UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☐ Definitive Proxy Statement

☒ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-2

PALO ALTO NETWORKS, INC.
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check all boxes that apply):

☒ No fee required

☐ Fee paid previously with preliminary materials

☐ Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
November 29, 2023

PALO ALTO NETWORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-35594**	**20-2530195**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

3000 Tannery Way
Santa Clara, California 95054
(Address of principal executive office, including zip code)

(408) 753-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	PANW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

On October 27, 2023, Palo Alto Networks, Inc. (the "Company") filed its definitive proxy statement (the "Proxy Statement") for the Company's 2023 Annual Meeting of Stockholders to be held on December 12, 2023 (the "2023 Annual Meeting"). The following information supplements the disclosures set forth in the Proxy Statement.

On November 29, 2023, the Company issued an investor presentation in connection with the 2023 Annual Meeting. A copy of the investor presentation is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description of Exhibit
99.1	Investor presentation dated as of November 29, 2023
104	Cover Page Interactive Data File (formatted as Inline XBRL)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PALO ALTO NETWORKS, INC.

By: /s/ Bruce Byrd

Bruce Byrd
Executive Vice President,
General Counsel and Secretary

Date: November 29, 2023

Exhibit 99.1

paloalto NETWORKS

Additional Disclosure Regarding Proxy Proposals

November 29, 2023

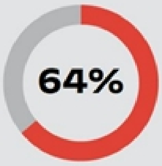
Supplemental Disclosure to Assist Shareholders

This document provides additional information for Palo Alto Networks' shareholders to consider when determining how to vote with respect to Proposal 1 (election of directors), Proposal 3 (say-on-pay) and Proposal 4 (share reserve increase for equity plan). Since the Company filed its proxy statement, Glass Lewis and ISS have issued formulaic advice on how shareholders might assess these proposals. Specifically, Glass Lewis has recommended against votes for two of our directors; ISS and Glass Lewis have recommended votes against Proposal 3; and ISS has recommended a vote against Proposal 4. Respectfully, the Palo Alto Networks Board of Directors disagree with the positions of the proxy advisory firms and reaffirm their recommendation that shareholders vote FOR all Proposals.

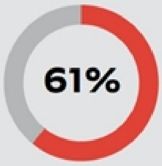
As you can see in our proxy statement and these supplemental materials:

- We have recruited and maintained a highly performing Board of Directors that has guided tremendous growth in shareholder value.
- There is unshakable alignment between our executive compensation practices and company performance.
- Our employee equity incentive practices have driven extraordinary management performance and ensured competitive pay. At the same time, we have accomplished a steep and enduring reduction in the share burn rate.

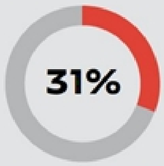
We Solicit, Value and Act on Shareholder Input



We reached out to stockholders representing 64% of our outstanding shares.



We engaged in discussions with investors representing 61% of our outstanding shares (which is all stockholders that indicated a willingness to engage with us).



Our Lead Independent Director participated in discussions (21 meetings) with investors representing 31% of our outstanding shares, while offering meetings to investors representing 48% of our outstanding shares.

* Stockholder ownership, to our knowledge, as of June 30, 2023.

- We ask for shareholder input with respect to compensation decisions.
- We make commitments to our shareholders based on that input.
- We meet our commitments to our shareholders.

Compensation Decisions Are Based on a Consistent Framework

- In our proxy statement, our Compensation and People Committee explained its approach to how it sets executive compensation, and described the shareholder feedback that informed our fiscal 2023 executive compensation program.
- We made **14 key commitments** to our shareholders (*see page 67 of the proxy statement for a full list*) and **have met all of those commitments**, including the following key items:
  - Executive compensation is overwhelmingly performance-based (at least 75% of annual long-term incentive awards for named executive officers, excluding new-hire awards).
  - Compensation decisions are disclosed transparently, including the reasoning for those decisions, the performance targets set, and performance against those targets.
  - Long-term incentive awards are aligned with shareholder value creation and require sustained performance to be earned.
  - Long-term incentive awards have minimum vesting requirements and minimum holding requirements.
  - One-time equity awards to named executive officers are made only in exceptional circumstances.

NEO Compensation is Fully Aligned with our Commitments

- Our fiscal 2023 named executive officer ("NEO") compensation was 95% at risk (97.5% for our CEO), with 100% of equity compensation performance based.
- Our annual incentive program was earned based on both top line (revenue) and bottom line (organic operating margin) metrics with a modifier based on achievement of ESG goals.
  - We intentionally designed our annual incentive program using a matrix approach so that our management team had the flexibility to make decisions to concentrate on growth or profitability depending on the performance of the business.
  - If our revenue was greater than 5% below target or our organic operating margin was more than 300 basis points below target, no incentive would be earned.
  - Although our revenue performance was slightly below target, our significant overperformance with respect to organic operating margin contributed to the fiscal 2023 stock price performance described on the next slide.
- Our long-term incentive grants can be earned based on billings growth and total shareholder return as compared to indexed companies. To earn the maximum award, we have to perform on our plan and ***also*** deliver value to shareholders that is better than our compensation peer group.

Company Performance Validates NEO Compensation

- Our executive team delivered extraordinary shareholder value in 2022 and the Compensation and People Committee decisions with respect to 2023 compensation were validated by our fiscal 2023 performance.
  - Our fiscal 2022 performance was at the 92nd percentile of our peer group, while our CEO was paid at the 44th percentile.
  - Our fiscal 2023 performance was at the 99th percentile of our peer group, and our CEO was paid at the 92nd percentile.
  - Our market capitalization increase from fiscal 2022 year-end to fiscal 2023 year-end was $26.9B (54.3%), delivering extraordinary value to our shareholders.

CEO Retention Award Will Promote Shareholder Value

- CEO was granted a long-term performance and retention award **that is entirely performance-based.**
- Our proxy statement described the painstaking process and compelling rationale for making this award, including not just Mr. Arora's track record of undeniable success, but also the imperative that Mr. Arora continue leading the Company through this signal moment when a new generation of artificial intelligence tools and technologies will transform both the threat landscape and the innovation needed to defeat cyber attackers.
- During Mr. Arora's tenure, shareholders have benefitted from:
    - $57.3 billion in market capitalization created.
    - Compound annual revenue growth of 24%.
    - Compound annual billings growth of 27%.*
- Based on extensive shareholder engagement, it became apparent to the Compensation and People Committee and the Board that our shareholders were not just pleased with Mr. Arora's performance, but also wanted the Company to retain Mr. Arora for the long term. **We have received no negative shareholder feedback regarding Mr. Arora's retention award.**

* From June 1, 2018 (the date we announced Mr. Arora's appointment as Chief Executive Officer) through July 31, 2023 (the last day of fiscal 2023).

Shareholders Should Consider Unique Structure of CEO Retention Award

Our Compensation and People Committee designed an award, based on the advice of its independent compensation consultant, that incentivizes long-term retention and requires strong, sustained performance.

- The five-year performance period is based on our relative performance against the S&P 500.
    - The award cannot be earned above target unless our stock price has increased – **even if our performance is better than all of the S&P 500**.
    - The graduated payout curve provides that Mr. Arora will only receive the maximum level of compensation if the Company delivers exceptional stock price performance.
    - The *target* performance level that is tied to performance at the 55th percentile of the S&P 500 index, rather than that the median level of performance.
    - There is a minimum level of required performance whereby **the award can result in as few as zero shares** if the Company's performance is less than 40% of the companies in the S&P 500.
- The five-year performance period is an important feature aimed at securing Mr. Arora's services as our CEO for at least five years.
- Mr. Arora must remain in the employ of the Company throughout the entire duration of the five-year performance period. **Failure to do so will result in Mr. Arora receiving no value or compensation from the award**. (The only exception to this will occur if Mr. Arora passes away during the performance period.)

CEO Perquisites Are Part of a Sound Risk Management Strategy

The Compensation and People Committee carefully reviews and approves perquisites every year.

- 91%+ of the reported “All Other Compensation” relates to security measures (including a driving service and a requirement that personal travel be done using charter aircraft) that were **implemented based on the recommendations of a third-party risk management and security consulting firm**.
  - Following a security incident involving Mr. Arora, this firm determined that there was a bona-fide, business-related security concern for Mr. Arora and that credible threat actors existed with both the willingness and resources necessary for conducting an attack on Mr. Arora.
- Our Compensation and People Committee believes that the negative value of a business disruption caused by a security incident involving our CEO would far outweigh these annual costs. The expense incurred to prevent such an occurrence is appropriate and in the best interests of our shareholders.
- The Company annually reviews the reasonableness of the costs of these services and works to ensure maximum value and a fair price.

Stock Plan Proposal - A Track Record of Transparency

- At the December 2021 annual meeting, shareholders approved a new equity incentive plan with a reserve of 13.2M shares (reflecting an adjustment for our 3:1 September 2022 stock split). When asking for initial approval, we advised shareholders that we expected those shares to last for one to two years.
- At our December 2022 annual meeting, so that we could again have a share reserve that would last for one to two years, we sought and received shareholder approval of an 5.985M increase to our share reserve.
- Continuing with this approach, Proposal 4 in our 2023 proxy statement asks for approval of a 5M increase in our share reserve so that we again have shares sufficient to last for one to two years.
- Each of our 2021 and 2022 shareholder proposals received support from the major institutional investor advisory groups because the requested reserves, and our consistent responsible use of the approved shares, were consistent with good governance.
- Our methodology for sizing our share request for our 2023 proposal was entirely consistent with our historical practices and methodologies.
- Nonetheless, ISS has recommended that shareholders not approve our share request because the rate at which we have been granting equity awards is higher than their stated benchmark due to the fact that, as of earlier this year, we are now listed in the S&P 500.

Stock Plan Proposal - Use of Equity Over Time

Our use of stock-based compensation is aligned with business performance.

- During the three years ending with fiscal 2021 prior to adopting the 2021 plan, our gross burn rate was 5.11% and our net burn rate was 3.75%. Two years later, for the three years ending with fiscal 2023, our gross burn rate was 3.38% (1.73 percentage points lower) and our net burn rate was 2.40% (1.35 percentage points lower).
- Our fiscal 2021 stock-based compensation expenses as a percentage of revenue was 21.8% and it decreased to 15.8% for fiscal 2023.
- Our three-year average ISS adjusted burn rate is 3.20%, which is 39% lower than the 5.27% ISS benchmark for Russell 3000 companies (our ISS benchmark group for fiscals 2021 and 2022), but is above the 1.94% ISS benchmark for S&P 500 Information Technology companies (our ISS benchmark group for fiscal 2023 as a result of our strong performance that led to us joining the S&P 500 in June 2023).

Shareholders should be wary of following ISS's recommendation on Proposal 4, which is based exclusively on the Company's recent addition to a new peer group. ISS's formulaic approach does not adequately account for the Company's actual performance, which reflects the proven responsible use of equity.

Stock Plan Proposal - Changes in Three-Year Average Usage

Three Year Averages	Fiscal 2021	Fiscal 2022	Fiscal 2023
Performance-based stock options ("PSOs") granted	2.8	0.2	0.2
PSOs earned	0.4	2.3	2.7
Restricted Stock Units ("RSUs") granted	10.5	9.0	7.5
Performance-based restricted stock units ("PSUs") granted	1.4	1.5	2.3
PSUs earned	0.3	0.5	0.9
Total awards granted	14.7	10.7	10.0
Weighted average common stock outstanding	287.8	291.8	296.0
Gross Burn Rate	*5.11%*	*3.67%*	*3.38%*
Forfeitures of Options	0.0	0.0	0.0
Forfeitures of PSOs	1.2	1.2	0.3
Forfeitures of RSUs	2.7	3.0	2.6
Net Grants	10.8	6.5	7.1
Net Burn Rate	*3.75%*	*2.23%*	*2.40%*

Glass Lewis' Recommendations on Director Nominees Are Not Compelling

- During our 2020 shareholder engagement process, we heard from shareholders that they value the diversity of background and expertise of our directors but that they would like us to increase the number of directors we had with diverse backgrounds. Since we received that feedback, we have added four directors to the board and three of the four directors brought additional gender, ethnic and/or racial diversity to the board.
- The Glass Lewis recommendation against Ms. Twohill is based on their strict policies relating to business relationships between issuers and companies related to their directors. Those policies required a recommendation against Ms. Twohill due to arms-length transactions between the Company and Google that were disclosed for our fiscal 2022. Those transactions were not material to either the Company or Google and Ms. Twohill took no part in decisions about those transactions, which is why we consider Ms. Twohill to be independent. On the other hand, Ms. Twohill's insights on leadership, marketing, and brand management, to name a few, have been invaluable since she joined the board.
- The Glass Lewis recommendation against Ms. Bawa stems from their ultimate disapproval of our pay practices and the long-term performance and retention award we granted to our CEO in fiscal 2023. We extensively describe the rationale for our pay practices in these materials (as well as our proxy statement). Ms. Bawa's senior leadership and management expertise at public technology companies, including with respect to risk management oversight, add tremendous value to the Company.