



2021 Environmental, Social, and Governance Report



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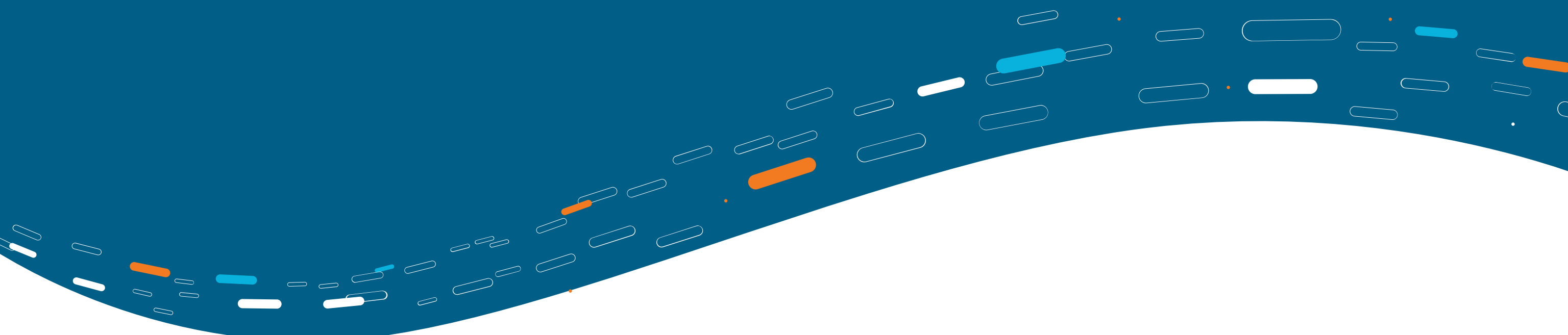
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A message from our CEO

As a leader in global cloud tax automation, sustainability is at the core of what we do. Since our founding in 2004, Avalara has been on an audacious quest to automate all aspects of compliance for every business in the world. By replacing manual processes with automation, we improve people's lives by allowing them to spend time doing more meaningful work.

I am excited to present you with our inaugural **2021 Environmental, Social, and Governance (ESG) Report**, along with the findings from our 2021 materiality assessment, which will serve as the foundation for our ESG journey. Our focus is on ensuring our **Product** is secure, safe, and continues to create value and sustainable impact; that we do right by our **People**; and that we make strides to improve our impact on the **Planet**.

Our platform, the **Avalara Compliance Cloud**, is a reliable, secure, and scalable offering that enables businesses to address the complexity of compliance by processing transactions in real-time, producing digital records, and reducing audit exposures and total operational costs. Through organic investments and strategic acquisitions, we continue to expand our portfolio of offerings and advance our mission to automate global cloud compliance for a sustainable future. Today, we serve over 100,000 end customers, remit billions of dollars of taxes to local and state authorities, and have more than 1,200 signed partner integrations.

We rally around **The Power of Orange**, a color we wear with pride to instill excitement about our company. We are an inclusive and diverse team that pulls together behind clear, common goals. Along with our Board of Directors and executive management, we are **committed to cultivating a culture of diversity, equity, and inclusion** rooted in our **success traits: optimism, passion, adaptability, humility, fun, ownership, curiosity, urgency, and simplicity.**

Amid the pandemic over the past two years, we have made progress around our efforts to be a good steward in the landscapes that we operate in. We won Ragan's award for **Best Virtual Well-being Program** for employee communications during COVID-19, selected as a **2021 Top 100 Most-Loved Workplace** by Newsweek, and ranked #28 on **Inc.'s list of 2021 Top 250 Best-Led Companies**. In addition, Avalara was named a **leader in all three 2021 IDC MarketScape** reports for worldwide cloud tax automation.

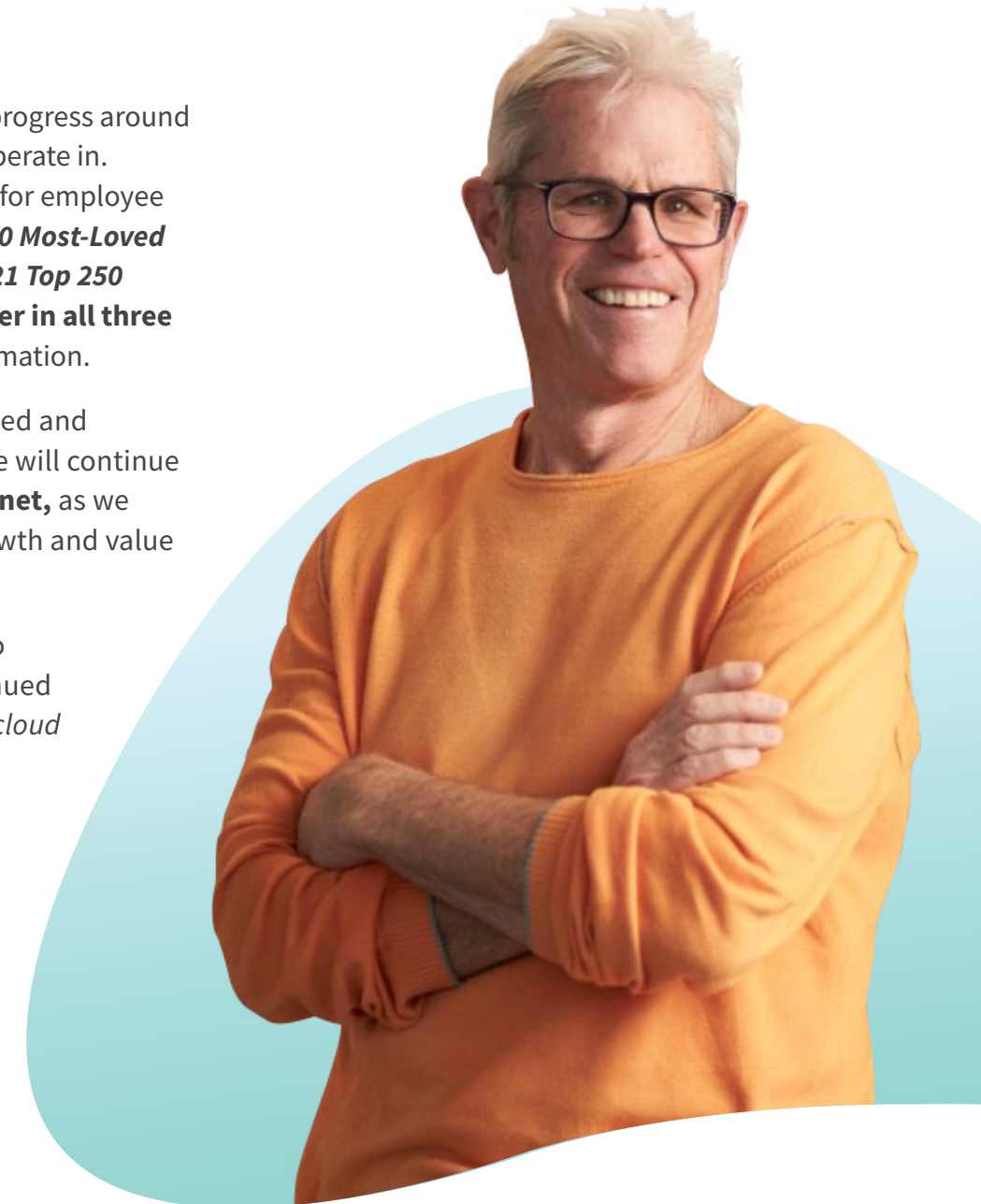
Over the next year, we will continue to offer a more integrated and enhanced product that is safe, efficient, and easy to use. We will continue to improve our impact related to **Product, People, and Planet**, as we understand they are vital components to our sustained growth and value creation in the years ahead.

I look forward to hearing your thoughts and remain open to constructive feedback. Once again, I appreciate your continued support and your belief in our vision to become *the global cloud compliance platform*.

With gratitude and optimism,



Scott McFarlane
CEO/Co-founder, Avalara



Company overview

MISSION:

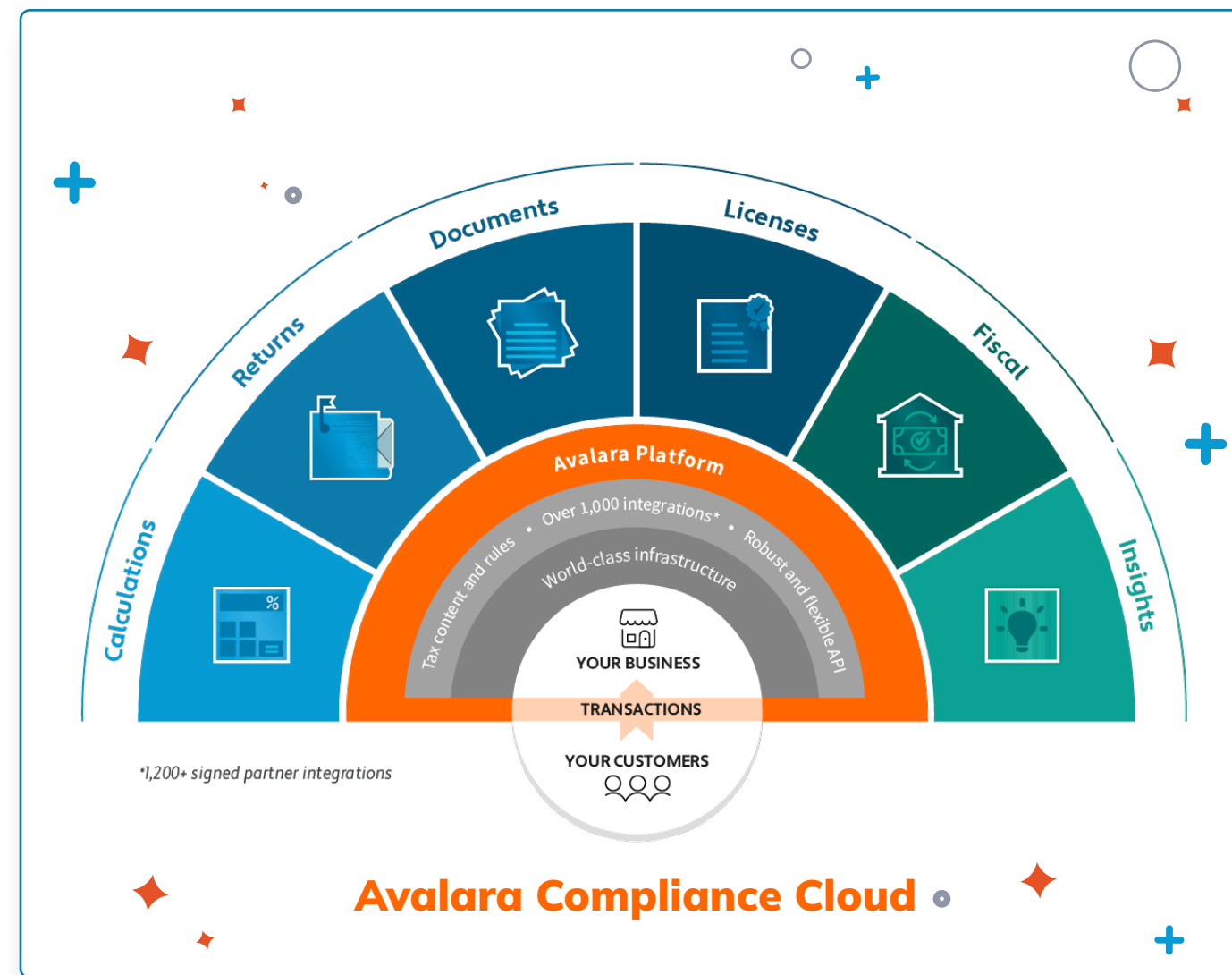
Global compliance automation for a sustainable future.

Sustainability directly ties to our mission: to eliminate the confounding, wasteful burden every business on the planet must face—the staggeringly complicated, endlessly evolving, government-mandated obligations of transaction tax and regulatory compliance. By automating compliance, we can reduce manual work and improve people’s lives so they can focus on more meaningful activities.

VISION:

Compliance for every business in the world.

Avalara will automate all aspects of compliance for every business in the world. Our vision includes generating and managing an array of compliance documents, facilitating all returns and remittances to governments, and becoming a repository of global compliance and product content.



About Avalara

Avalara, Inc. is a publicly traded cloud-based tax automation software company (NYSE: AVLR) led by Co-founder and Chief Executive Officer, Scott McFarlane. Founded in 2004, Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. The Avalara Compliance Cloud contains tax content for 190+ countries on a robust platform that is reliable, secure, and scalable with a [24/7 security operations center](#).

4,465
employees

Seattle, WA
Headquarters

20
offices around
the world

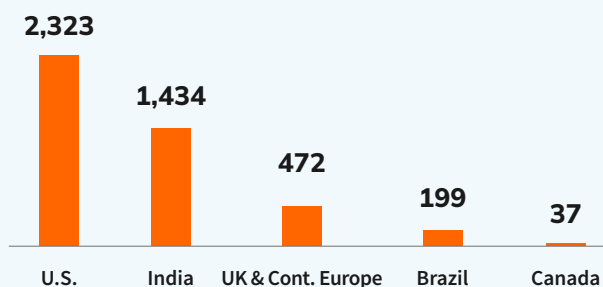
95
countries
with customers

\$699 Million
FY2021 total revenue

+40%
FY2021 total revenue growth
year-over-year

EMPLOYEE GEOGRAPHIC BREAKDOWN

Source: Avalara Form 10-K 2021



12
acquisitions
since 2018

100,000+
end customers

1,200+
signed partner
integrations

2021 Highlights

Product



Avalara named a leader in all 3 IDC MarketScape Reports

1. Worldwide SaaS and Cloud-Enabled Sales and Use Tax Automation Software for Small and Midsize Businesses 2021 Vendor Assessment (doc #US47987521, October 2021)
2. Worldwide SaaS and Cloud-Enabled Sales and Use Tax Automation Software for Enterprise 2021 Vendor Assessment (doc #US47987421, October 2021)
3. Worldwide SaaS and Cloud Value-Added Tax Software 2021 Vendor Assessment (doc #US47987321, October 2021)

All

employees are required to complete training on detecting and reporting phishing

People

Top 100

Newsweek's first-ever "Top 100 most-loved workplaces"

#28

Ranked #28 on Inc.'s "250 Best-led companies of 2021" out of 10,000 middle-market companies



Best Virtual Well-being Program (class of 2021) from Ragan's Employee Communications group

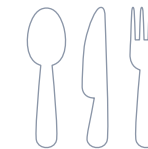
8

employee resource groups (ERGs) dedicated to supporting our diverse workforce

Planet

LEED

Headquarters is located in Avalara Hawk Tower — a Silver LEED-certified building



Compostable materials and/or reusable dishware and cutlery in all our office locations



Avalara works with Amazon Web Services (AWS), a cloud services platform vendor, which has committed to achieving 100% renewable energy usage in its global infrastructure

ESG strategy

While we have operated responsibly and are committed to prioritizing **Product, People, and Planet**, we recognize that we are just beginning our ESG journey. To ensure that our strategy meets the evolving needs of our stakeholders, we began our process by engaging people who impact and are impacted by our business through a materiality assessment process.

Materiality & stakeholder engagement

Through open and direct communication, we work to develop trusted relationships with all stakeholders, including investors, employees, customers, and partners. Our ESG materiality matrix illustrates how we identified and will prioritize and take action on the topics our stakeholders deemed most material to Avalara.

We created a list of 19 topics based on external standards, trends, and frameworks; ESG investor outreach; strategic business priorities; peer benchmarking; and employee and stakeholder feedback. We used a survey and interviews to gather input from our stakeholders:

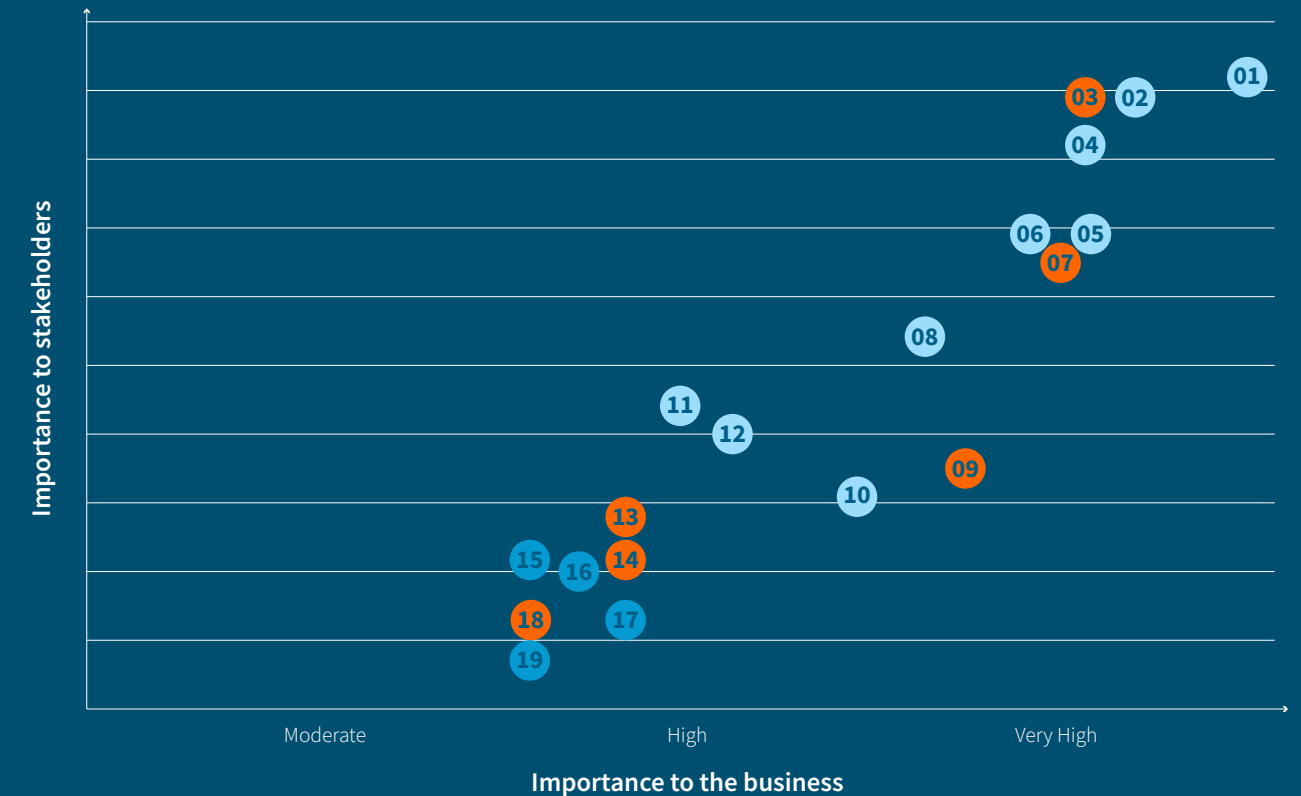
- Employees
- Leaders
- Board of directors
- Customers
- Institutional investors
- Industry analysts
- State governments
- Partners

In total, 207 respondents contributed their input.

We analyzed the data and averaged scores for internal and external stakeholders in order to create a short list of the most important topics, which will guide our strategy and reporting.

MATERIALITY MATRIX

Importance to Avalara's business success, Internal vs. External stakeholders



Governance

- 01. Data privacy & security
- 02. Technology continuity
- 04. Intellectual property protection
- 05. Ethics & compliance
- 06. Corporate governance
- 08. Product governance
- 10. Human rights
- 11. Advocacy & public policy
- 12. Sustainable & responsible supply chain

Social

- 03. People management
- 07. Employee health & safety
- 09. DEI
- 13. Community engagement
- 14. Corporate giving & employee volunteerism
- 18. Supplier diversity

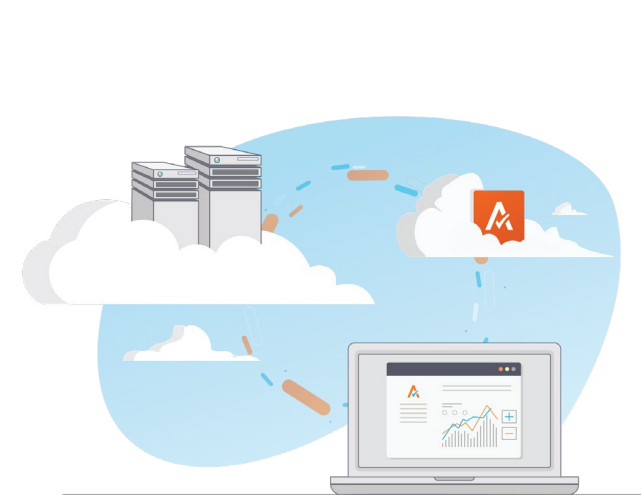
Environment

- 15. Waste
- 16. Energy management
- 17. Water stewardship
- 19. GHG emissions

Our ESG approach

Based on the findings from our materiality assessment, we have begun to build out our ESG strategy. We understand that ESG reporting is essential to our future growth and competitive advantage. The lens through which we view our inaugural ESG report includes three core aspects: **Product, People, and Planet.**

Looking ahead, in 2022 we will establish our benchmarks and baselines, and begin setting goals around each of our priority areas. For our inaugural ESG report, our approach is to focus on core areas we can immediately control, then make adjustments to areas where we see a clear path for meaningful improvement.



Product

We focus on the topics most material to our business: the global impact we have through our technology, and how we govern our company and serve our customers. Because Avalara manages massive quantities of data every day, we also understand the importance of cybersecurity, privacy, and technology continuity — all vital components of our product development and delivery, as well as overall business safety. We recruited a veteran Chief Security Officer to lead the continuous growth of our security practices and established a dedicated Privacy Office.



People

We will continue to track employee sentiment to determine where we can improve; empower our employees to take the initiative on issues that matter to them; and strengthen our training and professional development programs. Furthermore, our recruitment and retention efforts will be central to our people strategy in the coming years as we orient toward a more diverse and engaged workforce.



Planet

We are committed to operating responsibly and sustainably, so that we actively minimize adverse effects on the environment. Avalara works with Amazon Web Services (AWS), consistent with our commitment to making Avalara a more environmentally sustainable company, as AWS is working toward 100 percent renewable energy. We are also looking for new, innovative ways to reduce waste in small ways at our office buildings and facilities around the world.

PRODUCT

We believe our greatest potential for sustainable impact is to continue to build our global cloud compliance platform to achieve our vision to be part of every transaction in the world. We make lives easier, more efficient, and secure for business owners so they can focus on their core operations. We recognize that our employees, customers, and partners rely on us to keep their information safe and use it responsibly, so we've built a robust digital privacy and security infrastructure that protects sensitive data from ever-proliferating cyberthreats while making sure that customers' privacy rights are protected.

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Data privacy and security

Avalara is building a privacy and security platform designed to scale along with the company's growth. Our Global Security Operations team protects systems through a combination of technology and strong processes. Global Security Operations is made up of **three (3) teams** that provide key services to defend the company from cyberattacks and keep data safe:

1. Global Security Operations Center

Ensures that potential security incidents are correctly identified, analyzed, investigated, and reported.

2. Security Incident Response Team

Provides immediate response management to security incidents.

3. Global Threat Intelligence

Provides a combination of research, threat hunting, security content management, and malware analysis. These services help Avalara engineer resilient systems that can expose and address cyberthreats.

Avalara is developing the capacities necessary to manage and safeguard the data of a rapidly expanding customer base. We established a dedicated Global Privacy Office in 2021, drawing

resources from legal, security, engineering, marketing, and product management to develop and implement privacy policies, standards, procedures, and security operations across the company. The Global Privacy Office has developed a set of controls to ensure compliance with Avalara's privacy obligations to employees, customers, and partners.

The security team provides security awareness training to equip our employees with the information they need to protect themselves and Avalara. For example, all employees take part in our interactive phishing simulation program, which provides consistent training on how to identify and report phishing attacks and gives employees immediate feedback on their performance.

Under the leadership of Avalara's Chief Security Officer, Tim Gaylor, our security team has grown from 6 to 68 members. This team includes security professionals that Avalara employs in our product organization. Avalara is committed to transparency, which means we support the cybersecurity research community, welcome reports of vulnerabilities in our systems, and publicly recognize those who spot those vulnerabilities. If Avalara determines that an issue reported through the [Responsible Disclosure program](#) poses a security risk, we remediate the issue and inform stakeholders as necessary through a collaborative internal process.

Additional **security measures include:**

- ✓ **Avalara Engineering dedicates 15 percent of capacity to risk management** by delivering security features and resolving security weaknesses.
- ✓ Avalara has a **fully staffed Product Security team** to identify areas for improvement, review technology in development, and security test during the software development lifecycle.
- ✓ **Software architectures are threat modeled**, a process for identifying security weaknesses in software designs. Build systems ensure that operating systems have the latest patches. Automation scans new and modified code for security errors and use of unpatched libraries. Test environments are automatically scanned for weaknesses, and cloud configurations are automatically scanned for improper configurations.
- ✓ Avalara has a **dedicated team of ethical hackers** who are incented to find weaknesses in Avalara technology, processes, and employee interactions.
- ✓ Avalara **employs external security firms to conduct penetration tests** on Avalara created technology.
- ✓ Avalara follows industry standards for addressing security issues within a specific SLA. SLAs are based on risk to Avalara customers, partners, and employees. A weekly SLA report is sent to the Chief Security Officer, Chief Technology Officer, and other engineering senior leaders. As part of employee onboarding **new hires in our Product organization are required to complete a "Product Security Bootcamp" that teaches product security**. Security Boot Camp completion is then required annually.

Risk management

We acknowledge that risk is a constant, and we must safeguard our people, platform, intellectual and physical property, internal systems and data, and treasury funds. We take on risk consciously and strategically as our growth goals and emergent opportunities demand. We accept uncertainty when there is potential for opportunity and insist only that we acknowledge and learn from failures when they arise. To accomplish this, Avalara has invested in **embedding risk management** across the company to remove uncertainties and foster trust with our employees, customers, and partners. We regularly conduct assessments to identify security and operational risks to ensure proper mitigation including

IT security assessments, vendor risk reviews, and business impact analysis.

Avalara's **Information Risk and Compliance team** works with business leaders across the company to determine the appropriate way to assess and respond to operational and security risks. Risk responses include developing mitigation plans and supporting remediation efforts, when applicable, depending on the risk facts and circumstances. Avalara applies a five-step approach to assessing and monitoring risks — identification, analysis, mitigation, reporting, and monitoring. The organization conducts risk assessments throughout the year to evaluate the organization's control environment.



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Our team has developed detection and enforcement capabilities to prevent the company's resources from being misused. We've implemented a disciplined approach, which means providing training and accountability. It's about how we protect data, how quickly we get law enforcement involved, and then analyzing forensics after the fact. All of these capabilities are important for building a secure company.”



Tim Gaylor, Chief Security Officer, Avalara



Product governance

At Avalara, we take our customer success commitments seriously, which is why our **product governance** is built around robust quality management systems and continuing **customer support** post-sale. We recognize that we have more work to do to improve our customer support to ensure our long-term business success.

CUSTOMER SUCCESS

Avalara’s customer success mission is to ensure our customers are getting the full benefits of our automated tax compliance solutions in the moments that matter most. Our customer success team is trained to provide assistance in a friendly, light-hearted way; and our goal is that each Avalara employee embodies our mission through intentions, actions, and words.

What stakeholders are saying:



“Avalara simplifies the process and allows me to concentrate on other issues.”

Construction Company, Customer

“You have made my job so much easier by filing and getting everything sorted for me. It is easy to understand the process with the help of Avalara. Thank you so much!”

Garage Door Supply Company, Customer

“I just wanted to reach out and let you know how much help Avalara has been for our team over the past few months. Having a partner resource to answer questions promptly, accurately, and is personable, has made worlds of difference for our projects.”

Compliance Advisory Firm, Partner

“I am a first time business owner and had no idea what was needed to set things up. This service took away those concerns and allowed me to focus on the actual business, not its creation.”

Career Services Company, Customer / Business Licenses Team

“I cannot express enough thanks to each and every one of you for making this one of the smoothest audits that I have ever been through. TTR will come highly recommended by me.”

Chemical Company, Customer

Technology continuity

Technology continuity is essential for maintaining operational stability and customer trust. Avalara is trusted to power tax compliance transactions for many major e-commerce platforms and a diverse array of other customers.

Avalara is fully cognizant of the possibility that a successful cyberattack could disrupt our operations and lead to a data breach, which is why Avalara has made significant investments in cybersecurity and disaster recovery. We seek to limit risk by proactively identifying and addressing security threats in our networks and have adopted countermeasures in place for a wide range of risks such as cyberthreats, third-party service failures, natural disasters, and technical malfunctions.

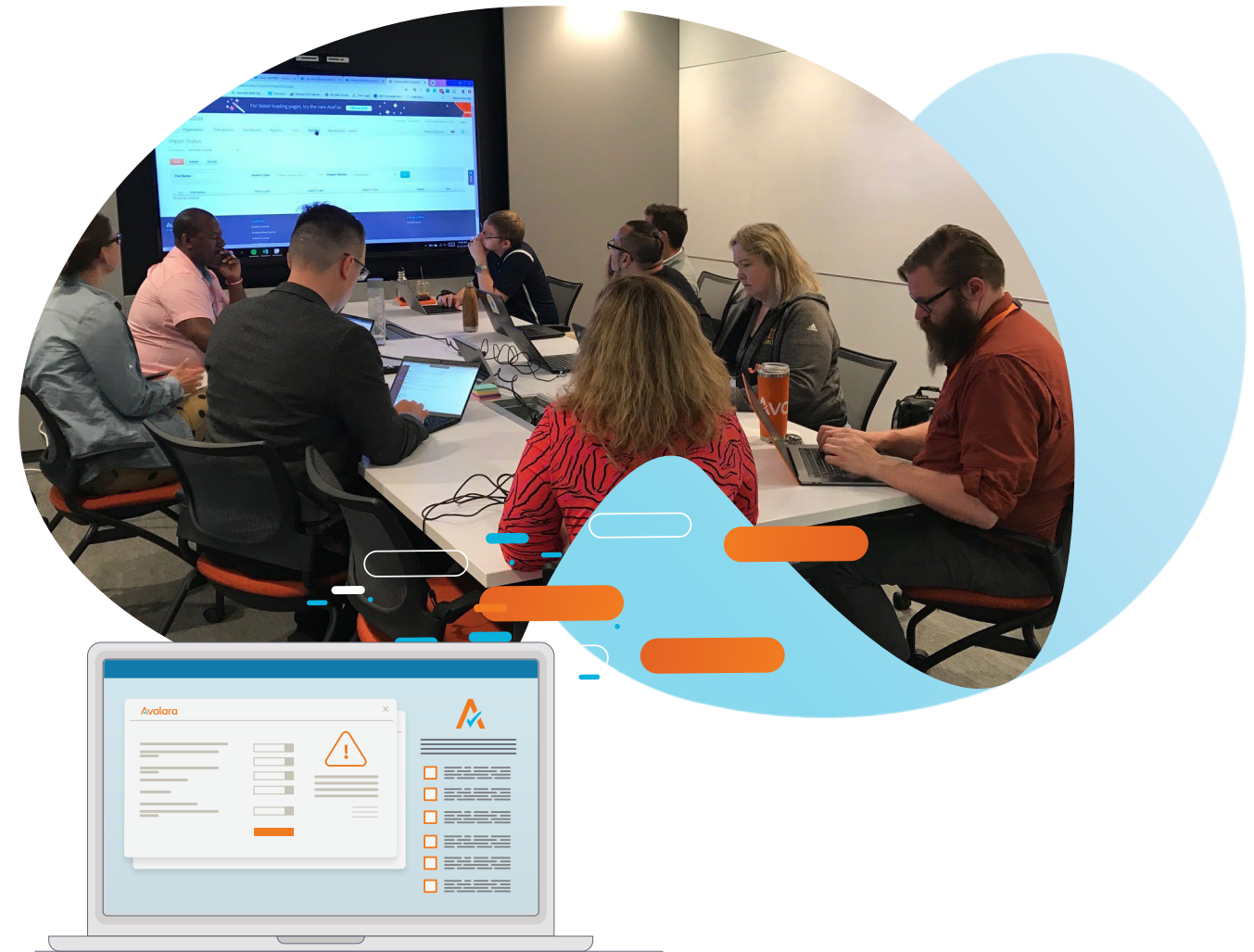
Our Engineering Operations Center provides 24-hour monitoring so that our services continue to operate in a way that's consistent with our commitment to our customers and partners. We have also identified how and under what circumstances failover from the primary system to a secondary system should occur in the event of a shock such as a natural disaster. This plan includes roles and responsibilities, communication plans and schedules, test

and validation criteria, and other tasks integral to ensuring the transition is successful and has minimal impact on customers.

A company-wide approach to privacy and security requires clear communication, coherent policies and processes at every level, and emergency response plans that mobilize all key stakeholders to ensure continuity of service. We have strengthened our ability to detect security issues by adopting a best-in-class security information and event management solution. We also have created and tested plans for identifying disruption risk and mitigation. We have a **business continuity and disaster recovery program** in place, as well as a technology solution for significant data loss. Avalara's operations are designed to be resilient: our systems are redundantly hosted on AWS architecture and located in data centers across multiple availability zones, which facilitates consistent service quality even if some resources are interrupted.

In 2021, Avalara completed a **Business Impact Analysis** of our most critical processes. We are implementing technology solutions for resilience against catastrophic data loss for critical processes, including regional data loss and defense against ransomware. In 2022, we will be conducting a facilities threat assessment to determine the strength of our physical and digital security architecture.

Avalara recognizes that every employee has a role in preventing cybercriminals from accessing our networks and systems, which is why **we train 100 percent of the company to prevent ransomware attacks** and mitigate their effects.



PEOPLE

We understand that to automate global cloud compliance and provide value to our stakeholders, we must attract, develop, and retain diverse talent globally. Our unique culture helps us recruit and retain talent, and we strongly believe serving the customer begins with serving employees. Our focus is on creating a culture that reflects our core values, enabling employees to do their best work, and creating a healthy environment of openness and belonging.

We recognize that we have a responsibility to broader communities across the country and around the world, which is why we donate time and resources to a wide range of causes and will continue to evolve how we support our local communities.

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Diversity, equity, and inclusion (DEI)

By supporting and celebrating all of our employees, we are building a workplace where everyone feels welcome, employees are comfortable expressing their needs and concerns, and we all benefit from the unique perspectives offered by colleagues with diverse backgrounds and experiences.



Our DEI efforts encompass four key areas:

- 1. Career:** Drive innovation and productivity by creating an inclusive environment that attracts, engages, and develops diverse talent.
- 2. Culture:** Cultivate culturally intelligent leaders who can manage talent across backgrounds and locations to drive global growth.
- 3. Community:** Create a culture free from bias and discrimination that provides equitable opportunities for all employees.
- 4. Compliance:** Develop a brand reputation for social responsibility, which will appeal to prospective talent and customers.

Avalara invests in programs and communities to support a diverse, equitable, and inclusive workforce. Currently there are eight employee resource groups (ERGs) at the company.

These ERGs provide a forum where diverse members of our team can share their experiences, discuss ways to make the company more inclusive, and simply spend time with friends and colleagues. ERGs have an executive sponsor to provide leadership support, and each one has an annual budget to support activities, speakers, and other efforts to build awareness and promote learning.

COMMITTED TO A DIVERSE BOARD

With our focus on DEI as a core component of Avalara's future success, in 2021 the company added three new directors to the Board with diverse backgrounds:



Bruce Crawford, former Army Chief Information Officer, retired Lieutenant General, and a global technology executive for Jacobs with 35 years engineering and cybersecurity leadership experience.



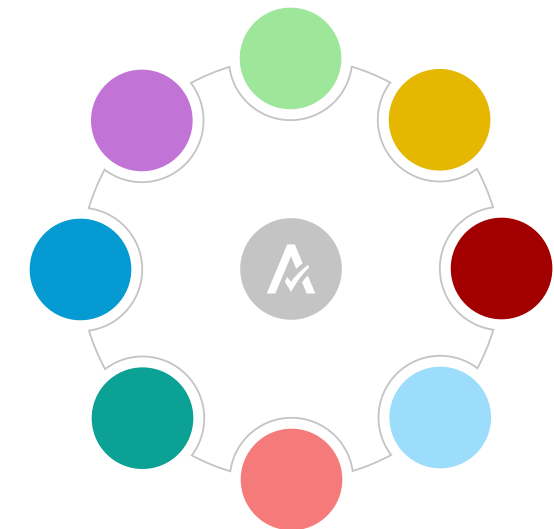
Marcela Martin, Chief Financial Officer of Squarespace, and an accomplished finance executive with experience leading global companies.



Srinivas Tallapragada, President and Chief Engineering Officer of Salesforce, and a technology executive with more than 30 years of experience leading diverse teams of technologists.

OUR EMPLOYEE RESOURCE GROUPS

- **Access:** Disability at Avalara
- **Hola:** Hispanic Employees of Avalara
- **Node:** Remote Employees of Avalara
- **Noonchi:** Asian Employees of Avalara
- **PRiSM:** LGBTQ+ of Avalara
- **UJIMA:** Black Employees of Avalara
- **Veterans of Avalara**
- **Women of Avalara**





“

We recognize that the company leadership is responsible for establishing programs and policies that make Avalara a more diverse and welcoming place to work.”



Vanessa Burnaby, VP, Inclusion, Diversity, and Talent Acquisition, Avalara

While we fully support employees who take the initiative to create ERGs and promote diversity and inclusion from the ground up, we also recognize that the company leadership is responsible for establishing programs and policies that make Avalara a more welcoming place to work. For example, anti-harassment training is a vital, required part of our onboarding process. We receive direct feedback from our employees on our efforts to improve DEI and we implemented a training class on how to manage bias for the leadership team. We are also launching DEI training globally to all employees in 2022.

Since 2019, Avalara has been a sponsor of the [Grace Hopper Celebration](#), the world’s largest gathering of women in tech and an event dedicated to creating a more equitable and inclusive ecosystem for female and non-binary technologists. Avalara also sponsors [AfroTech](#), one of the largest multicultural tech conferences in the country, which brings Black engineers, venture capitalists, and business leaders together and helps attendees discover potential collaborations, learn new skills, and engage with recruiters. Also, in 2021, we sponsored [Lesbians Who Tech](#), a grassroots community of thousands of non-binary people, women, people of color and LGBTQ technology professionals.



People management

Avalara's growth and innovation would be impossible without the dedication and creativity of our people, so our highest priority is making sure they have all the support they need.

To attract and retain top talent, we offer a competitive compensation and benefits package, including bonuses, retirement plans or pensions (depending on region), healthcare, dental, and travel insurance, employee stock purchase plans, and wellness and employee assistance programs. We also support employees with enhanced parental leave.

In today's tight labor market, it has become even more important for companies to invest in development and training to build talent needed in the workplace. That's why we are committed to our employees' personal and professional development. We have invested in programs such as: on-demand learning platforms (including [LinkedIn Learning](#), [Avalara University](#), and [Emtrain](#)), leadership development programs, tuition assistance for eligible employees, and job-specific training. In addition, employees can make their voices heard through surveys, while department leaders are responsible for implementing action plans to address the feedback.

One of the most important elements of a people-centric company is the ability to keep employees engaged at work — something most companies fail to do. Avalara has many initiatives designed to build community, foster inclusion, and maintain engagement. We believe it's essential to honor employees' achievements, which is why we have department-specific recognition initiatives, a spot bonus program for managers to reward outstanding contributions, and annual company awards. We're always working toward improving employee engagement, and we track our performance on this critical metric with annual surveys.

All of these programs are oriented toward attracting skilled and diverse talent capable of securing future business growth, retaining our existing workforce, and making Avalara an inclusive and inspiring place to work.

“

One of my favorite employee engagement opportunities is Avalara's Orange Ambassador's volunteer program. It's a great way to get to know other employees and give back to the community.”



Karen Sherwood, VP,
Corporate Experience, Avalara



ORANGE AMBASSADOR PROGRAM

Orange Ambassadors are a selected group of volunteers that cultivate the culture and **The Power of Orange** in each office and among our remote employees. They serve as a resource for employees, create employee engagement events throughout the year, and inspire the Avalara Orange Culture across the company. The color orange is an important part of the Avalara culture. When Avalarians first started wearing orange years ago, we wanted to stand out at tradeshow from other vendors. The Power of Orange remains an icon of our Avalara culture and has united us all across the globe.

Employee health, safety, and well-being

Throughout the COVID-19 pandemic, the health, safety, and well-being of our employees have been our top priorities. We launched a global hardship fund for employees experiencing financial strain during the pandemic. We partnered with our ERG for remote workers, referred to as Node, to host an event centered on creating comfortable and productive work-from-home spaces, which featured experts in decluttering, ergonomics, and other relevant issues. We also launched the Spotlight Series — monthly virtual events aimed at helping employees live and work more holistically, which provide advice on professional development, goal setting, and time management.



Like everyone, our employees' lives have been disrupted by COVID-19 in countless ways, which is why we built an extensive infrastructure of support to address their needs. We provided employees with a free subscription to [Care.com](#), which allows them to take advantage of a range of essential services, including childcare, housekeeping, and tutoring. We launched a program for global telemedicine access, as well as vaccination reimbursement in countries where it wasn't covered by local health plans. We helped to get vaccine centers set up in India, where we have over 1,400 employees. We distributed a global COVID bonus to employees to cover miscellaneous expenses and address other economic difficulties.

Employees continued to work remotely during 2021. Several of our offices have opened for vaccinated volunteers, with safety signage, desk spacing, and other precautions in place. Throughout the year, we hosted more than 70 virtual events that focused on topics such as nutrition, physical fitness, mental health, and financial well-being. Our global employee assistance program offers many forms of support to employees across all locations. We have a dedicated team focused on safely returning to the office and are planning for a flexible hybrid work approach beginning in 2022.



NOTABLE AWARDS

Newsweek

Avalara was included in *Newsweek's* [list](#) of the Most Loved Workplaces in 2021

Employee Communications AWARDS

Presented by Ragan

Ragan's Employee Communications Group [recognized](#) Avalara in the Class of 2021 for having the best virtual well-being program

Community engagement

Beyond Avalara's support for outside organizations and events focused on racial and gender equity, we want employees to dedicate their time and energy to causes that matter to them, and we facilitate this process. Each year, Avalarians contribute donations and time to organizations that have a significant impact in our communities.

When employees feel like the company values their opinions, offers many avenues for personal and professional growth, and welcomes contributions from all members of the team, this healthy company culture will have a powerful impact on every aspect of the business — from sales to marketing to customer service. In the years to come, Avalara will keep investing in programs that put our people first.



PLANET

Avalara is committed to environmental sustainability, from our facilities to the partners we work with to how we source materials. We believe the urgent environmental challenges faced by the planet today require all companies to do their part, from simple measures to reduce our environmental footprint to a broad focus on sustainability at every level.

For example, because Avalara manages such large quantities of data, we recognize that the efficiency of our data centers is a key element of building a more sustainable company. This is why we work with Amazon Web Services (AWS), a platform which is 3.6 times more efficient than the median of enterprise data centers surveyed in the United States.

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Operational sustainability

Avalara has taken significant steps to ensure that our offices meet high standards for environmental sustainability and efficiency, from the use of LED lighting to the employee resources cited above. Our headquarters is located in Avalara Hawk Tower — a Silver LEED-certified building which meets the requirements of the Architecture 2030 Challenge (these requirements are based on efficient energy usage).

We also recognize the importance of working with vendors that share our commitment to sustainability, such as AWS, a cloud services platform vendor. AWS is considerably more efficient than other enterprise data centers in the United States, and it is **working** toward 100 percent renewable energy usage across its entire global infrastructure. Because AWS has what it describes as a “more energy efficient server population and much higher server utilization,” it’s capable of performing the same tasks as other platforms with an 88 percent smaller carbon footprint. AWS also uses techniques such as evaporative cooling, recycled water, and on-site water treatment to ensure that it’s minimizing waste and using resources as effectively as possible.



“

Our employees are an integral part of our effort to build a more environmentally conscious company, which is why we give them ample opportunities to contribute to this goal.”



Megan Fanckboner, Director, Facilities and Workplace Services, Avalara



Employee-led sustainability

At Avalara, we provide employees with the resources they need to improve environmental sustainability on a day-to-day basis. For example, we encourage recycling and composting in our offices and use clear labeling and signage to help employees dispose of items correctly. Many of our offices have water dispensers, which allow employees to eliminate waste with reusable containers. In our company store, we purchase local and recyclable items as much as possible, and we donate or recycle IT equipment we no longer use. Every office provides compostable materials and/or reusable dishware and cutlery. We pay for recycling in Brazil and provide boxes for employees to recycle pens, batteries, and other items at several of our offices.

Our employees are an integral part of our effort to build a more environmentally conscious company, which is why we give them ample opportunities to contribute to this goal. For example, we provide a public transit stipend and encourage modes of transportation that are more efficient than driving. Our offices are located near public transportation hubs and offer end-of-trip amenities including bike storage, locker rooms, and showers.

With thousands of employees and offices around the world, we recognize this gives us a pressing responsibility to reduce our energy consumption, waste, and carbon footprint while simultaneously adopting policies and operations that will have a positive impact on the environment (both locally and globally). Sustainability is a key priority for Avalara, and with the help of our engaged and environmentally conscious employees, this will continue to be the case for many years to come. We're constantly looking for ways to make our practices more sustainable, and we seek out vendors and other partners who share our commitment to corporate responsibility and environmental awareness.



GOVERNANCE

We are committed to sound corporate governance and operating ethically and responsibly through everything we do. Our company is overseen by a diverse, independent, and highly-effective Board of Directors.

In this section:

Corporate governance
Ethics and compliance

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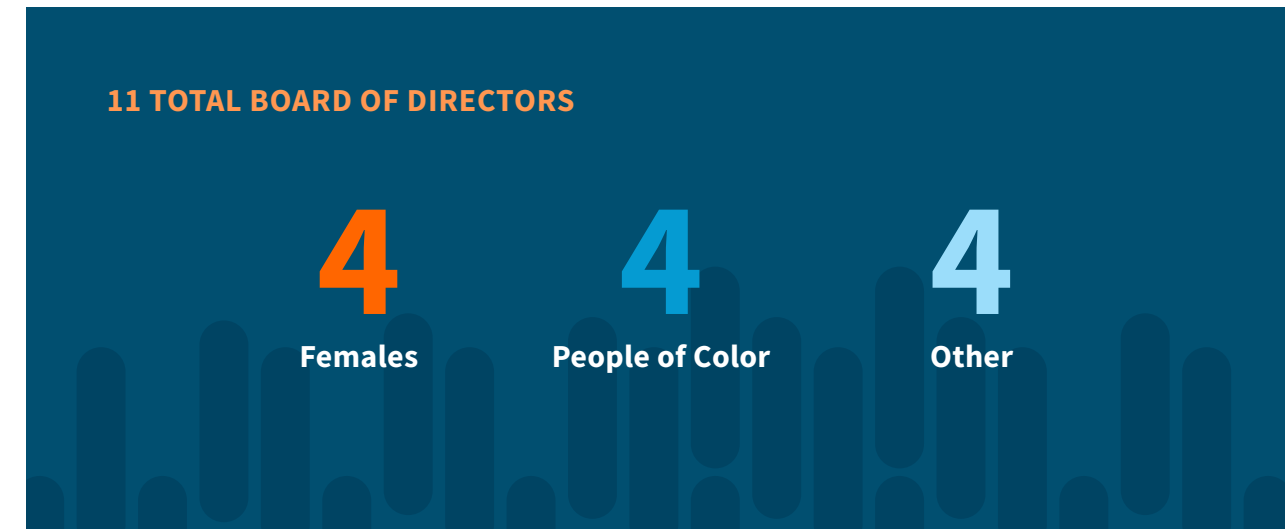
Corporate governance

Our Board of Directors serve as a prudent fiduciary for shareholders and provide oversight of Avalara’s business. The Board maintains an Audit Committee, Compensation and Leadership Development Committee, and a Nominating and Corporate Governance Committee. We strive for strong [Corporate Governance](#) and adapt our approach to reflect the environment.

Our Board generally oversees our environmental, social, and governance (ESG) objectives and supports their implementation. Specific ESG topics are overseen by the Board committee generally responsible for the subject matter. For example, the Nominating and Corporate Governance Committee has oversight responsibility for the corporate governance aspects of ESG. Execution of the Company’s ESG strategy is overseen by the Company’s senior management team.

We have made great efforts in the past two years to create a diverse Board of Directors, because we believe a wide range of voices, backgrounds, and experiences are imperative to sustainable growth. As such, here are highlights from our [2022 Proxy Statement](#) that provide insights into our governance oversight and structure:

- ✓ Nine out of eleven directors are “independent”
- ✓ Fully independent Board committees with key oversight roles
- ✓ Lead Independent Director with meaningful authority
- ✓ Board gender diversity with four female directors, two of whom are chairs of Board committees
- ✓ Average director age of 59, with reasonable tenure
- ✓ No dual class voting stock or poison pill
- ✓ Annual Board and committee performance evaluations
- ✓ Active Board and committee oversight of operations, strategy, and material risks







Ethics and compliance


Avalara is committed to doing business in a sustainable, responsible, and ethical manner. Our [Code of Business Conduct and Ethics](#) applies to all our employees, board members, contractors, consultants, and broadly sets out our policies with respect to nondiscrimination, conflicts of interest, fair dealings, health and safety, regulatory compliance, privacy and data protection, information security, anti-corruption, anti-competition, and intellectual property.

Thus, Avalara’s Code of Business Conduct and Ethics guides us in our day-to-day interactions, both inside and outside the company.

Here’s how we ensure that our employees adhere to the *Conduct Code*:

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We maintain a whistleblower hotline and investigate all allegations made through the hotline, or which are received via other channels (such as email).
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New employees receive, and must attest to, the *Conduct Code*.
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We distribute and attest to the *Conduct Code* annually.



