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
GERDAU AROUND THE WORLD

- **61** Steel mills
- **143** Downstream operations
- **4** Iron ore extraction areas
- **48** Scrap collection and processing facilities *
- **4** Power plants
- **126** Retail facilities
- **3** Private port terminals

- Gerdau Headquarters
- Associated companies
- Joint ventures

* Scrap collection and processing facilities, solid pig iron production facilities, and coal units.
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

Social Responsibility | Gerdau Institute
Gerdau Sustainable Steel

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

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.
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 | Gerdau Institute
Social Responsibility in the Business Chain

- Direct relationship between the social impact and the competitiveness development
- Focus on business need and local strategy: projects must add value to Gerdau and its chain
- Projects run by the Business areas, with support from the CSR process.
- Alliances with recognized organizations: technical and financial partnerships to support the initiatives.

Integrating strategy and society: create shared value
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
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 professional skills, business management and total quality, depending on the local needs.
- Contributeto the productivity and competitiveness improvement of the benefited, formalize and guarantee their integration in the steel industry chain.
- Execution by intermediate organizations (non profits and public institutions)
Why GIZ?

- Knowledge
- Brand
- Management
- Match investment

Integrating the Informal sector at the steel value chain
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

Implementation KPIs
- Companies and professionals beneficiaries
- Hours of training

KPIs of impact on beneficiaries

- **Economic**
  - Average revenues of the companies
  - Average salaries of the professionals
  - Jobs created

- **Social**
  - Health and safety
  - Detection of inappropriate labor practices

- **Environmental**
  - Environmental permits

Results for the business of Gerdau
- Volume of business
- Supply Quality
- ROE

Integrating the Informal sector at the steel value chain
## Results | 2010-2013

<table>
<thead>
<tr>
<th>Range</th>
<th>Execution</th>
<th>Formalization</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 projects</td>
<td>378 companies</td>
<td>267 companies</td>
<td>+155% scrap suppliers sales</td>
</tr>
<tr>
<td>4 countries</td>
<td>9,436 professionals</td>
<td>7,999 formal jobs</td>
<td>+57% average of employment generated by scrap supplier</td>
</tr>
<tr>
<td>26 cities</td>
<td>32 K training hours</td>
<td></td>
<td>+20% average of employment generated by supplier*/customer</td>
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</tbody>
</table>

*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

Integrating the Informal sector at the steel value chain
<table>
<thead>
<tr>
<th>Lessons learned and future actions</th>
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<tbody>
<tr>
<td>To work with networks is necessary to work also the nonprofit organizations.</td>
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<tr>
<td>There are no clear laws on how it should be the documentation process of recycling.</td>
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<tr>
<td>Working training and psychosocial support the groups gets better results.</td>
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<tr>
<td>Public organizations aren't prepared to implement new environmental laws with recyclers.</td>
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<tr>
<td>Recyclers and waste-pickers need to receive digital literacy to use computers and to do legal documentation.</td>
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<tr>
<td>Form the nonprofit organizations in parallel to the activities of the network.</td>
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<tr>
<td>Make exchanges between financial experts and recyclers organizations for better understanding of the leys.</td>
</tr>
<tr>
<td>Include psychosocial support in the project for the group and the leaders.</td>
</tr>
<tr>
<td>Empower recyclers and waste pickers about news laws and to promote meetings with public authorities.</td>
</tr>
<tr>
<td>Make partnership with other companies and public authorities to support digital training.</td>
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</tbody>
</table>
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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