Triodos Investment Management

PAYPAL HOLDINGS INC

MEETING DATE	Wed, 26 May 2021 8:00 am	TYPE	AGM	ISSUE DATE	Wed, 12 May 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/PYPL2021				
CURRENT INDICES	S&P500				
SECTOR	Business services, not elsewhere classified				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1.1	**Elect Rodney C. Adkins - Non-Executive Director** Independent Non-Executive Director.	**For**
1.2	**Elect Jonathan Christodoro - Non-Executive Director** Independent Non-Executive Director.	**For**
1.3	**Elect John J. Donahoe - Chair (Non Executive)** Non-Executive Director. Not considered 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. There is sufficient independent representation on the Board. Triodos supports this resolution.	**For**
1.4	**Elect David W. Dorman - Non-Executive Director** Independent Non-Executive Director.	**For**
1.5	**Elect Belinda J. Johnson - Non-Executive Director** Independent Non-Executive Director.	**For**
1.6	**Elect Gail J. McGovern - Non-Executive Director** Independent Non-Executive Director.	**For**
1.7	**Elect Deborah M. Messemer - Non-Executive Director** Independent Non-Executive Director.	**For**
1.8	**Elect David M. Moffett - Non-Executive Director** Independent Non-Executive Director.	**For**
1.9	**Elect Ann M. Sarnoff - Non-Executive Director** Independent Non-Executive Director.	**For**
1.10	**Elect Daniel H. Schulman - Chief Executive** Chief Executive.	**For**
1.11	**Elect Frank D. Yeary - Non-Executive Director** Independent Non-Executive Director.	**For**

2 Advisory Vote on Executive Compensation **Abstain**

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 does not consider non-financial metrics in its assessment of performance. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance criteria. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary.The compensation rating is: ACA.

Triodos abstains on this resolution.

3 Appoint the Auditors **For**

PwC proposed. Non-audit fees represented 4.35% of audit fees during the year under review and 8.07% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

4 Shareholder Resolution: Written Consent **For**

Proponent's argument: Shareholders request that the board of directors take such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent. "This proposal topic won 95%-support at Dover Corporation and 88%-support at AT&T. This proposal topic also won our 41%-support at the 2020 PayPal annual meeting. Plus the 2020 proposal did not point out that our management was apparently ignorant of the basic fact that written consent can be structured so that all shareholders get notice of a proposed action. Plus PayPal management may be ignorant of the fact that written consent would require a 64%-approval from the shares that normally vote at the PayPal annual meeting. How can a 64%-vote represent a special interest? A cornerstone of the management resistance to this proposal topic was that shareholders can call a special meeting - but this right took a big hit in 2020 with the avalanche of bare bones online shareholder meetings. Shareholders are so restricted in online meetings that management will never want a return to in-person shareholder meetings."

Company's response: The board recommends a vote against the proposal. "The Board strongly believes that PayPal's stockholders are best served by holding meetings in which all stockholders are provided with an opportunity to consider and discuss the proposed actions and vote their shares. PayPal's Certificate of Incorporation and Bylaws provide that special meetings of PayPal's stockholders may be called at the request of holders of 20% of PayPal's outstanding common stock. The company's special meeting requirements strike an appropriate balance between providing stockholders with a meaningful ability to propose actions for stockholder consideration between annual meetings and protecting against the risk of a small minority of stockholders using this mechanism for their own special interests, which may cause disruption in the effective management of the company and be detrimental to stockholders' interests"

PIRC analysis: There are emergency situations where convening a special meeting might take too long or be too difficult, and written consents may be gathered more quickly. Since the company has weak or no special meeting rights, written consent rights are very important. A vote for the resolution is recommended.

5 Shareholder Resolution: Report on Whether Written Policies or Unwritten Norms Reinforce Racism in Company Culture **For**

Proponent's argument: Shareholders urge the Board of Directors to prepare a report to shareholders on whether written policies or unwritten norms at the company reinforce racism in company culture. "Tema Okun, a veteran racial justice facilitator, illustrates the insidious nature of white supremacist culture by explaining that "[c]ulture is powerful precisely because it is so present and at the same time so very difficult to name or identify." Cultural racism can manifest as people of color being ignored, overly criticized, undermined, or assumed as inferior. Other manifestations can be strict cultural norms or criticisms of certain hairstyles, manners of speech, or other physical appearances; Cultural racism can do long-term emotional and psychological damage, and research shows that employees who bring their authentic selves to work perform better and report greater job satisfaction. Recently, a Fortune 500 company announced that it will allow natural black hairstyles and facial hair because the company wants all "employees feel comfortable, genuine and authentic"; Proponents believe that our company can advance long-term value creation through an analysis of whether and how systemic racism is embedded in company culture, policies and procedures."

Company's response: The board recommends a vote against the proposal. "We maintain a website devoted to "Diversity and Inclusion at PayPal" (https://www.paypal.com/us/webapps/mpp/jobs/culture) that discusses methods through which we promote diversity and inclusion within and outside of our workplace, including the following examples: • Confirmation that PayPal "strive[s] for a diverse workforce that includes people of different ethnic and cultural backgrounds, gender and sexual orientation, veteran status, abilities, and those who bring diverse thoughts, opinions, experience and leadership styles – and all other characteristics that make people unique." • Active support of PayPal employees through our Employee Resource Groups ("ERGs"), which serve as (i) a support mechanism for creating an inclusive environment for our employees, (ii) a collective voice around shared issues or concerns specific to a particular community to promote a sense of belonging and an inclusive and respectful workplace and (iii) a resource for opportunities related to employment, education, training, retention and business outreach and development. We support eight ERGs, including communities to support our Black, Hispanic, Asian, women, Interfaith, LGBTQ+, disabled and military employees and their allies. • Amplify, the ERG that supports our Black community, launched a pilot program to reassess how to support members of the Black community more holistically, both internally and externally, in light of the social and civil unrest that occurred in 2020."

PIRC analysis: The requested report will provide shareholders with information on the company's efforts in relation to workforce diversity. While the company's response describes the diversity initiatives it is involved in, no goals for diversity and inclusion and no data on the gender make-up of the workforce is provided on the company's website or sustainability report. A report on the gender make-up of the company's workforce and more detail on the policies and programmes for fostering diversity of employees would enable investors to assess the company's exposure to reputational and human resource risk surrounding the issue of gender diversity. The request for a report is considered reasonable and a vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: A - The company has provided the level of fees paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The grant of performance awards was based on the achievement of set levels of specific performance targets. The performance-based long term incentive is subject to quantified performance targets.

Balance: C - The company does not consider non-financial metrics in its assessment of performance. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance criteria. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary.

Contract: A - The company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Cash severance is limited to three times base salary; which is welcomed. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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