



2021

Letter to Shareholders



A Letter from our Non-Executive Chairman



Fellow Shareholders,

For decades, ADP has inspired confidence by leading with purpose and taking a consistent approach through even the most dynamic economic environments, and fiscal year 2021 represented another such example. In a unique and challenging year, ADP delivered solid financial results while maintaining its unwavering approach to key priorities like governance, social and environmental responsibility, and the company continued its efforts towards shareholder-friendly actions and engagement.

Committed to its Strategy

ADP remains the leader in the Human Capital Management (“HCM”) market by being innovative in its technology and dedicated to meeting the needs of its clients. In fiscal year 2021, ADP advanced its existing solutions, launched new ones, and continued to invest organically for future opportunities, all while responding to the needs of clients in meeting the demands of the moment. Early in the pandemic, the financial growth of the company was softened by the broader macroeconomic recession, but with disciplined management focus and shared effort across all ADP associates, the company quickly re-established its momentum and delivered a solid year of growth while continuing to execute on its longer-term strategic goals. ADP will continue to invest and reinvent itself to remain the pre-eminent global HCM provider.

Continued Progress on ESG

Governance

As always, we remain focused on leading with strong corporate governance practices that we believe are essential to sustainable and effective corporate outcomes. This begins with providing effective oversight, and to that end we seek to constantly evolve the board’s mix of skills while ensuring our leaders demonstrate integrity and bring diversity in background and experience. In November of fiscal year 2021 we were pleased to welcome Linnie Haynesworth, a highly regarded operational leader whose extensive background in technology, cyber systems, risk management, and strategic planning has already proven instrumental to our Board as ADP continues on its HCM leadership journey. As of our fiscal year 2021 Annual Meeting of Stockholders, our average independent director tenure will be 5.7 years compared to the S&P 500 average director tenure of 7.9 years (2020 Spencer Stuart Index), reflecting our commitment to continually refresh our leadership.

Average tenure of independent director nominees is **5.7 years**

36% of our director nominees are women

27% of our director nominees are racially diverse

Social Responsibility

Through our relationships with over 920,000 businesses globally and of all sizes, ADP’s position in the market is unique. We believe we have the opportunity to be a force towards positive social change by providing tools that enable our clients to make better, data-driven decisions. In fiscal year 2021 we continued to add to our robust DataCloud platform by introducing the Diversity, Equity, and Inclusion (“DEI”) Dashboard, which can help businesses analyze diversity in their workforces

through a simple user interface that enables them to better set, track, and expand their DEI goals. In fiscal year 2021 we also issued an updated global corporate social responsibility report, where, among other highlights we provided greater transparency into our own workforce diversity and set targets for further improvement. At ADP, we will continue to create value for our stakeholders by strengthening our business in a socially conscious manner.

Environmental

The investment community continues to take note of the importance of environmental goals, and we applaud this growing focus. Increasing energy efficiency and reducing greenhouse gas emissions associated with our operations have been primary goals of our environmental sustainability program over the years and we consider these actions to be highly beneficial both for their immediate positive economic impact, but also in guiding us as we ensure our long-term, sustainable

energy needs. In fact, we pledge to achieve net zero greenhouse gas emissions by 2050 and are pleased to share that this coming fiscal year we will be taking further action by developing a Paris Agreement-compliant climate transition plan that will include short, medium, and long-term global goals towards this target. We are also pleased to share that going forward, a portion of our executive compensation will be linked to our efforts to continue to reduce ADP's environmental footprint.

Pledge to achieve net zero greenhouse gas emissions by 2050

Strong Shareholder Engagement

Your Board and the ADP management team believe strongly that maintaining an active dialogue with shareholders is key to the success of an organization over time, and that feedback on topics related to strategy, ESG matters, and executive compensation programs are valuable and reflect the broad expertise and experience our shareholders bring. Our directors have participated in this engagement and look forward to continuing to do so. In fiscal year 2021, ADP invited or met with shareholders representing nearly half of its shares outstanding to discuss strategy, corporate governance, executive compensation, environmental action, and more. We appreciate that engagement and will continue to be receptive to what we learn from our shareholders.

46 consecutive years of dividend increases

Your Board remains focused on the oversight and protection of ADP shareholders and other stakeholders, and we thank you for your continued trust in us.

Sincerely,



John P. Jones

Non-Executive Chairman of the Board of Directors

A Letter from our President & CEO



Our mission at ADP is to provide insightful HCM solutions and expertise that allow our clients to better focus on their business. I believe this mission has become more important than ever, and over this past year I have been proud of how ADP has fulfilled it by helping clients through both the immediate impact and the subsequent gradual recovery from the global health crisis. We stand with our clients, and times like this allow us to stand even closer together.

The Evolving World of Work

The world of work has had to contend with tremendous change. For our clients, this has included navigating a wide array of factors, including furloughing workers, navigating fast-changing global legislation, adopting work-from-home and other protocols to maximize worker safety, monitoring and driving worker engagement, staying apprised of worker willingness to return to workplace, and understanding the vaccination status of their workforces.

We take great pride in our ability to have provided support in so many ways across these multiple changes. Early in the pandemic, our focus was to help clients as they rushed to participate in a broad mix of government initiatives around the world, including the Paycheck Protection Program in the U.S. As part of this effort, our teams analyzed more than 2,000 global legislative updates associated with COVID-19, and we provided clients with actionable, easy-to-understand guidance and updated reporting processes. In the subsequent months and quarters, our focus turned to offering tools to help clients operate their business in this new environment, including a Return to Work toolkit, touchless clock-in functionality, and, as the labor market tightened, an array of talent solutions. Importantly, throughout this entire period, our client satisfaction scores – an important set of metrics by which we judge ourselves – reached all-time highs.

Our Resilient Business Model

The stable nature of our business model was on full display during this fiscal year. Through all the economic turmoil, we overcame significant headwinds from a reduction in our clients' total paid employees and lower interest rates and still grew our revenues by 3% to \$15 billion – a milestone we have reached for the first time. We achieved record client revenue retention levels for both our Employer Services and our PEO segments, which we see as indicative of the critical nature of our solutions. Importantly, our sales organization quickly adapted to the all-digital, all-virtual market of the pandemic and sold approximately 90% of our pre-pandemic new business volume, a remarkable outcome when considering the challenges our clients faced. In all of this, we see evidence of the strong resonance our solutions have among our clients and prospects and the value these solutions represent.

During the year, we also continued to invest for long-term growth while keeping tight control on our overall expenses, which enabled earnings growth this year without impeding our future prospects. This growth in earnings furthermore gave us the ability to comfortably raise our dividend for the 46th year in a row, a track record that speaks to our stable earnings profile through numerous economic recessions. Additionally, our strong credit profile allowed us to further benefit from the low interest rate environment, and we were able to refinance existing debt and add a modest amount of incremental debt at historically low rates, which we believe optimizes our balance sheet and will bolster our share repurchases over the coming year.

As much as we have demonstrated resilience this past year, our business performs best in a strong macroeconomic environment, and we have been pleased to see clear signs of improvement over the course of this past fiscal year. Driven by strength in consumer demand, many of our clients made quick pivots to grow their workforces, and as a result we have seen employment recover quarter after quarter this year. The level of engagement by prospective clients, as measured by our salesforce productivity, likewise showed steady improvement over the course of the year. While global pandemic trends and evolving labor market conditions will likely create continued uncertainty for our clients in the near-term, we look forward to seeing continued recovery in the global economy while remaining diligent as these conditions evolve.

Staying the Course

Over the past several years, we have accelerated an effort to simplify and enhance our suite of products and our go-to-market strategy with the aim of expanding our leading position in the market. We continued to progress along this strategic path during fiscal year 2021. Earlier in the year we earned our 6th consecutive “Top HR Product Award” at the annual HR Technology Conference for our next-gen payroll solution, which represents one of the most important investments we have made over the years. We unveiled a new solution called Roll, which is an AI-driven, mobile-first payroll and tax filing product for U.S. small businesses. Our RUN platform continued to grow and reached 750,000 clients, and we further enhanced RUN by initiating the deployment of a new user experience and by launching TimeKeeping Plus, a robust, native workforce management solution. And we also reached 100,000 clients across all our workforce management solutions for the first time as we introduced a number of product roll-outs and feature enhancements. These improvements were timely and well-received as the pandemic has reinforced the need for companies to navigate a new norm of increasingly flexible schedules and work arrangements.

We also continued to streamline our operations. We made progress on our Digital Transformation journey, which includes a range of initiatives aimed at reducing the amount of manual work needed for a client’s first implementation through their ongoing service needs. We also maintained an assertive stance on our global real estate and broader procurement efforts, and during the fiscal year we took steps to optimize our operational footprint by shutting down several major offices. Combined, these efforts yielded over \$150 million in ongoing savings for the fiscal year, and we remain focused on becoming a leaner organization.

Fiscal year 2021 was a landmark year for ADP. We are proud of our solid financial results and our strategic achievements despite the many challenges faced by ADP and so many companies. We firmly believe that we are entering the next era in the changing world of work from a position of strength, and we look forward to continuing our journey as the leader in human capital management.

Thank you for your continued interest and investment in ADP.

Sincerely,



Carlos Rodriguez

President & Chief Executive Officer, ADP

FY'21 BUSINESS HIGHLIGHTS

3% Revenue growth

92.2% Employer Services revenue retention, up 170bps year over year

23% Employer Services new business bookings

7% PEO segment revenue Growth

920K Clients globally, up 7% year over year

\$150M+ savings realized from digital transformation and procurement efforts in FY'21

\$3.0B in shareholder distributions

\$1.6B Dividends

\$1.4B Share Repurchases

Forward-Looking Statements

These letters 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 “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; availability of skilled technical associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; and the impact of any uncertainties related to major natural disasters or catastrophic events, including the coronavirus (“COVID-19”) pandemic. 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.