



## Authentication Report

### Safeguard measures on certain steel products

### Case: TF0006

|                                |   |
|--------------------------------|---|
| Period of Investigation (POI): | 01 January 2013 – 31 December 2017                        |
| Most Recent Period (MRP):      | 01 January 2018 – 30 June 2020                            |
| Date of report:                | 16 April 2021   |
| Case team details:             | TF0006@traderemedies.gov.uk                               |
| Company verified:              | ThyssenKrupp Materials UK (TKM)                           |
| Company details:               | Coxs lane,<br>Cradley Heath,<br>West Midlands,<br>B64 5QU |
| Company representative:        |   |



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## Executive summary

We are conducting a transition review to determine whether the UK should maintain, vary or revoke safeguarding measures put in place by the EU on certain steel products.

As part of the review, we sought to assess the accuracy of the information thyssenkrupp Materials UK provided in its questionnaire response, which covered its company structure, its goods subject to review, its imports and UK purchases of those goods, its sales of those goods, and the potential economic-interest effects of continuing, varying or discontinuing the measures.

During the authentication process, we have compared questionnaire responses, including the data annexed to the questionnaire (annex data) and other accompanying evidence to information from open sources, such as Companies House, HMRC, and thyssenkrupp Materials UK's websites. We checked information for internal consistency, consistency with audited financial statements and consistency with the responses from other interested parties. We conducted a walkthrough of thyssenkrupp Materials UK's accounting systems to assess how much reliance we can place on data produced by the system. Due to the COVID-19 restrictions, we had to conduct all authentication remotely, but where necessary, we gave thyssenkrupp Materials UK's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For thyssenkrupp Materials UK, we concluded reconciliation has not been possible for import data and therefore we will need to rely on HMRC import data in the transition review. We have also concluded that reconciliation has been possible for sales data and that the information which we have been able to authenticate provided by thyssenkrupp in its questionnaire response, annex data and the authentication process is sufficiently accurate for us to be able to rely on it in our transition review without any adjustments. Despite the limited supporting evidence, we will consider thyssenkrupp Materials UK's statements with the claims of other parties during our Economic Interest Test, based on its experience and knowledge of the industry.

## Purpose of authentication

The purpose of authentication is to achieve a reasonable level of assurance that the questionnaire responses provided by the interested parties is relevant, complete and accurate.



## Process of authentication

Authentication can comprise activity undertaken through desk, on site or remote analysis.

Due to the COVID-19 pandemic, and subsequent restrictions affecting travelling, the case team was unable to undertake any authentication work on site.

## Purpose of this report

This authentication report presents the work that has been completed and the checks that have been carried out by the case team in respect of the questionnaire responses received from thyssenkrupp Materials UK. It details any adjustments we will make to the data following the authentication process and our consultation with the interested party and forms the basis on which the interested parties can provide the case team with a non-confidential summary for general publication.

## Authentication

Please find below a summary of work that has been completed and the checks that have been carried out by the case team to authenticate the information provided by thyssenkrupp Materials UK (TKM) in their questionnaire response.

### 1 Company structure and associations

#### What information was authenticated

We confirmed information provided in the following areas:

- General set-up, including the ownership and management of the company
- Year of establishment
- Facility locations
- Function as an importer / distributor / material stockholder of steel products
- Range of its goods subject to review, and
- Associations.

We also reviewed Thyssenkrupp Materials UK (TKM)'s accounting systems in the following areas:

- The accounting practices and policies
- The accounting systems used, how well they are integrated and the level of automation across the systems, and
- The impact of the change in accounting practice during 2014 on the financial statements.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential

*If applicable, please specify what particular areas you consider to be confidential:*



#### How the information was authenticated

We cross-checked Thyssenkrupp Materials UK (TKM)'s responses about its general set-up, ownership and products by examining official documents published on Companies House (<https://www.gov.uk/government/organisations/companies-house>), including the Certificate of Incorporation, the Certificate of Incorporation on Change of Name and the company's audited financial reports. We found the information we retrieved from those sources to be consistent with the information provided by the company in its questionnaire response.

We reviewed the company's associations by checking financial reports published on Companies House, which we also used to check whether any of TKM's board members were associated with other companies related to the same industry. We confirmed that the information provided by TKM was consistent with the publicly available information. Additionally, this was discussed during the remote authentication meeting and confirmed by TKM.

We reviewed TKM's accounting practice, policies and systems using documents published on Companies House.

This included checking the changes in accounting practices to IFRS 101 in October 2015, IFRS in October 2018 and the adoption of IFRS in October 2019, which we confirmed using the external source [www.ifrs.org](http://www.ifrs.org).

To assess the reliability of the financial statements, we considered the auditor's reports, which consistently stated that the financial statements give a "true and fair view" of the company's affairs and have been "properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice" (UK GAAP) for the period under review.

Using the financial reports published at Companies House, we checked the accounts preparation, financial year convention, accounting policies in relation to stocks, depreciation and revenue recognition and compared them to the questionnaire responses. All were found to be consistent with the questionnaire response.

During a remote authentication meeting, TKM provided a walkthrough of data flow and system controls. This confirmed the systems used and their integration with the accounts, as well as where processes are automated or manually driven. This demonstrated the internal control checks in place, which included user tracking as well as director approval for sales and purchase orders. A step-by-step walkthrough of a sales and purchase flowchart was provided, and these were consistent with questionnaire responses in relation to the financial accounting system. It was explained that there were three separate SAP systems used for each division which were used monthly for the management accounts and annually consolidated for the financial accounts.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential

*If applicable, please specify what particular areas you consider to be confidential:*



|   |  |                                       |
|---|--|---------------------------------------|
|   |  |                                       |
| <b>Exceptions/Findings</b>  |  |                                       |
| None.   |  |                                       |
| <i>Please indicate the confidentiality status of the information summarised above:</i>  |  |                                       |
| <input checked="" type="checkbox"/> non-confidential  | <input type="checkbox"/> partly confidential | <input type="checkbox"/> confidential |
| <i>If applicable, please specify what particular areas you consider to be confidential:</i>   |  |                                       |
|   |  |                                       |
| <b>Conclusions</b>  |  |                                       |
| <p>TKM provided correct information about its ownership, function and associations in its questionnaire response.</p> <p>TKMs accounting practices and systems are sufficiently accurate and reliable that they can be relied upon in the transition review. The auditor's report confirms that the accounts are "true and fair" and prepared in accordance with UK GAAP and are reliable.</p> <p>During our review of the company's accounting systems, we did not find evidence that the systems are inaccurate or unreliable. The walkthroughs that the company delivered during remote authentication suggest that TKM's accounting systems are supported by sufficient checking and a satisfactory segregation of duties to maintain accuracy. TKM's managerial responsibilities, reporting lines and SAP system have remained constant during the POI and MRP. The evidence suggests that the change in TKM's financial-accounting policies did not have an impact on the financial data. Consequently, we conclude that we can rely on the information produced by the systems during the transition review.</p> |  |                                       |
| <i>Please indicate the confidentiality status of the information summarised above:</i>  |  |                                       |
| <input checked="" type="checkbox"/> non-confidential  | <input type="checkbox"/> partly confidential | <input type="checkbox"/> confidential |
| <i>If applicable, please specify what particular areas you consider to be confidential:</i>   |  |                                       |
|   |  |                                       |

## 2 Goods

|   |  |                                       |
|---|--|---------------------------------------|
| <b>What information was authenticated</b>   |  |                                       |
| <p>We checked that TKM had:</p> <ul style="list-style-type: none"> <li>• Correctly selected the commodity codes for its goods subject to review, and</li> <li>• Allocated them correctly to the product categories used in the transition review.</li> </ul> <p>We checked the evidence of the imports that the company claimed to import in the POI and MRP.</p> |  |                                       |
| <i>Please indicate the confidentiality status of the information summarised above:</i>  |  |                                       |
| <input checked="" type="checkbox"/> non-confidential  | <input type="checkbox"/> partly confidential | <input type="checkbox"/> confidential |
| <i>If applicable, please specify what particular areas you consider to be confidential:</i>   |  |                                       |
|   |  |                                       |



#### How the information was authenticated

We confirmed the correct assignment of commodity codes and subsequent allocation to product categories by comparing the codes provided in Questionnaire Annex 3 (resubmitted 23/2/2021) against the codes defined in the Notice of Initiation.

We carried out a search by commodity code using [www.uktradeinfo.com](http://www.uktradeinfo.com) it was confirmed that TKM or a subsidiary was listed as an importer of category 12, 14 and 26. During remote authentication TKM confirmed that the mild steel division sourced their steel exclusively from Thyssenkrupp steel Europe AG therefore we would expect that these would not appear in the trader search.

By cross referencing the questionnaire response from TKM and questionnaire response from one of the exporters it claimed to import from, we were satisfied that TKM was an importer of the product categories subject to review.

Using technical documentation provided by TKM and information provided on their website we reviewed the technical specifications with the goods subject to review.

During the walkthrough, and in TKM's questionnaire response, TKM stated that the technical specification of goods within customs codes can vary considerably. We concluded that we can rely on the information provided by TKM that they import the goods subject to review as declared in the questionnaire response.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential

*If applicable, please specify what particular areas you consider to be confidential:*

#### Exceptions/Findings

None.

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#### Conclusions

TKM reported the correct commodity codes (on revised submission of annex 3) and allocated them to the correct product categories for goods subject to review. The evidence suggests that the company did import the goods it reported during the POI and MRP. We accepted the company's outline of the goods it imported and judged the information obtained during remote authentication to be consistent with the company's questionnaire response and annex data. Therefore, the evidence suggests that TKM has



provided an outline of its goods subject to review that we can rely on in the transition review.

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### 3 Imports and purchases

#### What information was authenticated

We analysed the questionnaire annex data that TKM provided for imports and UK purchases by considering the trends in:

- Category 1, 4A, 4B, 7, 12, 14, 16, 20, 21, 26 and 27 for trends in import value, volume and average price.
- Category 7, 12, 14, 21, 26 and 27 for trends in purchase volume, value, UK mix and price during the POI and MRP.

We also assessed the reliability of the annex data for imports and UK purchases.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential

*If applicable, please specify what particular areas you consider to be confidential:*

#### How the information was authenticated

[REDACTED – Confidential company information]

*Please indicate the confidentiality status of the information summarised above:*

☐ non-confidential

☐ partly confidential

☒ confidential

*If applicable, please specify what particular areas you consider to be confidential:*

Confidential company information. See conclusion.

#### Exceptions/Findings

[REDACTED – Confidential company information]

*Please indicate the confidentiality status of the information summarised above:*

☐ non-confidential

☐ partly confidential

☒ confidential

*If applicable, please specify what particular areas you consider to be confidential:*

Confidential company information. See conclusion.

#### Conclusions





We identified fluctuations in the company's imports of the sampled product but were satisfied with TKM's explanation of the trends.

It was not possible to conduct a reconciliation of the import data due to the different reporting periods of the POI, MRP and financial accounts. However, as TKM provided a sample reconciliation for sales, we can take this into account in the transition review. Consequently, the data supplied regarding imports cannot be relied upon in the transition review, rather we will need to look to HMRC import data to provide information on trends.

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## 4 Sales

### What information was authenticated

We analysed TKM sales of 11 sampled product categories using the questionnaire response for trends in:

- Sales value,
- Volume, and
- Share of UK and export sales.

We also:

- Assessed the reliability of the sales figures for all goods that the company reported in its questionnaire annex using the sample years 2016-2019
- Checked whether the proportion of the sales value coming from goods subject to review was consistent with other information.

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☐ confidential

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### How the information was authenticated

Using the reported sales figures from TKM's questionnaire annex, we tracked the proportion of the company's sales that came from the goods subject to review across the POI and MRP (as in Annex 2 Table 10). For the 11 sampled goods subject to review, we analysed TKM's sales value, sales volume and average sales price per tonne by using the questionnaire annex figures to plot graphs for values and volumes and included a comparison of UK sales and sales to all other countries (as in Annex 2 figure 7). We used separate graphs with trendlines to identify the overall trend of each category's UK sales value and volume.



We used tables for year-on-year changes in UK sales values and volumes to compare increases/decrease to import year-on-year changes (as in Annex 2 Table 6). We used a separate table to identify the share of UK and export sales (as in Annex 2 Table 7). These graphs and tables were used to identify trends and anomalies which were noted and summarised.

Similarly, we analysed sales prices using graphs and tables (as in Annex 2 Figure 8). We plotted sales prices for the POI and MRP to compare trends in UK and export trends. We used a separate graph to plot the trendline of the UK sales price and we also compared prices across all the sampled importers. We tabulated the data to identify year-on-year variances in the UK price and compared to the corresponding changes in the import price and export price. Additionally, the absolute variance between the UK and Export price in £ and % was compared in a separate table (as in Annex 2 Table 8).

We summarised trends and fluctuations and sent these to TKM for comment and explanations which were provided (as in Annex 2 Table 9). We accepted the explanations as satisfactory.

We then conducted a reconciliation of annex data to financial statement data. TKM provided total sales for each product category as per their fiscal year, with breakdowns for each category as per the POI year in the data provided in the annex.

We then requested further information in order to reconcile the adjusted figures to the fiscal year figures due to the fiscal year running October – September and the POI running January – December. TKM provided a monthly/quarterly breakdown of sales by calendar year and fiscal year, separating the sales of goods subject to review and sales of other products for the years 2016-2019. This demonstrated the alignment of the data from fiscal year to POI year and reconciled back to the annex data provided and the financial statements. As the information provided for the sample reconciles to the data provided in the annex to the financial accounts for the sampled selection of years, we concluded that we can rely on the sales data during the transition review.

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*If applicable, please specify what particular areas you consider to be confidential:*

## Exceptions/Findings

None.

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## Conclusions



We identified fluctuations in the company's sales of the sampled product categories but were satisfied with TKM's explanation of the trends.

We reconciled the annex figures for sales data for each product category by comparing the questionnaire annex and the adjusted trial balance for the sampled years provided.

Consequently, we are satisfied that the sample data the company has provided for its sales is sufficiently accurate for us to rely on during the transition review.

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## 5 Economic interest

### What information was authenticated

We checked TKM's supply chain information.

We considered TKM's claims about the potential production capacity of the UK in total.

To consider the effects of safeguarding measures on TKM's own business activities, we authenticated claims regarding:

- Its supply chain
- The industries it serves
- Its employment numbers
- Its median wages/salaries
- Its share of the import market for the goods subject to review
- The importance of the goods subject to review to its activities, and
- Its total exports.

Finally, we considered the company's claims about the wider UK market for the goods and the potential impact of safeguarding measures on the industry.

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### How the information was authenticated

TKM's ownership and group structure were reviewed against evidence on its own website and confirmed during the remote authentication meeting.

The nature of TKM's business as an importer of raw materials was cross referenced against its own website. The use of UK ports to import was checked by reviewing the



Association of British Ports and PD Ports website, both of which made specific reference to the importation of steel.

TKM's claim that third party businesses are part of its supply chain was reviewed through reference to its own website. Although TKM did not name any specific businesses or specialists, they did confirm these parties are part of their supply chain during the remote authentication meeting and they make specific reference to the automotive and construction industries on their website.

TKM's claim that the construction industry is a significant employer in the UK was checked by reference to House of Commons briefing paper number 01432, 16 December 2019 which includes official labour market statistics confirming that the construction sector in the UK provided 2.4 million jobs, 7% of the UK in 2019.

In their questionnaire response, TKM named several industries that would be affected by the existing safeguard measure: automotive, construction, yellow goods, white goods, heavy engineering, renewable energy, HVAC, fire protection, mechanical services, and aerospace. These were reviewed by referencing their own website where a comparable list of industries was also provided.

Employment and median wage information provided in TKM's questionnaire response was checked using the data provided in the annex and information on wages found in the financial statements. TKM provided the total number of employees for all goods subject to review across both the POI and the MRP and a breakdown of the total employees for 2019 by location. This was compared to the financial statement numbers for employees, with a similar trend and decrease in the number of employees. TKM were sent additional questions following the remote authentication meeting via email and TKM provided explanations for the decline in employee numbers which were deemed to be acceptable.

TKM provided mean salary data for the goods subject to review and using the information provided in the financial statements, a mean salary for all other goods was calculated from the total salary figures and the total number of employees. This was plotted into a table, and comparison showed that the mean wage for the goods subject to review was 44-61% higher than the mean wages for other goods. When comparing the financial statements to the total goods for mean wages these were only marginally different, in the range of 4-12%. The total averages were therefore reviewed and the mean wages for the goods subject to review were explained and accepted as reasonable.

Using TKM's questionnaire annex, HMRC data and data provided by the other sampled importers, we were able to calculate TKM's market share for each product category and for each year across the POI and the MRP. This showed that TKM has a relatively small share of the market of each category, although this is more substantial in categories 1, 21 and 26 through the POI and continuing into the MRP.

Using questionnaire annex 9 we were able to collate product category share of total TKM UK sales value. From this we could see that the goods subject to review are a substantial mix of TKM's total UK sales and that category 1 and category 4A make up over 50% of these sales in the POI.

Thyssenkrupp claimed in the questionnaire that they did not know the market share of their imports of the goods subject to review within the UK.



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### Exceptions/Findings

No significant inconsistencies with information provided by other interested parties and publicly available information were identified during authentication for economic interest. However, there was insufficient supporting evidence provided to support some of TKM's claims on the impact of the safeguard measure and therefore they would not be relied upon in isolation.

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☐ confidential

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### Conclusions

We found that the information TKM provided about its own business activities was broadly consistent with other sources. We accepted its claims about its supply chain, its market share and the relative importance of goods subject to review to its business. We also judged its claims about the users of its products to be satisfactory.

It has not been possible to authenticate the claims made by TKM on the impact of the safeguard measure due to the limited evidence provided. However, it is reasonable to assume that TKM have answered these questions based on their knowledge and understanding of the market. These claims have been considered alongside responses from other sampled importers to understand the position of importers.

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## Conclusions

As shown in the conclusions of the various sections of the report, through our authentication of the data provided by TKM, the questionnaire information provided by TKM has been reviewed and found to be consistent with other sources of information including publicly available information, financial statements and trial balances. Reconciliation has been possible for sales data to an extent acceptable for our transition review's purposes and therefore information can be considered within



the transition review. Reconciliation has not been possible for import data and therefore we will need to rely on HMRC import data in the transition review. Information provided regarding the Economic Interest Test has been found to be generally consistent with other submissions by other interested parties, is judged to be based on the company's experience and knowledge of the industry, and as such can be considered in conjunction with other EIT claims made by other parties.

## Annex 1: Meeting details

| Date and duration      | Type of authentication   | Company representatives               | TRID representatives      |
|------------------------|--|---------------------------------------|---------------------------|
| 16/03/2021<br>9am-10am | <input checked="" type="checkbox"/> remote<br><input type="checkbox"/> on-site | (Financial Director)                  | (Lead investigator)       |
|                        |  | (Director Materials Trading Division) | (Investigator)            |
|                        |  | (Director Mild Steel Division)        | (Investigator)            |
|                        |  | (Manager Mild Steel Division)         | (Investigator)            |
|                        |  | (Business Controller)                 | (Verification specialist) |
|                        |  | (Trading Support Manager)             |                           |

## Annex 2: Example non-confidential versions of graphs and tables.

Confidential - Annex is considered to contain commercially sensitive data that is not susceptible to summary.