



Department for
International Trade

Severstal-TRID Remote Verification Meeting

Trade Remedies Investigations Directorate

TD0001: Severstal-TRID Remote Verification Meeting

Meeting Organiser: Trade Remedies Investigations Directorate

Meeting with: Severstal, Russia

Meeting Attendees: Deputy head of GR, Head of trade policy department, Specialist of trade policy department, Specialist of trade policy department, Lead Investigator, Lead Verification Specialist, Senior Investigator, Investigator.

Meeting Date: 16th November 2020

Meeting Time: 13:00-14:40 UK time

Meeting Venue: MS Teams

1	Introductions	Introductions were made.
2	Accounting System	
	<p>a. Intro to Severstal's SAP accounting system</p> <ul style="list-style-type: none"> • Explanation of different modules and how they interact – including any manual systems used • Brief understanding of cost centre / account code structure • Brief understanding of how management accounts / reports are created – especially in terms of how the like product information was produced 	<p>TRID asked for a talk through of the operation of the accounting system.</p> <p>i)SAP – interaction of automated and manual systems, ii)Cost centre and accounting system, iii)Management accounts and reports</p> <p>The Deputy Head of GR asked how we would proceed with remote verification and the frequency of the meetings, How will evidence be submitted with supporting documents.</p> <p>TRIDs verification specialist clarified that all the information the party has submitted will be reviewed which will give an understanding of how their systems were used to submit the information and to how Severstal systems work and where TRID needs to focus their enquiries.</p> <p>TRID will be making a transaction selection, which can be between 6 and 30 transactions for both sales and costs. Time will be given to Severstal to respond. Answers will be returned by email and reviewed under an agreed time period. Any queries raised will be resolved either by email or by another meeting: whichever is deemed to be most convenient for both parties. This will include discussion of any issues that have arisen. A verification report will then be written up by TRID and a</p>

	<p>copy will be sent to Severstal for comment before it is made public and the process is completed. The outcome of this meeting will inform TRID further on what the next steps of the verification would like and a plan for this will be shared with Severstal in the next couple of weeks.</p> <p>Severstal had no further questions at this time.</p> <p>A presentation about Severstal's accounting system was then made: -</p> <p>An ERP, enterprise resource management system is used.</p> <p>Sales models, controlling model and finance KPI, human capital management are the minimum sections that have been used to compile the data sent to TRID.</p> <p>Consolidated information Analytical reports</p> <p>Business Warehouse (BW) is used daily—it is a mirror of ERP (a copy of SAP is copied in daily to BW and it can be used to create any reports desired) SAP has its own reports which can't be changed, BW uses MS Excel in which you can create a multitude of reports, and analytical reports for management purposes.</p> <p>Reports are updated daily, They mainly use-</p> <p>Record to record report order to cash purchase to Pay Manufacturing</p> <p>All main stages are covered by this system which were used to create their responses General accounting principles are used, double entry accounting Cost planning and accounting Batch MES is integrated into SAP and goes from the workshops to SAP</p> <p>The verification specialist asked if Severstal used the standard model of ERP or had it been altered to be bespoke in any way and did Severstal use any manual workarounds. The deputy Head of GR confirmed that the original was used, the systems were all automated with no workarounds,</p> <p>Cost centres and accounting codes:</p>
--	--

		<p>The verification specialist enquired if the accounting codes were consolidated into smaller codes for accounting purposes. The Deputy Head of GR responded [Non-confidential summary: The description of Severstal's cost accounting system which accumulates costs for goods].</p> <p>The Deputy Head of GR demonstrated the system in action [Non-confidential summary: the presentation of cost breakdown].</p> <p>For cost production files provided to TRID the information was taken from the system, and then put into the spreadsheets and the calculations performed.</p> <p>Labour, depreciation etc is shown for all stages.</p> <p>Severstal doesn't use information on cost centres in its response to TRID at all because SAP does it automatically.</p> <p>Accounting code: The trade policy specialist showed his working file, described in section A7, [Non-confidential summary: The detailed explanation of internal product accounting codes and groups of product].</p> <p>Management Accounts By reading account entry the material can be identified, so like and non like product can be identified.</p> <p>The verification specialist asked if that is how the cost of production is determined for that component? The Deputy Head of GR showed an extract relating to account 90020101, material accounting codes with names and additional information.</p> <p>This gives exact figures for diameter and wall thickness, from the information from the sales documents.</p>
	<p>How do they negotiate the order b. Journey from order acknowledgement to sales invoice</p>	<p>The TRID Investigator requested an explanation of the steps involved from receiving the order to the preparation of the invoice</p> <p>The Deputy Head of GR explained the process for the general placement of orders and invoicing for products.</p>

		<p>[Non-confidential summary: The description of the process for the general placement of orders and invoicing for products].</p> <p>The verification specialist asked if the transport price was included in the unit price? [Non-confidential summary: The Deputy Head of GR's explanation of the terms of delivery].</p> <p>The verification specialist asked for confirmation that this is therefore an estimated transport cost in unit price, if you can transport the product more cheaply you will increase profit but of you are not able to do this then your profits will be less.</p> <p>The Deputy Head of GR responded that the estimate is close to actual costs it is based on previous agreements with carriers etc. SAP was demonstrated and how delivery costs could be extracted for the order and how these were justified at the end of each month</p>
	<p>c. Allocation of inputs and overheads</p> <ul style="list-style-type: none"> • Brief explanation of how standard costing is developed and then how Severstal <p>Trade Remedies Investigations Directorate adjusted to actual costs across products</p> <ul style="list-style-type: none"> • Methodology of allocating AS&G costs to products 	<p>The TRID Investigator recognised that there has already been some clarification of standard costing but asked if Severstal could briefly touch on how the costing is developed, The Head of the Trade Policy Department demonstrated the material analysis report in SAP [Non-confidential summary: The description of Severstal's costing development].</p> <p>Allocation of AS&G</p> <p>[Non-confidential summary: The allocation of AS&G].</p> <p>The Specialist of the Trade Policy Department explained how this was achieved.</p> <p>We were shown the working table for D2, the allocation method used; expenses for goods subject to review for net value of the product under review. The same formula was used for each year, the figures from the financial accounts were used then allocated per net sales.</p>
	<p>d. Models and PCNs identification</p>	<p>The Deputy Head of GR apologised for the minor errors as to wall thickness of 5.5mm in wall thickness. In addition, he mentioned that the PCN for 12mm wall thickness product is correct. He added that the PCNs for 1,2mm products are correct as well.</p> <p>The TRID Investigator thanked him for the explanation</p>

		The Deputy Head of GR asked if we had any further questions. There were no further questions from TRID.
	e. Any other details	-
3	Questions/AOB	<p>No further questions were put forward by either team.</p> <p>Next steps were clarified by the Investigator for TRID.</p> <p>TRID will contact the Severstal Policy team within the next two weeks, about the next meeting and any further questions there may be arising from this meeting.</p> <p>the minutes of today's meeting will be circulated with Severstal for their input and review.</p>