



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:	26 April 2021
Case team email:	TF0006@traderemedies.gov.uk
Company authenticated:	TATA Steel UK Limited
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Company representative:	Manager International Trade TATA Steel Europe



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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 TATA Steel UK (TATA) provided in its questionnaire response, which covered its company structure, its like and directly competitive goods, the cost of production of these goods, its sales of those goods, and the potential injury and 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, Statista, and TATA'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 TATA'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 TATA Steel's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For TATA, we do not have any concerns to report regarding company information, accounting practices and systems. We found one product code reported that is not produced by TATA. We were unable to fully reconcile the cost and sales data provided in the questionnaire response to the financial statements in the time available. We did receive further explanations from TATA. Reflecting that our wider authentication activities in relation to TATA's submission have not given rise to concerns about the data produced by the company's accounting systems in general, the clear audit opinion of the financial statements and the comparative trend analysis between the audited accounts and the annex data, we consider that on balance the data should be treated as verifiable. We found differences in the figures in the annex data and financial accounts on the injury factors, however the data provided for the like goods followed similar trends to the financial statements in most cases and therefore we concluded that we will rely on the annex data to demonstrate trends in this data. However, for stocks, we concluded that we will rely on financial statement data due to differences in the data and trends.

We have noted the claims made about the impact of not extending the safeguard measure. [CONFIDENTIAL – information related to the supporting evidence concerning the impact of not extending the safeguard measure], It is reasonable to assume that TATA has answered these questions based on its knowledge and



understanding of the market. These claims will be considered alongside responses from other sampled producers to understand the position of producers.

Purpose of authentication

The purpose of authentication is to achieve a reasonable level of assurance that the questionnaire responses provided by the interested party are 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 TATA. It details any adjustments made to the data during the authentication process 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 TATA in their questionnaire response.

1 Company structure and associations

What information was authenticated

We confirmed information provided on the following areas:

- History of the company,
- Principal activities,
- Product range,
- Ownership, associations and interrelations,
- Reliability of the financial statements.

We reviewed TATA's accounting systems in the following areas:

- Accounting practices and policies,
- Systems and processes for recording data



- The accounting systems used, how well they are integrated and the level of automation across the systems, and
- The financial year convention.

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 the following information provided by TATA on its general set-up, ownership and products by examining official documents published on Companies House (<https://www.gov.uk/government/organisations/companies-house>). We confirmed the principal activity using the strategic report available on Companies House.

We compared the information provided by TATA in its questionnaire on the product range under review to the company's website, other open source searches and the information provided during their walkthrough. No issues were identified in the information provided.

Ownership, associations and various company interrelations provided by TATA in their questionnaire and questionnaire annex were cross-checked using information available on Companies House. We confirmed that the information provided by TATA was generally consistent with publicly available information. We noted some additional companies with associations in the annual reports, however these were not directly related to steel production and did not require any further investigation.

To assess the reliability of the financial statements, we considered the audited annual reports, audited by Deloitte LLP and PricewaterhouseCoopers LLP over the period. They 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".

We also used information in the financial reports to authenticate information provided in the questionnaire in relation to the company's accounting practices and policies. This included its basis for account preparation and its financial year convention.

In a remote authentication meeting, we were provided with explanations of their accounting systems and cost/profit centres. The company's representatives provided a detailed description of their internal management systems. TATA conducted a walkthrough of the company's data which included flow diagrams of product, ownership and accounting systems during a remote authentication meeting with TRID representatives.

We found the third-party information and that provided in supporting documents, together with explanations that we were given, to be consistent with the information provided by the company in its questionnaire response.

Please indicate the confidentiality status of the information summarised above:

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☐ partly confidential

☐ confidential



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

Exceptions/Findings

None.

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:

Conclusions

TATA provided correct information about its ownership, function and associations in its questionnaire response.

The walkthroughs that the company delivered during remote authentication suggest that TATA's accounting systems are highly integrated and supported by sufficient audit logs and checking to maintain accuracy. Consequently, we conclude that we can rely on the information in the financial statements during the transition review.

The evidence suggests TATA's accounting practices and systems operate as described and 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. During our authentication of the company's accounting systems, we did not find evidence that the systems are unreliable.

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☐ partly confidential

☐ confidential

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

2 Goods

What information was authenticated

Due to the volume of different products under review and the fact that authentication had to be conducted remotely, the case team were unable to undertake detailed checks of each product line.

We therefore checked that TATA had correctly reported the production that the company claimed during the POI and MRP, by taking into account those products identified in submissions from other interested parties in the transition review in relation to arguments received that there was no UK production.

Please indicate the confidentiality status of the information summarised above:

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How the information was authenticated

In order to review whether TATA produced the products that it claimed, [CONFIDENTIAL – product categories produced by TATA], the case team focused its authentication on the production of those like goods that the production of which was contested by other parties. For those products relevant to TATA, we received submissions regarding two disputed commodity codes, [CONFIDENTIAL – commodity code A] [CONFIDENTIAL – product category A], and [CONFIDENTIAL – commodity code B] in [CONFIDENTIAL – product category B].

The categories containing contested codes for like goods were considered as a whole, to establish an understanding of physical and chemical variances across the individual products and to understand how significant the number of contested codes was in comparison to the whole category.

In order to establish whether there were like goods reported that were not being produced, or directly competitive, the case team considered submissions from other interested parties on product codes that they did not believe were being produced in the UK. All like goods that were contested were discussed with TATA and where there were inconsistencies between the other submissions and the information provided by TATA, TATA were asked to provide further evidence of production.

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Redacted as explained above.

Exceptions/Findings

For product category [CONFIDENTIAL – product category A], our preliminary research did not find evidence that TATA produces [CONFIDENTIAL – product A]. When asked to clarify whether it produces goods falling under commodity code [CONFIDENTIAL – commodity code A], the company confirmed that it does not manufacture material, explaining that it closed its facility in the UK in 2003.

For product category [CONFIDENTIAL – product category B] the company stated that it does produce [CONFIDENTIAL – product B], but that the minimum thickness it produces is [CONFIDENTIAL – 25-50mm]. Since the objection to this commodity code claimed there is no UK production of the [CONFIDENTIAL – 25-50mm] grade, this information appears to be consistent.

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Redacted as explained above.



Conclusions

We have examined submissions by interested parties to identify the commodity codes for which TATA's production was contested and explored those codes further through research and discussions with the company. We found that TATA does not produce [CONFIDENTIAL – commodity code A]. [CONFIDENTIAL – commodity code B], [CONFIDENTIAL – 25-50].

There is no evidence to suggest that any other codes reported to be produced by TATA are not produced as set out in its questionnaire response, and therefore the case team can rely on this data in this transition review.

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☐ confidential

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Redacted as explained above.

3 Sales

What information was authenticated

We analysed the trends in the annex data that TATA provided for sales by considering the trends in:

- Volume
- Value
- Average price by customer type and market

We also:

- Assessed the reliability of the sales figures for all goods that the company reported in its questionnaire annex against the published financial statements.
- Checked whether the proportions of sales values were consistent with other information.

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How the information was authenticated

We analysed the information to identify any anomalies, differences and/or trends in sales data. To potentially highlight any high-risk areas, we also considered annual average prices as well as captive sales across the most recent period and period of investigation. There were no significant anomalies or inconsistencies in the trend of sales value and volume.



We compared the annual average price for associated and non-associated customers for the domestic and export markets from the financial reports. TATA provided explanations with evidence for the trends observed, which we accepted.

TATA's financial year convention, being 31 March differs from our period of investigation (POI), being 31 December. In order to attempt a reconciliation between the financial statements and the cost annex we have compared the financial statement year-end 31 March to the previous calendar year's sales annex as this was the closest point of time between the data. This revealed a difference of between [CONFIDENTIAL – information related to the difference in TSUK's in the above-mentioned periods. Not available in public sources and not susceptible of summary] on average across the years. [CONFIDENTIAL – information related to the reconciliation of TSUK's sales data. Not available in public sources and not susceptible of summary].

[CONFIDENTIAL – information related to the reconciliation of TSUK's sales data. Not available in public sources and not susceptible of summary]

TATA presented a walkthrough of their financial systems to show the source of the sales annex figures.

Please indicate the confidentiality status of the information summarised above:

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☐ confidential

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Redacted as explained above.

Exceptions/Findings

We were unable to reconcile the sales annex figures to the financial statements. TATA were able to provide high level explanation for the difference and also provided a detailed explanation of how their accounting systems operate.

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

Conclusions

There were no significant anomalies or inconsistencies in the trend of sales value and volume so we are satisfied that we can accept this data. The trend shown in the annex data followed that of the audited financial accounts.

We were unable in the time available to reconcile the annex data to the audited financial statements.

Reflecting that our wider authentication activities in relation to TATA's submission have not given rise to concerns about the data produced by the company's accounting systems in general, the clear audit opinion of the financial statements and the comparative trend



analysis between the audited accounts and the annex data we consider that on balance the data should be treated as verifiable.

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4 Costs

What information was authenticated

We authenticated the following area:

- Cost structure and cost components,
- Cost allocation and relevant changes in accountancy policies, and
- The impacts of shared services, company associations and agreements with suppliers.

We also attempted to reconcile the annex data for costs of production with the financial statements.

We reviewed cost allocation and relevant changes in accountancy policies. Furthermore, any associations and agreements with suppliers and shared services were considered using information in TATA's questionnaire response.

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☐ partly confidential

☐ confidential

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How the information was authenticated

For each product category in our review that TATA produces, we analysed the annex data to check for any outliers and identify differences from our expectations based on the background research. We identified the trends in the different cost components and compared the trends to data sources to assess whether there was evidence of this influencing the production costs.

[CONFIDENTIAL – information related to TSUK's raw material and labour costs. Not available in public sources and not susceptible of summary] In addition, we considered the significance of each cost item in relation to the total cost of production and compared the costs of production across the different product categories to check for any inconsistencies. [CONFIDENTIAL – information related to TSUK's direct costs. Not available in public sources and not susceptible of summary]

[CONFIDENTIAL – information related to TSUK's export sales and export strategy. Not available in public sources and not susceptible of summary]



TATA advised there has been no change in their accountancy policies, other than those relating to the adoption of new or updated accounting standards over the POI and MRP and their financial reports do not indicate otherwise.

To assess the reliability of the cost data provided, we attempted to reconcile the figures in the questionnaire annex with audited accounts provided, however the financial year and POI year convention differ. [CONFIDENTIAL – information related to TSUK’s management accounts. Not available in public sources and not susceptible of summary]

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Exceptions/Findings

We attempted to reconcile the cost figures in the questionnaire annex with audited financial statement provided, however the financial year and POI year convention differ. In the time available we were unable to complete this reconciliation.

TATA did provide a detailed description and walkthrough of their costing systems. This provides us with limited assurance on the company’s accounting systems.

[CONFIDENTIAL – information related to the reconciliation of TSUK’s costs data. Not available in public sources and not susceptible of summary]

TATA offered to present data in calendar years to assist in the reconciliation TATA stated that it would take two weeks to gather this data. There was insufficient time to request and analyse the data within the constraints of the case timeline.

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Conclusions

We checked the data in TATA's questionnaire annex relating to average costs of production and did not identify any significant inconsistencies in the data provided.

[CONFIDENTIAL – information related to the reconciliation of TSUK’s costs data. Not available in public sources and not susceptible of summary]

[CONFIDENTIAL – information related to the reconciliation of TSUK’s costs data. Not available in public sources and not susceptible of summary]

Reflecting that our wider authentication activities in relation to TATA’s submission have not given rise to concerns about the data produced by the company's accounting systems in general, the clear audit opinion of the financial statements and the comparative trend



analysis between the audited accounts and the data provided we consider on balance that that the data is verifiable.

Please indicate the confidentiality status of the information summarised above:

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Redacted as explained above.

5 Injury

What information was authenticated

We analysed the questionnaire injury data provided by TATA as well as data provided elsewhere in the company's submission, in relation to the following areas:

- Production,
- Capacity utilisation,
- Employment numbers and salaries,
- Productivity,
- Profit margins (for UK sales and third country sales),
- Inventories,
- Return on investment, and
- Cash flow.

Please indicate the confidentiality status of the information summarised above:

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☐ confidential

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How the information was authenticated

We analysed annex data relating to injury along with other data provided in the questionnaire response and TATA's audited financial accounts.

To assess the reliability of the data in the questionnaire, we compared it with the supplementary file TATA provided to us. TATA referred to overall import levels and potential trade diversion to the UK in response to discontinuing safeguards while safeguards in the EU and USA remain. No supporting evidence was submitted regarding this argument, and TATA referred to the submission of UK Steel for all questions related to injury assessment.

[CONFIDENTIAL – information related to the reconciliation of TSUK's profit and loss figures. Not available in public sources and not susceptible of summary]. Therefore, we concluded that we should rely on the annex data to demonstrate the trend in profit and loss figures.



The employment trends identified were reflective of the total employment trends in TATA's annual accounts. The ratio of staffing levels relevant to the production of like goods and staffing levels noted in the annual accounts was consistent with the ratio of employment costs of the like goods and wages and salaries in the annual accounts.

We identified trends in the data on the injury factors over the POI and MRP and identified fluctuations. TATA provided explanations for trends and changes identified, which we accepted as reasonable.

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:

Redacted as explained above.

Exceptions/Findings

[CONFIDENTIAL – information related to the reconciliation of TSUK's stock figures. Not available in public sources and not susceptible of summary]. Therefore, we concluded that we should rely on the data from the statutory accounts rather than the annex data for stock.

Please indicate the confidentiality status of the information summarised above:

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

Redacted as explained above.

Conclusions

Although we found differences between the annex data and financial accounts, we concluded that this was due to the difference in year-end between the annex and the financial statements and due to the annex reporting only on like goods.

[CONFIDENTIAL – Summary: it was decided to rely on the data from the statutory accounts rather the annex data for stock]

Besides this, we found that the annex data for injury and the trends identified were broadly consistent with explanations given on request and in TATA's questionnaire response and therefore can be relied upon in the transition review. It is reasonable to assume that the company has answered the questions based on its knowledge and understanding of the market. Its claims have been considered alongside responses from other sampled UK producers to understand the position of producers.

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

Redacted as explained above.



6 Economic interest

What information was authenticated

We checked the locations in which the producer operates against publicly available information.

We sought to authenticate:

- Supply chain information,
- Employment figures,
- Median wages,
- Market Share,
- Exports,
- Stock levels, and
- The relevance of the specified goods to TATA's operations.

Please indicate the confidentiality status of the information summarised above:

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☐ partly confidential

☐ confidential

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

How the information was authenticated

We checked the information provided for the EIT analysis against publicly available information including published news articles, TATA's website, TATA's financial reports, HMRC trade data and our own understanding of the industry and related industries.

We sought to understand TATA's upstream and downstream partners and industries by reviewing their questionnaire response against brochures and publicly available information, as well as our own understanding of the company gained from online research and our broader authentication activities, and compared this with the information included in TATA's supply chain questionnaire response. Information provided in the questionnaire response appears consistent with other submissions and open source research. TATA also provided arguments about the impact of the measure on the supply chain. These claims were not supported by evidence therefore they would not be used in isolation. However, given TATA's position in the market, it is reasonable to assume that they have answered based on their understanding of the market.

We reviewed the employment figures and median wages provided in TATA's annex data against TATA's published accounts. TATA did not provide a breakdown by location. Although there is a discrepancy between TATA's annex data and financial accounts, trends in employment numbers in the annex and the statutory accounts are similar.

We checked the information provided on market share by comparing TATA's annex data to import data from HMRC and found no discrepancies.

We confirmed the value of exports and export share by comparing the sales value for all goods, then calculating the value of imports and exports based on TATA's key markets factsheet. This provided a picture of the export market.



We reviewed all information provided alongside responses from other interested parties and contributors. The information provided in questionnaire is consistent with the information available.

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.

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:

Conclusions

We reviewed all information provided alongside responses from other producers. The information provided in the questionnaire is consistent with the open sources we have used and other responses we received.

We found that the information TATA provided about its own business activities was consistent with other sources. We accepted its claims about its supply chain, its market share and the relative importance of goods to its business as reasonable.

It has not been possible to authenticate all the claims made by TATA on the impact of the safeguard measure due to the limited evidence provided and therefore these claims would not be relied upon in isolation. However, it is reasonable to assume that TATA have answered these questions based on their knowledge and understanding of the market. These claims have been considered alongside responses from other producers to understand the position of the UK market.

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:

Conclusions

For TATA, we concluded that we do not have any concerns to report regarding company information, accounting practices and systems. We found one product



code reported that is not produced by TATA which was confirmed in discussion with TATA.

[CONFIDENTIAL – information related to the reconciliation of TSUK's costs and sales data. Not available in public sources and not susceptible of summary]

Reflecting that our wider authentication activities in relation to TATA's submission have not given rise to concerns about the data produced by the company's accounting systems in general, the clear audit opinion of the financial statements and the comparative trend analysis between the audited accounts and the annex data we consider that on balance the data should be treated as verifiable.

Although we found differences in the figures in the annex data and financial accounts on the injury factors, the data provided for the like goods followed similar trends in most factors to the financial statements and therefore we concluded that it is appropriate to rely on the annex data to demonstrate trends in this data.

[CONFIDENTIAL – information related to the reconciliation of TSUK's stock data. Not available in public sources and not susceptible of summary. Summary: it was decided to rely on the data from the statutory accounts rather the annex data for stock]. TATA provided explanations of the trends identified, which we accepted as reasonable.

We have noted the claims made about the impact of not extending the safeguard measure. Despite the limited supporting evidence, it is reasonable to assume that TATA has answered these questions based on its knowledge and understanding of the market. These claims will be considered alongside responses from other sampled producers to understand the position of producers.

Information provided regarding the Economic Interest Test has been found to be generally consistent with available information and other submissions by other interested parties, however, is not supported by sufficient corroborative evidence to authenticate all claims. Information and EIT is judged to be based on the company's experience and knowledge of the industry, demonstrating that this can be considered in conjunction with other claims made by other parties.

Annex 1: Meeting details

Date and duration	Type of authentication	Company representatives	TRID representatives
8 March 2021 (3 hours)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	Company representatives	Lead Investigator Verification specialist Investigator Investigator Investigator



12 April 2021 (1 hour)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	Company representatives	Lead Investigator Verification specialist Investigator Investigator Investigator
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