

# SOP: Inventory Disposal and Obsolete Stock Management

This SOP defines the procedures for effective **inventory disposal and obsolete stock management**, covering identification, evaluation, and categorization of obsolete items, proper documentation, authorized approval for disposal, environmentally responsible disposal methods, and regular review of inventory to minimize waste and optimize storage space. The goal is to maintain accurate inventory records, reduce holding costs, and ensure compliance with regulatory requirements while promoting sustainable practices.

## 1. Purpose

To outline standardized procedures for identifying, recording, evaluating, categorizing, and disposing of obsolete or surplus inventory in a manner that is compliant, sustainable, and cost-effective.

## 2. Scope

This procedure applies to all inventory items held in company-managed facilities, including raw materials, finished goods, spare parts, and packaging.

## 3. Responsibilities

- **Inventory & Warehouse Team:** Identify and record obsolete stock, maintain documentation.
- **Department Managers:** Evaluate and approve items proposed for disposal.
- **Finance Department:** Verify valuation, update inventory records, oversee write-offs.
- **Environmental/Safety Officer:** Ensure disposal methods comply with all regulations.

## 4. Procedure

### 4.1 Identification & Evaluation

1. Review inventory regularly (minimum quarterly) using stock reports and aging analysis.
2. Identify items not moved/used within the defined period (e.g., 12 months) or past expiry date.
3. Classify items as *Obsolete*, *Surplus*, or *Damaged*.
4. Prepare Obsolete Inventory Report (see Appendix A).

### 4.2 Approval Process

1. Submit Obsolete Inventory Report to Department Manager and Finance for review.
2. Obtain necessary approvals per disposal authorization matrix.

### 4.3 Documentation

1. Complete Inventory Disposal Form (see Appendix B) with detailed description, quantity, value, and reasons for disposal.
2. Maintain a disposal log with authorization signatures and supporting documents.
3. Adjust inventory records in the system upon approval.

### 4.4 Disposal Methods

1. Determine disposal route:
  - **Reuse/Repurpose:** Internal use in other areas if possible.
  - **Recycle:** Through certified recycling channels.
  - **Sale at Discount:** Where feasible, after management approval.
  - **Environmentally Responsible Destruction:** Through licensed vendors, in line with environmental and legal requirements.
2. Document disposal details and retain proof (e.g., certificate of destruction, vendor invoice).

### 4.5 Review & Continuous Improvement

1. Conduct periodic audits of disposal logs and inventory records.
2. Analyze causes of obsolescence and implement measures to minimize recurrence.

## 5. Records & Documentation

- Obsolete Inventory Reports
- Inventory Disposal Forms
- Disposal Log Books
- Approvals and certificates related to disposal
- Adjustments in inventory management system

## 6. Compliance

Compliance with relevant local, state, and federal regulations regarding waste management, health, safety, and environmental practices must be ensured at all times.

## 7. Appendices

### Appendix A: Obsolete Inventory Report (Sample)

Item Code	Description	Quantity	Location	Date Identified	Reason
1234A	Blue Widget	200	Warehouse 1	2024-04-12	No sales in 18 months

### Appendix B: Inventory Disposal Form (Sample)

Item	Quantity	Value	Disposal Method	Authorized By	Date	Remarks
Blue Widget	200	\$500	Recycle	J. Smith	2024-04-20	Approved for recycling