



2020

ANNUAL SUSTAINABILITY REPORT



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Message from the CEO

GRI 102-14



Guilherme Mello
Chief Executive Officer

2020 was a particularly challenging year. The pandemic of the new coronavirus required the company and its employees to make more efforts so that MRS operation could be maintained, while measures such as strict health protocols ensured safety for the teams to perform their activities. We fulfill our role as a company classified as an essential service, maintaining operations at a fast pace and delivering a high quality logistics service to customers and partners, without neglecting the health of our employees and, consequently, of the members of the communities where we are inserted.

The actions related to preventing the infection of the teams by the new coronavirus ranging from a group of actions that included the dissemination of qualified information about self-care to the availability of specific PPE (Personal Protective Equipment). In relationship with society, MRS maintained a leading position and understood that its role, as a large company present in more than 100 municipalities in the states of Minas Gerais, Rio de Janeiro and São Paulo, was to support the communities most affected by pandemic and who live close to the railway, with the distribution of kits with personal hygiene products and basic food baskets, in addition to support for Fiocruz's initiatives in the development of rapid tests for Covid-19 diagnosis. Funds surpassing R\$ 11 million were invested in these and further actions.

The company's overall results indicate that the strategy was successful. The company transported 159.8

million tons, 8.8% higher than in 2019. The transport of iron ore, a commodity which undergone a strong appreciation throughout the year, is the main reason for this growth.

Transportation was positively benefited from a project linked to MRS innovative DNA: the operation of the Unmanned Train (Trem Não Tripulado – TNT acronym in Portuguese). The initiative was entirely developed by MRS professionals and meets a series of safety requirements for the traffic of railway trains in the Self-Rescue Zone, in the region of Brumadinho, where our trains cannot travel with train drivers. We are proud to have several other innovative initiatives developed in 2020. During the year, we signed a relevant agreement for pulp transportation between Pederneiras Terminal and Santos Port and the works on the multimodal terminal was started, which will make this operation feasible.

MRS remains committed to its ESG (Environmental, Social and Governance) practices and, to this end, we defined, with the support of consulting company, the strategic focuses for the next two years (2021-2022). We have 62 actions scheduled in governance, strategy, risk management and transparency, and some already started to be implemented in 2020, such as the review and improvement of our Corporate Governance practices, which brought us a gain in adherence with the new standards. We extend the commitment to sustainability goals to our suppliers and we are engaged to analyze carefully each almost two thousand service providers that work with us. In addition, for the second consecutive year, we present our main indicators through a Sustainability Report developed in compliance with GRI (Global Reporting Initiative) guidelines.

In the analysis of some very specific topics and also related to the sustainable business management, we highlight the improvement in the energy efficiency indicator, measured by the fuel consumption of the trains: there was a reduction of 0.7%, an efficiency gain, even considering the volume increase. That is, we transport more using less diesel. This indicator is measured by the quantity of liters consumed in transporting 1,000 gross tons per kilometer.

In 2020, MRS invested approximately R\$ 12 million in funds for environmental control, projects and improvements. Among the actions developed, we highlight the treatment of liquid waste for industrial use or washing yards, in some railroad maintenance and operation sites; the planting of 13,000 native seedlings from the Atlantic Forest biome in a municipal park in Juiz de Fora (MG), in a planted area equivalent to 7 soccer fields; and destination of almost 20% of our solid waste for recycling or reuse. Our first emissions inventory using GHG (Greenhouse Gases) Protocol was also carried out, evidencing our concern to contribute to minimizing climate change, with survey and monitoring of data, and our commitment to the implementation of actions to reduce greenhouse gas emissions.

As mentioned above, 2020 was not a conventional year. It had new and never experienced complexities. The certainty that we are on the right path and that we have adopted the right measures is reflected in the results of the climate survey carried out with employees at the end of the year. The “Climate Favorability” item, which measures the level of overall satisfaction of professionals, recorded a growth of almost 5 percentage points compared to the level of 2019, reaching 87.6%. The result points to a high level of satisfaction, and this demonstrates that the efforts to keep the teams active, ensuring the safety of all, have contributed to the outstanding result.

This climate survey included, for the first time, questions about how employees perceive the Company’s attitude regarding issues such as harassment, diversity and inclusion, already signaling which will be some of the priorities to be worked on in the future in people management. We have programs and actions to discuss and strengthening of the diversity on the railroad. For example, one of the actions is focused on increasing the presence of women at MRS, which has already been growing over the past few years.

2020 was a year of great challenges. We achieved a good result, despite the many variables that we dealt with. These results were only possible due to the dedication and effort of MRS team, a team formed by highly qualified professionals, who are committed not only to the company, but also to continuous improvement.

We will still experience complex challenges in 2021, as the pandemic proceeds and several projects are being executed, such as the expansion of innovation-driven initiatives, the migration of the Company's systems and processes to a single platform, and the expected conclusion the renewal process of MRS' concession in advance. Certainly, our team is ready to provide logistics solutions to contributes to the important sectors of the Brazilian economy, development to the railway sector and the country.

We are aware of our relevant role for society and we know what to do to contribute even more. We will always keep progressing. Check 2020 evolution in the report below.

Good reading!

Covid-19 impacts

2020 was strongly marked by the pandemic decreed by the World Health Organization (WHO) in March. Measures adopted worldwide to contain the number of infections, such as social isolation and the restriction of movement of people, the closing (total or partial) of stores and services and the reduction of working hours in industries, had a direct impact on the economy and society.

Railroad transportation of Cargo is recognized as service essential for supplying the national industry, for the Brazilian trade balance and for transporting food and other goods that are also essential to the functioning and supply of the country. Thus, within the framework of Decree Nº 10.282, of March 20, 2020, for the purposes of Law Nº 13.970/2020, MRS railway operation was maintained throughout the year without interruption of activities, as well as those of its suppliers and service providers, always with respect for care, to ensure the safety and health of employees and society.

The Company's operating and financial performance was impacted, mainly in the first months of 2020. MRS was required to carry out adjustments to meet a new reality in the industry and a reduction in demand in segments such as steel products, cement and containers. On the other hand, there was a boost in the mining and agricultural products segments, driven by the U.S. dollar appreciation. Learn more in Performance 2020.

The employees started to work in a remote work model on March 17 in MRS administrative areas and in on-site rotating shifts for activities that could not be performed remotely. All non-essential on-site activities were adapted to the online format or suspended. For those who needed to remain in the facilities, the Company started to carry out frequent hand washing campaigns, provide alcohol gel and masks at work stations and check the temperature of all those who access the units. All these actions were accompanied by the company's board, in a Crisis Committee with regular meetings.

In Occupational Health, absenteeism in prevention and health care programs increased due to the policy of remote work and rotating shifts, which led the Company to implement two new health channels, one focused on care and prevention of Covid-19 and the other for consultations by telemedicine. Learn more in Employees.

The activities of the Environmental Education Program for workers and communities were remodeled to comply with the protocols required by the pandemic. Learn more at Operational Safety and Environment.

Likewise, communication with the internal audience needed to be remodeled and, throughout the year, campaigns and actions were carried out under new standards:

- Creation of the page *Amplie suas Competências* (Expand your Skills) to assist in the personal and professional development of employees during the pandemic;
- Seven live streaming sessions on physical, mental and financial health were held for employees and family members. Psychologists, nutritionist, pedagogue and financial consultant attended in the live sessions. The total number of views of the live sessions reached more than 2,400;
- Live steaming sessions aimed at professional development on career, accountability, data intelligence, industry 4.0 and Lean;
- #PorUmBemMaior campaign directed at teams on the front line;
- Special action for Railwayman Day for front-line and outsourced employees. T-shirts with the slogan of #PorUmBemMaior campaign, a letter of recognition signed by the Company's CEO and a box of chocolates for the family were delivered.
- On Railwayman Day, a news report was broadcasted in Jornal Nacional with MRS employees' testimonials about the work of this professionals during the pandemic;
- Creation of the Mental Health Week to address the topic and make employees aware of the importance of taking care of their health. Various contents were produced, such as videos and podcast; in addition, in the

week's agenda two lectures were held with professionals;

- Creation of the series "Tips for Working from Home" to help employees prepare their work environment at home and provide guidelines on good posture practices, care with headphones, stretching and gymnastics at work.

Support in combating the impacts of the pandemic

In recognition of the great challenges that the scenario imposed on the municipalities and communities surrounding the railroad, MRS developed an emergency social collaboration program, aimed at serving two priority audiences in the three states in which it operates: homeless people and families with a high level of social vulnerability. Between April and June 2020, the Company donated 17 thousand basic food baskets and 17 thousand hygiene kits for 39 municipalities in the states of Minas Gerais, Rio de Janeiro and São Paulo. All donations, which included the distribution of 816 thousand items, including food and personal hygiene and cleaning products, were planned with the municipal governments and social institutions. The deliveries were monitored on-site by MRS teams.

68 thousand

people assisted

816 thousand

donated items (food and personal care products)

39 municipalities

(Municipal Governments, Social Institutions and Residents' Associations)

Further actions carried out by MRS with the same purpose of social support were:



Delivery of lunch boxes with ready meals to bordering communities in Vale do Paraíba (SP), Rio de Janeiro (RJ) and Juiz de Fora (MG);



Donation of 1,500 Covid-19 tests to municipal governments in the State of Minas Gerais;



Training of workers at the Horto (MG) Locomotive Workshop, in partnership with Federation of Industries Minas Gerais State (FIEMG acronym in Portuguese), to repair respirators. 200 respirators were recovered by MRS employees;



Donations to support the development of the Covid-19 vaccine, through an initiative called Todos Pela Saúde (All for Health) and directly to Fiocruz.

Learn more about MRS initiatives during the pandemic in:

To maintain the feasibility of all these actions that were necessary to adapt to the new scenario imposed by the pandemic, MRS' Supplies area faced an increase in workload, with the acquisition of essential items for the employees' safety (such as masks and alcohol gel), equipment to support the remote work policy, items to be donated to the communities, in addition to the negotiation within the new context of the inputs and services necessary for the Company's normal operation. The area was also responsible for ensuring the logistics for the safe transportation of employees. Learn more at Suppliers.

In 2021, the challenges related to Covid-19 impacts persist and our efforts will also continue in order to promote the safety of all our employees, suppliers and communities in which we operate.

Profile

GRI 102-1, 102-3, 102-4, 102-5, 102-16

Established in 1996, when the Brazilian government transferred the management of the national railway system to private enterprise, MRS Logística manages a railway network of over 1,600 km in the states of Minas Gerais, Rio de Janeiro and São Paulo. Recently, this frontier has been extrapolated with the creation of new routes originating in other regions. MRS is among the largest cargo railroads in the world and almost 20% of the products exported by Brazil and 33% of the cargo transported by trains in the country pass through the company's rails.

MRS operates mainly in the transportation of inputs and products related to the steel industry, such as iron ore, coal, and coke, both for serving the domestic market and exports, and in the transportation of general cargo (agricultural commodities, steel products, containers, among others). The company's network connects mineral and agricultural commodities producer regions and some of Brazil's major industrial parks, to the largest ports of the Southeastern region, which gives our operation a distinguished economic importance.

The offer of broader logistics solutions including the planning and development of multimodal solutions (by using multiple means of transport), is also included in MRS service portfolio, in addition to customized rail services. The company stands out for its intensive use of technology and innovation, and is proud to have indicators comparable to those of the most efficient and safe North American and European railways, in terms of energy efficiency, availability and reliability of assets, safety and productivity.

In view of the relevance of its operation in the railway segment, MRS understands it has the responsibility of maintaining a continuous commitment to the safety of residents of communities in the vicinity of the railroad and sees taking the railroad's power of social transformation to the whole of society as a challenge.

MRS is a publicly-held company, listed on B3, in the organized over-the-counter market, with share capital comprising 340,000,000 common and preferred shares.



Mission

Provide cargo transportation focused on railroad, by giving priority to flows that generate scale and long-term relationships, at competitive prices and with predictability, in order to add value to the business.



Vision

A sustainable, world-class, safely operated railway with pleased customers, and engaged and responsible employees.



Values

Responsible attitude.
Excellent service of our customers' needs, with world-class efficiency.
High performance of motivated and engaged crews.

2020 Highlights

Mining Volume
Transported

12.2%

**98.2 MM
Tons**

Net Revenues

R\$3.6 bi

+12.6%

Leverage Ratio

0.83x

-0.36x

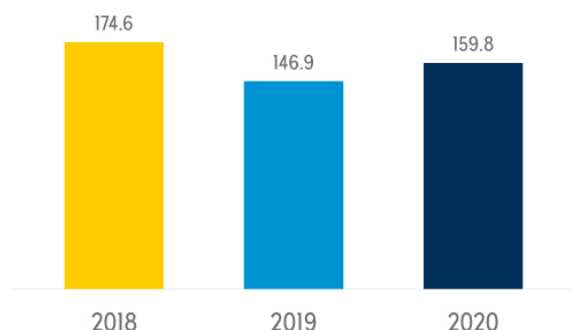
EBITDA

R\$ 2.0 bi

+2.5%

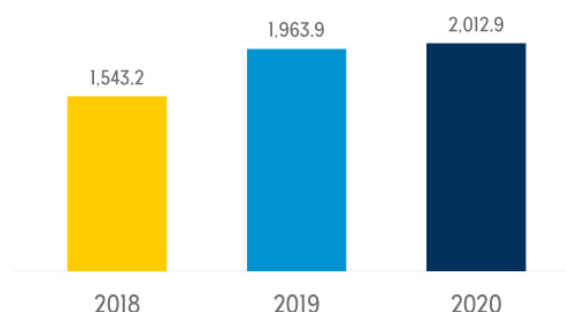
VOLUME TRANSPORTED

In TU million



EBTIDA

In millions of Brazilian reais



Comparisons refer to results for the previous quarter and the same periods in 2019, as indicated. Information directly extracted from the Balance Sheet and the Income Statement was duly reviewed by independent auditors, except for non-financial information.

Financial and operational highlights	2018	2019	2020	2020 x 2019
Transported Volume (TU million)	174.6	146.9	159.8	8.8%
Gross Operating Revenue (R\$ million)	4,083.6	3,483.7	3,890.2	11.7%
Net Operating Revenue (R\$ million)	3,726.4	3,200.8	3,605.0	12.6%
EBITDA (R\$ million)	1,543.2	1,963.9	2,012.9	2.5%
EBITDA Margin	41.4%	61.4%	55.8%	-5.6pp
Net income (R\$ million)	521.6	503.4	430.3	-14.5%

Financial and operational highlights	2018	2019	2020	2020 x 2019
Gross debt (R\$ million)	2,474.9	3,006.9	2,872.8	-4.50%
Net Debt (R\$ million)	2,128.9	2,336.6	1,666.4	-28.70%
Net Debt/EBITDA	1.38x	1.19x	0.83x	-0.36x

Business model and capital

The Integrated Reporting (IR) of the International Integrated Reporting Council (IIRC) provides for the integration of the company's management among (I) financial, (II) manufactured, (III) intellectual, (IV) human, (V) social and relationship, and (VI) natural capitals. The company uses various capital as inputs and, through its activities, converts them into products (goods, services, by-products, and waste).

The business model accurately reflects this system of transforming inputs, through business activities, into products and impacts that aim to meet the organization's strategic purposes and generate value in the short, medium and long term. The main inputs used by MRS are shown in the graphic below. It is not intended as a comprehensive list, but to highlight those that have a material impact on the company's ability to generate value in the short, medium, and long term.

INPUT

Click on the icons to see more.



Natural Capital

Input

- Structured Environmental Management System
 - Mapping of risks
- Energy efficiency of diesel consumption by locomotives
 - Rational use of natural resources
- Valuing the use of energy from renewable sources
 - Environmental offset and rehabilitation of degraded areas



Social and Relationship

Input

Relationship with ANTT, local communities and municipal governments.

- Almost 2,000 suppliers in the supply chain
- Feasible and profitable logistics solutions for customers
- Operation in 107 municipalities of MG, RJ and SP
- Ongoing communication with local communities and governments
- Participation in technical discussions in the sector



Human Capital

Input

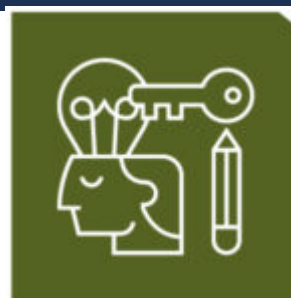
- 5,851 own employees
 - Safe environment
- Qualification and training program



Manufactured Capital

Input

MRS's rail network connects the states of Rio de Janeiro, Minas Gerais and São Paulo, including mines located in the Iron Quadrangle, the largest national iron ore producer. The logistics corridor facilitates the transportation and distribution of cargo in a region that concentrates half of Brazil's GDP. The development of more efficient locomotives provides improvements in energy efficiency and productivity.



Intellectual Capital

Input

Development of technological projects to improve energy efficiency and enhance operational safety.

Strategy

Maximize its operational efficiency, prioritizing safety and meeting all

Governance

Adoption of control mechanisms on ethics and compliance.

Risks

- Adverse weather conditions;
- Mechanical failures;

Opportunities

- MRS's rail network integrates the region that produces about

demands of its customers.	Maintenance of good corporate governance practices and transparency of the implemented initiatives, through the disclosure of the Report on the Brazilian Code of Corporate Governance.	<ul style="list-style-type: none"> • Asset collisions and losses; • Competition with other modes, such as highways and waterways; • Fuel leaks and other environmental incidents. 	50% of the national GDP. <ul style="list-style-type: none"> • 30% of the rail cargo transported in Brazil passes through the MRS network. • Possibility of diversifying the transported cargo. • Proximity to a mining producing region.
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VALUE GENERATED

Natural Capital

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Changes in standards and legal requirements affecting the operation
- Perception of neighboring communities in relation to the operation
 - Availability of natural resources
 - Customer requirements
 - Concession requirements

VALUE GENERATED

- Degraded Area Rehabilitation Project, maintenance of Industrial Effluent Treatment Plant (ETP)
- Oil-Water Separator Boxes and septic tanks in places where there is no public treatment network available, consumption of energy from renewable sources
 - Training and qualification of employees and the community on environmental preservation actions
- Contribution to the reduction of greenhouse gas emissions (efficient mode for cargo transportation)

Financial Capital

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Transport demand
- Control over financial default by counterparties
 - Payment of taxes
 - Payment to suppliers
- Exchange rate fluctuation

VALUE GENERATED

R\$ 785 million invested in 2020, in initiatives essential for maintaining production and business sustainability. In the year, net revenue increased R\$ 404.2 million, EBITDA recorded 2.5% growth as compared to 2019, reaching R\$ 2 billion, and value added amounted to R\$ 2.27 billion.

Social and Relationship

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Changes in regulatory landscape
- Changes in the political landscape
- Impacts for communities bordering the railway network
- Achievement of goals set in the Concession Agreement

VALUE GENERATED

- Efficient management of Concession and Lease Agreements; participation of MRS in the processes of social participation carried out by the regulatory body
- Actions and investments carried out aimed at reducing the impacts of the railway operation and improving the coexistence of the local community with the railroad
 - Partnerships with local governments to solve disputes and social support
 - Donations and support to communities in combating Covid-19
 - High customer satisfaction index

Human Capital

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Respect for human and labor rights
 - Employee retention
 - Technical expertise
-

VALUE GENERATED

- 87.6% satisfaction index in Corporate Climate Survey
- 224,420 training hours for employees, an average of 36.6 hours per employee

Manufactured Capital

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Diesel consumption
 - CO2 Emission
 - Changes in the regulatory environment (changes and standards/ resolutions)
 - Climatic adversities that prevent or restrict the traffic of trains
 - Falling demand and consequent asset idleness
-

VALUE GENERATED

- Increase in reliability and availability levels of assets, allowing improved efficiency and optimization of railway operations
- In 2020, iron ore *transit time* (an indicator that calculates the transportation time, from origin to destination) of the Company's main cargo was 20.07 hours

Intellectual Capital

EXTERNAL FACTORS (POSITIVE OR NEGATIVE) FOR THE GENERATION OF VALUE

- Qualified technical management
 - Succession
 - Data leakage
 - Investments in research to improve operational efficiency
-

VALUE GENERATED

Development of unmanned train (Trem Não Tripulado – TNT acronym in Portuguese) to cross restricted area, remote control maneuvers, automatic diesel engine shutdown system, weighing system automation are some examples for a safer and more efficient operation.

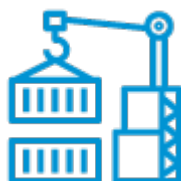
MRS Operation

GRI 102-2, 102-7



1,643 km

of railway network



80 terminals

intermodal terminals managed by MRS or third parties



200 km

of lines duplicated since MRS foundation



18,969 wagons



770 locomotives

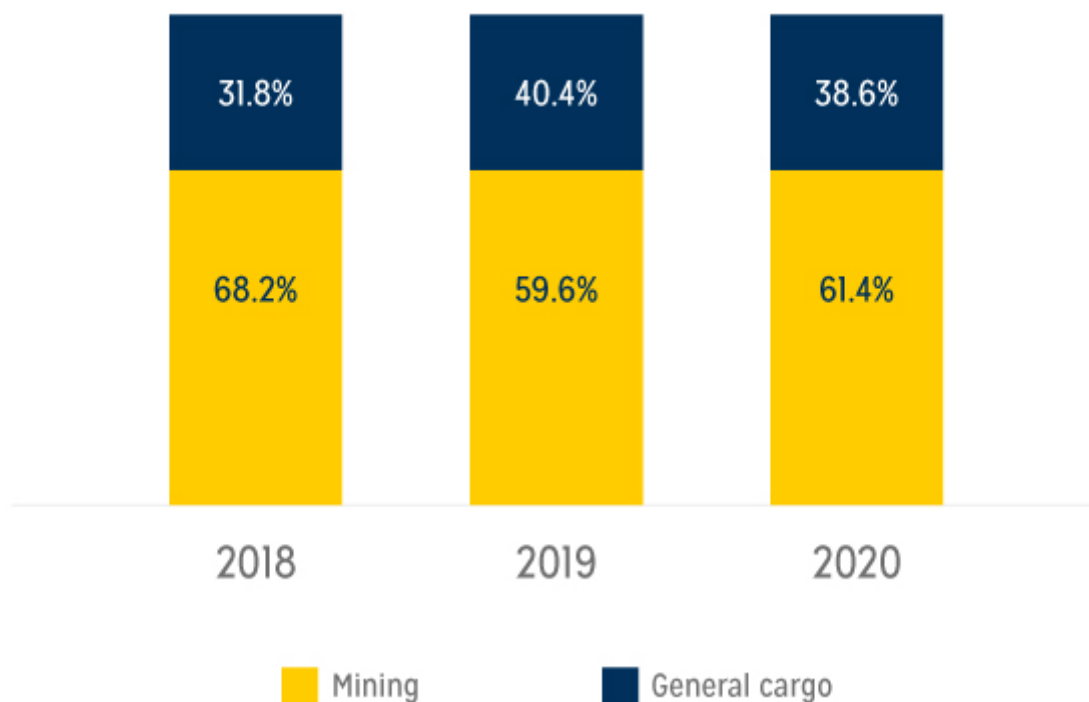


Operation in 5 ports

Santos (SP), Itaguaí (RJ), Guaíba (RJ), Sudeste (RJ) and Rio (RJ)

The cargo transportation by MRS is divided between the Mining (61.4%) and General Cargo (38.6%) segments, each with their own dynamics and characteristics. The railroad network managed by MRS has strategic relevance for the entire national economy because it establishes connections between productive regions, major consumer centers, and five of Brazil's largest ports – Santos, Itaguaí, Sepetiba, Sudeste and Rio de Janeiro. MRS holds 20% of the domestic railroad fleet, including more than 19,000 wagons and 770 locomotives. The company has been standing out for constant renewal and development of new assets, and the availability and reliability levels of rolling stock.

Mix Transported



MINING

This is the main company's segment, involving the transportation of inputs and products related to the steel industry (iron ore, coal, and coke, both for serving the domestic market and exports). Much of the iron ore is transported from the mines located in the iron quadrangle, close to Belo Horizonte (MG), and destined for export through the ports of Itaguaí, Guaíba and Sudeste (RJ). On average, MRS loads, transports and unloads between 15 and 20 iron ore train compositions per day.

GENERAL CARGO

It consists of all products not related to the Mining segment, including, for example, steel products, agricultural commodities, containers, pulp and fertilizers. General cargo transportation operations are characterized by having shorter distances, multiple customers and products, which often share the same train composition. This requires a dynamic schedule, with monitoring of scheduled stops along the way for loading or unloading. On average, the company runs 55 to 65 of General Cargo train compositions per day, loaded and empty.

Rail Network

GRI 102-6



History

On September 20, 1996, an auction was held, pursuant to Notice PND/A-05/96/RFFSA, of July 11, 1996, for the privatization of RFFSA (Malha Sudeste da Rede Ferroviária Federal S.A.). MRS was incorporated on August 30, 1996, as a corporation, to take part in the bid.

The sole participant in the auction was MRS Logística Consortium, led by the largest customers of the Southeastern Railway Network of RFFSA, which became the largest shareholders of MRS. On November 28, 1996, MRS entered into a Concession Agreement with the Federal Government, by which it obtained the right to operate the rail cargo transport in the Southeastern Railway Network, for a period of 30 years, renewable for a further 30 years, at the exclusive discretion of the Government.

Also in 1996, on November 28, MRS entered into a Lease Agreement with RFFSA, for a period of 30 years (renewable for the same period if the Concession Agreement is renewed), by which the operating assets owned by RFFSA, linked to the provision of the service object of the concession, were leased to MRS.

1990s

1996

MRS was created when the government transferred the management of the national railway system to the private sector. In that year, the company managed 1,167 km, 401 locomotives, and 11,000 wagons. Today, operating over 770 locomotives and 19,000 wagons through 1,643 km of railroads, MRS positions the railway mode as one of the most important freight corridors of various types.

1998

The investment of R\$ 3.6 million for the purchase of a Train Simulator has arisen from a pioneering project developed by MRS. With the purchase of the equipment, the company started the largest and most modern training program for train drivers in Brazil. The Simulator has already trained over 4,900 employees.

2000s

2000

First acknowledgment as the Best and Biggest in Transportation, an award granted by Revista Ferroviária magazine. MRS received this recognition for another 11 years.

2003

MRS recorded its first net profit (R\$ 352 million), in seven years, and annual revenues of nearly R\$ 1.2 billion. Today, the company transports four times what it did in 1996.

2003

First recognition by Guia de Boa Cidadania Corporativa, an annual publication of Exame magazine. The award was highlighted by two projects carried out in Conselheiro Lafaiete (MG): Parceria que dá Certo (Partnership that Works) and Linha Verde (Green Line).

2005

For the first time, MRS passes the mark of 100 million tons transported. Processes, technologies, investments, and a lot of sweat are behind all this progress. The numbers prove it. Today, the equivalent of the entire annual production of 1996, nearly 40,000 useful tons, is transported in just one quarter.

2006

Horto workshop, in Belo Horizonte (MG), linked to the company's concession. After a series of negotiations with RFFSA, the Ministry of Transport, ANTT, and the Government of Minas Gerais, on July 28, the Amendment Instrument No. 4 to the Lease Agreement was signed, in which the workshops in Horto Florestal complex were classified as "operational assets".

2007

A significant investment of R\$ 23 million for the purchase of a hitter, two ballast regulators, and one ballast cleaner to further improve the maintenance of permanent tracks in the company.

2010s

2010

1st training course for people with disabilities. A major milestone for inclusion in the company.

2011

During this period, a partnership was established with GE for the purchase of 115 AC44 locomotives, which were delivered in 2011 and 2012; this was one of the largest railway deals in the world and the largest single purchase of locomotives by MRS, with an investment of R\$ 529 million.

2012

Purchase of seven new Stadler locomotives for operation in the 8 km of Serra da Cremalheira. The new machines designed specially to operate in Cremalheira's mountain range, in São Paulo, are almost 18 meters long, with a power of 5,000 kW, and ensure operational safety by containing the cargo on the way down or pushing it on the way up. This R\$ 140 million investment was considered the first step to eliminate bottlenecks in the rail access to the Port of Santos and also to relieve road traffic.

2012

For the second year in a row, MRS was included in Guia Você S/A Exame's Top 150 Companies to Work For. This time, with a special glee: MRS was also the best in Transportation and Logistics. In the following year, 2013, the company was still included in the ranking of the Best Companies to Work For.

2014

East Segregation Project. The investment of R\$ 200 million brought the end of the sharing of tracks between freight and passenger trains, providing more safety and productivity on the stretch connecting Itaquaquecetuba (Manoel Feio) to Suzano, in São Paulo, with a distance of 12 km.

2015

Zero Accident. We recorded our all-time record of 73 consecutive days without work-related accidents. As happened in October 2014, MRS closed an entire month without accidents in July 2015.

2016

Even after breaking the record of energy efficiency month after month, MRS did not settle down and continued the search for better results, also focusing on cost reduction. In June of that year, the indicator was 2,460 L/kTKB (Liter/Thousand Ton Gross Kilometer), even better than the previous month's, a record in MRS up to that point: 2,480 L/kTKB. The indicator calculates the number of liters of diesel used to transport 1,000 gross tons for 1 km.

2016

Launch of the HR Portal, a system designed to give more freedom and convenience in the MRS career management and to simplify team and information management.

2017

For the first time in its history, MRS reaches 30% of General Cargo transported. This was a result of a work developed for years by different areas of the company in search of more cargo diversification. At MRS, items such as agricultural products, steel, cement and containers are defined as General Cargo.

2018

In this period the indicator of energy efficiency, which measures the fuel consumption of locomotives, reached its lowest historical level: the mark of 2,446 L/kTKB (Liters/Thousand GrossTons per Kilometer). This represented a reduction of 4.5 million liters of diesel compared to 2017. In the same year, MRS was chosen the Best Transport Company in Brazil, in a survey published by Exame magazine.

2019

The iron ore transit time, indicator that estimates the transportation time (from origin to destination) of the Company's main cargo, also improved, reaching 19.08 hours, the best result in the entire historical series. Reinforcing the importance of good performance in safety indicators, the accident prevention goal agreed with

ANTT (National Land Transport Agency) was fulfilled, reaching 5.91% below what it had been established for the year.

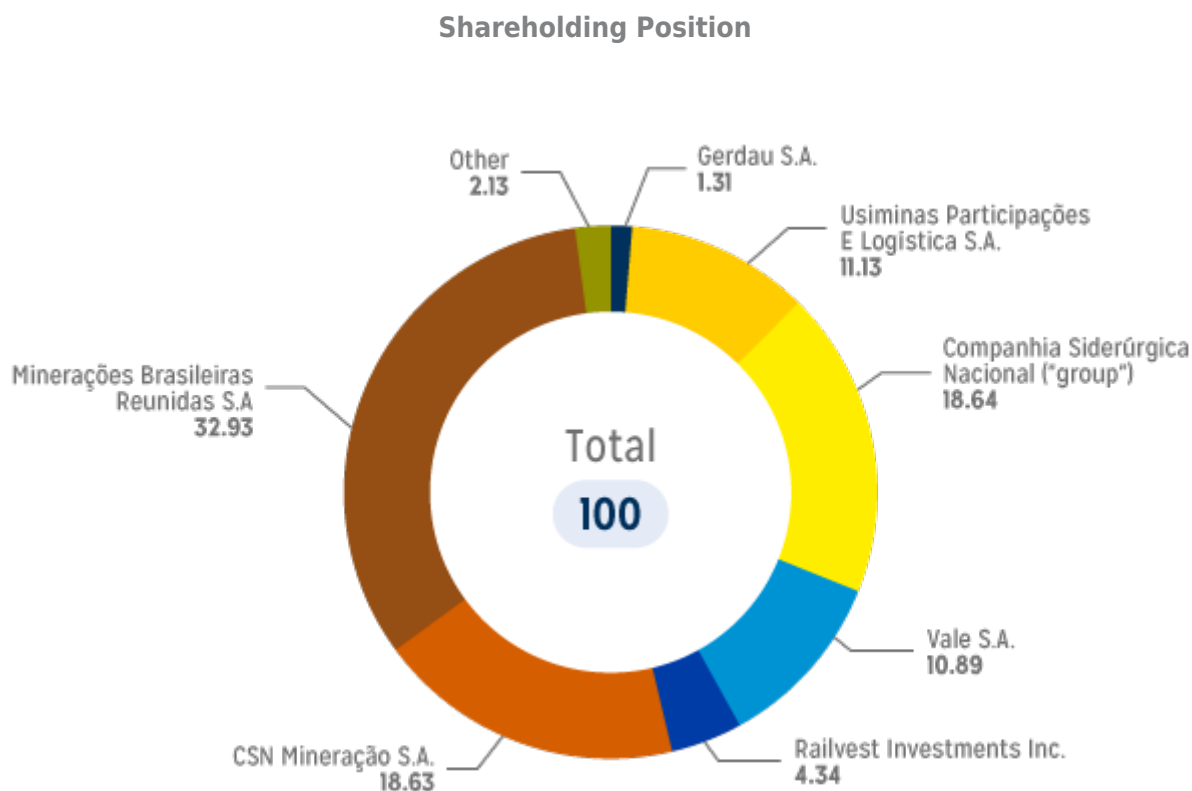
2020

Consolidation of the operation of the Unmanned Train (TNT), an innovative initiative to meet the safety requirements for railway operation in the Self-Rescue Zone (ZAS). This was a relevant action to meet the demands of the Andaime/MG Terminal and to resume the volume of ore. MRS marks its annual record in General Cargo volume transported, reaching 61.7Mt (considering cargo transported by MRS and cargo from other railways – paid through the right of way). This was the year in which the Company recorded the lowest number of personal accidents (11) with a rate of 0.51 accidents per million hours worked.

Shareholding structure

GRI 102-10

MRS share capital stood at R\$ 2.2 billion in 2020, comprising 340,000,000 common (55.4%) and preferred (44.6%) shares. See below the Company's shareholding structure with the main shareholders.



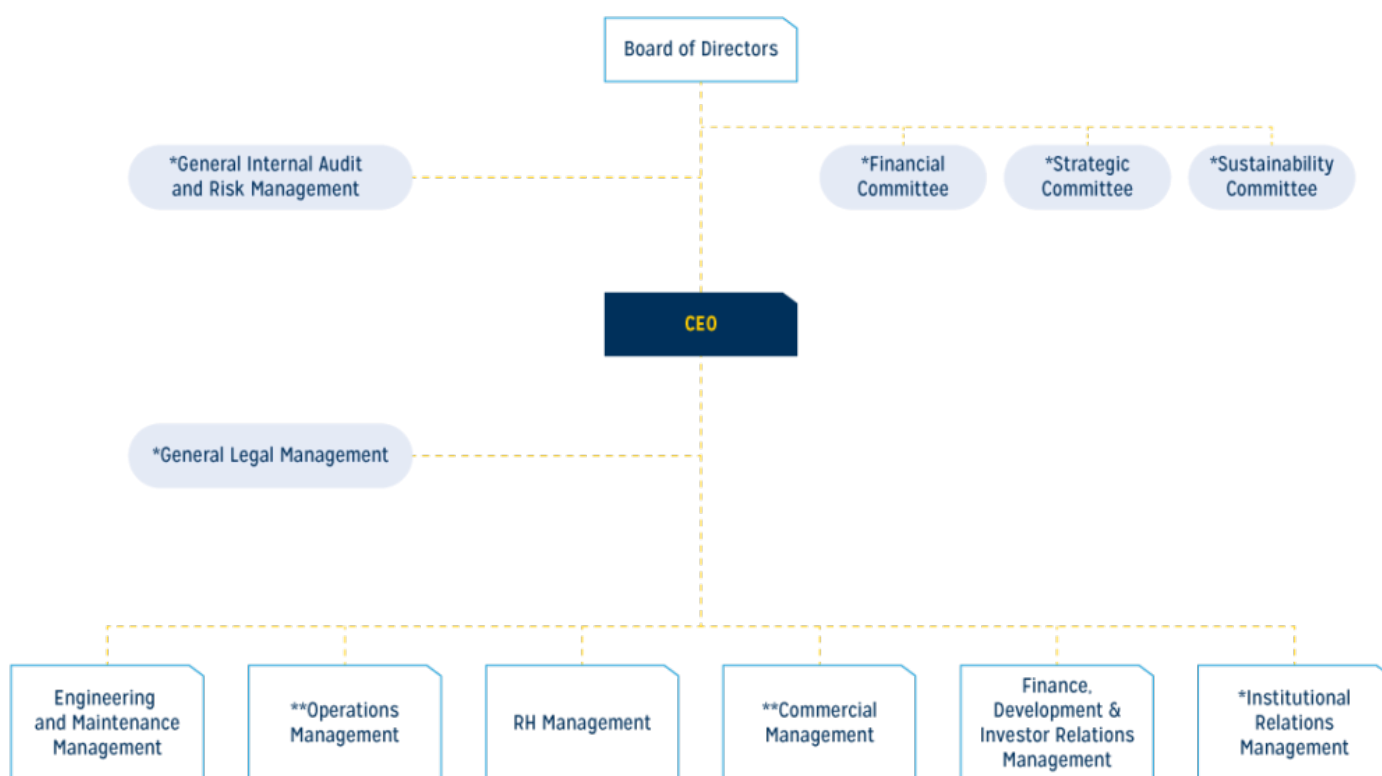
Related parties

In 2020, the Policy on Related-Party Transactions was disclosed, providing more transparency to the procedures adopted in the Shareholders' Agreement. Transactions with controlling shareholders are associated with the provision of public rail freight transportation services and are carried out under usual market terms and conditions, generating significant revenue for MRS and providing no undue benefits for controlling shareholders. In addition to cargo transportation, the company also conducts transactions related to the purchase of inputs, the main example being the purchase of rail tracks. The details required for this type of operation are included in the Financial Statements.

Corporate governance structure

GRI 102-18, 102-22

The governance structure of MRS comprises the Board of Directors and the Statutory Executive Office, which is supported by non-statutory officers. Although there are no statutory committees, MRS has financial, strategic, and sustainability committees, focused in assisting the Board of Directors in the resolutions related to these areas. As provided for in the bylaws, the company has an internal audit body (General Internal Audit and Risk Management), which reports directly to the Chairman of the Board of Directors. The company has no Audit Committee in place.



*Non-statutory bodies

**Statutory Board, with a mandate exercised by the Chief Executive Officer

BOARD OF DIRECTORS

Pursuant to the Shareholders' Agreement, MRS shareholders elect the members of the Board of Directors. This is the highest governance body, responsible, among other duties, for the strategic direction of the company, the decision on more significant investments, and the health and longevity of the organization, therefore performing the duties related to economic, environmental and social aspects. The Board of Directors also appoints the Company's CEO and Executive Officers.

The members of the Board of Directors are defined in a joint vote by the shareholders and, in the current term, they must ensure that the composition is as follows:

- 3 members to be appointed by CSN;
- 3 members to be appointed by MBR;

- 2 members to be appointed by Usiminas Participações;
- 2 members to be appointed by VALE;
- 1 member to be appointed by GERDAU;
- 1 member to be appointed by the holders of class B preferred shares, pursuant to the Bylaws;
- 1 representative of employees.

Pursuant to the MRS Bylaws, the Board of Directors will be composed of up to 17 members, with a 2-year term, which begins with the investiture by means of an instrument drawn up in the appropriate book and always ends simultaneously, even if one of the members has been elected after the others, remaining in the exercise of their positions until the investiture of the new elected. Reelection is permitted. In 2020, at the Extraordinary Shareholders' Meeting, the election of Viktor Nigri Moszkowicz to the position of chairman of the Board of Directors was approved, replacing director Claudio de Oliveira Alves.

Management Board	
Composition	Up to 17 members
Term of office	2 years
Meetings held in 2020	10
Percentage of attendance	84%
Total independent members in 2020	0
Age	Minimum: 42 Average: 56 Maximum: 69
Division by gender	22% women 78% men

Member	Position	Age	Gender	External	Independent	Election	1st term
Viktor Nigri Moszkowicz	President	42	M	Y	N	11/27/2020	11/27/2020
Alejandro Daniel Laiño	Board Member	64	M	Y	N	04/25/2019	03/08/2013
Marcelo Leite Barros	Board Member	53	M	Y	N	09/12/2019	09/12/2019
Carlos Hector Rezzonico	Board Member	69	M	Y	N	04/25/2019	09/17/2018
Elder Rapachi	Board Member	51	M	Y	N	04/25/2019	07/24/2017
Enéas Garcia Diniz	Board Member	61	M	Y	N	04/25/2019	07/24/2017
Fatima Aparecida C. R. Aleixo	Board Member	58	W	N	N	04/25/2019	04/25/2019
Luis Fernando B. Martinez	Board Member	57	M	Y	N	04/25/2019	11/06/2014
Sônia Zangury	Board Member	53	W	Y	N	04/25/2019	04/24/2017

On 04/29/2021, an election was held for a new term of office of the Board of Directors, comprising 10 members, with nine representatives of the shareholders and one representative of employees, being

nine men and a woman. Mr. Luis Fernando Barbosa Martinez was elected to the position of Chairman of the Board of Directors. The representatives of the Board of Directors will have seats on the following Committees:

Representative	Committee(s)	Shareholders
Alejandro Daniel Leiño	Strategic Committee Member	Usiminas
Luis Fernando B. Martinez	Strategic Committee and Sustainability Committee Member	CSN
Marcelo Cunha Ribeiro	Strategic Committee Member	CSN
Sônia Zangury	Strategic Committee Member	Vale
Viktor Nigri Moszkowicz	Strategic Committee and Sustainability Committee Member	Vale
Wendel Gomes da Silva	Strategic Committee Member	Gerdau

Learn more on the profile of each member of the Board of Directors, accessing MRS IR website.

FINANCIAL COMMITTEE

The Financial Committee reviews and establishes the policies to manage financial risks, with the main goal of reducing the financial or economic impacts which may harm the company's results. One of the duties of this Committee is to prepare and review the Financial Risk Management Policy, which is submitted annually to the Board of Directors for approval.

Financial Committee	
Composition	Committee Coordinator - Member of the Board appointed by the Board of Directors; Finance, Development & Investor Relations Officer; General Finance Manager; General Controlling Manager; General Economic Management Manager
Term of office	04/25/2021
Meetings held in 2020	11
Percentage of attendance	90%
Total members in 2020	5
Independent Members in 2020	0
Age	Minimum: 34 Average: 45 Maximum: 53
Division by gender	75% women 25% men

Member	Position	Age	Gender	External	Independent	Election	1st term
Thiago de Oliveira Lima	General Manager of Economic Management	40	M	No	No	09/14/2018	09/14/2018
Fabírcia Gomes de Souza	Finance Director	49	W	No	No	11/06/2019	12/13/2013
Douglas da Silva Coutinho	General Manager for Finance	34	M	No	No	03/21/2018	11/27/2015
Silvana Conceição Oliveira dos Santos	General Controlling Manager	51	W	No	No	03/21/2018	05/02/2011
Sônia Zagury	Member of the Board of Directors	53	W	No	No	04/25/2019	04/24/2017

STRATEGIC COMMITTEE

Responsible for reviewing strategic issues for the company, the Committee meets throughout the year, following a predefined schedule, to review the issues that affect the company's direction in the medium and long term. The issues are taken to the RPA (Prior Shareholders' Meeting) for consideration, with the shareholders recommending a decision. The Strategic Committee does not have its own internal regulations.

Strategic Committee	
Composition	4 members of the Board
Term of office	04/25/2021
Meetings held in 2020	8
Percentage of attendance	100%
Total members in 2020	4
Independent Members in 2020	0
Age	Minimum: 42 Average: 54 Maximum: 64
Division by gender	100% men

Member	Position	Age	Gender	External	Independent	Election	1st term
Alejandro Daniel Laino	Member of the Board of Directors	64	M	Yes	No	04/24/2017	03/08/2013

Member	Position	Age	Gender	External	Independent	Election	1st term
Elder Rapachi	Member of the Board of Directors	51	M	Yes	No	04/24/2017	04/24/2017
Luis Fernando B. Martinez	Member of the Board of Directors	57	M	Yes	No	04/25/2017	11/06/2014
Viktor Nigri Moszkowicz	Member of the Board of Directors	42	M	Yes	No	11/27/2020	11/27/2020

SUSTAINABILITY COMMITTEE

GRI 102-20

MRS Sustainability Committee is not statutory and does not have its own internal regulations. It comprises the Chairman of the Board, who works together with members of the Company's General Internal Audit and Risk Management and executives in temporary teams formed according to specific needs. The Sustainability Committee also addresses other relevant matters on the topic, including:

- Monitoring and approval of the Internal Audit;
- Establishment and enforcement of compliance with the rules and guidelines for the Company's institutional relationship, avoiding losses of value due to the disclosure of improper information;
- Monitoring, assessment, and approval of the Company's environmental and operational risk management.

Sustainability Committee	
Composition	2
Term of office	04/25/2021
Meetings held in 2020	4
Percentage of attendance	100%
Total members in 2020	2
Independent Members in 2020	0
Age	Minimum: 42 Average: 50 Maximum: 57
Division by gender	100% men

Member	Position	Age	Gender	External	Independent	Election	1st term
Luis Fernando B. Martinez	Member of the Board of Directors	57	M	Yes	No	04/25/2017	04/25/2017

Member	Position	Age	Gender	External	Independent	Election	1st term
Viktor Nigri Moszkowicz	President Of the Board of Directors	42	M	Yes	No	11/27/2020	11/27/2020

EXECUTIVE BOARD

The Executive Board is responsible for ensuring the permanent management of the corporate business and executing the resolutions of the Board of Directors. The Internal Regulations of the Executive Board was approved in 2020 by the Board of Directors. In addition, the Executive Board must adhere to the limits established in the bylaws and established by resolution of the Board of Directors.

Top Management	
Composition	Minimum 4 and maximum 10 members
Term of office	11/06/2021
Meetings held in 2020	24
Percentage of attendance	90%
Total members in 2020	4 statutory 3 non-statutory
Age	Minimum: 41 Average: 48 Maximum: 62
Division by gender	86% men 14% women

Member	Position	Age	Gender	Consecutive terms
Guilherme Segalla de Melo	Chief Executive Officer	46	M	5
Félix Lopez Cid	Human Resources Director	62	M	4
Alexandre Claro Fleischhauer	Director of Engineering and Maintenance in the Company	55	M	5
Fabília Gomes de Souza	Director of Finance and Development and Investor Relations	49	W	4
Daniel Dias Olívio	Operations Director*	41	M	4
Henrique Rocha Martins	Commercial Director*	41	M	4
Luiz Gustavo Bambini de Assis	Director of Institutional Relations*	43	M	4

*Non-statutory director.

Learn more on the profile of each member of the Executive Board, accessing MRS IR website.

GENERAL INTERNAL AUDIT AND RISK MANAGEMENT

The mission of the Internal Audit practice is to enhance and protect organizational value by providing risk-based assessments, advice, and knowledge. The internal audit activity helps MRS to achieve its goals by applying a systematic and disciplined approach to assess and improve the effectiveness of governance, risk management and control processes, and also is certificated by pelo Institute of Internal Auditors (IIA), with QA (Quality Assurance) attested, since 2013. The area is also responsible for preparing, together with the MRS areas, the Annual Corporate Risk Audit Plan, carrying out tests and providing an independent assessment regarding the effectiveness of Risk and Control management, as well as managing the Organizational Approval Guidelines.

GENERAL LEGAL MANAGEMENT

The General Legal Management is responsible for providing legal assistance in defense of MRS interests and its main activities consist of, among others, providing legal advice to all areas of the Company, including the Board of Directors and area managements, in negotiations with third parties, in addition to providing advice on legal provisions, identifying any legal risks, pointing out the impacts for MRS and alternatives to mitigate them, where applicable.

Practices and policies

Seeking to expand good sustainability practices, in 2020 MRS structured a Governance Working Group, comprising a multidisciplinary internal group and representatives of the shareholders' technical teams, to review practices in line with the recommendations of the Brazilian Corporate Governance Code (CBGC).

Different areas of the Company were involved, including Legal, Controllershship, Strategic Planning, Supplies and Commercial. The improvements and reviews were validated by the Executive Board and the Board of Directors. Under the new standards, adherence to CBGC practices rose from 26% to 46%. Documentation is available on MRS IR website.

Among the practices reviewed is the publication of the Policy for Related Party Transactions. Control and diligence in transactions with related parties is a sensitive issue at MRS due to the Company's shareholding structure (shareholders who are relevant customers). Although a management procedure is already in place to address this process, the disclosure of the Policy provides higher transparency and visibility to the external audience. Learn more in Corporate Governance.

In addition, the following documents were prepared by the Company and approved by the Board of Directors

aimed at improving corporate governance:

- (i) Internal Regulations of the Executive Board
- (ii) Policy for Allocation of Earnings
- (iii) Securities Trading Policy
- (iv) Risk Management Policy
- (v) Sustainability Report
- (vi) Policy for Contracting Additional Audit Services
- (vii) Manual for Attendance in Shareholders' Meetings
- (viii) Integration Program for the members of the Board of Directors
- (ix) Sponsorship, Partnership and Donation Policy
- (x) Policy for Related Party Transactions

Strategic planning

Attentive to the evolution of the market concerning ESG (environmental, social and governance) aspects, MRS hired, in 2020, a consultancy to make a diagnosis of the Company. Among the strengths identified are the fact that the areas and the leadership have a good perception of the sustainability value for the business; that consolidated practices are in place in some topics, such as occupational health and safety and accident prevention; the concern in addressing SDGs in the sustainability report, as well as the quality of communication, both internally and externally. The same study also identified points for improvement and opportunities for the Company to stand out in the segment, to become a benchmark in ESG.

In order to guide the points that will lead MRS to excellence in sustainability management, the strategic focus for the next two years (2021-2022) was defined, with actions planned for Governance, Strategy, Risk Management, and Transparency. The action plan resulting from this study provides for 62 actions to be implemented in the period, involving several areas of the Company, some of which are already in progress. The results of those that relied solely on data organization or rapid resolution initiatives are described throughout this report.

Sustainability Strategic Focus (2021-2022)



Establish governance for sustainability

+6 actions

Governance

- Establish roles and responsibilities of different areas and professionals;
- ESG integration into corporate policies and guidelines.



Integrate ESG subjects into MRS strategy

+28 actions

Strategy

- Strengthen the standard of efficiency and innovation culture;
- Valuing the relationship with stakeholders.



Bring up ESG aspects into risks issues

+18 actions

Risk management

- Integration of ESG issues into the corporate risk matrix;
- Promote and deepen studies that allow for greater knowledge of the exposure of ESG themes.



Improve the level of transparency of practices and results

+10 actions

Transparency

- Systematize initiatives and indicators;
- Include ESG aspects in corporate and regulatory documents.

Renewal of the concession agreement

Other important point regarding the Company's strategy is related to regulatory issues, such as the early renewal of MRS's concession agreement for additional 30 years, a process that has been under discussion with the regulatory agency for several years. In 2019, the National Land Transport Agency (ANTT) promoted Public Hearing sessions to address MRS process. The Company is closely monitoring the progress of the Infrastructure Ministry in the concession renewal agenda and, according to the schedule established by the government, it is expected that the completion of the remaining steps of the process and the signing of the agreement will occur in 2021.

Sustainability Management

For MRS, the integration of environmental, social and corporate governance issues leverages the execution of the Company's strategy, preserving its relationships with the environment and individuals, as well as the culture of efficiency and innovation.

The Company's vision is to be "a sustainable, world-class, safely operated railway with pleased customers, and engaged and responsible employees". By seeking the best sustainable management practices, MRS collaborates in the value protection concerning potential conflicts with surrounding communities, contributes to value the environmental gains related to the railroad sector and favors the investor's perception in understanding the business, risks and opportunities involved. In addition, it strengthens the institution as an employer brand, favoring the attraction and retention of talents.

MRS was the first railroad in Brazil to receive a railroad operating license from IBAMA and maintains the Environmental Management System (EMS), seeking to assist in the consistent planning of actions of prevention, control and mitigation of environmental impacts resulting from its activities, based on risk management and search for continuous improvement of the railroad operation. EMS encompasses the management of different processes, which directly impact on issues such as waste, effluents, air quality, erosion processes, noise, water resources, flora management, collision of fauna, legal compliance, environmental control of works, mitigation of social and environmental impacts and environmental licensing.

Bearing in mind that the activities carried out during rail cargo transport may cause accidents of different types and magnitudes and that the nature of the transported load may increase the impact, the activities of storage, handling and rail transport of MRS cargo follow specific regulations, in addition to the Brazilian technical standards applicable to the sector. Based on regulations and the need for MRS to be prepared to act quickly and logically in emergency situations, the company carries out the Risk Analysis Study, used as a subsidy for updating the Risk Management Program and the Emergency Action Plan.

Railway activities have a primary role as a driving force in the economy of the cities crossed by it, through the generation of jobs, income and taxes, as well as the flow of goods throughout the country, providing an important social benefit. At the same time, there is a need to improve and expand the urbanization and infrastructure conditions, eliminating or mitigating conflicts, resulting from the increased flow of cars and the growth of communities around the railroad. Due to this, it is necessary to promote the safety and well-being of the population, as well as to establish actions focused on communities.

In order to establish the Company's sustainability governance, a structure is being assessed to concentrate the initiatives related to the ESG theme, direct the actions of each area and maintain the strategic focus of the theme, reporting the results obtained to the top leadership.

In 2020, MRS has defined ESG-related targets for variable compensation that will be applied in 2021 for leadership at different management levels, including 11 general managers, as well as the CEO and officers.

Ethics and integrity

GRI 102-16, 103-1, 103-2, 103-3, 205-1, 205-2, 205-3

As a federal concession, with operations in three federal states and interference in 107 municipalities, MRS has a relevant concern regarding the implementation and compliance with anti-corruption practices. To this end, it has maintained the Integrity Program since 2017, which includes policies of conduct and anti-corruption standards to be adhered to by all employees in their daily practices and in relationships with stakeholders, both internal and external.

The Program includes the following codes, policies and Guidebook:

- **Code of Ethical Conduct:** Last updated in 2017, it deals with the principles that should guide the conduct of employees and third parties, in addition to the consequences for any violations.
- **Ethical Conduct for Third Parties:** It highlights the values that third parties (including suppliers) should follow to maintain an ethical culture.
- **Governmental Relations and Anti-Corruption Policy:** It establishes general guidelines and policies of conduct for the relationship of MRS and its employees with government agencies and entities.
- **Gift and Amenities Policy:** It establishes general guidelines for MRS employees in relation to gifts, amenities or any kind of return made by/for suppliers, customers or any third parties.
- **Sponsorship and Donation Policy:** It establishes guidelines and policies on sponsorships and donations to guide MRS employees, as well as suppliers, customers, and other third parties.
- **Conflict of Interest Policy:** It establishes guidelines for MRS employees in relation to potential situations that constitute conflict of interest.
- **Health, Safety and Environment Policy:** It establishes guidelines on MRS standards in relation to Occupational Health, Safety and Environment (HSE).
- **MRS Ethics and Integrity Program Guidebook:** Objective guide for MRS Logística employees to understand and apply the best practices in the relationship with third parties, especially public officials, with points of special attention from the Code of Ethical Conduct and the Policies of Conduct that make up the Company's Ethics and Integrity Program.

In the Internal Audit work on the risk-based Annual Plan, no significant probability of corruption risks was identified. In 2019, the General Legal Management applied a questionnaire about corruption-related risks for the areas with the highest exposure to contact with government agencies. The result indicated that although substantial impacts are possible if corruption cases involving MRS and public agencies occur, the probability that they will actually occur is low.

The Company understands that issues related to Ethics and Security are extremely relevant. In a continuous search for the best market practices, MRS frequently performs benchmarking actions. One of the main ones is a discussion group on Audit and Compliance topics led by Vale, with its main investees (MRS, MRN, Samarco and VLi). Communication campaigns are planned for employees in 2021 with a focus on Ethics and attitudes desirable by the Company.

Training to fight corruption

At MRS, 100% of the members of the Statutory Board were trained in the fight against corruption under the Ethics and Integrity Program. At the Program launching, in 2017, on-site training for managers was carried out, with the attendance of 78% of the target audience. In 2018, training was also focused on managers, including Executive Officers. In 2019, the MRS Leadership Program training was carried out, aimed to train future managers, with 100% attendance.

All new hires are trained on the Ethics and Integrity Program on the onboarding day. In addition, MRS provides

through the MRS Academy an online training course on the theme, which is a prerequisite for participation in all other courses. Of the 5,851 Company's employees, 86% have already undergone this training. Learn more on MRS Academy and the training available in Employees.

Internal audit

MRS follows its own methodology in the work of Internal Audit, Corporate Risk Management, Continuous Audit and Reporting of Complaints. The corruption-related risk is considered and is included in the Company's Risk Dictionary as "Risk of Unethical Conduct/Fraud".

MRS Internal Auditing practice is certified with QA (Quality Assurance) by IIA (Institute of Internal Auditors). All activities not related to traditional auditing (continuous auditing, reporting channel and corporate risks) undergo external inspection every two years. For 2021, the budget for the external assessment has already been approved. As a means of measurement, the status of the assessments is submitted on a quarterly basis to the Sustainability Committee and the Board of Directors.

In 2020, 14 works were carried out in distinct MRS processes, selected by priority of risks, in addition to two recurring works of Continuous Audit and analysis of 146 complaints regarding ethical deviations, complaints and non-compliance, raising no points in relation to this specific risk.

MRS was not notified of fines for non-compliance with laws and/or regulations in the social and economic area during 2020.

GRI 419-1

Reporting Channel works as a risk control mechanism

The Audit Hot Line is a communication channel of MRS, through which questions and complaints are received, working as a control mechanism for risks to which the Company is exposed, and for addressing unethical or illegal conduct that may occur.

Complaints can be submitted anonymously, through telephone, internet and intranet, and confidentiality is guaranteed by internal policy as a way of protecting and trusting the channel. The channel is managed by the General Board of Internal Audit for Risk Management.

All complaints are investigated and, if applicable, the measures contained in the Code of Ethics and Conduct and in the MRS Disciplinary Regulation are taken. In cases where the General Board of Internal Audit and Risk Management understands the need to report to the Ethics Committee, an extraordinary call is made and the case is analyzed.

On a quarterly basis, the General Board of Internal Audit of Risk Management reports on all complaints received to the Ethics Committee and to MRS Board of Directors. In 2020, 170 complaints related to the channel were received, which, together with 44 opened in 2019 and addressed in 2020, amounted to 214 complaints for solution in 2020. Of this total, 73 were related to ethical deviations and 141 to complaints or non-compliance. Of the complaints related to ethical deviations, 28 were considered valid, generating 22 dismissals, 5 suspensions, 11 warnings and 1 feedback/coaching. Among the complaints and non-compliances, 42 were considered valid, resulting in 42 corrections of processes.

Audit Hot Line

E-mail: linhadireta@mrs.com.br

Website: www.mrs.com.br/linhadiretacomauditoria

Phone: 0800-725-399925

Risk management

GRI 102-11, TR-RA-540a.4

Since 2016, MRS has applied internal procedures for checking corporate risks. Prepared by the General Board of Internal Audit and Risk Management, they include a risk dictionary in the financial, operational, compliance and strategic aspects.

In 2020, MRS developed and implemented a new assessment methodology focused on the most relevant corporate risks to achieve the Company's strategic goals (namely, railway accident and operation interruption). The results were submitted to the Board of Directors at the end of the year.

Among the improvements of the new methodology, the following stand out:

- The selection of risks to be mapped was based on the main offenders to achieve MRS strategy;
- Creation of the "Risk Focal Point", which leverages the efficiency and effectiveness of the assessment of risk factors, as well as stimulating the permeability of the risk management culture;
- Testing, by the Internal Audit, of controls raised in the "Risk Focal Point" for critical risks selected, enabling the assessment of the level of adherence of the control design with its effective execution.

For the deficiencies found in the tests, action plans were drawn up, which will be executed by the responsible areas, with monitoring up to the implementation by the the General Board of Internal Audit and Risk Management.



Concerning operational risks, MRS relies on three different processes for inspecting the Permanent Ways:

1. **Geometry inspection**, to check for vertical or horizontal rail misalignment faults caused by problems such as fastening, unevenness, ballast compaction, over-elevation, among others;
2. **Inspection of internal cracks**, which can diagnose faults in the beginning of rail rupture caused by wear, overload, high ballast stiffness, etc;
3. **Surface inspection of rail with RIV** (rail inspection vehicle), which enables the identification of roughness deviations in the contact area with the rail head wheel caused by contact wear.

TR-RA-540a.4.

Processes for inspection of the permanent way		
Parameters	Equipment	Mileage in 2020
Gauge and geometry	TEV	4767
Surface defects and rail profile	RIV	5905
Ultrasound	US	5361

In addition, the VTI (Vehicle Track Interaction) equipment came into operation in October 2020, which inspects the vehicle/rail interaction of the entire network in cycles of approximately every four days.



Innovation and technology

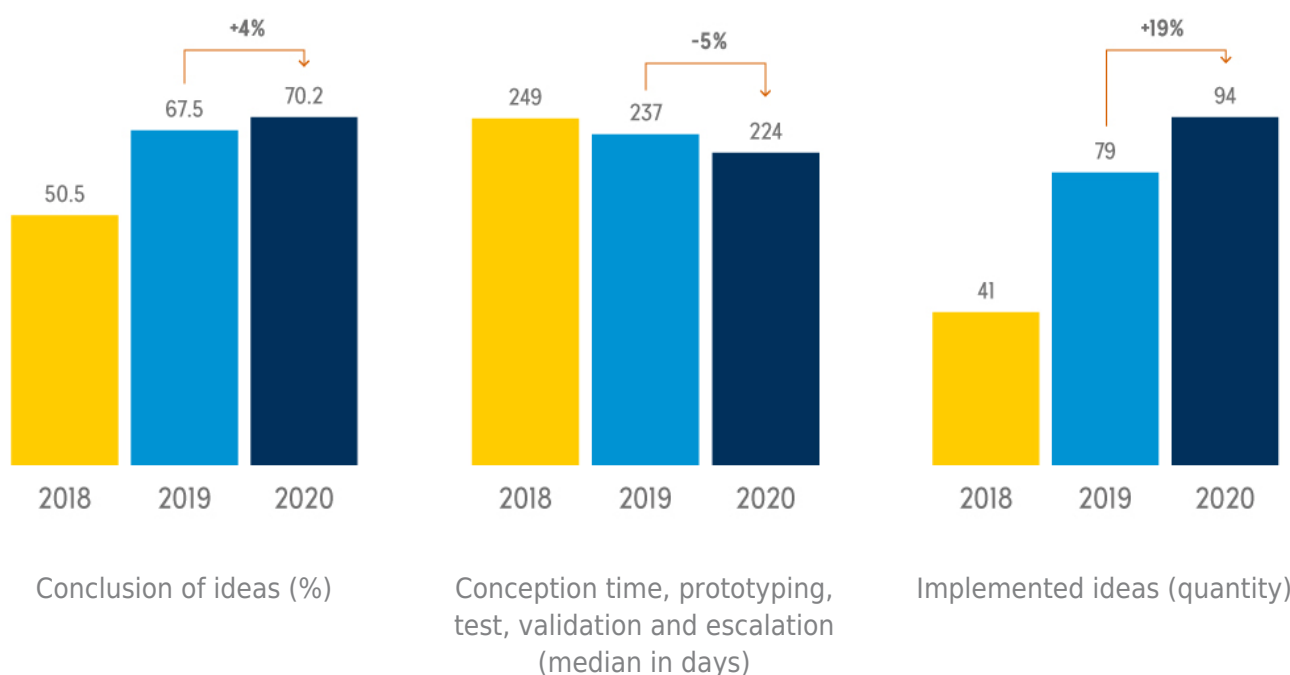
Innovation is one of the supporting pillars of MRS. The Company encourages its employees to seek solutions enabling the transport of the millions of tons that pass through its rail tracks with increased safety, efficiency and sustainability, in addition to being concerned with the experience of its customers. In order to ensure that employees are the key players in innovation, MRS started in 2020 a structured process for Innovation Management. Through Committees, each department will foster Innovation in the business areas and will have the opportunity to practice experimentation and prototyping of innovative projects.

As a way of disseminating the culture of innovation, MRS also implemented the CIG Program (Continuous Improvement Groups). It is aimed at encouraging the participation of all operational employees in the constant search for better results through innovation and continuous improvement. The groups are composed voluntarily and are focused on problem solving. In its first cycle, 80 work groups were formed with four hundred and eighty employees.

In addition, MRS is developing a Lean Culture Plan with a focus on changing the level of results in search of operational excellence through the dissemination of *Lean Manufacturing* philosophy at all levels of the company. The Plan aims to simplify the concepts so as to provide a broad understanding of the methodology. One of the pillars is the Training and Development of MRS employees. The expected result is the empowerment of areas to seek process improvements and waste elimination. All work will be done in a way that ensures harmony between safety, reliability, productivity, and cost.

Ideas in Action

Also noteworthy is the Ideas in Action (IA) Program, focused on encouraging the generation of individual or collective innovative ideas, which has been seeking solutions since 2001 to ensure productivity and the improvement of internal processes. Year after year, the program has been improved and today it has become a tool for proactive innovation and leadership. The results below show the progress of I.A. both in terms of the number of ideas implemented and the time taken to complete the initiative. In 2020, 94 ideas were implemented, representing a 19% growth as compared to 2019 and over 100% when compared to 2018.



An example of an idea implemented through the I.A. is the Automation of Chemical Weeding, in which the

employee now sprays the pesticides from inside the cab of the railroad vehicle. The gains captured through this idea are linked to the fulfillment of the requirements of the regulatory agency for the activity, reduction of the environmental impact and 100% increase in employee's productivity. Learn more with the video:

Innovative solutions

Unmanned vehicles - sloa / railvac

After the dam break of Córrego do Feijão mine in Brumadinho (MG), MRS was faced with a great challenge: several other dams were closed by regulators, creating a Self-Rescue Zone (ZAS), impairing the operation at the Andaime Terminal in Itabirito (MG). In a quick and innovative response, MRS team has developed, in-house, a technology capable of guaranteeing the railway operation at ZAS through unmanned train.

Named SLOA, in reference to the name of the microcontroller used, the operation consists of using a mechanical device for applying the brakes, installed and connected to a microcontroller, also connected to switches and the programming for standard iron ore transport train, with 136 gondola wagons (model GDT or GDU).

The operation has several features that ensure safety, such as the SLOA microcontroller, the CBTC stop system, radio drives via CDV and the DEL locomotive's emergency device, developed in record time by MRS team.

Having innovation as an imperative pillar of MRS' business ensured a quick response to the challenge posed by the Brumadinho dam break, and, as a result, the maintenance of a safe and efficient transportation flow in the ZAS. The blocking of people movement in the area impacts not only the transit of the train, but also the necessary maintenance on the stretch, which has given rise to another challenge for MRS: how to ensure the remote maintenance of the network? Once again MRS developed in-house an innovative solution, in which Railvac traveled the section performing the necessary maintenance, whereby the command was performed by an operator on a locomotive outside ZAS, through a smartphone application.

Learn more about the operation of unmanned train.

Maneuver via remote control - iot

MRS has been recognized as a pioneer railroad in Brazil by enabling remote-controlled maneuvers. The system ensures accurate control of speed and brakes, smooth and fast couplings and immediate response of the equipment to the operator and thus, the safe and agile driving of the locomotive for up to 1.6 Km.

The system allows two remote operators, in different locations, to switch the command of the same locomotive. Several safety devices assure the interruption of the operation in case of risk, such as the operator's fall sensor, the monitoring of losses and signal health and the confirmation of system inactivity.

The IoT device is based on 4G technology and ensures online monitoring of the activities, parameters

and location of locomotives and operators. This innovative system changed the level of operational performance of MRS maneuvers in yards and terminals. Learn more in

Embedded technology

The energy efficiency indicator measures fuel consumption (diesel) to transport 1,000 tonnes per km (liters per thousand TKB). MRS has achieved 18.2% improvement in the energy efficiency of its operation over the past 10 years with the development and implementation of technologies embedded in locomotives. Systems such as AESS (*Auto Engine Start Stop*), which automatically shuts off the diesel engine when it is not required, and RIS (Remote Isolator Switch), which allows controlling the power delivery between the train's locomotives and thus optimizing diesel consumption, have enabled efficiency and cost reduction in MRS operation.

Weighing system

MRS developed a system that integrated the information on its scales with the information of *Heavy Haul* customers. The weighing information of the trains is processed and sent by the system, which identifies the existence of any anomaly in the loading and unloading and triggers alarms that allow for correction in a timely manner. The system indicates the adjustment to be performed, creates the necessary activity and ensures the information in real time and agility in corrections. Find out more about the railway scale in

Yard control - RPA

Using RPA concepts (*Robotic Process Automation*), MRS implemented the Yard Control Center to optimize the management of iron ore terminals in Minas Gerais. Voice communication systems were expanded, routines were automated and processes were redesigned. The collection of data from the operational team via mobile allowed to increase the assertiveness of programming. The new model brought gains in energy efficiency, quality in customer service and productivity for terminals.

Future solutions

As innovation at MRS is an ongoing process, the Company continues to work on new challenges. One of them is to increase the train size based on embedded technologies. The results will be increased transport capacity, increased operational efficiency, reduced fuel consumption, and less interference in the urban centers crossed by MRS railroad.

Another project in progress is the use of *videoanalytics* in the process of identifying load anomalies in trains in transit. The results in the pilot project were encouraging and MRS expects that, after the technology implementation, a great advance will be achieved in the management and safety of the transported cargo.

Conecta project

In 2020, MRS took another step towards its digital transformation with the Conecta (Connect) Project, which will allow the unification of technology systems, improving processes and flows. To this end, the SAP platform will be deployed, enabling the standardization of the information generated and the unification of the systems in all plants in Brazil. It is expected that Conecta Project will be fully delivered by 2022. As a result, MRS will benefit from accelerators based on industry best practices; integrated platform, with transactional and analytical view in real time; transforming manual tasks into business analysis; ensuring data governance and reliability; in addition to innovative features for MRS.

Learn more in MRS Channel

Information security

Cyber risks are increasingly relevant, leading to the need to adopt a careful and accurate view to ensure availability, confidentiality and integrity of information from MRS operations. MRS's Information Security Policy defines and standardizes protection and privacy of information, and was based on rules of international standard ISO/IEC 27000, which is a guide to the best security management practices.

The entire Information Security operation is supported by a robust technological structure that encompasses the whole architecture of information systems composed by modern market solutions and, also, by specific development solutions to meet the specific features of a railway. The high performance datacenter and telecom infrastructure and the security and availability that connect the entire MRS stand out, providing communication, collaboration and productivity for all employees, in addition to connectivity for IoT and cloud solutions.

In 2020, the Company continued to invest in the development and implementation of information security solutions, which include connectivity redundancy, infrastructure protection, vulnerability management, storage and processing. For the coming years, even higher investments are planned, with the implementation of new technologies, digital transformation, improvement of IT processes, adaptation to new Brazilian legislation, data protection, and continued acculturation through corporate awareness campaigns.

Assessment of risks related to Information Security is carried out together with internal areas, business partners and the Information Technology team. Violations of security controls or failure to comply with the policy or rules and procedures are considered serious violations. Its investigation is made by the Information Security Management Committee.

As regards the general data protection law (Law 13.709/18), there is a project in progress involving all sectors of the company, aimed at identifying gaps, existing controls and mainly development of corrective actions and amendments, that must be adopted in operations so that MRS remainst in

compliance with the law. Senior leadership supports and is sponsoring the privacy program, led by the Legal and Information Technology area, ensuring the investments required for the IT governance plan.

Innovation as part of DNA

In 1998, MRS made its first significant investment in a pioneering project, a Train Simulator that, 23 years later, has trained over 5,000 employees. From then on, it has never stopped. In addition to the innovations highlighted in 2020, MRS maintains a number of other pioneering initiatives in the railway sector. In 2012, it took the first step to eliminate bottlenecks in rail access to the Port of Santos, relieving the highways, by joining the Swiss manufacturer Stadler to create locomotives for the company's operation in Serra do Mar, in São Paulo, so-called "Cremalheiras".

Ensuring the operational safety in terrains with aslope of up to 10% (upwards or downwards), locomotives are driven with a toothed wheel geared to a third rail, also toothed, placed between the two regular cargo rails. These locomotives were created especially for this project and are 60% more efficient than the old ones.

Other example is that MRS is the first freight railway company worldwide to implement the communication-based control system for trains: the CBTC (Communication-Based Train Control). The system allows lower traffic intervals due to an accurate electronic monitoring. So, the company widens its cargo capacity and ensures higher safety, preventing one train composition from entering other's perimeter. Other significant benefit is the reduction of voice communication, providing higher operations efficiency.

The proactive pursuit for new technologies and automation systems is permanent in the routine of all areas of MRS. The increasing use of automation and new technologies ensures, year after year, an increasingly reliable, competitive, innovative and safe railway operation for employees and neighboring communities, creating value for customers and shareholders. With intense use of automation, MRS ensures quality railway operation without giving up the operational safety of employees and neighboring communities. For the support systems to the railway operation, new solutions are being studied with a focus on productivity, mobility and automation of tasks. Such implementations will be the foundation for the forthcoming transformation initiatives.

Operational performance

In 2020, MRS achieved, for the fourth consecutive year, its annual record in General Cargo volume transported, reaching 61.7Mt, with 3.8% increase over the record achieved in 2019 (considering cargo transported by MRS and cargo from other railways – paid through the right of way).

General Cargo Group continues to have a good representation, accounting for 36.8% of the final result in 2020, despite the impacts suffered by various segments resulting from the Covid-19 pandemic.

Fueled by the consolidation of operation with the Unmanned Train (Adaime Terminal/MG), by the high iron ore demand in the international market, by the continuous price improvement of the commodity in foreign market and the currency conditions, Mining segment share has grown versus the volumes transported in the previous year. The transport of iron ore, coal and coke showed a 12.2% growth in the period.

Cargo type (TU thousands)	2020	2019	2020 x 2019
Mining	98,167	87,464	12.30%
Export	95,674	85,164	13.00%
Internal market	11,126	45,124	4.60%
Coal and coke	2,432	2,126	8.30%
General cargo	61,235	12,235	3.80%
Agricultural products	40,960	38,538	6.3%
Steel products	6,097	7,089	-14%
Containers	2,226	2,406	-7.5%
Construction	2,025	2,049	-1.2%
Other	10,343	9,320	11%
Overall Total	159,817	159,817	9.90%

Iron Ore - Export

MRS recorded a 13.5% growth in the volume of iron ore volume intended for exports when compared to the previous year. This increase was mainly driven by the recovery of part of the volume from mines shut down after Brumadinho dam break and taking advantage of the market conditions with the high demand and the commodity appreciation in the international market, which contributed to an increase in demand for transportation by the main customers and to the improvement of operating conditions related to the production of iron ore in Minas Gerais, in addition to port operations. The total volume transported in this segment in 2020 was 84.1 Mt, representing 85.7% of the Mining segment and 52.6% of the total volume transported by MRS in the year.

Iron ore, coal and coke - Domestic Market

The transportation of iron ore, coal and coke in domestic market recorded a 5.3% growth, with volume transported in the year of 14 Mt, when compared to 2019. Despite the year being marked by the economic crisis, in addition to the stoppage of a major customer's blast furnace for almost six months, operations were resumed in mid-November, as a result of the market recovery. Coal and coke account for only 2.5% of the total volume of the Mining segment.

General Cargo

General Cargo transportation, which includes agricultural commodities, steel products, containers, among others, showed a 3.8% increase in 2020, mainly impacted by Agricultural Products and Other Cargo segments, as detailed below.



Agricultural Products

MRS transports sugar, soybean meal, soybeans and corn. The growing result of this segment has been constant over the past few years. The 6.3% increase can be seen when comparing 2020 versus 2019 result, representing 66.4% of the total volume transported by the General Cargo segment in 2020, mainly fueled by cargo from other railways.



Steel Products

The transport of steel products in 2020 amounted to 6.1Mt, 14% lower than 2019. This decrease results from the impacts of Covid-19 pandemic, when this sector remained idle, with the consequent stoppage of large equipment and reduced working hours.



Containers

Covid19 pandemic also impacted the container transportation segment (cargo transported by MRS and cargo from other railways, paid through the right of way), which recorded a 7.5% decrease in the period. The transport of own cargo was 4.1% higher than 2019 results, mainly due to an increase in volumes (65.4%) of Santos-Vale do Paraíba route; significant growth of 88.2% on the route within the Rio de Janeiro state due to the negotiation of new volumes to serve the industrial hub of Porto Real and Resende (RJ) regions and new customers arising from the consolidation of multimodal transport in the ports of Rio and Itaguaí.



Civil Construction

Also affected by the impacts of the Covid-19 pandemic, especially in the first months of the year, and the instability in cement production, Civil Construction segment result in 2020 was 1.2% lower than in the previous year. Several efforts made by MRS, such as the prospecting of new customers, renegotiation of inoperative routes, an improvement of operational performance and the share increase in current customers were key to mitigate this reduction.

Other Cargo

The 30.8% increase in pig iron transport for exports (a total of 1.9Mt transported) was the main factor for the 11% growth in this segment, which transported 10.3Mt in 2020. MRS has been making a commercial effort to attract new customers in the segment, with an increase in capacity and development of new terminals, increasing the railway fleet and unloading capacity in the Port of Rio de Janeiro, enabling the negotiation of additional ships by customers. The Company also benefited from the market conditions of price, foreign exchange and low consumption in the domestic market, with positive impacts in the export market, which is currently largely destined for Chinese market; the 71.3% growth in the transportation of fertilizers by other railways and; the 29.9% increase in sulfur transportation by MRS and other railways.

Financial Performance

GRI 103-1, 103-2, 103-3, 102-45, 201-1, 201-2

In the first quarter of 2020, seasonal rains, which generally occur during this period of the year, affected the production schedule at the mines and the unloading process at the ore ports of MRS' main customers. As a result, the volume transported decreased. Despite the immediate effect, MRS, together with its customers, presented off setting alternatives in the volume transported over the subsequent periods.

Thus, in 2020, MRS recorded a R\$ 404.2 million growth in net revenue (12.6%), mainly reflecting the recovery in volume, particularly in the mining for export segment.

Costs and expenses grew R\$ 35.4 million more in 2020, compared to the previous year. This result is mainly due to an increase in the volume transported, the actions to combat Covid-19 and expenses with the operation of the Unmanned Train in the Self-Rescue Zone, however, mitigated by the reduction in diesel price, due to the drop in demand for fuels caused by the global pandemic.

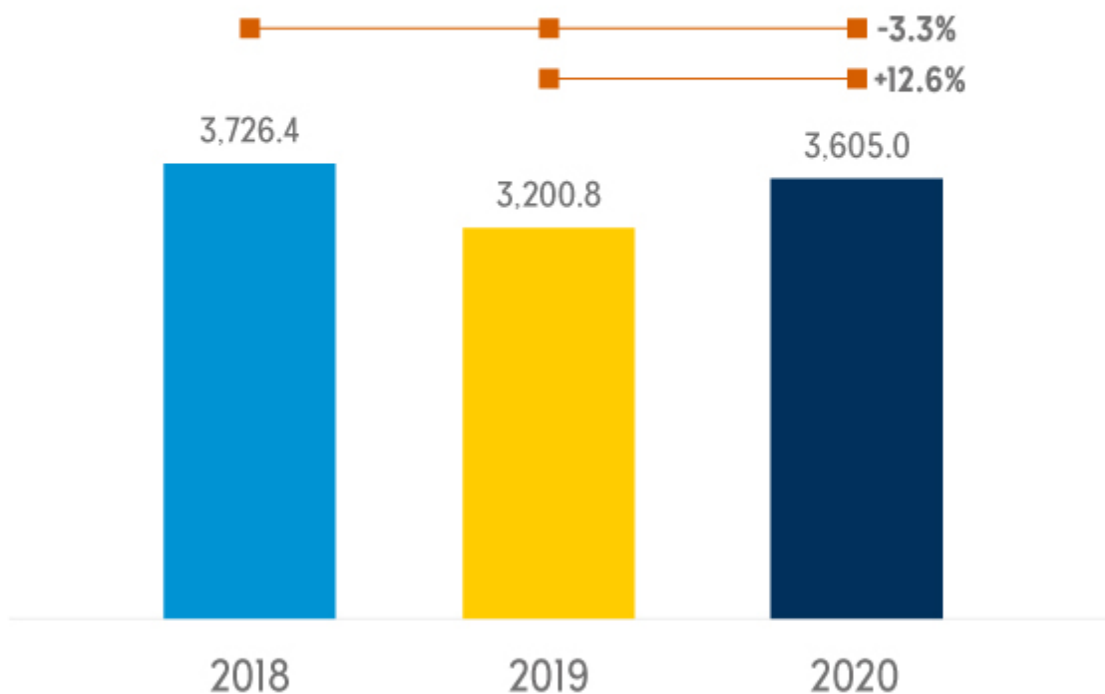
The R\$ 319.8 million decrease in 2020 in Other Operating Revenues and Expenses is mainly due to the reduction in the amount of revenue related to the clauses provided for in the Company's long-term agreements (*take or pay*) compared to 2019, and lower legal provisions in the labor scope.

Financial and operational highlights	2018	2019	2020	2020 x 2019
Transported Volume (TU million)	174.6	146.9	159.8	8.8%
Gross Operating Revenue (R\$ million)	4,083.6	3,483.7	3,890.2	11.7%
Net Operating Revenue (R\$ million)	3,726.4	3,200.8	3,605	12.6%
EBITDA (R\$ million)	1,543.2	1,963.9	2,012.9	2.5%
EBITDA Margin	41.4%	61.4%	55.8%	-5.6pp
Net income (R\$ million)	521.6	503.4	430.3	-14.5%
Gross debt (R\$ million)	2,474.9	3,006.9	2,872.8	-4.50%
Net Debt (R\$ million)	2,128.9	2,336.6	1,666.4	-28.70%
Net Debt/EBITDA (x) ¹	1.38x	1.19x	0.83x	-0.36x

¹ Last 12 months (unadjusted result, that is, considering the non-recurring events).

NET OPERATIONAL REVENUE

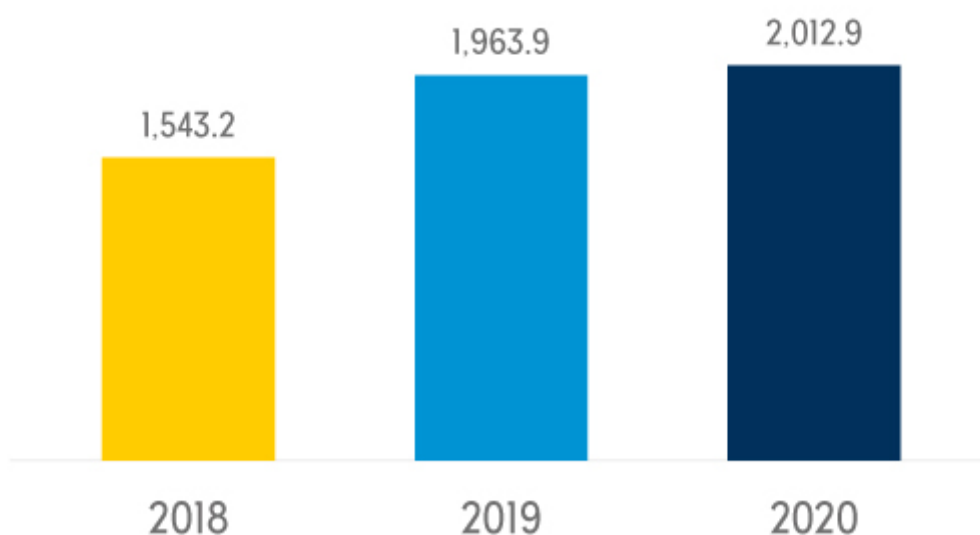
(R\$ millions)



2020 EBITDA grew 2.5% when compared to 2019, reaching R\$ 2 billion, with EBITDA Margin at 55.8%, 5.6 p.p. lower versus the previous year.

EBITDA

(R\$ millions)



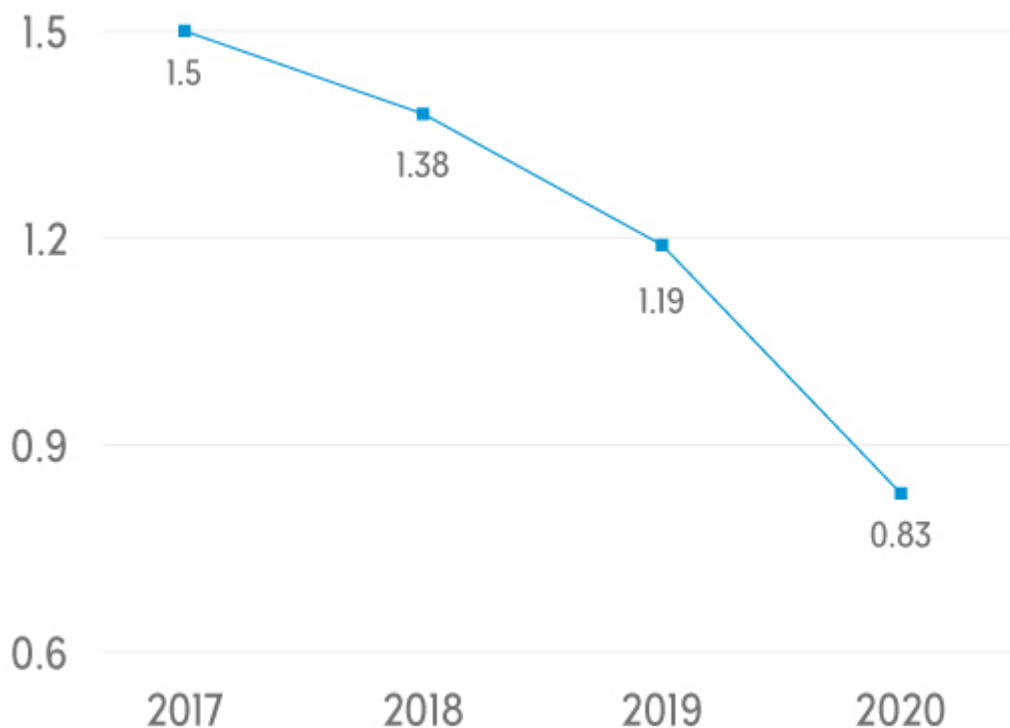
The Company's gross debt in 2020 showed a slight decrease when compared to 2019, ending the period at R\$ 2.8 billion. This retraction can be explained by the lower volume of funding in 2020.

Debt (R\$ millions)	4T18	4T19	4T20	4T20 x 4T19
Gross debt ⁽¹⁾	2,479.9	3,006.9	2,873.5	-4,4%
Gross debt in R\$	1,855.3	2,445.1	2,297.4	-6,0%
Gross debt in USD ⁽²⁾	619.6	561.8	576.1	2.6%
Cash ⁽²⁾	495.7	670.3	1,206.5	79,9%
Net debt	1,958.9	2,336.60	1,667.0	-28.7%
EBITDA ⁽³⁾	1,445.6	1,963.9	2,012.9	2.50%
Net debt/EBITDA (x) ⁽³⁾	1.38x	1.19x	0.83x	-0.36x

1. The difference in relation to the sum of the lines of Loans and Financing (Balance Sheet) corresponds to transaction costs.
2. Incorporates the fair value of derivative instruments.
3. Includes Restricted Cash.

In 2020, the Company raised funds in the total amount of R\$ 511.7 million, through the issuance of the Bank Credit Notes (CCB), 4131 transactions and (ii) BNDES financing. Such proceeds were raised to reinforce the Company's cash, acquire assets and extend the debt profile.

NET DEBT / EBITDA

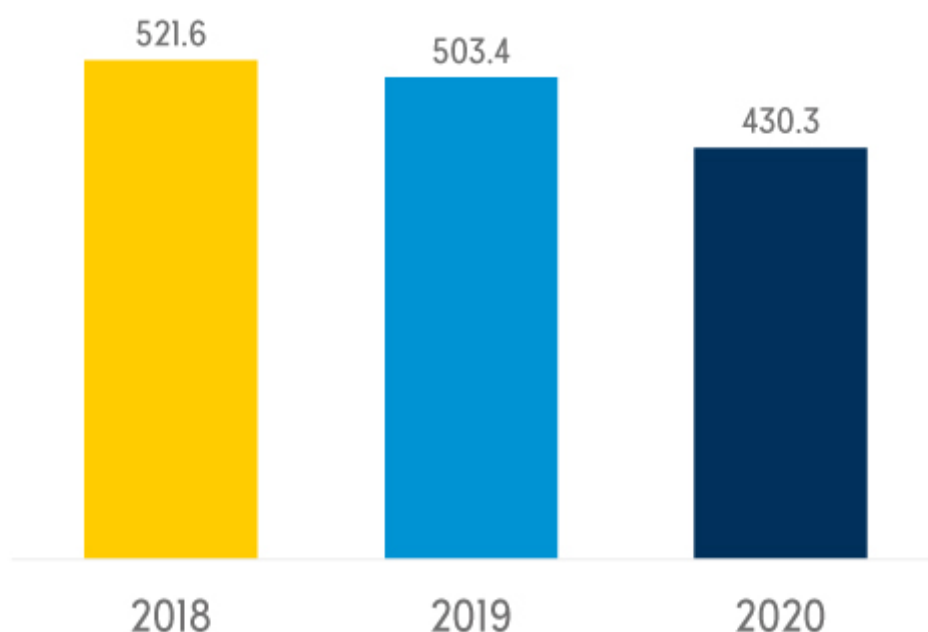


The leverage indicator, measured by the Net Debt/EBITDA ratio, decreased 0.36x versus 2019, ending 2020 period at 0.83x. The good performance of this indicator reflects the sustainable focus on resource management, low leverage and good operational performance.

In addition to EBITDA, Net Income was also impacted by the change in the economic useful life of the main groups of MRS assets. With this change in 2020, there was an increase of R\$129 million in depreciation cost. Thus, Net Income amounted to R\$430.3 million, a 14.5% decrease as compared to 2019.

NET PROFIT

(R\$ millions)



EBITDA settlement (R\$ millions)	2018	2019	2020	2020 x 2019
Net profit	521.60	503.40	430.30	-14.5%
(+) Taxes on profit	262.80	254.40	216.30	-15.0%
(+) Depreciation and amortization	604.60	921.20	1,049.90	14.0%
(-) Depreciation of use rights (lease agreements)	-	(265.3)	(281.60)	6.1%
(+) Net financial income	154.30	284.90	316.40	11.1%
(-) AVP financial charges (lease contracts) ⁽²⁾	-	(167.60)	(152.00)	-9.3%
(=) Recurring EBITDA ⁽¹⁾	1,543.20	1,531.00	1,579.30	3.2%

1. More restrictive condition with creditors.

2. Detailed information can be found in Explanatory Notes 14.2 and 32

Statement of Cash Flow

Cash generation in 2020 amounted to R\$538.2 million, with a cash balance of R\$1.2 billion, almost doubling that of the previous year, a change influenced by the inflow from a contractual protection mechanism (*take or pay*) with related parties.

MRS full financial statements are available at Investor Relations website and in download center of the report.

INVESTOR RELATIONS

Investors (especially debt investors, which is MRS's current focus) are important stakeholders for the Company and were therefore the target of initiatives in 2020: review of the mailing list and search for new dissemination channels, with emphasis on LinkedIn. The new Investor Relations website was also

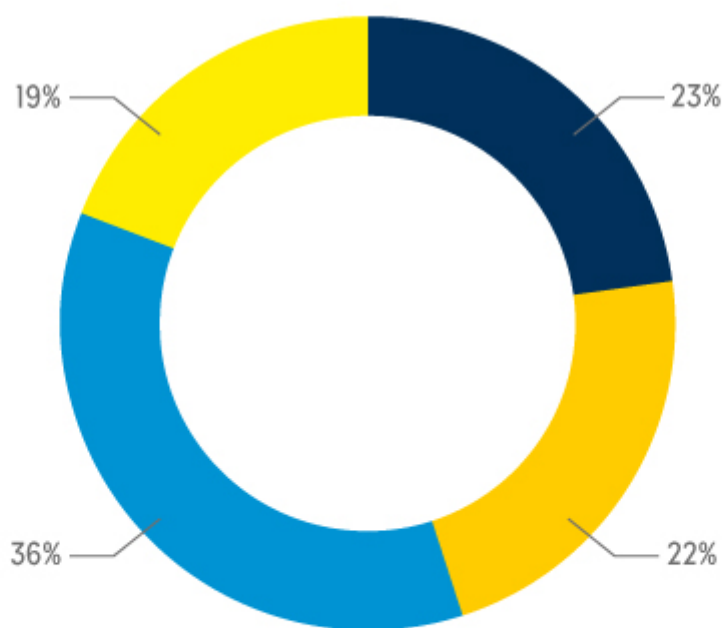
launched, in a more modern environment, new content organization, responsive design and expansion of the content offered in English, in line with internationalization movements and the search for investors in other markets. Thus, navigation on the page became more intuitive and easier, allowing the access of more investors.

STATEMENT OF VALUE ADDED

GRI 201-1

Statement of Added Value (in thousands of reais)	2018	2019	2020
Revenue	4,187,634	4,319,669	4,306,768
Inputs acquired from third parties	(1,471,830)	(1,500,252)	(1,486,789)
Gross added value	2,715,804	2,819,417	2,819,979
Retentions	(604,586)	(921,226)	(1,049,931)
Net added value produced	2,111,218	1,898,191	1,770,048
Value added (received) in transfer	270,735	312,489	498,924
Revenue	2,381,953	2,210,680	2,268,972
Personnel and charges	559,589	542,743	520,470
Taxes, fees and contributions	860,502	564,540	490,512
Remuneration of third party capital	440,246	600,042	827,708
Remuneration of own capital	521,616	503,355	430,282
Total added value distributed	2,381,953	2,210,680	2,268,972

Distribution of Added Value



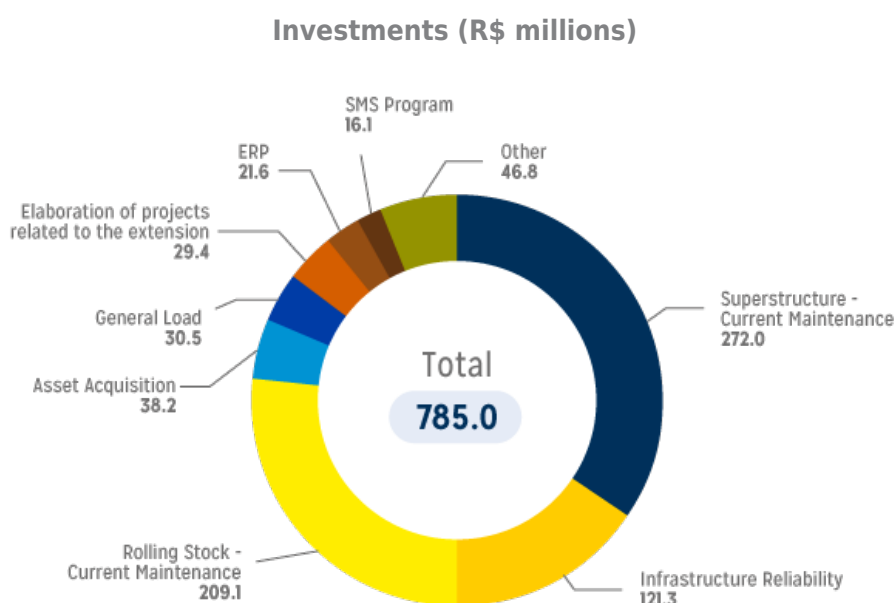
Distribution of Added Value	2018	2019	2020
Personnel and charges	23%	25%	23%
Taxes, fees and contributions	36%	26%	22%
Remuneration of third-party capital	18%	27%	36%
Remuneration of own capital	22%	23%	19%

Investments

GRI 203-1

MRS investment plan is developed based on the Company's strategic direction. In 2020, MRS invested a total of R\$785 million in initiatives to ensure the volume and sustainability of the operation, to move forward with the growth of General Cargo, and the beginning of the ERP replacement process within the Conecta Project. The portfolio also included funds for the development of the projects to be carried out by MRS in return for the concession extension. Goals were set for the Company's main areas, related to the scope of the approved packages, using (in most cases) the Value Added Curve (S Curve), to measure the monitoring of the project physical and financial adherence throughout the year.

In a continuous pursuit to improve the investment management, MRS promoted throughout 2020, training workshops with project managers and hired a specialized consultancy to improve processes in project management and start preparing for new investment levels, which will be assumed upon renewal of the concession.



Investments (R\$ millions)	2019	2020
Permanent ways ⁽¹⁾	391.9	433.0
Rolling stock ⁽²⁾	301.6	253.5
Electronic systems	16.1	15.8
SMS Program ⁽³⁾	6.4	16.1
Miscellaneous	31.5	66.7
Total	747.5	785.0

¹ Infrastructure expansion, reliability and modernization of permanent ways;

² Acquisition, reliability and modernization of rolling stock;

³ Investments in Health, Environment and Safety.

MAIN INVESTMENTS GROUPS IN 2020:

Expansion of the permanent ways and yards

The strategy of prioritizing investments aimed at General Cargo flows was maintained, highlighting the completion of the definitive signaling of TIPLAM and the beginning of the signaling of Santos Left Bank. Investments to rehabilitate the permanent ways both in Baixada and in Itirapina-Pederneiras stretch and the progress of initiatives to meet new general cargo loads, with emphasis on the beginning of the construction works of the Multimodal Terminal in Pederneiras (SP) to handle agribusiness and pulp loads.

Infrastructure reliability

Continuation of the plan of preventive interventions along the railroad with the execution of 23 containment works, 11 interventions/replacements of bridges and recovery of 1 tunnel, aimed to minimize the risks associated with the reliability of the stretch.

Rolling stock

In 2020, studies and in-depth analyses were carried out on the asset models available on the market, and the purchase (with delivery scheduled for 2021) of GDT and PCT wagons and other models of wagons for prototypes was started. In addition, we highlight the acquisition of five locomotives from Progress Rail to meet 2021 volume and carry out tests with this new locomotive model. In addition to these fronts, adjustments were made to HAT wagons to increase the volume per wagon (171 adapted wagons).

Modernization of assets

Interventions were carried out on locomotives, wagons, and on the railway network, aiming to increase the reliability and availability levels of assets, allowing efficiency improvement and optimization of railway operations.

Technological projects

Highlights for the start of the project for the new ERP system (SAP) implementation and development of IT systems with a focus on the MRS operating processes, investment in

technology to improve the operation and maintenance in the self-rescue region in Minas Gerais (close to dams with risk of rupture) and (iii) start of the development of remote control for maneuvering locomotives in yards.

Employees

GRI 102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 412-1

With a benefits policy that goes beyond the legal requirements, investment in employee training, compensation compatible with the market and inclusion and diversity policies, the area that handles people management at MRS ended the 2020 cycle fulfilling its mission of attracting and retaining talent and taking care of the Company's most precious asset: its employees.

As of December 2020, MRS had 5,851 people on its staff. Of this number, 56% were based in Minas Gerais, 22% in São Paulo and 22% in Rio de Janeiro. The presence of women is still small, however the company has been making a move to boost the numbers. In 2020, 16.7% increase was recorded in the number of people with disabilities (PwD) in the Company's staff and 896 promotions were carried out, representing 81% increase versus 2019, reinforcing MRS commitment to the policy of valuing employees and the investment for talent retention.

Going against the trend of most of the market, MRS not only did not lay off workers during the 2020 pandemic, but also hired new workers for operations and support areas. And, in order to support employees during the sensitive scenario, the food voucher started to be paid in advance, a policy that remains with no fixed deadline for the time being. Fundamental support also came through more targeted internal communication and adapted to the new context.

For 2021, the company's expectation is to maintain what has already been achieved, persisting in the continuous pursuit for better employee satisfaction rates and to further expand the focus on health and diversity issues. The implementation of HR subprocesses is planned, aimed at development, compensation and team management with a focus on people management which will help in the construction the future of the railroad.

GRI 102-18

Employees by region		
State	Total	%
Rio de Janeiro	1,294	22.12%
São Paulo	1,299	22.12%
Minas Gerais	3,258	55.68%

GRI 102-8

Third party employees	
Area	
Office staff	846
Operational Control Center	60
Station, Patios and Terminals	153
Rolling Stock Maintenance	142
Permanent Track Maintenance	1.449
Signaling, Telecommunications and Electrical	31
Traction, Traffic and Movement	207
Management	0

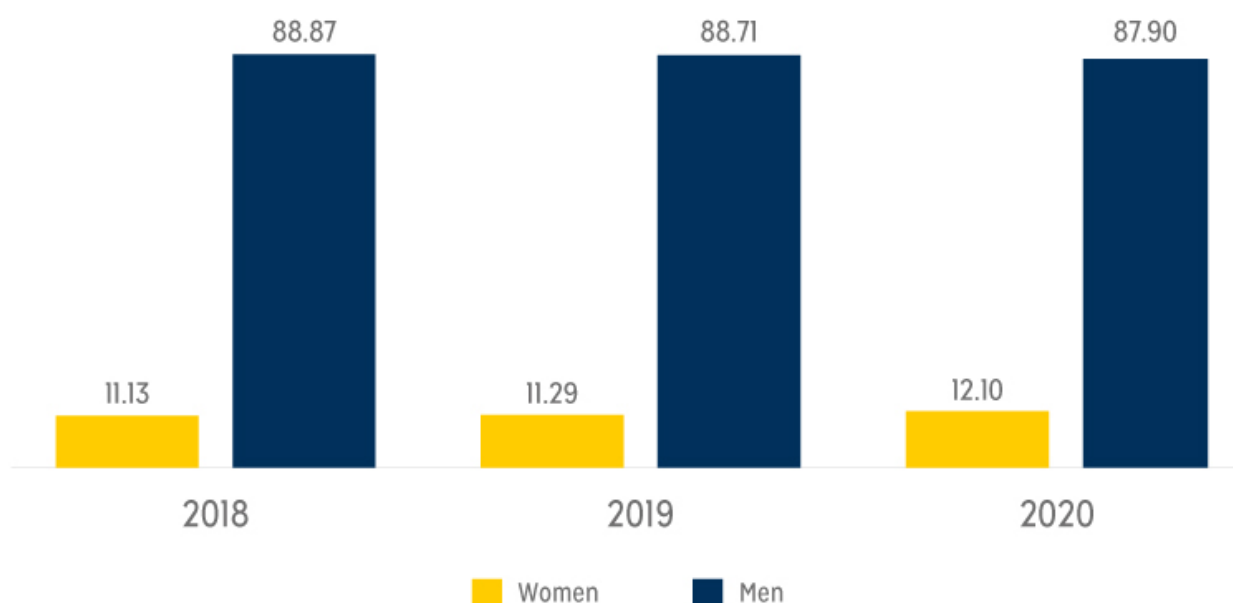
Third party employees

Total

2,888

PROFILE OF EMPLOYEES

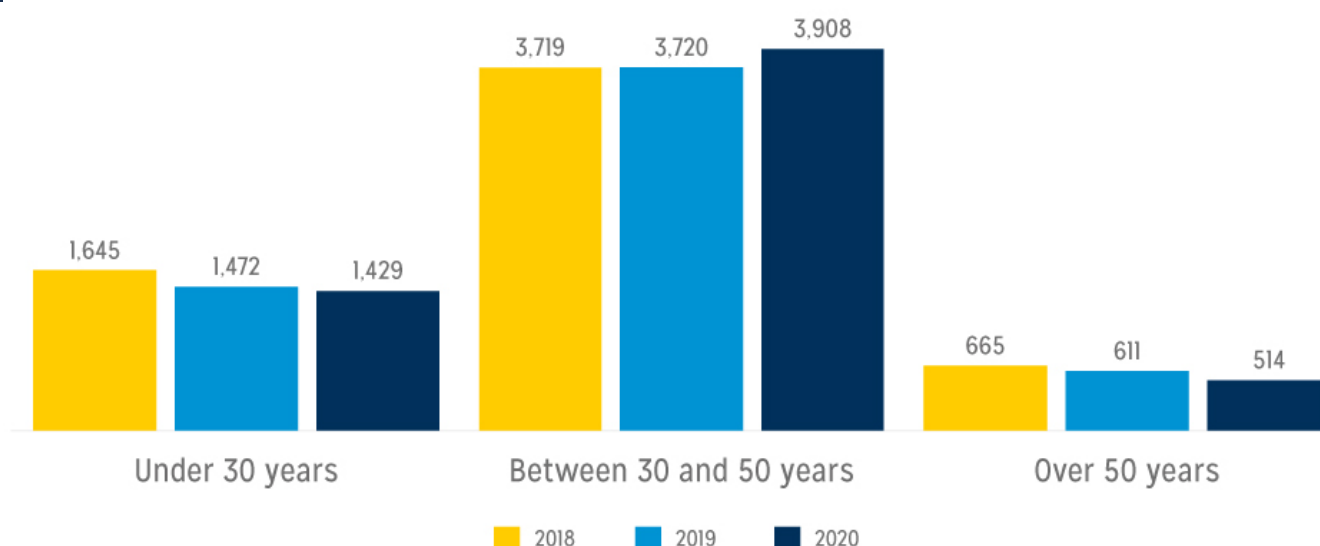
Division of employees by gender



Internal employees by functional category - gender						
Functional category	2018		2019		2020	
	Total	% Women	Total	% Women	Total	% Women
Office staff	1,452	41%	1,364	43%	1,432	38.62%
Operational staff	4,267	3%	4,143	3%	4,105	2.31%
Management	307	21%	293	23%	311	19.29%
Management - Director	3	0%	3	0%	3	0%

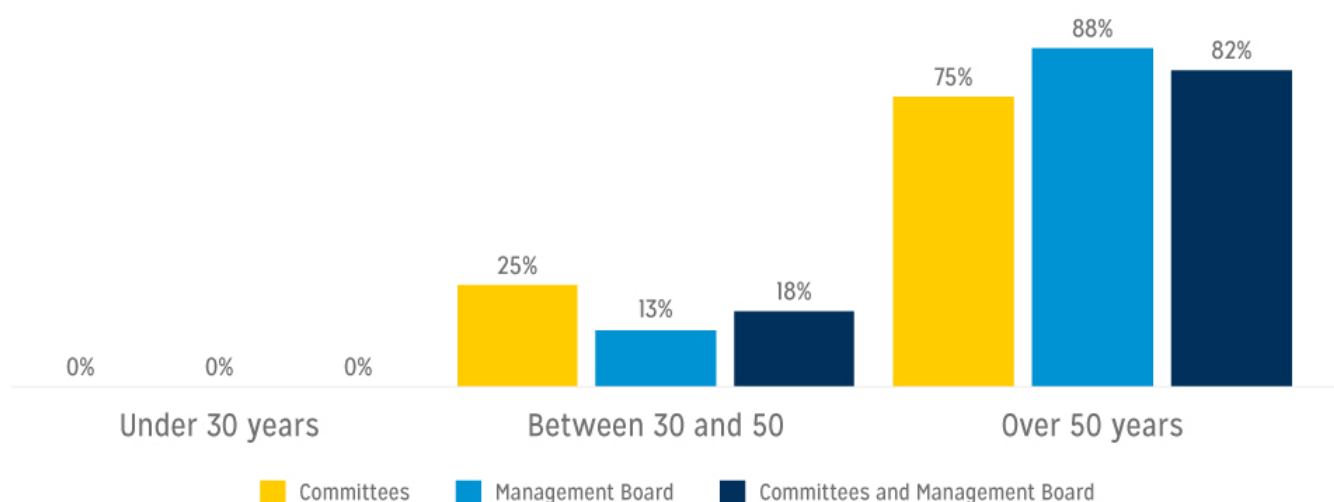
Individuals who are part of the Governance Body - gender		
	Total	% Women
Committees	12	33%
Management Board	16	25%
Committees and Management Board	28	29%

Division of employees by age group



Distribution of employees by age group							
	Under 30 years		Between 30 and 50 years		Over 50 years		Total
Functional category	Total	%	Total	%	Total	%	
Office staff	520	36.39%	789	20.19%	123	23.93%	1,432
Operational staff	894	62.56%	2,851	72.95%	360	70.04%	4,105
Management	15	1.05%	265	6.78%	31	6.03%	311
Management - Director	0	0.00%	3	0.08%	0	0.00%	3
Total	1,429	100.0%	3,908	100.0%	514	100.00%	5,851

Individuals who are part of the Governance Body - age group



BENEFITS AND COMPENSATION

Benefits offered by MRS include a health plan for the whole team (without distinction of position and representing 10% of the operating cost), dental plan, private pension (MRSPrev) for all levels, life insurance, incentive to education and development (30% reimbursement in undergraduate or technical courses), vacation loan (salary advance proportional to the salary for vacation days), agreement with SEST and SENAT (Social Transport Service and National Transport Learning Service), meal and food voucher, maternity assistance, funeral assistance, miscellaneous agreements (with language schools and for the purchase of other products and services), INSS salary supplement (supplementary salary for the employee during the first 12 months of sick leave, if INSS benefit is lower than the base salary) and sick leave pay, discount in pharmacies, agreement with gyms (Gympass) and extra Christmas food voucher. The compensation policy follows the methodology of the Korn Ferry management consultancy, consisting of fixed compensation, in line with the market, and also variable compensation. The need for adjustments in salary practices is assessed on a regular basis, in order to keep the compensation competitive with the market in general. In addition to salary increases resulting from the collective bargaining agreement, increases may also occur as a result of job promotions.

There is no wage (or any other) distinction due to gender or race. However, the large difference in proportion between male (87.9%) and female (12.1%) employees, and the more concentrated presence of the latter in administrative areas, in contrast to the large number of men in technical operational areas, causes that the average salary of women in MRS to be higher than that of men. Corporate challenges are broken down into goals that impact variable compensation. MRS has three variable compensation programs, which encourage employees to constantly seek better results: Profit Sharing Program, Bonus Program and Championship Program.

At least two major negotiations (collective bargaining agreement and PSP) are held annually with five unions with which MRS relates: Belo Horizonte, Lafaiete, Central do Brasil, São Paulo and Paulista.

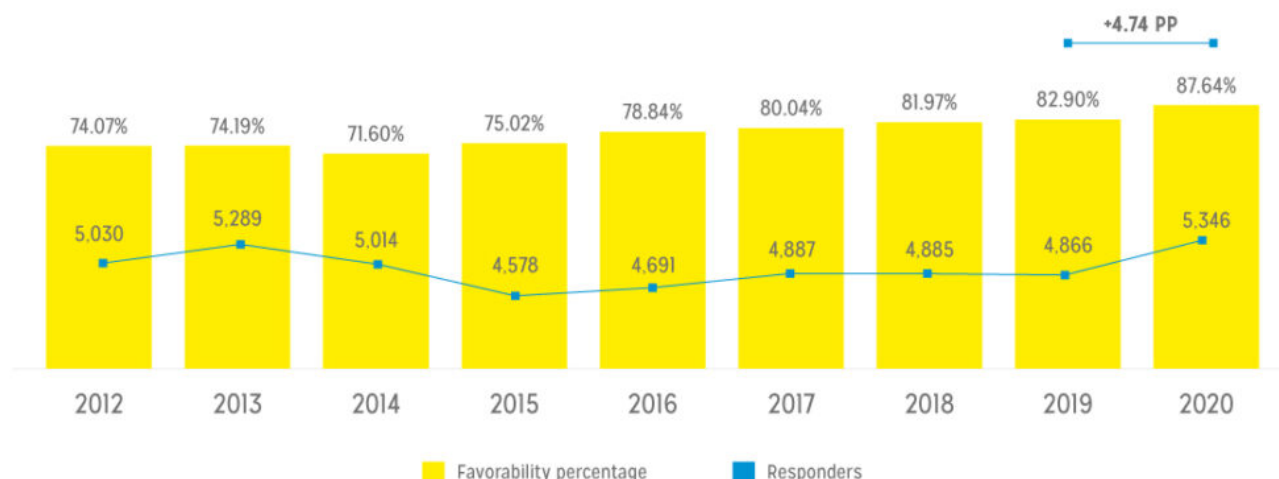
Championship Program, aimed at the operational areas, also brings the possibility of extra awards to employees.

In 2020, MRS has defined ESG-related (Environment, Social and Governance) targets for variable compensation that will be applied in 2021 for leadership at different management levels, including 11 general managers, as well as the CEO and officers.

ORGANIZATIONAL CLIMATE

As for Organizational Climate Management process, MRS maintains a consolidated culture and remains with continuous efforts to build improvements in the work environment. An Organizational Climate Survey is carried out annually, anonymous and tabulated by an external consultancy, whereby four aspects are assessed: Learning & Development, Leadership, Identity and Satisfaction/Motivation. In 2020, a fifth factor was included, called "Contemporary Scenario", comprising questions related to the employee perception regarding the attitudes of MRS and its managers, on topics such as harassment, diversity and inclusion and the current scenario of Covid-19 pandemic. The employee satisfaction index in 2020 was 87.6%, almost five percentage points higher than the previous year. The Contemporary Scenario factor recorded favorable results by 93.14% of the respondents. Results are published through the Climate Survey System and the HR Portal, in the form of global and sector climate reports (teams with a number equal to or higher than eight employees).

MRS Internal Monitoring



Result with 64 questions: 87.64%

Result with 73 questions: 88.32%

DIVERSITY AND INCLUSION

GRI 103-1, 103-2, 103-3, 405-1, 405-2

Expanding diversity and inclusion has been a relevant challenge for MRS since 2018. In 2020, the company concentrated its actions on discussions on gender equity, ethnicity, LGBTI + and PwD (people with disabilities), seeking to create an environment open to differences. Throughout the year, several actions were carried out to help rethink concepts, make room for new learning, and train inclusive leaders, facilitators, and articulators of differences to build an inclusive culture. In December 2020, MRS reached the mark of 5% of PwD in the workforce.

Aiming to disseminate these actions inside and outside the Company, MRS Communication area carried out campaigns promoting awareness of the Diversity and Inclusion theme. Disabled employees and women were invited to tell their stories and journeys in the company.

With these actions, MRS worked to demystify that the railway is only a male segment, but it is also open and prepared to receive women interested in working in the railway area. For the next few years, the recruitment and selection area has an internal goal of guaranteeing the participation of 30% of PwD's, women and afro-descendants in the selective stages, whose objective is to boost the inclusion process. Currently, the Company is made up of 11,7% of black people in its staff and, in 2020, there was 16.7% increase in the staff of people with disabilities (PwD).

The information was transformed into posts, videos, podcasts and texts that were shared on the official MRS social networks (LinkedIn, Facebook, Instagram, YouTube and TikTok), on the company's website and in podcasts available on Spotify. Discussions were also held on the topic in live broadcasts, books and videos were recommended aimed at expanding employee skills and training sessions were held addressing themes focused on inclusion and diversity.

Indicative PwD		
Functional category	Total	%
Office staff	160	11.17%
Operational staff	112	2.73%
Management	3	0.96%
Management - Director	0	0.00%

Employees by functional category - Race				
Race	Office staff	Operational staff	Management	Management - Director
Yellow	0.07%	0.02%	0.32%	0.00%
White	68.78%	52.74%	83.28%	100.0%
Black	7.82%	13.79%	2.25%	0.00%
Brown	21.23%	32.18%	13.83%	0.00%
Indigenous	0.00%	0.07%	0.00%	0.00%
Uninformed	2.09%	1.19%	0.32%	0.00%

INSPIRING STORIES

MRS PODCASTS - INSPIRING STORIES

"When I joined the MRS, I was a bit worried about courses, because I didn't have any. MRS gives a course, teaches the area you are joining. At the time, I was the only girl in the classroom in 2012. After three months, I was hired as a train driver's assistant. At first it was not easy, the only woman, but as the years went by, the boys gradually adapted. At the time, MRS was a man's place, but today that has changed".

Dayane Barros

Train Driver

"I was pregnant and we get a lot of fears, a lot of concerns. In the midst of a pandemic, stay away from the company for 5 months. I was very well comed and as soon as I returned I was promoted. I have no doubt that the company embraces its employees. Being able to be a mother in a railway company makes me very happy and peaceful."

Camila Schiara

Shared Services Coordinator

For 2021, the company plans to encourage an increase in the women share in the workforce. This includes the proactive screening and forwarding of pre-registered resumes to managers with open positions aligned with the competencies in each female candidate's profile. The "Elas na Ferrovia" ("Women on the Railroad") project will also be launched, which, in addition to continuing to value the participation of women within the company, aims to encourage the participation of women in labor training programs (Operation and Maintenance). Upon demand, a screening will be made at the database resume captured through the project, whose purpose is to direct to the managers the female candidate who have competences adhering to the profile requested for the position. Today, 86% of MRS employees are linked to the maintenance and railway operation and the course will make a positive contribution to increasing female participation in the company, which has been growing and accounted for 11.6% of the total employees in 2020.

Ratio between the base salary and the remuneration of women and men	Base Salary	Total Remuneration
Management - Director	-6%	-7%
Management	7%	9%
Office staff	-31%	-32%
Operational staff	-3%	-3%

The table represents the mathematic ratio of the total salary and remuneration between women and men in 2020. The positive percentages indicate that women's earnings are higher than men's earnings, and the negative percentages indicate that women's earnings are lower than men's. The administrative group is heterogeneous and part of the difference in the indicator is justified by the length of experience and the positions profile.

Far from being satisfied with just maintaining results, MRS proposes to go further in 2021. The Diversity and Inclusion theme is now included in employee termination interviews, and is part of the MRS Leadership Training Program and one of the competencies linked to development management. The creation of the internship program focusing on diversity is planned, where a blind selection process will be conducted (based only on competency assessment), labor training classes focused on diversity and the completion of the month of inclusion and diversity for the third consecutive year.

ACTIONS CARRIED OUT IN 2020 TO ENCOURAGE THE PROMOTION OF DIVERSITY AND INCLUSION IN MRS

Genre

- International Women's Day campaign, with testimonials from employees holding different positions in the company, from operational to the executive board;
- Podcasts and videos with inspiring stories from MRS female rail workers, including a live

broadcast with the participation of women holding management positions in the operation and maintenance areas, aimed at addressing technical issues related to railway issues. Available on MRS YouTube channel

- Lilac August Campaign, addressing the Myths of Domestic Violence against Women and live broadcast with representatives of civil society (delegate and university professor), mediated by the General Manager of HR Development at MRS. Available on MRS YouTube channel
- Dissemination campaign “A woman’s place is where she wants to be. Mine is on the railroad!” (International Day of Women’s Equality);
- Provision of suitable uniforms for pregnant women in operation and maintenance;
- Creation of a specific section for women’s empowerment on the page “Amplie suas Competências” (Expand your Skills), on MRS Intranet;
- Publication on the social networks of an article by the General Manager of HR Development telling her remarkable history in the railway career;
- Conversation round for reflection on female representativeness in the operation of trains in São Paulo.

Race and Ethnicity

- Campaign with black people who marked world history, on the “International Day for the Elimination of Racial Discrimination”;
- Live broadcasting with black employees talking about technical subjects of railway theme, with interface between different areas in MRS. Available on MRS YouTube channel

PwD

- Disclosure of all positions with preferential factor for People with Disabilities;
- Inclusion of video with participation of employees with disabilities in a campaign on Women on the Railway

LGBTQI+

- Actions to ensure equal rights and benefits for LGBTQI+ employees, such as adoption leave and health insurance for same-sex partners;
- The company began to position itself publicly as an ally of the LGBTQI+ movement, through the “International LGBTQI+ Pride Day” campaign.

HR DEVELOPMENT

GRI 103-1, 103-2, 103-3, 404-1

MRS believes that investing in the development of employees is also part of the Company's success. Through MRS Academy, its corporate university, training and education initiatives are carried out addressing, in addition to functional training, also topics such as Ethics, Compliance and LGPD (General Data Protection Law), in order to ensure that all activities are supported by these principles. The training process takes place at the levels of qualification, improvement, certification and development, established on a knowledge trail for each position, in which professionals are prepared for their current duties and for new career challenges, through collective and individual development actions, in accordance with Company's strategy. In 2020, most employees took training courses at the MRS Academy, with an average training load of 36.6 training hours for each student/employee.

MRS employees also have access to the Education Incentive Program, whereby MRS pays part of the monthly fees for courses, such as graduate, postgraduate, technical and language courses. In 2020, 444 employees graduated or continued their studies through this program.

Reiterating its commitment with the professional development of the employees, since 2018, MRS supports its Leadership Formation Program (PFL) in partnership with the FIA Business School in order to train leaders for the challenges of the position and assist them to make agile decisions and in line with the Company's business strategies. The objective of the training is to prepare the leadership pipeline, future occupants of management positions, as well as to guarantee that the recent occupants of these positions have all the necessary training for the workout of their functions. In addition, also through the partnership with the FIA, MRS also offers managers modular training focused on the development of specific skills. Both complete training and modular training were carried out in person, but in 2020, with the pandemic scenario, all content was adapted to online format, ensuring continuity of training. In addition to the partnership with the FIA, the MRS Academy has other partner institutions, such as the Senai Teaching and Learning system and the IME (Military Engineering Institute) that help both in the training and development of employees. Through Senai, MRS guarantees the technical training of professionals for operational positions. The Apprenticeship and Railway Operator programs allow people from the community to access the training necessary to join the company's talent pool, which is an important entry point for hiring professionals for operational positions.

Through the partnership with the IME, since 2005, MRS has offered the Specialization in Rail Transport for employees for those who are in areas or carry out more technical activities. Every year, more than 20 employees receive training, and, at the end of the course, they could deliver a project applied to the MRS processes and guided by representatives of the Institute and MRS.

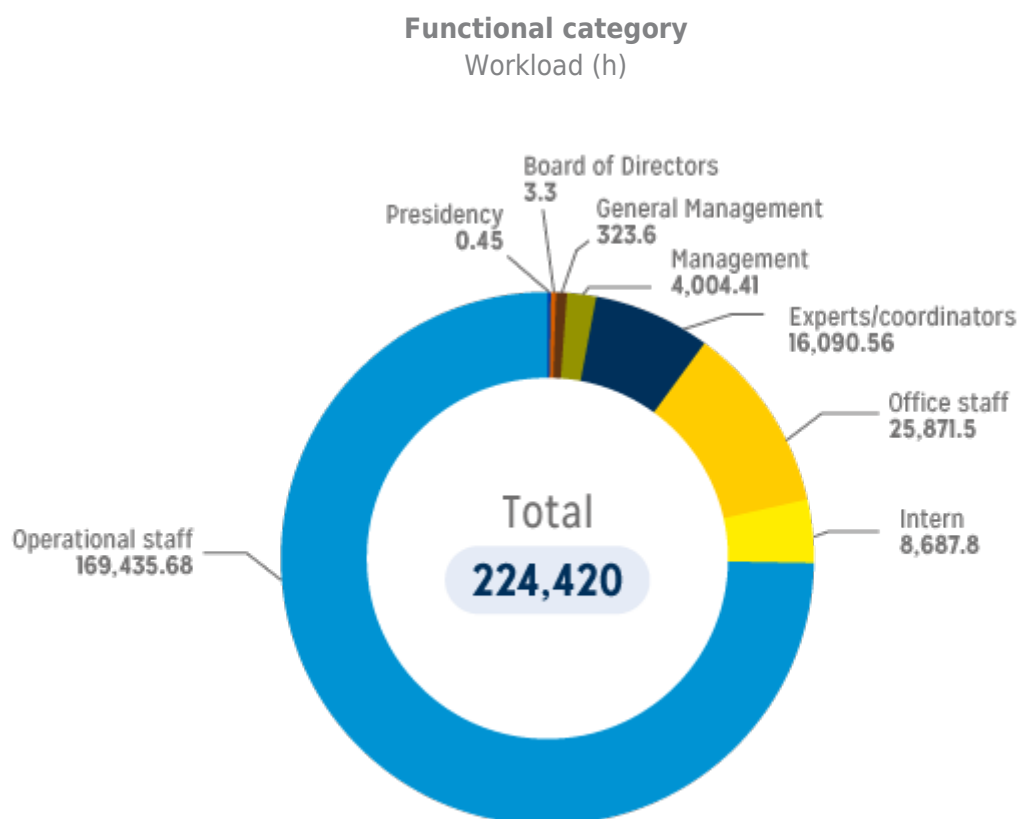
Continuing the enhancement of the technical career at MRS, in addition to the specialization of the IME, in 2020 MRS prepared the conceptual project for the creation of a specialist training program, analogous to leadership training, whose execution is scheduled to start in the second half of 2021.

Due of the pandemic caused by Covid-19, MRS shifted all its training into online activities during 2020. In addition to the distance learning format, as was already done, it has also started to do a series of live and interactive courses, with presential classroom. The format worked so well that it will be maintained after the pandemic.

In this cycle, 224,420 training hours were carried out, the equivalent to a workload of 36.6 hours/class per employee. Of this total, about 85% of the training hours were for men and 15% for

women.

Through partnerships with SENAI – National Service for Industrial Learning, IME – Military Institute of Engineering and FIA – Administration Institute Foundation, among others, MRS also contributes to training the communities where it operates, including suppliers necessary to provide support the operation, such as hospitality and food.



PROGRAM FOR APPRENTICES, INTERNSHIP AND TRAINEES

In 2020, MRS maintained on its staff, on average, 212 apprentices distributed in the operational and administrative areas, in addition to an average of 310 interns' positions at the technical and undergraduate levels. The company's goal is to contribute to academic education and the development of skills and professional characteristics that will be important for the career. It is also an opportunity for the training of qualified professionals and for building a career in the company. MRS also maintains a Trainee Program, whose groups are formed by interns and assistants selected as potential professionals to occupy strategic positions at MRS in the future.

During 2020, the programs also needed to undergo format adaptations due to the COVID-19 scenario, with this, the company was able to maintain their execution in a satisfactory level. The main impact was in the trainee job rotation, which had to be postponed.

OCCUPATIONAL HEALTH

MRS seeks to contribute to the health and well-being of its employees and their families, carrying out several actions every day to promote health, physical and emotional well-being, and to prevent illness. In 2020, the company carried out several joint actions in order to further reinforce this care, such as cost reduction in the health plan.

For 2021, the company will provide alternative channels of medicine, focusing on telemedicine, care and prevention during the pandemic, as well initiatives for an emotional support, in Mental Health Program to employees and their dependents.

The programs carried out in 2020 were:

Quality of Life Campaigns

Monthly actions on specific health topics, often enriched with the participation of experts on the topic addressed, aimed at all MRS employees. Some examples of 2020: "Healthy eating habits"; "Heart diseases"; "Combat cholesterol increase"; "Diabetes mellitus"; "Sexually Transmitted Diseases Prevention"; "Pink October – Breast Cancer Prevention"; "Blue November – Prostate Cancer Prevention"; "Kidney Nutrition"; "Voice Care"; "Women's Health"; "Occupational Gymnastics"; "First Aid Basics"; "Mental Health"; "General Hygiene Guidelines"; "Physical Activity Practice"; "Hearing Care", among others. 103 actions were carried out, executed by the occupational medicine and nursing teams of each of the seven MRS Health Centers, located in MG, RJ and SP.

Initiatives to combat COVID-19

24/7 medical and nursing assistance on duty, allocating employees whose duties allowed them to work from home, directing employees of the risk group to home distancing, testing protocol for identifying those infected, implementation of the Roda de Saúde (Health Circle) program for medical explanations/guidance, provision of masks to all employees, adaptation of the physical spaces seeking to ensure social distancing, among others.

H1N1 Vaccination Campaign for Employees and Dependents

MRS immunized the quadrivalent H1N1 vaccine (updated and higher-coverage vaccine) to 6,863 people, including employees and legal dependents. The number represents a 32.23% growth versus 2019.

Prevention of cardiovascular disease and its consequences

The clinical staff of MRS, in outpatient care and, through tele-guidance, continued to provide assistance to employees with chronic diseases such as diabetes mellitus, dyslipidemia and systemic arterial hypertension.

Program for the Prevention of Misuse of Alcohol and other Drugs (PPAD)

The Program provides guidelines to raise awareness about the harmful effects of the misuse of alcohol and other drugs in the performance of routine and usual activities.

Hearing Conservation Program (PCA)

To all employees exposed to noise are permanently monitored by a multidisciplinary team (physicians and hearing care professionals) who, in addition to providing guidance to avoid impairment of hearing capacity, is quickly mobilized to ensure the best treatment at the very first sign of symptoms.

Mamãe MRS (Mommy MRS)

Pregnant employees and pregnant wives of our employees have the opportunity to participate in semiannual meetings with trained and active professionals in the area of obstetrics, breastfeeding, vaccination and childcare.

Periodic Medical Examinations

The annual meeting between the occupational physician and the MRS employee (100% of our employees, irrespective of occupational risk or age, are evaluated annually) dedicated to assess the individual in its entirety, expanding the horizon of occupational health. 5,839 periodic examinations were carried out in 2020. In compliance with the guidelines of the Ministry of Health on measures of social distance to prevent Covid-19, MRS maintained the service for conducting periodic examinations within its own sites through In Company Periodical Project, which led to several points, far from large health centers, a mobile team to carry out complementary, ophthalmological and clinical examinations.

Other occupational examinations

1,868 examinations executed in addition to the periodic exams. In addition to all the actions mentioned, in 2020, under a remote model, MRS' employees participated in an important work to encourage a change in mindset focused on quality of life and well-being, especially with regard to adapting to the new context and the model of working from home.

Virtual health-related events

Live broadcasting sessions focused on mental health (anxiety, stress, relationships, children's anxiety and resilience, physical health and diet); and podcast with a mental health theme in times of pandemic.

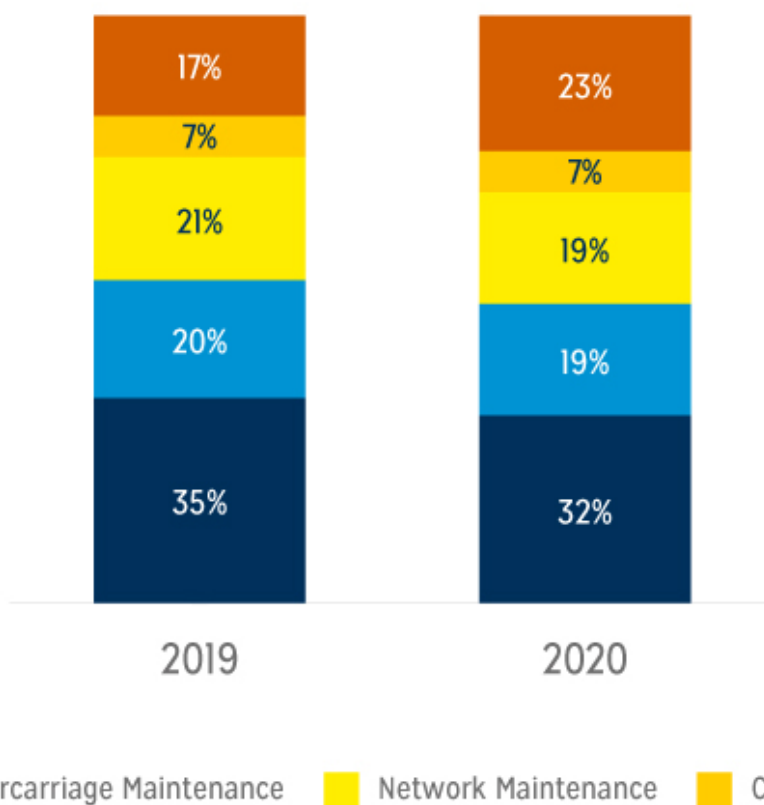
Suppliers

GRI 102-9, 103-1, 103-2, 103-3, 308-1, 414-1

MRS has a wide range of suppliers, contracted for the company's core activity (railway network and rolling stock) and others necessary for the company's full operation. This generates a high diversity of scopes and contracted companies, in the most diverse sectors: maintenance of locomotives and wagons, permanent ways equipment, civil works, security, building conservation, among others. In addition to the variety of sectors, our suppliers have different sizes, ranging from freelancers to large publicly held international groups.

The plurality of suppliers with which MRS relates, in terms to size and segment, poses a major challenge for the company, which undertakes to hire only reputable and unimpaired companies to compose the supply chain. The concern with good practices of compliance, transparency, equal treatment and work safety applied by MRS in its conduct also extend to suppliers, with whom the company spent R\$1.8 billion in 2020.

EXPENSES WITH SUPPLIERS



MRS understands that the involvement of suppliers in non-compliance with labor practices, discrimination, slave or child labor, among others, has a direct impact on its image and on the business sustainability. Thus, the almost 2 thousand companies and service providers that make up the company's supply chain are subject to the Supplier Management and Registration Policy, with strict internal selection criteria, in line with domestic and international purchasing practices, which include, depending on the type of supply and the amount of the contract, economic and financial assessments, work safety and social and environmental risks. In addition, a prior check of all suppliers is carried out if they are or have been involved in any form of work allusive to slavery. Although there is no direct selection based on social criteria, these indicators are also considered in the process. The information is frequently reviewed, upon each contractual amendment or on an annual basis.

The evaluation process for each supplier includes a registry checklist with criteria to be met according to the contractual amount range and that includes, among other items, an analysis of the supplier's financial health and delinquency, Serasa consultations, checking the supplier's debt clearance certificates, tax and labor status in relation to tax payments (CNDs), and compliance with environmental legislation.

For all contracting of services to be provided at MRS facilities, all labor issues are checked and regular submissions of documentation evidencing the payment of benefits to third-party employees are required. In addition, for agreements of up to R\$1 million, assessments of financial health and dependency of MRS are carried out. Also, for purchases over R\$1million, in addition to checking the criteria mentioned above, MRS breaks down several indicators with pre-defined weights, resulting in a scorecard of suppliers, which brings visibility not only to financial health issues, but also the supplier's dealings with employees with regard to training, provision of benefits such as health plan and life insurance, for example. In addition to business scorecard, the requiring management also applies a technical scorecard to the supplier, aiming to assess the technical ability to provide that service. Finally, all agreements with with amounts exceeding or equal to R\$ 20 million per year are submitted for prior approval by the Board of Directors. For next year, the implementation of a Compliance questionnaire to be answered by the supplier is also under study, addressing topics such as corruption, labor issues, and human rights.

To ensure the suitability of suppliers during the agreement performance, MRS keeps a control on the payment of taxes and salaries to third parties and employees of third parties. Some contractual clauses are in force, providing for the interruption of payments and even the termination of the agreement. The IDF (Supplier Performance Index) is also applied to monitor whether the service provider's performance is satisfactory in matters of safety, environment, quality of deliveries, and schedule, with an annual review with the HSE (Safety and Environment) team. When the company performs a critical activity from the safety point of view within MRS, such as, for example, maintenance of permanent ways, it is considered a critical supplier and starts to have a more directed performance assessment form, with more in-depth questions and criteria, focused mainly on environment and safety.

SUPPLIER ENVIRONMENTAL ASSESSMENT AND CONTROL

Supplier Environmental Assessment and Control is of paramount importance to MRS and it is carried out for both materials and services, such as waste management and containment of railway slopes. As critical items for analysis, we have, for example, the railroad ties, for which there is control with suppliers to ensure the legal origin of the wood extraction. Due to the difficulty of control and the higher environmental exposure, MRS decided not to use native woods, using only eucalyptus for national railway ties. MRS also monitors the use destination when selling used materials as alternative revenues (wood, oil and lead batteries).

The supply of wooden railway ties is an excellent example for a better understanding of the environmental checks carried out with the supplier. The acquisition of this item is conditioned to the supplier's approval by the Environment area (HSE). To this end, a series of documentary checks are required, such as the environmental operating license, certificate of good standing from IBAMA, forest exploitation authorization, proof of registration of the chemical products used in the treatment, forest product transportation authorization, operation license, and effluent discharge permit, among others. In addition, a questionnaire is applied to verify the supplier's procedures. Issues related to customer specification, production capacity, transportation by third parties, forest location, drying yard, among others, are addressed. Upon completion of this process, the technical visit and approval of the production process takes place. This checking cycle takes place not only at the beginning of the partnership with a supplier, but also when an agreement is executed or amended.

Aiming to control the environmental management of suppliers, MRS relies on several processes, such as: umbrella agreements with companies specialized in handling environmental emergencies in the event of incidents; assessment through IDF impacting all agreements with the supplier; approval of items by HSE in the registration flow of a new material; priority matrix for the current maintenance of railway slopes; Rain Plan during the rainy season with several actions; and staff on duty in Supplies to respond to possible occurrences.

For the coming years, MRS plans to implement a program to engage suppliers in the commitment to sustainability. The criticality analysis will be expanded to cover the monitoring of labor, social security and human rights issues of the contracted companies. The Company also has the goal of developing new suppliers with this profile and seeking more options for certain scopes. Still within the sustainability goals, there is a concern to mitigate the environmental impacts caused by diesel consumption, which is the company's highest financial expense item (more information on the actions related to the theme can be found in the chapter Operational Performance – energy efficiency) and it is directly associated with pollution and climate change.

SUPPLIER AND AGREEMENT MANAGEMENT

Currently, 90% of purchases are made by the Supply Management, an index considered excellent by the market. Among the 10% of purchases without the involvement of Supplies, i.e., made directly by the areas, there is a specific approval scope for purchase and/or service above R\$ 10,000, which requires the officers' approval. For the next few years, with the ERP replacement, POs (purchase orders) will also be generated for cases where there is no involvement of Supplies, which will enable MRS to monitor the purchase history and control the supply, allowing better management and, consequently, planning of the area.

The management of the contracts is carried out in a decentralized manner by the manager of each area, after specific training for the employee to understand the aspects that must be monitored during the performance of the agreement. The most relevant points to be checked are defined in MRS Operational Guideline. Materials that have in their registration the indication of mandatory prior technical inspections are also monitored, to ensure that the product purchased is within the specifications. The system will not allow the tax entry until the inspection takes place.

Recently, SAP Ariba technological solution for bidding was implemented, which allows MRS to improve its relationship with suppliers based on their categorization, enabling a much closer monitoring of strategic partners. Additionally, MRS plans to implement Ariba Buying, a module with a purchasing catalog that will serve as a shortcut to simplify the acquisition of materials previously negotiated by Supplies.

In 2020, Covid-19 increased the demand for labor in the area and demanded a quick mobilization with suppliers at the beginning of the pandemic to avoid shortages. In addition to the anticipation of purchases of maintenance materials, purchases of alcohol gel, masks and anticipation of purchases of H1N1 vaccines were also carried out. Also during the following months of the pandemic, the purchase of computers and other materials was necessary for the implementation of the remote work mode, the logistical management and hiring of transportation for employees and the purchase of basic food baskets and alcohol gel for donation to the population. Learn more in Covid-19 impacts.

Customers

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

Seeking to add increasing value to the business, in recent years MRS has increasingly sought to adapt its processes to the needs of its customers and, as a result, to expand its share in the General Cargo segment, in addition to the performance already consolidated in mining segment (ore, coal and coke). To this end, the company purchased specific wagons for General Cargo and continues to invest in building long-lasting relationships and offering sustainable logistical solutions, capable of generating predictability, safety and competitive prices with the Company's unique quality. In 2020, over 40 new rail routes for the transportation of General Cargo were developed.

With the renewal of the concession agreement, investments in projects planned by MRS and under assessment by the Ministry of Infrastructure (Minfra), such as the construction of new intermodal hubs, the segregation of passenger train lines and freight trains (in sections of the Metropolitan Region of São Paulo) and the improvement in rail access (to the Ports of Rio and Santos) will have a direct impact on the provision of logistical solutions for General Cargo customers.

The commercial teams provide customized service, seeking to understand customers' needs and provide feasible and profitable logistics solutions.

As a result of these initiatives, MRS has been leveraging its own volume of general cargo, year after year. Despite all the challenges imposed by the pandemic, the Company reached a new record level for the category, with 8.8% growth.

MRS has a solid Satisfaction Survey process, with the aim of continuous improvement. Since 2017, it carries out an annual survey to monitor its performance, from the point of view of General Cargo customers, applied by the Sales Management area. With total exemption, this survey is carried out through in-depth and in-person interviews, except in 2020, in which it was conducted in the online environment, due to the pandemic. By means of a raffle carried out by the audit department, at least 10 customers are sampled, in three categories, classified according to the revenue generated for MRS. In 2020, the result was an average of 85.7% of customer satisfaction, higher than in previous years (2019 and 2018), both with 79.7%.

The data collected through the survey give rise to an Importance X Satisfaction matrix in each of the surveyed parameters. From then on, a working group with Commercial and Operations areas is created to establish an action plan to mitigate the sensitive points identified.

In 2021, MRS expects to keep on identifying new opportunities and expand its customer portfolio, with a higher share in the General Cargo segment. For the coming years, one of the largest construction projects ever undertaken by the company is underway, focused on serving large agricultural volumes, in Pederneiras, in the countryside of São Paulo. In an area next to the Tietê River, the project includes the use of a waterway as part of the customer's logistics.

Constant concern with Safety

A Safety is the main element of MRS's operations. With this focus, it has several innovative initiatives to increase the customer's reliability in the Company's services, including:



CBTC (Communication-Based Train Control System): 1st cargo railway in the world using this technology. Learn more in Innovation and Technology;



Cargo Monitoring System: a platform that allows managing of transportation with tracking information, arrival forecast, queue positioning, transported cargo history and service scheduling through terminals, assisting in transport management and planning;



Videoanalytics with high resolution cameras: used to check the proper positioning of cargo in the wagons.

Society

GRI 103-1, 103-2, 103-3, 413-1

For MRS, Social Responsibility translates into the commitment to carry out its activities in with ethics and transparency. Thus, it seeks to contribute to the sustainable development of society, to remain in compliance with applicable laws and to be consistent with international standards. MRS policies, programs and actions aimed at external stakeholders (with emphasis on the communities located around the railroad) reinforce the Company's responsibility linket to the impacts of its presence.

In line with these values, MRS continuously promotes relationship actions with communities and local government representatives, aimed promoting closer ties with stakeholders and understanding their needs. Since 2012, MRS has adopted a relationship process called "Dialogue Methodology", which aims to integrate initiatives and tools so that the most important issues for communities are properly assessed and treated, ensuring respectful coexistence and the sustainability of the business. The methodology includes holding occasional meetings with external stakeholders (Dialogue Committees), meetings with the attendance of managers (Regional Committees) and annual approximation events (Open Space).

MRS has positive and constant relations with all interface municipalities, in addition to maintaining in its structure areas dedicated to the relationship with Legislative Assemblies, National Congress, Municipal Councils, Local Public Administration Bodies, Communities and other private players, such as concessionaires and class entities.

In 2020, the activities, which are part of the routine of General Institutional Relations Office, were deeply impacted by the restriction of travel and the need for social isolation imposed by the pandemic. Even so, 118 meetings classified as Dialogue Committees were held, in all the regions covered, including actions to face the social impacts of Covid-19. The relationship with the main community leaders and representatives of the governments remained strong, through contacts by phone, e-mail, messaging application and the official channels (0800 and Contact Us). However, the holding of events called "Open Space" was interrupted, due to the impossibility of complying with the determinations of social distance, recommended by the World Health Organization and the Ministry of Health.

It should be noted that MRS maintains a constant process of mapping, identifying and mitigating the impacts of its business on the communities, considering, above all, the records of complaints and demands formalized through its channels. The Company uses an indicator that considers the levels of service and resolution for monitoring results, which reached the level of 92% of completion of complaints and demands recorded in 2020.

^[1]

^[1] The "Completion Index for Recorded Requests for Community Service Demands" indicator considers requests recorded in 2019 that were not completed in the same year (status in progress/not started) and calls recorded between 01/01/2020 and 09/30/2020. The process is carried out according to a specific management procedure and the completion of the demands follows the requirements established in a specific manual.

Close relationship with the public

GRI 413-2

MRS is committed to responding to 100% of recorded demands or complaints, conducting the analysis and treatment in four stages:



Relationship Channels

Complaints, suggestions or requests are received and recorded through direct contact by dialing 0800-9793-636, through "Contact Us" area on MRS website or through formal documents, such as letters from Government Agencies and Lawmakers (City Council).



Analysis

Complaints and demands are analyzed regionally and directed to the responsible areas within MRS.



Action

The responsible technical area is prompted for determining the best way to meet the needs or to propose mitigation measures. When necessary, occasional meetings are held with the claimants to understand the issues and propose shared solutions (Dialogue Committees).



Answer

MRS responds to all inquiries, by phone, e-mail or formal letter to applicants.

Considering the main themes addressed by the representatives of the communities and governments, as concerning the interface next to the railway, the issues related to the maintenance of the right of way area are the most recurrent, with emphasis on plant control, the removal of waste improperly discarded by the communities, the cleaning of drainage ditches, the recovery of fence walls, and the revitalization of level crossings for pedestrian and vehicle drivers. Issues related to noise, interruption of access, investments and other specific events related to the railway operation and its maintenance processes are also addressed, with the utmost attention, by means of Dialogue Committees and Regional Committees.

Sensitive situations involving expropriation and displacement of populations are not routine and occur, occasionally, when there are risks to the communities or to the railway operation (rains, landslides, unauthorized interventions), invasion of areas of the railway or the right of way area, or execution of great works of public interest. Such cases are handled by a multidisciplinary group and, in 2021, a detailed procedure will be published for the best handling of these events. As an example of these negotiations, in 2020, MRS promoted a partnership with Ibirité (MG) local government for the displacement of families established in the right of way area of the railroad. The intervention was necessary due to risks to the safety of people after the occurrence of atypical rains. For the monitoring and identification of potential sensitive situations, MRS maintains a rain plan and a drought plan, with risk monitoring procedures to follow seasonalities. GRI 201-2

MRS presence on social media is also important in the relationship with the community. Throughout 2020, external communication actions had an important impact. Adding publications in all social networks, the following reach was recorded by theme:



Safety:



Community:



Sustainability:

1,399,540 views

412,485 views

126,502 views

ACTIVITIES WITH COMMUNITIES

As a strategy of approaching and relating to communities and governments, MRS promotes numerous actions with a social focus involving municipal governments, donations to social institutions and residents' associations, as well as sponsorship of social and cultural and sports projects. Despite the restrictions imposed by the pandemic, 58 initiatives were carried out in 31 cities in the states of Minas Gerais, Rio Janeiro and São Paulo, which enabled the creation of new leisure areas, community squares and gardens, application of grass, installation of lighting points on public roads, revitalization of fencing walls, refurbishment of sports courts, in addition to several other initiatives to increase the levels of safety and the quality of the shared environment. 57 dumps were also installed at points located close to the railroad aiming, above all, to contribute to improve the behavior of the communities as to the destination of residues, preventing the improper disposal in the right of way area.

Social, cultural and sports projects maintained by MRS are encouraged by federal laws and are carried out in communities adjacent to the railways, in compliance with the Company's guidelines and applicable legal requirements. In 2020, the total transfer of funds reached R\$ 7.8 million, covering 22 projects and 18 Municipal Councils for the Rights of the Elderly and Children and Adolescents. As a result of the appreciation policy of the Historic Railway Heritage, the conclusion of the Campo Grande Station Restoration (Santo André - SP) and the beginning of the restoration works of the Barra do Piraí Railway Station (RJ) stand out. Through PRONON and PRONAS laws, MRS made contributions to cancer treatment and assistance to people with disabilities for two projects.

Project proponents, community representatives or government agencies can register their projects and initiatives for analysis in the Sustainability tab in MRS website.

The Company maintains an Environmental Education Program (EEP) including various activities focused on raising awareness among communities bordering the railroad and through actions such as lectures, door-to-door activities, distribution of printed materials and educational blitz. In 2020, the technical team responsible for the program carried out a diagnosis of the cities crossed by MRS network and analyzed the major urban conflicts between the railway operation and the community in these locations. Based on the result, awareness-raising actions were carried out with the community, respecting all the protocols required in the pandemic, without the crowding of people.



- **Pinheiral (RJ):** In order to minimize the urban conflict in the city, a railway safety action was held with truck drivers in Parque Maira under the program called “Letter to the Driver” which aims to raise awareness among adult drivers through the railway safety message designed and written by children from the city schools. In addition, MRS Magazine (accessible by QR Code and physical media, with historical, social and environmental content, developed for the city of Pinheiral) was disseminated by sound car. The magazine can be accessed in.
- **Barra do Piraí (RJ):** The Safe Driving campaign consisted in dialoguing with the community about the risks when passing through a level crossing, offering warnings and safety tips to students and instructors from the four driving schools in the city. For this purpose, educational materials were distributed in health units accredited by DETRAN and in driving schools.
- An awareness campaign was carried out using a crashed vehicle on top of a tow truck, which covered all the points mapped as critical for railroad accidents. The vehicle had a banner on the back with a message of reflection for the drivers, motorbikers, and pedestrians of the city, accompanied by a sound car transmitting a safety message.



In 2020, actions to prevent accidents, directly carried out in the communities, in face-to-face activities,

were deeply hindered by the pandemic scenario and the need to adopt measures of social distancing. The main strategy adopted by MRS was to carry out digital campaigns and newsletters, through social media and messaging applications. Actions focused in communities with the highest occurrence of accidents involved a total amount of 6,200 people, including adults, children and adolescents, covering 20 municipalities. MRS also carried out actions for the support on the fight against the social impacts caused by the pandemic. Learn more in Covid-19 impacts.

INSTITUTIONAL RELATIONS

GRI 102-12, 102-13

ANTF

MRS is a member of ANTF (National Association of Railway Transporters), a national non-profit entity created to defend and promote the development and improvement of rail freight transportation in the country, since its privatization process by the Federal Government in 1996.

Currently, ANTF represents the railway operators responsible for transporting cargo in 12 networks granted to the private sector, which cover 29,320 km and where billions of tons are annually transported. ANTF constantly communicates with the technical and management areas of ANTT and DNIT (National Department of Infrastructure and Transportation), actively participating in discussions and public participation processes promoted by sectorial bodies, so as to defend the interests of its members.

MRS is part of all ANTF Committees and Working Groups, and is therefore involved in all matters relevant to the railway sector and the company's business. The Regulation and Institutional Relations General Management monitors all processes relevant to the company in sectorial bodies, ensuring internal analysis and treatment of all pertinent matters, with effective participation for strategic decisions for its business.

ANTT

As a public rail freight transport service concessionaire, MRS has a series of obligations to the granting authority and is subject to regulation, supervision and inspection by ANTT (National Land Transport Agency). It must comply with and meet all applicable rules for an appropriate public service provision, which includes fostering for the physical integrity of the assets associated to the concession, maintaining operating and conservation conditions, as well as ensuring the operational safety of its railway assets.

MRS maintains constant dialogue with ANTT, its technical and management staff, based on transparency, respect and technical approaches. The Agency supervises and/or regulates activities and services provided for passenger and cargo safety, as well as implements the policies established by the Ministry of Infrastructure, preserving the right of all parties so that

there is no conflict of interests, imperfect competition or economic infraction in the transport sector.

ANTT conducts all affairs pertaining the regulated entities and may request different information from concessionaires, as well as institute administrative proceedings for technical analysis of claims submitted. The Agency is also responsible for supervising the provision of rail freight transport services, the assets and operating conditions of each concessionaire, through field and remote inspections, according to the annual inspection schedule disclosed to concessionaires. Similarly, it establishes the rules and guidelines applicable to railroads in the exercise of its normative and regulatory power.

The targets set under the Concession Agreement signed by MRS with the granting authority are related to accidents and production (learn more in Health and Safety Management section).

Every five-year period, contractual target indicators are agreed upon, and values are annually approved or adjusted for the following year. The accident target has an indicator based on the number of events per million trains multiplied by kilometers traveled, while the production target is defined by railway stretches, calculated by railway corridor, after normative amendments by ANTT, and defined based on the TKU indicator (Useful Ton x Kilometer).

Service monitoring by ANTT is carried out by SAFF (Rail Transport Monitoring and Inspection System), which receives basic information from all concessionaires for management and control by ANTT of performance of their grants. This system serves as a source of information for ANTT annual and management reports, published on its website.

MRS reports information on a monthly basis, such as transportation flows, production per section, number of accidents, fuel consumption and other data related to the activities conducted by the concessionaire, using several modules that are part of SAFF.

DNIT

DNIT (National Department of Transport Infrastructure) is responsible for the maintenance, expansion, construction, inspection and development of technical studies to solve problems related to road, rail and waterway modes. MRS relationship with the body is guided by transparency, respect and technical approaches; the company maintains constant contact with DNIT, its technical and executive staff.

After the railway network privatization process, with the subsequent extinction of RFFSA (Rede Ferroviária Federal S.A.), in 2008, by means of Law 11.483/2007, the ownership of leased railway assets was transferred to DNIT. Therefore, DNIT is responsible for managing railway assets, formed by operating and non-operating assets. MRS is responsible for ensuring the appropriate condition of the leased public assets, which includes eventual requests for the untying of assets from its Lease Agreement, following the rules and routines of the Technical Cooperation Agreement, signed between ANTT and DNIT.

DNIT also performs works on the railway network under its responsibility, especially in order to eliminate conflicts between railways and urban roads. For cases including works on the network managed by MRS and which require assessment of technical and operational safety standards, the concessionaire provides the necessary support for project implementation and may even support demands from the city receiving the investment.

Ministry of Infrastructure

Among the responsibilities of the Ministry of Infrastructure are preparing, coordinating and supervising the national rail transport policy, acting as the public policymaker for joint operation of stakeholders seeking development of the country's infrastructure. MRS relationship with the Ministry is guided by transparency, respect and technical approaches; the company maintains constant dialogue its technical and executive staff.

Specifically in relation to investments in rail transport, the PPI (Investment Partnership Program) has already qualified eight projects, including the early extension of the MRS concession. Thus, in March 2015, the Company started the process of early extension of its Concession Agreement, and has maintained a constant relationship with the technical areas of the Ministry of Infrastructure to understand the Government's strategy regarding the definition of investments resulting from the public policy.

Health and Safety Management

GRI 102-11, 103-1, 103-2, 103-3, 403-1, 403-2

Ensuring the integrity of its employees and the environment is a relevant factor for the Company's efficiency and sustainability. The management of employees' safety and the railway operation is integrated with the business strategy and is one of the company's eight strategic goals. The management model is based on ISO 45001, the international standard for the Occupational Health and Safety Management System (OHSMS) and Regulatory Standards (RSs) for the performance of activities associated with rail traffic, maintenance and administrative operations. Through the concession agreement entered into with ANTT upon the company's incorporation in 1996, MRS also has performance parameters related to safety, which were never violated during the 25 years of the concession.

MRS has behavioral auditing processes, management performance, mapping of critical activities, quality of maintenance and handling of anomalies identified in the railway network and customer terminals in which it operates, in addition to promoting daily dialogues about safety with employees. The management of the indicators is carried out by its own software, the Safety Management System (SGS).

Avoiding the incidence of occurrences, both of personal and railway nature, through the mitigation and elimination of risks, is a continuous process in MRS, because incidents from any reasons causes an economic loss, due to direct and indirect costs linked, not only supported by the Company, but also by society. To this end, the company relies on a robust management model, to ensure the planning, implementation, operation, assessment, corrective action, and ultimately, the critical analysis of its processes. The safety actions arising from prevention campaigns or investigation of personal and/or railway incidents, after their completion, are audited by sampling in order to ensure their continuity. Learn more in Operational Safety and Occupational Safety.

A program of behavioral audits, called Task Observation, assesses and guides employees to comply with procedures, especially those of technical nature. Occupational safety technicians carry out inspections to assess the work environment and documentations. In 2020, around 2,500 inspections were performed, leading to approximately 2,400 improvement actions. MRS establishes in its Disciplinary Regulation the punishment for those who hide the reporting of personal or railway incidents, in addition to a penalty in the calculation of variable compensation (MRS Championship).

In order to enhance the work of risk mitigation, MRS counts on the support of an external consultancy that assists in the employees' behavioral understanding and in the design of work plans to encourage the development of the company's safety culture. As a result, in 2019, the methodology for investigating incidents and accidents was remodeled and, in 2020, the Daily Safety Dialogues (DDSs) was intensified, an activity to educate employees on how to promote a spontaneous dialogue, define themes, learn lessons and make safety commitments. Over 300 employees were trained and are acting as multiplying agents in the company.

The EHS (Environment, Health and Safety) area is primarily responsible for disseminating the safety culture throughout company, for controlling indicators and proposing key measures focused on the theme. Employees have corporate goals aimed at reducing accidents. Customers are also heard regarding the assessment of their safety perception, through a Satisfaction Survey, and the results impact the corporate goals. The concern with the theme is extended to suppliers through the Supplier Performance Index (IDF), measured every two months: the safety topic has a weight of 35% on the general result of the assessment. Learn more about IDF in Suppliers.

In 2020, despite the hurdles imposed by Covid-19 scenario, MRS promoted in-company and remote actions to promote a safety culture, always in compliance with the prevention recommendations of the World Health Organization (WHO). The highlights are the annual safety workshop for all employees, held virtually; the Internal Week for the Prevention of Accidents at Work and the Environment (Sipatma) for maintenance teams of the

railway network and the operation, which now has interactive live broadcast sessions on safety, health and the environment on social media platforms; and face-to-face meetings for employees with no computerized workstations available. 82 sites were visited, reaching around 1,100 employees.

PERMANENT COMMITTEES AND COMMISSIONS

GRI 403-1

MRS has corporate groups interconnected to the Occupational Safety Management, responsible for continuously addressing specific matters. 100% of MRS employees are covered by formal health and safety committees.

Emergency Brigade

MRS has 12 Brigade Teams, with 476 members in total. All brigademembers are trained by the Fire Department or by a specialized company contracted by MRS.

CIPA (Internal Accident Prevention Commission)

The preventive actions promoted by CIPA basically consist of observing and exposing risk conditions in the workplace; requesting measures to reduce and extinguish or neutralize existing risks; discussing accidents occurred, requesting measures to prevent similar accidents and providing guidance on accident prevention to other workers.

Community Committee

Group formed by professionals from different areas of MRS, such as railway safety, property safety, institutional relations, legal and communications, whose scope involves assessing incidents (run overs and collisions) and performance in interference actions with communities crossed by the railway.

HR Committee

Divided by location and defined areas, it involves the participation of managers and general managers involved and the HR Officer. Several aspects are monitored at the monthly meetings, including the number of occupational accidents, PPE control, training and monitoring of action plans.

CPIA (Accident Prevention and Investigation Commission)

Structured by an investigation leader, technical group and areas involved in incidents, its purpose is to identify the causes of accidents and incidents through a specific methodology, assist in the definition of effective actions to prevent recurrences and ensure the continuity of these initiatives.

Accident Investigation

In 2020, MRS completed a project to improve the accident investigation system started in 2019 and carried out in partnership with an external consultancy. With 66 specialists trained under a project involving about 200 hours, the company started to adopt a more comprehensive investigation methodology called Cause Tree.

Accidents are now separated according to the severity potential (critical or non-critical), so that the most critical ones may be handled under a more robust approach by MRS. The work prioritizes the discovery of marginal causes that impact accidents, so that more efficient action plans can be developed to enable learning from past accidents. This work does not cover accidents caused by the community, which would require additional sources of information.

Occupational Safety

GRI 403-9, 403-1

All MRS employees, whether own or outsourced, from all activities and locations, are covered by the Occupational Health and Safety Management. The company is proud to maintain safety ratios compatible with the best global practices. In addition to having recorded no accidents with fatalities in 2020, which reinforces the company's commitment to safety and sustainability of operations, MRS reached a new record in relation to the work accident rate (lost-time and non-lost-time accidents) – 0.51*. Part of this result can be explained by the Company having maintained the strictness of its controls and security campaigns.

Until then, the best historic result had been recorded in 2019, with a rate of 0.65, with 14 accidents. The 0.51 rate in 2020 includes 11 accidents, including own and third-party employees and lost-time accidents (SAF) and non-lost-time accidents (CAF). MRS safety efforts have enabled the company to reduce the annual accident frequency rate by 94% between 2010 and 2020. For 2021, the target for occupational accidents target is more challenging than 2020, passing from 0.84 to 0.65, but the company's will is to remain below the index.

The absenteeism rate was 3.46% in 2020, this indicator was significantly impacted by Covid-19. Excluding the effects of the pandemic, absenteeism for health reasons dropped from 1.82% in 2019 to 1.65% in 2020. Learn more about the preventive and mitigating actions taken by MRS in Covid-19 Impacts.

TR-RA-320a.1

Accident Rate	2018	2019	2020
Total (nº)	19	14	11
Rate / Total recordable incident rate (TRIR)	0.85	0.65	0.51
Lost-Time Accidents (nº)	13	7	11
Non-Lost-Time Accidents (nº)	6	7	-
Near miss frequency rate (NMFR)	117.79	76.78	42.85
Fatality rate	-	-	-

* The rate of occupational accidents is calculated using the formula: (number of accidents x 1,000,000) / (headcount x 180), considering headcount the total number of employees and 180 the standard hours worked in a month.

Occupational safety indicators	2018	2019	2020
Injuries			
Injury rate (TL)	0.13%	0.08%	0.08%
Number of injuries	24	15	16
Occupational disease			
Occupational disease rate (TDO)	0%	0.39%	0%
Number of occupational diseases	0	5	0
Lost days			
Lost workday rate (LWD)	0.74%	0.65%	1.79%
Number of lost workdays	15,397	13,829	43,725
Absenteeism			
Absenteeism rate	2.55%	2.04%	3.46%

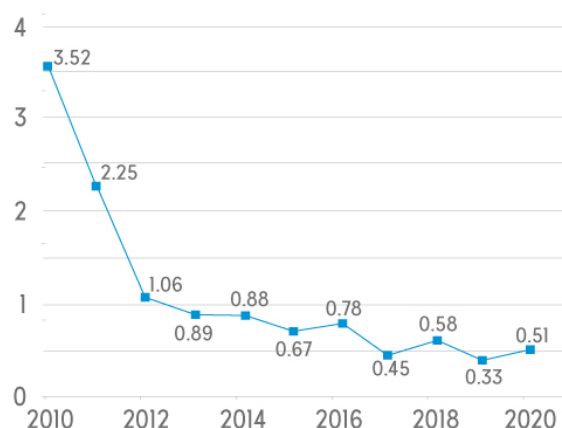
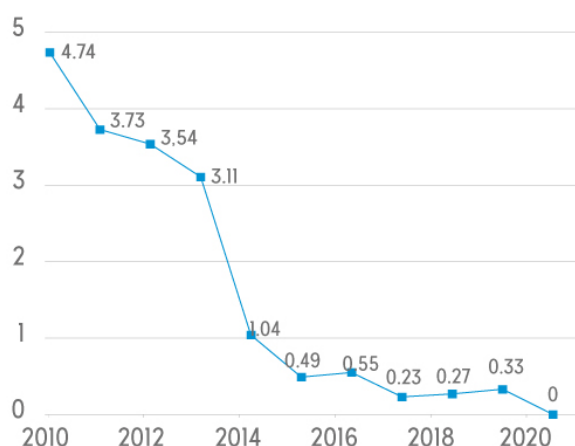
Occupational safety indicators

Workhours planned

2018	2019	2020
14,103,120	14,464,480	16,611,340

Rate of accidents without Leave - MRS + Contracted

Rate of accidents with Leave - MRS + Contracted



The risks of occupational accidents with serious consequences are identified in the Hazard and Damage Survey, which also includes environmental risks from the PPRA (Environmental Risk Prevention Program) and the performance of audits in the workplace. Deviations identified during the field audits are controlled and revisited by the areas, ensuring the continuity and improvement of the process.

For the analysis of incidents, MRS uses two methodologies for investigation: 5 Whys (which seeks to understand the root cause of the problem) and Cause Tree (method of analysis that aims to identify all the failures that led to the problem), depending on the criticality of the event.

Most accidents with MRS employees are caused by non-compliance with procedures or inadequate supervision. The company's managers are guided and prompted by the General Management of Safety and Environment to encourage their teams to report events, highlighting the importance of identifying and pointing out risks, before they lead to losses and damages.

To this end, the company maintains a number of channels for assisting employees, whether own or outsourced, having or not computerized workstations available. Namely:

- **CRP (Notice of Risks and Losses):** input via the Safety Management System that can be made by the reporting person itself or delegated employee;
- **Notice of Incidents:** input via the Safety Management System that can be made by the reporting person itself or delegated employee;
- **Right to Work Safely:** forms available at the service fronts to meet the needs of employees who do not feel confident enough to perform certain activity;
- **Audit Hot Line** through e-mail linhadireta@mrs.com.br or toll free 0800. The channel can be used by all stakeholders and is disclosed on social media, intranet and MRS website.

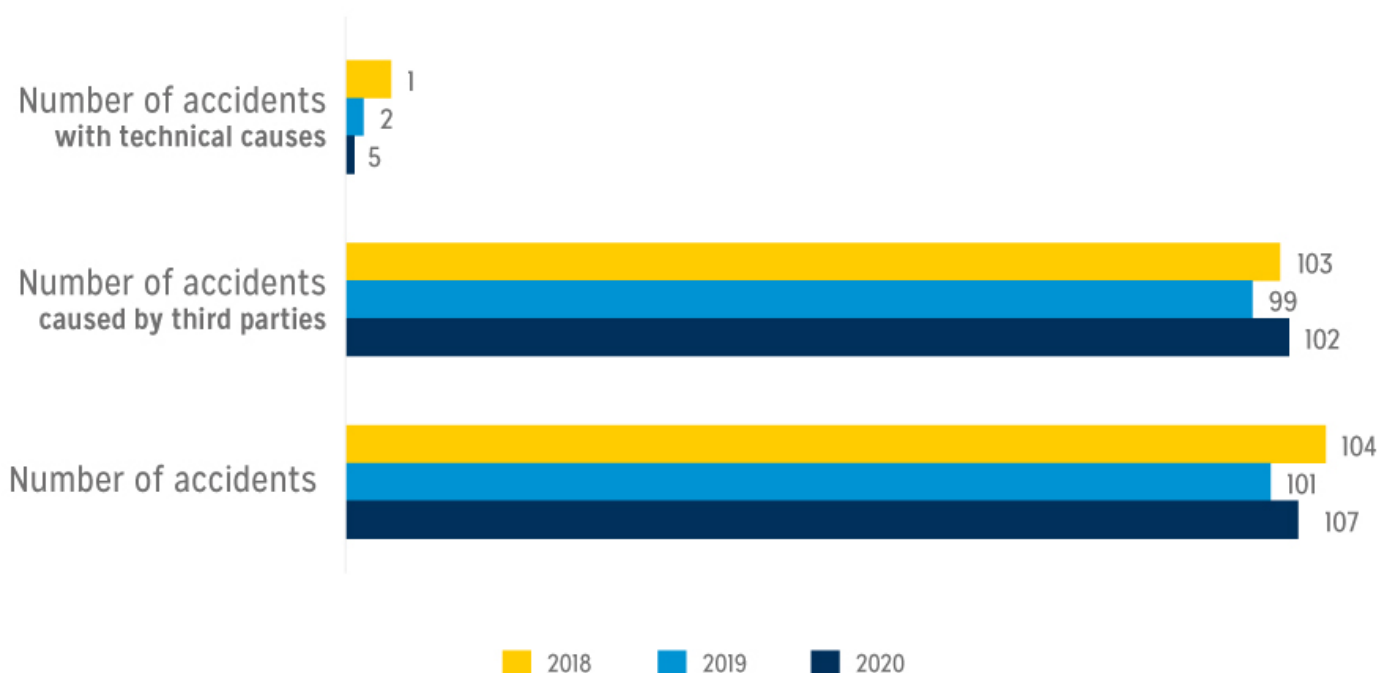
Operational Safety

GRI 403-2, 403-9, 404-1, TR-RA-320a.1

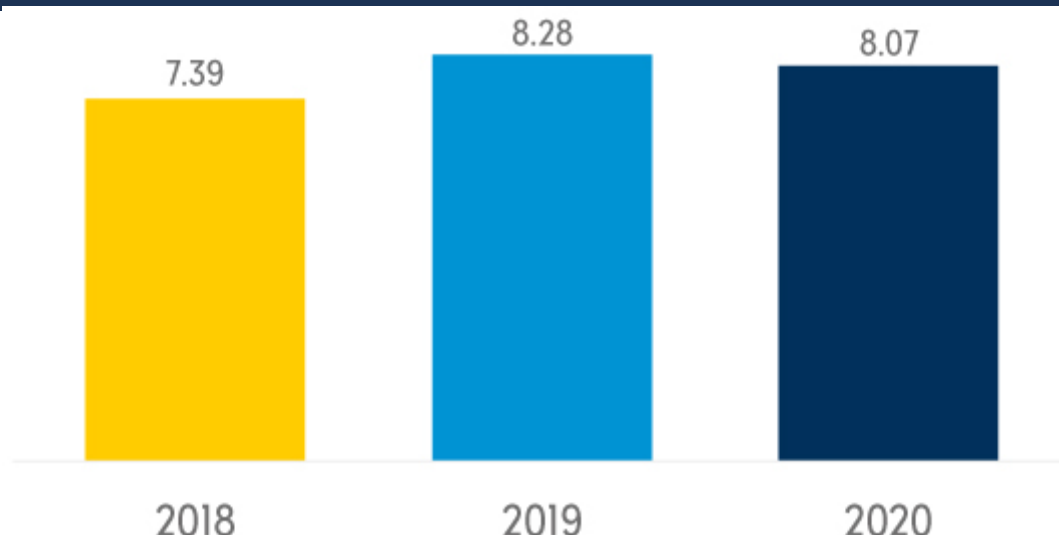
In a continuous search to improve the safety of the railway operation, MRS is proud to have achieved reliability on the railroad with indicators on the same level as the main North American railways. In 2020, the accident rate per million train kilometers traveled (TKM) closed at 8.07, 5% below the safety target agreed with ANTT, provided for in the concession agreement for public rail freight transportation. This result represents a 2.54% drop compared to 2019. Accidents of technical origins related to MRS account for only 1% of the total.

These figures include accidents with the direct participation of MRS (related to failures in operation and maintenance) or those involving communities and other railways (mainly run overs and collisions of railway trains with vehicles). By recording technical cause results considered quite satisfactory, MRS faces the great challenge of educating and raising awareness of the communities crossed by the railway with a focus on safety, since part of the railway network crosses urban and densely populated areas in the states of MG, RJ and SP.

Evolution of accident rate



Number of accident by million TKM



Railway accidents and anomalies	2018	2019	2020
Number of railway accidents - cause permanent way	4	2	0
Number of anomalies identified	121	232	820

MRS railway accidents are concentrated in those caused by the imprudence of the neighboring community, such as run overs and collisions. Through a permanent committee, MRS seeks to adopt blocking and mitigation measures such as, for example, channels of communication with the community, investigation and handling of complaints and reports, ostensive surveillance, vegetal control of the right of way area, in addition to maintaining level crossings and underpasses, footbridges, investments in protection systems (e.g. automatic gates) and lane fences.

In 2020, MRS invested R\$ 5.0 million in a series of initiatives focused on railway safety. The railroad fence was extended by about 2.2 km in the cities of Belo Horizonte, Conselheiro Lafaiete, Juiz de Fora, all in Minas Gerais, and in the cities of Aparecida, Guaratinguetá and Taubaté. In Suzano (SP), 1 kilometer of safe path was built, which is the indication of the correct route where pedestrians can move in an area close to the right of way area.

There was also the revitalization of 14 pedestrian crossings (PPs) along the network: 5 PPs in Taubaté (SP), 4 in Barra do Piraí (RJ), 2 in Aparecida and Pindamonhangaba (both cities in SP) and one in Juiz de Fora (MG). In the cities of Santos and Aparecida, two level crossings were closed, one in each location, after the construction of safer alternatives for the crossing of the railroad.

For the next year, the company expects to maintain the high level of safety in the railway network, in relation to accidents with technical causes, and to improve the percentage of incidents involving third parties. In this sense, the implementation of a rail network diagnostic system with videoanalytics is planned, which will enable the preparation of a heat map of the railway pointing out where the biggest points of urban conflicts are, from the point of view of incidents. The improvement should contribute to a better use of resources and faster responses. In addition, we will also proceed with the projects for eliminating Urban Conflicts, which started in 2020 and are included in the concession renewal plan. Despite efforts to reduce these accidents, on December 23 there was a great derailment near the municipality of Belo Vale (MG). An external consultancy was hired to assist in the investigation of the causes of the accident and the work is expected to be completed by April 2021. Learn more in www.renovacaomrs.com.br.

Training and qualification of employees

MRS Academy ensures training and qualification to the employees, according to the needs of the positions and legal requirements. For operational positions, the Academy has certification processes as a way to ensure that the employee is able to perform a certain activity, by applying tests of specific knowledge or knowledge required for railway operation. In various positions, employees are only allowed to perform their duties if they are duly certified.

A constant monitoring of the drivers' performance is carried out through the SIC (Driving Information System), which allows on-time monitoring via telemetry. Activities considered to be in non-compliance with the desired standard can be identified and corrected with in refresher and/or improvement courses. In more extreme cases, this may lead to loss of certification, resulting in the need for total retraining so that employees are again capable of performing their duties.

PROGRAMS FOCUSED ON OPERATIONAL SAFETY

COMMUNITIES COMMITTEE

Professionals from different areas of MRS make up a group focused on fighting run overs and collisions involving the community. In 2020, approximately R\$ 5 million was invested in 22 work fronts for the preservation of the right of way area of the railroad, sealing, active signaling and revitalization of Level Crossing (PN) and Pedestrian Crossing (PP).

CAMERAS AT LEVEL CROSSINGS

Installation and maintenance of cameras in the level crossings for recording images used in run over and collision investigations, as well as dissemination in the media as a manner of community awareness.

TASK OBSERVATION PROGRAM

A program to control risks due to operating failures, based on the identification of conduct deviations in the execution of procedures and on training based on the feedback related to deviations found.

SAFETY PROGRAM IN TERMINALS (PST)

Audit program focusing on operating routines and permanent ways condition in customer terminals where MRS operates. In 2020, approximately 1,300 inspections were performed at over 130 different terminals.

NETWORK SAFETY PROGRAM

Audit program aimed at ensuring optimal conditions of the state of conservation of the permanent ways, assisting in the planning and control for eliminating anomalies found in the critical MRS yards. In 2020, approximately 3,345 audits were performed in approximately 100 yards.

OPEN SPACE PROJECT

This project aims to open a channel with community leaders and carry out campaigns in schools, together with an environmental education program with IBAMA. The project seeks to raise awareness about the importance of safety on the railroad and in relation to environmental issues. Property security agents complement the education activity with leafleting at the most critical level crossings. Communication work is also carried out with content in the press and social networks conveying these messages. In 2020, due to the pandemic, face-to-face contact with communities was not carried out.

Environmental management system

GRI 103-1

Preserving the environment and its natural resources and safeguarding the company's sustainability is a conduct already consolidated at MRS. The company's Operating License for the railroad network was renewed by IBAMA for eight years, a result of the commitment to conduct its activities based on a set of values that reflect high ethical standards, ensuring compliance with laws, applicable rules and other legal requirements, in order to preserve the environment and ensure a standard of excellence in the quality of its processes.

The Environmental Management System ("EMS"), ensures the adoption of best practices for the management of environmental programs carried out by the Company, enabling the control of environmental risks and the optimization of operating costs. To this end, MRS uses the PDCA cyclical methodology (Plan, Do, Check and Action). Acting on a preventive basis, EMS aims to reduce and minimize possible environmental impacts, reduce occurrences, proper training of employees to respond to any environmental emergencies, as well as ensuring higher assertiveness in the conduct of the environmental strategy and commitments assumed with the relevant bodies. EMS also allows mitigating and offsetting actions to be managed in order to assess their effectiveness.

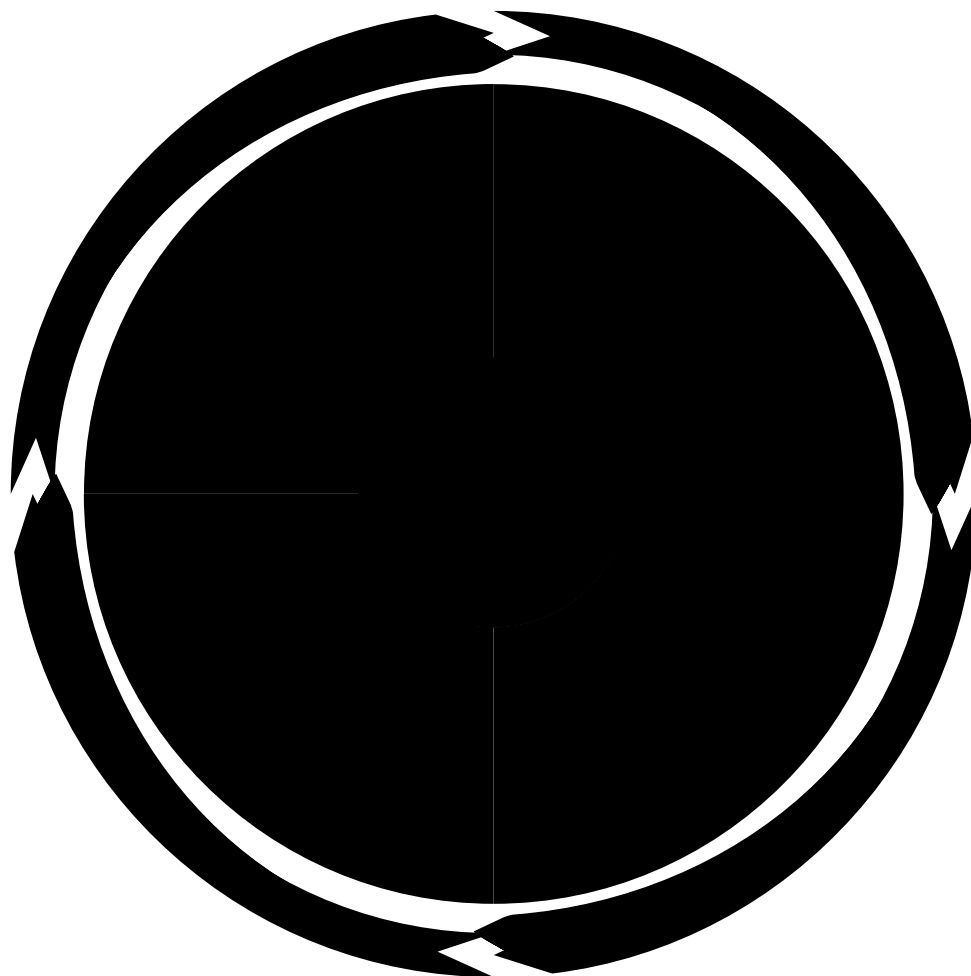
In 2020, MRS invested approximately R\$ 12 million in funds for environmental control, projects and improvements in the Company. Among the actions performed, the treatment of effluent for industrial use or washing of yards in some railroad maintenance and operation sites stands out. Learn more in Water Management.

The company conducts a rigorous in-house process of monitoring the facilities, from the point of view of work safety, ergonomics and surveying environmental aspects and impacts, aiming at their reduction and/or mitigation. An example is the management of the solid waste management process (segregation, classification, collection, storage, treatment and final disposal) that takes place in MRS maintenance workshops. Learn more in Waste Management.

MRS relies on the Environmental Education Program for Workers (PEAT) whose target audience is internal employees. The program aims to understand the teaching-learning processes with the purpose of developing abilities for workers to assess the implications of damage and social and environmental risks during the development of their routine activities. PEAT is run on a permanent, continuous and on-site basis, covering employees of all shifts of MRS maintenance workshops. Due to the safety protocols adopted in the pandemic, environmental education was addressed during the Daily Safety Dialogues (DDS) with more than 15 themes, which opened possibilities for discussion and interaction between the team, such as, environmental safety, greenhouse effect and global warming, environment and Covid-19, as well as commemorative dates such as World Water Day, Forest and Climate Day and River Day. A video was developed to awaken a reflection on 2020 pandemic scenario, entitled "Environment at MRS Logística in a COVID Scenario", aiming at raising employee awareness and promoting environmental mitigation projects and good practices carried out at the Company, with an environmental bias, about the activity of employees and the need for prevention against the Sars-CoV-2 virus.

EMS (ENVIRONMENTAL MANAGEMENT SYSTEM) METHODOLOGY APPLIED BY MRS

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Monitoring the progress of improvements implemented, by measuring the results obtained.
Based on inspections, data analysis and legislation, proposes changes/additions and/or new actions and activities to planning.
Inspection of the implementation of environmental measures in the routine of MRS activities, ensuring that they are carried out in compliance with EMS planning.
Implementation of preventive and corrective actions to environmental impacts.

Environmental analysis: monitoring the progress of improvements implemented, by measuring the results obtained.

Environmental planning: based on inspections, data analysis and legislation, proposes changes/additions and/or new actions and activities to planning.

Environmental control: inspection of the implementation of environmental measures in the routine of MRS activities, ensuring that they are carried out in compliance with EMS planning.

Execution: implementation of preventive and corrective actions to environmental impacts.

Biodiversity

GRI 103-1, 103-2, 103-3, 304-1, 304-3

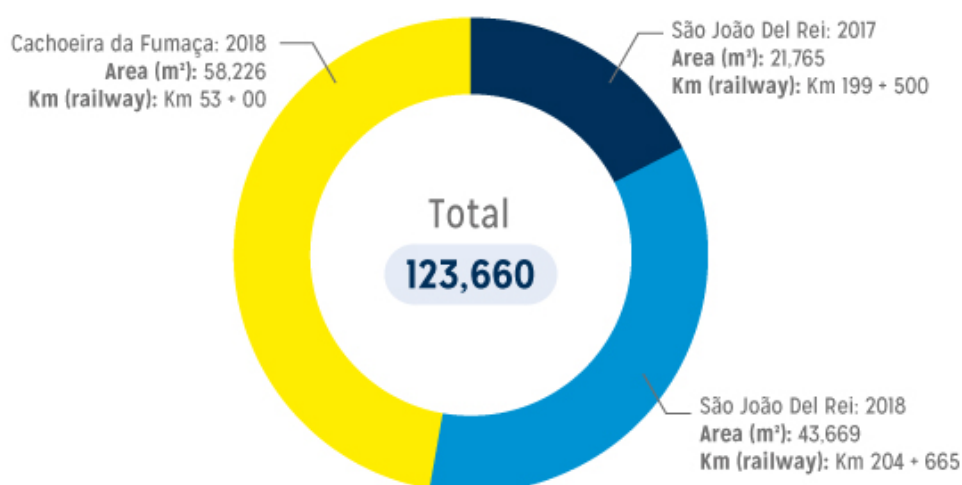
Part of the MRS railway network is inserted in regions of biodiversity protection, which include two important Brazilian biomes – Atlantic Forest and Cerrado – and 17 Conservation Units (UCs). In line with social and environmental responsibility and legal commitment, MRS has environmental management programs aimed at mitigating and offsetting impacts to the flora and fauna.

Suppression of vegetation or management/removal of fauna are activities that may be necessary in the implementation of the Company's new railway lines or in the expansion of existing ones. When these are expected, they are carried out based on environmental studies and authorizations from the relevant environmental agencies, while complying with the proposed offsetting measures. A recent example can be seen in the work being performed by MRS in Pederneiras, in the countryside of São Paulo, where the suppression of vegetation was monitored by a technical team (biologist and veterinarian), responsible for driving away and capturing animals in the region. Agreements have been entered into with an animal rehabilitation clinic and a local museum for the provision of any services that might be required.

The Company also maintains the **Degraded Area Rehabilitation Program**, which in addition to the restoration actions, is responsible for the maintenance and monitoring of the recovered areas for three years, ensuring the success of the measures. MRS also acts, in a preventive manner through frequent inspections, at critical drainage points that may cause erosive processes on the railroad in its right of way area, executing the necessary construction, adaptation and maintenance works. So far, 12.4 hectares of degraded areas have been restored along the railway network. In 2020, due to the pandemic scenario, MRS did not rehabilitate new areas. The activities carried out include the construction and maintenance of drainage devices along the railway, as well as the maintenance of four areas that were recovered in later years. Learn more here.

Degraded/rehabilitated areas

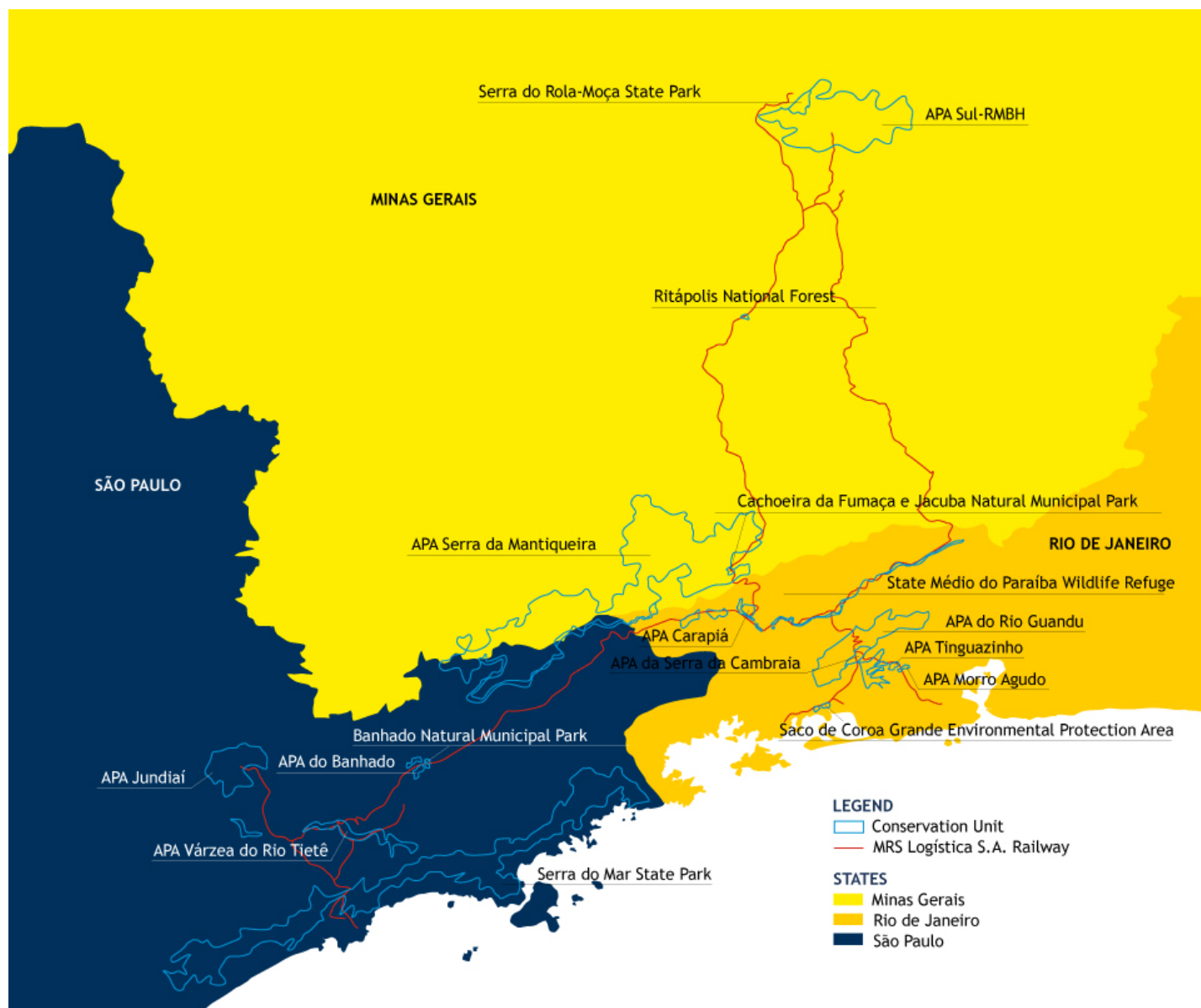
GRI 304-3



Impacts arising from the Company's intervention in APPs (Permanent Preservation Areas) during routine services and works, in its railway network, have their own offsetting program, the **Offsetting Afforestation - Caminhos Verdes** (Green Paths). In 2020, around 13 thousand native tree seedlings of the Atlantic Forest biome were planted in the Municipal Natural Park of Lajinha, located in Juiz de Fora/MG, corresponding to an

area of 7.8 hectares of planting which is equivalent to a planted area of approximately 7 official soccer fields.

Conservation Units crossed by MRS railway network



APA: acronym for environmental protection area

MRS' operations are located inside of environmental protection areas

Climate management and energy efficiency

GRI 103-1, 103-2, 103-3, 302-1, 302-4, 305-1, 305-2, 305-4, 305-5; TR-RA-110a.2, TR-RA-110a.3.

Climate change is a reality and has been discussed by governments and companies around the world, year after year. At MRS, the commitment to sustainability not only for business, but for the planet, is reflected in continuous investments to reduce GHG (Greenhouse Gases) emissions and to better understand the impact of its operational activities in all areas.

The impacts caused by MRS are directly linked to the Company's operation, through its sources of GHG emissions: railway fleet, highway fleet, railway equipment, maintenance equipment, fire extinguishers, refrigeration equipment, septic tanks and the purchase of electricity.

MRS carried out inventories of greenhouse gas (GHG) emissions for the years 2019 and 2020 in scopes 1 (from the operation, mainly due to diesel consumption) and scope 2 (indirect emissions from energy consumption). The Company started mapping emissions in 2020, and the base year chosen was 2019, which is the first year with inventory data. The study provides access to MRS' emission diagnosis, the mapping and quantification of its emissions, and points out opportunities for improvement related to the efficiency of operational and maintenance activities. In addition, it establishes risks, opportunities and work plans in the short, medium and long terms. Thus, inventories were carried out by a specialized company and submitted to external checking by a consultancy accredited by Inmetro, providing reasonableness to the data. The methodologies to calculate were IPCC, GHG Protocol and NBR ISO 14,064. MRS chose to use the organizational limit of operational control for accounting, as it is responsible for 100% of the GHG emissions of the units over which the Company has control of operations.

SCOPE 1 EMISSIONS

Scope 1 emissions: these are also called direct emissions.

Refer to GHG emissions arising directly by activities developed by MRS, such as railway fleet, highway fleet, railway equipment, maintenance equipment, fire extinguishers, refrigeration equipment and septic tanks.

483,84 thousand tons of CO₂e in 2020

SCOPE 2 EMISSIONS

Scope 2 emissions: these are also called indirect emissions, resulting from the consumption of electric energy.

2,095 tons of CO₂e in 2020

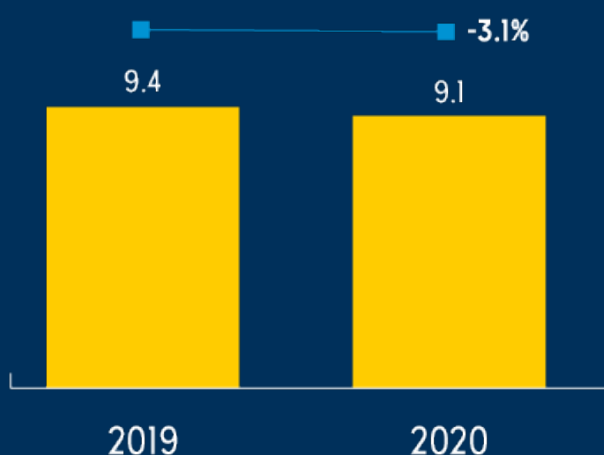
MRS total emission in 2020 was 483.84 thousand tons of CO₂eq for scope 1, representing 3.1% of emission

reduction per transport volume (specific emission indicator – CO₂eq/TKU). In 2019, MRS reached 49.1 billion TKU, while in 2020, these figures reached 53.3 billion TKU, corresponding to 8.6% growth. Considering that part of the increase in transport volume may come from the road modal, the gains in specific emissions may be even higher, although in absolute terms an increase in MRS emissions can be observed.

For scope 2, absolute emissions amounted to 2,095 tons of CO₂eq in 2020, representing 17.5% reduction when compared to the previous year. The result may be a result of the adoption of remote work mode in several areas of MRS, due to the Covid-19 pandemic. With the employees performing their activities at their homes, a reduction was recorded in energy consumption by the Company.

TKU: Tonne per kilometer, which is equal to the weight of the cargo multiplied by the transported distance.

SPECIFIC EMISSIONS (G CO₂E/TKU)



Cargo rail transportation can emit up to

**3x
less**



than the same number of trucks would emit to transport the same amount of cargo.

INITIATIVES TO REDUCE GHG EMISSIONS

Increase of the speed of trains at key points of the railroad

Driving improvement for train drivers

Use of more efficient locomotives

Increase of locomotive productivity

Reducing the time of unnecessary locomotives running

(For more information: "Energy efficiency")

In 2020, MRS reached 53.3 billion of TKU, which corresponded to a total specific emission of 0.0091 kg CO₂eq/TKU. Although there was an increase in absolute emission in 2020 against 2019, the specific emission in 2020 had a reduction of 3.1% compared to 2019, which shows an increase in the company's energy efficiency. This increase is due to the actions and controls developed during the year, among which the following stand out: the increase in the speed of trains; the promotion of increased autonomy during rail transport; improvement of the Driving Information System (SIC); and optimization of train composition (joining Ore and General Cargo composition).

In 2020, MRS signed a public commitment related to climate change protocols with the State of São Paulo (São Paulo Environmental Agreement), in order to foster the commitment to a more efficient and less emitting strategy for its operations. In addition, in partnership with UFRB (Universidade Federal of Recôncavo Baiano), MRS promoted updates to the CO Calculator₂, a public tool that compares emissions from road and rail transport, inserting comparative features related to natural resources. Access the calculator.

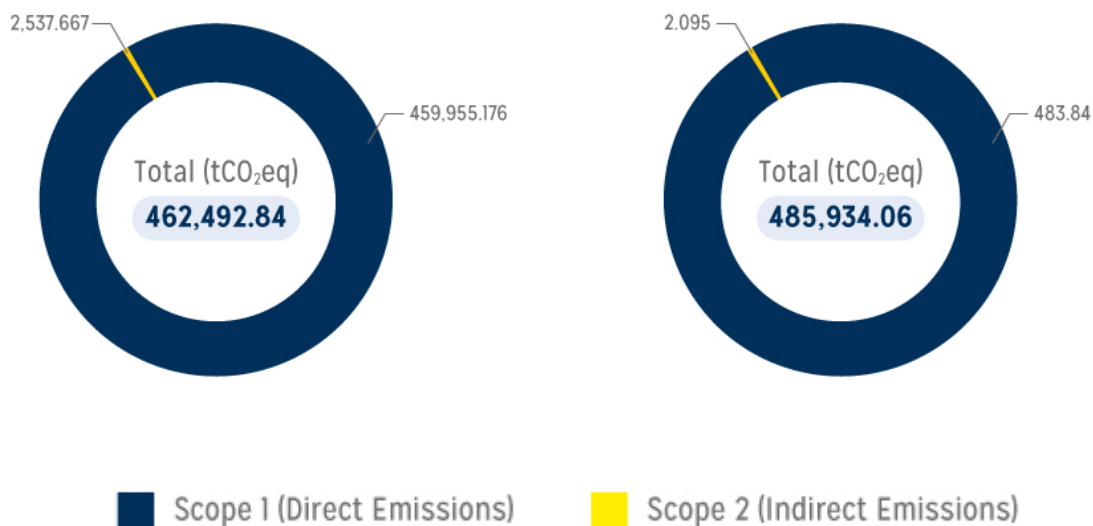
CALCULATOR SHOWS ADVANTAGES OF INTERMODAL

The tool quantifies the carbon dioxide emissions of the road-only modal and the intermodal emissions (rail and road) and presents a comparison that allows viewing the percentage of CO₂ emission reduction in the intermodal cargo transport.

Atmospheric emissions (tons of CO₂eq)

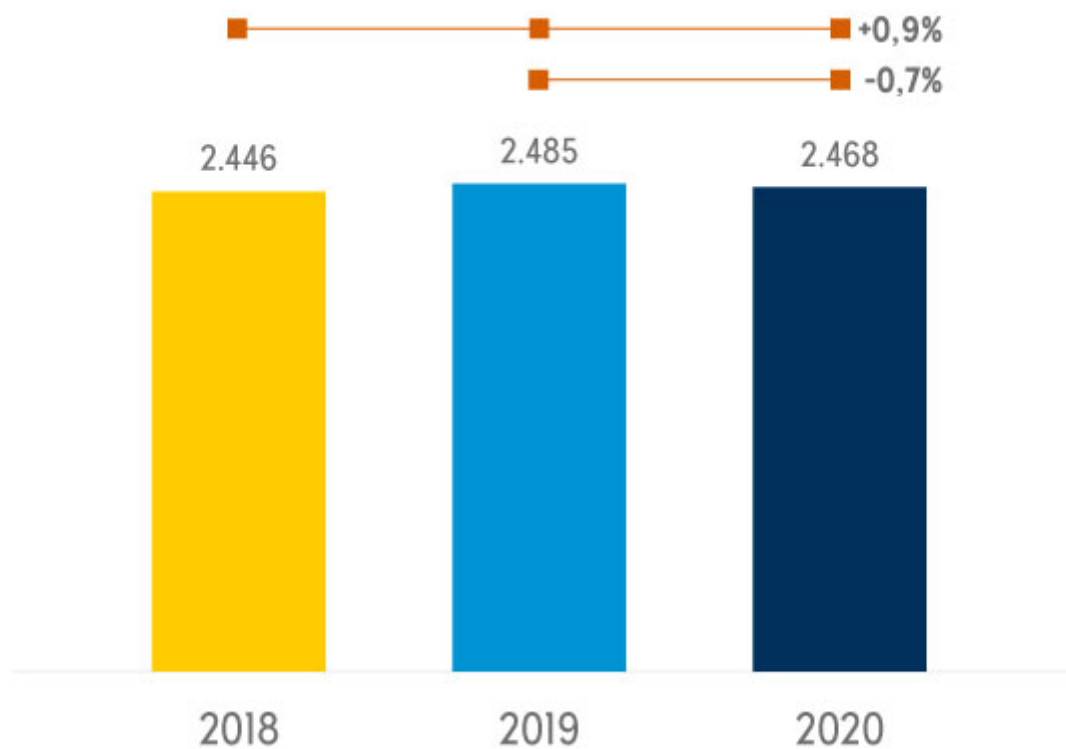
2019

2020

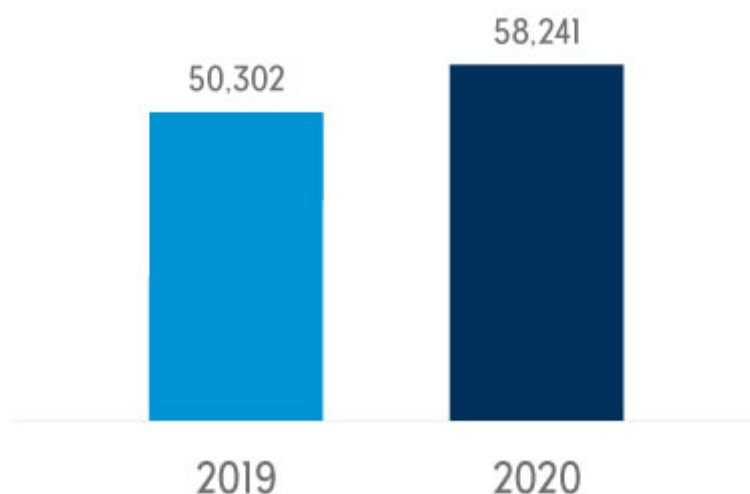


Energy Efficiency (Liters/kTKB)

GRI 305-1, 305-2; TR-RA-110a.1.



Biogenic emissions



ENERGY

GRI 103-1, 103-2, 103-3, 302-1, 302-4

MRS energy consumption results from the railway operation and from the units that support the development of the railway's activities. The Company's energy sources are represented by the consumption of diesel, non-renewable fuel and the energy purchased. Aware of the relevance of its role in the constant search for ways to reduce energy consumption, MRS uses the free market, low-intensive equipment and rental of solar farms.

In 2020, about 27 million kWh of energy were consumed,

where about 70% of this energy is purchased through the free market of incentivized energy, in which the sources of energy generation are renewable, coming from SHP (Small Hydroelectric Power Plants), solar, wind, and biomass.

The majority of diesel fuel is used in the rail freight transport operation, except for operations at Serra da Cremalheira, between the cities of Santo André and Cubatão, which uses electricity, due to Cremalheira's system. (Learn more in Innovation and Technology). In 2020, these locomotives were responsible for the consumption of 50% of the company's electric energy.

A project is underway to expand the share of energy from solar plants, which has a specific park for MRS, focused on serving low voltage units (which are not eligible to be migrated to the Free Energy Market). This initiative will enable to increase the share of renewable sources in the energy matrix.

In order to identify deviations and waste, the monitoring of the amounts spent on electricity by MRS is performed on a centralized basis by the Shared Services Management. Any deviations may direct impact the company's total costs and depending on the unit, also on customer pricing, as is the case at Cremalheira unit, in Raiz da Serra (SP).

GRI 302-1; TR-RA-110a.3

Energy Consumption	2018		2019		2020	
	Kwh	GJ	Kwh	GJ	Kwh	GJ
Electricity purchased	35.379.541	127.366	34.114.266	122.811	33.336.477	120.011
Diesel fuel	Liters	GJ	Liters	GJ	Liters	GJ
	241.355.918	9.671.131	190.725.640	7.642.376	203.915.103	7.238.986

ENERGY EFFICIENCY

In a continuous search for improvement in the energy efficiency index, MRS is investing to reduce diesel consumption in its operations. The action benefits the Company with lower GHG (Greenhouse Gases emissions), in addition to providing economic gains.

To this end, MRS has invested in technology and equipment to improve and modernize the fleet, in addition to implementing innovative processes. In 2020, five new locomotives with better energy efficiency were acquired and the model of the Unmanned Train (TNT) in the Self-Rescue Zone (ZAS) was improved, reducing the number of locomotives required for the operation, as well as the use of data intelligence for driving trains. Learn more in Innovation and Technology;

MRS monitors its energy efficiency indicator for the rail fleet by measuring the quantity of liters consumed in transporting 1,000 real gross tons per kilometer (liters per thousand TKB). The global indicator measures the combined efficiency of the three main cargo groups, which have different service characteristics: Ore, Agricultural and Other General Cargo.

In 2020, the energy efficiency indicator for locomotives reached the mark of 2.468 L/kTKB, representing improvement of 0.7% as compared to 2019.

The Energy Efficiency area has been dedicated to the topic for years and, among the initiatives already developed to reduce the environmental impact of GHG, we highlight the following:

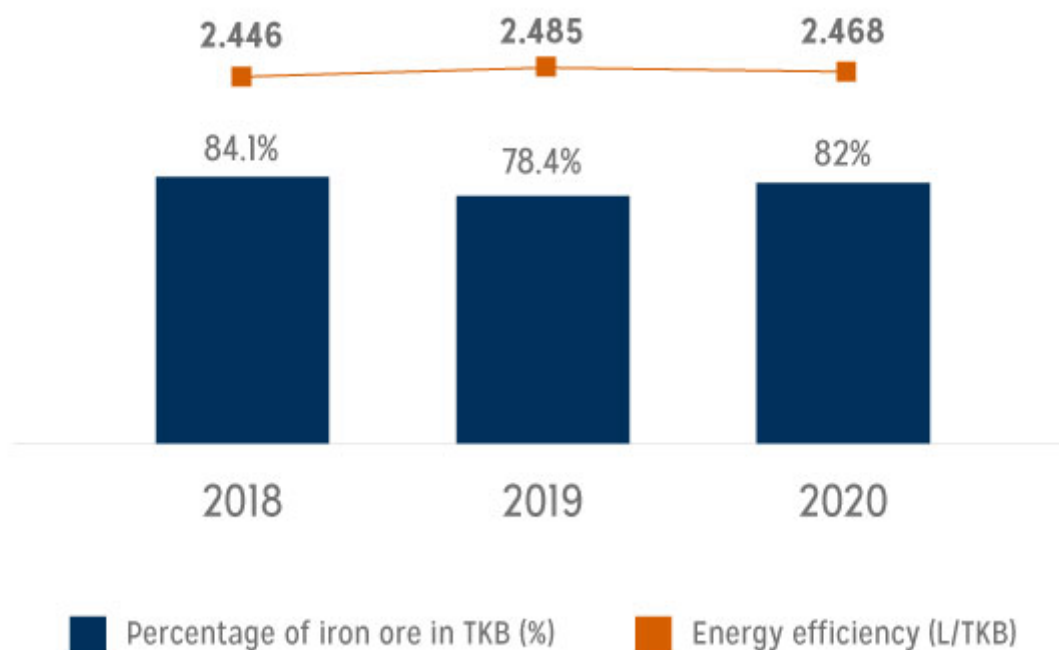
- **Reduction of fuel consumption in ore trains**, due to the increase in train speed at key points on the railroad (reducing the complementation of train energy through combustion) and the improvement of driving by train drivers, making it more standardized.
- **Expand of Brisamar Yard**: One of the main initiatives for the Iron context was the expand of Briamar Yard. This project included the expanding the yard by 10 lines, with the key objective of supporting the ore trains queue, formed along MRS ways due to the variability of the discharge. The great advantage of the queue at Brisamar is its strategic location near the port of RJ and the unloading terminals of the main ore customers. With this project, a considerable reduction in ore train stops along the stretch was achieved, a fact that impact both fuel consumption and train circulation. Additionally, there is a queue optimization on the yards, once the train could be stopped with locomotives turned off, due to the yard is located close to the cargo terminal.
- **CID Switch**: The Remote Isolation Switch (CID) mechanism makes it possible to electrically act on the system responsible for putting the locomotive to work, providing power to move or isolated, keeping it in engine idling speed, thus saving fuel.
- **AESS**: The AESS – Auto Engine Start Stop – was an innovation based on automobile industry with the goal of saving fuel during the time that locomotive could be stopped. This system acts on the locomotives, turning off the engine when it is not needed. Thus, after monitoring the locomotive's electrical, mechanical and pneumatic parameters (the latter are safety measures), it switches off the diesel engine, thus avoiding unnecessary consumption, which can reach 15 liters/hour per locomotive with the AESS installed.
- **Improvements implemented in general cargo trains**, increasing the weight of agricultural products trains through the use of more efficient locomotives (model AC-44) and reduction in diesel consumption in other trains by combining ore composition with general cargo, leading to a more cost-

effective operation of the locomotives.

- **Increased weight of Iron Ore trains:** : One of the major wins that MRS has had over the last few years has been the increase in the maximum gross tonnage of the ore train, which went from the level of 15,840 to 18,000 today. The main factors that enabled this increase were greater operational knowledge of the locomotives, better quality sand and the friction modifier systems at the ways.
- **Locomotives more efficient (AC model) at agricultural flow:** After the AC locomotives purchase, space was opened for a new operational study. The use of more powerful locomotives in grain flows, which are trains that are more similar to iron ore, aiming to reduce the need for assets and improve energy efficiency. Trains originating in the Pederneiras yard (inner São Paulo state) were predominantly formed with 5 locomotives (model C30/C36) with a traction capacity of up to 1,700 ton/locomotive. Changing the formation to AC makes it possible to use only 03 locomotives in the train since the capacity to develop up to 2,833 ton/locomotive. The better HP/ton transported ratio brought gains for Energy Efficiency. The formation with 3 Locomotives (distributed in the command, middle and tail of the composition) also severely reduced the efforts in the couplings and consequently the force imposed on the Permanent Way, an imperative item for the approval of the formation with Rumo (a section used to transport the cargo from the boarding terminal to the port).

Energy Efficiency x Ore Participation

GRI 302-4



The ore's Transit Time (time taken in the cargo's transportation from its place of origin to its destination), presented in 2020 a rise in the result, which is explained mainly by the impact of the new circulation model for the assistance of Andaime's terminal, through the "Trem Não Tripulado" (non crewed train) operation.

For 2021, the main focus of studies for energy efficiency enhancement include: improvement of trains' conduction and speed raise; model of train's formation; raise of locomotive's productivity; reduction of locomotives running unnecessarily.

Waste Management

GRI 103-1, 103-2, 103-3, 306-2

Going beyond than just complying with environmental legislation and conditions of operation licenses, MRS believes that the waste management process is an opportunity to apply circular economy concepts, focusing on the reduction of waste sent to landfills.

MRS maintains a robust Waste Management Program that is strictly adhered to throughout the company. In 2020, 100% of the waste, generated in units of MRS, was properly managed and there was no fine, tax assessment or the like, evidencing the maturity of the process, which is fully controlled by indicators in the Environmental Management System (EMS).

All waste generated undergoes a thorough analysis to ascertain the possibility of reuse, either by the Company or by third parties. In 2020, MRS generated around 2,397 tons of waste from its maintenance activities. Of these total, 19.3% were sent for recycling/reuse by third parties, 41.8% were destined for co-processing/treatment and 38.9% were destined for landfills. Highlight for the 461 tons of waste destined for reuse/recycling, representing a 19.5% growth versus 2019.

MRS maintenance and administrative activities naturally generate solid waste classified as class I and class II. MRS invests annually in the hiring and maintenance of specialized companies for the correct management of waste in all its units. The activities of these suppliers include:

- Availability of workforce to work in the service fronts, training and raising awareness among MRS employees not to generate and/or to reduce the waste production, increase primary reuse opportunities, as well as segregating and correctly packing the waste generated; periodic inspections in the areas with a focus on monitoring and controlling the entire generating process and assessing management opportunities;
- Constant acting in the market to find opportunities for reuse and recycling, which is increasingly constant in the types of waste generated;
- Renting collectors that will provide the correct storage of the waste produced, in compliance with the legislation;
- Storing the waste generated in approximately 35 waste plants and shelters;
- Offering a fleet of over 15 trucks for different pickups throughout more than 45 cities, sometimes simultaneously;
- Providing MRS with destination solutions ranging from sanitary landfills to licensed receiving units for reuse and recycling of waste. It is important to note that 100% of the segregated paper, cardboard and plastic waste was recycled in 2020, many through associations of collectors and recyclers, promoting these activities in the states of MG, RJ and SP.

All suppliers in the chain go through a rigid approval process, with auditing of the processes and emphasis on environmental licensing and compliance with other legal requirements. This process is held before the start of activities and periodically during the term of the agreement, in order to maintain the quality of the services provided and to make suppliers aware of the importance of enforcing legal compliance. Learn more in Suppliers.

Annually, MRS invests in the maintenance and expansion of physical structures to properly store the waste produced, with emphasis on the waste plants/shelters. For the coming years, MRS plans the continuity of correct management of 100% of the waste produced, increasing the volume of recycled or reused waste, ensuring sustainability to the company's process.

Destination of waste



In addition to the waste already mentioned, MRS generates, in its maintenance activities, several very bulky inputs that are valued in the market. Due to this, the Company plays a strong role in sending 0% of these materials to landfills, continuously promoting their reuse, whether in its own operations or by third parties. In 2020, the main materials that fit this circular economy concept were:

1,670M³ OF RAILWAY TIES REUSED BY MRS AND 12,500M³ SOLD FOR REUSE BY THIRD PARTIES;

30 THOUSAND TONS OF SCRAP METAL, INCLUDING RAILS AND OTHER METALLIC RESIDUES, SOLD FOR REUSE BY THIRD PARTIES;

310 THOUSAND LITERS OF USED LUBRICATING OIL SOLD FOR RE-REFINING.

Also in 2020, several projects were implemented or continued aiming at the reduction, recycling and reuse of waste, reducing the volume sent to landfills, with emphasis on:



Recycling of weilding residue + slag in Minas Gerais, totaling **over 40 tons of annual** waste that no longer goes to landfills;



Recycling/reuse of **100% of the wood generated in the maintenance processes**, which in addition to railway ties also includes pallets and other wood-based residues, amounting to about 280 tons in 2020 that were not sent to



Destination for **recycling of 100% of the recyclable waste** (paper, cardboard, plastic), much of it to collectors' associations;



4,500 packages arising from the environmental sanitation activity went through the **reverse logistics** process.

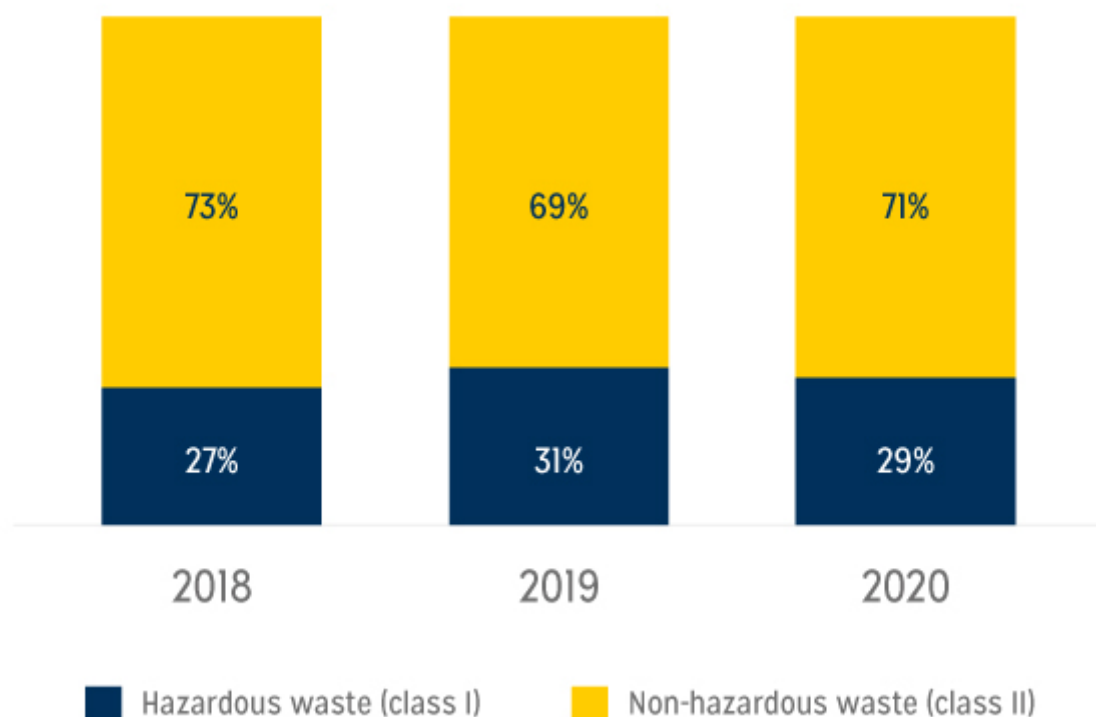
landfills;



Dry Cleaning of railway wheels, **reducing the generation of industrial effluents** and sludge from treatment plants.

WASTE GENERATION

GRI 306



GRI 306-4, 306-5

Disposition and destination (tons)	2018	2019	2020
Co-processing	1.691,19	1107,72	945,4
Co-processing - class I	592,5	632,71	641,4
Co-processing - class II	1098,69	475,01	304
Recycling*	38,99	385,49	462,2
Recycling - class I	0,39	0	0.6
Recycling - class II	38,6	385,49	461,6
Reuse	309,67	0	0
Reuse - class I	0	0	0
Reuse - class II	309,67	0	0
Landfill	177,65	887,7	932,5
Landfill - class I	6,32	49.6	0
Landfill - class II	171,33	838,1	932,54

Disposition and destination (tons)	2018	2019	2020
Physical-chemical treatment	9,72	78,58	56,4
Physical-chemical treatment - class I	9,72	78,58	56,4
Physical-chemical treatment - class II	0	0	0
Incineration	0	0,02	0,1
Incineration - class I	0	0,02	0,09
Incineration - class II	0	0	0
Decontamination	1,23	0	0
Decontamination - class I	1,23	0	0
Decontamination - class II	0	0	0

Water management

GRI 103-1, 103-2, 103-3, 303-1, 303-2

MRS understands that its impact on water as a shared-use asset is mainly a result of its use in washing locomotives and maintaining their components, in facilities along the railway network, in permanent way maintenance machines, in polymer sprinkler operations and for consumption by employees. Water is withdrawn from underground sources, surface sources, and through concessionaires, and the potential social impacts linked to the notion of shared use of water are monitored due to possible over-drawing, decreasing its availability for other users.

In order to minimize these impacts, MRS has been effectively improving the internal management of water resources, by investing in new technologies, dissemination of internal knowledge on the subject and implementation of good practices for the use of water, thus encouraging the conscious use of the resource. Since 2018, work has been carried out to assess consumption of the units, which has already identified and addressed several deviations, resulting in a reduction of around 4 thousand m³ of monthly water consumption throughout the Company.

Among the actions in search of the reduction of water consumption by MRS, the following stand out:

- Collection and use of rainwater for use in washing locomotives at the P1-07 complex, located in Jeceaba, Minas Gerais;
- Also in the P1-07 complex, there is the practice of reusing the effluent treated by ETEI for the purpose of humidifying the site's way, thus reducing water consumption.
- Total reuse of the effluent treated by ETEI from the Polymer Sprinkler, where approximately 9.7% of the volume of water used in the process is reuse water from the local ETEI. As a result, the unit stopped releasing the effluent into the environment and used, annually, around 2,700 m³ of natural resource collected from the well. Learn more here.

In 2020, the total volume of water withdrawn for the development of MRS activities amounted to around 125 thousand m³, of which 50 thousand m³ through underground water abstraction, 5 thousand m³ of surface water, 59 thousand m³ of water supply by the concessionaires and, finally, 11 thousand m³ from water trucks for the operation of the track grinder, primary activity in railway maintenance.

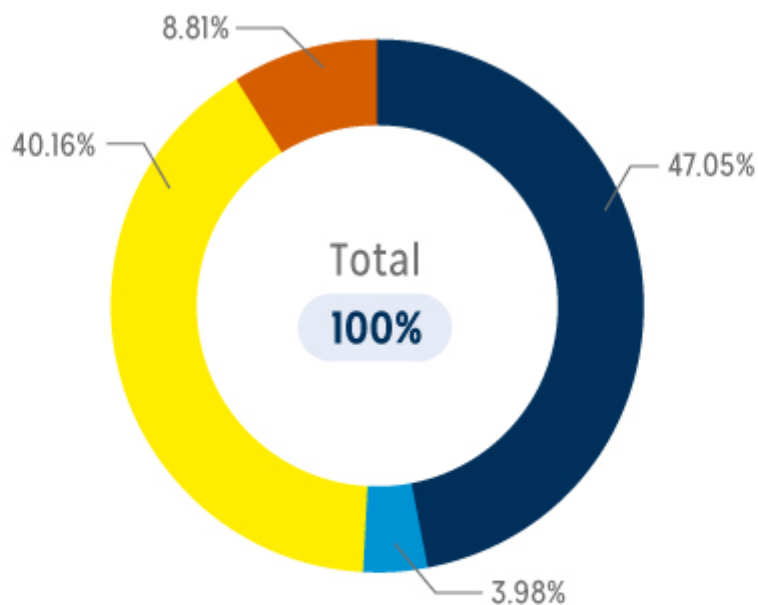
In line with social and environmental responsibility and environmental standards, MRS performs the proper management of industrial and domestic effluents produced by the units that support railway operation activities and the maintenance of locomotives, wagons and components. For this purpose, the company relies on ETP (Industrial Effluent Treatment Plants) and CSAO (Water and Oil Separating Boxes) for the treatment of industrial effluents and filter pits for the treatment of domestic effluents in places where there is no collection network or a municipal effluent treatment plant.

Thus, liquid waste is collected, treated and disposed of in compliance with the relevant legislation. In addition, the internal management of this program includes the monitoring and assessment of the performance of the treatment devices, ensuring the system efficiency and the continuous improvement of these processes. In 2020, the ETPs located in MRS workshops treated around 8,000 m³ of industrial effluents.

For 2021, the company plans to proceed with adjustments for the improvement of its processes, such as the installation of more efficient control systems, and is evaluating initiatives for the reuse of water in the facilities.

TOTAL WATER WITHDRAWAL PER SOURCE

GRI 303-3



■ Surface catchment
 ■ Ground water catchment
 ■ Public supply
 ■ Water truck

Vision of future

In 2020, despite the challenging scenario worldwide, MRS has sustained its growth path. However, we believe that growth is not enough without the vision of a better future for all. We are confident that 2021 will be an extremely relevant year in this regard.



We are confident that we will soon obtain the early renewal of the concession agreement until 2056, which will be accompanied by a series of investments that will bring countless benefits to our stakeholders. These will be important investments, proceeds to be allocated to improvements aimed at ensuring that the forecast demand is met, with a focus on the diversification of the railroad transportation matrix, improvement in operational performance, and in projects of public interest, such as, for example, the elimination of urban conflicts.

The projects are still being validated by the regulators, but the trend is that the main work will be the segregation of lines for cargo and passenger transportation in São Paulo, occurring on the route that starts in Jundiaí, crosses the capital and runs to Rio Grande da Serra, currently shared with the Companhia Paulista de Trens Metropolitanos (CPTM). In addition to considerably increasing the efficiency of cargo transportation between São Paulo and the Port of Santos, the change will also enable the implementation of the Intercity Train (TIC), an urban mobility project planned by the government of São Paulo State that will connect the capital to the countryside by train.

Faithful to the commitment to growth and diversification in the General Cargo segment, in 2020 we started the works of the Multimodal Terminal of Pederneiras/SP, in an area of around 440 thousand m². Strategically located on the borders of the Tietê-Paraná waterway, the terminal was born with a vocation to serve agribusiness and pulp segments, connecting important cargo hubs in Mato Grosso do Sul and Goiânia to the Port of Santos via waterway and railroad. The first phase of the project will be completed by the end of the first half of 2021 and will include a road-rail terminal for pulp.





2021 will also be marked by important steps of the Major Track Interventions project, focused on changing the railway superstructure. The acquisition of large maintenance equipment and the beginning of the construction of the support yard in Barra Mansa (RJ) are planned for the year.

Throughout the year, we will also continue on our journey of digital transformation, started in 2020 through the implementation of Conecta Project, which will enable the unification of MRS technology systems, and we will continue to pursue a path towards excellence in sustainability management, following the strategic focuses defined last year as drivers of our governance, strategy, risk management and transparency actions.

We will go ahead with another important goal: to consolidate the diversity culture among our employees and many other projects that include a supplier engagement policy in the commitment to sustainability, constant encouragement of innovation, care for the communities in which we operate, and recognition of our employees.

2021 will be another challenging year from the point of view of the pandemic caused by Covid-19, which directly impacts the economy. In the first months of 2021, we felt a strong inflationary pressure and witnessed the first signs of raw material shortage in the market. We adjusted the use of the budget for the year and quickly started

a new mapping and study of suppliers, aiming to ensure the continuity of supply of the inputs that are essential for the Company.

We will continue to face the obstacles that may arise and we are already looking forward to sharing the results of our projects planned for 2021. We hope that in our next meeting, soon, we will be experiencing a scenario of fewer difficulties and more prosperity for the whole society.

About the Report and Materiality

GRI 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56

MRS Logística publishes for the second year its Sustainability Report, published on an annual basis, reflecting its performance in the financial and ESG (Environmental, Social and Governance) aspects between January 1st to December 31, 2020. The methodology of the GRI (Global Reporting Initiative) Standards (Essential Option) is used, bringing, in addition to the evolution of the indicators in the period, the management methods of material themes. The previous report was published in July 2019.

The company also used as reference the principles of Integrated Reporting proposed by IIRC (International Integrated Reporting Council), focusing on the synthesis and connection between performance and value generation in the short, medium, and long terms, considering financial, intellectual, human, manufactured, natural, and social and relationship capitals. For financial aspects, the assessment took into account the materiality map of the Sustainability Accounting Standards Board (Sasb), therefore, which is more assertive regarding the demands of capital market stakeholders. The report has not been submitted to external verification.

The themes reported in this document were determined based on a materiality definition process, including aspects that reflect the significant economic, environmental and social impacts of MRS or those that substantially influence the assessments and decisions of stakeholders. With the support of external consultancy, the work had the following goals: identify the expectations of the stakeholders; map the relevant themes for MRS; prioritize the material themes for MRS; correlate these themes to the long-term vision and external context; correlate the themes with the Sustainable Development Goals; and identify goals and key indicators to be disseminated.

Materiality definition process

GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47

To review the materiality of MRS, a study was developed based on a market analysis, which considered reports from peers of the company, both foreign and domestic. The companies considered were those listed in international indexes, that are reference in sustainability, and classified by ratings that assess the long-term resilience of companies, based on aspects and risks related to ESG issues.

In addition to the GRI guidelines, an assessment was carried out, considering the analyzes of Sustainalytics, Corporate Sustainability Assessment (SAM CSA), Sasb and Morgan Stanley Capital International (MSCI). The analysis also included the SDGs (Sustainable Development Goals) and the sector study "SDG Industry Matrix - Transportation", conducted by the Global Compact (UN) in partnership with KPMG.

The identification of the themes that were included in consultation with stakeholders was based on the diagnosis made by an external consultancy for MRS (delivered in January 2021), on the material themes that made up MRS matrix in 2019 and on the relevant themes for the sector according to peers and ESG frameworks.

Stakeholder engagement had different approaches according to the audience involved:

Communities: contact through MRS Communication area with the sending of a link for accessing the survey and a video explaining the dynamics of the report development. Due to the pandemic and the social distancing measures, it was not possible to make a face-to-face approach.

Customers: customized approach with the professionals who provide services to MRS, reinforcing the importance of their vision for developing the report.

Suppliers: contact through MRS Finance area with an explanation of the report and a link to the materiality survey. An engagement panel, with webinar for explanations about the report and the proposed survey was also prepared.

Officers: customized approach explaining to the Senior Leadership the dynamics of materiality survey.

The subsequent steps involved the validation of the priority themes by the MRS Executive Board and, finally, the consolidation of materiality and the correspondence between the material themes and the GRI performance topics.

Materiality

GRI 102-46, 102-47, 103-1

In 2020, new material themes were included, which were identified along the process, such as Corporate governance, Customer relationship management and Diversity. Others, such as Biodiversity, Water Management and Waste Management, are grouped under Climate Change. The themes are reported over this report.

MATRIX COMPARISON

Material topics 2019	Material topics 2020
Emissions	Atmospheric and greenhouse gas emissions
Energy Management	Fuel management and fleet eco-efficiency
Waste management	Risk management
Biodiversity	Climate change
Water management	Human and Labor rights
Relationship with communities and governments	Relationship with surrounding communities
Operational health and safety	Occupational health and safety
Ethics	Ethics and Anti-corruption practices
Third party management	Training and development of employees
Business performance	Corporate governance
	Customer relationship management
	Diversity

BOUNDARY STUDY - MATERIAL TOPICS MRS 2020

Dimension	Material topic	GRI and Sasb Disclosures	Impact's Boundary for MRS	Organization's involvement with the impact	Relevant stakeholders (shareholders/investors, costumers, employees, communities, suppliers, government, environment e operation)
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Dimension	Material topic	GRI and Sasb Disclosures	Impact's Boundary for MRS	Organization's involvement with the impact	Relevant stakeholders (shareholders/investors, costumers, employees, communities, suppliers, government, environment e operation)
Social	Human and Labor rights	Freedom of association and collective bargaining 407-1 Human rights assessment 412-1 414-1 Supplier social assessment	Inside and outside	Direct and indirect	Shareholders/investors, employees, suppliers, government, operation
Governance	Risk management	Precautionary principle or approach 102-11 Critical incident risk management TR-RA-540a.4.	Inside and outside	Direct	Shareholders/investors, costumers, employees, communities, suppliers, government, environment, operation
Governance	Corporate governance	Governance 102-18; 102-20; 102-22	Inside and outside	Direct	Shareholders/investors, costumers, employees, communities, suppliers, government, environment, operation
Environmental	Climate change	Economic performance 201-2	Inside and outside	Direct and indirect	Shareholders/investors, costumers, suppliers, government, environment, operation
Governance	Ethics and Anti-corruption practices	Anti-corruption 205-1	Inside and outside	Direct and indirect	Shareholders/investors, costumers, employees, suppliers, government, environment, operation
Environmental	Fuel management and fleet eco-efficiency	Energy 302-1; 302-3; 302-4 Greenhouse gas emissions TR-RA-110a.3	Inside and outside	Direct	Government, environment, operation
Environmental	Atmospheric and greenhouse gas emissions	Emissions 305-1; 305-4; 305-5 Greenhouse gas emissions TR-RA-110a.1; TR-RA-110a.2	Inside and outside	Direct	Shareholders/investors, costumers, employees, communities, suppliers, government, environment, operation
Social	Occupational health and safety	Occupational health and safety 403-1; 403-2; 403-9 Employee health and safety TR-RA-320a.1	Inside and outside	Direct	Employees, suppliers, operation
Social	Training and development of employees	Training and education 404-1	Inside and outside	Direct	Costumers, employees, operation

Dimension	Material topic	GRI and Sasb Disclosures	Impact's Boundary for MRS	Organization's involvement with the impact	Relevant stakeholders (shareholders/investors, costumers, employees, communities, suppliers, government, environment e operation)
Social	Diversity	Diversity and equal opportunity 405-1	Inside	Direct	Employees, operation
Social	Relationship with surrounding communities	Local communities 413-1 413-2	Inside and outside	Direct	Shareholders/investors, employees, communities, operation
Social	Customer relationship management	Management approach 103-1; 103-2; 103-3	Inside and outside	Direct	Shareholders/investors, costumers, employees, suppliers, operation

SDG

SDGs (Sustainable Development Goals) are the result of decisions taken in 2015 by the United Nations, together with governments, civil society and other global partners to foster global actions, aiming at promoting prosperity and well-being, protecting the environment and tackling climate change.

SDGs are based on the MDGs (Millennium Development Goals), established in 2000, which focused on combating poverty. SDG new global agenda includes the goals set through MDGs and expands the targets, in favor of sustainable development. In all, 17 goals and 169 targets were established, targeting its achievement by 2030.

MRS understands that the participation of the business sector is key for reaching the 2030 Agenda. SDGs contribute to reinforce the need for companies to be integrated with the goals of the whole society, reinforcing the importance of better mapping and managing their risks, creating new solutions with less impact and guaranteeing sustainable supply chains. Therefore, corporate responsibility increases, aiming at the constant search for long-term value creation, business sustainability and innovative processes.

Considering the materiality process conducted by MRS (click here to learn more), SDGs directly related to the topics considered material and the initiatives and actions conducted by the company were correlated. Materiality is directly related to ten goals and 14 targets of the 2030 Agenda.



SDG 4 - QUALITY EDUCATION

Target

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Material topic

Training and development of employees.

MRS approach

MRS' training process happens at the qualification, improvement, certification and development levels, establishing a knowledge path for each position, where professionals are

prepared for their current assignments and for for their new career challenges. See more.



SDG 7 - AFFORDABLE AND CLEAN ENERGY

Target

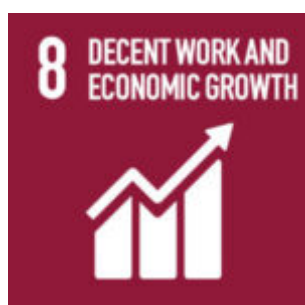
7.3 By 2030, double the global rate of improvement in energy efficiency.

Material topic

Fuel management and fleet eco-efficiency.

MRS approach

The energy efficiency of each type of cargo (ore, agricultural and general cargo) is monitored separately and annual improvement targets are set for each, as well as fuel consumption reduction initiatives according to the different characteristics of the trains in the fleet. See more.



SDG 8 - DECENT WORK AND ECONOMIC GROWTH

Target

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Material topic

Occupational health and safety and Human and Labor rights.

MRS approach

100% of MRS employees are covered by formal health and safety committees. The safety management model is based on ISO 45001 and the internal Safety and Environment Policy, and includes the identification, assessment and control of risks inherent to the activities of its employees to reduce deviations, incidents, accidents and occupational diseases.

See more in Health and Safety Management, Employees and Suppliers.



SDG 11 - SUSTAINABLE CITIES AND COMMUNITIES

Target

11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Material topic

Relationship with surrounding communities and Risk management.

MRS approach

Community relationship process that aims to seek shared solutions to mitigate negative impacts of the railway operation, and its main tool is the 0800 NET System. New risk assessment methodology developed in 2020 with a focus on the main corporate risks for achieving strategic goals, which result was presented to the Board. Creation of a “Risk Focal Point” that encourages the risk management culture in the company. Elaboration of an action plan based on the identified deficiencies.

See more in Society and Health and Safety Management.



SDG 13 - CLIMATE ACTION

Target

13.2 Integrate climate change measures into national policies, strategies and planning.

Material topic

Climate change and Atmospheric and greenhouse gas emissions.

MRS approach

MRS prepared the Greenhouse Gas Emissions inventories for the years 2019 and 2020, seeking to know the company's emissions profile. With the diagnosis, mapping and quantification of its emissions, the company has possible opportunities for improvement related to the efficiency of operating activities, in setting targets for reducing and managing its emissions in order to mitigate negative impacts related to climate change. See more.



SDG 16 - PEACE, JUSTICE AND STRONG INSTITUTIONS

Target

16.5 Substantially reduce corruption and bribery in all their forms.

16.6 Develop effective, accountable and transparent institutions at all levels.

Material topic

Ethics and Anti-corruption practices, Corporate governance and Customer relationship management.

MRS approach

MRS has maintained the Integrity Program since 2017, that includes conduct policies and anti-corruption rules, which is presented on the integration day to all new hires. It has its Code of Conduct and Ethics, including for third party, to reinforce the Company's Integrity values and rules. It has a confidential channel, a direct contact with Audit, available for employees to clarify doubts and report conduct that does not comply with the Code.

See more in Ethics and integrity, Corporate governance structure and Customers.

Summary of GRI and SASB Content

GRI 102-55

Disclosure		Answer	Page
STANDARD CONTENT			
GRI 102: GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
102-1	Name of the organization		MRS - Profile
102-2	Activities, brands, products, and services		MRS - MRS Operation
102-3	Location of headquarters		MRS - Profile
102-4	Location of operations		MRS - Profile
102-5	Ownership and legal form		MRS - Profile
102-6	Markets served		MRS - MRS Operation
102-7	Scale of the organization		MRS - MRS Operation
			Relationship Management - Employees
102-8	Information on employees and other workers		Relationship Management - Employees
102-9	Supply chain		Relationship management - Suppliers
102-10	Significant changes to the organization and its supply chain		Corporate Governance - Risk management
102-11	Precautionary principle or approach		Corporate Governance - Risk management Health and Safety - Health and Safety Management
102-12	External initiatives		Relationship Management - Society - Institutional Relations
102-13	Membership of associations		Relationship Management - Society - Institutional Relations
STRATEGY			
102-14	Statement from senior decision-maker		MRS - Message from the CEO
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behavior		MRS - Profile
			Corporate governance - Ethics and integrity

Disclosure		Answer	Page
GOVERNANCE			
102-18	Governance structure		Corporate Governance - Corporate governance structure
			Relationship Management - Employees
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate Governance - Corporate governance structure
102-22	Composition of the highest governance body and its committees		Corporate Governance - Corporate governance structure
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups		2020 Sustainability Report - About the Report and materiality - Materiality definition process
102-41	Collective bargaining agreements		Relationship Management - Employees
102-42	Identifying and selecting stakeholders		2020 Sustainability Report - About the Report and materiality - Materiality definition process
102-43	Approach to stakeholder engagement		2020 Sustainability Report - About the Report and materiality - Materiality definition process
102-44	Key topics and concerns raised		2020 Sustainability Report - About the Report and materiality - Materiality definition process
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements		2020 Performance - Financial performance
			2020 Sustainability Report - About the Report and materiality
102-46	Defining report content and topic boundaries		2020 Sustainability Report - About the Report and materiality

Disclosure		Answer	Page
102-47	List of material topics		2020 Sustainability Report - About the Report and materiality
102-48	Restatements of information		2020 Sustainability Report - About the Report and materiality
102-49	Changes in reporting		2020 Sustainability Report - About the Report and materiality
102-50	Reporting period		2020 Sustainability Report - About the Report and materiality
102-51	Date of most recent report		2020 Sustainability Report - About the Report and materiality
102-52	Reporting cycle		2020 Sustainability Report - About the Report and materiality
102-53	Contact point for questions regarding the report		2020 Sustainability Report - Credits
102-54	Claims of reporting in accordance with the GRI Standards		2020 Sustainability Report - About the Report and materiality
102-55	GRI content index		2020 Sustainability Report - Summary of GRI and SASB Content
102-56	External assurance		2020 Sustainability Report - About the Report and materiality
MATERIAL TOPICS			
STANDARD CONTENT			
RISK MANAGEMENT			
102-11	Precautionary principle or approach		Corporate Governance - Risk management Health and Safety - Health and Safety
CRITICAL INCIDENT RISK MANAGEMENT			
TR-RA-540a.4.	Frequency of internal railway integrity inspections		Corporate Governance - Risk management
CORPORATE GOVERNANCE			
102-18	Governance structure		Corporate Governance - Corporate governance structure
			Relationship Management - Employees

Disclosure		Answer	Page
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate Governance - Corporate governance structure
102-22	Composition of the highest governance body and its committees		Corporate Governance - Corporate governance structure
ECONOMIC SERIES			
CLIMATE CHANGE			
GRI 201: ECONOMIC PERFORMANCE			
103-1	Explanation of the material topic and its boundary		2020 Performance - Financial performance
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
201-2	Financial implications and other risks and opportunities due to climate change		
ETHICS AND ANTI-CORRUPTION PRACTICES			
GRI 205: ANTI-CORRUPTION			
103-1	Explanation of the material topic and its boundary		Corporate governance - Ethics and integrity
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
205-1	Operations assessed for risks related to corruption		
205-2	Communication and training about anti-corruption policies and procedures		
205-3	Confirmed incidents of corruption and actions taken		
ENVIRONMENTAL SERIES			
FUEL MANAGEMENT AND FLEET ECO-EFFICIENCY			
GRI 302: ENERGY			
103-1	Explanation of the material topic and its boundary		Environment - Climate management and energy efficiency
103-2	The management approach and its components		
103-3	Evaluation of the management approach		

Disclosure		Answer	Page
302-1	Energy consumption within the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
GREENHOUSE GAS EMISSIONS			
TR-RA-110a.3	Total fuel consumed, percentage renewable		Environment - Climate management and energy efficiency
ATMOSPHERIC AND GREENHOUSE GAS EMISSIONS			
GRI 305: EMISSIONS			
103-1	Explanation of the material topic and its boundary		Environment - Climate management and energy efficiency
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
305-1	Direct (Scope 1) GHG emissions	The conversion factors sources were IPCC and GHG Protocol, and for the gases' GWP (global warming potentials), the IPCC 2006 was used as base. The considered gases were the CO ₂ , CH ₄ , N ₂ O, SF ₆ , HFCs e PFCs. Nevertheless, no activities and emission sources of SF ₆ and PFCs were identified.	
305-2	Energy indirect (Scope 2) GHG emissions		
305-4	Emissions intensity		
305-5	Reduction of GHG emission		
GREENHOUSE GAS EMISSIONS			
TR-RA-110a.1	Gross global Scope 1 emissions		Environment - Climate management and energy efficiency

Disclosure		Answer	Page
TR-RA-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets		Environment - Climate management and energy efficiency
SOCIAL SERIES			
OCCUPATIONAL HEALTH AND SAFETY			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
103-1	Explanation of the material topic and its boundary		Health and Safety - Health and Safety Management
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
403-1	Occupational health and safety management system		Health and Safety - Health and Safety Management
			Health and Safety - Health and Safety Management
403-2	Hazard identification, risk assessment, and incident investigation		Health and Safety - Health and Safety Management
			Health and Safety - Operational Safety
403-9	Work-related injuries		Health and Safety - Operational Safety
			Health and Safety - Operational Safety
EMPLOYEE HEALTH & SAFETY			
TR-RA-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)		Health and Safety - Operational Safety
			Health and Safety - Occupational Safety
			Health and Safety - Health and Safety Management
TRAINING AND DEVELOPMENT OF EMPLOYEES			

Disclosure		Answer	Page
GRI 404: TRAINING AND EDUCATION			
103-1	Explanation of the material topic and its boundary		Relationship Management - Employees - HR development
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
404-1	Average hours of training per year per employee		
DIVERSITY			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY			
103-1	Explanation of the material topic and its boundary		
103-2	The management approach and its components		
103-3	Evaluation of the management approach		Relationship Management - Employees - Diversity and inclusion
405-1	Diversity of governance bodies and employees		
405-2	Ratio of basic salary and remuneration of women to men		
HUMAN AND LABOR RIGHTS			
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
103-1	Explanation of the material topic and its boundary		Relationship Management - Employees
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	MRS has not identified its own or suppliers' operations in which the right to exercise freedom of association and collective bargaining has been violated.	

Disclosure		Answer	Page
GRI 412: HUMAN RIGHTS ASSESSMENT			
412-1	Operations that have been subject to human rights reviews or impact assessments		Relationship Management - Employees
GRI 414: SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria		Relationship Management - Suppliers
RELATIONSHIP WITH SURROUNDING COMMUNITIES			
GRI 413: LOCAL COMMUNITIES			
103-1	Explanation of the material topic and its boundary		Relationship Management - Society
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
413-1	Operations with local community engagement, impact assessments, and development programs		
413-2	Operations with significant actual and potential negative impacts on local communities		Relationship Management - Society - Close relationship with the public
CUSTOMER RELATIONSHIP MANAGEMENT			
103-1	Explanation of the material topic and its boundary		Relationship Management - Society - Close relationship with the public
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
Extras GRI Disclosures - disclosures not considered in materiality, but which MRS decided to report to maintain the historical series and comparability			
ECONOMIC SERIES			
GRI 201: ECONOMIC PERFORMANCE			

Disclosure		Answer	Page
201-1	Direct economic value generated and distributed		2020 Performance - Financial performance
GRI 203: INDIRECT ECONOMIC IMPACTS			
103-1	Explanation of the material topic and its boundary		2020 Performance -
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
203-1	Infrastructure investments and services supported		2020 Performance - Investments
ENVIRONMENTAL SERIES			
GRI 303: WATER			
103-1	Explanation of the material topic and its boundary		Environment - Water management
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
303-1	Interactions with water as a shared resource		
303-2	Management of water discharge related impacts		
303-3	Water withdrawal		
GRI 304: BIODIVERSITY			
103-1	Explanation of the material topic and its boundary		Environment - Biodiversity
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
304-1	Operational sites in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
304-3	Habitats protected or restored	In 2020, MRS did not rehabilitate new areas, since no new work was carried out in degraded areas. However, maintenance was carried out in the areas already rehabilitated.	

Disclosure		Answer	Page
		The Company has no partnership with third parties to protect or restore areas.	
GRI 306: WASTE			
103-1	Explanation of the material topic and its boundary		Environment - Waste Management
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
306-2	Management of significant waste-related impacts		
306-4	Transport of hazardous waste		
306-5	Water bodies affected by water discharges and/or runoff		
GRI 307: ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	In 2020, MRS was notified of two fines due to alleged non-compliance with environmental laws and/or regulations, one in the amount of R\$ 2.1 million and the other in the amount of R\$ 500 thousand. MRS filed the applicable appeals in the administrative phase and, if they are not accepted, MRS will propose the appropriate legal actions to annul the referred fines. We consider significant fines to be those that exceed R\$ 21.5 million.	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT			
103-1	Explanation of the material topic and its boundary		Relationship management - Suppliers

Disclosure		Answer	Page
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
308-1	New suppliers that were screened using environmental criteria		
SOCIAL SERIES			
GRI 419: SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions were applied for non-compliance with laws and/or regulations in the socioeconomic area in 2020. For materiality purposes, the amount of R\$ 21.5 MM was adopted.	Corporate governance - Ethics and integrity - Internal audit

Column visibility Excel PDF

Credits

Corporate information

GRI 102-3, 102-53

E-mail: financeiro.ri@mrs.com.br

Address (headquarters): Praia de Botafogo, No. 228, 12th andar, Ala B, Botafogo, Rio de Janeiro (RJ)

Working hours

Coordination

MRS

GRI materiality, review and consultancy

blendON

Graphic design and diagramming

blendON

Newsroom

blendON

Images

MRS collection