

# CREATING A BETTER WAY TO LIVE

*2019 CORPORATE RESPONSIBILITY REPORT*



**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 an eye on the future. It means remaining true to the long-term wellbeing of all of our stakeholders, broadly defined.

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. With this in mind, our goal is to build and operate much more than buildings. The cities and suburbs in our core markets across the country 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, and they are moving to a low-carbon emission future. We're 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.**

## FROM THE CEO

**2019 was another productive year for AvalonBay and our stakeholders – investors, residents, associates and the communities where we do business. Our 2019 financial performance modestly exceeded the expectation we provided early in the year and we completed seven new development communities, broke ground on another eight, and, over the course of the year, we continued to grow our presence in our expansion markets of Denver and Southeast Florida.**

The past decade has been a time of outstanding growth for our industry, in general, and for AvalonBay, in particular. Since the beginning of 2010, we have grown our Core FFO per share by 135%, completed the development of 96 new apartment communities containing nearly 27,000 apartment homes for approximately \$8.3 billion in total capitalized cost, and increased our common dividend per share by 70%.

We continued to achieve strong outcomes elsewhere in our business, with our associates delivering another year of excellent customer service, as evidenced by a two-point increase in our Net Promoter Score (NPS) and our fourth consecutive year ranking #1 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 our third-party survey provider who tracks companies on workforce engagement. And for the second year in a row, we were recognized by Glassdoor Employee Choice Ratings as one of the Top 100 companies to work for in the U.S.

We believe that to be a great company we must apply a multi-stakeholder approach to our business. Delivering strong financial results over a sustained period requires engaged associates, satisfied customers, and the support of our local communities, which we earn by taking an active leadership role in addressing important environmental and social challenges. In 2019, we were named the Global and U.S. Leader in the Residential Sector by the Global Real Estate Sustainability Benchmark (GRESB). We also received an A- grade from the Carbon Disclosure Project (CDP) for our carbon emission disclosure practices, making us one of four REITs, and the only apartment company, to receive an A grade. And AvalonBay was the proud recipient of the 2019 Nareit Residential Leader in the Light Award. This is the highest achievement for all residential REITs and real estate companies, and it reflects our commitment to social and environmental sustainability.

As ESG raters and rankers become more important to our investor stakeholders, we continue to do well in a variety of other benchmarks. *Newsweek* and Statista together honored America's Most Responsible Companies and, in doing so, ranked AvalonBay #193 out of 300 companies. For the third consecutive year, we were named to *3BL Media's* 100 Best Corporate Citizens list, ranking #53 out of the 1,000 largest U.S. public companies. In addition, several prominent ESG raters continue to rate us as one of the most advanced U.S. companies in our sector. These include Euronext, VigeoEIRIS, ISS-oekom and FTSE4Good. Finally, *Engineering News Record* (ENR) ranked us as #35 on its Top 100 Green Building Contractors, up from #43 in 2018. We achieved or exceeded our 2019 Corporate Responsibility objectives outlined in our previous report, including:

### **Building Strong Communities**

We met our 2020 goal of giving back \$2.2 million cash and in-kind to our philanthropy partners. Through 93 blood drives, 1,702 pints of blood were donated to our national partner, the American Red Cross. Over half of our associates (51%) volunteered in a variety of activities, an increase of 31% since the program began in 2015, dedicating over 14,200 hours to charitable organizations across our portfolio.

**"I AM PROUD OF AVALONBAY'S LEADERSHIP AND THE MANY WAYS WE ARE CONTRIBUTING POSITIVELY TO THE FUTURE."**

**Timothy J. Naughton**  
Chairman and CEO



### **Renewable Energy and Battery Storage**

We continued to make progress on renewable energy, with nine completed solar installations producing 1.1 Megawatts of power. We began design and construction on another 55 onsite solar generation projects in 2019. These will produce an additional 7.8 Megawatts of power upon completion.

### **Utility Dashboard and Maintenance Toolkit**

We expanded our utility dashboard for onsite associates, enhancing their understanding of how our buildings are performing from a utility consumption standpoint. The program will be expanded in 2020 to provide this important building-specific data to a larger set of portfolio and asset managers.

### **LED Portfolio Retrofits**

We completed 32 LED lighting retrofit projects and plan to finish 13 more in 2020, effectively bringing this program to completion. By the end of 2020, we will have completed 184 LED retrofits, reaching 62% of our portfolio. Our LED retrofits completed to-date now provide \$3.1 million and 17.4 million kWh in annual energy savings.

### **Water Efficiency**

A new Water Savings Task Force was created to provide oversight of water retrofit projects at 30 properties where we're responsible for whole building water consumption. The Task Force will look for ways to save water across our portfolio, both in our apartment homes and common areas.

### **Demand Response and Smart Buildings**

Our demand response and smart-building data program has expanded to include 40 properties representing over 13.5 million square feet. Utilization of our continuous demand management platform generated over \$400,000 in annual savings from demand response payments, load reduction, and utility tariff rate optimization. And our associate behaviors show that AvalonBay now can support utility grid stress with a 3 MW reduction when needed.

### **Associate Relief Fund**

In its first year, our Associate Relief Fund received over \$40,000 in donations from AvalonBay associates and \$100,000 from AvalonBay, enabling 18 associates in financial need after a natural disaster or unexpected personal hardship to request financial assistance and receive \$34,574 in grants.

### **Fitwel**

With our focus on health and wellness and as a follow-up to our first Fitwel certified community, AVA Noma, we continued to pursue certification for both our Avalon First & M community and our new corporate headquarters office. We expect to receive certification for both in 2020.

### **Targets**

In 2019, we set science-based emissions reduction targets, which were approved by the Science-Based Targets initiative. We also made progress on our 2023 waste goal and set our new goals beyond 2020, which we are excited to introduce in this report (see page 7). Specific to waste, we expanded our partnership with GreenDrop and collected 89,619 pounds of used household donations, which included a lot of waste that may have otherwise gone into a landfill.

## SCIENCE-BASED TARGETS

53% reduction in scope 1 and 2 greenhouse gas (GHG) emissions and 47% reduction in scope 3 emissions by 2030

**-53%**

(2.16 kgCO<sub>2</sub>e/sq. ft)

Scope 1&2

**-43%**

(2.93 kgCO<sub>2</sub>e/sq. ft)

Scope 3

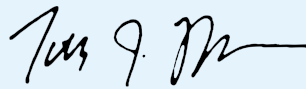
### Red Cross Partnership

2019 was the fifth year of our national partnership with the Red Cross. In addition to the blood drives and monetary donation, we continued our focus of preparedness, sharing information with our 149,000 residents and 3,000 associates. And over 300 associates were CPR/First Aid certified or re-certified, which brings our total number of certifications to just over 1,500.

As of this writing, the spread of the COVID-19 coronavirus pandemic has affected much of the country, including our markets, with each day bringing new developments and information. With schools, retail outlets, restaurants, entertainment venues, conferences and gatherings closed or limiting their operations to increase social distancing and slow the spread of the virus, 2020 presents new and unique challenges for all of us, as well as the rest of the nation and world. We continue actions to maintain social distancing among our associates, residents and suppliers, and we are monitoring and implementing protocols to help protect our communities and residents.

A consensus has not yet emerged as to how long COVID-19 will affect daily living in the United States and the economy. As a developer and provider of residential housing, we are in a unique position during this public healthcare crisis. Instead of retreating from our product, our residents have increased their usage of our apartment homes, both as shelters during stay-at-home directives and, in many cases, as the place from which they conduct work. At the same time, constraints on business activity will impact our development activity in ways that are not yet fully known. In all events, we are navigating this public health crisis with a view toward serving all our stakeholders. Our commitment to corporate responsibility has never been more important.

I am proud of AvalonBay's leadership and the many ways we are contributing positively to the future, and I encourage you to read more about our ESG accomplishments and plans in this report.



**Timothy J. Naughton**  
Chairman and CEO

## ASSURANCE STATEMENT

In 2019, for the fifth consecutive year, we 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.

The full accreditation report and assurance statement are aligned with the ISO14064-3 standard and can be found on our website at [avaloncommunities.com/verificationreport](https://avaloncommunities.com/verificationreport) and [avaloncommunities.com/assurancestatement](https://avaloncommunities.com/assurancestatement).



**Avalon Belltown Towers** Seattle, WA

# CORPORATE RESPONSIBILITY FRAMEWORK



## OUR PURPOSE: CREATING A BETTER WAY TO LIVE

COMMUNITY	GOVERNANCE	ASSOCIATES	RESIDENTS	ENVIRONMENT
<ul style="list-style-type: none"> <li>Community investment</li> <li>Philanthropy</li> <li>In-kind giving</li> <li>Volunteering</li> </ul>	<ul style="list-style-type: none"> <li>Investor relations</li> <li>Financial reporting</li> <li>Sound Board and management practice</li> <li>Ethics and compliance</li> <li>Cyber security</li> <li>Supply chain</li> <li>Responsible human rights</li> </ul>	<ul style="list-style-type: none"> <li>Compensation and benefits</li> <li>Awards and recognition</li> <li>Cultural norms</li> <li>Health and safety</li> <li>Engagement</li> <li>Inclusion and Diversity</li> <li>Talent attraction, development and retention</li> </ul>	<ul style="list-style-type: none"> <li>Customer service</li> <li>Apartment greening</li> <li>Engagement</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency</li> <li>Water efficiency</li> <li>Emissions reductions</li> <li>Climate change</li> <li>Renewable energy</li> <li>Green design and construction</li> <li>Waste management</li> </ul>



# 2020 GOALS PROGRESS

Throughout 2019, we saw a drop of 11.73% in our water use intensity (WUI) from our 2013 baseline. As 2019 was the year we set and had approved our Science-Based Targets, we did not have in place the activities, yet, to begin to achieve these targets. Still we saw a 1.52% drop in Scope 1 and 2, and a 7.61% drop in Scope 3. These are attributable to energy efficiency projects and more accurate residential data. We were pleased to achieve our community investment goal one year early, while continuing to perform above the threshold of our resident and associate engagement goals. Our waste goal continues to be a challenge, and we explain that further on page 13. In 2020, we will begin the transition to a new set of CR goals, which you can see on the next page.

## GOAL

## PROGRESS

### Science-Based Targets

53% reduction in scope 1 and 2 greenhouse gas (GHG) emissions and 47% reduction in scope 3 emissions by 2030

Scope 1&2 2019	4.54	Scope 3 2019	5.1
Scope 1&2 2017 Baseline	4.61	Scope 3 2017 Baseline	5.52
2030 Goal: 2.16(kgCO <sub>2</sub> e/sq.ft)		2030 Goal: 2.93(kgCO <sub>2</sub> e/sq.ft)	

### Water<sup>1</sup>

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

2019	39.33
2018	40.6
2013 Baseline	45.21
2020 Goal: 38.39(Kgal/unit)	

### Waste<sup>1</sup>

20% reduction in landfill-bound waste intensity across our portfolio by 2023<sup>2</sup>

2019	1773
2018	1704
2017 Baseline	1671
2023 Goal: 1631(lbs./apt.)	

### Residents

33% increase in our Net Promoter Score

**GOAL ACHIEVED!**

2019	31
2018	29
2014 Baseline	15
2020 Goal: 20	

### Community

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

**GOAL ACHIEVED!**

2019	\$2.2M
2018	\$2.1M
2015 Baseline	\$1.1M
2020 Goal: \$2.2M	

### Associates<sup>3</sup>

Achieve 75th percentile or better on associate engagement and satisfaction

**GOAL ACHIEVED!**

2019	90TH PERCENTILE
2018	90TH PERCENTILE
2020 Goal: 75th percentile	

<sup>1</sup> 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.

<sup>2</sup> 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 apartment (lbs./apt) intensity metric, normalizing the waste generation to a per residential unit number.

<sup>3</sup> 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. We calculate the target on properties that are stabilized for a full two-year period.



# CORPORATE RESPONSIBILITY GOALS: BEYOND 2020

As we reach our current 2020 goals, we are introducing new long-term targets, aligned with the **United Nations Sustainable Development Goals** (SDGs), which are 17 goals created as the blueprint to achieve a better and more sustainable future for all.

## SCIENCE-BASED TARGETS

# 53%

**Reduction in Scope 1&2  
GHG Emissions per square foot**  
by 2030 (2.16 kgCO<sub>2</sub>e/sq. ft)

# 47%

**Reduction in Scope 3  
GHG Emissions per square foot**  
by 2030 (2.93 kgCO<sub>2</sub>e/sq. ft)

**Sustainable Development Goal  
(SDG)**



## WATER

**2025 goal to be  
determined in 2021**  
based on 2020 goal results

**SDG**



## WASTE

# 20%

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

**SDG**



## COMMUNITY

# \$2.75M

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

**SDG**



## RESIDENTS

# 33

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

## ASSOCIATES

# 90th+

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

## INCLUSION & DIVERSITY

**2025 goal currently in progress  
and will be introduced in the 2020 report**

**SDG**



# 2020 INITIATIVES

## Each year we establish a Corporate Responsibility plan to guide our efforts during the year.

The plan is reviewed with our Board of Directors and key internal stakeholders. Our 2020 initiatives include:



### BUILDING STRONG COMMUNITIES

Give back \$2.26M in cash and in-kind to our philanthropy partners and establish our new 2025 philanthropy goal. Volunteer 15,000 hours and maintain 50% associate participation.



### CLIMATE CHANGE

Analyze renewable procurement options and leverage our climate-risk portfolio review to develop resiliency plans at select communities.



### DEMAND RESPONSE AND SMART BUILDINGS

Fully expand the program across the entire portfolio by the end of 2020 and leverage the full capabilities of the data for both demand response and utilities procurement.



### ASSOCIATE RELIEF FUND

Continue to enhance the AvalonBay Associate Relief Fund, which provides help to associates who are facing financial need immediately after a natural disaster or unexpected personal hardship. 2020 enhancements include adding payroll giving and exploring a PTO leave donation program.



### RENEWABLE ENERGY AND BATTERY STORAGE

Execute on solar installations at 26 California properties and begin design of solar at 29 additional Communities located in California, Massachusetts, New Jersey and New York. Install a battery system at Avalon White Plains and scope battery installation at the properties where we have solar installed.



### WATER EFFICIENCY

Execute on recommendations from the AvalonBay Water Savings Task Force, including retrofits of the 30+ communities where we control the whole building water expense. Continue to engage residents on water efficiency education.

## FITWEL

Continue to pursue two additional certifications: one for our new corporate headquarters office and one at Avalon First & M in Washington, D.C.



## INCLUSION & DIVERSITY

Continue to support and grow the company's I&D program – *Many Voices, One AvalonBay* – by setting and communicating goals, growing the I&D team via regional leaders, expanding programs and campaigns and participating in at least two external I&D surveys or indices.



## SCIENCE-BASED TARGETS EXECUTION PLAN

Develop and begin rollout of the implementation plan to achieve our Science-Based Targets and transition to our new 2025 goals.



## RED CROSS PARTNERSHIP

Kick off the 6th year of our Disaster Responder Partnership, donate blood and continue the important work of ensuring our associates, residents and the communities where we do business are better prepared for emergencies and disasters.



## EXTERNAL RATINGS AND RANKINGS

Continue to improve AvalonBay's position on indices like GRESB and CDP, as well as other ESG rating agencies.



## RESIDENTS

Maintain customer satisfaction scores and continue to engage residents in Building Strong Communities, our Red Cross Partnership and environmental sustainability activities.



## 2019 HIGHLIGHTS, AWARDS AND RECOGNITION



*The Washington Post*  
**BEST  
PLACES TO  
WORK**

# #53

On 3BL Media's global list of  
**100 BEST  
CORPORATE  
CITIZENS**

# NPS: 31

Our customer mid-lease  
Net Promoter Score (NPS)  
**increased by 2 points** in 2019

# A — CDP SCORE

**INCREASE FROM B IN 2018!**



**American  
Red Cross**

**1,702 units of blood**  
collected, potentially helping  
save **5,106 lives**



**Nareit.** 2019  
Leader in the Light  
Award Winner

2019 Nareit Leader in the Light  
Award Winner for **Residential/  
Apartments**



Expanded the **Inclusion & Diversity** team and launched  
new programs, including bias awareness training,  
monthly campaigns and external sponsorships.



  
**G R E S B**<sup>®</sup>  
 REAL ESTATE  
 Sector Leader 2019

**GRESB**  
 GLOBAL &  
 REGIONAL  
 SECTOR  
 LEADER

**51%**

Of associates volunteered in 2019  
(14,200 volunteer hours)

**#193** (out of 300)

On *Newsweek's* list of  
**AMERICA'S MOST  
 RESPONSIBLE  
 COMPANIES 2020**

**\$2.2M**

Total cash & in-kind donations  
to philanthropy partners



Set approved  
**SCIENCE-BASED  
 TARGETS**

**glassdoor**

**2019 BEST PLACES TO WORK**

EMPLOYEES' CHOICE

**TOP 100 US-BASED  
 COMPANIES TO WORK FOR**

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# ENVIRONMENTAL

**We create a better way to live through an integrated environmental, social and governance (ESG) approach to running our business. In the following section we outline our 2019 progress on our environmental sustainability goals and the activities and programs that support environmental sustainability at AvalonBay.**

## 2019 ENVIRONMENTAL SUSTAINABILITY HIGHLIGHTS

2019 was an important year for AvalonBay as we committed to a direction for environmental sustainability that will last well into the next decade. Several key components form this foundation:

- We set science-based emissions reduction targets, which were approved by the Science Based Targets initiative (SBTi). This commitment fundamentally changes our long-term goals to focus on emissions, Scope 1, 2 and 3. The SBTs more appropriately shift the focus of our energy efficiency efforts to emissions, and ensure that our emissions reduction targets are science-based and contribute substantially to the mitigation of global warming. Plans are taking shape now on how we will achieve our ambitious SBTs.
- We continued to focus efforts on achieving our 2020 water-related goals. Our water use intensity (WUI) saw a nice reduction of 1% year-over-year, and improved to an 11.73% reduction against the baseline year (2013). Our 2020 goal for WUI is a 15% reduction.
- We made progress on our renewable energy strategy, with 1.1 Megawatts of solar installed and another 7.8 Megawatts in design and under construction.
- We continued to integrate our demand response and building data analytics platform in ways that are driving value both for

our operational efficiency and our procurement of energy in the regions where choice is allowed.

- Since we established our waste goal in 2018, baselined to 2017 data, the landscape for recycling has changed significantly. With countries accepting less “dirty” recycled materials, we are finding certain jurisdictions where we do business dramatically reducing and, in some cases, eliminating recycling altogether. While our waste totals have gone up since then, our diversion rate has improved each year and in certain regions we are seeing dramatic improvements in diversion. In the Pacific Northwest, for example, diversion went from 26.8% to over 45% from 2018 to 2019. And in California we have enacted a number of innovative solutions to improve diversion from 15% to almost 23%. We are committed to our waste goal, and will continue to find solutions to improve waste diversion from landfill and educate our residents on clean recycling techniques. For example, in 2019 we expanded our partnership with GreenDrop and collected 89,619 pounds of used household donations, which included a large amount of waste that may have otherwise gone into a landfill.

Initiatives begun in the last three years are now saving over \$3.8M annually through energy and water conservation and onsite solar generation. We are setting a course that firmly places AvalonBay on a path to decarbonization, lower emissions, increased renewable energy and a clear approach to mitigating



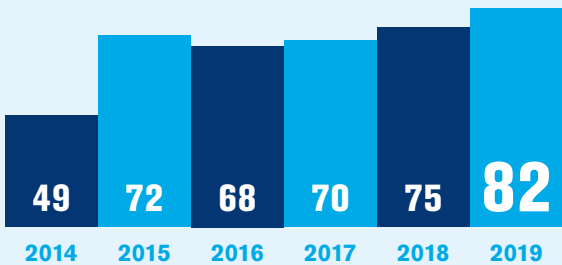
the effects of climate change on our portfolio. And we plan to transparently measure our progress and report publicly on it in coming CR Reports.

For a full view of our commitments related to environmental sustainability please read our publicly available Environmental Policy: <https://www.avaloncommunities.com/environmental-policy> and Environmental Management System (EMS): <https://www.avaloncommunities.com/ems>.

## EXTERNAL ESG BENCHMARKING AND AWARDS

The Global Real Estate Sustainability Benchmark (GRESB) recognized AvalonBay as a Global and Regional Sector Leader in the 2019 Real Estate Assessment, awarding us four “Green Stars” and an “A” rating in ESG public disclosure. Our GRESB score increased 7 points in 2019. AvalonBay was also the proud recipient of the 2019 Nareit Residential Leader in the Light Award. Notably, we were also pleased to reach the “A-band” in the CDP, with our score improving to an A- in 2019.

### GRESB SCORE OVER TIME



As ESG raters and rankers become more important to our investor stakeholders, we continue to do well in a variety of other benchmarks. *Newsweek* and Statista honored America’s Most Responsible Companies where AvalonBay placed #193 out of 300. For the third year in a row we were named to *3BL Media’s* 100 Best Corporate Citizens list, ranking #53 out of the 1,000 largest U.S. public companies. In addition, a number of ESG ratings continue to rank us as one of the most advanced US companies in our sector. These include Euronext, VigeoEIRIS, ISS-oekom and FTSE4Good. Finally, *Engineering News Record* (ENR) ranked us as #35 on their Top 100 Green Building Contractors, up from #43 in 2018.

## 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 50 communities receiving an environmental certification to-date – while an additional 39 are currently pursuing certification. These new certifications bring the total number of communities in our portfolio either pursuing



Avalon West Hollywood West Hollywood, CA  
LEED for Homes Gold

or having achieved an environmental certification to 89. And we now have six regional offices with a LEED or EnergyStar environmental certification, and our new corporate headquarters is anticipated to be both LEED and FitWel certified.

## AVB OFFICE CERTIFICATIONS

- Boston, MA**  
LEED Commercial Interiors Gold
- Arlington, VA**  
LEED Commercial Interiors Silver
- Bellevue, WA**  
ENERGY STAR Certified
- Irvine, CA**  
LEED EB ENERGY STAR Platinum Certified
- Los Angeles, CA**  
LEED EB ENERGY STAR Silver Certified
- New York, NY**  
LEED Commercial Interiors ENERGY STAR Silver Certified

### COMING IN 2020

New Corporate Headquarters in **Arlington, VA**, opened in 2020 with plans to achieve LEED Silver and a Fitwel certification.

# CERTIFIED SUSTAINABLE COMMUNITIES

# 50

## COMMUNITIES HAVE ACHIEVED ENVIRONMENTAL CERTIFICATION

### ENERGY STAR

**Avalon Albemarle** Washington, DC

**AVA Ballard** Seattle, WA

**Avalon Cohasset** Cohasset, MA

**Avalon Garden City** Garden City, NY

**Avalon Green II** Elmsford, NY

**AVA Queen Anne** Seattle, WA

**Avalon Rockville Centre**  
Rockville Centre, NY

**Avalon Statesman** Washington, DC

**Avalon West Long Branch**  
West Long Branch, NJ

### FITWEL

**AVA NoMa** Washington, DC

### LEED FOR HOMES

**Avalon Alderwood I** Lynnwood, WA

### LEED FOR HOMES GOLD

**Avalon Glendora** Glendora, CA

**Avalon Irvine III** Irvine, CA

**AVA Little Tokyo** Los Angeles, CA

**Avalon West Hollywood**  
West Hollywood, CA

**Avalon Princeton** Princeton, NJ

### LEED FOR HOMES PLATINUM

**Avalon Hayes Valley** Hayes Valley, CA

### LEED FOR HOMES SILVER

**Avalon Morrison Park**  
Morrison Park, CA

**Avalon Green III** Elmsford, NY

**Avalon Vista** Vista, CA

**Avalon Maplewood** Maplewood, NJ

**Avalon Dublin Station I** Dublin, CA

**Avalon Dublin Station III** Dublin, CA

**AVA Wheaton** Wheaton, MD

**Avalon Chino Hills** Chino Hills, CA

**Avalon Irvine II** Irvine, CA

**Avalon Alderwood II** Alderwood, WA

**Avalon Baker Ranch** Lake Forest, CA

**Avalon Newcastle I & II**  
Newcastle, WA

**Avalon Huntington Beach**  
Huntington Beach, CA

**Avalon Ocean Avenue**  
San Francisco, CA

**Avalon Edgewater** Edgewater, NJ

**AVA North Hollywood**  
North Hollywood, CA

### LEED NC

**Avalon Walnut Creek**  
Walnut Creek, CA

**Avalon Mission Bay III**  
San Francisco, CA

### LEED NC SILVER

**Avalon Potomac Yard**  
Alexandria, VA

**AVA Ballard** Seattle, WA

**Avalon Esterra Park** Redmond, WA

**Avalon Willoughby Square/  
AVA Do Bro** Brooklyn, NY

**AVA Capitol Hill** Seattle, WA

**Avalon North Station** Boston, MA

**AVA Theater District** Boston, MA

**Avalon Chino Hills** Chino Hills, CA

**AVA Queen Anne** Seattle, WA

**Avalon Towers Bellevue**  
Bellevue, WA

### NAHB GREEN CERTIFICATION BRONZE LEVEL

**Avalon Rockville Centre**  
Rockville Centre, NY

### NGBS SILVER

**Avalon Denver West**  
Lakewood, CO

# 39

ADDITIONAL COMMUNITIES ARE CURRENTLY  
PURSUING ENVIRONMENTAL CERTIFICATION



## WATER AND ENERGY EFFICIENCY RESULTS

We completed construction of seven apartment communities in 2019, representing 1,915 apartment homes. Thanks to our sustainability standards for new construction, these new communities will generate 294,048 kWh in electricity savings per year, a 30% reduction in heating and cooling costs, and 17.8M gallons of water savings per year compared to minimum code requirements.

Other major accomplishments in 2019 include:

- **LED Lighting:** Completed 32 projects in 2019, and are now achieving annual energy-only savings of 17.4 million kWh, and cost savings of over \$3.1 million with a simple payback period of just under four years on all LED lighting projects completed to date.
- **Solar:** Completed nine solar installations producing 1.1 MW of power.
- **Water Audits and Retrofits:** We launched AvalonBay's Water Savings Task Force which will look at a variety of portfolio-wide water savings activities, including additional investment in weather-based irrigation, more stringent construction standards relative to water-related fixtures, and policy changes that enhance water conservation. In addition, we are kicking off a project to retrofit the 30 properties where we're responsible for whole-building water consumption.
- **Efficiency Efforts in Our California Portfolio:** Completed upgrades and installations of more efficient lighting, fixtures and equipment at several communities for a total projected annual savings of \$166,723 and 762,374 lbs CO<sub>2</sub>.



Avalon Princeton Princeton, NJ

## COMMUNITY OPERATIONS PROJECTS

We see significant opportunity in our current portfolio to drive efficiency, reduce emissions, lower costs and improve net operating income (NOI). In 2019, we continued to pursue this opportunity on a number of fronts.

### Demand Management and Interval “Smart” Metering

Our demand response and smart building data program has expanded to include 40 properties representing over 13.5 million SF. Utilization of our continuous demand management platform generated over \$400,000 in annual savings from

demand response payments, load reduction, and utility tariff rate optimization. Our associate behaviors show that AvalonBay now has the ability to support utility grid stress with a 3 MW reduction. Our energy supply procurement program now translates summer peak demand management reductions into lower supply rates executed on an online reverse auction platform. Our smart building operations platform monitors our fleet of CHP generation coast-to-coast to maximize energy conservation and carbon reductions. The platform has expanded to support smart thermostats, water efficiency devices, and preventative maintenance protocols.

### Building Automation

AvalonBay is leveraging an Internet of Things (IoT) platform for streamlining building operations and increasing the effectiveness of existing maintenance practices. This is done by validating repair work performed by third-party contractors and reducing operational costs through real-time fault detection and utility cost savings.

### Green Labels

We continue our apartment labeling program at all new developments. The labels, which are now in 71 AvalonBay apartment communities, show residents how built-in efficiencies help them consume less energy and water, which ultimately saves them money and provides details on the green and health-related features of AvalonBay's apartment communities.

### Carpet Specifications

We rolled out new specs for the carpets used in our apartment units to include material made of recycled bottles and a production process that uses 40% less energy and produces 60% less greenhouse gas emissions than the production of our prior carpet specification.

### Transportation Advances

- **Car Charging:** We have received awards from Electrify America for 64 communities with a total of 298 EV smart charging stations installed at these locations. We also have 45 ChargePoint stations at 7 communities.
- **Car Sharing:** We now have a total of 32 communities with car sharing amenities, including ZipCar and Enterprise.
- **Recognition:** Two of our communities in Arlington, VA (AVA Ballston and Avalon at Arlington Square) were named Platinum Arlington County Transportation Champions. Champions are businesses that make it easy for employees and tenants to walk, bike, take transit and share a ride.

## CLIMATE CHANGE

AvalonBay takes both the risks and opportunities associated with climate change seriously. We know we have a role to play to lower our carbon footprint, which is why we set ambitious science-based Scope 1, 2 and 3 emissions reduction targets. In addition, we continue to work closely with the cities and markets in which we do business to develop strong carbon reduction and climate resiliency plans for our portfolio. And our partnership with the American Red Cross remains an innovative and important way for us to prepare our residents and associates for the effects of stronger storms and more frequent climate-related events.

### CITY AND MARKET PARTICIPATION

Our Science-Based Targets are, in part, a result of the conversations we are having with the cities and markets where we do business. We continue to participate in a number of efficiency and carbon reduction challenges, including:

- **Boston:** We are members of the Green Ribbon Commission and are working with them and the City of Boston to make one of our properties available as a pilot

for deeper energy retrofits in support of the City's carbon emission reduction goals.

- **New York:** We have committed to cut greenhouse gas emissions by 30% at select buildings as part of the Carbon Challenge. And under the Retrofit Accelerator program, we continue to make progress on two properties that will get an efficiency retrofit to help the city cut emissions 80% by 2050.
- **Los Angeles:** In 2015 we joined the LA Better Buildings Challenge with a commitment to reduce the energy consumption of our LA portfolio.

### RESILIENCY

As a result of our climate change and resiliency study, we piloted the use of a comprehensive climate change report from a third-party vendor on one of our New Jersey densification projects. We plan to incorporate climate considerations into our investment decisions relative to new construction, redevelopment, and divestiture and acquisition. In 2020 we will work to better define the right partners and data sets to use.

# SOCIAL

**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-priced, market-based housing to the local workforce – our eaves by Avalon brand was created specifically to provide value living at its best.**

We own and operate 117 communities that include a designated affordable housing component, intermingled with our market rate rental housing. In 2019, rent subsidies totaled \$68M to 9,102 residents in 4,667 affordable apartment homes across these communities.

## PHILANTHROPY AND COMMUNITY INVESTMENT

Building Strong Communities, our community investment program, demonstrates our core value of a spirit of caring and focuses us on issues relevant to our business: disaster relief and community preparedness, affordable housing and support for at-risk populations in our communities.

In 2019, we continued to expand every aspect of the program, including, but not limited to:

- Reaching our 2020 goal of \$2.2 M cash and in-kind donations, including \$1.6 M in cash and the equivalent of \$720,000 of in-kind goods and services, which includes 14,200 associate volunteer hours
- Loaning talent and technical assistance to our nonprofit partners

- Increasing our volunteer participation rate to 51%, a 31-point increase from 2015, when Building Strong Communities began
- Enabling the use of company facilities for nonprofit events and meetings
- Launching the AvalonBay Associate Relief Fund, which provides help to associates who are facing financial need immediately after a natural disaster or personal hardship

Beyond funding and volunteering, AvalonBay provides our nonprofit partners with additional resources and expertise. A few 2019 examples include:

- **Sunrise Day Camp (Long Island, NY):** Assisted the facilities manager with the scope of work, planning and reconstruction of the camp's playground to be used by the campers, who are children with cancer and their siblings
- **A Wider Circle (Washington, DC):** Members of the construction and development teams partnered to provide knowledge and guidance to AWC in the build-out of a new community center in one of the neighborhoods they serve
- **Dress for Success (San Jose, CA):** Provided support to the workforce program, helping clients with their resumes, presentation skills and confidence building



- **Families Forward (Orange County, CA) and Empire Homes (Baltimore, MD):** Maintenance teams used their expertise to help with painting, cleaning, electrical and building projects at each organization's facilities

In addition to giving back through Building Strong Communities, we continue to invest in community infrastructure and services as we grow our portfolio with over \$370M spent in 2019 or planned for future expense as of year-end, including:

- Local permits, fees and taxes paid on projects under development: \$21.9M, with an additional \$59.4M to be spent through completion
- \$7.5M for neighborhood infrastructure (roads, sidewalks, improvements to water/sewer/storm drainage), with an additional \$12.5M to be spent through completion, excluding reimbursements
- \$632K for municipal sewer/water connections, with an additional \$2.4M to be spent through completion
- \$401K to local parks/recreation
- \$2.4M to support local school districts, with an additional \$2.1M to be spent through completion

We also paid property taxes across the entire portfolio (not just development) of: \$261.5M.



## AMERICAN RED CROSS PARTNERSHIP

2019 marked the fifth year of our partnership with the American Red Cross, a model partnership that is used as an example for other corporations the Red Cross works with. We renewed our commitment in 2019 for another four years as a Disaster Responder partner. To date, the cumulative value both sides receive from this partnership includes:

- \$1.65M in donations to the American Red Cross from AvalonBay, its associates and residents
- 339 blood drives, resulting in 6,737 pints of blood, which could potentially help save 20,211 lives
- 1,631 AvalonBay associates trained in CPR
- 149,000 residents and 3,100 associates received preparedness tips and resources annually

In 2019, we continued to expand and improve our partnership, resulting in exceeded goals and deeper regional relationships to support our effort of better preparing AvalonBay's associates and residents for emergencies and disasters.

### **Saving Lives... One Pint at a Time!**

Throughout the year we hosted 93 blood drives, collecting 1,702 pints of blood, potentially helping save more than 5,106 lives. Although we did not exceed our ambitious 2,000-pint goal, we are proud of the continued success of our drives and contribution to helping save lives with blood donations.

### **Community Preparedness Week**

We conducted our fifth 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 we sent email communications to our 149,000 residents and 3,100 associates, all with the aim of helping them better understand Red Cross disaster resources.

### **CPR Classes**

In 2019, we set the goal to increase the number of CPR 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 over 300 associates certified in Adult First Aid, CPR and AED.

### **“First 3 Steps” Preparedness Planning**

As a continuation of preparedness education (webinars and online courses) provided through our partnership, we rolled out regional disaster planning. The Residential Services leadership team in each region selected a hypothetical disaster or emergency specific to their region and conducted an associate preparedness planning session (e.g., Northern California focused on the topic of earthquakes). This resulted in the creation of a “First 3 Steps” plan, which details the actions to be taken within the first few hours after a disaster strikes. Once reviewed and approved, the plans were rolled out to all community teams and some regions ran simulation drills. By the end of 2019, all regions completed this and, ongoing, will review their plans and conduct drills periodically.

## SPIRIT OF CARING MONTH

In 2019, we celebrated our 8th annual Spirit of Caring Month, a dedicated monthlong volunteer effort focusing on our Building Strong Communities partners, breaking all previous records in terms of volunteers, events and hours.

- **100+** volunteer events
- **50+** nonprofit organizations supported
- **1,200** associates volunteering
- **6,311** volunteer hours
- **\$230,000** in-kind donations of time and material

## ASSOCIATE RELIEF FUND

In early 2019 we launched the newest addition of the Building Strong Communities program, AvalonBay's Associate Relief Fund. The fund provides help to associates who are facing financial need immediately after a natural disaster or personal hardship. An associate who has a qualifying event, expense or both, can apply for a grant from the fund. Funding relies primarily on support from AvalonBay and individual donations from associates.

In 2019, the fund was able to help 18 associates who received a total of \$34,574 in grants. AvalonBay associates donated over \$40,000 to the fund in its first year alongside the \$100,000

founding contribution from the Company. With the recent coronavirus pandemic, we added a new category to our fund in order to help associates and their families impacted by COVID-19.

## BUILDING STRONG COMMUNITIES AWARD

AvalonBay's Building Strong Communities Award, given every other year, is designed to recognize AvalonBay associates who most exemplify our Spirit of Caring and commitment to service. In 2019, six associates received this award for going above and beyond in their philanthropic efforts.

## REGIONAL PHILANTHROPY ENGAGEMENT

Building Strong Communities focuses funding and partnerships on building relationships with impactful local nonprofits aligned to our focus areas of affordable housing and support for at-risk populations. A full list of all of our regional partners can be found on our website.



### Long Island

Associates teamed up to completely rebuild and revitalize the playground and "round-up" amphitheater at Sunrise Day Camp, a free camp for children with cancer and their siblings.



### Mid-Atlantic

The annual Spirit of Caring Tree program in our corporate headquarters office resulted in over 300 holiday gifts for seven of our local partners, including A Wider Circle and Horizon Day Camp.



### Boston

As a sponsor of the Heroes Cup sled hockey game for disabled vets, associates both attended and helped out by assisting each disabled player with their equipment.



### Los Angeles

Working with LA After-School All-Stars, the LA team joined to provide holiday funds, food, clothing and toys for a family of 4 who recently lost their father.



### New Jersey

Over 85 associates spent the day with New Jersey Community Development Corporation, cleaning up and revitalizing the local Youth Center Garden and community park.



### New York and Connecticut

A team of associates helped with the renovation of Lifting Up Westchester's women's shelter kitchen. Bringing it up to code, they also built and installed cabinets in the space.



### Northern California

Regional offices and communities collected over 1,600 items from associates and residents to donate to the Silicon Valley Humane Society.



### Pacific Northwest

Associates rolled up their sleeves and put in two full days of work building homes with Habitat for Humanity of Seattle-King County.



### Southern California

Keeping their beaches beautiful, associates spent the day picking up trash and showing their commitment to the environment at Doheny State Beach.



### Virginia Beach

The team at our Customer Care Center donated over 2,000 in-kind items, which created 89 holiday stockings for the Hampton Roads Salvation Army.



# ASSOCIATES

Our associates continue to drive AvalonBay's purpose — creating a better way to live. We are committed to being a living wage company\* while deepening our core values of a spirit of caring, a focus on continuous improvement and a commitment to integrity. In our Human Rights Statement we outline the principles related to human rights that our Company upholds (<https://www.avaloncommunities.com/humanrights>).

This section highlights our 2019 efforts to attract, hire, develop and retain 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 opportunities for career development, training, coaching, tuition assistance and scholarships. We also partner with educational institutions and leading vendors to provide high quality leadership and management development programs for associates.

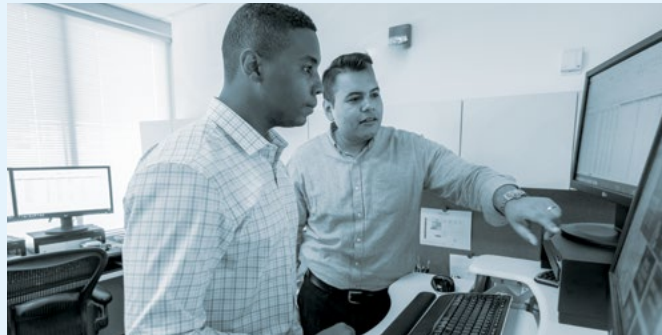
Our learning management system, AvalonBay University (AVBU), is available to all associates and offers over 500 courses, providing technical, management, ethics and compliance training. In 2019, associates completed 44,824 hours of online training, equivalent to about 14.3 hours per associate. We also conducted 23,221 hours of classroom training, a 19% increase from 2018, as part of our effort to facilitate more live interaction, skill development and role-based training experiences.

### Compliance Training

All AvalonBay associates are required to take Standards of Business Conduct training upon hire, and the organization recertifies all associates every two years.

### Cyber Security Training

All AvalonBay associates have been taking mandatory cyber security training since 2015. Beginning in 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, and understand how to utilize available computer and network security resources. Associates completed over 9,700 hours of Cyber Security Training in 2019.



### Workplace Harassment Training

As part of our commitment to fostering a healthy, productive work environment free from intimidation and harassment, we require all associates to complete role-specific anti-harassment training when they join AvalonBay and then at least every one to two years thereafter.\*\* These trainings, "Workplace Harassment Prevention for Employees" and "Workplace Harassment Prevention for Managers," are an important resource that helps associates understand what harassment is and the appropriate ways to interact with each other, our customers, and anyone with whom we conduct business.

### Preparedness Training

As part of our national partnership with the American Red Cross, AvalonBay hosts CPR training classes throughout the year, as well as an annual Community Preparedness Week (CPW) where associates receive emergency and disaster preparedness information and resources. As part of 2017's CPW, we added a Disaster Preparedness course in AVBU. In 2018, a module around the topic of Workplace Violence was added for all associates to access. In 2019, we required all associates to complete this Workplace Violence training.

### Associate Environmental Awareness

We engage our associates in fun and educational environmental sustainability events, including a company- and community-wide Earth Day celebration. Over the past few years we have hosted Earth Day webinars on pollinators, sustainable buying habits, environmental toxins and water scarcity. All associates have ongoing access to these four webinars via AVBU.

### Tuition Assistance Program

AvalonBay provides tuition assistance to eligible associates to encourage development through increased education in order for associates to perform their jobs more effectively and prepare themselves to advance their careers at AvalonBay. In 2019, 39 associates took advantage of the tuition reimbursement benefit at a value of approximately \$90,000.

For 2020, we announced that the maximum annual reimbursement will be increasing to \$5,250 for both undergraduate and graduate coursework.

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

\*\*Certain states require anti-harassment training every year.

## HEALTH AND SAFETY

In 2019, AvalonBay continued the implementation of our award-winning Fire Elimination Program (FEP) on our wood frame construction jobsites. This program includes the following elements: MFIRE Spray Fire Inhibitor, Temperature Sensors and Surveillance Cameras. All wood framing on our projects is treated with the MFIRE spray fire inhibitor product during construction. To date, the fire inhibitor has been used for 23 of our communities totaling approximately 4.6 million square feet of protected wood framing. During the entire construction duration, we deploy sensors in our buildings under construction to detect temperature rise as an early warning indicator of potential fire hazards. To date, the sensors have been deployed in the construction of 16 communities. Lastly, the Fire Elimination Program includes the use of centrally monitored surveillance cameras with motion-activated sirens and strobes to deter trespassing and mitigate the risk of arson.

2019 also saw the continued implementation of our Incident and Injury-Free™ (IIF) program to include not only AvalonBay staff, but also contractor leadership and their front-line supervisors.

### Construction Site Safety Observation Program

In 2019, we continued the implementation of our Construction Site Safety Observation program. This program serves as our project-level performance metric and our basis to improve our IIF performance on all of our construction projects. The program is based on a uniform set of 172 safety compliance observations conducted at each jobsite that are executed by AvalonBay's National Safety & Health team.

In 2019, this team executed over 1,000 site inspections utilizing the safety compliance observations. Any non-compliance issues are communicated with our project superintendents and resolved. Project teams with consistently favorable safety inspections are recognized periodically.

### AvalonBay's Safety and Health Staff

Providing technical safety resources at a regional level remains critical to meeting the safety needs of our associates. Our National Safety & Health team consists of nine professionals distributed across AvalonBay's regions. The team includes two

## CONSTRUCTION SAFETY MEASURES SPECIFIC TO COVID-19

For the health and safety of our associates and all contractor personnel and visitors on our construction jobsites, AvalonBay adopted a set of jobsite procedures designed to limit the spread of COVID-19. The Jobsite Procedures requirements included:

- Using good sanitary practices, including frequent hand washing, limiting physical contact, and enhanced cleaning and disinfecting procedures
- Maintaining proper social distancing (at least six feet) in work and gathering areas and during jobsite meetings
- Wearing work gloves at all times and additional personal protective equipment when appropriate
- Wearing cloth face coverings at all times consistent with CDC guidelines and OSHA safety requirements
- Staying home if you tested positive for COVID-19, displayed COVID-19 symptoms, or had been exposed to a positive or symptomatic person
- Following certain protocols before returning to the jobsite if you test positive, display symptoms, or have been exposed

Regional Directors and two Regional Safety Managers, each based in one of our larger regional offices and responsible for providing support and guidance for our IIF efforts in their respective regions. We also have several Project Safety Engineers with a full-time presence on specific construction jobsites.

Our safety team also supports the American Society of Safety Professionals (ASSP), the National Safety Council, and

## INCIDENT AND INJURY-FREE™ (IIF) WORKPLACE

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



Associated Builders and Contractors (ABC) at the regional and national leadership levels. In 2019, members of the team volunteered their time regionally with organizations including the Environmental Health & Safety Program at Cal-State Fullerton and the Southern California OSHA Institute at Dominguez Hills College.

Thanks to the collaborative efforts of our National Safety & Health team and our construction jobsites, AvalonBay received the Associated Builders and Contractors' (ABC) Gold Safety STEP Award.

### Regulatory Activity

In 2019, AvalonBay's operating properties and construction sites were inspected by federal OSHA or state plan officials on 29 occasions (CA – 20, WA – 5, MA – 4). Three citations resulted from one inspection in California.

### Construction Safety Week

AvalonBay joined more than 70 national and global construction firms to commemorate Safety Week 2019. Over 2,000 construction workers and 200 construction professionals participated in Safety Week programs on AvalonBay construction and redevelopment worksites. Over the course of 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™ worksite and conduct safety training. Each stand down event was conducted in 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.

### Associate Feedback on Health & Safety

AvalonBay's annual associate survey includes the category of "Culture and Safety". One of the key indicators: "The Company Values My Health and Safety" was 94% favorable vs. the industry survey average of 76%.

## Associate Perspective Survey

your voice

your view

## CULTURE AND FOSTERING ENGAGEMENT

### Associate Perspective Survey

Every year, we conduct an engagement survey called "Your Voice, Your View—the Associate Perspective Survey," which enables AvalonBay to better understand how associates view the Company, their managers and their overall experience. In 2019, the survey measured three main areas: Engagement, People, and Task Management and Performance Excellence, as well as two Organizational Indices – Inclusion and Diversity and Radical Candor – based on current organizational initiatives. Also included were questions making up 11 other categories,

such as Customer Focus, Growth and Development, Culture, and Safety. The response rate was 80% for the entire Company. The next full engagement survey is planned for August 2020.

We use the survey results to drive meaningful actions which enact changes in areas that are deemed by associates to be lacking or needing improvement. In addition, the survey supports our publicly stated 2020 goal regarding associate engagement, which is to maintain overall engagement in the top 25% of companies surveyed that work with our survey vendor.







## WELLBEING AND BENEFITS

AvalonBay provides competitive salaries and, depending on position, may offer discretionary bonuses, which include but are not limited to annual, quarterly and performance bonuses. In addition, the company makes the following benefits available for our associates to help meet their individual health and financial needs:

### Full-Time Associate Benefits

- Medical (4 plans), dental (2 plans) and vision
- Domestic partner benefits
- Flexible spending accounts
- 401(k) enrollment and matching
- Life/AD&D/disability/EAP
- Vacation, sick leave, flexible time, volunteer time, floating holiday(s), bereavement, jury duty
- Paid Parental Leave
- FMLA and local maternity and parental leave
- Supplemental medical insurance benefits
- Sabbatical program
- Housing discount
- Adoption assistance
- Employee stock purchase program
- Career development
- Tuition assistance
- Associate Relief Fund
- Pretax transportation/commuter benefits

- Tobacco cessation
- 100% company-paid Diabetes and Hypertension management programs
- 100% company-paid health coaching and access to nutritionists and dieticians
- Maven – around the clock maternity support
- Legal plan, identity theft, auto/home insurance, discount programs
- Pet insurance

### Part-Time Associate Benefits

- Dental (2 plans) and vision
- Supplemental medical insurance benefits
- 401(k) enrollment and matching
- Employee stock purchase program
- Transportation benefits
- 100% company-paid health coaching and access to nutritionists and dieticians
- Domestic partner benefits
- Legal plan, identity theft, auto/home insurance, discount programs
- Pet insurance

## BENEFITS SPECIFIC TO COVID-19

AvalonBay offers associates up to six weeks of additional Emergency Paid Leave if they are materially impacted by COVID-19. The company's medical plans provide 100% coverage for the following: diagnostic COVID-19 testing, antibody testing, and inpatient hospital admissions to treat COVID-19. In addition, the company has temporarily provided 100% coverage for telemedicine services for all medical concerns, so associates don't have to leave their homes to receive medical care.

### Benefits Highlights from 2019

Our associates are what make AvalonBay a great place to work and their wellbeing is important. With that in mind, we have many programs and benefits in place to support associates in a variety of ways. We introduced the following enhancements to our benefits program in 2019:

### Mercer Marketplace

This new benefit election platform includes two new carriers (Aetna and Cigna) and provides associates with a choice of four different plans (2 PPO and 2 HDHP).

### Vida Health

This app-based health coaching program provides our associates with unlimited access to dietitians, nutritionists, personal trainers and more. 24% of associates are engaged with a health coach, and one-third of those engaged have lost 5–10% of their body weight.

### Employee Assistance Program (EAP)

The EAP, provided by Health Advocate, is a free, confidential benefit to help associates and their family members live well, at home and at work. The EAP provides all associates and those living in their household with five free in-person or virtual sessions with at least a Master's-level mental health counselor.

### Paid Parental Leave

AvalonBay associates who are acting as the primary caregiver for a new child are eligible to receive six weeks of paid parental leave benefits paid at 60% of their earnings. This six-week benefit is in addition to any company-paid short-term disability benefits that an associate may be receiving. Associates are eligible to use the six-week benefit within 12 months of the birth, adoption or placement of their child.

### Livongo

We continue to offer this diabetes management program that provides diabetic associates and their family members with free diabetic supplies and access to Certified Diabetes Educators. In 2019, the program expanded to offer hypertension management.

## AWARDS AND RECOGNITION

Through one of our associate recognition programs, AvalonBay's Very Best, we award and recognize five areas of associate contribution:

- **Excellence:** outstanding performance that produces extraordinary results
- **Collaboration:** promotion of collaborative partnerships across departments or regions that produce positive results
- **Spirit of Caring:** extraordinary service to others
- **Innovation:** development of a new idea, process, program or solution that gives AvalonBay an advantage
- **Sustainability:** support of environmental sustainability by developing effective approaches that impact the overall company or individual communities

### Kudos

Kudos is an extension of our regional associate recognition program that enables associates to say "thank you" and acknowledge fellow associates for a job well done. Since we launched it in 2014, Kudos has given hundreds of associates a way to recognize their peers.

## INNOVATION

In addition to AVB Labs and overall innovation focus at an executive level, we have a Senior Vice President now assigned to coordinating innovation projects and strategic focus, coordinating with venture capital investment funds focused on "proptech," and actively promoting innovation as part of our development plans and focus on the customer. One of the outcomes of this strategy includes a new value-based brand, due to launch in 2020, that may appeal to those seeking a quality home on a budget with fewer amenities, such as someone new to the workforce or otherwise seeking a budget option.

### A Few Key Highlights from 2019:

- Hub by Amazon package lockers at 220 communities give residents 24/7 access to deliveries. 10 more will be installed by the end of 2020.
- In partnership with IKEA®, 41 communities offer furnished apartments giving residents a more cost-effective "plug and play" living option. This is expected to grow across the nation in the coming year.
- Working with smart building software vendors, we are piloting the use of technology to enable building and apartment access, thermostat control and smart lighting.



### AVB Labs

In its third year, our research and innovation program, AVB Labs, saw an increase in applications from our associates and three winners were selected: (1) thermal imaging technology for use in locating issues behind drywall, (2) adding "Little Free Library" book exchanges to our communities, and (3) water mitigation during apartment renovation projects.

One of 2018's winning ideas, "AVBTube," was recently launched to share critical video content with our community teams to help address maintenance issues during the COVID-19 pandemic.

## INCLUSION AND DIVERSITY

Building a more inclusive and diverse AvalonBay begins with our purpose — creating a better way to live. Our offerings should reflect the diversity of our customers and the communities where we operate. So, too, should AvalonBay's associates. Our goal is to foster an inclusive and diverse culture where every associate has the opportunity to thrive and grow.

As we continue to grow and innovate, it's important that we recruit, develop and promote associates with a wide range of backgrounds, experiences and perspectives, and create an environment that encourages all voices to be heard, understood and appreciated.

### I&D Governance and Organization

In 2019 we expanded the organization of our I&D program to include the following:

- **I&D Steering Committee:** Established in 2019, the committee provides oversight and streamlines the approval process for new programs and initiatives. The committee includes the Chief Investment Officer (I&D Executive Sponsor), Senior VP of Operations (I&D Council chair), Senior VP of Human Resources, Senior VP of Brand Strategy and Marketing, Senior VP – Associate General Counsel, Senior VP – Chief Digital Officer, VP of Corporate Responsibility and Sr. Manager of Corporate Responsibility (I&D Council co-chair)
- **I&D Council:** Launched in 2018, the Council has grown to include 17 associates from diverse personal, functional and geographic backgrounds. The purpose of the Council is to drive the I&D strategy and programming to promote and create an inclusive and diverse environment where everyone can thrive
- **I&D Leaders:** At the end of 2019 we established 12 regional I&D leaders who work with the council to champion, coordinate and execute I&D events and activities for each region
- **Women's Leadership Network (WLN):** In 2019, we expanded the network and added a WLN leader in each region. Similar to the I&D leaders, these 10 associates will work with the WLN chair and I&D Council to facilitate interaction and organize activities that provide associates with opportunities to share, learn and build relationships

### Associate Resources

To open doors for associates to engage in all aspects of inclusion and diversity, we introduced these resources in 2019:

- **I&D Website:** Via our company intranet, this site provides information about the council, I&D priorities, updates, campaigns and relevant articles, videos, books, podcasts and more
- **I&D Network:** Associates can sign up via the website to get more involved with I&D activities, such as planning campaigns, hosting events, etc.
- **I&D Sponsorships:** A program to provide support and funding for associates to attend conferences and seminars hosted by diverse professional organizations (i.e., Women in Construction, CREW and Urban League). In 2019, 36 associates applied for and received sponsorships

### Managing Bias

Everyone has unconscious bias. It is part of being human. In the workplace, our biases can influence decisions and not always for the best. In 2019 we launched an unconscious bias training program and had nearly 500 associates attend 20 sessions, which included senior leadership.

### Building Connections

With the focus of creating networks of support and awareness between associates, we launched campaigns for Black History Month, Women's History Month, Asian Pacific Islander Month, LGBTQ+ Pride, Hispanic Heritage Month and Veteran's Day. These included a mix of associate profiles, social media, networking events, TED talk viewing sessions and philanthropy fundraisers.

### Expanding Our Talent Pool

The Talent Acquisition team focused on enhancing our messaging to prospective associates, which included updating our online presence, attending national conferences for diverse professional organizations (e.g., National Black MBA Association), expanding our partnerships with new schools and diverse student organizations and updating our interview practices.

### Measuring Progress

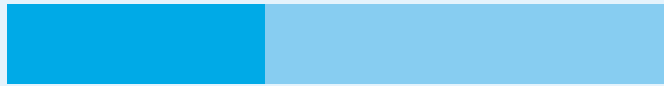
Tracking our progress through key metrics is an essential part of this initiative. We will be reporting our progress in hiring, retaining and promoting a more diverse talent pool at AvalonBay. Our new 2025 goal is currently in progress and will be shared in next year's report.

## SUPPORTING OUR ASSOCIATES

In 2020, the networks created from our Building Connections campaigns have become a platform to support our associates in crisis (due to the COVID-19 pandemic and racial tensions in the US). Leveraging these networks to support associates has resulted in forums to have complex and candid conversations. We recently launched "Empower Hours", which bring associates together to have open and honest conversations about recent events, personal experiences and how we can come together as *Many Voices, One AvalonBay*.

# DIVERSITY, INCLUSION AND EMPLOYMENT METRICS

## TOTAL EMPLOYMENT



39% Female

61% Male



58% Millennials

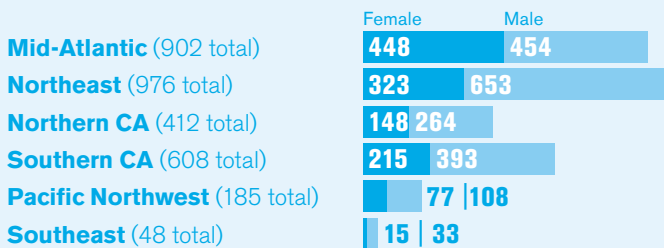
26% Generation X

15% Baby Boomers

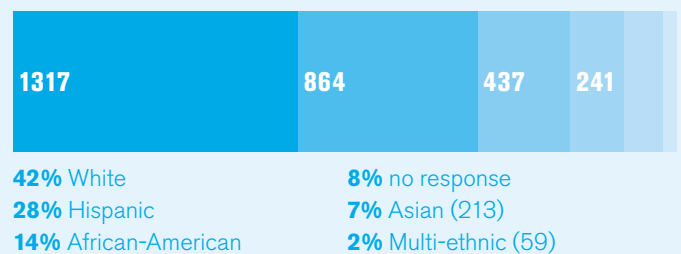
# 3131

Total employees | 97% full-time

### BY GENDER AND REGION



### BY ETHNICITY

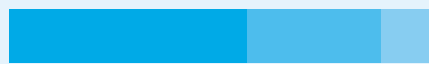


## MANAGEMENT DATA (MANAGER AND ABOVE)



40% Female

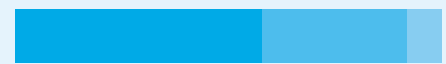
60% Male



57% Millennials

30% Generation X

13% Baby Boomers



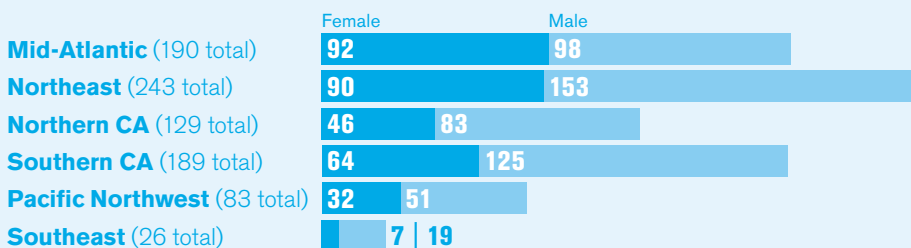
56% Non-minority

35% Minority

9% Unspecified

## NEW HIRE DATA

### BY GENDER AND REGION



# 860

Total new hires

### BY AGE



43% under 30

44% 30-50

13% over 50

### BY ETHNICITY



38% White

7% Asian

29% Hispanic

6% no response (52)

15% African-American

5% Multi-ethnic (41)

## EMPLOYMENT HIGHLIGHTS

# 5.6

Average employee  
years tenure

# 25%

average employee  
turnover from  
2014 to 2019  
(NMHC Average 33%)

# 15%

of the workforce  
was promoted  
in 2019



# RESIDENTS

Creating a better way to live for our customers 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 residents, our customers, to share their experiences 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 time with us: 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 primary measure of customer satisfaction and loyalty. In 2019, our total portfolio NPS increased two points to 31, from 29 in 2018. This improvement continues a five-year trend and is a testament to continuing to take action regarding all feedback we receive from residents.

We also monitor social media and review websites. This is particularly important since more than 80% of people searching for an apartment consider online reviews. For the third consecutive year, we ranked #1 among publicly-traded residential REITs for online reputation according to J. Turner Research's Online Reputation Assessment™ Power Rankings.

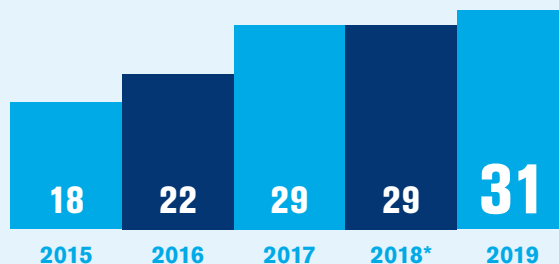
Resident concerns are handled through a number of official channels, with the goal of addressing each and every concern. These include the following measures:

- 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

## WELLNESS AND HEALTHY BUILDINGS

In 2018, we received our first Fitwel Certification from the Center for Active Design (CfAD) for AVA NoMa, an apartment community located in the NoMa neighborhood of Washington, DC. AvalonBay has three associates who are certified Fitwel Ambassadors, working actively to pursue additional certifications for the company, including one for our new corporate headquarters in Arlington, VA.

## NET PROMOTER SCORE



In addition to Fitwel, we continue to support our resident wellness programs, AVALONfit and AVAfit. In 2019, our residents had the opportunity to participate in our "Jump Into June" promotion, which included community events, a photo contest and an introduction to two new FIT partners: Livekick – virtual personal training and Simple Habit – a meditation app.

## ENGAGING RESIDENTS IN THE GREATER COMMUNITY

We know that a better life, for many, means giving back. We engage residents in our Building Strong Communities philanthropy program – 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 with the local community. We were proud to sponsor our fifth annual Community Preparedness Week (CPW) in partnership with the American Red Cross. As a national Disaster Responder partner with the Red Cross, and through CPW, we extended Red Cross emergency and preparedness resources to our 149,000 residents, including an emergency app, fire safety tips and a discount for the Red Cross online store.

## REDUCE, REUSE, RECYCLE

With a focus on spring cleaning, we ran a "Clean Up, Green Up" campaign in April, which helped educate all AvalonBay residents on current recycling best practices, while also highlighting Earth Day.

Our partnership with GreenDrop supported this campaign, as their system provides a convenient way for our residents to donate gently used clothing and household goods via onsite drop boxes. GreenDrop then picks up the donations, which are turned into funding for our national partner, the American Red Cross. In 2019 alone, 13 Mid-Atlantic communities participated and over 89,000 lbs. of donations were collected. In early

\*The NPS score in our 2018 CR Report was incorrect and has been updated to the correct score here.

2020, we added drop boxes to seven additional Mid-Atlantic communities and have plans to explore a partnership in the New York/New Jersey region.

## ENSURING DATA SECURITY

The protection of AvalonBay data is one of the core pillars of the AvalonBay cyber security program. It is our goal to make sure resident data remains safe and secure. We continue to put the privacy and protection of resident data at the forefront of our efforts as we work to comply with new privacy regulations including the California Consumer Protection Act.

## ENHANCING THE PROSPECT AND RESIDENT EXPERIENCE

We know that residents and associates value self-service, convenience, flexibility and ease. That's why we'll be introducing automation, digitalization, mobility and some centralization to the prospect inquiry, move-in, maintenance and renewal experiences. We've already started with the introduction of Sidney, our virtual leasing assistant, who uses AI to streamline customer interactions.

## ACCESSIBILITY

AvalonBay is fully committed to accessibility compliance in the design, construction and operations of our communities. We have a comprehensive compliance program to ensure that all requirements are met to satisfy the Fair Housing Act, Americans with Disabilities Act, and all state and local accessibility building codes. The program consists of a company-wide policy that requires all projects to engage an approved third-party accessibility consultant with a standardized scope of work at multiple stages of drawing development, as well as multiple stages throughout construction.

We require that all AvalonBay associates involved in the design and construction of our properties complete our accessibility training course at onboarding and every two years thereafter. We also use a formalized reasonable modification request process for our Residents who face accessibility challenges to request changes that will enhance their ability to enjoy all aspects of the AvalonBay community in which they live. With this multi-faceted approach, AvalonBay ensures that we comply with accessibility at the highest level possible across all areas of our business.

## SUPPORTING RESIDENTS DURING THE COVID-19 PANDEMIC

In response to COVID-19, we implemented numerous new protocols to help stem the spread of coronavirus and to support those directly impacted. These include, but are not limited to:

- Updating our community operating policies and procedures in order to limit interpersonal exposure
- Conducting virtual and "contact-free" tours with prospective residents to limit the number of people entering our communities
- Offering residents financial relief with repayment plans, waived late fees, and flexibility with extended lease options
- Creating a website with updated information and resources to help answer questions and provide additional support to our residents



# GOVERNANCE

**AvalonBay is committed to sound corporate governance practices and the highest ethical standards. Our Board of Directors includes 10 members, nine of whom are independent.**

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 senior officer stock ownership guidelines, now extended to SVPs
- Director and officer prohibition against hedging, pledging or engaging in derivatives transactions in company stock
- Policy regarding stockholder approval of future severance agreements above a set threshold
- Policy to hold 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 review of enterprise and fraud risks presented to and discussed with the Audit Committee and/or the full Board
- Policy on political contributions and government relations
- Responsible procurement principles

## CODE OF BUSINESS CONDUCT AND ETHICS

We maintain a corporate culture that demands integrity and reflects ethical values. And we dedicate significant resources to ensure 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. And our Associate Perspective Survey also asks questions relating to ethics, compliance and safety.

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 periodic 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 2019, AvalonBay associates completed 5,901 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 and administratively to the Chief Financial Officer. Its staffing composition consists of a variety of professionally experienced, qualified and credentialed associates. All have accounting or business-based bachelor's degrees, with some possessing postgraduate degrees. The professional certifications and credentials consist of Certified Public Accountants (CPA), Certified Internal Auditors (CIA), a Certified Fraud Examiner (CFE), Certified Information Systems Auditors (CISA), a Certified Information System Security Professionals (CISSP), and a Juris Doctor (JD).

The internal audit group performs continuous independent reviews and audits of key business, operational, financial and information technology activities. This includes but is not limited to development, construction, capital expenditures, our shared services center (Customer Care Center), IT controls and security, community operations, and financial controls. 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, risk 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 150 key business processes and IT internal controls that reside over the Company's financial reporting. This compliance 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 anonymous whistle-blower hotline, EthicsPoint, which also provides access to every report to the Audit Committee of the Board of Directors to ensure full transparency
- Assisting with reviewing, monitoring, and updating the Company's Code of Conduct and Associate Handbook and required associate annual reaffirmations. The policies, procedures, requirements, rules, and guidelines in these documents help establish and reinforce the Company's ethical requirements, core values, and cultural norms
- Taking an active and engaged role in helping monitor and oversee the Company's compliance, risk management, and issue mitigation; investigations; and IT infrastructure, controls and system upgrades and implementations. This includes serving on the Company's Enterprise Risk Management, Cyber Security, Quality Assessment and other key compliance and governance-based committees

## 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 augment our 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 2019, we surveyed 41 AvalonBay vendors of strategic importance against our principles and ensured compliance with their intent. This represented an increase of 5.8% over our 2018

survey. Vendors are generally required to sign the principles in all contracts.

### Information Security

In 2019, we kicked off several projects with a focus on enhancing the security of the working environment for all associates. This included upgrading machines to Windows 10, enhancing security protections on those machines, and providing secure ways for associates to work remotely. Moving forward we will continue to make enhancements that have data security and accessibility in mind, including the migration of files to Microsoft OneDrive and SharePoint, and the ability for associates to securely share files internally and externally.

In 2020 the IT department will be implementing a steady stream of IT and Cyber Security improvements that will help us continue to protect our data and systems from cyber threats. The list below is the work we have planned around information security in 2020:

- Migration of files to OneDrive and SharePoint
- Improved support for sharing files externally
- Ability to add customized protections to files and emails
- Enhanced security testing of our consumer facing websites
- Improved password protections

### Sound Investment Management

New investment proposals, including development, acquisition, redevelopment and disposition activity, are submitted to executive management's 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 thresholds or meet other conditions 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 Financial Officer (CFO) 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 CFO CR objectives and the potential impacts of climate change on our business
- Keeping an active log of business-related CR risks and opportunities, including environmental, climate-related and social risks
- Providing an annual update on CR issues and progress to our Board of Directors and other senior officers and executives

## CR GOVERNANCE STRUCTURE

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

### CR Committee

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

### Philanthropy Committee

- Includes the VPCR, CEO, Chief Investment Officer (CIO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Senior VP of Human Resources, Senior VP of Brand Strategy and Marketing and Senior Manager of Corporate Responsibility
- Steers our strategic philanthropy investments and Building Strong Communities program
- Meets two times a year

Within each region we also engage leadership from development and residential services, who team up to create a strategic regional community investment plan and partnering approach.

In addition, the CFO 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.

In 2019, the team responsible for our energy, water and overall utilities management transitioned to report into the VPCR. This change enhances the integration between our sustainability strategy, science-based emissions targets and our utilities procurement and management function.

The process related to risks 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 emissions reductions, energy and water consumption reduction, waste reduction and reduction of our carbon footprint related to building construction and operation. Increasingly we are funding projects that achieve our renewable energy strategy and support de-carbonization of our buildings, in support of our new science-based targets.

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 to consider matters relating to climate change, stronger storms and other natural disasters. This review was presented to the AVB Board of Directors in 2018. With the addition of our science-based targets in 2019, we are now integrating all facets of our climate reviews, emissions reduction activities and renewable energy onsite and virtual PPA (Power Purchase Agreement) activities.

## STAKEHOLDERS

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

Our most recent materiality analysis, which was conducted in 2018 and 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 against which to measure 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. And periodically we meet with investors to discuss relevant ESG issues.

### Vendors, Suppliers, Contractors

AvalonBay spends more than \$1.5 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 generally purchased indirectly through contractors. Traditionally, property operations categories with a total spend of over \$200,000 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 hold an ongoing 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 Procurement 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. We have now achieved over 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 2019:

- Followed standardized sourcing strategy guidelines and process
- Use of electronic sourcing and contracting modules for all centrally contracted suppliers
- Vendor ranking and key performance metrics for top suppliers
- Financial and Safety vendor prequalification questionnaire for over 200 vendors across the enterprise
- 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 continue optimization of recycling and waste streams

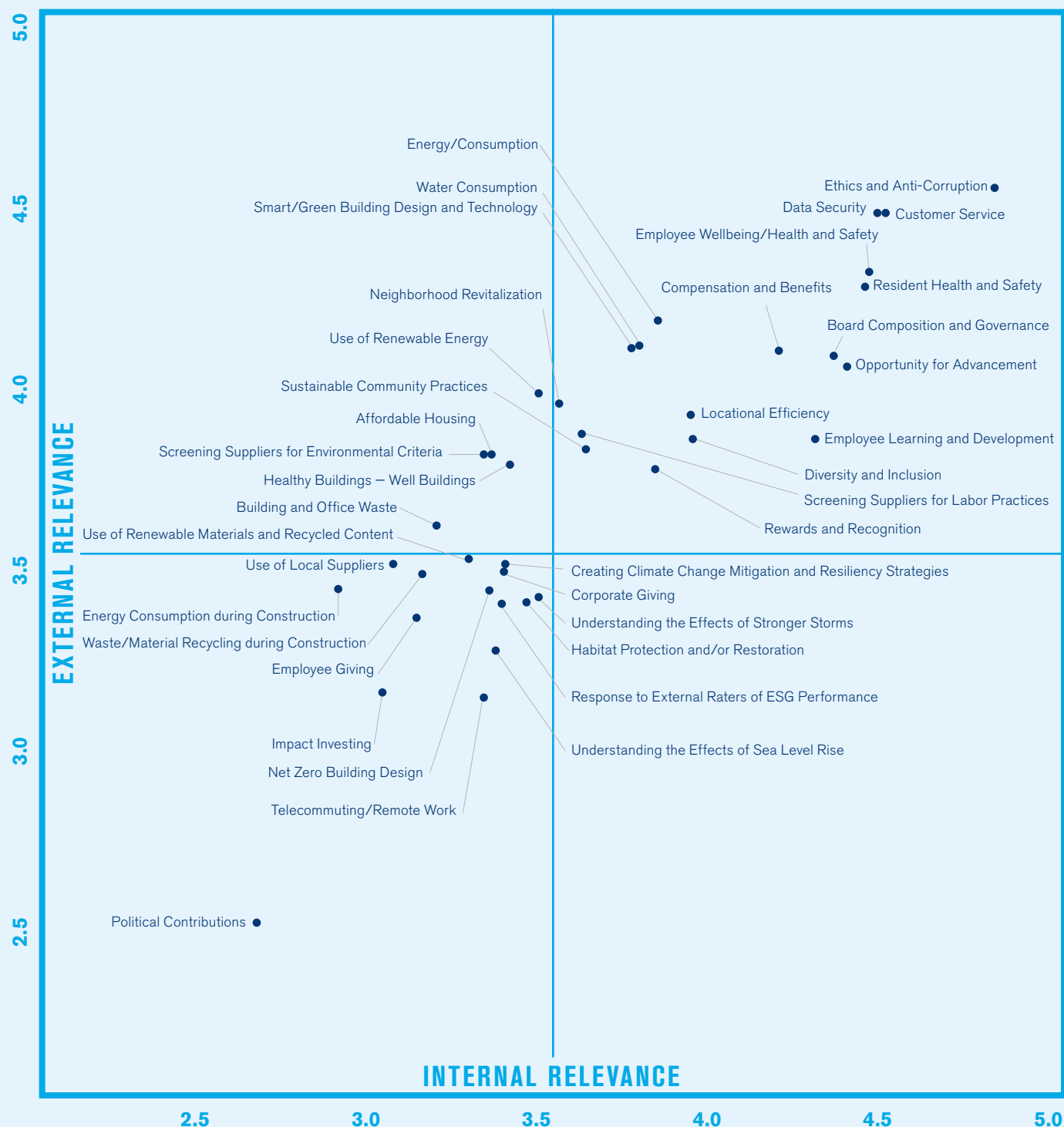
## MATERIALITY ANALYSIS

In 2018 we conducted an updated, in-depth materiality analysis with key AvalonBay stakeholders: associates, residents, suppliers and vendors, shareholders, local government and community leaders, company officers, and the AvalonBay Board of Directors.

We chose these stakeholders because they are the largest set who have a long-term, abiding stake in the company, and/or who directly impact our environmental, social and governance (ESG) progress. The results of the analysis are seen in the following figure.

This materiality analysis now forms our GRI-G4 reporting structure in all reports going forward and will be taken into account for future strategic planning and goal setting.

# 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: director level associates, officers and Board of Directors
- External group: suppliers, investors, residents and local government/community



# ABOUT AVALONBAY

AvalonBay Communities, Inc., 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.

We focus on leading metropolitan areas in these regions that we believe are characterized by growing employment in high wage sectors of the economy, higher cost of home ownership and a diverse and vibrant quality of life. We believe these market characteristics offer the opportunity for superior risk-adjusted returns over the long-term on apartment community investments relative to other markets that do not have these characteristics. We believe that Denver, Colorado and Southeast Florida share these characteristics and we began investing in these markets in 2017.

As of December 31, 2019, the company owned or held a direct or indirect ownership interest in 297 apartment communities containing 86,846 apartment homes with more than 149,000 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 2019, we employed 3,131 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 other political organizations, whether made directly or indirectly, 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 financial reporting and tax purposes.

Total contributions approved and reported in 2019 were \$860,000, including (i) a contribution of \$5,000 to the Long Island Builders Association PAC in connection with a fundraising event, (ii) a contribution of \$25,000 to Affordable Homes for San Franciscans Now in support of affordable housing in the city of San Francisco, (iii) a total of \$3,400 to the California Apartment Association Independent Expenditures PAC in connection with attendance at various fundraising events, (iv) a total of \$587,000 to Californians for Responsible Housing – General Purpose Committee PAC in connection with opposition

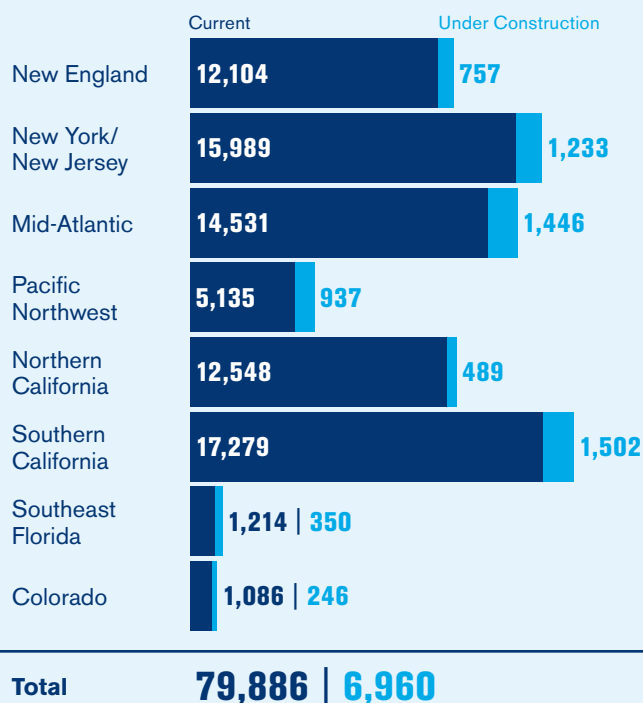
to a rent control ballot measure in California, \$537,000 of which related to forgiveness of a loan made in 2018, and (v) a total of \$239,000 to Citizens in Support of the Calabasas Neighborhood Preservation Initiative in connection with support of a development project in Calabasas, California.

Annually, AvalonBay also provides an opportunity to senior level associates to contribute directly to a designated PAC. In 2019 the designated PAC was REITPAC, the political action committee of Nareit.

## CORPORATE AND REGIONAL OFFICE LOCATIONS

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

## APARTMENT HOMES BY REGION\*



\*As of December 31, 2019

# APPENDIX

## GLOBAL REPORTING INITIATIVE CONTENT INDEX

### GRI-G4 GENERAL STANDARD DISCLOSURES

#### Strategy and Analysis

GRI Indicator	Description	Report Section
<b>G4-1</b>	CEO statement about the relevance of sustainability to the organization and its strategy	From the CEO, p.2–4
<b>G4-2</b>	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
<b>G4-3</b>	The name of the organization	About AvalonBay, p.35
<b>G4-4</b>	Primary products and services	About AvalonBay, p.35
<b>G4-5</b>	Location of the organization's headquarters	Corporate and Regional Office Locations, p.35
<b>G4-6</b>	Countries where the organization operates	About AvalonBay, p.35
<b>G4-7</b>	Nature of ownership and legal form	About AvalonBay, p.35
<b>G4-8</b>	Markets served	About AvalonBay, p.35
<b>G4-9</b>	Scale of the reporting organization	About AvalonBay, p.35
<b>G4-10</b>	Employee diversity and data	Diversity, Inclusion and Employment Metrics, p.27
<b>G4-11</b>	Report the percentage of total employees covered by collective bargaining agreements	Other GRI Indicators, p.48
<b>G4-12</b>	Describe the organization's supply chain	Vendors, Suppliers, Contractors, p.33
<b>G4-13</b>	Significant changes during the reporting period regarding the organization's size, structure and ownership	Report Parameters, p.49; From the CEO, p.2–4
<b>G4-14</b>	Commitment to external initiatives (LEED, Energy Star, GRESB)	From the CEO, p.2–4; 2019 Environmental Sustainability Highlights, p.13
<b>G4-15</b>	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	From the CEO, p.2–4; 2019 Environmental Sustainability Highlights, p.13
<b>G4-16</b>	Memberships in associations and advocacy organizations	From the CEO, p.2–4; 2019 Environmental Sustainability Highlights, p.13

## Identified Material Aspects and Boundaries

GRI Indicator	Description	Report Section
<b>G4-17</b>	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	2019 AvalonBay Annual Report
<b>G4-18</b>	Defining the report content and the Aspect Boundaries	Report Parameters, p.49; Aspect Boundaries, p.43–45
<b>G4-19</b>	Material Aspects identified in the process for defining report content	Materiality Analysis, p.33–34
<b>G4-20</b>	Reporting Boundary	Report Parameters, p.49; Aspect Boundaries, p.43–45
<b>G4-21</b>	For each Material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> <li>• Report whether the Aspect is material outside of the organization</li> <li>• 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</li> <li>• Report any specific limitation regarding the Aspect Boundary outside the organization</li> </ul>	Aspect Boundaries, p.43–45
<b>G4-22</b>	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	2019 Environmental Sustainability Highlights, p.13
<b>G4-23</b>	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	2019 Environmental Sustainability Highlights, p.13

## Stakeholder Engagement

GRI Indicator	Description	Report Section
<b>G4-24</b>	List of stakeholder groups at the organizational level and engagement at a project or asset level	Stakeholders, p.33
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	Materiality Matrix, p.34
<b>G4-26</b>	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Materiality Matrix, p.34
<b>G4-27</b>	Topics and concerns that have been raised through stakeholder engagement	Materiality Matrix, p.34

## Report Profile

GRI Indicator	Description	Report Section
<b>G4-28</b>	Reporting period	Report Parameters and GRI-G4 In-Accordance Option, p.49
<b>G4-29</b>	Date of most recent previous report	Report Parameters and GRI-G4 In-Accordance Option, p.49
<b>G4-30</b>	Reporting cycle	Report Parameters and GRI-G4 In-Accordance Option, p.49
<b>G4-31</b>	Contact point for questions about the report	Contact, p.49
<b>G4-32</b>	GRI content index	Global Reporting Initiative Content Index, p.36
<b>G4-33</b>	External assurance	Assurance Statement, p.4 and repeated on p.49

## Governance

GRI Indicator	Description	Report Section
<b>G4-34</b>	Governance structure of the organization	Governance, p.30
<b>G4-35</b>	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.32
<b>G4-36</b>	Appointed an executive-level position with responsibility for economic, environmental and social topics	Corporate Responsibility Governance, p.32
<b>G4-38</b>	The composition of the highest governance body and its committees	Governance, p.30
<b>G4-39</b>	Indication of whether the chair of the highest governance body is also an executive officer	Governance, p.30
<b>G4-42</b>	The highest governance body sets the tone for the organization and has a major role in defining its purpose, values and strategy	Governance, p.30
<b>G4-43</b>	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Responsibility Governance, p.32
<b>G4-45</b>	Risk management identification and management of economic, environmental and social impacts, risks and opportunities	Corporate Responsibility Governance, p.32
<b>G4-46</b>	Role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate Responsibility Governance, p.32
<b>G4-48</b>	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.32

## Ethics and Integrity

GRI Indicator	Description	Report Section
<b>G4-56</b>	Codes of conduct and codes of ethics	Code of Business Conduct and Ethics, p.30; Ethics and Compliance Training, p.31; Internal Audit, p.31; Vendor Code of Conduct and Responsible Supply Chain Principles, p.31
<b>G4-57</b>	Internal and external mechanisms for seeking advice on ethical and lawful behavior	Code of Business Conduct and Ethics, p.30; Internal Audit, p.31
<b>G4-58</b>	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.30; Internal Audit, p.31

## GRI-G4 SPECIFIC STANDARD DISCLOSURES

### Disclosures on Management Approach

GRI Indicator	Description	Report Section
<b>G4-DMA</b>	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"> <li>• The mechanisms for evaluating the effectiveness of the management approach</li> <li>• The results of the evaluation of the management approach</li> <li>• Any related adjustments to the management approach</li> </ul>	Materiality Analysis, p.34

## Economic

### Aspect: Economic Performance

GRI Indicator	Description	Report Section
<b>G4-EC1</b>	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.46
<b>G4-EC2</b>	Financial and reputational risks and opportunities related to climate change, in addition to other sustainability issues	Corporate Responsibility Governance, p.32

### Aspect: Indirect Economic Impacts

GRI Indicator	Description	Report Section
<b>G4-EC7</b>	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.18
<b>G4-EC8</b>	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.18



## Environmental

### Aspect: Energy

GRI Indicator	Description	Report Section
G4-EN3	Energy consumption within the organization	Environmental Performance, p.46
G4-EN5	Energy intensity	Environmental Performance, p.46
G4-EN6	Reduction of energy consumption	Environmental Performance, p.46
G4-EN7	Reduction in energy requirements of products and services	Environmental Performance, p.46 and 2019 Environmental Sustainability Highlights, p.13

### Aspect: Water

GRI Indicator	Description	Report Section
G4-EN8	Total water withdrawal by source	Environmental Performance, p.46
CRE2	Building water use intensity	Environmental Performance, p.46

### Aspect: Emissions

GRI Indicator	Description	Report Section
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Environmental Performance, p.46
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Environmental Performance, p.46
G4-EN17	Other indirect greenhouse gas (AHG) emissions (scope 3)	Environmental Performance, p.46
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental Performance, p.46

### Aspect: Effluents and Waste

GRI Indicator	Description	Report Section
G4-EN23	Total weight of waste by type and disposal method	Environmental Performance, p.46

### 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.48

### 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.48 and 2019 Environmental Sustainability Highlights, p.13

### 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.48

### 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.31; Vendors, Suppliers, Contractors, p.33

## 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.27
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Wellbeing and Benefits, p.24

### 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.27

### 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.22
CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	Health and Safety, p.22

### 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.21
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.21
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Learning and Development, p.21

### 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.27

### 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.31; Vendors, Suppliers, Contractors, p.33

## 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.31

### 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.31; Vendors, Suppliers, Contractors, p.33

## 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.18

### 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.31
G4-S04	Communication and training on anti-corruption policies and procedures	Code of Business Conduct and Ethics, p.30; Ethics and Compliance Training, p.31

### 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.35

### 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.48

### 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.31; Vendors, Suppliers, Contractors, p.33

## 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.22; Safety and Health Qualification Tables, p.48

### Aspect: Product and Service Labeling

GRI Indicator	Description	Report Section
G4-PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Residents, p.28

### 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	Residents, p.28

## 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)	2019	2018	2017	2016
Operating revenues	\$2,324,626	\$2,284,535	\$2,158,628	\$2,045,255
Operating costs (excluding employee compensation)	\$143,755	\$164,294	\$377,875	\$369,418
Employee compensation	\$249,703	\$236,037	\$226,684	\$210,218
Property and other taxes	\$252,961	\$241,563	\$221,375	\$204,837
Dividends and interest	\$1,118,297	\$1,112,519	\$1,073,465	\$1,014,775
Retained earnings	\$310,207	\$294,085	\$259,229	\$246,007

Total Community/Apartment Count	2019	2018	2017	2016
Number of properties	275	291	288	285
Number of apartment homes	79,886	85,158	84,158	83,667

Affordable Count	2019	2018	2017	2016
Number of designated affordable homes	4,667	4,575	4,614	4,652

Construction Counts	2019	2018	2017	2016
Properties under construction at year-end/homes	22/6,960	21/6,609	21/6,544	27/9,149
Completed properties at year-end/homes	7/2,027	7/1,915	14/5,189	18/1,715

Redevelopment Counts	2019	2018	2017	2016
Properties under redevelopment at year-end/homes	5/1,859	12/4,356	15/6,432	4/1,671
Completed redevelopments at year-end/homes	12/4,203	12/6,038	9/2,620	10/5,640

## Environmental Performance

Emissions	2019	2018	2017	2013 (baseline)
Science-Based Target: Scope 1 & 2 emissions (kgCO <sub>2</sub> e/sq.ft)	4.54		4.61 (baseline)	
Science-Based Target: Scope 3 emissions (kgCO <sub>2</sub> e/sq.ft)	5.1		5.52 (baseline)	
Like-for-like CO <sub>2</sub> emissions scope 1 (mtCO <sub>2</sub> e)	13,863	12,843	12,843	12,874
Like-for-like CO <sub>2</sub> emissions scope 2 (mtCO <sub>2</sub> e)	39,760	41,680	39,865	50,402
Like-for-like total CO <sub>2</sub> emissions (mtCO <sub>2</sub> e)	53,623	55,359		63,276
Percentage change (total emissions like-for-like) since baseline year	-15.3%	12.50%		
Total CO <sub>2</sub> emissions scope 1 (mtCO <sub>2</sub> e)	22,146	19,816		17,729
Total CO <sub>2</sub> emissions scope 2 (mtCO <sub>2</sub> e)	58,531	59,774		55,873
Total CO <sub>2</sub> emissions scope 3 (mtCO <sub>2</sub> e)	5,869	6,234		6,293*
Total (scope 1 and scope 2) CO <sub>2</sub> emissions (mtCO <sub>2</sub> e)	80,402	79,590		73,603
Percentage change (scope 1 and scope 2) since baseline year	9.2%	8.10%		

\*This number only represents our employee commuting and travel Scope 3 emissions.

## Environmental Performance (continued)

<b>Emissions (continued)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2013 (baseline)</b>
Construction CO <sub>2</sub> emissions (mtCO <sub>2</sub> e)	6,312	2,734		4,228
Percentage change (construction emissions) since baseline year	49.29%	-35.30%		
Total scope 1 and 2 emissions intensity (mtCO <sub>2</sub> e/FTE)	25.68	26.11	27.48	26.90
Total scope 1 and 2 emissions intensity (mtCO <sub>2</sub> e/\$ revenue)	0.000034	0.000035	0.00004	0.000052

<b>Energy</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2013 (baseline)</b>
Like-for-like energy consumption (kWh)	217,227,616	216,498,159	204,381,000	219,249,000
Percentage change since baseline year	-0.9%	-1.25%	-6.8%	
Total energy consumption (kWh)	292,395,179	293,582,802	274,540,000	268,100,000
Percentage change since baseline year	8.5%	9.50%	7.2%	
Construction energy consumption (kWh)	27,646,821	7,734,634	7,357,060	11,820,775
Percentage change since baseline year	133.9%	-34.6%	-37.76%	

<b>Water</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2013 (baseline)</b>
Like-for-like water consumption (Kgal)	2,833,242	2,803,580	2,779,761	3,047,233
Percentage change since baseline year	-7.0%	-8.00%	-8.78%	
Total water consumption (Kgal)	3,039,121	3,077,448	3,033,931	3,296,733
Percentage change since baseline year	-7.8%	-6.65%	-7.97%	
Construction water consumption (Kgal)	75,491	22,174	14,433	23,678
Percentage change since baseline year	218.8%	-6.35%	-39.05%	
Like-for-like water use intensity (Kgal/unit)*	39.93	40.63	41.66	45.21
Percentage change since baseline year	-11.7%	-10.12%	-7.86%	
On-Site Water Reuse (M3)	167,722	171,029	154,634	

<b>Waste</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2014 (baseline)</b>
Like-for-like waste consumption (lbs/apartment home)†	1,773	1,714	1,671***	
Percentage change since baseline year	6.1%	2.5%		
Non-hazardous waste (MT)†	145,399	100,582	86,116	39,887
Percentage non-hazardous waste recycled	54%	32%	33%	45%

\*\*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.

\*\*\*The baseline for like-for-like waste consumption is 2017.

†Our waste reported represents 92.5% of our community waste, and 100% of our construction waste (communities under construction in 2019).

†Our Waste Goal is calculated on a like-for-like set of communities which are stabilized for a full 24 months and then normalized for occupancy and for regions where recycling is no longer an option.

## Other GRI Indicators

	2019	2018	2017	2016
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

## Learning and Development

Department Training	Hours
Construction/Development	3,809
Corporate	3,094
RS on-site	53,818
RS overhead	1,873
CCC	4,526
Cross-departmental	9,688
<b>Total:</b>	<b>76,808</b>

## Safety

U.S. Bureau of Labor Statistic	Average
Lost time (dart) rate	3.56
Total recordable case rate (per 100 workers)	8.12
Associate injuries requiring days away from work	0.79
Hours of Safety Training	15,160

## Health Qualification

Qualification/Certification	Professionals
Certified Safety Professional	2
Certified Health and Safety Technologist	5
Safety Trained Supervisor—Construction	3
Licensed (NYC) Safety Manager	1
Bilingual—English/Spanish	4
Authorized OSHA Construction Safety Outreach Trainer	5

## Development and Construction

Development in 2019	
Number of communities beginning construction	8
Expected investment	\$794M
Remediation of preexisting environmental contamination	\$2.31M
Remediation spend projected through completion	\$6.38M
Development communities under construction as of year-end	22
Average walk score for completed transit-oriented developments (total portfolio)	64
Total transit-oriented communities	96
Transit-oriented development communities completed in 2019	2
Capital cost for all development under construction as of year-end	\$2.54B

### Redevelopment in 2019

Communities completed	12
Apartment homes represented	4,203
Capital cost	\$1.37B
Communities under redevelopment as of year-end	5
Capital cost for all redevelopment under construction as of year-end	\$40.9M

# ABOUT THIS REPORT

This is AvalonBay's ninth annual Corporate Responsibility report and summarizes our environmental, social and governance (ESG) performance and activities during calendar year 2019.

## 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 2019 calendar year and builds on the progress outlined in our most recent report for the 2018 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 updated 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 audited by a third-party auditor. In 2019, 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. The full accreditation report and assurance statement are aligned with the ISO14064-3 standard and can be found on our website at [avaloncommunities.com/verificationreport](https://avaloncommunities.com/verificationreport) and [avaloncommunities.com/assurancestatement](https://avaloncommunities.com/assurancestatement).

## TRADEMARKS

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