



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

Strategies for Compliance with Global Product content Laws, Etc.

There are a range of strategies that can be used to maintain compliance with global product content laws, regulations, standards, directives and conventions.

These are, in order of most basic to most advanced:

Waste strategies

Recycling

Takeback

Reuse

Product conformance strategies

Design for X

Waste Strategies

Many of the global product content laws, etc. require certain types of waste products to be handled/disposed/treated in certain ways, or even, by certain vendors.

Companies need to monitor who is handling/disposing/treating their waste, and ensure that the waste is handled, disposed or treated in the proper manner.

May require specific contractual agreements, vendor auditing programs or documentation of the manner in which the waste is handled, disposed or treated.

Example: waste vendor auditing consortia that are being formed in many industries.

Provides for understanding of waste rules as well as information about waste vendor operations and compliance.

Recycling

Recycling is addressed in two different ways by many global product content laws, etc.

Recycling of the product at the end of useful life

Inclusion of recycled content in the product

Recycling of the product at the end of useful life is, for example, required by regulations in Germany, The Netherlands, and in directives such as the WEEE from the European Union.

It can be accomplished through a national or regional recycling program, through an industry program or through a program developed by the product's manufacturer.

In general, there are no limits on the type or age of the products that may be included in the program. Older products, and those manufactured by other manufacturers may be required to be included in the program.

Often, there is a prohibition against passing the costs of the recycling program on to the consumer/end user in any way.

Example: The Netherlands has a regulation which requires a recycling scheme to be in place for certain classes of electronic products before those products can be sold in that country.

Example: One of the requirements of the WEEE is a takeback program for electrical and electronic equipment that includes recycling targets for the

Example: One of the requirements of the WEEE is a takeback program for electrical and electronic equipment that includes recycling targets for the various types of equipment that are included in the WEEE.

Inclusion of recycled content in the product.

Most of the laws related to this have been to require a certain level of recycled content, mostly in the area of metals and plastics, in the product.

In most cases, the laws require increasing recycled content over a period of years.

Certification of the recycled content is also required. In some way, the amount of recycled materials in the product must be demonstrable.

There are also requirements for recycled content in the packaging for the products.

In some countries, such as Germany, manufacturers must certify that the packaging has a level of recycled content prior to being allowed to bring the product into the country.

In some cases, country and regional laws require not only recycled content in the packaging, but recycling of the packaging. A program for the recycling must be in place prior to the sale of the product in the country.

The definition of what constitutes recycled content is very fluid in these laws, etc.

Does "recycled content" refer only to post-consumer materials? How are these materials defined in a non-paper world?

Takeback of products

Recycling and waste management strategies are major parts of any takeback program.

Many country and regional product content laws, including the WEEE, require companies to take their products back and properly dispose or recycle them at the end of useful life or when displaced by a newer product.

Requirements for takeback programs can include requirements for recycling of a certain percentage of the end-of-life materials.

Having a takeback program can be a requirement for entry into a market.

Example: The Netherlands requirement for a viable takeback and recycling program for targeted products before these products can be sold into their markets.

Like recycling, takeback can be done nationally, regionally, by industry or by company.

The consumer or end user generally is not expected to participate in the cost of the takeback program, and the types, ages or manufacturers of the products which must be taken back may not be limited.

Proper disposal, treatment or recycling of the product which is taken back is the responsibility of either the manufacturer of the product or of the company which displaces the product and replaces it with their own.

Other regulations or conventions, such as the Basel Convention or the OECD Council Decision figure strongly in most takeback programs.

There can be a positive side to a takeback program, other than entry into markets. Revenue can be generated from the end-of-life products or their component parts.

Through reclamation for intrinsic value

Through reuse of component parts (to be discussed in the next section)

Through remarketing of displaced equipment.

Example: The AVAYA takeback program

Overview of the program is included in conference materials.

Products, at end of life or when displaced, are removed, either by AVAYA technicians or by contracted technicians.

This program even encompasses products manufactured by other companies, but displaced by AVAYA products.

Removed products are sent to third part vendor for separation and sorting.

AVAYA provides guidance on what can be sold, what will be reused, how to treat intellectual property.

Vendor will often provide transportation from removal site to their facility

Parts for internal reuse are returned to company; any parts that can be sold for reuse are sold, parts that have intrinsic value (example: gold on contacts, other precious metals), and sold to smelter for that value; all others are properly disposed or recycled.

AVAYA receives a portion of any income from the smelting or resale, from which certain costs have been subtracted.

In most cases, AVAYA realizes revenue from the takeback program.

Reuse of products or components

Builds on the takeback program, and could be considered a form of recycling.

After end-of-life products are taken back by the manufacturer, some components or piece parts may be reusable.

This requires careful deinstallation and/or demanufacture so that parts are not damaged.

This may add a bit of cost to the process.

AVAYA provides guidelines to installers and third party takeback vendors about which components or piece parts are to be reused.

Parts can be used for repair.

Focus is on pieces or components needed for repairs that are in-house, for refurbishing of older in-use equipment, or for complete rebuilds.

Parts can be used to construct 'recycled' product

A new product can be built out of reused parts, opening a market for less capitalized customers to purchase the product of choice at a lower cost.

Reuse also may include selling the components as a commodity or on the secondary market to distributors who service the company's products.

Example: the Lucent RE-USE program

Detailed presentation on this program is included in the conference materials

Product Conformance

Builds on all of the previous programs, but pushes the emphasis back to the product during its useful life rather than at the end of useful life.

Requires careful monitoring of all product conformance laws, etc., along with a robust process to ensure that the product houses are aware of the changing requirements and are making any necessary changes to the product.

The product conformance process should include, at a minimum, these four steps.

Monitoring and understanding of the product conformance laws, etc.

Analysis of these laws, etc. to determine their applicability to the product line — including consideration of these laws throughout the life cycle of the product.

Addressing requirements across the life cycle of the product, including changes to existing products and packaging.

Auditing to ensure that product conformance laws, etc. and the measures necessary for compliance are in place and operational.

Example: Lucent Product Conformance Guide

Document is provided in conference materials

Sets forth the product conformance strategy being undertaken by Lucent.

Design for X (Environment, Safety, Demanufacture)

The most forward-looking way for a company to address product content laws.

Takes into account everything that has come before — the issues of waste management, recycling requirements, takeback requirements, reuse and product conformance, and looks at them in the design stage of the product.

Design for X (DFX) is driven, in the marketplace, by:

Customer and stakeholder requirements

Customer and stakeholder requirements**Increasing regulatory requirements****Long term liabilities for products****Market/requirements and barriers to trade****Eco-labeling programs****The need to bolster brand image**

DFX can accomplish, at minimum, the following

Products that are in compliance with existing product content laws, etc.**Product designs that anticipate coming laws, etc. (such as material bans, recycled content requirements, energy usage, for example)****Products that can be easily demanufactured, thus facilitating takeback, recycling and reuse.****Products whose environmental impact is continually lowered (less hazardous/toxic materials used, a cleaner manufacturing process, higher recycled content, etc.).****Products whose safety hazards, if any, are constantly diminished.****Products which are properly labeled and marked because product content is absolutely known.****Products packaged in accordance with laws and in a way that properly protects the product.**

To succeed, a DFX program must work across all functional lines, including research and development, product design, manufacturing and environment and safety.

Moves the responsibility for the product's impact on the consumer and the environment from the end of the process or the end of useful life to the design stage of the product.

Example: AVAYA R&D DFE process

Further information on this process is included with the conference materials.

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