



Fiscal 2021 | June 1, 2020–May 31, 2021

Corporate Social Responsibility Report:

# Putting Good to Work

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This report was prepared using the GRI Standards as a GRI-referenced report. GRI and SASB Indices can be found at [paychex.com/corporate/corporate-responsibility](https://www.paychex.com/corporate/corporate-responsibility).

*Some metrics included in this report are provided for international operations, others for U.S. operations only.*

# A Letter from the CEO



As we celebrate our 50th anniversary in 2021, I can't help but reflect on our company's five decades of putting good to work.

For 50 years, we've been leading with our values in all areas of our business to do the right thing for our clients, colleagues, communities, and planet.

It began in 1971 when Tom Golisano founded Paychex to provide critical payroll processing services to small businesses that were overlooked by providers focused only on larger employers. As the breadth and depth of our services expanded over the decades—and our client base grew to more than 710,000—one thing remained constant: our commitment to safeguarding our clients' most sensitive employee data while providing exceptional service.

Our commitment to doing things the right way permeates every aspect of our business, as you'll see throughout this report. It begins in the *Ethics* section, with the policies and sound business practices we've put in place to protect our clients, business, and employees. We see it among our 15,000 employees, who so passionately give back to their communities and who jump in to support each other in times of need, as illustrated in the *Communities* pages of this report.

And we see it in our responsibility to the planet, whether through grassroots employee cleanup and recycling efforts or through our ambition to reach net-zero greenhouse gas (GHG) emissions by 2050, as you'll learn in the *Environment* section.

At the heart of what we do for our clients, community, and planet is our 15,000 employees, who display the Paychex values of integrity, service, innovation, partnership, accountability, and respect, whether they're helping a small business apply for a PPE loan, cleaning up a beachfront with teammates, or contributing to a fund for colleagues in India impacted by COVID-19. I'm so very proud of how, time after time since the start of the pandemic, they rose to the challenges before them. Learn more about these exceptional people in the *Employees* portion of our report.

I hope you'll agree after reviewing our 2021 Corporate Social Responsibility Report that we're not just in the business of human capital management—we're in the business of putting good to work.

Thank you,

**Martin Mucci**

President and Chief Executive Officer  
Paychex, Inc.

As you'll see throughout this report, Paychex stakeholders are everything to us. Our employees have made Paychex successful for **50 years**. Our clients fuel our **purpose**. Our shareholders believe in our **future**. Our communities **nurture** us.

In return, we're committed to delivering value to these stakeholders—not just because it's the right thing to do, but because it's intricately aligned with our values, which guide how we interact with our various stakeholders:

- We conduct our business with **integrity**, knowing our clients trust us with their most sensitive employee information.
- We are **accountable** for our impact on the planet, and in doing our part to ensure environmental stewardship.
- We drive **innovation** in our products and services that responds to our clients' evolving needs while delivering value to our investors.
- We work in **partnership** with each other to create an outstanding product and a strong culture, with our clients to deliver a strong service experience, and with our communities to support the greater good through hands-on volunteering and philanthropy.
- We treat our employees with **respect** by listening to their feedback, creating a culture of inclusion and diversity, providing opportunities for continued development, and offering world-class benefits that address all the dimensions of well-being.
- We provide outstanding **service**, building trusted relationships through ongoing dialogue with our clients, partners, and fellow employees and providing the foundation for continued success.

Because, you see, at the heart of our business is everything we do to **put good to work**.

Our commitment to corporate responsibility—and all of our business practices—are guided by six values that demonstrate what it means to **Be Paychex**:



**Integrity**  
Be Ethical



**Accountability**  
Be Responsible



**Innovation**  
Be Curious



**Partnership**  
Be Collaborative



**Respect**  
Be Considerate



**Service**  
Be Helpful

## Champions in Action

Nearly 10% of our employees—representing every Paychex location around the world—serve as volunteer culture champions, living the Paychex values by example and keeping them top-of-mind for their co-workers.



# Ethics



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Ethics are at the core of how we put good to work in everything we do. Guided by our values, one of the most important of which is integrity, we are committed to achieving the highest levels of ethical standards and performance in every aspect of our business.

# A Letter from the Chief Ethics Officer

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Back in 1971, the term corporate social responsibility wasn't yet in the business vernacular. In fact, many of the topics we cover in this year's CSR Report weren't even considered business imperatives.

But Paychex was founded that year to help small businesses do business the right way by staying on top of things like payroll taxes and workers' compensation payments. As stewards of our clients' most sensitive employee data—their pay and social security numbers—we implemented policies, practices, and trainings to teach our teams how critical it was to safeguard such information. In those days before personal computing, that meant a clean-desk policy to ensure paperwork was locked up when it wasn't being used, limited access to check-printing rooms, and other practices that would be considered quaint by today's standards.

Fifty years later, that care continues. Although our methods of protecting client data have become more sophisticated, our fundamental commitment to doing things the right way hasn't changed. In fact, it's only grown deeper.

In 2021, I'm proud of the things we've achieved in a relatively short period of time since beginning our official corporate social responsibility journey. It's a journey that doesn't end, as we can always do more and be better. In the past year alone, for example, we've enhanced our commitment to the environment with the ambition to reach net-zero greenhouse gas emissions by 2050; reaffirmed our commitment to diversity, equity, and inclusion by joining the CEO Action for Diversity & Inclusion™ as a signatory; and put good to work in ways that have been helping our clients and employees through the COVID-19 crisis.

But then again, that's what we've always done, even if it didn't have a name.

Thank you,

**Stephanie Schaeffer**  
Chief Legal and Ethics Officer  
Paychex, Inc.

# Protecting Our Data, Buildings, and Employees

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One of our most fundamental responsibilities is to keep Paychex employees, assets, information, and client data safe. It's how we deliver on our promise of doing business the right way.



## Cybersecurity

Through the Paychex Information Protection Program, we apply best practices in information security, proven technology, and effective policies and procedures, and maintain a comprehensive program to monitor and safeguard information from unauthorized access or destruction. The Paychex Information Protection Program follows an industry-recognized security policy framework, Code of Practice for Information Security Management (ISO/IEC 27002:2013), from the International Standards Organization.



## Security Statement

Paychex is committed to protecting the security and integrity of client information through procedures and technologies designed for this purpose. Specifically, we:

- Maintain policies and procedures covering the physical security of our workplaces, systems, and records.
- Apply physical, electronic, and procedural safeguards built on industry-recognized best practices.
- Use technology such as backup files, virus detection and prevention, firewalls, and other computer hardware and software to protect against unauthorized access to or alteration of client data.
- Encrypt sensitive information transmitted over the internet.
- Use access controls and internal auditing to limit employee access to client information to those who have a business reason to know.
- Require employees to take information security awareness training at hire and annually, and apply this training to their jobs every day.
- Use advanced technologies for the backup and recovery of client information.
- Monitor compliance with established policies through ongoing security risk assessments and internal audits.

Learn more about the Paychex commitment to privacy and security on our [corporate website](#).





## Client Services Security

Security policies and procedures for Paychex client-facing services and applications are specifically designed to protect the confidentiality of the sensitive information in clients' electronic communications and transactions. Paychex stands behind its commitment to keep client data protected through the following best practices and technologies:

- Multilayered firewall technologies
- Real-time monitoring for suspicious or unusual activity
- Secured transmission of communications using transport layer security (TLS) encryption
- Comprehensive access controls
- Logical patch management procedures and processes
- Regular vulnerability assessments
- Multifactor authentication options for select client-facing services



## Secure Email Communications

An important component of safeguarding the privacy and security of client, company, and employee information is the Paychex Secure Email Message Center. A protected email environment designed to keep sensitive and confidential information safe, the Secure Email Message Center provides a vehicle for Paychex to send notifications to regular email accounts with links to our secure email server, where recipients can register and access confidential emails.



## Network Security

Paychex utilizes multiple approaches to test the security of our networks including:

### **Vulnerability Scanning:**

Ongoing network vulnerability and configuration baseline scans as well as source code scans are performed. The results are shared with the appropriate IT teams inside Paychex to identify the best mitigation strategy.

### **Penetration Testing:**

Ongoing internal and external penetration testing is performed against our infrastructure and our applications. After management reviews these reports, remediation is performed if necessary.

### **Bug Bounty:**

Certain Paychex applications are part of a private, invitation-only bug bounty program that rewards security researchers for the identification of complex and critical vulnerabilities within our web applications.



## Retention and Destruction of Hard Copy and Electronic Information

The Paychex Records Management Program (RMP) provides effective management of the company's business records. The RMP provides effective life-cycle management of all Paychex records from their generation or receipt to their final disposition.

Adherence to the RMP ensures that Paychex:

- Complies with government regulations and legal requirements by using multifactor authentication options for select client-facing services.
- Protects records necessary to Paychex operations.
- Reduces the cost of maintaining and storing records.
- Supports good business practices.



## Client Privacy

The privacy of our clients and their information provided is important to us. We use reasonable care to protect data provided by our clients and their employees from loss, misuse, unauthorized access, disclosure, alteration, and untimely destruction. We do not grant access to personal information except as set forth in our [Privacy Policy](#).

Paychex has processes in place to comply with local, state, and federal requirements regarding the security of client data. These processes include comprehensive security procedures that are regularly reviewed and revised as appropriate to reflect regulatory changes.

We had no monetary losses as a result of legal proceedings associated with user privacy in FY21.



## Data Security—Breaches

Paychex has established policies and procedures to comply in a timely fashion with applicable federal and state legal requirements related to privacy, data security, and incident notification. Paychex will provide notification to clients with no undue delay and in compliance with individual state and federal regulations surrounding the exposure of personally identifiable information (PII) and/or individual or protected health information (IHI/PHI). Paychex would also share data breaches that meet these requirements and/or that have material impact to the company via the annual report. At this time, there are no disclosed breaches that meet those criteria.



## Business Continuity and Disaster Recovery

Paychex has adopted a business continuity strategy designed to help ensure the continuation of business-critical functions in the event of a significant business disruption at any of our branches or corporate offices, including technical failures affecting our applications, data centers, networks, and the buildings we occupy. Paychex' business continuity plan also includes measures designed to deal with severe weather, localized and regional disasters, and workforce-impacting events such as pandemics. The documented and tested recovery strategies are designed to mitigate the impact to our clients from any business disruption.



## Managing Risks of Service Disruptions

Paychex supports approximately 710,000 clients using multiple Paychex services and products. While rare, there have been occasions when we have experienced limited, unplanned outages or downtime. We work quickly to restore service and minimize client impact when these events occur. Further, we back up client data in data centers spread out across the U.S., and if there are regional disruptions or outages, client data can be accessed from unaffected locations.



## Physical Security

With the rise of active shooter incidents across the country, Paychex launched Active Threat Preparedness Training in 2019 to help our employees understand what they can do to prepare for and—if necessary—minimize the impact should the unthinkable happen.

We partnered with the Monroe County Sheriff's Office in Rochester, New York, and underwrote the comprehensive training video that includes powerful information, statistics, and a re-enactment of an active threat situation. It was filmed at Paychex locations in Rochester and features our own employees and local law enforcement, who volunteered to be actors and extras in the compelling and powerful re-enactment.

The training is also available on the Monroe County Sheriff's Office [website](#) free of charge to other businesses and individuals in Rochester and beyond to help as many people as possible be prepared to take appropriate action to minimize loss of life. We continue to ensure our new employees take this important training, and deliver it to existing employees with updated collateral materials every two years.

# Sound Business Practices



## Anticorruption

The Paychex Code of Business Ethics and Conduct and Paychex Foreign Corrupt Practices Act Policy and Procedures provide requirements for employee conduct with regard to anticorruption. These policies require all employees to comply with the provisions of the Foreign Corrupt Practices Act. Specifically, employees must adhere to the following provisions:

- Do not make payment, promise to pay, or give anything of value to any foreign official or political party for the purpose of influencing any act or failure to act.
- Do not induce any foreign official or party to use influence to affect a decision of a foreign government or agency, in order to obtain or retain business.
- Do not contract with any business in which a government official or employee holds a significant interest, without the prior approval of the Paychex legal department.

Adherence to laws, regulations, and corporate policies is included within internal audit testing based on the assessed level of risk. The results of internal testing are communicated to Paychex senior management and the Board of Directors as appropriate. In addition, all Paychex employees are required to complete an annual online training program called **The Right Way: Living the Values**.

### The Right Way Training

The Right Way Training includes modules on Ethics, Non-harassment, and Security and Internal Controls. The annual training is scenario-based eLearning that puts the learner in the driver's seat to identify and troubleshoot realistic scenarios that are customized based on sales or non-sales, and manager or individual contributor job roles. Throughout the training program, the learner is provided with information on company policies: both within the training content itself, as well as in a downloadable PDF, with links to the site where all policies are located. The learner is recommended to reference the links to obtain the most current policy information. The training also calls out the Paychex values associated with each area.

In the Ethics section, learners explore scenarios and policy-specific details related to anticorruption, conflict of interest, time reporting, and expense reimbursement. There is also a sales-specific scenario related to sales policies and procedures that is viewed by sales and sales support employees. There is an employee acknowledgement required for the Paychex Business Code of Ethics and Conduct as well as resources for reporting unethical issues or concerns.

In the Non-harassment section of the Right Way Training, learners are guided on how to identify the different types of harassment (verbal, physical, and sexual), as well as protected characteristics and respect for others. The training provides definitions of Retaliation, Discrimination, and a Hostile Work Environment as they relate to the protected characteristics. As the learner is involved in making decisions based on scenarios presented, they are also being provided feedback on when and how to use the Paychex Problem-Solving Policy, in addition to viewing the Paychex Non-harassment and Sexual Harassment Prevention policies. The Paychex Problem-Solving Policy outlines the steps employees follow to bring problems, concerns, or suggestions to management's attention. The Non-harassment section also includes role playing by the Manager, Employee, and Co-worker roles in different situations. The Respect for Others section includes descriptions of Diversity, Inclusion, and Equity. The training also references legal protections (contacting law enforcement) and external remedies (United States Equal Employment Opportunity Commission) available to employees.

In the Security and Internal Controls section, learners dive deep into data security issues, including identifying and reporting security incidents, as well as the dangers of phishing emails. There are also specialized security modules specific to certain employee functions that address areas of security risk to the company.

In addition, employees recognize the importance of identifying protected information including: PII (Personally Identifiable Information), PHI (Protected Health Information), PCI (Payment Card Information), HIPAA (Health Insurance Portability and Accountability Act), HITECH (Health Information Technology for Economic and Clinical Health Act), and NACHA (National Automated Clearing House Association) and view all security policies.

Two anticorruption scenarios are included in the Ethics module. In these scenarios, employees must identify the appropriate approach to potential violations of company anticorruption policies.

The Right Way Training also includes a Human Rights Policy acknowledgment and a safety and wellness statement. The Human Rights Guiding Principles are stated in the training and an explanation of each is provided.

A live link to the Paychex Code of Business Ethics and Conduct (which includes the company's anti-corruption policies) is provided within the training. Completion of this annual training is mandatory and tracked to ensure maximum participation.

**Policies referenced in The Right Way Training modules, which include a link to the policy and require employees to acknowledge that they have received, reviewed, and understand the policy:**

- Paychex Code of Business Ethics and Conduct
- Expense Policy

**Policies referenced in The Right Way Training with a link to the policy included:**

- HR4U site which includes many company policies
- Problem-Solving Policy
- Conflict of Interest

**Policies referenced in The Right Way Training with no link included:**

- Sales Policies—Market Segmentation
- Time reporting Policy
- Non-harassment Policy
- Sexual Harassment Policy
- Anticorruption Policy

**Content from these policies are referenced, however the policies are not listed within the training:**

- Public Security Statement
- Personal Named User Accounts
- Personal Named User Accounts—Passwords

**Total Right Way Employee Training Hours**

<b>FY19</b>	8,310 hours
<b>FY20</b>	9,331 hours
<b>FY21</b>	9,087 hours

**Percentage of Employees That Completed Right Way Training**

<b>FY19</b>	99.8%
<b>FY20</b>	99.1%
<b>FY21</b>	99.2%



## Free and Fair Competition

We are also committed to dealing fairly and honestly with our competitors. As a general rule, employee contacts with competitors should be limited and always avoid subjects such as prices, customers, and suppliers. Collusion among competitors is illegal, and the consequences of a violation are severe. Our general standards are:

- Employees may not knowingly make false or misleading statements regarding Paychex’s competitors or the products of our competitors, customers, or suppliers.
- Employees may not enter into an agreement or understanding, express or implied, with any competitor concerning prices, discounts, other terms or conditions of sale, profits, or costs.
- We expect all employees to stress the benefits of Paychex products and services to provide our customers with the full opportunity for equal consideration.

- We prohibit the unauthorized or improper solicitation of confidential data from a competitor’s employees or customers.
- Employees must comply with antitrust laws—they may not participate in any discussion, agreement, or scheme with any competitor or potential competitor that involves prices, territories, or customers.
- We have incurred no monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations in FY21.



## Freedom of Expression

We do not operate in any country where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring.



## Data Privacy and Freedom of Expression

The privacy of our clients and visitors to our website is a priority. We have a publicly available Privacy Statement that describes the nature of information collected and how it is used. We use reasonable care to protect data provided by customers or customers’ employees from loss, misuse, unauthorized access, disclosure, alteration, and untimely destruction. User information may include demographic data, location data, or personally identifiable information. We do not share or sell personal information provided or transmitted to our site(s) with any third parties for their own marketing purposes. Paychex services are not intended for children under 13 years of age.



## Risk Management

In the 2021 Annual Report on Form 10-K, we outline potential business continuity risks associated with technology disruptions. These risks include software defects or undetected errors, cyberattacks, security vulnerabilities, or internet disruptions.

### Acute Risks

Individual events including extreme weather may affect the availability of Paychex client-facing services and could lead to financial impact to clients, missed deadlines which carry penalties and eventual financial impacts to Paychex, and the overall Paychex brand reputation. Acute physical risk factors are assessed by business units, real estate, and IT and prioritized for business continuity, disaster recovery, and business resumption planning. The threat from individual events to data center operations is minimal as Paychex has 200% redundancy to protect customer-facing applications across Paychex-owned processing centers. The threat to the Paychex service locations could be more substantial; however, redundancy across the services locations should lead to minimal impact to clients.

Examples include, but are not limited to, severe winter weather, hurricanes, tornadoes, wildfires, floods, and power outages.

## Chronic Risks

Sustained events associated with climate could cause long-term outages leading to financial impact to clients, Paychex revenue, and overall brand reputation as some of our data centers and service locations may be susceptible to increased energy consumption, accessibility to staff, and critical suppliers for our fulfillment centers. Redundant locations that protect against individual events (acute) may also be impacted equally by sustained events and require alternate solutions. Examples include, but are not limited to, rising temperatures, electrical blackouts, and rising sea levels.

Paychex has adopted a business continuity strategy designed to ensure the continuation of business-critical functions in the event of a significant business disruption at any of our branches or corporate offices, including technical failures affecting our applications, data centers, networks, and the buildings we occupy. Paychex business continuity plan also includes measures designed to deal with severe weather, localized and regional disasters, and workforce-impacting events such as pandemics. The documented and tested recovery strategies are designed to mitigate the impact of events to our clients from any business disruption.



## Lobbying

In 2017, the company initiated limited lobbying activities related to issues impacting our clients. Paychex has one registered federal lobbyist and spends a limited amount on political advocacy. Under the federal Lobbying Disclosure Act (LDA), we report every quarter to the nearest \$10,000 on what we have spent on lobbying activities that quarter. The amounts have ranged from \$10,000 to \$70,000 a quarter. Expenses include the time and expenses of the registered lobbyist on lobbying efforts, time and expenses of other Paychex employees on lobbying efforts, association dues that go toward lobbying, and any outside lobbying consultants. In addition, through the LDA's contribution report (LD-203), Paychex discloses any federal campaign contributions by the company or our in-house lobbyist. Paychex does not have a Political Action Committee and makes limited political contributions as a company. While there is no formal policy against the company making contributions, we have not made any political contributions to candidates in the last five years. We do not disclose the recipients of our political advocacy, but specific issues lobbied on are disclosed in our quarterly Form LD-2.



# Approach to Tax

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Paychex has a commitment to comply with the tax law in all operating countries and a commitment to comply with and follow the spirit of the law or engage in tax fairness in all operating countries.

The company's Tax Department is a component of the Finance Organization, which ultimately reports into the Chief Financial Officer.

In the regular course of business, Paychex must regularly interpret complex and unclear tax law, rulings, and court decisions as they apply to the company's business. Any positions Paychex takes on its tax returns are based on valid business purpose, underlying substance to the transactions, and a good-faith interpretation of the existing state of tax rules.

The Tax Department employs multiple certified public accountants, who are required to maintain continuing professional education credits and apply an ethical standard to their work product. Additionally, licensed professionals are required to attend Ethics training to maintain their credentials.

In addition to these professional requirements, one of the company's core values is Integrity. This core value instills an obligation of all employees to act with integrity. The Tax Department has instituted various informal communication channels for employees to voice concerns regarding any potential unethical behaviors.

The company monitors proposed tax legislation to understand if there are potentially any implications that could impact our business. There is typically a public comment period when new legislation is being proposed, in which the company will participate if there is deemed to be a potentially negative consequence to the company. We, both on our own and in concert with our key industry coalitions such as the National Payroll Reporting Consortium (NPRC), National Association of Professional Employer Organizations (NAPEO) and the IRS Reporting Agents Forum (RAF), are in continual dialogue with the IRS and state/local tax authorities to discuss the impact of proposed tax policies on small- and mid-sized businesses, including how to implement tax changes in a way that effectively fulfills tax statutes, while being as minimally onerous to business operations as feasible. Federal, state, and local taxing entities reach out to Paychex in particular, given our primary small-business client niche, for input on the likely practical implications of changes to the small-business community. Our close relationship with this crucial stakeholder group allows us to represent their perspective in a uniquely effective way. This is augmented by an extensive program of client, prospect, and CPA forums and webinars to both elicit real-time feedback on practical implications and communicate information on proposed and enacted tax changes in a straightforward, consumable way.

# Creating an Environment of Inclusion

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**At Paychex we believe that we must be intentional about Diversity, Equity, and Inclusion (DE&I). It is more than talking the talk but walking the walk.**

Appreciating our diversity of talent, skills, and experiences is an important part of our respect value, and one of the ways we can **Be Paychex**. In FY21, Paychex participated in United Way of Greater Rochester's 21-Day Racial Equity Challenge designed to increase awareness of important issues and strengthen our capacity to dismantle all forms of racism. Originally developed by racial justice educators, the program has been embraced by communities and organizations across the country to help people develop a deeper understanding of how inequity and racism affect our lives and communities. Additionally, since October 2020, our CEO Martin Mucci has been a signatory for the CEO Action for Diversity & Inclusion™ pledge. This pledge demonstrates how DE&I are top priorities at the company and exemplifies the support from Paychex leadership. In addition, transparency is an important part of the DE&I and belonging journey. We are proud of the progress made so far and look forward to continued journey toward measurable and sustainable progress.

## Our DE&I Action Plan Includes:

### 1. Taking a Systemic Approach to DE&I

- Identifying specific metrics and strategies to increase representation in leadership and critical roles.
- Incorporating leader accountability for executing goals.
- Developing dashboards to track metrics.
- Executing strategic plans across the business inclusive of acquiring diverse talent and enabling internal movement.

### 2. Building a Culture of Inclusion

- Achieving a 90% or above completion rate for DE&I training by the second quarter of FY22.
- Measuring level of employee perception and engagement on culture and initiatives through surveys and focus groups.
- Developing cross-cultural mentoring and talent rotation opportunities.
- Leveraging DE&I community, committees, and culture champions to drive connection, best-practice learning, and sustainability of efforts.

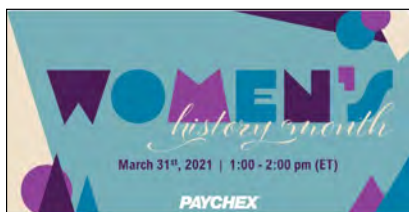
### 3. Developing Strategic Community Partnerships

- Paychex has joined CEO Action for Diversity & Inclusion™, the largest CEO-driven business commitment to drive measurable action and meaningful change in advancing DE&I in the workplace. The CEO Action Forum was founded on a shared belief that DE&I is a societal issue, not a competitive one, and that collaboration and bold action from the business community—especially CEOs—is vital to driving change at scale.
- Targeting recruitment strategies to include organizations with diverse applicant pools (for example, historically black colleges).
- Partnering with community organizations and events that are in alignment with our DE&I strategy.

### Employee Affinity Groups, Diversity Councils, and Networking Groups

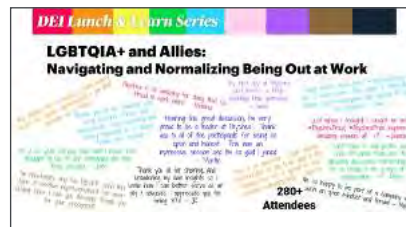
In 2020, our employees developed networking groups across the organization focused on DE&I in their specific geographical areas. Groups such as Diversity, Inclusion, and Cultural Equity (DICE); Inclusion, Diversity, Equity, Awareness (IDEA); Lehigh Valley I&D; and others continued their commitment to connecting leaders and business strategies to DE&I.

**In addition, Paychex currently has the following affinity groups, councils, and networking groups:**



#### Women in Leadership Group

Representing women leaders and aspiring women leaders and allies.



#### Paychex Rainbow Alliance

Representing the LGBTQIA+ community and allies.



#### The Be Here Now Group

A multicultural group representing the diverse thoughts and voices of all Paychex employees.



#### The Veterans Group

Recognizes fellow veterans, supports employees, and attracts military veterans to Paychex.

# FY21 Diversity, Equity, and Inclusion Initiatives

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## DE&I Staffing

This year, we expanded the team leading DE&I initiatives at Paychex, adding staff to:

- Manage projects in support of DE&I initiatives
- Enable the development and retention of a diverse early talent pool in support of our strategies around diverse recruitment

## Managerial and Board-Level Responsibility for Diversity Initiatives

CEO Martin Mucci is a signatory of the CEO Action for Diversity & Inclusion™ pledge. This pledge demonstrates how DE&I are top priorities at the company and exemplifies the support from Paychex leadership. Our Board of Directors Governance and Compensation Committee added oversight of the company's DE&I strategies to its charter in 2021.



## Targeted Recruitment

- Company recruiters are engaged in a playlist of trainings through Gartner and LinkedIn training.
- The company uses diversity dashboards and scorecards developed through PowerBI to track recruitment of diverse applicants, hires, attrition, and internal mobility.

## Training and Guidance Regarding Diversity

- 89% of employees completed the Inclusion and Diversity Training in FY21. The Inclusion and Diversity Training is a four-part series that introduces and explores DE&I. Completion of the curriculum demonstrates the company’s commitment to DE&I.
- **Inclusion and Diversity Training Leadership Discussion Guide**  
The Leadership Discussion Guide is designed as a resource for leaders to engage in self-reflection, assessment, and communication to their teams. The Employee Development Worksheet complements the Leadership Discussion Guide to help employees prepare for the conversation.
- Paychex Development University (Dev U) offers access to various learning resources through Skillsoft Percipio, Cornerstone, and other software around DE&I topics such as microaggressions, biases, stereotypes, difficult conversations, and more.
- DE&I panels, discussions, and book clubs led by employees within the DE&I community.
- Client training through Paychex training seminars titled “Valuing Diversity in the Workplace” and “As Simple As Respect: Diversity, Respect, and Inclusion in the Workplace.”

## Mentorship Programs

- Six-month mentorship pilot connecting sales leaders with women and people of color.
- Bridge program connects women and people of color to executive leaders, mentors, and promotional opportunities.
- eWIL (emerging Women in Leadership) program connects women and people of color to executive leaders, mentors, and promotional opportunities.



“ Being a part of this amazing program has enhanced my talents as the DE&I leader on [my team] and skills in creating a safe space for my colleagues to have monthly candid discussions. What I love most about the program was how it allows aspiring women leaders to further develop, speak their vision, take action on it, and become creators of their own brand. ”

– Tanya Fuller, HR Services Consultant

## Supporting Diverse Communities

In FY21, the Paychex Charitable Foundation continued its company legacy of philanthropy and our commitment to giving back to the communities where our clients and employees live and work. The foundation has provided financial support to over 100 organizations that support diverse communities and initiatives, such as:

**Bethany House:** The 2021 Recipient of Paychex’s Michael J. Nesbitt Spirit of Hope Grant, Bethany House provides hands-on service to meet basic needs and to provide hope to those living in poverty.

**Big Brothers Big Sisters of Greater Rochester:** The organization’s goal is to build strong mentoring relationships to serve as a foundation for transformative impact and life-skills learning to close both the achievement and opportunity gaps that exist among underserved children and youth.

**Brotherhood Crusade:** 52-year-old nonprofit with a vision of improving quality of life and the unmet needs of low-income, underserved, underrepresented, and disenfranchised youth and families.

**Phalanx Family Services:** Provides workforce development solutions and strength-based social services to disadvantaged and at-risk populations while building emotionally healthy, self-sufficient families in a community in which they can thrive.

**Dimitri House:** A nonprofit organization built upon the belief that every human being has immeasurable value. It serves those in need by offering a range of programs including food, shelter, and services that help them on their journey toward self-sufficiency.

**Girls Rock! Rochester:** Dedicated to using music as a vehicle for personal growth and positive change for girls, women, and the LGBTQ+ community.

**United Way:** Paychex continues to support various United Way chapters across the nation in their mission to improve lives by mobilizing the caring power of communities to advance the common good.

**YMCA Greater Rochester:** The organization’s mission is to support and build diverse communities throughout the greater Rochester area.

**Veteran’s Outreach Center:** Provides service to the community by offering a comprehensive portfolio of free, supportive programs designed to meet the needs of veterans and their families.

**Monroe Community College Foundation:** Supports education for a diverse population of students.

## Nondiscrimination Policies & Practices

Paychex is committed to a work environment in which all individuals are treated with respect and dignity. Each employee has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits unlawful discriminatory practices, including harassment. Therefore, Paychex expects that all relationships among persons in the office will be business-like and free of bias, prejudice, and harassment.

Paychex has developed this policy to ensure that all its employees can work in an environment free from unlawful harassment, discrimination, and retaliation. Paychex makes every reasonable effort to ensure that all concerned are familiar with these policies and are aware that any complaint in violation of such policies will be investigated and resolved appropriately.

Any employee who has questions or concerns about these policies is encouraged to talk with a member of their leadership team and/or human resources.

These policies should not, and may not, be used as a basis for excluding or separating individuals of a particular gender, or any other protected characteristic, from participating in business or work-related social activities or discussions. In other words, no one should make the mistake of engaging in discrimination or exclusion to avoid allegations of harassment. The law and the policies of Paychex prohibit disparate treatment on the basis of sex or any other protected characteristic, with regard to terms, conditions, privileges, and perquisites of employment. The prohibitions against harassment, discrimination, and retaliation are intended to complement and further those policies, not to form the basis of an exception to them.

## Pay Equity

According to data published by the Bureau of Labor Statistics, women consistently earn less than men. At the end of the second calendar quarter of 2021, for example, the [BLS reported](#) that women's weekly earnings were just 82.2% of their male counterparts'.

With a workforce that is 60% female, it's important that we are leading the way when it comes to pay equity. We recently engaged a third-party vendor to conduct a regression analysis related to gender pay, and the results confirmed that the actions taken by Paychex to ensure pay parity continue to be effective. In fact, we have achieved 100% gender pay equity in the United States. That is, females get paid dollar for dollar what men do for the same job.

## Equal Employment Opportunity

It is the policy of Paychex to ensure equal employment opportunity without discrimination or harassment on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, age, disability, marital status, citizenship, national origin, genetic information, or any other characteristic protected by law. Paychex prohibits any such discrimination or harassment.

## Retaliation

Paychex encourages reporting of all perceived incidents of discrimination or harassment. It is the policy of Paychex to investigate such reports promptly and thoroughly. Paychex prohibits retaliation against any individual who reports discrimination or harassment or participates in an investigation of such reports.

## Harassment

Harassment on the basis of any protected characteristic is strictly prohibited. Under this policy, harassment is verbal, written, or physical conduct that denigrates or shows hostility or aversion toward an individual because of his or her race, color, religion, sex, sexual orientation, gender identity or expression, national origin, age, disability, marital status, citizenship, genetic information, or any other characteristic protected by law, or that of his or her relatives, friends, or associates, and that: a) has the purpose or effect of creating an intimidating, hostile, or offensive work environment, b) has the purpose or effect of unreasonably interfering with an individual's work performance, or c) otherwise adversely affects an individual's employment opportunities.

Harassing conduct includes epithets, slurs, or negative stereotyping; threatening, intimidating, or hostile acts; denigrating jokes; and written or graphic material that denigrates or shows hostility or aversion toward an individual or group that is placed on walls or elsewhere on the employer's premises or circulated in the workplace, on company time, or using company equipment by email, phone (including voice messages), text messages, social networking sites, or other means.

## Reporting an Incident of Harassment, Discrimination, or Retaliation

Paychex encourages reporting of all perceived incidents of discrimination, harassment, or retaliation, regardless of the offender's identity or position. Individuals who believe that they have been the victim of such conduct should discuss their concerns with their immediate supervisor or human resources.

In addition, Paychex encourages individuals who believe they are being subjected to such conduct to promptly advise the offender that his or her behavior is unwelcome and to request that it be discontinued. Often this action alone will resolve the problem. Paychex recognizes, however, that an individual may prefer to pursue the matter through the Problem-Solving Policy.



# Employees



Pages 25–40

Putting good to work is what our **15,000 employees** do each day. That's one of the many reasons we offer programs that support their total well-being, professional growth, and sense of community, all within an environment of inclusion and diversity.

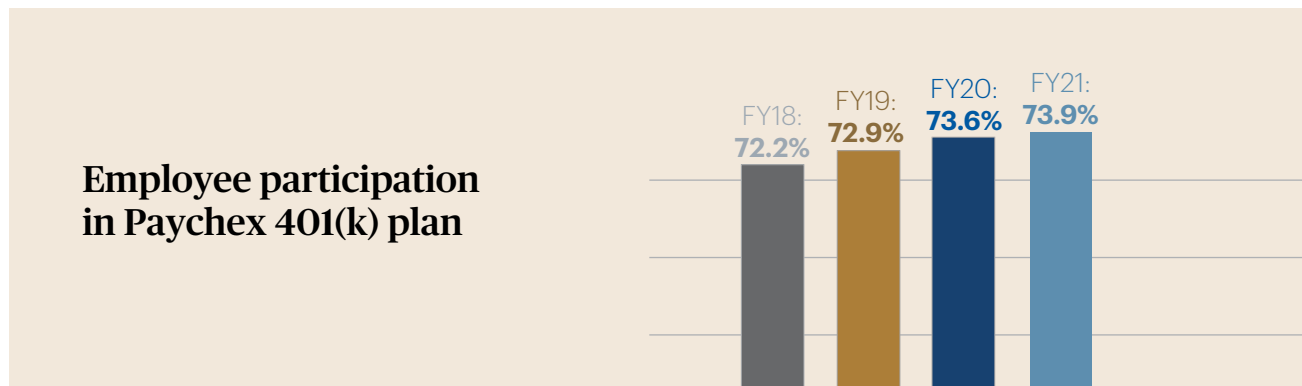
# Robust Benefits

Paychex is committed to rewarding our employees with a comprehensive and competitive [benefit package](#) to help keep our employees well and manage life's twists and turns. In the U.S., benefits and well-being programs include medical/Rx, dental, vision, telemedicine, short- and long-term disability, Employee Assistance Program (EAP), paid family leave, transgender-inclusive benefits, stress management, mindfulness training, resiliency training, and programs for weight loss and vaping and tobacco cessation.

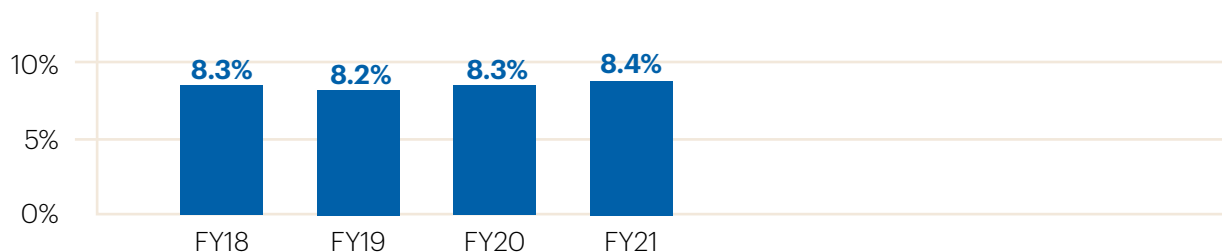
To support the financial security of our employees, we regularly review salaries to ensure we're staying competitive in the industry, and offer financial benefits such as:

- 401(k) with a company match
- Employee stock purchase plan
- Tuition assistance
- Scholarships for children of employees
- Personal financial education
- National discounts
- Debt-free tuition and academic advisor services
- No-fee banking
- Investing program

## Paychex 401(k) Plan



## Voluntary Employee Contribution (Average Deferral)



We strive to also provide comprehensive benefits at our international locations. In Germany, most benefits are determined by the government, and we offer a supplemental defined contribution pension program to full- and part-time employees. In Denmark, most benefits are also socialized. In India, while benefits like health and dental insurance aren't typically required by law, Paychex employees and their dependents are eligible for coverage under the Paychex plan, with the company covering 50% of the total premium.

Paychex benefit and well-being programs are designed to help us achieve our strategic objectives.

- Enable employees to achieve their optimal health so that they can be their best.
- Maintain programs that are affordable for employees and the company.
- Meet the changing needs of a diverse workforce.
- Ensure our programs make a positive difference in attracting, retaining, and engaging our workforce.

## Paid Family Leave

The Paychex Supplemental Paid Family Leave (PSPFL) program is paid time away from work for employees using approved Family and Medical Leave Act (FMLA) time for baby bonding, to care for a sick family member, or for military/exigency/military caregiver leave. The company-provided benefit is offset by any state or local benefits an employee is entitled to.

### U.S. Employees Entitled to PSPFL\*, by Gender

	FY18	FY19	FY20	FY21
<b>Female</b>	8,325	8,354	9,107	8,637
<b>Male</b>	5,655	5,788	6,158	5,782

\*Note: Full- and part-time employees scheduled to work 20 or more hours/week are eligible for PSPFL.

### U.S. Employees Who Took PSPFL, by Gender

	FY18+ (Restated)	FY19 (Restated)	FY20 (Restated)	FY21
<b>Female</b>	135	341	307	342
<b>Male</b>	78	207	237	228

\*Note: PSPFL started 1/1/18, halfway into our fiscal year, so FY18 figures are lower.

### U.S. Employees Who Returned to Work After PSPFL Ended, by Gender

	FY18+ (Restated)	FY19 (Restated)	FY20 (Restated)	FY21
<b>Female</b>	106	340	307	326
<b>Male</b>	59	205	226	222

### U.S. Employees Who Returned to Work After PSPFL Ended and Were Still Employed 12 Months After Their Return to Work, by Gender

	FY18+ (Restated)	FY19 (Restated)	FY20 (Restated)	FY21#
<b>Female</b>	86	263	250	N/A
<b>Male</b>	49	165	183	N/A

### Return-to-Work Rate of U.S. Employees Who Took PSPFL, by Gender

	FY18+ (Restated)	FY19 (Restated)	FY20 (Restated)	FY21
<b>Female</b>	78.5%	99.7%	100%	95.3%
<b>Male</b>	75.6%	99.0%	95.4%	97.4%

### Retention Rate of U.S. Employees Who Took PSPFL, by Gender

	FY18+ (Restated)	FY19 (Restated)	FY20 (Restated)	FY21#
<b>Female</b>	81.1%	77.4%	81.4%	N/A
<b>Male</b>	83.1%	80.5%	81.0%	N/A

\*Note: PSPFL started 1/1/18, halfway into our fiscal year, so FY18 figures are lower.

#Note: For PSPFL claims that ended in FY21, 12 months have not elapsed to measure how many of the employees are still with the company.

# Taking Care of Employees in the COVID-19 Environment

As the COVID-19 pandemic continued throughout FY21, Paychex retained the policy adjustments we rolled out in the early days of the pandemic, helping our employees and their families receive the benefits and care they might need.

These adjustments included:

- Elimination of co-pays for any telemedicine visits for any employees/family members covered under the Paychex medical plans.
- Expansion of Sick Leave and Short-Term Disability to allow employees to receive full pay during their time away.
- Creation of the new Paychex Supplemental Pandemic Personal Leave program.
- Paychex voluntarily adopted a provision of the Internal Revenue Service (IRS) Notice allowing employees a one-time special enrollment in order to make changes to their health care and dependent care FSA.



As part of our commitment to employee health and safety, Paychex continues to routinely survey workers regarding their concerns and comfort in returning to the office during the pandemic. Employee feedback was, for example, one of the factors we considered when adjusting our planned return-to-office date once the Delta variant emerged.

During the 2020 calendar year, **52 employees** were helped by our new supplemental paid pandemic personal leave program that provided two weeks of sick time and four weeks at two-thirds base pay.

During the pandemic, employees and their dependents participated in more than **30,000** telemedicine appointments at **no cost**, thanks to Paychex waiving all co-pays for this program to give them easy access to medical care.

## #PaychexCares for India

In May of 2021, as the U.S. was showing positive signs of emerging from the COVID-19 pandemic, the situation in India was starkly different for nearly 300 Paychex employees and their families. A second surge was ravaging the country, with hospitals and morgues overwhelmed, sick people being turned away and unable to get treatment, oxygen scarce, and vaccine shortages making a bad situation even worse.

As Paychex officials were putting together a relief package, U.S. employees, hearing news reports of the dire situation in India, were reaching out asking what they could do to help. Especially remarkable since most U.S. employees don't have day-to-day contact with the India team, which handles back-office data entry and IT support.

**In a matter of days**, Paychex and its employees responded.

The company relief package provided:

- additional COVID-19 sick time
- easier access to vaccines
- streamlined access to information about Paychex benefits and government resources

Then, to respond to our employees' characteristic desire to help, Paychex established the India COVID-19 Employee Relief Fund, which reimburses India employees for prevention and care expenses for employees and their immediate family members. Things like pulse oximeters, digital thermometers, and blood pressure cuffs for self-screening; masks and gloves for protection; and medical expenses not covered by insurance for diagnostic testing and treatment of COVID-19. Expecting a few thousand dollars to be generated, Paychex offered a company match up to \$15,000.



Within hours of opening up the donation site, generous Paychex employees had already given \$30k. By the time the donation site closed less than two weeks later, **more than \$60k had been donated**, and the company upped its match to \$25k.

As of July 1, India-based employees have submitted 184 claims for reimbursement. Any donated funds remaining after employees receive reimbursement will be donated to nonprofit organizations in India and designated for COVID-19 relief.

# Emotional Well-being

Through the Paychex Employee Assistance Program (EAP), Paychex employees (along with their spouse and immediate family members) can get help through the whole continuum of behavioral health-related needs, including social determinants, managing stress, dealing with claims issues, finding providers, getting connected with digital tools, finding in-network facility options, and getting connected to clinical support if and when members need a higher level of care.

We also partner with the Campaign to Change Direction and Give an Hour. The goal of the Campaign to Change Direction is to change the culture of mental health so that all of those in need receive the care and support they deserve. The campaign encourages everyone to pay attention to their emotional well-being—and it reminds us that our emotional well-being is just as important as our physical well-being. We encourage employees to take the Campaign to Change Direction pledge to know the five signs of emotional suffering.



The Give an Hour program’s mission is to develop national networks of volunteer professionals capable of responding to both acute and chronic conditions that arise within our society. Since 2005, they have focused on providing free and confidential mental health care to active military, veterans, and their families. They have since expanded their efforts to address the mental health needs of other demographics within our society. Through the generosity, compassion, and expertise of Give an Hour’s skilled volunteers, they are able to increase the likelihood that those in need will receive the support and care they need and deserve.

In FY21  
**20%** of Paychex employees utilized EAP services.

and...

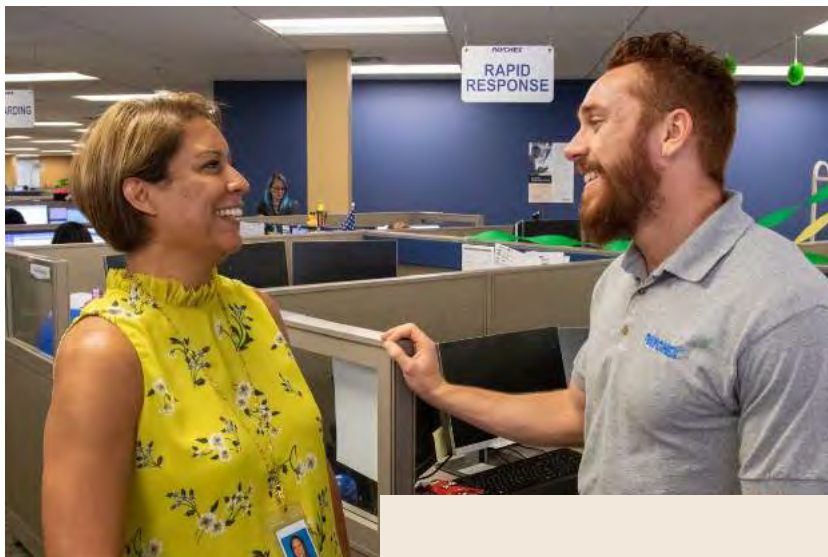
An average of **15%** of eligible household members utilized EAP services in calendar 2020.

# Occupational Health and Safety

Paychex is committed to providing our employees with a safe and comfortable working environment, and has a number of policies, practices, and training materials to help us accomplish this.

For example, all employees can access the Safety and Ergonomics section of our internal website, which contains information, resources, and training to help them recognize and follow protocols when a potential safety concern may exist. The site also includes links to safety manuals for both office and warehouse employees, which comply with current OSHA guidelines and regulations. And online training in our Learning Management System (LMS) helps employees identify potential safety hazards and proper protocols to follow should one be recognized. These manuals are reviewed on an annual basis and are updated as needed.

A formal Safety Committee representing various departments and individuals from facilities, human resources, real estate, and security has been meeting on a quarterly basis since 2018 to review any safety-related concerns and discuss how we can continue to make Paychex an even safer place to work. In addition, more than 235 trained safety champions across the U.S. assist their co-workers and local management when a safety matter exists.



Due to our continued focus on employee safety, we have not had any work-related fatalities nor catastrophic injuries. In FY21, the Paychex Safety and Ergonomics Team assisted approximately 900 employees with their ergonomic issues.



### Safety Reporting Process

Employees can alert the safety team to existing or potential safety concerns with a reportable event form and checklists for topics such as office safety, workstation ergonomics, and safe lifting to help our workplaces stay as safe as possible. The corporate safety team reviews and responds to every reportable event form and email received and works directly with local management and other departments to promptly address any concerns raised.

Employees may report anything in need of repair to their supervisor and can contact the corporate safety team directly to report potential safety hazards without fear of any sort of reprisal from management. They can also use an online form to report any injury they may have sustained, near miss they had, or if they refuse to work or want to remove themselves from what they feel is an unsafe or unhealthy work condition. Once reported, the situation is investigated and addressed with local management and/or appropriate departments.

With **5%** of our U.S. employees working at on-site locations in critical roles throughout the pandemic, we swiftly instituted safety protocols, mandatory training, and enhanced cleaning measures to help keep them as safe and healthy as possible.

### On-site Resources

We have installed automated external defibrillators (AEDs) in all locations and provide training for employees. Well-stocked first-aid kits are also available at all locations. We do not have our own on-site medical facility to treat our employees should they need medical attention. If an employee is injured at work, the corporate safety team will not share their medical diagnosis or any other specific medical or treatment details with their supervisor or manager, with the exception of any work restrictions that may be given.

In conjunction with the ongoing efforts of the Safety/Ergonomics team in providing all our employees with access to various safety information, resources, and training material, we have seen a **40% reduction** in the number of reported new workers' compensation claims in the last five years.

# Helping Employees Achieve All the Dimensions of Well-being



Thousands of employees participate in our award-winning well-being programs that include walking challenges with subsidized Fitbit devices. In FY21, employees walked or ran nearly **3 million miles** in these challenges, while also participating in stress management, resiliency programs, and health coaching.

The Paychex voluntary well-being program supports employees for making their health a priority and addresses the environmental and cultural factors that influence all dimensions of well-being, including physical, emotional, financial, community, and career.

Paychex takes every opportunity to cross-promote programs by creating partnerships with leaders and informal leaders (such as our pool of volunteer wellness champions) across the organization and leveraging communication vehicles such as email, newsletters, social media, home mailers, and mobile applications.

## The program includes:

- Socially based, multi-week Fitbit wellness challenges
- Best-in-class vaping and tobacco cessation options
- Healthy, delicious, favorably priced food in company cafeterias and vending machines
- A partnership with community-supported agriculture
- Subsidized wearable Fitbit devices
- Blood pressure kiosks
- Mindfulness-based stress-reduction programs
- Resiliency programs
- Ergonomics
- Treadmill workstations
- Financial well-being
- Flu shots
- Health coaching
- Voluntary on-site screenings and measurable outcomes related to health risk
- Workforce engagement, productivity, motivation, and satisfaction
- Financial coaching
- Virtual meditation and yoga classes

Preventive health care programs include annual on-site health screenings, annual on-site flu shot clinics, the Kurbo weight-loss program, full coverage of annual routine screening exams—such as mammograms—built into medical plans, and the Quit for Life™ vaping and tobacco cessation program.



## A Responsive Program

Paychex voluntary well-being program strategy is informed through:



### Health Assessment

The Health Assessment or Health Risk Appraisal/Health Risk Assessment (HA) is a tool an employee uses to submit individual health/well-being and risk factor data. The HA includes questions on lifestyle, health behaviors, and personal and family medical history. This information is analyzed and returned to the employee as an individualized assessment of their current health status/quality of life, and often contains strategies for reducing risk. Aggregated data are also reported back to Paychex to inform strategy and programming.



### Biometric Screening

Our biometric screenings measure health indicators such as weight, height, body mass index (BMI), waist circumference, blood pressure, blood sugar, lipid panel (cholesterol, high-density lipoprotein (HDL), triglycerides), and body fat. For decades, Paychex has offered our employees the opportunity to participate in free, voluntary biometric screenings to help them know their numbers and better understand their health risks.



### Social Determinants of Health (SDOH)

Conditions in the places where employees live, learn, work, and play affect a wide range of health risks and outcomes.



### Influenza Vaccine

In FY21, Paychex provided flu vaccine to Paychex employees and spouses through drive through clinics in Rochester, New York; San Diego, California; Allentown, Pennsylvania; and Denver, Colorado.

## Protecting Personal Health Information

The Paychex employee wellness program is a voluntary program available to all full-time employees. Part-time employees, employee spouses, and dependents are eligible to participate in some aspects of the program. The program is administered according to federal rules permitting employer-sponsored wellness programs that seek to improve employee health or prevent disease.

Paychex is required by law to assure the privacy and security of our workers' personally identifiable health information. Paychex does not collect or receive personally identifiable health information through the wellness program. Paychex may receive aggregate information about the wellness program in order to enhance the program based on identified health risks in the workplace, and third-party vendors contracted by Paychex will never disclose any worker's personally identifiable health information either publicly or to Paychex.

Employees' health information is not sold, exchanged, transferred, or otherwise disclosed. Any third-party representative who handles employee information for purposes of providing employee services as part of the wellness program must abide by the same confidentiality requirements. Employees will not be discriminated against in employment because of the medical information they provide as part of participating in the wellness program, nor may the employees be subjected to retaliation if they choose not to participate.

### **Social Determinants of Health in the Rochester Community**

Paychex was a founding member of the Rochester Community High Blood Pressure (HBP) Collaborative. Using national and community data, the collaborative found that African Americans and Latinos have a higher prevalence of hypertension in comparison to Whites.

The collaborative received input from community stakeholders—the African American Health Care Coalition, Latino Health Care Coalition, Monroe Medical Plan, Southwest Area Neighborhood Association, Community Place, and several physician groups and community organizations—to develop the initiative. The HBP Collaborative developed a community outreach program, which consisted of blood pressure screenings, educational events, and the use of culturally and linguistically appropriate communications.

Several churches formed a Health Ministries Coalition. Through this coalition, an ambassador campaign was developed. The coalition provided blood pressure screenings along with eight-week classes centered on blood pressure and diabetes education, and four of the churches offered Diabetes Prevention Program classes. The HBP Collaborative works with primary care practices twice a year to collect race, ethnicity, demographic, and quality data which all help in tracking and reporting disparities. The baseline rate was 62.7% of individuals "in control" of hypertension, which improved to 71.3% after three years. This work continues today.

# Taking Time to Take Care

Paychex offers employees paid time off during the work day for activities that promote well-being, community involvement, physical activity, and mindfulness.



## Community Involvement

Time is given to employees for the express purpose of volunteering for a charitable organization in their community. Employees may take the eight hours of paid time off consecutively or divide the time into two four-hour increments. Volunteer activity may be done individually or as part of a group, within or outside of Paychex.



## Self-Directed Coaching

Individualized online coaching based on health risk or personal interest. All employees are given 10–60 minutes as needed, with their manager’s approval.



## Telephonic Coaching

One-on-one session on a single behavioral intervention (such as vaping and tobacco cessation support) that addresses health risks. All employees are given 10–60 minutes as needed, with their manager’s approval.



## Mindfulness and Yoga

All employees are given 10–60 minutes as needed to practice with a live instructor with their manager’s approval.



## On-site Health Screening

Comprehensive screenings and consultation for important markers of health.



## Stress Management and Resilience Training

Individual resilience training through meQuilibrium with 10- to 30-minute sessions to learn how to better respond to moments of change or transformation.



## Developing a Resilient Workforce

Through a partnership with meQuilibrium, Paychex delivers a scientifically proven system of training, content, analytics and services, proven to develop resilience throughout our workforce.



Research shows that individuals with higher resilience are 60% less likely to experience burnout, 31% more engaged, and have 50% less stress-related productivity loss.

During FY21, Paychex participants saw improvements in 18 individual factor areas with the greatest improvement in Stress Management, Energy, Work-Life Balance and Emotion Control factors.

Reduction in risk was seen in three of the seven identified risk categories, with the greatest risk reduction in High Anxiety (-13%), Stress (-7%), and Sleep (-4%).

## World-Class Training

Throughout our company's nearly 50-year history, we've been committed to providing our employees with the training needed to excel at their jobs. From functional training for payroll specialist and sales roles, to personal and professional development, to leadership development programs, our world-class training has earned us the distinction of being named to Training Magazine's list of the Top Training Organizations 20 consecutive times. Most recently, we ranked No. 7 on the 2021 list. We also received a 2021 Brandon Hall Gold award for Excellence in Learning—Best Use of Blended Learning.

### Average Hours of Training by Gender

	FY18 (Restated)	FY19 (Restated)	FY20 (Restated)	FY21*
Female	42.13	45.32	38.41	30.64
Male	43.36	45.91	36.32	29.03

*\*Note: FY21 training hours were lower than normal due to increased employee use of both online Knowledge Center articles and bite-sized learning modules that provide in-the-moment training in lieu of a structured program. Additionally, fewer new-hire trainings occurred during FY21 due to COVID-19.*

## Average Hours of Training by Job Level

	FY18 (Restated)	FY19 (Restated)	FY20 (Restated)	FY21
<b>Individual Contributor</b>	47.52	49.94	44.63	34.62
<b>Senior Individual Contributor</b>	11.73	12.27	12.76	12.19
<b>Sales</b>	66.45	68.18	48.79	41.08
<b>Supervisor</b>	39.43	44.31	35.65	25.22
<b>Manager</b>	30.78	36.26	28.75	24.93
<b>Senior Manager</b>	22.06	29.33	18.72	18.69
<b>Director</b>	17.16	20.13	17.63	17.05

## Training by the Numbers

Provided nearly

**5,500**

workforce training, skills, and leadership development programs through in-person, virtual classroom, or online self-paced modules.

**317**

employees participated in our Women in Leadership mentoring program in FY21, with an 84% satisfaction rate among mentors/mentees.

FY21: **419** employees received tuition reimbursement totaling **\$1.7 million**.

Scholarships: **180** children of Paychex employees have received over **\$600,000** since the program's inception.

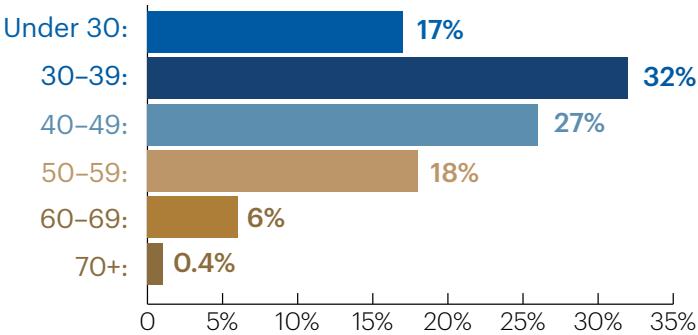
# Employees by the Numbers



Paychex employee engagement score:

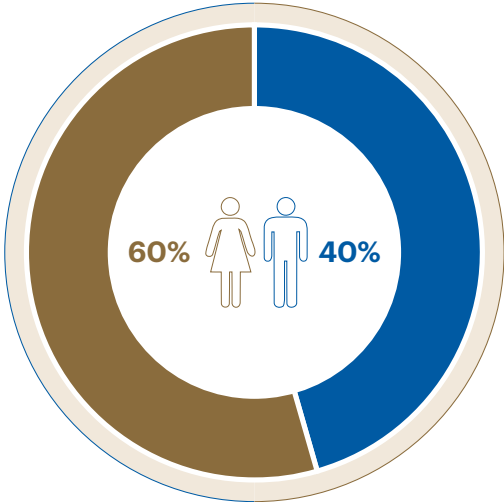
**81%** in FY21

## Employees by Age Categories:



# Paychex Workforce

## Employees by Gender:



**54%**

of leadership roles within Paychex are held by women.



# Communities



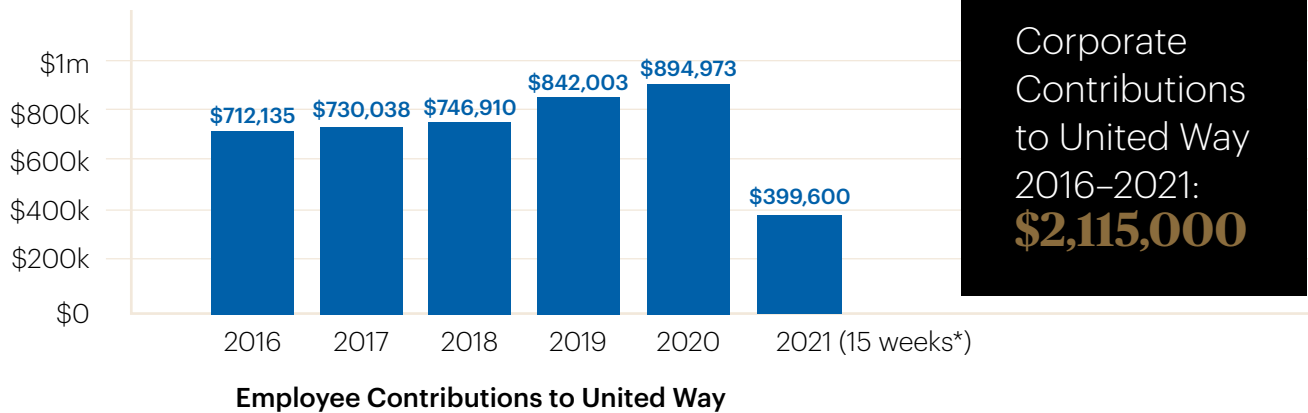
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We're putting good to work by contributing to the quality of life in the communities where our employees live and work. We do that through employees volunteering their time, serving on boards, and making donations to not-for-profit organizations and by providing corporate support and contributions from the Paychex Charitable Foundation. Another important way we support communities across the country is through our support of local businesses, which are a vital part of a successful community.

# Paychex Cares

At Paychex, the “Paychex Cares” spirit of giving is built into our culture and is central to our corporate identity. We believe we have a responsibility to make an impact on the local communities in which we work, giving back both as a company and as individuals. In addition to more formal company-sponsored campaigns or events, Paychex employees give back to their local communities by organizing grassroots efforts, such as fundraisers, gathering donations for local charities, or volunteering their time.

## Annual United Way Campaign



*\*Donations for a short rollover period while campaign shifted out several months due to the pandemic.*

For a three-week period each year, Paychex offices across the U.S. buzz with the activity of the annual United Way campaign. Championed by a different Paychex executive each year, who serves as the company campaign chair, employees at each location form committees to run their local campaign, working toward a company goal that exceeds the prior year’s. Employees attend kickoff meetings to learn more about United Way’s efforts in their local communities; participate in office fundraisers like bake sales, raffles, and auctions; and make confidential donations through an online pledge site, which allows the option of payroll deductions for their contribution.

This annual campaign is typically held in the spring. However, since most employees were working remotely due to COVID-19, we moved our 2021 campaign to the fall, holding a “rollover campaign” instead. This allowed employees to keep their 2020 pledge in place until the next campaign is held, and they also had the option of increasing or decreasing their gift.

Not surprisingly, 82% of existing donors opted to keep their gift going during the rollover period, some increased their per pay period donation, and fewer than 1% decreased their gift. The campaign also added new donations from employees hired since the 2020 campaign. Even without the excitement, energy, and constant communication of the normal annual campaign, money raised for the 15-week rollover period, if annualized, kept pace with employee donations (not including special event fundraisers) typically seen during the office-based campaign. Since 2006, Paychex and its employees have given nearly \$12.5 million to United Way organizations across the U.S., keeping their support alive and well regardless of the circumstances.

# Paychex Charitable Foundation

The Paychex Charitable Foundation was established in 2014 to provide monetary support to initiatives that support economic development in communities where we have operations, while enhancing the quality of life for those who live and work in these communities.

Contributions from the foundation fall into one or more of these categories and are aligned with the UN Sustainable Development Goals:



**Entrepreneurship/  
education**



**Health and  
wellness**



**Improving the  
economic health  
of the community  
and its workforce**



**Corporate  
citizenship**

**1 NO  
POVERTY**



**3 GOOD HEALTH  
AND WELL-BEING**



**4 QUALITY  
EDUCATION**



**8 DECENT WORK AND  
ECONOMIC GROWTH**



In addition, the foundation supports the significant charitable activities of Paychex employees. Employee teams that support a local nonprofit with fundraising and/or hands-on volunteering may request a foundation grant for that charity.

**\$1,035,725** in foundation-funded grants were awarded in FY21, including nearly **\$27,225** to organizations supported and nominated by employees to supplement their team fundraising and volunteer efforts.

## Strategic Giving Framework Focused on Well-being

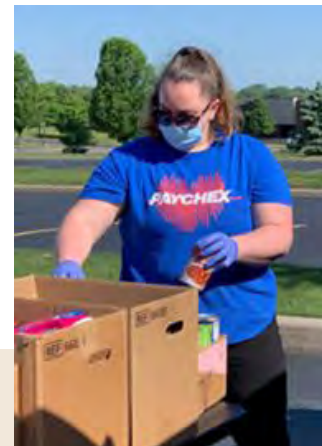
As one of America’s leading human resource solutions providers, we know that better HR delivers better business performance and results. We also know that one of the most pressing current issues in human resources is employee well-being—an issue that’s been exacerbated during the pandemic.

That’s why our Paychex Charitable Foundation has added a strategic giving framework to dramatically increase our financial support for nonprofit organizations that align with our mission. Beginning in FY22, we’re adding an annual multimillion-dollar effort that focuses on the four aspects of employee well-being that we consider critical: mental, physical, financial, and skills development. Organizations that meet our criteria will be national in scope but also have support in the local markets where we do business.

We look forward to sharing more about these efforts in next year’s CSR report.

## Rochester Employees Show Up

With COVID-19 putting a damper on nonprofits’ fundraising and awareness-building campaigns in 2021, many organizations found ways to bring those events back in a safe way in the summer of 2021. With a long history of coming together for a good cause, hundreds of our Rochester employees jumped at the chance to get back to the business of pitching in.



### Hands-On Community Help

It began in May when United Way of Greater Rochester organized its Day of Caring event, pairing teams of employees from local workplaces with nonprofit organizations in need of hands-on, outdoor volunteer work. Nearly 500 of our employees answered the call, donning their masks and #PaychexCares t-shirts to spread out into the community with rakes, shovels, paintbrushes, and can-do enthusiasm to do things like spruce up landscaping, paint fences, and wash windows.

Not only did employees feel great about helping, but they enjoyed the added benefit of seeing each other in person for the first time in more than a year. One employee said, “We’re actually giddy.” And another said, “Just to see everybody’s face makes such a big difference—you get to see everybody on video all the time, but to actually interact with them in person means a lot.”





## A Walk in the P@RC

A month later, employees were back at it, this time to support the American Heart Association. A longtime supporter of the organization, Paychex worked with the AHA to supplement the organization's virtual Heart Walk & Run with a safe on-site event for Paychex participants at its Rochester campus, affectionately known as the P@RC (Paychex at the Rochester Campus).

Hundreds of employees came out to walk the course laid out across the campus, enter raffles for gift baskets, grab lunch at one of the food trucks brought in for the event, and catch up with friends and co-workers. For many, it was the first time seeing their colleagues in person in well over a year. Their smiles and long-awaited embraces were as heartwarming as the more than \$25,000 employees raised for the AHA.

For the third year in a row, Paychex also sponsored the 5k run portion of the Rochester Heart Walk & Run, which was held virtually on the same day.



## Direct Economic Value Generated and Distributed

Paychex reports its results of operations for the company's fiscal year ended May 31st in its Annual Report on Form 10-K. Financial results are reported in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We report as one segment. Substantially all our revenue is generated in the U.S. Approximately 1% of total revenues are generated in parts of Europe.

Key elements of our strategy include: providing industry-leading, integrated technology; increasing client satisfaction; expanding our leadership in HR; growing our client base; and engaging in strategic acquisitions where appropriate.

Refer to our Annual Report on Form 10-K for a discussion of our business and results of operations, financial position, and liquidity.

## Defined Benefit Plan Obligations and Other Retirement Plans

To support the financial security of our employees, we regularly review salaries to ensure we're staying competitive in the industry, and offer financial benefits such as a 401(k) defined contribution savings plan, employee stock purchase plan, tuition assistance, scholarships for children of employees, and financial fitness education. For information on the Paychex, Inc. 401(k) Incentive Retirement Plan, please refer to the company's disclosures in its Annual Report on Form 10-K.

## Financial Assistance Received from the Government

State and local jurisdictions often provide economic incentives to encourage businesses to invest within their geographical footprint. The incentives come in the form of cash grants, tax abatements, and tax credits. Paychex facilities and tax teams work together to identify and, where appropriate, secure incentives for investments in real estate and labor. During FY21, we accelerated a geo-optimization plan to reduce the company's brick-and-mortar footprint. As part of this project and other real estate and labor decisions, we evaluate the impact that potential geographic shifts in our investment in capital and labor may have on legacy and future incentive programs. In addition, risks to achieving incentives are monitored and evaluated on a regular basis. For FY21, there were no material amounts received for any such economic incentives.

## Helping Small Businesses Navigate a Crisis

Fiscal 2021 was a tumultuous year for small businesses across the country as a result of COVID-19 pandemic-related restrictions and shutdowns. Even with almost 15,000 employees working remotely, we succeeded by staying true to our principles—listening to clients, anticipating their needs, and supporting them with innovative technology and dedicated, personalized service.

We exemplified those principles by helping many of our clients stay open throughout the COVID-19 pandemic. In response to complicated government support actions, we created some of the most innovative products and solutions faster than at any other time in our history. For example, thanks to the hard work of our functional teams working together, we created a Paycheck Protection Program (PPP) Help Center with webinars, estimators, and other information vital to keeping businesses healthy. On the day the PPP program opened, we were prepared with a signature-ready application that business owners used to secure more than \$65 billion in PPP forgivable loans—9.0% of the total amount paid to businesses across the U.S. And our dedicated compliance team continues to provide real-time regulatory information to help our clients succeed through this difficult, unprecedented period.

In a Paychex survey conducted in January–February 2021, only 39% of employers with fewer than 500 employees were aware of the Employee Retention Tax Credit (ERTC), or that it could be claimed in combination with a PPP loan. Paychex made clients aware of these resources and helped them to obtain critical funds, such as more than \$3 billion in employee retention and paid sick leave credits.

Our multifaceted response included a comprehensive COVID-19 Help Center, state-specific resources, educational webinars, product innovations, in-app Paycheck Protection Program tools, specialized employee training, and more. Paychex Flex was the first HR software solution to introduce integrated tools to help businesses maximize tax credits, while not impacting PPP loan forgiveness. And we're the only provider to deliver an end-to-end solution that connects clients to an SBA lender, tracks costs of forgiveness, identifies opportunities for additional savings through tax credits, and prepares a signature-ready forgiveness application using data from our Paychex Flex HR platform, making the process much easier for our clients.



Our efforts were recognized, not only by our clients in the form of strong customer satisfaction scores and retention, but we were also honored as a 2021 Silver winner of a Stevie Award for the **Most Valuable COVID-19 Response.**

In addition to resources and tools to help obtain stimulus funding, our clients also needed guidance in navigating HR complexities. Our experienced HR professionals helped our clients by delivering effective recommendations based on each client's unique circumstances and business needs. These unique challenges include assistance in navigating the complex stimulus legislation, developing return-to-office plans, and creating vaccination policies as well as the data analytics and tools to support employee recruitment and retention.

We provide the employee health and safety solutions necessary to keep employees safe and engaged throughout the pandemic and as they return to the office. These include COVID-19 leave tracking, COVID-19 screening for when employees come back to the physical work environment, and a health attestation solution to allow employers to collect employee information in a variety of ways. These features combined with our HR Connect and Conversations, iris scan time clocks, pay-on-demand capabilities, and other product functionality are invaluable for our clients whether their employees continue to work remotely or as they prepare for returning their employees to an office environment.

The adaptability and innovation demonstrated by our people have helped thousands of clients stay in business and keep their employees working, contributing billions of dollars to federal, state, and local economies.

## Helping Small Businesses Manage Risk

The COVID-19 pandemic increased the risk of cybersecurity breaches and workplace litigation. In FY21, Paychex introduced a new PEO Protection Plus Program which covers Paychex PEO clients under both Cyber Liability and Employment Practices Liability Insurance policies. This helps protect these small businesses from unforeseen costs using a group plan model that is more affordable.

## Addressing the Retirement Savings Crisis in the U.S.

The U.S. is currently facing a retirement crisis, with one quarter of all Americans having no savings for retirement. State mandates in California, Illinois, and Oregon now require employers to offer a retirement savings program for employees by state-specific deadlines or face financial penalties. With the potential for more state mandates across the country, employers need to consider offering a retirement plan of their own or use a state IRA plan.

Paychex is the top recordkeeper in the U.S. by total number of plans. By making retirement plans simple and affordable for our clients, we make it easy for our clients to offer their employees a vehicle for retirement savings. Our expertise, along with our award-winning Retirement Services Participant Portal, makes us well positioned to assist small and mid-sized businesses and their employees plan for retirement.

We are among the first in the retirement industry to sponsor and maintain a Pooled Employer Plan to help businesses nationwide provide a cost-effective retirement plan option for their eligible employees. This offering is an outcome of the Setting Every Community Up for Retirement Act (SECURE Act), and along with a reduced cost compared to a single-employer plan, it reduces fiduciary liability for employers through simplified plan management.

## Investing in Digital HR Technology

In response to the COVID-19 pandemic, our IT teams worked diligently to ensure the availability, resiliency, and security of our technology for employee access and connectivity. With over 15,000 of our employees working remotely throughout FY21, we were able to stay connected with clients and each other and did not have any significant disruption in service. During a time of high volumes of customer interactions, we saw client satisfaction scores continue to increase.

The COVID-19 pandemic accelerated evolving trends in the workplace impacting how, where, and when work gets done. This requires continued technology investment to create digital tools to keep people connected and collaborating. We have a broad portfolio of technology and services that allow businesses to effectively manage flexible, remote workforces. This includes our five-star-rated mobile application that allows our clients and their employees to access Paychex Flex from any device at any time. Our digital communication services, including HR Connect and HR Conversations, allow for greater communication between HR, management, and employees, and greater employee engagement, whether on-site or remote.

During FY21, we continued to enhance our suite of data analytics tools and reporting. One such enhancement was the creation of a Diversity and Equal Pay Live Report that builds on the EEO-1 compliance solutions. This tool gives administrators the ability to analyze their pay and diversity data with a simple, customizable report. With this improved access to critical data, Paychex helps businesses be better positioned to uncover opportunities to create a more diverse and equitable workplace while also meeting compliance requirements.



## Building Businesses to Thrive

The inaugural [Paychex Business Conference](#) was held in June of this year, bringing together 7,000 clients, business owners, HR managers, and others who want to build a better workplace, increase productivity, and thrive in 2021 and beyond.

The conference featured experts, insights, resources, and solutions—from HR influencer Cy Wakeman’s inspiring opening session and the powerful keynote from Shark Tank’s Daymond John, to discussions of unique tools to source and hire better talent and the benefits and technologies to keep them engaged.

Most importantly, in a year where Paychex again raised the bar on our performance, our conference was an excellent way to thank clients for their loyalty with information they could use right away to improve their business.

# Environment



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Every year, we find more ways to take care of our planet and reduce the environmental impact from our operations. From establishing an environmental policy, recycling organic waste generated in our cafeterias, installing electric car chargers, and taking other actions to reduce our operations' carbon footprint, to the support we provide to our employees' environmental interests and activities, being a good steward of the earth is an important part of putting good to work.

## Impact of Climate Change

In FY21, Paychex signed up as a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD). According to the TCFD, “by publicly declaring support for the TCFD and its recommendations, companies demonstrate that they are taking action to build a more resilient financial system through climate-related disclosure.”

Our FY21 disclosures aligned with the recommendations of the TCFD are available in our 2021 CDP Climate Change Response on our [corporate website](#).

## Financial Implications and Other Risks and Opportunities Due to Climate Change

Paychex performs an enterprise-wide risk assessment, at least annually, including an environmental-focused risk assessment to identify climate-related risks and opportunities. Management identifies specific climate-related risks and the impact to different areas of the business including, but not limited to, our facilities, data centers, etc. Climate-related risks are monitored as needed and formalized, at least annually, in a risk assessment. The Board of Directors exercises oversight of environmental risk through the Governance and Compensation Committee, which receives regular reports on CSR matters, and in 2021 received a comprehensive report on the company’s environmental risk assessment.

In FY21, the Paychex Ethics and Corporate Social Responsibility Steering Committee, which leads CSR efforts at Paychex, reviewed an assessment of political, environmental, social, compliance, legal, and business continuity risks and opportunities that may affect the company and the current control environments in place. Paychex does not use a single definition of substantive financial or strategic impacts on our business, but rather evaluates each risk or opportunity individually. Criteria used in this assessment include, but are not limited to: (1) the nature of the potential risk or opportunity including risk to the reputation of our business and financial loss; (2) the likelihood of occurrence and magnitude of the event; (3) the scope of the potential impact on stakeholders including clients, shareholders, employees, and the communities in which we serve; (4) the investment required to implement changes; and (5) the potential financial and environmental return on investment. Risks are ranked by the residual risk rating. Residual risk is the net risk calculated after factoring in the existing control environment and related practices. The committee establishes risk response plans and monitors progress. We disclose risks or opportunities in line with the United States Generally Accepted Accounting Principles. In relation to risks, we determine whether the risk of loss is remote, reasonably possible, or probable. If a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate of the loss. If a loss is considered reasonably possible, we disclose the risk and our estimate, or range of estimates of loss, if material. Our commitments and contingencies disclosure in our Annual Report on Form 10-K would include this disclosure, if applicable. If a potential opportunity is identified, it is not recognized in the financial statements until it has been realized. Disclosure of the opportunity would be considered if it were determined to have a substantive impact on business trends, results of operations, or financial position.

Paychex is exposed to climate-related risks. Currently, based on our risk assessments and evaluation of potential risks individually for materiality, climate-related risks do not have the potential to have a substantive financial impact on our business. It is imperative that we remain able to service our clients even during climate-related events. To ensure business continuity for our clients, Disaster Recovery plans are reviewed to confirm business operations are not significantly impacted by climate-related disasters. Reputational risks and the risk of lost business in case the company does not minimize environmental impacts are continuously evaluated.

Climate-related opportunities exist for Paychex, but currently none have the potential to have a substantive financial impact on the business. The criteria used to determine if an opportunity is substantive include: (1) the nature of the opportunity and potential for strengthening our reputation or financial gain; (2) the likelihood we will realize the opportunity; (3) the scope of the impact on stakeholders including clients, shareholders, employees, and the communities in which we serve; (4) the investment required to implement changes; and (5) the potential financial and environmental return on investment.

## Environmental Footprint of Data Center Infrastructure

Paychex strives to reduce our overall environmental impact and carbon footprint. We continue to assess and improve the energy efficiency of our data centers. We proactively maintain our power and cooling systems and continuously look for ways to conserve energy, including regularly decommissioning old equipment, migrating to energy-efficient high-density computers, optimizing airflow, and converting to LED lighting in our data centers to improve Power Usage Effectiveness (PUE) scores.

We are actively exploring ways to retrofit green technology for our data centers to further reduce carbon footprint and improve PUE scores.

We are not currently designing any additional data centers.

Our average data center PUE decreased slightly from 2.006 to 1.966 between 2019 and 2020.



In 2021, Paychex was recognized by Sustainalytics as an **ESG Industry Top Rated Company.**

### Here are some environmental sustainability highlights from FY21:

- We've eliminated paper from 19 training programs, saving approximately 190,000 sheets of paper annually.
- Our work-from-home program leads to energy and cost savings, plus reduced emissions and fuel usage by employees who no longer drive to work every day. Excluding the employees temporarily working from home due to the COVID-19 pandemic, 8% of our U.S. employee base was designated as permanent work-from-home at the end of FY20, May 31, 2020. By the end of July of 2020, the number had increased to more than 20%. After establishing work-from-home and hybrid programs at the beginning of FY22, we expect this number to increase to approximately 45%.
- According to our food service vendor's FY21 sustainability scorecard, 100% of eggs are certified humane cage-free, 100% of seafood is from sustainable sources, and 100% of chicken is produced without the routine use of human antibiotics.

## Environmental Impact

We are committed to reducing the environmental impact from our operations and strive for continuous improvement in all key areas. In this reporting year, we established an [Environmental Policy](#).

### Energy and Greenhouse Gas Emissions Reduction

Paychex is committed to managing and reducing its energy consumption and greenhouse gas (GHG) emissions intensity. In recent years we have undertaken several initiatives to reduce our direct and indirect emissions.

To decrease our dependence on natural gas for heating, a geothermal HVAC system was installed at three buildings at our Rochester campus.

We have started the process of replacing the lighting in our existing facilities in Rochester with LED light fixtures. In addition, we install LED light fixtures, occupancy sensors and dimmers, and other energy-efficient fixtures (lighting, HVAC, plumbing, hand dryers) as a standard practice in all new facilities.

We design our facilities considering the principles of green buildings, such as maximizing the use of daylight, utilizing interior finishes with recycled content and paint with low-volatile organic compounds (VOC) content, and other furnishings with similar properties.



This year we committed to install electric car charging stations at another one of our facilities to help reduce indirect emissions from employee commuting and business travel.

# Energy Consumption

We are taking several initiatives to reduce energy consumption in our facilities. The following tables reflect data for our owned facilities across the company, including operations in the US, Denmark, Germany, and India.

Since FY20 our energy usage has been decreasing. We are committed to continue reducing our energy consumption intensity in the future.

Table 3 shows relative share of grid electricity to total energy usage (includes fuel, grid electricity, and renewable electricity). Between FY20 and FY21, the decrease in fuel usage was more than the decrease in grid electricity usage, which led to an increase in relative share of grid electricity to total energy usage.

**Table 1:** Total electrical power consumption in owned facilities across the company

Year	Total Electrical Power (GJ)
<b>FY18</b>	104,329.86
<b>FY19</b>	106,030.38
<b>FY20</b>	98,606.72
<b>FY21</b>	90,153.56

**Table 2:** Total energy consumption in owned facilities across the company

Year	Total Energy Consumption (GJ)
<b>FY18</b>	163,689.46
<b>FY19</b>	168,844.83
<b>FY20</b>	159,994.71
<b>FY21</b>	145,001.76

**Table 3:** Share of grid electricity in energy consumed in owned facilities across the company

Year	% Grid Electricity
<b>FY18</b>	63.74%
<b>FY19</b>	62.80%
<b>FY20</b>	61.63%
<b>FY21</b>	62.13%

**Table 4:** Share of renewable electricity in energy consumed in owned facilities across the company

Year	% Grid Electricity
FY18	0.00%
FY19	0.00%
FY20	0.00%
FY21	0.04%

**Table 5:** Energy intensity ratio\* for owned facilities across the company

Year	Total Energy per \$ of Revenue (GJ/\$)	Total Energy per Square Meter of Floor Space (GJ/sq meter floor space)
FY18	0.000048	1.86
FY19	0.000045	1.67
FY20	0.000040	1.58
FY21	0.000036	1.43

\*The energy intensity ratio was calculated using energy consumption within the organization and includes fuel and electricity used in the company.

**Table 6:** Normalized electrical power use for owned facilities across the company

Year	Total Electrical Power per \$ of Revenue (GJ/\$)	Total Electrical Power per Square Meter of Floor Space (GJ/sq meter floor space)
FY18	0.000031	1.19
FY19	0.000028	1.05
FY20	0.000024	0.97
FY21	0.000022	0.89

## GHG Emissions

This year, we determined the Scope 1 and Scope 2 greenhouse gas (GHG) emissions from our owned facilities across the company, including those located across the U.S., Denmark, Germany, and India. Scope 1 GHG emissions from these facilities are reported in Figure 1. Scope 2 GHG emissions from these facilities calculated using location- and market-based methods are reported in Figure 2.

These include emissions of carbon dioxide, methane, and nitrous oxide. GHG emissions were calculated following the guidelines in The Greenhouse Gas Protocol—A Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance—an amendment to the GHG Protocol Corporate Standard, IEA 2020 Emission Factors, U.S. EPA Center for Corporate Climate Leadership’s standards, and using U.S. EPA’s emission factors and IPCC Fourth Assessment Report 100-year Global Warming Potential values. The emissions were consolidated using the Financial Control approach. As a result, emissions for the facilities that we leased are being reported under Scope 3 Upstream Leased Assets.

As noted in Figures 1 and 2 on the following pages, our Scope 1 and Scope 2 GHG emissions calculated using location- and market-based methods have been decreasing since FY19. We are committed to continue reducing our GHG emissions intensity in the future.



At one of our facilities in Rochester, NY, a living plant wall outside the cafeteria brings the beauty of nature inside with the added benefit of improving indoor air quality.



# Net-Zero GHG by 2050

The next step in the evolution of our sustainability program is our ambition to achieve net-zero greenhouse gas (GHG) emissions by 2050, putting us on a path to establish meaningful targets and goals for reducing GHG emissions over the next three decades.

Net-zero GHG emissions by 2050 is widely viewed as necessary to prevent the 2 degrees Celsius warming scenario that would result in catastrophic climate change and is a key element of the Paris Climate Accord. It is understood that achieving net-zero GHG emissions by 2050 will limit warming to 1.5 degrees Celsius above pre-industrial levels and avoid the worst damage to the environment, infrastructure, and livelihoods. Nearly 61 percent of countries and at least 21 percent of the world's 2,000 largest public companies have now committed to net-zero GHG emissions goals, according to a report issued by the Energy & Climate Intelligence Unit earlier this year.

Figure 1:  
**Paychex Global Scope 1 GHG Emissions**

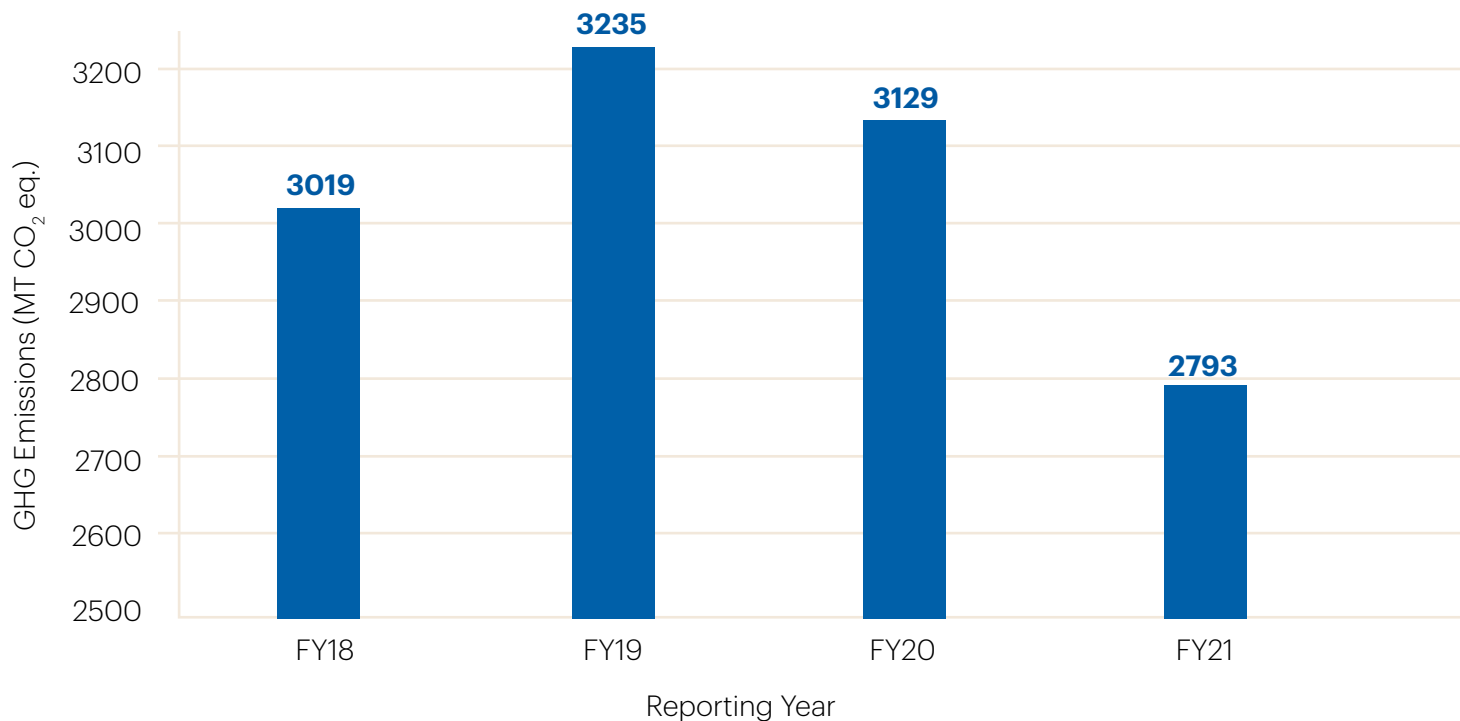
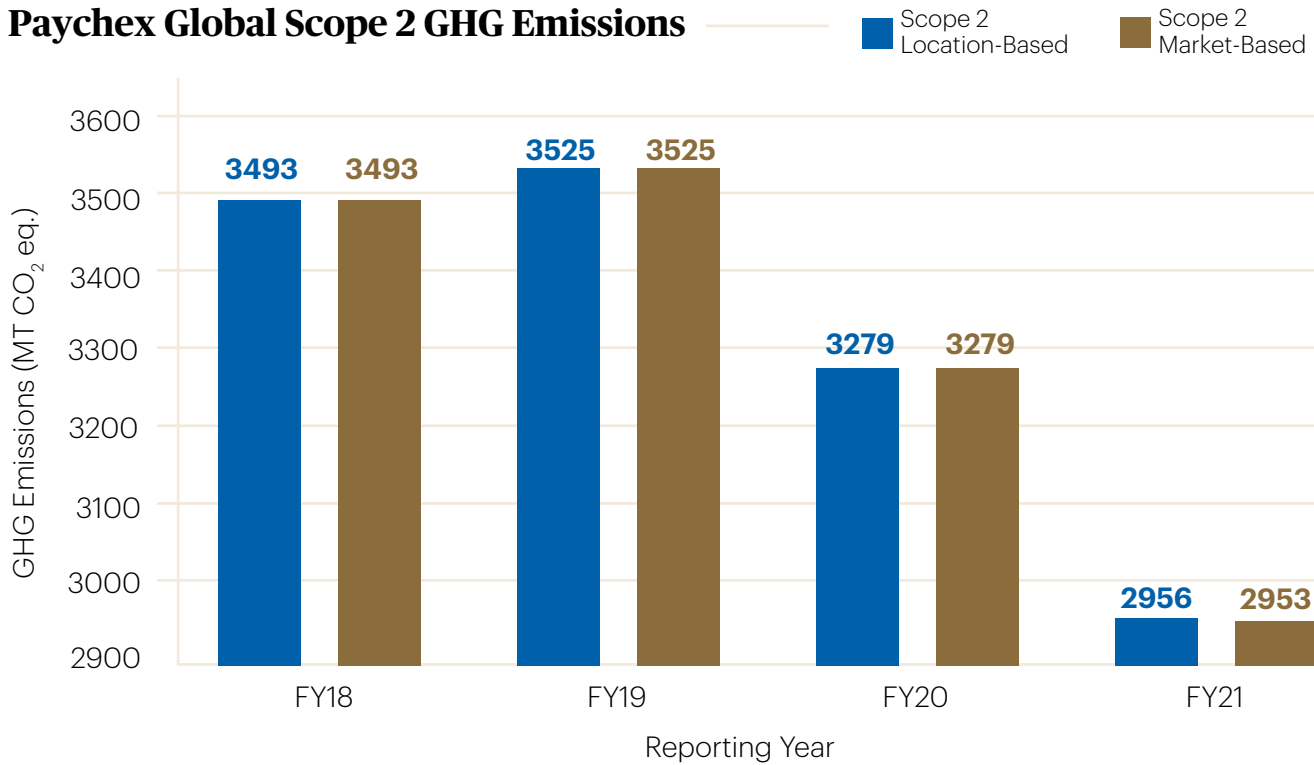


Figure 2:

## Paychex Global Scope 2 GHG Emissions



This year, we are reporting our Scope 3 emissions. Following the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, we are reporting these emissions for three relevant categories: Category 6 Business Travel, Category 7 Employee Commuting, and Category 8 Upstream Leased Assets (refer to Table 8). These include emissions of carbon dioxide, methane, and nitrous oxide. The emissions were determined using U.S. EPA’s emission factors, IEA 2020 Emission Factors and IPCC Fourth Assessment Report 100-Year Global Warming Potential values. Emissions reported under Category 8 Upstream Leased Assets include emissions from Natural Gas and Electricity usage in the facilities that we lease in our operations worldwide.

While several GHG emissions categories of the Scope 3 standard are not applicable to Paychex, we continue to expand our accounting and reporting efforts to report emissions from the remaining relevant categories.

**Table 7: Scope 3 GHG Emissions for FY21**

Scope 3 GHG Emissions Category	MT CO <sub>2</sub> eq
Category 6: Employee Commuting <sup>*,†</sup>	670.8
Category 7: Business Travel <sup>*,‡</sup>	102.1
Category 8: Upstream Leased Assets <sup>~</sup>	9070.8

<sup>\*</sup>These emissions represent emissions for our employees in the U.S. which account for 96% of our worldwide employees.

<sup>†</sup>During FY21, because of COVID-19 pandemic, only a fraction of our employees worked from the office. The emissions reported here represent commuting by those employees.

<sup>‡</sup>During FY21, because of the COVID-19 pandemic, business travel was limited and much less than in pre-pandemic reporting year.

<sup>~</sup>Reporting of GHG Emissions from leased facilities in the U.S.: electricity data for 35% of leased floor space in the U.S. was estimated to some extent and for 10% of leased floor space in the U.S. was entirely estimated; natural gas data for 15% of leased floor space in the U.S. was estimated to some extent, for 2% of leased floor space in the U.S. was entirely estimated, and for 15% of leased floor space in the U.S. was estimated assumed as zero. This assumption is based on data collected from property managers of leased locations. Data for two months of FY21 for our facility in India was estimated. Electricity and Natural Gas data for facilities in our operations in Germany was estimated to some extent.

**Table 8: GHG emissions intensity ratio<sup>§</sup>**

Year	MT CO <sub>2</sub> eq per Square Meter of Floor Space	MT CO <sub>2</sub> eq per \$ of Revenue
FY18	0.074	0.0000019
FY19	0.067	0.0000018
FY20	0.063	0.0000016
FY21	0.057	0.0000014

<sup>§</sup>Calculated using total Scope 1 and Scope 2 market-based GHG emissions, and include emissions of carbon dioxide, methane, and nitrous oxide.

## Resource Consumption

We continuously seek ways to increase our share of paperless products and services. With our “Smart Print” program, we’ve replaced printing equipment with more efficient devices that enable printing to the cloud. This initiative, as well as eliminating paper-filled binders in favor of electronic documents in our training programs and replacing many client-facing paper outputs with electronic reports, has led to a decrease in paper consumption in our offices. Figure 3 below illustrates the trend of paper consumption in Paychex offices across the U.S.

We have a vast portfolio of low-carbon products and services to reduce environmental impact, including paper usage and GHG emissions. These include a digital onboarding system for new employees that replaces the need for the use of paper during on-boarding of a new employees; digital applicant tracking system that replaces the need for paper resumes and streamlines the hiring process; digital time and attendance machines that replace the need for paper and ink based time clocks; direct deposit and digital pay stubs that replace the use of paper checks and paper stubs; and, in our PEO business, HR generalists can provide their services remotely instead of going into the clients’ offices. Our Paychex Flex® mobile app allows clients and their employees to receive and provide information in a paperless format. We have initiatives in place to encourage our clients and their employees to transition to these low-carbon products and services from their traditional counterparts.

In FY21 we adopted the Securities and Exchange Commission’s Notice and Access rules (e-proxy) by which we transitioned from paper-based to electronic copies of the Annual Report on Form 10-K and Proxy Statement provided for FY20 reporting to shareholders. This decision led to savings of 15.8 million pages of paper from reports printed in FY20 and FY21.



*Paper usage in FY21 was much lower than previous years because a significant number of our employees worked from home and didn't have access to the printers in offices.*

# Waste Management

At Paychex, we are committed to reducing the waste generated in our facilities that goes to landfills, and have implemented numerous initiatives to increase recycling.



## Construction and Decommissioning Waste

We manage the waste from construction and decommissioning of our facilities by following the principles of waste management hierarchy. This involves practices such as maximizing the reuse of mechanical, electrical, and plumbing infrastructure; donating furniture to charities; and recycling demolished material that cannot be reused.



## Coffee Pod Recycling Initiative

We partner with TerraCycle® to recycle the coffee pod waste created in our offices. TerraCycle composts the spent coffee grounds, recycles the metal component, and recycles the plastic component into plastic products. Since starting the program, we have recycled more than 7,000 coffee pods. In the absence of this initiative, these pods would have been landfilled, where the decomposing coffee grounds would have generated greenhouse gases, and the metal and plastic resources would have been wasted.



## Recyclable Container Deposits

Container deposit refunds from bottle and can recycling are used to support charitable initiatives such as a local high school marching band, a Boy Scout troop, and a local Ronald McDonald House.



## Electronic Waste

We work with a recycling partner to manage the electronic waste generated from our operations. Our recycling partner removes the data following necessary guidelines and manages the waste by resale and recycling. In FY21, we recycled 13,850 units of electronics companywide.



## Municipal Waste

For the other waste generated in our facilities, we have a recycling program and provide bins to support waste segregation at its source. Paper that contains confidential information is managed by turning into shred, which is then recycled by our partner.





### Food Waste

In FY21, our food service partner tracked 556 waste qts. Identifying areas for reducing waste continues to be a focus.



### Composting

We began partnering with our waste removal vendor's food and organic recycling program. Acceptable food and organic items are collected by our food service vendor and taken weekly to a special facility, where they are turned into valued reuse products such as feed for livestock, fertilizer, or soil amendments.



## Putting Good to Work—Continually

We know that putting good to work isn't a once-and-done thing, or a moment in time. Rather, it's a living, breathing mantra that we're committed to continually improving. In all areas of our business, and in the four pillars that make up our Corporate Social Responsibility program, there's always room to grow, to innovate, and to improve. We look forward to continuing our journey to being the very best version of our company, always moving forward.



# Thank you!

To learn more about Paychex's commitment to corporate social responsibility, visit [Paychex.com/corporate](https://paychex.com/corporate).

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This report was prepared using the GRI Standards as a GRI-referenced report. GRI and SASB Indices can be found at [paychex.com/corporate/corporate-responsibility](https://paychex.com/corporate/corporate-responsibility).

Our 2021 CDP Climate Change response and disclosures, aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), are available at [paychex.com/corporate/corporate-responsibility/environment](https://paychex.com/corporate/corporate-responsibility/environment).