

CORPORATE GOVERNANCE

The Gerdau Group's corporate governance structure includes the Board of Directors, the Officers – coordinated by the Executive Committee together with its supporting bodies (Strategy Committee and Excellence Committees) – and the Board of Auditors.

The Board of Directors is in charge of establishing the Gerdau Group's strategies and following up on the execution of adopted policies. The Board members are also responsible for appointing the Officers and Executive Committee members. Issues of significant impact on the business and on the performance of its operations are subject to the Board's deliberation, as are any investments over US\$ 5 million.

The eight Board members – four from the controlling group and four independent members – meet at least four times a year. Although the regulations state that decisions may be reached by majority vote, in practice they have been reached by consensus.

The management of the Gerdau Group is the responsibility of the Executive Committee, which coordinates and supervises the business operations so as to carry out the policies defined by the Board of Directors. The Executive Committee consists of ten people, one president and nine vice presidents, who meet at least fortnightly. Its responsibilities are divided into business operations and functional processes. Executive Committee members work in an integrated manner, seeking greater synergy between the operations, and individually, maximizing results by focusing on the management of each business and on the functional processes.

The business operations are: Long Steel Brazil, Specialty Steel, Açominas, South America (Argentina, Chile, Colombia and Uruguay) and North America. The processes include sales and marketing, industrial operations, logistics and transportation, raw materials, procurement, operational planning, human resources and organizational development, finance and investor relations, accounting and auditing, legal, management technology, strategic planning and management, information technology and institutional issues, corporate communications and public affairs and social responsibility.

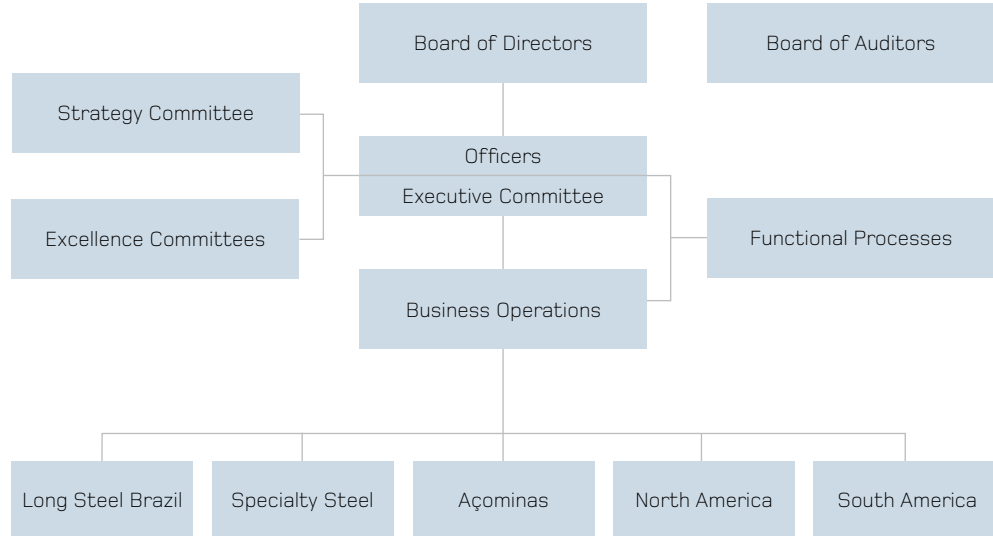
In 2005, a new member joined the Executive Committee: Mario Longhi, who is the President and CEO of Gerdau Ameristeel in North America. At the beginning of 2006, André B. Johannpeter, Executive Committee member and Gerdau Ameristeel Chief Operations Officer, moved to overseeing global corporate responsibilities in the areas of sales and marketing, raw materials, general procurement, logistics, human resources and organizational development. André continues to serve on the Gerdau Ameristeel Board of Directors. At the same time, Paulo Fernando Bins de Vasconcellos, who was a vice president at Gerdau Ameristeel returned to the Executive Committee as Executive Vice President for the Specialty Steel business operation.

In carrying out its activities, the Executive Committee receives support from the Strategy Committee and the Excellence Committees. The Strategy Committee includes Executive Committee members, several Board members and heads of business operations, and puts forward long-term strategies to the Board of Directors. The role of the Excellence Committees is to stimulate debate and exchange of best practices within the organization.

In April 2005, an important change was made in the Gerdau S.A. statute with the aim of meeting certain requirements of United States legislation. Based on an agreement established between the Brazilian Securities Commission (CVM) and the United States Securities and Exchange Commission (SEC), the Board of Auditors has undertaken the role of Audit Committee in addition to its previous tasks.

Gerdau Ameristeel Corporation, within the standards of corporate governance practiced in the United States, also has an Audit Committee, linked to the Board of Directors.

CORPORATE GOVERNANCE STRUCTURE



SUCCESSION

At the beginning of 2007, new changes to the Executive Committee will be implemented. The President of the Committee, Jorge Gerdau Johannpeter, and the Senior Vice Presidents, Frederico C. Gerdau Johannpeter and Carlos J. Petry, will cease their executive activities and serve solely on the Board of Directors.

At a date yet to be determined, the new Executive Committee President will be appointed. The succession process began in 2001 and involves the assistance of international consultants as well as internal analyses. Throughout its 105 years, the Gerdau Group has already carried out four smooth succession processes.

The decision about the future president will be made on the basis of a consensus among the members of the company's Board of Directors and will take into account the personal characteristics best suited to the overall leadership of the business.

GERDAU COMPANIES

Gerdau Group is the name used to describe the set of companies in different countries that make up the Gerdau economic group and are under the same shareholder control.

The planned growth of the Group's activities in South America over the coming years was one of the factors that led the company to reorganize its operational and corporate structure in that continent in 2005. The changes sought to maximize the Gerdau Group's performance in the region – a continuing process begun three years earlier, with the integration of the Brazilian operations of Gerdau S.A. and Aço Minas Gerais S.A., which led to the creation of Gerdau Açominas S.A.

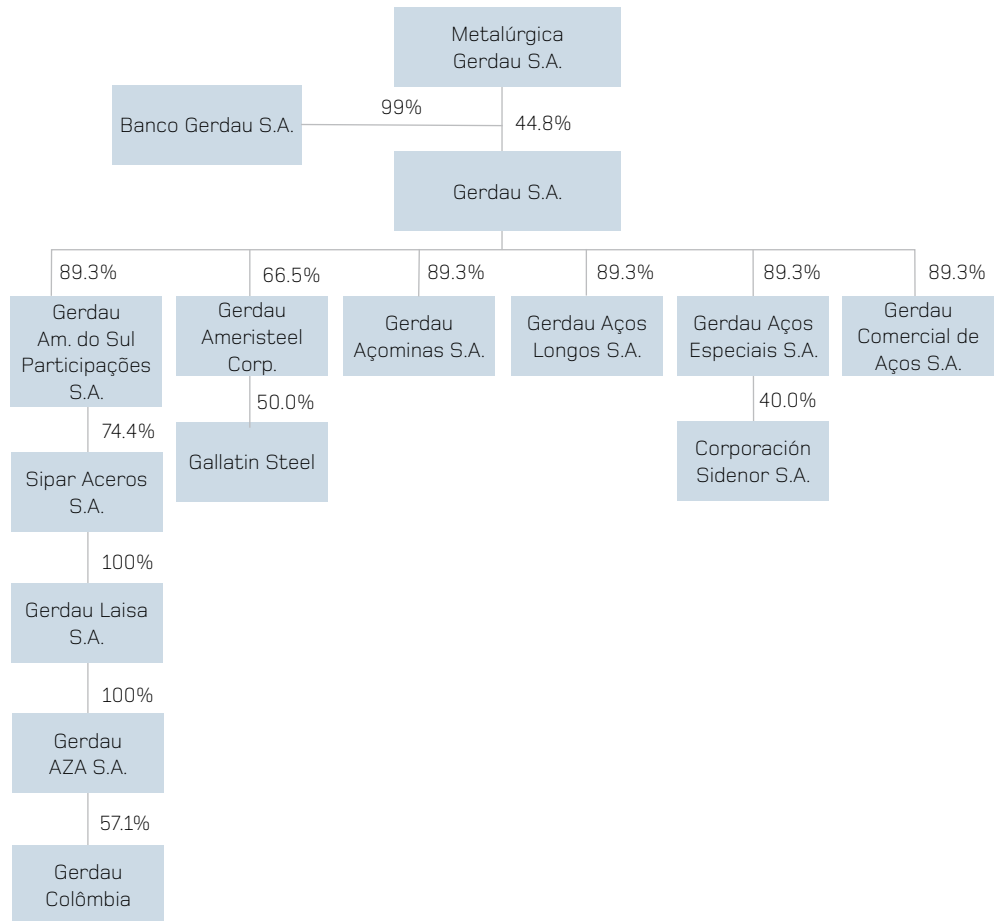
As a result of the steps taken in August 2005, five non-listed companies are now responsible for the Gerdau Group's operations in South America: Gerdau Aços Longos S.A. (Brazil), Gerdau Aços Especiais S.A. (Brazil), Gerdau Açominas S.A. (Brazil), Gerdau Comercial de Aços S.A. (Brazil) and Gerdau América do Sul Participações S.A. (Argentina, Chile, Colombia and Uruguay).

The restructuring implemented in South America sought to enhance market transparency, increasing each sector's understanding of the Group's steelmaking activity. At the same time, it brought operational savings by achieving greater efficiency in the administrative processes.

The Group's two listed companies in Brazil – Gerdau S.A. and Metalúrgica Gerdau S.A. – are classified as Level 1 on the São Paulo Stock Exchange (Bovespa) Corporate Governance program, and regulated according to special norms for differentiated conduct on the stock market. Gerdau S.A. shares are also traded on the New York Stock Exchange (NYSE) and the Madrid Stock Exchange (Latibex).

In the United States and Canada, the company responsible for the Group's operations is Gerdau Ameristeel Corporation, whose shares are traded on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange. The Gerdau Ameristeel Board of Directors (responsible for the Group's North American operations) consists of nine people and meets quarterly. Committees also exist to deal with specific areas, such as auditing, human resources, corporate governance, safety, health and the environment.

GERDAU GROUP STRUCTURE SUMMARY



ETHICAL GUIDELINES

Integrity is a word that defines the behavior that the Gerdau Group expects of each and every one of its employees in their dealings with all of the company's publics, including customers, shareholders, suppliers, communities and competitors. This behavior is specified in the Gerdau Ethical Guidelines, which are based on the Group's values.

As with other employees, the members of the Board of Directors and the Executive Committee are bound by the Ethical Guidelines.

In February 2006, the Gerdau Group reformulated its intranet channel in Brazil for the reporting of violations of the Ethical Guidelines in order to make it more responsive and effective. Here, an employee who identifies or suspects a possible violation of the Ethical Guidelines will find the appropriate means of obtaining advice on what to do. The Group

treats all complaints of inappropriate conduct with confidentiality and caution, regardless of the circumstances. Anonymity is completely assured, and employees need only identify themselves if they so wish. Within a maximum of 30 days, the person who chooses to identify him or herself will be advised of the treatment given to the complaint.

At Gerdau Ameristeel there are two norms of conduct: the Code of Ethics and Business Conduct, observed by all employees, and the Code Ethics Applicable to Senior Executives, aimed specifically at employees working in senior executive positions.

GERDAU BUSINESS SYSTEM (GBS)

The rapid expansion of the Gerdau Group in recent years has demanded the implementation of an integrated management system capable of being adopted by all units in a short space of time. This management system is called the Gerdau Business System (GBS) and brings together internal best practices in all business processes, in addition to external benchmarks.

In addition to best practices, the GBS standardizes the key process indicators at a global level, making it possible for each operation to follow-up and analyze results in an extremely objective manner.

In 2005, a new tool was incorporated to the GBS to measure the practices of the Group's operations: GBS Global Assessment. By using this mechanism, the company can swiftly promote practices regarded as essential, accelerate the transfer of the management model to new businesses, obtain information regarding the development of action plans in line with its aims, measure adherence to the management model and its evolution and obtain internal benchmark information. This ensures the elimination of gaps and the fast implementation of an integrated model.

The GBS Global Assessment application methodology provides for two distinct phases. In the first, managers and their teams carry out a self-evaluation and identify their developmental stage in relation to the Gerdau standards of excellence. In the second, a team made up of the Group's process leaders carries out the definitive evaluation. In order to develop GBS Global Assessment, the Gerdau Group used similar tools employed in other global companies as a model. In the past fiscal year, GBS Global Assessment was applied at Diaco (Colombia) and Gerdau Aços Especiais Piratini (state of Rio Grande do Sul), with great success.

BOARD OF DIRECTORS



Jorge Gerdau Johannpeter

Chairman

Born in 1936, Jorge Gerdau Johannpeter graduated in Legal and Social Sciences from the Federal University of Rio Grande do Sul (UFRGS). He has worked for the Gerdau Group since 1954, having begun as an assistant. Executive President and Chairman of the Board of Directors since 1983.



Germano H. Gerdau Johannpeter

Vice Chairman

Born in 1932, he studied Corporate Administration at the Getúlio Vargas Foundation (FGV). He has worked for the Gerdau Group since 1951 and is currently Vice President and Vice Chairman of the Board of Directors.



Klaus Gerdau Johannpeter

Vice Chairman

Born in 1935, he graduated in Civil, Electrical and Mechanical Engineering from the Federal University of Rio Grande do Sul (UFRGS). He has worked for the Gerdau Group since 1954 and is currently Vice Chairman of the Board of Directors.



Frederico C. Gerdau Johannpeter

Vice Chairman

Born in 1942, he graduated in Corporate Administration from the Federal University of Rio Grande do Sul (UFRGS) and has a Masters in Business, Finance, Costs and Investments from the University of Cologne, Germany. He has worked for the Gerdau Group since 1961, and is currently Vice Chairman of the Board of Directors and Senior Vice President of the Executive Committee.



André Pinheiro de Lara Resende

Board member

Born in 1951, he graduated in Economics from the Pontifical Catholic University of Rio de Janeiro (PUC-RJ), completed a Masters through the Getúlio Vargas Foundation (FGV) and holds a PhD from the Massachusetts Institute of Technology (MIT), USA. He was formerly President of the Brazilian Development Bank (BNDES), special adviser to the President of Brazil, chief negotiator of the country's foreign debt, Executive President of the steelmaker Siderúrgica Tubarão, Executive Vice President of Unibanco, Executive Partner of Banco Garantia and Director of the Public Debt and Open Market division of the Brazilian Central Bank, among other positions. Has been a member of the Gerdau Board of Directors since 2002.



Affonso Celso Pastore

Board member

Born in 1939, he graduated in Economics from the University of São Paulo (USP), where he also completed his doctorate. He teaches at the Getúlio Vargas Foundation (FGV) in Rio de Janeiro and acts as an economic consultant. Was formerly Treasury Secretary for the State of São Paulo and President of the Brazilian Central Bank. Joined the Gerdau Group Board of Directors in 2002.



Carlos J. Petry

Board member

Born in 1941, he graduated in Philosophy from the Federal University of Rio Grande do Sul (UFRGS). He has worked for the Gerdau Group since 1965, currently serving as Vice President of the Board of Directors and senior vice-president of the Executive Committee.



Oscar de Paula Bernardes Neto

Board member

Born in 1946, he graduated in Chemical Engineering from the Federal University of Rio de Janeiro (UFRJ) and in Administration from the State University of Rio de Janeiro (UERJ). He is President and Director of the Latin America Internet Development Group and member of the advisory boards of Telesystem International Wireless and Bunge Alimentos S.A. in Brazil. He is also a member of the boards of RBS, CheckForte, Satipel and Alcoa in Brazil, and of Delphi Corp. in the USA. Was elected member of the Gerdau Group Board of Directors in 2002.

BOARD OF DIRECTORS

CHAIRMAN

Jorge Gerdau Johannpeter

VICE CHAIRMEN

Germano H. Gerdau Johannpeter

Klaus Gerdau Johannpeter

Frederico C. Gerdau Johannpeter

BOARD MEMBERS

André Pinheiro de Lara Resende

Affonso Celso Pastore

Carlos J. Petry

Oscar de Paula Bernardes Neto

SECRETARY GENERAL

Expedito Luz

GERDAU EXECUTIVE COMMITTEE

PRESIDENT

Jorge Gerdau Johannpeter

SENIOR VICE PRESIDENTS

Frederico C. Gerdau Johannpeter

Carlos J. Petry

EXECUTIVE VICE PRESIDENTS

André B. Gerdau Johannpeter

Claudio Gerdau Johannpeter

Filipe Affonso Ferreira

Mario Longhi

Osvaldo B. Schirmer

Paulo Fernando Bins de Vasconcellos

Ricardo Gehrke

SECRETARY GENERAL

Expedito Luz

» Additional information available at www.gerdau.com.br/eng/corporategov