



# GOVERNANCE GUIDELINES OF THE BOARD OF DIRECTORS

## Governance Guidelines for the Board of Directors

The Board of Directors (the "Board") of PayPal Holdings, Inc. (the "Company") has adopted these governance guidelines (the "Guidelines") to assist it in following corporate practices that serve the best interests of the Company and its stockholders. The Board intends that these Guidelines serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. The Guidelines should be interpreted in the context of all applicable laws, rules, regulations, listing standards, the Company's charter documents and other governing legal documents.

## BOARD COMPOSITION; SELECTION OF DIRECTORS; POLICY REGARDING ELECTION OF DIRECTORS

### Size of the Board

The number of directors that constitutes the Board shall be fixed from time to time by a resolution adopted by the Board in conformity with the Amended and Restated Bylaws of the Company (the "Bylaws"). The Board shall periodically review its size to ensure that the current number of members most effectively supports the Company.

### Composition of the Board

The Board should be composed of directors chosen on the basis of their character, integrity, judgment, skills, background and experience of particular relevance to the Company. In addition, directors should have high-level managerial experience in a relatively complex organization or be accustomed to dealing with complex problems. Directors should also represent the balanced, best interests of the stockholders as a whole rather than special interest groups or constituencies. At the same time, in addressing the overall composition of the Board, characteristics such as diversity (including gender and race), age, international background, and expertise should be considered as well. Each director should be an individual 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 the responsibilities of a director.

### Guiding Principles for Board Development and Succession

Board composition should be guided by the following principles, which are focused on maintaining robust and effective governance:

- The Board should be composed of directors who are highly engaged.
- In light of the rapidly changing environment in which the Company's businesses operate, the Board should include individuals with highly relevant professional experience.
- Board refreshment over time is critical to ensuring that the Board as a whole maintains an appropriate balance of tenure, diversity, skills and experience needed to provide effective oversight in light of the Company's current and future strategic needs. The Company benefits when there is a mix of experienced directors with a deep understanding of the Company and newer directors who bring a fresh perspective and new ideas.
- While the Board has not established term limits or a mandatory retirement age, it considers director tenure and age on a regular basis in connection with annual director nominations.

## **Proportion of Independent Directors**

The Board shall consist of at least a majority of directors who meet the criteria for independence required by applicable listing standards. The Board shall determine on an annual basis whether each director qualifies as an independent director pursuant to applicable listing standards. The Board also believes that the Chief Executive Officer should be a member of the Board and that it may be in the Company's best interest to have one or more former members of management serve as directors. The Board's policy is that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management and to allow the Chief Executive Officer to focus primarily on management responsibilities.

## **Lead Independent Director**

To the extent that the Chairman of the Board is not an Independent Director, the Outside Directors shall designate an Independent Director to serve as Lead Independent Director. In addition to the duties of all Board members, the Lead Independent Director shall be responsible for: (i) providing the Chairman of the Board with input as to an appropriate schedule of Board meetings; (ii) providing the Chairman of the Board with input as to the preparation of agendas for Board meetings; (iii) providing the Chairman of the Board 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; (iv) making recommendations to the Chairman of the Board regarding the retention of consultants who report directly to the Board (other than consultants who are selected by the various committees of the Board); (v) presiding over executive sessions of the Board; (vi) acting as a liaison between the Independent Directors and the Chairman of the Board and Chief Executive Officer on sensitive issues, (vii) 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 (viii) conducting interviews with existing directors, as described below under "Nomination of Directors." Subject to the Lead Independent Director's continued service on the Board, the Lead Independent Director shall serve a two-year term, or until his or her resignation or the appointment by the Outside Directors of a successor.

## **Nomination of Directors**

The Corporate Governance and Nominating Committee (the "Governance Committee") is responsible for nominating individuals to present to the Board as candidates for Board membership both in connection with the Company's annual meeting of stockholders and to fill Board vacancies. The Board has delegated to the Governance Committee the screening process for identifying possible candidates.

Prior to the meeting of the Governance Committee at which nominations of candidates for the Company's annual meeting of stockholders are to be considered, the Chairman of the Board or the Lead Independent Director, together with the Chairman of the Governance Committee, will meet with each director. They will discuss with each such director whether he or she continues to meet the criteria for Board membership set forth in these Guidelines and the Governance Committee Charter, as well as whether he or she is willing to serve another term if elected, and will then report their findings to the Governance Committee. The Chairman of the Governance Committee will meet with the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) to discuss the matters described in this paragraph. In the event that the term of office of the Chairman of the Governance Committee is scheduled to expire at such annual meeting, the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) will meet with him or her to discuss the matters described in this paragraph. In the event that the Lead Independent Director is the Chairman of the Governance Committee and his or her term of office is scheduled to expire at such annual meeting, the next most senior member of the Governance Committee (based on years of service on the Board/Governance Committee) will meet with him or her to discuss the matters described in this paragraph.

For nomination of potential new candidates made other than by the Board, the stockholder or other person making such nomination shall comply with the Company's Bylaws and charter. All potential candidates must agree (i) to make themselves reasonably available for interviews with the Governance Committee and/or other directors and members of management; and (ii) to the conduct by the Company of customary background checks and other reviews of nominee qualifications.

## **Policy Regarding Election of Directors**

The Board expects each incumbent director who is nominated for re-election to the Board to resign from the Board if he or she fails to receive the required number of votes for re-election in accordance with the Bylaws. The Board or a duly authorized committee of the Board will determine whether to accept such resignation in accordance with the Bylaws. Accordingly, in considering whether to nominate any incumbent director for re-election, the Board shall take into account whether the incumbent director has tendered an irrevocable resignation that will be effective upon (i) the failure to receive the required vote at the next meeting at which such director faces re-election and (ii) acceptance of such resignation in accordance with the Bylaws. In addition, in considering whether to nominate an individual who is not an incumbent director for election to the Board, or to fill a director vacancy or new directorship, the Board shall take into account whether such individual has agreed to tender a resignation of the type described in the preceding sentence prior to being nominated for re-election, if applicable.

In the event an incumbent director fails to receive the required vote for re-election, the Governance Committee, or a committee of the Board consisting solely of Independent Directors that does not include such incumbent director, will determine whether to accept such director's resignation as set forth in Section 2.2(c) of the Bylaws.

## **Material Changes in a Director's Status**

Directors shall inform the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) and the Company's Secretary of any significant change in his or her personal circumstances, including a change in principal occupation, changes in his or her professional roles and responsibilities, or status as a member of the board of any other public company, including retirement. Any Independent Director shall also inform the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) and the Company's Secretary of any change in circumstance that may cause his or her status as an Independent Director to change. The Governance Committee shall be advised of any such change described above, and shall make a recommendation to the Board on the continued appropriateness of Board or committee membership of such director under these circumstances.

## **Outside Directorships and Positions**

From time to time, members of the Board are invited to serve on boards of other public companies. Participation should be very selective. To ensure that members of the Board have the time and resources to commit to the Company's Board, it is recommended that Board members serve on four or fewer boards of publicly held companies (other than the Board). Members of the Company's Board who are chief executive officers of public companies are recommended not to sit on the boards of more than two public companies besides their own. In the event a Board member holds a position on the Company's Audit Committee, such member may not serve on the audit committees of boards of more than two other publicly held companies unless the Board determines that such simultaneous service would not impair the ability of the individual to effectively serve on the Company's Audit Committee. Members of the Board should not serve on the board, or serve as an officer, of any company that may cause a significant conflict of interest with their service as a member of the Company's Board. Board members should normally avoid serving on the board, or serving as an officer, of a service provider, contractor, consultant or other party with whom the Company does a significant amount of business, particularly when such participation might create an impression of favoritism or conflict of interest. All directors shall inform the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) and the Company's Secretary of any activity that may rise to the level of a significant conflict of interest, such as an affiliation with a material competitor or supplier of the Company. The Governance Committee shall be advised of such activity, and shall make a recommendation to the Board on the continued appropriateness of Board or committee membership under these circumstances. Board members will take any such action as the Governance Committee deems to be necessary or appropriate in order to effect the intent of this section.

Notwithstanding the foregoing, a director of the Company shall be permitted to own a significant financial interest, or hold a directorial, employment, consulting or other position, in eBay Inc. Such director may continue to serve on the Board regardless of whether the Company does a significant amount of business with or becomes a competitor of eBay Inc. However, any such director should consider whether to recuse himself or herself from any Board discussion of, and/or

refrain from voting on, any matter that may involve or affect the relationship between the Company and eBay Inc. if the Chairman of the Board or the Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) shall determine, on a case-by-case basis, whether such recusal and/or refrainment shall be appropriate. If the Chairman of the Board or the Lead Independent Director, as applicable, owns such a financial interest or holds such a position in eBay Inc., such determination shall be made by the Governance Committee or, if a majority of the members of the Governance Committee own such a financial interest or holds such a position in eBay Inc., a majority of the directors who do not own a significant financial interest, or hold a directorial, employment, consulting or other position, in eBay Inc.

## **BOARD PROCEDURES**

### **Selection of Chief Executive Officer and Chairman**

The Board shall select and appoint the Chief Executive Officer. The Outside Directors shall designate the Chairman of the Board.

### **Attendance at Board, Committee, and Annual Meetings**

The Board currently has four regularly scheduled meetings each year, plus special meetings as required. Each Board member shall make every effort to attend each Board meeting, each meeting of a committee on which he or she serves, and the annual meeting of stockholders, preferably in person but in special circumstances via telephone conference call or other electronic means.

### **Time Commitment and Board Service**

Each Board member is expected to ensure that his or her other existing and planned future commitments do not materially interfere with such member's service on the Company's Board.

### **Executive Sessions among Independent Directors**

At least twice a year, the Independent Directors shall meet in executive session. The Lead Independent Director will chair these meetings.

### **Closed Sessions among Outside Directors**

At the conclusion of every regularly scheduled Board meeting, the Outside Directors shall have the opportunity to meet separately without the other directors and management.

### **Conflicts of Interest**

- Director Conflicts of Interest. On an annual basis, each Board member will complete a questionnaire that is designed to assist the Board in affirmatively determining independence and identify any significant conflicts of interest or potential conflicts of interest.
- Senior Executive Conflicts of Interest. On an annual basis, each executive officer of the Company will complete a questionnaire that is designed to identify any significant conflicts of interest or potential conflicts of interest.

### **Auditor Independence**

The Audit Committee is responsible for making appropriate inquiries and receiving appropriate assurances necessary to assess the independence of the Company's auditors.

## **Code of Business Conduct and Ethics**

The Audit Committee shall be responsible for evaluating and, if appropriate, recommending to the Board approval of any contemplated waiver of a provision of the Company's Code of Business Conduct and Ethics involving directors, executive officers and executive staff members as set forth in the Code of Business Conduct and Ethics.

## **Availability of Outside Advisors**

The Board and each of its committees may retain outside advisors – legal, accounting, investment banking, and any others as the Board or such committee deems necessary or appropriate – of its choosing at the Company's expense. Neither the Board nor any committee is required to obtain management's consent to retain outside advisors.

## **Access to Information and Employees**

The Board shall have complete, unfettered access to any information about the Company that it deems necessary or appropriate to carry out its duties. This includes, among other things, access to the Company's employees (senior management, in particular), documents and the Company's facilities as coordinated through the Chairman, Lead Independent Director or Chief Executive Officer.

## **Review of Governance Guidelines**

The Governance Committee shall review these Guidelines at least once per year.

# **BOARD COMMITTEES**

## **Nature of Committees**

The purpose of the Board committees is to help the Board effectively and efficiently fulfill its responsibilities, although they do not displace the oversight responsibilities of the Board as a whole. Committees will report the results of their significant activities to the full Board and make recommendations to the full Board as appropriate.

## **Number and Composition of Committees**

The Company's Board currently has five committees: the Audit Committee; the Compensation Committee; the Corporate Governance and Nominating Committee; the Non-Officer Equity Committee; and the Strategic Investment, Acquisition, and Disposition Committee. From time to time the Board may form a new committee or disband a current committee depending upon the circumstances. Committee composition shall conform to the requirements of the Securities and Exchange Commission, The Nasdaq Stock Market, and any other applicable rules and regulations, as they may be amended from time to time. Each of the Company's Audit Committee, Corporate Governance and Nominating Committee, and Compensation Committee shall consist solely of Independent Directors, except in certain limited circumstances.

## **Appointment and Term of Service of Committee Members**

The Governance Committee shall recommend members of the Board to serve as committee members, who shall, if appointed by the Board, serve until their resignation or until the Board appoints a successor.

## **Committee Proceedings**

Committee proceedings shall conform to the requirements of The NASDAQ Stock Market (or other listing standards which may be applicable) and other applicable regulations, as they may be amended from time to time. Each of the Board's Committees shall be governed by a written charter approved by the Board. All Board members are welcome to attend committee meetings, unless the meeting relates solely to a matter with respect to which a Board member has a conflict of interest. The agendas and meeting minutes of the Committees shall be shared with the full Board. Each Committee shall periodically report to the Board on significant matters discussed by such Committee.

Each Committee shall have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

## **BOARD COMPENSATION**

Board compensation shall be determined by the Compensation Committee from time to time. It is appropriate for the Compensation Committee to receive, from time to time, reports on the status of Board compensation in relation to other similarly situated U.S. companies to ensure that the Company's Board compensation is appropriate and competitive.

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

All new directors will participate in the Company's orientation for new directors. All other directors are also invited to attend the orientation.

From time to time, management advises, or invites outside experts to attend board meetings to advise, the Board on its responsibilities, management's responsibilities, developments relative to corporate governance and best corporate practices. Board members may attend at the Company's expense accredited director education programs.

## **ANNUAL SELF-ASSESSMENT**

The Governance Committee shall recommend to the Board an annual self-assessment process. The self-assessment process will focus on whether the Board and its members are functioning effectively and adequately contributing to the Company. The Chairman of the Board or Lead Independent Director (to the extent that the Chairman of the Board is not an Independent Director) will lead the Board in its review of the results of the annual self-assessment process. In addition, each committee of the Board will perform an annual self-assessment as provided for under the respective charter of each committee.

## **SUCCESSION PLANNING**

The Board recognizes the importance of effective executive leadership to the Company's success, and reviews executive succession planning at least annually. As part of this process, the Board reviews and discusses the capabilities of the Company's senior leadership, as well as succession planning and potential successors for the Company's executive officers (including the Chief Executive Officer). The process includes consideration of organizational and operational needs, competitive challenges, leadership/management potential and development, and emergency situations.

## **CONFIDENTIALITY**

The proceedings and deliberations of the Board and its committees are confidential. Each director must maintain the confidentiality of information received in connection with his or her service as a director to the extent not disclosed publicly by the Company..

## **DEFINITIONS**

### *Executive Officer*

An "executive officer" means an individual who is deemed an executive officer as defined in Rule 3b-7 of the Securities Exchange Act of 1934, as amended.

### *Independent Director*

An "Independent Director" means any director who satisfies the requirements of The Nasdaq Stock Market (or other listing standards which may be applicable) for independent directors, as they may be amended from time to time.

*Outside Director*

An “Outside Director” means any director who is not currently an employee of the Company.

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