



ESG Report

Fiscal Year 2022



Overview

Environmental, Social and Governance (“ESG”) at Paycor

Since our founding more than 30 years ago, corporate social responsibility has been a key business foundation at Paycor. Today, ESG factors into nearly every component of our business operations and investment practices.

Paycor uses the Sustainability Accounting Standards Board (“SASB”) Standards for IT & Software Services to communicate certain important sustainability information about our business activities to stakeholders. Unless otherwise stated, data and activity reported relates to our fiscal year, ending June 30, 2022.

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A Message from our CEO Raul Villar, Jr.

While we are early in our ESG journey, our commitment to guiding principles, such as Doing the Right Thing and Taking Care of Each Other, have long been engrained in our DNA. We recognize the critical importance of sound governance and a diverse, equitable, and inclusive culture as well as the impact we can have on communities and the environment. Our inaugural ESG report describes our commitment to sustainable business practices and the pragmatic steps we are taking to address material ESG topics.

We have made considerable progress advancing our ESG posture since creating a cross-functional ESG team in December of 2021. We leverage globally recognized frameworks to inform our strategy and reporting, including the SASB Standards that guide disclosure of sustainability information most relevant to our SaaS technology business.

To hold our reporting to the highest standards, we engaged several stakeholders and partners in the development of our inaugural ESG Report, including commissioning an external third party to assist in calculating our greenhouse gas ("GHG") emissions.

Governance

Paycor adheres to stringent compliance standards of best-in-class security, ethical business practices, and financial services integrity. Our policies require all our associates to complete annual training and all new hires to be immersed in our compliance standards within their first 30 days. We have robust enterprise risk management and business continuity programs designed to identify and manage organizational risks.

Social

As a leading provider of human capital management software, we know first-hand how important leaders and culture are in driving business performance and employee engagement. Our mission, "empowering leaders to build winning teams," highlights our commitment to this imperative. We are proud to be recognized as a Top Workplace USA for the second consecutive year by Energage, an organization with a 15-year history of surveying

more than 20 million employees to help build and brand Top Workplaces. Results are based on 15 cultural drivers that are proven to predict high performance against industry benchmarks. This award exemplifies our commitment to live the cultural best practices we advocate to our clients, which we believe drive employee engagement and business performance.

Our culture is guided by principles that encourage associates to thrive and bring their whole selves to work. We focus on developing our associates and providing meaningful professional experiences in a flexible, virtual-first work environment. As a result, more than 70% of our associates would recommend working at Paycor and feel a sense of inclusion and belonging.

In fiscal 2021, we started our DE&I journey by hiring a Head of DE&I who architected Paycor's DE&I strategy and priorities. This year, we increased our investment in DE&I and doubled our DE&I team. We focused on increasing the representation of females in leadership and ethnic diversity among our associates, and I am proud we increased both by 8% and 13%, respectively, this year.

With more than 2.3 million employees on our platform in all 50 states, we recognize the role we can play in helping our clients achieve their own ESG ambitions. We help small and medium-sized businesses manage talent, promote health, foster diversity and inclusion, and support professional development.

Since our founding, Paycor has had a strong tradition of giving back to the communities in which we live and work. We empower our associates to make a difference by providing opportunities to volunteer and donate to charitable causes that are meaningful to them. To date, we have raised approximately \$2.3 million and donated more than 60,000 volunteer hours to over 1,900 philanthropic events.

Environment

Stewardship of natural resources has never been more important. In fiscal 2021, we measured our emissions for the first time and set out a clear strategy to drive reductions. This year we achieved a 14% reduction in Scope 1 and 2 emissions against our fiscal 2021 baseline, largely driven by facilities consolidation that is aligned with our virtual first philosophy. We also have several green initiatives to recycle and reduce waste.

While we are proud of our progress to date, we recognize this is a long-term journey and welcome continued dialog among our various stakeholders towards a more sustainable future. When we Think Big, Dream Big, anything is possible.

Raul Villar, Jr.
Chief Executive Officer



About Paycor

Paycor's human capital management ("HCM") platform modernizes every aspect of people management, from recruiting, onboarding and payroll to career development and retention, but what really sets us apart is our focus on leaders. For more than 30 years we've been listening to and partnering with leaders, so we know what they need: a unified HR platform, easy integration with third party apps, powerful analytics, talent development tools, and configurable technology that supports specific industry needs. That's why more than 29,000 customers trust Paycor to help them solve problems and achieve their goals.



GUIDING PRINCIPLES

At Paycor, our culture is guided by principles that encourage associates to thrive and bring their whole selves to work. Our guiding principles are designed to act as a North Star for our associates in how they work with a colleague, for a client, and in the community:



Take Care of Customers First

Our customers are our heroes. When they win, we win.



Take Care of Each Other

There's nothing better than working with friends who look out for you.



Do the Right Thing

It's not always the easy way—but it's what really matters.



Think Big, Dream Big

Never say never! Solve problems, invent a better way, disrupt the status quo.



Compete to Win

We embody the spirit of success in everything we do, in our habits and routines, our relationships, and in the energy and accountability we bring to the game.



Have Fun Along the Way

Buckle up, it's a fast-paced business! That's why we celebrate the wins, laugh in the face of adversity, and enjoy the ride.



AWARD-WINNING
SOFTWARE AND CULTURE





Materiality Assessment

To guide our sustainability reporting, we engaged various stakeholders and executive leadership to determine the ESG issues relevant to our business and industry where we may be able to have the biggest impact. Based on this dialog, we reviewed several ESG reporting frameworks and ultimately selected the SASB Standards based on its industry-specific alignment to what we believe are material ESG issues to Paycor. We also considered topics raised by investors and ESG ratings agencies.

WE IDENTIFIED THE FOLLOWING SIX TOPICS AS KEY FOCUS AREAS:

GOVERNANCE

- **Business Ethics**
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- **Systemic Risk Management**

SOCIAL

- Human Rights & Community Relations
- **Customer Privacy**
- **Data Security**
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling
- Labor Practices
- Employee Health & Safety
- **Employee Engagement, Diversity & Inclusion**

ENVIRONMENT

- GHG Emissions
- Air Quality
- **Energy Management**
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts



Governance

CORPORATE GOVERNANCE

Paycor is dedicated to conducting business effectively, fairly and with a high degree of integrity and encourages behavior that will maintain the public's confidence and trust in its operations. Following our IPO in 2021, we focused on creating a Board of Directors and executive management structure that provides leadership and oversight over our business activities, including issues related to sustainability. We maintain a [Code of Ethics](#) that applies to all of our employees, officers and directors, with additional policies relevant to our public company obligations, as well as the critical nature of our Human Capital Management software to our clients.



ESG OVERSIGHT

Paycor has an ESG Committee that consists of a cross-functional group of leaders and associates from departments including information technology, investor relations, human resources, legal and facilities. This Committee assists our Board of Directors and executive management team in developing our ESG strategy; identifying ESG risks and opportunities, including regulatory changes and compliance; setting initiatives; and tracking our performance. The Audit Committee assists the Board of Directors with ESG oversight from a reporting and procedural perspective and the Nominating and Governance Committee assists the Board of Directors with respect to strategy, communication and shareholder engagement.

ESG POLICY

We recognize the importance of ESG issues and consider ESG factors in connection with our business operations and investment practices. For this reason, we have adopted an [ESG Policy](#), which provides a broad framework for our approach to considering ESG impacts on our business and the environment; our relationships with associates, customers and the communities in which we operate; and our governance of ESG issues.





BOARD OF DIRECTORS

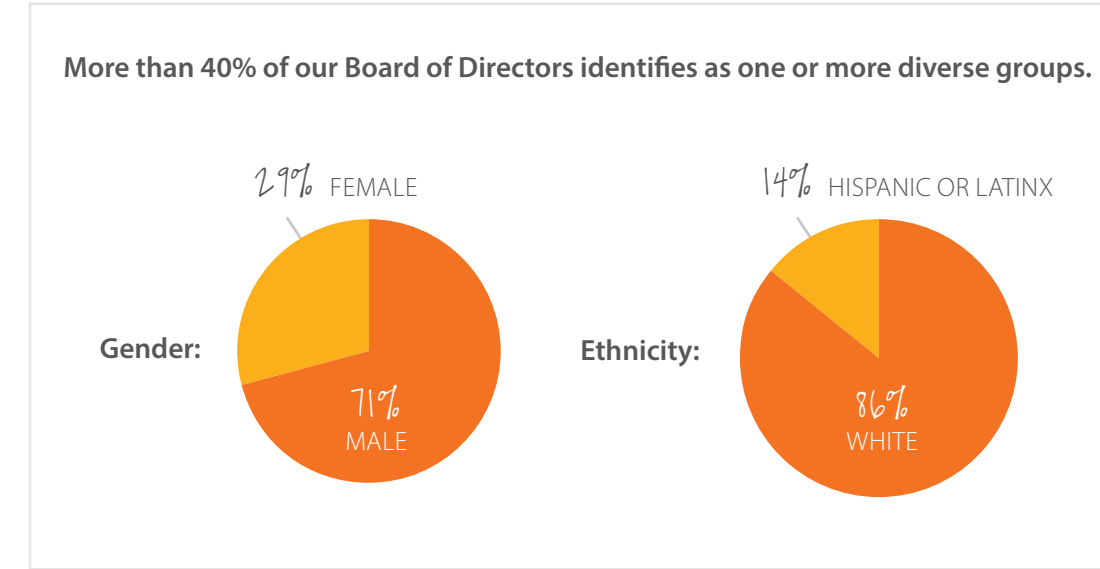
Our Board of Directors has adopted Corporate Governance Guidelines, which set forth its responsibilities to the Company and our stockholders. These Guidelines serve as a flexible framework within which our Board of Directors may conduct its business. Our Board of Directors has established three standing committees: the Audit Committee, the Compensation and Benefits Committee and the Nominating and Governance Committee, and has adopted charters that outline each committee's membership and leadership structure, operations and duties and responsibilities.

	Audit Committee	Compensation and Benefits Committee	Nominating and Governance Committee
Whit Bouck	👤		👤
Katie Burke		👤	
Steve Collins	👤		👤
Jonathan Corr	👤		👤
Scott Miller		👤	
Jason Wright		👤	👤

👤 Chairperson 👤 Member

BOARD OF DIRECTORS' DEMOGRAPHICS

When identifying and evaluating candidates for director nominees, we consider a combination of factors, including the diverse attributes of each nominee — such as difference in background, qualifications and personal characteristics, and strive to achieve a diverse set of perspectives and experiences, aligned with our DE&I strategy.



BOARD OF DIRECTORS' SKILLS

The table below highlights the key skills and experiences that the individuals currently serving on our Board of Directors have developed through education, direct experience, and oversight responsibilities. We believe these collective attributes are essential to the Board of Directors' ability to exercise its oversight function and to guide Paycor's future performance. If an individual is not listed as having a particular attribute, it does not signify a director's lack of ability to contribute in that specific area. Rather, it is intended to depict notable areas of focus.

Director	Whit Bouck	Katie Burke	Steve Collins	Jonathan Corr	Scott Miller	Raul Villar, Jr.	Jason Wright
Public Company Governance	✓	✓	✓	✓		✓	✓
Software Industry	✓	✓	✓	✓	✓	✓	✓
Executive Management	✓	✓	✓	✓	✓	✓	
International	✓	✓					✓
Human Capital Management		✓			✓	✓	
Executive Compensation		✓	✓				
Accounting/Finance	✓		✓	✓	✓		✓
Marketing & Sales	✓	✓			✓	✓	
Environmental/Sustainability							✓
Technology		✓	✓	✓	✓		✓
Mergers and Acquisitions	✓		✓	✓		✓	✓

For additional information regarding our Board of Directors and its committees or members, please refer to our Definitive Proxy Statement for our 2022 Annual Meeting of Stockholders to be held on October 26, 2022, which was filed with the SEC on September 12, 2022 and the Governance section of our [Investor Relations website](#).

ETHICS & COMPLIANCE

Paycor has a culture of integrity, honesty and ethical behavior. Paycor maintains a [Code of Ethics](#) that applies to all of its associates, officers and directors, with an additional policy for senior officers responsible for financial reporting.

Every Paycor associate completes comprehensive compliance training and agrees to abide by our associate code of conduct included within our Code of Ethics when hired and annually thereafter. This compliance training includes our code of conduct and ethics, anti-bribery, discrimination and harassment prevention, privacy, security, fraud, and related internal controls.

As required in our [Whistleblower Policy](#), associates can anonymously submit concerns to a third-party whistle blower and ethics hotline managed by our internal audit department, which reports into the Audit Committee, without fear of reprisal for any matters reported in good faith.

Our [Supplier Conduct Guidelines](#) are designed to help ensure that our partners adhere to the same high standards of integrity and ethics. In addition, many of our solutions are designed to assist clients with their compliance to certain U.S. federal, state and local laws and regulations.



We have adopted a [Related Party Transactions Policy](#), which requires our Audit Committee to review and approve all related person transactions. Pursuant to this policy, the Audit Committee has governance oversight of transactions that may give rise to a conflict of interest to ensure we are acting in the company's best interests. In addition, under our Code of Ethics, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

DATA GOVERNANCE

Paycor takes a comprehensive approach to governance based on established and well-respected frameworks regarding data and systems security, data privacy, and fraud. Dedicated Paycor team members focus on the design, implementation, and assurance activities related to a sound and mature governance ecosystem. Paycor carries formal certifications and attestations under various control frameworks including those listed below.

Paycor is dedicated to protecting the privacy and security of our clients' information and has implemented mechanisms necessary to do so across our organization. We align to internationally recognized frameworks that demonstrate this commitment, including the AICPA's SOC 1 Type 2, SOC 2 Type 2, the EU General Data Protection Regulation (GDPR), and The Financial Crimes Enforcement Network (FinCEN).



SOC Audits

Paycor undergoes regular assessments of our processes and controls as part of our annual SSAE 18 audit for SOC 1 and SOC 2 by a reputable independent accounting firm. The controls identified in these audits are examined and the results are reviewed by senior management.



Privacy Regulations

As a cloud-based human capital management company that processes the personal data of associates on our clients' behalf, Paycor understands the obligations employers need to navigate. Paycor supports our clients' privacy obligations and has aligned its policies, practices, and procedures with applicable international, federal, and state compliance requirements, including the General Data Protection Regulation ("GDPR"). Moreover, Paycor regularly monitors the regulatory landscape to stay abreast of any new or pending regulations that may impact our clients.



The Financial Crimes Enforcement Network (FinCEN)

FinCEN is a bureau of the U.S. Department of the Treasury whose mission is to safeguard the financial system from illicit use, combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. Paycor, through its FinCEN registration, coordinates with law enforcement investigators to protect Paycor and Paycor clients in the context of financial fraud.

DATA SECURITY

Our platform is designed with security as a top consideration and employs a defense-in-depth strategy through administrative, physical, and technical safeguards to ensure the protection, confidentiality, and integrity of our customers' data. Paycor is NACHA certified, a voluntary accreditation program from the National Automated Clearing House Association, which governs the United States' automated clearing house ("ACH") network and payment system.

Paycor undergoes regular assessments of our processes and controls as part of our annual SSAE 18 audit for SOC 1 and SOC 2 by an independent accounting firm. The results of which are regularly reported out to the Information Security Steering Committee, which has Executive Committee representation. The SOC 2 Type 2 helps to ensure implementation of an information security management system under the Trust Principles of Security, Availability, Processing Integrity, and Confidentiality.

We continuously monitor our network and endpoint-based security threats along with antivirus software to guard against trojans, worms, viruses, and other malware. Paycor has a dedicated security team that performs vulnerability scans and penetration tests across our networks as well as our software-based product offerings.

In addition, we offer product features to empower our clients to protect their data including IP filtering, multi-factor authentication, direct deposit change notifications, security questions, and password requirements. Learn more about [Paycor's Security practices](#).



DEFENSE-IN-DEPTH CONTROLS



Multi-Factor Authentication

This safeguard helps to eliminate employees from recycling the same password on multiple platforms. To access the database, users are required to enter their username and password and complete a variety of authentication requirements like email, text message, phone call, or biometric identification.



Company Controlled Laptops

We require employees to use secure, encrypted, company-controlled laptops to protect data from hackers.



Policy-backed Vulnerability Management Program

A mature vulnerability management program sets firm requirements with regards to the identification and remediation of technology vulnerabilities.



User Education and Training

A multi-pronged approach to creating a sound security culture through user dynamic education and training exercises.



Dedicated Risk Assessment Team

Cybersecurity threats are constantly evolving and becoming more complex. It takes a dedicated team to implement and test new security protocols and prevent secure data from falling into the wrong hands.



Data Encryption

Transferring sensitive data across platforms can pose great risk. Most companies and HCM providers encrypt their data in transit to thwart data breach attempts, but sensitive data could still be compromised while at rest on computer servers. Paycor has a defense-in-depth encryption model including database, disk and field-level encryption to protect information.



Data Loss Prevention

Integrated data loss prevention capabilities work to detect and prevent the inappropriate movement of data within our ecosystem.



Disaster Recovery Capabilities

Documented and tested Disaster Recovery capabilities support quick restoration of services to our clients under circumstances of technological disaster to data centers.

PRODUCT SECURITY FEATURES

We are committed to ensuring that our industry-leading products are highly secure and contain the right features to enable our clients to configure security components to meet their risk appetite.



Security Code Scanning

Automated security code scanning is integrated into our deployment pipeline, ensuring a highly secure code base that provides our products to clients.



Auditing and Data Masking

In-built auditing and data masking capabilities work to ensure visibility to platform use and provides security controls for sensitive data elements.



Fraud Detection Capabilities

Algorithms integrated into our products actively work to detect potentially fraudulent activity.



Multi-Factor Authentication

Multi-factor authentication to Paycor's platform is offered at no charge to all users, helping our clients further protect the security of their accounts through defense-in-depth controls.



IP Blocking

Paycor's suite of products support the ability to explicitly dictate permissible IP addresses for their users when accessing our products.



Single Sign-On Support

Paycor's suite supports industry-standard Single Sign-On capabilities, enabling our clients to leverage their secured infrastructure when authenticating to our products.



CUSTOMER PRIVACY

Privacy is a priority for Paycor, whether you are a client or just visiting our website. We have a publicly available [Privacy Policy](#) and [Cookie Policy](#) that describe the information we collect, store, and process. We do not sell, rent, loan, transfer, or otherwise disclose any Personal Information to third parties except as set forth in our Privacy Policy, with our clients' consent, or as otherwise disclosed at the time of Personal Information collection. We use reasonable care to protect data from unauthorized use, disclosure, alteration, and destruction. We do not operate in any country where our products or services are subject to any form of government-required monitoring or censoring and we do not grant access to personal information except when required by law.

Paycor has processes in place to comply with applicable local, state, and federal requirements regarding data protection, including data retention and incident notification. These processes include comprehensive security procedures that are systematically evaluated and revised as appropriate to reflect regulatory developments. Our security controls include encryption, regularly reviewing, updating, and testing recovery plans as well as using advanced monitoring technologies through our applications and infrastructure.

We support our clients' privacy obligations and have aligned our policies, practices, and procedures with applicable international, federal, and state compliance requirements, including the General Data Protection Regulation ("GDPR"). Moreover, Paycor continuously monitors the regulatory landscape to stay abreast of any new or pending regulations that may impact our clients.

ENTERPRISE RISK MANAGEMENT

Paycor has an enterprise-wide approach to risk management designed to support the achievement of organizational objectives, improve long-term organizational performance and enhance stockholder value. The Board of Directors has overall responsibility for risk oversight, and management provides the Board of Directors periodic reports on our compliance programs, including data privacy. While the full Board of Directors is committed to the prevention, timely detection, and mitigation of the effects of cybersecurity threats or incidents to the Company, it has delegated oversight of certain risks to its committees, including, but not limited to, financial and security risks, compliance risks, and corporate governance risks, as appropriate given the applicable level of risk tolerance. This approach informs the organization's prioritization of risks and the controls designed to mitigate them. As part of this approach, Paycor also has a Disaster Recovery & Business Continuity strategy and Third-Party Risk Management ("TPRM") procedures. Paycor's TPRM program works to ensure that the organizations we partner with for material services have a level of Information Security and Operations maturity commensurate with the services to which they are entrusted. All new third-party relationships undergo the TPRM processes when the relationship is established. Material vendors undergo annual re-assessments to ensure they are maintaining the appropriate processes.

BUSINESS CONTINUITY

Paycor has a robust Business Continuity Policy and Plan in place with dedicated staff focused on inventorying critical processes, technologies and people. Business Impact Analyses, which identify potential business continuity risks to Paycor, are performed on an ongoing basis to understand process criticality, helping drive restoration prioritization as well as identifying key areas where workarounds during a continuity event may be required. We also have an Incident Response plan aligned to the National Institute of Standards and Technology (NIST) guidelines. We have tested disaster recovery processes and technologies and regularly conduct tabletop business continuity exercises.

Paycor has a Business Continuity Program that describes the identification, monitoring, and escalation procedures necessary to address material business or operational issues in the case of a crisis. This program is supported by our Business Continuity Plans and insurance. For example, the Distribution Business Continuity Plan aims to address material supply chain risks and includes specific provisions for the loss of key vendors that affect the physical delivery of client documents and Paycor's insurance covers commercial losses resulting from the loss of a third-party cyber partner and from property damage.



Social

ASSOCIATES

CULTURE AND ASSOCIATE EXPERIENCE

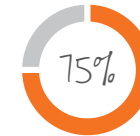
People are at the heart of everything we do. At Paycor, our culture is built on 30 years of valuing the power of relationships. Our culture is driven by performance, community service, and professional and personal growth. We encourage associates to have a strong, active voice in shaping our work environment, and in problem solving for customers. We focus on upskilling and developing our associates, fostering inclusive leadership at every level, and providing meaningful professional experiences in a virtual-first work environment.

As a human capital management company, we know first-hand how important leaders and culture are in driving business performance and employee engagement. Paycor was recognized as a Top Workplace USA in 2022 and 2021 by Energage. In October 2021, we were also recognized as a Top Workplace for DE&I Practices by Energage, the results of which have not yet been released for 2022.

An internal pulse survey, which gathered feedback from 70% of our team in May 2022, found that:



74% of associates would highly recommend working at Paycor to others



75% of associates believe Paycor motivates them to give their best work



Within our HCM platform, Paycor associates recognized colleagues for demonstrating our guiding principles over 13,000 times during fiscal 2022.



 **PEOPLE rewards**

BENEFITS THAT DRIVE ASSOCIATE ENGAGEMENT & WELLBEING

Paycor strives to provide best-in-class benefits, performance rewards, and career development opportunities to attract and retain top talent. Paycor recently expanded benefit options to include domestic partner coverage. In an effort to further invest in our associates, bolster associate engagement and align our associates' interests with shareholders' objectives, Paycor provides a one-time, new hire equity grant to all eligible associates that vests over time. We recently added Juneteenth as a permanent company holiday as well as a flexible day of associates' choosing.



Health & Wellness

We offer 3 medical plans, including a \$0 cost option. Associates have 24/7 access to an Employee Assistance Program (EAP) for confidential emotional support, free counseling, mental health resources, and legal and financial guidance.



Wellbeing

Our Thrive Account contributes annual funds to a personalized virtual wallet for associates to spend on wellness activities. We also offer free programs for weight loss and diabetes management.



Family Support

Paycor's Paid Parental Leave, Maternity, Infertility Support and Adoption Assistance programs are at the forefront of family-friendly benefits in our industry.



401k

We match \$0.65 for every dollar contributed up to 6% of eligible pay. 94% of Paycor associates are saving for their future through our 401(k) with an average contribution rate of 7%.



Paycor Stock

Associates can purchase Paycor stock at a 15% discount through our Employee Stock Purchase Plan (ESPP). Over 60% of associates participate in the ESPP. In addition, every eligible associate will receive an equity award that vests over time.



Vacation and Flexibility

Paycor encourages associates to take time off to relax and recharge. Everyone gets paid time off, based on seniority. And as a virtual-first company, most managers can offer flextime to their teams.



Enterprise Learning

LEARNING AND DEVELOPMENT

As a SaaS company, Paycor offers its associates access to technical skilling through integrated partnerships with Microsoft, Amazon, and other technical content platforms. In addition, classes, speakers, panel events, and programs are easily accessible for any associate pursuing upskilling in professional or leadership competencies. Immersive experiences are offered that support targeted focus areas, such as physical, mental and financial well-being. In addition, specific demographics are supported through programs designed for women, veterans, people within minority or protected status, and people actively transitioning into new careers.

The Enterprise Learning team also supports Day 1 orientation, rigorous compliance governance, and one-on-one performance consulting for custom projects or associates who wish to have more support in planning their professional development. Tuition, certification and conference reimbursement are available pursuant to the enterprise strategy for delivering a comprehensive ecosystem where employees develop their skills, personal and professional wellness, and industry expertise during their experience at Paycor.

With an average participation of 15% of the Paycor population engaged in programs each month, and over 100 classes offered throughout a calendar year, the resources available to associates are purposefully planned to engage, enrich, and deliver results associates can carry with them through their careers.

DIVERSITY, EQUITY & INCLUSION

Diversity, equity and inclusion (“DE&I”) is a priority at Paycor and we strive to create a culture of inclusion and belonging for all. For us, that means committing to strategic education, transparency, equity & equality, and purpose for the work.

DE&I STRATEGY

Paycor established a formal [Diversity, Equity & Inclusion Policy](#) in August 2021, which was expanded upon in September 2022. In fiscal 2021, we hired a leader of DE&I to create and execute a strategic plan for DE&I, and our CEO signed the CEO Action Pledge for Diversity & Inclusion™, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.

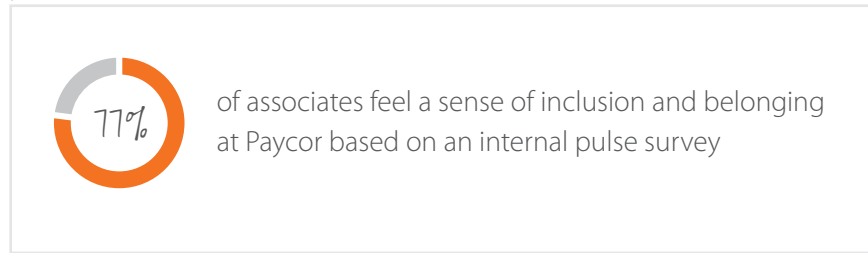
Our DE&I strategy is guided by four pillars that outline the foundation of our action steps as they relate to the goals of the entire organization.





We established enterprise-wide goals to increase the inclusion and belonging of, and the number of associates and leaders from underrepresented groups and plan to continue to evolve these goals over time to improve representation. In developing these goals, we conducted an internal needs assessment and concluded that our opportunities are to focus on educating associates, clients and partners, providing transparency to our stakeholders, and recruiting, retaining and promoting diverse leadership and perspectives across the Company.

We work to create a culture that supports and embraces the rich mosaic of diversity in our associates, customers, and partners. We are passionate about encouraging individuality and authenticity. We regularly review our workforce's compensation to help ensure everyone is paid equally for equal work and address any unexplained gaps. We have incorporated our DE&I strategy and learning into associate onboarding and leader training as our associates play a key role in fostering a culture of inclusion.



EMPLOYEE RESOURCE GROUPS

Additionally, our commitment to DE&I is reflected through our six thriving Employee Resource Groups ("ERGs"), which include Colorful Connections, PRISM (Pride, Raising Awareness, Involvement, Support and Mentoring Alliance), VALOR (Veterans & Loved Ones Resource), Women's Inspiration Network (WIN), Young Professionals and Mental Health Awareness Project. We believe our ERGs create a community of inclusion and belonging and create a safe space for learning and dialogue around the celebrations and challenges that diverse communities face. Each ERG has an executive sponsor and is supported by our DE&I team and senior leaders across the Company.

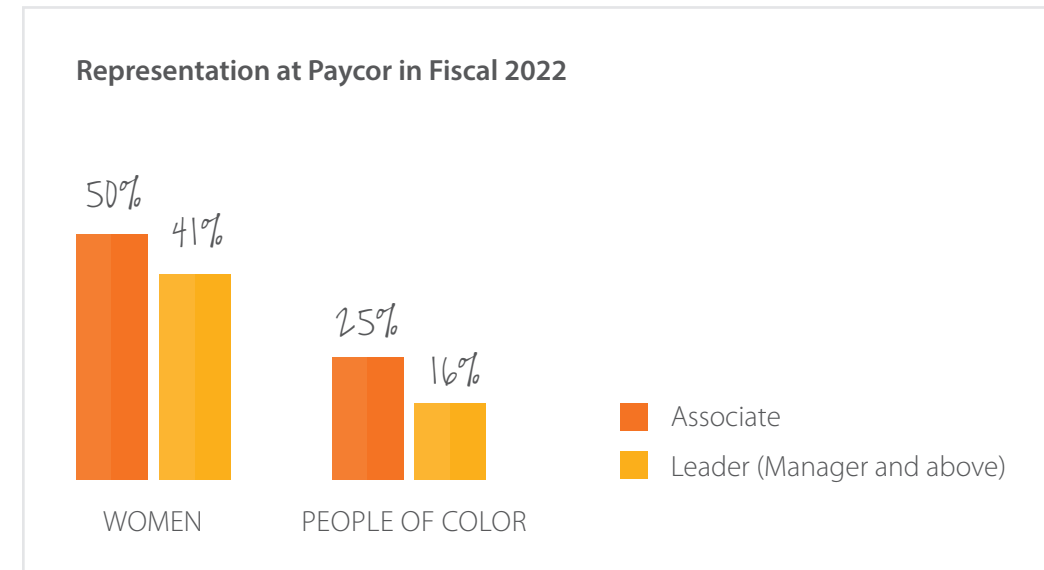




Approximately 6% of our associates self-identified as LGBTQ+ in fiscal 2022.

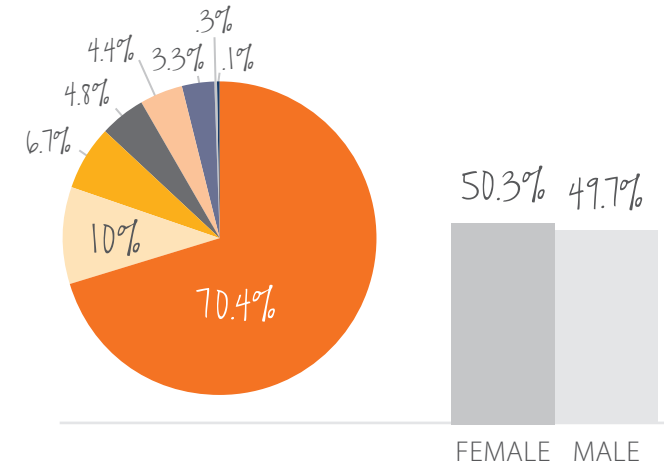
PAYCOR DIVERSITY

As of June 30, 2022, we had approximately 2,300 associates, nearly all of whom are full-time, with the majority working virtually. Approximately 3% of our associates reside internationally.

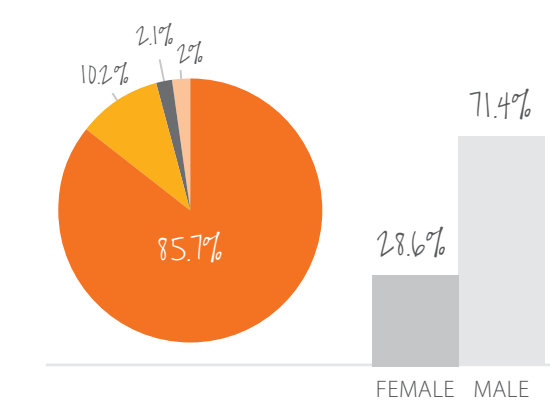


Associate Demographics

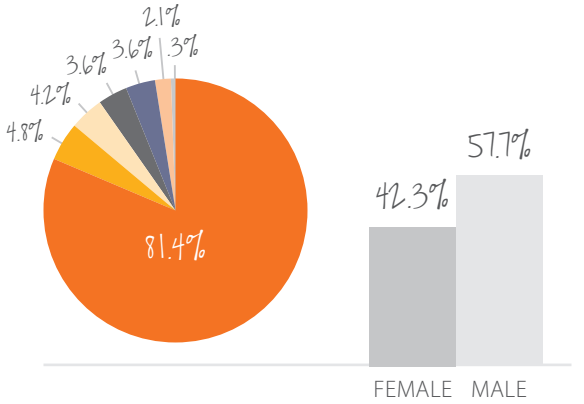
All Associates



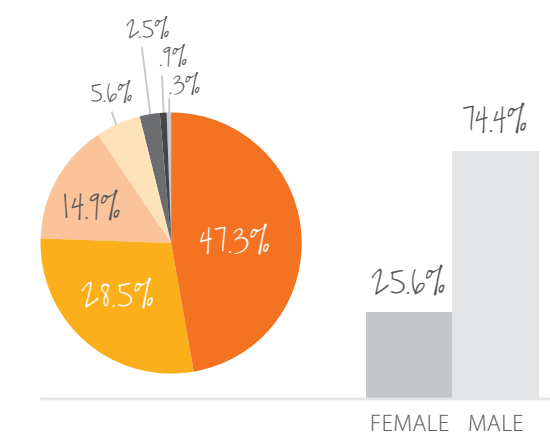
Executive/Senior Level Officials and Managers



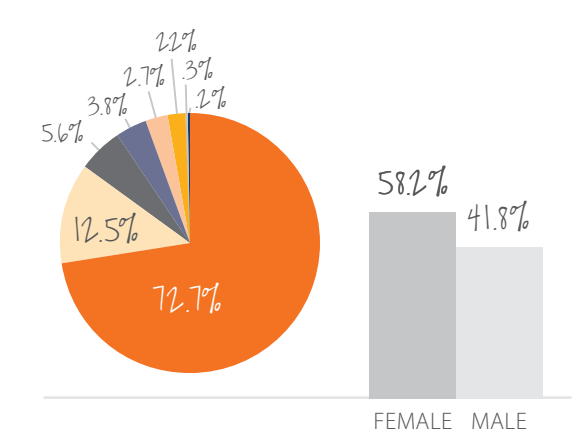
First/Mid Level Officials and Managers



Technical Staff



Other Employees





SUPPLIER DIVERSITY

As outlined in our [Supplier Conduct Guidelines](#), we are committed to the development and growth of a strong and diverse supplier network. Paycor promotes and expects Suppliers to be active in the inclusion of goods and services provided by minority, women, small disadvantaged, HUBZone (Historically Underutilized Business Zones) and service-disabled veteran-owned businesses in its own procurement processes. Paycor encourages Suppliers to share our core value of diversity by establishing and supporting their own diversity programs.

CLIENTS

With more than 2.3 million employees on our platform in all 50 states, we recognize the role we play in helping small and medium-sized businesses manage talent, promote health, foster diversity and inclusion, and support professional development.

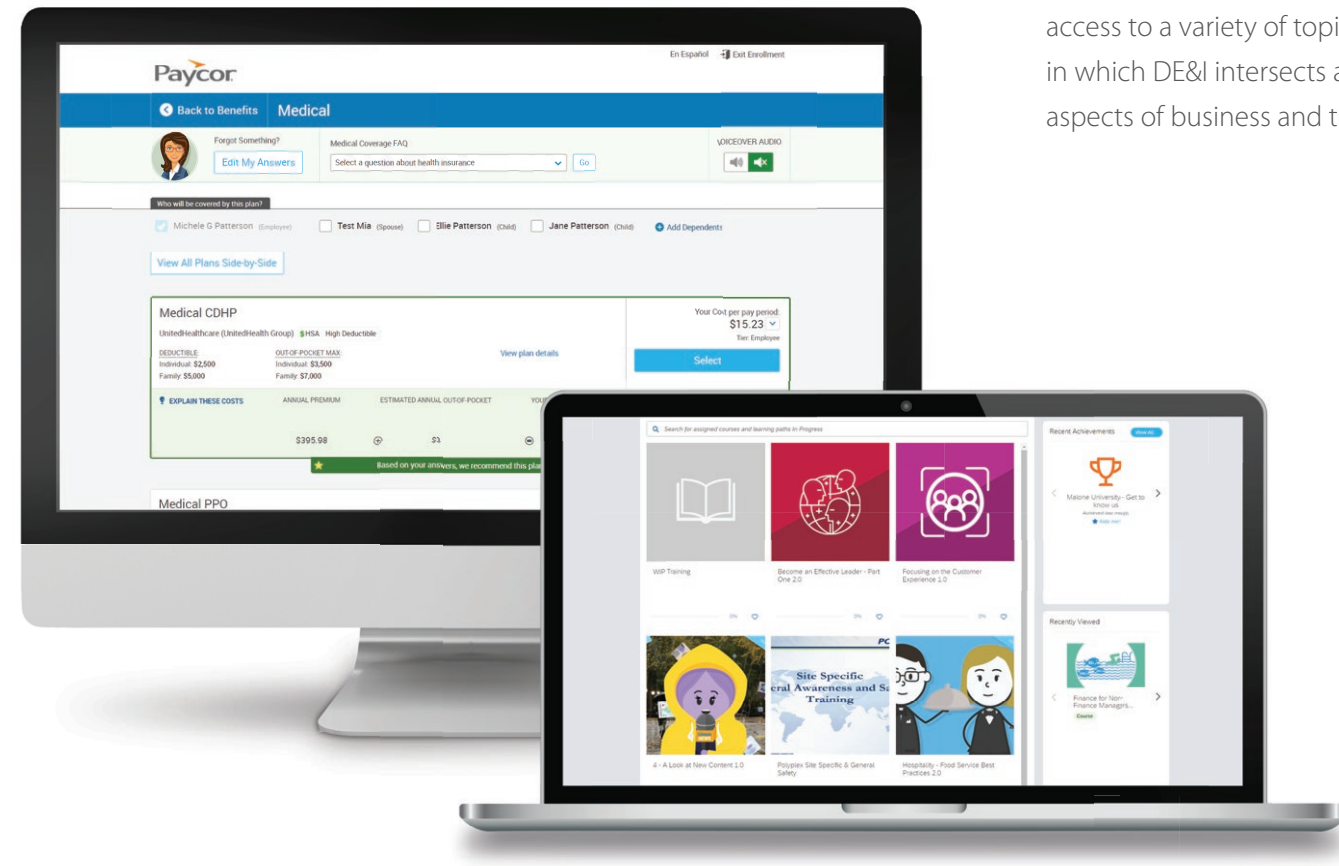
TALENT MANAGEMENT

Given the disproportionate impact direct managers have on employee engagement and retention, we enabled HR leaders to automate the talent process so front-line leaders can directly access insights and tools to optimally coach and develop their associates. We are seeing increasing engagement with these tools as the number of performance reviews completed annually increased by more than 100% and recognitions given annually increased by more than 50% on our platform year-over-year.



HEALTH

Benefit Advisor Pro is designed to reduce administrative burden so that employers can focus on putting together meaningful, affordable health insurance packages and making the enrollment experience simple to understand for employees (with tools like Ask Emma). This helps employees choose the best benefit plans for their healthcare needs.

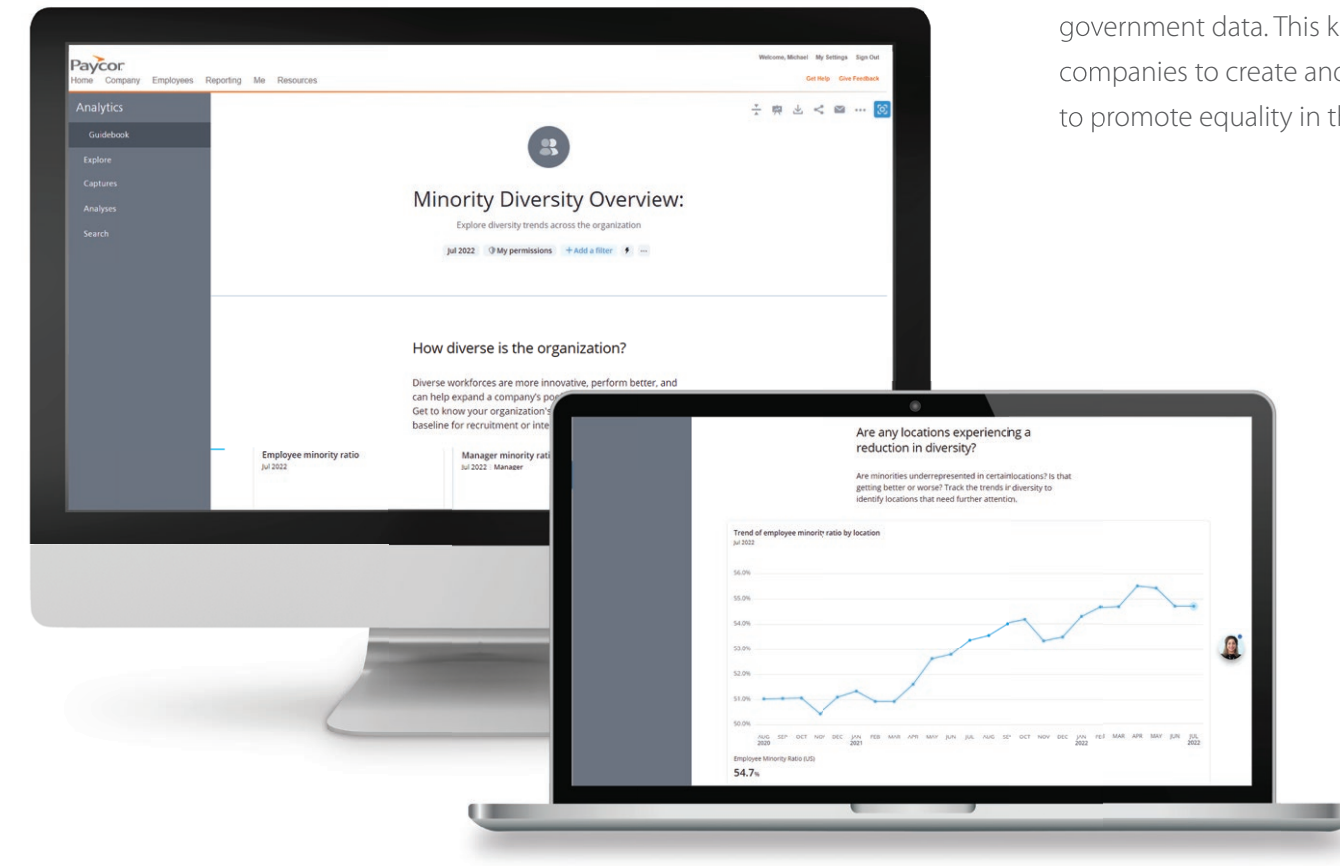


EDUCATION

Paycor Learning provides opportunities for clients to engage in live webinars and obtain other resources through the HR Center of Excellence. We provide access to a variety of topics including the many ways in which DE&I intersects and overlaps with the various aspects of business and the workforce community.

EQUALITY

Paycor Analytics has a system-delivered DE&I analytics guidebook that provides leaders insight into the makeup of staff by age, gender, and ethnicity. Companies can benchmark their diversity data against nearly 30,000 other Paycor customers, as well as government data. This knowledge empowers companies to create and maintain programs to promote equality in their workplaces.





COMMUNITY

COMMUNITY GIVING

Giving back is in our DNA. We give back to the communities in which we live and work. We empower our associates to make a difference in a way that we believe is meaningful to them. To date, we've raised approximately \$2.3 million and donated more than 60,000 volunteer hours to over 1,900 philanthropic events.

PAYCOR IT FORWARD

We dedicate several days each year for Paycor It Forward, which provides everyone in our company with the opportunity to put the power of Paycor behind a cause they believe in.

COMMUNITY PARTNERS

Our Community Partners program is a grassroots organization funded by associates who choose to give their own time and resources to serve.



COMMUNITY IMPACT FUND

The Paycor Community Impact Fund ("PCIF") is a 501(c)(3) charitable investment account that provides project grants to philanthropic organizations associates care about nationwide. PCIF established a goal in 2021 to ensure at least 25% of funds are allocated to organizations that are minority-led or serving marginalized communities.

We proudly support organizations that:



Improve education and workforce readiness



Stimulate a healthy environment and conservation



Promote inclusion and independence for people with disabilities



Encourage health and provide human services



Enable the arts and culture

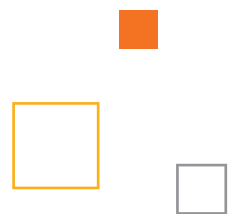




Environment

ENERGY & EMISSIONS

Paycor is committed to responsible use of natural resources and reducing our consumption where practical. For example, we have made a commitment to purchase only ENERGY STAR certified IT assets to conserve energy. We also leverage virtual desktop infrastructure (VDI) and virtualization where possible to increase device flexibility, resulting in reduced computer hardware purchasing, shipping and waste while increasing security and optimizing power consumption. In addition, we have several company-wide green initiatives to reduce consumption of energy, water and waste and to recycle.

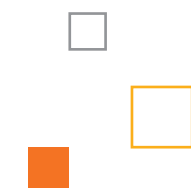


VIRTUAL FIRST

Our virtual first approach of working remotely limits our office footprint and associate commuting. The vast majority of our associates worked remotely during fiscal 2022. In the last year, we consolidated over half of our facilities, going from 18 down to 8. Current efforts to reduce emissions include plans to consolidate another three offices over time, ultimately retaining our Cincinnati headquarters, Serbian office, two U.S. collocated data centers, and a second distribution facility in Texas to provide faster, more cost-effective options for our customers as we expand West. We have also invested in remote technologies that reduce the need for business travel.

SUSTAINABLE PROCUREMENT

As part of our [Supplier Conduct Guidelines](#), we seek to engage partners who share our sustainability goals. Paycor expects Suppliers to apply sustainable practices and consider the environmental impacts of their operations, including attempting to eliminate wasteful practices, increase energy efficiency, and consider end-of-life recycling alternatives where practicable.

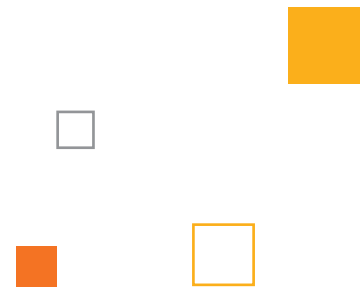




DATA CENTERS

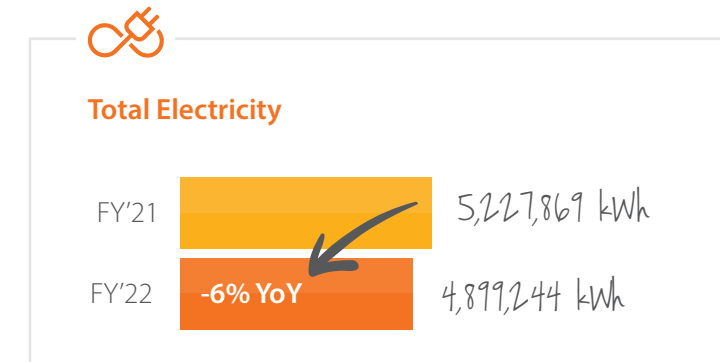
Paycor outsources data center management to industry-leading providers to capitalize on efficiencies and economies of scale. The company leases space from two fully redundant collocated Tier 1 data centers strategically located in Illinois and Ohio. Both data centers are located in areas of low regional water stress, and the Illinois data center uses a closed-loop cooling system that doesn't consume any water to cool the facility.

We are opportunistically migrating from on-premise collocated data centers to cloud-hosted facilities to increase efficiency and security, reduce environmental impact, and lower energy use. Cloud services are hosted by Microsoft Azure and Amazon Web Services, which have committed to 100% renewable energy by 2025.



ENERGY USAGE

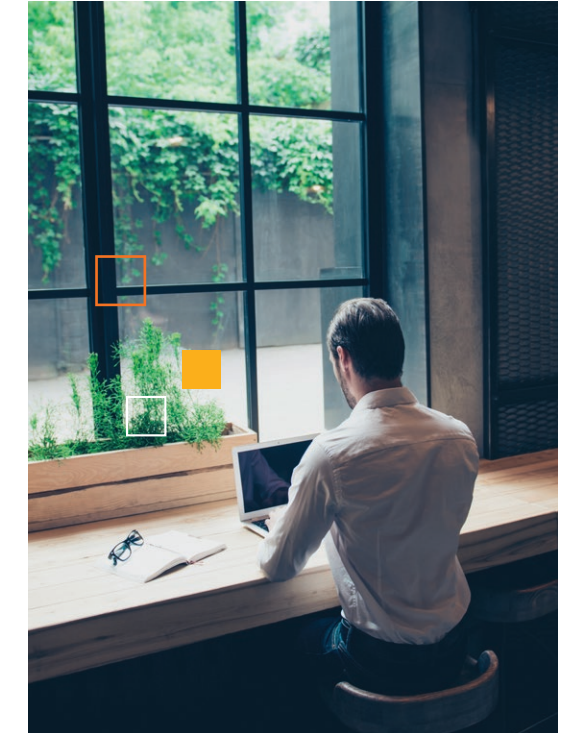
The majority of our direct greenhouse gas ("GHG") emissions are driven by purchased electricity usage in our 8 facilities. Company-specific data was available in one of our two collocated data centers, which was used to estimate the second based on square footage from the same vendor.



We are working on reducing our energy consumption at our headquarters by utilizing:

- motion-activated lighting control systems;
- HVAC system with energy recovery; and
- increased building insulation and roofing and window materials that reflect heat.

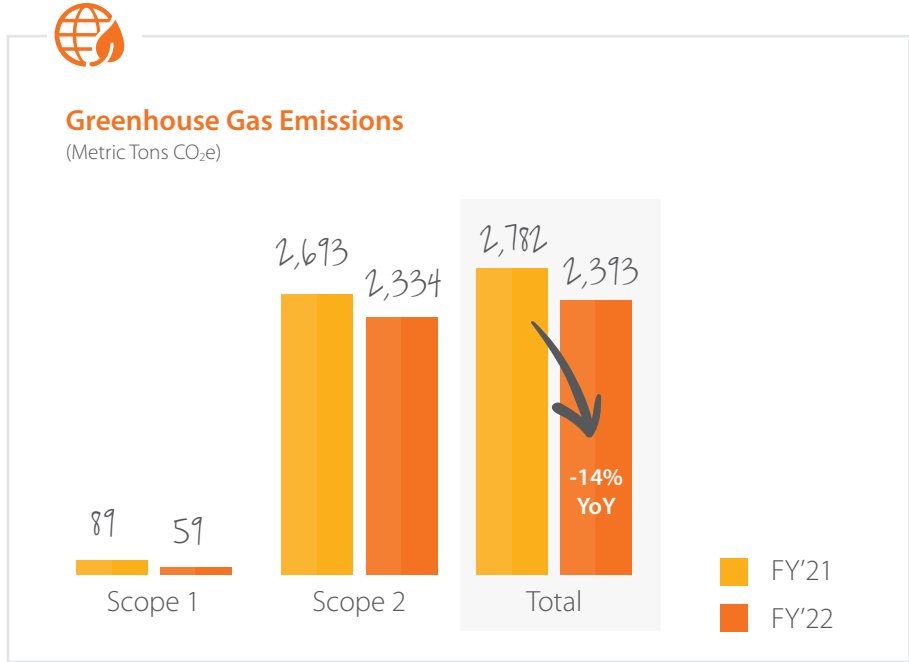
In addition, all laptop and desktop computers we purchase are ENERGY STAR certified to further conserve energy.





EMISSIONS

The majority of our direct GHG emissions stem from purchased electricity consumption in our facilities consisting of offices and data centers. Fiscal 2022 Scope 1 and 2 emissions dropped 14% year-over-year primarily due to consolidation of our facilities as well as decreased energy usage at our facilities. We commissioned an external third party to assist in calculating our GHG emissions.



Paycor follows the Greenhouse Gas Protocol Initiative to define and calculate its GHG emissions. Scope 1, "Direct Emissions," represent emissions from combustible fuels and other sources that occur directly on sites (e.g., burning of natural gas for heating) and mobile emissions sources, including onsite or company owned vehicles and corporate jet emissions. Scope 2, "Indirect Emissions," represent emissions that occur off-site to produce electricity or steam purchased for use at corporate locations. Paycor is reporting Scope 2 emissions using the location-based method only.


WATER & WASTE MANAGEMENT

We reduce waste by recycling paper, cardboard, bottles and cans, and end-of-life IT equipment.

To continuously improve, we have several green initiatives. For example, in 2022, we introduced cloud-based Print by Agency (PBA) functionality, which enables Paycor associates to print only the required documents for tax agency filings, rather than every client's complete tax package. This will reduce the amount of printed paper forms by about 70%, saving approximately 11 tons of paper on an annualized basis. We also adopted the SEC's "Notice and Access" rule, sending a one-page notice that proxy materials are available electronically instead of printing and mailing a proxy card, annual report and proxy statement.

For fiscal 2023 and beyond, we are encouraging clients to use digital instead of printed forms to reduce paper and shipping waste and increase the speed by which their employees receive tax forms. We are building toolkits to help clients drive the adoption of electronic W-2s for easy upload and faster delivery. Fiscal 2023 will be the first year the Affordable Care Act forms are available digitally, and we were fast to market with the ability for our customers' employees to consent to digital forms via the platform and mobile app.

In addition, our Cincinnati headquarters employs modern, low flow plumbing fixtures to conserve water.

In fiscal 2022, Paycor recycled over 1,000 devices and over 7,000 pounds of assorted equipment.

SASB INDEX

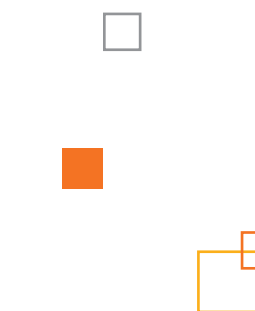
The following SASB Index maps our disclosures to certain SASB indicators for the “IT & Software Services” industry.

TOPIC	ACCOUNTING METRIC	CODE	RESPONSE
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable Quantitative Gigajoules (GJ), Percentage (%)	TC-SI-130a.1	Please refer to the Environment: Energy & Emissions section of this report. Collocated data centers were unable to provide the percentage of grid electricity and the percentage of renewable energy.
	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-SI-130a.2	Collocated data centers do not have the ability to measure water consumption on a client-level. However, both facilities are located in areas of low regional water stress.
	Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	Please refer to the Environment: Energy & Emissions section of this report.
Data Privacy & Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Please refer to the Customer Privacy section of this report as well as our Privacy Policy and Cookie Policy . We do not sell, rent, loan, transfer, or otherwise disclose any Personal Information to third parties except as set forth in our Privacy Policy, with our clients' consent, or as otherwise disclosed at the time of Personal Information collection.
	Total amount of monetary losses as a result of legal proceedings associated with user privacy	TC-SI-220a.3	Paycor had no material losses associated with user privacy legal proceedings during fiscal 2022. If and when we have material losses, they will be reported in our Annual Report on Form 10-K.
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	TC-SI-220a.5	We do not operate in any country where our products or services are subject to any form of government-required monitoring or censoring.
Data Security	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-SI-230a.2	Please refer to the Data Security section of this report.
Recruiting & Managing a Global, Diverse & Skilled Workforce	Percentage of employees that are (1) foreign nationals and (2) located offshore	TC-SI-330a.1	Please refer to the Associate section of this report.
	Employee engagement as a percentage	TC-SI-330a.2	Please refer to the Associate section of this report.
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.3	Please refer to the Associate section of this report.
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulation	TC-SI-520a.1	Paycor had no material losses related to anti-competitive behavior regulations during fiscal 2022. If and when we have material losses, they will be reported in our Annual Report on Form 10-K.
Managing Systemic Risks from Technology Disruptions	Description of business continuity risks related to disruptions of operations	TC-SI-550a.2	Please refer to the Data Governance section and our Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

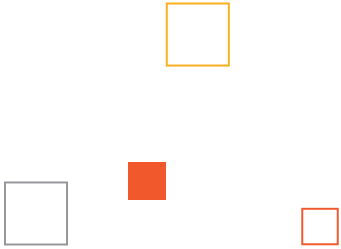
This ESG Report (this “Report”) contains certain forward-looking statements with respect to, among other things, its ESG goals, commitments, incentives and initiatives. The inclusion of these forward-looking statements should not be regarded as representations by the Company, or any other person, that the future goals, commitments, strategies or initiatives set by the Company will be achieved. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those set forth in our Annual Report on Form 10-K filed with the SEC on August 24, 2022 and accordingly, there are, or will be, important factors that cause our actual results to differ materially from those indicated in these statements, and there is no assurance that the Company will realize any of its ESG goals, commitments, incentives and initiatives or that they will result in the consequences or affect the Company in the way it expects. The Company undertakes no obligation to update or revise any forward-looking statements as a result of new information, future events, or otherwise, except as required by law.

Terms such as “ESG,” “impact” and “sustainability” can be subjective in nature, and may not reflect the beliefs or values, policies, principles, frameworks or preferred practices of any particular stakeholder, third-party or broader market or industry trends. Any ESG goals, commitments, strategies and initiatives outlined in this Report are, unless explicitly stated otherwise in this Report, purely voluntary, and are not binding on our business and/or management. Statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards.



In this Report, we are not using the terms “material” or “materiality” as they are used or defined under the securities or other laws of the U.S. or any other jurisdiction, or as they are used in the context of financial statements and financial reporting. These terms are used within this Report to describe issues relating to ESG goals, commitments, strategies and initiatives that we consider to be important in terms of stakeholder interest and their potential business impact. Materiality, for the purposes of this Report, should not, therefore, be read as equating to any use of the word in the Company’s financial statements or any other filings with the SEC or otherwise.

No part of this Report shall be taken to constitute an offer or solicitation to invest in the Company.



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