STANDARD OPERATING PROCEDURE

Damaged Goods Handling SOP

Document no.	SOP-WHS-010
Revision	1.0
Owner	Warehouse Operations Manager
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To identify, document and remove damaged stock from active inventory consistently, protecting product quality and keeping inventory and financial records accurate.

2. Scope

Applies to product damage discovered anywhere in the warehouse, including storage, picking, packing and internal transport. Damage found during inbound receiving inspection is covered by the receiving SOP.

Definitions

Damage hold	A system status that removes a damaged unit from available inventory while its disposition is decided.
Salvage	Recovering a usable portion or component from a damaged item instead of scrapping it entirely.
Write-off	Removing the value of a damaged, unsellable item from inventory records, usually requiring an approval level based on value.
Root cause	The underlying reason damage occurred, such as a racking issue, handling error or packaging failure, used to prevent recurrence.

3. Responsibilities

Warehouse Associate	Identifies and isolates damaged items where found, and completes the initial damage report.
Warehouse Operations Manager	Reviews damage reports, approves disposition and write-offs within authority, and tracks root causes.
Quality Inspector	Assesses whether a damaged item can be salvaged, repackaged or must be scrapped.
Finance Analyst	Approves write-offs above the authorization threshold and reconciles inventory value.

RACI matrix

Activity	Warehouse Associate	Warehouse Operations Manager	Quality Inspector	Finance Analyst
Identify and isolate damage	R	A	I	-
Complete damage report	R	A	C	-

Activity	Warehouse Associate	Warehouse Operations Manager	Quality Inspector	Finance Analyst
Assess salvage or scrap	I	A	R	-
Approve disposition	I	R/A	C	I
Approve write-off above threshold	-	R	I	A

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- Damage report form
- Damage hold labels or tags
- Quarantine area or cage for damaged stock
- Camera or smartphone for photo documentation
- WMS terminal for status updates
- Disposition and write-off log

Personal protective equipment

- Gloves for handling broken or sharp packaging
- Safety shoes

5. Procedure

Step	Task	Owner	Done
5.1	**Stop handling the damaged item** As soon as damage is noticed, stop moving or processing the item further and set it aside from the surrounding stock so good units are not affected.	Warehouse Associate	☐
5.2	**Isolate the item to a quarantine area** Move the damaged item to the designated damage quarantine area or cage and attach a damage hold tag with the date, location found and your name. **Warning:** Do not leave damaged items in an active pick or storage location; a damage hold tag alone is not enough to prevent it from being picked.	Warehouse Associate	☐
5.3	**Update the system status** Scan the item and set its status to damage hold in the WMS so it is removed from available-to-promise inventory immediately. **Checkpoint:** The item's system status is changed to damage hold before it is left in the quarantine area.	Warehouse Associate	☐
5.4	**Document the damage** Photograph the item from multiple angles showing the extent of damage, and complete the damage report with SKU, quantity, location found and a description of what happened.	Warehouse Associate	☐
5.5	**Note the likely cause** Record the likely cause of the damage on the report, such as a fall from racking, forklift contact, packaging failure or a pest or moisture issue.	Warehouse Associate	☐

Step	Task	Owner	Done
5.6	**Flag a safety hazard** If the damage involves a hazardous material spill, broken glass, sharp metal or exposed chemicals, flag the area, keep others away, and notify the safety manager before cleanup begins. **Warning:** Do not attempt to clean up a chemical spill or broken hazardous packaging without following the site's spill response procedure.	Warehouse Associate	☐
5.7	**Assess salvage potential** Inspect the item against the product's condition standards to determine whether it can be repackaged, sold as an open-box item, salvaged for parts, or must be scrapped.	Quality Inspector	☐
5.8	**Recommend a disposition** Recommend a disposition, such as repackage and restock, return to vendor for credit, liquidate, or scrap, and attach the recommendation to the damage report.	Quality Inspector	☐
5.9	**Approve the disposition** Review the damage report and recommendation and approve the disposition, escalating to finance if the item's value is above the write-off authorization threshold. **Checkpoint:** No damaged item is scrapped, restocked or written off without a named approver on the report.	Warehouse Operations Manager	☐
5.10	**Execute the disposition** Move the item to repackaging, the vendor return staging area, the liquidation pallet, or the scrap bin, according to the approved disposition.	Warehouse Associate	☐
5.11	**Post the inventory adjustment** Update the inventory record to reflect the final outcome, whether restocked at full or reduced quantity, or written off, and close out the damage hold status.	Warehouse Operations Manager	☐
5.12	**Review damage trends** Summarize damage reports monthly by cause and location to identify recurring problems, such as a specific rack bay or handling process, and recommend corrective action.	Warehouse Operations Manager	☐

6. Quality checks

- Every damaged item found is placed on system damage hold before leaving it in a quarantine area.
- Damage reports include photos and a documented likely cause.
- No disposition is executed without a named approver.
- Monthly damage trend review identifies repeat causes or locations.

7. Records

- Damage reports with photos
- Damage hold status log in the WMS
- Disposition approvals
- Monthly damage trend summary

8. KPIs

- Damaged units as a percentage of total inventory value
- Average time from damage found to disposition approved
- Percentage of damaged items successfully salvaged or restocked

- Repeat damage incidents by root cause

9. Common mistakes

- Leaving a damaged item in an active pick location instead of a quarantine area.
- Skipping photos on the damage report, making disposition harder to justify.
- Restocking a repackaged item without a quality inspector's sign-off.
- Not tracking root cause, so the same type of damage keeps recurring.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

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