t)	Current amount of tailings stored (t)	Consequence classification	Date of most recent independent technical review	Is a site-specific Emergency Preparedness and Response Plan in place?
Alemães Dam	Brazil, Minas Gerais, Ouro Preto	Operated by Gerdau	In Operation	Upstream	3,760,000 m ³ (volume)	3,260,000 m ³ (this information is not available by weight, only by volume)	High	Not applicable*	Yes
Bocaina Dam	Brazil, Minas Gerais, Ouro Preto	Operated by Gerdau	Decommissioned	Upstream	1,435,000 m ³	1,435,000 m ³	Significant	Not applicable	No

*applicable only to facilities with a consequence classification of "Very High" or "Extreme".

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SPECIAL STEEL BRAZIL

GRI 102-10



The Brazilian market for special steel has also been affected by the semiconductor shortage; as a result, vehicle production grew by a subdued 11% year on year in 2021, according to the Brazilian Association of Vehicle Manufacturers (ANFAVEA). Globally, an estimated 10 million vehicles were prevented from being produced because of the component shortage. In 2022 ANFAVEA expects vehicle production in Brazil to increase by approximately 9%.

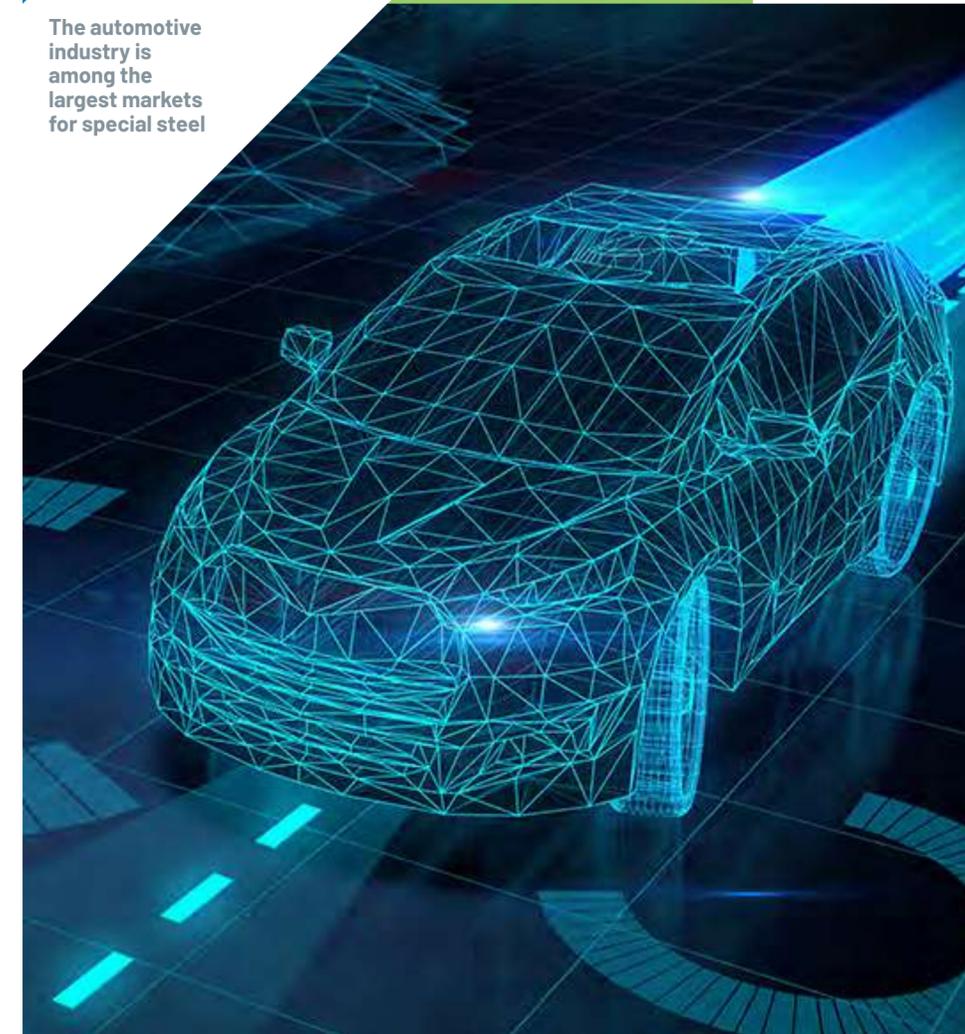
The heavy vehicle sector in 2021 registered its best performance since 2012. According to ANFAVEA, heavy vehicle production grew 74.6%, driven by robust activity in the construction, agribusiness and machinery and equipment sectors. In 2022, heavy vehicle production is predicted to continue on an upward trend, rising by more than 8%. Special steel consumption has also been driven by higher volumes of auto part exports; auto parts producers have capitalized on opportunities in the global supply chain, which has made their products more competitive in foreign markets.

We expect to start operation of the new continuous caster at our Pindamonhangaba mill (SP) in 2022. The new line will support a more automated process and improved productivity, while allowing us to deliver products with competitive differentiators and higher quality for more demanding markets.

The upgrade will also allow the mill to accommodate future growth and demand for “clean steel”, a low-inclusion, higher-quality steel product. In 2021 our special steel operation in Brazil reported its highest annual revenue from new products to date, deriving primarily from clean steel, delivering on our commitment to meeting our customers’ changing needs.

The melt shop at our Mogi das Cruzes mill (SP) was restarted in the second half of 2021, creating 150 new direct job posts. The plant had been curtailed since March 2019 and will operate at an annual capacity of approximately 180,000 metric tons of steel, which will then be rolled at the Pindamonhangaba rolling mill (SP).

The automotive industry is among the largest markets for special steel



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BUSINESS OPERATIONS NORTH AMERICA



Our North America operation comprises:

- ▶ Mills in Canada and the United States
- ▶ Jointly controlled companies in Mexico

Jackson Plant (US)



The flat and long steel market in North America was also driven strongly by civil construction. We operated at full capacity in our mills, despite the disruption caused by the pandemic, and enjoyed a record performance, racking up an EBITDA of R\$ 2.2 billion in the fourth quarter, greater than the entire amount recorded in 2020. The EBITDA margin of 27% is also a record for this operation.

This result shows the resilience of construction and industry, and continued healthy margins. The outlook for 2022 and 2023 is extremely positive for the US market. We are optimistic about the possible effects on the steel industry from the package of infrastructure investments unveiled by the government, which

intends to create many jobs and entails investments in excess of two trillion US dollars in the country over the next eight years, also allocating USD 115 billion to highways and bridges, for example.

The North American steel Association, known as Aisi, estimates that every billion dollars invested in infrastructure results in around 50 thousand metric tons of steel being consumed. An analysis conducted by KeyBanc Capital Markets found there will be an additional steel demand of three to four million metric tons a year. We also believe that strengthening local sourcing by the government and continuing commercial measures imposed on imports will continue to help maintaining the usage capacity of North American mills at high levels, in our case above 90%.

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PROGRESS ON OUR STRATEGIC PLAN

In 2021 we continued to advance our strategic plan for our long steel operations in the US, with a focus on delivering strong operating performance, creating value for customers, and expanding our product portfolio. This supported margins higher than 20% in our North America operations for the first time since 2008. We recently completed an upgrade of the structural steel and profile rolling mill at our Petersburg site in Virginia, which will increase our production output and allow us to meet our customers' different needs over the coming months. In an investment of US\$ 33 million, the upgrade will improve the unit's efficiency and productivity, and will expand its portfolio of value-added products, including beams and sheet piles, in line with future needs in the construction sector.

GERDAU SOLAR

In 2021 we initiated development of a solar farm in Midlothian, Texas, USA, in partnership with 174 Global Power, a leading solar and energy storage project developer, and TotalEnergies, an energy company. The Gerdau Solar facility is being built in a 3 million square-meter area adjacent to our Midlothian steel mill, and will have a total of 230,000 solar panels, with an aggregate installed capacity of 80 megawatts (MW).

The solar farm, due to start operation in 2022, will be one of the largest behind-the-meter (BTM) facilities in the US and will allow the adjacent mill to partially run on solar power. The project will create more than 200 construction jobs, as well as countless benefits for the community—the electricity it generates will offset the emissions of more than 13,000 average Texas households. The project is being developed under a 20-year power purchase agreement between 174 Global Power and our North America operation. TotalEnergies will enter into a 50/50 joint venture with 174 Power Global.

Steel piles used to support the solar panels in Midlothian (US)



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BUSINESS OPERATIONS SOUTH AMERICA

Our South America operation comprises:

- ▶ Mills in Argentina, Peru and Uruguay
- ▶ Joint ventures in Colombia and the Dominican Republic

In 2021, Gerdau's steel production in South America was 3% higher than in 2020, although sales rose by 30%, owing primarily to the positive performance in Peru and Argentina. Our EBITDA margin rose as a result of the meaningful contribution from joint subsidiaries in Colombia and the Dominican Republic.

We emphasize that the demand for steel by the construction and agribusiness sectors remains buoyant in Argentina, which has fueled domestic sales. Civil construction expanded by roughly 27% in 2021, according to figures from the country's Construction Chamber, Camarco.

The same situation occurred in Uruguay's steel sector.

Steel consumption in Peru remains healthy, driven by civil construction and demand for cement. According to the country's central bank, GDP grew by around 13% in 2021, with the local economy recovering to pre-pandemic levels.

Melt Shop
(Argentina)



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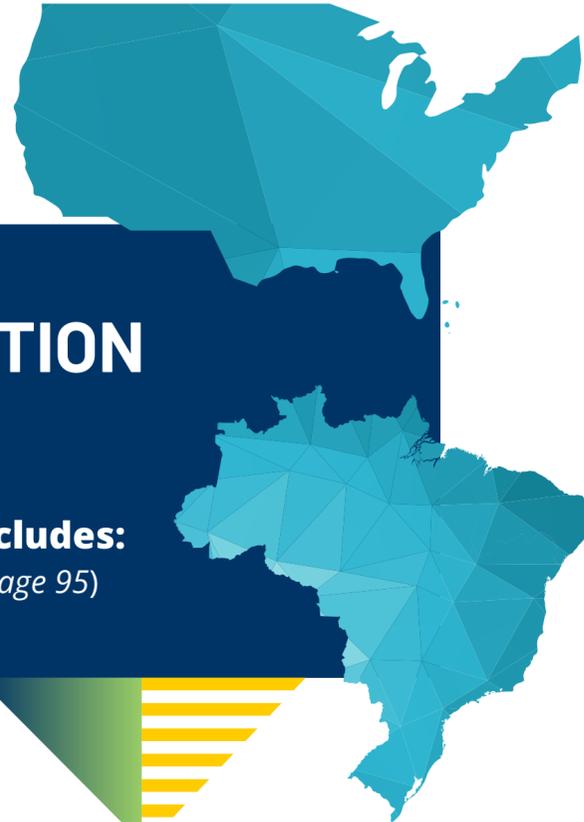
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BUSINESS OPERATION SPECIAL STEEL

Our Special Steel business includes:

- ▶ Operations in Brazil *(learn more on page 95)* and in the US



Monroe Plant (US)



US automotive production was flat with 2020 at 13 million units, primarily reflecting the semiconductor shortage in the year. A recovery is expected in 2022, with vehicle production reaching 15 million units according to projections made by local consulting firms, which also expect component inventories to gradually normalize until the market fully recovers in 2023.

In the heavy vehicle market the prospects are positive, consistent with the favorable economic outlook, with truck production expected to total 300,000 units in 2022, up from 259,000 in 2021. The oil and gas industry, in turn, should maintain its recovery momentum.

We implemented a new ERP System (Plex) in our North America operations in 2021 that will deliver important improvements in business management; the new system went live at our Fort Smith, Jackson and Huntington plants in 2021. Plex is extensively used in the automotive value chain in the US, and will allow our North America operations to capture synergies, improve communication and share information with customers.

We secured significant new business with several customers in 2021 in connection with our new product development pipeline. For example, we now offer steel to produce bearings, clean steel for highly demanding components, and special steel for steering racks.

We also made significant investments at our Monroe plant in Michigan. The unit currently has one of the most technologically advanced Special Bar Quality (SBQ) steel production capabilities in the Americas—SBQ steel has a superior surface finish for component manufacturing. We had planned a maintenance shutdown during 2020, but the COVID-19 pandemic made this impracticable, especially as we were unable to receive maintenance technicians from overseas. In 2021 we resumed the maintenance shutdown at a time when the market was seeing a surge in demand. Following the shutdown in July, the facility's melt shop performance has gradually improved, with several records being set and indicators improved. The upgrade will provide 150,000 metric tons in added production capacity in 2022.

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GRI 103-1, GRI 103-2, GRI 103-3: 301 MATERIALS;
302 ENERGY; 303 WATER AND EFFLUENTS,
305 EMISSIONS, 306 WASTE

MATERIAL TOPICS RELATED TO
THIS CHAPTER:

Co-product
management



Scrap
recycling



Water and
effluent
management



Energy
management



Climate change
mitigation and
adaptation



Gerdau Germinar
Biocenter (MG)

9 Natural capital

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ENVIRONMENT

Sustainability, anchored on our ESG (environmental, social, and governance) themes, has always been addressed by Gerdau with the depth it deserves, and in an increasingly strategic and cross-cutting way. Throughout our 120-year history we have always tried to do things right in these themes, but we wanted to go beyond, so in 2021 we advanced in integrating our environmental goals into our businesses and decisions, rather than having it as a stand-alone environmental area, placing our operations as the protagonists.

The environmental theme remains a frequent topic at meetings of our Board of Directors and strategic committees. Our Sustainability Policy and Environmental Stewardship System reinforce our commitment to creating value for our stakeholders, and break down into measures to promote energy efficiency, reduce GHG emissions, water management, and reuse and recycle waste. They reinforce the company's commitment to creating value for its stakeholders, and are in line with global best practices and regulatory guidelines. These guidelines are cascaded to all company operations, and describe the procedures and responsibilities to be followed.

The Gerdau Sustainability Policy addresses material themes related to water, effluents, emissions, energy, and legal compliance. Gerdau also has Environmental Corporate Guidelines

that describe environmental stewardship. Data is monitored using the company's sharepoint system, into which all units enter their data.

Our units are ISO 14001 certified, are audited once a year, and abide by our Corporate Environmental Guidelines. In Latin America, all our steel and mining units are ISO 14001 certified. If the management process identifies areas that require improvement, these are monitored as part of the routine of the operating units.

Over the years our ESG agenda has become increasingly important for the company's day-to-day planning and activities. Reflecting our willingness to recognize the importance of sustainability for our business, in 2021 we invested R\$ 638 million to improve our eco-efficiency practices, in technologies to protect the air, water, and soil, and in projects to implement technologies to enable better environmental performance and control in our existing facilities. This is 53% higher than the amount invested in environmental improvements in 2020.

In 2021 we invested R\$ 638 million to improve our eco-efficiency practices, in technologies to protect the air, water, and soil, and in projects to implement technologies to **enable better environmental performance and control in our existing facilities.**

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AS SOME OF OUR KEY ENVIRONMENTAL INITIATIVES IN 2021, WE:

- ▶ **Deployed and developed technology to produce iron ore using dry-stack tailings storage**, which helps to minimize the use of natural resources such as water and energy, as well as reducing dam failure risks.
- ▶ **Expanded our planted forest assets to produce biomass**, a source of renewable raw materials for producing charcoal, which we use as a bioreducer in the production of pig iron. Planted forests both provide a source of renewable raw material and help to reduce greenhouse gas emissions.
- ▶ **Modernized our environmental control equipment and processes, including dedusting, wastewater treatment plants and scrap shredders**, minimizing impacts and creating opportunities to address material topics including stakeholder engagement, water and wastewater management, and scrap recycling.
- ▶ **Implemented technological improvements to increase energy efficiency, improve natural resource conservation, minimize waste and reduce greenhouse gas intensity**, across our blast furnaces, melt shops, rolling mills and logistics operations.

Automotive
scrap to be
recycled by
Gerdau

LOCAL MONITORING

We regularly conduct assessments of our operations against indicators related to our environmental material topics. These assessments also evaluate and inform improvements to site-specific water intensity and waste reuse performance. The monitoring covered our operations in Brazil, which account for 69% of our total waste volumes and 82% of total water withdrawals. During 2021 we set water and waste targets for operations in Brazil and Argentina, as well as a global target for greenhouse gas emissions, as detailed below.



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ENVIRONMENTAL COMPLIANCE

GRI 103-1, 103-2, 103-3: 307 ENVIRONMENTAL COMPLIANCE

Environmental Compliance is one component of Corporate Governance, and consists of the system of policies and actions whereby the company relates internally to its officers and employees, and externally to customers, shareholders, commercial partners, suppliers, government, agencies, and communities. It must be efficient, reliable, and transparent.

Gerdau has a number of Corporate Guidelines on the theme, among them DC-27-1, which defines minimum and objective requirements regarding environmental stewardship and themes that are relevant for the environment.

Its goals are to be fully compliant with legal requirements and with compulsory and voluntary environmental requirements, adjusting business practices to ensure compliance that meets current societal demands, favoring the insertion of the company into the competitive market, minimizing risks and impacts, and fostering the sustainable use of natural resources.

The company manages its environmental aspects and impact, as well as its operating permits and authorizations to meet the specificities of each operation and region. It aims to minimize any impact it has on nature, anticipating risks and the possibility of environmental accidents, increasing its credibility. Annual audits are performed concerning legal requirements and ISO 14001. All facilities must be

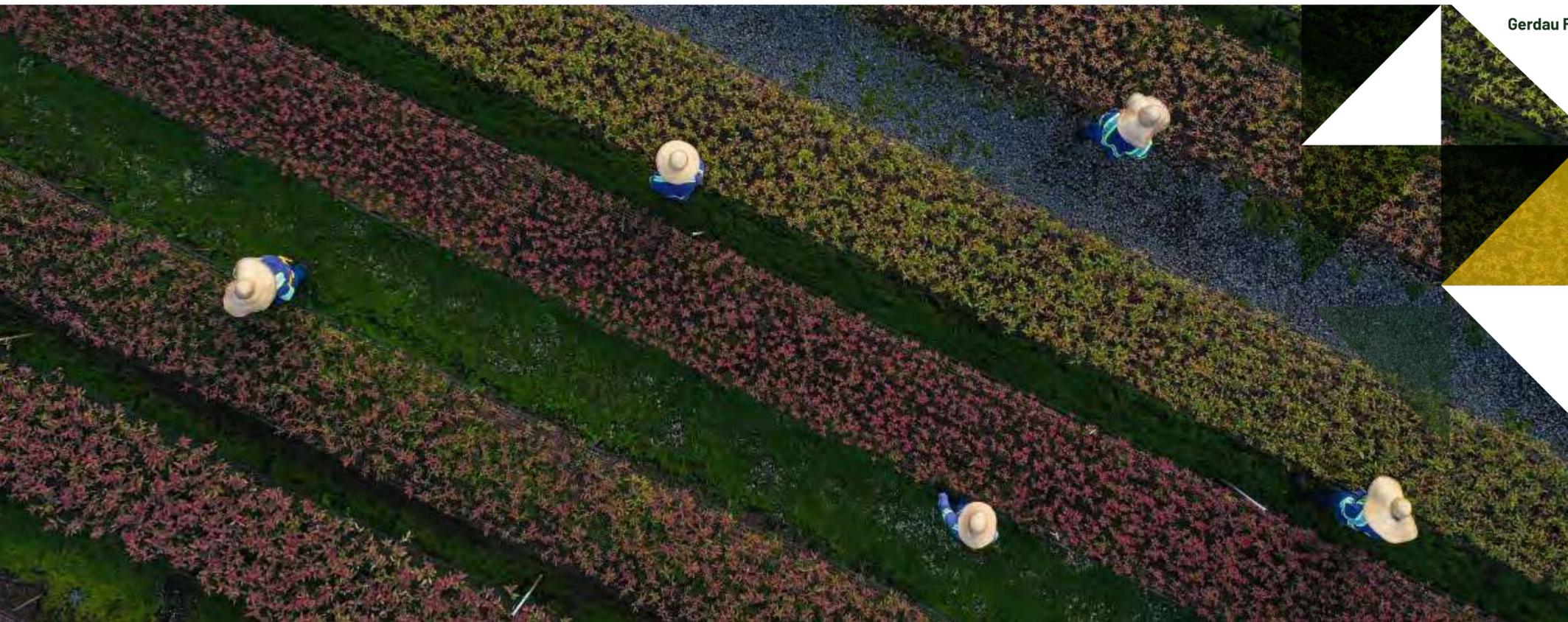
aware of their potential risks and have plans to eliminate or minimize such risks to the levels allowed, involving the Facility's Risk Committee in the decision.

GRI 307-1 NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Gerdau received no significant fines in 2021¹. In 2019 and 2020 we received four fines each year, totaling respectively R\$ 476,042.00 and R\$ 793,444.80. We also received several one-off sanctions in 2021, but which were not considered material¹; all have been either appealed against or settled.

SASB EM-MM-140A.2.

There were no incidents of or fines for non-compliance associated with water quality permits, standards, and regulations.



Gerdau Florestal Unit
(MG)

¹ The company believes that the concept of significant fines/sanctions is based on two criteria: (a) materiality: the monetary amount of significant fines, or those involving amounts of US\$ 8 million or more, and/or (b) relevance: sanctions applied as a result of failure to comply with environmental laws and regulations that could impede or limit activities, or impact the company's image.

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An employee at the Cearense Mill (CE) – Fabiane Oliveira da Silva

MATERIALS

GRI 103-1, 103-2, 103-3: 301 MATERIALS

Using recyclable materials in the steel production process creates a range of benefits and reflects Gerdau’s commitment to sustainable development. Using metal scrap helps to reduce demand for natural resources and water, while also minimizing emissions and the amount of material that is disposed of in landfills or inappropriate locations.

GRI 301-2			
RECYCLED INPUT MATERIALS USED (IN METRIC TONS)	2021	2020	2019
Pig iron (internal and external)	4,400,119.22	3,889,719.60	3,995,328.55
Alloys	211,128.08	211,926.81	192,497.89
Carburants	175,477.45	170,237.72	125,045.42
Scrap	11,733,571.20	11,482,790.78	11,548,789.24
Total raw materials consumed in the period	16,520,295.95	15,754,674.91	15,861,661.10
Total recycled raw materials	11,733,571.20	11,482,790.78	11,548,789.24

*The data excludes GJD (Dominican Republic).

The percentage of recycled input materials used in 2019 and 2020 was 73%. In 2021 the percentage of recycled input materials used stood at 71%. The difference reflects Gerdau’s adoption that year of ISO 14064 to calculate the percentage of scrap and steel. This standard excludes internal scrap and therefore reduces the total scrap amount reported.



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ENERGY

GRI 103-1, GRI 103-2: 302 ENERGY

Our energy mix includes renewable sources (charcoal, self-declared electricity, biomass and biogas) and non-renewable sources (electricity, natural gas and gas from the production process, diesel, LPG, petroleum coke, coke from the production process, coal, pig iron, anthracite, dolomite, and residual fuel oil). Currently 15% of our global energy supply is renewable.

In terms of energy consumption within the organization, renewables (biomass) consumption increased as a result of the restart of our Sete Lagoas mill (MG). Electricity consumption also fell in relation to last year, despite our higher steel production output in the year, reflecting our successful efforts to improve energy efficiency in our processes.



As part of our strategy, we are working to expand our forestry assets and invest in renewable energy.

GRI 302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION (IN GJ)	2021	2020	2019
Fuel combustion - renewable	18,429,702.21	13,905,307.00	16,459,411.14
Consumption of nonrenewable fuels	101,064,890.70	97,629,276.94	103,617,713.96
Electricity consumption	32,516,819.29	33,830,905.40	31,124,473.81
Total energy consumption within the organization:	152,011,412.21	145,365,489.34	151,201,598.91

Note: Gerdau does not sell the electricity it produces. Joint ventures in which Gerdau does not have operational control are not included.

Fuels included in the calculation:

Renewable: Biogas from landfills, biomass/other solid primary biomass, charcoal and hydrous ethanol.

Non-renewable: acetylene, anthracite, metallurgical coal, coking coal, petroleum coke, diesel, melt shop gas, blast furnace gas, coke furnace gas, liquefied petroleum gas (LPG), natural gas, gasoline, lubricants, renewable wood, refinery raw materials, fuel oil, propane and kerosene.

Beginning in 2022, all Gerdau units will compile GHG emissions and energy inventories using the WayCarbon climate tool. This will help to make reported information more reliable. The methodologies and emission factors used are those published by Worldsteel, the GHG Protocol and the IPCC.

GRI 302-3	2021	2020	2019
'Energy intensity in GJ/t of steel produced	11.18	11.06	12.14

Gerdau uses production output (metric tons of steel produced) as the denominator in calculating energy intensity. All types of energy used within the organization are taken into account (fuel and electricity).

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Ouro Branco
(MG)

We have a stake in the concession of the hydropower plant Dona Francisca Energética S.A. (DFESA), in Rio Grande do Sul, with a nominal capacity of 125 MW, corresponding to around 7% of our overall consumption. Through our 100% renewable energy self-declaration, we managed to discount some 38 thousand tCO₂e of our Scope 2 emissions of the industrial facilities in Pindamonhangaba and Mogi das Cruzes (SP). This achievement reflects our efforts and initiatives to drive down our emissions.

At our Ouro Branco (MG) mill we internally generate approximately 70% of our energy requirements, using gases produced during the steel-making process.

In recent years we have been putting together a strategic plan to decarbonize our energy mix and our on-site electricity production. For this reason, in 2021 we carried out important actions to generate clean energy to power our two manufacturing sites. We contracted 79 MW in long-term PPAs without emitting carbon and clauses relating to social investment targets for generation ventures.

Electricity is a key component in raw steel production, an energy intensive process, and cannot be substituted. Investing in renewable energy sources with low CO₂e emissions is one of the fundamental pillars for the ongoing economic and sustainable growth of our business. We constantly strive to raise the awareness of the entire energy consumption chain, mapping consumer areas and opportunities in projects and initiatives.

SASB EM-IS-130A.1 AND EM-IS-130A.2	2021	2020	2019
Total energy consumed (in GJ)	152,011,412.21	145,365,489.34	151,201,598.91
Percentage grid electricity	21%	23%	25%
Percentage renewable	1%	ND**	ND**
Percentage coal	32%	ND**	ND**
Percentage natural gas	17%	ND**	ND**
Percentage renewable fuel	12%	10%	11%

*This figure refers to electricity supplied by Dona Francisca Energética S.A., a utility that supplies electricity from a hydroelectric dam, in which Gerdau has a 51.82% equity interest.

**Gerdau began reporting this disclosure in the current reporting period, and comparable data is therefore unavailable for previous years.

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In conjunction with Shell Brazil, in 2021 we also signed a collaboration agreement to set up a photovoltaic farm in the municipality of Brasilândia de Minas, in northern Minas Gerais state, which will have an installed capacity of 190 MWdc. The Aquarii farm will supply part of the clean energy to Gerdau's steel-making mills and another part to be sold in the free market through Shell's energy trader from 2024, also contributing by selling energy to free consumers, helping increase the generation capacity of Minas Gerais state and improving the region's energy security by producing more renewable energy.

We also installed a solar farm in the city of Midlothian, Texas, USA, in partnership with 174 Global Power and TotalEnergies, leading firms in solar energy. The Gerdau Solar photovoltaic farm will be built in an area occupying 3 million square meters adjacent to Gerdau's mill in the Texan city and will boast 230 thousand solar panels, with a total capacity of 80 megawatts. Scheduled to be opened in 2022, it will be one of the largest behind-the-meter (BTM) facilities in the USA and will allow Gerdau's mill to run on solar energy. The venture will create 200 jobs, as well as countless benefits for the community - the generated energy will offset the average emissions of more than 13 thousand homes in Texas.



OUR FORESTS

In addition to newly developed renewable energy sources, such as solar and wind, our energy mix includes charcoal produced from planted forests. In 2021, we produced 409,182.3 metric tons of charcoal bio-reducer for our steelmaking process. Unlike coal, a nonrenewable fossil fuel, charcoal is a renewable material produced by carbonizing biomass from planted eucalyptus trees. We are the largest charcoal producers in the world and, because it is a renewable

resource, our steel production operations using charcoal are considered carbon-neutral, helping to reduce our global emissions footprint.

In 2021 our forest carbon stocks totaled 13.6 million tCO₂e. These stocks are not deducted from our greenhouse gas emissions, but demonstrate the important role our forests play in providing environmental benefits.

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WATER MANAGEMENT

GRI 103-1, GRI 103-2, 103-3:

303 WATER AND EFFLUENTS, GRI 303-1

Water conservation and its optimized use are material themes for Gerdau, and vital inputs for the company's operations. This makes water utilization and reuse along the entire value chain even more important for the company's operations. Water stewardship is part of Gerdau's strategy, and it constantly invests in programs for efficient water recirculation, decreasing the intake of new water and reducing effluents and the environmental impact of their disposal. This theme is analyzed based on the listing of environmental aspects and impacts, the environmental stewardship practices, and as a material fact in risk assessment scenarios. Our operating facilities monitor water intake, treatment, and use. This information is monitored on a daily basis and displayed on the visible management dashboard, an important tool for the operation's governance and control.

Reducing water use and reusing it across our value change are part of our investment in environmental programs, as are efficiency, recirculation, reducing new water intake, reducing effluents, and the environmental impact of their disposal, which is part of our Sustainability Policy.

The Company constantly strives to quantify the amount of water used, where it comes from, and where and how it is disposed of. Thus we monitor water use, reuse, and recirculation systems in all our plants, and are able to reuse 97.6% of the water we used in production. In 2021 a total 1.98 billion m³ of water were recirculated.

Our units monitor all water intake, use, and distribution points. We have a roadmap for Brazil that is based on the business' sustainability and process stability levers, and have an inventory of all the demand required to mitigate existing gaps (internal and external visions) measured against the management of operational risks, and systematically added to our operational and investment plans to ensure continuous and progressive improvements.

The specific indicator of water use is monitored by the ESG Squad, and broken down into guidelines and actions for all operating units. The Strategy and Sustainability Committee met in February 2022 and decided the company would participate in the Carbon Disclosure Project Water Security Module, reaffirming our transparency and commitment to the theme.

In 2021 we achieved our water intake target for our facilities in Brazil of 5.9 m³/ton of steel produced. In fact, the actual result was 4.6 m³/ton of steel produced, a 5% decrease.

Our target for 2022 is 5.2 m³/ton of steel produced for our facilities in Brazil, and 1.6 m³/ton of steel produced for our facilities in Argentina. We constantly focus on improving our water stewardship and water crisis management, and focus on achieving our target water consumption.

Our Whitby mill in Canada **reduced its water consumption per metric ton of raw steel by 15% in 2021 compared to 2020**. This was achieved by identifying areas for improvement in the mill's operations and in water management.



The Barão de Cocais mill (MG)

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GRI 303-5 WATER WITHDRAWAL, DISPOSAL AND CONSUMPTION	2021		2020		2019	
	All areas	Only areas with water stress	All areas	Only areas with water stress	All areas	Only areas with water stress
Water withdrawal (in megaliters)	48,915.23	6,486.92	51,428.82	7,120.91	50,938.37	7,503.98
Water discharge (in megaliters)	29,347.46	2,860.39	30,518.21	2,205.27	24,039.69	405.70
Water consumption (in megaliters)	19,567.77	3,626.53	20,910.60	4,915.64	26,898.68	7,098.28

GRI 303-3 AND SASB EM-IS-140A.1 WATER WITHDRAWAL (IN MEGALITERS)		2021		2020		2019	
		All areas	Only areas with water stress	All areas	Only areas with water stress	All areas	Only areas with water stress
Surface water	Freshwater (total dissolved solids ≤1,000 mg/L)	33,969.31	2,185.99	36,787.26	2,048.79	39,021.39	2,351.74
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	58.86	0.00	58.78	0.00
	Total	33,969.31	2,185.99	36,846.12	2,048.79	39,080.17	2,351.74
Groundwater	Freshwater (total dissolved solids ≤1,000 mg/L)	10,376.34	2,565.71	11,012.99	4,524.37	7,753.87	4,088.61
	Other water (total dissolved solids >1,000 mg/L)	1,277.05	1,088.65	479.34	0.00	100.28	0.03
	Total	11,653.39	3,654.36	11,492.33	4,524.37	7,854.15	4,088.64
Seawater	Freshwater (total dissolved solids ≤1,000 mg/L)	0.00	0.00	0.00	0.00	0.00	0.00
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	0.00	0.00	201.50	0.00
	Total	0.00	0.00	0.00	0.00	201.50	0.00
Produced water (e.g. water collected from a mine)	Freshwater (total dissolved solids ≤1,000 mg/L)	0.00	0.00	0.00	0.00	6.58	0.00
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	6.58	0.00
Utility-supplied water	Freshwater (total dissolved solids ≤1,000 mg/L)	2,906.09	598.19	2,663.84	547.42	3,145.75	265.02
	Other water (total dissolved solids >1,000 mg/L)	48.37	48.37	142.45	0.33	98.38	32.00
	Total	2,954.46	646.56	2,806.29	547.75	3,244.12	297.02
Rainwater (harvested and stored directly by the organization)	Freshwater (total dissolved solids ≤1,000 mg/L)	338.08	0.00	147.79	0.00	558.42	125.61
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	136.28	0.00	0.00	0.00
	Total	338.08	0.00	284.07	0.00	558.42	125.61
Total water withdrawals	Freshwater (total dissolved solids ≤1,000 mg/L)	47,589.81	5,349.90	50,611.89	7,120.58	50,479.43	7,471.94
	Other water (total dissolved solids >1,000 mg/L)	1,325.42	1,137.02	816.93	0.33	458.94	32.04
	Grand Total	48,915.23	6,486.92	51,428.82	7,120.91	50,938.37	7,503.98

Note: Operations have been classified in terms of their location in areas with water stress using the Aqueduct Water Risk Atlas.

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GRI 303-4 WATER DISCHARGE (IN MEGALITERS)		2021		2020		2019	
		All areas	Only areas with water stress	All areas	Only areas with water stress	All areas	Only areas with water stress
Surface water	Freshwater (total dissolved solids ≤1,000 mg/L)	28,704.32	2,800.51	29,950.48	2,149.12	23,183.61	258.42
	Other water (total dissolved solids >1,000 mg/L)	24.46	0.00	71.68	0.00	11.18	0.00
	Total	28,728.78	2,800.51	30,022.16	2,149.12	23,194.79	258.42
Groundwater	Freshwater (total dissolved solids ≤1,000 mg/L)	0.00	0.00	0.91	0.00	43.77	1.13
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.91	0.00	43.77	1.13
Seawater	Freshwater (total dissolved solids ≤1,000 mg/L)	90.04	0.00	83.11	0.00	75.55	0.00
	Other water (total dissolved solids >1,000 mg/L)	0.00	0.00	0.00	0.00	0.00	0.00
	Total	90.04	0.00	83.11	0.00	75.55	0.00
Utility-supplied water	Freshwater (total dissolved solids ≤1,000 mg/L)	487.59	38.99	379.63	35.10	714.68	135.25
	Other water (total dissolved solids >1,000 mg/L)	41.05	20.89	32.40	21.05	10.90	10.90
	Total	528.64	59.88	412.03	56.15	725.58	146.15
Total water discharge	Freshwater (total dissolved solids ≤1,000 mg/L)	29,281.95	2,839.50	30,414.13	2,184.22	24,017.62	394.80
	Other water (total dissolved solids >1,000 mg/L)	65.51	20.89	104.08	21.05	22.08	10.90
	Grand Total	29,347.46	2,860.39	30,518.21	2,205.27	24,039.69	405.70

Gerdau complies with the regulations on discharged water quality applicable in each location. The priority substances of concern included in the calculation are primarily heavy metals, oil and grease, and chloride. A dedicated system is used to address deficiencies, avoid incidents and ensure the quality of the water we return to the environment. **GRI 303-2**

SASB EM-IS-140A.1		2021
Total fresh water withdrawn (in megaliters)		47,589.81
Percentage recycled	Water recycled (in megaliters)	1,977,780.00
	Percent	97.6%
Percentage in regions with High or Extremely High Baseline Water Stress	Water withdrawn in regions with High or Extremely High Baseline Water Stress (in megaliters)	5,349.90
	Percent	11%

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Water and Energy Crisis Committee

GRI 103-2: 302 ENERGY AND 303 WATER

In 2021, the imminence of a water crisis in Brazil stressed the importance of producing our own energy to supply our operations, as 74% of our energy comes from hydro plants that are not under our control. Thus, we created an Energy and Water Crisis Committee to focus and guide decisions on this theme throughout the year.

The possibility of a water shortage highlighted the need to protect ourselves from our dependence on third party supplies based on hydro power. For this reason we are reinforcing opportunities to generate our own energy with renewable solutions such as solar and wind energy, both of which are being prospected by Gerdau Next.

REDUCING WATER USE

Gerdau Araçariçuama, SP and Nalco Water, have developed and implemented projects to increase the concentration cycle of our cooling systems to reduce the amount of water these units use.

The projects also improved their performance and lowered total operating costs. In addition to eliminating the use of chemicals that add chloride to the system, the project improved the quality of the water with fewer chemicals.

This project enabled reducing the amount of chemicals used a year by 81 metric tons, and improved the quality of the water in the direct system (36% fewer suspended solids), improving equipment performance.



Managing
greenhouse
gas emissions
is a priority

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SCRAP RECYCLING

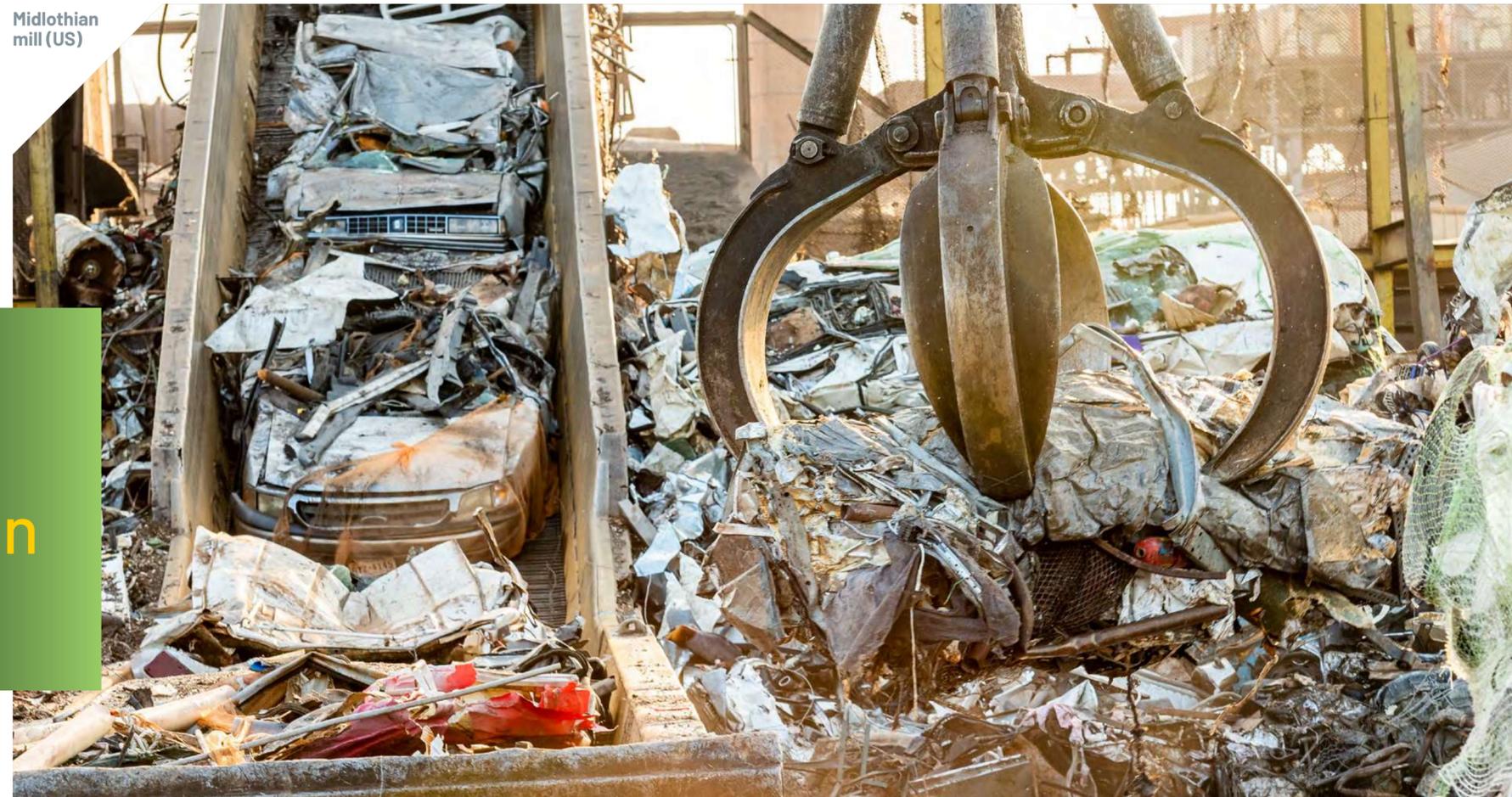
GRI 103-1, GRI 103-2, GRI 103-3: 301 MATERIALS

Gerdau is the largest ferrous scrap recycler in Latin America. Approximately 71% of the steel we produce is made from recycled scrap from two primary sources: dismantled home appliances and industrial waste.

Our primary source is end-of life scrap, such as discarded stoves, refrigerators or cars. These scrap materials are supplied by partner junkyards. The second source is industrial scrap, from industries such as the metalworking, infrastructure, automotive, auto parts, machinery and equipment industries.

All scrap-related operations are internally audited to ensure the origin of the source product can be reliably traced. Steel is infinitely recyclable and using ferrous scrap as a raw material at our semi-integrated mills has a positive effect in mitigating climate change: it helps to save on natural resources, reduces energy consumption, and minimizes greenhouse gas (GHG) emissions.

Midlothian
mill (US)



METAL SCRAP
IN 2021

11 million
metric tons

RAW MATERIAL SUPPLY AFTER THE ECONOMIC RECOVERY

With the pandemic affecting the collection of household scrap in 2020, impounded vehicles abandoned at state agencies were among the alternative sources to offset the shortfall.

Following the consumption and industrial recovery in 2021, scrap generation rapidly returned to pre-pandemic levels, but the logistics chain was not prepared for the rebound. Gerdau engaged closely with scrap retailers, helping small scrap collectors and cooperatives to sell their stocks and remove bottlenecks. This had a positive impact on recycling and on all agents involved.

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Gerdau Corsa
(Mexico)

Our Gerdau Corsa mill signed a **US\$ 60 million** Sustainability Facility with BBVA México in 2021 for scrap imports. This is the first sustainability-linked letter of credit issued by BBVA México's transactional bank.

The transaction is classified as a sustainability-linked credit facility in the Pollution Prevention and Management category, and is directly connected to the following Sustainable Development Goals (SDGs): Good Health and Well-Being, Sustainable Cities and Communities, and Responsible Production and Consumption.

All Gerdau Corsa steel is produced from recycled ferrous scrap, and the facility provides significant environmental benefits: each year the mill uses more than 1 million metric tons of scrap; each metric ton avoids **1.5 metric tons of CO₂** emissions and the consumption of **1.4 metric tons of iron ore**, **740 kg of charcoal** and **120 kg of lime**.

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WASTE AND CO-PRODUCTS

GRI 103-1, 103-2, 103-3: 306: WASTE
SASB EM-MM-150A.10

Managing waste materials and co-products is a material topic for Gerdau. The steel industry inherently generates substantial volumes of process waste and co-products. Within a circular economy and zero disposal concept, co-products can provide added value if recovered, reused, remanufactured or recycled. Gerdau has made a significant effort to develop technology routes for reusing these materials within our mills or in other applications, in order to minimize the need for landfilling and waste dumps. This creates not only environmental but also financial benefits, by allowing us to extract more value from our co-products while conserving natural resources, generating water savings, reducing or eliminating the need for landfilling, and generating new revenue streams from co-product applications.

Gerdau is committed to minimizing waste from our industrial process. We achieve this by developing technology routes that allow us to use these materials either within the mill or in other applications.

Waste and co-products are managed by Co-products and Environment teams in each operation, based on corporate environmental standards and with support from our Research & Development department, which works to develop technologies and new applications for co-products based on circular economy and sustainability principles. Materials generated by the process other than steel— including mill scale, steel aggregate and filter bags—are further processed, as applicable, and kept in storage

for subsequent reuse, helping to conserve natural resources by returning them to the production cycle instead of discarding them.

Our Sustainability Policy and Corporate Environmental Standard encourage the reuse of co-products in other production processes to avoid landfilling.

In order to identify alternative, environmentally compliant methods of reuse and disposal, Gerdau carries out both internal audits on

the environmental management of industrial operations as well as external audits on the facilities receiving our waste materials and co-products, to ensure they are compliant with applicable environmental laws and regulations.

In 2021 Gerdau’s Ouro Branco mill achieved its highest recycling and reuse rate in six years, with reuse exceeding generation of the following co-products: steel aggregate, melt shop fines, industrial residue and blast furnace dedusting ash.



Applying a co-product on a rural road (MG)

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WASTE GENERATION GRI 306-3 AND SASB EM-MM-150A.7

The main waste materials we generate are:

WASTE GENERATED (IN METRIC TONS BY COMPOSITION)	2021	2020
Hazardous waste (Class I)	288,896.37	352,674.23
Nonhazardous waste (Class II)	6,786,098.79	6,151,350.77
Total	7,074,995.17	6,504,025.00

Hazardous waste (Class I): iron(II) chloride, lime waste, oil and grease, melt shop dust, lead-containing ash and sludge, and combustion chamber dust.

Non-hazardous-waste (Class II): blast-furnace clay, blast-furnace slag, ladle-furnace aggregate, stainless steel slag, steel aggregate, coke fines, ore fines, melt shop ferrous oxide, bioreducer millings and fines, non-ferrous scrap, scrapyard residue, off-gas dust, refractory scrap, mill scale, fine scale/mud from the shredder, zinc-containing sludge and ash.

**Waste materials have been classified based on Brazilian regulations.*

GRI 306-1

Waste materials generated in our industrial activities and production process have the potential to cause soil, surface water and groundwater contamination. These include:

Hazardous industrial waste: melt shop dust, oil and grease, and sludge from wastewater treatment plants.

Non-hazardous industrial waste: granulated blastfurnace slag, off-gas dust, blast-furnace clay, steel aggregate, ladle furnace aggregate, melt shop iron oxide, bioreducer dust, bioreducer millings, ore fines, fluff, metal oxides and nonferrous metals.

Hazardous non-industrial waste: healthcare waste and lightbulbs.

Non-hazardous nonindustrial waste: construction waste, and scrap wood and rubber.

Gerdau products contain no hazardous components. This information is stated in the product description on the sales invoice.

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Applying a
co-product in
Ouro Preto (MG)

GRI 306-2 AND SASB EM-MM-150A.10

Gerdaú encourages the use of its co-products, and their use in other manufacturing processes, avoiding landfilling whenever possible.

Hazardous waste is submitted to specific monitoring using the hazardous cargo (input) checklist, which is based on an analysis of the MSDS for each material as it arrives at any of our operational facilities. Monitoring is performed by teams of facilitators at the operational facilities using the instructions in our management procedures, which include:

- ▶ Listing the environmental issues and an assessment of the associated impact;
- ▶ Life-cycle of the inputs, products, wastes, etc.;
- ▶ Verification of Environmental Compliance;
- ▶ Reviewing the Environmental Aspects and Impacts (LEAI) spreadsheets;
- ▶ Support for checking the effectiveness of the proposed control measures;
- ▶ Defining and monitoring environmental control measures and operating standards;

- ▶ Implementing and monitoring the required control measures;
- ▶ Informing employees of the outcome of listing environmental aspects and impacts.

Gerdaú uses a ranked system to gather and monitor data on its wastes, as follows: Reuse, where wastes are reused, recycled, recovered, or disposed of, in which case disposal may include incineration, on-site storage, or landfilling.

The organization is trying to improve its controls to have a more detailed concept of the different means of disposal.

The Gerdaú environmental management system includes mechanisms to address failures should the parameters not be in compliance with internal standards and/or applicable legislation. This is managed by unit leaders, and includes analyzing the root cause of the problems and coming up with correction and improvement action plans.

All contractors Gerdaú uses for waste management comply with contractual clauses and legal requirements.

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GRI 306-4, SASB EM-MM-150A.8 RECYCLING (IN METRIC TONS)	2021			2020		
	Onsite recovery	Offsite recovery	Total 2021	Onsite recovery	Offsite recovery	Total 2020
Hazardous waste (Class I) TOTAL	101,358.73	124,566.11	225,924.84	21,201.06	199,446.05	279,599.39
Preparation for reuse	6,664.00	0.00	6,664.00	11,678.03	0.00	14,520,587.04
Recycling	94,694.73	96,401.54	191,096.27	9,523.03	93,473.34	102,996.37
Co-processing	0.00	9,611.11	9,611.11	0.00	96,673.42	96,673.42
Management	0.00	17,215.40	17,215.40	0.00	7,941.03	7,941.03
Other recovery operations	0.00	1,338.06	1,338.06	0.00	1,358.26	1,358.26
Nonhazardous waste (Class II) TOTAL	1,386,595.08	4,728,598.29	6,115,193.38	4,323,627.61	2,826,342.35	5,514,310.80
Preparation for reuse	1,333,187.42	0.00	1,333,187.42	2,188,543.60	0.00	2,188,543.60
Recycling	53,407.66	4,593,242.48	4,646,650.14	2,135,084.01	2,716,093.55	4,851,177.56
Co-processing	0.00	90,224.32	90,224.32	0.00	97,595.64	97,595.64
Management	0.00	45,120.03	45,120.03	0.00	12,653.16	12,653.16
Other recovery operations	0.00	11.47	11.47	0.00	12,653.16	12,653.16
Total	1,487,953.82	4,853,164.41	6,341,118.22	4,344,828.67	3,025,788.41	5,793,910.19

GRI 306-5 AND SASB EM-MM-150A.4 DISPOSAL (IN METRIC TONS)	2021			2020		
	Onsite disposal	Offsite disposal	Total 2021	Onsite disposal	Offsite disposal	Total 2020
Hazardous waste (Class I) TOTAL	9,804.23	31,529.30	41,333.53	178.65	10,893.21	42,886.81
Incineration (with energy recovery)	-	-	0.00	0.00	0.00	0.00
Incineration (without energy recovery)	-	303.76	303.76	0.00	138.45	138.45
Landfilling	9,804.23	25,537.25	35,341.48	178.65	8,000.90	8,179.55
Other disposal operations	-	5,688.29	5,688.29	0.00	2,753.86	2,753.86
Nonhazardous waste (Class II) TOTAL	432,980.51	690,327.08	1,123,307.60	59,656.27	369,000.81	899,457.73
Incineration (with energy recovery)	-	6,786.66	6,786.66	0.00	0.00	0.00
Incineration (without energy recovery)	-	-	0.00	0.00	925.81	925.81
Landfilling	432,980.51	663,842.32	1,096,822.83	59,656.27	285,208.08	344,864.35
Other disposal operations	-	19,698.10	19,698.10	0.00	82,866.91	82,866.91
Total	442,784.74	721,856.38	1,164,641.12	59,834.92	379,894.02	942,344.54

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Employees at the Barão de Cocais mill (MG)

STORED WASTE IN METRIC TONS (WASTE PENDING DISPOSAL)	2021	2020
Hazardous waste (Class I)	23,355.03	38,844.66
Nonhazardous waste (Class II)	-590,291.86*	544,958.46
Total	-566,936.83*	583,803.12

* This figure represents the change in stored waste, not the amount in storage. The number is negative because materials were removed from storage.

In 2021 we incorporated co-products into our strategic planning, setting targets to increase reuse and alternative disposal of waste materials.

The targets set for waste and co-products measure the amounts recycled out of the total quantity generated. In 2021 our Brazil operations achieved 108% reuse of co-products, exceeding their target of 95% reuse.

In 2022 we plan to build on our efforts throughout 2021, with an increased focus on environmentally compliant reutilization of materials generated in Gerdau's operations, in line with Company standards and applicable laws and regulations. Our target for 2022 is to achieve 100% reuse of co-products in our Brazil operations, and 46% in our Argentina operations.

Examples of applications include:

BLOCK FACTORY

Using steelmaking process waste in profitable applications is a way of closing the cycle within a circular economy concept. With this goal, our Tuta operation in Colombia has worked to reuse steel aggregates in manufacturing civil construction materials, such as construction aggregates and concrete blocks for masonry structures, buildings, housing, prefabricated houses, and other applications.

Reusing this material to produce construction aggregates and prefabricated products offers a more environmentally friendly alternative to products available on the market, in terms of material sourcing, use of natural resources, energy and emissions. It is also an initiative that is helping to drive innovation and advance a circular economy.

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PROGRAMA AGREGAR GERDAU

One of our standout programs in the year was Agregar Gerdau, in the state of Minas Gerais, led by operations teams at the Ouro Branco mill in collaboration with our Co-Products, Institutional Relations, Environment and Communication departments. The project applied GG Mais, an aggregate co-product, in resurfacing local dirt roads, improving quality of life for residents in communities where we operate.

The circular economy will define the future, and Agregar Gerdau is playing a role by working to rebuild financial, industrial, human, social and natural capital using a co-product derived from steelmaking—GG Mais, Gerdau's steel aggregate—in replacement of natural resources. This is contributing to the sustainable development of the regions where we operate, and to improving access and mobility in our communities. Connecting the region to opportunities, offering capacity building on more efficient use of resources, and supporting local growth are three different pathways that have joined together in the same direction: shaping the future each day.

Social and environmental benefits include smoother driving, improved transportation of primary products, community access to major urban centers, and reduced particulate emissions from dirt roads. Performance improvements, compared to natural aggregates, include increased bearing capacity and abrasion resistance, and the cementing capacity of the fine particles contained in GG Mais Pavimentação, making the road surface more compact and reducing required maintenance frequency.

Throughout 2021, several initiatives and projects were developed to create other applications for our co-products. One example is GG Revestimentos, a 100% co-product material used to manufacture floor and wall tiles. The new product was recently exhibited at Mostra Modernos Eternos, in Belo Horizonte (MG).



The Modernos Eternos Exhibition in Belo Horizonte (MG) featured new applications for Gerdau co-products

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OUR COMMITMENT TO TACKLING CLIMATE CHANGE

GRI 103-1, GRI 103-2, GRI 103-3: 305 EMISSIONS; 201 ECONOMIC PERFORMANCE, SASB EM-IS-110A.2 AND SASB EM-MM-110A.2

Steel is an essential material that has no replacement, and it is infinitely recyclable. Steel is part of the lives of millions of people at all sorts of moments, including housing and means of transportation. Steel is present in the new technologies for energy generation as an input for solar panels and wind towers, it is part of new infrastructure solutions, and is critical for planet decarbonization.

We are aware of the importance of climate change and its socio-environmental impact around the world. This is primarily the result of tons of greenhouse gases (GHG) emitted by industry into the atmosphere, and is one reason that reducing these emissions is part of our sustainability strategy.

We have published our audited CO₂e data since 2020, and are working to reduce our GHG emissions. We currently have one of the lowest averages in the steel industry - 0.90 tCO₂e/ton of steel produced*, about half the world average for the industry. This is less than last year, and reflects our management of operations and energy efficiency, in particular the performance of our facility in Ouro Branco, MG that is a primary steel producer, and the larger share of manufacturing routes that are less carbon intensive. Our management of this theme is supported by four pillars: Governance, Inventory, Customers, and MACC and MEAC curves.

* Gerdau's average emissions fell from 0.93 in 2020 to 0.90 in 2021.

Four pillars underpin our climate-change commitment: **Governance, Inventory, Customers, and MACC and MEAC curves**

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LEARN ABOUT OUR 2031 COMMITMENT

Gerdau is committed to being part of the solution to achieve a low-carbon economy, and has developed a medium and long term strategy to this end. Our related target is as follows:

What it means

Gerdau will reduce its emissions from

0.93 t CO₂e per metric ton of steel



to

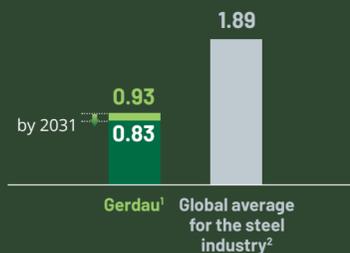
0.83 t CO₂e per metric ton of steel by 2031.



Reduce greenhouse gas emissions by 2031

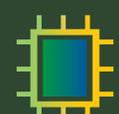
Greenhouse gas emissions

(tCO₂e per metric ton of steel)



Sources: ¹Gerdau 2020 Annual Report
²Worldsteel (2020 Data)

What it means to Gerdau

- 1  Increased energy and operational efficiency
- 2  Increased use of scrap in production
- 3  Expanded forestry assets and investments in renewable energy
- 4  Investment in new technologies and open innovation



INVENTORY

Our GHG inventory data is independently audited. Scope 1: direct GHG emissions; Scope 2: energy indirect GHG emissions; Scope 3: other indirect GHG emissions for our units in Brazil, the United States, Canada, and South America.

Gerdaу's average GHG (CO₂e) emissions are among the lowest

in the steel industry, or about half the global average, ensuring we stand out in the industry.

Replacing fossil fuels with renewables is one way to decarbonize the steel industry, as it reduces GHG emissions. Charcoal is obtained from planted and harvested forests, which remove and sequester carbon during their growth cycle.

GRI 201-2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

A number of legal and regulatory measures as well as social initiatives have been introduced in numerous countries in an effort to reduce carbon dioxide and other greenhouse gas emissions and combat global climate change. Such reductions in greenhouse gas emissions could result in increased energy,

transportation and raw material costs and may require us to make additional investments in facilities and equipment. Although we cannot predict the impact of changing global climate conditions, any such occurrences may negatively affect our business, financial condition, results of operations and cash flows.

One of the possible effects of the increasing requirements related to the reduction of greenhouse gas emissions is the increase in costs, mainly due to the demand to reduce the consumption of fossil fuels and the implementation of new technologies in the production chain.

In the U.S., future federal and/or state carbon regulation potentially presents a significantly greater impact to our operations. To date, the U.S. Congress has not legislated carbon constraints. In the absence of comprehensive federal carbon legislation, numerous state, regional and federal regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to GHG control and potential carbon pricing impacts.

What factors have helped Gerdaу achieve the lowest average greenhouse gas (CO₂e) emissions in the global steel industry?



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The primary climate-change risk factors related to our operations include:

- ▶ **Reduced availability of electricity arising from a period of water crisis;**
- ▶ **Fires or severe weather conditions;**
- ▶ **Water shortage resulting from a period of water crisis.**

The potential impact from these risks on Gerdau's operations include unexpected interruptions in the production capabilities at our principal sites and installations, which would increase production costs, reducing shipments and earnings for the affected period.

Gerdau does not have a system for calculating the implications or financial costs involved, or for projecting impacts on revenue.

Gerdau aims to be carbon neutral by 2050. For this, disruptive technologies are necessary in steel production, which are not yet economically and operationally feasible on an industrial scale. To contribute to this scenario, we continue to study and collaborate with diverse partners and entities in the sector to seek low carbon solutions.

Our efforts are also dedicated to clean and renewable energy solutions. Gerdau has already announced the construction of a solar complex in Brazil and the US.

An employee at the Divinópolis plant (MG) - Marla Roane Lemos Santos



AND HOW DOES GERDAU PLAN TO ACHIEVE NET ZERO BY 2050?



By actively **collaborating with industry organizations, universities and research centers** to develop disruptive steel production technologies.



By **improving our production processes** and investing in new clean and renewable energy sources:

Current examples:

- ▶ **Solar farm in Minas Gerais:** 200MWdc capacity.
- ▶ **Gerdau Solar:** a solar farm in Midlothian, Texas, with an installed capacity of 80MWdc, due to come online in 2022.



Dialog and engagement with different actors in society to implement public policies, new technology and improved industrial processes.

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GRI 305-1 AND SASB EM-IS-110A.1

GROSS DIRECT (SCOPE 1) GHG EMISSIONS IN METRIC TONS OF CO ₂ EQUIVALENT	2021	2020	2019
Total Scope 1	10,003,673.71	9,198,407.10	9,056,519
Biogenic CO ₂ e emissions	3,364,928.79	1,738,242.72	1,891,560

Emission sources included in Scope 1: agriculture; stationary combustion; mobile combustion; fugitive emissions; land-use changes; industrial processes; solid waste; and liquid effluents.

SASB EM-IS-110A.1

The percentage of emissions covered under emissions-limiting regulations is 18% for our Long Steel operation (North America) and 100% for our GLM operation (Mexico).

For Gerdau's aggregate operations, 9% of emissions are covered under emissions-limiting regulations. Other operations not specified above are not covered by emissions-limiting regulations.

GRI 305-2

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS	2021	2020	2019
Total Scope 2	1,975,561.14	2,082,514.70	2,890,986

Emission sources included in Scope 2: purchased electricity. Detailed emissions data (scopes 1 and 2): Gases accounted for: CO₂, CH₄, N₂O, SF₆, PFC and HFC. Emissions calculation references: IPCC, GHG Protocol, World Steel Association (WSA). Operations included: Argentina: Ludueña, Perez. Brazil: Ouro Branco, Forestry, Cosigua, Pindamonhangaba, GSP – Araçariquama, Charqueadas, Divinópolis, Riograndense, Barão de Cocais, Açonorte, Summit Miguel Burnier and Várzea do Lopes, Cearense, Mogi das Cruzes, Sete Lagoas, Gerdau São José dos Campos, Cotia, Corte e Dobra Brasil, Cumbica, Corporate. Canada: Whitby, Manitoba, Cambridge. Mexico: Tultitlan, La Presa. Peru: Siderperu. Uruguay: Laisa. United States: Midlothian, Cartersville, Monroe, Jackson (TN), Fort Smith, Petersburg, Charlotte, Wilton, Saint Paul, Jackson (MI).

GRI 305-3

GROSS INDIRECT (SCOPE 3) GHG EMISSIONS IN METRIC TONS OF CO ₂ EQUIVALENT	2021
Goods and services purchased	619,505.24
Waste generated in operations	398,897.96
Transportation and distribution (upstream)	65,534.81
Employee commuting	4,765.85
Business travel	865.85
Total	1,089,569.71

GRI 305-4

GHG EMISSIONS INTENSITY (tCO ₂ e/t steel produced)	2021	2020	2019
Intensity (Scope 1 + Scope 2)	0.90	0.93	0.96

An employee at our Monroe Plant (US)



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Whitby mill
(Canada)

We currently **have one of the lowest average emissions in the steel industry**—about **half the global industry average**.

We actively participate in climate change forums and working groups, and calculate our emissions based on the boundaries established in the Net Zero Steel Pathway Methodology Project (NZSPMP), currently being developed by the World Steel Association (WSA) to ensure comparability across the global steel industry. Our core emissions intensity, as defined in the project report, was a total of 0.86 tCO₂e/t of steel produced

—not including emissions from our forestry and mining operations.

We have been invited by the Global Compact and the CDP's Science Based Targets initiative (SBTi) team to be part of the SBTi's Expert Advisory Group (EAG) for the steel industry. The advisory group is working to develop a methodology for adopting science-based targets aligned with the 1.5°C ambition, helping to adjust the SBTi guidelines to the specific circumstances and growth projections for the industry.

CUSTOMERS

GRI 102-43

We seek to listen to all our stakeholders, including customers, investors, and communities, learning of their needs on this theme such as inventory, life cycle analyses, and Product Environmental Declarations (PES). We hold meetings to align and disclose results, and our management is attuned to climate change, also in line with our principles of transparency and continuous improvement in this regard.

MACC AND MEAC CURVES

To define our goals and guide our strategy towards the lowest effective

carbon cost we rely on the support of expert consultants, who help us analyze changes in technology and production methods. As a result, the company adopted Marginal Cost Curve Abatement (MACC), and on February 1, 2022 published its target Scope 1 and 2 Greenhouse Gas Emission reductions for 2031 - 0.90 and 0.83 tCO₂e/ton of steel produced respectively, which will bring us below the world average for the steel industry, which is now 1.89 tCO₂e (Worldsteel).

Our manufacturing model, coupled with our efforts over the past century have placed the Company in a very good position when it comes to greenhouse gas emissions. We currently have one of the lowest averages in the steel industry - about half the global industry average.

▶ **Seventy-one percent of our steel is made from recycled ferrous scrap:**

Gerdau is the largest recycler in Latin America, and each year transforms 11 million tons of scrap into steel. This allows us to save natural resources and reduce the amount of energy used and the amount of greenhouse gases emitted.

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▶ **We are also the world's largest charcoal producer:**

Our forests cover over 250,000 hectares. Planted forests are a source of renewable raw material used to make charcoal, a bio-reducer in the manufacture of pig-iron, with lower greenhouse gas emissions.

▶ **Gas reutilization:**

Gerda also stands out when it comes to greenhouse gas emissions, and is considered a reference by industry associations. Our continuous efforts include the use of renewable sources, recycling, reduce raw material use, and energy efficiency.

By reducing our Scope 1 and 2 GHG emissions by 0.93 and 0.83 tCO₂e/t steel by 2031 (compared to 2020) we are prioritizing increased energy and operating efficiency. We are also increasing our use of scrap, expanding our forest base, increasing our use of renewable energy sources, and investing in new technologies and open innovation.

These efforts will take us to a new level, which the global steel industry will only reach if it reduces its current emissions by 50%. Once we have reached our 2031 goals we will be in an even better strategic position vis-à-vis the more efficient global steel manufacturers when it comes to greenhouse gas emissions.

Our goal is to be carbon-neutral by 2050. This will require disruptive steel manufacturing technologies that are not yet economically or operationally feasible on an industrial scale. To contribute to this, we continue to research and work with different industry organizations and partners in the search for low-carbon solutions. This journey will also require public policies and measures focused on reducing greenhouse gas emissions from industrial processes. Our efforts are also dedicated to clean and renewable energy solutions.

Reducing greenhouse gas emissions

We installed an electric arc furnace at our facility in Monroe, in the US, a more efficient way to make steel. This enabled significant improvement in the facility's production capacity, and enabled a greater than 30% reduction in natural gas consumption, and significant reductions in electricity, oxygen, electrode, and carbon utilization, helping reduce the facility's overall greenhouse gas emissions.

Monroe Plant (US)



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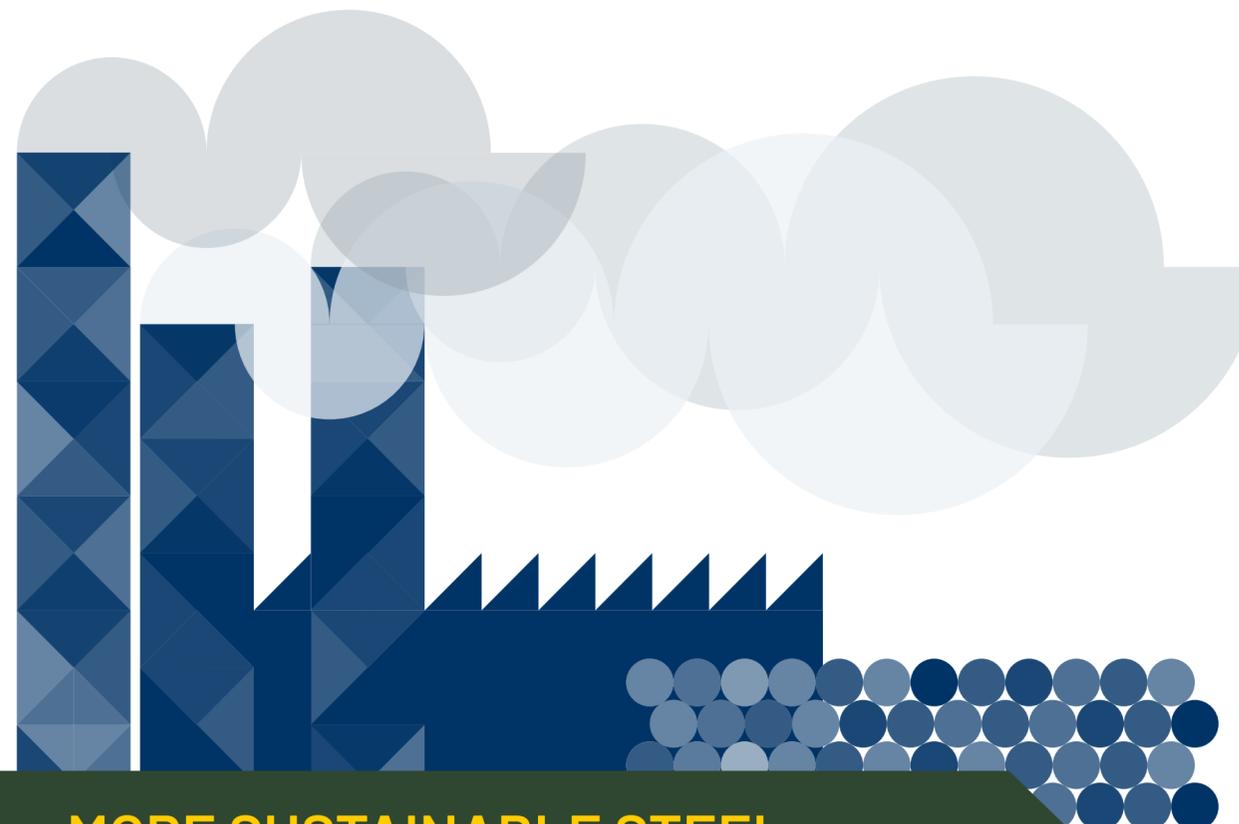
Carbon Disclosure Project (CDP) – Our greenhouse gas emissions have been classified by the Carbon Disclosure Project (CDP) as B in the Climate Change Module, better than the average for South America and the industry in 2021.



Carbon Efficient Index (CO2I) – we are the only steel manufacturer in the Carbon Efficient Index (CO2I) created by the Brazilian Stock Exchange (B3), together with the BNDES, Brazil's National Bank for Economic and Social Development. This index is made up of the shares of companies in the IBrX-100 willing to adopt transparent practices regarding their GHG emissions, reaffirming its concern with the impact of climate change.



World Steel – Gerdau facilities are recognized by the World Steel Association as having some of the best performance in terms of the emissions intensity. In 2022 it was added to the World Steel Association's (WSA) 2022 Sustainability Charter. This Charter combines a group of leading steel manufacturers who signed the association's most recent Sustainable Development Letter, stating their commitment to the industry's nine sustainable principles.



MORE SUSTAINABLE STEEL

Amid one of the most challenging periods in recent history, we have continued to achieve progress in reducing our greenhouse gas emissions. This strategic topic gained increasing focus after we determined the Marginal Abatement Cost (MAC) Curve for our Ouro Branco mill (MG), which is faced with the challenge of improving product quality while also supporting the sustainable development of Brazil's steel industry. By using 5,100 metric tons of biomass in the production of coke (biocoke) in 2021, we avoided approximately 17,071 tCO₂e in emissions, equivalent to the carbon emissions of approximately 6,491 light vehicles over a year. In 2022 we plan to double our consumption of biocoke produced from charcoal, and to continue to develop biomass from sugarcane bagasse and corn and coffee husks. Our growing biomass consumption and consistently lower tCO₂e emissions not only support Gerdau's corporate commitment to halting climate change, but also actively contribute to Brazil's GHG reduction targets.

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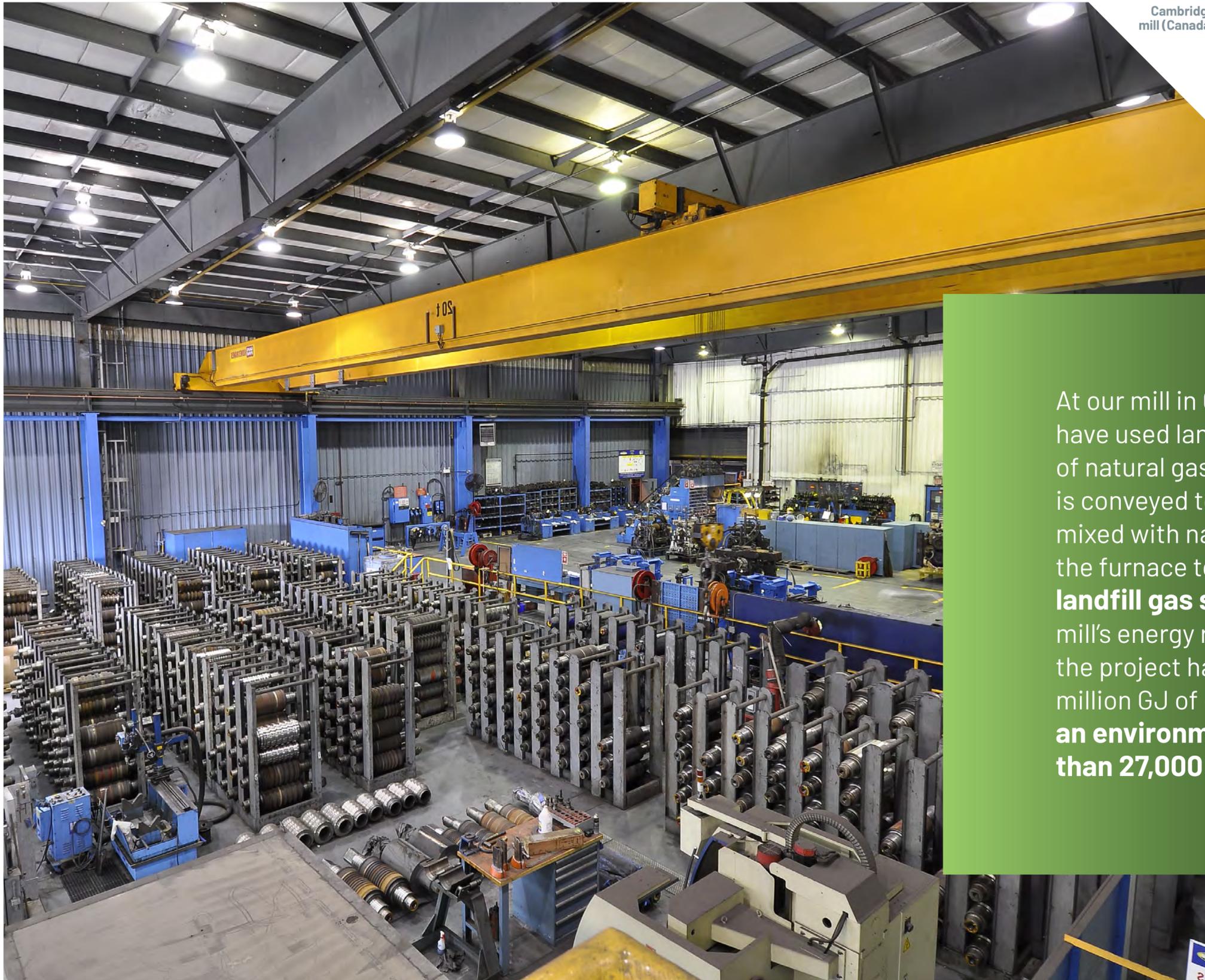
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Cambridge
mill (Canada)

At our mill in Cambridge, Canada, we have used landfill gas in replacement of natural gas since 1999. This gas is conveyed to the mill where it is mixed with natural gas and used in the furnace to produce steel. In 2021, **landfill gas supplied 7%** of the mill's energy requirement. To date, the project has delivered around 1.9 million GJ of energy to the mill, plus **an environmental benefit of more than 27,000 tCO₂e avoided.**

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OTHER EMISSIONS

All Gerdau operating units have an integrated management system covering all environmental aspects and impacts related to the processes performed, including atmospheric emissions. In this way, we ensure compliance with applicable laws and regulations governing atmospheric emissions and air quality, and keep our processes and emissions in control to mitigate their impact on the surrounding communities.

Our stewardship of this theme ensures proper operation, maintenance, and calibration of the atmospheric emission control equipment, while maintaining our operational efficiency and capacity, eliminating or reducing the emission of visible particulates in an efficient way. In 2021 we had 37 complaints and notices from the community related to atmospheric events and

emissions from our operating facilities. These incidents were investigated and monitored, and action plans put into place for the proper mitigation of these events. Senior leaders of our units monitor this indicator to ensure the best handling and approach.

Over the years, we have invested in processes, systems, and projects to improve the environmental conditions of our plants and their surroundings, as well as in equipment to dedust atmospheric emissions, in line with our strategy and in compliance with applicable legislation and stakeholder demands.

Investments in dedusting and emissions control



GRI 305-7 AND SASB EM-IS-120A.1

SIGNIFICANT AIR EMISSIONS, IN METRIC TONS	2021	2020	2019
NOX	11,508	8,062	Unavailable
SOX	6,993	4,991	Unavailable
Particulate Matter (PM)	3,347	4,027	3,589

Values are monitored using methods outlined in local regulations. In 2021 we improved our approach to managing this information, which resulted in higher emissions being reported than in 2020. The data for 2021 exclude GLP (Peru). Gerdau does not produce Volatile Organic Compound (VOC) emissions

Ouro Branco mill (MG)



At our Ouro Branco facility we monitor emissions from fixed sources (stacks). Particulate, NOx, SO₂, and H₂S are manually monitored depending on the specificities of the process and applicable laws. We continuously monitor the company's main fixed sources of emission. For diffuse or fugitive sources we moisturize, apply polymers, or use mechanized weeping, among others.

We also have emission control equipment such as electrostatic precipitators, bag filters, and gas scrubbers, and use operating and maintenance procedures that focus on high performing equipment.

We have an automated network that monitors air quality around the plants. These stations are constantly in use and the data is monitored and forwarded to the proper stakeholder.

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BIODIVERSITY

GRI 103-2: 304 BIODIVERSITY

Although biodiversity is not a material theme for Gerdau, it is part of our Corporate Guidelines, which take into account current best practices for the preservation and conservation of natural resources and the biomes we are part of. As part of our environmental permitting process we run environmental impact studies that include studies on the use and occupancy of the soil. These include characterizing the biomes that are or could be impacted by the construction and operation of our ventures, and the measures required for environmental compensation.

We invest in the conservation of our remaining forests, reforestation areas, and legal reserves, ensuring the correct implementation of existing forest handling plans and their compliance with the forestry codes.

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

Our mining operations have a Disturbed Land Rehabilitation Program. This program connects to other initiatives, such as erosion control, and a water monitoring program in areas where we are present.

Our program to manage our mining areas are analyzed, as are the procedures to recover areas where we store our sterile and reject piles, ensuring the proper maintenance and prevention of possible erosion processes that could affect the water bodies and other areas surrounding our units.

GRI G4 MM3, SASB EM-MM-150A.6, SASB EM-MM-150A.5

GERDAU LONG STEEL – BRAZIL WASTE ROCK, TAILINGS AND MUD GENERATED BY OPERATIONS (METRIC TONS)	2021	2020	2019
Waste rock	8,551,101.19	3,011,868.00	6,157,189.00
Tailings	273,349.30	243,725.00	254,936.00
Mud	-	-	-
Total	8,824,450.49	3,255,593.00	6,412,125.00

The data are for the Várzea do Lopes, Várzea Leste Norte and Miguel Burnier mines. The volume of waste rock increased in 2021 from 2020 due to the initial excavation of the Várzea do Lopes mine pit and the resumed operation of the Miguel Burnier mine.



GERDAU
GERMINAR

GERDAU GERMINAR

This program was created in 1990. It is the Company's environmental education program in Minas Gerais, and has already benefited 465 thousand people. It is especially active in the municipalities of Ouro Branco, Congonhas, Conselheiro Lafaiete, Ouro Preto (Miguel Burnier and Mota districts), Moeda, and Itabirito, offering people a chance to transform their reality.

The goal is to disseminate and produce new knowledge, making education an important tool for environmental awareness and conservation. Program initiatives cover all schools in the region, with technical visits, trainings, and the Gerdau Germinar award that seeks to encourage and recognize environmental education practices.

As part of the 30-year celebration of Gerdau Germinar, we launched a book entitled *Monitoramento Participativo de Rios Urbanos* [Participative Monitoring of Urban Rivers] by student-scientists. This study emerged from the dissertation of Juliana Silva França, a Ph.D. candidate in Ecology, under the orientation of Professor Marcos Callisto at the Federal University of Minas Gerais (UFMG). His book was a partnership between Gerdau Germinar and the university's Ecologia Lab in Bentos.

A celebratory design and writing contest on the environment was organized solely for the municipalities of Ouro Branco, Congonhas, Conselheiro Lafaiete, Moeda, Itabirito, and Ouro Preto (Miguel Burnier and Mota districts), as well as the employees and contractors of the Gerdau Ouro Branco and Mining facilities. 406 people participated in the contest, with two winners in the design category, and three in the writing category.

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Daniella Tereza Santiago Vilas Boas, an employee at Açonorte, PE

In this year when we celebrate our 120th anniversary, we have been recognized with awards and rankings that reinforce our commitment to create value for the industry in which we operate, and for our customers, employees, and society.

Época Negócios
360° Award



ÉPOCA NEGÓCIOS 360° LIST

In 2021 we were named Company of the Year across all industries. We were also named the best company in Mining and Steel in Brazil.

EXECUTIVO DE VALOR AWARD – VALOR ECONÔMICO

For the second consecutive year Gustavo Werneck received the 2021 Executivo de Valor [Executive of Value] award for the Mining, Metallurgy and Steel industry.

Executivo de Valor [Executive of Value] Award



Exame Melhores e Maiores Award



EXAME MAGAZINE BIGGEST & BEST 2021

Exame magazine named us Company of the Year. This is one of the most important corporate awards in Brazil. We were also named leaders in the Steel Category

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11TH HUGO WERNECK AWARD, ECOLÓGICO MAGAZINE

Best sustainable partner project for the Gerdau Germinar Program.

21ST 100+ INNOVATIVE IT USERS

The League Table of the best innovative corporate projects, published by IT Mídia, recognized Gerdau as one of the 100 most innovative companies in the use of information technology for its use of artificial intelligence, data analytics, and other technological processes.

21ST ABT AWARD (BRAZILIAN SERVICE ASSOCIATION)

The Gerdau Customer Relations Center was awarded for its “Yes, we sell steel over the phone” campaign, which enabled important progress in our Customer Relations Center with multichannel service (WhatsApp, website, e-mail).

25TH BEST PRODUCT OF THE YEAR AWARD

Gerdau is a highlight in steel mesh, lattices, annealed wire, and rebar. It is published by Grupo Revenda, and is given to companies that best satisfied the public in 81 categories, based on a *Top of Mind Revenda Construção* [Construction] survey of merchants across Brazil.

BRAND FINANCE BRAZIL 50 2021

Once again Gerdau was selected as one of the most valuable brands in the country by Brand Finance Brazil 50 2021, the only steelmaker among them. This league table highlights the strongest companies with a consolidated image among the public, cross-referencing the answers of 50 thousand consumers and financial data collected by Bloomberg in 29 countries.

INNOVATION CHAMPIONS 2021, GRUPO AMANHÃ [TOMORROW]

First place in the Steel and Mining category for our Gerdau Next case study.

COMPANIES THAT BEST COMMUNICATE WITH JOURNALISTS

Gerdau was elected as one of the companies that best communicates with journalists for the 11th time. A winner among them was selected for the first time this year, and Gerdau is the winner! This award is given by the Communication Business Platform and the Center for Communication Studies (Cecom).

EXAME DIVERSITY GUIDE

Well placed in the race category and first-placed in the Steel and Mining category

GREAT PLACE TO WORK

Our head offices in São Paulo received the GPTW seal of approval in recognition of its excellent work environment and culture of openness and trust.

INSTITUTIONAL INVESTOR MAGAZINE IN THE M&M SECTOR MIDCAP

Ranked #1 in all categories:

- Best CEO: Gustavo Werneck
- Best CFO: Harley Scardoelli
- Best IR Professional: Rodrigo Maia (General))
- Best IR Team: Rafael Mingone, Kelly Barna, Sérgio Tonidandel and Flávia Costa
- Best IR Program
- Best for ESG
- Crisis management during the COVID-19 pandemic
- Best meeting with investors/ analysts (Virtual)

RIO GRANDE DO SUL BRAND OF THE YEAR, JORNAL DO COMÉRCIO

Gerdau was recognized as Rio Grande do Sul's brand of the year in the survey *Marcas de Quem Decide como Grande Marca Gaúcha do Ano*, and was top of mind in “Proactiveness during the pandemic” and “Rio Grande do Sul Environmental brand” categories.

BEST CEO WHEN IT COMES TO COMMUNICATION WITH JOURNALISTS

For the second consecutive year, in the 11th Survey of Companies that Best Communicate with Journalists, Gerdau CEO Gustavo Werneck was included in the top ten.

AB DIVERSITY AWARD

Gerdau was recognized in four categories in the Automotive Business awards for companies that stand out by promoting plurality and inclusion: Gender - greater scope for women in leadership positions; Ethnicity – best set of indicators; Generations – best employer of people over 50; and Generations – largest youth employers.

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ABEMD (BRAZILIAN DATA MARKETING ASSOCIATION) AWARD

We received the Silver Medal from ABEMD in the Digital/Mobile category with our case study entitled Increased Conversion by Using correlation to Personalize Content and Segments.

ANAMACO AWARD

This is one of the most important awards in the civil construction industry, winners are selected by building material merchants. Gerdau received Master Trophies in three categories—the best supplier of steel Mesh for Concrete, Nails, and Rebar. Our Vice-President Marcos Faraco was also considered Personality of the Year.

JATOBÁ AWARD: ESG CATEGORY

Gerdau received first prize in the Jatobá PR 2021 Award in the category ESG - Environmental, Social, and Governance Corporate Organization. This award is one of the most important corporate communication awards in the Country, and highlights the importance of the area, recognizing excellence in public relations. The company received this award for a case study Entitled Even More Solid Values, represented by the S of ESG, for its commitment to society and to Brazilians during the COVID-19 pandemic.

LIDE, BRAZILIAN LEADERS AWARD

The Lide Management Committee Selected Gerdau as the top company in the Steel category. This committee is made up of the leaders of different sectors of the Brazilian economy.

Women in Leadership Positions Award



Rei Automotive Business Award



Brazilian Leaders Award



WOMEN IN LEADERSHIP POSITIONS AWARD

For the second year in a row Gerdau was one of the highlights in the Manufacturing Industry. This survey is performed by the Ipsos Institute and the NGO Women in Leadership in Latin America (WILL) for its policies and initiatives in gender equity and female growth and development.

GOLD PRIZE FROM CLIENTE S/A MAGAZINE

This award recognizes best practices in customer relations in Brazil. Gerdau's winning case study was its Customer Relations Center (CRC), to better meet customer demands, a partnership with Concentrix Brasil.

REI AUTOMOTIVE BUSINESS AWARD

First place in the Suppliers and Inputs Category. This award, given by Automotive Business magazine, is given to organizations that emerge as leaders in the global transformation, delivering positive impact and adding value to the automotive industry, mobility, and society.

ABRH-MG SER HUMANO [HUMAN BEING/BE HUMAN] AWARD:

The Pertencer [Belong] program of our Ouro Branco, MG unit was recognized in the Sustainability category

WEPS BRAZIL AWARD 2021

Honorable Mention for promoting a culture of gender equity and women empowerment in Brazil. This initiative is recognized by the UN Global Compact and by UN Women, in partnership with the International Labor Organization (ILO).

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100 OPEN CORPS RANKING 2021

The company joins this league table as one of the leaders in open innovation with startups in Brazil, and is among the top 20 in the list of 100 Open Corps 2021, sponsored by 100 Open Startups, a pioneering platform and leader in open innovation in Latin America.

MERCO RANKING

According to the 7th Merco Ranking (2020), we are 19th among the 100 most admired companies. As a result, the company also achieved the best reputation in Mining, Steel, and Metallurgy.

Safety and Health
Excellence
Recognitions
2021, World Steel
Association.



MERCO RESPONSIBILITY AND CORPORATE GOVERNANCE RANKING

We are the best positioned B2B player in Brazil (#21 overall) in the Merco Ranking of Responsible Companies with Corporate Governance, and #1 in the Mining, Steel, and Metallurgy industry. We were also considered one of the most responsible companies in Brazil during the COVID-19 pandemic (#18 overall).

LATIN AMERICA EXECUTIVE TEAM 2021

First ranked in Metals and Mining, Best CEO, Best CFO, Best IR Professional, Best IR Team and Program, Best ESG, Best Crisis Management during COVID-19, and Best (virtual) Investor/Analyst.

SAFETY AND HEALTH EXCELLENCE RECOGNITIONS, WORLD STEEL ASSOCIATION

Our plant in Ouro Branco, MG received the World Steel Association award, which looks at programs of excellence in workplace health and safety in the steel industry.

TOP OF MIND 2021, REVENDA CONSTRUÇÃO [BUILDING MATERIALS DEALERS] MAGAZINE

First place in Mesh, Lattices, Annealed Wire, and Rebar. This is one of the most important awards in the construction industry in Brazil, and is given to companies that are top-of-mind among building materials dealers in Brazil.

TOP OF MIND RS

We are a highlight of the awards given by *Revista Amanhã* [Tomorrow Magazine] as one of the top-of-mind brands in Rio Grande do Sul in 2021.

ARGENTINA

GRUPO BRASIL INTEGRATION AWARD

Gerdau was recognized in Argentina for its Program to Qualify Women in Operations. This award was delivered by the Brazilian Ambassador.

UNITED STATES

INSTITUTIONAL INVESTOR MAGAZINE IN THE M&M SECTOR MIDCAP IN ALL CATEGORIES

Our CEO, CFO, and Investor Relations team and leader ranked #1 for their activities and market and investor relations program, and for their crisis management during the COVID-19 pandemic.

GOVERNOR'S AWARD

Our Fort Smith Plant in the US received the Governor's Award for Excellence in Global Trade for overcoming the impacts of the pandemic.

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Employee at our Monroe (US) plant

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INDEPENDENT ASSURANCE STATEMENT - BUREAU VERITAS



INTRODUCTION

Bureau Veritas Certification Brazil (Bureau Veritas) was engaged by GERDAU S.A. (GERDAU) to conduct an independent assurance of its Annual Sustainability Report 2021 (hereinafter referred to as the Report).

The information published in the report are GERDAU's management sole responsibility. Our responsibilities are defined in the following scope of work

SCOPE OF WORK

The scope of this verification encompassed the Standards and Principles¹ of the Global Reporting Initiative™ for Sustainability Reports and refers to the reporting period from January 1 to December 31, 2021.

GERDAU AND BUREAU VERITAS RESPONSIBILITIES

The preparation, presentation and the content of the Report are GERDAU's management sole responsibility. Bureau Veritas is responsible for providing an independent opinion to the Stakeholders, pursuant to the scope of work defined in this statement

METHODOLOGY

The assurance work covered the following activities:

1. Interviews with the personnel responsible for material issues and Report content.
2. Remote verification about corporate and operational processes (verification of material indicators GRI and SASB and information sampling).
3. Review of documentary evidence provided by GERDAU in relation to the reporting period (2021).
4. Evaluation of the systems used for data compilation.
5. Analysis of stakeholder engagement activities developed by GERDAU.
6. Evaluation of the method used to define material issues included in the Report, taking into account the sustainability context and the scope of the information published.

The level of verification adopted was Limited, according to the requirements of the ISAE 3000 Standard², which were incorporated to the internal assessment protocols of Bureau Veritas

LIMITATIONS AND EXCLUSIONS

Excluded from the scope of this work was any assessment of information related to:

- ▶ Activities outside the defined reporting period.
- ▶ Statements of position (expressions of opinion, beliefs, goals, or future intentions) on the part of GERDAU
- ▶ Accuracy of economic and financial data contained in this Report which has been taken from financial statements verified by independent auditors.
- ▶ The Inventory of Greenhouse Gas (GHG) emissions, including energy data.
- ▶ Data and information from affiliated companies or outsourced staff over which GERDAU has no operational control

The following limitations apply for this assurance engagement:

- ▶ The principles of Accuracy and Reliability of data were assessed on a sampling basis, exclusively based on the information and data related to the material issues published in the Report
- ▶ Economic information presented within the Report were assessed specifically against the GRI reporting principles of Balance and Completeness.

¹ Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness, Balance, Comparability, Accuracy, Periodicity, Clarity, and Reliability
² International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information

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OPINION ON THE REPORT AND THE ASSURANCE PROCESS

- ▶ In order to prepare this Sustainability Report, Gerdau used the results of the materiality process carried out in 2019. In 2022 Gerdau is conducting a new materiality definition process, which will guide the company's strategy and communication for the next reporting cycle.
- ▶ It is our understanding that GERDAU's Sustainability Report presents the impacts of the company's activities in a balanced way.
- ▶ GERDAU has demonstrated an adequate method of data collection and compilation in relation to the GRI Principle of reliability.
- ▶ The inconsistencies found in the Report were adjusted during the process and were satisfactorily corrected.

RECOMMENDATIONS

- ▶ To describe in the Sustainability Report the processes for dealing with failures when identified during the processes.

CONCLUSION

As a result of our assurance process, nothing has come to our attention that would indicate that:

- ▶ The information presented in the Report is not balanced, consistent and reliable.

- ▶ GERDAU has not established appropriate systems for the collection, aggregation and analysis of quantitative and qualitative data used in the Report.
- ▶ The Report does not adhere to the Principles for defining report content and quality of the GRI Standards for sustainability reports and does not meet its Core option criteria.

DECLARATION OF INDEPENDENCE AND IMPARTIALITY

Bureau Veritas Certification is an independent professional services company specializing in Quality, Health, Safety, Social and Environmental Management, with more than 185 years' experience in independent assessment.

Bureau Veritas implemented and follows a Code of Ethics throughout its business, in order to assure that its staff preserve the highest standards in the performance of their activities. We are particularly attentive to avoid conflicts of interest.

The assurance team has no links with GERDAU, other than the independent assurance of the Sustainability Report. We understand that there is no conflict between other services performed by Bureau Veritas and this assurance conducted by our team.

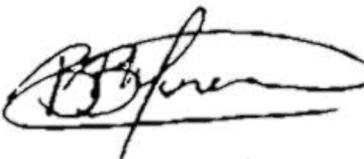
The team that conducted this assurance for GERDAU has extensive knowledge in information and systems verification, which involves environmental, social, health, safety, and ethical issues, which allied to

the experience in these areas, allows us a clear understanding about the presentation and verification of good corporate responsibility practices.

CONTACT

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São Paulo, July 2022.



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An employee at the
Cearense Mill (CE) - Nayara
Emanuela Correia Santos

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GRI 102-55

GRI STANDARDS	DISCLOSURE	PAGE AND/OR CONTENT	REASON FOR OMISSION
Organizational profile			
GRI 102: General disclosures 2016	102-1 Name of the organization	13	
	102-2 Activities, brands, products, and services	13	
	102-3 Location of the organization's headquarters	13	
	102-4 Location of operations	13	
	102-5 Ownership and legal form	13	
	102-6 Markets served	13	
	102-7 Scale of organization	15-16	
	102-8 Information on employees and other workers	39	
	102-9 Supply chain	83	
	102-10 Significant changes to the organization and its supply chain	89, 92-93, 95	
	102-11 Precautionary principle or approach	Gerdau bases its risk analysis on the precautionary principle, but does not formally adopt this principle	
	102-12 External initiatives	41	
	102-13 Membership of associations	82	
Strategy			
GRI 102: General disclosures 2016	102-14 Statement from senior decision-maker	3-5	
	102-15 Key impacts, risks, and opportunities	56-57	
Ethics and integrity			
GRI 102: General disclosures 2016	102-16 Values, principles, standards, and norms of behavior	14, 53	
	102-17 Mechanisms for advice and concerns about ethics	54	

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GRI STANDARDS	DISCLOSURE	PAGE AND/OR CONTENT	REASON FOR OMISSION
Governance			
GRI 102: General disclosures 2016	102-18 Governance structure	49-50	
	102-22 Composition of the highest governance body and its committees	49-50	
	102-23 Chairman of the highest governance body	The chair of the highest governance body is not an executive officer.	
	102-24 Nominating and selecting the highest governance body	49	
	102-35 Remuneration policies	51	
Stakeholder engagement			
GRI 102: General disclosures 2016	102-40 List of stakeholder groups	7	
	102-41 Collective bargaining agreements	All employees are covered by collective bargaining agreements	
	102-42 Identifying and selecting stakeholders	7	
	102-43 Approach to stakeholder engagement	30, 124	
	102-44 Key topics and concerns raised	8	
Reporting practices			
GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	<p>The following companies are included in Gerdau S.A.'s financial reporting:</p> <ul style="list-style-type: none"> • Gerdau S.A. • Empresa siderúrgica del Peru S.A.A. – Peru • Gerdau Aços Longos S.A. – Brazil • Gerdau Açominas S.A. – Brazil • Gerdau Internacional Empreendimentos Ltda. • Gerdau Ameristeel Corp. – US • Gerdau Macsteel Inc. – EUA • Gerdau Metaldom Corp. – Dominican Republic • Diaco S.A. – Colombia • Gerdau Summit Aços Fundidos e Forjados S.A. – Brazil • Gerdau Corsa S.A.P.I. – Mexico • Gerdau Laisa S.A. – Uruguay • Sipar Aceros S.A. – Argentina 	

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GRI STANDARDS	DISCLOSURE	PAGE AND/OR CONTENT	REASON FOR OMISSION
Reporting practices (cont.)			
GRI 102: General disclosures 2016	102-46 Defining report content and topic Boundaries	Topic boundaries are described on page 4 of the Gerdau Disclosures Supplement 2020.	
	102-47 List of material topics	8	
	102-48 Restatements of information	Information was restated for the following specific disclosure items: - GRI 405-1: Restatement of figures for 2019 - GRI 303-3 and 303-4: Restatement of figures for 2020 at GAB AçosLongos (BR) and GLM (Mex). - GRI 305-7: Restatement of figures for 2020 at GAB AçosLongos (BR), GLN (NorAm), GSN (NorAm) and GLM (Mex)	
	102-49 Changes in reporting	7	
	102-50 Reporting period	7	
	102-51 Date of most recent report	Gerdau Annual Report 2020. Published May 2021	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	7	
	102-54 Claims of reporting in accordance with the GRI Standards	7	
	102-55 GRI content index	140-146	
102-56 External assurance	7		
Economic Performance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	120 This GRI disclosure has been prioritized within the material topic: "Climate change mitigation and adaptation"; the management approach therefore addresses this disclosure."	
	103-2 The management approach and its components	120-122	
	103-3 Evaluation of the management approach	120-122	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	121-122	

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GRI STANDARDS	DISCLOSURE	PAGE AND/OR CONTENT	REASON FOR OMISSION
Anti-Corruption			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	52-53
	103-2	The management approach and its components	52-54
	103-3	Evaluation of the management approach	52-54
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	55
	205-2	Communication and training on anti-corruption policies and procedures	53
	205-3	Confirmed incidents of corruption and actions taken	There were no incidents of corruption involving government officials, or any other form of corruption involving senior management that would constitute material fraud. These topics are considered confidential, and their status is reported to the Risk Committee, Board of Directors and Oversight Board.
Materials			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	101, 104, 112
	103-2	The management approach and its components	101-104, 112
	103-3	Evaluation of the management approach	103-104
GRI 301: Materials 2016	301-2	Recycled input materials used	104
Energy			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	101, 106
	103-2	The management approach and its components	101-103, 105-107, 111
	103-3	Evaluation of the management approach	101-103, 105
GRI 302: Energy 2016	302-1	Energy consumption within the organization	105
	302-3	Energy intensity	105
Water & Effluents			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	101, 108
	103-2	The management approach and its components	101-103, 108, 111
	103-3	Evaluation of the management approach	101-103, 108

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Water and Effluents (cont.)				
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	303-2	Management of water discharge related impacts	110	
	303-3	Water withdrawal	109	
	303-4	Water discharge	110	
	303-5	Water withdrawal	109	
Emissions				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	101, 120	
	103-2	The management approach and its components	101-103, 120-128	
	103-3	Evaluation of the management approach	101-103, 121, 124	
GRI 305: Emissions 2016	305-1	Direct (scope 1) GHG emissions	123	
	305-2	Indirect (scope 2) GHG emissions	123	
	305-3	Other indirect (scope 3) GHG emissions	123	
	305-4	GHG emissions intensity	123	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	128	
Waste				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	101, 114	
	103-2	The management approach and its components	101-103, 114, 118-119	
	103-3	Evaluation of the management approach	101-103, 114	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	115	
	306-2	Management of significant waste-related impacts	116	
	306-3	Waste generated	0	
	306-4	Waste diverted from disposal	117	
	306-5	Waste directed to disposal	117-118	
GRI G4 Sector Supplement	MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	129	

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Environmental Compliance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	103
	103-2	The management approach and its components	103
	103-3	Evaluation of the management approach	103
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	103
Occupational Health & Safety			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	42
	103-2	The management approach and its components	42-45, 48
	103-3	Evaluation of the management approach	42-45, 48
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	43
	403-2	Hazard identification, risk assessment, and incident investigation	46
	403-3	Occupational health services	47
	403-4	Worker participation, consultation, and communication on occupational health and safety	43
	403-5	Worker training on occupational health and safety	47
	403-6	Promotion of worker health	31, 47
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44
	403-8	Workers covered by an occupational health and safety management system	44
	403-9	Work-related injuries	45-46
Diversity and Equal Opportunity			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	30, 32-33
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	52
	103-2	The management approach and its components	52
	103-3	Evaluation of the management approach	52
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	52
Gerdau Topic: Process and product innovation			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	58
	103-2	The management approach and its components	58-72
	103-3	Evaluation of the management approach	58-72
Gerdau disclosure:	GER-1	Percentage of investments in innovation out of total net revenue	In 2021, our investments in innovation and digital initiatives amounted to approximately 2% of our net revenue, as in the previous year.
Gerdau Topic: Stakeholder engagement			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	74-75, 82-84
	103-2	The management approach and its components	74-85
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Gerdau disclosure:	GER-2	Number of stakeholders involved in engagement projects	81
Other reported GRI disclosures			
404: Training and education			
GRI 103: Management approach 2016	103-2	The management approach and its components	29
GRI 404: Training and education	404-2	Programs for upgrading employee skills and transition assistance programs	29
304: Biodiversity			
GRI 103: Management approach 2016	103-2	The management approach and its components	91, 129
GRI 304: Biodiversity	304-3	Habitats protected or restored	91

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SASB DISCLOSURE	CODE	ACCOUNTING METRIC	PAGE AND/OR CONTENT
METALS & MINING			
Activity	SASB EM-MM-000.B	Total number of employees, percentage contractors	39
Greenhouse gas emissions	EM-MM-110a.2	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emission-reduction targets, and an analysis of performance against those targets	120-122
Water stewardship	EM-MM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	103
Waste & Hazardous Materials Management	EM-MM-150a.4	Total weight of non-mineral waste generated	117
	EM-MM-150a.5	Total weight of tailings produced	129
	EM-MM-150a.6	Total weight of waste rock generated	129
	EM-MM-150a.7	Total weight of hazardous waste generated	115
	EM-MM-150a.8	Total weight of hazardous waste recycled	117
	EM-MM150a.10	Description of waste and hazardous materials management policies and procedures for active and inactive operations	114
Community relations	EM-MM-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	79
Labor/management relations	EM-MM-310a.1	Percentage of active workforce covered under collective bargaining agreements, broken down by nationals and foreign employees	All employees are covered by collective bargaining agreements
	EM-MM-310a.2	Number and duration of strikes and lockouts	During the last three years, there was a single, one-day strike over an unsatisfactory bonus payment
Workforce Health & Safety	EM-MM-320a.1	(1) MSHA all-incidence rate, (2) fatality rate, (3) near miss frequency rate (NMFR) and (4) average hours of health, safety, and emergency response training for (a) full-time employees and (b) contract employees	45-46
Business Ethics & Transparency	EM-MM-510a.1	Description of the management system for prevention of corruption and bribery throughout the value chain	52

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SASB DISCLOSURE	CODE	ACCOUNTING METRIC	PAGE AND/OR CONTENT
METALS & MINING (cont.)			
Tailings Storage Facilities Management	EM-MM-540a.1	Tailings storage facility inventory table: (1) facility name, (2) location, (3) ownership status, (4) operational status, (5) construction method, (6) maximum permitted storage capacity, (7) current amount of tailings stored, (8) consequence classification, (9) date of most recent independent technical review, (10) material findings, (11) mitigation measures, (12) site-specific EPRP	94
	EM-MM-540a.2	Summary of tailings management systems and governance structure used to monitor and maintain the stability of tailings storage facilities	94
	EM-MM-540a.3	Approach to development of Emergency Preparedness and Response Plans (EPRPs) for tailings storage facilities	94
IRON & STEEL PRODUCERS			
Activity	EM-IS-000.A	Raw steel production	16
	EM-IS-000.B	Total iron ore production	16
	EM-IS-000.C	Total coking coal production	16
Greenhouse gas emissions	EM-IS-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	123
	EM-IS-110a.2	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emission-reduction targets, and an analysis of performance against those targets	120
Air quality	EM-IS-120a.1	Air emissions for the following pollutants: (1) CO, (2) NOx (excluding N2O), (3) SOx, (4) particulate matter (PM10), (5) manganese (MnO), (6) lead (Pb), (7) volatile organic compounds (VOCs), and (8) polycyclic aromatic hydrocarbons (PAHs)	128

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SASB DISCLOSURE	CODE	ACCOUNTING METRIC	PAGE AND/OR CONTENT
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	EM-IS-130a.2	(1) Total fuel consumed, (2) percentage coal, (3) percentage natural gas, (4) percentage renewable	106
Water stewardship	EM-IS-140a.1	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	109-110
Workforce Health & Safety	EM-IS-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	45-46
Supply chain management	EM-IS-430a.1	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	56

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GERDAU 2021 ANNUAL REPORT

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