Triodos Investment Management

PAYPAL HOLDINGS INC

MEETING DATE	Wed, 24 May 2017 8:00 am	TYPE	AGM	ISSUE DATE	Thu, 11 May 2017
MEETING LOCATION	pypl.onlineshareholdermeeting.com				
CURRENT INDICES	S&P500				
SECTOR	Business services, not elsewhere classified				

	PROPOSALS	ADVICE
1a	**Re-elect Wences Casares** Independent Non-Executive Director.	**For**
1b	**Re-elect Jonathan Christodoro** Independent Non-Executive Director.	**For**
1c	**Re-elect John J. Donahoe** Non-Executive Chairman. Not independent as he served as CEO of eBay Inc., PayPal's former parent company, from July 2008 until the divestiture of Paypal as an independent company in July 2015. However, there is sufficient independent representation on the Board.	**For**
1d	**Re-elect David W. Dorman** Independent Non-Executive Director.	**For**
1e	**Elect Belinda J. Johnson** Independent Non-Executive Director.	**For**
1f	**Re-elect Gail J. McGovern** Independent Non-Executive Director.	**For**
1g	**Re-elect David M. Moffett** Independent Lead Director.	**For**
1h	**Re-elect Daniel H. Schulman** Chief Executive Officer.	**For**
1i	**Re-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 Company has achieved a below average balance for rewards. Rewarded CEO pay was not aligned to peer group averages, as well as above the average of companies of a similar market capitalisation. The annual bonus and the long-term incentive are excessive and not in line with best practice, which considers that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term). PRSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, RSUs have no performance conditions, and vest in three equal instalments beginning on the first anniversary of the grant, which is not considered best practice as it does not link pay with company performance. The Company has a compensation clawback policy in place. However, upon termination, cash severance is more than 300% of base salary, which is excessive. The compensation rating is: CDC. Based on this rating, Triodos opposes this resolution.	**Oppose**

3 Amend Articles: Proxy Access **For**

The Board requests Shareholder approval of amendment to the current "proxy access" by-law. The Board has evaluated the governance practices and stockholder rights and transparent policies that enhance investor and public trust. As a result, the Board is proposing to refine the approach to proxy access by increasing the number of stockholders who may, for proxy access purposes, aggregate their holdings to reach the 3% minimum ownership requirement from 15 to 20.

The amendment is considered acceptable, and will further move the Company's existing proxy access bylaw in line with the market standard. Furthermore, the nomination of new Board members would facilitate greater independence in the oversight of the Company. Support is therefore recommended.

4 Appoint the Auditors **For**

PwC proposed. Non-audit fees represented 14.68% of audit fees during the year under review and 12.44% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

5 Shareholder Resolution: Written Consent **Oppose**

Proposed by: James McRitchie and Myra K. Young.

The Proponent requests the Board of Directors to undertake necessary steps to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorise the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law. The Proponent argues that taking action by written consent in lieu of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. A shareholder right to act by written consent and to call a special meeting are two complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. Taking action by written consent saves the expense of holding a special shareholder meeting.

Boards Opposing Argument: The Board argues that the proposal is contrary to the best interests of shareholders. The Board states that its current practices are designed to ensure that notice and the ability to be heard occur prior to shareholder votes, which enables a meaningful discourse before key decisions are made. The Board recommends shareholders oppose and argues that currently, shareholders of 20% of common stock have the right to call a special meeting which is an appropriate threshold, particularly when viewed together with the Company's robust corporate governance practices. The Board argues that adoption of the proposal could allow a relatively small minority of shareholders with narrow interests to call an unlimited number of special meetings to consider matters that may not be in the best interests of all of shareholders. Finally, the Board argues that its active engagement with shareholders and strong corporate governance practices make the proposal unnecessary.

6 **Shareholder Resolution: Report on Sustainability** **For**

Proposed by: The Comptroller of the State of New York, Thomas P. DiNapoli, trustee of the New York State Common Retirement Fund.

The Proponent asks for the Board to require the Company to prepare an annual, independently-verified stand-alone sustainability report describing the Company's responses to environmental, social and governance (ESG) issues. The report should be prepared at a reasonable cost, omit proprietary information, and be made available to shareholders by December 2017. The Proponent asks for the preparation of a report, updated annually, that discloses the Company's relevant policies, practices, metrics and goals on topics such as: greenhouse gas emissions, water management, waste minimization, energy efficiency, and other relevant environmental and social impacts. The report should include objective quantitative indicators and goals related to each issue, where feasible.

Proponent's Supporting Argument: The Proponent states that managing ESG issues and reporting on such efforts make companies more responsive to the global business environment. The Proponent also argues that there is a link between sustainability management and value creation, and cites a study in support of this proposition. The Proponent also argues that investors are seeking disclosure of ESG issues. The Proponent argues that existing ESG reporting is not adequate.

Boards Opposing Argument: The Board recommends a vote against the proposal. The Board believes that, in light of Company's leadership and strong performance within sustainability, environmental, social and governance practices, and the disclosures already made, including those published on its website, expending the resources necessary to prepare a separate report under guidelines that can be complex and vague and require extensive and detailed technical analyses would be unnecessary and not in the best interests of the stockholders.

7 **Shareholder Resolution: Report on Feasibility of Net-Zero GHG Emissions** **Oppose**

Proposed by: Amalgamated Bank's LongView LargeCap 500 Index Fund.

The Proponents request the Board of Directors to produce a public report, that evaluates the feasibility of the Company achieving by 2030 "net-zero" emissions of greenhouse gases from parts of the business directly owned and operated by the Company, including any executive and administrative offices, data centres, product development offices, fulfilment centres and customer service offices, as well as the feasibility of reducing other emissions associated with the Company's activities. The report should be done at reasonable expense and may exclude confidential information.

Boards Opposing Argument: The Board argues that as a technology platform and digital payments company, the carbon footprint is relatively small. Furthermore, the proposal fails to recognize or convey the significant burdens that issuing a report assessing the feasibility of achieving net-zero emissions by 2030 would impose on the Company. The proposal recommends that the Company issue a report based on The Greenhouse Gas Protocol prepared by World Business Council for Sustainable Development, which is neither an industry standard nor a widely accepted practice for companies like PayPal. The protocol significantly exceeds any requirements of the SEC, and would require expansion of the type and volume of information that is currently gather and analysed. Implementing the infrastructure necessary to collect and assess this information would require the allocation of significant resources and entail considerable expense. Ultimately, preparing and issuing the type of reporting recommended by the proposal is unduly burdensome and the substantial time and expense required would not result in any material benefit to our stockholders.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C - The Company has achieved an overall average level of disclosure. Specific targets have been provided for the both the short and long-term awards. Annual cash incentives are based on non-GAAP pre-tax profit (40%), revenue (35%) and adjusted free cash flow (25%). The Company granted long-term incentives in the form of performance-based restricted stock units (PRSUs) (50%) and time-based restricted stock units (RSUs) (50%). The PRSUs vest at the end of three year performance period based on a pre-established performance criteria of FX-Neutral revenue compound annual growth rate (CAGR) and free cash flow CAGR. However, the metrics used were set to non-GAAP standard, which raises concerns over the Compensation Committee's ability to manipulate the level of achievement.

Balance: D - The Company has achieved a below average balance for rewards. Rewarded CEO pay was not aligned to peer group averages, as well as above the average of companies of a similar market capitalisation. The annual bonus and the long-term incentive are excessive and not in line with best practice, which considers that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term). PRSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, RSUs have no performance conditions, and vest in three equal instalments beginning on the first anniversary of the grant, which is not considered best practice as it does not link pay with company performance.

Contract: C - The Company has achieved an average approach to contracts with executives. The Company has a compensation clawback policy in place. However, upon termination, cash severance is more than 300% of base salary, which is excessive.

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