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Via Electronic Mail

June 16, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

**Re: The Enhancement and Standardization of Climate-Related Disclosures
for Investors; File No. S7-10-22**

Dear Ms. Countryman:

Etsy recognizes the urgency and importance of doing our part in trying to prevent the worst effects of climate change. We believe it's a problem we must all work on together, and that business leaders have a responsibility to act urgently and aggressively. We believe that climate disclosures are critical to ensure that companies follow through on stated climate commitments, and to track collective progress towards addressing climate change. Thus, we appreciate the opportunity to provide comments in response to the rulemaking proposal of the Securities and Exchange Commission ("SEC"), "The Enhancement and Standardization of Climate-Related Disclosures for Investors."

At Etsy we are committed to disclosing our ESG metrics and other key non-financial information related to our environmental and social impact. Ensuring our business has had a positive impact on people and the planet has been a priority since our founding in 2006, and in 2017, we formalized this work by announcing our Impact strategy. In the time since, we have continued to evolve and update many of our Impact goals while expanding the transparency of our reporting. We strive to apply the same focus, discipline, and accountability to our Impact metrics as we do our financial metrics. Etsy has submitted integrated annual reports to the SEC for the last four years. In Etsy's 2021 and 2020 annual reports, we included reporting on our Impact metrics using the Sustainability Accounting Standards Board ("SASB") and Task Force on Climate-Related Financial Disclosures ("TCFD") frameworks.

In our reporting, we share metrics related to climate change, including our annual total energy use and renewable energy use, and our Scope 1, 2 and 3 emissions. Etsy has received limited assurance for our reported Scope 1, 2 and 3 emissions since 2016. We also share goals and targets for energy and emissions reductions and provide updates on these publicly shared goals and targets, as well as information about the carbon offsets we purchase.

Etsy is proud of our voluntary reporting, and strongly supports the SEC's efforts to improve the availability of decision-useful, standardized climate risk information for investors. In particular, Etsy is supportive of the elements of the proposed rule that would require:

- disclosures regarding board and management oversight of climate risks;

- disclosures regarding the use of carbon offsets and required exclusion of the impact of any purchased or generated offsets from reported GHG emissions metrics;
- disclosure of an issuer's transition plan, where adopted, as such disclosure would help external stakeholders verify the credibility of the issuer's public climate commitments and management of related risks;
- disclosure of an issuer's Scope 3 GHG emissions, if material, or if the issuer has set a GHG emissions reduction target or goal that includes its Scope 3 emissions; and
- assurance of GHG emissions disclosures, and the phasing in of reasonable assurance, because assurance is needed to ensure investor-grade information is available to the marketplace. While obtaining assurances certainly requires additional resources, we do not feel it is overly burdensome and believe it has significantly improved our risk management and quality of our reporting.

Further, we support the integration of nearly all of the recommendations of the TCFD, and thus alignment with the International Financial Reporting Standards ("IFRS") Foundation's International Sustainability Standards Board ("ISSB") Climate-Related Disclosures draft. We believe alignment with the ISSB and TCFD recommendations will ultimately facilitate a harmonized global climate disclosure standard. In addition, we support the inclusion of the GHG Protocol framework for greenhouse gas emissions reporting.

That said, we respectfully request that the SEC consider, clarify, and improve where appropriate, the following elements of the rulemaking proposal:

Metrics and Targets

- **Disclosure of Targets and Goals:** Etsy has been publicly disclosing our Impact goals since 2017. During this period we have learned that target and goal setting is an iterative process, involving research, internal discussions, consultation with experts, approval, oversight, and monitoring and then, at times, revisiting the goals based on initial measurement results and starting the process again. Often our confidence to set a publicly announced goal is grounded in an initial internal goal that allows us to test and refine the targets and strategies to achieve that goal. As currently drafted, the rule appears to require detailed disclosure triggered by both public goals and by internally-established targets and goals that the issuer chooses not to publicize. We respectfully request that the SEC clarify that **targets or goals need only be disclosed if the issuer has otherwise chosen to make such targets or goals public**. We believe requiring disclosure of any goals, whether or not those have been announced publicly, may have the unfortunate unintended consequence of discouraging issuers from setting any targets or goals. Examples of internal goals that issuers might be reluctant to set if disclosure were required could include a goal to complete an audit of current conditions as a basis for setting a public goal, a goal to set a goal on an emerging topic that needs additional research and analysis or establishing targeted near term timelines for long-term emissions reduction projects. These types of internal goals, while important to the issuer and often foundational for

incubating new public goals, may not be material to an issuer's overall climate strategy, can be burdensome to describe and report on and, given the exploratory or preliminary nature, can be misleading or easily misinterpreted.

- **Scope 3 GHG emissions:** Over the past several years, Etsy has expanded the scope of our measured and reported GHG emissions inventory and refined the methodologies we use to calculate our Scope 3 GHG emissions. As a result of this work, we understand that current GHG Protocol Scope 3 emissions calculation methodologies may not always be readily applied to an emerging business model. This can be attributed to the relative nascency of Scope 3 methodologies, evolving market conditions, and/or an issuer's/industry's unique elements. For example, as a result of the pandemic driven shift to a remote work environment, remote worker energy usage increased significantly. To address that impact, Etsy retired renewable energy certificates on behalf of the electricity used by remote employees. However, this was not assurable, as the application of RECs to Scope 3 energy usage, at the time, was not clearly defined by the GHG Protocol and thus was subject to varied interpretations. Thus, we understand and support the SEC's decision not to mandate use of the GHG Protocol methodologies in all circumstances. However, we respectfully request that where a standardized approach to quantifying a category of Scope 3 emissions is widely recognized, the SEC provide specific guidance recommending use of the accepted Scope 3 emissions calculation methodology. For example, for Scope 3 emissions in Category 1: Purchased Goods and Services, the GHG Protocol has developed a standardized approach whose widespread use promotes comparability across companies.

Strategy

- **Climate Scenario Analyses:** Etsy recently conducted a qualitative climate scenario analysis and included a high-level discussion of the parameters of the climate scenario used in our 2021 10-k filing. That said, we are cognizant that the detailed parameters and assumptions that make up a scenario and inform the analysis (for example, the locations of our larger sellers or the general locations where large numbers of our buyers reside) can be competitively sensitive. We believe that issuers using climate scenario analysis should be required to disclose details around which public climate scenarios were considered (e.g., an increase of no greater than 3°C, 2°C, or 1.5°C above pre-industrial levels). However, we are concerned that requiring issuers to disclose more detailed parameters, assumptions, and analytical choices related to such analysis, and particularly the projected principal financial impacts resulting from the analysis, may have a "chilling effect" on the use of climate scenario analyses. We view these analyses as a useful internal risk management tool whose use should be encouraged and respectfully request the SEC to reconsider the scope of the proposed required disclosures.
- **Physical Location of Assets:** The proposed rules would require an issuer to

include in its description of an identified physical risk the location, including the disclosure of ZIP codes (or similar subnational postal zone or geographic location) of the properties or operations subject to physical risk. For many issuers, the physical location of certain assets (such as data centers or offsite backup storage facilities) is sensitive, competitive or confidential information. In those cases, complying with this proposed requirement may necessitate the disclosure of competitive and/or sensitive confidential information thereby increasing the issuer's non-climate-related physical risks. We respectfully request that the Commission **permit issuers more discretion in describing the geographic location of physical assets subject to climate-related risks** by utilizing a less prescriptive, more-principles-based approach or broader geographic area descriptions for the disclosure of the location of assets subject to physical climate-related risks.

- **Value Chain Disclosures:** The proposed rules would require disclosure of climate-related risks reasonably likely to have a material impact on the issuer's business or consolidated financial statements. The proposed rules also require disclosures around Board oversight of climate related risks and management's processes for identifying, assessing and managing these risks without a similar limitation to those risks which are reasonably likely to have a material impact on the issuer's business or financial statements.

As proposed, "climate-related risks" means the actual or potential negative impacts of climate-related conditions and events on an issuer's consolidated financial statements, business operations, **or value chains**, as a whole. "Value chain" would encompass **upstream and downstream activities** related to an issuer's operations.

Value chains can be extensive and dynamic, and the climate change risks facing each entity in a value chain may vary greatly. For example, giving the broadest interpretation to the proposed rule as drafted, Etsy's value chain might be deemed to include the 7+million active sellers and 90+ million active buyers that transact through the Etsy, Reverb, Depop and Elo7 marketplaces. If this were the case, the proposed rule might place a significant burden on Etsy to identify, assess, and oversee climate risks across this extended value chain even where these risks are clearly not material to Etsy's consolidated financial statements or business operations. **We therefore respectfully request that the SEC provide further clarification and examples of the boundaries of an issuer's value chain, as well as incorporate a materiality aspect into the definition so issuers better understand what the SEC expects them to assess in respect of their value chains.** We are concerned that absent further clarification, disclosure of climate-related risks and risk oversight for an issuer's value chain may necessitate significant investments of time and expense by issuers without providing fully accurate or complete disclosures about value chains for the benefit of investors. We further note that there are inherent difficulties in obtaining data from suppliers and

other third parties in an issuer's value chain and verifying the accuracy of the data. As such, even if an issuer were to invest in processes for identifying, assessing and managing these risks across the issuer's extended value chain, the resulting disclosure may well provide little value to investors.

Financial Statement/ Regulation S-X Disclosure

- Etsy supports the SEC's effort to ensure that climate change is treated with the same transparency and level of importance as SEC-mandated financial metrics. **To this end, we believe that the proposed financial disclosures require significant additional implementation guidance.** We request that the SEC direct the Financial Accounting Standards Board ("FASB") to develop standards for reporting climate impacts arising from both physical and transition activities in the financial statements prior to any required implementation date for these disclosures.
- In asking the SEC to provide further guidance we note that, as proposed, the determination of whether the financial impact of a severe weather event on a line item in the issuer's consolidated financial statements needs to be disclosed turns in part on whether the **absolute values** of all the impacts on the line item is less than one percent of the total line item for the relevant fiscal year. We are not aware of any other FASB rule which utilizes absolute values and expect that the novelty of the reporting principles will likely require that we implement new accounting policies and controls based on further guidance from FASB. We also ask that the SEC consider **whether required climate impact financial disclosures would be a more useful decision-making tool for investors if they were prepared on a basis more consistent with the issuer's income statement** and therefore more readily comparable to current financial disclosures.
- In addition, we respectfully request that **any final rule requiring quantitative financial statement disclosures should apply prospectively and not retrospectively.** Absent a significant delay between the issuance of more detailed guidance and the implementation date for these disclosures, issuers will likely be developing any required new climate-related disclosures for their financial statements, and the associated disclosure controls, for the first time in close proximity to the implementation date and well after certain of the historical periods generally covered by the financial statements have concluded. As a result, issuers may find it extremely challenging and costly to provide the historical information or, even if the information is available, to conclude they had adequate internal controls in place for pre-implementation date periods.

Quarterly Reporting

- We respectfully request that the SEC limit required quarterly climate related disclosures to instances where an issuer takes advantage of any allowance to use a

reasonable estimate of its GHG emissions for its fourth fiscal quarter and must subsequently disclose material differences between the estimate and actual data. While Etsy believes that quarterly reporting can be a useful tool, we also believe that many, if not most, climate metrics, risks, opportunities, and strategies are long-term in nature and cannot meaningfully be assessed on a quarter-to-quarter basis.

Implementation Dates

- We respectfully request that **the Commission provide additional flexibility with respect to reporting for acquired businesses.** Specifically, an issuer should be permitted to omit the acquired business from its climate-related disclosures until the commencement of the first fiscal year that begins no sooner than 12 months after the effective date of the acquisition (“proposed acquirer reporting start date”) – similar to the temporary exemption from the requirement to include an acquired business in management’s report on internal controls over financial reporting. Absent this relief, issuers may have a significant disincentive to complete acquisitions beyond a certain point in their fiscal year. While one of the criteria we use when evaluating acquisition opportunities is whether the transaction aligns with our mission, strategy, and values, including our Impact focus, integrating acquisitions for reporting purposes generally requires implementing new measuring protocols and controls. Even when the acquired company has robust measuring protocols, the acquired company’s controls may not be as rigorous or may simply be different, requiring integration into the acquirer’s systems. Such an integration process could require a substantial amount of time, especially in light of the extensiveness of the proposed disclosure requirements. Absent relief, the proposed rule could complicate acquisitions and affect the timing of when issuers can close acquisitions and remain in compliance with the rule for their next annual report. For the same reasons, we believe climate-related disclosures for acquired businesses should not be required for historical periods preceding the proposed acquirer reporting start date.

We respectfully request that the Commission consider our comments in developing final rules on this topic. Etsy remains committed to integrated reporting and would be glad to see additional companies join us in taking action on climate change in part by reporting in a similar manner.

Sincerely,

Rachel Glaser
Chief Financial Officer
Etsy, Inc