

This is a Progress Report* from Etsy.

*Otherwise known as the
*Etsy Values & Impact Annual
Report 2013*, if you want to be
official about it.

What's a Progress Report?

This report is created annually by the Values & Impact team to give an update on employee well-being, community engagement, and environmental sustainability at Etsy.

What's a Values & Impact team?

The Values & Impact team helps Etsy employees and community members minimize the harm and maximize the benefit they have on people and the planet. In short, we work to keep business at Etsy both beautiful and unusual.

For more information

about this report or any of our work,
which we make available to anyone who asks,

please contact:

Katie Hunt-Morr, Senior Manager,
Values & Impact at katie@etsy.com.

ABOUT ETSY

Etsy is an online marketplace where people around the world connect to buy and sell unique goods.

Our global community is made up of nearly 500 employees and 30 million buyers and sellers. Our mission is to reimagine commerce in ways that build a more lasting and fulfilling world. We are committed to creating an economy that's fair, sustainable, and powered by people.

THE ETSY MISSION

Etsy is guided by
these principles:

We are a mindful, transparent,
and humane business.

We plan and build for the
long term.

We value craftsmanship
in all we make.

We believe fun should be part
of everything we do.

We keep it real, always.

1. Our B Corp Score

The world has problems.

And we can't depend on governments or nonprofits alone to solve them. To intercept the ecological and human crises that threaten us, we must redefine the ways in which capitalism operates.

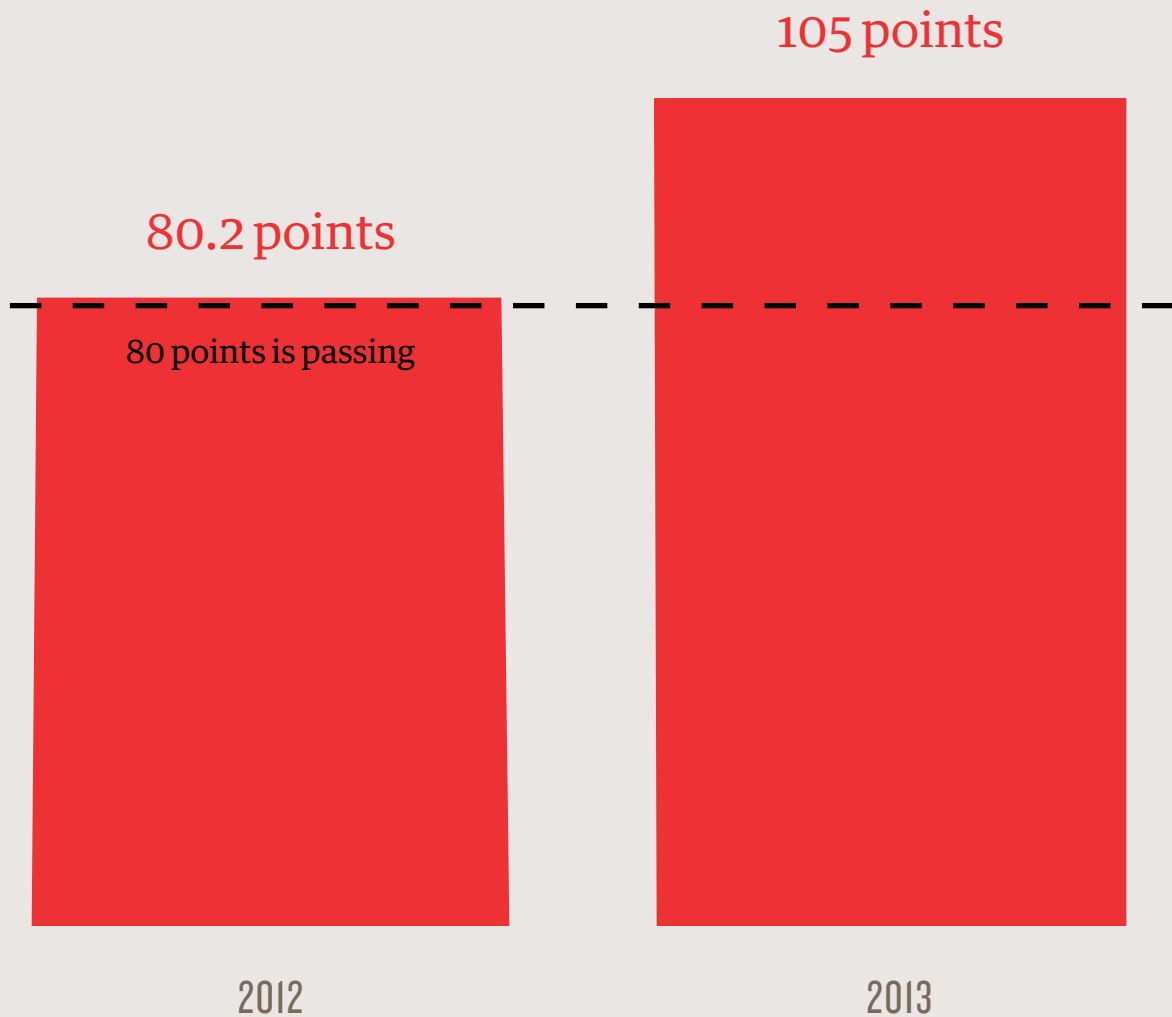
We believe that businesses are uniquely poised to create a sustainable and meaningful world.

That's why Etsy became a certified B Corp.

B Corps are for-profit entities that meet rigorous standards of social and environmental performance, accountability, and transparency — certified by the nonprofit B Lab. There are about 900 certified B Corps around the world.

B CORP ASSESSMENT

Our first year, we barely passed.
This year is a different story.



In 2012, we scored 80.2 points out of 200 on the B Corp assessment. **The minimum passing score for certification is 80.**

B CORP ASSESSMENT

We worked hard this year.

Narrowly passing showed us the areas where we were falling short as an organization. Over the past year we have worked hard to address them. We have improved our score and, more importantly, increased our positive impact on the world.

We undertook a **second assessment in August of 2013**, and are pleased to report that **we increased our score by 25 points for a new total of 105 points.**

.....		
B Corp Score	2012	2013
GOVERNANCE	15	17
WORKERS	33	35
COMMUNITY	22	39
ENVIRONMENT	10	14
.....		
Total	80.2	105

B CORP ASSESSMENT

Here are some things that contributed to our improvement:

Governance

- We now send all employees a regular report on our financials, and provide them with education on the meaning behind the numbers.
- We started evaluating key managers on social and environmental goals, in addition to their general performance.

Workers

- Our diversity score increased 5 points as a result of proactively working to improve the gender balance at all levels of the company. Through active recruitment of skilled women, we increased the number of female employees by 8%, now equaling 46% of all employees. The number of female managers increased by 15%, now equaling 40% of managers overall.

Community

- We launched Craft Entrepreneurship, a program designed to provide entrepreneurial education to underserved populations.
- We launched a partnership with Kiva Zip to help artisan entrepreneurs crowdsource business funding.
- We raised our Civic Engagement score 4 points by formalizing policies around employee volunteerism, community engagement, and company philanthropy.
- We created vendor policies that commit us to supporting independent, responsible, and local businesses, whenever possible.

Environment

- We established an environmental management system to improve energy efficiency, reduce waste, and rigorously measure our ecological impact, including our comprehensive greenhouse gas emissions.

B CORP ASSESSMENT

In 2013, Etsy received three awards from B Lab:



Race to the Top Award:

For biggest improvement in score of any company.



B Corp MVP Award:

For our efforts in getting Benefit Corp legislation passed in Delaware.

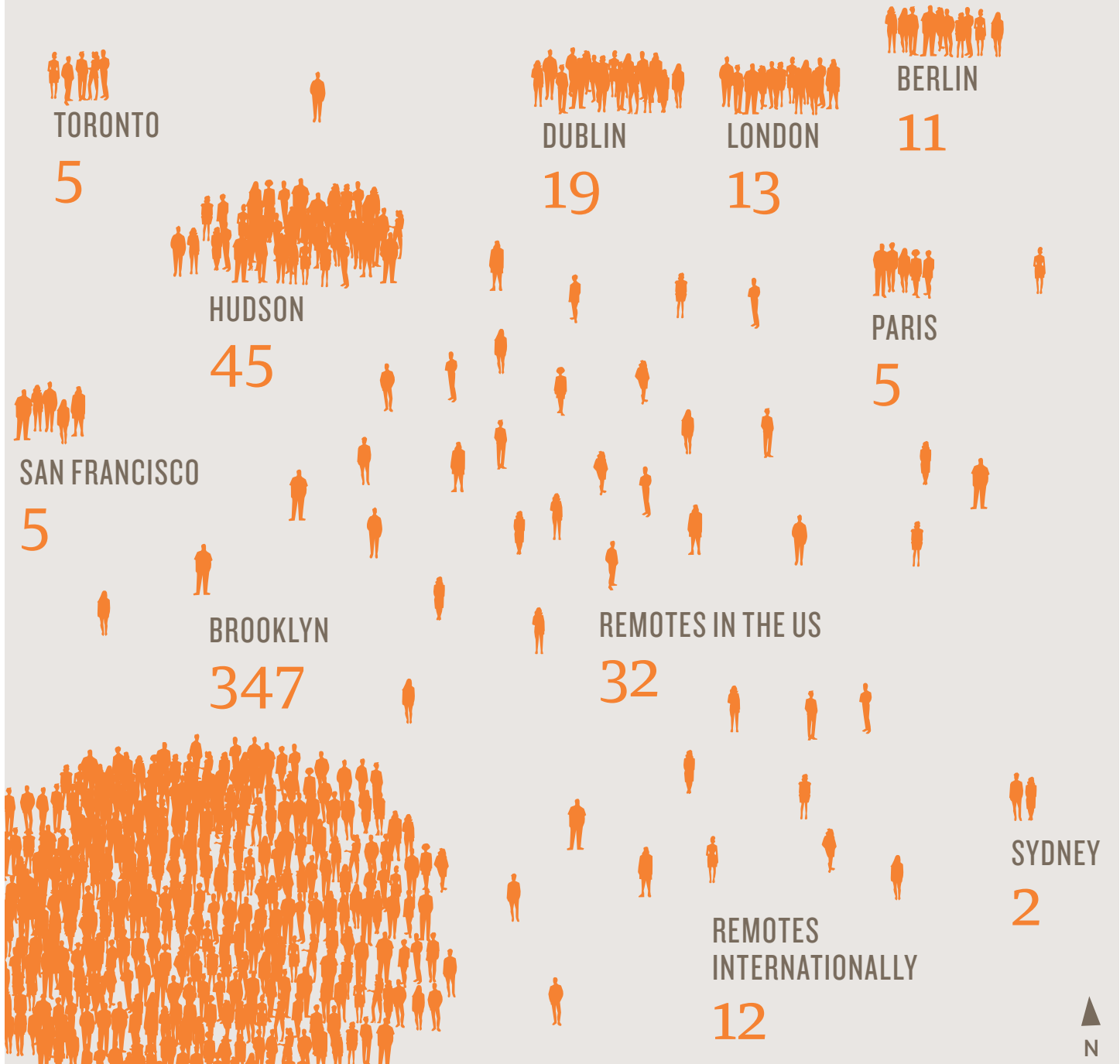


Best for the World Worker Impact Award:

For making Etsy a great place to work.

2. Our People

Etsy has 496 employees around the world (as of January 2014).



What's it like inside Etsy?

We work to foster a company culture of respect, blamelessness, direct communication, and fun. We believe that our employees are more than line items on a balance sheet, and work to maximize their professional and personal well-being.

We focus heavily on development, offering coaching, skills workshops, and trainings. We have generous leave policies, dog-friendly offices, arts and crafts workshops, and employee-taught classes covering subjects ranging from herbalism to Python programming.

We have an annual talent show, a company birthday party, and a ski trip. This year we built a Breathing Room to host meditation and yoga — accessible to employees at any time.

In 2013, Etsy
was acknowledged
with a Great Places
to Work Award
by the Great Place
to Work Institute.

THE HAPPINESS SURVEY

Measuring & comparing employee happiness

In 2012, we worked with the Center for Positive Psychology at the University of Pennsylvania to develop our first employee happiness survey.

We drafted our 2013 survey based on feedback from 2012. The 2013 survey was shorter and more specifically directed to Etsy's cultural goals.

Unfortunately, we were unable to compare results between the 2012 and 2013 surveys due to significant changes made to our methodology and questions.

Our approach

Responses were collected by the third party CultureAmp to ensure employee identities were kept confidential.

To protect responders' anonymity, sample sizes of under four are not presented. Responses were scored on a five-point scale ranging from strongly agree to strongly disagree.

RESPONSES

Most of our employees
responded to the survey.



85% of them did, to be precise.
So out of 486 employees
(at the time of the survey),
415 responded and 71 didn't.

SURVEY RESULTS

Understanding the Survey

We devised the 2013 survey to gain better understanding of the following factors in our employees' well-being and connection to the company:

Personal Well-Being:

It is important that we understand how our employees are doing on a personal level, in addition to how they feel about the company.

Personal Well-Being looks at employees' positive emotions, engagement in day-to-day tasks, sense of belonging, and determination.

SURVEY RESULTS

Our “Personal Well-Being”
score was 84%.



percentage of
positive responses

negative
responses

This means our employees generally feel good and have a positive outlook on the world. Interestingly, we found that Personal Well-Being scores are not necessarily an indicator for feelings about the company.

SURVEY RESULTS

Just how happy are people working at Etsy?

Connectedness:

86% positive



Connectedness evaluates employees' sense of connection to, and trust in, one another and the company. Etsy is growing rapidly, and a good deal of flexibility is required from our employees. Trust and a strong community create an important sense of stability in our ever-changing workplace. While the nimbleness of our company offers many opportunities, we understand that security and stability are essential for employees to do their best work.

Development:

69% positive



Development measures one's perception of career mobility and the ability to gain new, professional skills.

Employee Engagement:

84% positive



Employee Engagement looks at how challenged and inspired employees are by their work, the level of enjoyment they get from their jobs, and if they see a future for themselves at Etsy.

Feedback & Recognition: 65% positive



Feedback & Recognition examines the degree to which employees feel they receive useful feedback on their work. It also looks at the degree to which employees feel the company acknowledges good work and addresses poor performance. The survey breaks this down to team-level, which will inform work with specific departments.

Institutional Integrity:

79% positive



Institutional integrity measures our operational transparency and how well we fulfill the company's ideals.

Job Clarity:

74% positive



We offer our employees a lot of freedom to determine their own projects and work habits. In doing so, we recognize that clarity in one's role is an important containment within which such freedoms can flourish. Job Clarity measures how well employees understand their responsibilities and the way in which their work contributes to the greater goals of the company.

Leadership & Management:

77% positive



Leadership & Management looks at how confident employees are in their managers and our senior executives.

Open Communication:

74% positive



Open Communication explores the extent to which employees feel they can suggest improvements and express criticism at all levels of the company. It also looks at how we take suggestions into account and learn from our mistakes.

Teamwork & Collaboration: 79% positive



Teamwork & Collaboration looks at how well employees feel their teammates work together, and the degree to which different departments collaborate.

Highest score

Values Alignment: 91% positive



Values Alignment is a measure of employees' personal investment in Etsy's mission and values, and the degree to which they believe they are contributing to a greater purpose.

Lowest score

Workload: 46% positive



The workload questions asked how achievable employees feel their volume of work is, as well as the level of job-related stress they feel.

SURVEY RESULTS

That means...

The vast majority of our employees say they are invested in making Etsy the best company it can be. They're inspired, challenged, and they enjoy their work.

The areas in which most employees expressed dissatisfaction were related to job stress, and the inability to accomplish all that is needed during working hours.

Job clarity was also a low-scoring factor, as was the degree to which we recognize good performance and effectively address poor performance.

While we're pleased to be doing well in most of the areas we measured, understanding where we need to improve is the most valuable takeaway from the survey. Over the next year, we will create programs to specifically target these areas.

SURVEY RESULTS

Good news!

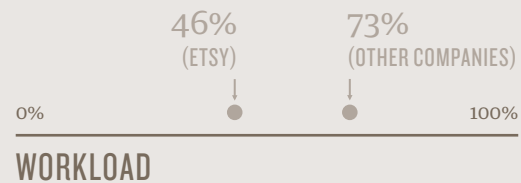
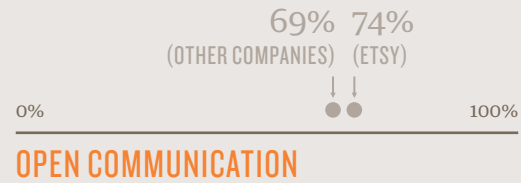
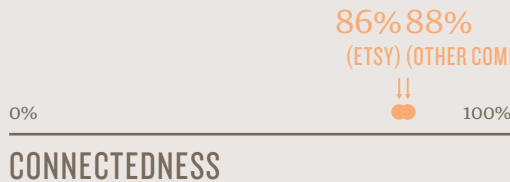
Etsy's overall
employee satisfaction
was 80%.

The average
American company's
score is 60%.*

*Source: 2013 Trends in Global Employee Engagement Highlights

SURVEY RESULTS

We did well compared to other tech companies of similar size.*



* Etsy's survey was uniquely designed to measure our specific culture, staff, and company values. This chart is a gauge, not an exact comparison.

**Source: CultureAmp

DEMOGRAPHIC BREAKDOWN

by gender

Female and male employees' responses were generally comparable in most categories, though we saw the greatest disparities related to feedback and recognition, communication, and workload.

DEMOGRAPHIC BREAKDOWN

Personal Well-Being by gender

Top-scoring group



WOMEN

85%

Distribution curve

84% 85%
LOWEST HIGHEST

0%

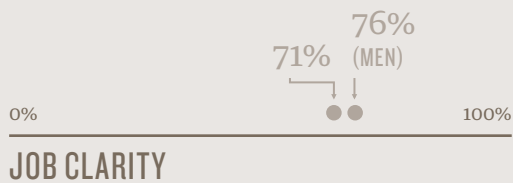
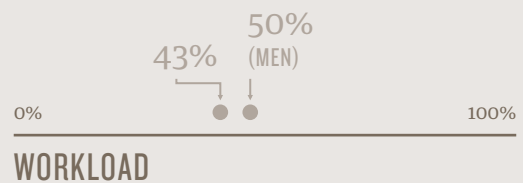
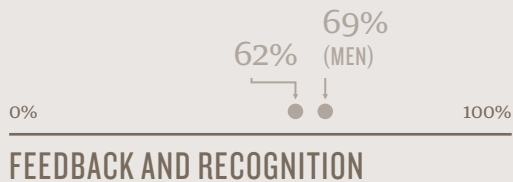
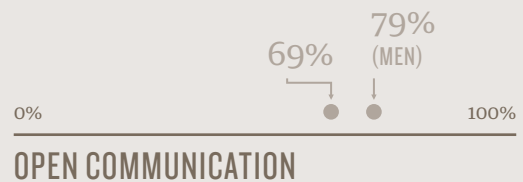
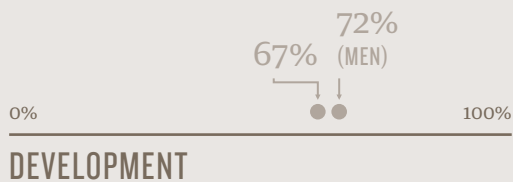
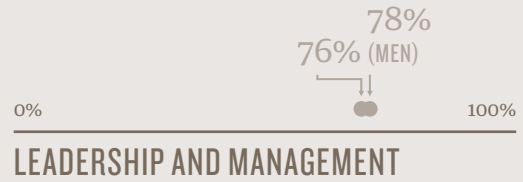
100%



HAPPINESS RANGE

DEMOGRAPHIC BREAKDOWN

Institutional factors by gender



DEMOGRAPHIC BREAKDOWN

by tenure

We were interested to see how responses changed depending on how long employees have been with the company. While employees who have worked at Etsy for fewer than three months did score highest in all categories related to the company, we did not see a consistent diminishment over time for the other groups. Comparative response scores between groups vary by question, and do not display a consistent trend.

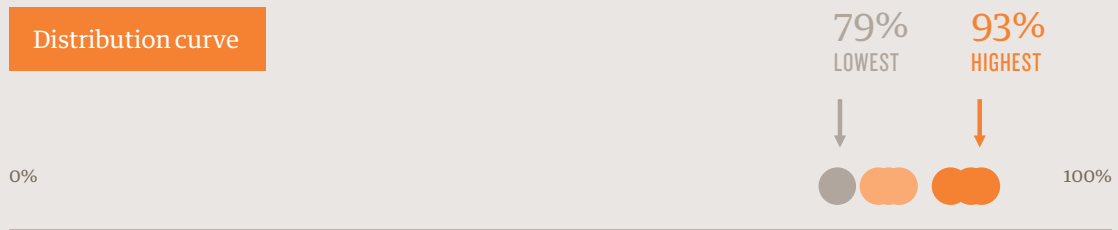
DEMOGRAPHIC BREAKDOWN

Personal Well-Being by tenure

Top-scoring group



Distribution curve



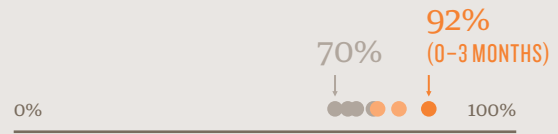
HAPPINESS RANGE

DEMOGRAPHIC BREAKDOWN

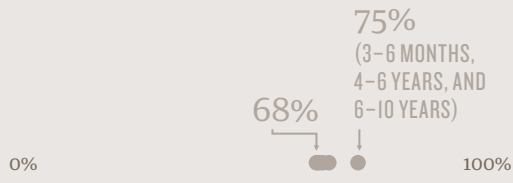
Institutional factors by tenure



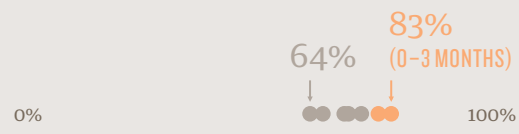
CONNECTEDNESS



LEADERSHIP AND MANAGEMENT



DEVELOPMENT



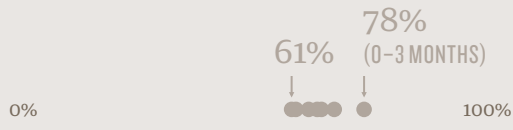
OPEN COMMUNICATION



EMPLOYEE ENGAGEMENT



TEAMWORK AND COLLABORATION



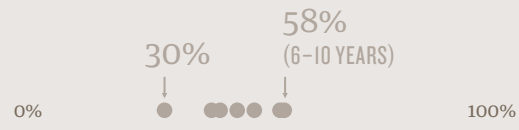
FEEDBACK AND RECOGNITION



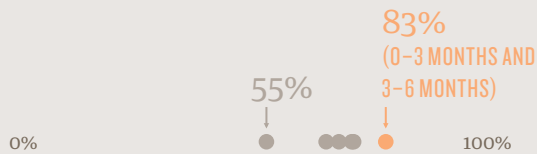
VALUES ALIGNMENT



INSTITUTIONAL INTEGRITY



WORKLOAD



JOB CLARITY

DEMOGRAPHIC BREAKDOWN

by location

There are significant score differences among our office locations. It is important to note that many of our offices have very small populations, meaning a single employee's response could significantly affect results for the whole office. That said, we know there are cultural differences between our offices. We are working to help all of our locations feel equally connected to the company.

DEMOGRAPHIC BREAKDOWN

Personal Well-Being by location

Top-scoring group



PARIS

93%

Distribution curve

0%

79%
LOWEST

93%
HIGHEST

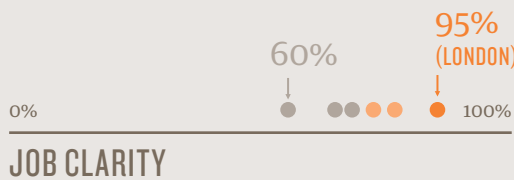
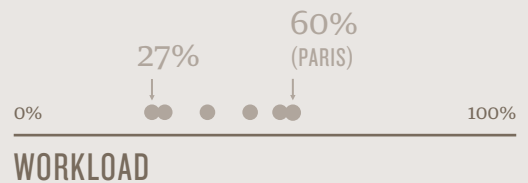
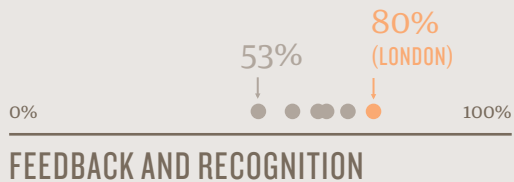
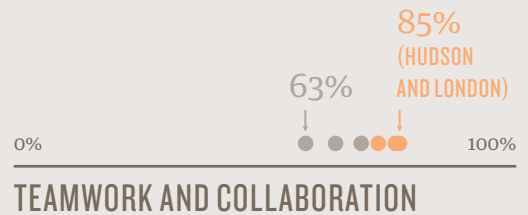
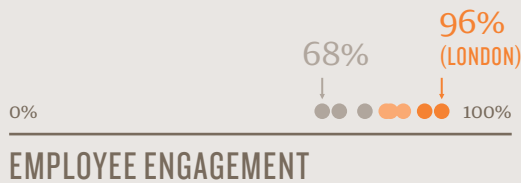
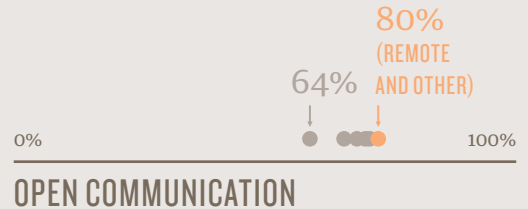


100%

HAPPINESS RANGE

DEMOGRAPHIC BREAKDOWN

Institutional factors by location



DEMOGRAPHIC BREAKDOWN

by team

We saw the most significant variance in scores between teams. This makes sense in that many of the survey's questions were specifically geared towards team-level management and team dynamics. Our greatest opportunity for institutional improvement is in understanding relationships within teams and specific teams' perspectives on the company. Knowing which groups and relationships are thriving or strained will help us understand the company's ecosystem. Through these results, we can work with managers to improve team communications and address persisting problems.

DEMOGRAPHIC BREAKDOWN

Personal Well-Being by team

Top 3 scores



INTERNATIONAL
PRODUCT DEV 91%



BUYER
EXPERIENCE 93%



HUMAN
RESOURCES 94%



PRODUCT 91%
MARKETING



VALUES &
IMPACT
AND LEGAL 93%

Distribution curve

0%

72%
LOWEST

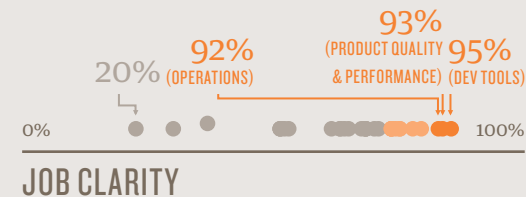
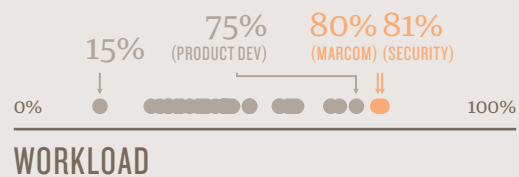
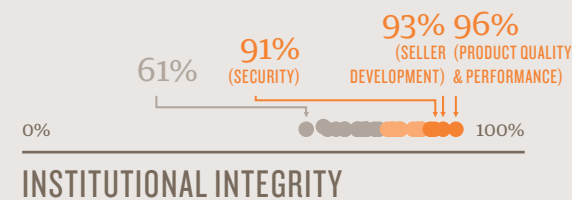
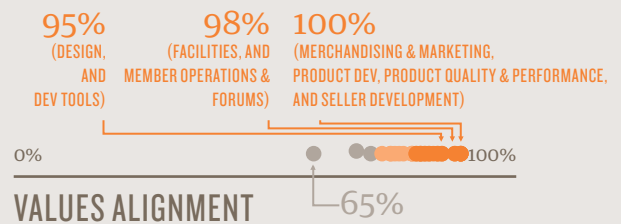
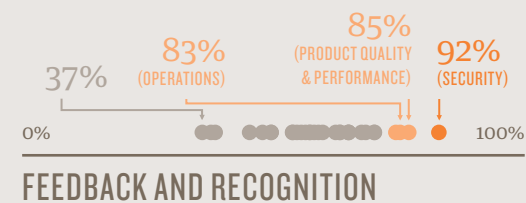
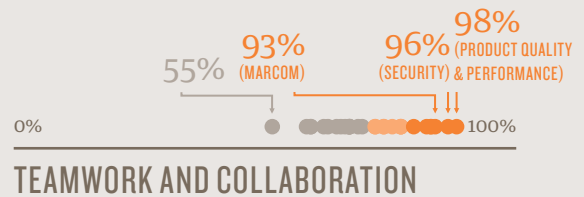
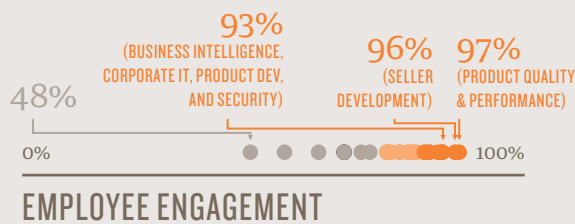
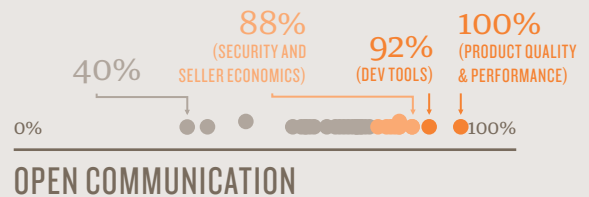
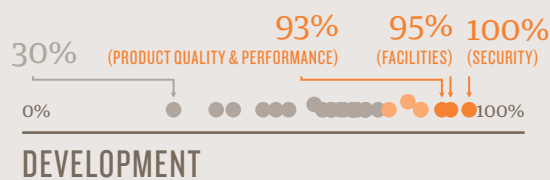
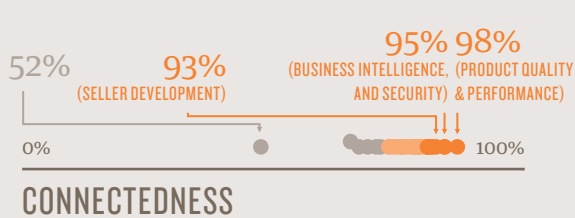
94%
HIGHEST



HAPPINESS RANGE

DEMOGRAPHIC BREAKDOWN

Institutional factors by team



Please keep in mind
that our survey is just
a measure.

It becomes powerful
when we use the
information we've
collected to increase
our employees' actual
well-being.

Etsy is a unique
company.

Our approach to
company culture reflects
the community we have
created, the care we bring
to the office, and the
freedom we have to be
weird.

REASONS TO LOVE ETSY



Ministry of Unusual Business

2013 saw the foundation of **The Ministry of Unusual Business**. The Ministry is a shadow organization within Etsy that works to inspire, connect, surprise, and delight Etsy employees. Its operations are secret, though all employees around the world are empowered to call upon The Ministry, and participate in Ministry actions.

Among other programs, The Ministry anonymously recognizes people for good work through notes of recognition and small gifts. Capitalizing on the psychological importance of surprise, employees are nominated for specific work and then receive an unexpected gift from The Ministry thanking them for their efforts.

REASONS TO LOVE ETSY



Eatsy

As with all of our programs, great care and mindfulness has been put into making our employee food program (Eatsy) authentic to Etsy.

Our approach is to foster community through a family meal, designed for staff to eat together on picnic-style benches. We source food from local caterers with an emphasis on health and low ecological impact. Our food is mostly organic, local when possible, and all of our dishware is composted.

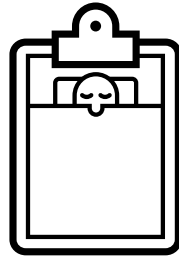
In 2013, we conducted an in-depth study to better understand the role Eatsy plays at Etsy.

We were pleased to find that employees are grateful for our delicious, healthy, and of course, free meals, and did not view them as a job entitlement.

In fact, employees who have come from other companies with round-the-clock food offerings had exceptionally positive responses to Eatsy and liked our more intentional, bi-weekly approach. We are working to find ways to expand Eatsy to accommodate our rapidly growing workforce, while maintaining the tenets that make it

a truly special occasion for employees to connect while breaking bread.

REASONS TO LOVE ETSY

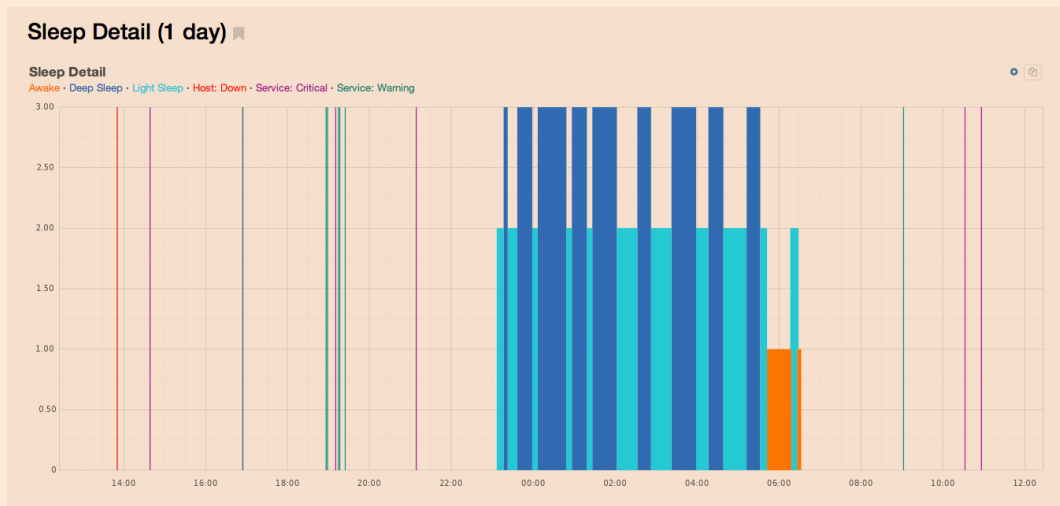


Quality (of Life) Control

Etsy's Operations Team is in charge of maintaining our site's performance. 50% of the team works remotely from home and they share an on-call rotation to cover our site's stability at all times. The engineer on call can be alerted at any time of day or night and may have to wake up to fix issues like performance degradation or site outages.

Taking an interest in one another's well-being, the team decided to start monitoring their sleep and physical activity. Using Jawbone UPs, Fitbits, and other monitoring devices, they began correlating on-call pages with periods of sleep interruption. They created a system to visualize the correlation between site alerts and an engineer waking and (hopefully) falling back asleep.

A solid night's sleep looks like this:



An interrupted night's sleep looks like this:



By running analysis on the number of overnight pages and the mean time required to return to sleep, **we can quantify the on-call experience, which looks like this:**

Sleep State Summary

Breakdown of sleep states person was in during notifications this week

Asleep	11 (25%)
Awake	33 (75%)

Mean Time to Sleep: 14.7 minutes

Total time spent awake due to notifications: 162 minutes

Understanding the impact that on-call work has on our employees' sleep can help us adapt schedules or offer programmatic solutions for them to get better rest.

Working from home can also have a negative impact on one's physical activity. Using Jawbone to monitor activity, the engineers working from home found that they were not moving much during the day, and that by virtue of their movement being tracked, they were then motivated to be more active.

This initial set of data will help us expand the monitoring program to include other teams at Etsy, as well as to test the effect of exercise and relaxation programs on sleep, cognitive speed, and ultimately, individual well-being.

3. Our Community



Etsy is about people.

We are mindful of the interdependence between the health of our communities and the success of our business.

We strive to bring value to the physical and virtual communities where we operate, and empower our employees to do the same.



VOLUNTEERISM

In 2013, we took a different approach to corporate volunteerism.



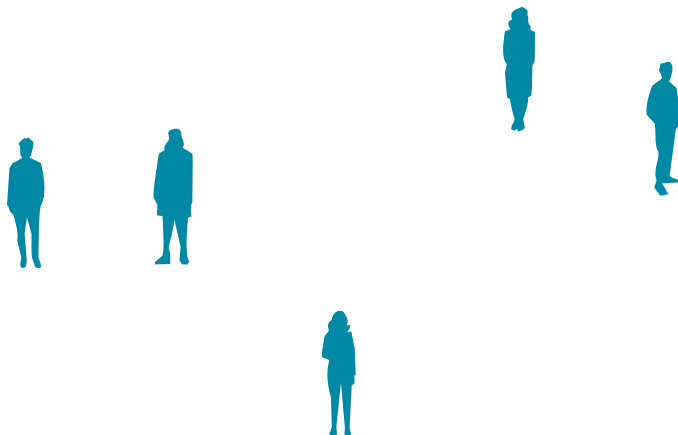
While traditional company-wide service days are certainly worthwhile, we recognize that our staff has an incredible wealth of professional skills, many of which can be valuable to nonprofits. This year we worked with 15 different organizations to provide pro bono skills like website engineering, marketing, and social media strategy.

We also established processes for individuals to get customized placement with nonprofits and for teams to be set up with volunteer opportunities in place of typical team-bonding events.

In 2013, employees volunteered a total of

1,151 hours.

- 131 (33% of) Etsy employees volunteered or provided pro bono hours.
- Employees from 6 cities and 5 countries volunteered with 15+ nonprofits around the world.
- We updated our volunteer policy giving all employees 40 hours of paid, volunteer leave annually.
- We hosted, mentored, or advised 45 nonprofits and 13 schools/educational groups at our offices.



PHILANTHROPY

This year, we focused our philanthropic giving on closing the gender gap in technology.

We also continued our company policy to match employee donations for disaster relief. Here's what we donated:

2013 Corporate Donations:

Girls Develop It \$50,000

Code2040 \$25,000

Direct Relief – Typhoon Haiyan \$5,472

New York Cares \$1,000

In kind donations:

WHEDco (Pencil Code books) \$292

CAMBA (holiday presents) \$1,724

Materials for the Arts (furniture) \$4,660

Jiamini Scholarship Fund (laptops) \$6,375

Total

\$94,523



REASONS TO LOVE ETSY

craft  entrepreneurship.

Rockford

Rockford is a city of 150,000 people, located two hours west of Chicago. Formerly a manufacturing hub, its keystone employers have left the city, ushering in a wave of high unemployment. **One of the benefits of having a strong manufacturing history, however, is that many residents already have skills in the arts** (such as watchmaking and furniture making) that were once the backbone of the local economy.

In a partnership with the city government and the Rockford Etsy Team, **a group of Etsy staff went to Rockford to explore the needs of the city and opportunities to work together.** We were greeted by a diverse group of over 70 stakeholders who gathered to share their thoughts on how Etsy could affect local constituents.

Our visit led to a plan for Etsy and Rockford to co-create a Craft Entrepreneurship curriculum, with Etsy's platform and marketplace as the learning lab. The aim of the project is to teach people that if they have a craft skill, entrepreneurship and economic opportunity are within reach. Since September 2013, the curriculum has been taught by local Rockford teachers to a diverse range of students.

This pilot program has the potential to be not just what Rockford's Mayor Morrissey calls a "pathway to prosperity," but a blueprint for similar programs across the country and around the world. In September, we expanded the program to New York City, with plans to continue expanding over the coming year.

More information at
craftentrepreneurship.com

Etsy, Eatsy and Craft Entrepreneurship are trademarks of Etsy, Inc.

REASONS TO LOVE ETSY



Kiva Zip Partnership

Kiva is a nonprofit working to end poverty by connecting entrepreneurs who need small loans with ordinary folks who want to make an impact through lending.

We wanted to integrate our community with Kiva's to connect our sellers with access to crowd-funded loans, and to encourage our members to make loans to artists around the world.

Our partnership with Kiva has enabled our sellers and buyers to get and give loans via the partnership microsite, www.etsy.com/kiva. Since we launched Etsy + Kiva, many sellers have submitted applications for loans and Kiva is now helping their artisan borrowers around the world access an open market by opening Etsy shops.

Etsy members are making loans and we are encouraging Etsy Teams to become Trustees to help vouch for Kiva borrowers in their communities.

REASONS TO LOVE ETSY



Hello Etsy

As a company, we recognize that we can't improve our social and ecological impact in isolation – we need to incorporate other businesses, large and small, in transforming the way business is done. Hello Etsy is an annual conference that serves to propagate world-changing ideas and to help businesses maximize their benefit and minimize their harm to people and the planet.

Our third Hello Etsy was held in our birthplace, Brooklyn, New York. The event was geared towards helping independent, creative business owners explore new methods of production, new patterns of consumption, and more lasting and purposeful ways of working. We wanted this year's Hello Etsy to act as a megaphone for the work we are all doing to reimagine commerce.

Speakers included Jeremy Rifkin, Robin Chase, Chris Anderson, Stewart Wallis, Laurie Santos, Rachel Chong, Alex Blumberg, Rasanath Das, Michelle Long, Charles Eisenstein, Majora Carter, Michael Carroll, and Chad Dickerson.

The 500 conference attendees enjoyed talks on the future of currency, alternative approaches to work, and new business strategies that renew our communities, our planet, and our lives.

4. Our Footprint

The planet is changing, and so are we.

Looking to 2014 and beyond, we are faced with multifarious ecological problems that threaten the quality of our lives. Climate change, resource depletion, and biodiversity loss, coupled with increasing economic disparity, will be the defining challenges of the rest of this century.

To meet our obligation to confront these challenges, we have publicly made the following commitment to environmental sustainability:

Etsy is committed to proactively countering the planet's gathering ecological crises.

We embrace our responsibility to minimize the ecological footprint of our operations and our duty to empower and incentivize the users of our platform to do the same.

With these imperatives in mind, we have set out to measure and analyze the baseline impact of our business operations.

Armed with this information, we will articulate and implement a comprehensive sustainability strategy with ambitious timelines and a transparent means of sharing our progress within our company and with our community.

In 2013, we took several steps towards making this statement a reality. We expanded our baseline measurements to include more of our offices, business air travel, employee commuting, and domestic shipping in our marketplace. We are continuously working towards getting a comprehensive picture of our impact on the environment and will include even more data in the coming year. We also took several measures towards reducing our impact in all areas, including many efficiency programs in our offices. We spent the last year exploring ways to mitigate the impact of our electricity use in data centers and will have some exciting changes to report in 2014.

In the year ahead we will develop strategies that meaningfully address the impact of our data centers, business travel, and offices. We will also explore the tremendous opportunity to reduce emissions from shipping and production in our marketplace and to encourage ecologically sound material sourcing and packaging.

OUR ECOLOGICAL DATA

How we got this data

Collecting resource data in leased office spaces presents a series of challenges. We generally do not have direct access to meters for electricity and water, or the amounts of oil and gas used for heating. We have worked diligently with our landlords and property managers to obtain these records. In some cases, however, we have had to estimate our resource consumption to the best of our ability. In our smaller offices, we share meters with other companies and can therefore not get a reasonable estimate of our actual resource consumption. We are working on surmounting these obstacles for all of our offices. Having regular access to this data is a key element of our lease negotiations for new spaces.

Data Availability for 2013

	Electricity	Heat	Waste
HUDSON	12 months ending Dec 2013	12 months ending Dec 2013	12 months ending Nov 2013
BROOKLYN	12 months ending Nov 2013	estimate from 2012	12 months ending Nov 2013
BERLIN	12 months ending Sept 2013	no data	12 months ending Nov 2013
LONDON	6 months ending Dec 2013	6 months ending Dec 2013	no data
SAN FRANCISCO	12 months ending Nov 2013	none (electric heat)	no data

The scopes



Scope 1

SOURCE: HEATING

All direct GHG emissions such as emissions from fuel combustion (heating in offices)

EMISSION AMOUNT

90

METRIC TONS CO₂e

Scope 2

SOURCE: ELECTRICITY

Indirect GHG emissions from consumption of purchased electricity, heat, or steam

EMISSION AMOUNT

1,208

METRIC TONS CO₂e

Scope 3

SOURCE: MARKETPLACE SHIPPING (DOMESTIC), BUSINESS TRAVEL, EMPLOYEE COMMUTING

Other indirect emissions, such as extraction and production of purchased materials, business travel, waste disposal, and outsourced activities

EMISSION AMOUNT

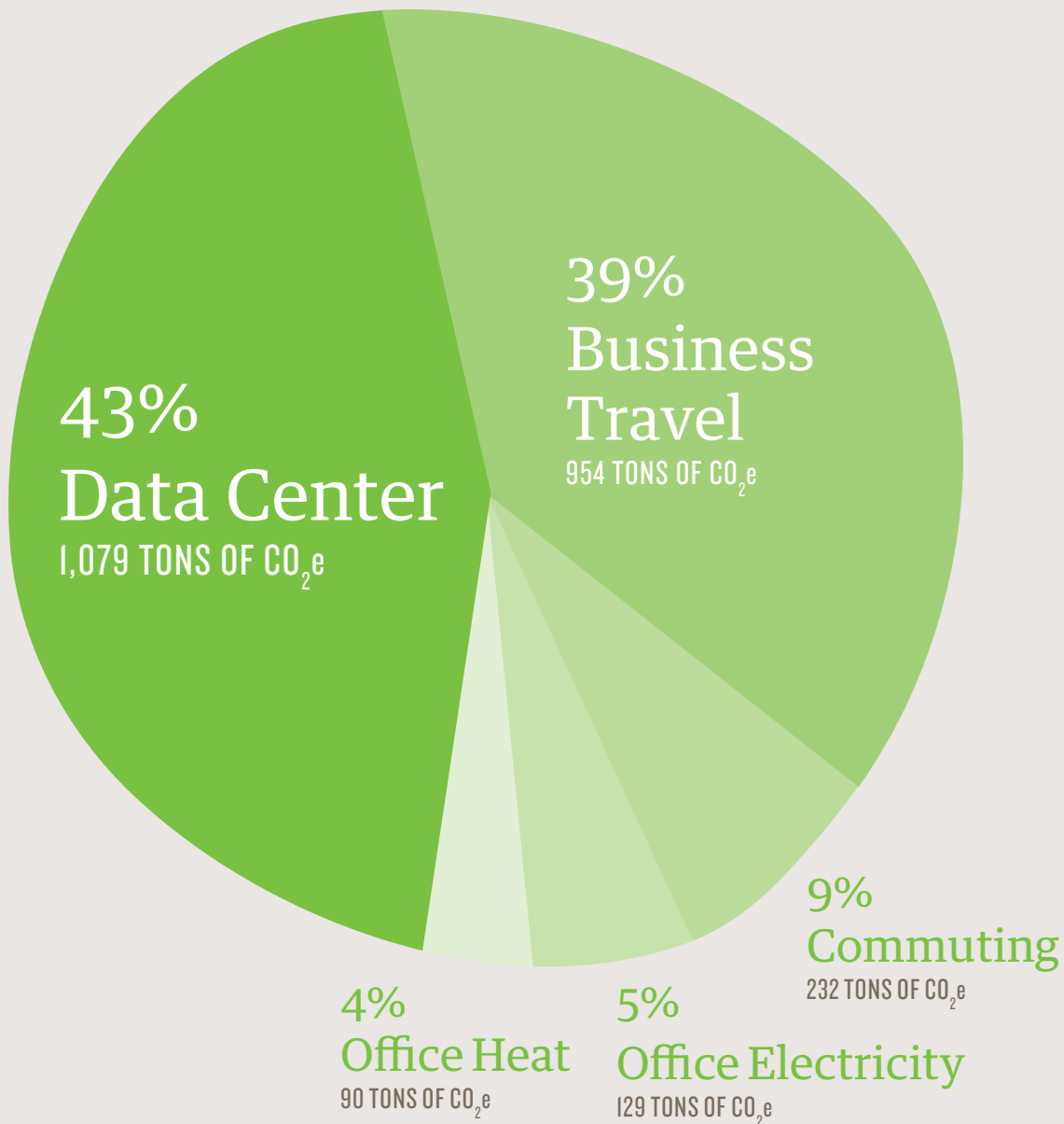
24,527

METRIC TONS CO₂e

GREENHOUSE GAS EMISSIONS

We're responsible for a total of 2,484 metric tons of CO₂e.

(not including marketplace shipping emissions)



GREENHOUSE GAS EMISSIONS

Let us explain...

Etsy has no vehicles, so our only direct greenhouse gas emissions (scope 1) come from the combustion of fuel to heat our offices. This contributed 90 metric tons, roughly 4% of our emissions.

Emissions from purchased electricity (scope 2) for our offices totaled 129 tons, 5% of the total, and our data center activity contributed 1,079 tons, or 43%.

Emissions from our data centers increased from roughly 80% of our total last year to 83% this year as the increase in number of transactions on our site outpaced the addition of office space, and as we made our offices more energy efficient.

Electricity use for our data centers and five primary offices totaled 2,843,132 kWh for the 12 months from December 2012 to November 2013.

The total for our data center was 2,396,964 kWh.

GREENHOUSE GAS EMISSIONS

Our air travel emissions

The largest source of greenhouse gas emissions from Etsy's operations is our data centers. But this is only slightly more than our emissions from air travel. **Etsy employees took around 750 flights in 2013 with greenhouse gas emissions totaling around 954 metric tons.*** We are looking into ways to reduce air travel emissions, including reducing unnecessary travel, encouraging lower carbon modes of transportation, and promoting the most fuel-efficient airlines.

*These calculations include the radiative forcing index (RFI). RFI accounts for the added net warming impact of emissions from aircrafts at higher elevations. These include things like contrails, particulate, and impacts on cloud formation; although there is still not a scientific consensus on exactly what number to use for an RFI adjustment, we think it's important not to underestimate the impact of air emissions. We used 1.9, the latest number from DEFRA, the UK government's environmental protection agency.

GREENHOUSE GAS EMISSIONS

Shipment emissions

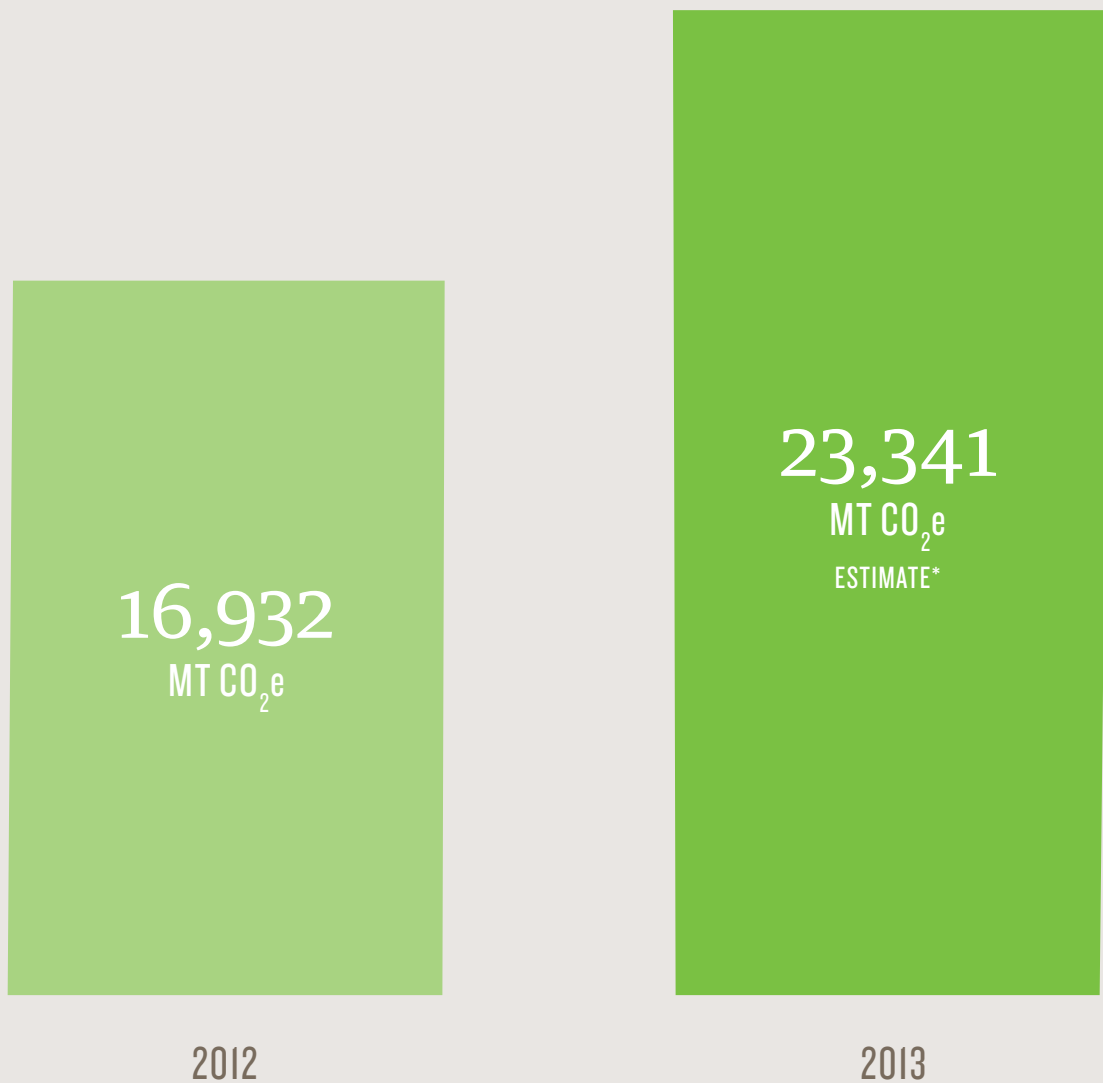
This year we calculated the carbon impact of the US shipping in our marketplace. We don't ship goods directly, but do facilitate their shipping through our platform, so they are considered scope 3 (or indirect) emissions. In 2012, US to US orders on our platform generated 16,089 metric tons of carbon dioxide equivalent (CO₂e) emissions.

The average Etsy shipment generated 0.82 kilograms of CO₂e emissions, which could be offset for about a penny.*

*The emissions calculations include the radiative forcing index (RFI) for shipments by air.

GREENHOUSE GAS EMISSIONS

Our number of US shipments rose 38% – so our CO₂e emissions increased, too.



*Applying the per shipment emissions from 2012 to the total 2013 shipments results in an estimate of 23,341 mT of CO₂e.

GREENHOUSE GAS EMISSIONS

Why are we only talking about the CO₂e emissions of our US shipments?

While 1/3 of our transactions in 2013 did cross international borders, **we were only able to accurately estimate intra-US shipments based on the USPS routing information.** We are working to expand the scope of our measurements to include global shipping.

2013 context: At the time this report was prepared, a full analysis of Etsy's 2013 US-to-US marketplace emissions was unavailable. Emissions from 2013 US-to-US marketplace emissions were estimated based on an analysis of emissions from 2012 US-to-US marketplace shipments by multiplying the 2012 per-shipment emission figure by the total shipments that occurred in 2013.

*Note that radiative forcing index (RFI) was applied to the air travel emissions.

GREENHOUSE GAS EMISSIONS

Commuting emissions

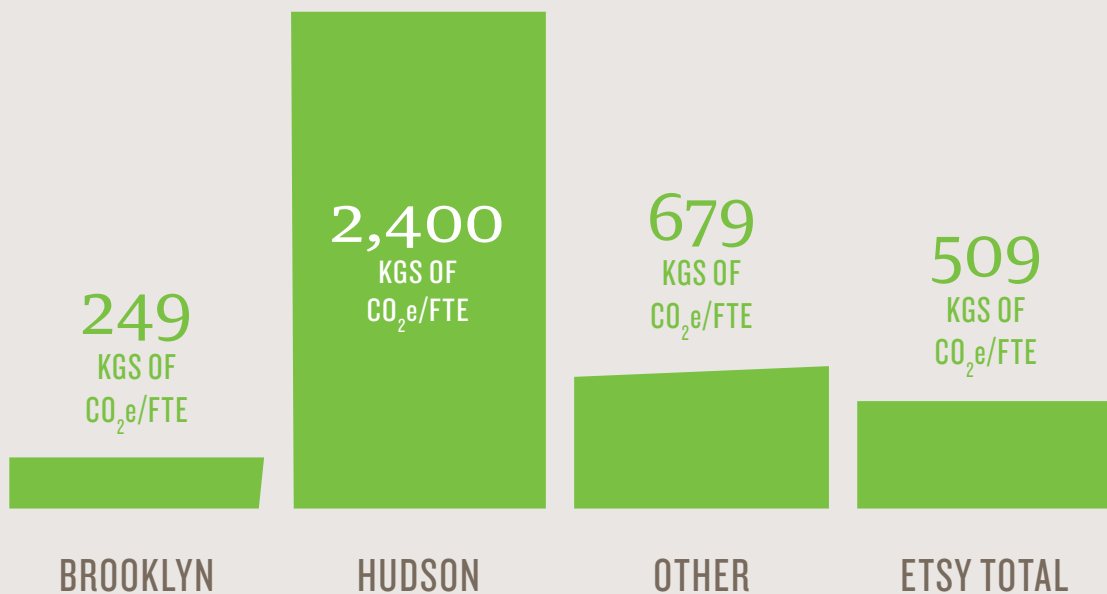
Results from our second annual employee commuter survey showed that we are a low carbon group of commuters: **less than 10% commute by car; nearly half commute by subway; and around 30% commute by walking or biking.**

GREENHOUSE GAS EMISSIONS

Commuting GHG Emissions per office:



and per employee:



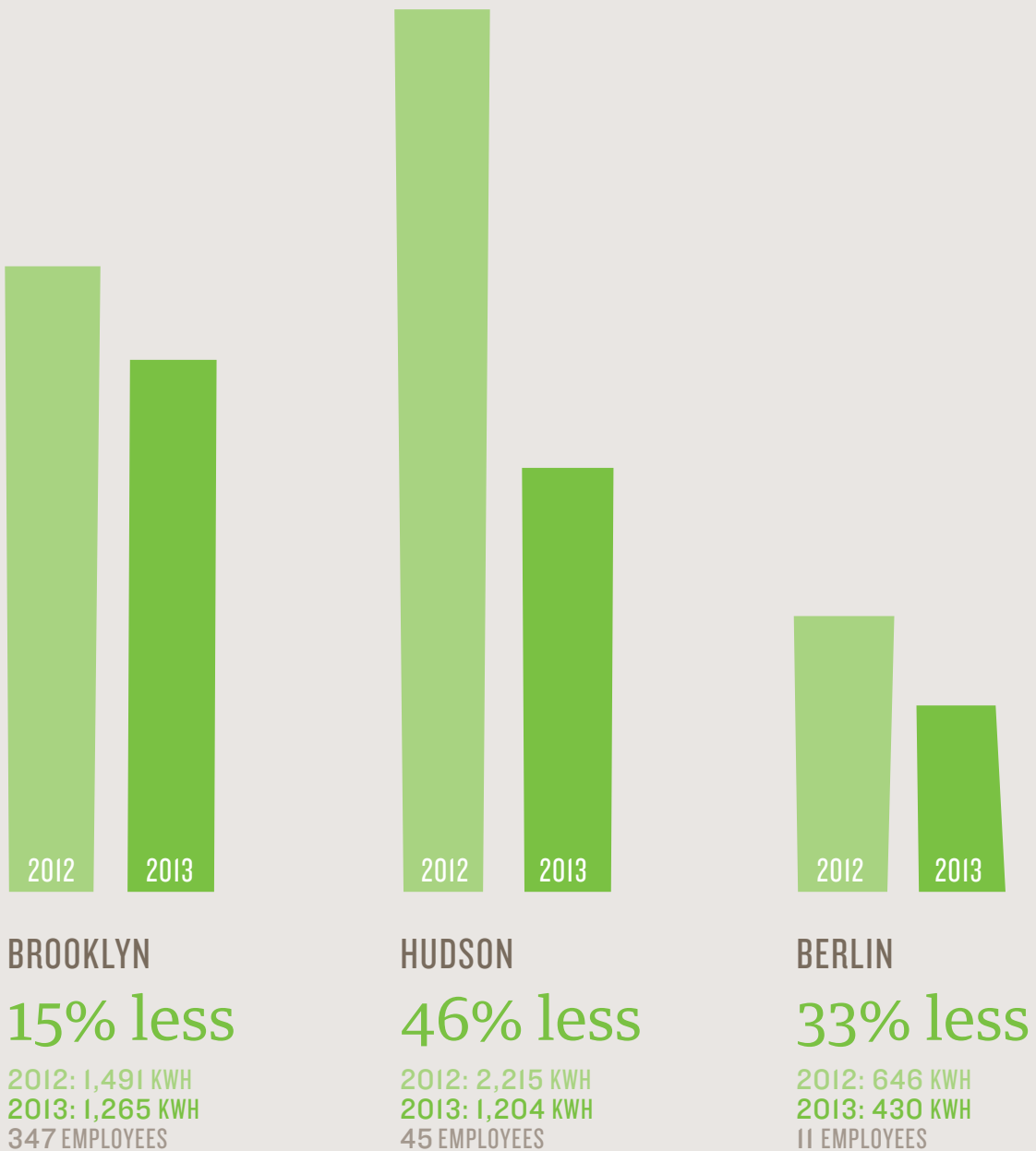
ELECTRICITY

Office electricity

We did a lot this year to improve our electricity consumption in our offices. Specifically, we installed LEDs in Hudson office, along with smart plugs that turn off power supplies overnight and on weekends in Hudson and part of our Brooklyn office. We also installed solar shades in Brooklyn to reduce the use of air conditioners.

ELECTRICITY

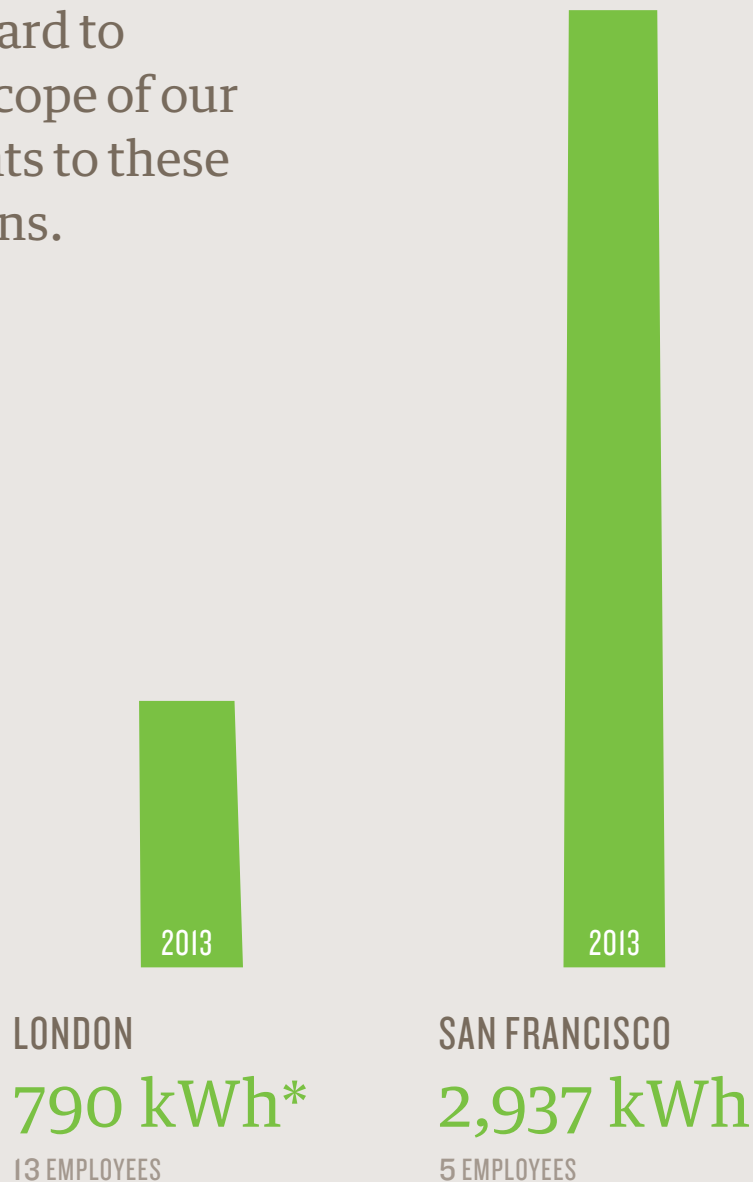
Our office electricity use per employee has fallen by about 19%.



ELECTRICITY

We did not have data
for these locations in 2012.
But this year we do.

We worked hard to
expand the scope of our
measurements to these
office locations.

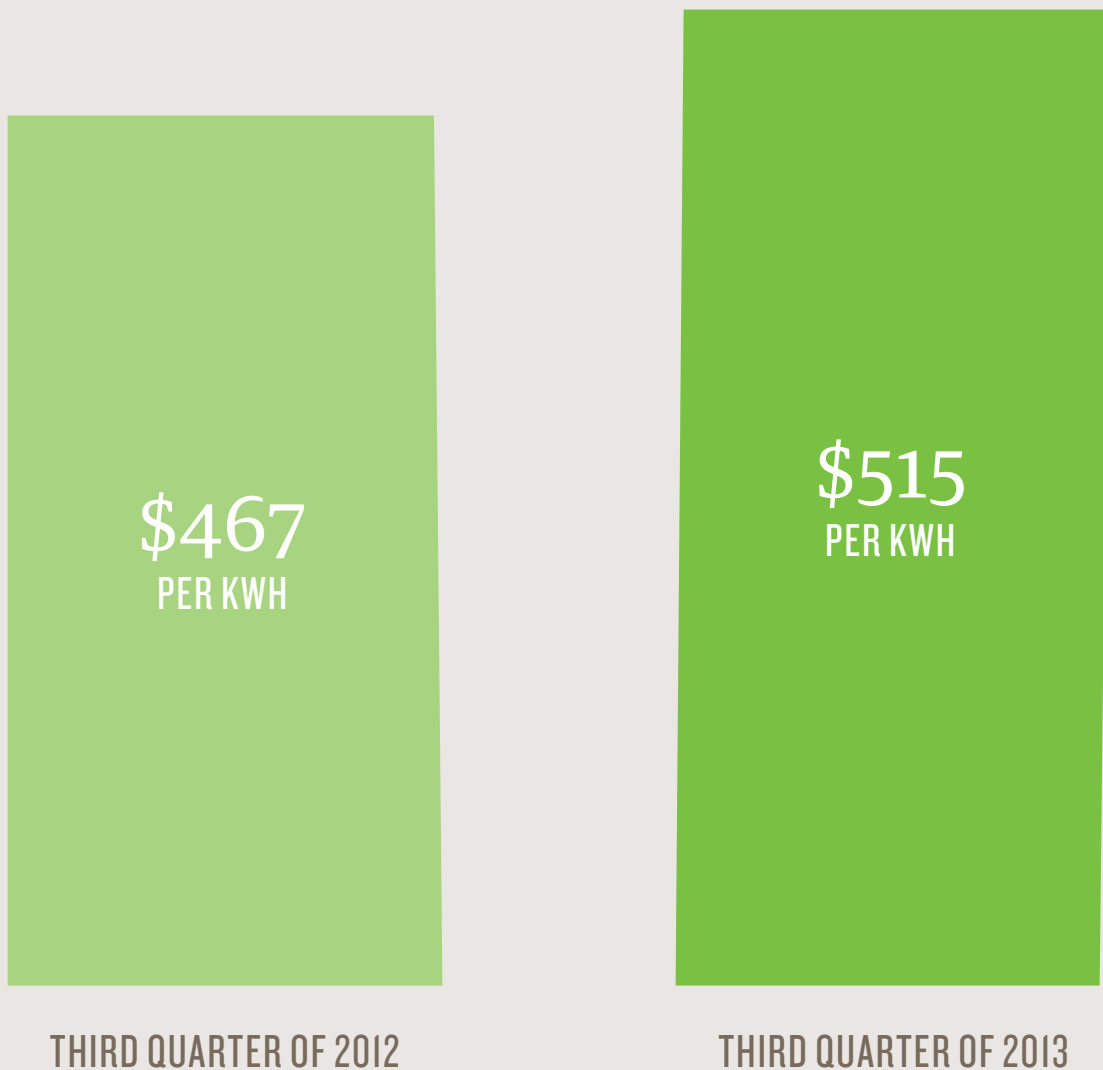


*This is an annual estimate
based on 6 months of data.

ELECTRICITY

This year, Etsy reduced the amount of energy our data center used per dollar of sales.

This means our company is earning more, while making our website a lot more energy efficient.



WASTE

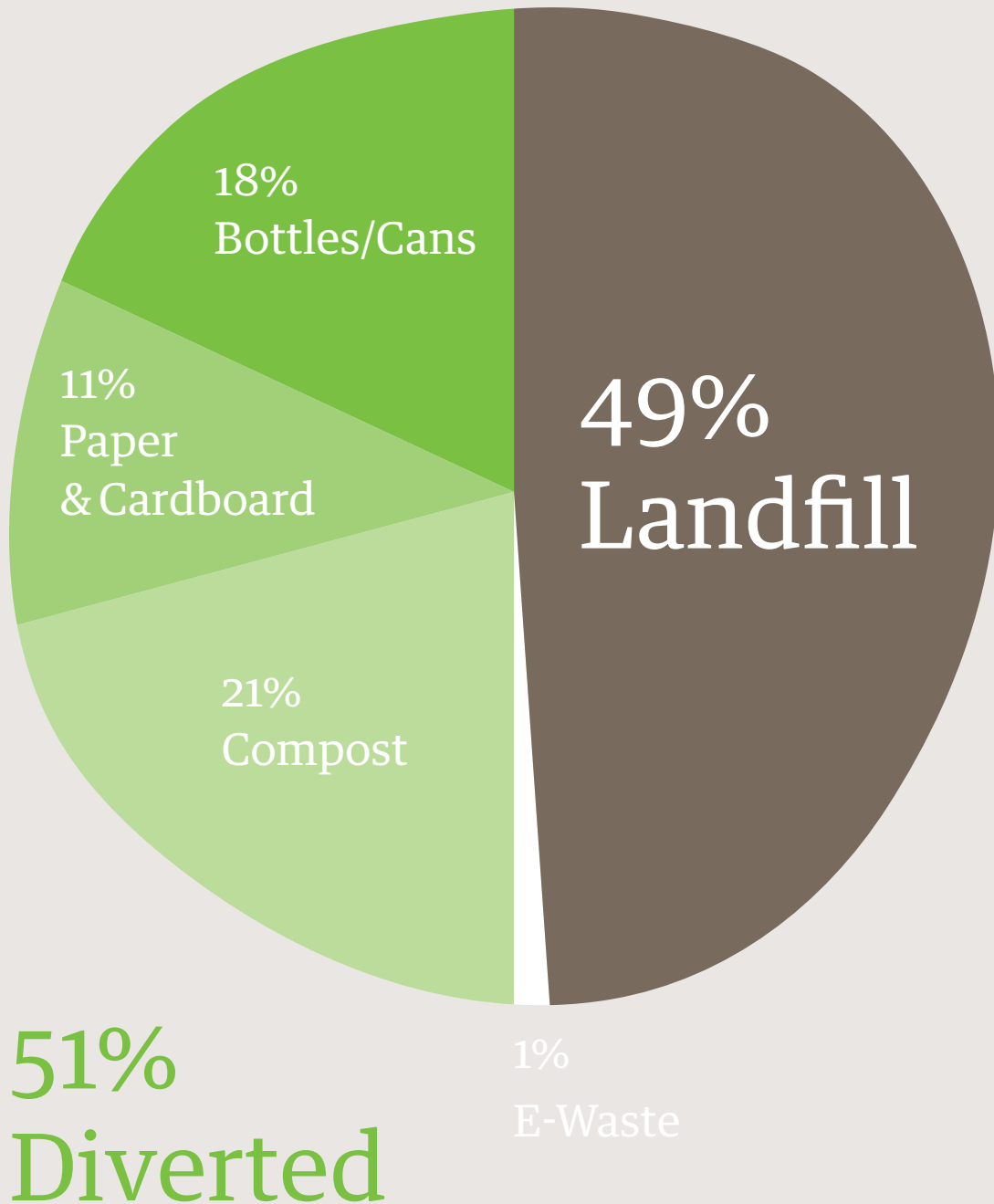
Landfills

This year we implemented a number of waste reduction initiatives: we moved to double-sided-default printing, eliminated disposable cutlery, cups, and batteries, moved towards bulk-packaged foods, and improved recycling and composting receptacles and signage.

Our overall rate of diversion from landfill went from around 46% in the first half of the year to 57% in the second half of the year. We sent 3.1 metric tons of waste to the landfill in the last six months, down from 3.9 metric tons in the previous six months, for a total of seven metric tons for the year.

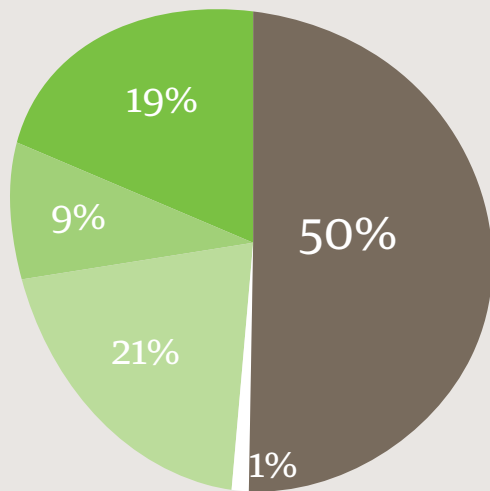
WASTE

What does Etsy's trash look like?

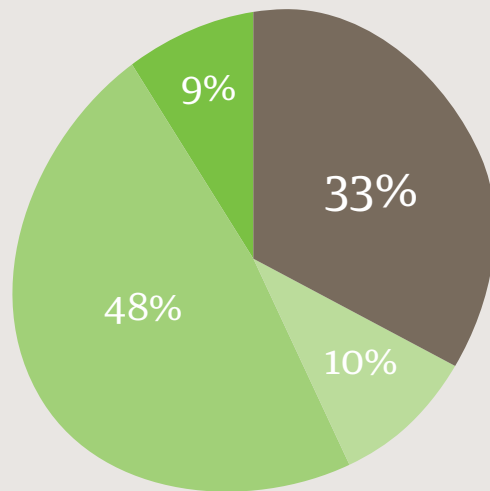


WASTE

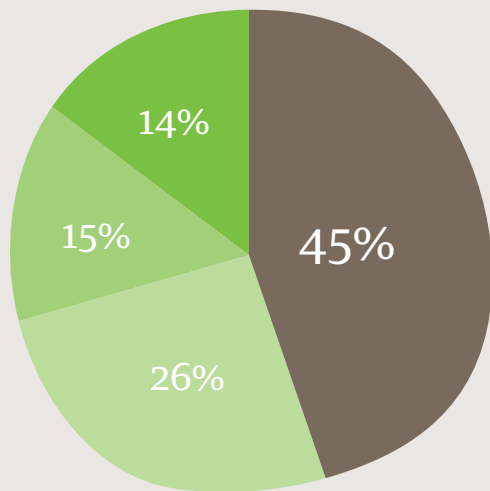
This is what the trash looks like in specific offices.



BROOKLYN



BERLIN



HUDSON



WASTE

This year we sent less overall waste to the landfill, thanks to the hard work of our employees.

3,487
LBS

FOURTH QUARTER OF 2012

2,786
LBS

FOURTH QUARTER OF 2013

11.0
LBS PER EMPLOYEE

FOURTH QUARTER OF 2012

7.3
LBS PER EMPLOYEE

FOURTH QUARTER OF 2013

IN CASE YOU WERE WONDERING

Oil and gas

Oil and gas used for heating is not metered in our office suites. We calculate our company's usage from the building totals in our primary locations, based on the square footage we lease. While we do include this estimate in our overall greenhouse gas emissions, we do not break it out as a metric for improvement because there is no way to know what our actual usage is.

IN CASE YOU WERE WONDERING

Water

While oil and gas use can be estimated by square footage, water is nearly impossible to estimate from a mass measurement. We have installed individual meters in some of our office suites but they only provide a partial picture of our consumption. That said, our water use as a company is minimal – generally just sinks and toilets. We have installed low-flow fixtures where we can and will continue to try to make conservation improvements whenever possible – but we have decided to focus our data collection efforts on the more substantial resources we consume.

REASONS TO LOVE ETSY



Trash Campaign

We take trash seriously. Every night we weigh our landfill waste, e-waste, recycling, and compost at each of our primary office locations. We even built our own dumpster scales to facilitate these measurements. Continuous tracking helps us measure the effects of programs designed to lower our overall waste and increase recycling and compost rates.

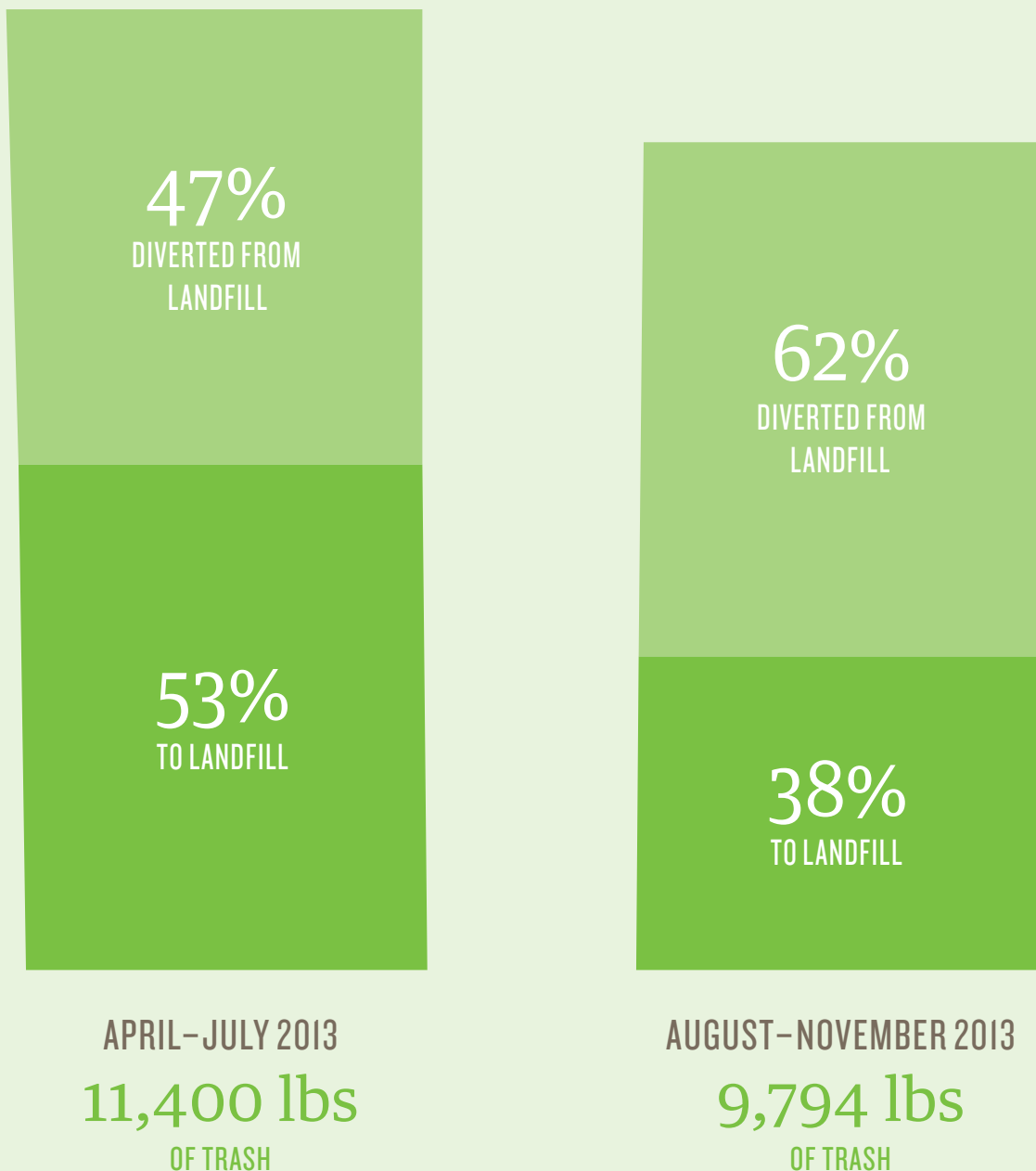
For example, we realized that a lot of recyclable and compostable materials were being sent to the landfill from our Brooklyn office because it was more convenient to throw everything in the nearest receptacle. So we decided to replace personal trashcans with trash stations – containing recycling and compost, as well as landfill sections.

Our hope was that people would recycle more, if we made it just as easy as the landfill alternative. This change was met with a few challenges. At first some employees felt inconvenienced and annoyed. **Their resistance settled over time and now everyone has gotten used to the new system.** We also found that despite recycling being familiar to most people, having very direct and clear signage was paramount to the program's success.

We started with beautifully designed, somewhat humorous illustrations to indicate the materials that go into each bin. After running behavioral observation and a corresponding survey, we found that having images of humorous items, like a cow skull on the landfill-bound sign, actually proved to be confusing. Essentially people don't want to have to think about where their trash should go. **We've been thrilled to see that since the program began, our compost rate has jumped 300%, our recycling rate has gone up 20%, and our overall waste to landfill has dropped 18%, despite a significant increase in headcount during that time period.**

TRASH PROGRAM

Through our new system we reduced overall waste by 18% and diverted 15% more from landfills.



5. Our Economic Impact

It's nice to have a million friends.

The Etsy community now includes over one million sellers worldwide. In the last year alone, they generated over \$1.35 billion in sales, a 50% increase over 2012 sales. We create economic opportunity for entrepreneurs and empower them to run their own creative businesses. This year we published the results of an extensive survey conducted at the end of 2012 with our US-based sellers. This seller economics survey was designed to give us a better understanding of the impact running an Etsy shop has on the lives of our sellers.

SURVEY RESULTS

Etsy income makes a difference in sellers' lives.

For 18% of Etsy entrepreneurs, selling creative goods is their full-time occupation.

For the remainder, Etsy sales supplement their other income and contribute to financial security:

36% using money to cover household expenses,

24% for discretionary spending, and

20% contribute to savings.

Etsy sellers identify as
small business owners.

74%

consider their Etsy
shops businesses

and

91%

aspire to grow their
sales in the future.

While just 29% of all enterprises in the US are women-owned,



88% of US Etsy sellers are women.



More Etsy sellers
are motivated by
creativity (81%)
than by income (68%).

Etsy sellers aren't typical
entrepreneurs who want to
quickly grow as big as possible;
Etsy sellers are independent,
self-sufficient and,
want to stay that way.

Etsy sellers are part of the economic shift toward flexible work.

48%
of sellers are independent, part-time, or temporary workers, and only

26%
have other full-time traditional jobs.

Etsy sellers are combining income from both salaried jobs and entrepreneurial efforts to make a living.

In an economy
where middle-wage
jobs have declined
dramatically,
Etsy provides new
opportunities to
bolster the middle
class through
micro-business.

Thank
you.