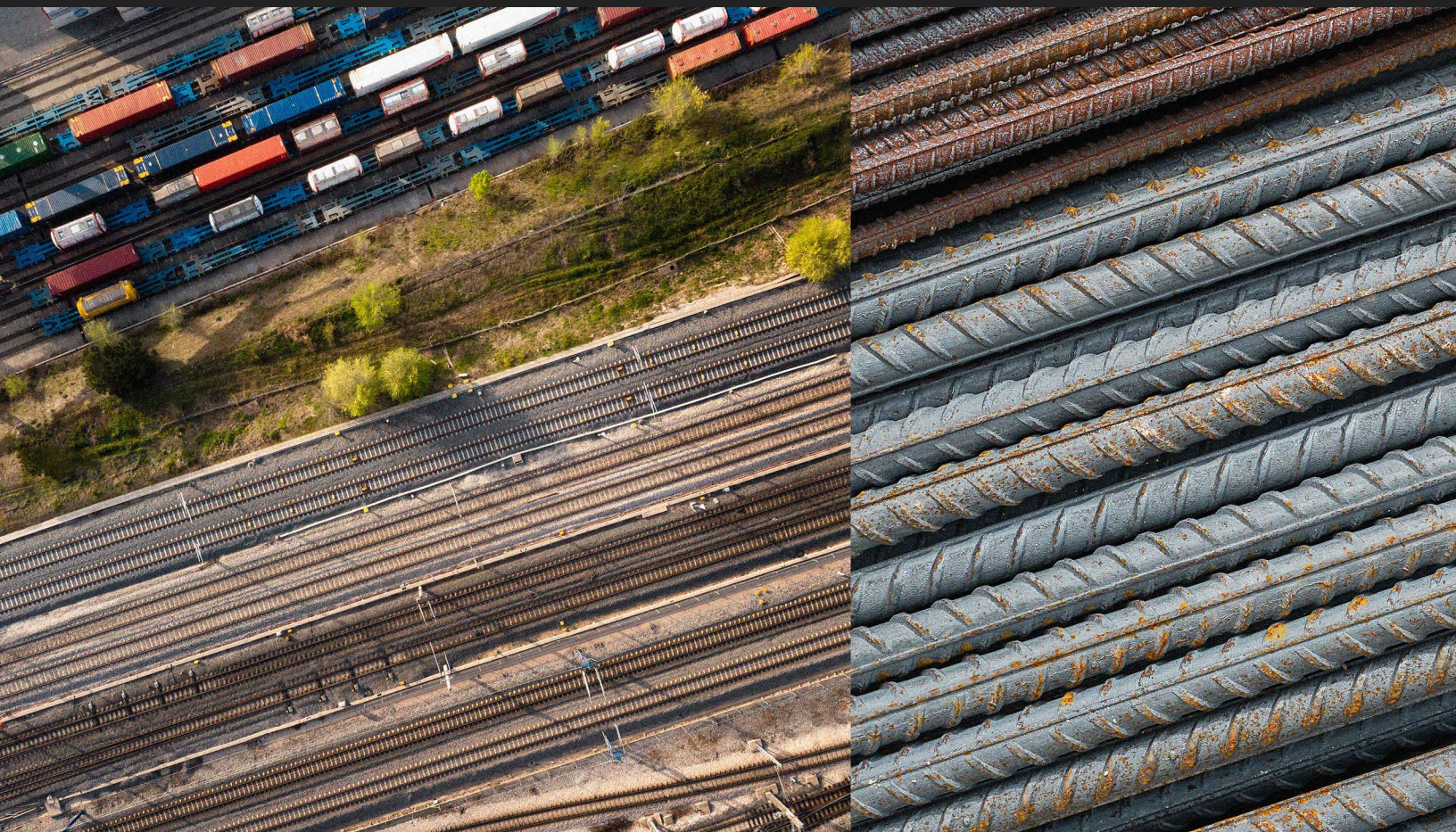# Altana

The Hard Truth: Finding Banned Russian Steel Shipments in Multi-Tier Supply Chains

New UK and EU sanctions now ban the import of Russian-origin steel, even when that steel is processed in third countries. These new measures go beyond supplier due diligence by requiring firms to understand their multi-tier supply chains at a granular level. Here's how The Altana Atlas can illuminate these multi-tier connections, surfacing previously invisible risks which could endanger production operations for multinational corporations who are knowingly or unknowingly dependent on Russian steel.

For Iron, Curtains: the EU and UK Adopt Multi-Tier Supply Chain Restrictions on Iron and Steel

On September 30, new steel sanctions came into effect in the UK and the EU which prohibit the import of certain products that contain iron or steel originating from Russia, even when that steel is processed in third countries. These measures follow on the heels of a series of increasingly forceful measures designed to punish Russia's invasion of Ukraine. Taken in concert with sanctions imposed by the US, these moves represent a significant restriction on Russia's foreign commerce.

These new regulatory actions are unlike traditional sanctions which designate named entities of concern in the form of individuals or businesses. Sanctions typically create liability for any firms conducting direct transactions with those named entities. But sanctioned entities can evade regulations by placing another counterparty between themselves and end-buyers through tactics like shell companies and transshipment.

In contrast, the new EU and UK sanctions prohibit the import of certain goods[1] produced using Russian steel - no matter how many companies or countries there might be between Russia and the end buyer. It's not enough to simply screen direct counterparties for risk exposure. Instead, firms must both 1) know their trading relationships across multiple tiers beyond their direct suppliers; and 2) have shipment level details of those relationships in order to understand and mitigate their exposure to Russian steel.

By requiring multi-tier monitoring, the new UK and EU sanctions closely resemble other multi-tier supply chain laws passed and in development in recent years, such as the Uyghur Forced Labor Prevention Act (UFLPA) in the US, new Deforestation Regulation in the EU, and the EU Supply Chain Due Diligence Directive. These laws are part of a global regulatory escalation whereby governments are embedding environmental, national security, and operational considerations within multi-tier, extra-territorial supply chain compliance requirements.

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[1] These are identified under specific Harmonised System (HS) codes as listed in the annexes to both laws.

> The new steel sanctions - like the UFLPA and other laws - are sending a simple message to companies: *know your entire supply chain, or risk enforcement action.*
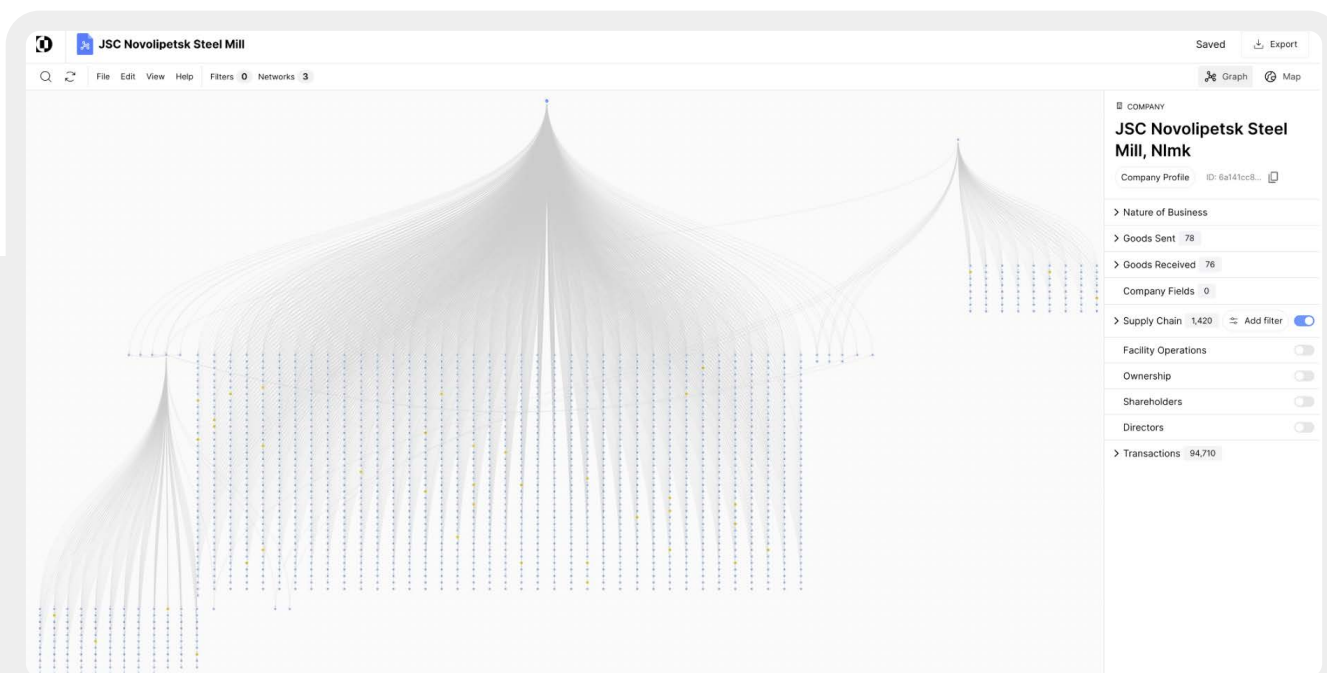
For Both the UK and EU Sanctions, Effective Compliance Means Product-Level, Multi-Tier Value Chain Visibility

The new UK regulations prohibit the import of iron and steel products into the UK when they meet all the following criteria: 1) the good is listed in Schedule 3B of the Russia Sanctions Regulations; 2) it has been "altered, transformed in any way; or subjected to any type of operation or process" in a third country; and 3) it incorporates one or more Schedule 3B iron and steel products of Russian origin.
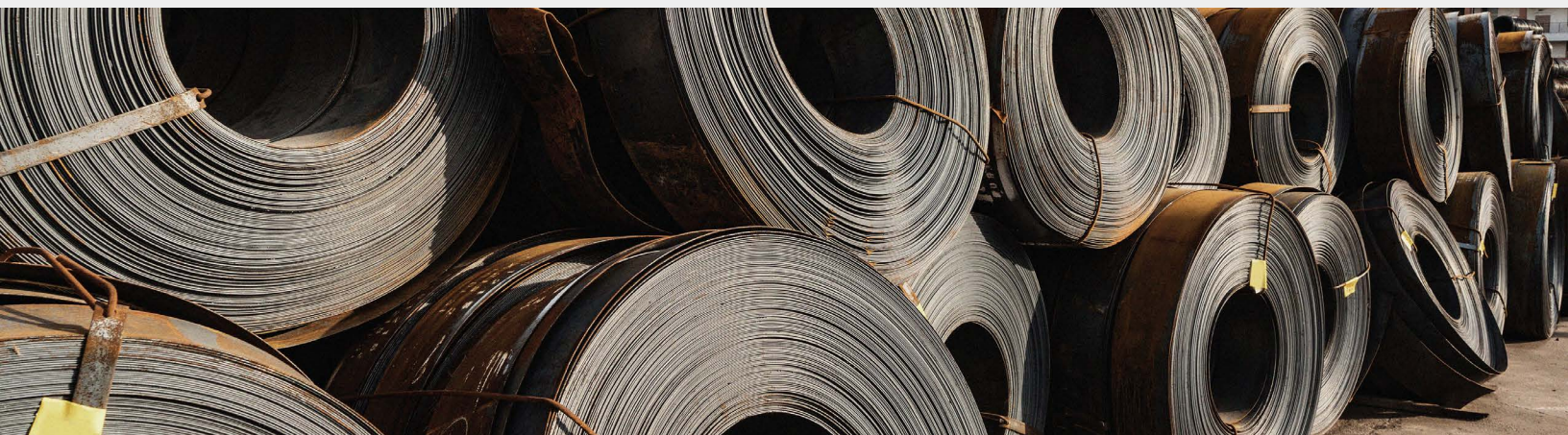
The EU sanctions, meanwhile, make it illegal "to import or purchase, as from 30 September 2023, directly or indirectly, iron and steel products as listed in Annex XVII when processed in a third country incorporating iron and steel products originating in Russia." It further requires that "importers shall provide evidence of the country of origin of the iron and steel inputs used for the processing of the product in a third country."

Iron and steel products covered by the bans are defined by the HS codes which are noted in the annexes for both laws. Importantly, these annexes cover a wide variety of goods, but do not cover every item containing iron or steel. Firms must be able to determine whether the goods being shipped correspond to one of the HS codes covered by the bans.

The Atlas leverages billions of transactions to build complex, multi-tier supply chains in a few short clicks.
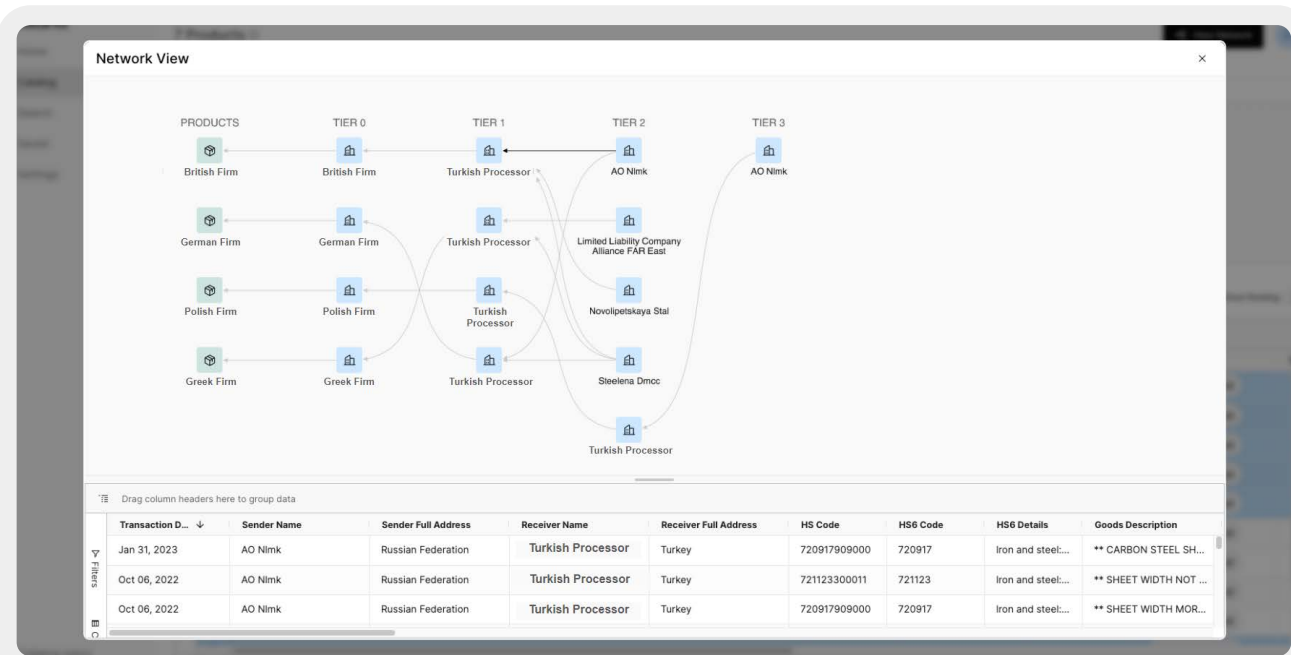
Discover Exposure to Russian Iron and Steel using the Only Dynamic, Intelligent, Shared Map of the Global Supply Chain

For both UK and EU firms that are importers of iron and steel products, compliance therefore means not only knowing your supply chain, but also knowing whether any of your suppliers (or their suppliers) import steel or associated materials from Russian sub-suppliers. Most firms are not equipped to do this: many firms rely on survey data to map their supply chains. Surveying is a notoriously slow, expensive, and inaccurate validation process – data is often stale by the time it's collected. Others rely on data-assisted mapping of their suppliers with public data. Both approaches result in static artifacts with limited fidelity and visibility into product value chains. And these mapping artifacts do not interoperate with each other.

There is no shared source of truth among buyers and suppliers, or the regulators and the regulated. To solve this problem on an ongoing, enduring basis, you need a dynamic, intelligent, shared map of the global supply chain.

This is why we built the Altana Atlas. The Atlas is the only dynamic, canonical map of the global supply chain, providing a bottoms-up view of value chains across 470 million companies, connected by nearly 3 billion shipments of goods. The Atlas connects enterprises, governments, and logistics providers into a common operating picture on the global supply chain, and empowers them with AI and collaboration tools to build and maintain trusted value chain networks.

The Atlas can show how select commodities - in this case, Russian steel products - end up in British and European supply chains after processing in third countries such as Turkey and Mexico.

> Only *two percent of supply chain executives* could understand the location and risks of suppliers in their supply chains *beyond three tiers.*

The Altana Atlas - The Shortest Path to Compliance

The Atlas automatically illuminates multi-tier product value chains from the supplier lists and bill-of-materials data of the enterprise. The resulting networks are automatically screened against global compliance restrictions - including for Russian steel. As the global supply chain network evolves, these value chain networks are automatically updated, and continuously screened and monitored.

The Atlas can find the shortest possible path (or paths) between prospective suppliers and any Russian steel in their upstream supply chain networks so a company can understand its exposure risk. For instance, we can calculate the shortest path between Novolipetsk Steel (NLMK), one of Russia's largest steel companies, and a given receiver company, or a set of countries, including those in the EU, and the UK. From there, we can filter for the specific HS codes designated by the regulations - allowing us to see precisely those product-level, multi-tier relationships covered by the law.

Users can use the Atlas to screen prospective suppliers, illuminating where their upstream sources might pose regulatory or operational risk.

Using the Atlas, a company can measure its suppliers for their multi-tier exposure to Russian steel. The above diagram reflects the perspective of a supplier located in Germany being screened for exposure to Russian steel supplies. The German firm's first-tier supply chain, a sample of which is shown in the middle of the screen, includes both Indian and Turkish suppliers. While the Indian suppliers do not have any trading relationships with Russian steel suppliers, the Turkish firm does - in fact, it actively trades with at least four Russian steel suppliers, displayed in red.

The Atlas gives users powerful tools to integrate multi-tier visibility into their compliance procedures, allowing them to group suppliers by risk, identify alternative sources of critical goods, and communicate with their multi-tier network.

Within the Atlas, this data is integrated into powerful compliance modules, allowing professionals to integrate multi-tier supply chain visibility directly into their existing workflows. This visibility allows trade professionals to go beyond box-checking and achieve deep, data-backed understanding of their expanded trade networks. Building on this understanding, the Atlas gives compliance professionals powerful tools to interact with their expanded trade network, allowing them to work with their suppliers to weed out risky connections, identify alternatives, and build trust within their wider commercial network. Combined with cutting edge LLM-based analytical and report generation tools, the Atlas enables firms to interact more fluidly and effectively with regulators, giving them the ability to proactively demonstrate their entire supply chain's compliance with a host of emerging regulations.

The new EU and UK import measures impose new requirements for visibility deep into multi-tier supply chains for firms importing steel, iron, and their derivatives. Steel and iron are not the first commodities subject to this new breed of regulations, and they certainly will not be the last. From forced labor to deforestation, and from carbon to critical minerals – when you need multi-tier visibility, you need The Altana Atlas – the only dynamic, intelligent map of the global supply chain.

To learn more about bringing AI-powered visibility of your multi-tier supply chains to your business, ***get in touch.***