Triodos Investment Management

PAYPAL HOLDINGS INC

MEETING DATE	Wed, 23 May 2018 8:00 am	TYPE	AGM	ISSUE DATE	Fri, 11 May 2018
MEETING LOCATION	Virtual-Only Meeting: pypl.onlineshareholdermeeting.com				
CURRENT INDICES	S&P500				
SECTOR	Business services, not elsewhere classified				

	PROPOSALS	ADVICE
1a	**Elect Director Rodney C. Adkins** Independent Non-Executive Director.	**For**
1b	**Elect Director Wences Casares** Independent Non-Executive Director.	**For**
1c	**Elect Director Jonathan Christodoro** Independent Non-Executive Director.	**For**
1d	**Elect Director John J. Donahoe** Non-Executive Chairman. Not considered independent as he served as CEO of eBay Inc., PayPal's former parent company. There is sufficient independent representation on the Board.	**For**
1e	**Elect Director David W. Dorman** Independent Non-Executive Director. It is noted that the shareholder right to physically attend a meeting has been removed. This is considered a governance concern and as such opposition is recommended for members of the governance committee.	**Oppose**
1f	**Elect Director Belinda J. Johnson** Independent Non-Executive Director.	**For**
1g	**Elect Director Gail J. McGovern** Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments. In addition, it is noted that the shareholder right to physically attend a meeting has been removed. This is considered a governance concern and as such opposition is recommended for members of the governance committee.	**Oppose**
1h	**Elect Director David M. Moffett** Lead Independent Director	**For**
1i	**Elect Director Ann M. Sarnoff** Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments.	**Abstain**
1j	**Elect Director Daniel H. Schulman** President and CEO.	**For**
1k	**Elect Director Frank D. Yeary** Independent Non-Executive Director.	**For**

2 Advisory Vote to Ratify Named Executive Officers' Compensation **Oppose**

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 aligned to peer group averages, however, payout reached above the average of companies of a similar market capitalisation. The long-term incentives 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 installments beginning on the first anniversary of the grant, which is not considered best practice as it does not link pay with company performance.

The compensation rating is: CDC.

Triodos opposes this resolution.

3 Amend Existing Long Term Incentive Plan **Oppose**

The Board is seeking shareholder approval to amend and restate the 2015 Equity Incentive Award Plan to increase the number of shares of Common Stock of the Company reserved for issuance under the 2015 Plan by an additional 37 million Shares. The proposal takes into account a number of things, including the Tax Cuts and Jobs Act, revision of the minimum vesting provision, revision of the dividend accrual provisions in place, and various other provisions related to the administration and interpretation of the 2015 plan. The plan awards shares, stock options, and stock appreciation rights, and is administered by the Compensation Committee. It is considered that, as performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that awards under the Plan will not necessarily be subject to sufficiently robust performance targets (if any). As a result, shareholders cannot assess whether the Plan will operate to align participants' incentives with shareholders' interests. In addition, maximum award limits are considered excessive.

Triodos opposes this resolution.

4 Amend Qualified Employee Stock Purchase Plan **For**

The Board is seeking shareholder approval for the amended Employee Stock Purchase Plan. Shareholders are asked to approve the amended and restated plan primarily to increase the number of Shares reserved for issuance under the ESPP by 50 million. If approved, the number of shares authorized and reserved for issuance under the ESPP will be 62 million Shares. The increase proposed amounts to approximately 4.2% of the outstanding share capital.

It is considered that it is in the best interests of the company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. The Plan is open to the majority of employees and is capped at purchase price of no less than 85% of fair market value.

Triodos supports this resolution.

5 Ratify PricewaterhouseCoopers LLP as Auditors **For**

PwC proposed. Non-audit fees represented 13.62% of audit fees during the year under review and 12.89% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

6 Shareholder Resolution: Amend Proxy Access Right **For**

Proposed by: John Chevedden.

The Proponent is seeking shareholder approval to take the steps necessary to amend its proxy access bylaw provisions and any associated documents, to include the following changes for the purpose of decreasing the average amount of Company common stock the average member of a nominating group would be required to hold for 3-years to satisfy the aggregate ownership requirements to form a nominating group and to increase the possible number of proxy access director candidates: No limitation shall be placed on the number of shareholders who can aggregate their shares to achieve the 3% of common stock required to nominate directors under the Company's proxy access provisions; The number of shareholder-nominated candidates eligible to appear in proxy materials will be 25% of Directors (rounded down) but not less than 2.

Proponent's Supporting Argument: The Proponent argues that this proposal addresses the contradiction that the Company has with the proxy access exclusive for the largest shareholders. The Proponent believes this is especially important to make up for the management taking away the right to an in-person annual meeting which shareholders did not have the opportunity to vote on.

Board's Opposing Argument: The Board is against this proposal as they believe they have already implemented a progressive proxy access framework for its shareholders aligned with current best practices, which gives shareholders a meaningful voice in director elections, and that the Board believes is in the best interests of all its shareholders. Currently, the proxy access provisions permit a shareholder, or a group of up to 15 shareholders, who have owned at least 3% or more of the outstanding common stock continuously for at least 3 years, to nominate and include in the proxy statement director nominees for up to 20% of the Board, in accordance with the Certificate of Incorporation and Bylaws. The Board believes that the Company's current proxy access provisions strike the right balance between providing a meaningful stockholder right to nominate director candidates and mitigating the risk of abuse of this right by shareholders pursuing objectives that are not aligned with the interests of a majority of long-term shareholders.

PIRC Analysis: The terms of the proxy access proposal and the one quarter limit on shareholder-nominated directors are in line with best practice in this regard. Any director put forward through the use of proxy access will still have to be voted on at the annual meeting by all shareholders. Therefore, shareholders can choose to support who they believe is the best candidate for the job.

Triodos supports this resolution.

7 Shareholder Resolution: Report on Political Contributions **For**

Proposed by: James McRitchie's and Myra K. Young.

The Proponent requests the Company to provide a report, updated semiannually, disclosing the Company's: Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum; Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section prior, including: (a) The identity of the recipient as well as the amount paid to each; and (b) The title(s) of the person(s) in the Company responsible for decision-making.

Proponent's Supporting Argument: The Proponent supports transparency and accountability in corporate political spending and believes that disclosure is in the best interest of the Company and its shareholders. The Proponent believes that relying on publicly available data does not provide a complete picture of the Company's political spending. For example, PayPal's payments to trade associations that may be used for election-related activities are undisclosed. This proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organisations, which may be used for political purposes.

Board's Opposing Argument: The Board is against this proposal as these proposed changes can have a significant effect on the business, operating results and shareholder value. Shareholders can find the Company's policies and practices regarding political contributions online. The Companys political contributions and lobbying activities are governed by extensive laws and regulations, including those requiring public disclosure of such contributions and activities. It is believed that adoption of the proposal could result in competitive harm without providing commensurate benefit to shareholders.

PIRC Analysis: Full transparency with respect to a Company's politically-motivated expenditures is in the best interests of shareholders. Not all indirect lobbying activity by the Company - as defined by the Proponent - has been disclosed. The report is a reasonable request for disclosure.

Triodos supports this resolution.

8 Shareholder Resolution: Amend Board Governance Documents to Define Human Rights Responsibilities **Oppose**

Proposed by: John C. Harrington TTEE Harrington Investments, Inc.

The Proponent requests the Company to modify its committee charters, Bylaws or Articles of Incorporation to ensure that the Human and Indigenous Peoples' Rights Policies clearly delineate the fiduciary duties of Board and management to respect and honour global human and indigenous peoples' rights in all relevant business transactions.

Proponent's Supporting Argument: The Proponent argues that currently, none of the Company's committee charters, Bylaws, or Articles of Incorporation mention human rights policies or statements that outline PayPal's official company policies on international human rights. In 2015 the Company endorsed the Human Rights Campaign (HRC) landmark federal non-discrimination legislation (Equality Act) to protect LGBT people from discrimination. In addition, the Company on its website has highlighted its long-time support for domestic partnership and against discrimination based on sexual orientation or gender identity. However, the Company has been attacked for hypocrisy for supporting government policies to expand business in Cuba and for conducting business in at least 25 countries where homosexual behavior is illegal. The Company has also been accused of discriminating against Palestinians and Palestinian businesses while not denying financial services to Israeli settlers in the occupied West Bank and Gaza Strip. The Proponent believes it is a fiduciary duty of the board and management to consider human rights when making all executive decisions where there is significant potential impact or consequences of the Company's involvement, as well as significant risk to the Company.

Board's Opposing Argument: The Board is against this proposal as they do not believe that formally amending the corporate governance documents is an effective or appropriate way to address human rights. The Board is committed to the highest standards of social responsibility and human rights in the business operations, and respecting the dignity of every person is a long-held commitment. Paypal is committed to improving the financial participation and health for individuals and businesses powering charitable giving to nonprofits around the world, and strengthening the communities in which the Company operates in. Examples include Paypals partnership with Village Capital, an organization that trains and invests in seed-stage social entrepreneurs. Another example is the support provided through products such as PayPals Working Capital to small businesses, which has provided more than $4.5 billion in capital. The Company has also focused on their human rights responsibilities from a inclusion and diversity, and governance perspective. An example is the fact that in 2018, for the third year in a row, PayPal received a perfect score of 100 percent on the Human Rights Campaign's Corporate Equality Index, which is a U.S. national report from the Human Rights Campaign about practices and polices related to LGBTQ workplace equality, such as non-discrimination protections, domestic partner benefits, transgender-inclusive health care benefits, and public engagement.

PIRC Analysis: In principle, we support the modification of the committee charters, Bylaws or Articles of Incorporation to clearly define the fiduciary duties of the Board and management to respect and honour global and human and indigenous peoples rights in all relevant business transactions. However, the Company has adopted a policy on responsible practices which includes a developed human rights policy framework. Whilst these policies are not binding, the Company has demonstrated high level commitment to best practice in regards to the social, diversity, and governance human rights issues. Lastly, it is not clear how this proposal would be beneficial to shareholders, as the Company has shown no evidence of any wrong-doing.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: C - The Company has achieved an overall average level of disclosure. Specific targets have been provided for both the short and long-term awards. Annual cash incentives are based on Revenue (50%), Non-GAAP Operating Margin (50%), and Net New Actives (NNAs). 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 a 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 standards, 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 aligned to peer group averages, however, payout reached above the average of companies of a similar market capitalisation. The long-term incentives 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 installments 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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