



Report of Independent Accountants

To the Board of Directors of Etsy, Inc.

We have reviewed management's assertion of Etsy, Inc. ("Etsy"), included in the accompanying Appendix A, that the selected sustainability metrics identified below and denoted by a dagger (†) within the Etsy 2017 Impact Update for the period January 1, 2017 to December 31, 2017 are presented in conformity with the assessment criteria set forth in management's assertion (the "assessment criteria").

- Total energy consumed
- Scope 1 (direct) greenhouse gas ("GHG") emissions
- Scope 2 (indirect) GHG emissions
- Scope 3 (indirect) business air travel GHG emissions
- Scope 3 (indirect) shipping GHG emissions

Etsy management is responsible for management's assertion. Our responsibility is to express a conclusion on management's assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA") in AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertion in order to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA.

We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

GHG quantification is subject to inherent uncertainty because of such things as emission factors that are used in mathematical models to calculate emissions and the inability of those models, due to incomplete scientific knowledge and other factors, to precisely characterize under all circumstances the relationship between various inputs and the resultant emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

Data related to total energy consumed is subject to inherent limitations given the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different amounts or metrics being reported.

As discussed in Appendix A, Etsy has estimated GHG emissions for certain emission sources for which no primary usage data is available.

Based on our review, we are not aware of any material modifications that should be made to Etsy Inc. management's assertion presented in Appendix A in order for it to be fairly stated.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

August 6, 2018

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Appendix A

Management Statement Regarding Etsy Inc.’s Total Energy Consumed, Scope 1 (direct) and Scope 2 (indirect) Greenhouse Gas (GHG) Emissions Inventory, Scope 3 (indirect) Business air travel GHG Emissions Inventory, and Scope 3 (indirect) Shipping GHG Emissions Inventory, for the year ended December 31, 2017

Overview

Management of Etsy, Inc. (Etsy) is responsible for the completeness, accuracy and validity of the selected metrics (the “metrics”) contained in this assertion, presented in Etsy’s 2017 Impact Update for the fiscal year ending December 31, 2017.

Management is responsible for the collection, quantification and presentation of the metrics for the year ending December 31, 2017 and for the selection or development of the criteria, which management believes provide an objective basis for measuring and reporting on the selected sustainability metrics.

With respect to the metrics in Etsy’s 2017 Impact Update identified below and denoted by a dagger (†) in such report, the management of Etsy asserts that such sustainability metrics are presented in conformity with the assessment criteria set forth below. Metrics in the report for which 2016 historical data has also been subject to previous review procedures are denoted by a double dagger (‡). The figures included in the report have been rounded to the nearest whole number unless otherwise indicated.

Metric Description	Definition of Metric / Assessment Criteria	Metric Quantity Fiscal 2017 Location Based	Metric Quantity Fiscal 2017 Market Based
Total Energy Consumed (MWh)	<p>Direct and Indirect Energy Consumed</p> <p>Direct energy consumption: Total Megawatt hours (“MWh”) of direct energy purchased, including natural gas and fuel oil for the year ended December 31, 2017</p> <p>Indirect energy consumption: Total MWh of indirect energy purchased, including purchased electricity, heat and steam generated off-site for the year ended December 31, 2017</p>	11,153 MWh	11,153 MWh
Scope 1 GHG Emissions (MT CO ₂ e) from direct energy consumption and fugitive emissions from refrigerant gas loss	Metric tonnes of carbon dioxide equivalent emissions (MT CO ₂ e) for the year ended December 31, 2017, based on direct Scope 1 energy consumption and fugitive emissions from refrigerant gas loss	467 MT CO ₂ e	467 MT CO ₂ e

	Scope 1 emissions are based on the stationary combustion of natural gas, and fuel oil multiplied by their associated emission factor. In addition, Scope 1 emissions include fugitive emissions from refrigerant gas loss		
Scope 2 GHG Emissions (MT CO ₂ e) from indirect energy consumption	MT CO ₂ e for the year ended December 31, 2017, based on Scope 2 indirect energy consumption Scope 2 emissions are the result of the use of purchased electricity, heat and steam generated off-site, multiplied by the associated emission factor	3,152 MT CO ₂ e	2,209 MT CO ₂ e
Total Scope 1 and Scope 2 GHG Emissions (MT CO ₂ e)		3,619 MT CO ₂ e	2,676 MT CO ₂ e

Metric Description	Definition of Metric / Assessment Criteria	Metric Quantity Fiscal 2017
Scope 3 GHG Emissions (MT CO ₂ e) (indirect) from business air travel	MT CO ₂ e for the year ended December 31, 2017, based on energy consumption of our air travel providers in transporting our employees	550 MT CO ₂ e
Scope 3 GHG Emissions (MT CO ₂ e) (indirect) from shipping	MT CO ₂ e for the year ended December 31, 2017, based on the energy consumption of our shipping carriers in delivering products	118,153 MT CO ₂ e

Etsy uses the principles and guidance of the World Resources Institute (WRI) and the World Business Council for Sustainable Development's (WBCSD) *Greenhouse Gas Protocol Initiative's Corporate GHG Accounting and Reporting Standard, Revised* (the "GHG Protocol"), and the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, recognized external standards, to calculate and report direct and indirect GHG emissions.

For total Scope 1 and 2 emissions, using location-based reporting, metric tonnes of greenhouse gases are 3,595 MT of CO₂, 0.3 MT of CH₄, 0.04 MT of N₂O, 0.001 MT of HFC (specifically R410a), and 2 MT of CO₂e (for HFCs). For total Scope 1 and 2 emissions, using market-based reporting, metric tonnes of greenhouse gases are 2,652 MT of CO₂, 0.2 MT of CH₄, 0.03 MT of N₂O, 0.001 MT of HFC (specifically R410a) and 2 MT of CO₂e (for HFCs).

Note: The World Resources Institute (WRI) and World Business Council for Sustainable Development

(WBCSD) issued additional guidance for Scope 2 emissions in 2015 (in *GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard*), which sets forth reporting under both location-based and market-based methodologies, where the prior version of the GHG Protocol only addressed a location-based methodology. The location-based method applies average emissions factors that correspond to the grid where the consumption occurs, whereas the market-based method applies emissions factors that correspond to energy purchased through contractual instruments. Where contractual instruments were not purchased, the market-based emissions factors represent either the residual mix, where available, or the location grid-average factors. Etsy is reporting under both location-based and market-based methodologies.

Organizational Boundary

Etsy is using the operational control approach in conformance with the GHG Protocol to report our direct and indirect energy consumption as well as our GHG emissions from our leased space, which included fifteen offices and three data centers leased by Etsy between January 1, 2017 and December 31, 2017. Etsy leased space in this fiscal year also included certain sites that were only operational for part of the year.

Scope of Metrics

Scope 1 includes direct GHG emissions from stationary combustion of natural gas and fuel oil, as well as refrigerant gas loss. Scope 2 includes indirect GHG emissions from the use of purchased electricity, heat and steam generated off-site. CFC's and HCFC refrigerants are not included in Etsy's GHG inventory; they are considered optional information to be reported separately from Scope 1 and Scope 2 GHG emissions per the GHG Protocol. Scope 3 Business air travel includes global air travel of Etsy employees. Scope 3 Shipping includes emissions from the global shipment of goods between Etsy's buyer and seller in the fiscal year.

Greenhouse gas emissions have been calculated using energy consumption data or gas loss, and multiplied by the relevant greenhouse gas emission factors for carbon dioxide, methane and nitrous oxide emissions, or by the global warming potential relevant to each refrigerant gas. In order to provide the most accurate estimate of Etsy's GHG emissions, primary data provided by third party invoices was used where available. Secondary data in the form of estimates, extrapolations and industry averages was used when primary data was not available. See our GHG Emissions Factors and Estimation Methodology sections below for details.

GHG Emission Factors

Carbon dioxide emissions and equivalents have been determined on the basis of measured or estimated energy and fuel usage, multiplied by relevant carbon emission factors and for carbon dioxide equivalent emissions taking into account relevant global warming potentials.

Emission Source	Emissions Source Type	Emission Factor Employed
Scope 1, Europe	Fuel Oil	Department for Business, Energy and Industrial Strategy (2017). 2017 Government GHG Conversion Factors for Company Reporting
Scope 1, United States	Natural Gas	For CO ₂ : EPA (2015). GHG Emission Factors Hub. Center for Corporate Climate Leadership. November 2015 http://www.epa.gov/climateleadership/inventory/ghg-emissions.html . Accessed July 2016. For CH ₄ and N ₂ O: EPA (2017). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2015. United States Environmental Protection Agency
Scope 1, Europe	Natural Gas	Department for Business, Energy and Industrial Strategy (2017). 2017 Government GHG Conversion Factors for

		Company Reporting
Scope 1, Global	Refrigerant Gas Loss	Actual data: IPCC (2007). IPCC Fourth Assessment Report: Climate Change 2007. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge. Estimated data: EPA (2016). Accounting Tool to Support Federal Reporting of HFC Emissions Version 1.1. Prepared by ICF International under contract for the US Environmental Protection Agency. Accessed from: https://www.epa.gov/snap/reducing-hydrofluorocarbon-hfc-use-and-emissions-federal-sector-through-snap#accounting-tool
Scope 1, Global	On-site electricity generation (renewable sources)	IEA (2009). CO2 Emissions from Fuel Combustion, 2009 Edition, Highlights. International Energy Agency
Scope 2, Global	District Heat & Steam	IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual from the Intergovernmental Panel on Climate Change to calculate emissions from district heat and steam US/North America EPA (2015). GHG Emission Factors Hub. Center for Corporate Climate Leadership. July 2016
Scope 2, United States	Grid Electricity	United States EPA eGRID sub-region emission factors for electricity purchased in the U.S. Electricity emission factors are updated annually based on the most current data available EPA 2017 eGrid 2014 (v2) data
Scope 2, United Kingdom	Grid Electricity	Department for Business, Energy and Industrial Strategy (2017). 2017 Government GHG Conversion Factors for Company Reporting.
Scope 2, Ireland	Grid Electricity	IEA (2017). Statistics http://www.iea.org/statistics/topics/CO2emissions/ IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge
Scope 2, Germany	Grid Electricity	IEA (2017). Statistics http://www.iea.org/statistics/topics/CO2emissions/ IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge
Scope 2, France	Grid Electricity	IEA (2017). Statistics http://www.iea.org/statistics/topics/CO2emissions/ IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge
Scope 2, Australia	Grid Electricity	IEA (2017). Statistics http://www.iea.org/statistics/topics/CO2emissions/

		<p>/</p> <p>IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge</p>
Scope 2, Ontario	Grid Electricity	EC (2017). National Inventory Report. Greenhouse Gas Sources and Sinks in Canada: 1990 - 2015. Environment Canada
Scope 3	Business air travel	Department for Business, Energy and Industrial Strategy (2017). 2017 Government GHG Conversion Factors for Company Reporting
Scope 3	Shipping	USPS calculated GHG emissions for shipping of products from an Etsy seller to an Etsy buyer

In quantifying market-based electricity GHG emissions, GHG Protocol Scope 2 Guidance defines a hierarchy of factors for quantifying market-based emissions, in order from highest to lowest preference. The table below provides a description of the hierarchy and the relevance to Etsy for the current year inventory.

Emission Source Type	Emission Factor Employed
Direct line connection	Not applicable
Energy attribute certificates	Etsy applies a zero emission factor for on-site solar generation where Renewable Energy Credits generated are retained by Etsy; and for purchased renewable energy attribute certificates applied to Etsy's operations.
Electricity contracts	Not applicable
Energy supplier-specific emission factors	Not applicable
Residual mix	Europe: Etsy uses available country emission factors from Association of Issuing Bodies (AIB).
Location-based factors	If none of the above options are available, Etsy uses location-based factors as described in the table above.

Uncertainty

GHG quantification is subject to inherent uncertainty because of such things as emission factors that are used in mathematical models to calculate emissions and the inability of those models, due to incomplete scientific knowledge and other factors, to precisely characterize under all circumstances the relationship between various inputs and the resultant emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

Etsy recognizes that air travel remains an estimate since unforeseen circumstances can occur (e.g., different routes due to adverse weather, or aircraft fleet changes), however the figure presented follows DEFRA methodology and is considered to be a reasonable estimate of Etsy's air travel emissions (refer to <https://www.defra.gov.uk/environment/economy/business-efficiency/reporting/>).

Base data

Base data utilized in the calculation of Scope 1 (direct), Scope 2 (indirect) and Scope 3 (indirect) GHG emissions is obtained from direct measurements for Scope 1, third-party invoices for Scopes 1 and 2, estimates for Scopes 1 and 2, reports provided by a third-party with flight distance detail for Scope 3 business travel, and accounting systems and reports provided by a third party for shipping transaction and emissions data, respectively, and from estimates described below.

Estimation Methodology

In 2017, the Scope 1 and Scope 2 (market-based) GHG emissions were comprised of 2% estimated data and 98% actual data. Note that actual data refers to actual activity data (and not actual emissions data), as the activity data may rely on average non-standard conversions, such as energy content of fuel or energy intensity per surface area, before applying average emission factors to convert data into emissions. We continue to work to increase the amount of actual energy data (without the need for non-standard conversions) available at our sites. More significant assumptions were as follows:

Energy Data – Offices: Where available, annual energy consumption for offices was sourced preferentially from utility bills specific to Etsy's occupied spaces; any missing consumption in such cases - either temporarily or from certain meters - was estimated as follows:

- Where specific days or meter information was not available for a specified time, but Etsy received some actual 2017 data, the missing data was estimated using either a monthly or daily average consumption rate.
- Where actual consumption data was not available for the reporting period, but for an alternative time period which covered a full calendar year, this calendar year was assumed equivalent to the consumption over the reporting period.
- Geographically relevant properties with actual data were also applied to properties with missing data, using an intensity factor based on periods with actual data (e.g., data from Toronto – 101 College was applied to Toronto - WeWork).
- For facilities where no energy consumption data was available for 2017, relevant energy was estimated using either consumption from a previous year (e.g., for district heating for Berlin – Ritterstrasse 12-14) or office area and researched intensity values¹ specific to the energy type and location in question.

Energy Data – Data Centers: Etsy included both server and overhead consumption; the server data was based on actual invoices, and estimated overhead energy data was derived from server consumption and Power Usage Effectiveness (PUE) from the total building provided by the landlord to calculate Etsy's share. If PUE data is not available at one location, Etsy will take an average of the other actual PUE data points to estimate the overhead. No PUE was estimated by taking an average in this reporting period.

Fuel Oil Data: At Etsy's ALM Paris office, the heating source was confirmed to be a fuel tank in the basement, which used "domestic" fuel. Emissions were assumed equivalent to that of heating oil (BEIS 2017), which is used in heating systems.

¹ In 2017 researched intensity metrics were applied to both Toronto sites for district heating using data from the Energy Information Administration (EIA) (2016). 2012 Commercial Buildings Energy Consumption Survey (CBECS). Available online: <http://www.eia.gov/consumption/commercial/>. Accessed May 2016, Three of the Paris sites, namely 13 Rue d'Uzès, 33 Lafayette and Partech Shaker, relied on electricity consumption intensity for an all electric naturally ventilated office using data from The Chartered Institution of Building Services Engineers (2012). Energy efficiency in buildings, CIBSE Guide F.

Refrigerant data - We did not have sufficient refrigerant source data for Berlin – Friedrichstrasse 68, London Holford Yard, Melbourne – 388 Bourke, Melbourne – 41 Stewart, Paris – 13 Rue d’Uzes, Paris – 33 Lafayette, Paris – Partech Shaker, San Francisco – 20 California, Toronto - WeWork, or the three data centers; we estimated refrigerant gas loss considering building type, surface area, type of refrigerant gas, type of equipment, and number of units per surface area using the following data source EPA (2016). Accounting Tool to Support Federal Reporting of HFC Emissions Version 1.1. Prepared by ICF International under contract for the US Environmental Protection Agency. Accessed from: <https://www.epa.gov/snap/reducing-hydrofluorocarbon-hfc-use-and-emissions-federal-sector-through-snap#accounting-tool>. Refrigerant gas loss associated with the three data centers were excluded on the basis of immateriality, as the methodology does not include assumptions specific to data centers.

Air travel: GHG emissions for business air travel are calculated using mileage information provided by Etsy’s commercial travel managers, primarily Tangerine. Distances between origin and destination airports for travel by CTM and Workday were found by Ecometrica using an on-line tool to calculate Great Circle Distance.

Shipping: Emissions from shipping activity are based on third-party reports with CO₂e information received from our shipping contractor, primarily USPS. Where shipments are made outside of this contractor, we calculate the distance between buyer and seller using our internal records of buyer and seller latitude and longitude. We also apply an uplift of 12% to the direct mileage between buyer and seller, based on a sample of our actual shipments made in 2017, to take into account mileage using road transportation and direct flights (rather than ‘as the crow flies’). We review this factor annually. The goods shipped outside of our shipping contracts are allocated a ‘weight’ class, based on the product type, using data from our internal records. This weight and estimated mileage are then used to calculate the emissions for any individual shipments transported outside of our contractor, USPS.

Exclusions

Each year we aim to increase the quality of the data reported. As tenants of leased facilities, we do not yet have access to data related to heat source or generator diesel use in our data centers, complete refrigerant sources, and certain shared building common spaces energy sources. We are pursuing this data for future reports.