



June 12, 2021

Via Electronic Mail

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: March 15, 2021 SEC Statement Welcoming Public Input on Climate Change Disclosures

Dear Chair Gensler:

PayPal Holdings, Inc. (“PayPal”) appreciates the opportunity to respond to the U.S. Securities and Exchange Commission’s (the “Commission” or “SEC”) request for public comments regarding climate change disclosure rules and regulations. As more fully detailed below, PayPal supports the SEC’s implementation of mandatory disclosures on climate change to provide meaningful, consistent, comparable, and reliable information to investors and other applicable stakeholders.

About PayPal

PayPal (NASDAQ: PYPL) is a leading technology platform and digital payments company headquartered in San Jose, California, which enables digital payments on behalf of consumers and merchants worldwide. For more than 20 years, PayPal has leveraged technology to make financial services and commerce more convenient, affordable, and secure.

PayPal is committed to democratizing financial services to improve the financial health of individuals and to increase economic opportunity for entrepreneurs and businesses of all sizes around the world. Our goal is to enable our merchants and consumers to manage and move their money anywhere in the world, at any time, on any platform and using any device.

Our combined payment solutions, including our core PayPal, PayPal Credit, Braintree, Hyperwallet, Zettle, Venmo, and Xoom products and services, comprise our proprietary Payments Platform. We also simplify and personalize shopping experiences for our consumers through our Honey Platform. We operate a global, two-sided network at scale that connects merchants and consumers with more than 392 million active accounts – consisting of 361 million active consumer accounts and 31 million active merchant accounts – across more than 200 markets.

Importance of Stakeholder Capitalism and Addressing Climate Change

At PayPal, we believe profit and purpose must work together and that both are essential in serving our stakeholders as we move forward on our business and ESG priorities. The PayPal management team believes it is critical to consider the interests of employees, customers, shareholders, policymakers, and partners in key business decisions. This is an essential aspect of how we continue to assess our ESG strategy to remain focused on the non-financial risks and opportunities most important to our business and our diverse stakeholders.

As part of our approach to stakeholder capitalism, we are focused on managing our environmental impact and advancing global sustainability for the benefit of all, especially the most vulnerable. This includes actions focused on addressing climate change, managing natural resources, and engaging partners across our value chain on environmental action. Our efforts are driven by a cross-functional working group with representatives from across the organization and overseen by senior leaders at PayPal.

Currently, PayPal reports on material ESG risks and opportunities, including human capital and climate matters, through our annual Global Impact Report¹, which is mapped to various ESG disclosure frameworks, and discusses ESG oversight and annual highlights in our Proxy Statement². We provide climate-related information to our investors in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”) in our annual CDP Climate Change response and in a direct TCFD Index³.

In 2021, PayPal completed a two-year process to establish ambitious, measurable science-based emissions reduction targets validated by the Science Based Targets initiative. We plan to track and disclose our progress toward our long-term goal of achieving net-zero greenhouse gas emissions across our value chain by 2040 and our interim 2025 science based targets across our operations and our supply chain in alignment with limiting temperature rise to no more than 1.5 degrees Celsius.

We are committed to continuously improving our environmental reporting and performance and providing specific disclosures on our climate risks and opportunities. In 2021, we obtained an independent limited assurance opinion on select ESG metrics, including annual greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 assessment standard issued by the International Auditing and Assurance Standards Board.

We strongly support the SEC’s promulgation of a standard set of climate-related disclosures, that are material to each company’s industry and built upon the widely-accepted, investor-focused reporting standards developed by the TCFD and the Sustainability Accounting Standards Board (“SASB”, now known as the Value Reporting Foundation).

PayPal’s Response to the SEC’s Request for Public Input

We believe that the set of questions raised by the SEC addresses a broad range of important issues and applaud the Commission for its wide and forward-thinking considerations. Our summary responses reflect the following key principles: (1) we support mandatory reporting; (2) reporting should be based on established standards; (3) the SEC should allow flexibility and phased-in implementation; and (4) we support the SEC’s regular review and consideration of not only human capital and climate disclosures, but also a broader range of ESG topics.

Support for Mandatory Disclosures

PayPal supports the SEC’s promulgation of mandatory disclosures on climate change to facilitate consistent, comparable, and reliable information. Given timing challenges with current filing deadlines and internal non-financial data reporting processes and procedures, we encourage the Commission to provide flexibility regarding how disclosures are made to the SEC, as described further below, and allow for continued supplemental disclosures in separate ESG reports. PayPal is

¹ Available at: <https://about.pypl.com/values-in-action/reporting/global-impact-report/default.aspx>

² Available at: <https://investor.pypl.com/financials/annual-reports/default.aspx>

³ Available at [https://s1.q4cdn.com/633035571/files/doc_downloads/Task-Force-on-Climate-related-Financial-Disclosures-\(TCFD\)-Index.pdf](https://s1.q4cdn.com/633035571/files/doc_downloads/Task-Force-on-Climate-related-Financial-Disclosures-(TCFD)-Index.pdf)

agnostic as to whether the Commission should update Regulation S-K or issue a new regulation; however, given the scope of Regulation S-K on non-financial reporting requirements, we would suggest that amending Regulation S-K may be a preferred route, as it would enable climate disclosures to be included as part of broader update considerations, such as those considered under the disclosure effective initiative. Given that the ESG reporting landscape is quickly evolving, incorporating additional ESG disclosure requirements into Regulation S-K would help to reduce the number of regulations issuers are required to comply with while retaining the intent of any future disclosure rules.

Reporting Requirements Should Be Based on Established Standards

PayPal strongly encourages the Commission to mandate principle-based disclosures with specific requirements based on (1) standards developed by TCFD and SASB and (2) accounting methodologies developed by Greenhouse Gas Protocol (“GHG Protocol”). Materiality, which has been a long-standing guidepost for SEC disclosure requirements, should continue to be a key factor in any rulemaking. In addition, specific reporting requirements should also consider company characteristics (e.g., size⁴) and industry-specific climate risk exposure.

We encourage the Commission to establish minimum standardized reporting requirements, including disclosure of (1) Scope 1 and Scope 2 greenhouse gas emissions in accordance with GHG Protocol accounting methodologies and (2) “high-level” discussions on climate risks and strategies relevant to the issuer as well as corporate governance mechanisms (e.g., board involvement and executive oversight), in accordance with TCFD standards. We believe requirements to disclose Scope 3 greenhouse gas emissions should be optional during the initial compliance period; however, as Scope 3 emissions reporting matures, the Commission should consider potential mandatory reporting in future updates.

Further, PayPal supports independent verification of issuer’s Scope 1 and Scope 2 emissions by qualified third parties in accordance with the standards set by the ISAE or other similar standards. We would encourage the inclusion of optional verification for other ESG metrics and further mandatory requirements considered in future updates, as discussed below. Nonetheless, PayPal would encourage the Commission to distinguish between the level of verification and assurance required for climate-related disclosures versus audited financial information; at a minimum, we suggest that issuers be required to issue a limited assurance statement in connection with their climate-related reporting, subject to appropriate flexibility as part of the phased-in implementation approach.

Finally, PayPal encourages harmonization across global, federal, and state standards for climate-related reporting, as appropriate. Such harmonization would significantly reduce corporate reporting burden and cost, as well as the potential for conflicts among reporting requirements for issuers. The SEC should also strongly consider allowing cross referencing to the relevant disclosures already reported by many issuers in their current ESG reports pursuant to existing third-party standards.

Build in Flexibility and Phased-In Implementation

PayPal recognizes that not all issuers have established or mature ESG reporting processes or controls that could support full compliance with any new regulation on climate-related disclosures. Accordingly, PayPal suggests that the SEC adopt a phased approach to implementation and allow issuers sufficient and meaningful time to establish the infrastructure needed to comply with any

⁴ “Size” as defined in 13 CFR 121 Small Business Size Standards.

mandatory reporting disclosures. We would again urge the Commission to adopt frameworks issued by the TCFD, SASB, and GHG Protocols, which are widely understood and recognized, to reduce the expense and time required for full compliance.

In addition, PayPal supports a “comply or explain framework,” which should be available: (1) for all metrics and disclosures during an initial, phased-in compliance period, and (2) permanently for disclosures regarding climate strategy and targets, as such information by its nature is long-term and forward looking.

Establish Regular Reviews and Updates

Given the rapid pace at which climate change disclosures and practices are continuing to evolve, PayPal believes the Commission should review climate-related disclosure regulations on a regular basis to evaluate disclosure relevancy and scope. However, in light of the substantial time and resources required of issuers to establish data collection and reporting systems, we encourage the SEC to review these regulations and related guidance once every three to five years and limit potential rule changes to no more than once every five years. For clarity, we believe that as and when updates to well-established third-party standards are promulgated (e.g., TCFD and SASB guidance), issuers should revise their disclosures accordingly.

Conclusion

PayPal fully supports the SEC’s ongoing attention to, and consideration of, the development of a comprehensive ESG disclosure framework. We commend the SEC’s incremental approach to first addressing human capital management, followed by its consideration of mandatory climate disclosures. As we have outlined above, we support and encourage the SEC to continue building out a broader set of ESG-related reporting requirements in line with established international standards, together with a phased-in implementation approach. We would be happy to discuss any of our above comments and recommendations with the Commission at your convenience.

Respectfully,



Brian Yamasaki
VP, Corporate Legal and Secretary