



GREEN BOND FRAMEWORK

Updated as of August 20, 2021



Avalon Dogpatch
San Francisco, CA



AVA North Point
Cambridge, MA



eaves South Coast
Costa Mesa, CA

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1. OVERVIEW

AvalonBay Communities, Inc. (AvalonBay or the Company) is an equity REIT in the business of developing, redeveloping, acquiring and managing multifamily communities primarily in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. The Company is as of the date of this document pursuing modest amounts of business in the following expansion markets: South Florida, Denver, North Carolina and Texas.

We focus on leading metropolitan areas in these regions that we believe are characterized by growing employment in high wage sectors of the economy, lower housing affordability and a diverse and vibrant quality of life. We believe these market characteristics offer the opportunity for superior risk-adjusted returns on apartment community investment relative to other markets that do not have these characteristics.

As of June 30, 2021, the Company owned or held a direct or indirect ownership interest in 288 apartment communities containing 85,749 apartment homes in 11 states and the District of Columbia, of which 16 communities were under development and two communities were under redevelopment.



Avalon Princeton, Princeton, NJ

2. AVALONBAY COMMITMENT TO SUSTAINABILITY

At AvalonBay Communities, our purpose is creating a better way to live — for our residents, our associates, our shareholders, the communities in which we do business and our planet at large.

As a real estate investment trust (REIT), we consider the full life cycle impact of the decisions we make every day. We are also an integrated company, with in-house development, construction management, property management and finance capabilities. We seek to play a role in the cities and suburbs in our markets across the country, which offer high density, amenity-rich living options. These locations are offering residents options for more sustainable ways to live, from green buildings and walkable neighborhoods to safer and healthier environments, and they are moving to a low-carbon emission future. We are proud to be part of this reinvention, creating communities that further the goal of long-term environmental efficiency and that foster better living far beyond their walls. Through these communities we make our core values visible: a commitment to integrity, a spirit of caring and a focus on continuous improvement.

We create a better way to live for our residents by operating our business in a way that integrates environmental, social and governance (ESG) considerations. These considerations are illustrated by our long-term targets, which are aligned with eight of the seventeen goals that are part of the United Nation's [Sustainable Development Goals](#) (SDGs), which seeks to promote a better and more sustainable future for all.

ENVIRONMENTAL

Environmental responsibility is core to our business and a critical part of developing sustainable communities. This is why we integrate our sustainability initiatives with our design, development, construction and operations processes. It is also why AvalonBay has set corporate responsibility goals, including science-based emissions reduction targets.

GOALS

SCIENCE-BASED TARGETS

53%

**Reduction in Scope 1 & 2
GHG Emissions per
square foot**
by 2030 (2.16 kgCO₂e/sq. ft)

SDG



47%

**Reduction in Scope 3
GHG Emissions per
square foot**
by 2030 (2.93 kgCO₂e/sq. ft)

WATER

2025

**Goal currently
being researched
and will be introduced in the
2021 report¹**

SDG



WASTE

20%

**Reduction in
landfill-bound
waste intensity**
by 2023 (1,631 lbs/apt)

SDG



INCLUSION & DIVERSITY

ACHIEVE GENDER PARITY

Increase women in
leadership** to achieve
gender parity* by 2025

INCREASE UNDERREPRESENTED MINORITIES

Increase of underrepresented minorities in
leadership** **to 20% by 2025 and 25% by 2030**

SDG



RESIDENTS

33

**Achieve NPS (Net
Promoter Score)
of 33 by 2025**

ASSOCIATES

90th+

Achieve 90th percentile
or better on **associate
engagement
and satisfaction by 2025**

COMMUNITY

\$2.75M

Increase annual community investment to
\$2.75M total cash and in-kind by 2025

SDG



* Please note that parity is defined as achieving a level within +/-2% of the available workforce (currently 41%) as documented by third-party resources by level, function and geography. Source: Derived using TalentNeuron (which uses Census NAICS industry codes, years of experience, education, and 65K sources of data including Census, job boards, proprietary database and Gartner Insights).

** Leadership is defined as director-level associates and above.

¹ The 2025 water goal is currently being researched and will be introduced in the 2021 Corporate Responsibility Report.

In 2016, we adopted a policy that we would pursue a third-party environmental certification (e.g., LEED, EnergyStar) for new development of mid- and high-rise communities except where not feasible². In 2020, we established a series of new ESG goals, including a focus on emissions reduction with our science-based emissions reduction targets. We have advanced these goals by constructing new certified sustainable communities and implementing a renewable energy strategy for existing communities.

For the past six years, Lloyd's Register Quality Assurance (LRQA) has provided independent assurance of our energy, emissions, water and waste data as well as our data collection processes and procedures. LRQA, a part of Lloyd's Register Group Limited, is a leading provider of independent assessment services including certification, validation, verification, and training across a broad spectrum of standards and programs, with recognition from over 50 accreditation bodies around the world.

GOVERNANCE

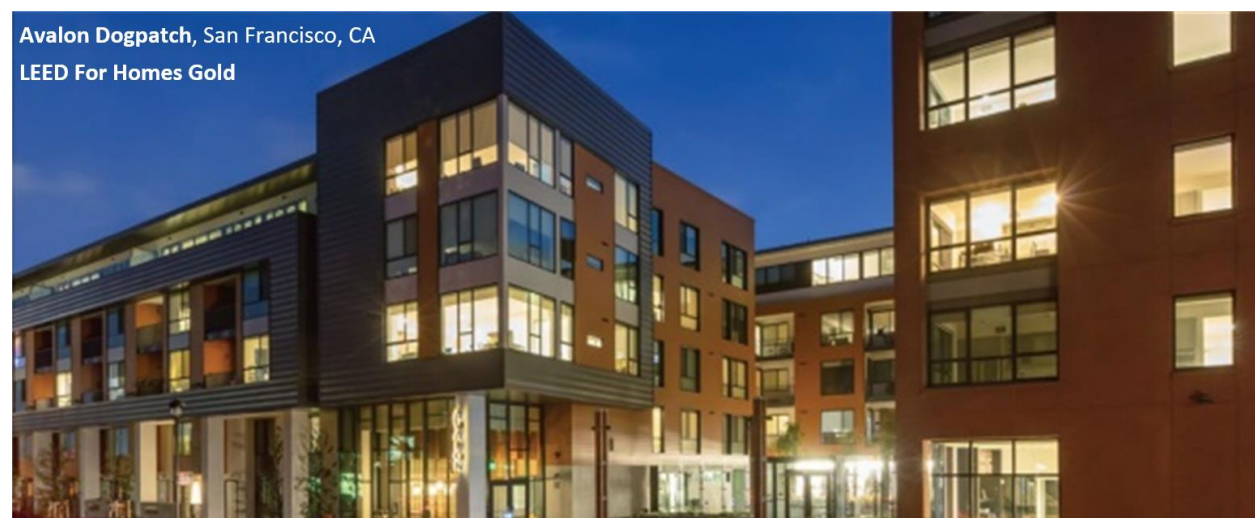
AvalonBay is committed to sound corporate governance practices and the highest ethical standards. Our Board of Directors includes twelve members, ten of whom are independent.

3. RATIONALE FOR ISSUANCE

Through the issuance of this Green Bond Framework, under which we can raise capital by issuing Green Bonds, we intend to finance expenditures for our business that align with the 2021 Green Bond Principles and AvalonBay's commitment to promoting a cleaner and healthier future.

4. ALIGNMENT WITH THE GREEN BOND PRINCIPLES

The International Capital Market Association ("ICMA") 2021 Green Bond Principles ("GBP") are a set of voluntary guidelines that seek to promote best practices by issuers of Green Bonds. The GBP support several of the United Nation's Sustainable Development Goals and are intended to promote transparency, disclosure, and integrity in the Green Bond market. The AvalonBay Green Bond Framework is aligned with the four core components of the GBP, as discussed below.



² While LEED and Energy Star are the most recognizable standards, other certifications may be acceptable including National Green Building Standards (NGBS) or, in select cases, local building codes that include environmental standards similar to LEED.

4.1 ELIGIBLE PROJECTS

We intend to allocate an amount equal to the net proceeds from the sale of any Green Bond issuances to finance or refinance, in whole or in part, one or more new or existing Eligible Projects. We intend to strive, over time, to achieve a level of allocation for the Eligible Projects which matches or exceeds the balance of net proceeds from the sale of any Green Bond issuances. “Eligible Projects” include projects on which expenditures are made by us or any of our subsidiaries beginning with the issuance date of any Green Bonds, or in the 36 months prior to any such issuance, that meet the criteria below.

“Eligibility Criteria” are outlined below:

GBP Category	Eligible Projects and Examples	SDG Alignment
Green Buildings	<p>Expenditures related to real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as:</p> <ul style="list-style-type: none">• BREEAM³ Good, Very Good, Excellent or Outstanding,• Energy Star rating of 75 or higher,• LEED⁴ Silver, Gold or Platinum, or• equivalent certification. <p>Expenditures may include acquisitions, design, development, construction, materials, equipment, certification costs, and attributable capitalized interest costs.</p>	SDG 11
Energy Efficiency	<p>Expenditures related to design, construction, operation, and maintenance of energy-efficient residences and infrastructure including efficient HVAC, roofs, energy management systems and LED lighting that are at least 15% more efficient.</p>	SDG 12 SDG 13
Renewable Energy	<p>Expenditures related to the construction, development, acquisition, maintenance, and operation of renewable energy projects that are long-term and new to the grid, such as solar. Projects may include, but are not limited to:</p> <ul style="list-style-type: none">• Power purchase agreements (PPAs) and virtual PPAs that are long term (5 years or more) and tied to third-party renewable projects.• On-site renewable energy projects and storage installations.	SDG 7 SDG 13
Sustainable Water and Wastewater Management	<p>Expenditures related to increased water-use efficiency. Projects may include, but are not limited to:</p> <ul style="list-style-type: none">• Weather-based irrigation systems, and• Water fixture upgrades.	SDG 6
Waste Management	<p>Expenditures related to reduced waste generation through prevention, reduction, recycling, and reuse.</p>	SDG12

³ <https://www.breeam.com/>

⁴ <https://www.usgbc.org/help/what-leed>

4.2 PROCESS OF PROJECT EVALUATION AND SELECTION

Our Chief Financial Officer, in conjunction with representatives from our Corporate Responsibility and Energy Management, Finance and Accounting groups, shall be responsible for the selection and assessment of Eligible Projects, on an annual basis, to ensure alignment with this Framework. All projects allocated funding from the issuance proceeds will follow an internal process that includes final review and approval by our Chief Financial Officer.

4.3 MANAGEMENT OF PROCEEDS

Our Finance and Accounting groups will track the allocation of the net proceeds from the sale of any Green Bonds to identified Eligible Projects using our internal accounting system. Pending allocation of such proceeds to Eligible Projects, we may temporarily invest all or a portion of the net proceeds in cash, or cash equivalents, and/or hold such proceeds in accordance with our internal liquidity policy. Payment of principal and interest on any Green Bonds will be made from our general funds and will not be directly

linked to the performance of any Eligible Project.

4.4 REPORTING

4.4.1 Allocation Reporting⁵

Annually, until all proceeds have been fully allocated, and on a timely basis in case of material developments, we will publish a Green Bond Report, on our website, which will include (i) the amount of net proceeds allocated to each Eligible Project; (ii) expected environmental impact metrics, where feasible; (iii) brief project descriptions; and (iv) the outstanding amount of the net proceeds of our Green Bond issuances to be allocated to Eligible Projects at the end of the then current reporting period. The first report will be published on the Company's website within one year of the initial date of issuance.

4.4.2 Impact Reporting

Examples of expected key performance indicators (KPIs) of the environmental impacts of the Eligible Projects funded may include, where feasible:

Project Category	Example KPIs
Green Buildings	<ul style="list-style-type: none">Green building certificationsTotal number of buildings certifiedTotal square feet certifiedPercentage of overall AvalonBay apartment community square feet certified
Energy Efficiency	<ul style="list-style-type: none">Energy savings (MWh)Emissions (including metric tons of CO₂e) avoided or reduced
Renewable Energy	<ul style="list-style-type: none">Renewable energy capacity sourced and developed (MW)Renewable energy procured and produced from the capacity above (MWh)Emissions (including metric tons of CO₂e) avoided or reducedAnnual renewable energy procured and produced as a % of annual global electricity consumption
Sustainable Water and Wastewater Management	<ul style="list-style-type: none">Water consumption savings (Kgal)On-site Water Reuse (M3)
Waste Management	<ul style="list-style-type: none">Waste consumption (lbs/apartment home)Non-hazardous waste (MT)

⁵ It will not be a breach of, or default or event of default under the agreements or instruments governing the Green Bonds if AvalonBay fails to comply with the reporting commitments or any other commitment or undertaking under this Framework.

5. EXTERNAL REVIEW

We expect that our Green Bond Report will be accompanied by (i) assertions by AvalonBay's management as to the amount of the net proceeds from the sale of any Green Bonds that have been allocated to Eligible Projects; and (ii) a report from an independent third-party accounting firm who will attest that AvalonBay's application of the Green Bond net proceeds are in compliance with the Eligibility Criteria set forth in this Framework.

Disclaimer

The information and opinions contained in this AvalonBay Green Bond Framework (the "Framework") are provided as of the date of this Framework and are subject to change without notice. None of AvalonBay, its subsidiaries or any of its affiliates assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework should be read in conjunction with AvalonBay's current and future periodic filings with the Securities and Exchange Commission.

This Framework represents current AvalonBay policy and intent and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by AvalonBay and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by AvalonBay as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework may contain "forward-looking statements" about future events and expectations. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. In addition, we may not achieve our goals and targets for any of a number of reasons, including an inability to deploy capital in the timeframe we anticipate or an inability to achieve our sustainability goals due to limitations beyond our control, such as technological or resource limitations. Any such forward looking statements in this document speak only as of the date of the Framework and AvalonBay does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. For a list of factors that might cause actual results to differ materially from these forward-looking statements, refer to the factors set forth in our quarterly reports on Form 10-Q and annual reports on Form 10-K, as filed with the Securities and Exchange Commission, which are incorporated here by reference.

This Framework is provided for information purposes only and does not constitute a recommendation regarding the purchase, sale, subscription or other acquisition or disposal of any debt or other securities of AvalonBay, any member of AvalonBay or any securities backed by a security or insurance product of AvalonBay ("Securities"). This Framework is not and is not intended to be and does not form part of or contain an offer to sell or an invitation to buy, or a solicitation of any offer or invitation to buy, any such Securities. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of an offering memorandum or other equivalent document and a related pricing term sheet (the "Offering Documents") and any decision to purchase or subscribe for any such Securities pursuant to such offer or invitation should be made solely on the basis of such Offering Documents and not these

materials. In particular, investors should pay special attention to any sections of the Offering Documents describing any risk factors.

The merits or suitability of any securities or any transaction described in these materials to a particular person's situation should be independently determined by such person. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit or other related aspects of the securities or such transaction and prospective investors are required to make their own independent investment decisions.

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