

## **Audit Committee Charter**

### **I. Purpose**

The primary functions of the Audit Committee (the "Committee") of Automatic Data Processing, Inc., a Delaware Corporation (the "Company") are to assist the Board of Directors (the "Board") of the Company in fulfilling its oversight responsibilities with respect to: (i) the Company's systems of internal controls, including 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. Consistent with these functions, the Committee will encourage continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time 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 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 independent auditors.

### **II. Organization**

The Audit Committee shall be comprised of three or more Directors as determined by the Board, each of whom (i) is "independent" in accordance with applicable law, including the rules of the NASDAQ Stock Market (the "NASDAQ"), subject to any applicable exceptions therein, and the more rigorous SEC independence requirements for audit committee members set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and (ii) 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. At least one Committee member shall be a designated "audit committee financial expert". No Committee member shall serve on the audit committees of more than three public companies (including the Company).

Committee members shall be elected by the Board at the annual organizational meeting of the Board on the recommendation of the Nominating/Corporate Governance Committee; members shall serve until their successors shall be duly elected and qualified. Notwithstanding the foregoing, if a member ceases to be "independent", such person shall immediately offer to resign as a Committee member. The Committee's Chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a Chairperson by vote of a majority of the full Committee.

The Committee may form and delegate authority to subcommittees when appropriate.

### **III. Meetings**

The Audit Committee shall meet four times per year on a quarterly basis, or more frequently as circumstances require. The Committee shall require members of Management, the Internal Audit Department, the independent auditors and others to attend meetings and to provide pertinent information, as necessary. As part of its job to foster open communications, the Committee shall meet in separate executive sessions during each of its four regularly scheduled meetings with Management, the head of the Internal Audit Department and the Company's independent auditors to discuss any matters that the Committee (or any of these groups) believes should be discussed privately. The Chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting. Members of the Committee may participate in meetings by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation will constitute presence in person at such meeting.

### **IV. Responsibilities and Duties**

The Audit Committee shall be responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of preparing and issuing an audit report or performing other audit, review or attestation services for the Company (including resolution of any disagreements between Management and the independent auditors regarding financial reporting); such accounting firms shall report directly to the Committee. The Committee shall consult with Management but shall not delegate these responsibilities.

In fulfilling its duties and responsibilities hereunder, the Committee will be entitled to reasonably rely on (a) the integrity of those persons within the Company and of the professionals and experts (such as the Company's independent auditors) from which it receives information, (b) the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts and (c) representations made by the Company's independent auditors as to any services provided by such firm to the Company.

To fulfill its responsibilities and duties, the Audit Committee shall:

#### **With respect to the independent auditors:**

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between Management and the independent auditors regarding financial reporting) for the purpose of preparing its audit report or related work, who shall report directly to the Committee.
2. Be directly responsible for the appointment, compensation, retention and oversight of the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services for the Company, which firm shall also report

directly to the Committee.

3. Have the sole authority to review in advance, and grant any appropriate pre-approvals of, (i) all auditing services to be provided by the independent auditors and (ii) all non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and in connection therewith to approve all fees and other terms of engagement. The Committee may delegate the authority to grant such pre-approvals to one or more members of the Committee, whose decisions will be presented to the full Committee at its next regularly scheduled meeting. The Committee shall also review and approve disclosures required to be included in Securities and Exchange Commission periodic reports filed under Section 13(a) of the Securities Exchange Act of 1934 with respect to non-audit services.

4. Review the performance and qualifications of the Company's independent auditors on at least an annual basis and may remove the independent auditor if circumstances warrant.

5. On an annual basis, review and discuss with the independent auditors all relationships the independent auditors have with the Company in order to evaluate the independent auditors' continued independence. The Committee: (i) shall ensure that the independent auditors submit to the Committee on an annual basis a written statement (consistent with applicable requirements of the Public Company Accounting Oversight Board) delineating all relationships and services that may impact the objectivity and independence of the independent auditors; (ii) shall discuss with the independent auditors any disclosed relationship or services that may impact the objectivity and independence of the independent auditors; and (iii) shall satisfy itself as to the independent auditors' independence.

6. At least annually, obtain and review an annual report from the independent auditors describing (i) the independent auditors' internal quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.

7. Review the selection of the lead audit partner and confirm that the lead audit partner, or the concurring partner, for the Company's independent auditors has not performed audit services for the Company for each of the five previous fiscal years. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditors on a regular basis.

8. Review all reports required to be submitted by the independent auditors to the Committee under Section 10A of the Securities Exchange Act of 1934, including reports concerning critical accounting policies and practices, any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors, and any other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

9. Review, based upon the recommendation of the independent auditors and the Internal Audit Department, the scope and plan of the work to be done by the independent auditors for each fiscal year.

**With respect to financial statements:**

10. Review and discuss with Management, the Internal Audit Department, and the independent auditors the Company's quarterly financial statements (including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the independent auditors' review of the quarterly financial statements) prior to submission to stockholders, any governmental body, any stock exchange or the public.

11. Review and discuss with Management, the Internal Audit Department, and the independent auditors the Company's annual audited financial statements (including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations").

12. Recommend to the Board, if appropriate, that the Company's annual audited financial statements be included in the Company's annual report on Form 10-K for filing with the Securities and Exchange Commission.

13. Prepare the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

**Periodic and Annual Reviews:**

14. Review separately with each of Management, the independent auditors and the Internal Audit Department (i) any significant disagreement between Management and the independent auditors or the Internal Audit Department in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to required information), and (iii) Management's response to each.

15. Periodically discuss with the independent auditors, without Management being present, (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Company's financial statements.

16. Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the independent auditors, Management or the Internal Audit Department. Review with the independent auditors, Management, and the Internal Audit Department, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

17. Review with Management, the independent auditors, the Internal Audit Department, and the Company's counsel, as appropriate, any legal, regulatory, compliance, or tax matters that could have a significant impact on the Company's financial statements, including significant changes in

accounting standards or rules as promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Internal Revenue Service, or other regulatory authorities with relevant jurisdiction.

18. Obtain and review an annual report from Management relating to the accounting principles used in preparation of the Company's financial statements (including those policies for which Management is required to exercise discretion or judgments regarding the implementation thereof).

**Discussions with Management:**

19. Review and discuss with Management the Company's earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Chairperson of the Committee shall be given the opportunity to review such earnings press releases prior to their disclosure, and it shall be up to the discretion of the Chairperson of the Committee to determine whether the other Committee members should also be given the opportunity to review any earnings press releases in advance of their public disclosure.

20. Review and discuss with Management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.

21. Inquire about the application of the Company's accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for future occurrences which may have a material impact on the financial statements of the Company.

22. Review and discuss with Management (i) the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures (including Management's financial risk assessment and risk management policies), (ii) such elements of the Company's enterprise risk management process as may be delegated to the Committee by the Board on an annual basis, and (iii) the program that Management has established to monitor compliance with the Company's codes of ethics for Directors, Officers and employees, including any material violations thereof.

23. Review and discuss with Management all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company.

24. Obtain explanations from Management for unusual variances in the Company's annual financial statements from year to year, and review annually the summary of deficiencies identified by Management and the independent auditors.

**With respect to the internal audit function and internal controls:**

25. Review on an annual basis, based upon the recommendation of the independent auditors and the

head of the Internal Audit Department, the scope and plan of the work to be done by the Internal Audit Department.

26. Review and approve the appointment and replacement of the head of the Internal Audit Department, and review on an annual basis the performance of the Internal Audit Department.

27. In consultation with the independent auditors, the Internal Audit Department, and the Company's chief executive officer and chief financial officer, (a) review the adequacy of the Company's internal control structure and system, and the procedures designed to insure compliance with laws and regulations, (b) review any special audit steps adopted in light of material weakness in the design or operation of internal control over financial reporting, and (c) discuss the responsibilities, budget and staffing needs of the Internal Audit Department.

28. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

29. Review the internal control report prepared by Management, including Management's assessment of the effectiveness of the Company's internal control over financial reporting, and the independent auditors' attestation report thereon, as and when required by Section 404 of the Sarbanes-Oxley Act of 2002.

30. Consider any reports or communications (and Management's and/or the internal audit department's responses thereto) submitted to the Committee by the independent auditors in accordance with SAS No. 114, The Auditor's Communication with Those Charged with Governance, (as codified by AU Section 380), as it may be modified or supplemented, or under other professional standards.

31. Review with Management and the independent auditors any reports or disclosure submitted by management to the Committee as contemplated by the Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002, including but not limited to disclosure concerning any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls.

**Other:**

32. Review and approve (i) any change in the Company's codes of ethics for Directors, Officers and employees, and (ii) any disclosure made on Form 8-K regarding such change.

33. Pre-approve the hiring of any employee or former employee of the independent auditors who was a member of the Company's audit engagement team within the preceding two fiscal years. The Committee shall not approve the hiring of any individual for a financial reporting oversight role if such person is or was an employee of the independent auditor and was a member of the Company's audit engagement team within the preceding two fiscal years unless: (A) (i) such individual is to be employed for a limited period of time due to an emergency or unusual situation and (ii) the Committee determines that the hiring of such individual is in the best interests of the Company's shareholders; or (B) such individual

becomes employed by the Company as a result of a business combination and the Committee was made aware of such individual's prior relationship with the Company as a member of its audit engagement team.

34. Review any Management decision to seek a second opinion from independent auditors other than the Company's regular independent auditors with respect to any significant accounting issue.

35. Review with Management and the independent auditors the sufficiency and quality of the Internal Audit Department staff and other financial and accounting personnel of the Company, and will annually review and recommend changes (if any) to the internal audit department charter.

36. Review and reassess the adequacy of this Charter annually and recommend to the Board any changes the Committee deems appropriate.

37. The Committee shall conduct an annual performance evaluation of itself.

38. The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, to the extent deemed necessary or appropriate by the Committee. All associates shall be directed to cooperate with respect thereto as requested by the Committee or its authorized representatives.

39. Report regularly to the Board on its activities, as appropriate.

40. Perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

41. This Charter will be made available on the Company's Web site at "www.adp.com."

## **V. Resources**

The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the retention terms of special or independent legal, accounting and other experts and consultants to advise the Committee, without seeking approval of the Board or Management. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall determine the extent of funding necessary for payment of compensation to the independent auditors for the purpose of rendering or issuing the annual audit report, to any special or independent legal, accounting and other experts and consultants retained to advise the Committee, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.