



Corporate Governance Guidelines

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The Board of Directors of Paychex, Inc. recognizes the fundamental principle that good corporate governance is critical to organizational success and the protection of shareholder value. As such, the Board has adopted the following Governance Guidelines as a statement of principles guiding the Board's conduct. These principles are intended to be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation, By-laws and other governing documents. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business, not as a set of legally binding obligations. The Guidelines are subject to modification at the sole discretion of the Board.

Role and Composition of the Board of Directors

General

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company except with respect to the matters reserved to shareholders. It selects the senior management team, which is charged with the conduct of the Company's business. The Board acts as an advisor to senior management and ultimately monitors management's performance.

Board Size

The number of members of the Board should be appropriate for efficient performance of the Board's duties and for effective consideration of issues relevant to the Company's business interests. The Governance and Compensation Committee shall periodically review the size of the Board and, if appropriate, make recommendations to the full Board regarding the number of members.

Nomination and Selection of Directors

The Governance and Compensation Committee is responsible for recommending candidates to the full Board to either fill vacancies or stand for election at each annual meeting of shareholders. The Committee shall follow the Board of Directors Nomination Policy which is incorporated into the Governance and Compensation Committee Charter.

Annual Election of Directors

In accordance with the Company's By-laws, each director shall be elected annually by a majority of votes cast, except in the event of a contested election in which case each director shall be elected by a plurality of shares present. Any nominee who fails to receive a majority of votes cast in an uncontested election shall tender his or her resignation for consideration by the Governance and Compensation Committee, which will make a recommendation to the full Board as to whether to accept or reject the resignation. The resigning director shall not participate in the deliberations or the decision of the Committee or the Board.

Director Independence

It is the policy of the Company that the Board shall consist of a majority of independent directors. "Independence" is determined in accordance with the relevant NASDAQ listing requirements. It is the responsibility of the Board to annually determine, as to each independent director, that no circumstances exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Lead Independent Director

The Board shall select an independent director designated as the Lead Independent Director, who has responsibility for conducting executive session meetings of the non-management or independent directors and such other responsibilities as the independent directors may assign.

Annual Meeting Attendance

All Board members are expected to attend the Company's Annual Meeting of Shareholders unless exigent circumstances prevent attendance.

Director Orientation and Continuing Education

New directors are provided with an orientation program to familiarize them with the Company's business, strategic plans, finances, Code of Business Ethics and Conduct, and relevant policies. Further, board members are provided with internally developed materials regarding the Company, as well as access to outside educational opportunities regarding directors' fiduciary duties and board responsibilities. Board members are expected to maintain the necessary level of expertise to effectively perform their duties as directors.

Service on Other Public Boards

Directors should not serve on more than four other boards of public companies in addition to the Company's Board unless approved by the Governance and Compensation Committee. The CEO should not serve on more than two other boards of public companies unless approved by the Governance and Compensation Committee.

Term Limits and Mandatory Retirement

The Board does not endorse arbitrary term limits on directors' service, nor does it require mandatory retirement at a predetermined age. Rather, director qualifications are evaluated in accordance with the criteria set forth in the Board of Directors Nomination Policy.

Director Stock Ownership

The Board believes that non-management directors should hold a meaningful equity interest in the Company. The Board, therefore, expects that each director beneficially own, or acquire within five years after the later of first becoming a director or the initial adoption of these Guidelines, shares of common stock of the Company (including vested and unvested restricted stock) with a value of four times his or her annual Board retainer, excluding any committee retainer or fees. The Board recognizes that exceptions to this policy may be necessary or appropriate in individual circumstances.

Board Committees

In general, major decisions of the Company shall be considered by the Board as a whole. However, where appropriate for effective and efficient governance, the Board may delegate authority to its designated committees, which are currently as follows: Executive Committee; Audit Committee; Corporate Development Advisory Committee; Investment Committee; and Governance and

Compensation Committee. Committees shall be appointed annually in accordance with independence and other regulatory requirements of the Securities and Exchange Commission and the NASDAQ Stock Market Rules. All Board Committees shall operate within the scope of their respective Charters or the authority delegated by the full Board.

Board Functions

Board Meetings

The Board shall meet at least four (4) times per year. Generally, the Chairman of the Board sets the agenda for each regular meeting, except that any Board member may request that an item be included on the agenda. Board materials related to the agenda items shall be provided to directors sufficiently in advance of the meeting to allow adequate time for review and preparation. At the invitation of the Board, members of senior management, consultants, or other individuals who can assist the Board may attend all or portions of meetings.

Board Access to Corporate and Independent Advisors

Board members have free access to all members of management of the Company and, as appropriate, may consult with independent advisors, including legal or financial advisors, to assist in their duties to the Company and its shareholders.

Executive Sessions

Executive sessions or meetings of outside directors without management present are held at each regularly-scheduled Board meeting. The Company's Lead Independent Director presides over executive sessions.

Board and Committee Self-Evaluation

The Board of Directors, the Audit Committee, the Corporate Development Advisory Committee, and the Governance & Compensation Committee shall conduct performance self-evaluations at least annually. Other committees shall conduct self-evaluation analyses from time to time as appropriate.

Code of Business Ethics and Conduct

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's Code of Business Ethics and Conduct, which shall apply to each director in connection with his or her activities relating to the Company.