Etsy

ETSY, Inc. (ETSY)
SDG Universe: SDG 5: Gender Equality, SDG 8: Decent Work & Economic Growth, SDG 13: Climate Action
Sector: Consumer Discretionary
Headquarters: New York, NY
Employees: 1,400+
Regions: Etsy is headquartered in New York, NY, US, UK, France, Ireland, Canada, Germany, Australia, India

OVERVIEW Etsy is an online marketplace that connects buyers to independent sellers of largely artisanal goods. Although its purpose as a company is neither directly social nor environmental, Etsy is dedicated to both the wellbeing of its users and customers and to the preservation of the environment.

Etsy is a perfect example of a way to empower female owned businesses (80%+ female sellers) and allows artisans around the world entry into the global marketplace

- Founded by Chris Maguire, Haim Schoppik, Jared Tarbell, and Robert Kalin in 2005
- Etsy provides an on ramp for entrepreneurs and removes barriers such as store fronts or leases
- 90M active buyers

E / Etsy has set a high standard in environmental sustainability. Etsy is actively monitoring its energy consumption and carbon emissions, both at the corporate level and the buyer-seller level. The company offsets 100% of carbon emissions from shipping through investment in VERs (verified emissions reductions) protecting forests, sponsoring wind, and solar farms, and developing greener methods for producing auto parts.

- Procured 100% renewable electricity
- Etsy runs a carbon neutral business, they invested in over 549,250 verified emissions reductions that protect forests, sponsor wind and solar farms, and help develop greener methods for producing auto parts.
- Measurable Net Zero goal is set and based on near- and long-term carbon reduction targets that are aligned with the science of climate change.
- Aided U.S. sellers to access and buy packaging made from certified responsibly sourced and 100% recycled materials that buyers can immediately recycle at home (and diverted 93% of waste (from office and data centers) from landfill in effort to reach zero waste operation

S / Etsy demonstrated a strong commitment to fostering diversity by attracting and retaining top-notch talent from various backgrounds. This included increasing the

MEASURES & MILESTONES

First e-commerce company to offset **100%** of carbon emissions from shipping.

5.4M Active Sellers

100% of electricity sourced is renewable energy

2.6 million jobs created in the independent worker economy, enough jobs to employ the entire city of Houston, Texas

$4 billion estimated income generated for sellers

2020 saw the launch of the second Mentorship Circle Program cohort, a part of the **Engineering Sponsorship program for women and non-White engineers**

Half of Etsy's workforce, executive team, and Board identify as female. **20% of hires** in 2020 were Black, Indigenous, or Latinx (**currently BIPOC represent 12.5% of workforce composition**) and women make up 80% of the company's workforce representation of underrepresented communities (URCs), such as Black, Latinx, and Native American individuals, in leadership roles by 41.7%. Consequently, URCs constituted 9.4% of Etsy's overall leadership, up from 8.6%.

Etsy successfully balanced the expansion of its diverse workforce with an emphasis on inclusion, further strengthening its values-driven company culture. Key initiatives included investing in employee resource groups and implementing a comprehensive inclusion training program. Additionally, the company supported creative entrepreneurs from varying backgrounds, allowing them to benefit from the growth of digital global commerce.

- In 2021, Etsy invested more than $40 million in Trust & Safety efforts to make the online seller safer and users' interactions with Trust & Safety more effective
- Etsy has relatively low labor management complexity and compared to other online retail is comprised of a small workforce (1,414 in 2020). The company is consistent in its focus on active efforts to increase workforce diversity, reduce inequity, and ensure pay equity.
- Developed a mature content classifier as company marketplace has grown which identifies potentially mature listings using text and image recognition. Using this technology, Etsy works to keep these kinds of items from being displayed to users who aren't looking for them, while still allowing those who are to find them (2022 ESG Report).
- Launched the Etsy Reporting Portal in April of 2023, a new interface for all rights holders (including sellers) and their agents to more easily report alleged infringement. The new reporting portal lets reporters save their information, report multiple listings at once, and track the status of their reports. This improved tool also introduces new safeguards to verify reporters and prevent fraudulent or unauthorized reports.

G / The majority of its board members are independent, including the chair and the board-level audit, remuneration and nomination committees are entirely comprised of independent directors. The company fully discloses its remuneration scheme for executives, including fixed amounts, short-term components and long-term incentives, which could encourage sustainable value creation.

- Female directors: 44.4%
- Independent directors: 88.9%
- Etsy updated certain directors' practices enhances oversight of cyber related risks.
- Data security is overseen by Chief Information Security Officer ("CISO"), "who reports to our Chief Technology Officer ("CTO"), additionally Etsy has technical safeguards, procedural requirements and policies, an intensive program of monitoring on both our web platform and within their corporate network, continuous testing of aspects of our security posture internally and with outside vendors, a robust incident response program, and regular training for employees"
- Publicly discloses salaries of highly-paid executives and the CEO to average employee compensation ratio
- There is only one class of shares with equal voting rights and a 2,000 USD share value limit to introduce a resolution at the annual meeting
- Key Policies: Code of Conduct, Business Ethics, Privacy, Intellectual Property, Handmade, Prohibited Items, and Seller Policy all available on company website.

CASE STUDY: Maeven Vintage

- Many artisans sell on Etsy because of its ability to connect them with a niche of interested customers, their flexibility with hours, and the independence of their own business plans.
- Amy Yee started selling with Etsy for her business, Maeven Vintage, and was able to make it her full-time job after a year. Yee used Etsy Stats, data about revenue, views, and traffic, to analyze sources of customer interest and to increase the profitability of her store, which has now expanded to a number of pop-up shops in New York.

FUTURE ROADMAP Etsy shows a strong focus on sustainable energy consumption, reduced carbon emissions, increasing diversity and reducing inequity, and has a high degree of shareholder democracy. Looking forwards, they are committed to a Net Zero carbon emission by 2030 and the goal of an approximately 16% BIPOC workforce by 2023. Etsy stated they will look at opportunities for creative entrepreneurs to further empower sellers.

RATING STATUS Etsy has a very high performance relative to the industry standards. Etsy's ESG rating from MSCI is unchanged at 'BBB', "Etsy's relatively small workforce (2,402 in 2021 vs. 81,204, as of April 2022) may reduce labor complexities. That said, its labor management initiatives lead those of industry peers. The pure-play internet retailer derived ~74% of FY 2021 revenues from operations in the US and the UK, where our research indicates stringent data policies are enforced." – MSCI. A few items to note:

- Rated amongst the top companies regarding risk management performance to carbon emissions.
- Company handles large swaths of data from users; data privacy remains a top focus (In 2021, Etsy invested more than $40 million in Trust & Safety)

BLOOMBERG

S&P Global ESG Rank: 95 *0-100, 100 is better*	ISS Quality Score: 9 *1-10, 1 is better*
Sustainalytics Risk Score: 21.66 *0-100, 0 is better*	CDP Climate Score: 7 *1-8, 8 is better*
Bloomberg ESG Disclosure: 48.74 *0-100, 100 is better*	MSCI Rating: BBB *AAA is better*

SOURCES: Public Filings, Company Website, ISS, MSCI, Bloomberg & Factset