



## **Authentication Report**

### **Safeguard measures on certain steel products**

### **Case: TF0006**

<b>Period of Investigation (POI):</b>	01 January 2013 – 31 December 2017
<b>Most Recent Period (MRP):</b>	01 January 2018 – 30 June 2020
<b>Date of report:</b>	22 April 2021
<b>Case team email:</b>	TF0006@traderemedies.gov.uk
<b>Company authenticated:</b>	Celsa Steel (UK) Limited
<b>Company address:</b>	Celsa Steel (UK) Limited Building 58 Castle Works East Moors Road Cardiff South Glamorgan CF24 5NN
<b>Company representative:</b>	(Head of External Affairs)



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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 Celsa Steel UK (Celsa) 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 Celsa'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 Celsa'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 Celsa Steel's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For Celsa, we do not have any concerns to report and concluded that the information which we have been able to authenticate provided by Celsa 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. 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 Celsa 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 Celsa. 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 party 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 Celsa Steel 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, and
- Reliability of the financial statements.

We reviewed Celsa'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 information provided by Celsa UK 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 publicly available on Companies House.



We compared the information provided by Celsa in its questionnaire response 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 Celsa in their questionnaire response and questionnaire annex were cross-checked using information available on Companies House and as per Celsa's website 'where we are'. We confirmed that the information provided by Celsa Steel was generally consistent with publicly available information. Clarity was sought in meetings with Celsa regarding some roles and relationships, which were accepted.

We assessed the reliance we could place on the published financial statements. The audit opinion, by Ernst and Young LLP, 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 response 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 Celsa's accounting systems and cost/profit centres. The company's representatives provided a detailed description of their internal management systems and walkthroughs of sample purchase and sales transactions.

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:*

☒ 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

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



Celsa's accounting practices and systems are sufficiently accurate 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.

During our authentication of the company's accounting systems, we were satisfied that the accounting systems were reliable and operating as described. The walkthroughs that the company delivered during remote authentication suggest that Celsa's accounting systems are 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.

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## 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 Celsa Steel had correctly reported the production of the like goods 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.

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### How the information was authenticated

For the products relevant to Celsa, namely 1, 12, 13, 16 and 17 we did not receive any submissions suggesting that the products were not being produced. Therefore, the team did not require any clarification on the goods laid out in the questionnaire response and accepted the goods outlined.

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### Exceptions/Findings



None.

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## Conclusions

None of the goods that Celsa identified they produce were contested by any parties in the case. There is no evidence to suggest that any codes reported to be produced by Celsa 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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## 3 Sales

### What information was authenticated

We analysed the trends in the sales data that Celsa provided 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
- Checked whether the proportions of sales values were consistent with other information.

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### How the information was authenticated

We analysed the sales data to identify any anomalies, differences and/or trends. We considered average annual prices, comparing those for associated and non-associated customers in domestic and export markets from the sales annex data. Celsa provided explanations for the trends observed, which we accepted.



As Celsa have stated that Celsa Manufacturing and Celsa Steel are relevant to the transition review, the sales annex figures reflect the sales performance of both Celsa Steel and Celsa Manufacturing with double-counted sales removed from the sales annex figures. We have found that Celsa's financial reports are presented in calendar years.

We compared the reported total sales figures (looking at sales of like and directly competitive goods, as well as total sales of all goods) against the financial reports of Celsa Manufacturing and Celsa Steel 2013 – 2019 (published on Companies House).

The total company sales figure in the annex reconciles closely to the financial accounts of Celsa Manufacturing [REDACTED – specific percentage removed] Celsa provided additional clarification of its sales figures during the remote authentication meeting with TRID representatives. It subsequently resubmitted its sales information for both Celsa Steel and Celsa Manufacturing including other ad hoc revenue streams [REDACTED – specific revenue streams removed] and other minor adjustments to reconcile the remaining reconciliation difference which allowed for an exact reconciliation to the sales annex figures.

When reconciling the sum of the sales annex individual product total sales figures for all goods to the sales annex total company sales figure for all goods, a [REDACTED – specific percentage removed] difference in total sales figures was revealed. Celsa were able to provide a full reconciliation of this difference, which consisted of minor revenue sources such as billet sales and transport charges that would be included in the financial statements as revenue but not in the sales annex as sales value. Because we are satisfied with this reconciliation, we are also satisfied that the individual product total sales figures are reconcilable to audited financial statements. This reconciliation allows us to confidently rely on the sales annex provided by Celsa in this transition review.

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

Redacted as detailed above.

### Exceptions/Findings

None.

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### 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.

We were able to reconcile both the total sales value of all goods and the individual product total sales values to total revenue reported in the audited financial statements provided by



Celsa. We have sufficient factual evidence to be able to confidently rely on the data provided in the sales annex provided by Celsa in this transition review.

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## 4 Costs

### What information was authenticated

We authenticated Celsa's production costs in the following areas:

- 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 reconciled 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 Celsa's questionnaire response.

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### How the information was authenticated

For each of the five product categories in our review that Celsa produces (1, 12, 13, 16 and 17), 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 those to information Celsa provided to assess whether there was evidence of this influencing the production costs.

As expected, raw materials and energy make up a significant proportion of production costs, with scrap being the main material. 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. When considering the effect of quantity produced on all direct costs, there is strong correlation.

To assess the reliability of the data provided, we compared the figures in the questionnaire annex with publicly available information in Celsa Manufacturing (UK)'s financial statements on Companies House. We compared the operational costs listed in Celsa Manufacturing (UK)'s profit and loss account with sum of the annex total cost of production and the annex total cost to sell. [REDACTED – specific percentage removed]



Celsa provided a reconciliation between the cost of production listed in the annex and the operational costs listed in the profit and loss account for 2016. [REDACTED – specific percentage removed] . Celsa explained that the reasons for the outstanding difference were sales of products not included, and other stock related costs, [REDACTED – specific stock related costs] As a result of this work and the explanations provided by Celsa, we have found the reported total cost of production over the POI and MRP to be sufficiently accurate.

We have also checked the reported cost of production data for inconsistencies in the reported totals. To do this we summed the individual costs of production for the products and compared this to the reported total cost of production. [REDACTED – specific percentage removed] Celsa subsequently explained that, as with the differences found in the sales data, the differences were due to multiple small costs included in the statutory accounts that were not adjusted for in the individual product costs. Given that Celsa provided a full reconciliation for the inconsistencies in the sales data, and the relatively small differences between the total cost of production and the sum of the individual products costs of production, we are assured that the reported costs of production are sufficiently accurate to rely on in the transition review.

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### Exceptions/Findings

None.

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### Conclusions

We are satisfied with Celsa Steel's explanation following the attempt to reconcile the data provided in the annex on costs. As such, we are reasonably assured that the methodology for sourcing the data in their questionnaire annex was appropriate. Consequently, the evidence suggests that the data the company has provided for its costs is sufficiently accurate for us to rely on it during the transition review.

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## 5 Injury

### What information was authenticated

We analysed the questionnaire injury annex data provided by Celsa 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 (UK sales and third country sales),
- Return on investment, and
- Cash flow.

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### How the information was verified

We analysed the annex information provided by Celsa relating to injury along with other data provided in the questionnaire response and Celsa Steel UK's audited financial accounts.

To assess the reliability of the data in the questionnaire we compared it to the other information provided by Celsa. All claims made by Celsa related to injury were focussed on potential injury due to a surge in imports in response to the safeguard measures potentially being discontinued. Celsa refer to the submission of UK Steel for details of more specific economic pressures.

To assess the reliability of the data in the "injury" and "cash flow" sections of the annex, we took 2014 as a sample and compared the figures in those sections to corresponding figures in the financial statements for 2013-2019.

Between the figures reported in the questionnaire annex and corresponding figures in the Annual Report and Financial Statements of Celsa Steel UK Limited, we identified some differences in the reported profit/loss before tax, total number of employees, total cost of wages, depreciation. We considered the differences in these figures to be within an acceptable variance and therefore we accepted them.

We then reviewed the trends in economic factors.

Regarding production and capacity, we identified the changes over the POI and MRP, which remained generally consistent across the product categories, with some fluctuations in categories 13 and 16. Celsa provided explanations for these fluctuations, which were accepted.



The trends in employment were found to be consistent across the POI and MRP with an increase in total employment in the MRP, for which Celsa provided a reasonable explanation.

We found that productivity remained consistent across the POI and MRP, with a drop in Q1 2020, which Celsa attributed to COVID-19, which was accepted as a reasonable explanation. The data on productivity was found to be consistent with the data provided on production volume.

Profit margins from UK sales fluctuated over the period, [REDACTED – specifics regarding trends in the data] Celsa explained that this was due to supply and demand conditions in the market. [REDACTED – specifics regarding trends in the data] Profit margins from third-country sales fluctuated over the period. Celsa explained that this was due to changes in raw material costs. We accepted the explanation as reasonable.

A significant shift in return on investment was found in Celsa's data. They explained the changes in return on investment were related to changes in profit margins resulting from altered production volumes with a fixed costs base or from increases in costs. We accepted this explanation.

There were significant changes in cash flow across the POI and MRP. Celsa attributed these to the patterns in sales, profits and losses described above. We accepted this explanation as reasonable.

For inventory stock of raw materials, semi-finished goods and finished goods [REDACTED – confidential company information] for Celsa (UK) Holdings Ltd, we are able to reconcile this figure [REDACTED – specific percentage] closely for the 2014 sample year which is within an acceptable tolerance. We can accept this data.

*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:*

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### Exceptions/Findings

None.

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### Conclusions

Differences between the annex data and financial accounts in the profit/loss, number of employees, total wages, stocks and depreciation figures were insignificant. Therefore, we conclude that we can rely on this information in the transition review.



Besides this, we found that the questionnaire response for injury was provided with acceptable explanations by Celsa. It is reasonable to assume that the company has answered the questions on injury 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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## 6 Economic interest

### What information was verified

We checked Celsa's response regarding its company information and the product information that is in the scope of the investigation as well as its response on its site locations.

We sought to authenticate:

- Employment figures,
- Median wages,
- Market Share,
- Exports,
- Stock levels, and
- The relevance of the specified goods to Celsa Steel's operations.

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### How the information was verified

We checked the information provided for the EIT analysis by cross-checking with publicly available information including published news articles from Companies house, Celsa Steel's website, Celsa Steel's financial reports, HMRC trade data and our own understanding of the industry and related industries. Celsa made some arguments on the impact of the measure however there was insufficient supporting evidence provided to support some of Celsa's claims and therefore these would not be relied upon in isolation.

We sought to understand Celsa Steel's upstream and downstream partners and industries, from brochures and publicly available information, as well as our own understanding of the company, gained from online research and our broader authentication activities. We compared this with the information included in Celsa Steel's



supply chain questionnaire response, which was consistent, and we accepted this information.

We reviewed Celsa's supply chain listed in the questionnaire with their website and wider questionnaire responses. We also identified the overview of the supply chains of Celsa, both upstream and downstream related industries, and examined the questionnaire responses, noting the impact on the structure of the UK market, the ability to compete and incentives to do so. This information was consistent with information on Celsa's website and based on this we accepted the information.

We authenticated information provided on employment and median wage data that Celsa submitted against Celsa Steel's website, news articles, questionnaire annex 9, UK Steel Market submission and other producers' EIT sections.

Celsa provided an estimate on its market share of the like goods. In order to gain better understanding of Celsa's market size we referred to Celsa's website and questionnaire responses, annexes and appendices.

We authenticated Celsa's questionnaire response that the bulk of its goods produced are those under the safeguards review by comparing it to data they provided for total sales which was consistent, and we accepted this information.

We authenticated Celsa's submission on the impact on imports and exports by highlighting the sales value for all goods, then calculating the value of imports and exports based on Celsa key markets factsheet. Arguments made regarding the impacts have not been sufficiently supported with evidence to be authenticated, however it is noted that Celsa have provided these comments based on their knowledge and experience in the market.

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## Exceptions/Findings

None.

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## 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. Therefore we conclude that we can rely on this information on the transition review.



We found that the information Celsa Steel 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. Therefore, we conclude that we can rely on this information in the transition review.

It has not been possible to authenticate the claims made by Celsa on the impact of the safeguard measure due to the limited evidence provided and therefore they will not be used in isolation. However, it is reasonable to assume that Celsa 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 producers.

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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 Celsa, the questionnaire information provided has been reviewed and found to be consistent with other sources of information including publicly available information, financial statements and other submissions. 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 Injury and the Economic Interest Test has been found to be generally consistent with publicly available information and other submissions by other interested parties, however, is not supported by corroborative evidence. Information on 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
12 March 2021 (1 hour 30 mins)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	(company representatives)	Lead Investigator Verification specialist Investigator Investigator Investigator



			Investigator
9 April 2021 (1 hour)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	(company representatives)	Lead Investigator Verification Specialist Investigator Investigator Investigator