

Zevin Asset Management

PIONEERS IN SOCIALLY RESPONSIBLE INVESTING

November 16, 2016

Daniel H. Schulman, President and CEO
Louise Pentland, Senior Vice President, Chief Legal Officer and Secretary
PayPal Holdings, Inc.
2211 North First Street
San Jose, California 95131

Dear Mr. Schulman and Ms. Pentland:

We are a group of investment managers and asset owners who invest a total of \$15.8 billion with a view to social and environmental impact. As socially responsible investors with long-term holdings in PayPal, we welcomed the company's decision this year to cancel a planned operations center in North Carolina in response to a state law denying anti-discrimination protections for lesbian, gay and transgender people. Many of us praised PayPal at the time, and we were gratified by the leadership shown by Mr. Schulman, who said clearly that the law "perpetuates discrimination, and it violates the values and principles that are at the core of PayPal's mission and culture."

As investors, we encourage companies in our portfolios to stand against discrimination and in support of human rights. Morally speaking, that is a good in itself. However, firms that take a stand are also better able to manage and avoid legal and reputational risks that may flow from operating in areas where governments restrict rights. At the same time, companies that take a lead on human rights can strengthen their social license to operate and boost their reputations.

We must, accordingly, express concern about PayPal's exposure to ongoing and serious human rights risks in Israel and Palestine. Similar to the situation in North Carolina, basic rights and privileges in that region are being restricted based on identity — in this case, ethnic and religious identity. Israel's occupation of the West Bank and Gaza continues to restrict severely the internal and cross-border movement of goods and people. The U.N. Human Rights Council, in keeping with its Guiding Principles on Business and Human Rights, urges awareness of business risks in conflict-affected areas generally and the Occupied Palestinian Territory in particular.¹

Palestine is potentially a promising market for PayPal, with a dynamic tech business community and significant pent-up demand presenting both a commercial opportunity and a social imperative. PayPal's services would be a lifeline for Palestinian entrepreneurs, non-profits, and ordinary citizens who face obstacles sending and receiving payments in the current environment. So, we are concerned that PayPal has failed to capture those potential benefits and refused to extend full services to Palestinians living in the West Bank and Gaza.

Moreover, PayPal's decision not to enter the Palestinian market may demonstrate complicity in a discriminatory status quo. Because PayPal has chosen to operate in Israel, Israeli settlers living in the West Bank counter to international law can freely access PayPal merchant services using Israeli bank accounts. At the same time, and often in the same neighborhoods, Palestinian citizens have no access to PayPal merchant services. That disparity, while not intentional on PayPal's behalf, represents an ongoing risk to the company's reputation and social license in a region still struggling to resolve deep conflicts.

We urge PayPal to address the above risks and opportunities by extending full services to Palestinian people which are equal to those already enjoyed by the Israeli settler population. Enabling equal access would be in

¹ <https://documents-dds-ny.un.org/doc/UNDOC/LTD/G14/126/94/PDF/G1412694.pdf?OpenElement>

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keeping with the leadership the company showed in North Carolina, and it would help reassure shareholders that PayPal is a sustainable and ethical investment going forward.

We understand that there are financial and logistical considerations associated with entering any new market, and we are willing to speak with you about how PayPal plans to address those challenges as it extends full services to Palestinian customers. In the interim, until parity is achieved, we would also encourage you to examine issues and liabilities associated with Israeli citizens accessing PayPal from illegal settlements in Occupied Palestinian Territory. While PayPal should not deny access to any qualified party, the company should understand and manage all risks flowing from unequal access to its services.

We appreciate your attention and request an update on PayPal's approach to the issues raised above. As we continue to monitor developments, investors are hopeful that PayPal will move once more to support equality and human rights.

Sincerely,

Pat Miguel Tomaino
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Zevin Asset Management

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United Church Funds

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