

Appendix A-1

NFHCP External Audit Protocol

Purpose

The purpose of NFHCP External Audits is to verify implementation of NFHCP measures by sample observations of forest practices and administrative procedures as compared to implementation performance metrics reported under A6 and AM2. The audit will conclude with a determination of whether Plum Creek is “properly implementing” the NFHCP.

External Auditor Qualification Requirements

The external audit team must meet the requirements set forth in AF&PA-2002, SFI Qualifications Criteria for Verifiers (AF&PA 1999). The audit team will consist of an external audit leader and audit team members.

The audit team leader manages the audit team and the audit process according to procedures specified below. The leader must meet requirements specified in the aforementioned document for the “Lead Verifier.” The Lead Verifier must be an accredited lead auditor by a national standards body or the verifier’s organization or firm shall be appropriately accredited to conduct ISO 14001 certifications/registrations by the American National Standards Institute/Registrars Accreditation Board (ANSI/RAB), or equivalent.

The audit team members will usually consist of three professionals who meet the criteria set forth for “Verifiers.” These will be technical experts with experience in the region audited in each of three broad areas:

1. Timber harvest and forest roads
2. Silviculture
3. Physical sciences such as wildlife biology, forest hydrology, or fish ecology

Selection of the audit team members will be approved by Plum Creek in consultation with the audit team leader.

The audit team and the audit team leader must meet the following important criteria:

- **Objectivity.** The audit team should be objective observers of procedures and practice.
- **Free of conflicts of interest.** Audit team members must be in a relationship with Plum Creek so as not to receive payment or business opportunities as a direct result of the findings of the audit.

- **Appropriate expertise, communication and language skills.** In addition to the appropriate educational and experience requirements, team members must possess good written and verbal communication skills and the ability to interact positively with Plum Creek and its contractors.
- **Confidentiality.** Because audit team members will have access to sensitive proprietary information belonging to Plum Creek, they must be capable of and required to protect the confidentiality of information received as a result of the audit.

Audit Process

The NFHCP external audit process shall be based upon the procedures set forth in AF&PA-2001, SFI Voluntary Verification Principles and Procedures (1999). It is based on a range of international and national auditing and verification standards and protocols, such as Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), the Chemical Manufacturers Association (CMA) “Responsible Care” program, the Alberta Forest Products Association “Forest Care” program, and the Forest Practices Board of British Columbia “Audit Reference Manual.” The SFI document is also consistent with the auditing principles and procedures outlined in various international standards including: the Canadian Standards Association (CSA) Plus 1133, Guidelines for Sustainable Forest Management Systems – General Audit Principles and Audit Procedures for Auditing Sustainable Forest Management Systems; the European Union auditing and certification procedures (EN 45011 and EN 45012); and the ISO series of standards for environmental auditing (ANSI-ISO 14010-96, ANSI-ISO 14011-96, and ANSI-ISO 14012-96), now adopted as American National Standards Institute (ANSI) Standards for the United States.

A typical “audit session” will consist of 1 week with a forestry management unit, the first day being spent in the office interviewing personnel and reviewing records to assess the awareness, training, and documentation of the NFHCP operating requirements. The next 3 days are spent in the field reviewing a sample of practices as implemented. The final day is spent by following up any auditing issues identified in the field and ends with a concluding meeting between the audit team and the local Plum Creek management personnel. The audit may be performed in combination with auditing for other purposes such as Sustainable Forestry Initiative verification or auditing for Plum Creek Environmental Principles.

Audit sites will be selected at the direction of the audit team leader using a “risk-based” approach. The goal is to provide for a range of practices to be evaluated on a variety of sites as well as visiting different Plum Creek forest managers and logging contractors. Accessibility is an important factor. Plum Creek will assist in providing the information needed to select sites but will not be allowed to choose from among appropriate candidates.

Following up the audit session, the audit team will prepare and provide the appropriate audit reports to Plum Creek. See “Reporting” below.

Audit Intensity

The audit intensity will be determined by the audit leader and generally geared to scale of operating units defined by consistent administrative procedures and common management personnel. For the NFHCP, three sessions will be employed per 5-year audit cycle, one for the Washington lands, one for the Flathead Unit in Montana, and one for the Clearwater Unit in Montana and Idaho. These may be arranged in a rotating order or supplemented by sub-audits as long as the intended intensity is met.

Role of Plum Creek

Plum Creek will finance the audits and support the audit process by the following:

- Working closely with the audit team to ensure that the audit objectives are being met
- Informing all appropriate personnel about the audit
- Providing necessary resources and assistance to enable the audit team to conduct the audit, including designation of responsible personnel to assist members of the audit team
- Providing access to information and records as well as to the field operations, organization staff, contractors and loggers

It is also Plum Creek's responsibility to produce and implement an action plan based upon the findings of the audit.

Role of Services

The Services will be invited to participate in the audits as observers or may subsequently "audit the audit" at their discretion.

Reporting Requirements

The audit team leader will report the audit findings to Plum Creek. It will include a section entitled *Determination of Proper NFHCP Implementation* that will report NFHCP departures, as well as conservation surpluses. It will also include a statement of determination of whether the NFHCP qualifies as being "properly implemented."

Plum Creek will submit the "determination" section of the audit findings to the Services along with an action plan based upon these findings. This will be done by March 31 following the five-year cycle and will be done in conjunction with the reporting of effectiveness monitoring results (see commitment AM2).