



Verification report – UK Producer Case AD0012: Aluminium Extrusions Originating in the People’s Republic of China

Period of Investigation (POI):	1 June 2020 – 31 May 2021
Injury Period:	1 June 2017 – 31 May 2021
Date of report:	22 February 2022
Case team contact details:	AD0012@traderemedies.gov.uk
Company verified:	Hydro Aluminium UK Ltd

For further details, please see the [Notice of initiation](#) on the public file.



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Executive Summary

On 21 June 2021, the Trade Remedies Authority (TRA) initiated an investigation into alleged dumping of aluminium extrusions imported into the United Kingdom from the People's Republic of China. Hydro Aluminium UK Ltd (Hydro) a UK producer of the like goods, responded with a completed questionnaire in support of the investigation. As part of the investigation, the TRA sought to verify this response including the data annexed to the questionnaire. This report details the evidence gathered and the key findings from the verification of the data.

During the verification we:

- Analysed the goods and compared them to the PCN allocation method.
- Compared questionnaire responses and other accompanying evidence and information with open sources such as Companies House and company brochures.
- Checked for consistency with audited financial statements in terms of the data provided and areas such as production with other interested parties and industry normal practices.
- Conducted a walkthrough of the accounting systems to assess how much reliance we can place on data produced by the system.
- Analysed the cost allocation method to determine its accuracy and fairness in determining unit costs of production by PCN.
- Conducted downwards verification on sales and purchases using source documents provided.
- Investigated injury claims and other injury factors to determine if injury was present and to what degree:

The following findings were made:

- Company information provided in the questionnaire was consistent with external sources. Three additional associated parties were identified, and the sales data corrected to reflect this.
- The products included in the investigation were considered as the like goods. Nine PCNs were removed from the data set however since they were speciality products which both the TRA and Hydro agreed were distorting the cost of production.
- 14 duplicate PCNs were identified in the cost to make data – this occurred due to Hydro's systems whereby the costs for the extrusions are held in a different database to those for the fabrication process and so the costs under each



process were shown separately. TRA requested that they were consolidated to show the total cost of production for these PCNs.

- Freight charges were adjusted in the cost to make annex as well as the domestic sales annex.

Once the above adjustments had been completed the TRA had a reasonable level of assurance that the information could be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation in this investigation.

Purpose of verification

The purpose of the TRA's verification activity is to provide the assurance considered necessary to make a decision as to whether the information (data) provided by the interested party is verifiable and can be used for the purposes of our investigation. We will draw various levels of assurance on the completeness, accuracy and relevance of information deemed verifiable. Such data may then be considered in our assessments and analysis to determine whether injury is caused or likely to be caused to the UK industry by the dumped imports of the aluminium extrusions. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK's economic interest.

We may carry out verification activity using desk and remote analysis or undertake work on-site. The activity undertaken will not seek to verify all information provided but to undertake the work considered appropriate and possible within the time constraints of the investigation to obtain assurance on which to base a decision.

This verification report documents the work we have completed, the checks the case team has carried out and conclusions we have reached about the reliability of information provided by the verified party.

Confidential information

The verified party must indicate whether any information contained in the confidential version of the verification report is considered confidential. It must specify such information, provide reasons as to why the TRA should treat the particular information as confidential, and create a non-confidential version of it (see also [public guidance](#)). The non-confidential version of the verification report will be placed on the public file.



Verification

Please find below a summary of work that has been completed and the checks that have been carried out by the case team to determine whether the information provided by the interested party in their questionnaire response is verifiable.

A. Company structure and associations

What information was considered	
<p>The following information, provided in the questionnaire was considered:</p> <ul style="list-style-type: none"> • General set-up, ownership, and management. • Facility locations. • Associations. • Accounting system used. 	
<p>Please indicate the confidentiality status of the information summarised above:</p>	
<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> confidential
<p>If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also public guidance):</p>	
<p> </p>	
How the information was checked	
<p><i>General Set-Up, Ownership and Management</i></p> <p>We checked the information submitted in the questionnaire and compared it to information publicly available from Hydro’s website and Companies House. No inconsistencies were identified.</p> <p>Confirmation of whether the product was the like good was obtained via the company website, on site facilitation and verification visits as well as review of brochures and other documents provided by Hydro showing the similarity in product. This research confirmed that Hydro do produce the like good and that the production process is similar to that in the People’s Republic of China.</p> <p><i>Location</i></p> <p>Hydro has a number of sites across the UK. The two extrusion sites were visited by the TRA during the facilitation and verification visits. The other sites were confirmed via Norsk Hydro website.</p> <p><i>Associations</i></p>	



The associated companies were identified from the audited accounts of Hydro and Hydro Holdings UK Ltd as well as the annual report from Norsk Hydro. Hydro also provided us with the international organisational chart for Norsk Hydro and this was reviewed in conjunction with the audited statements and Companies House where applicable.

The associated parties mentioned had been allocated correctly. During the verification it emerged that there were other parties which needed to be listed as associated: one was related to Hydro Building Systems UK Ltd and the others were the fabrication plants – the sales had been eliminated at consolidation but still showed in the domestic sales listing as independent.

This update was done by the TRA and the revised domestic sales listing can be seen in the verification report Annex 2.

Accounting Systems

We were walked through the systems architecture chart in detail. We received an on-screen demonstration to understand manual journaling between systems, and the controls and auditing environment that exists around this. Whilst we observed there is manual keying required, as well as data exported and imported manually between the underlying UK systems, balance and checks of this information are reasonable enough for us to place reliance on the data provided.

Throughout the visit we found the additional accounting reports, journals and other financial records provided additional confirmation on the reliability of the systems.

We followed through the order entry process on systems to delivery, invoicing, and payment, and obtained associated evidence, which was consistent with the system data.

Internal Audit function was discussed with evidence shown of their Internal Control Financial Reporting that helps continuous improvement, with action plans reported quarterly back to Audit.

We met the UK Procurement Manager to discuss this area and were supplied with supporting evidence on the control levels within their systems.

We gained reasonable assurance that systems have good controls and segregation of duties, and that accounting information is entered into their [Accounting] consolidation system in a timely fashion with a methodical monthly check of the numbers at the Corporate level.

Please indicate the confidentiality status of the information summarised above:

non-confidential

confidential

If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also [public guidance](#)):



Specific figures, values and names have been removed due to commercial sensitivities

Exceptions/Findings/Adjustments

Adjustments were made by the TRA to assign related party transactions as associated and then these were excluded from the calculations.

Please indicate the confidentiality status of the information summarised above:

non-confidential

confidential

If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also [public guidance](#)):

Conclusions

The information relating to company structure and associations that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation and for any other purpose within the investigation.

Please indicate the confidentiality status of the information summarised above:

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B. Goods

What information was considered	
<ul style="list-style-type: none"> • Internal coding structure • Sales Order Data • Hydro standard catalogue • Technical drawings • Physical inspection of aluminium extrusions 	
<p>Please indicate the confidentiality status of the information summarised above:</p>	
<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> confidential
<p>If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also public guidance):</p>	
<p> </p>	
How the information was checked	
<p><i>Internal Coding Structure</i></p> <p>The internal coding structure was sequential numbering and so did not provide assistance in determining if the extrusions had been correctly allocated to PCNs nor did it provide information as to whether the products reported in the questionnaire were in fact the like goods.</p> <p><i>Sales Order Data</i></p> <p>During the on-site verification, Hydro provided the sales order file download from their systems which gave all the sales within the POI and the technical specifications related to those sales. This had been used to determine the PCN allocated to each extrusion. The sales were filtered on each specification (length, weight per metre etc) in turn and the corresponding allocation checked for accuracy. This confirmed that the majority of the products had been allocated correctly (>99%).</p> <p>Technical drawings were reviewed for selected models to compare the information provided in the sales order file with the physical dimensions. A couple of drawings were found to be inconsistent with the sales order data in terms of the weight/m allocation but the standard weight/m was sufficiently close to the limit defined under one category that the actual weight could have fallen into another weight/m category due to tolerance levels within production. Therefore, no further explanations or adjustments were considered necessary.</p> <p><i>Review of External Evidence</i></p> <p>Hydro standard catalogue was reviewed and compared to an exporter's catalogue to confirm both produced similar products. In addition, Hydro's catalogue provided further information on the products which assisted in assessing the correct allocation to PCNs.</p>	



Visual identification of extrusions was undertaken at Hydro aluminium extrusion factories in both Cheltenham and Tibshelf during facilitation and on-site verification.

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non-confidential confidential

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The section has been redacted on the basis of commercial sensitivities in that it provides indicative market share details regarding a particular product group

Exceptions/Findings/Adjustments

None

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non-confidential confidential

If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also [public guidance](#)):

Conclusions

The information relating to the company's goods that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation and for any other purpose within the investigation.

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C. Costs

What information was considered

Upwards Verification

Through the upwards verification, we confirm the accuracy of the data submitted by an interested party against the audited financial accounts and management account.

- Upwards Cost Reconciliation (questionnaire annex 5)
- Cost to Make and Sell (questionnaire annex 4)
- Management accounts and the trial balance for the POI June 2020 – May 2021

Downwards Verification

In the downwards verification, we confirm the accuracy of the data submitted by the interested party against the source documents.

- Sample of raw material transactions
 - 8 billet purchases
 - 3 ingot purchases
 - 3 scrap purchases
 - 5 energy payments
- Payroll for 2 months
- Purchase transactions with associated companies and arm's length prices

Cost Allocation

- Cost allocation methods against PCNs
- Allocation of the extrusion dies
- Inventory valuation methods
- Abnormal cost structures in PCN costs

Please indicate the confidentiality status of the information summarised above:

non-confidential

confidential

If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also [public guidance](#)):

How the information was checked

Upward Verification

Calculation and Reconciliation of the POI Cost of Sales figures

The cost of sales for the POI was calculated using the internal consolidated accounts and was compared to the equivalent figure reported in questionnaire annex 5 – Upwards Cost



Reconciliation. Further comparison could not be done against the 2020 audited financial statements as they had yet to be finalised but assurance in the accuracy of these figures was provided since the internal documents had been audited for the Hydro Norsk accounts. No issues in the figures were identified as all the relevant documents agreed.

Reconciliation of the Like goods Cost of Sales

Hydro provided cost centre reports for its various businesses (extrusions, anodising, fabrication, remelt etc). From this data it was possible to confirm the figures provided for both the like goods and also the products not subject to investigation – this included the remelt process and the sale of the dies.

One difference between the consolidated accounts and the individual profit centres was observed. This was due to the fact that the reporting of certain income streams were offset against costs in the individual profit centres but recorded as income in the consolidated accounts. A comparison of the two was made to confirm this explanation to be correct.

The costs in questionnaire annex 4 were compared to those calculated above to confirm that it fairly represented the total company data.

No issues were identified.

Downward Verification

Raw material purchases were verified by confirming dates, prices, and volumes from the questionnaire to source documents such as purchase orders, purchase invoices, proof of payments and proof of deliveries. In addition, the entries into the general ledger were also provided.

Raw material purchases were made from associated companies as well as non-associated companies. We were able to verify that these purchases were made at an arm's length price by comparing to purchases from non-associated companies.

Payroll journal was provided for 2 months along with the relevant payment. These documents were reviewed and compared to the figures provided in the questionnaire response.

No issues were found.

Cost Allocation

Methodology

Raw material allocations were based on actual net weight. This was verified using the weights listed in the sales order file, along with the price of related billet deals. We were able to verify a sample of billet deals back to the contracts. For raw materials which had no billet deal associated with it, a monthly average value was calculated and used. Hydro were able to provide a walkthrough of how the monthly average is calculated.

Freight costs are split into two types – the cost per tonne of product shipped and a fixed monthly fee for the on-site freight forwarder staff. There is also the internal transfer of products between sites.



Hydro was able to show the TRA the methodology it had used for other costs. They were able to provide the documentation and the TRA were able to confirm for themselves that the methodology had been used in the allocation against PCNs. The methodology is not explained here as it was quite complex, relying on a number of drivers such as surface finish and alloy to provide weightings per extrusion which could then be applied to the costs. It also took into account whether the weight should be gross (pre-press costs) or nett (post-press costs).

The overall cost allocation methodology was considered reasonable.

Findings

The cost of the dies was correctly excluded from the cost of production as they were identified under a separate cost centre which the TRA verified to be accurate.

The freight costs were revised to exclude the internal related costs and the fixed monthly amount from the customer delivery charges to ensure a fairer comparison. Hydro provided the revised questionnaire annex 4 – Cost to make and sell and questionnaire annex 8 – Detailed Domestic Sales Listing along with the changes for the duplicated PCNs.

Fourteen PCNs in questionnaire annex 4 Cost to Make and Sell were found to have separate costs showing for the fabrication process and the extrusion process. This was due to the differing systems used by the different sites which means that the data is not pulled from one source. Hydro provided a revised annex with the total cost of these PCNs shown under one code.

Nine PCNs were found to have very high costs. Further investigation revealed that this was due to the extra fabrication needed to finish them. Some also were prototypes. Products such as these are sold by the piece and not by the tonne due to their specialist nature. Hydro and the TRA agreed that they should not be included in the calculation data since they distorted the overall figures. (See verification report annex 3 for list of PCNs excluded from the calculation data.)

Inventory Valuation

Inventory valuation method was explained to the TRA during the verification visit – an average monthly pricing system was used: stock was consumed based on First In First Out (FIFO). The source files were provided and the TRA was able to follow the method and verify it was accurate.

Billets are stamped with a number and so can be tracked through the production process. Hydro provided the source documents and the TRA was able to match production orders and billet certificates through to despatch.

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confidential



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Specific figures and values have been removed due to commercial sensitivities. The summarisation of the information is not possible as the data and names are specific.

Exceptions/Findings/Adjustments

None

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confidential

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Conclusions

The information relating to costs that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation and for any other purpose within the investigation.

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D. Sales

What information was considered

Upwards Verification

Through the upwards verification, we confirm the accuracy of the data submitted by an interested party against the audited financial accounts and management account.

- Internal management accounts
- Trial Balance
- Questionnaire Annex 10 Upward Sales Reconciliation
- Questionnaire Annex 8 Domestic Sales T-by-T listing

Downward Verification

In the downwards verification, we confirm the accuracy of the data submitted by an interested party against the source documents.

Source documents including:

- Contracts
- Invoices
- Proof of delivery
- Proof of Payment
- General Ledger entries

Please indicate the confidentiality status of the information summarised above:

non-confidential

confidential

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How the information was checked

Upward Verification

Calculation and Reconciliation of the POI Sales figures

Turnover for the POI was calculated using the internal consolidated accounts and compared with the figures provided in questionnaire annex 10 – Upwards Sales Reconciliation. Explanations on the differences (due to intracompany eliminations, exclusions of some sales such as dies and scrap) were also verified.

Turnover could not be verified against the 2020 audited statements since they were not yet finalised but the 2020 consolidated internal accounts used had been audited for the Norsk Hydro AS financial statements which have been published. Proof of audit was provided although Hydro Aluminium UK did not receive an individual company report



The data was compared to the 2019 audited financial statements and whilst not directly comparable due to the acquisition of Hydro Components during the POI and also the impact of COVID, the movement between years was in line with expectations and so provided another level of assurance

The figures provided for the POI in questionnaire annex 10 Upward Sales Reconciliation were consistent with the internal consolidated accounts.

Reconciliation of the Like goods Sales

Individual profit centre P&L reports were provided which allowed the TRA to verify the data provided on the like goods and also confirm the goods not included were out of scope and that the values correctly reflected the accounting system.

The trial balance for the extrusion profit centre for the POI was provided and this was compared to the P&L reports to confirm they matched.

Small differences were identified between the trial balance for the extrusion profit centre and its P&L report, but these were not material (less than 2%) and so not investigated further.

The figures submitted in questionnaire annex 8 were significantly different from those provided in questionnaire annex 10. This was almost fully explained by the intra company eliminations in the latter which Hydro proved via their consolidation system. They also provided a list of the related invoices which were matched with questionnaire annex 8 (Domestic Sales Listing). This difference was not considered material since questionnaire annex 8 was accurate. Two further companies in questionnaire annex 8 were identified as associated during this check since they were part of the eliminated sales.

[Customer Name] is another customer name for Hydro Building Systems set up to record sales where certification of the billet was required and was incorrectly listed as independent as confirmed by Hydro.

The TRA updated the revised submission from Hydro to reflect these changes to associated transactions.

Downward Verification

Hydro provided source documents for the 15 sales transactions selected as part of the initial risk assessment. We received and reviewed the sales invoices, sales agreement, sales orders, delivery notes, proof of payments both for consistency between the documents and with the questionnaire annex data provided.

We checked for consistency in control details including the volume, value, date, and amount paid. Hydro also provided screenshots of the entries in the general ledger to confirm the figures against the management accounts.

No issues were found.



<i>Please indicate the confidentiality status of the information summarised above:</i>	
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Specific figures, names and values have been removed due to commercial sensitivities. The summarisation of the information is not possible as the data and names are specific.	
Exceptions/Findings/Adjustments	
The revised questionnaire Annex 8 Domestic Sales Listing provided by Hydro was further updated by the TRA to reflect changes made to transactions to record them as associated rather than independent (See verification report Annex 2 for final list of associated parties, and verification report Annex 4 for the final domestic sales listing)	
<i>Please indicate the confidentiality status of the information summarised above:</i>	
<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> confidential
<i>If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also public guidance):</i>	
Conclusions	
The information relating to sales that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation and for any other purpose within the investigation.	
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E. Injury

What information was considered

- Claims regarding price undercutting on imports from the PRC
- Claims regarding extraordinary factors giving a temporary positive effect to UK Industry during the POI
- Claims of injury contributing to the closure of two Hydro sites during the injury period
- Claims regarding the threat of injury due to deflections in imports from EU to the UK, as it relates to the imposition of definitive measures by the EU
- Specific injury claims related to the economic factors
 - effects on sales and volumes
 - effects on profits
 - effects on output and capacity utilisation
 - effects on market share and domestic prices
 - effects on employment, wages, and productivity
 - effects on 'return on investments' and growth
 - effects of the magnitude of the margin of dumping
 - effects on cashflow

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non-confidential

confidential

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How the information was checked

Financial Data

Sales provided for the POI were verified as stated in the sales section above.

Sales for the first three years of the injury period were cross-checked to audited financial statements for reasonableness, as were profits, employee numbers, investments, return on assets, and cashflows. Figures provided by Hydro were found to be consistent with the financial statements.

Documentation for quotes from multiple extrusion suppliers both in the UK and China were submitted to the TRA, also e-mails outlining the lower prices from imports were provided to support the undercutting claim. A number of the imported product quotes were below the London Metal Exchange (LME) aluminium price.

Investment Data

Investments and depreciation were further cross-checked against the fixed asset register.



Review of the fixed assets confirmed that there had been no recent investment in upgrading the current plant. Future investment is determined by Hydro Norsk who identify subsidiaries with the greatest potential. Data was provided on European sites which have been selected for investment following the European measures being imposed.

Capacity, Employment Data

Capacity numbers, press hours, and Full-Time Equivalent (FTE) numbers were verified back to internal management reports provided by Hydro during the verification visit.

TRA confirmed with Hydro that the FTE wage information was mean averages rather than median averages. Given this information is not material to the injury factors for Hydro, we have not requested alteration.

Capacity and capacity utilisation was considered to be reasonable based on the documents provided and the discussions around the methodology of calculating capacity.

Market Share

Market share was verified using external research and cross-checking to other producers' submissions and data.

Evidence allowed us to verify all the injury information provided, although trends in the data were not conclusive for every factor considered.

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non-confidential

confidential

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Exceptions/Findings/Adjustments

None

Please indicate the confidentiality status of the information summarised above:

non-confidential

confidential

If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also [public guidance](#)):

Conclusions

The information relating to injury factors that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore



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F. Dumping/Subsidy

What information was considered	
None.	
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How the information was checked	
Not applicable	
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Exceptions/Findings/Adjustments	
Not applicable	
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Conclusions	
Not applicable	
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<i>If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also public guidance):</i>	



G. Economic Interest Test

What information was considered	
No additional information to that under the injury section was verified.	
<i>Please indicate the confidentiality status of the information summarised above:</i>	
<input type="checkbox"/> non-confidential	<input type="checkbox"/> confidential
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How the information was checked	
No additional information to that under the injury section was verified.	
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Conclusion

The verification process did highlight a low number of issues relating to the Hydro data. In the main the differences were due to the presentation of the data and not to the data itself.

Adjustments to the data related to the reclassification of some sales transactions from independent to associated and also adjustments to the freight costs for both the cost to sell and the sales figures.

In addition, it was discussed that whilst the data relating to some PCNs was accurately reflected, the nature of those were distorting the overall picture and so it was agreed that they would be removed.

Following on from these adjustments the TRA was able to obtain a reasonable level of assurance that the information can be treated as complete, relevant and accurate and can therefore be used by the TRA for the injury assessment and margin calculation, and for any other purpose within the investigation.



Annexes

Annex 1: Meetings

Date and duration	Type of verification	Company representatives	TRA representatives
15 – 19 November 2021	<input type="checkbox"/> remote <input checked="" type="checkbox"/> on-site	3 Hydro representatives were in attendance	3 TRA representatives were in attendance

No formal meetings were held and so no minutes taken. Discussions were had throughout the week based on issues arising as a result of the verification process.

The three Hydro company representatives listed above were with the TRA throughout the visit. Other members of staff contributed to the process including from Finance and Procurement.

[Names are removed as they are commercially sensitive and are not capable of summarization]



Annex 2: List of final associated parties

As mentioned above the following companies' sales will be excluded from the final data set:

[Names are removed as they are commercially sensitive and are not capable of summarization]



Annex 3: PCNs excluded from Calculation Data

[PCN numbers and costs have been removed as they are commercially sensitive and, in any event, have been summarized in the text of the verification report]



Annex 4: Adjusted Final Annex 8 Domestic Sales T-By-T Listing

Please see the attached Excel document.

Annex 8 Adjusted Final Domestic Sales T-by-T Listing for final data to be used by the TRA.



Appendix 1 – Injury period tables (confidential)

[This data is inherently confidential and is not capable of summarization]