

Corporate Governance Principles

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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 and who will be able to serve at least 10 years as a Director prior to reaching the age of 72. Exceptional candidates who do not meet all of these criteria may still be considered. 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.

4. 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.

5. Retirement; Resignation.

a. Term Limits.

The Board does not favor term limits for Directors, but believes that it is important to monitor overall Board performance.

b. Retirement Policy.

No person shall be nominated by the Board to serve as a Director after he or she has passed his or her 72nd birthday.

c. Resignation Policy - Management Directors.

Management Directors shall offer to resign from the Board upon their resignation, removal or retirement as an officer of the Company. However, the Company's Chief Executive Officer may, provided the Board approves, continue to serve as a director following the date he or she ceases to be the Company's Chief Executive Officer until the next annual meeting of stockholders and, if re-elected at such meeting, for an additional one year thereafter.

d. 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; 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. 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. Consulting Agreements with Directors.

The Board believes that the Company should not enter into paid consulting arrangements with outside Directors or their employers, without obtaining the Board's approval. Such approval may, in appropriate circumstances, be granted on an annual basis.

4. 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 paid to each director.

5. 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.

6. 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.

7. 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.

8. Interaction with Third Parties.

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

9. Confidentiality.

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

10. 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.

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II. Committee Issues:

1. Board Committees; Committee Charters.

The Board currently has the following three Committees: the Audit Committee; the Compensation Committee; and the Nominating / Corporate Governance 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 Committee shall meet in executive session during each of its regularly scheduled meetings.

The Audit Committee, the Compensation Committee and the Nominating / Corporate Governance 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. The Board does not favor mandatory rotation of Committee assignments or Chairs. The Board believes experience and continuity are more important than rotation. Board members and Chairs should be rotated only if rotation is likely to increase Committee performance.

3. Frequency of Committee Meetings; Attendance.

The Audit Committee shall meet four times per year, or more frequently as circumstances require. The Compensation Committee shall meet four times per year, or more frequently as circumstances require.

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III. Duties and Responsibilities of the Committees:

1. Audit Committee.

The Audit Committee has the 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 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.

2. Compensation Committee.

The Compensation Committee shall have the powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com"). In connection with its responsibility for developing managerial succession plans, the

Compensation Committee will review, at least annually, with both the Company's Chief Executive Officer and 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 powers and responsibilities set forth in its Charter (which is available on the Company's Web site at "www.adp.com").

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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."

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