

Corporate Governance Principles

I. Board Issues

A. Membership:

1. Size of Board.

The Board's optimum size shall be 7-13 Directors.

2. Mix of Directors; "Independent" Directors.

A majority of the Directors shall satisfy the independence requirements of Section 10A of the Securities Exchange Act of 1934, the NASDAQ Stock Market LLC (NASDAQ) and any other regulatory authority. (To see the Board's Categorical Standards for determining independence... [click here.](#))

The Board believes that it should not have more than three management Directors.

3. Board Membership Criteria.

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions they can make. Directors should plan to make a significant time commitment to the Company. The Board's assessment of individuals for new or continued service on the Board includes the foregoing considerations as well as considerations related to their independence and considerations related to a range of types of diversity including race, gender, ethnicity, age, culture and geography. Exceptional candidates who do not meet these criteria may still be considered.

4. Board Leadership.

The Board of Directors has no policy with respect to the separation of the positions of Chairman and Chief Executive Officer because the Board of Directors believes that effective Board leadership can depend on the skills and experience of, and personal interaction between, people in leadership roles. The Company's Board of Directors is currently led by an independent non-executive Chairman of the Board and the Company's Chief Executive Officer serves as a member of the Board of Directors. The Board of Directors believes this leadership structure is in the best interests of the Company's stockholders at this time.

5. New Directors.

The Nominating / Corporate Governance Committee has, as one of its responsibilities, the recommendation of Director candidates to the full Board. The Nominating / Corporate Governance Committee will maintain an orientation program for new Directors and a continuing education program for incumbent Directors.

6. Service on Other Boards.

While the Company values the experience Directors bring from service on other boards, the Board expects Directors to use their judgment in accepting other directorships to allow sufficient time and attention to Company matters. Service on other boards of either public or private companies should be consistent with the Company's conflicts of interest policy and as further set forth in Section B.2 herein. Before accepting an appointment to the board of directors or similar governing body of another public company, a Director shall consult with the Chairman of the Board and the Corporate Secretary. The Chairman of the Board and the Corporate Secretary will then confer with the Chairman of the Nominating / Corporate Governance Committee regarding such proposed additional appointment and will advise the Director accordingly. Subject to such exceptions on a case by case basis as the Board shall determine, no Director may serve as a member of the board of directors of more than three additional publicly-traded companies (*total cap of 4*), no Director who serves as an executive officer of another publicly-traded company may serve as a member of the board of directors of more than one additional publicly-traded company (*total cap of 2*), and no director who serves as an executive officer of the Company may serve as a member of the board of directors of more than one additional publicly-traded company (*total cap of 2*).

7. Term of Service.

The Board does not favor term limits for Directors, but believes that it is important to monitor overall Board performance and the contributions of individual Directors. Due to the complexity of our business, we value the continuity and deep understanding of our business and industry that a Director is able to develop over a period of time. The Nominating / Corporate Governance Committee reviews a Director's continuation on the Board each time such Director's term of office expires and the Board believes that the annual self-evaluation process, including an individual Director's skill-set, performance and contributions, is an important determinant for continuing service.

8. Retirement.

Subject to such exceptions on a case by case basis as the Board shall determine (based on the recommendation of the Nominating / Corporate Governance Committee), no person shall be nominated by the Board to serve as a Director after he or she has passed his or her 72nd birthday.

9. Resignation.

a. Management Directors.

Management Directors shall offer to resign from the Board upon their resignation, removal or retirement as an officer of the Company.

b. Incumbent Directors.

Section 2.03 of the Company's By-Laws states that Directors are elected by the vote of a majority of the shares represented in person or by proxy in a non-contested election or by the vote of a plurality

of the shares represented in person or by proxy in a contested election. An election is considered contested if the number of nominees exceeds the number of Directors to be elected as of the record date. In any non-contested election, any incumbent Director who receives a greater number of votes “against” his or her election than votes “for” such election will offer to tender his or her resignation to the Chairman of the Board for consideration by the Nominating / Corporate Governance Committee promptly following certification of the shareholder vote. The Nominating / Corporate Governance Committee will promptly consider such resignation offer and will make a recommendation to the Board concerning the acceptance or rejection of such offer. In determining its recommendation to the Board, the Nominating / Corporate Governance Committee will consider all factors that it deems relevant. The Board will take formal action on the Nominating / Corporate Governance Committee’s recommendation no later than the next regularly scheduled meeting of the Board. The Company will promptly disclose the Board’s decision in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission. Any incumbent Director who tenders his or her resignation pursuant to this policy will not participate in the Nominating / Corporate Governance Committee’s recommendation or the Board’s decision with respect to such resignation.

c. Directors Changing Their Present Job Responsibilities.

The Board expects Directors to offer to resign from the Board upon a change in their business position including, without limitation, retirement from the position on which their original nomination was based.

B. Conduct:

1. Board Meetings.

a. Selection of Agenda Items and Executive Sessions.

The non-executive Chairman and the Chief Executive Officer should jointly establish the agenda for Board meetings. The non-management Directors of the Board will meet in executive session during the Board’s regularly scheduled meetings without any management Directors and any other members of the Company’s management who may otherwise be present. If non-management Directors include a Director that is not an independent Director, then at least two of such executive sessions will include only independent Directors. The Board’s non-executive Chairman will preside at the executive sessions.

b. Distribution of Materials.

The Company shall distribute, sufficiently in advance of meetings to permit meaningful review, written materials for use at Board meetings.

c. Attendance of Non-Directors.

The Board believes that attendance of key executive officers augments the meeting process.

d. Number of Meetings; Attendance and Preparation.

The Board of Directors shall hold a minimum of five meetings per year. Directors are expected to attend all meetings and to have, prior to the meetings, reviewed all written meeting materials distributed to them in advance. Directors are expected to be physically present at all meetings. Conference telephone, video conference, or similar communication equipment attendance at a meeting will generally only be permitted if it is necessary to constitute a quorum.

2. Conflicts of Interest.

Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. When considering potential memberships on other boards, Directors should avoid:

- companies that are direct competitors or in the same industry/line of business as ADP;
- companies that presently may not be competitors but have announced plans to expand their business in ways that are expected to compete with ADP;
- companies with significant partnerships or alliances with ADP's competitors; and
- other companies that, while not directly competitive, may give the appearance of a conflict or that may interfere, or appear to interfere, with a director's loyalty and duty of objectivity to ADP.

The Company annually solicits information from Directors in order to monitor potential conflicts of interest and Directors are expected to be mindful of their fiduciary obligations to the Company.

3. Share Ownership by Directors.

The Board believes that it is important that Directors maintain a minimum level of stock ownership in the Company. The Board has determined that this minimum level is equal to five times the annual cash retainer payable to each Director, and that Directors will retain all shares of the Company's common stock received pursuant to their service as a Board member until this minimum level is reached.

4. Compensation Review.

The Nominating / Corporate Governance Committee will annually review, and (when it deems appropriate), recommend to the full Board changes in, Director Compensation and benefits, with equity ownership in the Company encouraged.

5. Assessing Board and Committee Performance.

The Nominating / Corporate Governance Committee shall conduct an annual self-evaluation of the Board and its committees to determine whether they are functioning effectively. The results of each such evaluation will be discussed with the full Board.

6. Access to Senior Management.

Board members have complete and open access to senior members of management. The Chief Executive Officer shall invite key employees to attend Board sessions at which the Chief Executive Officer believes they can meaningfully contribute to Board discussion.

7. Interaction with Third Parties.

The Board believes that management should speak for the Company and that the Chairman should speak for the Board.

8. Confidentiality.

The Board believes maintaining confidentiality of information and deliberations is an imperative.

9. Board of Directors' Resources.

The Board of Directors shall have the authority to obtain advice and seek assistance from internal and external legal, accounting, and other advisors and consultants. The Board of Directors shall determine the extent of funding necessary for the payment of compensation to any advisor and/or consultant retained to advise it.

C. Compensation

Director compensation for service on the Board of Directors and its Committees is evaluated and recommended to the Board of Directors for approval by the Nominating / Corporate Governance Committee on an annual basis. The Board of Directors believes that a portion of such compensation should be paid in equity awards in order to align the financial interests of the directors more closely with those of other stockholders of the Company. Directors who are Company employees shall not receive compensation for their service on the Board of Directors.

II. Committee Issues

1. Board Committees; Committee Charters.

The Board currently has the following four Committees: the Audit Committee; the Compensation Committee; the Nominating / Corporate Governance Committee; and the Corporate Development and Technology Advisory Committee. The Audit Committee, the Compensation Committee and the Nominating / Corporate Governance Committee shall each consist of three or more Directors, each of whom shall satisfy the independence (and, in the case of the Audit Committee, the financial literacy and experience) requirements of Section 10A of the Securities Exchange Act of 1934, the NASDAQ, and any other regulatory requirements. Each such Committee shall meet in executive session during each of its regularly scheduled meetings. The Corporate Development and Technology Advisory Committee shall consist of two or more Directors. The Board may designate one or more additional Committees, each of which may consist of such number of Directors as may be fixed by the Board.

The Audit Committee, the Compensation Committee, the Nominating / Corporate Governance Committee, and the Corporate Development and Technology Advisory Committee shall each have appropriate written charters. These committee charters will be made available on the Company's Web site at: "www.adp.com."

2. Rotation of Committee Assignments and Chairs.

Committee assignments and the designation of Committee Chairs should be based on the Director's knowledge, interests and areas of expertise. Committee membership and Committee Chair assignments are evaluated annually by the Board based on the recommendations of the Nominating / Corporate Governance Committee, as appropriate. In making rotation decisions, the Board considers the value of experience and continuity as well as the benefits of refreshing Committee membership.

3. Frequency of Committee Meetings; Attendance.

The Audit Committee shall meet four times per year on a quarterly basis, or more frequently as circumstances require. The Compensation Committee shall meet four times per year, or more frequently as circumstances require. The Nominating / Corporate Governance Committee shall meet three times per year, or more frequently as circumstances require. The Corporate Development and Technology Advisory Committee shall meet once per year, or more frequently as circumstances require.

III. Duties and Responsibilities of the Committees

1. Audit Committee.

The Audit Committee has the specific powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com"). The role of the Audit Committee is oversight. The primary functions of the Audit Committee are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the Company's systems of internal controls regarding finance, accounting, legal compliance and ethical behavior; (ii) the Company's auditing, accounting and financial reporting processes generally; (iii) the Company's financial statements and other financial information provided by the Company to its stockholders, the public and others; (iv) the Company's compliance with legal and regulatory requirements; and (v) the performance of the Company's Internal Audit Department and independent auditors. The members of the Audit Committee are not employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the Company's independent auditors. However, the members of the Audit Committee shall in the judgment of the Board have the ability to read and understand fundamental financial statements and otherwise meet the financial sophistication standard established by the requirements of the NASDAQ.

2. Compensation Committee.

The Compensation Committee shall have the specific powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com"). The Compensation Committee shall have the direct responsibility for the compensation of the Company's executive officers (including the Company's Chief Executive Officer), and for incentive compensation, equity-based plans and pension plans as further provided in Compensation Committee Charter. In connection with its responsibility for developing managerial succession plans, the Compensation Committee will review, at least annually, with the Board of Directors the then current succession plans for the Company's senior executives (including the succession plan covering the retirement and/or unexpected unavailability of the Company's Chief Executive Officer).

3. Nominating / Corporate Governance Committee.

The Nominating / Corporate Governance Committee shall have the specific powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com"). The Nominating / Corporate Governance Committee duties are to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings, to review, evaluate and recommend changes to the Company's Corporate Governance Principles, and to review the Company's policies and programs that relate to matters of corporate citizenship, including public issues of significance to the Company and its stakeholders.

4. Corporate Development and Technology Advisory Committee

The Corporate Development and Technology Advisory Committee shall have the specific powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com"). The role of the Corporate Development and Technology Advisory Committee is to act in an advisory capacity to the Board and management concerning potential acquisitions, strategic investments, divestitures, and matters of technology and innovation.

IV. Other Principles

1. Confidential Voting.

The Board has adopted a policy whereby stockholders' proxies are received by the Company's independent tabulators and the vote is certified by independent inspectors of election. Proxies and ballots that identify the vote of individual stockholders will be kept confidential from the Company's management and Directors, except as necessary to meet legal requirements, in cases where stockholders request disclosure, or in a contested election.

2. Disclosure of Corporate Governance Principles.

These Corporate Governance Principles will be made available on the Company's Web site at "www.adp.com."