

Governing Principles of EPD Australasia

Version 4.0

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Approved by the Board of EPD Australasia Ltd on 15/9/2021

Approved by the Board of LKANZ on 26/10/2021

Approved by the Board of ALCAS on 18/11/2021

1. Purpose of this document

The purpose of this document is to provide a clear understanding of the governance and reporting framework for EPD Australasia Ltd. The document will be used as a guidance document for the EPD programme and to help the Board of the EPD Australasia company to understand their roles and responsibilities within the setup and delivery of the programme.

2. Introduction

A Memorandum of Understanding (MOU) is in place between The Life Cycle Association of New Zealand (LCANZ) and the Australian Life Cycle Assessment Society (ALCAS) that sets out the foundation principles of cooperation for the establishment of an Australasian Environmental Product Declaration (EPD) Programme (generally referred to as the EPD Programme for the most part hereafter).

The governing principles contained in this document provide additional detail on the principles of a company established in March 2014 to operate as a collaborative Australasian EPD programme. The company is registered in New Zealand as 'EPD Australasia Ltd' and its trading name is 'EPD Australasia'.

3. Shareholding

Shareholders of EPD Australasia Ltd are LKANZ and ALCAS. Both organisations are incorporated societies registered in New Zealand and Australia respectively. Both societies hold an equal shareholding in the EPD Programme. Each society holds 500 shares.

The main role of the shareholders is to:

- appoint Directors to represent the interests of the respective shareholder.
- approve the annual plan and budget
- agree the Annual Report and Accounts at the EPD company AGM
- maintain strategic linkages between the EPD Programme and the shareholder organisations, as documented in the annual plan and budget
- ensure the EPD Programme strives to implement the agreed objectives of the Programme in a consistent fashion (see below)
- use dividends paid to them by the EPD company in a manner consistent with their aims and objectives

4. Not for Profit

While a company has been set up to run the EPD Programme both societies have agreed the EPD Programme will operate on a de facto, not-for-profit basis. Any profit made will be used to further the objectives of the EPD Programme, in the first instance, taking into account the governing principles of the EPD Programme. If sufficient profits are made, a dividend may be paid to LKANZ/ALCAS. In the event of dividends being paid, they shall only be payable to the shareholders who are themselves not-for-profit, membership-based incorporated societies. These procedures ensure the EPD Programme will operate on a not-for-profit basis.

5. Programme partner(s)

The original MOU between the societies explains the intention of LCA NZ and ALCAS to partner with an existing EPD scheme to set up an Australasian Programme. After a wider discussion within LCA NZ and ALCAS on the best choice of partner, The International EPD System® was chosen. The relationship between EPD Australasia and The International EPD System® is managed through a licensing agreement.

6. Principles of EPD Australasia

Apart from objectives and issues associated with Programme governance and management mentioned below, the following principles have been outlined for the Programme. (Most of these principles are also contained within the foundation MOU document between LCA NZ and ALCAS):

- Programme delivery is transparent and provides fair and open access to all potential participants.
- Programme delivery avoids perceived and actual conflict of interest.
- Operating procedures for the EPD Programme shall be documented separately. The main operating procedures will be published publicly in the document: General Programme Instructions of EPD Australasia.
- The scheme will be operated on a commercial basis in support of the principles of LCA NZ and ALCAS as incorporated societies.
- The Australasian scheme has established a pool of expertise mutually recognised by ALCAS and LCA NZ.
- The process for obtaining an EPD in Australia and New Zealand is identical from a customer perspective.
- There is one EPD scheme website, which is separate from the ALCAS and LCA NZ websites (but links to them).
- Pricing is similar in Australia and New Zealand, with any difference arising from exchange rate difference.
- Product Category Rules (PCRs) and EPD developed through the Australasian EPD scheme are recognised and accepted by the International EPD System and may include its branding where beneficial to the customer, e.g. Australian and New Zealand manufacturers exporting to Europe.

7. Objectives of the EPD Programme

The initial objectives of the shareholders for establishing the EPD Programme are as follows (these are subject to further development):

- Provide added services that benefit LCA NZ and ALCAS members.
- Provide an option to industry in Australia and New Zealand to communicate their LCA work in a credible manner via Environmental Product Declarations.
- Provide an internationally recognised, third party-verified basis for declaration of product environmental performance, based on consistent and transparent rules.
- Provide the basis, processes, and documentation for development and delivery of EPD in New Zealand and Australia.
- Contribute to establishing the “level playing field” sought by manufacturers for communication of environmental product/ service credentials.
- Provide a mechanism for integrating scientifically quantified information in rating tools.

- Drive trans-Tasman and international alignment with respect to EPD development.
- Drive development of one set of PCRs covering Australia and New Zealand, with any New Zealand or Australia-specific issues that might be pertinent to a specific PCR set out in the PCR.

8. Programme Governance

EPD Australasia is a limited liability company with a Board of Directors appointed by LKANZ and ALCAS. This Board of Directors is responsible for the governance of the company on behalf of the shareholders. As such, the Board will report annually to the shareholders on the performance of the Programme. The follow points describe key programme governance issues:

- The EPD Australasia Board is empowered to operate the programme with reporting to ALCAS and LKANZ. The basis for decision-making within the programme does not require day-to-day decisions to be taken by the LKANZ or ALCAS committees.
- All LKANZ and ALCAS members have the opportunity to offer themselves for appointment to the EPD Australasia Board, or the Technical Advisory Group, by their respective shareholder association. Advance notification of a Board or TAG vacancy and the appointment process will be made to LKANZ and ALCAS secretaries for further circulation to the wider membership. From time-to-time nominations of individuals to the EPD Australasia Board from outside the existing LKANZ and ALCAS membership may be recommended when specific skills are required.
- Annual governance and reporting activities aim to be transparent and shall include: an annual report of the previous financial year, a strategic plan and budget for the new financial year, Board meetings, an AGM, and activities of the Technical Advisory Group (TAG). For ease of reference, the processes on reporting are documented separately below in Table 1.
- ALCAS and LKANZ shall have equal representation in decision making about operation of the EPD Programme. Both shareholding organisations shall have equal voting rights on the Board of the EPD Programme. Majority agreement is required in all decisions.
- A Chair of the Board will be appointed by members of the Board for a period of 12 months. This may be renewed or a new Chair appointed by the Board which shall be done by majority vote of the Board after the 12-month period. The Chair will act as the point of contact between the Board and secretariat on strategic or company policy decisions. The Board Chair will not have a casting vote but will have the same voting rights as other board members.
- There are six (6) voting members of the EPD Australasia Board: three representatives appointed by LKANZ; three representatives appointed by ALCAS.
- A quorum of four (4) voting members is required for Board of Director meetings. Proxy votes may be provided by board members via email (copying the Board's secretary for reference). Board meetings will ideally be held quarterly.
- Observers may be invited to the Board meetings by prior approval of the Board. Observers will typically include the Chair of the Technical Advisory Group or their alternate and occasionally a representative of the Programme's appointed financial accountants. Observers are not able to vote on board decisions.
- To ensure impartiality of operations by the EPD Programme, no individual shall be appointed to both the EPD Australasia Board and the Technical Advisory Group. No individual organisation or company shall have representatives in positions on the EPD Board and Technical Advisory Group without minuted approval and written consent of the ALCAS and LKANZ Boards.

- To avoid any conflict-of-interest impasse, no individual organisation or company shall have such number of employees on the Board that a quorum cannot be achieved when they absent themselves.
- The EPD Programme may contract third parties to be involved in delivering the objectives of the programme. Typically, this includes a service provider delivering the role of a secretariat and financial accounts. Third parties shall ultimately report to the EPD Programme Board.

9. Directors' terms

Directors are appointed for a 3-year term and shall offer their resignation at the AGM that ends their term.

10. Directors reappointment process

On notification of the impending retirement of their representative Director, each shareholder association may seek nominations from its membership for the appointment of their Director. A retiring Director is eligible for re-appointment.

11. Declaration of vacancy

A Directors position is declared vacant if:

- a) the Director absents himself or herself without leave from two consecutive meetings of the Board without giving apologies; or
- b) the Director resigns by giving notice in writing to the Board; or
- c) the shareholder that appointed the Director passes a resolution removing the Director from the Board; or
- d) the Director ceases to be a member of the shareholder that appointed them; or
- e) upon death of the Director.

Upon a vacancy being declared the appointing shareholder shall be informed immediately and requested to take steps to recruit and appoint another Director within 3 months.

The Board shall communicate to the relevant shareholder the competencies they consider are needed in a replacement.

If 3 months has passed and a Director has not been appointed, the Board shall take steps to recruit a Director and recommend formal appointment by the relevant shareholder.

12. Term of Director filling a vacancy

If a Director's position is declared vacant, their replacements term will be the same as that of the Director they replaced.

13. Directors competencies

Directors are to be recruited and appointed with the objective of achieving a balance of the following core competencies:

- Strategic expertise
- Legal
- Risk management
- Managing people and achieving change
- Industry knowledge.

14. Indemnity of Board of Directors

The Board shall purchase and maintain Director's Liability Insurance and appropriate professional indemnity insurance. The following legal indemnity for the EPD Board of Directors has been recommended:

- No Director (Board Member) of EPD Australasia or other duly appointed officer or agent of the Programme shall be liable for the acts, receipts, neglects or defaults of any other executive officer of the Programme or for any loss occasioned by any error of judgment or oversight on his or her part or for any other loss damage or misfortune whatever which shall happen in the execution of the duties of his or her office or in relation thereto unless the same shall happen through his or her own wilful default or dishonesty.

15. Honorarium for Directors and TAG members

Subject to agreement of the Board an honorarium may be paid to specific office holders and/or Directors and TAG members for services to the EPD Programme.

Programme Secretariat

The Board shall appoint a secretariat to manage the EPD Programme. The Board is responsible for overseeing the performance of the secretariat, and providing primary guidance for the work of the secretariat. The provider of Secretariat services will be appointed by the Board for a time period to be specified by the Board. As the Secretariat will implement the decisions of the Board, a representative of the Secretariat shall attend board meetings.

Performance issues that arise with the Secretariat should be dealt with in a timely fashion. Secretariat representatives may not participate in Board of Directors decision-making regarding review or appointment of the secretariat.

16. Annual General Meeting and Extraordinary Meeting

The EPD Australasia Board shall have an annual general meeting where it will report to the shareholders about the progress of the implementation and finances of the EPD Programme. If requested by either LCANZ or ALCAS, the Annual General Meeting or Extraordinary General Meeting shall be open to all LCANZ and ALCAS members.

An Extraordinary General Meeting may be called in special circumstances, for example: for election of new Board members; dealing with claims of negligence in operation of the EPD Programme; or other serious performance issues that endanger the overall delivery of the EPD programme either financially or professionally. The Extraordinary General Meeting shall only be called if no other reasonable measure is available and in the case of special unforeseen circumstances. At an Extraordinary General Meeting the EPD Programme Board will be held accountable and answerable to the shareholders for their actions outside the usual channels. In the event of a clear adverse finding against the Board, the Extraordinary General Meeting shall have the power to request that either individual directors or the whole Board step down.

A valid Extraordinary General Meeting shall be requested by a jointly agreed and fully ratified motion accepted by both the Boards of LCANZ and ALCAS and a notice being sent to the EPD Programme Board and Secretariat. On receipt of a valid request from the shareholders, the EPD Programme Board of Directors shall convene the Extraordinary General Meeting within 20 working days.

17. Linking with International EPD System

The EPD Programme Board Chair, one other Director and the Secretariat are to have at least one teleconference with the Chair of the Board of International EPD System per year. All other interactions with The International EPD System® are managed through the licensing agreement.

18. Complaints Procedure

It is recommended the Board agrees a process for dealing with disagreements between LCANZ and ALCAS over operation of the EPD Programme (to avoid the customer experience being adversely affected by differences of opinion within or between LCANZ and ALCAS). This complaints procedure should not adversely affect the reporting and overall operation of the EPD Programme.

19. General reporting and communication

The main reporting requirements for the EPD Programme are provided below in Table 1. In general, communication from LCANZ and ALCAS (both from committees and individual members) shall be directed to the Chair or Treasurer of the Board. Note: communications from customers of the EPD Programme shall be directed in the first instance to the secretariat. Customer communications are not covered in Table 1.

20. Conflict of Interest

Board members must act in the company's best interests through the decisions they make and must maintain the confidence of all stakeholders. A conflict of interest exists where the bearer of the trust might have their judgment, used in the exercise of their duty, impaired by another interest, usually private but not necessarily so. Expertise in Life Cycle Assessment and Certification in Australia and New Zealand is restricted to a small community of professionals and conflicts of interest in the Board are, if not inevitable, then highly likely. Board members with a direct interest in a particular matter should never be placed in such a position as to directly influence a decision on that matter through voting.

Members of the Board and Secretariat shall complete a register of interests with a view to managing any potential or perceived conflicts of interest. The update of the conflict of interest register shall be a standing item addressed on the agenda at each board meeting.

Board members with a material interest in a matter (over and above the common interest of all members have in that matter) must declare that interest at the commencement of the meeting and shall offer to excuse themselves from the meeting while that matter is discussed. Disclosure is an essential first step from which subsequent decisions on the conflict can be made. The disclosure of external interests pertaining to the business of the board must be full, accurate, and up to date. Once disclosure has been properly made, the Board, as opposed to the individual discloser, can assess whether the discloser can contribute further to the discussion. The register of conflicts of interest shall be used by the Board for reference in deciding on the correct course of action for participation in decision-making.

Sometimes interested parties bring insight and value to the discussions and can add to the quality of final decisions, short of actually voting. Such interested parties participating in discussion leading to Board decisions must also declare their external interests if there is likelihood of a conflict of interest. Other participants in the discussion can then weigh contributions from interested parties in the full knowledge of the nature and extent of their interest.

Note: Observers are subject to the AEPDPs conflict of interest requirements and are expected to declare a conflict and/or leave a Board meeting or other discussions when necessary.

Table 1 Formal reporting requirements

ACTIVITY	REPORTING REQUIREMENTS	APPROVALS	FOR INFORMATION
EPD PROGRAMME BOARD			
<p>Board Meetings (x4 per year and 1 AGM see below) <i>(Video and Teleconference conference)</i></p>	<ol style="list-style-type: none"> Minutes Written Programme manager status reports Progress on the annual business plan and budget Board working papers (e.g. working documents reflected in minutes) 	<ol style="list-style-type: none"> EPD Programme Board approves Minutes of the Board meetings EPD Programme Board approves Board working papers presented by the Secretariat or others 	<ol style="list-style-type: none"> Written Programme status reports available to LCANZ/ALCAS committees on request
<p>AGM and Extraordinary GM <i>(Video conference or at annual conference) AGM open to all LCANZ/ALCAS members (committee members included)</i></p>	<ol style="list-style-type: none"> Annual Report Minutes Financial Accounts Annual Business plan and budget 	<ol style="list-style-type: none"> Annual Report approved by the AGM (EGM) Financial Accounts approved by the AGM (EGM) 	<ol style="list-style-type: none"> Written Programme status report available to LCANZ/ALCAS AGM Financial Accounts are available to all LCANZ/ALCAS members on request
<p>Technical Advisory Group <i>(Teleconference conference)</i></p> <p>Includes advice on PCR development as well as approval of EPDs</p>	<ol style="list-style-type: none"> Minutes Progress updates 	<ol style="list-style-type: none"> EPD Programme Board accept the TAG minutes and progress updates 	<ol style="list-style-type: none"> Updates on the development of EPDs and PCRs and EPDs available via the Programme's website.