

ESG Reporting: Our Impact Goals, Strategy & Progress

We have developed an Impact strategy and goals that reflect the positive impact we want to have on the world while advancing and complementing our business strategy, and we are pleased to provide this update on our progress.

Our Approach to Impact Reporting:

Since announcing our Impact strategy in 2017, we have continued to evolve and update many of our goals to be more specific, measurable, and time bound, all while continuing to expand the transparency of our reporting on these activities. We apply the same focus, discipline, and accountability to our Impact metrics as we do our financial metrics, and together, they make us stronger and more resilient. We expect to continue to use our required filings with the Securities and Exchange Commission (“SEC”), as well as our Investor Relations website and Etsy News blog, as our primary communications channels for information relating to our Impact strategy and progress. In this Annual Report, Etsy continues to report our Impact metrics using the Sustainability Accounting Standards Board (“SASB”) and Task Force on Climate-Related Financial Disclosures (“TCFD”) frameworks. Reporting under the SASB and TCFD framework can be found on pages 30-32 and 33-36, respectively.

Our “House of Brands:”

We expect to continue to evolve our Impact strategy and disclosures in the future as we grow and incorporate our recently acquired marketplaces into our environmental, social, and governance (“ESG”) strategy and as our Impact work matures. Except where specifically noted, our discussion of Impact and Impact data includes the operations of our Reverb marketplace but does not include the operations of Depop or Elo7, which were acquired in 2021. It is our intention to further integrate our new subsidiary brands in our ESG reporting in the future.

Transition to “ESG” Nomenclature:

In this report, Etsy has transitioned our Impact reporting to the more commonly used environmental, social, and governance nomenclature. We believe this change has provided us with an opportunity to take a fresh look at our focus areas, will make it easier for our various stakeholders to track and interpret our progress, and better align our reporting with emerging global standards. Below on page 19, please see a chart outlining our new framework and objectives across each ESG pillar.

THE ETSY, INC. MISSION

Keep Commerce Human

We are committed to growing sustainably by aligning our mission and business strategy to help create economic impact through entrepreneurship.

ENVIRONMENTAL Building resilience for the long-term	SOCIAL Ensuring equitable access to opportunity	GOVERNANCE Fostering a culture of ethics and accountability
Net Zero Achieving Net Zero through near- and long-term Science-Based Targets while continuing to run a carbon neutral company.	Prioritizing People Enabling our team to thrive through thoughtful practices that optimally attract, promote, and retain our talent.	Responsible Marketplace Practices Engendering trust with responsible structures and safeguards that reflect how deeply we care about our communities and marketplaces.
Sustainable Operations Sourcing 100% renewable electricity, reducing the intensity of our energy use, and running “zero waste” operations.	Diversity, Equity & Inclusion Aiming for diverse representation, creating an inclusive culture and centering equity in our workplace, with our suppliers, and in our marketplaces.	Thoughtful Corporate Governance Crafting thoughtful corporate governance practices to guide our business.
Responsible Shopping Addressing the impacts of our marketplaces and establishing them as destinations for conscious consumers.	Social Innovation Providing pathways to economic freedom by using our platforms to support communities and invest in programs that promote beneficial economic and creative opportunities.	Integrated ESG Reporting Driving accountability through robust ESG reporting. Risk Oversight & Management Building for the future through robust risk assessment and oversight to unlock innovation and drive long-term value creation.

2021 Impact Highlights

Creating Economic Impact Through Entrepreneurship

We are committed to growing sustainably by aligning our mission and business strategy to help create economic impact through entrepreneurship and, therefore, create value for all our stakeholders. In 2021, Etsy sellers contributed \$14.3 billion to the U.S. economy, a 167% increase from our baseline of \$5.37 billion in 2018.* Furthermore, Etsy sellers created 3.8 million jobs in the independent worker economy, enough jobs to employ almost all of the city of Los Angeles, California (population 3.97 million), and generated \$3.8 billion in income. Etsy sellers produced over \$8 billion in additional economic value by harnessing their creativity and bringing unique products to market.

* To calculate these results, Etsy commissioned its third economic impact study with ECONorthwest, an independent economic consulting firm, to explore the ways Etsy sellers in the United States contribute to the national economic landscape.

ENVIRONMENTAL



We procured 100% renewable electricity for our operations.

We ran a carbon neutral business, by investing in over 549,250 verified emissions reductions that protect forests, sponsor wind and solar farms, and help develop greener methods for producing auto parts.

We have an ambitious Net Zero goal based on near- and long-term carbon reduction targets that are aligned with the science of climate change.

We helped our U.S. sellers access and buy packaging made from certified responsibly sourced and 100% recycled materials that buyers can immediately recycle at home.

SOCIAL



Etsy continued to attract and retain world-class talent in 2021, with a keen focus on diversity. In 2021, Etsy, including Reverb, grew our leadership level employee population who identify as a member of an underrepresented community (Black, Latinx, or Native American; collectively, "URC") by 41.7%, and from 8.6% to 9.4% of our overall leadership level employee population. Hires from URCs constituted 16.7% of U.S. Etsy.com hires in 2021. The percentage of U.S. Etsy.com employees who are from URCs has increased from 8.6% in 2018 to 12.9% in 2021.

Balancing this growth in the diversity of our workforce with a renewed focus on inclusion has helped our values-driven company culture continue to thrive. This year we continued to make investments in our employee resource group program and launched a company-wide inclusion training program. We also helped creative entrepreneurs from economically disenfranchised communities benefit from the growth of digital commerce.

GOVERNANCE



We believe that effective governance does not call for a one-size-fits all approach. We carefully consider our governance practices and tailor them to our business to promote the long-term interest of Etsy's stockholders.

In 2021, we expanded and refreshed our Board of Directors by appointing two new directors. We also updated certain Board of Directors' practices to enhance oversight of cyber related risks.

In addition, the trustworthiness of our marketplaces and the connections among our buyer and seller communities continue to be the cornerstones of Etsy's business.

How We Drive Impact

Underpinning our Impact strategy is a set of levers we employ to achieve our ambitions.

Business Integration

Responsibility and accountability for implementing our Impact strategy is integrated and owned across our company through many cross functional teams. Our Impact strategy is approved annually by our Executive Team, and each of our Impact goals has an Executive sponsor. Our Board of Directors also has oversight of these activities.

Marketplace Integration

We are working to integrate our impact ambitions into how our marketplace platforms are designed and operated, and how our sellers and buyers experience our marketplaces. By making it easier for sellers and buyers to understand their personal and collective impact, we aim to influence more sustainable practices on the seller side while helping buyers make more informed decisions. We are building product features to enhance inclusivity and accessibility, and we are conscious about using marketing data and marketing images in responsible and ethical ways.

Values-Aligned Resource Allocation

We're putting our resources behind positive change to enable the communities we are a part of to thrive. Here are some examples:

Philanthropy. In 2021, we invested over \$2.9 million in philanthropic donations, including for COVID-19 relief, to Asian Americans and Pacific Islanders ("AAPI") led organizations, and to organizations driving access to opportunity in STEM education and the technology industry.

Contributing to our Communities. Collectively, Etsy enabled employees to donate 2,490 hours of paid volunteer time off in their communities through Etsy's Impact Hours program.

Purchasing Power. We aim to drive positive impact in our supply chain by investing in strong relationships with our suppliers. We engage on priority impact areas, such as supplier diversity, greenhouse gas emissions, fair wages, and employee benefits programs, at crucial touch points throughout the supplier lifecycle. We conduct regular reviews, audits, and conversations to confirm suppliers are upholding agreed upon practices and to identify further areas where we can engage with suppliers. We have a Supplier Code of Conduct designed to ensure that our suppliers are committed to our standards.

Public Policy - Advocating for creative entrepreneurs and the planet

We aim to leverage our engagement with policymakers to advance our commitments to economic empowerment for creative entrepreneurs, equity, and ecological sustainability. A key aspect of this work is activating the power of our seller community. During 2021, over 35,000 Etsy sellers advocated on these issues in the United States, United Kingdom, and the European Union and generated over 50,000 messages to lawmakers on behalf of our community.

In 2021, we continued to advocate for public policies aligned with the needs of creative entrepreneurs including COVID-19 relief for the self-employed and sole proprietors; portable benefits, support for the U.S. Postal Service, sensible platform regulation and economic justice policies to support micro-businesses operated by women, indigenous community members, and people of color. We also took the following actions in support of policy solutions to help drive carbon reduction in the long term, including advocating for national and regional policies with the potential to accelerate the decarbonization of the transportation sector and drive significant market transformation, supporting national goal-setting efforts that stand to expand electrification infrastructure and increase environmental justice, and continuing to collaborate with peers, vendors, and non-government organizations on industry-wide efforts to drive efficiency and resilience in the shipping and logistics sector.

Environmental Building resilience for the long term

Net Zero

2021 Goals:

Achieve Net Zero by 2030 and run a carbon neutral business now.

- *50% absolute reduction in Scope 1+2 greenhouse gas emissions by 2030.*
- *13.5% absolute reduction in Scope 3 greenhouse gas emissions by 2030.*
- *Offset 100% of measured Scope 1, 2, and 3 emissions.*

2022 Goals:

Achieve Net Zero through targets aligned with the science of climate change while continuing to run a carbon neutral company.

- By year end 2030, we aim to achieve a 50% absolute reduction in Scope 1+2 greenhouse gas emissions and a 52% reduction in Scope 3 greenhouse gas emissions per dollar of gross profit from a 2020 base year.
- By year end 2040, we aim to achieve a 90% absolute reduction in Scope 1+2 greenhouse gas emissions and 97% reduction in Scope 3 greenhouse gas emissions per dollar of gross profit from a 2020 base year.
- Continue to offset 100% of measured Scope 1, 2, and 3 greenhouse gas emissions annually.

Progress on our Science-Based Targets

In 2021, we reduced our Scope 1 and 2 emissions by 66% while Scope 3 emissions increased by 252%, each from a 2019 baseline.¹ The most significant drivers of our Scope 3 emissions are largely outside of our control, such as the shipping our sellers do directly to our buyers. That’s why our reduction levers for this goal are long-term and systemic in nature. While we begin to activate these levers, in the near-term we still expect to see an increase in emissions as our business grows. In 2021, we took the following steps to drive progress on our Science-based Targets:

Planet-Friendly Packaging

As part of our efforts to meet our Net Zero goal, we are helping sellers reduce emissions from the packaging they use to ship orders. In 2021, we launched a new partnership with EcoEnclose, through which U.S. sellers can access and buy affordable, paper-based packaging made from certified responsibly sourced and 100% recycled materials that buyers can also recycle easily at home. In 2021 seller packaging made up 12% of our total footprint. We plan to continue working with sellers and partners to reduce our emissions from e-commerce packaging.

Supplier Engagement

Through our supplier vetting program, we collected impact data from 75.6% of Etsy’s suppliers, representing 83% of Etsy’s supplier spend in 2021. Of suppliers who have provided information, we found that 52.9% of Etsy’s spend went to companies that have set a greenhouse gas emissions reduction goal. In 2021, emissions from our corporate supply chain were 111,391 tCO₂e, or 20% of our total footprint. We plan to leverage our negotiating power in our supply chain to contribute to our efforts to meet our Net Zero goal.

Climate Advocacy

We support policy solutions intended to affect systemic change that will help to drive carbon reduction in the long term. Our climate advocacy actions are further described in Public Policy, above.

Carbon Neutral Business

We have run a carbon neutral business since we launched carbon-offset shipping in 2019. For 2021, we invested in 549,250 verified emissions reductions (“VERs”), protecting forests, sponsoring wind and solar farms, and developing greener methods for producing auto parts. Being carbon neutral allows us to take immediate action to balance our footprint while we work toward long-term reductions in our value chain as a part of our efforts to meet our new Net Zero goal.

Greenhouse Gas (“GHG”) Accountability

Each year we evaluate our corporate greenhouse gas boundary to ensure that we are taking responsibility for the climate change impacts of our business. Our approach has been to expand our scope over time towards being as comprehensive as reasonably possible. That’s why we have expanded our inventory in 2021 to account for the greenhouse gas impacts from our fuel and energy related emissions from activities not included in Scope 1 and Scope 2. We also updated our methodology for Purchased Goods and Services by adding in Cloud Computing activities and incorporating more supplier data into our calculations which is why in part our supply chain emissions increased and why percentage of supplier spend with a GHG target also changed. More details on the evolution of our GHG accountability can be found at the bottom of the GHG Summary table on page 32.

¹Scope 1 emissions include direct emissions such as natural gas and refrigerants used at our facilities. Scope 2 emissions include indirect emissions from the generation of electricity, steam, heating, and cooling that we may purchase for our facilities. Scope 3 emissions include all other indirect emissions that occur in our value chain such as business travel, employee commuting, and the goods and services we purchase.

Sustainable Operations

2021 Goals:

Achieve best-in-class sustainable operations by sourcing 100% renewable electricity, reducing the intensity of our energy use, and running "Zero Waste" operations.

- Continue sourcing 100% of electricity from renewable sources.
- Achieve a 25% reduction in the intensity of our energy use by year end 2025.
- Maintain "Zero Waste" across global operations for Etsy.com. Run "Zero Waste" operations at Reverb by year end 2025.

2022 Goals:

Maintain best-in-class sustainable operations:

- Source 100% of electricity from renewable sources for all Etsy Inc. brands.
- Achieve a 25% reduction in the intensity of our energy use in offices (kWh/sq ft) and for computing (kWh/visit) for Etsy.com by year end 2025.
- Maintain "Zero Waste" across global operations for Etsy.com. Run "Zero Waste" operations at Reverb and Depop by year end 2025.

Renewable Electricity

We sourced 100% of our electricity for 2021 from renewable energy, after meeting this goal for the first time for 2020. This includes electricity used to power Etsy and Reverb's global offices, remote electricity used by employees working from home (in the United States, Belgium, Canada, France, Germany, India, Ireland, the United Kingdom, and Netherlands), and Etsy.com's computing load in collocated data centers and Google Cloud.

Energy Use

In 2021, our total operational energy footprint was 15,512 MWh, of which 52% was from electricity. Because our offices were closed for much of the year due to the COVID-19 pandemic, we included estimations of remote energy use for employees working from home totaling 7,047 MWh. Our collocated data centers accounted for 302 MWh, and we estimate our energy consumption from Google Cloud in 2021 to be 5,060 MWh. In total, our 2021 energy use for computing was 35% of our total energy use in 2021.

Energy Efficiency

Our 2021 office energy footprint was 3,103 MWh. In offices where Etsy.com maintains operational control, we achieved a 45% reduction in energy intensity (kWh per square foot) across our global operations based on a 2016 baseline. While our efficiency work has driven significant progress since 2016, the magnitude of this reduction was in large part due to COVID-19 office closures. For Etsy.com computing energy use, we achieved a 27% reduction in total energy use between 2018 and 2021, despite substantial growth in our business over the same time period.

"Zero Waste"

In 2021, Etsy.com achieved "Zero Waste" operations through the Total Resource Use and Efficiency ("TRUE") certification program by Green Business Certification Inc. ("GBCI") for the fourth year in a row by diverting over 90% of waste from landfill at four office locations. In 2021, we diverted 93% of waste generated from office and data center operations from landfill.

Responsible Shopping

2021 Goal:

Establish our marketplaces as destinations for sustainably-minded shoppers and conscious living. In 2021, define a key performance indicator and establish a baseline for marketplace impact.

2022 Goals:

Establish our marketplaces as destinations for sustainably-minded shoppers and conscious living. Define a key performance indicator and establish a baseline on circularity.

In 2021, we tested and built a number of product features that can serve as a foundation for work on Responsible Shopping. We had planned to define a key performance indicator and establish a baseline for our responsible shopping goal; however, we have not yet determined the best metric to use. We will continue working to define this baseline in 2022.

Shop Local

We introduced an updated "Shop Local" signal which indicates when the buyer is in the same ship-from region as the item. Local purchases can play a significant role in reducing our carbon footprint from shipping. Buyers appreciated being able to shop locally too, as we saw a conversion rate increase upon adding the local signal.

Buyer Engagement and Education

To engage buyers in the positive impact they create when they shop on Etsy.com, in the fourth quarter of 2021 we launched an Impact Tracker that creates a personalized digest of the positive outcomes from a buyer's lifetime activities. The Impact Tracker summarizes how many small businesses a buyer has supported, how much emissions were offset from shipping and packaging for their purchases, and how much the buyer has contributed to Etsy's Uplift Fund.

Social Ensuring equitable access to opportunity

Prioritizing People

As of December 31, 2021, we had 2,402 employees worldwide, inclusive of Reverb, which had 245 employees, Depop, which had 390 employees, and Elo7 which had 184 employees. We look forward to including diversity, equity, and inclusion (“DEI”) data information about newly acquired brands Depop and Elo7 in next year’s Annual Report when integration is complete.

As Etsy’s overall business grew, the stresses of a global pandemic continued, and we leaned on our value of “embracing differences.” For many of us with caregiving responsibilities, that meant the ability to create a flexible work schedule or to take paid family leave without judgement or stigma. For those of us seeking community it meant finding connection as part of our Employee Resource Groups. And for those ready for the next growth opportunity it meant leveraging our competency matrices and our performance enablement program to pursue those professional aspirations with support from their manager.

Diversity, equity, and inclusion are core to Etsy’s culture. We’re committed to building a workplace where people of all backgrounds and walks of life can thrive. We know that diverse and inclusive teams build more creative and innovative solutions that strengthen our business and reinforce our values.

Safety will always be the top priority and in 2021 visiting an Etsy office remained completely optional. While in a fully remote status, we’ve grown and evolved our thinking around How and Where We Work. 2021 has strengthened our conviction that our employees can excel wherever they choose to work. Grounded in inclusive practices and norms, we believe a hybrid approach to work is the best fit for our business, culture, and team. Our hybrid work policy allows employees to select the work mode that best fits their personal needs– Remote (fully working from home), Flex (select days in office and at home), or In Office (predominantly working in our offices). Etsy offices are beloved gathering spaces for our teams to have human connection in person and we look forward to exploring new norms and technology that embrace this new hybrid way of working.

The sustainability of our working environment and employee well-being also remained a key priority. We retained our expanded paid family leave policies that were established in 2020, as well as periodic company-wide “rest and recharge” days to supplement Etsy’s generous paid time off policies. Etsy employees also took advantage of regular Focus Days, full days where non-critical meetings are cancelled and we focus on digging in deep on individual work.

Furthermore, we are focused on employee engagement, which is linked with high performance, retention, innovation, and growth. Our employees have chosen to work at Etsy because they believe in our action-oriented, values-based, and purpose-driven work culture. In May 2021, Etsy conducted an engagement survey of all global employees. Of all employees surveyed across Etsy and Reverb, 90% submitted a response. 75% of Etsy respondents and 75% of Reverb respondents reported favorable employee engagement, ahead of industry peers in the New Tech category according to research done by Culture Amp.

Diversity, Equity, and Inclusion

2021 Employee DEI Goals:

Build diverse and inclusive workforces that are broadly representative of their communities.

- *Approximately double the percentage of U.S. employees at Etsy.com who identify as Black, Latinx, or Native American by year end 2023.*
- *Approximately double the percentage of U.S. employees at Reverb who identify as BIPOC by year end 2026 (to at least 33% by year end 2026).*
- *Reach gender parity at Reverb by year end 2026 (increasing women and marginalized genders to at least 50% by year end 2026).*

Employee DEI

We made progress on the goal we set in 2018 to double the percentage of employees that identify as members of an URC at Etsy.com by 2023. In 2021, people from URCs constituted 16.7% of Etsy.com’s U.S. hires. As a result, at December 31, 2021, people from URCs made up 12.9% of Etsy’s (excluding subsidiary brands) U.S. workforce, up from 8.6% in 2018, 11% in 2019, and 12.5% in 2020. In 2021, Black, Indigenous, and People of Color (“BIPOC”) constituted 21.9% of Reverb’s U.S. hires. At December 31, 2021, Reverb’s U.S. workforce included 18.9% BIPOC representation. Reverb’s definition of BIPOC includes, Black, Latinx, Native American, Asian and two or more races.

At Reverb, the representation of women and marginalized gender employees grew from 27.3% in 2020 to 33.9% in 2021.

Attracting and Retaining Diverse Talent at the Leadership Level

Etsy continued to attract and retain world-class talent in 2021, with a keen focus on diversity. In 2021, Etsy and Reverb collectively grew our leadership level employee population who identify as an URC by 41.7%, and from 8.6% to 9.4% of our overall leadership level employee population.

Our recruiting efforts include auditing each job description for inclusive language, sourcing from wide talent pools, strict adherence to a structured interview process, diversity training for all interviewers, and applying the Mansfield rule for all job openings to ensure candidates from underrepresented communities are included at the hiring manager screening or “onsite” stage (requirement varies by department). To retain our employees, we’re investing in refreshed management training through Etsy’s “Managing in the Moment” program, inclusion training for all employees, creating multiple avenues for connection and feedback between our Employee Resource Groups and our executive leaders; and critically, we are seriously committed to building trust and transparency with employees. For example, career development conversations take place quarterly at Etsy, and managers receive special training to facilitate annual review conversations and to mitigate potential biases in the process.

Accelerating and Enhancing Our Employee DEI Efforts

In 2021, we grew the number of staff members dedicated to DEI and added roles in areas that collaborate closely with the DEI team to bolster equity and inclusion across Etsy. While we consider caring for our culture to be “everyone’s job,” we have found success by more robustly resourcing our DEI teams.

2022 Employee DEI Goals:

Build diverse and inclusive workforces that are broadly representative of their communities.

- *Approximately double the percentage of U.S. employees at Etsy.com who identify as Black, Latinx, or Native American by year end 2023.*
- *For Mexico and Ireland-based Engineering teams, achieve approximately two times country-level gender representation benchmark for women and marginalized genders by year end 2027.*
 - *Mexico target: 13%*
 - *Ireland target: 16%*
- *Reach gender parity at Reverb by year end 2026 (increasing women and marginalized genders to at least 50% by year end 2026).*
- *Approximately double the percentage of U.S employees at Reverb who identify as BIPOC by year end 2026.*
- *Enhance and expand accessibility efforts by defining a KPI and establishing a baseline for accessibility in the employee experience at Etsy.com, Reverb, and Depop.*

2021 Supplier DEI Goal:

Build a diverse, equitable, and sustainable supply chain to support our operations and bring value to our company and our vendors.

- *Ensure at least 50%* of Etsy’s small- and medium-sized enterprise suppliers are owned by women, minorities, or veterans by year end 2022.*

**Based on suppliers providing impact data through our supplier vetting program.*

Focus on Inclusion

Building on Etsy’s progress towards achieving our diversity workforce goals and longstanding commitment to equitable policies, in 2021 we focused on building a more inclusive working environment. Listening to employees, we made several shifts in our shared diversity language. We are now referring to underrepresented racial groups as “communities” rather than “minorities,” and being more mindful in our descriptions of gender categories by using the term “marginalized genders” rather than “other.” Language will always be evolving and our aim is to refer to groups using the language recommended by those groups.

We’ve continued with our mentorship programs and our employee resource group (“ERG”) program in 2021. Our goal is to create a positive and inclusive workplace culture where employees from all backgrounds, ages, and abilities have access to programs that foster a sense of community, contribute to professional development, and amplify diverse voices within the organization. In 2021, Etsy grew our ERG program to nine communities and added a full time Senior Manager to support the program, created a series of roundtables where ERGs held dialogs with executive leaders, hosted a robust program of ERG-produced events such as Active Bystander Training and a Juneteenth guest lecture, and ensured our ERGs have a voice in Etsy’s benefits offerings. For instance, this year the Mental Health ERG, Queer@Etsy, and Parents ERG were all instrumental in providing feedback to bolster benefits offerings that bring real value to their respective communities.

An Innovative Approach to DEI Training

In addition to our annual anti-discrimination and anti-harassment trainings, Etsy partnered with Praxis Labs to roll out virtual reality based DEI training for all employees. This seven month long, self-paced learning journey is supported by monthly discussion sessions facilitated by the DEI team with insights and reporting generated by Praxis Labs’ platform.

Special DEI skill-building workshops were developed in partnership with third party consultants and completed by Etsy’s executive team and our Human Resources Business Partner team in 2021. We understand that the responsibility on our leadership and People team to ensure we “walk the talk” of our DEI commitment requires that we go beyond the standard unconscious bias training. Our DEI development goals include advancing individuals’ and our collective ability to build empathy, identify inequity, and most importantly, take action.

Pay Equity

We continued to invest in fair pay practices, and saw positive results in our 2020 Pay Equity analysis, which was conducted by a third-party consulting firm. The analysis found no unexplained pay gaps adverse to women or employees from other marginalized genders, or non-white employees. This was consistent with the findings of our 2018 analysis. We plan to continue to comprehensively audit pay equity bi-annually with an external consultant, and conduct internal reviews several times a year in conjunction with events such as merit pay decisions and market adjustments.

Gender Diversity

Etsy proudly maintains approximate gender parity in the overall employee population, among Leadership and at the Board of Directors level. Globally, the percentage of women and marginalized gender employees in Engineering at Etsy and Reverb stands at 33.1%. We’ve identified Etsy Engineering sites in Ireland and Mexico as key areas of focus for improving gender diversity. In Ireland and Mexico, where software engineering teams are growing the fastest, our goal is for Etsy’s engineering teams to include women and marginalized genders at approximately two times the national representation benchmark.

Accessibility

Ensuring our employees are supported by policies, tools, and benefits that fit their needs remains a top priority. We take a generous approach to providing employees with accommodations, leaves of absence when needed, and we work hard to reduce stigma related to discussing matters of disability and mental health. Additionally, this year we’ve ensured closed captioning is available for all virtual meetings and in all new hire orientation videos. In 2022, we seek to enhance and expand those efforts by defining a KPI and establishing a baseline for accessibility in the employee experience.

DEI in our Corporate Supply Chain

In line with Etsy’s commitment to enable equitable access to economic opportunities, we are taking meaningful steps to ensure we have diverse representation across our supply chain. Through our supplier vetting program, we collected impact data from 75.6% of Etsy’s suppliers, representing 83% of Etsy’s supplier spend in 2021, and we continued to track our supply chain impact across key indicators. Of suppliers who have provided information through our impact survey, we found that 50.1% of Etsy’s small and medium-sized suppliers (sole proprietors up to 250 employees) are owned by women, minorities, or veterans. We will continue to enhance data collection protocols to increase coverage across more of our full supply chain.

COVID 19 Commitments: Since the beginning of our office shutdown in 2020, we have worked with our suppliers to provide pay continuity, hazard pay, and health insurance for essential and in-person office building contractors.

2022 Supplier DEI Goal:

Create an equitable and sustainable supply chain that supports our “House of Brands” while reducing our carbon footprint, supporting diverse businesses and bringing new economic opportunities to our suppliers and their employees.

- *Ensure at least 50% of Etsy’s small and medium-sized enterprise suppliers* are owned by women, underrepresented racial communities, or veterans by year end 2022.*

**Based on suppliers providing impact data through our supplier vetting program.*

2021 Marketplace DEI Goal:

Ensure our marketplaces are diverse, welcoming, and inclusive places to sell and shop. By 2021, define a key performance indicator and establish a baseline for marketplace diversity and inclusivity.

2022 Marketplace DEI Goals:

Build a welcoming marketplace that is diverse, inclusive, and broadly representative of the communities it serves.

- *At Etsy.com, include at least 45% Black and Brown skin tones in marketing assets in the United States and highlight historically marginalized groups.*

Employment Practice Priorities

In 2021, we outlined a set of expectations around employment practices for suppliers who provide Etsy with full time contract workers. We began this work in 2020 by conducting a thorough analysis of our suppliers’ current employment practices and identified industry-appropriate benchmarks.

Etsy utilizes a number of vendors, contractors, and consultants, collectively our vendor partners, in the ordinary course of its business. These vendor partners are typically engaged to (a) enable Etsy to access otherwise unavailable expertise; (b) to fill short term staffing requirements (for example, temporary leave replacements); or (c) support our operations, including to deliver 24-hour multilingual customer support and trust and safety support coverage.

In 2021 Etsy established a set of aspirational guidelines that we strive to make progress towards when engaging vendor partners to support our operations. We intend to use these guidelines as a north star as we work to integrate our subsidiaries in the year ahead. The guidelines include:

- Ensuring our contractors receive a progressive living wage, adjusted for market conditions, based on location.
- Using our leverage with vendor partners to achieve a progressive and flexible paid leave policy for all full-time contractors, including vacation time, sick time, and gender-neutral parental leave.
- Ensuring all full-time contractors have access to quality medical care for themselves and their dependents.

Marketplace DEI

In 2021, we worked to ensure that the images we proactively created and shared in our Etsy.com marketplace were representative of the communities in which we live by committing to a policy to include at least 30% representation of black or brown skin tones in marketing assets. In 2021, 43% of the images with a human element developed by our Etsy marketplace creative team had black or brown skin tone representation. Our Etsy marketplace Give More Than a Gift ad campaign, which aired across the United States during the holiday season, showcased our commitment to diversity and inclusion by featuring Black, Latinx, and LGBTQ community members and storylines.

Highlighting Diversity as a Core Component of our Brand

We embedded diversity into our everyday work to highlight that it is a core component of who Etsy is as a brand and company. We featured and celebrated Black, Latinx, and AAPI owned shops during a time when supporting small businesses was more important than ever before, and we created a Black-owned Business Etsy Community where sellers can opt-in, build community, and support one another.

Social Innovation

2021 Goal:

Foster economic and personal empowerment among our stakeholders.

Invest in social programs that promote economic opportunities for creative entrepreneurs and, for Reverb, provide musical education to people in need.

2022 Goals:

Leverage our marketplaces’ platforms to drive equitable access to creative pursuits and economic opportunity.

- *Etsy.com: Expand pathways to creative entrepreneurship for economically disenfranchised communities by increasing access to digital business resources, capital, and customers.*
- *Reverb: Create a more inclusive music industry by expanding access to musical instruments and music education.*
- *Depop: Provide educational resources and mentorship opportunities to help entrepreneurs, creatives, or small businesses from underrepresented groups grow their businesses sustainably.*

This year represented a major expansion of Etsy’s investments to increase pathways to creative entrepreneurship, especially for those from economically disenfranchised communities. Etsy understands the critical role creative entrepreneurship can play in building economic independence and freedom for communities and has long been committed to utilizing our marketplace to help anyone with a creative idea build a business online.

This commitment was further solidified through the launch of the Uplift Initiative, a diverse set of programs focused on supporting creative entrepreneurs facing challenges such as lack of access to an internet connection or limited digital skills and capital to grow their businesses. The multifaceted initiative includes efforts to fund organizations supporting makers with critical programs and resources to grow their businesses online, expand our direct efforts to harness the power of our marketplace to enhance the visibility of and drive sales for historic artisan communities, and enable our customers to increase their support of small businesses through rounding up their purchases to give back. Through the Uplift Initiative, we:

- Established the Uplift Fund to support creative entrepreneurs, which has since received over 6.8 million contributions from U.S. buyers on the Etsy marketplace who have elected to round-up their order price and donate their change.
- Launched the Uplift Makers program to help create opportunities for economic independence for heritage artisans by bringing their products online. Over \$550,000 in sales has been generated by the 35 participating shops.

Reverb also continues to drive resources to under-resourced communities globally through Reverb Gives.

- Provided access to musical equipment through almost \$200,000 in credits.

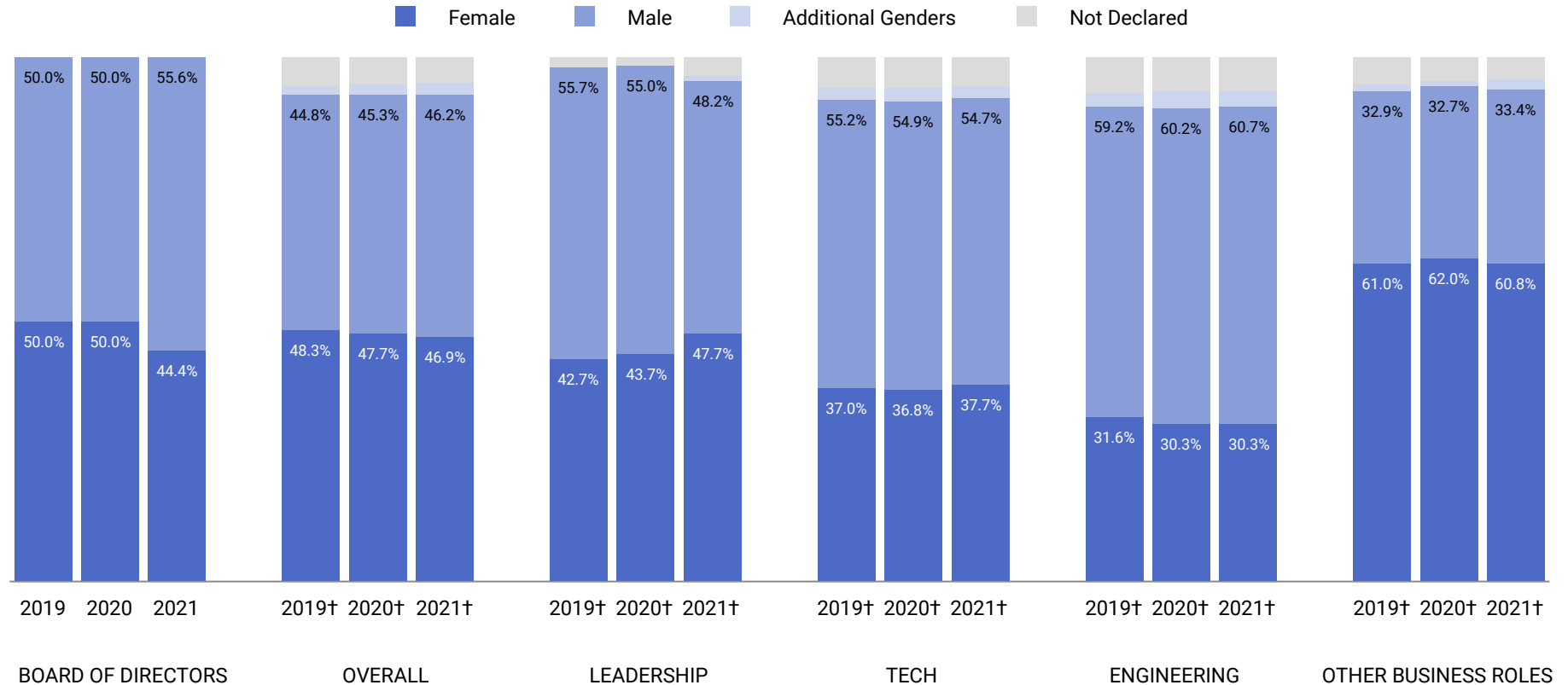
Workforce Metrics

Our mission is to “Keep Commerce Human.” Our DEI goals are integral to who we are as a company: namely, marketplaces and workplaces that are made stronger by the unique and special qualities of our communities.

We are committed to transparent reporting on workforce diversity. All metrics below are as of December 31 of the stated year. Overall metrics include all employees globally. Leadership is defined as Director level and above. Engineering employees are defined as those employees who work within the Engineering Job Family Group. Tech employees are defined as those employees who work on Product, Engineering, Analytics, and HR Information and Financial Systems Administration teams. Other Business Roles are defined as those employees who work in roles outside of the Tech definition, inclusive of non-tech Leadership positions. Gender and age metrics represent our global employee base, while race and ethnicity metrics represent U.S. employees only. 2019, 2020, and 2021 metrics include both Etsy and Reverb employees and exclude Elo7 and Depop employees.

Our Board of Directors also affirmed its dedication to diversity in 2020, committing to actively seek out diverse director candidates to include in the pool from which nominees are chosen. Etsy expects to provide additional disclosures on Board of Directors diversity in our Proxy Statement for our 2022 Annual Meeting of Stockholders. Etsy has also provided our 2020 consolidated equal employment opportunity (EEO-1) report on our Investor Relations website.

GENDER METRICS - GLOBAL



† Etsy commissioned an external third party to perform attest procedures with respect to our diversity metrics for the reporting period. Full details and data methodology are available at investors.etsy.com.

RACE & ETHNICITY METRICS - U.S. ONLY

	Board		Overall			Leadership			Tech			Engineering			Other Business Roles		
	2020	2021	2019†	2020†	2021†	2019†	2020†	2021†	2019†	2020†	2021†	2019†	2020†	2021†	2019†	2020†	2021†
American Indian or Alaska Native	—%	—%	0.1%	0.2%	0.1%	—%	0.7%	—%	—%	0.1%	0.2%	—%	—%	0.3%	0.2%	0.2%	—%
Asian	—%	—%	15.3%	17.5%	18.9%	15.5%	14.4%	15.6%	21.1%	25.6%	24.7%	20%	22.6%	24.2%	7.7%	8.0%	9.8%
Black/African American	12.5%	22.2%	5.2%	5.9%	6.1%	2.7%	5.8%	6.1%	4.6%	5%	5.4%	5.1%	5.5%	5.6%	5.9%	7.2%	7.2%
Hispanic	—%	—%	5.2%	6.1%	6.3%	1.8%	2.2%	3.3%	4.7%	4.6%	5%	5.5%	5.5%	5.6%	5.7%	8%	8.5%
Two or More Races	—%	—%	3.1%	3.4%	3.7%	2.7%	3.6%	2.2%	3.6%	4.2%	3.9%	4.1%	4.4%	4.4%	2.4%	2.5%	3.1%
White	87.5%	77.8%	64.6%	63.0%	61.2%	72.7%	71.9%	70.0%	58.8%	56.4%	57%	58.4%	57.5%	55.6%	72.1%	70.6%	67.8%
Not Declared	—%	—%	6.5%	3.8%	3.7%	4.6%	1.4%	2.8%	7.2%	4%	3.8%	6.9%	4.6%	4.4%	6%	3.3%	3.6%

AGE METRICS - GLOBAL

	2019†	2020†	2021†
24 years and younger	4.3%	3.3%	3.0%
25-29 years	27.6%	25.3%	23.5%
30-34 years	34.9%	33.6%	33.5%
35-39 years	19.5%	21.4%	22.3%
40-49 years	11.0%	12.9%	14.4%
50+ years	2.7%	3.3%	3.1%
Not Declared	—%	0.2%	0.2%

† Etsy commissioned an external third party to perform attest procedures with respect to our diversity metrics for the reporting period. Full details and data methodology are available at investors.etsy.com.

Governance

Fostering a culture of ethics and accountability

Responsible Marketplace Practices	<p>The trustworthiness of our marketplaces and the connections among our buyer and seller communities are the cornerstones of Etsy’s business. For more information, please see Part 1, Item 1, “Business—Primary Business Drivers—Trust & Safety” of this Annual Report.</p>
Thoughtful Corporate Governance	<p>Our corporate governance practices include an independent Board Chair, a fully independent Board of Directors (except for our CEO), independent Committee members, sophisticated and fully engaged directors with different areas of relative expertise and additional dimensions of diversity, and a balanced distribution of director tenure, including two new directors appointed in 2021. For a more complete description of our corporate governance practices, please refer to our Proxy Statement for the 2022 Annual Meeting of Stockholders (“Proxy Statement”) to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.</p> <p>More information on our governance policies and guidelines is available at the Investor Relations section of our website.</p>
Integrated ESG Reporting	<p>We strive to continue to innovate and evolve our ESG disclosures to hold ourselves accountable and transparently engage with all of our stakeholders. Since 2018, we’ve shared our ESG metrics alongside our financial results in our Integrated Annual Report. This practice is intended to ensure that we’re transparent about and accountable for progress against our environmental and social goals.</p>
Risk Oversight & Management	<p>One of the key functions of our Board of Directors is to provide informed oversight of our risk management processes. While management is responsible for day-to-day management of material risks we face, our Board of Directors maintains ultimate responsibility for risk oversight.</p> <p>Since 2019, Etsy has had a Risk Steering Committee, which consists of a cross-functional management team that meets regularly to review and discuss the significant risks facing Etsy. Periodic reports on material risk are provided to the full Board of Directors. The Risk Steering Committee also periodically considers areas of new or evolving risks and works to understand risk analyses and establish appropriate mitigation plans.</p> <p>For more information on risk oversight generally, please see “Board Oversight of Risk” in Etsy’s Proxy Statement. For information on how we manage our climate related risks, please refer to our complete TCFD response beginning on page 33 of this Annual Report.</p>

SASB Disclosure

The Sustainability Accounting Standards Board’s (“SASB”) mission is to develop sustainability metrics for public corporations to disclose material, decision-useful information to investors. Etsy’s disclosures are designed to provide comparable and consistent data. We have included below the metrics from SASB’s Consumer Goods Sector – E-Commerce industry standard that are relevant to our business.

SASB Metrics					
SASB Code	Metric		2019	2020	2021
CG-EC-000.A	Entity-defined measure of user activity	Active buyers (thousands)	46,351	81,898	96,336
		Active sellers (thousands)	2,699	4,365	7,522
CG-EC-000.B	Data processing capacity	<ul style="list-style-type: none"> In December 2017, Etsy announced our Google Cloud Partnership, an initiative to transition Etsy.com infrastructure to Google Cloud Platform (“GCP”). In February 2020, we completed our full migration to GCP for Etsy.com. We believe this transition and our continued investments to better leverage GCP will continue to result in increased engineering efficiency, and enhance our overall infrastructure by providing faster processing speed, improved page load time, and more nimble fulfillment to capacity on an as needed basis. 			
	Percentage outsourced		100%	100%	100%

Hardware Infrastructure Energy & Water Management					
CG-EC-130a.1	Total energy consumed, MWh		6,376	5,675	5,362
	Percentage renewable energy		89%	100%	100%
	Percentage grid electricity		100%	100%	100%

CG-EC-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs.	<ul style="list-style-type: none"> For 2021 we continued to meet our goal to source 100% renewable electricity for our operations, and we have a 2025 goal to reduce the intensity of our energy use by 25%. These goals are included as key considerations as we plan for our computing needs, and have been a focus of our sustainability efforts. When transitioning to a cloud computing infrastructure, we selected Google Cloud, a partner that shares our commitment to 100% renewable electricity. Their highly efficient data centers have helped us save significant overhead energy. We achieved a 27% reduction in total energy use from computing between 2018 and 2021, despite substantial growth in our business over the same time period. We actively monitor and manage energy consumption from our computing infrastructure. In 2021, our collocated data center, which closed in mid-2021, consumed 302 MWh and we estimate that our energy consumption in Google Cloud was 5,060 MWh, based on a methodology developed by Etsy and reviewed by industry experts. Quantification of our cloud energy consumption is allowing us to meaningfully explore and activate levers of change to drive further cost and energy efficiencies in our computing footprint. Our 2021 hardware infrastructure footprint does not include Reverb, Depop, or Elo7, but we do include the emissions from Reverb’s hardware infrastructure in our Scope 3 Purchased Goods and Services calculations. In 2018, Etsy entered into a virtual power purchase agreement for solar energy in Virginia. This project is providing us with renewable attributes to apply to our operations and computing infrastructure, furthering our goals of creating a cleaner internet and reducing our impact on the planet. 			
--------------	---	--	--	--	--

Data Privacy and Advertising Standards

CG-EC-220a.2	Description of the policies and practices relating to behavioral advertising and user privacy.	<ul style="list-style-type: none"> We care deeply about privacy and we’re committed to being upfront about our privacy practices, including how we treat personal information. Etsy’s Privacy Policy provides a detailed explanation of our privacy practices. Etsy’s Transparency Report also includes details of our Privacy Principles. Among other things, our Privacy Policy covers the user information that Etsy collects or receives, the choices and control that a user has in relation to this data including based on type and sensitivity by region and worldwide, the purpose for which Etsy uses such information (including first and third party advertising purposes), our policies relating to our usage and sharing within Etsy, its affiliates and third party partners, disclosures about third party partner privacy policy and options, and user controls for sharing and controlling such information with third parties. 			
--------------	---	--	--	--	--

SASB Metrics				
SASB Code	Metric	2019	2020	2021
Data Security				

CG-EC-230a.1 **Description of approach to identifying and addressing data security risks.**

- Data security is overseen by our Chief Information Security Officer (“CISO”) who reports to our Chief Technology Officer (“CTO”).
- We strive to protect sensitive information through various means, such as technical safeguards, procedural requirements and policies, an intensive program of monitoring on both our web platform and within our corporate network, continuous testing of aspects of our security posture internally and with outside vendors, a robust incident response program, and regular training for employees.

Employee Recruitment, Inclusion and Performance				
CG-EC-330a.1	Employee engagement as a percentage (Etsy)	76%	81%	75%
	Employee engagement as a percentage (Reverb)		75%	75%

Employee engagement as a percentage and discussion of methodology.

- In May 2021, Etsy conducted an engagement survey of all global employees. Of all employees surveyed across Etsy and Reverb, 90% submitted a response, and 75% of Etsy respondents and 75% of Reverb respondents reported favorable employee engagement. The survey was conducted through the Culture Amp platform and consisted of 61 questions - 56 rating questions on which employees were asked to indicate their level of agreement with a statement based on a five-point scale from Strongly Agree to Strongly Disagree, two free-text questions to which employees were asked to write out a response, and three multiple choice questions.
- The responses were analyzed against the results from a similar survey conducted in 2020, as well as Culture Amp’s New Tech 2021, which consists of survey results from approximately 900 companies that are primarily internet-based or focused on creating new technologies, and that have between 20 and 20,000 employees.

CG-EC-330a.3	Gender and racial/ethnic group representation for leadership, technical staff and other business functions	<i>See Impact Strategy section for detailed metrics.</i>		
	Discussion of diversity and inclusion strategy and performance	<i>See Impact Strategy - Social Impact for details.</i>		

CG-EC-330a.4	Percentage of technical employees who are H-1B visa holders	3.5%	5.1%	5.6%
--------------	---	------	------	------

Product Packaging and Distribution				
CG-EC-410a.1	Total greenhouse gas (“GHG”) footprint of product shipments in metric tons CO ₂ e	154,078†	303,218†	363,361†
	Total greenhouse gas (GHG) footprint of packaging in metric tons CO ₂ e		53,489†	63,645†

CG-EC-410a.2 **Discussion of strategies to reduce the environmental impact of product delivery.**

- The delivery of products sold on our marketplace represents the majority of Etsy’s carbon footprint. As a peer-to-peer marketplace, Etsy does not directly control seller shipping or the associated logistics networks; however, we are committed to addressing carbon emissions from shipping and packaging.
- Since 2019, we have offset 100% of emissions generated from shipping through investments in verified emissions reductions. This allows us to take immediate action while we work toward our Net Zero goal.
- In 2021, we enhanced our “Shop Local” signal on listing pages when a buyer is in the same ship-from region as an item. Local purchases can play a significant role in reducing carbon emissions from shipping.
- In addition, we take action in support of policy solutions that will help to drive carbon reduction from product delivery in the long term. In 2021, we prioritized advocating for ambitious regional policies that have the potential to accelerate the decarbonization of the transportation sector and drive significant market transformation. We are especially focused on electrification infrastructure and heavy- and medium-duty vehicles that play an important role in e-commerce logistics.
- In 2021, we launched a new partnership with EcoEnclose, through which U.S. sellers can access and buy affordable, paper-based packaging made from certified responsibly sourced and 100% recycled materials that buyers can also recycle easily at home.
- We continue to collaborate with peers, vendors, and NGOs on industry-wide efforts to drive efficiency and resilience in the shipping and logistics sector.

Table of Contents

Greenhouse Gas (“GHG”) Emissions Summary (tCO₂e)

GHG Emissions by Scope	2019	2020	2021
Scope 1	371†	294†	350†
Scope 2 - Market	652†	4†	0†
Scope 2 - Location	1,859†	914†	420†
Scope 3	155,967	438,731	548,900
Scope 3 GHG Emissions by Activity Source			
Category 1: Purchased Goods & Services			
Purchased Goods & Services (excluding Computing)		76,451†	97,302†
Cloud Computing - GCP (Etsy Only)			13,623†
Other Computing		488†	466†
Category 3: Fuel & Energy Related Activities			
Fuel & Energy Related Activities Not Included in Scope 1 or Scope 2			2,711
Category 5: Waste Generated in Operations			
Waste	13	3	3
Water	6	9	4
Category 6: Business Travel			
Air Travel	1,217†	153†	67†
Other Business Travel		10	9
Category 7: Employee Commuting			
Commuting	510	111	83
Remote Workers		672	1,066
Category 8: Upstream Leased Assets			
Cloud Computing - GCP (Etsy Only)	29†	0†	
Category 9: Downstream Transportation & Distribution			
Shipping	154,078†	303,218†	363,361†
Packaging		53,489†	63,645†
Category 11: Use of Sold Products			
End User Energy Use		4,127†	6,560†

Reverb’s footprint has been accounted for from the date of acquisition in 2019 forward and, unless otherwise stated, greenhouse gas (GHG) emissions for all periods shown include both Etsy and Reverb. Our 2019 GHG emissions for Shipping and Cloud Computing include only Etsy. For all periods presented, emissions generated from our co-located data centers are included in Scope 2 emissions. In 2020, we expanded our inventory to account for the Scope 3 GHG emissions from: (1) the packaging our sellers use to ship products to buyers, (2) the use of our platforms on consumers’ personal devices, and (3) our corporate supply chain.

As part of our continued commitment to maintain accountability for our GHG emissions, in 2021, we further expanded the scope of our measured and reported GHG emissions inventory and refined the methodologies used to calculate our Scope 3 GHG emissions: (1) in Scope 3 - Category 3, we captured GHG emissions from fuel and energy related activities not already included in Scope 1 and 2, (2) we updated the supplier spend data, emission factors, and categorizations included in our Scope 3 - Category 1 emissions calculations, resulting in higher emissions year-over-year. (3) we reclassified emissions generated from GCP cloud computing from Scope 3 - Category 8 to Scope 3 - Category 1. As part of the recategorization of cloud computing, we now include an estimate of our supplier’s Scope 3 emissions, resulting in higher emissions. Furthermore, we break out emissions from other computing for further transparency about our usage, (4) we no longer differentiate between Scope 3 - Market and Scope 3 - Location-based emissions and instead provide current and historical data for what we had formerly considered Scope 3 - Market-based emissions, and (5) we apply renewable energy certificates to our employees’ working from home electricity usage in Category 7. We have revised our 2020 Purchased Goods and Services calculations from 42,646 tCO₂e to 76,939 tCO₂e (488 tCO₂e in Other Computing and 76,451 tCO₂e in all other Purchased Goods and Services). This revised calculation corrects for the inclusion of additional Scope 3 emission factors for certain suppliers and updated supplier spend data. We invested in 34,293 additional VERs to offset the additional measured GHG emissions.

As a result of the above changes in scope, methodology, and our continued efforts at further accountability, some categories of emissions data are not comparable from year to year.

† Etsy commissioned an external third party to perform attest procedures with respect to our carbon and energy metrics for the reporting period. Full details and data methodology are available at investors.etsy.com.

The Task Force on Climate-Related Financial Disclosures

Etsy treats climate change and its related impacts seriously. As part of our deepening management of climate impacts, in 2020, we began providing enhanced climate-related disclosures using the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”) as a guide. The following section reflects our climate-specific reporting aligned with the TCFD. While we have identified and disclosed a number of relevant climate-related risks, we have determined that at this time none of these risks represent a material short-term risk to our business. For a discussion of certain of the risks we are exposed to in the normal course of our business activities, see Part I, Item 1A, “Risk Factors.”

TCFD provides a framework with four thematic areas – Governance, Strategy, Risk Management, and Metrics and Targets – and eleven recommended disclosures. The following disclosures provide information intended to address each recommendation, including references to other publicly available sources for related information. Unless otherwise noted as relating to Etsy.com, information in this section applies to Etsy, Inc. and all of its subsidiaries.

Governance

Board of Directors oversight of climate-related risks & opportunities

Etsy’s full Board of Directors has overall responsibility for oversight of risk management at Etsy, including management of climate risk. The charter of the Nominating and Corporate Governance Committee (the “N&CGC”) of our Board of Directors provides that the N&CGC has responsibility for periodic review of our environmental and social Impact goals and our progress towards those goals. We report on our progress towards our Impact goals to the N&CGC or the full Board of Directors two times a year. The full Board of Directors also receives briefings, generally quarterly, on risk management-related topics, including reports on the activities of Etsy’s Risk Steering Committee. (For a description of the Risk Steering Committee’s activities, see below.) The full Board of Directors is responsible for reviewing significant acquisitions and other large scale capital expenditures. One of the criteria we use when evaluating acquisition opportunities is whether the transaction aligns with our mission, strategy, and values, including our Impact focus.



In addition, the Audit Committee of the Board of Directors oversees the disclosure in our Annual Report, which includes these climate-related and Impact disclosures, and our auditor’s review of our Impact disclosures. One member of our Board of Directors is experienced in advancing sustainability accounting practices and is a Sustainability Accounting Standards Board (“SASB”) FSA Credential Holder. Information about Etsy, Inc.’s Board of Directors and its Committees, including their charters and membership, is available in the Governance section of our investor relations website.

Management’s role in assessing and managing climate-related risks and opportunities

Our Executive Team, including our CEO and CFO, review our environmental goals annually. Our CFO approves material capital expenditures, including those related to climate-related issues, such as renewable energy projects, and investments in verified emissions reductions.

Oversight of climate risk at Etsy.com is supported by the Risk Steering Committee, a cross functional management team which includes our CEO and CFO. This Committee meets at least quarterly to review and discuss the significant risks facing Etsy.com, including any material climate-related risks, and reports on those risks to the full Board of Directors.

Etsy, Inc.’s Sustainability team, led by the Senior Director of Impact and Sustainability (the “I&S Sr. Director”), oversees Etsy’s sustainability strategy and implementation, which includes climate impacts. The I&S Sr. Director reports to the VP of Workplace and Strategic Sourcing, who reports to the Chief Operations, Strategy & People Officer, who is the Executive Sponsor for Etsy’s Impact strategy. The I&S Sr. Director presents progress on environmental metrics each quarter to the Senior Leadership Team, including the CEO and CFO. The Impact Strategy Coordination Group, a cross-functional working group led by the I&S Sr. Director, coordinates ESG strategy and initiatives and meets bi-weekly. Etsy also has four cross-functional Impact Working Groups that all meet at least quarterly to manage the implementation of Impact projects and reporting.

Etsy.com engages employees from across the company on climate and ESG topics through internal programming, such as an external speaker series and office hours with the Sustainability Team. The CEO includes climate progress updates in company-wide presentations at least once per year, ensuring all employees are aware of Etsy’s sustainability priorities and initiatives.

Strategy

Climate-related risks and opportunities identified & impact on strategy

Etsy’s climate strategy is informed by periodic identification and prioritization of climate-related risks and opportunities. Our 2021 Etsy.com climate impact analysis considered transition and physical impacts across seven key geographic markets and one key commodity and both our physical operations as well as the Etsy.com marketplace. For transition impacts, we reviewed clean energy, transportation, and low-carbon building technologies and policies; for physical impacts, we evaluated a range of acute and chronic hazards. Several potential climate issues were initially identified through desk research, peer benchmarking, and workshops with experts across Etsy.com’s business, including Engineering, Fulfillment, Corporate Strategic Sourcing, Advocacy, Legal, Strategy and Operations, Investor Relations, and Research. These issues were evaluated based on stakeholder awareness, operational impact, and strategic impact to determine the short-list for further analysis.

Our 2021 climate impact analysis did not identify any risks with material short-term impact on financial or strategic business operations. We believe that this is largely due to Etsy.com’s marketplace model, the wide geographic distribution of our seller and buyer base, and our long-standing work to mitigate climate risks. However, due to the systemic nature of climate change and its intensifying global impacts, we are continuing to monitor and manage both climate-related risks and opportunities.

The following disclosures highlight the identified climate-related impacts, as well as the ways in which our ESG strategy seeks to mitigate risks and leverage opportunities. We define short-term impacts as those expected to occur within 0-2 years, medium-term impacts as those expected to occur within 2-5 years, and long-term impacts as those expected to occur after 5 or more years. Etsy’s 2022 ESG goal-setting process considered these climate-related impacts.

Identified Climate Opportunities & Management Response

Class	Opportunity Description	Horizon	Management Response
Energy Source	The availability of renewable energy mechanisms presents opportunities to reduce our exposure to fossil fuel price increases and reduce operating costs.	Short-Term	<p>100% Renewable Electricity Recognizing this opportunity, we set a goal in 2016 to source 100% of electricity from renewable energy, which we achieved for 2020. Through a 15-year virtual power purchase agreement (“VPPA”), we procure solar energy in the PJM Interconnection market that covers 100% of the electricity used in our office and computing operations.</p> <p>We intend to continue to source 100% of electricity from renewable sources through a mix of onsite renewables, utility contracts, and our VPPA.</p>
Resource Efficiency	Reducing resource use across our facilities offers opportunities to reduce operating costs while strengthening employee engagement and thus improving retention.	Short-Term	<p>Energy Efficiency We are on track to achieving a 25% reduction in the intensity of our energy use for Etsy.com offices and computing by 2025. Energy efficiency reduces operating costs and mitigates the risk of potential fuel price increases. Our energy efficiency goals also present opportunities for our Sustainable Compute Working Group to innovate on new energy efficiency tools and processes and to enhance brand value through vendor partnerships, including through an open-source energy data visualization platform.</p> <p>“Zero Waste” Etsy.com maintains “Zero Waste” operations globally, diverting over 90% of waste from landfill, which reduces operating costs and strengthens employee engagement. Reverb and Depop have a goal to run “zero waste” operations by 2025.</p>
Resource Efficiency	Regulatory policies that promote lower-emission modes of transport support our goals of achieving emissions reductions in shipping, which may present benefits to our reputation and help drive revenue growth.	Medium-Term	<p>Low-Emissions Transport A significant portion of our Scope 3 emissions come from shipping. We recognize that decarbonization of the transportation sector presents an opportunity for us to achieve ambitious emissions reduction goals and strengthen our reputation. Our Advocacy Team advocates for key regional policies that have the potential to accelerate the decarbonization of the transportation sector and drive significant market transformation. We are especially focused on policies in the United States that aim to improve electrification infrastructure and reduce emissions from heavy- and medium-duty vehicles that play an important role in e-commerce logistics.</p>
Reputation	Changing consumer preferences around sustainable shopping present opportunities for us to further differentiate as a values-driven commerce brand through climate-friendly product offerings.	Medium-Term	<p>Customer Engagement In 2021, we set a goal to establish our marketplaces as destinations for sustainably-minded shoppers and conscious living. We launched a Planet-Friendly Packaging initiative giving sellers the option to purchase Etsy-branded packaging made from 100% recycled materials or certified responsibly sourced paper at competitive prices, which signals to buyers that they are supporting sustainable businesses. We launched a Personal Impact Tracker that allows buyers to understand how their past purchases contribute to the cumulative social and environmental impact of Etsy.com.</p>
Reputation	Strengthening and communicating our Impact work – including emissions reduction initiatives – presents an opportunity to attract and retain talent and enhance investor relations.	Short-Term	<p>Investors We continue to provide robust ESG disclosures for investors, which we believe positions us to meet expanded and standardized ESG reporting expectations.</p>

Identified Climate Risks & Management Response

Category	Class	Risk Description	Horizon	Management Response
Physical	Acute & Chronic	Acute and chronic weather events may: <ul style="list-style-type: none"> • affect sellers’ ability to make items and source supplies, which may result in reduced revenue. • disrupt transportation routes and internet or mobile networks, hindering the ability of sellers to list and have items delivered in a timely manner, which may ultimately reduce buyer demand and revenue. • put our physical offices at risk, or negatively impact the operations of one or more of our third-party service providers. 	Medium- and Long-Term	Seller Operations As natural disasters, exacerbated by climate change, increase in intensity and frequency, we are finding opportunities to educate and engage sellers on lower-emission packaging including through our new Planet-Friendly Packaging program. Additionally, since 2017, we have partnered with CERF+ to offer disaster relief grants for Etsy.com U.S.-based sellers who have seen their ability to produce and/or market their work adversely affected by a natural disaster. In the future, we aim to engage sellers on lower-emission production and climate resiliency planning.
				Product Distribution Our 2021 climate impact assessment indicated disruption of key transportation routes by extreme weather events could impact item delivery. We aim to better understand how common distribution routes, which are used by carriers chosen by our sellers, might be impacted by weather events in the future.
				Etsy’s Operations Our Workplace and Security Team develops and implements business continuity plans through our Health, Safety, and Security program that are intended to protect our employees in the event of physical disruptions at our offices. In 2021, the Workplace and Security Team reviewed our climate scenario analysis to better understand climate risks at critical office locations and integrate information into planning moving forward.
Transition	Policy and Legal/ Tech	New laws, liabilities, and regulations could increase direct operational costs to us in the short-term while stricter environmental regulations may place new burdens on our sellers raising their costs in the medium-term.	Short and Medium-Term	TCFD Reporting We began our TCFD reporting journey in 2020 and plan to further align our climate analysis and reporting with the framework in anticipation of new SEC climate disclosure requirements.
	Market	Increased commodity prices due to climate change impacts may increase production costs for sellers.	Long-Term	Commodity Markets Our scenario analysis indicated that the availability of common commodities used in seller production, such as cotton, may face risks due to flooding, drought, and extreme heat. To understand the degree to which this climate risk impacts our business, we aim to more deeply explore climate impacts on the commodity inputs most commonly used by sellers. Because our marketplace features a broad assortment of items, we do not anticipate disproportionate short-term impacts on our business.
	Reputation	Customer and investor expectations of the role of corporations in society may grow beyond our current Impact efforts. Failure to meet employee expectations on Impact could affect recruitment, retention, and engagement of top talent.	Medium-Term	Customer and Investor Perceptions We have already achieved or are on track to achieve many of our ambitious sustainability goals, including 100% renewable electricity and emissions reductions. We believe our continued efforts to reduce our environmental impact, improve ESG reporting, and engage our marketplace in sustainable shopping initiatives give us a competitive advantage.

Resilience of strategy across different climate-related scenarios

To understand how our top climate-related risks and opportunities might change under different temperature pathways over time, in 2021, we engaged a consulting partner, Manifest Climate, to conduct a qualitative scenario analysis across seven key geographic markets. As part of this process, exposure pathways were mapped for prioritized climate-related issues based on Etsy.com’s business model, data availability, and internal stakeholder input. Manifest used a range of representative concentration pathway (“RCP”) scenarios, with the lowest emissions scenario being RCP2.6 and the highest emission scenario being RCP8.5, as well as models and reports from the Intergovernmental Panel on Climate Change (“IPCC”). To assess net-zero transition impacts, we leveraged policy insights from the International Energy Agency (“IEA”) and Inevitable Policy Response (“IPR”). Available climate scenario inputs and results were then collated and overlaid with Etsy.com’s seller and buyer information in key geographies, allowing the analysis to pinpoint areas of concern.

Through this analysis we found that all key geographies are expected to face some degree of climate risk under different scenarios. For example, buyers and sellers in Australia may be subject to more intense heat waves and wildfires, while buyers and sellers in Germany may be vulnerable to increasing frequency and severity of floods. However, because Etsy.com’s buyer and seller base is distributed globally, we did not find climate risks in any one geography that disproportionately impact Etsy.com’s business under any scenario. We aim to continue improving our data collection and analysis on these topics to update our strategic planning.

Risk Management

Processes for identifying and assessing climate-related risks

Our climate risk identification and assessment process is integrated into our company-wide risk management process. Our Sustainability Team, including the I&S Sr. Director and the Senior Sustainability Manager, engages with key business functions to identify and evaluate climate risks that could have a substantive financial or strategic impact on the organization at least annually. The Sustainability Team and internal subject matter experts analyze risks in the context of our business, develop recommendations as appropriate, and escalate them for oversight by senior management through Etsy, Inc.'s Risk Steering Committee (see Governance in this section above for more detail). For example, the Sustainability Team collaborates with the Advocacy Team to review climate policy proposals at the federal and state level that might impact Etsy, and, if relevant, presents new climate-related regulations that could increase Etsy, Inc.'s or its sellers' operating costs to the Risk Steering Committee. The Sustainability Team also leverages data from the Market Research Team to monitor the impact of weather events on seller operations.

Processes for managing climate-related risks

The Sustainability Team works cross-functionally to develop management plans to address potential climate-related impacts. They develop and propose updates to environmental goals on an annual basis, including goals designed to mitigate climate risks, which are reviewed and approved by our Executive Team. For example, our goal to source 100% renewable electricity for office operations and computing load, which was achieved for 2020, reduces our exposure to carbon pricing and increased fossil fuel costs. The Sustainability Team developed the goal, proposed short-term targets and strategies to measure and reach those targets, and solicited approval from the Executive Team, who ensured resources were provisioned and lines of accountability were appropriately set. See the Strategy section above for a discussion of actions taken in response to other identified climate risks.

Processes for integrating climate-related risks into the overall risk management

At Etsy, Inc., climate-related risks are included within ESG risks and are seen as underlying drivers of other types of risks. These risks, as well as their drivers, are monitored by the Risk Steering Committee. The I&S Sr. Director provides a written status update on potential ESG risks, including climate risks, to Etsy's Risk Steering Committee every two months, and presents to the Risk Steering Committee as needed. The work of the Risk Steering Committee helps inform which risks are reported to the Board of Directors.

Metrics and Targets

Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process

We monitor metrics related to total energy consumed, renewable energy percent, grid electricity percent, total GHG footprint of scope 1, 2, and 3 emissions including product shipments, packaging, end-user energy use, water, and outgoing waste material streams. For a historical view of our metrics, please view pages 30-32 of this Annual Report.

Since 2019, Etsy.com has been a carbon neutral business, offsetting 100% of our unabated carbon emissions across all measured Scope 1, 2, and 3 categories each year. Our commitment to maintain carbon neutrality effectively acts as an internal price on our emissions, creating a financial incentive to support business decisions that reduce greenhouse gas emissions, from driving operational efficiencies to integrating sustainability into our procurement process.

We continue to act in support of solutions that will help drive carbon reduction in the long term, including advocating at the federal and state level for comprehensive climate and carbon reduction policies and collaborating with peers on industry-wide efforts to drive efficiency and resilience in the shipping and logistics sector.

For all of our teams, compensation is tied to the company's financial performance, as well as individual contributions. While responsibility for delivering on our Impact goals is distributed across the company, each goal owner is responsible for incorporating work associated with advancing their goal into team members' individual goals, which is in turn directly tied to compensation. Members of our Executive Team also serve as executive sponsors for specific Impact goals to help ensure teams stay on track and have the value of executive leadership as plans are executed.

Scope 1, Scope 2, and Scope 3 greenhouse gas ("GHG") emissions, and the related risks

Please view pages 22-23 and 30-32 of this Annual Report for our GHG Emissions Summary.

Targets used to manage climate-related risks and opportunities and performance against targets

Etsy has five climate-related targets: science-based emissions reduction, carbon neutrality, renewable energy, total energy use, and waste. Details of these targets including actions taken to achieve them and performance against each can be found on pages 22-23 of this Annual Report.