


PAYPAL HOLDINGS INC

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| MEETING DATE | Wed, 25 May 2016 8:00 am | TYPE | AGM | ISSUE DATE | Mon, 16 May 2016 |
| MEETING LOCATION | Online via webcast pypl.onlineshareholdermeeting.com | | | |  |
| CURRENT INDICES | S&P500 | | | | |
| SECTOR | Business services, not elsewhere classified | | | | |

| PROPOSALS | | ADVICE |
|--|---|----------------|
| 1a Elect Wences Casares | Newly appointed Independent Non-Executive Director. He is newly appointed and his appointment did not improve the gender balance on the board which Triodos does not support. | Oppose |
| 1b Elect Jonathan Christodoro | Independent Non-Executive Director. There are concerns over his aggregate time commitments. | Abstain |
| 1c Elect John J. Donahoe | Executive Chairman. It is a generally accepted norm of good practice that the Chairman of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this and a vote to Oppose is recommended. | Oppose |
| 1d Elect David W. Dorman | Independent Non-Executive Director. | For |
| 1e Elect Gail J. McGovern | Independent Non-Executive Director. She is chair of the Nomination committee and less than 20% of the Board are women which Triodos does not support. | Oppose |
| 1f Elect David M. Moffett | Lead Director. Not considered independent as he has served on the Board and its predecessor for more than nine years. There is sufficient independent representation on the Board. | For |
| 1g Elect Pierre M. Omidyar | Non-Executive Director. Not considered independent as he has served on the Board and its predecessor. There is sufficient independent representation on the Board. | For |
| 1h Elect Daniel H. Schulman | President and Chief Executive Officer. | For |
| 1i Elect Frank D. Yeary | Independent Non-Executive Director. | For |
| 2 Advisory Vote on Executive Compensation | The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: BDC. Stock options vest 25% on the first anniversary and 1/48 each month thereafter subject to continued employment. RSUs vest in four equal installments on the first, second, third and fourth anniversaries of the grant date. There are concerns over the Compensation Committee's wide area of discretion when making awards. In September 2015, the Committee determined to award Mr. Dupuis a supplemental bonus payment equal to \$525,000. Based on these concerns, Triodos does not support this resolution. | Oppose |

3 Say When on Pay

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The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually, a one year frequency is therefore recommended.

4 Approve the amendment and restatement of the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan

Oppose

The Company has put forward a resolution requesting shareholders to approve the amendment and restatement of the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan (Amended Plan). The Amended Plan permits the Company to grant incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock units, performance-bonus or performance-based awards. The aggregate number of shares of common stock that may be issued or transferred pursuant to awards granted under the Amended Plan is 108,000,000. As of April 4, 2016, approximately 17,600 of the Company's employees, nine executive officers, eight non-employee directors and no consultants were eligible to participate in the 2015 Plan. The Amended Plan is administered by the Compensation Committee which has the power to determine eligibility, the types and sizes of awards, the price and timing of awards, the acceleration or waiver of any vesting restriction, and the authority to delegate such administrative responsibilities. Pursuant to the Amended Plan, the maximum number of shares of our common stock that may be subject to one or more awards granted to any one participant pursuant to the Amended Plan during any calendar year is 2,000,000 shares, and the maximum amount that may be paid in cash to a "covered employee" during any calendar year with respect to any performance-based award is \$3 million. Also, the maximum value of awards granted to non-employee directors pursuant to the Amended Plan during any fiscal year is \$600,000.

As performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. Also, the maximum bonus payment is considered excessive. As a result, Triodos opposes this resolution.

5 Approve the amendment and restatement of the PayPal Employee Incentive Plan

Oppose

The Company has put forward a resolution requesting shareholders to approve the amendment and restatement of the PayPal Employee Incentive Plan (Amended EIP). As of April 4, 2016, approximately 10,000 employees are currently eligible to participate in the EIP. The Amended EIP is administered by the Compensation Committee has the power to determine the performance period for measuring actual performance and establish for each performance period the performance measures based on business criteria and target levels of performance. Pursuant to the Amended EIP, no participant may receive an award of more than \$8,000,000 in any calendar year.

The Plan allows the administrator too much discretion to determine the term of awards. Also, the \$8,000,000 limit is considered excessive. Triodos opposes this resolution.

6 Appoint the Auditors

Oppose

PwC LLP proposed. Non-audit fees represented 9.7% of audit fees during the year under review. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. PwC has served as the Company's independent auditor since the completion of the Separation from eBay in July 2015, and has served as eBay's independent auditor since 1996. On this basis, Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: a market best practice level of disclosure; a poor balance for rewards; and an average approach to contracts with executives.

Disclosure: B- Annual cash incentives are based on FX-neutral revenue and non-GAAP net income. Payouts are subject to individual performance adjustments. The Company granted long-term incentives in the form of Performance-Based Restricted Stock Units (PBRsUs) (50%), Restricted Stock Units (RSUs) (30%) and stock options (20%). Award payouts for the 2015-2016 PBRsUs will be determined based on performance against approved targets for FX-Neutral Revenue, non-GAAP operating margin dollars and Return on Invested Capital (ROIC). The Company has disclosed the financial targets for its short-term and long-term incentives and has provided information with respect to individual performance factors.

Balance: D- For fiscal 2015, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2015 was \$2,374,615, representing 251% of his base salary (200% maximum is considered as acceptable practice). Also, maximum long-term award opportunities are not limited to 200% of base salary. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance. Stock options vest 25% on the first anniversary and 1/48 each month thereafter subject to continued employment. RSUs vest in four equal installments on the first, second, third and fourth anniversaries of the grant date. There are concerns over the Compensation Committee's wide area of discretion when making awards. In September 2015, the Committee determined to award Mr. Dupuis a supplemental bonus payment equal to \$525,000.

Contract: C- The Company has a compensation claw back policy. Good reason is not defined.

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