



**CONCILIATION AGREEMENT
BETWEEN
THE U.S. DEPARTMENT OF LABOR
OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS
AND
NOVARTIS PHARMACEUTICALS CORPORATION
25 OLD MILL ROAD
SUFFERN, NY
OFCCP CASE NO. R00147384**

PART I. General Provisions

1. This Agreement is between the Office of Federal Contract Compliance Programs (hereinafter "OFCCP") and Novartis Pharmaceuticals Corporation's Suffern, New York facility (hereinafter "Novartis").
2. The violations identified in this Agreement were found during a compliance evaluation of Novartis at its establishment located at 25 Old Mill Road, Suffern, NY, which began on August 18, 2008 and were specified in an Amended Notice of Violations issued June 4, 2012. OFCCP alleges that Novartis has violated Executive Order 11246, as amended, and implementing regulations at 41 CFR Chapter 60 due to the specific violations cited in Part II below.
3. This Agreement does not constitute an admission by Novartis of any violation of the Executive Order 11246, as amended and implementing regulations.
4. The provisions of this Agreement will become part of Novartis' Affirmative Action Program (AAP). Subject to the performance by Novartis of all promises and representations contained herein and in its AAP, all named violations in regard to the compliance of Novartis with all OFCCP programs will be deemed resolved. However, Novartis is advised that the commitments contained in this Agreement do not preclude future determinations of noncompliance based on a finding that the commitments are not sufficient to achieve compliance.
5. Novartis agrees that OFCCP may review compliance with this Agreement. As part of such review, OFCCP may require written reports, inspect the premises, interview witnesses, and examine and copy documents, as may be relevant to the matter under investigation and pertinent to Novartis' compliance. Novartis shall permit access to its premises during normal business hours for these purposes.
6. Nothing herein is intended to relieve Novartis from the obligation to comply with the requirements of the Executive Order 11246, as amended, Section 503 of the Rehabilitation

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Act of 1973, as amended, and the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212), and implementing regulations, or any other equal employment statute or executive order or its implementing regulations.

7. Novartis agrees that there will be no retaliation of any kind against any beneficiary of this Agreement, or against any person who has provided information or assistance, or who files a complaint, or who participated in any manner in any proceedings under Executive Order 11246, as amended, Section 503 of the Rehabilitation Act of 1973, as amended, and the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212).
8. This Agreement will be deemed to have been accepted by the Government on the date of signature by the Regional Director for OFCCP, unless the Director of OFCCP indicates otherwise within 45 days of the Regional Director's signature of this Agreement.
9. If at any time in the future OFCCP believes that Novartis has violated any portion of this Agreement during the term of this Agreement, Novartis will be promptly notified of that fact in writing. This notification shall include a statement of the facts and circumstances relied upon in forming that belief. In addition, the notification will provide Novartis within 15 days from receipt of the notification to respond in writing, except where OFCCP alleges that such a delay would result in irreparable injury.

Enforcement proceedings for violation of this Agreement may be initiated at any time after the 15-day period has elapsed (or sooner, if irreparable injury is alleged) without issuance of a Show Cause Notice.

Where OFCCP believes that Novartis has violated this Conciliation Agreement, OFCCP may seek enforcement of this Agreement itself and shall not be required to present proof of the underlying violations resolved by this Agreement.

Liability for violation of this Agreement may subject Novartis to sanctions set forth in Section 209 of the Executive Order 11246, as amended, and/or other appropriate relief.

PART II: Specific Provisions

ALLEGED VIOLATION: OFCCP finds that Novartis failed to provide equal employment opportunity to five Hispanic Sr. Operators in the Manufacturing sub-category with respect to compensation. Specifically, Novartis did not provide equitable pay to the five Hispanic employees in the Sr. Operator position compared with similarly situated individuals. Performance rating, merit increase percentage, and time with the company did not explain the compensation disparity. Accordingly, Novartis' discrimination in compensation of the five Hispanic employees is a violation of 41 CFR 60-1.4(a)(1).

REMEDY: With respect to the four Hispanic employees currently employed at the Suffern, NY facility, Novartis will immediately adjust their salaries in the Sr. Operator position and provide them with back pay plus interest. With respect to (b) (6), (b) (7)(C) who is no longer employed

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by Novartis, Novartis will provide him with back pay corresponding to the period he worked as a Sr. Operator at the Suffern, NY facility and interest calculated until September 30, 2012.

Specifically, Novartis agrees to the following:

- a. Notify the four Hispanic employees identified in Remedies e. through h. below of the terms of the Conciliation Agreement by providing a notice (Attachment A) and a Release of Claims under the Executive Order (Attachment B) within 10 calendar days from the effective date of this Conciliation Agreement. The affected individuals must return the signed Release of Claims under the Executive Order ("Release") to Novartis within 30 calendar days of their receipt of the notice and the Release in order to receive a salary increase and back pay.
- b. Notify (b) (6), (b)(7)(C) of the terms of the Conciliation Agreement by mailing via U.S. Registered and Standard Mail, a notice (Attachment C) and the Release (Attachment D) within 10 calendar days from the effective date of this Conciliation Agreement. (b) (6), (b)(7)(C) must return the signed Release to Novartis within 30 calendar days of his receipt of the notice and the Release in order to receive back pay. In the event that (b) (6), (b)(7)(C) notice is returned by the U.S. Postal Service as undeliverable, Novartis shall notify OFCCP and OFCCP shall have five calendar days to attempt to locate (b) (6), (b)(7)(C) and provide updated contact information to Novartis. In the event OFCCP provides updated contact information to Novartis, Novartis shall re-send the notice to (b) (6), (b)(7)(C). Upon receiving a second notice (b) (6), (b)(7)(C) shall be provided with 30 calendar days to return the signed Release in order to receive back pay. In the event that a signed Release is not received within 30 calendar days of receipt, (b) (6), (b)(7)(C) will not participate in the monetary benefits described in this Conciliation Agreement and the back pay amount designated for (b) (6), (b)(7)(C) shall be divided equally among the individuals who returned their signed Release within 30 days of receipt.
- c. Adjust the annual salaries of the four Hispanic employees currently employed at the Suffern, NY facility in the amounts designated under Remedies e. through h. below no later than 45 days from the effective date of this Conciliation Agreement.
- d. Distribute back pay to all five Hispanics in the amounts designated under Remedies e. through i. below no sooner than 45 days and no later than 90 days from the effective date of this Conciliation Agreement.
- e. Increase Sr. Operator (b) (6), (b)(7)(C) annual salary by \$970.33, and provide him back pay for the period of August 18, 2006 to September 30, 2012 in the amount of \$5,333.71, which includes \$4,638.60 in back pay, and interest in the amount of \$695.11, less applicable taxes.
- f. Increase Sr. Operator (b) (6), (b)(7)(C) annual salary by \$885.00, and provide him back pay for the period of August 18, 2006 to September 30, 2012 in the amount of \$785.41, which includes \$711.88 in back pay, and interest in the amount of \$73.53 less applicable taxes.

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- g. Increase Sr. Operator (b) (6), (b)(7)(C) annual salary by \$944.00, and provide him back pay for the period of August 18, 2006 to September 30, 2012 in the amount of \$6,256.90, which includes \$5,339.66 in back pay, and interest in the amount of \$917.24 less applicable taxes.
- h. Increase Sr. Operator (b) (6), (b)(7)(C) annual salary by \$4,216.00, and provide him back pay for the period of August 18, 2006 to September 30, 2012 in the amount of \$18,099.70, which includes \$15,544.52 in back pay, and interest in the amount of \$2,555.18 less applicable taxes.
- i. Provide Sr. Operator (b) (6), (b)(7)(C) with back pay for the period of August 18, 2006 to November 17, 2008 in the amount of \$14,106.91, which includes \$11,454.13 in back pay, and interest in the amount of \$2,652.78 calculated until September 30, 2012, less applicable taxes.
- j. Provide training to managers and other employees involved in making compensation decisions for the Sr. Operator position at the Suffern, New York facility. Novartis estimates the cost of the management and employee training to be \$10,000.00.

Further, Novartis will conduct annual compensation equity reviews at the Suffern facility to ensure that there are no future pay disparities between similarly situated employees in the Sr. Operator position.

FUTURE CONDUCT: Novartis will not repeat the above violation.

PART III: Reporting

In order for OFCCP to monitor Novartis' progress toward fulfilling the provisions of this Agreement, Novartis shall submit the two specific reports identified below.

Novartis shall send each report to:

District Director
U.S. Department of Labor
Office of Federal Contract Compliance Programs
26 Federal Plaza, Room 36-116
New York, NY 10278
ATTN: Compliance Officer (b) (7)(E)

The First Report is due within 90 days from the Effective Date of this Agreement and will include:

- a. Documentation of the executed Release as well as the salary adjustments and back pay plus interest paid to (b) (6), (b)(7)(C) (b) (6), (b)(7)(C). This documentation must include: (i) the executed Release; (ii) the amount of the

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salary adjustments; (iii) the date of the adjustments; (iv) and a copy of the cancelled checks or other equivalent documentation, e.g., a copy of the check or electronic confirmation of direct deposit and cover letter sent to the employee, verifying that each of the four listed Hispanic employees referenced herein received a salary adjustment and was either sent a check or a direct deposit was made into the employee's account, depending upon whether the employee has previously authorized direct deposit.

- b. Documentation of the \$14,106.91 in back pay plus interest paid to [REDACTED]. The documentation must include the executed Release and a copy of the cancelled check or other equivalent documentation verifying that [REDACTED] was paid.
- c. In the event that any of the five Hispanic individuals do not return a signed Release in a timely manner, after a second mailing if applicable, in lieu of the documentation contained in subparagraphs a. and/or b. above, Novartis shall provide: (i) proof that the Release was provided to all current employees; (ii), proof that the Release was either delivered to (b) (6), (b)(7)(C) [REDACTED] or returned undelivered by the U.S. Postal Service; (iii) a statement regarding the identity of the individual(s); and (iv) copies of cancelled checks reflecting the distribution of unclaimed back pay to the remaining individuals who returned their Release in a timely manner.

The Second Report is due August 30, 2013 and will cover the period beginning December 1, 2012 through July 30, 2013 to include the following:

Documentation that Novartis provided training to its human resources managers and other employees who participate in compensation decision-making at its Suffern, New York facility. This documentation must identify the following:

- a) Time and place of the training;
- b) Name and job title of the trainers and personnel attending the training;
- c) Subject matter discussed relative to the company's compensation administration system;
- d) Amount of training provided, including hours and all expenses incurred; and
- e) The results of Novartis' Suffern facility's annual compensation equity review for 2013, including findings, additional equity adjustments, and back pay required, if any, for the Sr. Operator job title.

Novartis shall retain all records pertinent to the alleged violation resolved by this Conciliation Agreement and the reports submitted under it (including the underlying data/information upon which the reports are based) until the expiration date on this Conciliation Agreement or consistent with regulatory timeframes, whichever is later.

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Termination Date:

The termination date of this Agreement will expire 60 days after receipt of the final progress report or if compliance is not accomplished by that date, then this Agreement shall remain in full force and effect until compliance is achieved.

Integration Clause:

This Agreement represents the full Agreement between Novartis Pharmaceuticals Corporation and OFCCP and this Agreement supersedes any other agreements, oral or written with respect to the Suffern, New York facility. In signing this Agreement, neither Novartis Pharmaceuticals Corporation nor OFCCP relies upon any promise, representation of fact or law, or other inducement that is not expressed in this Agreement. This Agreement may be modified only by written agreement of the parties affected and may not be modified by any oral agreement.

PART V: Signatures

The person signing this Conciliation Agreement on behalf of Novartis Pharmaceuticals Corporation personally warrants that he is fully authorized to do so, that Novartis Pharmaceuticals Corporation has entered into this Conciliation Agreement voluntarily and with full knowledge of the effect thereof, and that execution of this Agreement is fully binding on Novartis Pharmaceuticals Corporation. This Conciliation Agreement is hereby executed by and between the Office of Federal Contract Compliance Programs and Novartis Pharmaceuticals Corporation.

(b) (6), (b)(7)(C)

BRIAN HANIFIN
Vice President & Head U.S. PharmaOps
Novartis Pharmaceuticals Corporation
Suffern, NY

Date: 2/7/2013

(b) (6), (b)(7)(C)

MANUEL GARCIA
New York Assistant District Director

Date: 02/25/2013

(b) (6), (b)(7)(C)

EDUARDO FONTAINE
New York District Director

Date: 2-25-2013

(b) (6), (b)(7)(C)

DIANA SEN
Northeast Regional Director

Date: 2/25/13

ATTACHMENT A

NOTICE

Novartis Pharmaceuticals Corporation (Novartis) and the U.S. Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) have entered into a Conciliation Agreement to resolve alleged disparities in salaries for Manufacturing Operators during the period covering August 18, 2006 through August 18, 2008. You have been identified as one of the individuals who may be eligible for this financial settlement.

As part of this Agreement, you are eligible to receive a salary increase of \$_____ and back pay distribution of \$_____ plus interest, subject to lawful payroll deductions. In order to be initially eligible for this distribution, you must send the completed Release of Claims Form to the following address:

Novartis Pharmaceuticals Corporation
Legal Department
One Health Plaza
East Hanover, NJ 07936-1080
Attn:
Richard Reig, Esq.
Vice President, Legal Section-Human Resources

The enclosed "Release of Claims under the Executive Order" should be completed and returned to the above address by [DATE].

By entering into this Agreement, Novartis has not admitted nor has there been any adjudicated finding that Novartis violated any laws with respect to the compensation you were paid. Novartis has entered into this Agreement to resolve the matter without further legal proceeding.

If you have any questions, please call Compliance Officer (b) (7)(E) at the U.S. Department of Labor's Office of Federal Contract Compliance, New York District Office, at (b) (7)(E)

Sincerely,

Eduardo Fontaine
District Director
New York District Office &
Caribbean Field Station
US DOL/OFCCP

Enclosures: Release of Claims under the Executive Order

ATTACHMENT B

STRICTLY CONFIDENTIAL

RELEASE OF CLAIMS UNDER THE EXECUTIVE ORDER

In consideration of the salary increase of \$ _____ and payment of \$ _____ (plus interest, less deductions required by law) by Novartis Pharmaceuticals Corporation (Novartis) to me, which I agree is acceptable and also in consideration of the Conciliation Agreement between Novartis and the Office of Federal Contract Compliance Programs (OFCCP), I _____ agree to the following:

I

I hereby waive, release and forever discharge Novartis its predecessors, successors, related entities, parents, subsidiaries, affiliates and organization, and its and their respective shareholders, directors, officers, employees, agents, its employee benefits plans, successors, and assigns of and from any and all actions, causes of actions, damages, liabilities, and claims arising out of or actionable under Executive Order 11246, as amended, which I or my representatives (heirs, executors, administrators, or assigns) have or may have which relate in any way to compensation paid at any time prior to the effective date of this Release.

II

I understand that if I am concerned about how the process described in this Release applies to me, I may contact the Office of Federal Contract Compliance Programs for assistance at:

U. S. Department of Labor
Office of Federal Contract Compliance Programs
26 Federal Plaza, Room 36-116
New York, New York 10278
(212) 264-7742

III

I understand that Novartis denies that it treated me unlawfully or unfairly in any way and that Novartis entered into the above-referenced Agreement with OFCCP in the spirit of conciliation and to bring closure to the compliance evaluation initiated by OFCCP on August 18, 2008. I further agree that the payment of the aforesaid sum by Novartis to me is not to be construed as an admission of any liability by Novartis.

IV

I declare that I have read this Release and that I have a full opportunity to consider and understand its terms and to consult with my advisors. I further declare that I have decided of my own free will to sign this Release.

V

I understand that if I do not sign this Release and return it to Novartis by _____, 2013 I will not be entitled to receive the payment (less deductions from Novartis).

IN WITNESS WHEREOF, I have set my hand on this _____ day of _____ 2013

Signature

Printed Name

Social Security Number

ATTACHMENT C

NOTICE

Novartis Pharmaceuticals Corporation (Novartis) and the U.S. Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) have entered into a Conciliation Agreement to resolve alleged disparities in salaries for Manufacturing Operators during the period covering August 18, 2006 through August 18, 2008. You have been identified as one of the individuals who may be eligible for this financial settlement.

As part of this Agreement, you are eligible to receive back pay distribution of \$_____ with interest, subject to lawful payroll deductions. In order to be initially eligible for this distribution, you must send the completed Release of Claims Form to the following address:

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East Hanover, NJ 07936-1080
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Sincerely,

Eduardo Fontaine
District Director
New York District Office &
Caribbean Field Station
US DOL/OFCCP

Enclosures: Release of Claims under the Executive Order

ATTACHMENT D

STRICTLY CONFIDENTIAL

RELEASE OF CLAIMS UNDER THE EXECUTIVE ORDER

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I hereby waive, release and forever discharge Novartis its predecessors, successors, related entities, parents, subsidiaries, affiliates and organization, and its and their respective shareholders, directors, officers, employees, agents, its employee benefits plans, successors, and assigns of and from any and all actions, causes of actions, damages, liabilities, and claims arising out of or actionable under Executive Order 11246, as amended, which I or my representatives (heirs, executors, administrators, or assigns) have or may have which relate in any way to compensation paid at any time prior to the effective date of this Release.

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Office of Federal Contract Compliance Programs
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New York, New York 10278
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I declare that I have read this Release and that I have a full opportunity to consider and understand its terms and to consult with my advisors. I further declare that I have decided of my own free will to sign this Release.

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I understand that if I do not sign this Release and return it to Novartis by _____, 2013 I will not be entitled to receive the payment (less deductions from Novartis).

IN WITNESS WHEREOF, I have set my hand on this _____ day of _____ 2013

Signature

Printed Name

Social Security Number