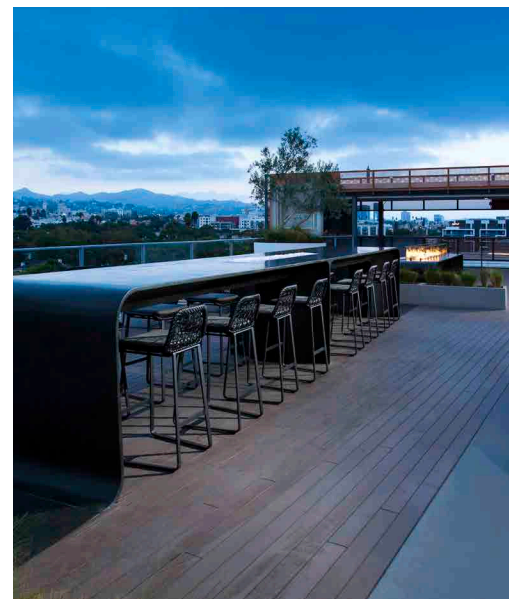


AvalonBay
COMMUNITIES



2017 CORPORATE RESPONSIBILITY REPORT

CREATING A BETTER WAY TO LIVE





Pictured on the Cover

Featured clockwise from top left: Avalon Willoughby Square, Brooklyn, NY; Avalon Irvine, Irvine, CA; Avalon West Hollywood, West Hollywood, CA; Avalon Great Neck, Great Neck, NY; Avalon North Station, Boston, MA.

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. Achieving this purpose means being aware of the full impact of our activities and managing our business with the future in mind. It is about remaining true to the long-term well-being of all our stakeholders as well as the environment itself.

As a real estate investment trust (REIT), we are owners and investors for the long term, allowing us to 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.

With this in mind, we aim to build and operate much more than buildings. The cities and infill suburbs in our core markets of the mid-Atlantic and Northeast corridor, coastal California and the Pacific Northwest are reinventing themselves through higher density, amenity-rich living.

They are offering residents more options for sustainable ways to live, from green buildings and walkable neighborhoods to better transit and commuting alternatives. We are proud to be at the forefront of this reinvention, creating communities that achieve long-term environmental efficiency and foster better living far beyond their walls. Communities through which we make our core values visible: a commitment to integrity, a spirit of caring and a focus on continuous improvement.

Realizing this vision is an ongoing journey and is not always easy. But for us, it's always right.



Creating a Better Way to Live: It's our purpose and it permeates everything we do to build a sustainable business that creates value, now and well into the future, for all of our stakeholders.

2017 was a productive year for AvalonBay. We completed the development of 14 new communities containing over 5,000 apartment homes, representing \$1.9 billion in total capital investment – a record for the Company. We project these new communities will generate a weighted average initial stabilized yield of 6.1%, which is well above market capitalization rates for existing like-product in our markets. We also entered two new markets in 2017, Denver and Southeast Florida. In addition, we continued to enhance our balance sheet by reducing near-term debt maturities to less than \$200 million before 2020 and extending the weighted average years to maturity on our outstanding debt to approximately 10 years from 8.5 years at the end of 2016.

On the Environmental, Social and Governance (ESG) front, we continued to maintain our leadership position in the multifamily sector. The Global Real Estate Sustainability Benchmark (GRESB) recognized AvalonBay as an industry leader, awarding us four “Green Stars” and an “A” rating in ESG public disclosure. We were pleased for the first time to be included on *CR Magazine*'s list of 100 Best Corporate Citizens. And, we maintained our Carbon Disclosure Project (CDP) score in a year when the CDP significantly raised the bar required to attain each letter grade. In addition, a number of ESG ratings agencies that evaluate our ESG performance for investors continue to rank us as one of the most advanced US companies in our sector. These include Euronext and VigeoEIRIS. Finally, *Engineering News Record (ENR)* rated us #52 in its ranking of the top 200 Green Building Contractors, up from #63 in 2016.

Our associates delivered another year of excellent customer service, as evidenced by a 32% increase in our Net Promoter Score (NPS) and our #1 ranking among publicly-traded residential REITs for online reputation according to J. Turner Research's Online Reputation Assessment Power Rankings™.

We maintained strong associate engagement, ranking in the 90th percentile as measured by a third-party survey provider who tracks companies on workforce engagement. And, we were recognized by Glassdoor Employee Choice Ratings as one of the Top 100 companies to work for in the US.

We achieved or exceeded our 2017 CR objectives outlined in our previous report, including:

RANKED
100 BEST

JOINED THE *CR MAGAZINE*
GLOBAL LIST OF 100 BEST
CORPORATE CITIZENS

Building Strong Communities

Cash and in-kind contributions of \$1.95 million reached 88% of our 2020 goal of \$2.2 million. We far surpassed our 1,100-unit blood donation goal as a disaster-responder partner of the American Red Cross, and our associates donated over 11,000 volunteer hours, a 47% increase over 2016. Our participation rate is now 43%.

LED Lighting Retrofits

We completed 32 LED lighting retrofit projects and plan to finish 30 more

in 2018. By the end of 2018, we will have completed over 125 LED retrofits, reaching 45% of our portfolio. Our LED retrofits completed to-date now provide \$2 million and 10.9 million kWh in annual energy savings, or the equivalent of removing over 2,000 cars from the road for one year.

Water Efficiency

We investigated efficiency measures to improve our irrigation water use and to enhance the 21 weather-based irrigation systems we use, and we began auditing the more than 30 buildings in our portfolio for which we financially control the water expense. In addition, we increased the amount of water we recycle at our communities by 5.3% year-over-year.

Cogeneration

We installed a cogeneration system at Avalon at Center Place in Providence, RI. The system is projected to save AvalonBay (AVB)

over over \$42,000 in annual energy costs and reduce GHG emissions by 32 metric tons of CO2 annually.

Waste

We established our first-ever waste goal for the Company whereby we will endeavor to reduce landfill-bound waste by 20% across our portfolio by 2023.

We plan to report on our progress against this goal annually in the "Goals" section of this report.

Solar and Battery Installation

We began execution of our solar strategy, with final design and construction beginning on eight communities. By the end of 2018, we project our solar installation will achieve first-year energy savings of \$135,000 and an internal rate of return of 18.5% over a 25-year period. In conjunction with these projects, we are piloting a battery storage solution at Avalon White Plains in White Plains, NY.

External Data Validation

Lloyd's Register Quality Assurance (LRQA), a part of Lloyd's Register Group Limited and a leading provider of independent assessment services with recognition from over 50 accreditation bodies around the world, again independently verified our reported energy, greenhouse gas emissions, water and waste data. We also expanded the validation to portions of our Scope 3 emissions.

AVB Labs

We launched an internal sustainability innovation program, AVB Labs. Designed to enable and shepherd innovative ideas to fruition, the program awarded a green light to pilot two ideas:

1) an approach to turn food waste into composting, and 2) a means to improve pool cleaning and lower costs through the

use of sphagnum moss. The program will expand in 2018 to include areas of innovation beyond sustainability.

Demand Response

Our demand response program in the New York portfolio saved us over \$140,000 in annual electric expense. We have expanded it to the Boston portfolio, and with both regions active we anticipate \$250,000 in savings in 2018.

We are proud of all we accomplished in 2017 and know that fulfilling our purpose of creating a better way to live requires us

to continue to set purposeful and innovative goals. As the cities and markets in which we do business move toward a low carbon future, we have ambitious plans to ensure that we lead the way, and that the built environment contributes positively to this future. To sustain our ESG sector leadership position, we are dedicated to reducing environmental impacts, lowering our carbon footprint, and increasing our social investment in the communities where we do business. I encourage you to read more about our accomplishments and further plans in this report.



Timothy J. Naughton
Chairman and CEO



Assurance Statement

In 2018 we again had our prior year's annual energy, greenhouse gas emissions, water and community waste data independently verified by Lloyd's Register Quality Assurance (LRQA), a part of Lloyd's Register Group Limited and a leading provider of independent assessment services, with recognition from over 50 accreditation bodies around the world. We also expanded this verification to include our Scope 3 emissions of employee commuting and travel.

The full accreditation report and assurance statement can be found on our website at avaloncommunities.com/verificationreport and avaloncommunities.com/assurancestatement





Our Purpose: Creating a Better Way to Live

1. Community

Community investment
Philanthropy
In-kind giving

2. Governance

Investor relations
Financial reporting
Sound management practice
Ethics and compliance
Cyber security

3. Associates

Compensation and benefits
Awards and recognition
Cultural norms
Health and safety
Engagement
Diversity and inclusion
Talent attraction, development and retention

4. Residents

Customer service
Apartment greening
Engagement
Brand and reputation

5. Environment

Energy efficiency
Water conservation
Apartment labeling
Green design and construction
Waste management
Supply chain

2020 Goals Progress

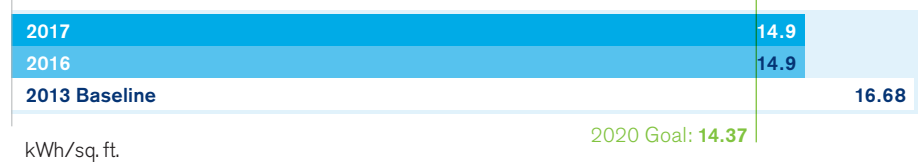
We continue to make progress on our long-term Corporate Responsibility (CR) goals. In 2017, we saw a drop of 10.8% in our energy use intensity (EUI) and a drop of 7.9% in our water use intensity (WUI) from our 2013 baseline, and made significant progress toward our community investment goals while continuing to perform above the threshold of our resident and associate engagement goals.

Goal

Progress

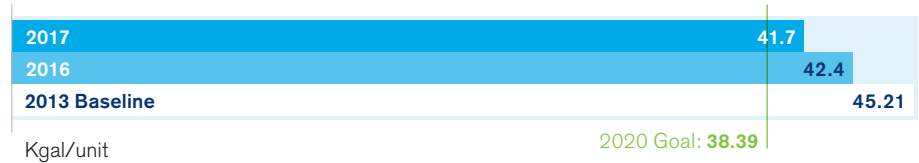
Energy¹

15% reduction in energy use intensity (EUI) of the entire portfolio



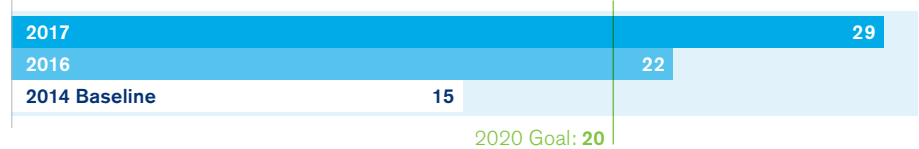
Water¹

15% reduction in water use intensity (WUI) of the entire portfolio



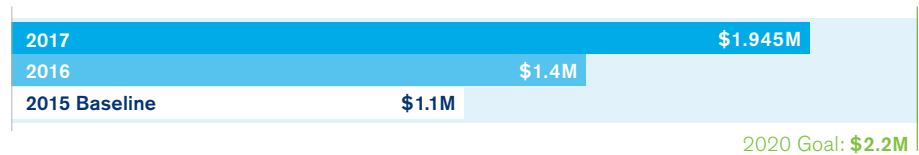
Residents

33% increase in our Net Promoter Score



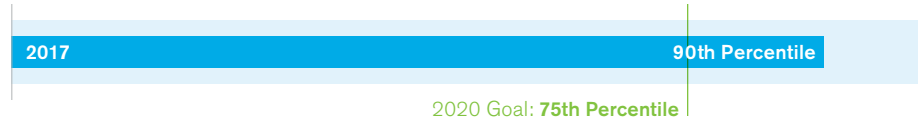
Community

Increase annual community investment to \$2.2M total cash and in-kind



Associates²

Achieve 75th percentile or better on associate engagement and satisfaction



NEW!

Waste

20% reduction in landfill-bound waste across our portfolio by 2023³



¹ We calculate energy use intensity on properties that are stabilized for a full two-year period in those areas within the community that we operationally control. The consumption is then weather-normalized and divided by the square footage of those areas. We calculate water use intensity on properties that are stabilized for a full two-year period and use whole-building data. The consumption is then divided by the number of apartment homes. Graphs not drawn to scale.

² We use external benchmarks from our vendor as well as historical three-year average data in arriving at our engagement percentage thresholds. The full survey will not be conducted every year.

³ To normalize data and to control for any shifts in waste and recycling numbers related to portfolio changes, we will calculate this goal using pounds per door (lbs./door) intensity metric, normalizing the waste generation to a per residential unit number.

2018 Initiatives

Each year we establish a CR plan to guide our efforts during the year. The plan is reviewed with our Board of Directors and key internal stakeholders. Our 2018 initiatives include:



BUILDING STRONG COMMUNITIES

Give back \$1.95M cash and in-kind to our philanthropy partners, increase our associate volunteer participation rate to 55%, volunteer 12,000 hours, and donate 2,000 pints of blood to the American Red Cross. Implement a world-class giving and volunteer technology platform, *Benevity*.



LED PORTFOLIO RETROFITS

Complete 30 LED lighting retrofit projects and analyze the portfolio for the next set of retrofit targets.



WATER EFFICIENCY

Complete comprehensive audits of over 30 communities where we control the whole building water expense to determine efficiency retrofit opportunities, and continue to engage residents on water efficiency education.



RENEWABLE ENERGY AND BATTERY STORAGE

Install a battery system at Avalon White Plains and scope solar and battery technology for the CA solar communities.



NET ZERO

Commission a study of what Zero Net Energy (ZNE) means to our Company and begin to plan for the future requirements of ZNE in our markets. This study will be closely linked to our renewable energy and battery storage process.



AVB LABS

Expand our internal innovation program to support and foster innovation that includes sustainability but also moves into other areas of strategic importance to AvalonBay.



DEMAND RESPONSE AND SMART BUILDINGS

Build upon 2017's smart building technology success in Boston by expanding into the mid-Atlantic and select West Coast markets in 2018.



UTILITY DASHBOARD AND MAINTENANCE TOOLKIT

Launch two pilot programs to better align operational behavior to NOI improvement. These programs provide associates in select communities with greater visibility into utility trends and spending. And combined with more granular reporting, introduce a new maintenance sustainability toolkit to help operational teams retro-commission equipment and improve community energy and water consumption.

2017 Corporate Responsibility Highlights



29

Our customer mid-lease Net Promoter Score (NPS) increased 32% in 2017.

PAGE 22

NEW!

HUMAN RIGHTS STATEMENT

AvalonBay is committed to the protection and advancement of human rights and to ensuring the integrity of our operations in all of our regions. Our new public human rights statement outlines principles that relate to and confirm key commitments in both our Code of Business Conduct and our Responsible Procurement Principles.

58%

of AvalonBay residents are much more likely or more likely to recommend us based on our ESG initiatives and performance.

PAGE 22



NEW!

WASTE GOAL

▼20%

Decrease in landfill-bound waste by 2023.

PAGE 13



American Red Cross

1,757

Units of blood collected, exceeding our 1,100-pint goal.

PAGE 15

\$1,950,000

Total cash and in-kind donations.

PAGE 14





CORE VALUES



A Commitment
to Integrity



A Spirit of Caring



A Focus
on Continuous
Improvement

PAGE 17

\$64,868,000

Rent subsidies in 4,641 affordable apartment homes
housing 9,190 residents.

PAGE 13

TOP 100 US-BASED COMPANY

Top 100 US-based company
to work for by Glassdoor.

glassdoor
2018 **BEST PLACES TO WORK**
EMPLOYEES' CHOICE

PAGE 3

B

CDP score maintained in
a year when the CDP
significantly raised the bar
on achieving that grade.

PAGE 11

#1

RANKED #1 AMONG
PUBLICLY-TRADED
APARTMENT REITS
FOR ONLINE
REPUTATION

PAGE 22



▲19%

Increase in associate volunteer
participation rate from 2016-17.

PAGE 14



G R E S B
★ ★ ★ ★ ★ 2017

Awarded four "Green Stars" by GRESB for
leadership in sustainability and an "A" for
transparent and public disclosure of ESG data.

PAGE 11

Contents

Our Communities	11
2017 Environmental Sustainability Highlights	11
Certified Sustainable Communities	11
Water and Energy Efficiency Results	11
Community Operations Projects	11
Our Commitment to Affordable Housing	13
Philanthropy and Community Investment	14
American Red Cross Partnership	15
Regional Philanthropy Engagement	16
Our Associates	17
Learning and Development	17
Health and Safety	19
Diversity, Inclusion and Employment Metrics	20
Our Residents	22
Listening to Residents	22
Wellness and Healthy Buildings	22
Engaging Residents in the Greater Community	23
Ensuring Data Security	23
About AvalonBay	24
Our Policy on Contributions	24
Governance and Ethics	25
Code of Business Conduct and Ethics	25
Corporate Responsibility Governance	27
Stakeholders	27
Materiality Analysis and Management Approach	28
AvalonBay Materiality Matrix	29
Global Reporting Initiative Content Index	30
GRI-G4 General Standard Disclosures	30
GRI-G4 Specific Standard Disclosures	33
ESG Data	40

CREATING A BETTER WAY TO LIVE FOR OUR COMMUNITIES

We strive to create a better way to live through our commitment to an integrated environmental, social and governance (ESG) approach to running our business. In the following sections we outline our 2017 progress on our environmental sustainability goals and describe how our Building Strong Communities program is enabling deep and lasting impacts on the communities in which we do business.

2017 Environmental Sustainability Highlights

Environmental responsibility is at the core of our business and critical to building sustainable communities. In 2017, we continued to progress toward our 2020 energy- and water-related goals. While our EUI change was flat, this was achieved in a year with very cold winters in the Northeast where we saw gas consumption increase. Our electricity consumption actually went down. Our EUI is still down 10.8% against our 2013 baseline. And our water use intensity dropped 7.9% against the 2013 baseline. Our 2020 goal for both these metrics is a 15% reduction. Initiatives begun in the last three years are now saving over \$2.5M annually through energy and water conservation. For a full view of our commitments related to environmental sustainability please read our publicly available Environmental Policy: <https://www.avaloncommunities.com/environmental-policy>

External ESG Benchmarking and Awards

The Global Real Estate Sustainability Benchmark (GRESB) recognized AvalonBay as an industry leader, awarding us four “Green Stars” and an “A” rating in ESG public disclosure. We were pleased to be included on *CR Magazine*’s list of 100 Best Corporate Citizens for the first time. And we maintained our Carbon Disclosure Project (CDP) score of “B” in a year when the CDP significantly raised the bar required to attain each letter grade. In addition, several ESG ratings agencies, including Euronext and VigeoEIRIS who evaluate ESG performance for investors, ranked us among the most advanced US companies in our sector on a variety of metrics. Finally, *Engineering News Record (ENR)* ranked us 52nd on their Top 200 Green Building Contractors, up from 63rd in 2016.

Certified Sustainable Communities

The success of our Building Certified Policy, which requires all new mid- and high-rise communities to pursue environmental certification, has resulted in seven communities (pictured on page 12) receiving a LEED or EnergyStar environmental certification in 2017 – while an additional 27 are currently pursuing certification. These new certifications bring the total number of communities in our portfolio either pursuing or having achieved an environmental certification to 70, a 15% increase from 2016. And we now have six regional offices with a LEED or EnergyStar environmental certification.

Water and Energy Efficiency Results

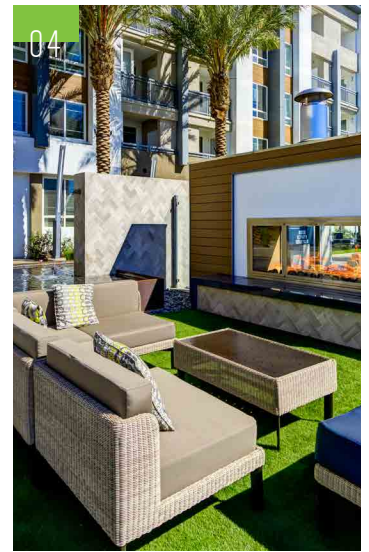
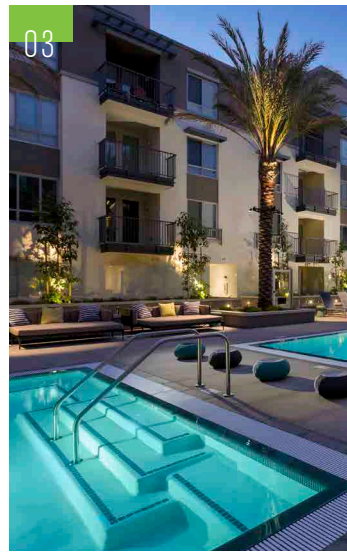
We completed construction of 14 apartment communities in 2017, representing 5,189 apartment homes. Thanks to our sustainability standards for new construction, these new communities will generate 796,771 kWh in electricity savings per year, a 30% reduction in heating and cooling costs, and 48.1M gallons of water savings per year compared to minimum code requirements.

Other major accomplishments in 2017 include:

- **LED Lighting:** Completed 30 projects in 2017, and are now achieving annual energy-only savings of 10.9 million kWh, and cost savings of over \$2 million with a simple payback period of just under four years on all LED lighting projects completed to date.
- **Cogeneration:** We installed a cogeneration system at Avalon at Center Place in Providence, RI. The system is projected to save AvalonBay over \$42,000 in annual energy costs and reduce GHG emissions by 32 metric tons of CO₂ annually. In addition, we developed a cogen feasibility standard which will ensure we are installing cogens when it is possible to maximize energy savings and the reduction of CO₂.

Community Operations Projects

We see significant opportunity in our current portfolio to drive efficiency, lower costs and improve net operating income (NOI). In 2017, we continued to pursue this opportunity on a number of fronts.



70 COMMUNITIES
HAVE ACHIEVED
OR ARE
PURSUING
ENVIRONMENTAL
CERTIFICATION.

Certifications Received in 2017

- 01 **Avalon Esterra Park** Redmond, WA
- 02 **Avalon Green III** Elmsford, NY
- 03 **Avalon Huntington Beach** Huntington Beach, CA
- 04 **Avalon Irvine III** Irvine, CA
- 05 **Avalon North Station** Boston, MA
- 06 **Avalon Willoughby Square/AVA DoBro** New York, NY
- 07 **Avalon Easton** Easton, MA

LEED NC Certified
LEED for Homes Silver
LEED for Homes Gold
LEED for Homes Gold
LEED NC Silver
LEED NC Silver
Energy Star 3.1 Certified

AVB Office Certifications

LEED Commercial Interiors Boston, MA
LEED Commercial Interiors Arlington, VA
ENERGY STAR Bellevue, WA
LEED EB ENERGY STAR Irvine, CA
LEED EB ENERGY STAR Los Angeles, CA
LEED Commercial Interiors ENERGY STAR New York, NY

Gold
Silver
Certified
Platinum Certified
Silver Certified
Silver Certified

Green Labels: We continue to roll out our apartment labeling program to all new developments. The labels, which are now in 58 AvalonBay apartment communities, show residents how built-in efficiencies help them consume less energy and water, which saves them money.

Demand Management and Interval “Smart” Metering: We expanded our demand management and interval metering program to Boston with an additional 11 mid- and high-rise properties. The program introduces new methods of operating our buildings that align activities with utility demand management programs. It includes extensive monitoring of our building equipment, and a deeper analysis of how these systems are performing. In 2018, we plan to expand this program to our mid-Atlantic and certain West Coast markets.

Full-Scale NEST Installations in CT: In 2017 we installed NEST programmable thermostats in 1,959 homes with 15% in anticipated energy savings for both residents and our common areas.

Building Automation: In 2017 we revised and updated our Building Automation System (BAS) construction and operational standards. This update improves our ability to integrate BAS technology in our new developments and better utilize them for system performance, retro-commissioning and efficiency. Our continued improvements to existing and new Building Automation Systems will enable us to measure and verify system performance, provide better visibility into equipment performance, and provide early warning of system failure, all of which improve the efficiency of our systems and properties.

Waste: In 2018 we will establish strategies and programs to achieve our new portfolio-wide waste goal to reduce landfill-bound waste by 20%.

Transportation advances:

- **Car Charging:** AvalonBay now has 544 Electric Vehicle Level 2 spaces in 31 communities with an infrastructure value of approximately \$1.6M
- **Car Sharing:** We now have a total of 33 communities with car sharing amenities, including ZipCar, Maven and Enterprise

Our Commitment to Affordable Housing

We respect and value the integrity of the neighborhoods in which we build and redevelop. We’re known for reinvigorating neighborhoods, bringing higher-density, more efficient, walkable, amenity-rich housing to our communities. We also recognize the importance of value-oriented, market-based housing to the local workforce—our eaves by Avalon community brand was created specifically to provide value living at its best.

We own and operate 136 communities that include a designated affordable housing component as measured by comparison to the applicable market-based rates, intermingled with our market rate rental housing. In 2017, rent subsidies totaled \$64.9M to 9,190 residents in 4,641 affordable apartment homes across these communities.

AVALONBAY NOW
HAS 544 ELECTRIC
VEHICLE LEVEL 2
SPACES.



Philanthropy and Community Investment

Building Strong Communities, our strategic philanthropy program, demonstrates our spirit of caring and focuses us on issues relevant to our business: disaster relief and community preparedness, affordable housing, and support for the disadvantaged in our communities.

In 2017, we continued to expand every aspect of the program, and we saw significant benefits resulting from our social investment in terms of associate engagement and resident loyalty.

- Donated \$1.2M in cash and the equivalent of \$745,641 (107% improvement) in in-kind goods and services, which includes 11,231 (50% improvement) associate volunteer hours
- Loaned talent and technical assistance to our nonprofit partners
- Increased our volunteer participation rate to 43%, a 19% increase from 2016
- Enabled the use of company facilities for nonprofit events and meetings

In addition to giving back through Building Strong Communities, we continue to invest in community infrastructure and services as we grow. These investments were under development in 2017:

- Local permits, fees and taxes paid on projects under development: \$10.2M, with an additional \$43.7M to be spent through completion

- \$755,634 for neighborhood infrastructure (roads, sidewalks, improvements to water/sewer/storm drainage), with an additional \$26.5M to be spent through completion, excluding reimbursements
- \$131,839 for municipal sewer/water connections, with an additional \$152,000 to be spent through completion
- \$4M to local parks/recreation

We also paid property taxes across the entire portfolio (not just development) of: \$232.7M.

Beyond funding and volunteering, AvalonBay provides our non-profit partners with expertise. A few 2017 examples include:

- **Shelters to Shutters:** Our Marketing team consulted on a website redesign and outreach communications and our HR team created a strategic partnering model for the organization
- **Arlington Partnership for Affordable Housing:** Our Chief Construction Officer hosted an Industry Day to share an overview of all phases of construction/operations and risk management
- **Hampton Roads Corporate Volunteer Council:** Provided support for strategic planning and training on best practices in volunteer organization
- **Family Service League:** Reported on operational changes that could reduce expenses and improve efficiencies at their largest facility

City and Market Participation

As the cities where we build and operate plan for climate change and its related effects, we are opening dialogues with each to discuss how AvalonBay can lead the way on resiliency planning and in support of a low carbon future. In addition, we have joined a number of efficiency and carbon reduction challenges, including:



Boston: Joined the Mayor's Carbon Cup in 2015 and are members of the Green Ribbon Commission. As Mayor's Cup participants we are committing 1M square feet of our Boston properties to a 35% reduction in energy use intensity by 2020.



New York: Committed to cut greenhouse gas emissions by 30% at select buildings as part of the Carbon Challenge. And under the Retrofit Accelerator program two buildings will get an efficiency retrofit to help the city cut emissions 80% by 2050.



Los Angeles: Joined the LA Better Buildings Challenge in 2016 with a commitment to reduce our energy consumption of the LA property portfolio.

WE HOSTED 87
BLOOD DRIVES,
WHICH COULD HELP
SAVE MORE THAN
5,200 LIVES.



American Red Cross Partnership

In 2017 we continued to evolve our partnership with the American Red Cross, resulting in exceeded goals and deeper local and regional relationships to support our effort of better preparing AvalonBay's associates and residents.



Exceeding Our Blood Goal and Saving Lives with Each Pint

Throughout the year we hosted 87 blood drives (93% improvement), collecting 1,757 pints of blood (73% improvement), which could help save more than 5,200 lives. We are happy to have exceeded our ambitious 1,100-pint goal, and plan to increase it in 2018 to 2,000 pints.

Community Preparedness Week

We conducted our third annual AvalonBay Community Preparedness Week, a weeklong series of events aimed at improving resident and associate emergency and disaster preparedness. We held preparedness events at our communities, and sent email communications to our 160,000 residents and 3,000 associates, aimed at better understanding Red Cross disaster resources.

Associate Education on Disaster Preparedness

Through our partnership with the Red Cross, we have hosted five webinars on emergency and disaster preparedness. In 2018, we worked with our Learning & Development department to turn these webinars into an online course on disaster preparedness. Launched during Community Preparedness Week, this is now mandatory learning for all AvalonBay new hires and on-site associates.

CPR Classes

In 2017, we set the goal to increase the number of certified associates in every AvalonBay region with a major push to have 20–30 associates per region trained by year-end. We met this goal, hosting CPR classes across AvalonBay, which resulted in 355 Adult First Aid, CPR, and AED trained associates.

Spirit of Caring Month

In 2017, we celebrated our 6th annual Spirit of Caring Month, focusing on our Building Strong Communities partners.

124	volunteer events (43% improvement)
92	nonprofit organizations supported (57% improvement)
730+	associates volunteering (22% improvement)
4,300+	volunteer hours (30% improvement)
\$182K	in-kind donations of time and material (52% improvement)



Regional Philanthropy Engagement

At a regional level, Building Strong Communities focuses funding and partnerships on building relationships with the most impactful local nonprofits aligned to our focus areas of affordable housing and support for the disadvantaged.



LONG ISLAND

Hosted and helped with mobile adoption events at Long Island Communities for North Shore Animal League.



PACIFIC NORTHWEST

Associates rolled up their sleeves and participated in Habitat for Humanity's Women's Build.



BOSTON

Dedicated several days and many associates to assisting with sorting donations and creating donation packages for children at Cradles to Crayons.



NEW JERSEY

128 associates joined together with New Jersey Community Development Corporation to build a new playground in Paterson, NJ.



SOUTHERN CALIFORNIA

AvalonBay won the JVS Partnership Award for our support of JVS ApartmentWorks, which provides housing and employment to at-risk clients in the program.



CONNECTICUT

Took part in the Connecticut Food Bank's Kids' Backpack Program, packaging nutritious food in backpacks for local children.



NEW YORK CITY

Took care of routine maintenance at Lifting Up Westchester men's and women's shelters.



VIRGINIA BEACH

Remodeled a room designed for pediatric cancer patients with Roc Solid Foundation.



MID-ATLANTIC

Created Mother's Day cards and spa kits for Doorways for Women & Families and Arlington Free Clinic.



NORTHERN CALIFORNIA

Spent the day cleaning and painting a home for Bill Wilson Center.

CREATING A BETTER WAY TO LIVE FOR OUR ASSOCIATES

Our associates continue to drive AvalonBay's purpose of Creating a Better Way to Live. In 2017, we made a commitment to be a living wage company*, furthering and deepening our core values of a spirit of caring and continuous improvement. We also posted online our Human Rights Statement regarding the principles related to human rights that our Company upholds. It can be found here: <https://www.avaloncommunities.com/human-rights-policy>

This section outlines the highlights of our 2017 efforts to attract, hire and develop the best people.

Learning and Development

AvalonBay is committed to the professional development and career advancement of our associates. We expect our managers and associates to have ongoing check-in conversations and memorialize them in a year-end performance review. We expect these ongoing conversations to prepare associates to be successful in their current position as well as their broader careers. All associates can take advantage of career development, training, coaching, tuition reimbursement and scholarships.

Our training platform, AvalonBay University, is available to all associates and offers over 500 courses providing technical, management and compliance training. In 2017, associates completed 64,936 hours of training, equivalent to about 21

hours per associate. We also conducted 21,347 hours of classroom training as part of our effort to facilitate more live interaction and role-based training experiences.

Compliance Training

In 2017 we reaffirmed our commitment to integrity by requiring all associates to complete a comprehensive and updated Standards of Business Conduct & Ethics course. In 2017 we also prepared our interviewers to conduct lawful interviews in accordance with newly passed legislation and AvalonBay standards.

Cyber Security Training

All AvalonBay associates have been taking mandatory cyber security training since 2015. In October 2017 the cyber security program started focusing its training in four areas: (1) comprehensive mandatory training for new hires, (2) mandatory annual refresher training for all associates, (3) enhanced training in key topics, and (4) remedial training targeted to a limited number of associates in response to their usage patterns. The courses in this program are designed to help associates identify and avoid common computer and network security risks, understand how security breaches can affect the company, remain vigilant, avoid unnecessary security risks, and understand how to utilize available computer and network security resources.

Associate Environmental Awareness

We engage our associates in fun and educational environmental sustainability events, including a company- and community-wide Earth Day celebration. Over 400 associates took part in our 2017 environmental awareness celebrations. Through a webinar titled "Pollinators...What's the Buzz About," associates learned about the vital importance of pollinators in our ecosystem.

*Living wage as defined by the living wage calculator developed by professor Amy K. Glasmeier at the Massachusetts Institute of Technology.

AVALONBAY
EMPLOYEES ARE
COMMITTED TO
CREATING AN
INCIDENT AND
INJURY-FREE™
WORKSITE.



Construction Safety Week

AvalonBay joined forces with more than 50 national and global construction firms to commemorate Safety Week 2017. Over 2,000 construction workers and 200 AvalonBay construction professionals participated in Safety Week programs on AvalonBay Construction and Redevelopment worksites. For one week, projects would “stand down” by stopping all work activity for one hour to thank employees for their commitment to creating an Incident and Injury-Free™ (IIF) worksite and conduct safety training. Eighteen of these stand down events were conducted in both English and Spanish, completing a total of 10,000 safety training hours. The training focused on eliminating workplace fires, avoiding hand and eye injuries and preventing falls. The

weeklong activities concluded with AvalonBay employees discussing their commitment to creating an IIF worksite.

In 2017 we instituted our own AVB “Safety Week” to expand our IIF principles to select community Leasing and Maintenance Associates. During the week we discussed AVB’s Incident and Injury Free program and identified and learned how to manage workplace safety hazards. AVB will continue to expand an internal “safety week” in 2018 and focus on further improving our safety culture. Also, in 2017 our safety professionals took over 14,000 hours of safety-related training in addition to the time spent during Construction Safety Week.

Health and Safety

In 2017, we continued to increase the scope and depth of our Incident and Injury-Free™ (IIF) efforts as part of our expanded focus on health and safety.

AvalonBay's Safety and Health Staff

Providing technical safety resources at a regional level remains critical to meeting the safety needs of our associates. AvalonBay's five Regional Safety Managers are based in our larger regional offices and are responsible for providing support and guidance for our IIF efforts in their respective regions. Individual Project Safety Managers support high-rise and high-risk construction projects. This year, two Regional Safety Managers were promoted to Safety Director. These new Director roles are based in Boston, MA, and Irvine, CA. The Safety Directors are responsible for safety within each respective coast's properties and Regional Safety Managers report to these Safety Directors.

In 2017, AvalonBay was recognized by the Board of Certified Safety Professionals for support of the Safety Trained Supervisor Construction (STS-C) certification. The Associated Builders and Contractors (ABC), a construction industry trade organization, recognized AvalonBay's national safety and health program with a Platinum Achievement Award. AVB's Southern California group was awarded the Gold Achievement Award by ABC. Our safety group supports the American Society of Safety Engineers (ASSE), National Fire Protection Association (NFPA) and ABC at the regional and national leadership levels. AvalonBay's National Safety Director was selected to participate in the 2018 construction safety code review by the New York City Department of Buildings.

Incident and Injury-Free Workplace Safety Culture

We believe working without injury is a fundamental right, and we are committed to establishing workplaces free from injury—both in construction sites and operating communities. Our IIF program advocates these principles:

- All injuries are preventable
- No injury is acceptable
- We will never prioritize schedule, cost or production above an injury-free workplace

The next steps for the IIF program include developing further leadership around safety within the AvalonBay organization, with both Residential Services and Construction and selected construction contractor partners participating. AvalonBay's Chief Construction Officer is a member of the National IIF CEO Forum, a group of 18 CEOs from around the country who have committed their organizations to IIF. AvalonBay's Senior



Director of Safety participates in the National HSE IIF Forum, a similar forum for the health and safety leaders of those same organizations. AvalonBay remains the only Real Estate and Development organization participating in the CEO and HSE leadership forums.

AvalonBay has produced an onboarding video to reinforce the concepts of IIF workplaces for use in AvalonBay new hire orientation and construction site worker induction. Each construction worker, including employees of subcontractors, views the video prior to working on an AvalonBay construction project. The IIF video is in addition to the safety orientations required by federal and state regulations.

Injury Metrics and Safety Performance Observation System

2017 was the third year using Origami as the AvalonBay incident reporting data system. Warehousing incident and injury data in one system allows for easier analysis of incident and injuries reported from our communities and construction worksites.

Our IBEAM® platform, the company's asset and construction management software tool, houses our Safety Observation Module. The Safety Observation Module supports the IIF program by tracking both leading and lagging safety performance indicators for all AvalonBay Construction and Redevelopment projects. The project team with the highest safety performance score is acknowledged through a new Safety Recognition program. Using the Safety Observation Module on the IBEAM platform, the safety group recorded over 16,000 unique observations on 17 construction and redevelopment projects in 2017.

Regulatory Activity

In 2017, AvalonBay's operating properties and construction sites were inspected by federal OSHA or state plan officials on eight occasions (WA – 3, CA – 1, MA – 1, NJ – 3). No citations resulted from any of these inspections.

Diversity, Inclusion and Employment Metrics

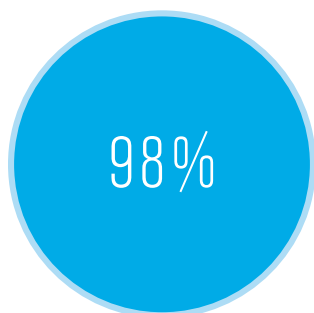
As of December 31, 2017

Employment Metrics

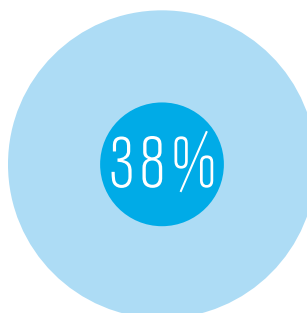
Total Employees



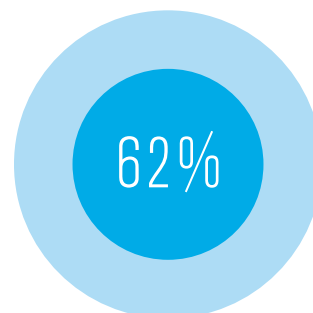
Full-Time



Female



Male

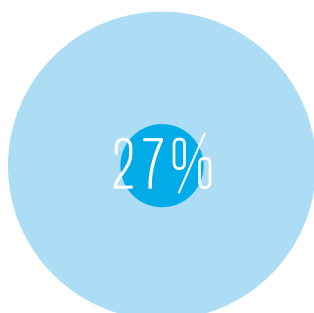


Employment By Generation

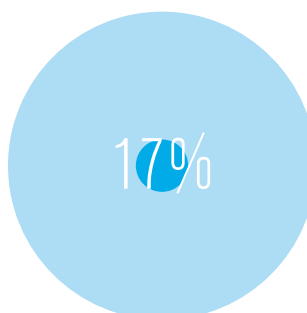
Millennials
(’78–’99)



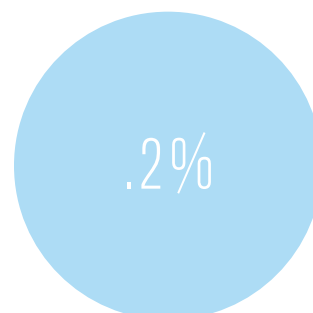
Generation X
(’65–’77)



Baby Boomers
(’46–’64)



Traditionalists
(’45 and before)



2017 Focused Associate Perspective Survey Results

Would recommend AVB as a great place to work.



Their “manager does a great job at managing the work”.



Their “manager does a great job at managing people”.

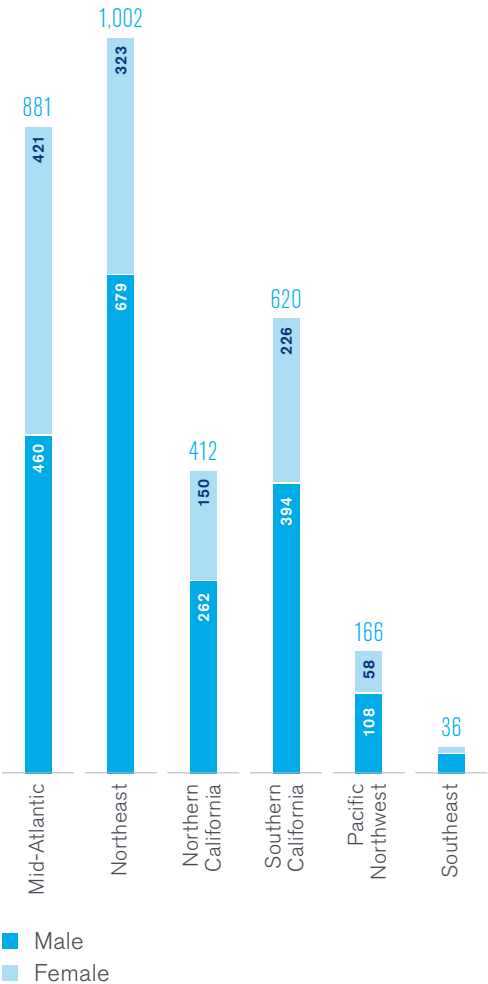


The survey is conducted by a third party (Corporate Executive Board in 2017).

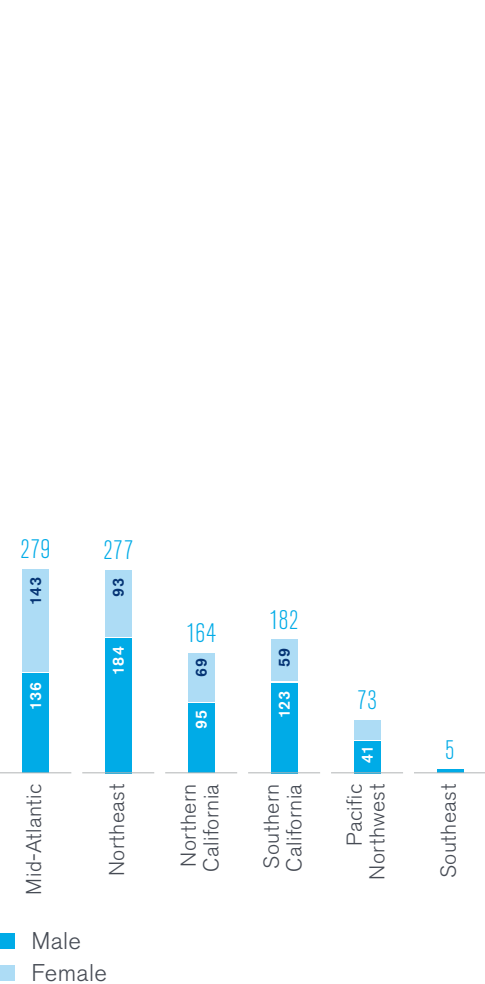
▲ Benchmark

Total Employment and 2017 New Hire Data

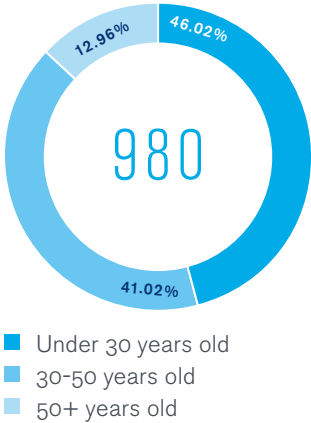
Total Employment by Gender and Region



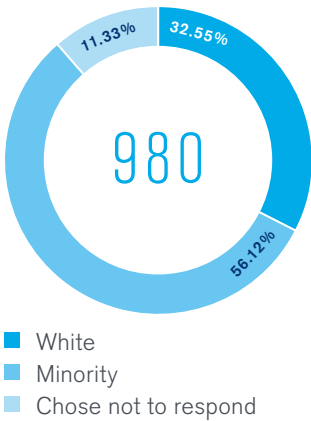
New Hires by Gender and Region



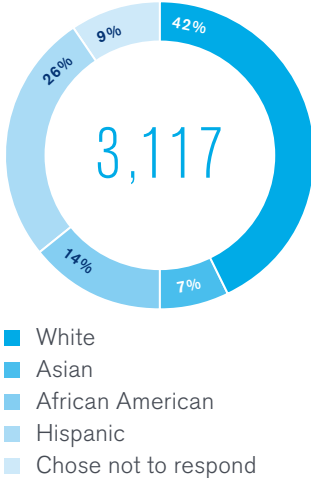
New Hires by Age



New Hires by Ethnicity



Total Employment by Ethnicity



Employment Highlights

Average of
5.6 YRS
tenure for employees

Average of
24%
turnover* from 2012 to 2017,
well below the National
Multifamily Housing Council
(NMFHC) average of 30%

Promoted
13.9%
of the workforce in 2017

*At AvalonBay, we ensure compliance with all applicable federal, state and local laws when decisions are made that impact our associates due to operational changes. Consistent with our core value of a spirit of caring, when we sell one of our apartment communities, eligible associates who do not stay with AvalonBay or accept an offer of employment from the buyer usually receive a severance package to assist with their transition out of the organization, and for those associates we also help subsidize their COBRA insurance premiums for a period of time, should they elect it

CREATING A BETTER WAY TO LIVE FOR OUR RESIDENTS

Creating a better way to live for our residents starts with listening. Asking for and responding to resident feedback is a vital part of our culture and integral to how we manage our business every day. It provides the foundation for us to continue to improve service and develop new features, amenities and programs.

Listening to Residents

We continuously ask customers to share how they think and feel about their experience with us so we understand our strengths and identify areas where we can improve. We do this by surveying residents at various stages of their residency: following their move-in, midway through their lease, and at move-out. We use the Net Promoter Score (NPS), a metric used by leading companies, as our critical measure of customer satisfaction and loyalty. We also monitor social media and rating and review sites. This is particularly important since more than 80% of people searching for an apartment consider online reviews. In 2017, NPS increased by its largest year-over-year amount ever to 29, from 22. This leap is a reflection of our implementation of a formalized process for closing the loop on all resident feedback in 2017, and demonstrates how seriously we consider this feedback from our residents. Additionally, we again ranked #1 among publicly-traded residential REITs for online reputation according to J. Turner Research's Online Reputation Assessment™ Power Rankings.

Resident concerns are handled through a number of official channels, with the goal of addressing each and every concern. These include the following measures:

- A dedicated phone queue staffed with specially trained and tenured associates who handle resident concerns
- An internal support line where associates can get additional on-the-spot support in assisting residents with any concerns they may have
- A special manager callback program whereby our service center can directly handle escalations and customer complaints within 24 hours

- A Customer Experience team dedicated exclusively to maintaining positive resident relationships

In 2017 we also asked our residents whether our CR efforts had a measurable effect on whether they would further promote AvalonBay to their peers and colleagues. The answers were overwhelmingly positive:

- When asked *How likely would you be to recommend AvalonBay Communities based on its commitment to environmental sustainability?* 58% of our residents said they were more likely to recommend AvalonBay
- When asked *How likely would you be to recommend AvalonBay Communities based on its commitment to philanthropy and giving back to the community?* 58% of our residents said they were more likely to recommend AvalonBay

Wellness and Healthy Buildings

AVALONfit and AVAfit programs continue to focus on resident wellness. In 2017, our residents had the opportunity to participate in our Commit to FIT and FIT Foodies promotions. We also launched two new FIT partnerships with Cook Smarts and Spa Week.

In 2017 we became the first residential developer to become a Champion Company with Fitwel and began



to implement its multifamily residential scorecard which assesses health-promoting elements in apartment homes and communities. This commitment is in response to the importance that consumers place on their health and well-being. We know our apartment homes and communities can have a measurable positive impact on the health of our residents.

The Fitwel Certification System, initially created for office buildings and corporate campuses, is a joint initiative led by the US Centers for Disease Control and Prevention (CDC) together with the General Services Administration. Fitwel is the only healthy building certification system that is evidence-based and operated by a multidisciplinary team of health and design experts. Fitwel for multifamily residences consists of a set of evidence-based strategies, representing the best science that exists linking health with design.



Engaging Residents in the Greater Community

We know that a better life, for many, means giving back. We engage residents in our philanthropic efforts—from blood drives to our Spirit of Caring Month volunteer activities, we constantly look for ways to take an active role with our residents in engaging the local community. We were proud to sponsor our third annual Community Preparedness Week in partnership with the American Red Cross. As a national Disaster Responder partner with the American Red Cross, and through Community Preparedness Week, we extended Red Cross preparedness resources to our residents.

In 2017, AvalonBay launched its Love My Community program to enhance our residents' day-to-day community experience. We know from resident surveys and online feedback that superior levels of maintenance and cleanliness of our communities is important to our residents. This new program is designed to bring our communities and the surrounding areas to new levels of aesthetics, and proactively address areas before resident complaints arise. We are also engaging our residents to go beyond our community walls with annual community clean-up days that engage the surrounding community.

Ensuring Data Security

The protection of resident data is at the forefront of all of the technology decisions we make in IT. We make it our goal to continually improve and validate our data protections. In 2017 we engaged with several third-party companies to evaluate our security posture and check for weaknesses in our network and applications. We also kicked off a project to enhance risk evaluations of third-party vendors, conducted a security review of our data protections on the cloud, and increased our focus on the handling of Personally Identifiable Information. The work in this area is never done, and will continue on with some larger initiatives in 2018 and beyond.

- 01 AVA NoMa features art from local artists, including a recent mural created in participation with POW! WOW! DC, a local chapter of the global art movement. POW! WOW! is a festival that celebrates culture, music and art to further engage with the local community
- 02 AVA North Point makes a donation for each lease signed to our local charity partner, Cradles to Crayons
- 03 Avalon Dogpatch's bike storage room offers bikes for resident and guest use

A Few Key Highlights from 2017

Hub by Amazon package lockers at 20 communities give residents 24/7 access to deliveries. 170 more will be installed by the end of 2019.

TransitScreen® at 45 of our communities provides residents with real-time transit and commuting information.

In partnership with IKEA®, 17 communities offer furnished apartments giving residents a more cost-effective "plug and play" living option.

Our WAG Pet Program partnered with the American Red Cross to provide resources for our residents to prepare their pets for emergencies.

Our national partnership with the VCA, a network of animal hospitals, provides resources to residents, including discounted veterinary services.

AVALONACCESS enhancements will include an improved resident billing platform and a means for residents to exclusively communicate among each other.

About AvalonBay

AvalonBay 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. In 2017 we entered two new markets: Denver and Southeast Florida.

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 for-sale 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 December 31, 2017, the company owned or held a direct or indirect ownership interest in 288 apartment communities containing 84,158 apartment homes with more than 146,000 residents. 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 12 regional offices located throughout the United States. As of year-end 2017, we employed 3,117 associates.

Our Policy on Contributions

AvalonBay's policy on political activities and contributions is communicated to all associates and complies with federal and state regulations governing political contributions by corporations. A copy of AvalonBay's Policy on Political Contributions and Government Relations is posted on the Company's Investor Relations website. 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 specific internal approvals.

The established approval procedures ensure any contributions are (i) consistent with AvalonBay's business philosophy and values, and (ii) within the limits allowed by law. These procedures also ensure all required regulatory filings are timely and contributions are accounted for, for tax purposes.

Total contributions approved and reported in 2017 were \$39,832, including (i) contributions of \$30,000 and \$5,000 to Stop the Hidden Tax – No on C and Pacifica Coalition for Housing Equality, respectively, both in connection with opposition to a rent control ballot measure in Pacifica, California; (ii) a total of \$2,732 to the California Apartment Association in connection with attendance at various fundraising events, and (iii) a payment of \$2,100 to the Long Island Builders Institute Political Action Committee for attendance at a fundraising event.

Annually, AvalonBay also provides an opportunity to senior-level associates to contribute directly to a designated PAC. In 2017 the designated PAC was REITPAC, the political action committee of NAREIT.

Corporate and Regional Office Locations

Arlington, VA (corporate headquarters)	Iselin, NJ
Bellevue, WA	Los Angeles, CA
Boston, MA	Melville, NY
Englewood, CO	New York, NY
Fairfield, CT	San Francisco, CA
Irvine, CA	San Jose, CA
	Virginia Beach, VA

Apartment Homes*

By Region	Current Apartment Homes	Apartment Homes Under Construction
New England	12,392	705
New York/New Jersey	14,470	2,287
Mid-Atlantic	14,461	1,128
Pacific Northwest	4,669	914
Northern California	12,222	815
Southern California	17,764	695
Total:	75,978	6,544

*Excludes 1,636 apartment homes in non-core markets and 6,544 homes under construction.

Governance and Ethics

AvalonBay is committed to sound corporate governance practices and the highest ethical standards. Our Board of Directors includes 11 members, 10 of whom 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 position
- Director and executive officer stock ownership guidelines
- Director and officer prohibition against hedging, pledging or borrowing against company stock
- Policy regarding stockholder approval of future severance agreements
- Executive sessions of independent 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
- Formal conflict of interest and insider trading policies for all associates
- Code of conduct contains an anti-fraud policy that all directors and associates sign and attest to annually
- As a publicly traded company, our financial statements undergo independent quarterly reviews and annual external audits prior to filing with the SEC
- Annual formal enterprise and fraud risk assessments, with results reported to the Board of Directors

- Policy on political contributions and government relations
- Responsible procurement principles

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 hotline for associates to report any concerns about financial or reporting improprieties, workplace issues or ethical matters. We adhere to a strict non-retaliation policy in order to protect any associate who makes a report in good faith.

In addition, AvalonBay:

- Requires that all associates sign and reaffirm their knowledge of the AvalonBay code of business conduct and ethics on an annual basis
- Provides a formal onboarding procedure to ensure associates become acclimated to AvalonBay's culture, policies and procedures

Ethics and Compliance Training

We recognize that maintaining our high standards of ethics requires consistent ethical behavior by our associates. We conduct annual training to ensure they understand what it means to be an AvalonBay associate, our expectation of conduct and performance, and our commitment to human rights. All AvalonBay associates must take the standards of business conduct training upon hire, and the organization recertifies all associates every two years. Associates in key business positions recertify on an annual basis.

- In 2017, AvalonBay associates completed 4,009 hours of training related to human rights, including courses on respectful workplace, anti-harassment, ethics and fair housing and accessibility
- All associates are required to read and sign the AvalonBay code of business conduct and ethics annually. Upon hire, associates are provided with an electronic copy of the associate handbook, which also details conduct and behavior expectations

Internal Audit

Our Internal Audit group, which consists of approximately 10 full-time equivalent associate positions, functions independently within the company and reports directly to the Audit Committee of the Board of Directors. Its staffing composition consists of a variety of professionally experienced, qualified and credentialed associates. All have accounting or business-based bachelor's degrees, some possess master's degrees and the professional certifications consist of Certified Public Accountants (CPAs), Certified Internal Auditors (CIAs), Certified Information Systems Auditors (CISAs) and Certified Information System Security Professionals (CISSPs). The internal audit group performs continuous independent reviews and audits of key business, operational, financial and information technology activities, including but not limited to development, construction, capital expenditures, our shared services center (Customer Care Center), IT and community operations. The group reports the results of its activities, including audit findings and opportunities for internal control enhancement, to the Audit Committee, executive management and key process owners. Audits of corporate processes such as payroll, cash management, benefits, marketing, IT, and the Company's overall segregation of duties and control environment are also conducted. Other key functions performed by Internal Audit to support an ethical environment, culture, and the company's commitment to integrity include:

- Administering the Sarbanes-Oxley (SOX) compliance process. This includes testing and verifying the design and effectiveness of more than 200 key business process and IT internal controls that reside over the Company's financial reporting. This process also includes reviewing more than 50 process owner certified quarterly and annual internal control/fraud attestations, the results of which support the SEC-required CEO/CFO internal control certification section of its 10-Q and 10-K financial statement filings
- Performing an annual, entity-level control assessment based on the Committee of Sponsoring Organizations' (COSO) internal control framework. This also includes conducting an annual fraud risk survey and fraud control assessment based on key risks identified in the Association of Certified Fraud Examiners' (ACFE) report to the Nations on Occupational Fraud and Abuse
- Managing the Company's whistle-blower hotline, EthicsPoint, which also provides access to every report to the Audit Committee of the Board of Directors to ensure full transparency
- Taking an active role in helping monitor and oversee the company's compliance and risk management and mitigation; investigations; and IT infrastructure, controls and system upgrades and implementations

Vendor Code of Conduct and Responsible Supply Chain Principles

We expect our vendors to conduct their business interactions with integrity, and we developed a vendor code of conduct that requires:

- Accurate record keeping and reporting
- Safeguarding of 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
- A requirement for prompt reporting of any violation to AvalonBay

For construction and national contracts, a competitive bid process during which many factors are considered is generally required. We continue to develop a new software system to enhance transparency, controls and management capabilities in construction and development processes.

We continue to make progress on the integration of our public, responsible procurement principles into business processes. In 2017, we surveyed 26 AVB vendors of strategic importance against our principles and ensured compliance with their intent. This represented an increase of 24% over our 2016 survey. We require vendors to sign the principles in all contract vehicles and in new vendor agreements.

Information Security

Cyber security threats were on the rise again in 2017. In response, AvalonBay has continued to adapt to evolving threats by growing its security department and investing in technologies that keep our employees, systems and data safe. Our monthly Cyber Security Steering Committee continues to bring executive focus to emerging IT and business risks which allows us to be agile and responsive to the ever-changing threat landscape.

In 2018 we will be conducting the following:

- Provide associates with a secure methodology to connect to AvalonBay resources on their mobile devices with mobile application management
- Refresh our catalog of security training modules that provide our associates with engaging and educational content
- Make email safer by investing in technologies that are the best in class at identifying and stopping harmful messages
- Greatly intensify our external security testing in order to bring issues to light as quickly as possible

Sound Investment Management

New investment proposals, including development, acquisition, redevelopment and disposition activity, are submitted to the Management Investment Committee 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 of the Board of Directors, or to the full Board in certain cases.

Corporate Responsibility Governance

The Vice President of Corporate Responsibility (VPCR) reports to our Chief Investment Officer (CIO) and leads both the environmental sustainability and strategic philanthropy programs for AvalonBay. The VPCR is responsible for:

- Implementing all CR programming and transparently reporting on progress
- Regularly reviewing with the company's CIO CR objectives and the potential impacts of climate change on our business
- Keeping an active log of business-related CR risks and opportunities
- Providing an annual update on CR issues and progress to our Board of Directors and other senior officers and executives

The process related to risk and opportunities includes integration of asset-level concerns and initiatives designed either to mitigate risks or take advantage of opportunities (or both) which are funded through maintenance Capex funds, redevelopment funds or a dedicated Sustainability Capex Fund. Our target payback period for sustainability projects is six-and-a-half years, leading to a roughly 15% internal rate-of-return target on most projects. These projects often entail energy/water consumption reduction, waste reduction and reduction of our carbon footprint related to building construction and operation.

The process for identifying risks/opportunities includes a periodic survey of company officers and less frequent surveys of a wider group of company stakeholders, including customers, associates, suppliers and board members, among others. In 2017 the VPCR conducted a comprehensive review of our portfolio for risks related to climate change, stronger storms and other natural disasters. This review will form the basis of an internal resiliency plan for the company.

How We Govern Our Strategic Philanthropy Investments

The program has a committee of senior executives guiding the initiative, which includes the CEO, CIO, CAO, Sr. VP of Brand Strategy and Marketing, Sr. VP of Human Resources and Vice President of Corporate Responsibility. In addition, within each region, leadership from development and residential services team up to create a strategic regional community investment plan and partnering approach.

CR Governance Structure

CR governance includes the following deliberative bodies, all of which are chaired by the VPCR:

CR Forum

- A working team open to all associates
- Dedicated to advancing CR with discrete projects throughout the year and enables communication and dialogue with associates in each region in a variety of roles
- Meets quarterly

CR Committee

- A select and smaller interdisciplinary group representing multiple functional groups
- Responsible for implementing the CR strategy and steering initiatives throughout the year
- Meets every month

Philanthropy Committee

- Includes the CEO, Chief Investment Officer (CIO), Chief Administrative Officer (CAO), Senior VP of Human Resources and Senior VP of Brand Strategy and Marketing
- Steers our strategic philanthropy investments and Building Strong Communities program
- Meets three times a year

In addition, the CIO and VPCR report CR matters to, and engage in an annual dialogue with, the Nominating and Corporate Governance Committee of the Board of Directors. Progress against our 2020 goals is reviewed, and the board provides input on strategic direction.

Stakeholders

We view our CR efforts through their impact on our key stakeholders. In addition to the section outlining our environmental sustainability initiatives, full sections of this report are dedicated to three particular stakeholder groups: our associates, the communities in which we do business and our residents.

Our most recent materiality analysis, which asks a variety of stakeholders for input on our CR priorities, follows this section. A summary of our work related to other key stakeholder groups is outlined here.

Investors

To increase transparency for investors on CR issues, we respond to the Global Real Estate Sustainability Benchmark (GRESB), which provides us with an industry benchmark for our CR initiatives and ESG program. We also publicly respond to the CDP with a transparent accounting of our environmental performance. Each year we have our environmental data third-party verified.

Vendors, Suppliers, Contractors

AvalonBay spends more than \$2 billion annually on external goods and services. A little more than half is attributable to capital investment for new and existing communities, with the remainder consisting of goods and services used to support corporate functions and ongoing property operations. Our supply chain ranges from thousands of local vendors around the country to a more discrete number of regional and national vendors in the following categories:

- Construction trade contractors
- Product manufacturers and distributors of construction materials, building equipment and products used in property operations
- Service providers and professional firms for construction, development, property operations and corporate support
- Business providers for marketing materials, IT hardware, etc.

Depending on the nature of these relationships, the supply chain within a particular spend category may vary from direct purchase to indirect procurement via contractors (either locally sourced or via a national agreement). Most categories for construction and redevelopment are competitively bid and managed at the project level. However, products that are used as standards in construction and redevelopment projects are sourced centrally via an RFP process and then purchased indirectly through contractors. Traditionally, property operations categories with a total spend of over \$250,000 that are scalable across multiple communities are sourced and contracted centrally via an RFP process. Contracted categories undergo regular review and management to ensure competitive pricing, service and value.

Additionally, many nationally contracted vendors are ranked and measured for performance to target metrics. Our suppliers are essential to our success, and we strive to better understand their sustainability efforts as we build stronger long-term relationships. We are beginning a dialogue with these partners by publicly stating our responsible supply chain principles and surveying top-tier vendors on their sustainability and corporate responsibility practices, along with including those principles in national and regional agreements. Our Responsible Supply Chain Principles can be found here: <https://www.avaloncommunities.com/supply-chain-policy>

We have integrated these principles into our procurement processes and continue to deepen this engagement. As this process expands, we will achieve almost 90% coverage in screening major new suppliers against environmental and labor practices, human rights and societal impact criteria. Here are some highlights of the procurement team's accomplishments in 2017:

- Followed standardized sourcing strategy guidelines and process
- Implemented electronic sourcing and contracting modules for all centrally contracted suppliers
- Continued vendor ranking and key performance metrics for top suppliers
- Implemented a new vendor prequalification questionnaire for construction vendors
- Surveyed top vendors to understand their responsible procurement and supply chain behaviors
- Supported programs to implement LED replacements, solar installation, and partner with national providers to begin optimization of recycling and waste streams

Materiality Analysis and Management Approach

In 2014, we determined the CR factors of most significance to our stakeholders by conducting an in-depth materiality analysis (pictured on page 29). The set of stakeholders selected were associates, residents, suppliers, shareholders and our Board of Directors because they have a long-term, abiding stake in the company and/or directly impact our environmental, social and governance (ESG) progress. We plan to update our materiality analysis in 2018.

Management Approach

Our materiality analysis is an important component of our approach to managing CR progress and reporting. In general, our management approach consists of:

- Determining materiality (based on internal and external stakeholder input) with periodic updates
- Establishing long-term goals aligned with our materiality analysis
- Establishing an annual CR plan that puts initiatives and strategies in place to achieve our 2020 goals

The mechanisms in place for monitoring the effectiveness of this approach include internal stakeholder feedback and benchmarking against industry peers. We also track progress and gaps against our submissions to external raters like GRESB and the CDP. Results are communicated to our associates via periodic updates and externally in our annual CR report.

AvalonBay Materiality Matrix



Scores for each subgroup within internal and external groups are given equal weight in combined results. The top right quadrant represents the most significant areas.

- Internal group: directors, officers and Board of Directors
- External group: suppliers, investors, residents and local government/community

GRI-G4 General Standard Disclosures

Strategy and Analysis

GRI Indicator	Description	Report Section
G4-1	CEO statement about the relevance of sustainability to the organization and its strategy	From the CEO, p.3–4
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	2020 Goals Progress, p.6

Organizational Profile

GRI Indicator	Description	Report Section
G4-3	The name of the organization	About AvalonBay, p.24
G4-4	Primary products and services	About AvalonBay, p.24
G4-5	Location of the organization's headquarters	Corporate and Regional Office Locations, p.24
G4-6	Countries where the organization operates	About AvalonBay, p.24
G4-7	Nature of ownership and legal form	About AvalonBay, p.24
G4-8	Markets served	About AvalonBay, p.24
G4-9	Scale of the reporting organization	About AvalonBay, p.24
G4-10	Employee diversity and data	Diversity, Inclusion and Employment Metrics, p.20–21
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Other GRI Indicators, p.41
G4-12	Describe the organization's supply chain	Vendors, Suppliers, Contractors, p.28
G4-13	Significant changes during the reporting period regarding the organization's size, structure and ownership	Report Parameters, p.43; From the CEO, p.3–4
G4-14	Commitment to external initiatives (LEED, Energy Star, GRESB)	From the CEO, p.3–4; 2017 Environmental Sustainability Highlights, p.11
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	From the CEO, p.3–4; 2017 Environmental Sustainability Highlights, p.11
G4-16	Memberships in associations and advocacy organizations	From the CEO, p.3–4; 2017 Environmental Sustainability Highlights, p.11

Identified Material Aspects and Boundaries

GRI Indicator	Description	Report Section
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	2017 AvalonBay Annual Report
G4-18	Defining the report content and the Aspect Boundaries	Report Parameters, p.43; Aspect Boundaries, p.37
G4-19	Material Aspects identified in the process for defining report content	Materiality Analysis and Management Approach, p.29
G4-20	Reporting Boundary	Report Parameters, p.43; Aspect Boundaries, p.37
G4-21	For each Material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization 	Aspect Boundaries, p.37
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	2017 Environmental Sustainability Highlights, p.11
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	2017 Environmental Sustainability Highlights, p.11

Stakeholder Engagement

GRI Indicator	Description	Report Section
G4-24	List of stakeholder groups at the organizational level and engagement at a project or asset level	Stakeholders, p.27
G4-25	Basis for identification and selection of stakeholders with whom to engage	Materiality Analysis and Management Approach, p.28
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Materiality Analysis and Management Approach, p.28
G4-27	Topics and concerns that have been raised through stakeholder engagement	Materiality Analysis and Management Approach, p.28

Report Profile

GRI Indicator	Description	Report Section
G4-28	Reporting period	Report Parameters and GRI-G4 In-Accordance Option, p.43
G4-29	Date of most recent previous report	Report Parameters and GRI-G4 In-Accordance Option, p.43
G4-30	Reporting cycle	Report Parameters and GRI-G4 In-Accordance Option, p.43
G4-31	Contact point for questions about the report	Contact, p.43
G4-32	GRI content index	Global Reporting Initiative Content Index, p.30
G4-33	External assurance	Assurance Statement, p.4 and repeated on p.43

Governance

GRI Indicator	Description	Report Section
G4-34	Governance structure of the organization	Governance and Ethics, p.25
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Corporate Responsibility Governance, p.27
G4-36	Appointed an executive-level position with responsibility for economic, environmental and social topics	Corporate Responsibility Governance, p.27
G4-38	The composition of the highest governance body and its committees	Governance and Ethics, p.25
G4-39	Indication of whether the chair of the highest governance body is also an executive officer	Governance and Ethics, p.25
G4-42	The highest governance body sets the tone for the organization and has a major role in defining its purpose, values and strategy	Governance and Ethics, p.25
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Responsibility Governance, p.27
G4-45	Risk management identification and management of economic, environmental and social impacts, risks and opportunities	Corporate Responsibility Governance, p.27
G4-46	Role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate Responsibility Governance, p.27
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	Corporate Responsibility Governance, p.27

Ethics and Integrity

GRI Indicator	Description	Report Section
G4-56	Codes of conduct and codes of ethics	Code of Business Conduct and Ethics, p.25; Ethics and Compliance Training, p.25; Internal Audit, p.26; Vendor Code of Conduct and Responsible Supply Chain Principles, p.26
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	Code of Business Conduct and Ethics, p.25; Internal Audit, p.26
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.25; Internal Audit, p.26

GRI-G4 Specific Standard Disclosures

Disclosures on Management Approach

GRI Indicator	Description	Report Section
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material b. Report how the organization manages the Material Aspect or its impacts c. Report the evaluation of the management approach, including <ul style="list-style-type: none"> The mechanisms for evaluating the effectiveness of the management approach The results of the evaluation of the management approach Any related adjustments to the management approach 	Materiality Analysis and Management Approach, p.28

Economic

Aspect: Economic Performance

GRI Indicator	Description	Report Section
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, Community and Development Performance, p.40
G4-EC2	Financial and reputational risks and opportunities related to climate change, in addition to other sustainability issues	Corporate Responsibility Governance, p.27

Aspect: Indirect Economic Impacts

GRI Indicator	Description	Report Section
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagements	Philanthropy and Community Investment, p.14
G4-EC8	Significant indirect economic impacts including creating jobs, services, development in areas of high poverty and change in location of operations or activities	Philanthropy and Community Investment, p.14

Environmental

Aspect: Energy

GRI Indicator	Description	Report Section
G4-EN3	Energy consumption within the organization	Environmental Performance, p.40–41
G4-EN5	Energy intensity	Environmental Performance, p.40–41
G4-EN6	Reduction of energy consumption	Environmental Performance, p.40–41
G4-EN7	Reduction in energy requirements of products and services	Environmental Performance, p.40–41 and 2017 Environmental Sustainability Highlights, p.11

Aspect: Water

GRI Indicator	Description	Report Section
G4-EN8	Total water withdrawal by source	Environmental Performance, p.41
CRE2	Building water intensity	Environmental Performance, p.41

Aspect: Emissions

GRI Indicator	Description	Report Section
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Environmental Performance, p.40–41
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Environmental Performance, p.40–41
G4-EN17	Other indirect greenhouse gas (AHG) emissions (scope 3)	Environmental Performance, p.40–41
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental Performance, p.40–41

Aspect: Effluents and Waste

GRI Indicator	Description	Report Section
G4-EN23	Total weight of waste by type and disposal method	Environmental Performance, p.41

Aspect: Land

GRI Indicator	Description	Report Section
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	Development and Construction, p.42

Aspect: Products and Services

GRI Indicator	Description	Report Section
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Development and Construction, p.42 and 2017 Environmental Sustainability Highlights, p.11

Aspect: Compliance

GRI Indicator	Description	Report Section
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Other GRI Indicators, p.41

Aspect: Supplier Environmental Assessment

GRI Indicator	Description	Report Section
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Vendor Code of Conduct and Responsible Supply Chain Principles, p.26; Vendors, Suppliers, Contractors, p.28

Labor Practices and Decent Work

Aspect: Employment

GRI Indicator	Description	Report Section
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Diversity, Inclusion and Employment Metrics, p.20
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.17

Aspect: Labor/Management Relations

GRI Indicator	Description	Report Section
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Diversity, Inclusion and Employment Metrics, p.20

Aspect: Occupational Health and Safety

GRI Indicator	Description	Report Section
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.18–19
CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	Health and Safety, p.18–19

Aspect: Training and Education

GRI Indicator	Description	Report Section
G4-LA9	Average hours of training per year, per employee, by gender and by employee category	Learning and Development, p.17
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.17
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Learning and Development, p.17

Aspect: Diversity and Equal Opportunity

GRI Indicator	Description	Report Section
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	Diversity, Inclusion and Employment Metrics, p.20

Aspect: Supplier Assessment for Labor Practices

GRI Indicator	Description	Report Section
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Vendor Code of Conduct and Responsible Supply Chain Principles, p.26; Vendors, Suppliers, Contractors, p.28

Human Rights

Aspect: Investment

GRI Indicator	Description	Report Section
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.25

Aspect: Supplier Human Rights Assessment

GRI Indicator	Description	Report Section
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Vendor Code of Conduct and Responsible Supply Chain Principles, p.26; Vendors, Suppliers, Contractors, p.28

Society

Aspect: Local Communities

GRI Indicator	Description	Report Section
G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programs	Philanthropy and Community Investment, p.14

Aspect: Anti-Corruption

GRI Indicator	Description	Report Section
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Internal Audit, p.26
G4-S04	Communication and training on anti-corruption policies and procedures	Code of Business Conduct and Ethics, p.25; Ethics and Compliance Training, p.25

Aspect: Public Policy

GRI Indicator	Description	Report Section
G4-S06	Total value of political contributions by country and by recipient/beneficiary	Our Policy on Contributions, p.24

Aspect: Anti-Competitive Behavior

GRI Indicator	Description	Report Section
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	Other GRI Indicators, p.41

Aspect: Supplier Assessment for Impacts on Society

GRI Indicator	Description	Report Section
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	Vendor Code of Conduct and Responsible Supply Chain Principles, p.26; Vendors, Suppliers, Contractors, p.28

Product Responsibility

Aspect: Customer Health and Safety

GRI Indicator	Description	Report Section
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Health and Safety, p.18–19; Safety and Health Qualification Tables, p.42

Aspect: Product and Service Labeling

GRI Indicator	Description	Report Section
G4-PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Creating a Better Way to Live for Our Residents, p.22–23

Aspect: Customer Privacy

GRI Indicator	Description	Report Section
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Creating a Better Way to Live for Our Residents, p.22–23

Aspect Boundaries: G4-18, G4-19, G4-20, G4-21 Disclosures

G4 Category: Economic

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Economic performance	•	•	This is important to our own associates and our external stakeholders, who include the communities in which we do business and our suppliers and shareholders. Providing economic benefit to these communities and shareholder return to our investors is directly related to positive economic performance	G4-EC1 G4-EC2
Indirect economic impacts		•	We create jobs and community infrastructure improvements as we develop new communities, so this is important to those communities	G4-EC7 G4-EC8

G4 Category: Environmental

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Materials	•	•	Use of materials and the amount of materials recycled is important internally because it has direct organizational cost implications. Externally, our communities benefit from more sustainable material usage and recycling, reducing the dependence on landfill and other means of disposal	G4-EN1 G4-EN2
Energy	•	•	Internally, responsible management of our energy consumption and efforts to reduce that consumption improve operational performance and building value. It is also important to our external stakeholders as part of our commitment to reduce our impact on the environment	G4-EN3 G4-EN5 G4-EN6 G4-EN7
Water	•	•	Internally, responsible management of our water consumption and efforts to reduce that consumption improve operational performance and building value. It is also important to our external stakeholders as part of our commitment to reduce our impact on the environment	G4-EN8 CRE2

Aspect Boundaries: G4-18, G4-19, G4-20, G4-21 Disclosures (continued)

G4 Category: Environmental (continued)

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Emissions		•	Reducing our emissions is important to the air quality of the communities in which we do business	G4-EN15 G4-EN16 G4-EN18
Effluents and waste	•	•	Responsible management of our waste and efforts to reduce waste that goes directly into a landfill improves operational performance. It is also important to our external stakeholders as part of our commitment to reduce our impact on the environment	G4-EN23
Land		•	This is important to our investors and the communities in which we do business as we develop land for the building of new communities	CRE5
Products and services	•	•	Responsible management of the environmental impacts of our buildings and improving the life cycle impact the building has on the environment can improve building value and reduce our costs. It therefore is important to both internal and external stakeholders and has direct relevance to the quality of life of our residents	G4-EN27
Compliance	•	•	Fines impact both the communities in which we do business and our operations, as they result from activity that could have deleterious consequences	G4-EN29
Supplier environmental assessment	•	•	Ensuring our suppliers are responsible stewards of the environment mitigates our operational risk and improves their operations and long-term responsibility as organizations	G4-EN32

G4 Category: Social

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Employment	•		This is important to our associates and their career advancement and opportunities for development. The hiring and turnover components are also important to our overall business performance	G4-LA1 G4-LA2
Labor/ management relations	•		This is important to our associates and their engagement with the company	G4-LA4
Occupational health and safety	•		This is important to our associates and their well-being	G4-LA6 CRE6
Training and education	•		This is important to our associates and their career advancement and opportunities for development. It is also important for the organization as a whole to ensure a talent pipeline and strong succession plans	G4-LA9 G4-LA10 G4-LA11
Diversity and equal opportunity	•		This is important to our associates and their opportunities for development and advancement. It is also important for the company to integrate diverse perspectives in our operations and decision-making	G4-LA12
Supplier assessment for labor practices	•	•	Ensuring our suppliers are responsible in their labor practices mitigates our operational risk and improves their operations and long-term responsibility as organizations	G4-LA14

Aspect Boundaries: G4-18, G4-19, G4-20, G4-21 Disclosures (continued)

G4 Category: Human Rights

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Investment	•	•	This is important to our organization and the full development of our associates. Externally it is important for our interactions with and customer service to our residents	G4-HR2
Non-discrimination	•	•	This is important to the advancement of our associates and fairness to our residents and prospects	G4-HR3
Supplier human rights assessment	•	•	Ensuring our suppliers are responsible in their human rights practices mitigates our operational risk and improves their operations and long-term responsibility as organizations	G4-HR10
Local communities		•	This is important to the communities in which we operate	G4-S01
Anti-corruption	•	•	This is important for the governance of the company and impacts our performance, which is important to our shareholders and external stakeholders	G4-S03 G4-S04
Public policy	•	•	This is important both internally and externally to our stakeholders so they understand transparently how we are supporting public/political issues and discourse	G4-S06
Anti-competitive behavior	•	•	This is important to external stakeholders to preserve competition and marketplace choice	G4-S07
Supplier assessment for impacts on society	•	•	Ensuring our suppliers are responsible and aware of their impacts on society, mitigates our operational risk and improves their operations and long-term responsibility as organizations	G4-S09

G4 Category: Product Responsibility

G4 Material Aspects	Material Within the Org.	Material External to the Org.	Relevance Outside the Organization	Specific Standard Disclosures
Customer health and safety		•	This directly impacts the quality of life of our residents and ties into our responsibility toward them	G4-PR2
Product and service labeling	•	•	Increasing our resident Net Promoter Score is one of our 2020 goals and is important both internally and to our residents' quality of life	G4-PR5
Customer privacy	•	•	This is important internally from a risk and reputation perspective and externally to our residents. We are highly focused on the security of their data	G4-PR8

ESG Data

Economic, Community and Development Performance

Economic (\$000)	2017	2016	2015	2014
Operating revenues	\$2,158,628	\$2,045,255	\$1,856,028	\$1,685,640
Operating costs (excluding employee compensation)	\$377,875	\$369,418	\$340,981	\$311,473
Employee compensation	\$226,684	\$210,218	\$202,788	\$183,891
Property and other taxes	\$221,375	\$204,837	\$193,499	\$178,720
Dividends and interest	\$1,073,465	\$1,014,775	\$902,405	\$859,700
Retained earnings	\$259,229	\$246,007	\$216,355	\$151,856
Total Community/Apartment Count	2017	2016	2015	2014
Number of properties	288	285	285	277
Number of apartment homes	84,158	83,667	83,696	82,487
Affordable Count	2017	2016	2015	2014
Number of designated affordable homes	4,614	4,652	4,738	4,704
Construction Counts	2017	2016	2015	2014
Properties under construction at year-end/homes	21/6,544	27/9,149	26/8,112	26/8,524
Completed properties at year-end/homes	14/5,189	8/1,715	13/4,170	17/4,121
Redevelopment Counts	2017	2016	2015	2014
Properties under redevelopment at year-end/homes	15/6,432	4/1,671	10/3,245	8/2,938
Completed redevelopments at year-end/homes	9/2,620	10/5,640	4/1,144	5/1,887

Environmental Performance

Emissions	2017	2016	2015	2013 (baseline)
Like-for-like CO ₂ emissions scope 1 (mtCO ₂ e)	12,843	11,290	11,697	12,874
Like-for-like CO ₂ emissions scope 2 (mtCO ₂ e)	39,865	43,880	46,933	50,402
Like-for-like total CO ₂ emissions (mtCO ₂ e)	52,708	55,169	58,630	63,276
Percentage change (total emissions like-for-like since baseline year)	-16.70%	-12.80%	-7.30%	
Total CO ₂ emissions scope 1 (mtCO ₂ e)	19,008	17,913	17,478	17,729
Total CO ₂ emissions scope 2 (mtCO ₂ e)	62,242	58,975	58,345	55,873
Total CO ₂ emissions scope 3 (mtCO ₂ e)	6,267	6,184	6,172	6,293*
Total (scope 1 and scope 2) CO ₂ emissions (mtCO ₂ e)	81,250	76,888	75,823	73,603
Percentage change (scope 1 and scope 2) since baseline year	10.40%	4.50%	3.00%	
Construction CO ₂ emissions (mtCO ₂ e)	2,460	5,252	5,064	4,228
Percentage change (construction emissions) since baseline year	-41.80%	24.20%	19.80%	

*The baseline year for scope 3 emissions is 2014.

Environmental Performance (continued)

Emissions (continued)	2017	2016	2015	2013 (baseline)
Total scope 1 and 2 emissions intensity (mtCO ₂ e/FTE)	27.48	26.85	27.25	26.90
Total scope 1 and 2 emissions intensity (mtCO ₂ e/\$ revenue)	0.00004	0.000040	0.000044	0.000052
Energy	2017	2016	2015	2013 (baseline)
Like-for-like energy consumption (kWh)	204,381,000	198,157,000	209,582,000	219,249,000
Percentage change since baseline year	-6.8%	-9.62%	-4.41%	
Total energy consumption (kWh)	287,467,000	278,316,000	274,540,000	268,100,000
Percentage change since baseline year	7.2%	3.81%	2.4%	
Construction energy consumption (kWh)	7,357,060	15,810,939	17,877,623	11,820,775
Percentage change since baseline year	-37.80%	33.76%	51.24%	
Like-for-like energy use intensity (kWh/sq. ft.)**	14.87	14.86	15.50	16.68
Percentage change since baseline year	-10.84%	-10.91%	-7.09%	
Water	2017	2016	2015	2013 (baseline)
Like-for-like water consumption (Kgal)	2,779,761	2,760,737	2,764,994	3,047,233
Percentage change since baseline year	-8.78%	-9.40%	-9.26%	
Total water consumption (Kgal)	3,033,931	3,083,384	3,109,679	3,296,733
Percentage change since baseline year	-7.97%	-6.47%	-5.67%	
Construction water consumption (Kgal)	14,433	19,938	20,623	23,678
Percentage change since baseline year	-39.05%	-15.8%	-12.9%	
Like-for-like water use intensity (Kgal/unit)*	41.66	42.4	42.66	45.21
Percentage change since baseline year	-7.86%	-6.21%	-5.64%	
On-Site Water Reuse (M3)	154,634	135,983		
Waste	2017	2016	2015	2014 (baseline)
Non-hazardous waste (MT) [†]	94,927	81,742	66,663	39,887
Percentage non-hazardous waste recycled	33% [†]	43% [†]	50%	45%
Other GRI Indicators	2017	2016	2015	2014
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	None	None	None
Total number of legal actions for anti-competitive behavior, anti-trust and monopoly	None	None	None	None
Percentage of employees covered by collective bargaining agreements	None	None	None	None

**We calculate energy use intensity on properties that are stabilized for a full two-year period in those areas that we operationally control. The consumption is then weather-normalized and divided by the square footage of those areas. We calculate water use intensity on properties that are stabilized for a full two-year period and use whole-building data. The consumption is then divided by the number of apartment homes.

[†]Our waste reported represents 91% of our community waste and 100% of our construction waste (communities under construction in 2017).

[†]We increased our community waste coverage this year to an all-time high of 91%. As a result our diversion rate went down. Our new 2023 waste goal is aimed directly at waste diversion improvement.

Learning and Development

Department Training	Hours
Construction/Development	2,821
Corporate	1,698
RS on-site	56,960
RS overhead	812
CCC	2,440
Cross-departmental	2,657
Total:	67,388

Safety

U.S. Bureau of Labor Statistic	Average
Lost time (dart) rate	2.2
Total recordable case rate (per 100 workers)	3.8
Associate injuries requiring days away from work	47
Hours of Safety Training	14,609

Health Qualification

Qualification/Certification	Professionals
Certified Safety Professional	1
Certified Health and Safety Technologist	5
Safety Trained Supervisor – Construction	5
Licensed (NYC) Safety Manager	3
Licensed (NYC) Fire Safety Manager	4
Bilingual – English/Spanish	4
Authorized OSHA Construction Safety Outreach Trainer	6

Development and Construction

Development in 2017	
Number of communities beginning construction	8
Expected investment	\$808M
Remediation of preexisting environmental contamination	\$3.4M
Remediation spend projected through completion	\$10.9M
Development communities under construction as of year-end	21
Average walk score for completed transit-oriented developments (total portfolio)	81
Total transit-oriented communities	90
Transit-oriented development communities completed in 2017	3
Capital cost for all development under construction as of year-end	\$3B

Redevelopment in 2017

Communities completed	9
Apartment homes represented	2,620
Capital cost	\$106M
Communities under redevelopment as of year-end	15
Capital cost for all redevelopment under construction as of year-end	\$281M

ABOUT THIS REPORT

This is AvalonBay's seventh annual Corporate Responsibility report and summarizes our environmental, social and governance (ESG) performance and activities during calendar year 2017.

Report Parameters and GRI-G4 In-Accordance Option

This report covers issues and information material to our business and stakeholders. We followed standard disclosures from the GRI-G4 Sustainability Reporting Guidelines and sector-specific guidelines for real estate and construction. The report's boundary covers a reporting period for the 2017 calendar year and builds on the progress outlined in our most recent report for the 2016 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 and are based on our materiality analysis. We are reporting against the Core GRI-G4 in-accordance option.

Assurance Statement

Assurance Content and figures referenced in AvalonBay's filed financial statements have been externally assured by a third-party auditor. In 2018, we again had our prior year annual energy, greenhouse gas emissions, water and community waste data independently verified by Lloyd's Register Quality Assurance (LRQA), a part of Lloyd's Register Group Limited and a leading provider of independent assessment services, with recognition from over 50 accreditation bodies around the world. We also expanded this verification to include our Scope 3 employee travel and commuting emissions. The full accreditation report and assurance statement can be found on our website at avaloncommunities.com/verificationreport and avaloncommunities.com/assurancestatement

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