

CONCILIATION AGREEMENT
Between
THE U. S. DEPARTMENT OF LABOR
OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS
and
LEIDOS, INC. ENGINEERING SOLUTIONS GROUP
13397 LAKEFRONT DRIVE, SUITE 100
EARTH CITY, MO 63045

PART I. PRELIMINARY STATEMENT

The Office of Federal Contract Compliance Programs ("OFCCP") commenced a compliance evaluation of Leidos, Inc.'s Engineering Solutions Group ("Leidos ESG") functional unit based at 13397 Lakefront Drive, Suite 100, Earth City, Missouri 63045 on July 29, 2014, and found that Leidos ESG was not in compliance with Executive Order 11246, as amended ("E.O. 11246"), and its implementing regulations at 41 C.F.R. Parts 60-1 and 60-20. OFCCP notified Leidos ESG of the violations found and the corrective actions required in a Notice of Violations issued on June 27, 2016. In the interest of resolving the violations without engaging in further legal proceedings and in exchange for the good and valuable consideration described in this document, OFCCP and Leidos ESG enter into this contract ("Conciliation Agreement" or "Agreement") and agree to all the terms stated below.

PART II. GENERAL TERMS AND CONDITIONS

1. In exchange for Leidos ESG's fulfillment of all obligations in Parts III and IV of the Agreement, OFCCP agrees not to institute administrative or judicial enforcement proceedings under E.O. 11246 based on the violations described in more detail in Part III below. However, OFCCP has the right to initiate legal proceedings to enforce the Agreement itself or to correct and obtain relief for the violations described in Part III if Leidos ESG violates this Agreement. Nothing in this Agreement precludes OFCCP from initiating enforcement proceedings based on future compliance evaluations or complaint investigations.
2. Leidos ESG agrees that OFCCP may review its compliance with this Agreement. As part of such review, OFCCP may require written reports, inspect the premises, interview witnesses, and examine and copy documents. Leidos ESG will permit access to its premises during normal business hours for these purposes and will provide OFCCP with all reports and documents requested.
3. Leidos ESG understands that nothing in this Agreement relieves Leidos ESG of its obligation to fully comply with the requirements of E.O. 11246, Section 503 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 793 ("Section 503"), the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended, 38 U.S.C. § 4212 ("VEVRAA"), their implementing regulations, and other applicable equal employment laws.

4. Leidos ESG promises not to harass, intimidate, threaten, discriminate, or otherwise retaliate against any individual because the individual: benefits from this Agreement, files a complaint or participates in any investigation or proceeding under E.O. 11246, Section 503, and/or VEVRAA, or engages in any activity listed at 41 C.F.R. § 60-1.32(a).
5. The parties understand the terms of this Agreement and enter into it voluntarily.
6. This document and its attachments contain the complete and final understanding of the parties with respect to the matters referenced herein. This Agreement contains all terms by which the parties are bound and it supersedes all prior written or oral negotiations and agreements. There will be no modifications or amendments to this Agreement unless they are in writing, signed by all parties.
7. If one or more provisions of this Agreement are rendered unlawful or unenforceable, the remaining provisions will remain in full force and effect.
8. This Agreement becomes effective on the day it is signed by the Regional Director of the Mid-Atlantic Region (the "Effective Date") unless the Director of OFCCP indicates otherwise within 45 calendar days of the date the Regional Director signs the Agreement.
9. This Agreement will expire sixty (60) days after Leidos ESG submits the final report required in Part IV-1 below, unless OFCCP notifies Leidos ESG in writing prior to the expiration date that Leidos ESG has not fulfilled all of its obligations under the Agreement, in which case, the Agreement is automatically extended until the date that OFCCP determines Leidos ESG has met all of its obligations under the Agreement.
10. If Leidos ESG violates this Conciliation Agreement,
 - A. The procedures set forth at 41 C.F.R. § 60-1.34 will govern:
 - 1) If OFCCP believes that Leidos ESG violated any term of the Agreement while it was in effect, OFCCP will send Leidos ESG a written notice stating the alleged violations and summarizing any supporting evidence.
 - 2) Leidos ESG will have 15 days from receipt of such notice to demonstrate in writing that it has not violated the Conciliation Agreement, unless such a delay would result in irreparable injury to the employment rights of affected employees or applicants.
 - 3) If Leidos ESG is unable to demonstrate that it has not violated the Agreement, or if OFCCP alleges irreparable injury, enforcement proceedings may be initiated immediately without issuing a show cause notice or proceeding through any other requirement.
 - 4) OFCCP may seek enforcement of this Agreement itself and is not required to present proof of any underlying violations resolved by this Agreement.

B. Leidos ESG may be subject to the sanctions set forth in Section 209 of the Executive Order and/or other appropriate relief for violation of this Agreement.

11. This Agreement does not constitute an admission by Leidos ESG of any violation of E.O. 11246, Section 503, VEVRAA, or other laws, nor has there been an adjudicated finding that Leidos ESG violated any laws.

PART III. SPECIFIC VIOLATIONS AND REMEDIES

COMPENSATION DISCRIMINATION

ALLEGED VIOLATION: As of at least February 1, 2014, Leidos ESG discriminated against women in the CAD Drafter/Designer job classifications on the basis of their gender with respect to compensation, in violation of 41 CFR § 60-1.4(a)(1), 41 CFR § 60-20.3(c), and 41 CFR § 60-20.5(a). Specifically, a review of the compensation practices for the CAD Drafter/Designer job classifications revealed that, as of February 1, 2014, Leidos ESG paid, on average, \$1,792.13 less per year to twenty-five (25) female CAD Drafters/Designers as compared to seventy (70) male CAD Drafters/Designers in similar positions.

OFCCP conducted a regression analysis using data provided by Leidos ESG and controlling for gender and other factors that Leidos ESG identified as factors influencing compensation in the CAD Drafter/Designer job classifications. This regression analysis shows that the differences in base salary are statistically significant at (b) (7)(C) standard deviations. OFCCP determined, based on statistical analyses, examination of compensation records, and interviews with managers, employees, and human resources and compensation officials, that these statistically significant differences in pay were based on gender and could not be explained by any legitimate differences among workers or their tasks.

REMEDY: Leidos will immediately implement the following:

- 1) **Notice.** By July 30, 2017, Leidos ESG will notify the female CAD Drafters and Designers listed in Attachment A of the terms of this Agreement by mailing by first class, return-receipt requested, certified mail to each individual in the affected class the: (a) Notice to Affected Class (Attachment B, "Notice"), (b) Information Verification Form (Attachment C, "Information Form"), and (c) a postage-paid return envelope. Leidos ESG will notify OFCCP of all letters returned as undeliverable on a weekly basis. By September 29, 2017, Leidos ESG will provide OFCCP with a list of the individuals in the affected class who have not yet responded to the Notice and/or have not returned a signed Information Form. OFCCP will then attempt to obtain and provide updated addresses to Leidos ESG within fifteen (15) days of receiving the list from Leidos ESG. Leidos ESG agrees to mail by first class, return-receipt requested, certified mail a Second Notice, Information Form, and postage-paid return envelope to all individuals for whom updated addresses were obtained within fifteen (15) days of receiving the updated addresses.
- 2) **Eligibility.** All members of the affected class (listed on Attachment A) who sign and return the Information Form to Leidos ESG within thirty (30) days of the postmarked

date on the envelope containing the Notice and Information Form (“Eligible Class Members”) will receive a share of the monetary settlement. If an individual receives, but does not return the Information Form to Leidos ESG within thirty (30) calendar days of the postmarked date on the envelope containing the first or second Notice and Information Form, she will no longer be entitled to a payment under this Agreement.

Within thirty (30) days after the response deadline of the Second Notice, Leidos ESG will provide OFCCP with a list of the Eligible Class Members (individuals who returned the Information Form by the deadline). Within fifteen (15) calendar days after receiving the list, OFCCP will approve the final list of Eligible Class Members or discuss with Leidos ESG any issues necessary to finalize the list, such as the inclusion or exclusion of certain individuals.

- 3) Monetary Settlement (Back Pay). Leidos ESG agrees to distribute \$131,612.16 (\$125,970.39 in back pay and \$5,641.77 in interest), less legal deductions required by law from back pay only (such as federal, state and/or local taxes and the Eligible Class Members’ share of the FICA taxes), to all eligible class members on the final approved list in the amounts listed in Attachment A. Leidos ESG will pay the Internal Revenue Service (“IRS”) the employer’s share of social security withholdings and will mail each Eligible Class Member an IRS W-2 Form reporting the portion of the payment representing back pay and an IRS Form 1099 for the portion of the payment representing interest. These IRS forms will be mailed at the end of the year. Leidos ESG will disburse the monetary settlement within thirty (30) calendar days after OFCCP approves the final list of Eligible Class Members.

Within thirty (30) calendar days of Leidos ESG’s receipt of a check to an Eligible Class Member returned as undeliverable, Leidos ESG will notify OFCCP of this fact via e-mail sent to Tom G. Wells, District Director, and Maurice E. Richard, Assistant District Director, at (b) (7)(E)@dol.gov and (b) (7)(E)@dol.gov, respectively. OFCCP will attempt to locate the Eligible Class member and if OFCCP obtains an alternate address, Leidos ESG will re-mail the check within fifteen (15) calendar days of receiving an alternate or corrected address. Any check that remains uncashed 120 days after the initial date the check was mailed to the Eligible Class Member will be void. With respect to any uncashed funds, Leidos ESG will apply those funds towards the training it will provide in accordance with Remedy 5d below.

- 4) Salary Adjustments. By July 30, 2017, Leidos ESG will, as necessary, adjust the annual salary of each Class Member to ensure each female CAD Drafter and Designer is paid at an equitable rate of their male counterparts in the same job at the same or similar locations with similar experience and skill level.
- 5) NON-MONETARY REMEDIES. Leidos ESG will ensure that all employees are afforded equal employment opportunities. Leidos ESG agrees to continue or to implement the corrective actions detailed below.

- a. Eliminate Discriminatory Compensation Practices. Leidos ESG agrees to immediately cease using the compensation practices which negatively affect the annual salaries of female employees in CAD Drafter and Designer positions.
- b. CAD Drafter and Designer Pay Equity Evaluation. By October 27, 2017, Leidos ESG will conduct a study for the CAD Drafter and Designer positions to evaluate whether promotion decisions, performance evaluation ratings, procedures for assigning work, the availability of training opportunities, leave policies, steering applicants into low-paying jobs, and/or limiting the opportunity to transfer to better jobs have a disproportionately negative effect on the compensation of female employees.
- c. Evaluation of Pay Practices. By October 27, 2017, Leidos ESG will evaluate its pay practices and eliminate any practices that have an adverse effect on the compensation of female CAD Drafters and Designers.
 - Leidos ESG will reassess the job grade assignment for each Class Member. Any revisions to the job grade assignments will take place by September 28, 2017.
 - Leidos ESG will ensure that its compensation decisions are based solely on legitimate, non-discriminatory factors.
- d. Training. By October 27, 2017, Leidos ESG must train all individuals involved in any way in determining compensation for CAD Drafter and Designer positions on the company's current compensation policies and procedures, including any practices eliminated in accordance with Remedy 5c. above.
- e. Self-Monitoring/Auditing. Leidos ESG will monitor base salary as well as the administration of non-base compensation and benefits and adverse employment actions for employees in the CAD Drafter and Designer positions for any indication of statistically significant disparities based on gender and will investigate and remedy any such inequity that may be established.
 - Leidos ESG expressly agrees to investigate any complaint or information it receives that may indicate compensation disparities.
 - Leidos ESG commits to self-monitor its compensation program for CAD Drafter and Designer positions on an annual basis.
 - In accordance with 41 CFR 60-2.17(d), Leidos ESG will design and implement an internal audit and reporting system to measure the effectiveness of its total affirmative action program, to include auditing and reporting of its compensation practices as they impact all employees.

PART IV. REPORTS REQUIRED

1. In order for OFCCP to monitor Leidos ESG's progress toward fulfilling the provisions of this Agreement, Leidos ESG must submit the documents and specific reports described below to:

Tom G. Wells
District Director
U.S. Department of Labor
Office of Federal Contract Compliance Programs
Baltimore District Office
2 Hopkins Plaza, Suite 600
Baltimore, MD 21201

A. The first report shall be due on or before March 1, 2018 and will include:

- 1) Copies of the Notices and Information Forms (Attachments B and C) that were mailed to all Class Members.
- 2) The results of Leidos ESG's CAD Drafter and Designer Pay Equity Evaluation and its Evaluation of Pay Practices.
- 3) Copies of personnel documents or printouts from Leidos ESG's human resources information system (HRIS) showing that any necessary salary adjustments have been made for all Class Members who still work for Leidos ESG. The documentation must include the names of the pertinent class members, the base salary of each class member prior to and following the salary adjustment, the date the salary adjustment became effective, and a copy of the first pay stub following the salary adjustment for each Class Member.
- 4) Copies of personnel documents or printouts from Leidos ESG's human resources information system (HRIS) showing that job grade reassignments have been made for each Class Member, where appropriate.
- 5) Documentation demonstrating that all managers, supervisors, and other personnel involved in making compensation decisions for CAD Drafter and Designer positions have received training on the company's current compensation policies and procedures, including any practices eliminated in accordance with Part III/Remedy 5c. of this Agreement. The documentation must include the dates of the training, the names and job titles of all attendees, an outline of the topics discussed during the training, and the name and job title of each person who conducted the training.
- 6) Documentation of the monetary payments made to the Eligible Class Members as specified in Part III/Remedy 3 above. The documentation must include the names of the Eligible Class Members who were paid, the number and amount of the checks, and the dates that the checks cleared the bank. Leidos ESG must provide OFCCP with copies of all canceled checks upon request.

B. The second report shall be due on or before August 15, 2018, will cover the period from July 1, 2017 through June 30, 2018, and will include:

- 1) A report on Leidos ESG's internal audit and reporting system to measure the effectiveness of its total affirmative action program (AAP), including compensation practices. This will include specific information and documentation from periodic meetings held with senior managers.
 - 2) Documentation of Leidos ESG's annualized compensation data (wages, salaries, commissions, and bonuses) for CAD Drafters and Designers as of the snapshot date December 31, 2017. This data will include the employee number, race, gender, job title, job group, and annual salary for each employee working in the CAD Drafter and Designer positions who are assigned to the Engineering Solutions Group functional unit based in Earth City, Missouri. Present this data in the manner most consistent with Leidos ESG's current compensation system, and please submit it in electronic format (i.e., Microsoft Excel).
 - 3) Specific information and documentation pertaining to any pay disparities identified and corrected through Leidos ESG's revised self-monitoring and auditing system.
2. Leidos ESG will retain all records and data pertinent to the violations resolved by this Agreement and/or used to prepare required reports until this Agreement expires or as long as required by OFCCP's regulations, whichever date occurs later.

TERMINATION DATE: This Conciliation Agreement shall remain in full force and effect until sixty (60) days following Leidos ESG's submission of the final report or until OFCCP has deemed that Leidos ESG has met all conditions of this Agreement. The date of signature by the OFCCP Regional Director shall constitute the effective date of this Agreement.

INTEGRATION CLAUSE: This Conciliation Agreement represents the full Agreement between Leidos ESG and OFCCP, and this Agreement supersedes any other agreements, oral or written. In signing this Agreement, neither Leidos ESG nor OFCCP relies upon any promise, representation of fact or law, or other inducements that are 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

This Conciliation Agreement is hereby executed by and between the OFCCP and Leidos, Inc. Engineering Solutions Group, 13397 Lakefront Drive, Suite 100, Earth City, Missouri 63045.

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

JAMES R. MOOS
Senior Vice President & General Manager
Leidos, Inc. Engineering Solutions Group

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

MICHELE HODGE
Regional Director
U.S. Department of Labor/OFCCP
Mid-Atlantic Region

Date: June 23, 2017

Date: June 28, 2017

**ATTACHMENT A
AFFECTED CLASS MEMBERS**

No.	Employee No.	Back Pay	Interest	Total
1	(b) (7)(C), (b) (6)			
2				
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**ATTACHMENT B
NOTICE TO AFFECTED CLASS**

Dear Ms. _____:

Leidos, Inc. Engineering Solutions Group ("Leidos ESG") and the U.S. Department of Labor's Office of Federal Contract Compliance Programs ("OFCCP") have entered into a Conciliation Agreement ("Agreement") to remedy the alleged violations of Executive Order 11246 ("E.O. 11246") that OFCCP found during a compliance review of Leidos ESG based at 13397 Lakefront Drive, Suite 100, Earth City, Missouri 63045. OFCCP's analysis alleges that since at least February 1, 2014, Leidos ESG has paid women in CAD Drafter/Designer positions significantly less per year than men with the same job at the same or similar locations. Leidos ESG has not admitted to any violation of E.O. 11246 and there has not been any adjudicated finding that Leidos ESG violated any laws. OFCCP and Leidos ESG entered into the Agreement to resolve the matter without resorting to further legal proceedings.

You have been identified as one of the individuals who worked as a CAD Drafter/Designer. Under the Agreement, you are eligible to receive a payment of \$XXXX (less deductions required by law). Under the terms of the Agreement it may take up to five (5) months from the date of this letter before you receive your payment. In order to be eligible for a payment, you must complete, sign, and return the enclosed Information Verification Form. This form should be mailed as soon as possible; it *must* be postmarked to the address below no later than thirty (30) days after the date this Notice was mailed out (postmarked) for you to be entitled to participate in this settlement.

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

Human Resources Compliance Specialist
Leidos, Inc.
333 N. Wilmot, Suite 400
Tucson, AZ 85711

You may use the enclosed postage-paid return envelope to return the completed and signed Information Verification Form.

If you have any questions you may call **(b) (7)(C), (b) (6)** Leidos ESG at **(b) (7)(C), (b) (6)** or OFCCP Compliance Officer **(b) (7)(C), (b) (6)**. Your call will be returned as soon as possible.

IF YOU FAIL TO COMPLETE AND RETURN THE ENCLOSED DOCUMENT TO LEIDOS ESG WITHIN THIRTY (30) DAYS OF THE DATE THE ENVELOPE CONTAINING THIS NOTICE WAS POSTMARKED, YOU WILL NOT BE ELIGIBLE TO RECEIVE A PAYMENT.

Sincerely,

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

Human Resources Compliance Specialist

Enclosure: Information Verification Form

**ATTACHMENT C
INFORMATION VERIFICATION FORM**

You must complete this form in order to be eligible for the monetary payment under the terms of the Conciliation Agreement (“Agreement”) between Leidos, Inc. Engineering Solutions Group (Leidos ESG) and the U.S. Department of Labor’s Office of Federal Contract Compliance Programs (OFCCP). Please print legibly, except for the signature.

Name: _____

Street Address: _____

City, State, Zip Code: _____

Telephone Nos.: Home: _____ Cell: _____ Work: _____

Notify Leidos ESG at the address below if your address or phone number changes within the next twelve months.

IF YOU FAIL TO COMPLETE AND RETURN THE ENCLOSED DOCUMENT TO THE ADDRESS BELOW WITHIN THIRTY (30) DAYS OF THE DATE THE ENVELOPE CONTAINING THIS NOTICE WAS POSTMARKED, YOU WILL NOT BE ELIGIBLE TO RECEIVE A PAYMENT.

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

Human Resources Compliance Specialist
Leidos, Inc.
333 N. Wilmot, Suite 400
Tucson, AZ 85711

I, _____, certify the above is true and correct.
(print name)

Signature

Date