

PayPal's ESG Principles in Practice

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PRESENTATION

(Video Presentation)

John Rainey

Welcome. This is the first edition of the ESG Principles and Practices series. The purpose of this series is to advance our mission, which is committed to responsible innovation and management of opportunities and risk related to ESG - environmental, social and governance.

In this series, you'll hear from leaders that are driving this progress and products and initiatives that further our mission. The hope is that this serves as an opportunity to learn more about our culture and what we're doing to integrate this into our DNA.

Study after study underscores the importance of a strong corporate purpose. ESG has been a focus for investors for years, but it's not only a focus for investors today. It matters more today to customers and employees than ever before, and we're witnessing this change happening right before our eyes.

ESG has moved from something that was voluntary or nice to have, to something that is compulsory or mandatory today. Employees want to work for those companies that have a strong corporate mission, and customers increasingly show an affinity for brands that support environmental and social causes.

We're also working closely with regulators as a key pillar of our approach to help set those standards, and this shift is notable as companies further integrate financial and non-financial factors and investors are looking for consistent, comparable and reliable data.

Today, we're excited to host two discussions with key leaders at PayPal who are driving our mission and beliefs and values. Our Chief Corporate Affairs Officer will moderate a panel discussion with leaders regarding employee wellness, cyber security, and climate resilience. We'll then turn it over to Mark Carlucci from Morgan Stanley to moderate a discussion with executives from our blockchain, crypto and digital currency team, and they'll discuss our digital asset strategy and their work to position us as a responsible actor in this developing field.

Before we get started, it's my pleasure though to share a brief message from our Board of Directors. Gail McGovern, the President and CEO of the American Red Cross and chair of PayPal's corporate governance and nominating committee, would like to share a few words on the Board's roles and responsibilities with respect to ESG matters.

Gail McGovern

Thanks so much, John. I'm so very proud to serve as a director on PayPal's Board since the Company separated from eBay in 2015. Over that time, there's been growing interest from all of our stakeholders who want to be sure that we have strong oversight and management of ESG matters. I know I speak on behalf of the entire Board when I say that we're delighted to help guide PayPal's ESG strategy, and we're very proud of the progress that the Company's made to integrate ESG across our business and our value chain.

Our work reflects our strong commitment to promoting diverse viewpoints on our Board, and we recognize the importance of living our values across all levels of the organization. We're grateful for the strong partnership we've nurtured with leaders across the Company. PayPal's leadership is continuously engaged and aware of the ESG related risks and opportunities. They understand that ESG impacts the Company's ability to deliver its mission and to support the long-term interests of our stockholders.

Over the past few years, we've worked to thoughtfully embed ESG oversight responsibilities across the Board committees to further integrate the work into our ongoing deliberations and meetings. Specifically, the Corporate Governance and Nominating Committee of the Board has responsibility for the oversight of general ESG matters, and the Compensation Committee monitors the Company's strategies related to human capital management and overall employee culture. Our Audit, Risk and Compliance Committee has primary responsibility for oversight of PayPal's risk framework and compliance obligations, including cyber security and data privacy. As you would suspect, cyber security and data privacy are two of our most critical ESG and business-related issues. We found that this structure leads to more in-depth conversations across our Board. The Company's mission, vision and values remain the driving force for the tremendous efforts of PayPal's global workforce, and the continued improvements in our holistic and prioritized approach to ESG strengthens this work even more.

I firmly believe that the ways we're strategically incorporating ESG into our day-to-day operations, as well as our policies and our programs, will benefit our customers, our employees, and our shareholders over the long term. I'm very excited about the opportunities that lay ahead to support an inclusive and sustainable economy, and I believe the ways that we're exploring new and innovative products, services and initiatives will propel this work globally.

Franz Paasche

Thank you John and Gail. I'm thrilled to be able to join this first installment of PayPal's ESG Principles in Practice series. As PayPal's Chief Corporate Affairs Officer, I have the distinct privilege of working directly on our ESG priorities and initiatives with colleagues across the business.

Today you'll hear from some of my partners and our global ESG leaders, including Sri Shivananda, EVP and Chief Technology Officer, who serves as our environmental sustainability executive sponsor; Tami Cabaniss, our SVP for Human Resources, and Assaf Keren, VP for Enterprise Cyber Security.

Before we get into our discussion among this group of colleagues, I thought it would be helpful to provide an overview of PayPal's efforts and vision for this important work.

Our ESG strategy is a natural extension of our mission to democratize financial services and to serve those who haven't been well served by the financial community. We are working to improve the financial health of our customers and their communities, and we believe that everyone has the right to participate in the digital economy, and that's just core to the work that we do every day. It's also emblematic of our commitment to stakeholder capitalism. We believe that by serving key stakeholders - our employees, our investors, our customers, our regulators, and the communities in which we operate, we're able to drive value for all of our stakeholders.

We continue to see increasing expectation across our key stakeholder groups on our enterprise-wide ESG strategy which is focused on four key pillars: social innovation, employees and culture, environmental sustainability, and responsible business practices. Each of these elements reinforce each other, and together they structure the way we work.

We work to fulfill these pillars across more than 20 functions to establish, advance and oversee our overall ESG efforts. We regularly undertake ESG materiality and prioritization assessments to ensure we remain focused on the topics that are most important to our business and to our stakeholders and to society. This process includes engagement with more than 100 stakeholders and in-depth research, analysis, and prioritization. This assessment process has helped us to identify 18 key ESG topics and eight priority issues that are critical for PayPal to manage to drive long-term business performance and social impact.

We share these in our annual global impact report and I'll just outline them now, although I hope that all of you will read more about them in our report.

The eight priority issues include: cyber security, privacy, diversity, climate change mitigation, financial health, empowering small businesses, corporate governance, and employee wellness. We're also continually working to identify opportunities for our employees to connect with our purpose and support the local communities where we live and work.

Employee engagement is such a powerful driver of our mission and vision, and we are working every day to find ways for our employee community to demonstrate and uphold our values. The initiatives that we undertake in the ESG area always include employee engagement. It's been such an important part of how we build culture and community at PayPal.

We also understand that to create innovative products for our customers and provide value to our stockholders, we have to attract, develop and retain diverse talent globally to foster our future, but also to enable us to build a culture based on our core values of collaboration, inclusion, innovation, and wellness. The integration of these ESG or stakeholder capitalism considerations is increasingly necessary to drive innovation and impact at scale. They're an increasingly important motivator of talent, and I'm so proud of the purpose-centered and values-led culture that we're continuing to build and sustain at PayPal. It's essential to our success and to our growth and to who we are as a community.

With that framing in mind, I want to bring us now into direct conversation with some of my colleagues who are leading work to advance our ESG strategy. So, to my panelists, thanks so much for joining. I want to start by just asking each of you to take a minute to describe your current roles at PayPal and how the work you do supports our ESG efforts.

Tami, maybe I can turn to you first for you to kick us off.

Tami Cabaniss

Sure, thanks Franz. I am so happy to be here with everyone today to be part of this important discussion. I'm Tami Cabaniss and I'm the Senior Vice President of Human Resources here at PayPal.

We believe achieving our vision of a more inclusive global economy starts from the inside by building a global team of employees that respects and supports each other and that reflects the communities where we work and live, as well as the diversity of the customers we serve. We know that the growth and success of our organization comes from our people by putting employees first and investing in their total wellness, including their financial well-being. We can contribute to strengthening families and communities, expand opportunities and reduce inequality, and better serve our customers and our shareholders. In turn, our employees around the globe have the capacity to innovate for our customers and feel empowered to help advance our mission to expand economic opportunity, and it has become clear that the best talent wants to work at companies like PayPal that lead with purpose and values, and those that are having a positive impact on society.

Back to you, Franz.

Franz Paasche

Thanks Tami. Let me turn now to Assaf and to your role and the work you're doing.

Assaf Keren

Hey Franz, thank you for having me today. When somebody asks me what I do at PayPal, I usually answer, "security stuff," and leave it at that; but if you're asking for a bit more, I'm the head of the Enterprise Cyber Security organization, and we're leading our effort to protect our customers, employees and the Company against cyber attacks. We're continuously striving to improve our security stance, allowing our

talented colleagues in other organizations to deliver the innovative products that we deliver on a daily basis to support our customers and the community in which we serve.

Franz Paasche

Thanks so much. Well Sri, I know that you've got a lot to add to the equation. You've been working on these issues for a very long time, so would love to get your perspective.

Sri Shivananda

Franz, thanks for having me on the panel today. My name is Sri Shivananda, I'm the Chief Technology Officer for PayPal, and we've adopted ESG in spirit across all things that we do in technology. As a team, we create an inclusive environment where all our employees can thrive. At the same time, we innovate through our products to bring our purpose of democratizing financial services to bear for the whole world.

We also use technology to drive efficient and clean choices to reduce and eventually remove the impact we have on nature and have made risk management a lifestyle by shifting left and designing it into all aspects of technology that we build. So, across the board, ESG is a part of our first considerations and we are trying to make that something that every engineer lives every day at the Company.

Franz Paasche

Tami, I'd like to turn to you now. You've been one of the key leaders helping our PayPal community navigate the pandemic, helping our teammates and our teams move to a remote environment, and really taking care of the needs of a wide range during the course of the pandemic. We've learned a lot about employee wellness, and you've been really at the front of that learning. I wonder if you could share with us some of the learnings that you've taken away, having gone through this experience and thinking about the wellness of our community.

Tami Cabaniss

Sure, and Franz, as you know, this remains a challenging and unpredictable time all around the world as we continue to navigate the uncertainties and ever-changing circumstances of the global COVID-19 pandemic.

At PayPal, many of our global colleagues continue to face the stresses of protecting themselves and their loved ones while balancing responsibilities of their work. During this time, our highest priority continues to be health, safety and wellness of our global workforce. Wellness is one of our core values at PayPal. It's why we continue to invest in all aspects of total wellness of our employees - mental, emotional, physical and financial wellness through a variety of programming and benefits.

In addition, a global employee advocacy team is available 24/7 to help any employees who need support. Some examples of this support and benefits [include] individual counseling sessions through our employee assistance program; a comprehensive employee financial wellness initiative to improve the financial health and resilience of our workforce; a crisis leave program which provides an additional two weeks of paid time off for anyone who needs time away due to personal stresses or hardship; and global wellness days throughout the year, when the whole Company pauses for a day without meetings or emails to give employees much-needed time to relax and recharge.

We've also continued to evolve our understanding of diversity and inclusion by expanding to recognizing equity and belonging as critical components of our culture, and we have deepened our already strong commitment to DIE&B (Diversity, Inclusion, Equity, and Belonging) through a number of efforts across talent acquisition, retention, and development. Throughout the last year, we continued to enrich our employee surveys to stay informed on individual working situations and provide support where needed. We're proud to see that in our most recent annual global employee survey that PayPal consistently scores above the top 25% benchmark in tech, and as we continue to listen to the feedback from our employees to understand their unique struggles, we will grow and continue to evolve ways that we support them.

Franz Paasche

Thanks Tami. I want to turn now to Sri and Assaf to maybe build on that with some of their specific experiences within their teams and some of the initiatives you undertook to help your teams come through this period as an organization.

Sri Shivananda

The global wellness days that we have had every six weeks or so have been amazing in terms of taking a pause and take stock. At the same time, we also recognize further on top of that how stressful a time this has been for employees juggling between home schooling, long work days, caring for family, and other pressures. We in my organization have created a concept called Focus Days on Wednesdays, and this is a day where employees don't have any meetings. This enables them to get deep work done with a lot of focus, where they can actually be creative and ensure that there is some level of dedicated time for it.

Personally, what I'm doing is taking time to check more with my teams, whether they are conducting that personal one-on-one conversations and staff meetings, where we continuously understand the (inaudible) on our employees' minds. Employees are juggling work on top of family, health and safety, so it is very important for leaders across the Company, or for that matter across the industry and the world to listen to what's on their mind and do the best we can to support them during these times.

Franz Paasche

Thanks. Assaf, any additional perspective from within your team environment?

Assaf Keren

Yes, I think that Sri mentioned most of it. I'll mention two other things, which is giving people flexibility, and we found that flexibility is a big thing in these times, making sure that people have space to bring their whole selves to work.

The other is taking a break, and what we've seen more and more since the pandemic started is that people have not taken enough breaks because they don't have anywhere to go, they're in lockdown, and taking a break is a really important thing, so we're trying to work with the team to make sure people know that they should take breaks and disconnect more, to make sure that they have that mental break. I've had the personal joy of taking my sabbatical this year, which is a month off that we're giving employees after five years, and that has been an amazing experience for me.

I think those are the two things I'd add. Sri and Tami covered it very well.

Franz Paasche

Thanks. I want to stick with you, Assaf, and maybe move into the cyber security and safety of data area. Certainly the remote working environment required you and your team to think about how to secure our remote infrastructure, but also to take special provision to make sure that we were safeguarding our platform and safeguarding customer data.

Can you speak a little bit about how you went at that and what some of the takeaways were as we navigated this environment?

Assaf Keren

Yes, the shift—as we call it, the shift from 60 offices to 39,000 offices, now even more than that, has been a truly inspiring time for us because we not only needed to move fast and enable our workforce to be able to operate under the pandemic and under lockdown, but we also needed to secure our environment and make that holistically in nature, make that a good experience for everybody.

Trust is the base of our promise to our customers, and a large part of that is keeping our customers' data safe and maintaining the integrity of our platform. When we look at the overall security program, it's designed to enable PayPal to withstand and quickly recover from cyber attacks. In order to do that, we do a few things.

One, we have a risk-based approach to security strategy and prioritization, and we've invested heavily in quantitative tracking of risk reduction that helps us to prioritize and understand where the most investment into a control will create the most risk reduction and be effective about it. We have been very proactively enforcing consistent policies and standards across all PayPal properties, and we continuously validate effectiveness of those controls. We've been having a lot of conversations with our teams in promoting a positive security culture, and security is not the work of my team or the work of the infrastructure or engineering teams that we work with, it's the work of everybody in PayPal, so everybody has their responsibility to make sure that we're secure.

I'll veer away from your question for a minute and talk about something that is really important to me. Part of our credo is that we feel responsible to the communities in which we operate, and as part of that to give back to the security community. The only way to do that is by sharing information, open sourcing code, and our expertise and knowledge and give that back. We've been doing that with a few programs that focus on this, like partnership with some of our partners in the industry, government agencies, R&D collaborations, but also through internship programs. I'm very excited about those internship programs because they create cyber security knowledge and promote people that are interested in cyber security in the next generations.

One that I'm very passionate about is a recent internship program for high schools, so we're starting to look at high school seniors and not just university graduates, and that has been something that is really important for the team, to make sure that we're educating not just ourselves but the communities in which we're living.

Sadly, we've seen a rise in scams and phishing attacks that are associated with COVID-19, and we've been sharing what we've seen with partners and with customers to combat these scams. It is very important for us to share that information, and we will start doing more both internally and externally next year with a new education portal that we're ready to spin up early next year.

Franz Paasche

Thanks, and thanks for the work that you and your team are doing.

Sri, I wanted to come back to you now and talk about environmental sustainability. I know this is something that you've been passionate about. While PayPal certainly doesn't have the environmental footprint of some of the companies that are in resources or manufacturing, we care passionately about the environment at PayPal and we are working to do our part to make the planet more sustainable and to advance sustainable innovation.

How do you think about environmental sustainability for PayPal? I know a lot of our employees look to you as a leader within PayPal who's led the way on this, so it would be terrific if you could share some of your journey and PayPal's journey on the environmental sustainability front.

Sri Shivananda

Franz, this is a very important topic. At PayPal, we understand that achieving climate stability is actually vital to fulfilling our own mission of financial health and inclusion for all citizens around the world. Environmental sustainability is critical when it comes to managing our impact, mobilizing our workforce, and driving innovation on our platform too.

What we did two years ago is we put a pledge in place to set our greenhouse gas emission reduction goals as validated by the SBTi, or the Science-Based Target Initiative. Science-based targets are a set of third party validated goals developed by a business to provide a clear route in reducing those greenhouse gas emissions over time.

In 2020, we joined the Business Ambition for 1.5C to align our targets with the imperatives set by the Paris Climate Agreement to ensure global temperature rise does not exceed 1.5 degrees Celsius. Earlier this year, we pledged to reach net zero greenhouse gas emissions by 2040. Our reduction targets will address our direct emissions and also our value chain in the same process.

Our short- and medium-term goals are 100% renewable energy sources to power our data centers by 2023, and we are well on our way to achieving that; 25% reduction on operational greenhouse gas emissions by 2025 from 2019 as the base year, and about 75% of our suppliers by spend to adopt science-based targets by 2025 as well. We're already making progress towards these targets, and in 2020 we achieved 98% of our energy in our data centers with renewable energy, up from 65% in 2019 - massive progress there.

We're also actively researching the intersection of where digital finance inclusion and climate resilience to identify various solutions that will help build a climate-neutral and more equitable global economy. For example, we joined as a supporter of the Catalyst Fund, along with the United Kingdom Foreign Commonwealth Development Office, JPMorgan Chase & Company. The Catalyst Fund will help promising

start-ups deliver and create inclusive digital finance products and services that enhance climate resilience, particularly for vulnerable populations.

Additionally, as a company, PayPal is really proud to be a part of Digital Finance for Climate Resilience, also called DF4CR Task Force, which recently released a framework for action that illustrates the opportunity in the financial sector to build climate resilience among at-risk populations as we see them. It also details steps that innovators, catalytic funders, and other enablers can take to accelerate this ecosystem's growth. All in all, a lot going on in the industry and very excited about what the future holds in this area.

Franz Paasche

Thanks Sri. I know a lot of employees are excited about this as well, and it's part of who we are as a Company.

For the last question area, I want to come back to our mission, which we never stray far from, and ask each of you to speak a bit about how you feel about the work you do and how it furthers [...] our mission of democratizing financial services and of working towards a more inclusive economy, and to be able to provide safe and affordable and reliable services to those who hadn't been well served by the financial system.

I know all of us think a lot about our mission, and I thought it'd be nice to sort of conclude this session by asking each of you to speak a bit about how you feel the work you're doing is furthering the mission, and maybe give us some sense of what you're excited about going forward in this regard.

Maybe Tami, I'll start with you and then hand off to Assaf and bring it back to Sri to bring us home.

Tami Cabaniss

Sure. You know, this is one of the reasons I'm most proud to work at PayPal, and part of that is we believe that we can only fully live our mission to provide access to affordable financial services and improve the financial health of our customers if we are focused on the financial wellness of our own employees first.

Franz, I know—I think you remember back in 2018, we conducted surveys with a large sample of our hourly and entry-level employees to help us better understand how our global employee community was feeling about their financial wellness. The results were really difficult for us to hear, and many of our colleagues did not feel financially secure. We learned that even though we pay at or above market rates, it wasn't enough.

The following year, we implemented a robust employee financial wellness program which targeted wage adjustment, healthcare cost reduction, stock ownership, and financial education. These initiatives helped raise the PayPal-defined estimated net disposable income, or you can think of it as the discretionary income remaining for our employees after taxes and typical living expenses are paid, from as low as 5% to 6% for some of our U.S.-based hourly and entry level employees to at least 18%, making significant progress against our goal of 20%. Since then, we've continued to prioritize the financial wellness of our employees by offering additional equity grants, one-on-one financial coaching, wellness stipends to offset the cost of working from home, enhancements to retirement plans and early wage access to our partnerships with Even and Haste.

We believe these interventions have enabled our colleagues around the world to be more resilient in the face of COVID-19 and related economic uncertainty, and we've continued to build upon these efforts as the health crisis emerged into the global pandemic it is today. The commitment is key to who we are as a Company, and I'm excited to be part of this continued focus on wellness and our employees in the months and the years ahead.

Franz Paasche

Thanks Tami, and I know this work means a lot to everyone in the PayPal community.

Assaf, let me hand off to you now for some reflection.

Assaf Keren

Thank you. One of the proudest moments I've had in the recent couple of years, one that made me say how good it feels to work for a company like PayPal, was when we partnered to move very fast to support our customers in the distribution of the U.S. Treasury stimulus checks, and then in becoming a partner in the PPP, the Paycheck Protection Program for small businesses. As you can imagine being a security team, we need to be there with the business and make sure that we deliver things in the right way to also protect our customers, and we managed to do that. We managed to do it really, really fast and as one team, and we provided that relief to our customers right at the time of their need.

As we continue to grow and we see the scale of our business grow and the shift towards digital payments accelerating more and more around the world, we're also seeing a growth in threats against our employees and against our customers, and as a team we're determined to continue serving the Company, really building effective and intuitive security experiences, and always, always keeping our customers, employees and the Company safe. That really excites me, the opportunity to do more of what we've been doing in the last couple of years and do it faster, and do it even more securely.

Franz Paasche

I think that spirit of being a customer champion runs through all of our efforts at PayPal, so thank you for sharing that.

Sri, the last word on this?

Sri Shivananda

You know, as the digital economy comes into focus, we must accelerate all our efforts in shaping this and the next generation of what digital payments will and can do. At the same time, we have to address the corresponding financial infrastructure too.

The financial infrastructure as we know it today is actually inefficient, and there are a lot of opportunities to make it better and in that process make it very inclusive for many people that the current financial ecosystem just can't reach or support. That's a very exciting problem to tackle and one that technology can definitely help solve.

I'm enthusiastic about the opportunity to shape what digital commerce and payments looks like, to offer those hundreds of millions of people worldwide opportunities to move and manage money and actually live a better lifestyle in the long term. For PayPal, that means that we ensure frictionless, secure, reliable platforms that deliver delightful and trusted experiences around the world, no matter where they are in the world, and at the same time, what we are going to do is we'll double down on a lot of engineering excellence and innovation projects next year that will help us be a tech employer of choice, but in the process it will allow us to drive those meaningful innovations all on behalf of our customers too.

Franz Paasche

Thanks Sri.

Thanks so much for joining us today for this discussion. It's clear that each of you has incorporated into your leadership and the work we do our key ESG priorities, and that means a lot to your teams and to the Company as a whole, and it affects our operations and our business strategy. We're looking forward to sharing more of these in-depth discussions on these important topics and others throughout 2022.

Now, let's join Mark Carlucci from Morgan Stanley, who will be sitting with the leaders of our blockchain, crypto and digital currencies business group to speak about PayPal's digital asset strategy.

Thanks very much, and see you at another session.

Mark Carlucci

Good morning or good afternoon, depending on where you are, and welcome to our panel. My name is Mark Carlucci and I lead Morgan Stanley's sustainability research in the U.S. I'm responsible for thought leadership as it relates to sustainability within our institutional equity research group and integration across our sector teams.

Before we get started, I just have to say one quick disclosure on my side. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures.

I'm pleased to be joined today by Edwin Aoki, who is a PayPal technology fellow and Chief Technology Officer of the Company's blockchain, crypto and digital currencies unit at PayPal. In this role, Edwin is responsible for growth and innovation in digital asset technology at PayPal. Edwin was previously PayPal's chief architect with the responsibility to define the Company's long-term technical road map and architecture in advanced technology to enable PayPal as a fintech leader.

Today, we're going to be discussing digital assets from an ESG perspective. This is an emerging area of interest for investors as they assess the considerations, whether it be concerns related to climate, consumer protection and education, and security and regulations, while also considering how this asset class fits into broader efforts for financial inclusion. To help inform this discussion, in today's session we'll focus on PayPal's approach to digital assets.

To kick it off, Edwin, let's start at the top. How does PayPal think about the various digital assets? Can you share some background on what prompted PayPal to invest in this space?

Edwin Aoki

Sure thing Mark, and thanks for the warm introduction.

You know, I think that our mission has always been to democratize financial services and to make the financial system more accessible and inclusive for all. For us, the move and the trend towards digital currencies is just an evolution of that.

We started investigating this area a number of years ago with our first foray in this space, where we allowed merchants to accept crypto currencies through the Braintree SDK - that was back in 2015, and while that product was a great learning experience, what we've really seen more recently is a vast acceleration of the trend towards digital payments and a push towards really the digitization of everything. Of course, we experienced that through the course of the pandemic, we're here in a virtual setting today, and really what we're seeing is a huge movement and a realization that technology and digital payments can really accelerate and are accelerated by the secular trends that we're seeing in this space.

We feel that we're at an inflection point for mass consumer adoption of digital financial services, and that includes digital assets and crypto currencies. In response to customer demand and in response to what we were seeing in the area, and really in keeping with our larger mission, we launched the ability just a little over a year ago to buy, sell and hold a set of popular crypto currencies in the PayPal wallet for our U.S. customers, and we followed that up earlier this year by expanding to the U.K. and to our Venmo customers as well.

One of the other things that we feel very strongly about is that this is not just an aspect of being able to hold onto the currency and watch the price of it change, but also we want to facilitate the use of that and make that more accessible and more useful for our audience, and that's why in addition to our buy-sell-hold initiatives, we launched our Checkout with Crypto product earlier this year, where consumers can go and spend the crypto that they have acquired on PayPal at virtually any of our merchants that accept PayPal today. We feel that this is really sort of the first step in bringing the value and realizing the potential that these digital currencies have, to really help to create a more efficient and inclusive financial system that Sri was talking about just a few moments ago.

Mark Carlucci

Thanks Edwin. You have a unique point of view as Chief Technology Officer for this emerging infrastructure. How do you see it building off PayPal's current service platform and supporting the Company's stated mission to democratize financial services and the future of global financial services?

Edwin Aoki

Yes, it's a great question, Mark. We believe that digital currencies and blockchain technology in general can be really transformative, that they are really foundational to the kinds of things that we want to achieve as part of that broader mission that you referred to. I mentioned the acceleration and the emphasis of this during the pandemic, and I think it's really sort of illustrative of some of the changes that we're seeing more broadly.

In the first few months of the pandemic, governments around the world distributed \$10 billion into the global economy through grants, loans and guarantees, and as most of our audience probably is aware,

one of the first federal programs in the U.S. was a \$1,200 direct payment to individuals. In the first month that it was launched, over 130 million such payments were issued, which is fantastic given the short amount of time, but it's very sobering to understand that that actually only represents about three-quarters of the people in the U.S. eligible for that relief. The remainder, which numbers over 40 million individuals and families, either didn't have direct deposit details on file with the IRS, don't file their taxes, or they didn't have access to a bank account. It's these folks that [...] are most in need of these funds. The proportion is much higher among lower income workers and minorities and immigrants, the people who have for a long time faced the challenges of limited access and increased costs due to structural and systemic inequities in the system.

We feel that access to digital currencies with the speed, with the certainty, and with the activities that they can enable really can increase the number of consumers that can participate in the digital economy and can open global commerce to hundreds of millions of consumers who have not yet been able to access that. We also feel that the opportunities to lower costs and to speed the movement of payments can really make these kinds of distributions and interactions more efficient, and we feel that that can happen really on a global scale through the use of these technologies in a way that we haven't really seen before. That's one of the reasons why we're so excited about this.

Mark, I think you might be on mute.

Mark Carlucci

Apologies, Edwin. Can you hear me better now?

Edwin Aoki

Yes, thank you.

Mark Carlucci

Okay, I apologize. I was saying as we think about the ecosystem, there's a lot of companies, both small and large, that are working in this area. Can you talk about how PayPal's approach might be different, and what you're seeing in terms of adoption and customer engagement during your first year of service, and how you think about the future strategy?

Edwin Aoki

Yes, you know, I think that we always start with the goal of providing customers with great experiences, and I think that one of the hallmarks of what we've really focused on is that area around education and access. What we have always focused on as we formed the blockchain currency and digital currencies unit, what we call BCDC, earlier this year is really the area or the intersection of accessibility, utility, and compliance with regulatory needs. Those really sort of play into, I think, both PayPal's strengths but also a gap that we saw in the marketplace.

Historically, digital currencies have really been the realm of experts or early adopters, and one of the things that we're particularly proud of is the fact that we started with the consumer in mind. We started with this idea that we wanted to provide strong education so that people knew exactly what it is that they were doing and had a good comfort level around this technology, without having to know about

cryptography or private keys or hardware wallets or the like. We wanted to make sure that we had all of the protections in place that we offer to our consumers through buyer protections and the availability of customer service and the teams that we have, that people really know and trust in the PayPal ecosystem today, and we wanted to extend that as we talk about utility into the merchant space as well, so when we offered our Checkout with Crypto product, we made sure that merchants did not have to change their integrations, that they did not have to deal with the volatility of the underlying currency, that they could start to give consumers the option to be able to pay with the crypto currencies that they have at PayPal without necessarily having to go through all of the hoops that they might to really understand this new payment mechanism themselves. Our view is really around building an infrastructure that allows consumers to pay with digital currencies on our platform regardless of how they evolve, because we know that this space is changing very, very quickly.

[...] We started with crypto currencies, but we are also very close to and continuing to invest in the work that's going on with supporting central bank digital currencies in various countries around the world, and other forms of digital money as they come into being. So for us, you mentioned the engagement, we're really pleased with the results so far. Consumers who buy, sell and hold crypto currency on our platform in the U.S. are engaged with our services at twice the rate of folks who aren't. We have been really pleased with the uptake of the services, which have exceeded our expectations both in the U.S. and the U.K., and we feel like we're just getting started.

Mark Carlucci

Great. PayPal has talked a lot about being responsible. Can you maybe mention some ways that you've demonstrated this in your product launch and ongoing customer engagement strategy?

Edwin Aoki

Yes, it's a great question, Mark, because PayPal has really built the company on this notion of trust and security and really being able to maintain the confidence of our consumers, our partners, merchants, and regulators around the world, so this is something that we take very seriously. We feel that there is a ton of innovation that is possible in the space, but we also need to make sure that we are marrying that with the understanding of the regulatory environment and making sure that we are very much in line with the established standard around things like money laundering and KYC activities.

For us, this notion of responsible innovation really goes throughout the entirety of what we're doing. That means that we believe very strongly in ensuring financial stability and integrity, having the consumer protections in place. As I mentioned, our customers have the ability to reach out to our customer care folks with questions that they may have or concerns that they have around their crypto currency use and purchases. We ensure that we are working very closely with regulators around the world as this area evolves, and we make sure that we are doing everything that we can, and Assaf mentioned some of these in the last segment, to protect our customers' data during transactions and to minimize the impact of people that may wish to do them harm.

Our capabilities in fraud detection and cyber security are front and center and we bring those to the crypto currency space, and we feel that we have a profound responsibility to work with the larger ecosystem to make sure that we are ensuring that the rapid innovation that's going into this area really starts from an understanding of the constraints and the concerns that people may have as this becomes more and more

mainstream and as consumers and merchants start to rely on this for their day-to-day activities, and that's across all areas - regulation, security, data protection, and the environment.

Mark Carlucci

That last point leads to a concern that I think many stakeholders have with regards to crypto and the climate impact, and in particular the concern that power usage could rise linearly with pricing. How are you addressing the climate challenge and squaring that with PayPal's recent science-based target and long-term commitment to reach net zero by 2040?

Edwin Aoki

Yes, as you mentioned around our climate targets, this is something that we take extremely seriously. It's something that is very top of mind for me and all of the members of our team here. We really do feel like there [are] benefits that this kind of technology can bring in terms of being able to expand access to be able to create a more inclusive and more available and efficient financial rails. But the climate concerns, I think are very real, and they're things that we are working very closely with the community both on the measurement side with academic institutions, like the Crypto Carbon Ratings Institute who are producing some really foundational resource—research, rather, on approaches to calculating greenhouse footprint of digital assets, and then being able to properly account for that and the work that we do across our chain and the interactions that we do.

We're very encouraged by a lot of the recent advances that are happening both on things like the Ethereum blockchain with the move to Ethereum 2.0 and the push towards proof of stake rather than the much more expensive proof of work consensus protocols, and additional layer one protocols like Cardano or Solana that really are starting with a different model that has significantly lower energy utilization than the proof of work model that underlies Bitcoin and some other currencies today.

We think that this is an area where measurement, mitigation and technological advancement all need to go together, and we are very involved in all aspects of that because we do feel that the benefits that can come from increased digitization of payments and increased digital currency can't come at the expense of the environment and of the broader societal goals that we believe in so strongly at PayPal.

Mark Carlucci

Great. Last question, Edwin - there is clearly a lot of ongoing change in this industry. How do you think about the next opportunity on the horizon for PayPal, and how do you and your teams stay educated and engaged in this space?

Edwin Aoki

You know, it's kind of crazy. One of the hardest things for me is actually staying on top of all of the change that is going on, and I'm not just referring to what's going on in the Twitter sphere but everything that's going on across the industry. We're really focused, as I said, around those three areas of distribution and access, of utility, and of regulatory shifts that are going on in this space, and our goal is really to continue to grow our offerings to meet our customers' needs in all of those areas.

We want to continue to expand the reach of our products. As I mentioned, we are already in the U.K., and I know that there are some folks that have asked some questions about other markets. We certainly are working closely with our customers and partners, with regulators across the world, including in the EU, to understand where the next opportunities can be in those areas. We want to make sure that we're continuing to increase that utility. As I mentioned, Checkout with Crypto is just a start from that. We want to move from having this be an asset that people just sort of buy and hold onto, into something that can really fuel the next set of growth across digital payments and across the digital economy.

The regulatory environment, as I think you alluded to earlier, is also continuing to evolve, and that's an area where we want to be able to bring our expertise and our experience in working in the digital payments space across two decades and use that to help inform the continuing dialog around how best to classify and oversee the important consumer protections that we feel are going to be necessary in this space.

In addition to just sort of continuing to interact with industry bodies with forums like the U.K. forum— Bank of England forum on CBDCs, we also continue to make investments in our own technology and our people. We have invested in blockchain-focused companies through our venture capital arm, PayPal Ventures, and we continue to engage with the larger ecosystem of developers, partners and regulators to make sure that we're bringing that spirit of responsible innovation into the space, but it's a full-time job. It's probably more than a full-time job to keep up with it all, and it's part of what makes this fun.

Mark Carlucci

Wonderful. Well, thank you Edwin for your time and this discussion. I apologize for my technical issues earlier, but it's a pleasure to speak to somebody with such a unique perspective in this space.

With that, I'd like to invite Louise Pentland, PayPal's Executive Vice President and Chief Business Affairs and Legal Officer, to share some closing remarks and insights into what PayPal will offer going forward through this series in 2022. Thank you.

Louise Pentland

I just want to first of all start by thanking everybody for joining our inaugural ESG Principles in Practice event. I truly cannot think of a more important time for this conversation, for ESG conversations to be occurring and for us to all be laser focused on ESG as [a] topic. It gives me a lot of pride to hear about how we're progressing, how much focus as a Company we've put on this, and how we're truly embedding ESG into all aspects of our business.

I was glad that you were able to hear today from both Gail, our Board member, and John Rainey, our CFO, on the importance of integration and oversight and how our strategic focus helps drive both our business and our global impact. I sit in on the conversations at the Board [meetings] - I mean, this is taken with great seriousness and interest in all aspects of our Company.

I think the ESG leaders panel really did provide helpful insights into, I think, a few of our highest priority ESG topics, including cyber security, employee wellness, which is a topic very close to my heart, and climate change, and then [...] we heard from Edwin [on] crypto, digital currencies, and of how that is helping to transform the financial ecosystem, and thoughtfully working to differentiate not only our

approach to customer access but also the resources for them to learn about this unique and complex asset class.

I've been involved in ESG at PayPal before we called it ESG. I think we—you know, I started with the pro bono effort in the legal team, and really demonstrates that we can all have a tangible role in ESG, and it's important that we shoulder that responsibility because it does make a difference, it does allow us to differentiate ourselves, and it does allow us to really tie to our mission, our vision, and our values.

Please join me and PayPal in the new year for future sessions where we'll continue to highlight the connections between our business and the ESG strategy, such as our work to empower small businesses and non-profits and our broader global talent strategy. Thank you all so much for joining. See you in the new year.