

Etsy



CREATIVITY UNLEASHED

Contents

Introduction

- 1 Keeping Commerce Human
- 3 Inside the world of Etsy

Positive impact

- 5 Driving a positive impact
- 7 The story of how we create value
- 9 Keeping Commerce Human

Etsy, Inc.

- 11 Behind the scenes: Etsy people making Etsy work
- 13 Committed to diversity and inclusion

Ecosystem

- 15 Our ecosystem
- 17 A resilient business—and planet
- 19 Our path to 100% renewable electricity
- 20 The bigger picture

Sellers

- 21 Etsy sellers: Changing lives through creativity
- 23 Forces of imagination

Buyers

- 25 Etsy buyers: Bringing “special” to life

The details

- 27 Transparency Report
- 29 The Etsy approach to business
- 30 About this report

Keeping Commerce Human

At the very heart of Etsy is our mission: Keep Commerce Human. This mission is rooted in our belief that, although automation and mass production are parts of modern life, creativity can't be automated and human connection can't be commoditized. This is what makes Etsy and our marketplace distinct from mass retailers. We exist as a business in order to *Keep Commerce Human*.

Staying true to our mission means thinking of all the stakeholders who depend on us, and working to deliver value to each of them. In 2017, we sharpened our focus on our core marketplace and brought greater clarity to our impact work. Our impact strategy is focused on three key pillars that guide our approach to driving positive change while nurturing and growing our marketplace:

- Making creative entrepreneurship a path to economic security and personal empowerment by ensuring opportunities for our sellers, making charitable and in-kind donations, and advancing public policies that affect our community.
- Enabling equitable access to the opportunities we create through increasing representation of underrepresented groups and ensuring equity in our workforce, building a sustainable supply chain, and increasing underrepresented populations within our seller community.
- Building long-term resilience by eliminating our carbon impacts and fostering responsible resource use with specific goals and targets in place.

You'll find more information about our impact strategy on page 5.

Consumers today are demanding higher standards from the businesses they support. We believe that the companies that will continue to be successful tomorrow are those that care not just about profit, but about people, communities, and the planet, too. That's what Keeping Commerce Human is all about.

Join us on our journey. Although we're excited about the progress we've made so far, we know that there is more work ahead of us. Transparent and regular reporting is a critical step to holding ourselves accountable, which is why we're proud to publish this report—a detailed look at our business and impacts.

As we move forward, we believe that we can—and should—be both a great business *and* a great corporate citizen. We like to say that economic empowerment is our day job, so our business model and impact strategy are mutually reinforcing. As a socially responsible company, we believe we need to hold ourselves to an even higher bar for excellence in execution. There are many counting on us and the stakes are high. We are emboldened by our belief that Etsy can continue to create value for all of our stakeholders.



Josh Silverman,
Chief Executive Officer



Inside the world of Etsy

The Etsy marketplace

In 2017, we connected 1.9 million creators with 33.4 million thoughtful consumers in nearly every country in the world. There are more than 50 million items for sale across dozens of retail categories on Etsy.com. In 2017, our marketplace generated \$3.3 billion of Gross Merchandise Sales (GMS), the highest-ever level for our company.

Our tools and services

We offer a range of tools and services that are designed to make it easy for creative entrepreneurs to start, manage, and scale their businesses—from shipping and tracking items to managing inventory, running ad campaigns and promotions, creating beautiful custom websites, and even bookkeeping and accounting.

Our employees

As of December 31, 2017, we had 744 employees worldwide, with 452 employees located in our headquarters in Brooklyn, New York. Of those employees, 237 were in engineering, 97 in product, 161 in member operations, 102 in marketing, and 147 in other corporate teams.

The markets we serve

Etsy buyers and sellers are located all over the world. Our six core geographic markets are the United States, the United Kingdom, Canada, Australia, France, and Germany. In 2017, 33% of our GMS was generated between an Etsy seller, Etsy buyer, or both, located outside of the United States.

Etsy 2017 marketplace highlights

GMS

\$3.3B

Number of active sellers

1.9M*

Number of active buyers

33.4M*

Percent Mobile GMS

51%

Percent International GMS

33%

% of active sellers using Etsy Payments

49.9%

*As of December 31, 2017.

Etsy 2017 financial highlights

Revenue

\$441.2M

Gross profit

\$290.2M

Net income

\$81.8M

Operating expenses

\$278.3M

Unless otherwise noted, all numbers in this report are for the full year 2017.

Driving a positive impact

We've developed an impact strategy that outlines the specific ways we intend to make positive change in the world. It's based on using our core business to generate positive economic, social, and ecological value for our community and our stakeholders while nurturing the Etsy marketplace.

Each element of this strategy reflects the impact we want to have on our community and our world while advancing and complementing our business strategy. We know that today's consumers are holding businesses to higher standards for good corporate citizenship. We want to best position Etsy to succeed by offering unique solutions that are good for people, the planet, and profit.

The Etsy business drives our positive impact and our impact initiatives drive our business. For example, helping sellers earn more sales directly correlates to growth in our marketplace. Similarly, there's a wealth of business research showing the positive relationship between diversity and innovation and we believe that fostering a more diverse workforce will drive ideation to propel our business forward. And reducing a company's carbon footprint can lead to lower operational costs. Aligning our mission, values, and impact strategy alongside our business strategy is critical to growing sustainably and positioning us for continued success.

This alignment highlights our commitment to use the power of our business as a force for good in the world.

Our Strategy for Impact

OUR GOALS

WE'RE MAKING THEM HAPPEN BY

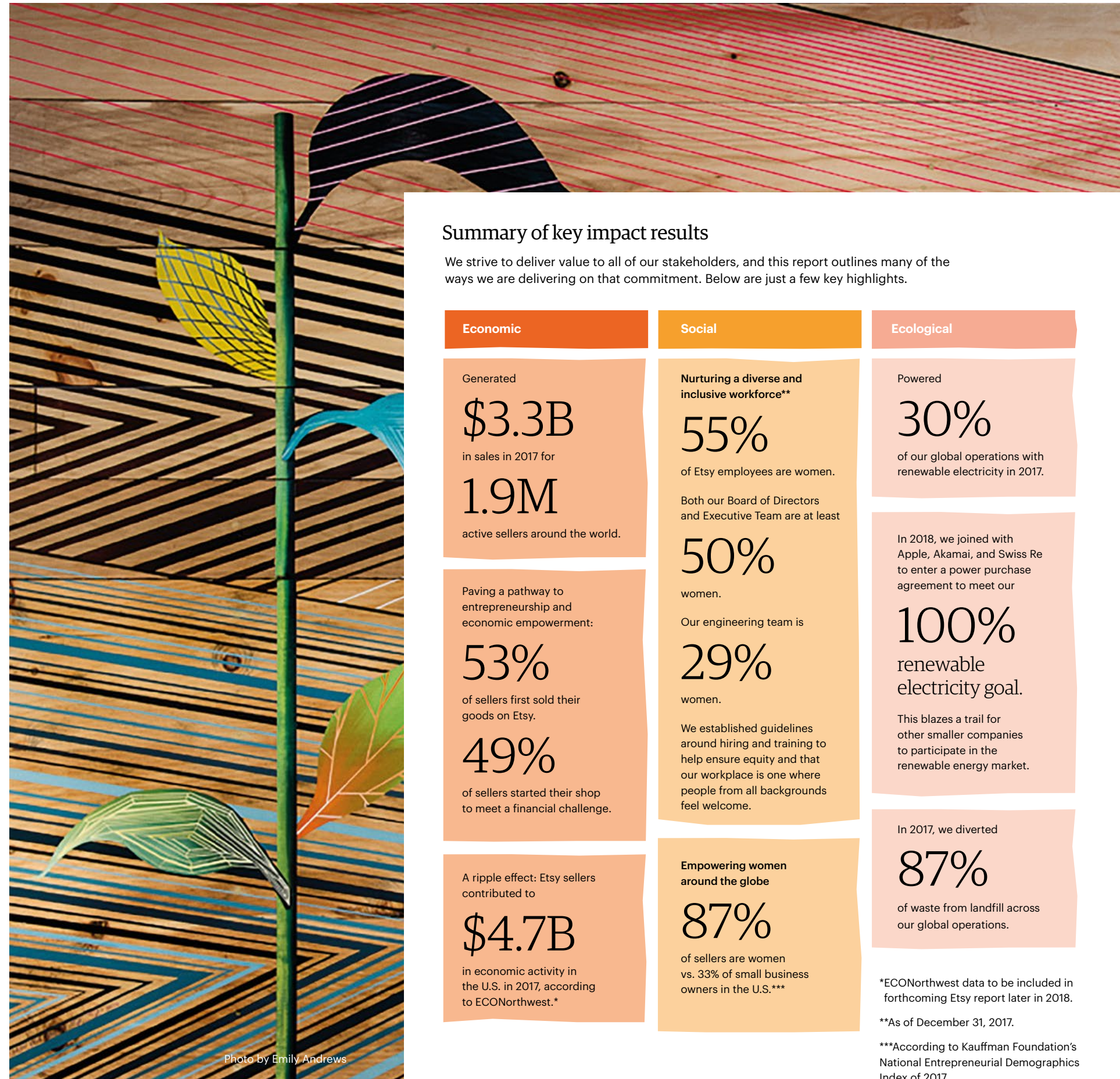
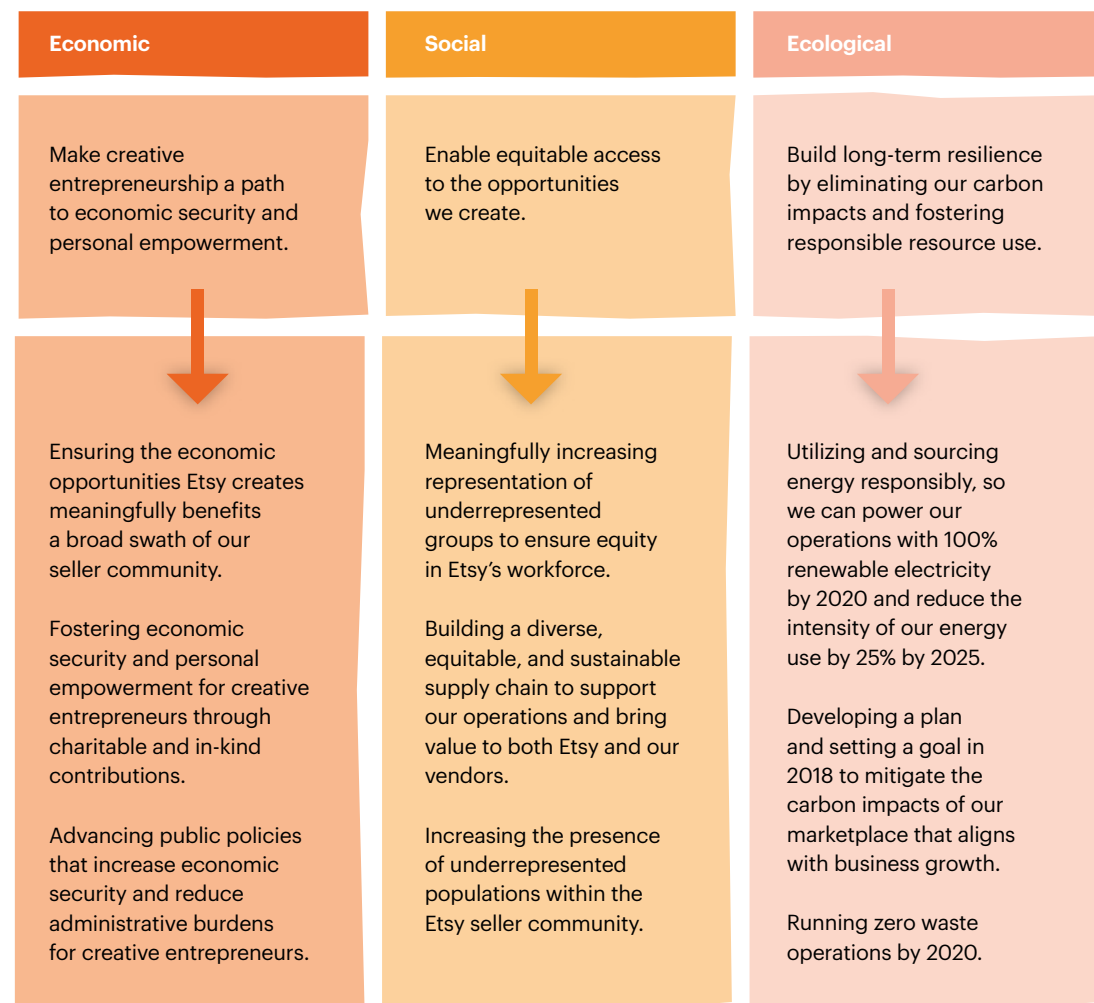


Photo by Emily Andrews

Summary of key impact results

We strive to deliver value to all of our stakeholders, and this report outlines many of the ways we are delivering on that commitment. Below are just a few key highlights.

Economic	Social	Ecological
<p>Generated \$3.3B in sales in 2017 for 1.9M active sellers around the world.</p>	<p>55% of Etsy employees are women. Both our Board of Directors and Executive Team are at least 50% women. Our engineering team is 29% women. We established guidelines around hiring and training to help ensure equity and that our workplace is one where people from all backgrounds feel welcome.</p>	<p>Powered 30% of our global operations with renewable electricity in 2017.</p>
<p>Paving a pathway to entrepreneurship and economic empowerment: 53% of sellers first sold their goods on Etsy. 49% of sellers started their shop to meet a financial challenge.</p>	<p>In 2018, we joined with Apple, Akamai, and Swiss Re to enter a power purchase agreement to meet our 100% renewable electricity goal. This blazes a trail for other smaller companies to participate in the renewable energy market.</p>	<p>In 2017, we diverted 87% of waste from landfill across our global operations.</p>
<p>A ripple effect: Etsy sellers contributed to \$4.7B in economic activity in the U.S. in 2017, according to ECONorthwest.*</p>	<p>87% of sellers are women vs. 33% of small business owners in the U.S.***</p>	<p>*ECONorthwest data to be included in forthcoming Etsy report later in 2018. **As of December 31, 2017. ***According to Kauffman Foundation's National Entrepreneurial Demographics Index of 2017.</p>

The story of how we create value

Hint: It involves people. People make Etsy possible. We provide a meaningful space for sellers to turn their creative passions into opportunity. We enable buyers to discover unique items made with care. And we treat our employees and our community with respect. We're here because we believe that the world needs less of the same and more of the special.



We make it our goal as a business to create value for our company, our employees, our sellers, our buyers, and our shareholders—each of which plays a role in Etsy's future success. Our business strategy is focused on creating value by growing our marketplace in our core geographies and owning special purchase occasions throughout the year.

We aim to empower our passionate community of 2 million Etsy sellers to compete and win against mass retailers by providing a marketplace for unique commerce to flourish and grow.

We believe that we can achieve these goals by executing on our four key initiatives:

Improving trust and reliability. We want to ensure that the Etsy brand delivers a dependable and trustworthy buying experience and improve conversion.

Enhancing search and discovery. We're helping buyers better navigate the over 50 million items on Etsy.com to find just the item they are looking for.

Building world-class marketing capabilities. We are focused on driving traffic to Etsy.com by utilizing our own marketing efforts and the efforts of our sellers, primarily through digital acquisition marketing, search engine optimization (SEO), social channels, and email.

Providing best-in-class services and tools. We plan to continue to invest in free tools and paid services to help Etsy sellers start, manage, and scale their businesses.

Keeping Commerce Human

Our day job is economic empowerment—providing a marketplace that allows creative entrepreneurs to start, manage, and scale their businesses. This is how Etsy creates value and empowers people every day.

Our ecosystem

Includes a set of external factors that support our success, such as: a strong e-commerce foundation; access to clean, renewable energy; laws that allow creativity and entrepreneurship to thrive; and a healthy natural environment.

Our community

Is filled with not only our buyers, sellers, and employees, but all of those who make it possible for us to live our mission.

Our business

Is a trusted marketplace where sellers can grow and pursue their creative businesses and buyers can find unique and special items. This is all supported by our passionate team at Etsy.



Our ecosystem

An environment that supports and nurtures creative entrepreneurship.

Our community

Empowered people who come together to Keep Commerce Human.

Our business

Delivers more joyful moments to buyers, empowers more creative entrepreneurs to build successful businesses, and fosters the talents and careers of Etsy employees.

When everything is working together the way we envision, we get financially empowered sellers, delighted buyers, a strong and vibrant team of employees, and a healthy planet—all contributing in their own unique way to fulfilling the Etsy mission.

Etsy, Inc.

Continuously invests in our people, and the platform, to grow a vibrant creative marketplace.

Behind the scenes: Etsy people making Etsy work

Etsy has an action-oriented, values-based, purpose-driven work culture. We are a company where diverse and skilled people deliver innovative ideas to strengthen the buyer and seller experience. A company that strives to embody the ideas of sustainability and responsibility, with an impact that reaches beyond our own business.

**Building something that matters**

Building the Etsy platform means tackling some of the most interesting and complex challenges in e-commerce through human-centered design and engineering. It's a simple idea, but one that requires a companywide effort to make happen.

Developing Etsy employees

We want our employees to thrive at work. To support our employees' development needs, our Learning and Development team offers trainings, programs, retreats, coaching, and online resources on everything from how to invigorate a sluggish meeting to how to give constructive feedback.

We're building a culture of continuous self-development, where employees can give and receive constructive feedback that's timely, useful, and actionable. And we're creating structure around hiring, feedback, and recognition processes to mitigate potential biases and ensure that all employees have fair opportunities for advancement and success. We also provide healthy and [sustainable environments](#), programs, and services to help our employees do their best work.

Each year, Etsy conducts an internal survey to measure employee engagement. Employee engagement is linked to high performance, retention, innovation, and growth and it's defined as the level of commitment, motivation, and connection employees feel at Etsy. In 2017, 86% of employees worldwide responded to the survey. Our overall engagement score was 60% favorable. We take these surveys seriously because the feedback helps us better understand the current employee experience and provides insight on areas of strength and areas of improvement. We have used the results to guide the development of more dynamic programs that build knowledge and skills and build connectedness between employees.

All of this contributes to a skilled and engaged workforce that brings Etsy's mission to life.

A commitment to diversity and inclusion

At our core, we believe that diversity of backgrounds, thoughts, and experience brings out the best in all of us. In October 2017, we announced a diversity impact goal to "meaningfully increase representation of underrepresented groups and ensure equity in Etsy's workforce." To advance our goal, we are focused on recruiting, retention, training, and building an inclusive culture.

Creating hiring practices that help ensure equity and mitigate potential bias

We have put specific processes in place to help ensure that job applicants are all evaluated for the same skills keyed to a particular role. For example, in 2018, we implemented hiring rubrics to guide interviewers to ask the questions that directly relate to job skills, and to predetermine what excellent answers should sound like. Research demonstrates that when interviewers preselect the kinds of answers they want to hear, they are less likely to favor candidates who share their personality and/or background, and more likely to evaluate candidates according to the stated job criteria. We created these hiring guidelines to ensure that all candidates are evaluated fairly and with objective criteria, and we provided training on this to our hiring managers.

Continuing to mitigate potential bias in evaluation, promotion, and compensation

We know that creating and maintaining a diverse workforce is not just about hiring—retention and fairness in all employee processes are critical to ensuring that employees from all backgrounds want to stay and grow here. We have implemented a more formal companywide performance management process to support consistent and fair evaluations. We also periodically review employee compensation to help ensure it is fair and free from potential bias.

Providing diversity and inclusion training that hits the mark

We have established a regular cadence of diversity and inclusion training to help ensure that Etsy is the kind of place where candidates from all backgrounds can feel at home. We also have provided managers with in-person, highly interactive anti-discrimination and anti-harassment training because we know that handling these issues well is one of the core tenets of a quality workforce diversity program.

Communicating the inclusive culture at Etsy

We are proud of the diversity in our leadership. More than 50% of our Executive Team is women and half of our Board of Directors is also women.

We promote and resource our employee resource groups ("ERGs"), highlight key event months (e.g., Black History Month, Pride Month) and new partnerships, broadcast upcoming diversity-related happenings, select special Etsy shops in accordance with diversity-related events, and give our ERG leaders time and space in front of the entire Etsy community to share their group's mission and focus. Our ERGs include our Asian Resource Community, Black Resource and Identity Group at Etsy, Jewish People at Etsy, Hispanic Latinx Network, Parents ERG, Queer@Etsy, and Women and NonBinary People in Tech. We also remain open to the creation of new ERGs if employees want additional groups.

To help advance our Diversity & Inclusion goals, we actively participate in partnerships such as BlackTech Week, a global platform for black women and men in technology, and Out in Tech, which unites the LGBTQ+ tech community.

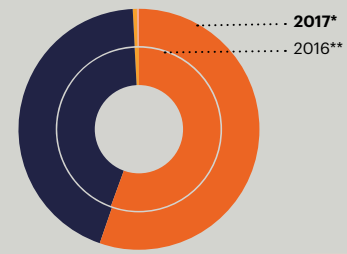
Committed to diversity and inclusion

Our values

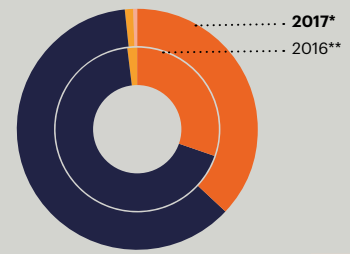
We want to support and enable parents, regardless of their gender, to play equal roles in building successful companies and nurturing their families. In 2016, we introduced a 26-week gender-blind parental leave policy that is available to all Etsy employees globally.

At Etsy, we're committed to gender balance

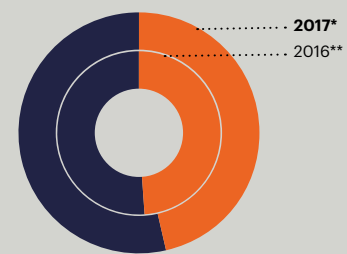
Overall gender (Global) (%)



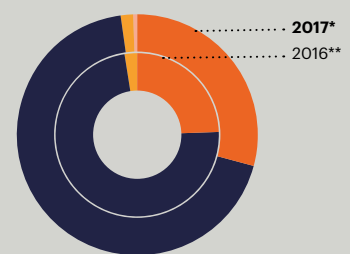
Tech roles by gender (Global) (%)****



Leadership roles by gender (Global) (%)***



Engineering roles by gender (Global) (%)



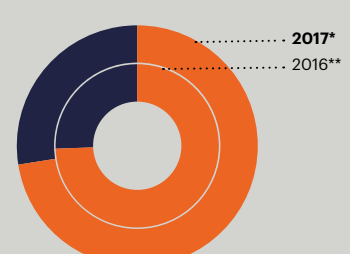
*As of December 31, 2017.

**As of December 31, 2016.

***Leadership roles defined as director level and above positions.

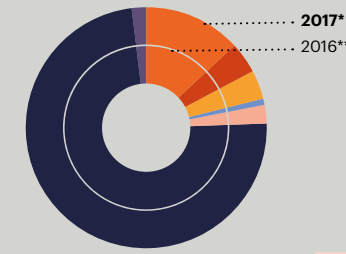
****We review our methodology periodically to ensure data integrity and to reflect the changing nature of our organization. Our jobs at Etsy grow and evolve with the business, and sometimes they require a new designation. In our 2017 10-K, filed with the U.S. Securities Exchange Commission on March 1, 2018, we reported that 38% of product, engineering, and technical operations employees were women. Since that report, we have adjusted the categorizations to exclude some brand, marketing, and product positions from what we define as technical roles. We've also added several new functions, including machine learning and data science, to this categorization.

Other business roles by gender (Global) (%)

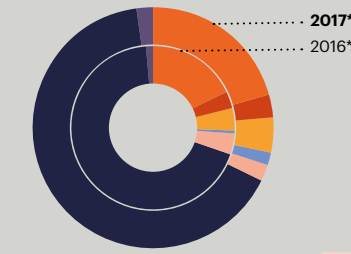


We're creating a diverse and inclusive workplace

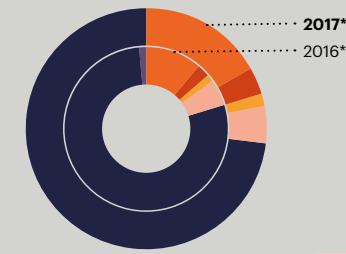
Overall race and ethnicity (U.S. only)



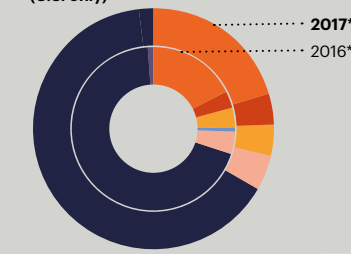
Tech roles by race and ethnicity (U.S. only)****



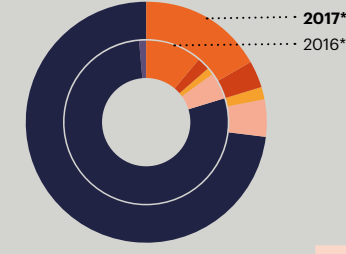
Leadership race and ethnicity (U.S. only)***



Engineering roles by race and ethnicity (U.S. only)



Other business roles by race and ethnicity (U.S. only)



Our ecosystem

Includes a set of external factors that support our success, such as: a strong e-commerce foundation; access to clean, renewable energy; laws that allow creativity and entrepreneurship to thrive; and a healthy natural environment.

Our ecosystem

A key element of Etsy's business is the ecosystem within which we operate and the foundation that enables our operations, our platform, and our customers' ability to connect, make, buy, sell, and ship globally.

In order to run a successful business, we rely on strong technological infrastructure, entrepreneurship-friendly laws, and a healthy natural environment. And we take our role within this ecosystem seriously, aiming to be a good neighbor, as well as a fierce advocate for positive, lasting change, and whenever possible, to mitigate our negative impacts.

Etsy exists in an evolving world. Here are some of the key external elements that play a role in our business operations and growth:

A strong e-commerce foundation. This includes access to the internet, network, and mobile infrastructure.

Access to clean, renewable energy. It takes energy to power our website and our apps, and we take seriously our responsibility to use this energy efficiently. Our focus on using renewable energy reduces our carbon impact, and contributes to a more resilient grid. The solar-paneled roof of our Brooklyn headquarters is visible proof of our commitment to responsible energy usage.

Laws that allow creativity and entrepreneurship to thrive. We proactively engage our community in crafting policy and regulatory solutions that enable Etsy sellers to run successful businesses. Individually, Etsy sellers may have limited influence, but together, they are a powerful force. That's why we advocate alongside our sellers for change where we believe it's needed, and educate policymakers at all levels of government about the Etsy community. We do this not only to enhance Etsy's ability to operate—and our sellers' ability to run their businesses—but also to help build creative economies and leave a positive, lasting impact on the world.

A healthy natural environment. Our sellers rely on materials like textiles, wood, and metals to create the special and unique items that they list on Etsy. Our policies prohibit our community from selling endangered or threatened animal species on Etsy.

This ecosystem allows our company not just to survive, but to thrive. We are committed to doing our part by investing in strategic initiatives that keep our ecosystem strong, safe, and resilient so that we can continue to grow as a business and fulfill our mission to Keep Commerce Human.

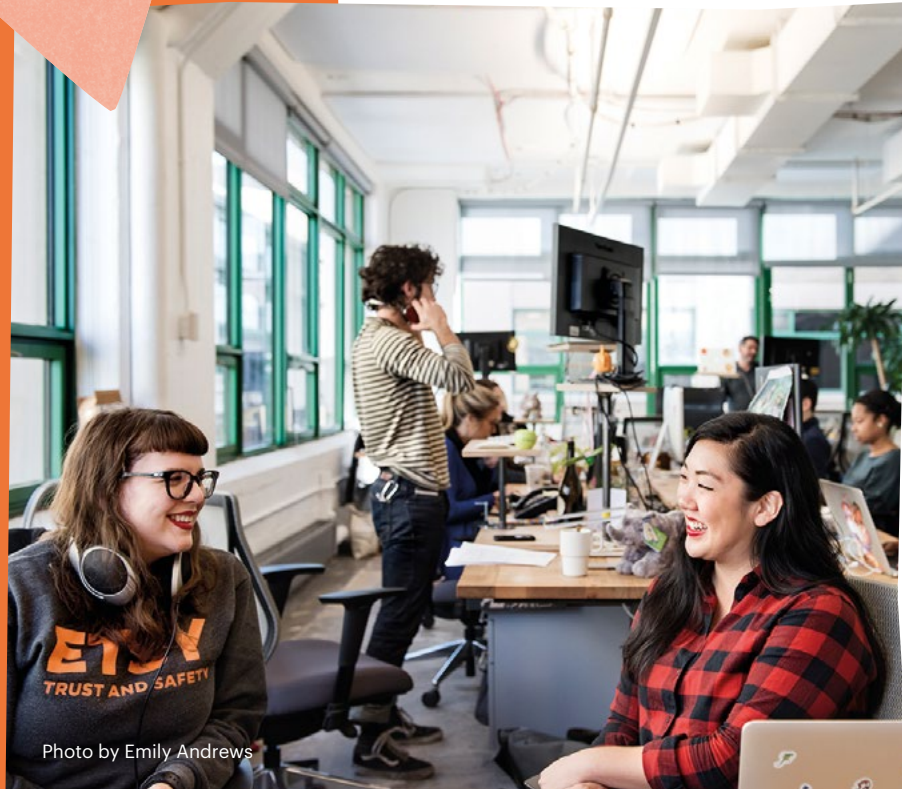


Photo by Emily Andrews

Making seller voices heard

Our community proved that Etsy sellers are a constituency lawmakers should care about by organizing digital petitions, letter-writing campaigns, public comments, and phone calls to U.S. Congress:

Nearly

6,000

Etsy sellers across the EU signed a letter to their finance ministers

3,000

Australian sellers wrote to their Senate

33,030

U.S. Etsy sellers submitted public comments to the Federal Communications Commission

15,000

Etsy sellers sent more than 50,000 messages to Congress about protecting net neutrality

Nearly

70,000

Etsy sellers took action in key markets on issues through various campaigns

Etsy and Etsy sellers participated in

36
public forums,

hearings, and conferences, including before the United Nations, the World Trade Organization, the European Commission, the UK Parliament, U.S. Congress, and Australian Senate

Taking a stand for the Etsy community

We support policy solutions that help grow the creative economy, and we believe in taking a stand for what helps Etsy and the Etsy community flourish. Individually, Etsy sellers' businesses may be small, but together they represent significant economic impact and opportunity. Yet policymakers often overlook the Etsy community when considering new laws, and fail to understand the common challenges they face—from managing complicated tax laws to the pains of international shipping. Leaders in government can help ease these barriers, but we need to educate them about Etsy sellers' unique experiences and needs. By coming together and advocating alongside Etsy sellers, we can enable creative entrepreneurs around the world to thrive.

Crafting support for policies that matter

From in-person meetings to online organizing, and telling their stories in local newspapers, Etsy sellers continue to prove that when they speak up, policymakers listen. We're so grateful to be able to stand side by side with our community of creative entrepreneurs crafting support for important issues. Our work includes:

- *Advocating alongside our sellers for rules that protect the open internet and reduce barriers to trade.* We believe that strong, enforceable rules that protect access to the internet, network, and mobile infrastructure strengthen our ecosystem. Over the years, we have been fighting for strong, enforceable neutrality rules in regulatory agencies, in the courts, and in Congress.
- *Getting face time with decision makers.* In 2017, Etsy sellers met in person with policymakers across the globe to discuss the issues that impact their microbusinesses, and the changes they'd like to see. We organized seller trips to Washington, D.C., and several European cities, including Paris, Geneva, London, and Berlin.

And because policymaking doesn't only happen in Capitol buildings, we also hosted policymakers in the towns where sellers live and work.

- *Elevating Etsy sellers in the public debate.* We publish research and thought leadership on relevant topics and often testify before congressional committees and panels in our core markets. We also submit public comments that make the microbusiness case for reducing trade barriers, and combating onerous administrative burdens that stymie entrepreneurship.



Photo by Emily Andrews

A resilient business—and planet

At Etsy, we recognize that we run our business within a complex global system. We rely on energy to run our operations, and many of our sellers depend on an abundant supply of materials to produce their unique and special items.

In the face of a changing climate, we need to be proactive in how we manage our resources. Etsy is committed to being a good environmental steward, and that's why one of our key impact goals is to build long-term resilience by eliminating our carbon impacts and fostering responsible resource use. We readily acknowledge that we're not there yet, but we know it's important to account for and be transparent about both our negative and positive impacts.

Reducing our impact on the planet

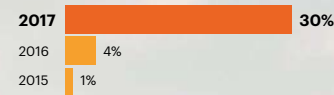
Here are some of the ways we're working to shrink our ecological footprint.

Energy

Renewable energy

We've committed to powering our operations with 100% renewable electricity by 2020. In 2017, we procured 30% of energy from renewable sources across global operations.

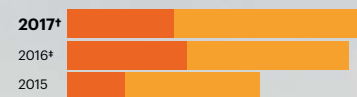
% renewable electricity



Energy efficiency

We've committed to reducing the intensity of our energy use by 25% by 2025, in our offices and our computing infrastructure. In 2017, we achieved a 3% reduction in office energy intensity, in kWh per square foot, based on a 2016 baseline.

Energy consumption (MWh)



	2015	2016	2017
Offices	2,160	4,524	4,042
Data centers	5,140	6,155	7,111

In 2017, we announced a multi-year move to Google Cloud Platform (GCP), transitioning away from operating our own data center infrastructure. Google's commitment to sustainability is one of the reasons why we selected them as our partner. Their highly efficient data centers will help us save significant energy. Moving to flexible cloud-based infrastructure also allows us to reduce major idle time and thus energy consumption.

Carbon

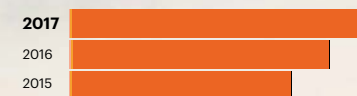
Marketplace shipping represents the lion's share of our carbon emissions. In 2018, we're developing a plan and setting a goal to reduce the carbon impacts of our marketplace that aligns with business growth.

Carbon emissions by Scope (tCO₂e)



	2015	2016	2017
Scope 1	172	410*	467*
Scope 2 - location	2,340	3,076*	3,152*
Scope 2 - market	N/A	2,946*	2,209*
Scope 3	90,196	105,295	119,444

Scope 3 carbon emissions by activity source (tCO₂e)



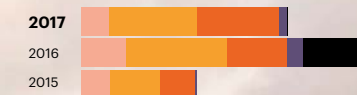
	2015	2016	2017
Air travel	804	967*	550*
Commuting	428	597	663
Shipping	88,925	103,646*	118,153*
Waste	5	18	7
Water	3	9	4
Electricity, transmission and distribution losses	1	9	3
Remote workers	30	49	64

To mitigate our carbon impact, we invested in carbon offsets equivalent to our 2017 Scope 1, 2, and 3 measured emissions, with the exception of marketplace shipping. Each carbon offset represents the removal or avoidance of one metric ton of carbon dioxide from the atmosphere.

Zero waste

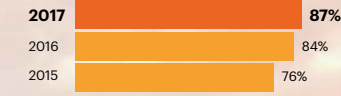
We have made an aggressive commitment to run zero waste operations by 2020, which we define as diverting a minimum of 90% of our outgoing waste from landfill or incineration. Our waste reduction efforts create operational efficiencies, reduce our carbon emissions, and connect employees to our sustainability efforts every day. In 2017, we diverted 87% of our waste from landfill or incineration, through our recycling, compost, and donation programs.

Waste by destination (metric tonnes)



	2015	2016	2017
Landfilled or incinerated waste	6.0	9.5	5.8
Aggregate recycling	10.7	20.8	18.3
Compost	7.5	12.8	17.3
E-waste	0.4	4.4	1.5
Donations	N/A	13.8	0.3

Diversion rate (% global offices)



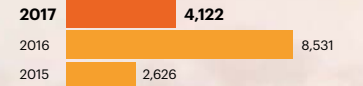
Per capita waste to landfill or incineration (kg)



Water

Water remains a small portion of our footprint. In leased office and data center spaces, our water usage is often hard to manage and track. However, we've implemented ways to track our water use across our core sites and continue to add water management technology where it makes sense.

Water consumption, supply and wastewater treatment (m³)



Responsible sourcing

Many of our impacts are embedded within our supply chain. In 2017, we launched a vendor assessment tool to better understand the economic, social, and ecological impacts of our partners. In 2018, our goal is to have 15% of all new vendors take the assessment, and to use the survey results to inform decision-making for all of our largest purchases.

*Etsy commissioned PricewaterhouseCoopers LLP (PwC) to provide third-party assurance of our energy and carbon data for the period from January 1, 2017 to December 31, 2017. For full details and data methodology, see [PwC's Report of Independent Accountants](#).
*Metrics in the report for which historical data has also been subject to previous review procedures.

Our path to 100% renewable electricity

In August 2018, Etsy announced that we are joining Apple, Akamai, and Swiss Re to procure power from two new solar and wind energy farms. This virtual power purchase agreement will allow us to drive a larger, more positive environmental impact than we would have achieved individually. This unique collaboration allows us to take action similar to a company with a much larger electricity footprint.

Etsy will be sourcing 4.5 megawatts from a solar energy project outside Fredericksburg, Virginia, which is expected to come online in December 2019. Once operational, this project is intended to fulfill our ambitious goal of powering our operations with 100% renewable electricity.

We plan to use the renewable energy from this agreement to help power our operations and computing infrastructure, furthering our goals of creating a cleaner internet and reducing our impact on the planet.

“This agreement will help Etsy to meet our goal of powering operations with 100% renewable electricity while also innovating by paving the way for small companies to participate in the renewable energy market.”

Rachel Glaser, Etsy Chief Financial Officer



The bigger picture

At Etsy, our business model stems from a deeply held belief in the power of business for good. This is one of the things that draws people to Etsy—the excitement that comes from finding solutions that benefit both business and society.

We believe there’s a better way to do commerce. Commerce that builds connections between people and contributes to local economies. Commerce that has a positive social and environmental impact, so you can feel good about your purchases. Commerce that creates harmony.

Commerce that is human.

Our ambitions are high, and getting there won’t be easy. But as a mission-driven company, we are holding ourselves to a high bar when it comes to execution. We owe it to all of our stakeholders, and to the world around us.

Lending our voice on ecological issues that matter

Etsy is a proud signatory of We Are Still In, a group of more than 2,000 organizations that stand by the Paris Climate Agreement and are committed to meeting its goals. We also believe that renewable energy is good for business and the environment, so we’re happy to lend our voice to support and protect [renewable energy policy and infrastructure](#) in the regions where we operate.

We strive to evolve our Etsy.com policies to address emerging issues that have an impact on the health of our planet. For example, we’ve worked with experts in wildlife conservation, such as the International Fund for Animal Welfare (IFAW) and World Wildlife Fund (WWF), to develop strong policies against the sale of [endangered or threatened animal species](#). Etsy is a founding partner of the [Global Coalition to End Wildlife Trafficking Online](#), an organization of tech companies and wildlife conservation organizations working together to reduce online wildlife trafficking by 80% by 2020.

Etsy sellers
Turn their creativity into
thriving businesses by
connecting with a global
community of buyers.

Etsy sellers: Changing lives through creativity

Etsy sellers are at the very heart of our business. Powered by imagination, 2 million sellers use the Etsy platform to pursue their crafts and grow their businesses. They are the creative force that captivates buyers and keeps us moving forward.

We are committed to helping Etsy sellers transform their creative passions into personal fulfillment, economic opportunity, and empowerment.

We serve creators around the world who pursue their passions, offering them a global base of millions of buyers and a cohesive suite of services and tools. Etsy sellers range from hobbyists to professional artisans, and have a broad range of personal and professional goals.

Quit your day job: MOSTLIKELY's Etsy shop

Before MOSTLIKELY's geometric paper lampshades became bestsellers, they were rejects. A theater had hired Wolfgang List and Maik Perfahl, members of an architecture collective in Vienna, Austria, to make a donkey mask for a play. But the client wasn't happy with their design, so the mask sat untouched in their office for months.

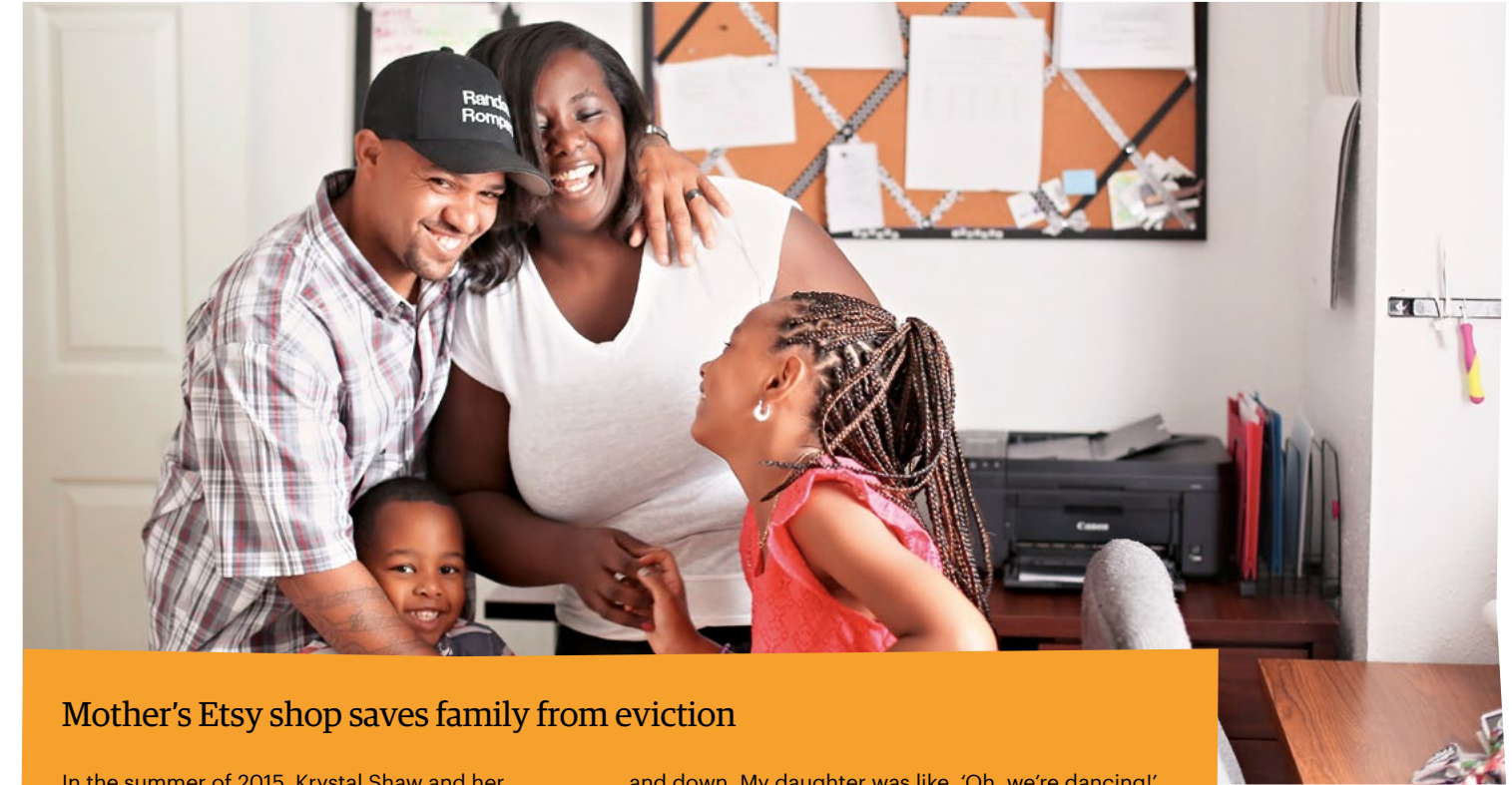
One day, Wolfgang got a bright idea: If he poked a hole and inserted a light bulb, he could transform the mask into a lampshade. His abandoned project led to his true calling as an entrepreneur.

Wolfgang and Maik opened their Etsy shop MOSTLIKELY in the summer of 2012, gradually investing more and more time in it, and perfecting their use of 3D printing. Later that year, a popular paper product blog featured MOSTLIKELY—and the shop received more than 100 orders in one week.

The following year, Wolfgang left his position at the architecture firm and made the Etsy shop his full-time job. While Maik remained at the firm, he still works with Wolfgang to design products, take product photos, and handle production partnerships. To date, MOSTLIKELY's Etsy shop has had nearly 1,300 sales.



Photo by Saskia Stolzlechner



Mother's Etsy shop saves family from eviction

In the summer of 2015, Krystal Shaw and her husband, Michael, received some terrible news: If they couldn't pay the rent on their Houston, Texas, apartment within two weeks, they would be evicted. Krystal had quit her day job as a receptionist to care for her newborn son, since they couldn't afford daycare. She switched to working as a freelance seamstress, but her sewing money wasn't enough to supplement her husband's salary as a welder, and they were behind on their bills. "It was sheer panic," remembers Krystal, "trying to figure out what you're going to do to keep your family off the streets."

That's when she had an idea: Why not try selling the baby rompers she made on Etsy?

"I was excited and nervous, but I really had no clue what I was doing," she recalls. Her mother had gifted her some fabrics and she already had a sewing machine and thread, so she created as many rompers as she could and listed them on Etsy. Random Rompers was open for business. To her surprise, Krystal started making sales almost immediately. She was able to start paying the bills and save her family from eviction. About five months later, her shop was generating enough income to support the family.

"I still remember that moment when I made my first sale. Oh, my God, it was so cool. I didn't know the app made that 'cha-ching' sound. I was sitting at my desk and I was sewing things and my phone started 'cha-ching'-ing. I actually jumped and almost cut my fabric! I said, 'What was that?! Oh, my God, I sold a romper!' Everyone was getting up and jumping up

and down. My daughter was like, 'Oh, we're dancing!' And I said, 'Yeah, we're dancing!'"

Today, business is booming for Random Rompers. Krystal's husband, Michael, found a higher-paying full-time job, but her Etsy shop is the Shaws' primary source of income.

"I don't even know how to describe it," says Krystal, when asked what it was like to pay bills with money from her Etsy shop. "It's an extremely satisfying feeling. I'm doing something I love and was actually able to save my family. When I gave them that money to stop the eviction process, that was amazing."

Krystal says that supporting her family with her craft makes her feel "like superwoman," adding that there aren't many people who get to say they do what they love every single day. "Not to mention I get to do it in pajamas," she laughs. "Thanks to the shop, we were able to put presents under the tree and have our first real Christmas. I was so thankful. Thankful is the best way to put it."

Check out Krystal's rompers at Random Rompers.

Forces of imagination

Etsy sellers at a glance

2M

active Etsy sellers

97%

run their shops from their homes

28%

of sellers live in rural areas

For

49%

of Etsy sellers, a financial challenge contributed to their decision to start a creative business

60%

of Etsy sellers sell on multiple channels, including in-person, online, and through retail. On average, sellers earn the highest share of their sales through Etsy

87%

of Etsy sellers are women. By comparison, 33% of small business owners in the U.S. are women.*

80%

are businesses of one

53%

of sellers first sold their goods on Etsy

87%

believe it's important to run an environmentally responsible business

All percentages are from our 2018 Seller Census, which will be published later in 2018.

*According to Kauffman Foundation's National Entrepreneurial Demographics Index of 2017.

Creating value

When sellers pursue their crafts and grow their businesses—whether by launching new product lines or exploring new mediums—that growth creates value for the whole Etsy community. It starts with sellers expanding their capabilities and transforming their creative passions into fulfillment, economic opportunity, and empowerment. Each time they sell a product to an Etsy buyer, they're also creating buyer trust, loyalty, and retention—and the shared experience of human commerce is another form of value.

Supporting Etsy sellers

In addition to nurturing and driving sales in our marketplace, there are a number of additional ways we support Etsy sellers:

Teaching sellers valuable skills to help them start, manage, and scale their businesses:

- **Etsy Seller Handbook:** Sellers turn to this [handy guide](#) to learn the Etsy ropes and hone their business skills. Sellers can learn how to shoot the best product photos, manage inventory, and even the ins and outs of branding and marketing.

- **Etsy Success:** Etsy produces newsletters and podcasts offering sellers business advice and inspiration.

Creating meaningful connections among the maker community:

- **Forums:** Etsy Forums are virtual meeting rooms where sellers and buyers can gather to share their Etsy experiences, ask for advice, and engage in friendly conversations.
- **Teams:** Etsy Teams are self-organized groups that enable sellers to meet people, kick-start their business, learn more about Etsy, exchange knowledge, organize in-person events, and much more. Joining a [team](#) is an excellent way for sellers to create meaningful connections with other members.

Bringing people together to celebrate craftsmanship and creative entrepreneurship:

We love bringing people together to celebrate craftsmanship and creative entrepreneurship through various events that prompt Etsy sellers to get out of their studios or workshops and into the community to share experiences with other makers. For example:

- **Etsy Made Local** is a community-led initiative for crafters, collectors, and artisans to gather in their local communities and host unique selling events. Etsy Made Local events bring together members of the maker community, as well as customers eager to explore—in person—the variety of handmade, craft, and vintage goods available on Etsy.com. Now in its fifth year as a global program for Etsy, Etsy Made Local takes place in the United States, the United Kingdom, Canada, Australia, France, Germany, Italy, and the Netherlands. In 2017, more than 130 events took place, with about 900,000 people visiting an Etsy Made Local event.

- **Captain Summits** provide an opportunity to gather Etsy Team leaders and Etsy employees to discuss recent learnings and develop fresh and innovative ideas.



Protecting the integrity of our marketplace

Our community relies on us to make Etsy a trustworthy place to shop and do business. One way we do this is through clear policies for our community: [Our House Rules](#). We write policies in plain English (and supported languages) so everyone in our community can easily understand their rights and responsibilities. We believe in consistently enforcing our policies to protect our community. We hold ourselves accountable to this by transparently reporting on how we address policy enforcement. See pages 27–28 for more details.

Diversity in the marketplace

At Etsy, we want to provide equitable access to the opportunities of creative entrepreneurship by growing a skilled and diverse seller community. That's why our impact strategy includes a focus on increasing underrepresented populations within the Etsy seller community.

We recently kicked off research to learn more about barriers to engagement among underrepresented populations. We expect that the results of this research will challenge us to actively address barriers, reveal new opportunities, and encourage us to strive toward a community and a user experience that are inviting and inclusive for all.

Furthering the Etsy mission through social impact initiatives

Etsy makes charitable and in-kind contributions, drives initiatives that enable creative entrepreneurship, and supports Etsy sellers on their paths to economic security and personal empowerment—all with a focus on supporting local creative economies.



The Etsy Fund at CERF+. In early 2018, we partnered with CERF+, a nonprofit organization focused on helping artists prepare for and recover from emergencies and disasters, to launch a disaster relief fund for Etsy sellers. U.S.-based Etsy sellers impacted by disasters can apply for grants to help get their businesses back on track. Click [here](#) to learn more.

Etsy Maker Cities. Etsy's Maker Cities program supports local creative communities by investing in innovative projects aimed at helping marginalized groups participate in the creative economy.

Our 2017 grantees were Open Works, Baltimore, Maryland; and The Berlin Kreativ Kollektive, Berlin, Germany. We're excited to follow these grantees as they bring their plans to life, and look forward to developing new ways for local city leaders and the Etsy community to connect and thrive.

"I can't stress enough how much it matters to the maker community here in Berlin to know that organizations like Etsy see their potential and are willing to invest in them. There are an abundance of third-party platforms that claim to be supportive of maker communities, but Etsy stands out in its willingness to give back to the community, and to help see it grow."

Emma Wood, Berlin, Germany



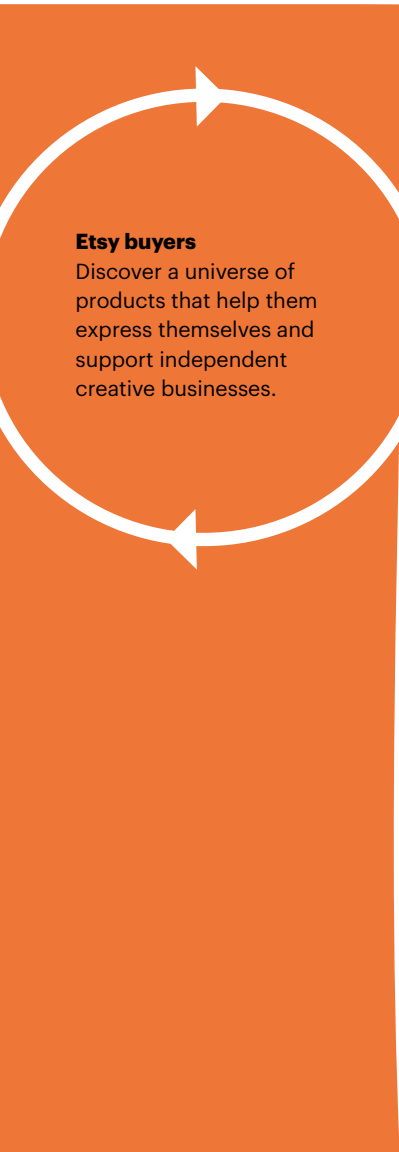
Etsy Craft Entrepreneurship Program. This program seeks to expand access to microbusiness education for underrepresented creative entrepreneurs. By empowering organizations to use our curriculum, we create pathways for entrepreneurship within the Etsy platform. The Craft Entrepreneurship curriculum is a hands-on educational toolkit that helps makers use their existing craft skills to learn how to start, manage, and grow a microbusiness. In partnership with organizations that value creative entrepreneurship, we are working to help cities realize the vision of an inclusive, thriving Etsy marketplace.

"Much of the class is learning the basics of navigating and utilizing Etsy, but I've seen that my students mostly just need someone to believe in them. I can relate, because it took me three years to actually list and sell anything on Etsy. I, like them, was nervous that I wouldn't do a good enough job or that no one would want what I made. Etsy Craft Entrepreneurship Program is the perfect place to gain confidence and grow."

Craft Entrepreneurship Teacher, Alaina Smith from [ColdGold](#) in Knoxville, Tennessee. Read more of Alaina's story [here](#).

Employee Donation Matching Program. Etsy employees are able to submit qualifying charitable contributions to be matched by Etsy. In 2017, Etsy matched donations to 140 organizations, helping to support meaningful causes around the world.

The Good Neighbor Fund. In addition to bolstering creative entrepreneurship, Etsy reserves a portion of our philanthropic budget to support the local communities in which we operate. Our Good Neighbor Fund supports community events and partnerships in Brooklyn and Hudson, New York; Dublin, Ireland; San Francisco, California; and London, England.



Etsy buyers

Discover a universe of products that help them express themselves and support independent creative businesses.

Etsy buyers: Bringing "special" to life

As the world continues to become more automated and commoditized, Etsy truly stands out within a sea of sameness. Buyers come to our marketplace to be inspired and delighted by the more than 50 million items lovingly crafted or curated by real people. In fact, 91% of buyers say they come to Etsy for items they can't find anywhere else.*

On our platform, Etsy buyers enjoy a personalized shopping experience and can build relationships through direct interactions and conversations with Etsy sellers. By shopping on Etsy, they help sellers around the world turn their passions into fulfilling and empowering businesses.

We believe there are many moments in life that call for something a little less ordinary, and a lot more special. Our goal is to encourage existing and potential buyers to visit the Etsy marketplace on "special" purchase occasions throughout the year. These special purchase occasions

include shopping that reflects an individual's unique style; gifting that demonstrates thought and care; and celebrations that express creativity and fun. They happen throughout the year when a buyer is decorating a home, dressing for an event, celebrating a special moment, or buying a gift for someone special.

For those moments when you're looking for something special



Photo by Nina Duncan

Gifts



Photo by Paolo Azarraga

Celebrations



Photo by Paolo Azarraga

Style

*According to a 2016 survey of Etsy.com buyers.



Photo by Natalie McComas

Transparency Report

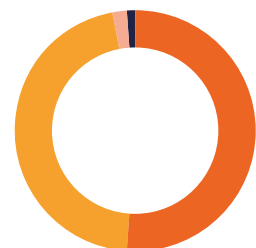
At Etsy, it's important not just for us to have the right policies in place but to enforce them appropriately. Each year, we release our Transparency Report to demonstrate our commitment to transparency. Our fourth annual Transparency Report details how we handled allegations of intellectual property infringement, content that doesn't meet our policies, transactional disputes between members, and requests for member information in 2017.



Intellectual property takedowns By using our service, Etsy sellers represent that they have all the necessary rights in the content of their Etsy shop. Etsy's [Intellectual Property Policy](#) says we will immediately remove any allegedly infringing material and communicate about our actions to our members and third parties. Our Legal Response and Enforcement team reviews allegations and notices of infringement under our policies.

Copyright Act (DMCA) [counter notices](#) from members opposing copyright claims.

Intellectual property takedowns
Takedown notices include trademark, copyright, and patent infringement.



Takedowns, by regions
The region where a seller who was subject to a takedown notice was based.



In 2017, Etsy executed 19,255 properly submitted takedown notices, removing or disabling access to 299,998 listings, from 66,764 sellers. We closed 4,494 shops for repeat infringement. Complaining parties formally [withdrew](#) their notice(s) 346 times. Overall, we saw a 2% increase in intellectual property-related takedowns from 2016.

We rejected 15% of notices, a 6% increase from 2016. A notice may be rejected, for example, if Etsy is unable to verify that the point of contact is authorized to act on behalf of the intellectual property owner, if the description of the intellectual property is insufficient, or if the notice fails to comply with Etsy's policies. We attribute the increase in rejections to abusive and fraudulent notices. Etsy also received 1,568 Digital Millennium

Policy enforcement All Etsy shops must follow our [Seller Policy](#), which outlines what is eligible to be sold on the site. Etsy's Trust and Safety team enforces that policy, reviewing and removing items and member accounts due to violations. The violations may range from reselling commercial items to listing [prohibited items](#) to repeatedly providing poor customer service. The team employs a combination of automated systems, community flags, and proactive review by specialized Etsy employees to monitor and protect the integrity of the market.

In 2017, Etsy received 394,564 flags regarding potentially non-compliant listings, including both internal and community-generated flags. This represents a 32% increase in flags over 2016. Our software systems automatically processed 110,037 (28%) of flags. Our team manually reviewed 369,694 (94%) of flags, including machine-processed flags to ensure their accuracy.

In total, Etsy's policy enforcement teams closed a total of 316,801 accounts for non-intellectual property-related policy violations in 2017.

Shop and listings flags, by source



Accounts reviewed, by region



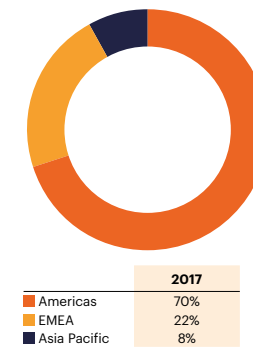
Resolving member disputes

If an order is not delivered or the item received is not as described in the product listing, we ask that the seller and buyer work together to reach an amicable resolution. While Etsy is not directly involved in a transaction between buyers and sellers, we provide a [Case System](#) for members to work together to resolve disputes with the assistance of Etsy's Dispute Resolution team.

In 2017, about 0.3% of orders placed in 2017 resulted in a case, consistent with 2016. 322,096 (0.9%) of buyers with a purchase in 2017 filed a case. 10.5% of sellers who made at least one sale in 2017 received a case.

In July 2017, we updated our Case System to better serve the needs of our community. Buyers now have 100 days (rather than 60) to file a case once they are eligible. Despite increasing the case window, we found that the percent of orders resulting in a case remained at 0.3% between 2016 and 2017.

Cases, by region



Requests for member information

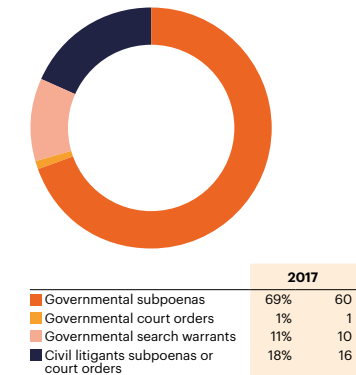
Our [Privacy Policy](#) explains how we handle member information and the importance we place on transparency. Legal process (such as a subpoena or court order) may compel us to disclose records or information about our members. Etsy's [Requests for Information Policy](#) is a guide on how our Legal Response and Enforcement team reviews and responds to such requests.

When possible, and as permitted under applicable law, we notify members about legal process requests for information from third parties.

In 2017, Etsy produced records in response to 74 of the 87 formal legal process requests

we received. In connection with these requests, we disclosed member information on 76 accounts. The number of formal legal process requests increased about 20% from 2016. We also received 729 requests from members outside of North America to delete their account information.

Requests by type



On top of requests for member information, we received legal process requests that were administrative in nature, such as requests to debit, lien, or otherwise freeze the funds of a member's payment account to comply with a debt-related order from a court.

Etsy disclosed member account, transaction, or listing information in other limited circumstances as permitted under our Privacy Policy. This allows the release of information when we believe in good faith that disclosure is necessary to comply with the law, prevent imminent physical harm or financial loss, or investigate, prevent, or take action regarding illegal activities, suspected fraud, threats to our property, or violations of Etsy's [Terms of Use](#). In particular, we responded to requests from law enforcement about specific transactions and accounts related to potentially fraudulent activity. We also cooperated with requests from the United States Department of Agriculture (USDA).

We did not receive national security letters, Foreign Intelligence Surveillance Act (FISA) orders, or other classified requests for information in 2017.

The Etsy approach to business

In 2015, Etsy became a publicly traded company, and our common stock is listed on Nasdaq under the ticker symbol ETSY. On this page, we provide insights into our Board of Directors and the Executive Team that lead the company.

Built on effective leadership and corporate governance

Etsy's Board of Directors and management are guided by our mission. We carefully consider our corporate governance practices to ensure that they are appropriately tailored to our business and promote the long-term interests of our stakeholders. These practices include:

- Independent Board Chair
- All directors on the Board are independent except for our CEO
- 100% independent Committee members
- Regular executive sessions of independent directors
- A Board that is comprised of sophisticated and fully engaged directors with different areas of relevant expertise, including two new directors with expertise in marketing and human resources who joined our Board in 2018 and who bring fresh perspectives to our business and operations
- Active role in risk management oversight
- Annual Board and Committee self-evaluations overseen by the lead independent director and Nominating and Corporate Governance Committee
- Robust code of conduct applicable to directors, officers, and employees

How we manage risk

As with any business, Etsy is affected by ever-changing trends, challenges, and risks—such as the examples we've included here. Some of these risks may cause our future results to be significantly different than we expect. For a more detailed overview, please read our Risk Factors in our filings with the U.S. Securities and Exchange Commission. Etsy's management is responsible for the day-to-day handling of response to the material risks we face, while the Board provides informed oversight of our risk management process. Our full Board has overall responsibility for risk management and oversees our strategic plan, capital structure, information security, and privacy.

Our key governance documents, including our code of conduct, governance guidelines, committee charters, certificate of incorporation, and bylaws are publicly available on our Investor Relations website and provided in the links below.

- [Code of Conduct](#)
- [Corporate Governance Guidelines](#)
- [Audit Committee Charter](#)
- [Compensation Committee Charter](#)
- [Nominating and Corporate Governance Committee Charter](#)
- [Certificate of Incorporation](#)
- [Bylaws](#)
- [Policies and Procedures for Director Candidates](#)

The Etsy Executive Team

We believe that we have built a highly qualified and effective Executive Team. Each person brings fresh perspectives and deep expertise to their particular roles. We're proud of the diverse nature of our team.



Chief Executive Officer
Josh Silverman, leading Etsy in its growth and strategic direction



Chief Financial Officer
Rachel Glaser, overseeing our global financial operations



Chief Technology Officer
Mike Fisher, leading our engineering team



Chief Operating Officer
Linda Findley Kozlowski, overseeing our marketplace and services organizations



General Counsel and Secretary
Jill Simeone, leading our legal, policy, and advocacy teams



General Manager
Kruti Patel Goyal, leading Seller Services



Senior Vice President
Raina Moskowitz, responsible for People, Strategy, and Member Services

About this report

This report presents a look at Etsy's business and impacts. It describes our business strategy and our value creation model, as well as key metrics, and summarizes our achievements for the period January 1, 2017 to December 31, 2017, unless otherwise stated. We encourage you to read our quarterly and annual reports that we have filed with the U.S. Securities and Exchange Commission for additional information about our business.

This report includes forward-looking statements and information regarding our business strategies, plans and operations, and our progress toward our corporate mission, value creation model, and ideals. Forward-looking statements include those related to our economic, social, and ecological goals, commitments, and tactics identified on pages 5, 17 and 19 of this report. Forward-looking statements include all statements that are not historical fact.

We have high hopes, but forward-looking statements involve risks and uncertainties and our actual results could be materially different from our expectation. These risks and uncertainties include: (1) our history of operating losses; (2) the fluctuation of our quarterly operating results; (3) our ability to implement our business strategy; (4) our ability to attract and retain an active, engaged community of sellers and buyers; (5) macroeconomic events; (6) the importance to our success of the trustworthiness of our marketplace and connections within our community; and (7) adherence to our values, mission, and long-term sustainability may negatively impact our short- or medium-term financial performance, and other risks and uncertainties that are more fully described in our quarterly and annual reports that we file with the U.S. Securities and Exchange Commission. Forward-looking statements represent our beliefs and assumptions

only as of the date of this report. We are planning to provide impact update reports in the future; however, we don't have any obligation to do so or to otherwise update the statements in this report even if new information becomes available in the future.

Reporting

You can read more about Etsy in our 2017 Annual Report on Form 10-K and our 2018 Proxy Statement, both available on our [Investor Relations website](#).

Methodology

Diversity metrics

We use self-reported employee data for race and ethnicity. Some employees leave this data blank or decline to state; we aggregate their responses under "undisclosed." We use racial and ethnic identifications from the Equal Employment Opportunity Commission. We also acknowledge that gender is not binary. Employees are given the option to voluntarily self-report their gender identity from a list of more than 60 options. We aggregate responses that were not cis/male/man or cis/female/woman into a third category. "Tech" includes engineering and product organizations as well as technical analysts. "Engineering" refers to all employees in our engineering organization. "Leadership" refers to employees at the director level or above.

Carbon metrics

Etsy commissioned PricewaterhouseCoopers LLP (PwC) to provide third-party assurance of our energy and carbon data for the period from January 1, 2017 to December 31, 2017. For full details and data methodology, see PwC's [Report of Independent Accountants](#).

We'd love to keep you posted

We update our stakeholders regularly on our [News Blog](#), [IR website](#), and [Impact Blog](#).

