

Vanguard Investment Stewardship Insights

Voting Insights: Diversity, equity, and inclusion at PayPal



May 2021

Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.

Company: PayPal Holdings, Inc. (PayPal)

Meeting date: May 26, 2021

Proposal: Item 5—report on whether written policies or unwritten norms reinforce racism in company culture



How the funds voted

At the annual meeting for PayPal, a U.S.-based technology company, the Vanguard funds did not support a shareholder proposal that asked the company to prepare a report within one year assessing whether policies and norms at PayPal reinforce racism in company culture.

Vanguard's principles and policies

As firms compete for employees with the right skills and experience, they face greater pressure on how they attract, develop, and retain their workforces. We believe that boards are responsible for oversight of how workforce diversity is integrated into their companies' broader human capital management strategy. There are strategic opportunities for companies that do this well and material risks for companies that do it poorly. Addressing these matters thoughtfully is critical to a company's long-term success.

On behalf of Vanguard funds, we expect that boards will undertake the following steps to advance workforce diversity:

- **Strengthen oversight of diversity, equity, and inclusion (DEI) strategy and risks.** We expect boards to publish policies on employee recruitment, retention, and inclusion. We also expect boards to outline the steps being taken to ensure that all employees feel they can succeed.

- **Disclose workforce diversity measures.** We seek disclosure of workforce diversity measures (gender, race, and ethnicity) at the executive, nonexecutive, and overall workforce levels. Globally, companies should disclose these data and those in other categories appropriate to their local jurisdictions, industries, and company-specific needs.

Diversity disclosures should cover the board's process for overseeing this key topic and how the board measures progress. We expect boards to be candid about the outcomes of DEI programs and changes made over time.

Analysis and voting rationale

Before PayPal's 2021 annual meeting, Vanguard's Investment Stewardship team engaged with members of the board and executives from PayPal. In the discussion, PayPal leaders provided insight into programs that focused on employee recruitment, retention, engagement, financial wellness, and pay equity, as well as diversity, equity, inclusion, and belonging for all employees. PayPal specifically highlighted a focus on DEI in terms of race and ethnicity (which was the focus of this shareholder proposal). PayPal discloses these initiatives through its diversity and inclusion website and in the company's annual Global Impact Report.

Our analysis found that PayPal has a comprehensive program that promotes DEI in its corporate culture. Our analysis also suggested that PayPal has appropriate policies, procedures, and board oversight measures in place to effectively govern the company's diversity and inclusion strategy and associated risks.

PayPal's commitment to diversity and inclusion is also reflected in the compensation committee's intent to include DEI considerations in the company's 2021 executive compensation

framework. Based on our research and discussions with the company, we believe that PayPal's written policies are designed to ensure that the corporate culture embraces respect for racial and ethnic diversity and cultivates an inclusive workplace. As a result, the Vanguard funds did not support the shareholder proposal.

What we expect from companies on this matter

Vanguard recognizes that companies will differ in their specific goals, programs, and challenges for workforce diversity and inclusion. We want to understand how a company's approach aligns with its strategy and how current and future risks are assessed.

We encourage companies to strengthen oversight of diversity-related risks and strategies, and to disclose management and workforce diversity data as appropriate to their local jurisdictions, industries, and company-specific needs. Boards should also disclose relevant processes, programs, and metrics used to measure a company's diversity and inclusion programs over time.