



GROWING COMMUNITIES

The word "GROWING" is in white, and "COMMUNITIES" is in green. A thick green horizontal bar is positioned below the word "COMMUNITIES". The background is a dark, blue-tinted photograph of a city street with modern apartment buildings and trees.

GROWING COMMUNITIES

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We own and manage everything we build. Ownership of our communities brings with it deep-rooted incentives for sustainable development – we always consider full life-cycle costs, not just first costs.

Because we have a vested interest in growing communities that last, we continue to make strides in building and integrating a robust sustainability program.

BUILDING SUSTAINABLY IS IN OUR NATURE

GROWING INTO OUR COMMITMENT TO SUSTAINABILITY

WITH EACH NEW APARTMENT COMMUNITY

we build, another neighborhood sees new investment, local suppliers grow their businesses and their payrolls, new residents bring vitality and spending power to the area to support neighborhood shops and restaurants, and the local tax base is expanded. At many of our sites, we also remediate polluted brownfields and return blighted land to productive use, provide critically needed affordable housing for those with limited income and contribute funds or construct improvements to public infrastructure. With over \$2.8 billion in development underway

as of year-end and a future pipeline of another \$3.8 billion to be invested over the next several years, we are investing in more communities than ever before.

This activity represents an incredible opportunity to be a force for positive change that benefits all of our stakeholders, including the communities in which we do business, our investors, associates, residents and supplier partners. We will continue to focus on creating long-term value for our stakeholders as we define sustainability in financial, social and environmental terms.



In 2013, our company saw tremendous growth. We integrated the Archstone acquisition while continuing the record-setting growth of our development pipeline. Over the course of the year, we also made important progress on our sustainability goals, including:

ARCHSTONE INTEGRATION: The acquisition of Archstone added 60 new communities and over 20,000 new apartment homes to the AvalonBay portfolio. Beyond great assets, we brought on a lot of talented people. Over 600 new associates joined the company, extending our corporate capabilities in technology, engineering, risk management and property management. We managed all of this without disrupting our core business — strengthening the culture that is so critical to our success.

WORKPLACE SAFETY: We pledged in our 2012 Corporate Social Responsibility Report to undertake a comprehensive review of our workplace safety policies and procedures. We conducted an extensive review of our compliance with OSHA requirements in the areas of training, recordkeeping and reporting, and took steps to expand and enhance our in-house safety program. Enhancements included hiring a Senior Director of Safety and Health, adding further dedicated safety resources, implementing new policies and procedures to improve supply-chain management and promoting a proactive culture of safety at AvalonBay. In 2013 alone, employees completed over 10,100 hours of safety training, a 74% increase over 2012.

BENCHMARKING: We piloted energy usage benchmarking in 48 communities and learned valuable lessons that we are applying in an expanded set of benchmarking activities this year. The goal is to provide our maintenance and community operations staff with timely information so they can identify outliers and make proactive decisions about building performance and maintenance needs.

ENERGY LABELING: Unique to the multifamily space, we created energy labels for a number of certified communities. They provide residents with transparency into the energy efficiency of our apartment homes compared to comparable neighborhood stock. We have plans to expand the program this year, tripling the number of communities with energy labels.

SPIRIT OF CARING: Our dedication and gratitude to the communities in which we do business, and the desire of our associates to give back, is deep and lasting. During our 2013 Spirit of Caring month, associates gave almost 2,000 volunteer hours on company time to charitable organizations in all our major markets.

In 2014, we look forward to integrating sustainability more deeply into our business. To ensure continued progress against our broad sustainability agenda, we recently welcomed Mark Delisi to our team in the newly created role of Senior Director of Sustainability. Our commitment to sustainability and corporate social responsibility is a natural extension of our three core values — a Commitment to Integrity, a Spirit of Caring and a Focus on Continuous Improvement.

I invite you to read our 2013 Corporate Social Responsibility Report to better understand how we are integrating sustainability into our business and growing communities for the long term.



TIMOTHY J. NAUGHTON

Chairman and CEO

2013 AT A GLANCE

2.8 BILLION DOLLARS

IN DEVELOPMENT UNDERWAY

60 NEW COMMUNITIES

THROUGH ARCHSTONE ACQUISITION
(20,000 apartment homes)

10,100 HOURS

SAFETY TRAINING

2,000 HOURS

VOLUNTEERING DURING THE 2013
SPIRIT OF CARING MONTH

AT AVALONBAY, WE SEEK TO ENGAGE ALL WHO HAVE A MATERIAL
STAKE IN THE SUCCESS OF OUR BUSINESS.

GROWING COMMUNITIES IS A COLLECTIVE EFFORT

LOCAL COMMUNITIES AND NEIGHBORHOODS:

The communities we develop, own and operate are all deeply integrated into local communities of their own. We work closely with local government staff, elected officials, planning experts, neighborhood groups, local employers and others to ensure that our communities contribute to the larger community and perform in an environmentally sustainable way.

INVESTORS: We take the sustainability concerns of our investors seriously. That's why we break out the performance of AvalonBay and our investment management funds separately in response to the Global Real Estate Sustainability Benchmark (GRESB), and we have moved to comply with the Global Reporting Initiative (GRI) framework to provide further transparency into our sustainability efforts.

ASSOCIATES: Our associates are the heart of our competitive advantage, and we continually strive to make AvalonBay a great place to work. Last year, we partnered with Kenexa, a leading third-party research firm, to survey our associates. The results indicated that our associate engagement scores were in the 90th percentile of all companies surveyed by Kenexa.

RESIDENTS: Our residents are the source of our revenue, and keeping them satisfied is of critical importance. Resident satisfaction in 2013 measured 83%, seven percentage points above the industry peer index. We survey residents at three points during their relationship with us: when they move in, halfway through their lease and just before they move out. In addition, we run online discussion forums with residents that help us improve the design of future communities, develop new service offerings and programs, and better meet their day-to-day needs.

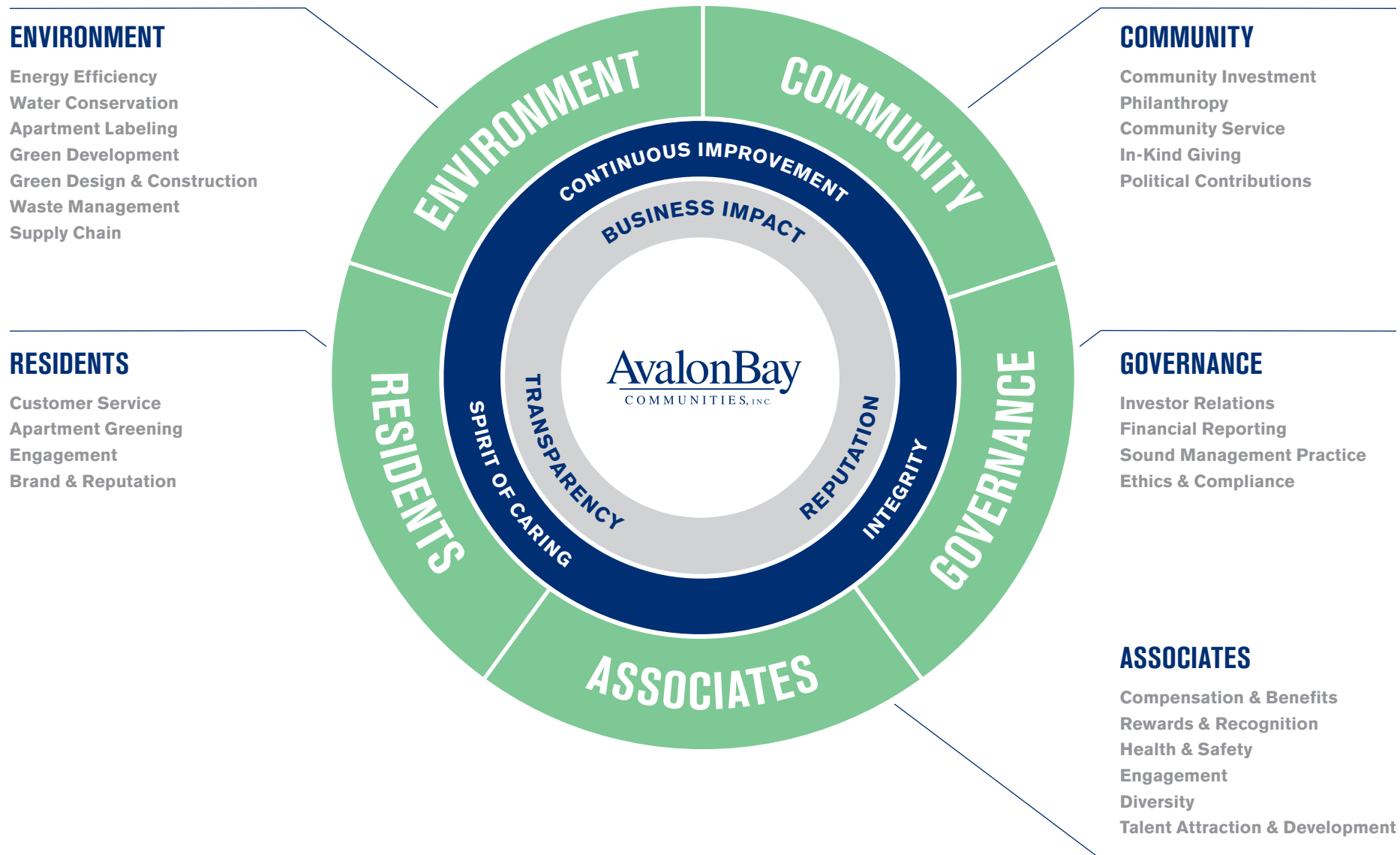
VENDORS, SUPPLIERS, CONTRACTORS: Our business partners are essential to our success. We strive to better understand their sustainability efforts as we build stronger long-term relationships.

83% RESIDENT SATISFACTION

SEVEN PERCENTAGE POINTS ABOVE
THE INDUSTRY PEER INDEX

For the second year in a row, we are the proud recipient of the NAREIT Residential Leader in the Light Award. With only one winner chosen per sector, this is the highest achievement for all residential REITs and reflects our growing commitment to social and environmental sustainability. NAREIT recognized AvalonBay for our efforts to improve energy efficiency, a key part of our sustainability efforts across the company.

SUSTAINABILITY FRAMEWORK





ENVIRONMENT INTEGRATING SUSTAINABILITY

WE GROW SUSTAINABLE COMMUNITIES by taking into account the full ecosystem in which we operate. We integrate our environmental sustainability initiatives with our design, development, construction and operations processes, and assess these initiatives for their impact beyond individual building performance.

We know our efforts to improve building performance have ripple effects that can reduce consumption of carbon-based fuels, improve air and water quality, and reduce waste. In small and large ways, our attention to environmental impact is a critical part of developing sustainable communities.



DESIGN AND DEVELOPMENT

Good design takes sustainability into account, then goes far beyond just making things more efficient. It considers the feeling residents have when they come home after a long day of work. While we integrate over 40 sustainability standards into how we design and construct, touching everything from lighting to water to materials, we also ensure that these standards never compromise the essential feeling of home. Efficiency, yes. Poor design, no.



- In 2013, we began construction on 13 communities representing an expected investment of \$1.32 billion.
- Our portfolio contains 10 LEED- or Energy Star-certified communities, and in 2013 we saw the number of communities pursuing some type of environmental certification increase by 78% to 26 additional communities.
- We completed three transit-oriented communities in 2013, adding to the 77 we already own and operate.
- For the communities under construction at year-end 2013, we spent \$4.9 million on environmental remediation. The projected total remediation spend for these assets is \$5.7 million upon their completion.

CONSTRUCTION

This year, we created a New Construction Green Practices Checklist for job sites, which supplements the green design standards we already have in place. This tool provides our construction teams with an easy-to-check review of our sustainability requirements for job sites. This checklist covers 20 construction practices, from erosion control to air quality measures to initiatives to reduce, reuse and recycle construction debris and waste by 50%.



- We completed 12 apartment communities in 2013 containing more than 2,800 apartment homes. Thanks to our sustainability standards for new construction, these new communities will generate 297,000 kWh in electricity savings per year, a 30% reduction in heating and cooling costs and 18 million gallons of water savings per year compared to minimum code regulations.
- By year-end, we had a total of 29 communities under construction representing \$2.8 billion in capital cost.

COMMUNITY HIGHLIGHT



- **Solar pre-heat for domestic water**
- **16 insta-hot water heaters that heat depending on demand**
- **Invested \$1M in community art**
- **Low-flow shower heads, bath and kitchen faucets community-wide**
- **High-efficiency toilets in apartments and waterless or low-flow urinals in common areas**
- **Native, non-invasive plant species used on grounds**
- **Low-flow, drip or smart irrigation systems**

REDEVELOPMENT

Similar to our New Construction Checklist, we implemented a Redevelopment Green Practices Checklist to ensure that construction practices in existing communities follow environmentally sound standards. With 22 categories, this checklist covers erosion control, management of the job site, and recycling of appliances and carpet that may be removed during the redevelopment process.



- Redevelopment stats for 2013: six communities, 2,000 apartment homes, \$50 million invested. At the end of 2013, an additional three communities were under redevelopment with over 1,100 apartment homes.
- Existing portfolio improvements: \$25.2 million invested
- Since 2009, we have invested over \$2 million in sustainability capex projects, driving efficiencies and increasing the asset value of existing communities. These projects include lighting retrofits, cogeneration installations and solar power projects, with an average annual projected financial return of 33%.

COMMUNITY HIGHLIGHT



- **Removed six water features and installed drought-tolerant plantings, resulting in reduced water consumption**
- **Upgraded apartment HVAC in all apartment homes with new, efficient air conditioning equipment**
- **Replaced hot water heaters in apartment homes with new, high-efficiency Energy Star-rated water heaters**
- **Replaced interior and exterior lighting with efficient fluorescent fixtures**

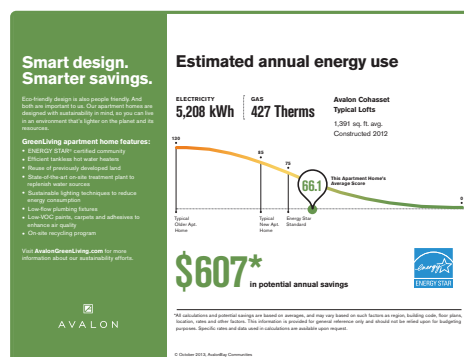
COMMUNITY HIGHLIGHT



- **New Energy Star appliances in the apartment homes**
- **New, more efficient boilers**
- **All new energy-efficient building lighting**
- **Single-ply white membrane roofs, which lower apartment cooling costs and reduce the urban “heat island” effect**

COMMUNITY OPERATIONS

The energy performance of our communities directly impacts residents. To provide residents with better information, we piloted energy labeling in 2013 to clearly display energy savings of select new apartment homes compared to neighborhood benchmarks. This “green label” presents information that helps residents better understand how our apartments can save energy costs and how their homes have been designed to higher standards of sustainability.



Green Label, Avalon Cohasset



- Through our Sustainability Expense Fund, we are empowering our community associates to identify local efficiency projects, including installation of LED lighting and use of motion sensors in common areas and model apartment homes.
- As alternative fuel and electric vehicles become more popular, AvalonBay is working to offer charging stations to our residents. Fourteen communities offer charging stations or outlets for resident use, and we plan to expand that capacity by over 480% in 2014.
- In an effort to accommodate residents who want alternative transportation, we provide spaces for Zipcars in over 40 of our communities and plan to expand this program further.

- AvalonBay is piloting two weather-based irrigation systems in communities in Southern California. These systems will maintain our landscaping in a beautiful condition by providing the right amount of water but reduce the level of over-watering and waste. Estimated water savings are expected to range from 30% to more than 50%.
- In 2013, we continued participating in Maryland's Quick Home Energy Checkup program to bring additional efficiencies to residents. In 11 communities containing over 3,700 apartment homes, we installed more efficient lighting, faucet aerators and low-flow shower heads for our residents. The estimated savings in these communities is over \$750,000 annually and goes directly to our residents' bottom line.

OFFICE OPERATIONS

AvalonBay has three offices with LEED certification encompassing over 84,000 square feet. These include our Arlington headquarters (LEED Silver), our San Francisco office (LEED Silver) and our Los Angeles office (LEED Silver). In our other office locations, we use many LEED design and building practices as well.

Together with our office products provider, we are moving to increase the use of recycled products in our offices. For the second half of 2013 alone, 29% of our total office products purchases included recycled content, and we expect that to increase in 2014.



- After kicking off our Paper Cuts Challenge in 2012, we saw continued reductions in both consumption of and spend on office paper throughout 2013. Last year, our overall spend decreased by an additional 20% and our consumption went down another 13%, demonstrating how habits formed during the challenge continued into the new year.



AVA University District Seattle, WA

SUPPORTING CUTTING-EDGE SUSTAINABILITY RESEARCH

IN 2013, AVALONBAY WAS PROUD TO SUPPORT AND PARTICIPATE IN STUDIES AT THE LOCAL AND STATE LEVELS TO IMPROVE ENERGY EFFICIENCY.



AVA Stuart Street Boston, MA



AVA UNIVERSITY DISTRICT

We supported a pilot of reporting requirements for the 2009 Seattle Energy Code by completing whole-building air leakage testing to confirm the air-tightness of the building enclosure assemblies. Leaky buildings translate into more air changes and HVAC cycles, which take a great deal of energy to operate. Therefore, reductions in air leakage can lead to lower energy costs and usage. While whole-building testing is not required, it's the most effective way to determine the source of leaks. Our test provided important feedback and data, and exceeded the proposed standard by a significant margin.

AVA STUART STREET

We used this 30-story community, currently under construction, as a case study to analyze the potential effects of Boston's new "stretch" energy code in high-rises. In the analysis, we looked at the most cost-effective ways to achieve the efficiency improvements targeted by the proposed new code. Potential improvements identified included using triple-pane windows, reducing the window-to-wall ratio and improving the solid wall spandrel U value by 50%.

2013 ENVIRONMENTAL PERFORMANCE

GRESB BENCHMARKING DATA

AvalonBay continued its participation in the Global Real Estate Sustainability Benchmark (GRESB). With continued strong performance, we again ranked in the top quartile for our peer group and property type. GRESB gave us high marks for our management, policy and disclosure aspects, well above our peer average.

Areas for improvement include building certifications and benchmarking, as well as other performance indicators that we will address in 2014.

2013 ENERGY PERFORMANCE

In 2013, we improved the quality of our data, working with our utility billing vendors to gain more accurate readings. As we dug deeper into the numbers from 2012, we realized we had missed some actual 2012 consumption in the figures included in last year's CSR Report. Consequently, the emissions and consumption data below reflect slightly revised 2012 actuals.

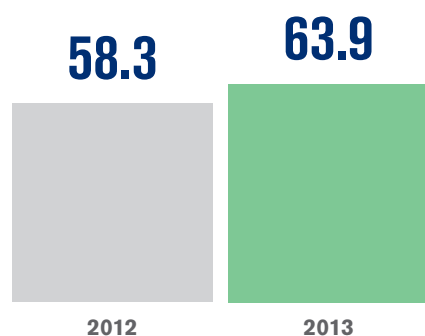
Our markets saw a weather-related increase in Cooling Degree Days (CDD) and Heating Degree Days (HDD) from 2012 to 2013. This translated into

a weighted average increase of Total Degree Days (TDD) of 10% across our portfolio. These greater demands related to weather in 2013 drove a modest increase of 1.6% in our like-for-like energy consumption for the year.

As we continue to refine our data analysis, we plan to better account for the impact of weather changes from year to year on our consumption and track our energy-efficiency investments on a weather-normalized basis.

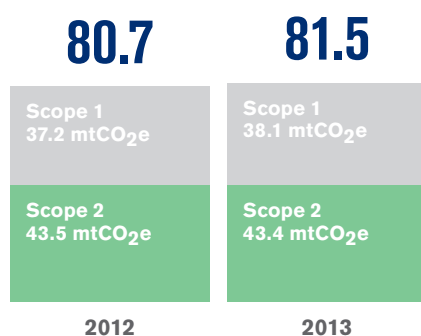
TOTAL DEGREE DAYS

in thousands



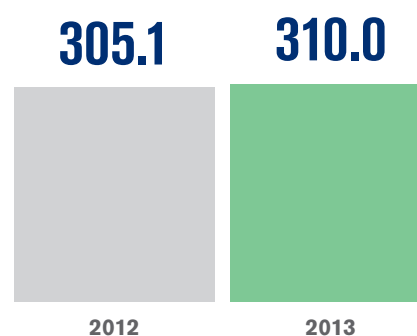
CARBON EMISSIONS

(like for like) metric tons in thousands



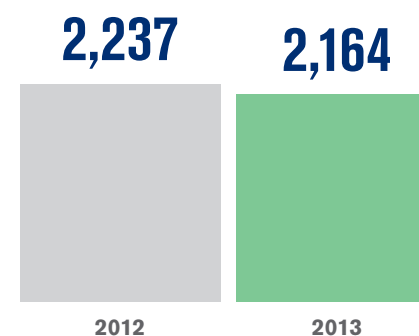
ENERGY CONSUMPTION

(like for like) kilowatt hours in millions



WATER CONSUMPTION

(like for like) gallons in millions



Twice a year, we recognize associates for their dedication to unique and innovative approaches to sustainability. In 2013, our Sustainability Award winners included the Mission Bay community team in San Diego.

The Mission Bay team showed how teamwork and a comprehensive approach to sustainability through small changes can add up.



..... AVALON MISSION BAY

All maintenance associates ensure appliances are set on their lowest settings and recycled items do not make their way into the trash stream.

By requiring double-sided printing and the use of online residency applications, the team reduced printed materials by 50%.

Team members encourage water conservation by using refillable tumblers and plumbed filtration systems.

When the team replaces their landscaping, they do so with drought-tolerant, native species.

COMMUNITY GROWING BY GIVING BACK



THE NEIGHBORHOODS WHERE WE BUILD

and operate provide us with the opportunity to grow our business. We give back in numerous ways, including dedicating employee time to community service, providing millions of dollars to improve schools, roads and local infrastructure, offering much-needed affordable housing and expanding the local tax base. We are also working with local and state governments to support pilot programs to improve energy efficiency and test new methods of lowering carbon emissions.

AS WE BUILD, WE INVEST

2013 COMMUNITY INVESTMENT

Numbers represented in dollars

160_M

\$160 million in property taxes across our current portfolio of communities in operation.

80_M

\$80 million in local permits, fees and taxes paid on projects under development in 2013, with an additional \$110 million to be spent through completion.*

We provided over \$45 million in rent subsidies to 8,700 residents in over 4,700 affordable apartment homes across 105 communities.

**For projects under development in 2013.*

\$340M



\$35 million for neighborhood infrastructure (roads, sidewalks, improvements to water/sewer/storm drainage), with an additional \$12 million to be spent through completion.*

\$10 million for municipal sewer/water connections, with an additional \$1.5 million to be spent through completion.*

\$5 million to local parks/recreation, with an additional \$2 million to be spent through completion.*

\$5 million to support local school districts, with an additional \$900,000 to be spent through completion.*

SPIRIT OF CARING MONTH

IN 2013, AVALONBAY HELD ITS SECOND ANNUAL SPIRIT OF CARING MONTH. Associates across the country joined together to volunteer their time and give back to their communities in support of local charities. Our associates increased donation hours by 11% over 2012 and dedicated over 1,800 hours to giving back.

In addition to providing paid time off for this volunteer work in the local community, AvalonBay made cash donations to over 100 organizations supporting housing, the homeless and healthy living, including the American Heart Association, Arlington Free Clinic, Cystic Fibrosis Foundation, Habitat for Humanity, Los Angeles Regional Food Bank, March of Dimes, United Way and the YMCA.

In 2013, we once again extended this Spirit of Caring beyond our associates to our customers, engaging our residents with donation drives at communities coast-to-coast. Everything from non-perishable food to pet supplies and children's clothing was collected.



In Southern California, 85 AvalonBay associates, along with residents and friends, walked to raise funds for the Susan G. Komen Race for a Cure.



AvalonBay regional offices hosted drives to benefit deserving local organizations, such as a Thanksgiving basket drive for families in Washington, D.C., and a backpack drive for San Francisco Bay-area children.

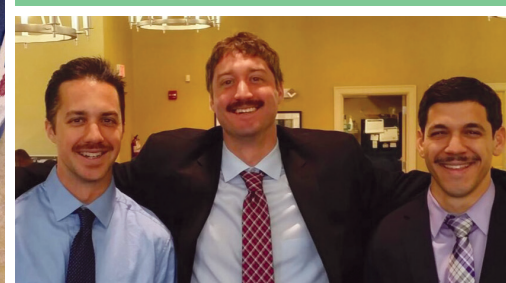




Pacific Northwest associates held a region-wide food drive for Hopelink, collecting enough food to provide over 1,800 meals to local families.



Our Long Island associates sported mustaches, held community events and raised over \$13,000 for "Movember," which supports awareness of men's health issues such as prostate cancer.





ASSOCIATE PASSION FOR GIVING BACK

DAVID LEWIS, VICE PRESIDENT OF ENGINEERING, has been a committed volunteer at Helping Children Worldwide for over three years. Helping Children Worldwide is a faith-based organization that provides support to Mercy Hospital and the Child Rescue Centre in Sierra Leone, one of the poorest countries in the world. Mercy Hospital is a 26-bed facility that provides safe, quality healthcare to nearly 10,000 patients each year. The hospital supports community health initiatives, including malaria testing and treatment, HIV/AIDS testing and counseling, prenatal care and nutrition clinics. The Child Rescue



Centre rescues and cares for children who have been exploited through forced labor and protects those who are at risk of exploitation by providing school fees and healthcare.

Located in west Africa, Sierra Leone experiences extreme climate swings, with long dry periods followed by an intense rainy season that sees up to 360 inches of rainfall in six months. City-supplied electricity is intermittent during the rainy season and can be non-existent during the dry times. These severe climate fluctuations are hard on buildings,

as well as the water pumps and generators, which are relied upon for basic utilities. David's facilities management experience enables him to offer unique support to Helping Children Worldwide and the facility staff year-round. He regularly collaborates with the Child Rescue Centre and Mercy Hospital facilities managers to provide guidance and advice on major repairs, and he works with them to strategically plan and prioritize upgrades to the buildings and system infrastructure. David visits Sierra Leone at least once a year to assess conditions, then provides ongoing support from the United States.



2013 SPIRIT OF CARING AWARD

.... CHRISTINE McELHINNEY

For her work leading the 2013 Spirit of Caring Committee, Christine McElhinney received our Spirit of Caring award. As her nomination noted, "Christine McElhinney is the project manager and spiritual leader of the Arlington regional office Spirit Team. The Spirit Team has lifted morale and brought a stronger social component to our culture, and she is the reason this team is successful."

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ASSOCIATES SUSTAINABILITY STARTS AT HOME



COMMUNITIES GROW when the people who live in them thrive. We know we will succeed only to the extent that our associates have the best opportunities to learn, develop and achieve career growth — to thrive. When our associates are engaged and fulfilled during the considerable time they spend with us each day, they are more productive, healthier and better able to serve our residents and other stakeholders.

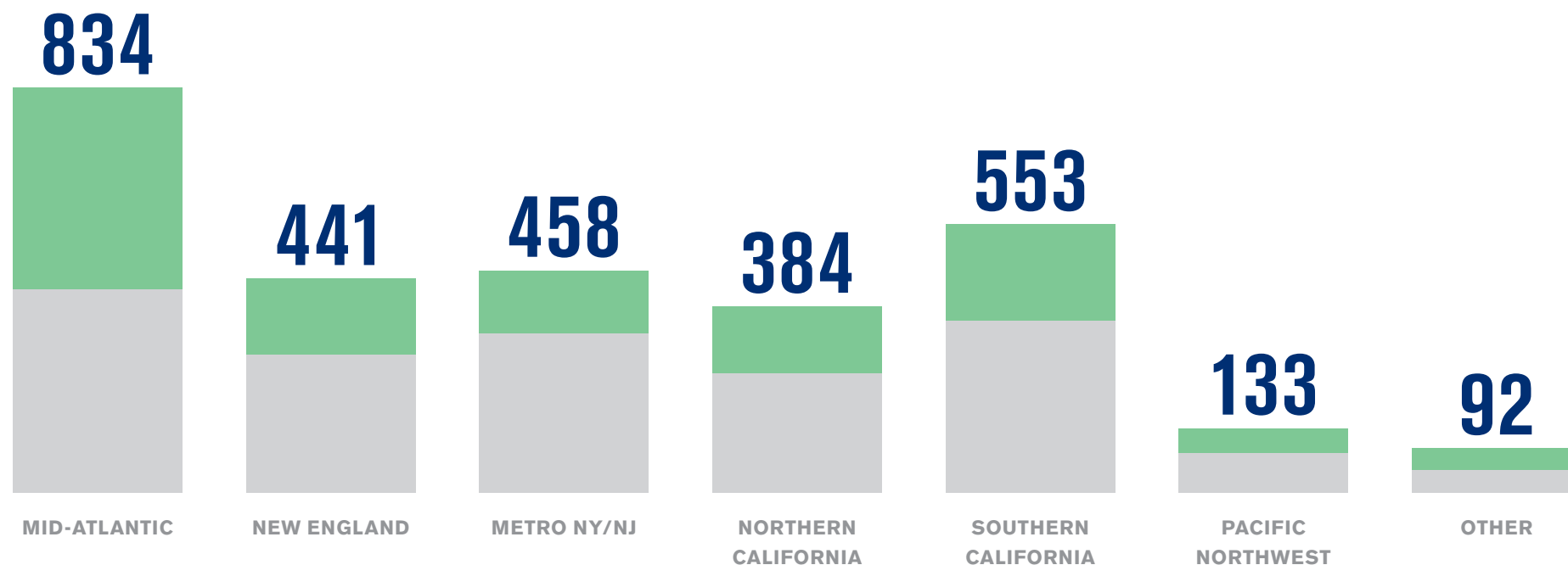
DIVERSITY AND INCLUSION

AvalonBay recognizes that attracting and retaining the right talent cannot happen without a culture of respect and inclusion.

TOTAL EMPLOYMENT BY REGION

As of December 31, 2013

Female
Male







HEALTH AND SAFETY*

In addition to our comprehensive job-site safety rules and practices, we increased hours of safety training by 74% in 2013. We are very proud to be 97% injury-free (or better) for the fourth consecutive year.



HEALTH AND SAFETY INDICATORS



0 FATALITIES

WORK RELATED DURING 2010-2014

10,164 HOURS

SAFETY TRAINING

**Subcontractors and their employees are not direct AvalonBay associates and are not included in data presented on this page.*

LEARNING AND DEVELOPMENT

Providing associates with opportunities to develop and grow, both professionally and personally, is a critical part of maintaining an engaged workforce. We do this, in part, through in-house training and tuition reimbursement.

Our in-house training, AvalonBay University, is available to all associates and offers over 200 courses in technical, management and leadership training and education. We support external learning opportunities and continuing education primarily through our tuition assistance program. Under this program, associates may receive a set reimbursement for approved undergraduate and graduate study. We also support two scholarship opportunities for higher education that were designed with our employees and their children in mind: the Blair Family AvalonBay Scholarship Fund and the Dick Michaux Scholarship.



OUR ONGOING EMPHASIS ON TRAINING, LEARNING AND DEVELOPMENT RESULTED IN ASSOCIATE TRAINING HOURS INCREASING 30% IN 2013 FROM 2012.

- Of the total training hours completed, 43% was on-the-job training, 53% online and 3% in the classroom.
- Associates completed a total of 85,000+ training hours in 2013.
- We implemented a new learning management system in 2013 to improve educational access and reporting accuracy.

BENEFITS

We continue to provide associates with a growing set of benefits to meet their individual health and financial needs. In particular, AvalonBay provides:

DOMESTIC PARTNER BENEFITS: Creating an inclusive workforce by offering our associates domestic partner benefits.

TOBACCO CESSATION: Promoting a healthy workforce by reducing medical premiums for non-tobacco users and supporting tobacco cessation through our wellness and medical/Rx plan provider.

401(k) ENROLLMENT & MATCHING PROGRAM: Facilitating our associates' financial well-being by automatically enrolling new hires in our 401(k) plan when they become eligible and matching 50% of the first 6% of compensation that associates contribute to the plan up to statutory limits.



OUR FULL SET OF COMPREHENSIVE BENEFITS INCLUDES:

- Medical, dental and vision insurance
- Life/AD&D/disability/EAP
- Free employee assistance program
- Wellness benefits
- Flexible healthcare/dependent-care spending accounts
- Discounted rent at AVB communities
- Discounts on purchase of AVB stock
- Vacation, sick leave, flexible time and floating holiday(s)
- Tuition reimbursement
- Sabbatical program

ASSOCIATE ENGAGEMENT

In 2013, we implemented a new engagement survey strategy that allows us to collect meaningful data from associates more frequently, as well as provide more robust reporting and analysis. In July, we conducted a “pulse” engagement survey, which provided engagement information from a statistically significant, randomly selected sample of our associates.* The results were highly encouraging and show that AvalonBay continues to be a great place to work. Below are some highlights of the results.

78% OVERALL ENGAGEMENT

GLOBAL AVERAGE IS 73%



CUSTOMER CARE CENTER ASSOCIATES

Since 2011, our Customer Care Center (CCC) has undergone significant process, leadership and space improvements. These investments are aimed at improving the career resources and development opportunities for associates so frequently in contact with residents. Since making the improvements, we’ve seen a significant increase in CCC associate engagement (22% higher in 2013 than in 2011).

COMMUNITY-BASED ASSOCIATES

Maintenance associates are highly engaged at all levels, from entry-level technicians to managers, due to strong leadership, training and changes implemented over the past few years. However, the survey indicated that our leasing associates have some concerns. Several initiatives are underway to address the issues they raised.

**51% of associates surveyed; 77% response rate.*

ARCHSTONE INTEGRATION



In 2013, we welcomed over 600 former Archstone associates to AvalonBay. To manage this unprecedented expansion, we developed a transition plan that included the following measures:

- **Provided a personal mentor to guide new Archstone leaders through their first 90 days. In addition, 100% received tailored on-boarding training based on their roles.**
- **Adapted our management training and conducted multiple sessions in each region to accommodate all new managers and supervisors.**
- **Surveyed all incoming associates to determine how they were responding to the transition. More than 70% of our new associates said they felt supported through the organizational changes.**
- **Provided a four-day on-boarding session for our new residential services leaders that allowed participants to meet and interact with key stakeholders at AvalonBay who impact their day-to-day operations.**



TEAM OF THE QUARTER AWARD

..... AVA H STREET

Our AVA H Street asset team was recognized as a Team of the Quarter in 2013 for their hard work in bringing the first new-construction AVA community to life. This community subsequently was presented with four national awards and one regional award, including:

- *Multifamily Executive* magazine's 2013 Project of the Year award for the Best Mid-Rise Podium or Wrap (4-6 stories)
- *Multi-Housing News'* Excellence Awards for 2013, winning Gold in New Development Mid-Rise, Gold in Most Tech-Savvy Community and Silver in Best Apartment
- A regional award in Innovation Design from Delta Associates' Awards for Excellence

.....

..... PARKS UNDERDOWN

Parks Underdown, operations manager for the Mid-Atlantic region, is a recent winner of our Excellence Award, and for good reason. Parks was invaluable to the operational success of a new development community, Avalon Park Crest. This community opened just as AvalonBay's new Salesforce lead-management software was implemented at all communities. Parks went out of his way to ensure that the team at Park Crest was fully supported with all operational needs. Parks works tirelessly and consistently goes above and beyond for the communities and the directors he supports. He is a great example of one of the very best!

.....



EXCELLENCE AWARD

GOVERNANCE MEETING THE HIGHEST STANDARDS



AVALONBAY IS COMMITTED to sound corporate governance practices and the highest ethical standards. Our Board of Directors includes ten members, of which nine are non-employee directors. The company has adopted a variety of best practices in corporate governance, including the following:

- All directors are independent, other than the CEO
- Annual election of directors and majority voting in uncontested elections
- Policy on recoupment of incentive compensation (clawback policy)
- Strong lead independent director
- Director and executive officer stock ownership guidelines
- Director and executive prohibition against hedging, pledging or borrowing against company stock
- Policy regarding stockholder approval of future severance agreements
- Executive sessions of non-management directors at each regularly scheduled board meeting
- Regular succession planning
- No former employees serve as directors
- No shareholder rights plan and policy regarding adoption of future plans
- Internal Audit Group reports directly to the Audit Committee of the Board of Directors

BUILDING WITH INTEGRITY

SUSTAINABILITY GOVERNANCE

At AvalonBay, the Senior Director of Sustainability reports to our EVP of corporate strategy and regularly reviews sustainability objectives and the potential impacts of climate change on our business with the EVP. Both short-term and long-term goals are reviewed against a number of factors, including the changing local city regulations for our buildings. An input to this review process is an analysis of the risks/opportunities identified (we use a SWOT approach — strengths, weaknesses, opportunities, threats — to map our risks/opportunities).

Further, an interdisciplinary Sustainability Committee, in conjunction with the Senior Director, keeps an active watch for business risks related to sustainability. The process includes integration of asset-level concerns and opportunity identification through our dedicated sustainability fund. This fund enables asset-level employees to identify potential sustainability opportunities and apply for funding to make efficiency improvements. These projects are approved by the

leadership of the committee and are integrated into the overall sustainability plan for the company, which is regularly reviewed with company officers.

In our process, usually a 20% threshold for internal rate of return is used to prioritize the larger sustainability projects with the most promising return. These projects often entail energy/water consumption reduction and reduction of our carbon footprint related to building construction and operation. The process for identifying risks is currently under review for further refinement, but generally those areas deemed most critical to our business operations are given attention (e.g., business continuity-related risks, which can be related to climate change).

CODE OF BUSINESS CONDUCT AND ETHICS

We believe it is critically important to maintain a corporate culture that demands integrity and reflects ethical values. Accordingly, significant resources are dedicated to ensuring compliance with our code of business conduct and ethics. To facilitate enforcement of the code, AvalonBay maintains a confidential, anonymous whistleblower hotline for associates to report any concerns about workplace issues and ethical matters. We adhere to a strict non-retaliation policy in an effort to protect any associate who makes a report in good faith.



ETHICS AND COMPLIANCE TRAINING

Our associates are key to the ethical performance of the company. We conduct annual training to ensure they understand what it means to be an AvalonBay associate, the expectations of conduct and performance, and our commitments to human rights. All AvalonBay associates must take the Standards of Business Conduct training upon hire, and the organization re-certifies all associates every two years. Associates in key business positions re-certify on an annual basis.

- In 2013, AvalonBay associates took 3,294 hours of training related to human rights, including courses on a respectful workplace, anti-harassment and fair housing.
- All associates are required to read and sign the AvalonBay code of business conduct and ethics annually. Upon hiring, they are provided with a copy of the associate handbook, which also details conduct and behavior expectations.

INTERNAL AUDIT

Our Internal Audit Group, which includes 10 full-time associates, administers the whistle-blower hotline, and every complaint is reported to the Audit Committee of the Board of Directors, regardless of its nature.

The Internal Audit Group also performs continual independent reviews and audits of key business, operational, financial and information technology activities, including but not limited to development, construction, the Customer Care Center and individual community operations. Audits of corporate processes such as payroll, cash management, benefits, marketing, etc., are also conducted. Other functions that Internal Audit performs to support an ethical environment include the following, the results of which are reported to the Audit Committee:

- Administers the annual Sarbanes-Oxley compliance process, including testing and verifying the design and effectiveness of over 200 key financial reporting-oriented internal controls and reviewing over 50 process-owner internal control/fraud attestations on a quarterly basis. Results support the SEC-required CEO/CFO internal control certification section of financial statements.
- Performs an annual entity-level control assessment based on the Committee of Sponsoring Organizations' (COSO) internal control framework.
- Conducts an annual fraud-risk assessment survey based on key risks identified in the Association of Certified Fraud Examiners' (ACFE) report to the Nations on Occupational Fraud and Abuse.
- Performs an annual fraud entity-level control assessment based on the ACFE-recommended anti-fraud controls.

VENDOR CODE OF CONDUCT

AvalonBay expects our vendors to conduct their business interactions with integrity and holds vendors to a code of conduct that includes:

- Accurate recordkeeping and reporting
- Safeguarding assets and information
- A prohibition against bribes and kickbacks, and limits on gifts
- Avoidance of conflicts of interest
- A prohibition against insider trading
- A prohibition against AvalonBay associates directly conducting personal business with any vendor

SOUND INVESTMENT MANAGEMENT

New investment proposals, including development, acquisition, redevelopment and disposition activity, are submitted to the Management Investment Committee (MIC) for review and approval. The investment packages are compiled with independent input from different functional groups within the company and include operating and capital budgets, detailed schedules and pro formas, and an assessment of major risks and opportunities. Transactions that exceed certain size or return thresholds are also submitted to the Investment and Finance Committee (IFC) of the Board of Directors or to the full Board in certain cases.

2014 GOALS

This year we hired a Senior Director of Sustainability, whose responsibilities are entirely focused on advancing our sustainability and corporate social responsibility efforts and driving progress towards our short- and long-term goals.

Conduct
materiality
analysis

Grow the # of
LEED/Energy Star
communities pursuing
certification
by 100%
↑

Expand
public reporting
↔

Engage
residents
with good data



1

ENGAGING OUR STAKEHOLDERS – MATERIALITY ANALYSIS:

Understanding what both our internal and external stakeholders view as the most important sustainability issues to our business will enable us to focus resources, maximize returns and meet stakeholder expectations. A materiality analysis will also put us in position to comply with the new GRI G4 reporting framework.

2

EXPANDED PUBLIC REPORTING:

To further improve our public transparency, we plan to report to the Carbon Disclosure Project for the first time in 2014 and to continue to supplement the disclosures included in our annual Corporate Social Responsibility Report to make the information found there more relevant to our stakeholders.

3

RESIDENT ENGAGEMENT:

Giving residents better data on how their water and energy consumption compares to the average resident in their community will enable our customers to make more informed decisions about consumption to lower their costs. In addition, we will expand our Green Label program to provide residents with data on the reduced cost of consumption in our apartment homes versus comparable stock in the neighborhood.

4

PORTFOLIO BENCHMARKING:

This is a goal that carries over from our significant learnings last year and is likely to continue to be a focus for some time into the future. We continue to work on the challenges of finding the best way to access utility consumption data for our portfolio on a timely basis and to get that information to the right associates at the right time, thereby enabling proactive maintenance decisions and actions that lead to greater efficiencies.

5

INCREASE PORTFOLIO LEED AND ENERGY STAR CERTIFICATIONS:

We will double the number of communities pursuing LEED/Energy Star certification.

6

ENHANCE AND IMPROVE OUR GREEN CONSTRUCTION STANDARDS:

We plan to review and enhance our green construction standards and increase standards related to water conservation, LED lighting and air sealing.

CORPORATE PROFILE

AS OF DECEMBER 31, 2013, the company owned or held an ownership interest in 273 apartment communities covering over 75 million square feet and 81,522 apartment homes with over 130,000 residents primarily in the Northeast, Mid-Atlantic, Pacific Northwest, and Northern and Southern California regions of the United States. We operate our communities under three core brands: Avalon, AVA and eaves by Avalon.

In addition to our communities, we maintain a corporate headquarters in Arlington, VA, and 11 regional offices located throughout the United States. As of year-end 2013, we employed approximately 2,895 associates.

THREE-YEAR SNAPSHOT

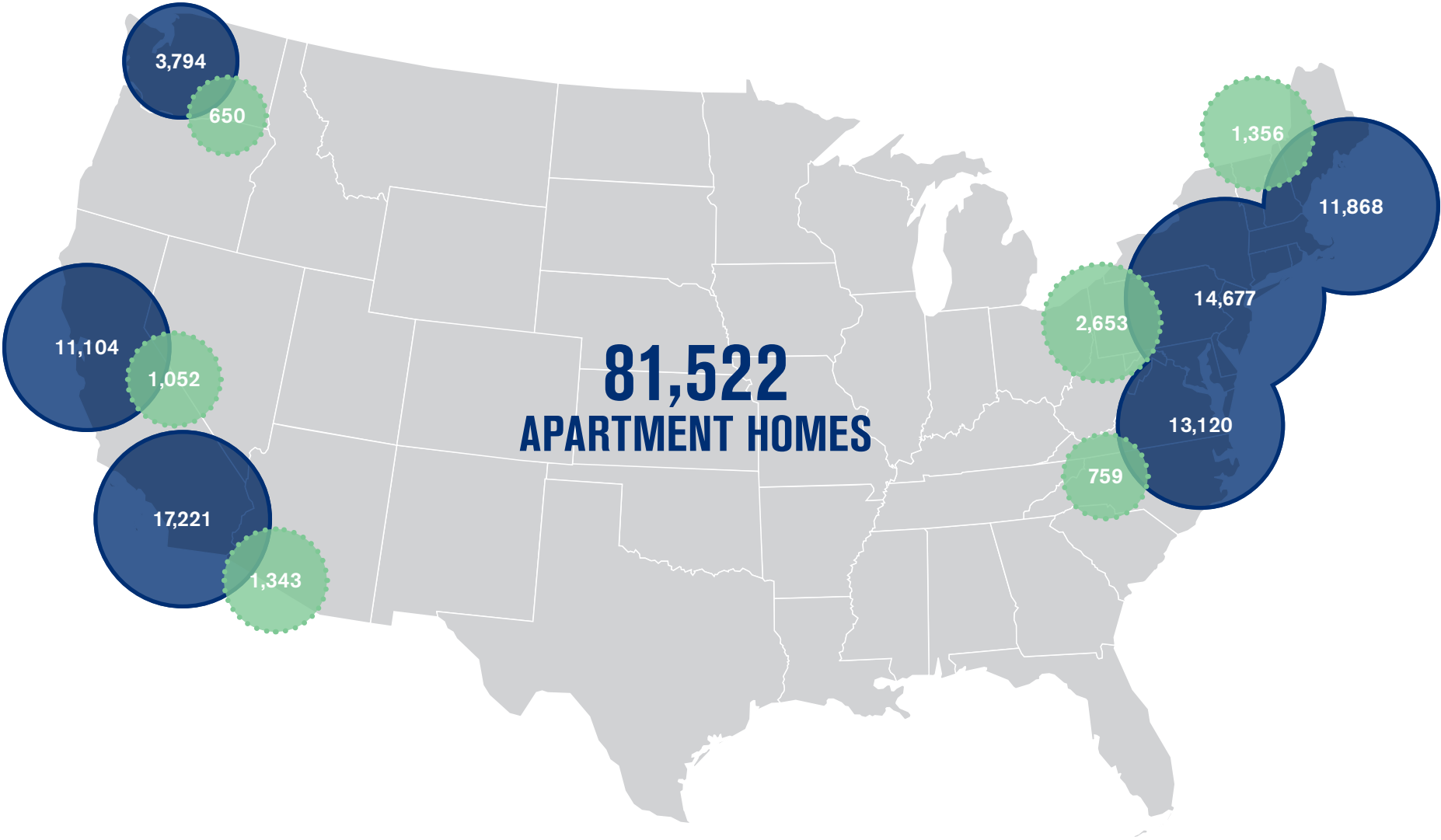
	2011	2012	2013
Economic (\$000)			
Operating revenues	\$989,377	\$1,064,033	\$1,505,795
Operating costs, excluding property taxes	\$331,378	\$344,922	\$483,733
Property and other taxes	\$97,776	\$103,384	\$158,774
Dividends and interest	\$539,125	\$580,306	\$858,990
Retained earnings	\$21,098	\$35,421	\$374
Number of properties	200	203	273
Number of apartment homes	58,538	59,391	81,522
Number of designated affordable homes	3,281	3,524	4,782
Properties under construction at year-end/homes	19/5,244	23/6,599	29/8,708
Properties under redevelopment at year-end/homes	12/3,338	5/1,787	3/1,126
Environmental			
Significant monetary fines/non-monetary sanctions	None	None	None
Total direct greenhouse gas emissions (scope 1)	40,801 metric tonnes (45.7% of total)	37,576 metric tonnes (45.8% of total)	56,619 metric tonnes (48.7% of total)
Total indirect greenhouse gas emissions (scope 2)	48,438 metric tonnes (54.3% of total)	47,497 metric tonnes (54.2% of total)	59,658 metric tonnes (51.3% of total)

In 2013, we saw a significant increase in total emissions as we added in the partial-year data from the Archstone acquisition. Environmental data on our like-for-like performance can be found in the environment section on page 16.

AvalonBay Communities, Inc. is a publicly traded Real Estate Investment Trust (REIT) engaged in the business of developing, redeveloping, owning and managing apartment communities in high-barrier-to-entry markets in the United States (NYSE: AVB). As a fully integrated company, we generally act as our own property manager and general contractor for the vast majority of the communities that we build.

- Apartment homes under construction
- Current apartment homes

Map excludes 1,925 apartment homes in non-core markets.



AVALONBAY'S CORPORATE AND REGIONAL OFFICE LOCATIONS

Arlington, VA
(corporate headquarters)

Boston, MA

San Francisco, CA

Fairfield, CT

San Jose, CA

Melville, NY

Seattle, WA

Los Angeles, CA

Virginia Beach, VA

New York, NY

Woodbridge, NJ

Irvine, CA

ABOUT THIS REPORT

This is AvalonBay's third Corporate Social Responsibility Report and summarizes our environmental, social and governance (ESG) performance and activities during the 2013 calendar year.

REPORT PARAMETERS

This report covers issues and information of interest to our business partners and stakeholders. To ensure a comprehensive and transparent report, we followed Standard Disclosures from the G4, GRI Sustainability Reporting Guidelines and sector-specific guidelines for real estate and construction. The report's boundary covers a reporting period for the 2013 calendar year.

The data in this report was sourced internally from responsible business units in the company. The selected GRI performance indicators are those most relevant to AvalonBay's business and its ESG impacts. The company profile reflects 2013 year-end data. Content has been sourced from AvalonBay's 2013 annual report of Form 10-K, as filed with the Securities and Exchange Commission, including the Company's audited financial statements, included therein. Greenhouse gas emissions data was prepared in conjunction with the ULI Greenprint Center for Building Performance.

OUR POLICY ON CONTRIBUTIONS

AvalonBay has an established policy on political activities and contributions, which is communicated to all associates and complies with federal and state regulations governing political contributions by corporations. Contributions, whether in cash, services or otherwise, and whether to a political candidate, Political Action Committee (PAC) or in support of a community project favored by a candidate, can only be made on behalf of AvalonBay after obtaining the appropriate internal approvals. The established corporate approval procedures ensure any contributions by AvalonBay are (i) consistent with the company's business philosophy and values and (ii) within the limits allowed by law. These procedures also ensure all required regulatory filings are made timely and the contributions are accounted for appropriately for tax purposes.

Total contributions approved and reported under this policy in 2013 were \$47,750, which includes contributions to state PACs, and state and local candidates.

Annually, AvalonBay also provides an opportunity to senior-level associates to contribute to a designated PAC, which may be made directly by the individual to the PAC. During 2013, the designated PAC was NMHC PAC. For 2014 the designated PAC is REITPAC, the political action committee of NAREIT.

CONTACT

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Senior Director of Sustainability

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GLOBAL REPORTING INITIATIVE CONTENT INDEX

G4 GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-1	CEO statement about the relevance of sustainability to the organization and its strategy	CEO Letter, p.4-5
G4-2	Approach to the construction of new assets versus retrofits, upgrades and refurbishments, and the effect this has on impacts, risks and opportunities OR provide a description of key impacts, risks and opportunities OR targets for next reporting period	2014 Goals, p.38-39

ORGANIZATION PROFILE

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-3	The name of the organization	Corporate Profile, p.40-41
G4-4	Primary products and services	Corporate Profile, p.40-41
G4-5	Location of the organization's headquarters	AvalonBay's Corporate and Regional Office Locations, p.42
G4-6	Countries where the organization operates	AvalonBay's Corporate and Regional Office Locations, p.42
G4-7	Nature of ownership and legal form	Corporate Profile, p.40-41; 10-K
G4-8	Markets served	Corporate Profile, p.40-41
G4-9	Scale of the reporting organization	Corporate Profile, p.40-41
G4-10	Employee diversity and data	Diversity and Inclusion, p.28
G4-13	Significant changes during the reporting period regarding the organization's size, structure and ownership	About This Report, p.42; 10-K CEO Letter, p.4-5
G4-14	Commitment to external initiatives (LEED, Energy Star, GRESB)	Design and Development, p.11; Office Operations, p.13; 2013 Environmental Performance, p.16
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	2013 Environmental Performance, p.16
G4-16	Memberships of associations and advocacy organizations	CEO Letter, p.4-5, Design and Development, p.11; Office Operations p.13 ; 2013 Environmental Performance, p.16

IDENTIFIED MATERIAL ASPECTS AND BOUNDRIES

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-17	List all entities included in the organization's consolidated financial statements. Report whether any entity included in the organization's consolidated financial statements is not covered by the report	2013 Annual Report
G4-18	Defining the report content and the aspect boundaries	About This Report, p.42
G4-19	Material aspects identified in the process for defining report content	Stakeholders, p.6
G4-20	Reporting boundary	About This Report, p.42
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	About This Report, p.42

STAKEHOLDER ENGAGEMENT

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-24	List of stakeholder groups at the organizational level and engagement at a project or asset level	Stakeholders, p.6; Governance, p.35
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholders, p.6; Governance, p.35
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholders and Materiality, p.6
G4-27	Topics and concerns that have been raised through stakeholder engagement	Stakeholders, p.6; Associate Engagement, p.32

GOVERNANCE

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-34	Governance structure of the organization	Governance, p.35-37; 10-K or Proxy
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Governance, p.35-37
G4-36	Appointed an executive-level position with responsibility for economic, environmental and social topics	2014 Goals, p.38-39
G4-38	The composition of the highest governance body and its committees	Proxy
G4-39	Indication of whether the chair of the highest governance body is also an executive officer	Proxy
G4-42	The highest governance body sets the tone for the organization and has a major role in defining its purpose, values and strategy	CEO Letter, p.4-5
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	2014 Goals, p.38-39
G4-45	Risk-management identification and management of economic, environmental and social impacts, risks and opportunities	Internal Audit, p.37
G4-46	Role in reviewing the effectiveness of the organization's risk-management processes for economic, environmental and social topics	Governance, p.35-37
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	Governance, p.35-37

ETHICS AND INTEGRITY

<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
G4-56	Codes of conduct and codes of ethics	Governance, p.36-37
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	Internal Audit, p.37
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Code of Business Conduct and Ethics, p.36

CATEGORY: ECONOMIC

	<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
<i>Aspect: Economic Performance</i>	G4-EC1	The direct economic value generated and distributed (EVG&D) revenues, operating costs, employee wages and benefits, payments to providers of capital, government and community investments	Economic Table, p.40
	G4-EC2	Financial and reputational risks and opportunities related to climate change, in addition to other sustainability issues	Governance, p.36
<i>Aspect: Indirect Economic Impacts</i>	G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagements	Governance Call Out Box – Sound Investment Management, p.37; Community, p.18
	G4-EC8	Significant indirect economic impacts including creating jobs, services, development in areas of high poverty and change in location of operations or activities	CEO Letter, p.4-5; Community, p.18; As We Build, We Invest, p.20-21

CATEGORY: ENVIRONMENTAL

	<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
<i>Aspect: Energy</i>	G4-EN3	Energy consumption within the organization	2013 Energy Performance, p.16
	G4-EN5	Energy intensity	Environmental Table, p.40
	G4-EN6	Reductions in energy consumption	Call-Out Boxes – Select Community Highlights, p.11-12
	G4-EN7	Reductions in energy requirements of products and services	Call-Out Boxes – Select Community Highlights, p.11-12
<i>Aspect: Water</i>	G4-EN8	Total water withdrawal by source	2013 Environmental Performance, p.16
	CRE2	Building water intensity	Environmental Table, p.40
<i>Aspect: Emissions</i>	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	2013 Energy Performance, p.16
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	2013 Energy Performance, p.16
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental Table, p.40
<i>Aspect: Land</i>	CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	CEO Letter, p.4-5
<i>Aspect: Products and Services</i>	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	CEO Letter, p.4-5; Call-Out Boxes – Select Community Highlights, p.11-12
<i>Aspect: Compliance</i>	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Table, p.40

CATEGORY: SOCIAL

LABOR PRACTICES AND DECENT WORK

	<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
<i>Aspect: Employment</i>	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Diversity and Inclusion, p.28-29
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Benefits, p.31
<i>Aspect: Occupational Health and Safety</i>	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Health and Safety, p.31
	CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	Workplace Safety, p.5
<i>Aspect: Training and Education</i>	G4-LA9	Average hours of training per year per employee by gender and by employee category	Workplace Safety, p.5; Health and Safety, p.31
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Learning and Development, p.31
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Learning and Development, p.31
<i>Aspect: Diversity and Equal Opportunity</i>	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Diversity and Inclusion, p.28-29

HUMAN RIGHTS

	<i>GRI Indicator</i>	<i>Description</i>	<i>Report Section</i>
<i>Aspect: Investment</i>	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Ethics and Compliance Training, p.37
<i>Aspect: Non-Discrimination</i>	G4-HR3	Total number of incidents of discrimination and corrective actions taken	Ethics and Compliance Training, p.37

SOCIETY

<i>Aspect: Local Communities</i>	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	Community, p.18-25
<i>Aspect: Anti-Corruption</i>	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Internal Audit, p.37
	G4-SO4	Communication and training on anti-corruption policies and procedures	Code of Business Conduct and Ethics, p.36; Ethics and Compliance Training, p.37
<i>Aspect: Compliance</i>	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Environmental Table, p.40
<i>Aspect: Product and Service Labeling</i>	G4-PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Stakeholders, Residents, p.6



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