



## Verification Report – UK Producer Case TS0055: Organic Coated Steel

<b>Period of Investigation (POI):</b>	01 April 2023 to 31 March 2024
<b>Injury Period:</b>	01 April 2020 to 31 March 2024
<b>Date of report:</b>	12 September 2024
<b>Case team contact details:</b>	<a href="mailto:TS0055@traderemedies.gov.uk">TS0055@traderemedies.gov.uk</a>
<b>Interested party verified:</b>	Tata Steel UK

For further details, please see the [Notice of initiation](#) on the public file.



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## Executive Summary

The Trade Remedies Authority (TRA) is conducting a transition review to determine whether the UK should vary or revoke countervailing measures on Organic Coated Steel from the People's Republic of China, pursuant to Part 12 of The Trade Remedies (Dumping & Subsidies) (EU Exit) Regulations 2019 ('the Regulations') - Statutory Instrument 450/2019.

More information about the case can be found on the [public file: TS0055 Anti-Subsidy Review: Public File - Organic Coated Steel from China](#)

Tata Steel UK (TSUK), a domestic producer of the like goods, returned a completed, domestic producer questionnaire ('questionnaire response'). The TRA sought to verify the completeness, relevance and accuracy of the information submitted.

During the verification process, we

- compared TSUK's questionnaire response to accompanying evidence and to information from sources such as Companies House, HM Revenue & Customs (HMRC) and TSUK's website;
- reconciled financial data provided in the Annex to the financial statements and supporting evidence in the form of management reports, and reports from TSUK's finance systems;
- completed a walkthrough of TSUK's costing method which detailed how it derived the cost of production for the like goods, and;
- conducted purchase and sales tracing across a sample of transactions to their source documentation, from point of order to revenue recognition and payment.

During the verification, TSUK provided the information that we requested, additional evidence as required, and explanations for areas that needed clarification. We did not identify any material issue with the information and evidence we obtained.

Based on the verification activity undertaken, the TRA have a reasonable level of assurance of the completeness, relevance and accuracy of the information provided by TSUK and that we can use it for the purpose of this transition review.

## Purpose of verification

The purpose of the TRA's verification activity is to determine whether the information provided by interested parties is complete, relevant, accurate, and can be used in our review. This verification report sets out the conclusions reached for each component that covers the scope of our work. It also provides an overall conclusion stating the level of assurance reached.



The information verified may then be considered in our assessments and analyses to determine whether the importation of the subsidised goods subject to review is likely to continue or recur if the countervailing amount were no longer applied to those goods and whether injury to the UK industry is likely to continue or recur if the countervailing amount were no longer applied to those goods.

We carried out verification activities remotely. The TRA did not seek to verify all information provided, but undertook the work considered appropriate and achievable within the time constraints of the review to obtain assurance upon which to base our case decisions.

This verification report documents the work completed, providing an overview of the range and scope of verification procedures performed, for each component that covers the scope of our work, on the information submitted by TSUK. It details the conclusions reached regarding completeness, relevance, accuracy and provides an overall conclusion stating the level of assurance reached.

## Confidential information

TSUK must provide a non-confidential version of this verification report marked as 'non-confidential' in the header.

If any information contained in the verification report is considered confidential, TSUK should delete or redact those sections and provide a non-confidential summary of the information which has been removed. It must provide reasons as to why the particular information is considered confidential (see also [public guidance](#)).

The non-confidential version of the verification report will be placed on the [public file](#).



## Verification

The following provides a summary of work completed by the TRA to determine whether the information provided by TSUK in their questionnaire response is complete, relevant, and accurate.

### A. Company structure and associations

#### What information was considered

- Company details.
- Organisational structure
- General set up, ownership, locations, and management
- Associations

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### How the information was checked

##### **Company information, set-up, ownership, locations, and management**

We cross-checked the information provided by TSUK on company details, ownership, and locations by examining official documents published on Companies House, including TSUK’s more recent audited financial report for the year ending 31 March 2023 and its corporate status. We found the information from these sources to be consistent with the information provided by TSUK in its questionnaire response and on its own website.

We also compared information concerning the size and scope of the group of companies associated with TSUK and found the publicly available information to be consistent with TSUK’s questionnaire responses.

We cross-checked the information provided by TSUK on company details and ownership by examining official documents published by Companies House, including the Certificate of Incorporation and the company’s audited financial reports. We found the information from these sources to be consistent with the information provided by TSUK in its questionnaire response and on its own website.

We reviewed the company’s associations by checking information available on Companies House, which we also used to check whether any of TSUK’s board members or shareholders were associated with other companies within the same industry. We took this procedure to ensure that TSUK has correctly identified all its associated or related parties and all related party transactions. We confirmed that



the information provided to us was consistent with publicly available information.

We reviewed the audited financial reports from FY 2022/2023 to verify TSUK’s accounting policies and practices. This included its basis for account preparation, its financial year convention and its method of revenue recognition. We confirmed that the information provided by TSUK was independently audited. The auditor’s reports state 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” for the period up to March 2023. The financial statement for the POI has not yet been audited.

Our findings are consistent with our understanding of TSUK as an entity and the scale of its operations. The work performed and documented provides a reasonable level of assurance concerning our overall understanding of the company, its operations, and associations.

No material issues were identified.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Exceptions/Findings/Adjustments

There were no exceptions, findings, and / or adjustments to report with regards to the company information and associations

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions

The information relating to company structure and associations provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, accurate and can be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT) and for any other purpose within this transition review.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*



## B. Accounting Systems and Procedures

What information was considered
<ul style="list-style-type: none"> <li>• TSUK’s SAP accounting system</li> <li>• Costing process and variance adjustment</li> </ul>
<i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see <a href="#">Confidential information</a>):</i>
How the information was checked
<p>During the verification, we confirmed that TSUK had correctly reported the accounting system it uses in the questionnaire response. The system has not changed during the injury period and remains the same with the records the TRA maintains in its walkthrough file.</p> <p>To understand how the data reported in the questionnaire response for the POI was extracted, TSUK walked us through how the sales listing and cost of production data were obtained from the accounting system. We identified what part of the process was automated and where there had been manual calculations. We found the process to be clear and a reasonable approach to obtaining the data.</p>
<i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see <a href="#">Confidential information</a>):</i>
Exceptions/Findings/Adjustments
<p>There were no exceptions or adjustments to report with regards to the accounting system and procedures.</p>
<i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see <a href="#">Confidential information</a>):</i>
Conclusions
<p>Based on the work performed, we have obtained a basic understanding of the relevant accounting and associated business systems of TSUK. This enabled us to plan appropriate verification procedures.</p>
<i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see <a href="#">Confidential information</a>):</i>



C. Goods

What information was considered

- Goods description and internal coding system
- PCN allocations

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

How the information was checked

TSUK identified the like goods through their sales classifications. During verification, we observed TSUK’s SAP reporting systems for the profit centres that sell the like goods. TSUK’s sales of the like goods were identified from [redacted]. From the reports, we were able to:

- identify the goods in-scope based on their initial description of ‘organic coated’
- identify the goods specifications that resulted in the respective PCN allocations
- identify the internal materials number of the goods, where products that are identical are grouped together, which is used for costing identification.

TSUK’s submission outlined the essential characteristics of the product, which, when applying an internal material decode document provided by TSUK, enabled the breakdown of the products specifications and comparison to the PCN allocation, in addition to the material number assigned to the goods specification.

We cross checked TSUK’s material numbers against the PCN allocations to confirm these were allocated consistently. We then conducted further cross-checks by examining individual invoices with the product descriptions and compared the details to the PCN assigned.

We identified out of scope goods from the SAP reports (from the profit centres that sold the like goods), and cross-checked invoice samples against these to ensure out of scope goods had been classified correctly.

The classification and specifications of Organic Coated Steel products within TSUK’s financial reporting system allowed us to identify and verify the like goods listed in the annex. In addition, we used the technical specifications reported to check the accuracy of the classification of TSUK’s goods to PCNs.



*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

TSUK has redacted confidential information related to its profit centres.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and / or adjustments to report with regards to the goods.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions

The information relating to the company's goods provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, accurate and can be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT) and for any other purpose within this transition review.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*



D. Costs

What information was considered

- TSUK’s financial statements
- Total costs of all goods sold company-wide
- Cost to manufacture and selling cost of the like goods

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

How the information was checked

We checked that cost to make the like goods which TSUK reported in the questionnaire annex was complete by reconciling the data to the draft financial statements for the POI. As TSUK produces other goods, we carried out the reconciliation by using their trial balance and costing reports, which provided a breakdown of the figures in the draft financial statements by business units and reconciled to TSUK’s draft unaudited financial statement (due to be published in September 2024).

As part of this procedure, we reconciled the total cost of all goods sold company-wide and the like goods reported in the questionnaire annex to the management report, trial balance and the unaudited financial statement. Then, we observed TSUK’s cost allocation process for the like goods by conducting a walkthrough of this process during verification to ensure that it allocated complete costs to the like goods correctly. The allocation process was clear and the totals reconciled to the trial balance, we did not identify any issue.

We checked for the relevance and accuracy of the cost data by tracing a sample of the transactions to source documents and assessing the reasonableness of the cost allocation to the like goods.

We tested a sample of raw material purchases submitted in the questionnaire annex, from purchase to proof of payment. This helped us to confirm that the raw materials figure was accurately reported in the questionnaire annex. We conducted a walkthrough of the cost allocation and TSUK showed us how it utilised its bill of materials (BoM) to generate the standard cost used in the production of the substrate for OCS and saw the subsequent adjustment of the standard cost to actual cost calculated for all end sales/transfers to the downstream or direct to a customer.



The evidence provided has allowed us to reconcile the total costs of all goods and total like goods costs to the financial statements and tested a sample of the raw material purchases. We found no issues in our assessments.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Exceptions/Findings/Adjustments

There were no exceptions, findings, and / or adjustments to report with regards to the costs.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions

The information relating to the company’s costs provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, accurate and can be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT) and for any other purpose within this transition review.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*



## E. Sales

### What information was considered

- TSUK's financial statements
- Domestic and export sales of the like goods
- Average sales prices
- Sample of relevant sales transaction
- Price setting
- Price reductions

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

To check that TSUK provided the complete sales data for the like goods, we reconciled the data to its management, trial balance and SAP reports and to its draft unaudited financial statement (due to be published in September 2024). TSUK produces other goods so the sales in the financial statements contained the sales of other goods, therefore we used the trial balance to reconcile the breakdown of the goods. We were also able to identify sales to domestic (UK) customers, and export sales.

We were further able to reconcile the separate entities which produce out of scope goods, submitted in the questionnaire annex, to the management reports.

TSUK's sales of the like goods were identified from [redacted]

In addition, we requested total sales of all goods from the two profit centres, consisting of:

- the like goods within the SAP sales reports
- internal eliminations (*i.e.*, transfers of goods from [redacted] to other TSUK entities, which are further worked and become out of scope)
- Out of scope sales (identified through product specifications, for example, 'galvanised steel' or 'building products').

The sum of these reconciled to the total revenue within the two respective entities, which when added to the remaining entities, reconciled to TSUK's total turnover.

We checked for the relevance and accuracy of the TSUK's sales data by tracing a sample of the transactions to source documents.



We examined transaction by transaction sales data, in addition to internal transfers of products that were assigned the same material codes as in scope goods, to finalise a sample of sales transactions for verification. We tested the sample of transactions, in addition to an unseen transaction, against various source documentation.

All the invoices tested reconciled to the sales data submitted in the questionnaire annex.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

TSUK has redacted confidential information related to its profit centres.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and / or adjustments to report with regards to the sales.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions

The information relating to the company’s sales provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate, and can therefore be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT), and for any other purpose within this transition review.

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## F. Injury

### What information was considered

- Sales figures
- Profit figures
- Output
- Market Share
- Utilisation of capacity
- Inventories
- Employment, mean wage and productivity

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

#### **Sales figures**

We reconciled TSUK's total sales figures over the injury period to the audited financial statements (with the exception of the POI). During verification, TSUK demonstrated the same method to identify the like goods revenue and volume over the remaining injury period, as they had done so for the POI. The proportion of like good sales to total revenue has remained consistent throughout the Injury period. No issues were identified.

#### **Profit figures**

The NOPAT figures for the POI for the whole company were reconciled back to the financial statements. In respect of the like goods, TSUK was provided the profit before tax for the like goods.

We observed and tested TSUK's methodology to calculate the profit figure for the like goods for the POI, while for the remaining injury period the same methodology was used, but with less granularity. No issues were identified.

#### **Output**

The output over the POI was based on volume sold and volume transferred internally for further processing. For the remaining injury period, only the output from the Shotton [redacted] entity was used (Shotton exclusively produces OCS).

We replicated the injury period methodology to the POI, and found an immaterial variance. We assessed this methodology as reasonable, with no issues identified.

#### **Market Share**



We assessed the market share methodology that TSUK used and found it to be reasonable. We compared TSUK's verified output figures to the most accurate import figures for the goods available and found that the results aligned with its reported market share. No material issues were identified.

### **Utilisation of Capacity**

TSUK's capacity figure was unchanged throughout the injury period. Total capacity was based on record output recorded during the financial year ending 2022, which we have verified as part of 'output' above. During this period, TSUK explained the increased demand of OCS resulted in supply issues, in addition to one of the OCS lines being temporarily idled over the Christmas period. TSUK calculated, in the absence of these delays to production, total production capacity would have been [redacted] higher than the record output recorded.

The utilisation of capacity has been calculated based on the output identified above as a proportion of maximum capacity. We assessed the method to calculate utilisation of capacity as reasonable, with no significant issues identified.

### **Inventories**

We compared TSUK's reported overall stock levels to figures in the audited financial statements and we found they aligned. We sought and received more detailed stock figures for the Shotton plant which better reflects TSUK's stock of like goods. These aligned with overall stock figures and no material issues were identified.

### **Employment, mean wage and productivity**

TSUK provided us with employment figures which reconciles to figures in its most recent audited financial accounts. TSUK were able to provide an approximate FTE of staff working specifically on the like goods by apportioning the number of operational staff who worked at the various stages of production. This process of apportionment was demonstrated to us and no material issues were identified.

TSUK demonstrated their methodology for calculating productivity by apportioning staff numbers and outputs through the earlier stages of production. No material issues were identified.

TSUK were unable to provide us with information on the median wages for employees associated with the like goods because of a combination of individual wage confidentiality and the system by which FTE staff are apportioned as described above. The TRA were satisfied with the reasoning for this.

TSUK were able to provide a mean wage for all employees. We reconciled these figures to the financial statements and assess them to be reasonable.



Whilst TSUK were not able to provide the information we requested originally, we are satisfied with its explanation and were able to verify the information it was able to provide us and no material issues were identified.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

TSUK has redacted confidential information related to its capacity utilisation

Exceptions/Findings/Adjustments

We have not been able to identify median wage information for employees associated with the like goods. Instead, we have been provided with mean wage information for the whole company. This information will need to be treated with special circumspection when used in the injury likelihood analysis, but we do not assess that this has compromised the completeness, relevance or accuracy of the injury data provided to us by TSUK.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions

The information relating to injury factors provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, accurate and can be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT) and for any other purpose within this transition review.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*



## G. Economic Interest Test

### What information was considered

- Customers
- Suppliers
- Employment figures
- Market share methodology

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

#### **Customers**

We reviewed supporting documentation for six downstream customers and confirmed that they supported the data provided to us in the questionnaire response. No material issues were identified.

#### **Suppliers**

We reviewed supporting documentation for eight upstream suppliers and confirmed that they supported the data provided to us in the questionnaire response. No material issues were identified.

#### **Geographical distribution of employees**

We conducted a reasonability test on the employment figures provided in the questionnaire annex by comparing them to audited financial statements for the injury period. We found the overall number of staff provided to be in keeping with previous years and therefore reasonable.

We reviewed TSUK's allocation of staff by division by comparing these figures to reports assigning staff costs to different products. We found this breakdown reasonable.

We reviewed TSUK's alignment of certain divisions to geographical postcodes and found it reasonable.

We reviewed TSUK's allocation of most non-production staff to administrative hubs based on the number of desks occupied in each location. Whilst not exact, we found the allocation reasonable. Approximately [redacted] of TSUK staff could not be assigned to specific postcodes.

Overall we found the number of staff reported by TSUK and TSUK's allocation of the majority of its staff to individual postcodes to be reasonable and no material issues were identified.



**Market share methodology**

We reviewed the methodology by which TSUK estimated its market share. As TSUK was the sole UK producer, this was both self-evident and reasonable. No material issues were identified.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

TSUK has redacted confidential information related to its allocation of staff

**Exceptions/Findings/Adjustments**

There were no exceptions, findings, and / or adjustments to report with regards to the Economic Interest Test information.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

**Conclusions**

The information relating to economic interest provided by TSUK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, accurate and can be used by the TRA for the subsidy likelihood assessment, the injury likelihood assessment, the Economic Interest Test (EIT) and for any other purpose within this transition review.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*



## Conclusions

We reviewed TSUK's company details, organisational structure, and information around its general set up, ownership, locations and management provided as part of the questionnaire response and compared these to its unaudited financial statements and other publicly available sources. To better understand how TSUK produced the data submitted in the annex, we reviewed its accounting system, accounting policies, and costing process provided as part of its questionnaire response and compared these to internal reports and demonstrations during our verification visit. We found all the information we checked to be consistent.

We examined TSUK's description of the goods, internal coding systems and the method by which goods were assigned to PCNs as described in the questionnaire response then cross checked its internal material numbers against PCN allocations, cross checked goods through invoices, and confirmed that it had properly excluded the goods that are out of the scope of this review.

TSUK provided detailed walkthrough of the allocation of costs to make and sell as reported in its questionnaire response. We reconciled these to unaudited financial statements, internal reports and demonstrations of the costing methodology during our verification meeting. We also checked the sales data by reconciling individual sales through the SAP reports up to the unaudited financial statement and downwards to individual sales records. We did not identify any issue relating to the costs and sales data.

We crosschecked and where possible recalculated the injury factors covering the sales, profit, output, market share, capacity, inventory, and employment figures for the injury period provided in TSUK's questionnaire response and found them to be reasonable. We also reviewed details of TSUK's customer, supplier, employment and market share information as provided in its questionnaire response. These were compared to internal reports, audited and unaudited financial statements, and the accounting system. We found no issues and considered that the figures were reasonable.

TSUK provided sufficient and appropriate evidence, which enabled us to conduct verification work on a sample basis as detailed in the above sections. Based on the work performed, we have a reasonable level of assurance that the information provided in its questionnaire response is complete, relevant, and accurate for the purpose of this review.



## Annexes

### Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
05 August 2024 9:00 – 16:00	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	[redacted]	[redacted]
06 August 2024 9:00 – 16:00	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	[redacted]	[redacted]
07 August 2024 9:00 – 16:00	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	[redacted]	[redacted]