

A close-up photograph of a man in a dark blue suit, white shirt, and blue striped tie. He is holding a silver pen in his right hand, poised over a document. The background is softly blurred, showing more of the man and the document.

letter to shareholders

2016



A more human resource.™



CARLOS RODRIGUEZ
President and Chief Executive Officer



JOHN P. JONES
Non-Executive Chairman of the
Board of Directors

Dear Fellow Shareholder,

We are pleased to invite you to the 2016 Annual Meeting of Stockholders of Automatic Data Processing, Inc. taking place on November 8, 2016 at the company's corporate headquarters at One ADP Boulevard, Roseland, New Jersey. A notice of the meeting and proxy statement containing information related to the agenda are attached to this letter.

The world of work is changing fast and is affecting our clients in profound ways, including:

- Unprecedented compliance complexity due to increasing and varied global regulations.
- Difficulty in finding and retaining talent as labor markets improve and we near full employment in critical markets like the U.S.
- Increased demand on businesses to be more responsive and adaptive to employee needs amid changing expectations of employees.
- Transformation in the strategic value of the Human Resources function as the promise of Big Data is beginning to be realized.

These are some of the challenges and opportunities that are driving ADP's business, and the entire Human Capital Management (HCM) sector, forward. The "All in on HCM" strategy set by management and your Board of Directors is squarely focused on winning in this exciting and dynamic market. As part of this strategy, we continue to build a company with unprecedented global compliance expertise; one that offers the broadest range of solutions for companies of all sizes through a technology ecosystem that works seamlessly across the HCM spectrum to meet client needs on their terms – from software-only solutions to fully outsourced human resources management.

Our intense focus on achieving HCM market leadership is reflected in our strong financial performance.

During fiscal 2016, we grew revenue by 7 percent (despite two percentage points of combined pressure from foreign currency translation and the disposition of a non-HCM business) while growing diluted earnings per share 12 percent. In addition, we grew new business bookings by 12 percent, representing \$1.75 billion in new recurring revenue.

In achieving these results, we showcased ADP's agility as we continued to adapt to the dynamic needs of our clients. Some operational highlights include:

- Helping more than 25,000 clients navigate the uncharted waters of compliance with the Affordable Care Act in the U.S.
- Introducing new data analytics capabilities to help clients generate actionable insights that help address workforce productivity, contribute to talent development, and assist with employee retention.
- Enhancing our portfolio with a consumer-grade user experience, which is making our products easier to use and more engaging.
- Expanding ADP's capabilities geographically and now meeting the payroll processing and compliance needs of companies with operations in more than 110 countries and territories.

We achieved these results while remaining consistent with our long-standing commitment to shareholder-friendly actions. During fiscal 2016, we executed on our strategy to enhance our capital structure through the issuance of \$2 billion in senior notes intended to fund incremental share repurchases. This year also marked the 41st consecutive year ADP has increased the dividend per share paid to our shareholders. In total, we returned about \$2.1 billion in cash through dividends and share repurchases.

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Board, Governance and Shareholder Engagement

We have a commitment to sound corporate governance practices that foster strong independent leadership in our boardroom and provide our shareholders with meaningful rights. We firmly believe that creating sustainable long-term value for shareholders is enabled through strong governance practices and open dialogue with shareholders through continuous direct engagement.

In this spirit, we conduct an annual review of our corporate governance structure in an effort to stay on the leading edge of shareholder-friendly practices. Your Board is focused on maintaining the right governance structure and mix of director skills that will enable ADP to create long-term value. In connection with this review, we adopted proxy access with terms including "3%/3-year" ownership thresholds to allow our long-term shareholders the opportunity to nominate directors.

We have also continued our track record of thoughtful Board refreshment, by adding three new directors this fiscal year to further align the Board's skills with the important work that lies ahead as

we execute on our “All in on HCM” strategy. We are fortunate to welcome Peter Bisson, William Ready and Sandra Wijnberg, whose deep expertise in strategy, technology, client service, and finance will be a great asset to the Board. We would also like to thank Ellen Alemany, who is not seeking re-election this year, for her invaluable service on the Board since 2011.

At the direction of your Board, this summer we expanded our investor engagement program to include outreach focused on the company’s strategy, governance structure and executive compensation practices. Senior members of ADP’s management team contacted investors representing more than a third of our shares outstanding, and we anticipate being able to meet with shareholders representing about 20 percent of shares outstanding as part of this outreach. Your Board and management believe in the importance of being responsive to shareholders and we look forward to maintaining this dialogue in the future.

Your vote is important to us. Even if you cannot attend the annual meeting on November 8, 2016 at ADP’s corporate headquarters, we encourage you to vote your shares by submitting your proxy on the internet, by phone or by returning the proxy card.

Thank you for your investment and continued interest in ADP.



CARLOS RODRIGUEZ
President and Chief Executive Officer, ADP



JOHN P. JONES
Non-Executive Chairman of the Board of Directors

Forward-Looking Statements

This letter 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 “expect,” “assume,” “project,” “anticipate,” “estimate,” “believe,” “could” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions 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 include: ADP’s success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in, or interpretations of, existing legislation or regulations, or compliance with new legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; vulnerability to security breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions and divestitures. These factors are not exhaustive. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under “Item 1A. - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 should be considered in evaluating any forward-looking statements contained herein.



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