

The R2 Standard Consensus Body has approved this Formal Interpretation in line with Article 10 – Interpretations Policy in the SERI Manual of Policies and Procedures for R2 Standard Development and the ANSI Standards Development process. It is published on the SERI website with the R2 Standard. Its effective date is October 16, 2018.

Any statement, written or oral, that is not processed in accordance with Article 10 shall not be considered or relied upon as a formal interpretation of the R2 Standard.

Question:

When does the selection and ongoing due diligence of downstream vendors not apply to an outbound shipment of equipment containing Focus Materials? Does it apply when customer owned equipment is returned to the customer, equipment is returned to the manufacturer under warranty for a replacement, shipments were mistakenly shipped to the R2 Recycler and need to be returned, etc.?

Formal Interpretation:

The selection and ongoing due diligence of downstream vendors is not required under Provisions 5.e or 6.c.3.B under the following limited and infrequent circumstances (exceptions):

- An R2 recycler returns failed components to a manufacturer under the manufacturer’s warranty program for a replacement to repair equipment for reuse, or
- An R2 recycler returns equipment or components identified in a recall to the manufacturer, or
- An R2 recycler returns personal equipment it has received, from an individual owner for repair or purchase, to the individual owner at the owner’s request when it is not repairable or not functioning (R2/Ready for Repair), or
- An R2 recycler purchases Tested and Working equipment, and returns failed equipment/components to the supplier, or
- An R2 recycler receives equipment in error and returns it to the sender, or
- An R2 recycler rejects reusable equipment damaged in shipment, or
- An R2 recycler rejects nonconforming¹ electronics upon receipt before processing and returns it to the sender.

Background:

Requested By: The R2 Technical Advisory Committee (R2 TAC) following their discussions about situations in which companies that otherwise would get certified to the R2 Standard are not able to conform to R2’s requirements for downstream due diligence.

Discussion:

While control of non-working equipment leaving the R2 Recycler is important, it is not intended to prevent the R2 Recycler from repairing broken equipment under warranty. Failed parts, like hard drives, that are replaceable under warranty should be exchanged by the manufacturer for a new part, and the due diligence requirement should not apply.

Like warranty returns, the R2 Standard also does not intend to prevent the return of equipment to the manufacturer that is identified in a recall.

¹ Nonconforming equipment is not within the scope of the facility’s R2 Certification.

Some R2 Recyclers purchase phones or other equipment directly from individuals, where the individual self-grades the equipment before sending it to the R2 Recycler. The purchase price is based on this self-grading before it is received at the R2 Recycler. Upon further inspection of the equipment by the R2 Recycler, additional issues are found which lower the value of the equipment. Sometimes the seller wants the product back instead of accepting a lower price. This personal equipment should be returned to the individual seller. This is expected to be an exception, not the normal strategy to acquire all equipment and return the undesirable equipment.

Similarly, electronics may be sent to an R2 Recycler for repairs. Equipment that is repaired and determined to be R2/Ready for Resale or R2/Ready for Reuse may be returned to the customer without due diligence according to Provision 6.e. However, if additional repairs are needed and key functions are not working, control would be required under Provision 6.c.3. Normally, R2/Ready for Repair equipment may only be transferred to a qualified downstream refurbisher. However, individual personal equipment may be returned to the user as an exception to the normal process.

When an R2 Recycler purchases equipment in a tested and working condition, it does not eliminate the requirements under Provision 6 for reuse. However, when processed, if the equipment or components are determined to be not working, the R2 Recycler may return the equipment or components for a refund or replacement without due diligence on the supplier. This is only applicable as an exception and not the standard operating procedure of the buyer to sort and settle with a seller. If it is a frequent practice to buy equipment or components and return failed equipment, then due diligence would be required on the supplier to which the failed equipment is returned. It is recommended that purchases stipulate that failed equipment or components will be credited by the seller and recycled by the buyer, not returned.

Occasionally equipment may be received in error. The supplier would request return of this equipment and these situations are not subject to R2's due diligence requirements. Similarly, due diligence is not required when purchases of working equipment are damaged in shipment, or equipment/material is received which the R2 recycler is not expecting and not certified to process. These may be managed as exceptions unless the practice is the standard operating procedure.

Application:

The R2 Certified recycler is responsible for accounting for the movement of any equipment or components containing Focus Materials under Provision 5.e, and potentially under Provisions 6.c.3 and 8.h to qualified downstream vendors. This responsibility means that the R2 Recycler must possess evidence to demonstrate conformity, not just a policy or procedure describing how they intend to conform. Therefore, R2 Recyclers claiming these limited exceptions must maintain records showing the conditions for the exception(s) is met. For example, if something is returned under warranty to the manufacturer, it would likely be accompanied by a Return Materials Authorization (RMA) and shipping records for the return and replacement.

Additionally, the requirements under Provision 7.a still require the R2 Certified recycler to maintain commercially-accepted documentation for all transfers of equipment under any of these exceptions as evidence.

Auditing:

Auditors should follow the audit trails and verify that claims of these exceptions are legitimate and supported by records. Exceptions and the evidence to support each exception should be documented in the auditor's report in accordance with this Formal Interpretation. Where records are not found, are deemed insufficient, or are inconsistent, the auditor should make a finding of nonconformance to the corresponding provision.

Exceptions are limited in their frequency of use. When an exception is repetitive or becomes a common occurrence, then it may be the standard operating procedure. This Formal Interpretation is not intended to allow these exception activities as a business strategy. For example, multiple returns of failed equipment that was purchased as working, equipment damaged in shipment, or nonconforming equipment or materials received may indicate a standard operating procedure, not an exception. When multiple exceptions occur, further auditing should evaluate what is being done to prevent their re-occurrence.