LABS- Criteria for Factory Graduation

1. Who triggers graduation?

- LABS Factory Coordinator shares the "Graduation Checklist" (*Annexure 1*) with the Factory (post completion of LABS assessment in the factory)
- LABS Factory Coordinator monitors the factory's progress on fulfilling the criteria for graduation
- The Factory triggers the graduation by confirming the completion of all the elements detailed in *Annexure 1*

2. What triggers graduation?

- Once the factory confirms that the elements highlighted in *Annexure 1* have been completed, the graduation process will be initiated by the LABS Factory Coordinator
- LABS Factory Coordinator will review the checklist (*Annexure 1*) shared by the factory and will schedule a "Graduation Verification Visit" in collaboration with the Factory management and Inspection Firm that has conducted the CAP Closure visit

3. Requirements for graduation:

Key requirements from *Annexure 1* for factory graduation:

- All issues identified as per the Corrective Action Plan (CAP) of initial assessment reports have been remediated as per LABS Standard guideline and confirmed with the CAP Closure report by the Inspection Firm (IF)
- Basic Safety Training, Advanced Safety Training Level-1 and Advanced Safety Training Level-2 have been completed
- OHS Committee has been established *(having at least 1 female representation where women actively speak up and have greater say on decision making and contributing to solutions on safety)* and the LABS mandated trainings are further being conducted with a process established to cover 100 % workers and record participation rates. In addition, gender training is being provided to the OHS Committee to encourage them to operate with gender lenses *(The OHS committee size shall be in line with local/country specific guideline).*
- Dedicated safety manager is available in the factory having
    - At least 5 years of Occupational, Health and Safety experience
    - Certification/Diploma in Occupational, Health and Safety from any recognized technical institute
    - Knowledge about the Occupational Health and Safety Act, guidelines and regulations
- Designated staff trained to use and maintain firefighting equipment can be trained internally by competent teams or through 3rd party. However, proof of completion of trainings will have to be presented by factory against request
- No infrastructural changes made to the building which includes but not limited to changes in electrical, fire and structure or it's layout by carrying out any additions, alterations and/or extensions of any new floors after the CAP Closure visit conducted by the Inspection Firm
- No more than 30% increase of workers within the factory after the CAP Closure visit

- Demonstrated capacities to maintain Structural, Fire and Electrical Safety such as:
  - Safety management systems effectively implemented by trained staff
  - Floor load limits being monitored and load management carried out within the factory
  - Staff well trained to use and maintain the firefighting equipments
  - Evacuation fire drills conducted for all employees as per the local rules and regulations
  - Thermo-graphic scans are carried out by qualified and trained personnel at least on a tri- annual basis and any high temperatures *(where temperatures of components are >20°C the ambient temperature)* are rectified at priority as per LABS Standards
  - All electrical equipment being maintained periodically in accordance with the equipment manufacturer's guidelines
  - Ensuring to maintain defined safe load limit of floor/ circuits in case of any addition/removal of machinery, etc. as per approved design and drawings such as single line diagram, as-built drawings etc.
- Joint walk through to be conducted and documented every month by internal OHS and safety teams of factory to ensure there are no new issues present in the factory
- Factory supports that the Helpline is operating and functioning well by communicating the Helpline to workers (through trainings and posting danglers, stickers, posters etc.) and neither inhibits nor discourages its usage

4. How factory graduation is verified?

- Based on the evaluation of graduation checklist, the Inspection Firm will conduct a "Graduation Verification Visit" to the factory to check the detailed elements/criteria for graduation highlighted in *Annexure 1*
- If all the elements highlighted in *Annexure 1* have been fulfilled and confirmed by the Inspection Firm, the factory will graduate from the LABS Program

5. Reactivation of Factory after graduation

LABS Initiative will not be involved with the factories after they have graduated. The Brand Participants will continue to follow-up with the graduated factories through their compliance and their own ethical sourcing program audits. This will help to evaluate whether a factory has backslidden from the established LABS guidelines or will call upon the factory to re-enter LABS Program if they can indicate the factory has done so.

If the factory makes any changes post-graduation from LABS Program, the graduation status of the factory will be revoked and the factory will have to re-enter the graduation process.

Following scenarios will lead to reactivation/ re-entering of the factory post-graduation in the LABS Program:

- The Brand Participants observe and confirm that the LABS Standards are not being followed in the factory

- Any Horizontal or vertical expansion in the building structure carried out with or without legal approval
- Significant demolition carried out in any part of the building structure
- Changes made to the building by carrying out additions, alterations and/or extensions of any new floors
- Any change in use of machinery or other arrangement exceeding the defined safe load limit of floors/circuits
- Construction of any new building within the factory compound or premises that impacts the existing electrical load of the factory
- Alteration in any part of the building structure which includes removal/addition of external fire exits or impacts existing fire exit plans etc.
- Any natural hazard (such as- earthquake, cyclone, typhoon etc.) and/or any unforeseen accidents (such as fire, structural damage, electrical accident etc.) causing distress and/or damage in structural, electrical and fire safety systems
- Any changes in occupancy after initial assessment to a significant portion of a building that may impact on the structural loading, fire hazard & separation, fire compartmentation, evacuation, fire safety systems etc.

Annexure 1: Graduation checklist: Detailed elements to verify graduation

Key questions:	Yes	No	Comments
All issues (P1, P2, P3 and P4) identified as per the Corrective Action Plan (CAP) of initial assessment reports have been remediated as per LABS Standard guideline and graduation verification visit has been completed by the Inspection Firm			
CAP Closure report provided by Inspection Firm that provides well documented and supporting documents, including but not limited to pictorial evidence which indicates that issue remediation has been completed, with root cause of the issue addressed thoroughly aligned with LABS Standard and Methodology of the applicable country			
No infrastructural changes made to the building which includes but not limited to changes in electrical, fire and structure or their designs and drawings layout by carrying out any additions, alterations and/or extensions of any new floors after the CAP Closure visit conducted by the Inspection Firm			
Ensuring to maintain defined safe load limit of floor and/or electrical circuits in case of any addition/removal of machinery, etc. as per design and drawings (such as single line diagram, as-built drawings etc.) approved by the competent authorities			
All electrical equipment being maintained periodically in accordance with the equipment manufacturer's guidelines			
Structural floor load limits being monitored within the factory			
Follow up visits by LABS Team concluded			
Thermo-graphic scans are carried out by qualified and trained personnel at least on a tri- annual basis and any high temperatures (where temperatures of components are >20°C the ambient temperature) are rectified at priority as per LABS Standards			
Frequent evacuation drills (2 per year minimum documented)			
Sufficient & well-maintained firefighting equipment present			
Designated staff trained to use and maintain firefighting equipment			
Factory supports that the Helpline is operating and functioning well by communicating the Helpline to workers (through trainings and posting danglers, stickers, posters etc.) and neither inhibits nor discourages its usage			

All levels of Safety Trainings completed (Basic Safety Training, Advanced Safety Training Level-1 and Advanced Safety Training Level-2) - Also, the TOT trainers constitutes of female representatives *(proportionate minimal to overall gender ratio in the factory)* to further deliver the safety trainings to all employees.			
OHS Committee has been established *(proportional to factory size and having at least 1 female representation where women actively speak up and have greater say on decision making and contributing to solutions on safety)* and the LABS mandated trainings are further being conducted by the OHS Committee established by the factory while ensuring 100 % workers' coverage. *(Ownership of establishing OHS Committee lies with the factories)*			
Frequency of conducting OHS committee meetings as per legislative framework of local laws			
Safety Management Systems (SMS) are set up and effectively implemented by the leadership, management team and trained staff of the factory *(Additional details on Safety Management Systems guiding practices are given in Annexure-3 & 4)*			
Is there a written Safety and Health Policy? Is it communicated and workers aware of the policy?			
100% of workers should have completed required health and safety training			
Adequately qualified and dedicated safety manager available and reporting directly to CEO/GM			
Incident/accident report available?			
Suggestion box for safety suggestions as per LABS focus and mandate			
Open door policy implemented for workers to flag safety issues			
Process in place to periodically conduct employee meetings and record participation rates?			
At least one factory joint walk through conducted per month to ensure structural, fire and electrical safety			
Procedures in place to eliminate the hazards and control the risks			
System to investigate cause of incidents, identify root causes and to prevent similar incidents from reoccurring in the future			
Timely completion of corrective actions after a workplace hazard is identified or an incident occurs			
Timely completion of planned preventive maintenance activities			

***** In "comments" numbers and elaboration for response to "Yes" and "No" shall be given***

Annexure 2: Scenarios leading to Factory Re-assessment

Following are the list of changes that will lead to a re-assessment in a factory before CAP Closure from LABS Program:

- After the initial assessment if any major structural changes take place in building leading to variation in structural loading and/or increase in electrical load of existing circuits and/or requiring change in fire safety systems, such as:

1. Structural related issues:

- Horizontal or vertical expansion in the building structure with or without legal approval
- Significant demolition in any part of the building structure
- Addition and/or extension of any new floors in the building structure
- Alteration in any part of the building structure
- Any Renovation/ Retrofitting work within the factory premises which is not part of the approved factory plans and for which the factory does not have any prior approved plans, drawings or authorizations from the local government body

2. Electrical related issues:

- Any installation of new machinery or change in use of building floor requiring modification in floor loads
- Any change in use of machinery or other arrangement exceeding the safe load limit of floors/circuits
- Any major electrical changes/ issues requiring re-wiring and re-circuiting for the electrical panels and/or electrical components
- Construction of any new building within the factory compound or premises that impacts the existing electrical load of the factory

3. Fire related issues:

- Horizontal or vertical expansion in the building structure also involving access to exits and means of egress
- Alteration in any part of the building structure which includes removal/addition of external fire exits or impacts existing fire exit plans
- Any Renovation/ Retrofitting work within the factory premises which is not part of the approved factory plans and for which the factory does not have any prior approved plans, drawings or authorizations from the local government body

4. Additional issues

- Any natural hazard (such as- earthquake, cyclone, typhoon etc.) and/or any unforeseen accidents (such as fire, structural damage, electrical accident etc.) causing distress and/or damage in structural, electrical and fire safety systems

- Any changes in occupancy after initial assessment to a significant portion of a building that may impact on the structural loading, fire hazard & separation, fire compartmentation, evacuation, fire safety systems etc.

In case of access denied for any floor and/or any portion of the building structure, and if it is discovered later on, then reassessment may require to accommodate that part into the CAP (Corrective Action Plan)

Annexure 3: Manual on Safety Management System *(Guiding practices for setting up and maintaining "Safety Management System (SMS)" for managing safety in the factory as per organizational goals, policy, structure, planning, accountability and safety standard operating procedures).*

1. TABLE OF CONTENTS

1. INTRODUCTION

As per the *International Labour Organization*, nearly 2 million individuals across the world succumb to either workplace accidents or diseases each year. This corresponds to as many as 6000 fatalities each year. Worldwide, there are approximately 340 million occupational accidents and 160 million victims of work-related illnesses per annum. These statistics call for improvements in safety performance, and so some professionals believe that the definition of safety management system should be defined, and the elements included in safety management system should be classified to ensure good quality system.

1.1. What is Safety Management System (SMS)?

Safety Management System refers to a systematic approach to managing safety by organizational goals, policy, structure, planning, accountability, and safe standard operating procedures. Alternately, a safety management system can be defined as an explicit element of the corporate management responsibility which sets out the company's safety policy and defines how it intends to manage safety as an integral part of the overall business operations. As per an expert associated with the United Kingdom Civil Aviation authority, the essential pre-requisites of a Safety Management System are:

- A comprehensive corporate approach to safety
- An effective organization for delivering safety
- System to achieve safety oversight

A SMS demands that operators and maintenance organizations have in place the formal procedures to manage the safety of their operations. So, a SMS means more than simply complying with the legislature.

1.2. Objectives

The objectives of a good safety management system:

- Set up effective system to identify and mitigate risks
- Relentless monitoring
- Continuous improvement
- Set-up identified-tangible goals
- To help ensuring sustainable safety culture in the facility

The implementation of SMS involves

- Setting up Policies & Protocols (safety; risk management, risk identifications, ranking till mitigation.)
- Leadership commitment & implementation team
- Allocate timelines and responsibilities
- Monitoring mechanism
- Continuous improvement, Incident Reporting & Investigation

1.3. Benefits of SMS

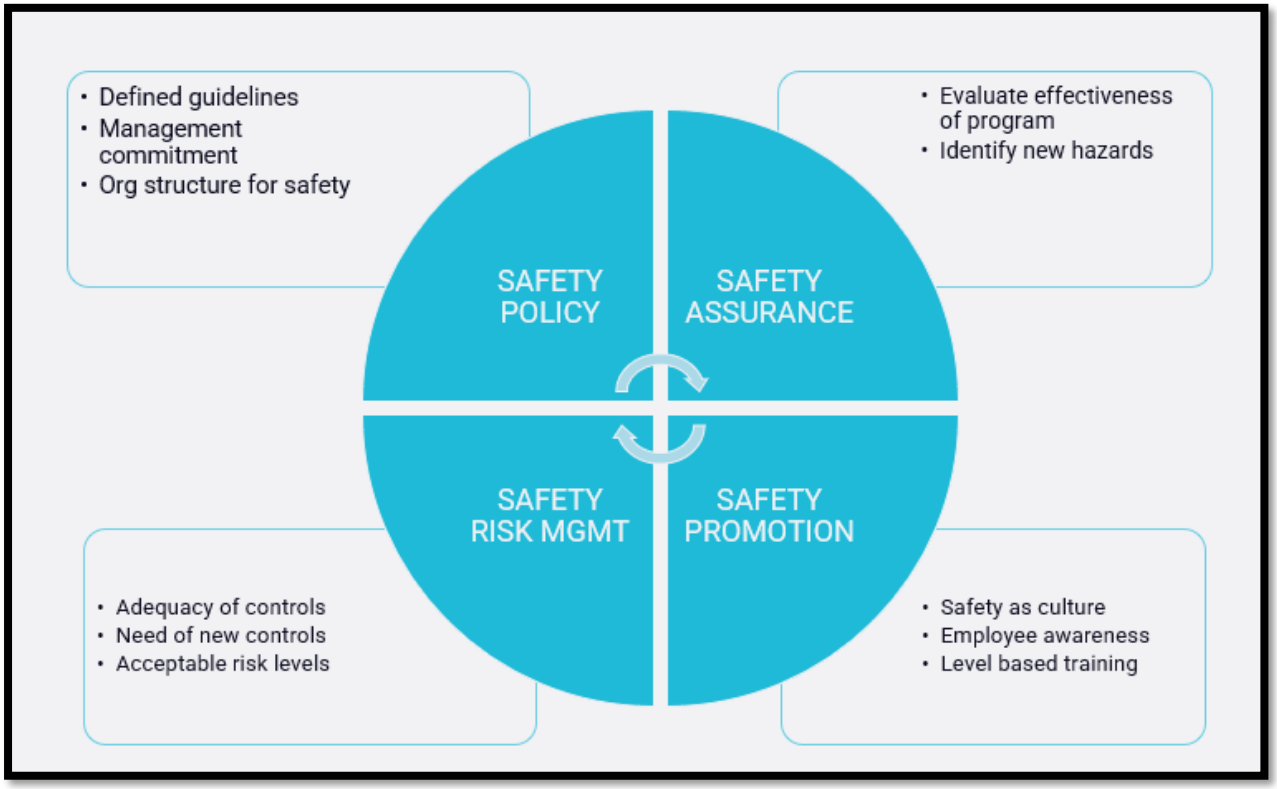
A Safety Management System offers a lot of benefits. Some of these are listed below:

- Encourages safety culture
- Protects and enhances an organization's reputation and credibility
- Reflects business is socially responsible
- Maximize the performance and/or productivity of employees
- Increased employees' commitment to the team/organization
- More competent, happier and healthier workforce
- Reduces business costs and disruption
- Enables organizations to meet customers' OHS expectations, and
- Workforce in general to stay longer in active life

2. COMPONENTS OF SMS

The essence of any SMS is to provide for a systematic approach to achieve acceptable levels of safety risk. Towards this end, SMS is comprised of four functional components. These are:

1. Safety Policy
2. Safety Assurance
3. Safety Risk Management
4. Safety Promotion



Components of a Safety Management System

2.1. Safety Policy & Protocols

Safety Policy establishes senior management's commitment to continually improve safety; defines the methods, processes, and organizational structure needed to meet safety goals. It:

- Establishes management commitment to safety performance through SMS

- Establishes clear safety objectives and commitment to manage to those objectives
- Defines methods, processes, and organizational structure needed to meet safety goals
- Establishes transparency in management of safety
    - Fully documented policy and processes
    - Employee Incident reporting, investigation culture development and resolution system
    - Promoting incident reporting culture.
    - Accountability of management and employees
- Builds upon the processes and procedures that already exist
- Facilitates cross-organizational communication and cooperation

2.2. Safety Assurance (SA)

SA evaluates the continued effectiveness of implemented risk control strategies; supports the identification of new hazards

- SMS process management functions that systematically provide confidence that organizational outputs meet or exceed safety requirements
- AVS SMS has a dual safety assurance focus:
    - AVS organizations
    - Product/service providers
- Ensures compliance with SMS requirements and FAA orders, standards, policies, and directives
    - Information Acquisition
        - Audits and evaluations
        - Employee incident reporting
    - Data Analysis
    - System Assessment
- Provides insight and analysis regarding methods/opportunities for improving safety and minimizing risk
- Existing assurance functions will continue to evaluate and improve service

2.3. Safety Risk Management (SRM)

SRM determines the need for, and adequacy of, new or revised risk controls based on the assessment of acceptable risk.
A formal process within the SMS composed of:

- Describing the system
- Identifying the hazards
- Assessing the risk
- Analysing the risk
- Escalating the risk
- Controlling the risk

The SRM process may be embedded in the processes used to provide the product/service

2.4. Safety Promotion

Safety Promotion includes training, communication, reporting and other actions to create a positive safety culture within all levels of the workforce

- Safety promotion activities within the SMS framework include:
  - Providing SMS training & refresher
  - Advocating/strengthening a positive safety culture
  - System and safety communication and awareness
  - Matching competency requirements to system requirements
  - Disseminating safety lessons learned and engaging of leadership team
- Everyone has a role in promoting safety

3. IMPLEMENTING SMS

3.1. Implementation Plan

Safety Management System (SMS) awareness is no doubt increasing, even though the pace is a little slow. Various steps to implementing SMS are:

- Setting up Policies & Protocols (safety; risk management)
- Leadership commitment & implementation team
- Allocate timelines and responsibilities
- Monitoring mechanism
- Continuous improvement

3.2. Role, Responsibilities & Accountability

While everyone has a role in promoting safety, delineating the roles and responsibilities of all stakeholders streamlines the process and can result in an efficient Security Management System, once which holds each party accountable.

Given below are the roles and responsibilities of different functions within the organization:

Designation	Roles and Responsibilities
Leaders	• Commit to safety (endorsement/signing the policy) • Allocate budget • Motivate the team (visible engagement or BBS - Behaviour Base Safety culture. Award/Incentive program)
Senior Managers	Establish and maintain SMS by: • Establishing levels of acceptable risks • Establishing a safety policy • Establish safety performance goals that are in line with other organizational goals and help set a direction for improvement.

	• Allocating sufficient resources • Overseeing system performance • Modifying policies and goals, as and when necessary
Line managers/Safety Managers	Carry out the instructions of senior managers by: • Implementing and adhering to safety policies by setting a Risk Management Framework • Ensuring that the staff gets safety training and awareness sessions are also conducted • Ensuring that the staff has and uses safety equipment • Enforcing safety rules • Conduct performance monitoring by including safety in performance review • Providing safety coaching to staff • Monitoring staff safety performance • Incident Response: Reporting incidents, concluding incident investigation and taking corrective and preventive measures • Conduct safety audits and ensure closure of gaps Ensuring compliances and getting certifications, if applicable.
Specialists	Specialists are roped in for fire and electrical safety and conduct the following tasks Fire • Focus on fire safety • Fire prevention • Fire response • Fire drills • Training Electrical • Safety standards • System Health Check including Audits • Maintenance • Record keeping Structural • Safety standards • Structural safety check including Audits • Maintenance

	• Record keeping
Employees	Employee acceptance of the SMS and safety programs is essential for success and can be achieved if employees: • Carry out tasks safely, follow established procedures and avoid short cuts • Report concerns and incidents and assist in investigations, as and when needed • Participate in improvement program • Exhibit awareness about policy and procedures • Participate in safety committees • Provide feedback

4. CHECK SHEET FOR FACTORIES

4.1. Setting Up

- Well defined policy exists
- Roles & responsibilities earmarked specifically
- Sufficient resources allocated
- Safety objectives are measurable
- Is there an effort to involve all employees and contractors?

4.2. Safety Risk Management

- Methodology for risk identification and assessment
- Regular review of risk assessment
- Timely mitigation of identified gaps
- Risk register in place
- Frequency of review of risk controls is less at least six months

4.3. Safety Assurance

- Well established mechanism for incident reporting
- Defined process for incident investigation and CAPA
- At least bi-annual internal safety audits
- Change management of policies and procedures
- Use of technology for assurance
- Score card for safety measurables
- Trend analysis used to prevent future incidents

4.4. Safety Promotion

- Safety training to all employees
- SME Training for personnel allocated responsibility of safety management
- Gratifying awareness and communication campaigns
- Safety is positive culture rather activity
- Training records maintained (Yearly training calendar, Training module and pictorial evidence of training)
- Level based safety drills and simulation

4.5. Monitoring and Improvement

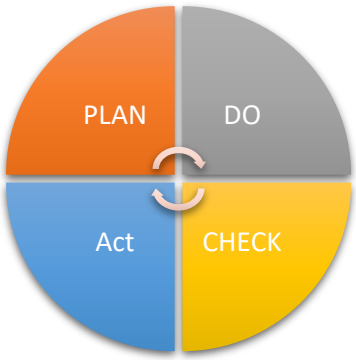
- Safety forum/committee established

- Evidence of regular meetings (preferred monthly) of safety forum/committee members update, meeting minutes and all related records
- SMS improved based on review of risks, risk control and incident trends
- Regular increase in safety scores (of measurable values)

5. FOCUS AREAS

While all the components of SMS are important, including training and awareness as well as continual improvement, which can be achieved by following the plan-do-act-check mechanism, it is imperative to highlight the focus areas of any SMS. These include:

1. Risk Identification
2. Risk Mitigation
3. Taking Corrective and Preventive Actions
4. Establishing a monitoring mechanism



The manual further details each of these four focus areas:

5.1. Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the Institution's key risks. The objective of risk identification is to understand what is at risk within the context of the Institution's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.

- If you cannot identify risk, probably you cannot mitigate it
- Make it part of culture
- Safety is everyone's need and everyone's responsibility
- Forum to review and encourage identification

5.2. Risk Mitigation

Risk mitigation is defined as the process of reducing risk exposure and minimizing the likelihood of an incident. It entails continually addressing your top risks and concerns to ensure your business is fully protected. Mitigation often takes the form of controls, or processes and procedures that regulate and guide an organization.

- Matches culture and strategy
- Cost benefit analysis

- Categorizes
  - Must do's
  - Good to do's
  - Consider in future

5.3. Corrective and Preventive Actions

Any ongoing system can have glitches or need to improve further. So, it is important to conduct:

- Careful study of reported incidents
- Trend analysis
- Reduce accidents
- Remove non-conformities
- Reduce future problems
- Handle smaller issues to prevent larger issues
- Better cost management

5.4. Monitoring Mechanism

A monitoring mechanism must include:

- New risk identification
- Process monitoring
- Impact Monitoring
- Mitigation plan monitoring
- Adopting best industry practices

6. CONCLUSION

Safety Management System has stupendous potential to yield effective results – safety-wise and economy-wise. It requires diligent implementation and monitoring to reach right outcomes.

Annexure 4:

Key parameters of Safety Management System to be ensured in a factory for managing safety are as per below:

- Safety procedures and instructions should be displayed at workplaces.
- Workers comply with safety procedures and instructions relevant to their work and/or about which they have been trained or notified.
- Support team leaders to ensure that everyone they work with, including contractors and visitors, are familiar with and follow applicable health and safety procedures and instructions.
- Ensure workers know what to do if an emergency occurs at their place of work.
- Ensure that pregnant women workers are seated closer to the emergency exits, not involved in manual lifting, carrying or pushing or pulling of loads, not exposed to any chemicals and are not exposed to physical strain due to prolonged periods of sitting/standing.
- Promptly report to factory management any actual or near miss accident or injury, unsafe or unhealthy condition, incident, so that necessary steps can be taken to correct, prevent or control those conditions immediately.
- Report all incidents, accidents and near misses, including thorough investigation, follow-up and communication of lessons learned.
- Factory management have overall operational responsibility for safety at factory location.
- Establish and maintain an appropriate safety work management system for the factory and their teams, including the appointment of committees, managers, competent experts and a system for gathering employees, channels for employees to raise their concerns/inputs.
- Identify safety hazards and manage/control risks arising from work and factory routines and planned operations, activities and services.
- Regularly review and comply with all applicable local and LABS Safety Standards, including relevant organizational safety policies.
- Develop factory and role specific safety duties and responsibilities.
- Monitor safety performance, including an annual review of the Safety Management Systems (SMS) effectiveness and adequacy.
- Report mandatory Key Performance Indicators (KPIs) via safety reporting system of the factory.
- Maintain, communicate and test both site and role emergency plans.
- Ensure all employees, contractors and visitors receive information and training in safety relevant to their roles and activities.
- Factory management team must liaise with the senior management to agree on safety at work management system and the approach required to ensure appropriate ongoing review.