



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 authenticated:	Stemcor Distribution Ltd
Company details:	Stemcor Distribution Limited Longbow House 14-20 Chiswell Street London EC1Y 4TW, UK
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 Stemcor Distribution Limited 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 and information from open sources, such as Companies House, HMRC, and Stemcor Distribution Limited'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 Stemcor Distribution Limited'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 Stemcor Distribution Limited's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For Stemcor Distribution Limited, we do not have any concerns to report and concluded that the information which we have been able to authenticate provided by Stemcor 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 Stemcor Distribution Limited'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 Stemcor Distribution Limited. 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 Stemcor Distribution Limited (Stemcor) in their questionnaire response.

1 Company structure and associations

What information was authenticated

We confirmed information provided on the following areas:

- General set-up, including the ownership and management of the company
- Year of establishment with name change in 2017
- Facility locations
- Function as a trader and distributor
- Range of its products concerned/subject to review, and
- Associations.

We also reviewed Stemcor'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.

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 reviewed Stemcor's general set-up, ownership and products by examining official documents published on Companies House, including the Certificate of Incorporation and the company's audited financial reports for the POI and MRP. We found the information



we retrieved from those sources to be consistent with the information provided by the company in its questionnaire response.

We checked the company's associations by reviewing financial reports published on Companies House, which we also used to check whether any of Stemcor's board members were associated with other companies related to the same industry. We confirmed that the information provided by Stemcor regarding their associations was consistent with the publicly available information on Companies House.

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.

We also used information in the financial reports to check the company's accounting practices and policies. This included its basis for account preparation, its financial year convention, its method for stock valuation and its method for revenue recognition. We compared those findings with Stemcor's response to the importer questionnaire and with explanations given during remote authentication, which were all consistent.

In a remote authentication meeting, we asked Stemcor for further explanations of its accounting systems. They also explained their stock management system. The company's representatives provided a walkthrough of a sample purchase and sales transaction. This demonstrated the level of automation in the accounting systems, where there is a segregation of duties, and what checks and approvals are required before transactions can be posted to the 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:

Exceptions/Findings

None.

Please indicate the confidentiality status of the information summarised above:

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☐ confidential

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

Conclusions

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



Stemcor's 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.

During our authentication of the company's accounting systems, we did not find evidence that the systems are unreliable. The walkthroughs that the company delivered during remote authentication suggest that Stemcor 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 produced by the systems during the transition review.

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☐ confidential

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2 Goods

What information was authenticated

We checked that Stemcor had:

- Correctly selected the commodity codes for its subject to review, and
- Allocated them correctly to the product categories used in the transition review.

We checked the evidence of the imports that the company claimed to import in the POI and MRP.

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

How the information was authenticated

We ensured that commodity codes were correctly allocated to the product categories by comparing the data provided in the annex to the questionnaire against the commodity codes and product categories listed in the table of goods subject to review as provided in the Notice of Initiation.

During remote authentication, Stemcor provided a detailed outline of all the company's imports, including a description of its goods not subject to review. We compared this information with Stemcor's questionnaire responses and HMRC trader search which enables us to see companies who have imported which commodity codes from outside the EU. Some commodity codes were not listed in the trader search which Stemcor clarified may not have been imported during those years and could be discounted. We



concluded that there was sufficient information to show that Stemcor is an importer of the product categories listed in the annex to the questionnaire.

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

Conclusions

Stemcor reported the correct commodity codes 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 importing 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 Stemcor has provided an outline of its goods subject to review that we can rely upon in the transition review.

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

3 Imports and purchases

What information was authenticated

We analysed the questionnaire-annex data that Stemcor provided for all categories of imports and UK purchases by considering the trends in:

- Volume
- Value, and
- Average price per tonne.

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



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How the information was authenticated

In order to carry out a review of the trends in the data provided, a sample of product categories was used for each of the importers representing the categories for which the imports were most significant for the importer, or across the imports into the UK.

For categories sampled, we analysed Stemcor's import volumes, import values and average import prices per tonne across the POI and MRP by using the questionnaire response annex figures to plot graphs and tabulate year-on-year changes. With the aid of trendlines, we observed and compared the overall trends for each category; and by inspecting the graphs and tables, we identified any fluctuations that were significant (for example annex 2.1).

We used data provided from the questionnaire response annex to:

- plot import volumes and values throughout the POI and MRP on a graph to see how sales volumes and values have developed (for example annex 2.1)
- plot trendlines for import volumes and values to distinguish trends of sales throughout POI
- plot import prices over the POI and MRP (for example annex 2.2)
- plot import volumes of all sampled importers who produce a product category throughout the POI and MRP to compare sales volumes between importers.

In authenticating the data for each product imported, we tabulated and provided graphical representation of the import data for Stemcor, and compared this with other UK importers. When reviewing this data we found differences in the import volume and price for the goods, ranging through all product codes.

During the walk through process with Stemcor, questions were raised regarding the fluctuations. Stemcor advised that changes in the value and quantity were due to market conditions. Stemcor confirmed in the walk through that the price is world led. [REDACTED – confidential company information]. Stemcor stated that quantity is led by UK customer demand.

Whilst some products had fluctuations in their trends, demonstrated through plotting information provided into tables and graphs, trends for most products generally followed the trends of other UK importers, and Stemcor provided explanations for fluctuation, which we have accepted as acceptable.

We then reconciled the company's questionnaire-annex figures for imports and UK purchases with corresponding figures in the financial statements and thereby assessed whether we could rely on the company's questionnaire-annex data.



The accounts are prepared by calendar year, which is in line with the POI. Audited financial statements are available across the full POI and no adjustments were necessary to align the financial data provided to the POI.

Stemcor stated that no purchases were made by Stemcor from UK suppliers and therefore provided no data for purchases in the questionnaire annex which was consistent with the reconciliation for import data, so no reconciliation was required for purchases. Initially, reconciliation was not possible to a reasonable degree of variance. Following discussion with Stemcor, they agreed to provide a sample reconciliation for 2018 and 2019 as requested by the investigation team. A sample of 2018 and 2019 was reconciled based on a breakdown of goods subject to review and those falling outside the measure (as shown in annex 2.5 - confidential). The data presented for imports had a variation of up to 5.3% and was therefore deemed within an acceptable variance to rely upon in the transition review.

Please indicate the confidentiality status of the information summarised above:

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☐ confidential

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

Redacted above – confidential company information

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 identified significant fluctuations in the company's imports of the goods subject to review, but we were satisfied with Stemcor's explanation of the trends.

We reconciled the annex figures with corresponding figures in the audited financial statements to within 5.3% for the sampled years of 2018 and 2019. Consequently, the evidence suggests that the data the company has provided for its imports and UK purchases is sufficiently accurate for us to rely on it during the transition review.

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☐ confidential

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



What information was authenticated

We analysed the questionnaire annex data that Stemcor provided for all sales by considering the trends in:

- Volume
- Value
- Average price per tonne, 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
- Checked whether the proportion of the sales value coming from all categories were consistent with other information.

Please indicate the confidentiality status of the information summarised above:

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☐ confidential

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

How the information was authenticated

Using the reported sales figures from Stemcor's questionnaire annex, we tracked the proportion of the company's goods sales that came from goods subject to review across the POI and MRP.

For the sampled goods subject to review, we analysed Stemcor's sales volumes, sales values (for example annex 2.3) and average sales prices per tonne (for example annex 2.4) by using the questionnaire-annex figures to plot graphs and tabulate year-on-year changes across the POI and MRP.

Stemcor were asked questions about the changes in sales across the products and years and stated that as an international commodities trading business, volumes and prices are subject to the ebb and flow of both the international market, and local destination market which can lead to a significant variation in tonnes and prices year on year, based on various micro and macro factors. As the trends were consistent, we accepted the company's commercial explanations.

We compared Stemcor's sales from the annex with their audited financial accounts to check that the information was satisfactory. We did this by summing the categories' sales values in the questionnaire annex and comparing with the financial statements on Companies House across the full POI and MRP. This comparison was then analysed to find any significant differences between the sets of figures.

We sought to reconcile sales data provided in the company's questionnaire annex with corresponding figures in the financial statements to assess whether we could rely on the data. For the period up to 2016, this included the financial statements for Eurosteel Products and Samac Steel Supplies Limited who were then merged to become Stemcor Distribution Limited in 2017. Reconciling these figures showed a significant positive percentage difference for 2013 to 2016 (as shown in annex 2.7 – confidential). Stemcor



clarified that before the merger, a number of additional product lines outside the goods subject to review were imported which were no longer imported post-merger and that accounts for the difference. We accepted this as a reasonable commercial explanation. Stemcor stated that around 3% of their goods now fall outside of the measure. Based on the years in the sample (2017-2019), the reconciliation was 4%, 1% and 9%, therefore we can conclude the differences are not significant and we can rely on the information in 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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If applicable, please specify what particular areas you consider to be confidential:

Conclusions

We identified significant fluctuations in the company's sales of the goods subject to review, but we were satisfied with Stemcor's explanation of the trends.

Stemcor clarified the reason for the larger differences in 2013-2016 data as due to other product lines traded by Samac and Eurosteel before their merger, and we accepted the explanation as reasonable. We reconciled the sample year questionnaire annex figures with corresponding figures in the audited financial statements to between 1 and 9% for the sampled years of 2018 and 2019 and when considering the claim that 3% of goods fall outside the goods subject to review, this is within an acceptable tolerance. Consequently, the evidence suggests that the data the company has provided for its sales is sufficiently accurate for us to rely on it during the transition review.

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☒ non-confidential ☐ partly confidential ☐ confidential

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

5 Economic interest

What information was authenticated



We assessed Stemcor's claims about the UK producers of all categories of like goods that it identified in its questionnaire response. We also considered Stemcor's claims about the potential production/import capacity of the UK in total.

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

- Its supply chain
- The industries it serves
- Its employment numbers
- Its median wages/salaries
- Its total exports
- Its share of the import market.

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

Please indicate the confidentiality status of the information summarised above:

<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> partly confidential	<input type="checkbox"/> confidential
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If applicable, please specify what particular areas you consider to be confidential:

How the information was authenticated

We authenticated Stemcor's claims about the UK producers of like goods by examining the UK producers' websites, brochures and Companies House. This included comparing product specifications to commodity-code descriptions and comparing production volumes. Stemcor identified the UK producers but provided no supporting evidence, and as a result the team sought to authenticate such claims through information obtained by the team through open source searches.

We also reviewed Stemcor's suppliers as mentioned in their questionnaire and annexes. These were confirmed via reviews of the suppliers' websites and other searches.

We also confirmed the details about Stemcor's supply chain by examining their questionnaire response and the information provided during their walkthrough.

Stemcor's employment figures were compared with those in the notes to the audited financial statements. For each full year from 2017 to 2019, the median salary/wage was lower than the mean salary/wage calculated from the financial statements but as this is a difference between median and mean, we accepted this information.

Using the company's annex data, and HMRC data we calculated the share of the UK's imports that were made by Stemcor. The findings supported the claims in Stemcor's questionnaire response.

We considered the claims the company made about the wider UK market, regarding both the existing market for goods and the potential impact of safeguarding measures on that industry and connected industries. These were compared to other sampled importers.



We considered claims about the nature of the supply chains, the users of products and the trends in demand and some other details. For the potential impact of safeguarding measures, this included claims about the supply chain, the downstream market and competitiveness and some other details. We compared publicly available data to Stemcor's questionnaire response and compared Stemcor's claims with those of other importers in our sample.

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☐ confidential

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

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 Stemcor's claims about the impact of the safeguard measure, and therefore they would not be relied upon in isolation.

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☐ confidential

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

Conclusions

We found that the information Stemcor 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 the goods to its business.

The claims made by the company on the impact of the safeguard measure on the UK market have not been backed up with evidence. However, it is reasonable to assume that Stemcor 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.

It has not been possible to authenticate all claims made by Stemcor on the impact of the safeguard measure due to the limited evidence provided. However, it is reasonable to assume that Stemcor has answered these questions based on its 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 Stemcor, the questionnaire information provided by Stemcor has been reviewed and found to be consistent with other sources of information including publicly available information and financial statements and trial balances. Reconciliation has been possible to an extent acceptable for our purposes and therefore no adjustments have been required and information can be considered within 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

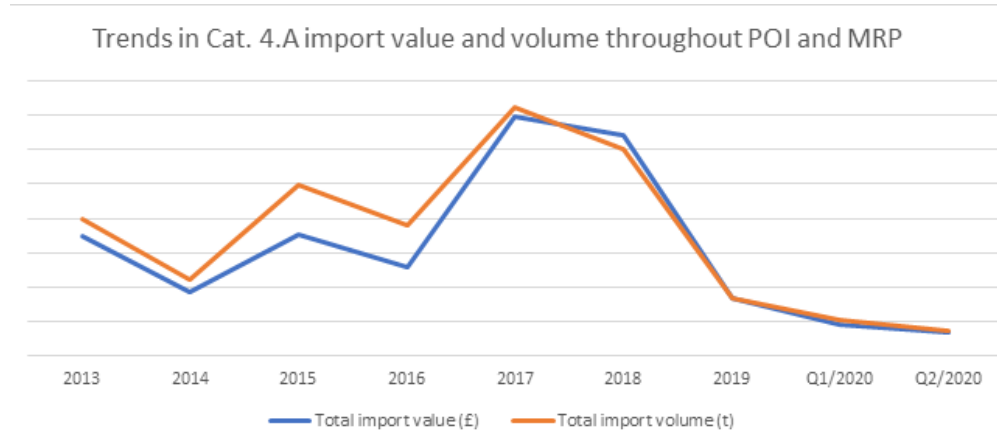
Date and duration	Type of authentication	Company representatives	TRID representatives
11/03/2021 2.30pm-5pm	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	Managing Director Trader Admin Manager Financial Controller	(lead investigator) (investigator) (investigator) (investigator) (verification specialist)

Date and duration	Type of authentication	Company representatives	TRID representatives
07/04/2021 10:30am-11am	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	Managing Director Trader Financial Controller	(lead investigator) (investigator) (investigator) (verification specialist)

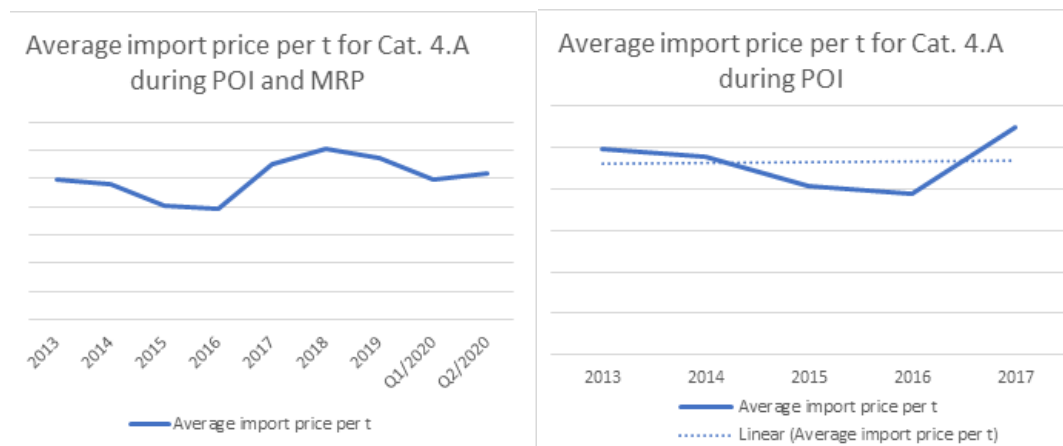


Annex 2: Non-confidential versions of graphs and tables

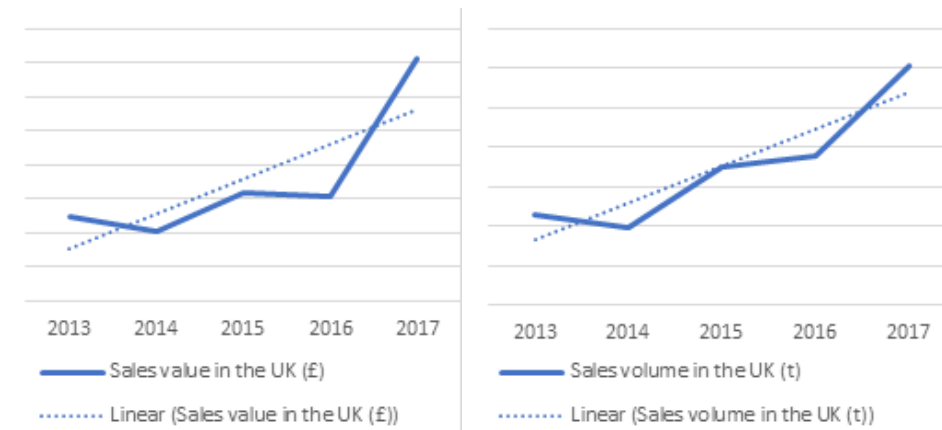
1: Category 4A import value and volume throughout POI and MRP



2. Category 4A average import price during POI and MRP



3. Category 4A sales values/volumes during POI.



4. Category 4A sales price during POI.

