

Gerdau-GIZ Alliance

“Integrating the Informal sector at the steel value chain”

Paulo Boneff

Our COMPANY today

- 113 years of history
- Operations in the Americas, Europe and Asia (industrial presence in 14 countries)
- The leading company in the production of long steel in the Americas
- One of the major worldwide suppliers of special long steel for the automotive line
- Steel for the civil construction, industrial, and agribusiness sectors
- Installed capacity of more than 25 million tons of steel per year
- **The largest recycler in Latin America and around the world it transforms 15 million tons of scrap into steel every year**
- Shares traded on the São Paulo, New York and Madrid Stock Exchanges
- Gerdau closed the year 2013 with R\$ 39,8 billion in consolidated net revenues

**Over 45,000
employees**

**More than 120,000
customers**

**Around 140,000
shareholders**

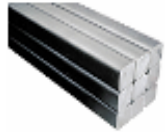
**More than 30,000
suppliers**



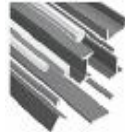
PRODUCTS & Consumer MARKETS

Products

Billets, blooms & slabs



Merchant bars



Special Steel SBQ



Rebars



Fabricated steel



Heavy structural shapes



Wire-rod



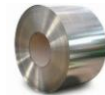
Wires



Nails



Hot rolled coil



Iron Ore



Brazil

- ▶ Housing
- ▶ Infrastructure
- ▶ Industry and commercial buildings
- ▶ Agricultural
- ▶ Slabs, blooms and billets markets

North America

- ▶ Infrastructure
- ▶ Non-residential
- ▶ Industrial

Latin America

- ▶ Housing
- ▶ Infrastructure
- ▶ Industry and commercial buildings

Special Steel

- ▶ Automotive
- ▶ Shipbuilding
- ▶ Energy

Iron Ore

- ▶ Raw material for steel industry

Gerdau Sustainable Steel

Gerdau contributes to builders receive environmental certifications (rebar, fabricated steel, wire and nails are 100% recyclable).



**Transoceánica Business,
Chile**



**Eldorado Business Tower,
Brazil**



New Central Library, USA



Leadership in Energy and Environmental Design (LEED)

International certification system and certifies environmental orientation that certifies the commitment to build with the principles of sustainability, granted to several green buildings that used the Gerdau steel.

STEEL applications



Iberê Camargo
Museum - Brasil



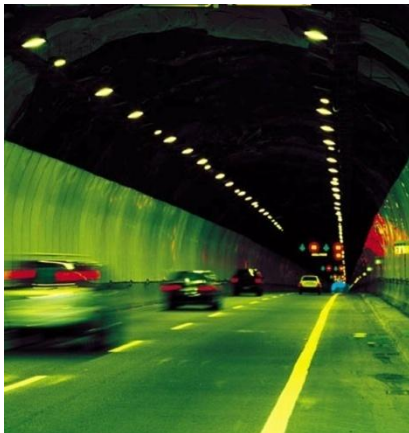
Freedom Towers
United States



Georgia Aquarium
United States



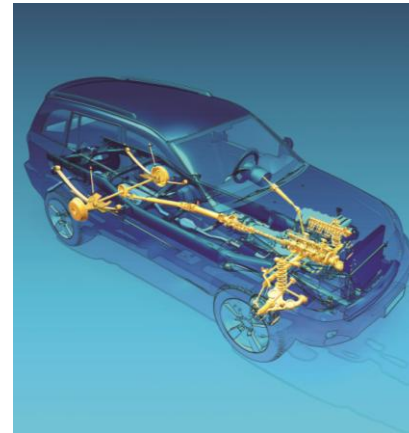
Westin Lima
Peru



Zapata Tunnel
Chile



Bridge



Products for the
automotive industry



Products for the
agricultural sector

Our steel is present in all soccer stadiums of the World Cup



Maracanã
Rio de Janeiro (RJ)



Mineirão
Belo Horizonte (MG)



Arena Corinthians
São Paulo (SP)



Mané Garrincha
Brasília (DF)



Arena Fonte Nova
Salvador (BA)



Beira Rio
Porto Alegre (RS)

Our steel is present in all soccer stadiums of the World Cup



**Arena do Castelão
Fortaleza (CE)**



**Arena Pernambuco
Recife (PE)**



**Arena da Baixada
Curitiba (PR)**



**Arena da Amazônia
Manaus (AM)**



**Arena das Dunas
Natal (RN)**



**Arena Pantanal
Cuiabá (MT)**

Sustainability

Gerdau is the largest recycler in Latin America and around the world it transforms 15 millions of metric tons of scrap into steel every year.



Gerdau recycles every year the equivalent of 750,000 trucks loaded with scrap*. If put together, the trucks would form a line 13,500 km long, which is approximately the distance between Brazil and India.

GERDAU INSTITUTE

Social organization created by the Gerdau Johannpeter family and the Gerdau to address social responsibility at **Gerdau's** companies and in the **Gerdau Johannpeter Family**.



Levels of Activity | Business divisions

Projects with surrounding communities

178 locations
1.000+ projects executed
US\$ 12MM+ invested in the local development
16.000+ employees are active volunteers

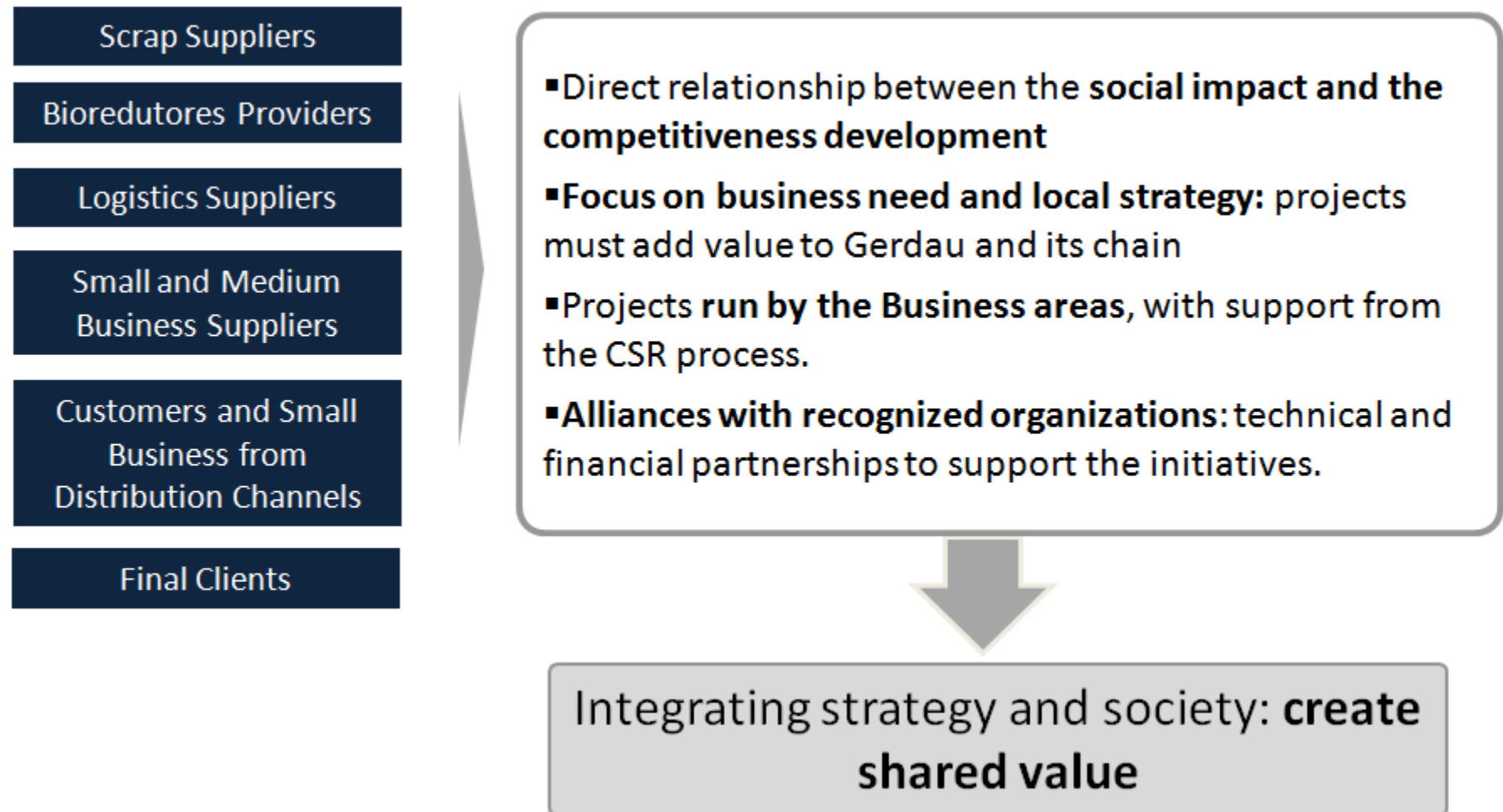
Social Responsibility in the Business Chain

- Management and technical training
- Business strategy and social inclusion
- Suppliers, truck drivers, customers and products users

Brazilian Society



Social Responsibility in the Business Chain



Alliance Gerdau-GIZ

“Integrating the Informal sector at the steel value chain ”

Objectives and components

To **strengthen the organization and the management of the informal sector** in the steel value chain in Latin America, developing actions with social, environmental and economic benefits for these actors and **systematically integrate them in the steel business**, in a profitable and sustainable way.

1) **Training** of the informal sector actors

2) **Strengthening of intermediate organizations** and creation of a **regional network**

3) **Value chain monitoring system** development and implementation

4) Leverage of this theme as **public policies** in the countries, in a local and a national level



BMZ



Ministerio Federal de
Cooperación Económica
y Desarrollo

develoPPP.de



Target

- **Scrap metal suppliers, materials and services suppliers, customers and Gerdau products users.**
- **Low level of formal education**
- **No management knowledge** and without access to technology
- **Companies without money to invest** and with high debt rates
- **Doesn't understand informality as a problem**
- **No stability:**
irregular and idle production
- **Improper work environment conditions** (health, safety, labour relations and environmental)



Solution

- Train and organize workers and informal small business in new profesional skills, business management and total quality, depending on the local needs.
- Contributieto the **productivity and competitveness improvement** of the benefited, **formalize** and **garantee their integration** in the steel industry chain.
- **Execution by intermediate organizations** (non profits and public institutions)



Why GIZ?

Knowledge

Brand

Management

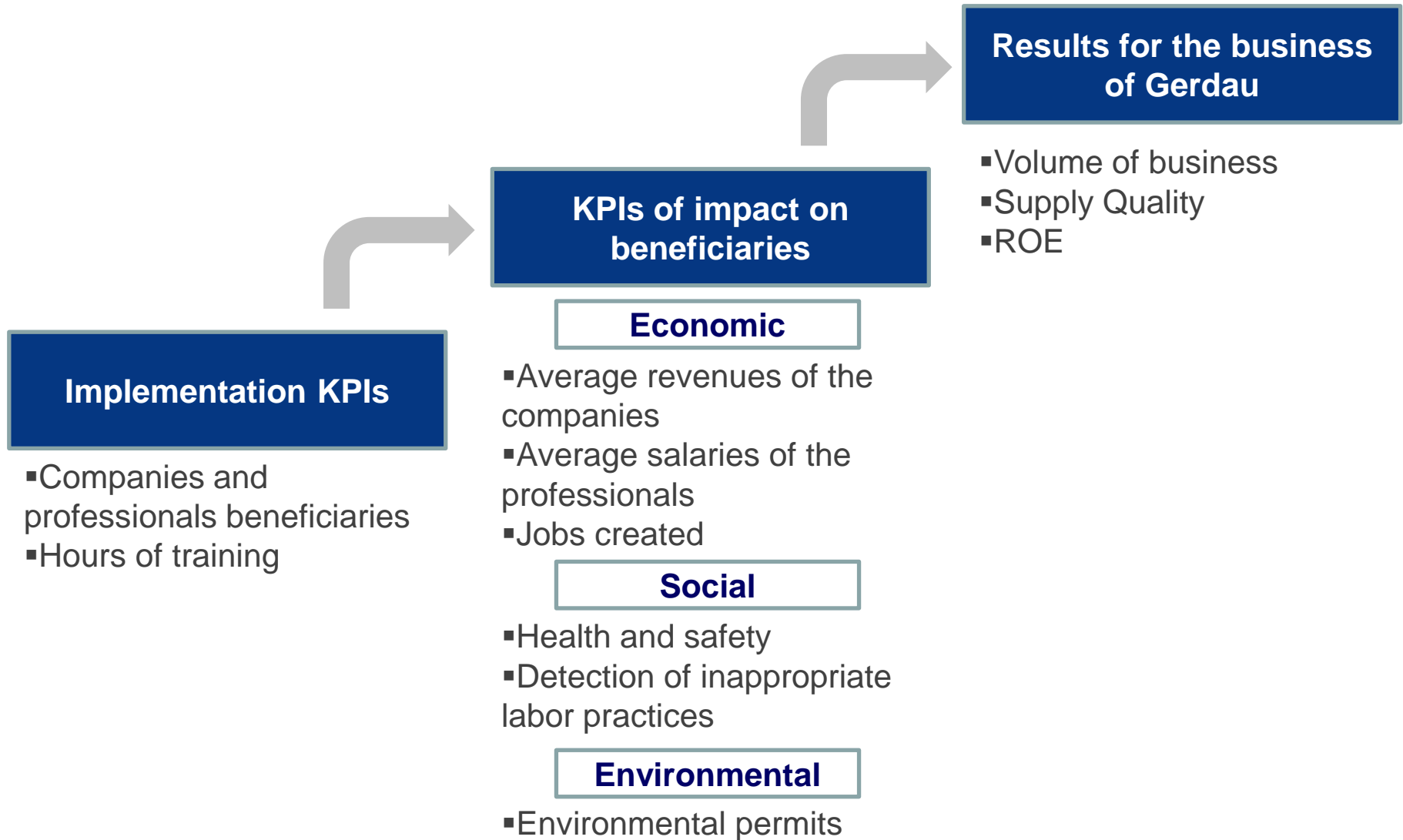
Match investment

Solution

- **Training and organization** of professionals and small informal enterprises in **technical subjects, business management and total quality**, according to local needs.
- Contribute to improve the **productivity and competitiveness** of the beneficiaries, to **formalize and ensure their inclusion** in the steel chain.
- Running through **intermediary organizations** (Non-profit organizations and government entities).



Monitoring and evaluation | Scorecard



Results | 2010-2013

Range

11

projects

4

countries

26

cities

Execution

378

companies
beneficiaries

9.436

professionals beneficiaries

32 K

Training hours

Formalization

267

companies (71%)

7.999

Formal jobs (84%)

Impact

+155%

scrap suppliers sales

+57%

average of employment
generated by scrap supplier

+20%

average of employment
generated by
supplier*/customer

**Materials and services*

Results | 2010-2013 | Business Impact

Suppliers

+128%

increase in scrap purchase
from the beneficiaries

+152%

business with suppliers
beneficiaries

Clients

+183%

Increase Gerdau
products sales

Final users

82%

of trained work for
Gerdau clients, in 2011
were 34%

Intangibles

- Loyalty
- Increasing the base of suppliers
- Better health and safety condition in the business chain
- Brand enhancement
- Community and institutional relations

**Materials and services*

Results | Networking & Knowledge exchange



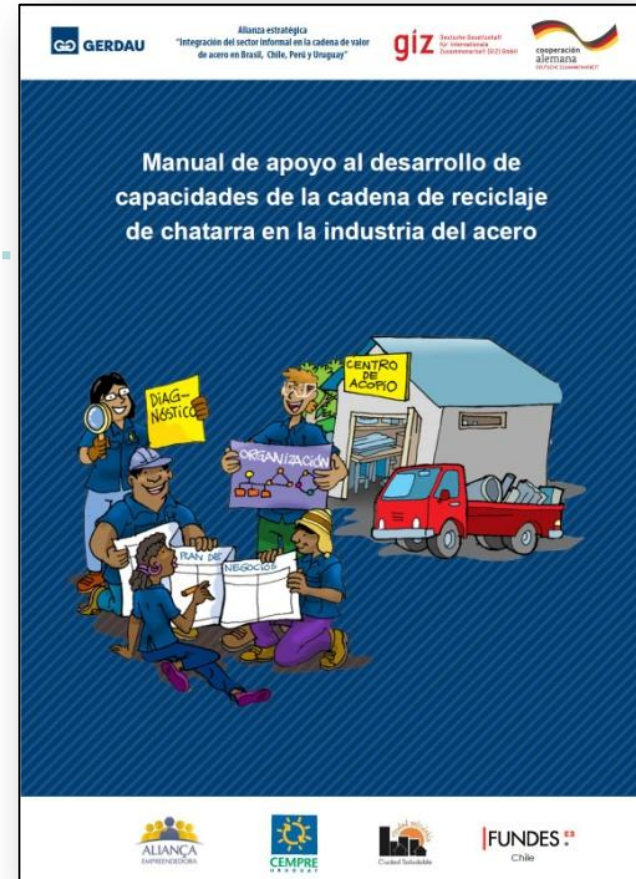
Scrap metal network

- 3 meetings
- Products:**
 - Best practices exchange
 - Scrap chain development book



Customers network

- 2 meetings
- Products:**
 - Best practices exchange



Lessons learned and future actions

- To work with networks is necessary to work also the nonprofit organizations.

- There are no clear laws on how it should be the documentation process of recycling.

- Working training and psychosocial support the groups gets better results.

- Public organizations aren't prepared to implement new environmental laws with recyclers.

- Recyclers and waste-pickers need to receive digital literacy to use computers and to do legal documentation.

- Form the nonprofit organizations in parallel to the activities of the network.

- Make exchanges between financial experts and recyclers organizations for better understanding of the leys.

- Include psychosocial support in the project for the group and the leaders.

- Empower recyclers and waste pickers about news laws and to promote meetings with public authorities.

- Make partnership with other companies and public authorities to support digital training.

Improvement opportunities for future partnerships

- Promote partnership with public authorities / local governments before starting the project.
- Involve other companies to increase the number of beneficiaries.
- To create an online database and include best practices that are occurring in the projects.
- Actions to form networks.

Critical Success Factors

- **Business strategy:** direct connection between social projects and local business needs.
- **Diagnosis:** understand the impact of social issues on the competitiveness of Gerdau.
- **Execution:** hiring specialist organizations in education and involvement of the business areas in the implementation of the initiatives.
- **Learning:** technical partnership with GIZ to leverage the management and review of the topic.



“...policies and operating practices that enhance the company's competitiveness while simultaneously develop the economic and social conditions in the communities in which it operates. **Shared value creation focuses on identifying and expanding the connections between the progress of society and the economy.**”



Danke!

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