



## **CHARTER OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE**

### **PURPOSES AND POLICY**

The Audit, Risk and Compliance Committee (the "Committee") shall provide assistance and guidance to the Board of Directors (the "Board") of PayPal Holdings, Inc., a Delaware corporation (the "Company"), in fulfilling its oversight responsibilities to the Company's stockholders with respect to (i) the Company's corporate accounting and financial reporting practices and the audit of the Company's financial statements, (ii) the independent auditors' qualifications and independence, (iii) the performance of the Company's internal audit function and independent auditors, (iv) the quality and integrity of the Company's financial statements and reports, (v) reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements with the independent auditors, (vi) producing the report that the rules of the Securities and Exchange Commission ("SEC") require to be included in the Company's annual proxy statement, (vii) overseeing the Company's overall risk framework and risk appetite framework and (viii) the Company's compliance with legal and regulatory requirements. In discharging these obligations, the Committee shall maintain and foster an open avenue of communication between the Committee and the independent auditors, the Company's management and internal auditors.

### **COMPOSITION AND ORGANIZATION**

The Committee shall consist of at least three members of the Board of Directors, each of whom (i) is an "independent director," as defined under the listing standards of The Nasdaq Stock Market and the applicable rules and regulations of the SEC and (ii) otherwise satisfies the requirements for audit committee service imposed by the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act"). All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. The Board shall designate at least one member is an "audit committee financial expert," as defined by Item 407(d)(5) of SEC Regulation S-K. The determination by the Board that a person is an audit committee financial expert will not impose on such person individually, on the Committee or on the Board as a whole, any greater duties, obligations or liability than would exist in the absence of such determination.

The members of the Committee shall be appointed by the Board based upon recommendations by the Company's Corporate Governance and Nominating Committee. The members of the Committee will be appointed by and serve at the discretion of the Board. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee consisting of one or more members of the Committee. Each subcommittee shall have the full power and authority of the Committee, as to the matters delegated to it. Without limiting the generality of the foregoing, the Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Committee

at its next scheduled meeting. The Board shall designate one member of the Committee as the Committee's chairperson.

No director may serve as a member of the Committee if such director serves on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of the director to effectively serve on the Committee. No Committee member shall have participated in the preparation of the Company's or any of its subsidiaries' financial statements at any time during the past three years.

## **MEETINGS**

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate, it being understood that the Committee will ordinarily meet quarterly in advance of the release of quarterly financial results.

In addition, the Committee will separately meet on a periodic basis with management, the director of the internal audit department and the independent auditors to discuss any matters that the Committee or any of these persons or firms believe should be discussed. The Committee shall also meet periodically in separate executive sessions with the Chief Business Affairs and Legal Officer, the Chief Risk and Compliance Officer and other members of management as it determines appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The operation of the Committee will be subject to the provisions of the Bylaws of the Company, the Delaware General Corporation Law, the rules and regulations of the SEC and the listing standards of The Nasdaq Stock Market, each as in effect from time to time.

## **OVERSIGHT OF INDEPENDENT AUDITORS**

The function of the Committee is oversight of the matters applicable to the Committee. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for performing an audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB") and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles in the U.S ("GAAP"). The independent auditor is also responsible for expressing an opinion on the effectiveness of PayPal's internal control over financial reporting. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. The Committee relies on the expertise and knowledge of management, the internal audit department, and the independent auditor in carrying out its oversight responsibilities.

The independent auditors for the Company shall report directly to the Committee. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolving disagreements between management and the auditors regarding financial reporting).

The Committee shall obtain and review annually a formal written statement from the independent auditors (the "Auditors' Statement") describing (a) the auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal quality control review or peer review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (c) (to assess the auditors' independence) all relationships between the independent auditors and the Company, including each non-audit service provided to the Company, and any other matters required to be disclosed pursuant to the applicable requirements of the PCAOB.

The Committee shall obtain and review annually a formal written statement from the independent auditors of the aggregate fees billed for each of the last two fiscal years in each of the following categories: (i) professional services rendered by the independent auditors for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years; (ii) assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of the Company's financial statements; (iii) professional services rendered by the independent auditors for tax compliance, tax advice and tax planning; and (iv) products and services provided by the independent auditors, other than services described in clauses (i), (ii), and (iii). The written statement shall describe the nature of the services comprising the fees disclosed under clauses (ii), (iii) and (iv).

## **DUTIES AND RESPONSIBILITIES**

In fulfilling its responsibilities, the Committee believes that its functions and procedures should remain flexible in order to address changing conditions most effectively. To carry out its purposes, the Committee shall have the following responsibilities, duties and powers:

1. *Independent auditors.*

(a) Decide whether to appoint, retain or terminate the Company's independent auditors, including sole authority to approve all audit engagement fees and terms, including scope, extent and procedures of the audit and the compensation to be paid therefor, and to pre-approve all audit and non-audit services to be provided by the independent auditors and to consider whether the outside auditors' provision of nonaudit services to the Company is compatible with maintaining the independence of the outside auditors. The Committee shall monitor and evaluate the auditors' qualifications, performance and independence on an ongoing basis, and shall be directly responsible for overseeing the work of the independent auditors (including resolving disagreements between management and the auditor regarding financial reporting). In conducting such evaluations, the Committee shall:

- i. Evaluate, together with the Board, the qualifications, performance, internal quality-control procedures and independence of the independent auditors and the lead audit partner and, if so determined by the Committee, recommend that the Board replace the independent auditors or the lead partner;
- ii. Review the opinions of management and the Company's internal auditors in assessing the independent auditor's qualifications, performance and independence;
- iii. Discuss with management the timing and process for implementing the rotation of the lead audit partner and the reviewing partner, which rotation must occur not less

than once every five years, and consider whether there should be a regular rotation of the audit firm itself; and

- iv. Obtain annually from the independent auditors the Auditors' Statement (it being understood that the independent auditors are responsible for the accuracy and completeness of the statement), review such statement, and discuss with the independent auditors any relationships or services disclosed (such as the provision of non-audit related services) in the statement that may impact the quality of the audit services or the objectivity and independence of the Company's independent auditors;

- (b) Review, upon completion of the audit, the financial statements to be included in the Company's Annual Report on Form 10-K;

- (c) Confer with the independent auditors, the internal audit team, and senior management of the Company regarding the scope, adequacy and effectiveness of internal accounting and financial reporting controls;

- (d) Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit;

- (e) Discuss with the independent auditors the results of the annual audit, including any critical audit matters arising from the current period audit, the auditors' assessment of the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and estimates, the nature of significant risks and exposures, the clarity and adequacy of the disclosures in the financial statements, and any other matters required to be communicated to the Committee by the independent auditors under GAAP and the PCAOB; and

- (f) Obtain from the independent auditors in connection with any audit a timely report relating to the Company's annual audited financial statements describing all critical accounting policies and practices to be used, all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any "management" letter or schedule of unadjusted differences.

## 2. Internal accounting department.

- (a) As necessary, review the appointment or replacement of the Company's Chief Accounting Officer.

## 3. Internal audit team.

- (a) Evaluate the cooperation received (i) by the independent auditors during the independent auditors' audit examination and (ii) the internal audit department, including any restrictions on the scope of their activities or access to required records, data and information;

- (b) Review the appointment and replacement of the senior Chief Internal Audit Executive who shall report to the Committee;

(c) Review, evaluate and approve the compensation and performance of the senior Chief Internal Audit Executive;

(d) Review and approve the Internal Audit Charter on an annual basis;

(e) Review the significant reports to management, or summaries thereof, prepared by the internal audit department, management's responses and the status of associated remediation plans;

(f) Review and approve the annual risk-based audit plan and any significant changes to the annual audit plan; and

(g) Evaluate internal audit department responsibilities, budget and staffing.

4. Financial reporting principles and policies and internal controls and procedures.

(a) Consider and discuss with the independent auditors any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Committee by the independent auditors required by applicable accounting standards;

(b) Confer with the independent auditors, the internal audit team and senior management in separate executive sessions to discuss any matters that the Committee, the independent auditors, the internal audit team or senior management believe should be discussed privately with the Committee;

(c) Review with the Company's Chief Business Affairs and Legal Officer and/or Chief Risk and Compliance Officer, as applicable, any significant legal, compliance or regulatory matters that could have a material impact on the Company's financial statements, business or compliance policies, including material notices to or inquiries received from governmental agencies;

(d) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters;

(e) Discuss the types of financial information and earnings guidance (including the use of "pro forma," "adjusted" or other non-GAAP financial measures), and the types of presentations made, to analysts and rating agencies;

(f) Establish hiring policies for employees and former employees of the independent auditors. These policies shall provide that no former employee of the independent auditors may become the Chief Executive Officer, Chief Financial Officer, Vice President of Internal Audit, Chief Accounting Officer or Controller (or serve in a similar capacity) if such person participated in any capacity in the Company's audit within the one-year period preceding the date of the initiation of the audit;

(g) Discuss with the independent auditors and management the internal audit department responsibilities, budget and staffing and any recommendations regarding the internal audit department;

(h) Review the significant findings to management prepared by the internal audit department and management's responses;

- (i) Discuss earnings press releases;
- (j) Discuss the Company's treasury policies and other matters relating to its investments and cash management, as appropriate; and
- (k) Discuss the Company's tax strategies and tax exposures.

5. Reporting and recommendations.

(a) Prepare the report of the Committee and any other disclosures required by the rules of the SEC to be included in the Company's annual proxy statement and recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K;

(b) Report to the Board on a regular basis and from time to time or whenever it shall be called upon to do so, and make recommendations to the Board as described in this charter and with respect to other matters as the Committee may deem necessary or appropriate;

(c) Consider any reports submitted to the Committee by the independent auditors required by any applicable law or regulation;

(d) Meet with management, the independent auditors and, if appropriate, the Chief Accounting Officer to discuss: the scope of the annual audit, the audited financial statements and quarterly financial statements including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal audit department or the independent auditors, relating to the Company's financial statements; any audit problems or difficulties, including any restrictions on the scope of the independent auditors' activities or access to requested information, and any significant disagreements with management; any critical audit matters; any "management letter" or "internal control" letter issued, or proposed to be issued; any major issues regarding accounting principles and financial statement presentations, including any significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices, and any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and

(e) Inquire of the Company's Chief Executive Officer and Chief Financial Officer as to the existence of any significant deficiencies in the design or operation of the Company's internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data, any material weaknesses in internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

6. Compliance Program.

(a) Periodically review and approve the Company's enterprise-wide Compliance Program and Global Financial Crimes Compliance framework policies, as appropriate;

(b) Receive and discuss reports on the Company's Annual Risk and Compliance Plans;

(c) Review and discuss periodic reports from the Chief Risk and Compliance Officer, and other members of management as appropriate, regarding ongoing enhancements to, and overall effectiveness of, the Company's enterprise-wide Compliance Program and the Company's Global Financial Crimes Compliance Program;

(d) Review and discuss compliance risks, the level of compliance risk, management actions on significant compliance matters (e.g., actions taken to remediate significant compliance issues, progress of major compliance initiatives, and remediation progress of open regulatory actions) and reports concerning the Company's compliance with applicable law and regulation;

(e) Review and discuss significant examination reports from regulatory authorities, or summaries of the same;

(f) Review and discuss reports on any key organizational changes within the Company to ensure the Company's Compliance function has the appropriate size, skills, stature and independence;

(g) Review and discuss reports from management regarding significant reported ethics violations under the Company's Code of Business Conduct and Ethics and other corporate governance policies; and

(h) Review and discuss reports on selected compliance topics as management or the Committee deems appropriate;

(i) Periodically review and approve the Company's Code of Business Conduct and Ethics; and

(j) Review and discuss all requests for waivers of the Code of Business Conduct and Ethics involving directors, executive officers and executive staff members and make recommendations to the Board as to whether it should approve any such request.

#### 7. Risk Program.

(a) Periodically review and approve the Company's enterprise-wide risk management program framework policy, including the Company's risk appetite framework, and other risk management policies, as appropriate;

(b) Oversee and assess 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, including financial crimes risk, regulatory compliance risk, technology risk, operational risk, credit risk, capital structure risk, and strategic risk;

(c) Review and discuss periodic reports from the Chief Risk and Compliance Officer, and other members of management, regarding ongoing enhancements to, and overall effectiveness of, the Company's risk management program, including corrective actions taken by management to address risk issues (including those identified by management, internal audit or regulatory reviews), the progress of key risk initiatives and the implementation of risk management enhancements; Review and discuss reports on any key organizational changes within the Company to ensure the Company's risk function has the appropriate size, skills, stature and independence; and

(d) Obtain and review reports on selected risk topics as management or the Committee deems appropriate.

8. Other.

(a) Review and approve any proposed related party transactions in accordance with the Company's Related-Person Transaction Policy; and

(b) Undertake any other responsibilities expressly delegated to the Committee by the Board from time to time relating to audit, risk or compliance matters.

## **ANNUAL EVALUATION**

The Committee shall produce and provide to the Board on an annual basis a performance evaluation of the Committee's performance of its duties under this charter. The performance evaluation shall be conducted in such a manner as the Committee deems appropriate. Any member of the Committee may present the evaluation to the Board either orally or in writing.

The evaluation shall also include an assessment by the Committee of the adequacy of this charter and any recommendations to improve the charter of the Committee.

## **RESOURCES AND AUTHORITY OF THE COMMITTEE; RETENTION OF ADVISORS**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities and shall be empowered to conduct its own investigation into issues related to its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or independent counsel or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management. The Committee shall receive appropriate funding from the Company, as determined by the Committee, for payment of compensation to the independent auditors and any other advisors retained by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **MINUTES AND REPORTS**

Minutes of each meeting, and each written consent to take action without a meeting, will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee, and the Secretary of the Company. The Committee shall produce a summary of the actions taken at each Committee meeting, or pursuant to each written consent to take action without a meeting, which shall be presented to the Board at the next Board meeting.

*Last Approved: January 17, 2019*