

Investigation Report, IN-0803

Version: Public Summary

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Summary

On 16 August 2017, an incident was reported to ASI by Sierra Club, a non-profit environmental agency active in the United States (henceforth the reporter). The reporter copied ASI on formal complaints submitted to two Conformity Assessment Bodies (CABs), “Exova/BM Trada” (hereafter BM Trada) and “DNV GL Business Assurance Sweden AB” (hereafter DNV). The complaints alleged that BM Trada’s certification client, “[B & M Noble Co. dba DuChateau](#)”, TT-COC-004905, (hereafter DuChateau), and DNV’s certification client, “[Zhejiang Yuhua Timber Co., Ltd.](#)”, DNV-COC-00030, (hereafter Yuhua) were both in breach of certification requirements.

ASI investigated the following **allegations** made by the reporter:

1. DuChateau knowingly sold flooring with false FSC claims.
2. DuChateau asked their supplier to package non-certified flooring in boxes that were labelled with FSC claims.
3. Yuhua complied with the buyer’s request and mixed FSC and non-FSC certified flooring in batches of product that carried FSC 100% claims.

ASI appraised the incident and immediately planned steps to determine the veracity of the allegations and collect more evidence. ASI reviewed DNV’s planned complaint response at the DNV Head Office Assessment on 5 Sept 2017. Between 11 and 15 Sept 2017, DNV performed an onsite investigation at Yuhua. Also in September, BM Trada issued a nonconformity (NC) to DuChateau in response to the complaint from Sierra Club, which was closed a month later with corrective actions. In October ASI reviewed the actions completed by both CABs and noted that issues existed with FSC invoice claims and on-product labeling, which suggested a risk of false claims being passed onto customers. In November, ASI began a transaction verification process for Yuhua and DuChateau. Additionally, ASI tracked the handling of Sierra Club’s formal complaint by both CABs.

In February 2018 BM Trada was again onsite at DuChateau and issued another NC related to the incident. ASI reviewed the audit report. Based on that review and upon completion of the analysis of transaction verification data, ASI decided to conduct an unannounced compliance assessment at DuChateau on 23 March 2018. A similar assessment was planned for Yuhua but instead DNV investigated on behalf of ASI because travel limitations made it impossible to have an ASI assessor onsite in China at the right time. DNV conducted a surveillance audit of Yuhua on 3 April 2018.

Annual volume summaries were collected at both assessments and invoices were sampled and analysed. The assessments confirmed that a large volume of non-conforming product

was in the market and that this was a major credibility risk to FSC. As a result of this credibility risk, FSC took action to protect from further non-conforming products entering the market by suspending the trademark license agreements (TLAs) of both companies while the companies work with their respective CABs to identify the root causes of the problems and correct them. The TLAs were suspended on 21 May 2018.

This investigation finds that DuChateau recorded a large volume of flooring in 2016 to 2017 as certified purchases that were not sold as certified by Yuhua. In addition, evidence shows that Yuhua's invoice claims related to this volume of flooring were non-conforming. The evidence also illustrates that DuChateau knew what constituted a conforming invoice claim in the FSC system but accepted Yuhua's non-conforming claims, even reporting purchases as certified where the respective invoices had no FSC claims. In addition, evidence suggests that Yuhua knew they were packaging uncertified flooring in boxes labelled with FSC on-product trademarks because the volume of certified wood inputs for their production was too low to meet the demand from their buyer. Evidence is inconclusive regarding whether or not Yuhua acted on their own or if they complied with a request from DuChateau to package uncertified flooring with FSC claims.

The investigation also finds that there were no 'FSC 100%' claims accompanying the on-product trademark use. Nor was there an 'FSC 100%' claim in invoices for over 70% of the products transacted between Yuhua and DuChateau during the period January 2016 to September 2017. Despite this, DuChateau passed 'FSC 100%' claims on to customers such as Sierra Club during this time – permitting the sale of enough non-conforming product to cover over 60 American football fields.

Conclusions

The significant mismatch in the volumes reported sold and purchased as 'FSC 100%' does not indicate an isolated misunderstanding or mistake on the part of either company with regards to claims. Whether or not DuChateau was aware of the uncertified material in their supply, they are still ultimately responsible for the claims that they passed on to their customers. The TLA suspension reflected the risk posed to the credibility of the FSC system from the fundamental failures in the DuChateau chain of custody management system. In July 2018, DuChateau determined unilaterally to end the TLA agreement with FSC, triggering the termination of their FSC certificate. Because they decided to leave the FSC system rather than correct the non-conformity raised by BM Trada, FSC has blocked them from signing trademark license agreements for the foreseeable future. The company cannot hold any valid FSC certificates while they are blocked, since a valid trademark license agreement is a requirement for certification.

For Yuhua, the evidence is clear that they mixed uncertified and certified material. The major NCs issued by DNV during the recertification audit in April 2018 recently expired without closure and Yuhua's FSC certificate is now terminated. They are also blocked from certification.