



ADP

Overview and Strategy | Governance and ESG

February 2024

Forward Looking Statements

This document and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “outlook,” “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could,” “is designed to” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and depend upon or refer to future events or conditions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements or that could contribute to such difference include: ADP’s success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; the success of our new solutions; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends and inflation; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or cyber breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology, including artificial intelligence; availability of skilled associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; the impact of any uncertainties related to major natural disasters or catastrophic events; and supply-chain disruptions. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. These risks and uncertainties, along with the risk factors discussed under “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, and in other written or oral statements made from time to time by ADP, should be considered in evaluating any forward-looking statements contained herein.

Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q2 fiscal 2024 earnings release available at investors.adp.com for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their closest comparable GAAP financial measures.

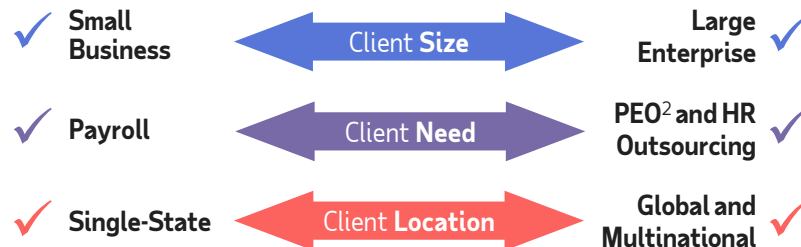
This presentation is a supplement to our Q2 fiscal 2024 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release. We have not provided a reconciliation of our adjusted EBIT margin outlook, organic constant currency outlook or adjusted EPS outlook to their most comparable GAAP measures for our Medium-Term outlook because it would be potentially misleading and not practical given the difficulty of projecting event-driven transactional and other non-core operating items that are included in the GAAP metrics, including gains/losses on sales of businesses and assets and certain income tax adjustments.

We are the Pioneer and Global Leader of HCM

Company Overview

- Leader in Human Capital Management software and solutions
- **1M+** Clients | **140** Countries | **60,000+** Global ADP Associates
- Deliver payroll for over **41 million** workers globally
 - **25M+** in the US (1 in 6 US workers); **15M+** outside the US
 - Moved **\$3.1 trillion** of US payroll and taxes on behalf of our clients and their employees in FY23
- Category leader in most of the markets in which we participate

Unrivaled HCM Footprint



Financial Overview

FY23 Revenue	\$18.0B	FY23 Adjusted EBIT ¹	\$4.5B
FY23 Client Revenue Retention	92.2%	S&P Rating Moody's Rating Fitch Rating	AA- Aa3 AA-
January 31, 2024 Market Cap	\$101B	Years of Consecutive Dividend Increases	49

Strategic Priorities



1. Adjusted EBIT is a non-GAAP metric. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q2 2024 earnings release available at investors.adp.com

2. Human Resource Outsourcing (HRO), Professional Employer Organization (PEO)

Our Industry is Attractive

Our Market is Big

\$150B

Total addressable market

Payroll | Workforce Management | HR | Benefits
Talent | HR Outsourcing | Analytics | Payments

Our Market is Growing

5-6%

**Expected market growth
in FY22 and beyond**

Our Market is Constantly Changing, and Change is Good

PRODUCT

Work

Global | Distributed | Dynamic | Legal

Pay

Flexible | Early Wage Access | Card

HR

Employee-centric | AI/ML

Tech

Platform + App | Public Cloud | Consumer Grade

PURCHASE

Pricing

Transparent | Consumer-like

Decision Making

More Research | Consultative Sales

Purchase Process

Live | Digital | Omni

SERVICE

Self-Service

Guided | Intuitive | AI-assisted

Channels

Text | Chat | Email | App

Expertise

Business Outcomes | "Be-the-Expert"

Our Portfolio is Strong and Diversified

Our HCM Portfolio FY21 Revenue (\$15B total):

\$2.5B Small Business

\$2.4B Major Accounts

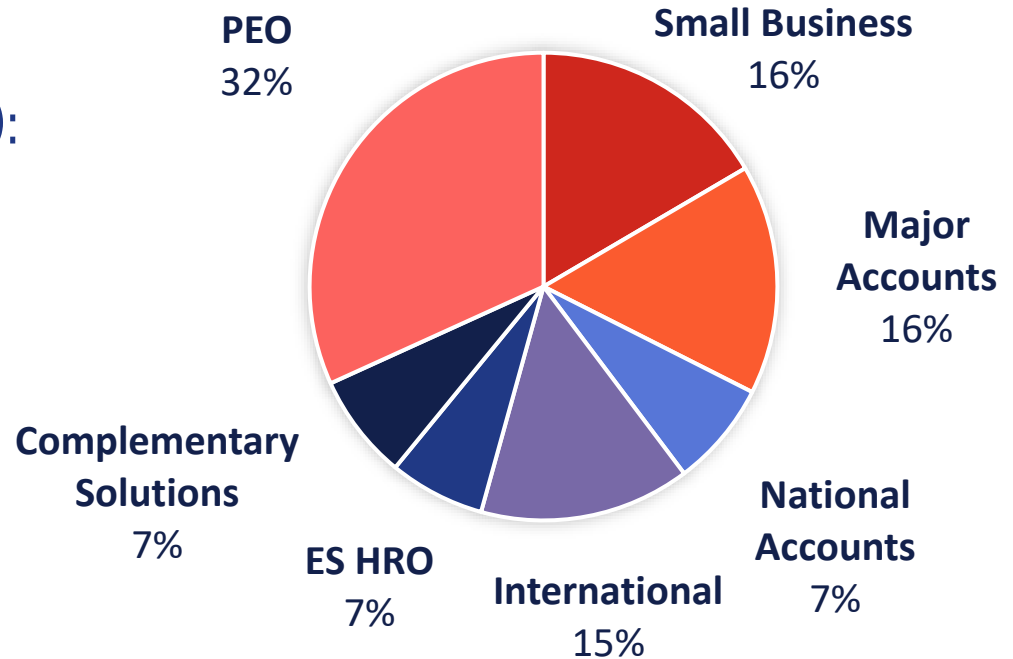
\$1.1B National Accounts

\$2.2B International

\$1.0B ES HRO

\$1.1B Complementary Solutions

\$4.8B PEO



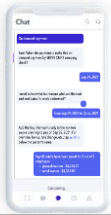
We are Innovating Across our Product Portfolio

New User Experience

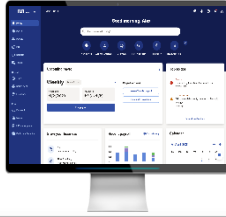
HCM Platforms

Small Business

Roll

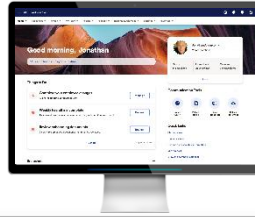


Run



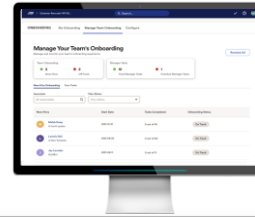
Midmarket / Upmarket

Workforce Now



Upmarket / International

Next Gen HCM



International

iHCM



Global Payroll



ADP Ecosystem

ADP
DataCloud



Wisely
by ADP



ADP
Mobile App



ADP
Marketplace



Digital Service and Implementation

Distribution: Our Market Leadership Drives Scale Benefits

\$2B+

in worldwide new
business bookings

8.5K+

sellers, all
virtually enabled

170K+

new logos
sold annually

140

countries with
sales coverage

50%+

of new logos sold
through partnership

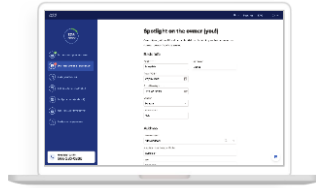
800+

Marketplace apps
globally

Service: We are Becoming More Digitally Enabled

A modern client and associate experience for satisfaction, speed and efficiency

Efficient onboarding



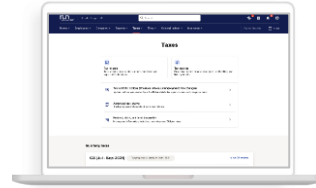
Digital tools that automate implementation processes

Early results

36%+

Run clients self-onboarding

Intuitive client self-service



Empowering clients to view data and complete tasks easily in-product

Early results

20%+

Reduction in service contacts per client last 5 years

Digital support



Automated or interactive, real-time digital support for faster resolution

Early results

34%+

Service requests supported digitally with ~20% fully contained

We Have Strengthened our Foundation in Several Key Ways

25%+

Increase in revenue per FTE

20%+

Decrease in contacts per client

40%+

Increase in total client count

↑30 pt

Average relationship NPS

↑40 pt

Average implementation NPS

92.2%

Record level retention in
ES Segment in FY23

8 Years

of consecutive Top HR Product
Awards at HR Tech

50 bps

Average annual ES margin expansion, overcoming pressure
related to Covid-19 and lower client funds interest

Note: All changes are over a five-year period through FY21

Copyright © 2024 ADP, Inc.

We Take a Disciplined Approach to Capital Allocation

1 **Organic reinvestment** to drive both revenue and margins

- **Product:** \$1.2B invested in Systems Development & Programming in FY23
- **Go-To-Market:** Sales headcount, marketing, and channel partnerships
- **Service:** Digital transformation and AI

2 **M&A** that meet our strategic goals

- Thoughtful and disciplined M&A approach; focus on transactions with high strategic value balanced against desire for simplification within ADP
- In FY18 invested ~\$615M to acquire Global Cash Card and WorkMarket; in FY19 invested ~\$120M to acquire Celergo

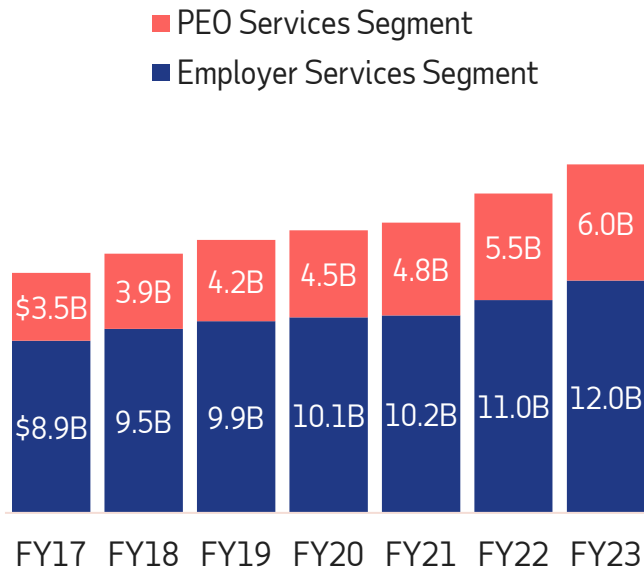
3 **Return cash to shareholders** balancing dividends and repurchases

- Target dividend payout ratio is 55-60%
- 49 years of consecutive dividend increases
- Long-standing share repurchase program to return excess cash, averaging ~1% share count reduction per year over the past 10 years
- \$1B incremental debt issued in May 2021 to further supplement repurchases

We Have Delivered Steady Revenue Growth

A history of consistent revenue growth...

...including growing through headwinds related to COVID-19



	10-Year CAGR ¹ through FY19	FY20	FY21	FY22	FY23
ES Segment	5%	1%	1%	8%	10%
PEO Segment	14%	8%	7%	15%	8%
Total ES & PEO	7%	3%	3%	10%	9%

1. Calculated using geometric average of annual growth rates to account for FY19 change in segment reporting

We Issued Medium-Term Targets at our 2021 Investor Day

7 to 8%

Revenue Growth

Organic Constant Currency;
About 6% ES and 10 to 12% PEO Segment Growth

10 to 12%

Adjusted EBIT Growth

Supported by approximately 75bps
annual Adj. EBIT Margin expansion

11 to 13%

Adjusted EPS Growth

Assuming 1% annual net share count reduction

13 to 15%

Total Shareholder Return

Assuming 2% dividend yield

These objectives assume no significant impact from change in corporate tax rates, change in yield curve, M&A, or change in ADP multiple Targets announced at our November 15, 2021 Investor Day. This is not a reaffirmation of that outlook.



Governance and ESG

We Remain Focused on Being a Leader in ESG

Environment

- Commitment to Net-Zero GHG Emissions by 2050
- Reducing Scope 1 & 2 GHG emissions 25.2% by 2025 and 50% by 2030
- Issued December 2023 [GHG Update](#)
- Executive compensation linked to environmental objectives

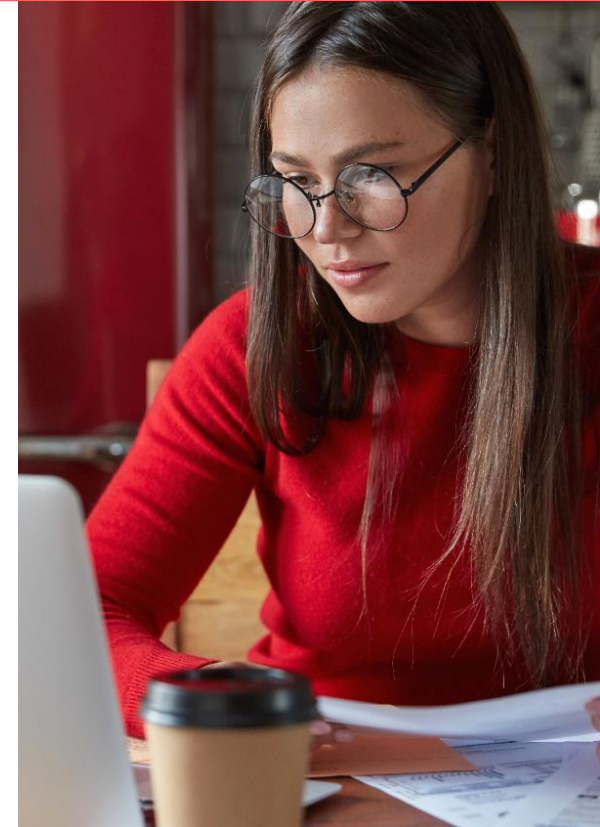
Social

- Commitment to an inclusive workplace
- Always Designing for People – all people
- Key HCM solutions also support financial wellness



Governance

- Refreshed board with diversity in experience and background
- Strong scores across ESG rating agencies



Governance: Committed to Shareholder Engagement

We are committed to proactively engaging with shareholders; our Board is highly attuned to shareholder feedback, including governance & compensation best practices

Monitoring & Assessment

- Board and management review:
 - ✓ Annual meeting voting results
 - ✓ Investor feedback from IR & governance engagement
 - ✓ Trends and best practices across the governance, executive compensation, regulatory, and environmental & social landscape
- This review allows ADP to identify and prioritize topics for discussion

Outreach & Engagement

- ADP regularly meets with shareholders to actively gather feedback on a range of issues
- Fiscal Year 2023: We invited shareholders representing nearly half of our shares outstanding to discuss our strategy, corporate governance and executive compensation programs, and held meetings with shareholders representing over 30% of our shares outstanding

Evaluation & Response

- ✓ Board of Directors & key committees evaluate and discuss feedback from stockholders and key stakeholders
- ✓ ADP enhances disclosure and practices, as appropriate
- ✓ ADP updates governance practices and documents to align with best practices, and incorporates feedback, as appropriate

Governance: Responsive to Shareholder Feedback

Board & Governance

- Board composition, self-assessment, and refreshment process
- Governance practices and oversight structures (*proxy access proactively adopted in Aug 2016*)

Executive Compensation

- Compensation program and practices, including ADP's increase in focus on performance-based awards in LTI
- Performance metric selection and weighting, pay mix, and peer group selection

Risk Management

- Enterprise risk management structure and how the Board oversees the risk assessment process

Corporate Social Responsibility

- Sustainability efforts and the underlying economic rationale for our ESG initiatives

Topics of Discussion

ADP Actions Taken

- ✓ Ongoing Board Refreshment: New Board members joined in May 2019, April 2020, November 2020 and February 2022; Committee chair and membership rotations (most recently in January 2024 and previously in 2018, 2019, 2020 and 2022)
- ✓ Reduced the % of the voting power of the company's outstanding shares required to call of special meeting of shareholders from 33% to 25% (August 2020)
- ✓ New FY'23 LTI design for executives, increasing focus on performance-based awards
- ✓ Compensation peer group refinements for FY'24, FY'22 and FY'18
- ✓ Amended the charter of our newly re-named compensation and management development committee to formalize its existing practice to review HCM matters such as workplace culture, engagement and diversity and inclusion (April 2021)
- ✓ Ongoing enhanced risk management disclosures in proxy statement including in the areas of cyber, privacy and HCM
- ✓ Issued fourth CSR report in March 2022 (aligned to SASB and GRI; includes EEO-1 disclosure)
- ✓ Pledged to achieve net zero greenhouse gas emissions by 2050; Introduced an environmental footprint objective into annual executive bonus plan starting with FY'22 (September 2021) and issued short- and medium-term Scope 1 and 2 GHG targets (August 2022)
- ✓ Announced enhanced financial disclosures at 2018 Investor Day, which began FY'19

Governance: Leading with Best Practices

ADP is committed to shareholder-friendly corporate governance practices that help to drive long-term value creation

- ✓ Proxy access right at 3% / 3 year ownership threshold (adopted August 2016)
- ✓ Independent, Non-Executive Board Chair
- ✓ Majority voting standard
- ✓ Shareholder ability to call special meetings
- ✓ Shareholder right to act by written consent
- ✓ No dual-class stock; one share, one vote
- ✓ No poison pill
- ✓ Active shareholder engagement to better understand investor perspective
- ✓ Annually elected Board; directors may be removed without cause
- ✓ Annual succession planning review
- ✓ Significant Board role in strategy and risk oversight
- ✓ Non-employee director pay limits and stock ownership requirements
- ✓ Annual Board assessment of corporate governance best practices
- ✓ Oversight of executive compensation by the Compensation Committee
- ✓ Executive sessions of independent directors held regularly

Governance: Best-in-Class Board With Balanced Skill Set

Deliberate Board Composition

- **Commitment to both continuity and fresh perspectives**
 - 4 of our 10 independent Directors have a tenure of 5 years or less¹
 - Average independent Director tenure of 6.6 years¹, compared to an S&P 500 average of 7.8 years
 - 42% (5 of 12) women; 25% (3 of 12) racially diverse
- **Director succession planning**
 - Conducted in the context of a skill set review
 - Skill set used to identify and recruit Directors
- **The right set of skills and experience to set ADP's corporate strategy**
 - 8 of 10 independent Directors are current or former C-Suite of major public companies
 - Leaders with significant technology experience (Peter Bisson, David Goeckeler, Linnie Haynesworth, Fran Katsoudas, Nazzic Keene, Tom Lynch, Bill Ready)
- **Independent mindset and focus on accountability to shareholders**
 - 10 of 12 Directors are independent
 - All Board Committees are composed of independent Directors
 - Committed to formal shareholder engagement program
- **Ongoing board refreshment**

Skill Set Aligns and Evolves With Corporate Strategy

Director Skill Set²



Source: Spencer Stuart Board Index 2023

1. As of November 2023 (10 independent directors; 2 management directors)

2. Skill set matrix as of November 2023 (12 Directors)

Compensation: Rigorous Approach

Five Guiding Principles

- 1 Emphasize variable, performance-based compensation to ensure that pay and performance are closely aligned
- 2 Rigorous metric selection and goal-setting process to support ADP's financial, transformation, client satisfaction and ESG objectives
- 3 Pay competitively to attract and retain executives critical to our long-term success
- 4 Commitment to high standards of corporate governance and best practices
- 5 Thoughtful design to minimize excessive risk-taking and to ensure high integrity

Compensation Governance Ensures Alignment with Principles

- Robust Clawback Policy applicable to cash and equity incentives
- Stock Ownership Guidelines for CEO (6x) & NEOs (3x)
- No option repricing
- Target pay levels generally benchmarked to median, with variation based on tenure and experience
- Regular peer group analysis (peer group refined for FY'24, FY'22 and FY'18 to enhance alignment with ADP strategy)
- Double-trigger change-in-control severance and equity vesting provisions
- Limited perquisites
- Anti-Hedging and Pledging Policy
- No tax-gross ups
- No dividends on unearned performance stock

Compensation: Pay Closely Aligned to Performance

Balanced, Performance-Based Compensation Policy

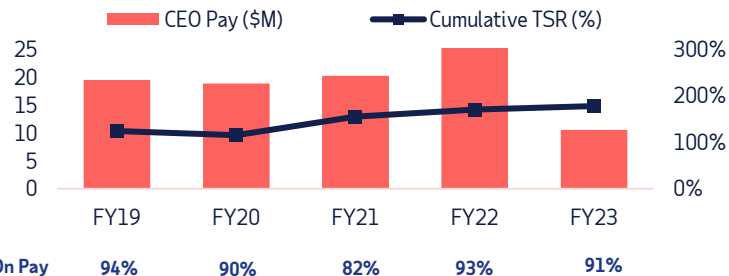
- Designed to incentivize sustainable value creation
 - Thoughtful design to encourage strategic transformation while mitigating excessive risk-taking
 - Approved by independent compensation committee using independent compensation consultant
 - CEO compensation was below Proxy Peer Median for FY19, near the median for FY20-FY21, slightly above the median for FY22 and below the median for FY23
 - Robust clawback policy allows for cash and stock recovery
- Emphasizes equity-based compensation to foster commonality of interest between management and shareholders

Transformation, Client Satisfaction and ESG Objectives

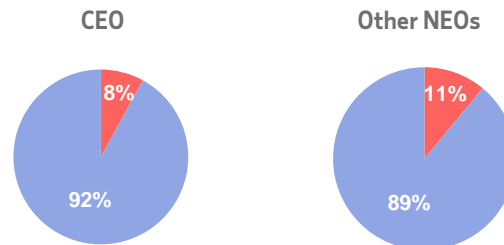
- Transformation, Client Satisfaction and ESG objectives represent 20%, 10% and 10%, respectively, of the short-term incentive compensation for our executive officers
- Important leading indicators of our transformation, creation of long-term value and future success
- These objectives are measurable and pay out formulaically

Transformation	Client Satisfaction	ESG
<ul style="list-style-type: none"> Reduce low value contacts per client Digital sales goal Client count % on Next Gen Mobile active users Sales from newest products 	<ul style="list-style-type: none"> Improve client experience through net promoter score goals Client retention goal 	<ul style="list-style-type: none"> Decrease % of paper checks Improve % of female executives Improve % of executives from underrepresented groups

Strong Performance Alignment & Shareholder Support



Significant Pay at Risk



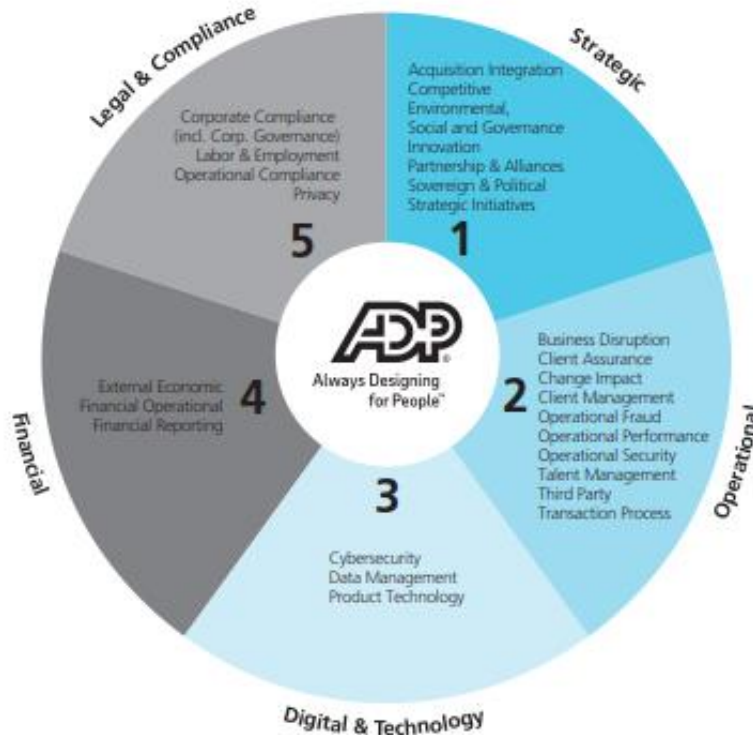
■ = Base Salary

■ = Performance-Based (STIP + LTIP)

Sources: Institutional Shareholder Services 2023 Report on ADP; ADP 2023 Proxy Statement.

Enterprise Risk Management

Board and key committees maintain disciplined risk assessment process to effectively pursue strategic goals



Compensation and Management Development Committee

- 2 Operational (Talent Management)

Audit Committee

- 2 Operational
- 3 Digital & Technology
- 4 Financial
- 5 Legal & Compliance

Board

- 1 Strategic
- 2 Components of Operational
- 3 Components of Digital & Technology
- 4 Components of Financial
- 5 Components of Legal & Compliance

Nominating Committee

- 1 Strategic (Components of ESG)
- 5 Legal & Compliance (Corporate Governance)

Corporate Social Responsibility Report

Most Recent CSR Report Issued March 2022



- ✓ Commitment to Strong Governance, Ethics, and Compliance
- ✓ Associate Inclusion, Engagement and Wellness
- ✓ Client Betterment Through Innovation
- ✓ Community Engagement and Volunteer Involvement
- ✓ Environmental Sustainability