

PayPal Holdings, Inc.
Form DEF 14A
April 12, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement	Confidential, for Use of the Commission Only
Definitive Proxy Statement	(as permitted by Rule 14a-6(e)(2))
Definitive Additional Materials	
Soliciting Material Pursuant to §240.14a-12	

PayPal Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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**MESSAGE FROM OUR CHAIRMAN OF THE
BOARD AND LEAD INDEPENDENT DIRECTOR**

April 12, 2018

Dear PayPal Stockholder:

We are pleased to invite you to attend the annual meeting of stockholders of PayPal Holdings, Inc. on Wednesday, May 23, 2018 at 8:00 a.m. Pacific Time. Our annual meeting will be conducted exclusively online via live webcast. We have conducted an exclusively virtual annual meeting of stockholders every year since we became a public company in 2015. We believe that hosting virtual meetings enables greater stockholder attendance and participation from any location around the world.

You will be able to attend the virtual annual meeting of stockholders online and submit your questions during the meeting by visiting pypl.onlineshareholdermeeting.com. You also will be able to vote your shares electronically at the virtual annual meeting. Details regarding how to attend the meeting online, how to submit your questions before and during the meeting, and the business to be conducted at the annual meeting are more fully described in the accompanying proxy statement.

We will be providing access to our proxy materials over the Internet under the U.S. Securities and Exchange Commission's notice and access rules. As a result, beginning on or about April 12, 2018, we are mailing to many of our stockholders a notice instead of a paper copy of this proxy statement and our 2017 Annual Report. This approach conserves natural resources and reduces our printing and distribution costs, while providing a timely and convenient method of accessing the materials and voting. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how to receive a paper copy of our proxy materials, including this proxy statement, our 2017 Annual Report, and a form of proxy card or voting instruction card. All stockholders who do not receive a notice, including stockholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy of the proxy materials by mail.

Your vote is important. Regardless of whether you plan to participate in the annual meeting, we hope you will vote as soon as possible. You may vote by proxy over the Internet, by telephone, or by mail (if you received paper copies of the proxy materials) by following the instructions on the proxy card or voting instruction card. Voting will ensure your representation at the virtual annual meeting regardless of whether you attend the meeting online. You may also vote your shares electronically during the virtual meeting.

Sincerely yours,

John J. Donahoe

David M. Moffett

Chairman of the Board

Lead Independent Director

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Notice of 2018 Annual Meeting of Stockholders 1

Notice of 2018 Annual Meeting of Stockholders

Date: Wednesday, May 23, 2018

Time: 8:00 a.m. Pacific Time

Place: Online at pypl.onlineshareholdermeeting.com. There is no physical location for the 2018 annual meeting.

Items of Business:

- (1) Election of 11 director nominees identified in this proxy statement.
- (2) Advisory vote to approve named executive officer compensation.
- (3) Approval of the PayPal Holdings, Inc. Amended and Restated 2015 Equity Incentive Award Plan.
- (4) Approval of the PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan.
- (5) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2018.
- (6) Consideration of three stockholder proposals, if properly presented at the annual meeting.
- (7) Transaction of such other business as may properly come before the meeting or any adjournment or postponement of the annual meeting.

Record Date: The Board of Directors set April 3, 2018 as the record date for the annual meeting. That means our stockholders of record at the close of business on that date are entitled to receive notice of the annual meeting and to vote at the annual meeting and at any adjournment or postponements of the annual meeting.

Participation in Virtual Meeting: We are pleased to invite you to participate in our annual meeting, which will be conducted exclusively online via webcast. The accompanying proxy materials include instructions on how to participate in the annual meeting and how to vote your shares of common stock by attending the virtual annual meeting by webcast. To submit your questions during the annual meeting, please log on to pypl.onlineshareholdermeeting.com. You will need to enter the 16-digit control number included on your notice of Internet availability of proxy materials, on your proxy card or on the instructions that accompanied your proxy materials to enter the annual meeting. The annual meeting will begin promptly at 8:00 a.m. Pacific Time.

Pre-Meeting: The online format for the annual meeting also allows us to communicate more effectively with you via www.proxyvote.com. You can submit questions in advance of the annual meeting and access copies of our proxy statement and annual report at www.proxyvote.com.

Voting: Your vote is very important to us. Regardless of whether you plan to participate in the annual meeting, we hope you will vote as soon as possible. You may vote your shares over the Internet or via a toll-free telephone number. If you received a paper copy of a proxy or voting instruction

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card by mail, you may submit your proxy or voting instruction card for the annual meeting by completing, signing, dating and returning your proxy or voting instruction card. Stockholders of record and beneficial owners will be able to vote their shares electronically at the annual meeting. For specific instructions on how to vote your shares, please refer to the section Other Information Voting Information beginning on page 83 of this proxy statement.

By Order of the Board of Directors

Brian Y. Yamasaki
Vice President, Corporate Legal and Secretary

This notice of annual meeting and proxy statement and form of proxy are being distributed and made available on or about April 12, 2018.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 23, 2018. This proxy statement and PayPal Holdings, Inc.'s 2017 Annual Report are available electronically at <https://investor.paypal-corp.com/annuals-proxies.cfm> and with your 16-digit control number by visiting www.proxyvote.com.

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2 Proxy Statement Summary

Proxy Statement Summary

This summary highlights certain information contained elsewhere in this proxy statement for the 2018 Annual Meeting of Stockholders (the Annual Meeting). This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. References to PayPal, the Company, we, us, or our refer to PayPal Holdings, Inc.

2018 Annual Meeting Information**Time and**

Date: 8:00 a.m. Pacific Time on Wednesday, May 23, 2018

Place: Online at pypl.onlineshareholdermeeting.com. There is no physical location for the Annual Meeting.

Record Date: April 3, 2018

Proposals to be Voted on and Board Voting Recommendations

Proposal	Recommendation of the Board	Page
1. Election of 11 director nominees identified in this proxy statement	FOR	7
	each of the nominees	
2. Advisory vote to approve named executive officer compensation	FOR	28
3. Approval of the PayPal Holdings, Inc. Amended and Restated 2015 Equity Incentive Award Plan	FOR	60
4. Approval of the PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan	FOR	68

5.	Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2018	FOR	73
6.	Stockholder Proposal Regarding Stockholder Proxy Access Enhancement	AGAINST	76
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2018 Director Nominees

Name & Primary Occupation	Independent	Director since	# of Other Public	
			Committee Memberships*	Company Boards
Rodney C. Adkins President, 3RAM Group LLC		2017	ARC	4
Wences Casares CEO and Founder, Xapo Inc.		2016	Compensation	
Jonathan Christodoro Former Managing Director, Icahn Capital LP		2015	Compensation	2
John J. Donahoe President and CEO, ServiceNow, Inc.		2015		2
David W. Dorman Chairman and CEO, AT&T Corporation (retired)		2015	Compensation (Chair) Governance	1
Belinda J. Johnson Chief Operating Officer, Airbnb, Inc.		2017	ARC	
Gail J. McGovern President and CEO, American Red Cross		2015	Compensation Governance (Chair)	1
David M. Moffett CEO, Federal Home Loan Mortgage Corp. (retired)		2015	ARC (Chair)	2
Ann M. Sarnoff President, BBC Worldwide Americas		2017	ARC	
Daniel H. Schulman President and CEO, PayPal Holdings, Inc.		2015		2
Frank D. Yeary Chairman, CamberView Partners, LLC		2015	ARC	1

* **ARC** = Audit, Risk and Compliance Committee; **Compensation** = Compensation Committee; **Governance** = Corporate Governance and Nominating Committee

Ensuring the Board of Directors of PayPal (the Board or the PayPal Board) is composed of directors who possess a wide variety of relevant skills, professional experience and backgrounds, bring diverse viewpoints and perspectives, and effectively represent the long-term interests of stockholders, is a top priority of the Board and the Corporate Governance and Nominating Committee. The following provides a snapshot of the diversity, skills, and experience of our director nominees:

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Corporate Governance

Corporate governance at PayPal is designed to promote the long-term interests of our stockholders, strengthen Board and management accountability, foster responsible decision-making, and engender public trust. We believe that strong corporate governance practices that provide meaningful rights to our stockholders and ensure Board and management accountability are essential to our relationship with our stockholders.

The following are the key governance provisions that demonstrate PayPal’s commitment to transparency and accountability:

- | | |
|--|--|
| Strong Board independence (nine of 11 director nominees are independent) | Separate Chairman and CEO roles |
| Independent Chairman or Lead Independent Director with robust responsibilities | All directors stand for annual election |
| Majority vote standard for uncontested director elections | Strong stockholder engagement practices |
| Stockholder right to call a special meeting | Proxy access for qualifying stockholders |
| Simple majority vote standard for charter/bylaw amendments and mergers/business combinations | Robust stock ownership requirements for our executive officers and directors |

Executive Compensation

OUR COMPENSATION PROGRAM

We completed our second year as an independent company in 2017 following our separation from eBay Inc. (eBay) in July 2015 (the Separation), continuing our transformative journey while delivering strong results. For 2017, the Compensation Committee of the Board approved an executive compensation program based on our pay for performance philosophy that is designed to align our executive officers’ compensation with the key drivers of profitable short-term and long-term growth with the goals of properly incentivizing and rewarding our executives for performance that exceeds expectations, providing transparency for both our executives and our stockholders, and positioning us competitively to enable us to attract and retain our executives. As such, the Compensation Committee prioritized the following compensation philosophy and goals in 2017:

- Simplicity, Transparency and Clarity of our program enable executives to directly link Company and individual performance to their pay, and enable stockholders to directly link returns on their investment to Company performance;
- One Team maintain unified goals and objectives for the entire executive leadership team to drive operational decisions and Company performance;
- Winning the War for Talent recognize the unique financial technology (FinTech) space in which we compete, and prioritize nimble and aggressive compensation strategies to attract and retain key talent; and

Individual Performance ensure compensation is commensurate with results, both on the upside and downside, and that leaders are held accountable for their performance.

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OUR 2017 NEO PAY

We believe that our executive compensation program was effective at incentivizing results in 2017 by appropriately aligning pay and performance. The following charts show the 2017 Target Total Direct Compensation mix for our Chief Executive Officer, Mr. Schulman (our CEO), and the average Target Total Direct Compensation mix for our other named executive officers (NEOs). Target Total Direct Compensation is the sum of (i) 2017 base salary, (ii) target 2017 annual incentive award (based on the grant date fair value for the portion of the award delivered as PBRsUs) and (iii) target annual long-term incentive award (based on grant date fair values).

OUR PAY PRACTICES

We are committed to maintaining strong governance standards with respect to our executive compensation program, policies, and practices. Consistent with this focus, we maintain the following policies and practices that we believe demonstrate our commitment to executive compensation best practices.

What We Do

Pay for Performance	A substantial percentage of our NEOs' 2017 Target Total Direct Compensation was performance-based and tied to pre-established performance goals aligned with our short-term and long-term objectives.
Adherence to Rigorous Goals	We use objective performance-based company goals in our annual and long-term incentive plans that we believe are rigorous and designed to incentivize and motivate NEO performance.
Clawback Policy	Our NEOs are subject to a clawback policy, which permits the Compensation Committee to require forfeiture or reimbursement of incentive compensation, including any cash incentive award, equity award, or equity-based award paid or awarded to the NEO during the period in which he or she is subject to the policy, if (i) an action or omission by the NEO constitutes a material violation of our Code of Business Conduct; (ii) an action or omission by the NEO results in material financial or reputational harm to the Company; or (iii) a material restatement of all or a portion of our financial statements is the result of a supervisory or other failure by the NEO.
Robust Stock Ownership Guidelines	Our stock ownership guidelines are designed to align the long-term interests of our NEOs and non-employee directors with those of our stockholders and discourage excessive risk-taking. Our guidelines require stock ownership levels as a value of our common stock equal to a multiple of base salary (6x for CEO and 3x for executive vice presidents (EVPs)) or annual retainer (5x for non-employee directors), and include stock retention requirements for executive officers until the required ownership

levels are reached.

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What We Do

Prohibition of Hedging and Pledging Transactions	Our insider trading policy prohibits members of our Board and NEOs from (i) entering into any hedging or monetization transactions relating to our securities or otherwise trading in any instrument relating to the future price of our securities, or (ii) pledging our common stock as collateral for any loans.
Independent Compensation Consultant	The Compensation Committee engages its own independent compensation consultant to advise on executive and non-employee director compensation matters.
Annual Risk Assessment	Based on our annual risk assessment, we have concluded that our compensation program does not present any risk that is reasonably likely to have a material adverse effect on PayPal.
Annual Comparator Peer Group Review	The Compensation Committee, with the assistance of its compensation consultant, reviews the composition of our comparator peer groups annually and makes adjustments to the composition of the peer group as it deems appropriate.
Annual Say-on-Pay Vote	We conduct an annual advisory (non-binding) vote on the compensation of the NEOs (a say-on-pay vote). At our 2017 annual meeting of stockholders (the 2017 Annual Meeting), more than 96% of the votes cast on the say-on-pay proposal were voted in support of the 2016 compensation of the NEOs.
Investor Engagement	In addition to the annual say-on-pay vote, we are committed to ongoing engagement with our investors on executive compensation and governance matters. These engagement efforts take place through teleconferences, in-person meetings and correspondence with our investors.

What We Don't Do

No Excise Tax Gross-Ups on Severance Payments	We do <u>not</u> provide our NEOs with any gross-ups or other payment or reimbursement of excise taxes on severance or other payments in connection with a change in control of PayPal.
No Single-Trigger CIC Payments and Acceleration of Equity Awards	We do <u>not</u> make single-trigger change-in-control payments or maintain any plans that require single-trigger change-in-control acceleration of equity awards to our NEOs upon a change in control of PayPal.
No Tax Gross-Ups on Perquisites	We do <u>not</u> provide our NEOs with tax gross-ups on perquisites, other than in limited circumstances for business-related relocations and international business travel-related benefits that are under our control, at our direction and deemed to benefit our business operations.
No Discounting of Stock Options or Repricing of Underwater Options	We expressly <u>prohibit</u> the discounting of stock options and the repricing of underwater stock options without stockholder approval under our equity compensation plan.
No Guaranteed Bonuses	Our annual incentive plan is performance-based and our NEOs are <u>not</u> guaranteed any minimum levels of payment.

SUPPORTING OUR EXECUTIVE COMPENSATION PROGRAM

The Compensation Committee believes that the goals of our executive compensation program are appropriate and that our executive compensation program supports PayPal's growth strategy and is well aligned with creating long-term stockholder value.

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Proposal 1 Election of Directors

The eleven directors listed below have been nominated by our Board for election at the Annual Meeting to serve until our 2019 Annual Meeting of Stockholders and until their successors are elected and qualified. All of the nominees are currently members of the Board. All of the director nominees are independent under the listing standards of The NASDAQ Stock Market (NASDAQ), except for Mr. Schulman and Mr. Donahoe.

Except for Ms. Sarnoff and Mr. Adkins, each of our current directors has been previously elected by our stockholders. Based upon the recommendations of our Corporate Governance and Nominating Committee (the Governance Committee), the Board appointed Ms. Sarnoff as a director in June 2017, and Mr. Adkins as a director in September 2017. Both Ms. Sarnoff and Mr. Adkins were initially identified as potential candidates by our CEO from recommendations he received from third parties.

We expect that each director nominee will be able to serve if elected. If any director nominee is not able to serve, proxies may be voted for substitute nominees, unless the Board chooses to reduce the number of directors serving on the Board.

MAJORITY VOTE STANDARD

Under our Amended and Restated Bylaws (Bylaws), directors must be elected by a majority of the votes cast in uncontested elections, such as the election of directors at the Annual Meeting. This means that the number of votes cast FOR a director nominee must exceed the number of votes cast AGAINST that nominee. Abstentions and broker non-votes are not counted as votes FOR or AGAINST a director nominee. As a result, abstentions and broker non-votes will have no effect on the vote for this proposal. If a director nominee who currently serves as a director is not re-elected, Delaware law provides that the director would continue to serve on the Board as a holdover director. Under our Bylaws and the Governance Guidelines of the Board (the Corporate Governance Guidelines), each director submits an advance, contingent, irrevocable resignation that the Board may accept if stockholders do not re-elect that director. Within 90 days of the certification of the stockholder vote (subject to an additional 90-day period in certain circumstances), the Governance Committee or another committee of the Board would make a recommendation to the Board about whether to accept the resignation, and the Board would be required to decide whether to accept the resignation and to publicly disclose its decision and the rationale behind it.

In a contested election, the required vote would be a plurality of votes cast.

DIRECTOR NOMINEES

The Governance Committee and the Board have evaluated each of the director nominees against the factors and principles used to select director nominees. Based on this evaluation, the Governance Committee and the Board have concluded that it is in the best interests of the Company and its stockholders for each of the proposed director nominees listed below to continue to serve as a director of the Company. The Board believes that each of the director nominees has a strong track record of being a responsible steward of stockholders interests and brings extraordinarily valuable insight, perspective and expertise to the Board.

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8 Proposal 1

The Board and Governance Committee evaluate director nominees based on a number of key qualifications and attributes. The following provides a snapshot of the diversity, skills and experience of our director nominees:

Highly relevant professional experience in financial services, payments, FinTech, technology, innovation, business development, strategy, legal, regulatory, government, global business, finance, accounting, consumer, marketing, brand management and/or information security;

Relevant senior leadership/CEO experience;

High-level managerial experience in complex organizations;

Experience and expertise that complement the skill sets of the other director nominees;

High degree of character and integrity and ability to contribute to strong Board dynamics;

Highly engaged and able to commit the time and resources needed to provide active oversight of PayPal and its management, including attending at least 75% of all of our Board meetings and Board committee meetings for committees on which such director served during 2017;

Sound business judgment; and

Commitment to enhancing stockholder value.

The table below summarizes the key skills and experience most relevant to the decision to nominate each of the director nominees to serve on the Board. A mark indicates a specific area of focus or expertise on which the Board

particularly relies. Not having a mark does not mean the director nominee does not have that skill or experience. The director nominee biographies below describe each person's background and relevant experience in more detail.

Payments, Financial Services and/or FinTech

Technology and/or Innovation

Business Development and Strategy

Senior Leadership

Legal, Regulatory and/or Governmental

Global Business

Other Public Company Board Service

Finance and/or Accounting

Consumer, Marketing and/or Brand Management

Information Security

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Included in each director nominee's biography below is a description of select key qualifications and experience of such nominee. The Board and the Governance Committee believe that the combination of the various qualifications, skills and experience of the director nominees would contribute to an effective and well-functioning Board and that, individually and collectively, the director nominees possess the necessary qualifications to provide effective oversight of the business and quality advice and counsel to the Company's management.

Rodney C. Adkins

Age: 59

Director since: September 2017

Board Committees:

Audit, Risk and Compliance

Other Current Public Company Boards:

Avnet, Inc.

PPL Corporation

United Parcel Service, Inc.

W.W. Grainger, Inc.

Key Qualifications and Experience:

Technology and Innovation

Business Development and Strategy

Senior Leadership

Regulatory and Governmental

Global Business

Other Public Company Board Service

Finance

Consumer, Marketing and Brand Management

Information Security

Biography:

Mr. Adkins has served as a director of PayPal since September 2017. Since January 2015, Mr. Adkins has served as the President of 3RAM Group LLC, a privately held company specializing in capital investments, business consulting services and property management. Formerly, Mr. Adkins was Senior Vice President of International Business Machines Corporation (IBM), a leading manufacturer of information technologies, having served in that position from 2007 until 2014. In his more than 30-year career with IBM, Mr. Adkins held a number of development and management roles, including Senior Vice President of Corporate Strategy from April 2013 to April 2014, Senior Vice President of Systems and Technology Group from October 2009 to April 2013, Senior Vice President of Development & Manufacturing from May 2007 to October 2009, and Vice President of Development of IBM Systems and Technology Group from December 2003 to May 2007. Mr. Adkins serves on the Board of Directors of Avnet, Inc., PPL Corporation, United Parcel Service, Inc., and W.W. Grainger, Inc.

Mr. Adkins received his B.A. in Physics from Rollins College and B.S. and M.S. degrees in Electrical Engineering from Georgia Tech.

[Wences Casares](#)

[Age: 44](#)

[Director since: January 2016](#)

[Board Committees:](#)

[Compensation](#)

Other Current Public Company Boards:

None

Key Qualifications and Experience:

Financial Services and Payments

Technology and Innovation

Business Development and Strategy

CEO Experience

Global Business

Consumer, Marketing and Brand Management

Information Security

Biography:

Mr. Casares has served as a director of PayPal since January 2016. He is the Founder of Xapo Inc., a bitcoin wallet and vault startup, and has served as its Chief Executive Officer since March 2014. From October 2011 to March 2014, Mr. Casares was Founder and Chief Executive Officer of Lemon Inc., a digital wallet platform. From March 2007 to October 2011, Mr. Casares was Co-Chief Executive Officer of Bling Nation Ltd., a mobile payments platform. He also serves on the Board of Directors of Endeavor Global.

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10 Proposal 1

Jonathan Christodoro

Age: 42

Director since: July 2015

Board Committees:

Compensation

Other Current Public Company Boards:

Enzon Pharmaceuticals, Inc.

Herbalife Ltd

Key Qualifications and Experience:

Financial Services

Business Development and Strategy

Senior Leadership

Regulatory and Compliance

Global Business

Other Public Company Board Service

Finance

Biography:

Mr. Christodoro has served as a director of PayPal since July 2015. He was previously a board member of eBay from March 2015 to July 2015. Mr. Christodoro served as a Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds, from July 2012 to February 2017. Prior to joining Icahn Capital, Mr. Christodoro served in various investment and research roles at P2 Capital Partners, LLC, a company with investments in technology and distribution, from March 2007 to July 2012.

Mr. Christodoro began his career as an investment banking analyst at Morgan Stanley, where he focused on merger and acquisition transactions across a variety of industries. Mr. Christodoro also serves on the Board of Directors of Enzon Pharmaceuticals, Inc., and Herbalife Ltd. Mr. Christodoro was previously a director of: Hologic, Inc., a supplier of diagnostic, medical imaging and surgical products, from December 2013 to March 2016; eBay, a global commerce and payments company, from March 2015 to July 2015; Talisman Energy Inc., an independent oil and gas exploration and production company, from December 2013 to May 2015; American Railcar Industries, Inc., a railcar manufacturing company, from June 2015 to February 2017; Xerox Corporation from June 2016 to December 2017; and Cheniere Energy, Inc. from August 2015 to August 2017.

Mr. Christodoro received an M.B.A from the University of Pennsylvania's Wharton School of Business. Mr. Christodoro received a B.S. in Applied Economics and Management Magna Cum Laude from Cornell University. Mr. Christodoro also served in the United States Marine Corps.

John J. Donahoe

Age: 57

Director since: July 2015

Board Committees:

None

Other Current Public Company Boards:

Nike, Inc.

ServiceNow, Inc.

Key Qualifications and Experience:

Payments and FinTech

Technology

Business Development and Strategy

CEO Experience

Global Business

Other Public Company Board Service

Finance

Consumer and Marketing

Information Security

Biography:

Mr. Donahoe has served as Chairman of the PayPal Board since July 2015. Since April 2017, Mr. Donahoe has served as the President and Chief Executive Officer of ServiceNow, Inc., an enterprise cloud company. He served as the President and Chief Executive Officer of eBay from March 2008 to July 2015, and was a director of eBay, from January 2008 to July 2015. From March 2005 to January 2008, Mr. Donahoe served as President, eBay Marketplaces. From January 2000 to February 2005, Mr. Donahoe served as the Worldwide Managing Director of Bain & Company. Mr. Donahoe also serves on the Board of Directors of Nike, Inc. and ServiceNow, Inc.

Mr. Donahoe received his B.A. in Economics from Dartmouth College and an M.B.A. from the Stanford Graduate School of Business.

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David W. Dorman

Age: 64

Director since: June 2015

Board Committees:

Compensation (Chair)

Governance

Other Current Public Company Boards:

CVS Health Corporation

Key Qualifications and Experience:

Technology

Business Development and Strategy

CEO Experience

Regulatory and Compliance

Global Business

Other Public Company Board Service

Finance and Accounting

Consumer and Marketing

Information Security

Biography:

Mr. Dorman has served as a director of PayPal since June 2015. He previously served as a board member of eBay from June 2014 to July 2015. Mr. Dorman has been the Non-Executive Chairman of the Board of CVS Health Corporation, a pharmacy healthcare provider, since May 2011, and is the former Chairman and Chief Executive Officer of AT&T Corporation, a telecommunications company (formerly known as SBC Communications Inc.). He is also Founding Partner of Centerview Capital, a private investment firm, since July 2013. He was formerly Non-Executive Chairman of the Board of Motorola Solutions, Inc. (formerly Motorola, Inc.), a leading provider of business and mission-critical communication products and services for enterprise and government customers. He served as Non-Executive Chairman of the Board of Motorola, Inc. from May 2008 until the separation of its mobile devices and home businesses in January 2011. From October 2006 to May 2008, he was a Senior Advisor and Managing Director to Warburg Pincus LLC, a global private equity firm. From November 2005 until January 2006, Mr. Dorman served as President and a director of AT&T Corporation. From November 2002 until November 2005, Mr. Dorman was Chairman of the Board and Chief Executive Officer of AT&T Corporation. Prior to this, he was President of AT&T Corporation from 2000 to 2002 and the Chief Executive Officer of Concert Communications Services, a former global venture created by AT&T Corporation and British Telecommunications plc, from 1999 to 2000. Mr. Dorman also serves on the Board of Directors of CVS Health Corporation and as a Trustee for Georgia Tech Foundation, Inc. He was a board member of Yum! Brands until May 2017.

Mr. Dorman received his B.S. in industrial management from Georgia Institute of Technology.

Belinda J. Johnson

Age: 51

Director since: January 2017

Board Committees:

Audit, Risk and Compliance

Other Current Public Company Boards:

None

Key Qualifications and Experience:

Payments

Technology

Business Development and Strategy

Senior Leadership

Legal and Regulatory

Global Business

Finance

Consumer, Marketing and Brand Management

Information Security

Biography:

Ms. Johnson has served as a director of PayPal since January 2017. In February 2018, she was appointed as the Chief Operating Officer of Airbnb, Inc., a global community marketplace which provides access to unique accommodations. Prior to this, she was the Chief Business Affairs and Legal Officer of Airbnb, from July 2015 to February 2018 and joined Airbnb as General Counsel in December 2011. Prior to joining Airbnb, from August 1999 until August 2011, Ms. Johnson served in various positions at Yahoo! Inc., a digital information platform, including most recently as Senior Vice President and Deputy General Counsel. From November 1996 to August 1999, Ms. Johnson was General Counsel of Broadcast.com, Inc., an Internet broadcasting company.

Ms. Johnson received her B.A. from The University of Texas at Austin and her J.D. from The University of Texas Law School.

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Gail J. McGovern

Age: 66

Director since: June 2015

Board Committees:

Compensation

Governance (Chair)

Other Current Public Company Boards:

DTE Energy Company

Key Qualifications and Experience:

Technology

Business Development and Strategy

CEO Experience

Regulatory and Compliance

Global Business

Other Public Company Board Service

Finance

Consumer and Marketing

Biography:

Ms. McGovern has served as a director of PayPal since June 2015. She previously served as a board member of eBay from March 2015 to July 2015. Ms. McGovern is the President and Chief Executive Officer of the American Red Cross, a humanitarian organization, and has served in that position since June 2008.

Ms. McGovern also serves as a trustee of John Hopkins Medicine, a director of DTE Energy Company, and an advisor to The Weather Channel.

Ms. McGovern received her B.A. in quantitative sciences from Johns Hopkins University and her M.B.A. from Columbia University.

David M. Moffett

Age: 66

Director since: June 2015

Board Committees:

Audit, Risk and Compliance (Chair)

Other Current Public Company Boards:

CSX Corporation

Genworth Financial, Inc.

Key Qualifications and Experience:

Payments

Business Development and Strategy

CEO Experience

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Governmental, Regulatory and Compliance

Global Business

Other Public Company Board Service

Finance and Accounting

Biography:

Mr. Moffett has served as a director of PayPal since June 2015 and as Lead Independent Director since July 2015. He was previously a board member of eBay from July 2007 to July 2015. Mr. Moffett served as Chief Executive Officer of Federal Home Loan Mortgage Corp. (Freddie Mac) from September 2008 until his retirement in March 2009. He also served as a director of Freddie Mac from December 2008 to March 2009. In 1993, Mr. Moffett joined Star Banc Corporation, a bank holding company, as Chief Financial Officer and during his tenure played an integral role in the acquisition of Firststar Corporation in 1998 and later U.S. Bancorp in 2001. Mr. Moffett remained Chief Financial Officer of U.S. Bancorp until 2007. Mr. Moffett also serves on the Board of Directors of CSX Corporation, Genworth Financial, Inc. and as a Trustee for Columbia Atlantic Mutual Funds and University of Oklahoma Foundation and as a consultant to various financial services companies.

Mr. Moffett received a B.A. from the University of Oklahoma and an M.B.A. from Southern Methodist University.

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Ann M. Sarnoff

Age: 56

Director since: June 2017

Board Committees:

Audit, Risk and Compliance

Other Current Public Company Boards:

None

Key Qualifications and Experience:

Technology

Business Development and Strategy

Senior Leadership

Regulatory

Global Business

Other Public Company Board Service

Finance

Consumer and Marketing

Biography:

Ms. Sarnoff has served as a director of PayPal since June 2017. Since August 2015, Ms. Sarnoff has served as the President of BBC Worldwide Americas, a media company that delivers high-quality, innovative and intelligent programming. From 2010 through July 2015, she served as Chief Operating Officer of BBC Worldwide North America. She is also the chair of the board of BritBox, a joint venture subscription streaming service launched in partnership with ITV in March of 2017, and sits on the board, operating committee and editorial committee of BBC America, a joint venture with AMC Networks. From June 2006 until joining BBC Worldwide in 2010, Ms. Sarnoff was President of Dow Jones Ventures and Senior Vice President of Strategy for Dow Jones & Company, Inc. She is also a member of the board of Georgetown University, as the vice chair of the McDonough School of Business at Georgetown, and is on the board of the Harvard Business School Women's Association of New York. Ms. Sarnoff previously served on the Board of HSN, Inc., an interactive multichannel retailer from December 2012 to December 2017.

Ms. Sarnoff received her B.S. from Georgetown University's McDonough School of Business and her MBA from Harvard Business School.

Daniel H. Schulman

Age: 60

Director since: July 2015

Board Committees:

None

Other Current Public Company Boards:

Flex Ltd.

Symantec Corporation

Key Qualifications and Experience:

Payments, Financial Services and FinTech

Technology

Business Development and Strategy

CEO Experience

Legal, Regulatory and Governmental

Global Business

Other Public Company Board Service

Finance and Accounting

Consumer, Marketing and Brand Management

Information Security

Biography:

Mr. Schulman has served as President and Chief Executive Officer of PayPal since July 2015. He had served as the President and CEO-Designee of PayPal from September 2014 until July 2015. From August 2010 to August 2014, Mr. Schulman served as Group President, Enterprise Group of American Express Company, a financial services company. Mr. Schulman was President, Prepaid Group of Sprint Nextel Corporation, a cellular phone service provider, from November 2009 until August 2010, when Sprint Nextel acquired Virgin Mobile, USA, a cellular phone service provider. Mr. Schulman also serves on the Board of Directors of Flex Ltd. and Symantec Corporation.

Mr. Schulman received a B.A. from Middlebury College and an M.B.A. from New York University's Leonard N. Stern School of Business.

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Frank D. Yeary

Age: 54

Director since: July 2015

Board Committees:

Audit, Risk and Compliance

Other Current Public Company Boards:

Intel Corporation

Key Qualifications and Experience:

Financial Services

Business Development and Strategy

Senior Leadership

Governmental, Regulatory and Compliance

Global Business

Other Public Company Board Service

Finance and Accounting

Biography:

Mr. Yeary has served as a director of PayPal since July 2015. He previously served as a board member of eBay from January 2015 to July 2015. Mr. Yeary has been Chairman of CamberView Partners, LLC, a corporate advisory firm, since 2012. Mr. Yeary was Vice Chancellor of the University of California, Berkeley, a public university, from 2008 to 2012, where he led and implemented changes to the university's financial and operating strategy. Prior to 2008, Mr. Yeary spent 25 years in the finance industry, most recently as Managing Director, Global Head of Mergers and Acquisitions and a member of the Management Committee at Citigroup Investment Banking, a financial services company. Mr. Yeary also serves on the Board of Directors of Intel Corporation.

Mr. Yeary received his B.A. in History and Economics from the University of California, Berkeley.

The Board Recommends a Vote **FOR** each of the Named Director Nominees.

CONSIDERATION OF DIRECTOR NOMINEES

Stockholder Recommendations and Nominations

The Governance Committee is responsible for recommending to the Board a slate of nominees for election at each annual meeting of stockholders for PayPal. Nominees may be suggested by directors, members of management, stockholders, or by a third-party firm. In evaluating potential director nominees, the Governance Committee considers a wide range of factors, including the criteria described below under Director Selection Process and Qualifications.

Stockholders who would like the Governance Committee to consider their recommendations for director nominees should submit their recommendations in writing by mail to the Governance Committee in care of our Corporate Secretary at PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131, stating the candidate's name and qualifications for Board membership. Recommendations by stockholders that are made in accordance with these procedures will receive the same consideration by the Governance Committee as other suggested nominees.

In addition, our Restated Certificate of Incorporation (Certificate of Incorporation) and Bylaws provide proxy access rights that permit eligible stockholders to nominate candidates for election to the Board in the Company's proxy statement. These proxy access rights permit a stockholder, or group of up to 20 stockholders, owning 3% or more of the Company's outstanding common stock continuously for at least three years to nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Board, provided that the stockholder(s) and nominee(s) satisfy the requirements and procedures described in our Certificate of Incorporation and Bylaws.

Director Selection Process and Qualifications

The Governance Committee is responsible for recommending to the Board the qualifications for Board membership and for identifying, assessing and recommending qualified director candidates for the Board's consideration. The Board's membership qualifications and nomination procedures are set forth in the Corporate Governance Guidelines.

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The Board and Governance Committee consider the following factors and principles in evaluating and selecting director nominees:

Directors should have high-level managerial experience in a relatively complex organization or be accustomed to dealing with complex problems;

Directors should represent the balanced, best interests of the stockholders as a whole rather than special interest groups or constituencies;

Directors should be individuals of the highest character and integrity, with the ability to work well with others and with sufficient time available to devote to the affairs of the Company in order to carry out their responsibilities;

In addressing the overall composition of the Board, diversity (including gender, race and ethnicity), age, international background, and expertise should be considered in evaluating potential Board members;

The interplay of a candidate's background and expertise with that of other Board members, and the extent to which a candidate may be a desirable addition to any Board committee should be considered;

The Board should include individuals with highly relevant professional experience; and

The Board should be composed of directors who are highly engaged with our business.

In particular, the Governance Committee values diversity as a factor in selecting nominees. When searching for new directors, the Governance Committee actively seeks out qualified women and individuals from underrepresented ethnic groups to include in the pool from which Board nominees are chosen.

From time to time, the Governance Committee may retain an executive search firm to assist in identifying, screening and evaluating potential candidates.

Director Compensation

The Compensation Committee is responsible for reviewing and making recommendations to the Board regarding compensation paid to non-employee directors for their Board and committee services. On an annual basis, the Compensation Committee reviews the non-employee director compensation program, receiving input from the Compensation Committee's independent consultant regarding market practices and the competitiveness of the non-employee director compensation program in relation to the general market and the Company's peer group.

2017 DIRECTOR COMPENSATION

For 2017, each non-employee director of the Company received the following annual retainers on the first trading day after January 1, 2017, other than Mr. Omidyar, who did not receive any compensation for his services as a Board member and did not stand for re-election at PayPal's 2017 Annual Meeting:

2017 Annual Retainers:

All Non-Employee Directors	\$ 80,000/year
----------------------------	----------------

Non-Executive Board Chair	\$ 100,000/year
Lead Independent Director	\$ 75,000/year
ARC Committee Chair	\$ 25,000/year
Compensation Committee Chair and Governance Committee Chair	\$ 20,000/year
ARC Committee Member	\$ 20,000/year
Compensation Committee Member	\$ 18,000/year

Governance Committee Member \$ 10,000/year

A non-employee director who serves as a Board Chair or as the chair of a committee will be entitled to the Board Chair annual retainer and/or committee chair annual retainer in addition to the non-employee director annual retainer, but will not be entitled to the committee member annual retainer for serving as a member of that specific committee.

A non-employee director may elect to receive 100% of his/her annual retainer(s) in fully vested stock awards of PayPal common stock having a value equal to the annual retainer(s) in lieu of cash.

If a non-employee director is elected or appointed to serve as a member of the Board, or appointed to serve as a member of a committee or as a chair of a committee in which he/she was not a member prior to such appointment, following the annual retainer payment date for such calendar year (i.e., the first trading day after January 1 of such year), such non-employee director will receive a prorated annual retainer, based on the number of days from the appointment/election date to December 31 of such year.

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2017 Equity Awards:

In addition to the annual retainers, all non-employee directors of PayPal received the following fully vested stock awards of PayPal common stock following PayPal's annual meeting of stockholders:

All Non-Employee Directors	\$ 250,000 in PayPal common stock
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Board Chair ¹	\$ 100,000 in PayPal common stock
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¹ The Board Chair receives \$100,000 in PayPal common stock in addition to the \$250,000 in PayPal common stock that he/she receives for services as a non-employee director.

The number of shares of PayPal common stock subject to the stock award is determined by dividing the amount of the annual equity award by the per share fair market value (i.e., the closing price of our common stock) on the date of the annual stockholders meeting, rounded up to the nearest whole share.

Effective June 2017, if a non-employee director is appointed or elected at any time other than at an annual stockholders meeting, such director will be eligible to receive a prorated annual equity award, as of the date of his or her appointment or election, for the period prior to the first annual stockholders meeting following his or her appointment or election, determined by (i) multiplying the amount of the annual equity award (i.e., \$250,000 and, with respect to the additional equity award to the Board Chair, \$100,000) by a fraction, the numerator of which is the number of days from the date of appointment or election to the first anniversary of the most recent annual stockholders meeting, and the denominator of which is 365, and (ii) dividing such amount by the per share fair market value on the date of appointment or election, rounded up to the nearest whole share.

2018 DIRECTOR COMPENSATION

Effective January 1, 2018, each non-employee director of the Company will receive the following annual retainer on the first trading day after January 1 of each year in which the director serves as a non-employee director of the Company:

2018 Annual Retainers:

All Non-Employee Directors	\$ 80,000/year
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Non-Executive Board Chair	\$ 100,000/year
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Lead Independent Director	\$ 75,000/year
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ARC Committee Chair	\$ 40,000/year
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Compensation Committee Chair and Governance Committee Chair	\$ 20,000/year
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ARC Committee Member	\$ 20,000/year
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Compensation Committee Member	\$ 18,000/year
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Governance Committee Member	\$ 10,000/year
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2018 Equity Awards:

In addition to the annual retainers, all non-employee directors of PayPal will receive the following fully vested stock awards of PayPal common stock following PayPal's annual meeting of stockholders:

All Non-Employee Directors	\$ 275,000 in PayPal common stock
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Board Chair ¹	\$ 100,000 in PayPal common stock
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¹ The Board Chair receives \$100,000 in PayPal common stock in addition to the \$275,000 in PayPal common stock that he/she receives for services as a non-employee director.

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2017 DIRECTOR COMPENSATION TABLE

The following table summarizes the total compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2017.

Name	Fees Earned or			Total
	Paid in Cash⁽¹⁾	Stock Awards⁽²⁾	Option Awards⁽²⁾	
	(\$)	(\$)	(\$)	(\$)
Rodney C. Adkins	26,575	165,092		191,667
Wences Casares	98,000	250,043		348,043
Jonathan Christodoro	98,000	250,043		348,043
John J. Donahoe	180,000	350,050		530,050
David W. Dorman	110,000	250,043		360,043
Belinda J. Johnson	96,986	250,043		347,029
Gail J. McGovern	120,000	250,043		370,043
David M. Moffett	180,000	250,043		430,043
Pierre M. Omidyar				
Ann M. Sarnoff	51,506	227,424		278,930
	100,000	250,043		350,043

Frank D. Yeary

¹ The amounts reported in the Fees Earned or Paid in Cash column reflect the cash fees earned by each non-employee director in 2017, which includes fees with respect to which the following directors elected to receive fully vested shares of PayPal stock in lieu of cash:

Name	Fees	Shares
	Forgone	Received
	(\$)	(#)
Rodney C. Adkins	26,575	423
Wences Casares	98,000	2,435
John J. Donahoe	180,000	4,473
David W. Dorman	110,000	2,733
Belinda J. Johnson	96,986	2,334
Ann M. Sarnoff	51,506	977

² Amounts shown represent the grant date fair value of the stock awards granted on May 25, 2016 to our directors as computed in accordance with FASB ASC Topic 718. As of December 31, 2017, our non-employee directors held the following deferred stock units (DSUs) and stock options.

Name	Total	Total
	DSUs Held	Options Held
	as of 12/31/17	as of 12/31/17
	(#)	(#)
Rodney C. Adkins		
Wences Casares	5,353	

Jonathan Christodoro		
John J. Donahoe	2,464	198,513
David W. Dorman	9,488	
Belinda J. Johnson		
Gail J. McGovern	3,711	
David M. Moffett	49,001	
Pierre M. Omidyar		
Ann M. Sarnoff		
Frank D. Yeary	5,460	

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Corporate Governance

Corporate governance at PayPal is designed to promote the long-term interests of our stockholders, strengthen Board and management accountability, foster responsible decision-making, and engender public trust. We believe that strong corporate governance practices that provide meaningful rights to our stockholders and ensure Board and management accountability are essential to our relationship with our stockholders. We strive to have regular, constructive conversations with our stockholders to better understand their priorities and perspectives, and to provide us with useful input concerning our corporate governance and compensation practices.

To help our stockholders understand our commitment to this relationship and our governance practices, the Board has adopted the Corporate Governance Guidelines of the Board of Directors ([Governance Guidelines](#)) to serve as a framework within which the Board conducts its business. Our Governance Guidelines, charters of our principal Board committees, our Code of Business Conduct and Ethics ([Code of Business Conduct](#)), and other key corporate governance documents and materials are available on our investor relations website at <https://investor.paypal-corp.com/corporate-governance.cfm>.

The following sections provide an overview of PayPal's corporate governance practices.

[The Board's Role and Responsibilities](#)

The Board is responsible for providing advice and oversight of the strategic and operational direction of the Company and overseeing its executive management to support the long-term interests of the Company and its stockholders.

RISK OVERSIGHT

Management is responsible for assessing and managing risk, subject to oversight by the Board. The Board executes its oversight responsibility for risk assessment and risk management directly and through its committees.

In January 2017, the Audit Committee of the Board was renamed the Audit, Risk and Compliance Committee (the [ARC Committee](#)) to more accurately reflect the scope of the committee's role with respect to oversight of risk and compliance matters. The Board has delegated to the ARC Committee primary responsibility for the oversight of the risk framework and risk appetite framework at PayPal. In accordance with its charter, the ARC Committee oversees and assesses the Company's overall risk management framework, including policies and practices established by management to identify, assess, measure and manage key current and emerging risks facing the Company. The ARC Committee reviews with our Chief Business Affairs and Legal Officer and Chief Risk, Compliance and Security Officer, as applicable, significant legal, regulatory or compliance matters that could have a material impact on our financial statements, business, or compliance policies, including material notices to or inquiries received from governmental agencies.

To oversee and manage risk, we have established an Enterprise Risk and Compliance Management Program ([ERCMP](#)). The ERCMP sets forth the Company's programmatic approach to identifying, measuring, managing, monitoring, and reporting key risks facing our Company, including financial crime compliance risk, regulatory

compliance risk, technology risk, operational risk, credit risk, capital structure risk, and strategic risk. The ERCMP is designed to enable the ARC Committee to have effective oversight over the Company's risk framework, including the Company's risk management practices and capabilities. The ARC Committee periodically reviews the Company's Enterprise Risk and Compliance Management Policy and other key risk management policies. The ARC Committee also regularly reviews and discusses with management the overall effectiveness of, and ongoing enhancements to, the ERCMP. In addition, the ARC Committee discusses key risk areas with management throughout the year. The ARC Committee reports to the entire Board on a regular basis.

The other principal Board committees are responsible for oversight of risks associated with their respective areas of responsibility. For example, the Compensation Committee reviews the risks associated with our compensation policies and practices. Management has assessed the Company's compensation policies and practices and concluded that they do not create risks that are reasonably likely to have a material adverse effect on the Company, and the Compensation Committee agreed with this conclusion. The Governance Committee reviews the risks associated with our overall corporate governance.

BOARD AND COMMITTEE EVALUATIONS

The Board and its principal committees perform an annual self-assessment to assess their performance and effectiveness and to identify opportunities to improve Board and committee performance. As part of this annual self-assessment, directors are able to provide feedback on the performance of other directors. The Chairman and Lead Independent Director then follows up on this feedback and takes such further action with directors receiving comments and other directors as needed.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Our director orientation program familiarizes new directors with the Company's businesses, strategies, and policies, and assists them in developing the skills and knowledge required for their service on the Board and any committees on which they serve. All other directors are also invited to attend the orientation programs. From time to time, management provides, or invites outside

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experts to attend Board meetings to provide, educational briefings to the Board on business, corporate governance, regulatory and other matters. In addition, Board members may attend, at the Company's expense, accredited director education programs.

SUCCESSION PLANNING

The Board recognizes the importance of effective executive leadership to PayPal's success and annually reviews executive succession planning. As part of this process, the Board reviews and discusses the capabilities of our senior leadership, as well as succession planning and potential successors for the CEO and our other executive officers. The process includes consideration of organizational and operational needs, competitive challenges, leadership/management potential and development, and emergency situations.

CODE OF BUSINESS CONDUCT

We expect our directors, officers, and employees to conduct themselves with the highest degree of integrity, ethics, and honesty. Our credibility and reputation depend upon the good judgment, ethical standards, and personal integrity of each director, officer, and employee. PayPal's Code of Business Conduct requires that its directors, executive officers, and other employees disclose actual or potential conflicts of interest and recuse themselves from related decisions. We regularly review the Code of Business Conduct and related policies to ensure that they provide clear guidance to our directors, executive officers, and employees. The Code of Business Conduct is available at <https://investor.paypal-corp.com/corporate-governance.cfm>. Concerns about accounting or auditing matters or possible violations of our Code of Business Conduct should be reported under the procedures outlined in the Code of Business Conduct.

OUTSIDE ADVISORS

The Board may retain outside legal, accounting, or other advisors as it deems necessary or appropriate at the Company's expense and without obtaining management's consent. Each principal committee of the Board may also retain outside legal, accounting or other advisors as it deems necessary or appropriate at the Company's expense and without obtaining the Board's or management's consent.

Director Independence

Under the listing standards of NASDAQ and our Corporate Governance Guidelines, the Board must consist of a majority of independent directors. Annually, each director completes a questionnaire designed to provide information to assist the Board in determining whether the director is independent under the listing standards of NASDAQ and our Corporate Governance Guidelines, and whether members of the ARC Committee and Compensation Committee satisfy additional Securities and Exchange Commission (SEC) and NASDAQ independence requirements. The Board has adopted guidelines setting forth certain categories of transactions, relationships, and arrangements that it has deemed immaterial for purposes of making determinations regarding a director's independence, and the Board does not consider any of those transactions, relationships, and arrangements in determining director independence.

Based on its review, the Board has determined that each of the following directors is independent under the listing standards of NASDAQ and our Corporate Governance Guidelines, and is free of any relationship that would interfere

with his or her individual exercise of independent judgment:

Rodney C. Adkins

Gail J. McGovern

Wences Casares

David M. Moffett

Jonathan Christodoro

Pierre M. Omidyar¹

David W. Dorman

Ann M. Sarnoff

Belinda J. Johnson

Frank D. Yeary

¹ Mr. Omidyar did not stand for re-election at PayPal's 2017 Annual Meeting.

The Board limits membership on its ARC Committee, Compensation Committee, and Governance Committee to independent directors. Our Corporate Governance Guidelines prohibit directors from serving on the board of directors, or as an officer, of another company that may cause a significant conflict of interest. Our Corporate Governance Guidelines also provide that any director who has previously been determined to be independent must inform the Lead Independent Director and our Corporate Secretary of any significant change in personal circumstances, including a change in principal occupation, change in professional roles and responsibilities or status as a member of the board of another public company, including retirement, as well as any change in circumstance that may cause his or her status as an independent director to change.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee is or has been an employee of PayPal. None of our executive officers served on the board of directors or compensation committee of another entity which has an executive officer serving on the Board or the Compensation Committee.

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Board Leadership and Lead Independent Director

In accordance with our Bylaws, our Board elects our Chairman of the Board and our CEO. Our Corporate Governance Guidelines provide that the Chairman and CEO roles should be held by separate individuals as an aid in the Board's oversight of management and to allow the CEO to focus primarily on management responsibilities. Mr. Donahoe currently serves as our Chairman.

In March 2017, Mr. Moffett was appointed by the Board to serve an additional two-year term as Lead Independent Director, effective upon the conclusion of our 2017 Annual Meeting, subject to his continuing reelection and status as an independent director. The Lead Independent Director's responsibilities are detailed in our Corporate Governance Guidelines, and include:

- Providing the Chairman with input as to an appropriate schedule of Board meetings;
- Providing the Chairman with input as to the preparation of agendas for Board meetings;
- Providing the Chairman with input as to the quality, quantity, and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties;
- Making recommendations to the Chairman regarding the retention of consultants who report directly to the Board (other than consultants who are selected by the various committees of the Board);
- Presiding over executive sessions of the Board;
- Acting as a liaison between the Independent Directors and the Chairman and CEO on sensitive issues;
- Together with the Chairman, leading the Board in its review of the results of the annual self-assessment process, including acting on director feedback as needed; and
- Together with the Chairman, conducting interviews to confirm the continued qualification and willingness to serve of each director whose term is expiring at an annual meeting prior to the time at which directors are nominated for re-election.

Board Committees

The Board has three principal standing committees: the ARC Committee, the Compensation Committee, and the Governance Committee. Each committee has a written charter, available on the corporate governance section of our investor relations website at <https://investor.paypal-corp.com/corporate-governance.cfm>, which describes in more detail its specific responsibilities and functions. The table below provides the current membership for each principal Board committee.

ARC Committee	Compensation Committee	Governance Committee
------------------	---------------------------	-------------------------

Member

Rodney C. Adkins

Wences Casares

Member

Jonathan Christodoro

Member

John J. Donahoe

David W. Dorman

Chair

Member

Belinda J. Johnson

Member

Gail J. McGovern

Member

Chair

David M. Moffett

Chair

Ann M. Sarnoff

Member

Daniel H. Schulman

Member

Frank D. Yeary

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Below is a description of each principal committee of the Board.

ARC Committee

Members:

Rodney C. Adkins (since Sept. 2017)

Belinda J. Johnson (since Jan. 2017)

David M. Moffett (Chair)

Ann M. Sarnoff (since June 2017)

Frank D. Yearly

Committee Meetings in 2017: 11

Charter:

The ARC Committee Charter, as adopted by the Board, is available on our website at <https://investor.paypal-corp.com/corporate-governance.cfm>

Primary Responsibilities

Provide assistance and guidance to the Board in fulfilling its oversight responsibilities with respect to:

- PayPal’s corporate accounting and financial reporting practices and the audit of PayPal’s financial statements;
- The independent auditors, including their qualifications and independence;
- The performance of PayPal’s internal audit function and independent auditor;
- The quality and integrity of PayPal’s financial statements and reports;
- Reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements with the independent auditor;
- Producing the Audit Committee Report for inclusion in our proxy statement;
- PayPal’s overall risk framework and risk appetite framework; and
- PayPal’s compliance with legal and regulatory obligations.

Independence

The Board has determined that each member of the ARC Committee meets the independence requirements of NASDAQ and the SEC and otherwise satisfies the requirements for audit committee service imposed by the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Board has also determined that each member of the ARC Committee is financially literate and that Mr. Moffett is an audit committee financial expert as

defined by SEC rules.

Compensation Committee

Members:

Wences Casares

Jonathan Christodoro

David W. Dorman (Chair)

Gail J. McGovern (since Sept. 2017)

Committee Meetings in 2017: 5

Charter:

The Compensation Committee Charter, as adopted by the Board, is available on our website at

<https://investor.paypal-corp.com/corporate-governance.cfm>

Primary Responsibilities

Review and approve the overall strategy for employee compensation and all compensation programs applicable to directors and executive officers;

Annually review and approve corporate goals and objectives relevant to the compensation of the CEO and evaluate the CEO's performance;

Review, determine and approve the compensation for the CEO and our other executive officers;

Oversee and monitor compliance with the Company's stock ownership guidelines applicable to directors and executive officers;

Review and discuss the Compensation Discussion and Analysis contained in our proxy statement and prepare the Compensation Committee Report for inclusion in our proxy statement; and

Review and consider the results of any advisory stockholder votes on executive compensation.

The charter of the Compensation Committee permits the Compensation Committee, in its discretion, to delegate all or a portion of its duties and responsibilities to a subcommittee or any member of the Compensation Committee or, subject to applicable law, listing standards and the terms of the charter, any officer(s) of the Company.

Independence

The Board has determined that each member of the Compensation Committee meets the independence requirements of NASDAQ and the SEC.

Additionally, the Compensation Committee assesses on an annual basis the independence of its compensation consultants, outside legal counsel, and other compensation advisers. Additional disclosure regarding the role of the Compensation Committee in

compensation matters, including the role of consultants in compensation decisions, can be found below under the section Compensation Discussion and Analysis Other Compensation Practices and Policies Roles and Responsibilities Compensation Consultant.

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22 Corporate Governance

Governance Committee

Members:

David W. Dorman

Gail J. McGovern (Chair)

Committee Meetings in 2017: 3

Charter:

The Governance Committee Charter, as adopted by the Board, is available on our website at <https://investor.paypal-corp.com/corporate-governance.cfm>

Primary Responsibilities

Make recommendations to the Board as to the appropriate size of the Board or any Board committee;
 Identify individuals believed to be qualified to become Board members;
 Make recommendations to the Board on potential Board and Board committee members, whether as a result of vacancies (including any vacancy created by an increase in the size of the Board) or as part of the annual election cycle, taking into consideration the criteria set forth in the Composition of the Board section of the Governance Guidelines;
 Review our Governance Guidelines at least annually;
 Establish procedures to exercise oversight of the evaluation of the Board and senior management;
 Lead an annual evaluation of the Board and senior management; and
 Consider any other corporate governance issues that may arise from time to time, and develop appropriate recommendations for the Board.

Independence

The Board has determined that each member of the Governance Committee meets the independence requirements of NASDAQ.

Board and Committee Meetings and Attendance

Our Board holds eight regularly scheduled meetings in addition to special meetings scheduled as appropriate. At each regularly scheduled quarterly, in-person Board meeting, a member of each principal Board committee reports on any significant matters addressed by the committee since the last quarterly, in-person Board meeting. In addition, the outside directors have the opportunity to meet without our management or the other directors as part of each regularly scheduled Board meeting. The Lead Independent Director leads these discussions. The Board expects that its members rigorously prepare for, attend and participate in all Board and applicable Board committee meetings.

Our Board met eight times during 2017. Each director nominee who served in 2017 attended at least 75% of all of our Board meetings and committee meetings for committees on which he or she served for the period during which he or she served in 2017.

All directors are encouraged to attend the Annual Meeting. Last year, six of the ten directors serving on our Board at the time of our 2017 Annual Meeting attended that meeting.

Related Person Transactions

RELATED-PERSON TRANSACTION POLICY

Our Board has adopted a written related-person transaction policy governing the review and approval of related person transactions that is administered by the ARC Committee. The policy applies to any transaction or series of transactions in which the Company or a consolidated subsidiary is a participant, the amount involved exceeds \$120,000, and a related person under the policy has a direct or indirect material interest. The policy defines a related person to include directors, director nominees, executive officers, beneficial owners of more than 5% of PayPal's outstanding common stock and or an immediate family member of any of these persons.

Under the policy, transactions requiring review are referred to the ARC Committee for pre-approval, ratification or other action. Management will provide the ARC Committee with a description of any related-person transaction proposed to be approved or ratified. This description will include the terms of the transaction, the business purpose of the transaction, and the benefits to PayPal and to the relevant related person. In determining whether to approve or ratify a related-person transaction, the ARC Committee will consider the following factors:

- Whether the terms of the transaction are fair to the Company, and at least as favorable to the Company as would apply if the transaction did not involve a related person;
- Whether there are demonstrable business reasons for the Company to enter into the transaction;
- Whether the transaction would impair the independence of an outside director under the Company's director independence standards; and
- Whether the transaction would present an improper conflict of interest for any director or executive officer, taking into account the size of the transaction, the overall financial position of the related person, the direct or indirect nature of the related person's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the committee deems relevant.

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The Company also has practices that address potential conflicts in circumstances where a non-employee director is a control person of an investment fund that desires to make an investment in or acquire a company that may compete with one of the Company's businesses. Under those circumstances, the director is required to notify the Company's CEO and Chief Business Affairs and Legal Officer of the proposed transaction, and the Company's CEO and Chief Business Affairs and Legal Officer then assess the nature and degree to which the investee company is competitive with one of the Company's businesses, as well as the potential overlaps between the Company and the investee company. If the Company's CEO and Chief Business Affairs and Legal Officer determines that the competitive situation and potential overlaps between PayPal and the investee company are acceptable, approval of the transaction by the Company would be conditioned upon the director agreeing to certain limitations (including refraining from joining the board of directors of, serving as an advisor to, or being directly involved in the business of the investee company or conveying any confidential or proprietary information regarding the investee company to the Company or regarding the Company's line of business with which the investee competes to the investee company, abstaining from being the primary decision-maker for the investment fund with respect to the investee company, recusing himself/herself from portions of investee company meetings that cover confidential competitive information reasonably pertinent to the Company's lines of business with which the investee company competes and agreeing to any additional limitations deemed to be reasonably necessary or appropriate by the Company's CEO or Chief Business Affairs and Legal Officer as circumstances change). All transactions by investment funds in which a non-employee director is a control person also remain subject in all respects to the Board's written policy for the review of related person transactions, discussed above.

TRANSACTIONS WITH RELATED PERSONS

An immediate family member of Gary Marino, our Executive Vice President, Chief Commercial Officer, is employed by the Company. Gary's Marino's son, Steve Marino, is a project manager in credit technology, and received total compensation of approximately \$197,896 in 2017 and standard benefits applicable to similarly situated employees. This related person transaction was approved by the ARC Committee.

The charter of the ARC Committee requires it to review and approve all related person transactions that are required to be disclosed under Item 404(a) of Regulation S-K. There were no transactions required to be reported in this Proxy Statement since the beginning of fiscal 2017 where our written related-person transaction policy did not require review, approval or ratification or where this policy was not followed.

Communication with the Board

Stockholders are invited to contact the Board or any individual director by writing to the Corporate Secretary at our principal executive offices: PayPal Holdings, Inc., 2211 North First Avenue, San Jose, California 95131, with a request to forward the communication to the intended recipients. In general, any stockholder communication delivered to the Company for forwarding to the Board or specified Board members will be forwarded in accordance with the stockholder's instructions. However, the Company reserves the right not to forward to Board members any abusive, threatening or otherwise inappropriate materials.

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24 Our Executive Officers

Our Executive Officers

Our executive officers are elected annually by the Board and serve at the discretion of the Board. Set forth below is information regarding our executive officers as of April 12, 2018.

Name	Age	Position	Biography
Daniel H. Schulman	60	President and Chief Executive Officer	Mr. Schulman's biography is set forth on page 13 under the heading "Proposal 1 Election of Directors Director Nominees."
Jonathan Auerbach	55	Executive Vice President, Chief Strategy, Growth and Data Officer	<p>Mr. Auerbach has served PayPal as Executive Vice President, Chief Strategy, Growth and Data Officer since January 2018. From September 2016 to January 2018, he served as Executive Vice President, Chief Strategy and Growth Officer. From July 2015 to September 2016, he served as Senior Vice President, Chief Strategy and Growth Officer.</p> <p>Mr. Auerbach was the CEO of Group Digital Life at Singapore Telecommunication Limited (Singtel), a telecommunications company, from September 2014 to May 2015, where he led the company's global portfolio of digital businesses as well as its venture fund. From 1987 through 2014, Mr. Auerbach was a management consultant and held a variety of executive roles with McKinsey & Company, a global management consulting firm.</p>
Aaron Karczmer	46	Executive Vice President, Chief Risk, Compliance and Security	Mr. Karczmer has served PayPal as Executive Vice President, Chief Risk, Compliance and Security

Security Officer

Officer since April 2017. From September 2016 to March 2017, he served as Senior Vice President, Chief Compliance and Ethics Officer. From May 2016 to September 2016, he served as Senior Vice President, Chief Compliance Officer.

From 2013 to April 2016, he served as Senior Vice President, Deputy Chief Compliance Office and Head of Global Financial Crime Compliance of American Express, a financial services company. From May 2011 to January 2013, he served as Vice President, Principal Compliance Leader, Enterprise Growth and Enterprise Compliance Risk Management of American Express. From September 2007 to May 2011, he served as Vice President, Financial Intelligence Unit AML Enterprise Surveillance, Investigations & Technology of American Express.

Gary J. Marino

61 Executive Vice President,
Chief Commercial Officer

Mr. Marino has served PayPal as Executive Vice President, Chief Commercial Officer since September 2016. From July 2015 to September 2016, he served as Senior Vice President, Global Credit and the Americas.

Mr. Marino co-founded Bill Me Later, Inc. in 2001 and served as its Chief Executive Officer from 2001 through November 2009, when eBay Inc. acquired Bill Me Later, Inc.

A. Louise Pentland

46 Executive Vice President,
Chief Business Affairs and
Legal Officer

Ms. Pentland has served PayPal as Executive Vice President, Chief Business Affairs and Legal Officer since September 2016. From September 2015 to September 2016, she served as Senior Vice President, Chief Legal Officer and Secretary. From July 2015 to September 2015, she served as Senior Vice President, General Counsel and Secretary.

Ms. Pentland was previously the Executive Vice President and Chief Legal Officer at Nokia Corporation, a multinational communications and information technology company, from July 2008 to July 2014. Ms. Pentland also serves on the Board of Directors of Hitachi Ltd.

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Our Executive Officers 25

Name	Age	Position	Biography
John D. Rainey	47	Chief Financial Officer and Executive Vice President, Global Customer Operations	<p>Mr. Rainey has served PayPal as Chief Financial Officer and Executive Vice President, Global Customer Operations since January 2018. From September 2016 to January 2018, he served as Executive Vice President, Chief Financial Officer. From August 2015 to September 2016, he served as Senior Vice President, Chief Financial Officer.</p> <p>From April 2012 to July 2015, Mr. Rainey was Executive Vice President and Chief Financial Officer of United Continental Holdings, Inc., an airline holding company. Mr. Rainey also served as Chief Financial Officer and Executive Vice President at United Airlines, Inc., an airline company, from April 2012 to August 2015. From October 2010 to April 2012, Mr. Rainey was Senior Vice President of Financial Planning and Analysis at United Continental Holdings, Inc. Mr. Rainey also serves on the Board of Directors of Nasdaq, Inc.</p>
William J. Ready	38	Executive Vice President, Chief Operating Officer	<p>Mr. Ready has served PayPal as Executive Vice President, Chief Operating Officer since September 2016. From July 2015 to September 2016, he served as Senior Vice President, Global Head Product & Engineering of PayPal. Prior to the Separation, Mr. Ready was the head of PayPal's Braintree operations from the time of its acquisition in December 2013.</p> <p>Mr. Ready was the Chief Executive Officer of Braintree, an online payments provider, from October 2011 until its acquisition by PayPal, Inc., in December 2013. From July 2011 to October 2011, Mr. Ready was an executive in residence at Accel Partners, a leading Silicon Valley venture capital and growth equity firm.</p>

Mr. Ready was the President of iPay Technologies, Inc., a payments services provider, from 2008 to 2011. Mr. Ready also serves on the Board of Directors of Automatic Data Processing, Inc.

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26 Stock Ownership Information

Stock Ownership Information

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of April 3, 2018 by (1) each stockholder known to us to be the beneficial owner of more than 5% of our common stock, (2) each director and nominee for director, (3) each executive officer named in the 2017 Summary Compensation Table below, and (4) all executive officers and directors as a group. Unless otherwise indicated below, the address for each of our executive officers and directors is c/o PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131.

Name of Beneficial Owner	Shares Beneficially Owned ⁽¹⁾	
	Number	Percent
FMR LLC ²	82,888,592	7.0%
The Vanguard Group ³	80,842,746	6.8%
BlackRock, Inc. ⁴	69,404,765	5.9%
Daniel H. Schulman ⁵	630,150	*
John D. Rainey ⁶	116,948	*
Gary J. Marino ⁷	97,598	*
A. Louise Pentland ⁸	88,944	*
William J. Ready ⁹	203,916	*
Rodney C. Adkins	10,149	*
Wences Casares ¹⁰	14,347	*
Jonathan Christodoro	15,927	*
John J. Donahoe ¹¹	325,467	*
David W. Dorman ¹²	33,391	*
Belinda J. Johnson ¹³	7,435	*
Gail J. McGovern ¹⁴	12,647	*
David M. Moffett	66,320	*
Ann M. Sarnoff ¹⁵	6,645	*
Frank D. Yeary ¹⁶	17,389	*
All directors and executive officers as a group (17 persons) ¹⁷	1,856,670	0.2%

* Less than one percent

¹ This table is based upon information supplied by officers, directors, and principal stockholders and any Schedules 13D and 13G filed with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated in the footnotes to this table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject

to options that are currently exercisable or exercisable within 60 days of April 3, 2018, and restricted stock units (RSUs) that are scheduled to vest within 60 days of April 3, 2018 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding those options or RSUs, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of beneficial ownership is based on 1,187,180,992 shares of common stock outstanding as of April 3, 2018.

² FMR LLC has beneficial ownership of an aggregate of 82,888,592 shares of the Company's common stock. FMR LLC has sole voting power of 12,183,260 shares of the Company's common stock and sole dispositive power of 82,888,592 shares of the Company's common stock. The address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

³ The Vanguard Group and its affiliates and subsidiaries have beneficial ownership of an aggregate of 80,842,746 shares of the Company's common stock. The Vanguard Group has sole voting power of 1,618,860 shares of the Company's common stock, shared voting power of 244,955 shares of the Company's common stock, sole dispositive power of 79,019,404 shares of the Company's common stock, and shared dispositive power of 1,823,342 shares of the Company's common stock. The address for The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

⁴ BlackRock, Inc. and its affiliates and subsidiaries have beneficial ownership of an aggregate of 69,404,765 shares of the Company's common stock. BlackRock, Inc. has sole voting power of 60,178,544 shares of the Company's common stock, and sole dispositive power of 69,404,765 shares of the Company's common stock. The address for BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055.

⁵ Mr. Schulman is our President and CEO. Includes 254,853 shares Mr. Schulman has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018.

⁶ Mr. Rainey is our Chief Financial Officer and Executive Vice President, Global Customer Operations. Includes 9,103 shares Mr. Rainey has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018.

⁷ Mr. Marino is our Executive Vice President, Chief Commercial Officer. Includes 12,823 shares Mr. Marino has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018.

⁸ Ms. Pentland is our Executive Vice President, Chief Business Affairs and Legal Officer. Includes 3,056 shares Ms. Pentland has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018, and 33,278 RSUs scheduled to vest within 60 days of April 3, 2018.

⁹ Mr. Ready is our Executive Vice President, Chief Operating Officer. Includes 25,551 shares Mr. Ready has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018 and 24,258 RSUs scheduled to vest within 60 days of April 3, 2018.

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¹⁰ The address for Mr. Casares is Xapo Inc., 364 University Avenue, Palo Alto, California 94301.

¹¹ Includes 198,513 shares Mr. Donahoe has the right to acquire pursuant to outstanding options exercisable within 60 days of April 3, 2018. The address for Mr. Donahoe is ServiceNow, Inc., 2225 Lawson Lane, Santa Clara, California 95054.

¹² The address for Mr. Dorman is Knoll Ventures, Tower Place 200, Suite 1000, 3348 Peachtree Road, NE, Atlanta, Georgia 30326.

¹³ The address for Ms. Johnson is Airbnb, Inc., 888 Brannan Street, San Francisco, California 94103.

¹⁴ The address for Ms. McGovern is American Red Cross, 430 17th Street, NW, Washington, DC 20006.

¹⁵ The address for Ms. Sarnoff is BBC Worldwide Americas, 1120 Avenue of the Americas, 5th Floor, New York, New York 10036.

¹⁶ The address for Mr. Yeary is CamberView Partners, LLC, 650 California Street, 31st Floor, San Francisco, California 94108.

¹⁷ Includes 566,720 shares subject to options exercisable within 60 days of April 3, 2018, and 94,889 RSUs scheduled to vest within 60 days of April 3, 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our common stock to file reports regarding their ownership and changes in ownership of our securities with the SEC, and to furnish us with copies of all Section 16(a) reports that they file.

We believe that during the fiscal year ended December 31, 2017, our directors, executive officers, and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements.

In making these statements, we have relied upon a review of the copies of Section 16(a) reports furnished to us and the written representations of our directors, executive officers, and greater than 10% stockholders.

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28 Proposal 2

Proposal 2 Advisory Vote to Approve Named Executive Officer Compensation

In accordance with the requirements of Section 14A of the Exchange Act, we are asking our stockholders to vote on an advisory basis to approve the compensation paid to our NEOs (say-on-pay), as described in the Compensation Discussion and Analysis and the compensation table sections of this proxy statement.

As discussed in the Compensation Discussion and Analysis, the Compensation Committee is committed to an executive compensation program that creates transparent and simple programs that appropriately incentivize our executives, align with stockholder interests and external expectations, and enable us to effectively compete for and win top talent and to build the strongest possible leadership team for PayPal. The Compensation Committee believes that the goals of our executive compensation program are appropriate and that the program is properly structured to achieve those goals. In deciding how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis and the compensation table sections of this proxy statement.

The Board recommends that stockholders vote **FOR** the following resolution:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table, and the other related tables and disclosures.

This say-on-pay vote is advisory, and therefore not binding on the Company, the Board, or the Compensation Committee. However, the Board and the Compensation Committee value the opinions of our stockholders and will take into account the outcome of this vote in considering future compensation arrangements. We hold our advisory say-on-pay vote every year and expect that the next say-on-pay vote will occur at PayPal's 2019 annual meeting of stockholders.

The Board Recommends a Vote **FOR** Proposal 2.

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Compensation Discussion and Analysis

Dear PayPal Stockholder:

2017 was an extraordinary year for PayPal. We continued to pursue our mission and vision as part of the multi-year strategic plan that dramatically expanded our customer value proposition, transformed our business model to support customer choice, and strengthened strategic partnerships across the ecosystem. In 2017, we succeeded in growing our core through expanding our global capabilities, in expanding our value proposition for customers by focusing on trust and simplicity, and in strengthening strategic partnerships by building new strategic partnerships to provide better experiences for our customers and seeking new areas of growth through new international markets around the world.

Our executive compensation program takes into consideration the unique nature of the financial technology (FinTech) competitive landscape, and is designed to create transparent and simple programs that appropriately incentivize our executives, align with stockholder interests and external expectations, and enable us to effectively compete for and win top talent and to build the strongest possible leadership team for PayPal. The discussion that follows provides an overview of our compensation program for our named executive officers and their compensation for 2017. We encourage you to review this discussion and analysis of our program carefully, and we hope you agree that our executive compensation program supports PayPal's growth strategy and is well aligned with creating long-term stockholder value.

The Compensation Committee of the Board of Directors

David W. Dorman (Chairman)

Wences Casares

Jonathan Christodoro

Gail J. McGovern

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30 Compensation Discussion and Analysis

Introduction

We completed our second year as an independent company in 2017, continuing our transformative journey while delivering strong results. For 2017, the Committee approved an executive compensation program based on our pay for performance philosophy that is designed to align our executive officers' compensation with the key drivers of profitable short-term and long-term growth and the goals of properly incentivizing and rewarding our executives for performance that exceeds expectations, providing transparency for both our executives and our stockholders, and positioning us competitively to enable us to attract and retain our executives.

This Compensation Discussion and Analysis (CD&A) describes the compensation for each of PayPal's named executive officers (NEOs). For 2017, our NEOs were:

Daniel H. Schulman	President and Chief Executive Officer (our CEO)
John D. Rainey	Chief Financial Officer and Executive Vice President, Global Customer Operations
Gary J. Marino	Executive Vice President, Chief Commercial Officer
A. Louise Pentland	Executive Vice President, Chief Business Affairs and Legal Officer
William J. Ready	Executive Vice President, Chief Operating Officer

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Executive Summary Overview of Executive Compensation Program

The following is a brief overview of the primary compensation elements for our NEOs in 2017.

PRIMARY COMPENSATION ELEMENTS FOR NEOs IN 2017

	Total Direct Compensation			
	Salary	Annual Incentive Award	Performance-Based Restricted Stock Units (PBRsUs)	Restricted Stock Units (RSUs)
When is it set?	Set at hire; reviewed annually	Granted annually and paid or settled in February following conclusion of performance period.	Granted annually in March	
Form of payment	Cash	Cash and Equity	Equity	
Timeframe of targeted performance	Short-term (annual) emphasis		Long-term (multi-year) emphasis	
Performance period	Ongoing	One year	Three year performance period with cliff vesting of shares earned, if any, following end of performance period	Three year service-based vesting, on annual ratable basis
2017 performance measures	N/A	Company Performance Revenue and Non-GAAP	FX-Neutral Revenue Compound Annual Growth Rate (CAGR) and Free	Service-based vesting; ultimate value varies based on stock price

	Operating Margin, with Net New Actives adjustment	Cash Flow CAGR	performance
	Individual Performance		

Objective	Compensates for expected day-to-day performance	Compensates for successful annual performance	Compensates for successful achievement of three year performance goals designed to enhance long-term value	Compensates for the creation of long-term value
	Rewards individuals current contributions	Motivates achievement of short-term performance goals designed to enhance value of Company	Intended to satisfy long-term retention objectives	Recognizes recent performance and potential future contributions
	Reflects scope of roles and responsibilities	Attracts highly capable leaders in an extremely competitive talent market	Attracts highly capable leaders in an extremely competitive talent market	Intended to satisfy long-term retention objectives
	Attracts highly capable leaders in an extremely competitive talent market			Attracts highly capable leaders in an extremely competitive talent market

The Committee believes that long-term equity incentives should comprise the majority of the target total direct compensation opportunity for our NEOs. Other than the annual long-term incentive awards, the Committee may also grant other equity awards from time to time in recognition of an NEO's promotion or special achievement. In 2017, a special equity grant of RSUs was made to Mr. Ready with a grant date value equal to \$16 million (the Promotion RSU Award) in recognition of his promotion to Chief Operating Officer in late 2016. The vesting schedule of this Promotion RSU Award is intended to enhance our long-term retention objective, due to its back-loaded vesting schedule, as 50% of the Promotion RSU Award will vest on the second anniversary of the date of grant and 25% will vest on each of the third and fourth anniversaries of the date of grant, subject to Mr. Ready's continued service through the applicable vesting date. The Promotion RSU Award was granted after considering the input of the Committee's independent compensation consultant, the level deemed necessary to retain Mr. Ready's continued service to the Company in this key operational role over the four-year vesting period given the highly competitive labor market in the Bay Area, Mr. Ready's expanded scope of responsibilities, and his performance in that role since his promotion.

KEY CONSIDERATIONS IN SETTING PAY

[Objectives of Executive Compensation Program](#)

In 2017, the Committee prioritized the following compensation philosophy and goals:

Simplicity, Transparency and Clarity of our Program enable executives to directly link Company and individual performance to their pay, and enable stockholders to directly link returns on their investment to Company performance;

One Team maintain unified goals and objectives for the entire executive leadership team to drive operational decisions and Company performance;

Winning the War for Talent recognize the unique FinTech space in which we compete and prioritize nimble and aggressive compensation strategies to attract and retain key talent; and

Individual Performance ensure compensation is commensurate with results, both on the upside and downside, and that leaders are held accountable for their performance.

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32 Compensation Discussion and Analysis

[Investor Feedback and 2017 Say-On-Pay Advisory Vote on Named Executive Officer Compensation](#)

At our 2017 annual meeting of stockholders (the 2017 Annual Meeting), we received more than 96% support of the votes cast on our say-on-pay proposal. Following our 2017 Annual Meeting, we engaged in proactive outreach efforts with major institutional investors holding approximately 55% of our common stock focused on various corporate governance and executive compensation-related issues.

After considering our 2017 say-on-pay voting results as well as the positive feedback received during our stockholder engagement efforts, the Committee determined that it was appropriate to maintain the core design of our 2017 executive compensation program and did not make any changes to our executive compensation program in response to those voting results or stockholder engagement feedback. The Committee will continue to consider future say-on-pay votes and investor feedback when considering and making decisions relating to our executive compensation program, policies, and practices.

[Pay for Performance](#)

Our key executive compensation guiding principle continues to be closely aligning the compensation of our executives with the creation of long-term value for our stockholders by tying a significant portion of their target total direct compensation opportunity to the Company's performance.

[2017 Performance Highlights](#)

In 2017, led by significantly higher revenue growth and improved operating performance, our business delivered greater profitability and higher earnings per share on a reported and adjusted basis. We continued to focus on the long-term growth of our business by executing a broad transformation of our culture and business model to support customer choice and strengthening strategic partnerships across the ecosystem.

The following summarizes our key financial and operational performance results for 2017. We use certain of these key metrics as the performance measures in our incentive compensation program and believe these measures help to align the interests of our executives with those of our stockholders.