

Requirements on Recyclable Quantity Achievement for the Grantees under Enterprise Support Programme (ESP) of the Recycling Fund

1. Introduction

- 1.1** This Document is to set out the requirements on the recyclable quantity achievement committed by the Grantees under the Enterprise Support Programme (ESP) of the Recycling Fund (the Fund) and should be read in conjunction with the Guide to Application for the Recycling Fund (Enterprise Support Programme).
- 1.2** The Advisory Committee on Recycling Fund (RFAC) and the Secretariat of Recycling Fund (the Secretariat) reserve their right to change any requirements or to decide how requirements should be interpreted at any time without prior notice. The Secretariat may review this Document as and when appropriate. The most updated version would be available at the website of the Recycling Fund (www.recyclingfund.hk).

2. Background

- 2.1** The compliance with the declared increase in quantity of recyclable collected and recycled product produced and sold after the granting of the Fund is the key measurement of the Recycling Fund project effectiveness. The Grantees under ESP have to certify and substantiate the recyclable quantity collected or processed or recycled for the baseline condition and the entire project duration through engaging an independent qualified auditor or engagement partner (their eligibility listed in Clause 3.2.2 of the Notes for Auditors)
- 2.2** For information and guidance on how to fulfil the requirements specified in this document, please refer to the Notes for Grantees. For information and guidance on how to carry out the quantity audit for certifying the compliance of the Grantees with the requirements specified in this Document, please refer to the Notes for Auditors.
- 2.3** To facilitate the Grantees to record their daily operation appropriately and effectively for fulfilling the requirements of quantity audit, please refer to “Recycling Fund – Good Practice Guide for Record Management” which provides guideline, together with templates and illustrative samples in retaining and managing the records involved in the recycling operation.

3. Management and Controls

3.1 Scope of operation

- 3.1.1 The Grantees shall ensure that all operations undertaken under the Recycling Fund project comply with all applicable requirements in this Document.
- 3.1.2 The Grantees shall determine and ensure recycling operations and all operational sites are managed in accordance with the description prescribed in the approved fund application.
- 3.1.3 The Grantees shall specify for each recyclable throughput category used for respective recycling activities (e.g. Collection, Purchase, Storage, Processing, Sale and/or Transport, etc.).
- 3.1.4 For the Recycling Fund project where zero baseline quantity is concerned, the Secretariat will conduct the audit; thus the zero baseline quantity audit does not come under the scope of this Document. The Grantees shall ensure the baseline quantity stated in the approved fund application is in compliance with all requirements in Clauses 4.1, 4.2 and 4.3. The Grantees shall submit the substantiated baseline quantity by the Auditors to the Secretariat for consideration before signing fund agreement with the Government.
- 3.1.5 The Grantees shall ensure the performance target recyclable quantity within the entire duration of the Recycling Fund project is in compliance with all requirements in Clauses 4.1, 4.2, 4.3, 4.4 and 4.5. The Grantees shall submit an auditor's report for its performance target quantity to the Secretariat for considerations no later than three months after project completion.
- 3.1.6 The Grantees shall engage an independent certified public accountant or a certification body approved by the Secretariat to substantiate the baseline quantity or performance target quantity for the concerned types of recyclables in the approved application and assure the compliance with all applicable requirements. The most updated list of certification body approved by the Secretariat would be available at the website of the Recycling Fund (www.recyclingfund.hk).
- 3.1.7 The Grantees shall consent to the Secretariat to approach and communicate with the Auditors who prepared the auditor's report on matters regarding the findings and issues arising from the audit statements of the Recycling Fund project. The Grantees shall authorize the Auditors to disclose all documents and information in connection with the Recycling Fund Project to the Secretariat as and when requested by the Secretariat.

- 3.1.8 The Secretariat may require the Grantees to provide additional information on or related to recyclable quantity achievement. The Grantees may then require the auditors to provide additional services. The auditors shall assist the Grantees and cooperate with Grantees and/or the Secretariat in fulfilling the requirements.
- 3.1.9 During the course of the entire duration of the Recycling Fund project, the Secretariat shall visit the Grantees on a regular basis as to keep abreast of the progress.

3.2 Responsibilities of the Grantees

- 3.2.1 The Grantees shall declare the recyclable quantity provided is true and accurate and reflect the state of affairs for the required period.
- 3.2.2 The Project Coordinator and/or Deputy Project Coordinator appointed for the Recycling Fund project shall also be appointed to be responsible for the monitoring and compliance of its operation with all applicable requirements of this Document.
- 3.2.3 All relevant staff shall demonstrate awareness and competence in the implementation of the Grantee's Recycling Fund project.
- 3.2.4 The Grantees shall ensure the accuracy of information intended to be reported.
- 3.2.5 Retention time for all relevant records and reports, including purchase and sales documents, training records, processing records, and material balance summaries, shall be at least seven (7) years after the completion of project.

4. Indicators

4.1 Recyclable Quantity and Throughput

- 4.1.1 Under the Recycling Fund, the Grantees' operation shall be subject to two phases of quantity audit for the concerned types of recyclables in the approved application, namely:-
- (a) baseline quantity audit, to be conducted upon accepting the offer of the Recycling Fund; and
 - (b) performance target quantity audit, to be conducted within two months upon completion of project.

- 4.1.2 For baseline quantity audit, the Grantees shall determine and declare the recyclable quantity and throughput which should cover **at least 3 months prior to the month of the application form submitted** by the Grantee, or should it deem appropriate, other preceding months as approved with justifications by the Secretariat and the baseline capacity of machinery, equipment and/or fixed assets in respect of the defined operation processes in the corresponding period.
- 4.1.3 The percentage mix of recyclable collected from import and local source as well as wastage quantity or ratio of collected recyclables for baseline quantity should be clearly spelt out (if applicable) in order to measure the actual increase in the recyclable possibly diverted from landfills in Hong Kong after the Recycling Fund project.
- 4.1.4 After the completion of the Recycling Fund project, the Grantees shall present the performance target quantity (e.g. collection of recyclables) and throughput (e.g. production and sales of recycled products / processed recyclables) as well as wastage quantity for the entire duration of the Recycling Fund project.
- 4.1.5 The recyclable quantity and throughput must go through the stipulated recycling operations as in the approved fund application. Only until the recyclables or recycled products are sold or exported to the downstream buyers are they considered as the output quantity and counted towards performance target quantity.
- 4.1.6 The Grantees may be subject to further additional requirements, such as running the operation for some more time as to gain document proof for the substantiation of the baseline quantity, at the discretion of auditor or engagement partner in the quantity audit exercise and subsequent to recommendation of the Secretariat.
- 4.1.7 The Grantees shall retain all documented information relating to the recyclable quantity and associated capacity for the baseline condition and performance targets within the entire project duration.

4.2 Production confined to the prescribed premises

- 4.2.1 The Grantee shall ensure that activities related to recyclables such as collection, processing and production, are held at the premises as prescribed in the approved fund application or as appropriate.
- 4.2.2 The Grantees shall ensure that recyclables committed under the Fund remain clearly identifiable and separable from materials outside the scope of operations consisted therein the approved fund application.

4.3 Traceability of recyclable

- 4.3.1 For each recyclable throughput category, the Grantees shall establish an up-to-date material balance summary to ensure that the quantities of recyclables processed and/or sold are compatible with the actual quantities of inputs and outputs and to ensure that the flow of the recyclables and residue waste, if any, can be captured. The summary shall include the following:

For inputs:

- a) references of supplier documentation (where applicable);
- b) quantities received and kept in stock (by weight); and
- c) recyclable category and, if applicable, percentage by weight.

For outputs:

- a) references of sales documentation (where applicable);
- b) quantities sold and kept in stock (by weight);
- c) residues disposed or sold and kept in stock (by weight);
- d) recyclable category and, if applicable, percentage by weight; and
- e) information to identify the output item in sales documentation.

- 4.3.2 The Grantees shall verify all incoming recyclables under the fund application through visual inspection or other practical means in order to comply with supplier documentation for the following:

- a) supplied quantities of the associated percentage (by weight);
- b) categories of recyclables supplied; and
- c) date when the incoming materials were collected.

- 4.3.3 The Grantees shall ensure that sales documentation and shipping document, if applicable, issued for recyclable throughputs sold include the following information, as appropriate:

- a) name and contact details of the Grantees;
- b) name and address of the customer;
- c) date when the document was issued;
- d) description of the recyclable throughputs and, if applicable, percentage by weight;

- e) quantity of recyclable throughputs sold; and
- f) clear indication of the recyclable throughputs' categories.

4.4 Prescribed operation

- 4.4.1 The Grantees shall use the Fund to carry out the recycling operation solely and exclusively for the purposes specified in the approved fund application. The matrix factors of production listed below as funded, including machinery and equipment, shall be gainfully deployed to sustain the recycling operation towards the production of committed recyclable quantity under the Fund as in the approved application form:-
- a) recruitment of personnel;
 - b) procurement of service;
 - c) purchase and maintenance of equipment; and/or
 - d) any other operation(s) and purpose(s) as in the approved fund application or as approved by the Secretariat / RFAC.
- 4.4.2 The Grantees shall retain documented information related to the operations and/or purposes stated in Clause 4.4.1.

4.5 Source of additional recyclables

- 4.5.1 The Grantees shall define and maintain necessary documented information (e.g. supplier invoices, receipts to walk-in suppliers, weight note, etc.) to demonstrate from those transactions that recyclables supplied for the Recycling Fund project are waste diverted from landfills (e.g. waste generated from local source) in Hong Kong, including:
- a) date of receiving the recyclables;
 - b) categories of recyclables supplied;
 - c) name and nature of supplier and source of recyclables (e.g. purchaser / collector from point of refuse, trader, walk-in supplier, etc.);
 - d) contact details and address of the supplier (where applicable)
- 4.5.2 The Grantees shall determine the additional output after use of the Fund compared to the baseline quantity and retain relevant documented information.

- 4.5.3 The source of the recyclable as regards the increase in throughput under the Recycling Fund project must be the one committed in the approved application. The percentage mix of imported and local source as well as wastage quantity or ratio of collected recyclables should be clearly spelt out in baseline quantity in order to measure the increase in the recyclable possibly diverted from landfills in Hong Kong after the Recycling Fund project.

5. Acceptance of Report

- 5.1.1 The auditor's report shall be submitted to the Grantees who shall then submit to the Secretariat for consideration and acceptance.
- 5.1.2 The Secretariat reserves the right to require the Grantees to conduct further audit to facilitate the considerations by the Secretariat and RFAC.
- 5.1.3 The Grantees are not entitled to seek reimbursement for the audit fee for the quantity audit as in the approved fund application if the auditor's report expresses non-conformity or fails to demonstrate the recyclable quantity achievement required for whatever reasons and so, is not accepted by the Secretariat or RFAC.