



MY HOME. MY EARTH.™

KB Home Sustainability Report



July 2008



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Our Vision for Sustainability

To become a leading environmentally friendly national company by engaging the talents of our employees and trade partners and utilizing the power of our innovative business model to minimize the impact of our business and homes on the environment, increase positive change in the protection of our earth and its resources, and continue to make the dream of homeownership attainable.

A Message from KB Home President and Chief Executive Officer



“Home” is a word filled with meaning and emotion for all of us. It is a place on the Earth we can call our own. And for over 50 years, KB Home has helped families achieve the American Dream of homeownership by providing beautiful, affordably priced and well-built homes. We believe that everyone deserves a home they can be proud of, a home that is built for their unique lifestyle, a home that will stand the test of time.

Today, more than ever, our challenge is to take steps to ensure that this dream can be a reality for the generations to come. This requires a delicate balance between fulfilling the societal need for affordably priced new homes that offer quality of life with meeting the environmental need to use our limited natural resources wisely. As an organization we feel passionately about these objectives and are actively addressing them. This inaugural *KB Home Sustainability Report* is a comprehensive review of our commitment to find solutions.

The homebuilding industry inherently depends on the use of natural resources: wood, land and water. Homes are also where most Americans generate a significant portion of their carbon footprint. The opportunities for the industry to make a measurable impact in this area are immense, but the challenges are great as well. We don’t expect to change the world — or our industry — overnight, but KB Home is committed to becoming a leading environmentally friendly company and a voice of change for the homebuilding industry.

In 2007, we formalized this longstanding commitment with the launch of our *My Home. My Earth.*[™] strategic environmental initiative, which seeks to take a holistic approach to evaluating sustainability opportunities throughout our business. In an industry that has been slow to meet environmental challenges, we have begun the process of reducing the environmental impact of homebuilding and home energy usage; however, we also recognize that there is much work to be done.

We believe that our KBnxt operational business model gives us unique strengths to embrace this challenge. KBnxt generates operating efficiencies through a disciplined, fact-based and process-driven approach to homebuilding that is guided by local consumer preferences. For more than a decade, this model has guided every aspect of our business, making KB Home uniquely flexible, innovative and able to support our sustainability initiatives.

Sustainable new home development will become increasingly important in the years to come and we believe that the first major homebuilder to address this need comprehensively and thoughtfully, while also maintaining affordability, will have a significant competitive advantage moving forward. But we believe that our environmental effort must go well beyond marketing to consumers; it’s about making changes throughout our organization that significantly reduce waste and minimize the environmental impact of our business, simply because it is the right thing to do.

The KB Home Board of Directors firmly supports our commitment to this shared objective. We will continue to work with our employees, customers, trade partners and community leaders to build homes and create communities that help our homebuyers achieve their dreams, while at the same time striving to protect our planet. Based on our success over the last 50 years and the hard work of our talented and dedicated team, I am confident that it can be done.

A handwritten signature in black ink that reads "Jeff Mezger". The signature is fluid and cursive, with the first name "Jeff" and last name "Mezger" clearly legible.

Jeffrey T. Mezger
President and Chief Executive Officer

Sustainability Report

Purpose and Structure

The purpose of this report is to share our objectives and progress in creating a more sustainable company by balancing environmental, economic and social responsibilities. This report covers KB Home's operations throughout the United States for 2007.

It identifies our environmentally friendly accomplishments and challenges, and includes a summary of our future goals. Information provided in this report is accurate to the best of our knowledge, as of July 2008. Financial data reported is for our fiscal year ended November 30, 2007, unless otherwise noted.

Our aim is that this report will represent a benchmark to measure our future efforts and accomplishments against and foster further discussion and engagement with our stakeholders on the complex issues of sustainability.

In selecting content for this report, we have followed the Global Reporting Initiative (GRI) Guidelines. GRI is considered by many to be the current standard framework for sustainability reporting and to provide an increased level of accountability and transparency. A full accounting of the GRI indicators addressed in this report and more information on GRI's guidelines can be found at the end of this report. We intend to report on our progress with respect to these indicators periodically and continue to refine and enhance our data gathering and measurement systems.

What Is Environmentally Friendly?

Throughout this report we use the term "environmentally friendly" to describe our sustainability initiatives.

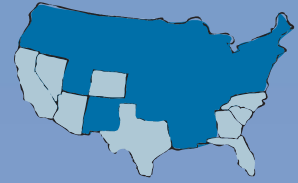
Our definition of "environmentally friendly" means reducing negative impact on our environment and increasing positive change in the protection of our Earth and its resources.

Specifically, we seek to minimize our carbon footprint by conserving natural resources, reducing waste in our construction processes and building energy- and resource-efficient new homes. This approach minimizes our own impact on the environment and, in turn, should reduce the carbon footprint of our homeowners.

We are also committed to serving as an educator to our employees and trade partners on the importance of embracing sustainability. This does not mean that we build "green homes" or claim perfection from an environmental perspective. We are embarking on a journey toward sustainability and these actions reflect our first steps, with many more to follow in the coming years.



For over half a century, KB Home has been building quality new homes for first-time, first-move-up and active adult homebuyers.



KB Home Overview

Headquartered in Los Angeles, we operate from coast to coast with division teams in local markets. Ranked the #1 homebuilder in FORTUNE® magazine's 2008 list of *America's Most Admired Companies*®, we are a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH."

KBnxt Operational Model and Built to Order™ Home Buying Process



We operate under our core KBnxt operational business model, an innovative and highly efficient customer-driven approach that is unique in the homebuilding industry. We developed and refined the KBnxt business model over a decade ago as a means of offering our buyers a Built to Order custom-like experience in the design of their homes while shielding our company from the risks associated with speculative building.

This business model generates greater efficiencies through a disciplined, fact-based and process-driven approach to homebuilding that is founded on a constant and systematic assessment of consumer preferences and market opportunities. Key results are increased quality and a more efficient use of building materials that minimizes waste.

When purchasing a KB home, our homebuyers choose their homesite, floor plan, square footage, architectural style and structural options. They also visit a KB Home Studio, our premier design showrooms, to choose additional interior design features, such as lighting, flooring, appliances and cabinets, to make their home truly their own from the ground up. This proprietary Built to Order approach effectively aligns homebuyers' preferences with our own need to exercise discipline and focus in all our business processes.



One National Brand, One Business

We operate nationwide under a single strong brand name and a consistent approach to our business that is unique in the homebuilding industry. This one-brand strategy has aided us in achieving our status as the most recognized brand in homebuilding. It also affords us the opportunity to promote our business through innovative national promotions and partnerships. These include offering unique home designs and home products in partnership with some of the world's leading brands such as Martha Stewart and Disney.



Environmental Task Force

We have assembled an internal Environmental Task Force with responsibility for our strategies regarding environment-related matters. The Task Force consists of a cross-functional team of senior executives and personnel from our architecture, purchasing, design studios, governmental and public affairs, legal, sales and marketing departments. The Environmental Task Force convenes monthly and is chaired by one of our Senior Vice Presidents.

Corporate Governance

Our business is conducted under the direction of our President and Chief Executive Officer and the oversight of our Board of Directors, with the objective of continually enhancing long-term value for our stockholders. Our Board of Directors is elected by our stockholders to oversee the management of our business and to assure that the interests of our stockholders are met. To support this goal, we believe that a substantial majority of our Board members should be independent. With the exception of our President and Chief Executive Officer, all Board members who served during our 2007 fiscal year were independent under the Board's independence standards. The Audit and Compliance Committee of the Company's Board of Directors also meets the independence requirements established by the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange (NYSE).

Our Board of Directors has adopted corporate governance principles that provide the framework within which we conduct our business and pursue our strategic goals. In addition, all of our Board members and employees are expected to follow the highest ethical standards when representing KB Home and our interests. To this end, all of our employees, including senior executive management, and our Board members must abide by our ethics policy. We also maintain an Ethics Policy Hotline and website, which are administered by an independent third party to ensure maximum confidentiality and neutrality, at (800) 304-0657 or www.ethicspoint.com.

Our corporate governance principles and ethics policy are available on our website at www.kbhome.com/investor/corporategovernance. Hard copies of our corporate governance principles and our ethics policy are available without charge through written requests to the Corporate Secretary.

Comments or questions for the KB Home Board of Directors, or any individual Board member, can be directed in care of our Corporate Secretary at KB Home, 10990 Wilshire Boulevard, Los Angeles, California 90024.



Leading the Homebuilding Industry in Quality and Reputation

KB Home was named the **#1 Green Homebuilder** by Calvert Investments, which had support from the Boston College Institute for Responsible Investment, in a 2007 survey of environmental practices of the 13 largest publicly traded U.S. homebuilders.

We received the **2007 ENERGY STAR® for Homes Outstanding Achievement Award** from the U.S. Environmental Protection Agency in recognition of our commitment to energy-efficient construction and environmental protection for homes we built in five of our divisions: Houston, Phoenix, Southern California, San Antonio and Tucson.

The EPA recently announced that eight of our divisions across the U.S. have been recognized with a **2008 ENERGY STAR Leadership in Housing Award**: Austin, Dallas/Fort Worth, Houston, Las Vegas, Phoenix, Sacramento, San Antonio and Southern California and were each recognized for building ENERGY STAR qualified homes.

From 2001 to the end of 2007, we built over **44,000 ENERGY STAR qualified homes**. By meeting the ENERGY STAR energy-efficiency standards, these homes have significantly reduced energy consumption and greenhouse gas emissions compared to homes that are built to today's standard building and energy codes.

As of 2008, **every home we build now features only ENERGY STAR qualified appliances**, which use much less energy and water than standard appliances.

We've been recognized for our leadership role in water conservation. This includes helping to launch the "California Friendly" program in Southern California and receiving the **Water Hero Award** from the Southern Nevada Water Authority for the creation of our Water Smart Home program in Las Vegas.

We have once again been ranked the **#1 homebuilder in FORTUNE® magazine's list of America's Most Admired Companies®**, the definitive report card of corporate reputations. 2008 marks the second time that KB Home has received this recognition, having also been ranked #1 in 2006.

In 2008, KB Home became the **first homebuilder to earn National Housing Quality (NHQ) Certification for all of our operations nationwide** from the NAHB Research Center, a subsidiary of the National Association of Home Builders. NHQ Certification is presented to builders that have documented and implemented rigorous quality management systems. Certification requirements ensure that all elements of a builder's quality assurance systems are aligned to improve quality performance and provide greater customer satisfaction.





MY HOME. MY EARTH.™

Environmental Initiative

In 2007, KB Home launched our *My Home. My Earth.*™ strategic environmental initiative to focus on the challenge of becoming a leading environmentally friendly national company and to create a companywide culture of sustainability. This initiative builds on our longstanding commitment to the environment and sustainability.


We believe that the homebuilding industry has an opportunity to effect meaningful change regarding the impact of new home construction on the environment and that it is the responsibility of every homebuilder to begin that process. The goal of *My Home. My Earth.* is to look for opportunities to create systemic change throughout our organization, building on the successes and learnings we have had with sustainable efforts and pilot programs in many of our local divisions.

To support this important initiative, we have identified five major commitments that the entire KB Home organization is aligned with as we continue to challenge ourselves in the area of sustainability and environmental stewardship.

Our 5 Commitments

1. Offer environmentally friendly and affordably priced homes, products and features that minimize our homeowners' carbon footprints and energy usage, conserve natural resources and create healthy homes and communities.
2. Utilize our history of innovation and our process-driven approach to reduce waste and natural resource usage throughout our organization.
3. Be an active and responsible member of the communities in which we operate.
4. Be an environmental educator for all our employees, homebuyers and business partners regarding home energy conservation and environmental sustainability.
5. Maintain our standards of transparency and corporate citizenship by publicly reporting on our progress and challenges in our sustainability efforts.





In assessing our current performance, we believe that environmental responsibility is the area of sustainability in which we can have the most significant impact.

environmental responsibility

KB Home is committed to continuously reducing the environmental impact of our operations and the homes we build. Our business depends heavily on natural resources, and the use of our core product, houses, is a source of greenhouse gas emissions. Through thoughtful community planning and architectural designs, improvements in land development, innovative construction practices and productive relationships with our suppliers and trade partners, we strive to offer our homebuyers high-quality, resource-efficient homes and options that meet their preferences and budget.

In this section, we share our perspectives on the environment, how we empower our homebuyers to participate in sustainability, and initiatives we undertook in 2007 to work toward our ongoing commitment to being a more sustainable company.

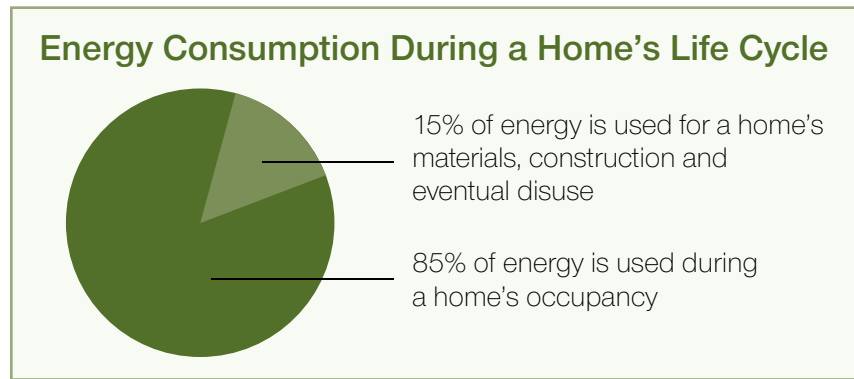
The Impact of Housing on Climate Change

The U.S. Environmental Protection Agency estimated that approximately **17% of greenhouse gases emitted in the United States in 2006 came from people living their day-to-day lives in their homes**,¹ which gives KB Home the potential to make a positive impact in this area through building more resource-efficient homes and increasing our consumer education. As a leading national homebuilder, we are in a position to influence incremental change in the area of greenhouse gases and the construction and use of new homes, and are committed to taking this leadership position in our industry. We are seeking to minimize emissions that are directly within our control and work with our trade partners and homeowners to reduce theirs as well. **Due to the many strides in our industry, today's new homes have a significantly smaller carbon footprint than older homes, which means every day we're making a difference as we replenish the housing supply with more efficient homes.**

Each step in the life cycle of a home has an impact on climate change, from the initial raw material extraction and manufacturing to home construction, occupancy and eventual disuse. More than 85% of the total energy consumption during this entire life cycle stems from the energy used during home occupancy, according to research published in 2000 by the *Journal of Industrial Ecology*.² This means our greatest opportunity to impact the carbon footprint of our homes (the sum of all emissions of CO₂ resulting from the life cycle of the home) is in providing energy-efficient features and educating our homebuyers about how to conserve energy over the entire lifetime of their homes.

1 U.S. EPA. U.S. Greenhouse Gas Inventory Report: *Inventory of U.S. Greenhouse Gas Emission and Sinks 1990-2006*. Table ES-8: U.S. Greenhouse Gas Emissions by Economic Sector with Electricity-Related Emissions Distributed. <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>

2 Keoleian, Gregory A. et al. "Life Cycle Energy, Cost, and Strategies for Improving a Single Family House." *Journal of Industrial Ecology*, 2000.



Energy Usage of New Homes Compared to Existing Homes

Similar to what has occurred with innovations in the auto industry, changes in construction practices and the development of new building materials mean that today's new homes are generally more energy efficient than existing resale homes. According to the U.S. Department of Energy, new home construction built to today's standard building and energy codes — even without the more stringent requirements for ENERGY STAR qualified homes — produces homes that are up to 30% more energy efficient than homes built as recently as the 1990s.³

That means that when a household moves from an older home to a new home, they could potentially reduce their carbon footprint by up to 30%. If they chose an ENERGY STAR qualified home, that carbon footprint reduction could be as much as 45%.

At KB Home, homebuyers can increase the energy efficiency of their new homes even further by adding products from our *My Home. My Earth.*TM line of KB Home Studio options. This includes radiant barrier roofs, higher efficiency furnaces, dual-zone HVAC systems and more.

Calvert Investments 2007 Survey of Homebuilder Environmental Practices

Recently, Calvert Investments, with support from the Boston College Institute for Responsible Investment, released a detailed assessment of the 13 largest publicly traded U.S. homebuilders. Companies were scored according to their policies, programs and performance in the areas of energy use, timber use, water use and land use. Calvert Investments recognized many of the innovations across our operating divisions that are detailed in this report. We are increasing our commitment to evaluate national adoption of some of these regional innovations, even as we pilot new ones. While we are proud to have been recognized as the #1 Green Homebuilder, we also agree with their assessment that the environmental effort in our industry has opportunity for significant improvement.

³ US Department of Energy (DOE) Builders Challenge Program. <http://www1.eere.energy.gov/buildings/energysmart.html>

KB Home's Commitment to ENERGY STAR®

The well-recognized ENERGY STAR program was developed by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy to provide guidelines for energy-efficient technologies. KB Home has been a partner in the ENERGY STAR for Homes program since 2001, and we are honored to be recognized by the EPA as an ENERGY STAR leader in the homebuilding industry.

ENERGY STAR Qualified Homes

We received the 2007 ENERGY STAR for Homes Outstanding Achievement Award from the EPA in recognition of our commitment to energy-efficient construction and environmental protection for homes we built in Houston, Phoenix, San Antonio, Southern California and Tucson.

The EPA recently announced that eight of our divisions across the U.S. have been recognized with a 2008 ENERGY STAR Leadership in Housing Award: Austin, Dallas/Fort Worth, Houston, Las Vegas, Phoenix, Sacramento, San Antonio and Southern California, and were each recognized for building ENERGY STAR qualified homes.



Over 25% of our divisions are currently building all their new homes to ENERGY STAR standards. Another 40% of our divisions have built some homes to ENERGY STAR standards. The following table shows the ENERGY STAR qualified homes we built by state in 2007 and all those we have built since 2001.⁴

According to EPA estimates, a household living in an ENERGY STAR qualified home, compared to a standard new home, consumes 15% less energy, reduces greenhouse gas emissions by 5,813 pounds per year, and saves about \$447 on utility bills annually.⁵

A History of Building ENERGY STAR Qualified Homes

	Built in 2007	Built Since 2001
Arizona	535	4,458
California	806	7,798
Colorado	62	169
Nevada	1,633	13,174
Texas	4,431	18,537
TOTAL	7,467	44,136

4 ENERGY STAR. "New Homes Partner Results." 19 May 2008. https://www.energystar.gov/index.cfm?useaction=new_homes_partners.showHomesResults&partner_type_id=SHB&s_code=ALL

5 ENERGY STAR. "Features of ENERGY STAR Qualified New Homes." http://www.energystar.gov/index.cfm?c=new_homes.nh_features

ENERGY STAR qualified homes have six defining features to reduce energy consumption and improve air quality:

1. Effective insulation in the floors, walls and attic ensures even temperatures throughout the home, increased energy efficiency and improved comfort.
2. High-performance, energy-efficient windows keep heat in during the winter and out during the summer. These windows also block damaging ultraviolet (UV) rays.
3. Tight construction and ducts seal the home and keep out drafts, moisture, dust, pollen and noise.
4. Efficient heating and cooling equipment uses less energy, is often quieter and reduces humidity in the home.
5. Energy-efficient products such as appliances and ventilation fans reduce energy consumption.
6. Third-party verification of the energy-efficiency, air-tightness, duct sealing and other environmental qualities of the home confirms that the home is built to ENERGY STAR standards.⁶

ENERGY STAR Qualified Appliance Commitment

In September 2007, KB Home announced that **beginning in 2008, every new home we build will feature only ENERGY STAR qualified appliances.** This policy means that, going forward, the carbon footprint of every one of our homes – as well as our homeowners' energy bills – will be reduced, at no additional cost to our homebuyers.

"We applaud KB Home's leadership in ensuring that energy-efficient appliances are standard in the thousands of new homes the company builds each year. KB Home is setting a strong example for all businesses to look at what they can do to help their customers save energy and other precious natural resources while enhancing their quality of life."

*Sam Rashkin, Director
ENERGY STAR for Homes Program
U.S. Environmental Protection Agency*

Other ENERGY STAR Qualified Products

We also offer our homebuyers many ENERGY STAR qualified products, including appliances, light fixtures, entry doors and ceiling fans. An expanded list of all *My Home. My Earth.* options offered in the KB Home Studio, including ENERGY STAR qualified products, is provided later in this report.

We are gradually installing more ENERGY STAR qualified products in the homes we build, both as standard features as well as options that customers may choose. The table on the next page shows the growing use of a few of these products.

6 ENERGY STAR. "Features of ENERGY STAR Qualified New Homes." http://www.energystar.gov/index.cfm?c=new_homes.nh_features

KB Home's Increasing Use of ENERGY STAR Qualified Products

	2006	2007
ENERGY STAR Light Fixtures	25.2%	39.6%
ENERGY STAR Washing Machines	4.1%	9.2%
ENERGY STAR Refrigerators	5.5%	14.3%

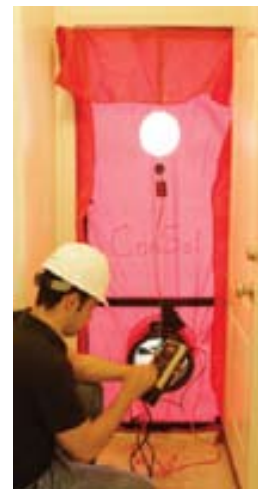
ComfortWise® Homes

In California, we also build ComfortWise homes, which are 15% more energy efficient than the state's already stringent code requirements (Title 24).⁷ ComfortWise was created and is operated by ConSol, energy consultants with over two decades of experience.

Since the program's inception, 100,000 ComfortWise homes have been built in California and Nevada by a variety of homebuilders, according to ConSol's records. ComfortWise homes share many of the benefits and features of our ENERGY STAR qualified homes including: engineered heating and cooling systems, tight ducts, high-performance energy-efficient windows, and third-party inspections according to rigid standards.

According to ConSol's records, KB Home has built a total of 9,405 ComfortWise certified homes, 696 of which were certified in 2007.

In three of our ComfortWise communities in our Northern California division in South Bay we also offered a "Near Zero Energy Home" product package that would boost the energy efficiency of these homes even further. The package included photovoltaic solar electric power systems, energy-efficient appliances and many other innovations. In combination, these options are designed to allow the homes to generate as much as or more power than they consume.



Third-party ComfortWise inspection of a KB home

Making a Positive Impact on Greenhouse Gas Reductions

From 2001 through 2007, KB Home built **53,541 highly energy-efficient homes, including 44,136 ENERGY STAR qualified homes and 9,405 ComfortWise certified homes.**

According to EPA formulas, these homes reduce greenhouse gas emissions by over 140,000 metric tons annually, which is estimated to be equivalent to removing over 26,000 cars from our roads each year – **and save our homeowners up to \$24 million per year on utility bills.**⁸

⁷ <http://www.comfortwise.com>

⁸ Calculated using EPA ENERGY STAR templates

Environmentally Friendly

*My Home. My Earth.*TM Products and Features

As part of our Built to OrderTM homebuying process, KB homebuyers select many of the products and features that are built into their home. Among the many selections they can make are a series of *My Home. My Earth.* options at our KB Home Studios that allow them to personalize and increase the resource efficiency of their homes to suit their preferences. KB Home Studio continues to add buyer choice design options that have a positive impact on the environment. As consumers increasingly look to make their own contributions to mitigate the potential effects of global climate change, we believe *My Home. My Earth.* options provide us with a real competitive advantage, while allowing us to keep our homes affordably priced.

KB Home Studio employees are trained to help our homebuyers understand the many environmental and, in many cases, potential cost-saving benefits of *My Home. My Earth.* options. In 2007, 94% of our consultants completed a training course on how to better inform our homebuyers about the features and benefits offered by these options, and we are expanding on this training in 2008. We label these products with *My Home. My Earth.* consumer point-of-purchase tags listing their key features and benefits, so that all employees and homebuyers can easily identify them. We also track *My Home. My Earth.* option sales trends to manage and assess growth opportunities in this part of our business.

The *My Home. My Earth.* options available at each community differ according to local market preferences, climate, building materials and local regulations. To make the environmental benefits of these products clear, they are grouped into four categories based on information from each of the manufacturers:

Energy Efficient: Options that help conserve energy or generate energy from renewable sources. Examples of these products include insulating radiant barrier roof systems, ENERGY STAR appliances and light fixtures, programmable thermostats, tankless hot water heaters, light dimmers and photovoltaic solar panels.

Water Wise: Options that help to conserve water. Examples of these products include xeriscape landscaping, low-flow plumbing fixtures and faucets, and water-conserving washers and dishwashers.

Healthy Home: Options that help promote cleaner indoor air quality and water, as well as products that have anti-germ or similar qualities. Examples include water treatment systems, central vacuum systems, and low-VOC paint and carpet.

Sustainable Sources: Options that contain recycled, recyclable or renewable materials. Examples include carpet made of recycled and recyclable nylon, engineered wood flooring, and composite decking formed from recycled wood and plastic.










Better Carpet for Our Homebuyers and the Environment

Every KB home features Shaw[®] carpet that meets the Carpet and Rug Institute (CRI) Green Label Plus standards, ensuring that all the carpets we use emit low amounts of volatile organic compounds (VOCs).



All base carpets used in KB homes are made with Nylon-6 face fiber (N6), which is recyclable. Also, Shaw is taking old carpet made with N6 fiber and recycling it to make new carpet. This is diverting numerous tons of post-consumer carpet from landfills. Since January 2007, KB Home Studios have been focused on selling Shaw Anso[®] carpet, which contains recycled content. We grew sales of Anso carpet from 2% of all Shaw carpets installed in 2006 to 8% in 2007.

My Home. My Earth.™ Options Offered at KB Home Studios in 2007*

ENERGY EFFICIENT	WATER WISE	HEALTHY HOME	SUSTAINABLE SOURCES
ENERGY STAR appliances	Water-conserving washers	Low-VOC paint	Engineered wood floors
ENERGY STAR windows (Low-E2 and E3)	Water-conserving dishwashers	Air filtration (electronic and mechanical cleaners) and humidification systems	Carpet made from recycled and recyclable materials
ENERGY STAR light fixtures	Low-flow plumbing fixtures and faucets	Central vacuum	MDF shelving made from recycled wood particles
Upgrade to higher rated insulation in exterior walls and attic. Also, insulation for interior wall and floors.	High-efficiency toilets	Ice-making/water dispensing refrigerators with water filtration systems	Blown-in insulation made partially from recycled post-consumer products
Electric in-floor heating system with ENERGY STAR thermostat (limited locations)	Hot water recirculation systems and instant hot water systems	Non-porous solid surface countertops, including countertops with anti-microbial treatment	Cabinets made mostly from recycled wood particles
Upgrade to higher SEER air conditioners	Xeriscape landscaping (limited locations)	Pest control systems that limit and control the application of chemicals	Interior doors partially made from recycled wood particles
Upgrade to higher-efficiency furnaces		Whole-house water purification and/or softener systems	Composite decking made from recycled wood and plastic
Window coverings – honeycomb shades		Under-the-sink water filtration mini-systems	
ENERGY STAR entry doors		Direct-vent fireplaces and appliances	
Solar power (photovoltaic) systems		Ultra violet germicidal lamps for HVAC system	
Programmable thermostats		Bathroom exhaust fans	
Insulated garage doors		Mold-resistant carpet pads	
Radiant barrier roofs		Fresh air exchange vents	
ENERGY STAR ceiling fans		Gas and electric fireplaces	
Light dimmer switches		Moisture detector	
Fluorescent garage lighting		Carbon monoxide detector	
Tankless water heaters			
Skylight/sun tunnels			
Zoned HVAC systems			
House wrap			
Upgraded vinyl windows			

*Product classification is based on manufacturer product specifications. Not all options are available at every Studio due to local climate, building codes or construction practices.

Operational Efficiencies

Homebuilding is a profoundly local business that must be flexible to the needs and requirements of each individual community, but as a national homebuilder we have the opportunity to effect change across our operations. Some of these incremental changes have the potential to add up to a significant reduction of our corporate carbon footprint and others have the potential to drive down costs while eliminating waste from our business. We are committed to increasing our awareness and reduction of the environmental impact of our construction activities.

Homebuilding Principles

Increasing building efficiency is an integral part of our KBnxt business model, which can support more sustainable building practices as well.

Among the core homebuilding principles we follow are:

- Build homes in the most efficient, skilled and cost-effective manner we can, offering our homebuyers value and choice at an affordable price.
- Continuously enhance our construction methods and our selection and use of building materials and other resources.
- Work closely with our trade partners to ensure that they continue to adhere to our improving standards.
- Constantly review and, where possible, refine our home designs and community development plans to improve efficiency and thereby reduce the use of natural materials and the cost of our construction operations.
- Promote the adoption of new technologies, materials and construction techniques, by helping to develop or by participating in various programs with government agencies and non-governmental organizations.

Operational Environmental Efficiencies

Following are some of the innovative practices and initiatives we implemented in 2007 to minimize the environmental impact of our construction operations. A number of these were pilot projects that were tailored to meet local environmental conditions, regulations and community standards for a specific community or region and may not be applicable across all our operations. Our aim with our *My Home. My Earth.* environmental initiative is to identify local division best practices among these to roll out companywide.

Our operational environmental efficiencies generally fall into five categories:

- Construction Waste Recycling
- Use of Building Materials with Recycled Content
- Efficient Use of Building Materials
- Community Planning
- Natural Resource Preservation

Construction Waste Recycling

We strive to recycle waste produced from our construction activities and the packaging in which building materials are delivered. Examples include:

- **Concrete and Pavement:** We recycle concrete and pavement in constructing new roads for some of our communities in Southern California, which saves materials, energy and landfill space.
- **Sheetrock:** We recycle sheetrock, composed almost entirely of limestone, as fertilizer for our landscaping in Southern California.
- **Packaging:** We partner with our cabinet trade partner in Tucson to recycle the packaging used to ship cabinets to our construction sites, saving landfill space.
- **Cardboard:** Whirlpool Corporation removes cardboard after they install appliances at our job sites and recycles it.
- **Limited Landfill Use:** In some Southern California communities, trash is sorted between landfill and recycle bins to limit landfill use.

Use of Building Materials with Recycled Content

We use building materials made with recycled content, which minimizes the use of resources in creating new building materials. Examples include:

- **Cellulose Insulation:** Made from recycled newspapers, this insulation performs better than other fiber insulations, seals the home against air infiltration, slows the spread of fire and is composed almost entirely from a waste product that would otherwise wind up in a landfill.⁹ Participating divisions include Charlotte, Sacramento and Tucson.
- **Finger-Jointed Studs and Trim Material:** These engineered wood products are created from recycled lumber. Stronger than products made from virgin trees, they help us to minimize the cutting of new trees and preserve standing forests.¹⁰ Participating divisions include Southern California and Tucson.

Efficient Use of Building Materials

We strive to use building materials in the most efficient means possible, driving down waste and costs. Examples include:

- **Pre-Constructed Panels and Components:** Where local conditions make it feasible, we build a portion of our homes using customized, preconstructed panels and other components created in offsite factories. This approach reduces waste compared to on-site construction, allows work to progress regardless of weather conditions and minimizes the transportation of materials to construction sites. It also helps us build stronger, more airtight homes, which means better insulation and lower utility bills.¹¹ In 2007, approximately 65% of our homes were built utilizing preconstructed panels.
- **Engineered Wood Products (EWP):** Floor systems for two-story homes are primarily constructed of manufactured “I” joists rather than nominal lumber. In addition, most structural beams are either engineered products or laminated from smaller members. This limits the use of large framing members that require large trees to be cut.



Assembly of preconstructed panels at Universal Forest Products facility in Fontana, California

⁹ Build it Green. Cellulose Insulation. <http://www.builditgreen.org/cellulose-insulation-build-it-green-fact-sheet-pdf>

¹⁰ Weyerhaeuser. Weyerhaeuser iLevel Trus Joist® Presentation.

¹¹ Universal Forest Products. <http://www.ufpi.com/product/wallpanel/paneloptions.htm>

- **Roof Trusses:** 100% of our homes utilize pre-engineered roof trusses, which limits the use of larger framing members. In most cases trusses can be constructed of 2" x 4" material rather than much larger rafters such as 2" x 8" or 10".
- **Architectural Design Efficiencies:** Our in-house architecture team develops the majority of our architectural designs and construction documents. They value-engineer our plans, minimizing construction materials and cost, as well as waste. Currently we are increasing our focus on value series plans that are made more cost-effective and support sustainability through early process value engineering and reduced resource usage. Value engineering during plan development has enabled our team to limit use of hardware and large structural members.
- **Purchasing Efficiencies:** Our purchasing teams are improving the precision of their material take-off calculations, which are the estimation of the exact quantity of materials needed to construct a building allowing for little or no waste. This ensures that our purchasing teams order only the construction materials needed, minimizing cost and waste. Take-offs are established for all plans and then field verified to validate quantities.

Community Planning

We know it's important to design new home communities to preserve and enhance existing ecosystems and we try to do so wherever possible and practical. We have also developed infill/mixed-use communities in urban areas that allow homebuyers to live closer to employment centers and utilize existing infrastructure and public transportation hubs. Examples of this include:

- **Conservation Development:** Our Martin's Chase community outside of Washington, D.C., received international recognition from the Wildlife Habitat Council for extensive ecosystem conservation measures, developed in partnership with Virginia Polytechnic Institute and State University. We clustered the 147 single-family homes together on the 850-acre property, allowing most of the natural habitat to remain undisturbed. To help preserve the existing ecosystem, the homeowners association is governed by a wildlife management covenant. 148 acres were donated to Loudon County as a community park.
- **S.M.A.R.T. Housing:** In Austin, we completed the city's first S.M.A.R.T. Housing Initiative community. S.M.A.R.T. promotes the development of Safe, Mixed-income, Accessible, Reasonably-priced and Transit-oriented new housing for low-to-moderate income residents. By providing people with the opportunity to live closer to where they work, the community we helped develop is designed to cut automobile traffic and the resulting air pollution.
- **Urban Redevelopment:** KB Home has participated in the redevelopment of a number of former industrial sites and closed military bases that are often close to vital urban centers and can be transformed into vibrant neighborhoods. Because of their design, they give people the opportunity to live, work and play in the same area with reduced driving. In Denver, we are participating in the largest brownfield redevelopment project in the United States — the transformation of the former Stapleton International Airport. It is a mixed-use community based on traditional neighborhood design principles of walkability, increased density with more shared open space, and broad front porches designed to help foster connections among residents and strengthen the community.



KB Home's Martin's Chase community has been recognized for ecosystem conservation



KB Home's Stapleton community was built on the former site of Denver's Stapleton International Airport

Preserving History and Our Environment

Monte Vista, a KB Home community of 380 townhomes and condominiums near the heart of San Jose, California, is built on the site of the historic Del Monte Cannery #3 – at one time the largest fruit and vegetable cannery in the world. Monte Vista combines brownfield redevelopment, environmental restoration, and historic preservation in a transit-oriented community designed to help revitalize the city's urban core.

Working closely with History San José, a local historical organization, we invested more than \$1 million on historic preservation efforts. Projects included saving the landmark 160-foot, 5,000-gallon Del Monte water tower, some of the original cement cannery walls, a section of the conveyor belt system – now used as a gateway feature to the community – and a section of the original “saw-tooth” roof that will be used as the roof of the on-site light-rail station. We also invited preservation groups to the cannery to salvage antique fixtures and furniture prior to demolition. To ensure that the story of this important site endures, we also paid \$100,000 for History San José to produce a video documentary using oral histories from former employees of Cannery #3, which was also posted on their website (<http://www.historysanjose.org/cannerylife/index.html>).

The riparian value of the Los Gatos Creek corridor was protected and enhanced with a 1.1-acre setback buffer along the entire 920-foot length of the creek channel bordering the site. Accumulated garbage and trash were removed from the riparian area and the existing concrete and asphalt surface along the creek corridor was removed and restored with infill planting of native species. The demolished cement and asphalt were even crushed on site and recycled for use in the new streets as base rock, sparing the landfill tons of debris. The creation of a trail through the setback buffer will provide a dedicated pedestrian pathway that protects the native plants and wildlife. As part of its design efforts, KB Home utilized native plants throughout the community to reflect its ties to the riparian border.

Our Monte Vista community is a response to homebuyers' interest in living closer to the amenities and employment available in urban centers. The community's design also facilitates the ability of our homebuyers to limit their carbon footprints by cutting down emissions from long commutes, due to the community's proximity to numerous rail, light rail and bus lines. The higher density of this community allows us to offer homes that are affordably priced to a wider range of buyers. This community is an example of the kinds of innovative, customer-focused thinking that the environmental challenge requires.



KB Home's Monte Vista community on the site of the former Del Monte Cannery #3





Historic photograph of the original cannery facility



The landmark Del Monte water tower is now a feature of our Monte Vista community

Natural Resource Preservation

We are constantly looking for new ways to minimize the impact of the homes we build on natural resources. We have undertaken initiatives to preserve endangered and old-growth forests, conserve water in arid climates and preserve existing trees in our development communities. Some of our preservation efforts during 2007 include:

- Lumber:** Our lumber contracts require a commitment from our suppliers to provide us with wood that is not sourced from endangered forests, or is certified by recognized sustainable forestry management programs. In addition, in a test community near San Francisco, we spearheaded a large-scale use of lumber certified by the Forest Stewardship Council.
- Water Smart Homes:** We partnered with the Southern Nevada Water Authority and the Southern Nevada Home Builders Association to create the first Water Smart Home, which saves up to 75,000 gallons of water per year. Since 2005, the majority of homes we have built in the greater Las Vegas area have been Water Smart Homes. In 2006, we received a Water Hero Award from the Southern Nevada Water Authority, having built over 3,000 Water Smart Homes and saved up to 225 million gallons of water.¹²

- California Friendly Homes:** In partnership with the Metropolitan Water District of Southern California and the U.S. Bureau of Reclamation we helped launch the California Friendly water conservation program for homebuilders. California Friendly homes include low-flow toilets and water-efficient clothes washers and dishwashers. In addition, these homes feature native landscaping maintained by smart watering systems that respond to changes in the weather.
 
- Tree Preservation and Planting:** We frequently support public park measures and tree-planting efforts at schools and other public facilities. Where possible, we try to preserve existing trees in our communities. In Austin, Texas, for example, we have changed street layouts to preserve as many trees as possible and have requested zoning variances to encourage tree preservation. In San Antonio, Texas, we won the award for Most Improved Developer from Scenic San Antonio, an organization dedicated to the preservation and enhancement of the local visual environment, for striking a responsible balance between building quality affordably priced homes and protecting heritage trees and other natural landmarks in San Antonio.
- Solar Homes:** In the last two years, we conducted pilot programs offering photovoltaic solar electric power systems as an option at four Northern California communities. Homebuyers had the option to purchase the solar option as part of the original construction of their homes. We are evaluating the results of these pilot programs to determine the viability of offering solar systems on a wider basis.

¹² Southern Nevada Water Authority. http://www.snwa.com/html/cons_wshome.html.

KB Home Support for the Protection of Intact Ecosystems and Critical Habitat

Over the years, KB Home has been a voice from the homebuilding industry in support of the protection of old-growth forests. We firmly believe that it is not necessary to cut old-growth forests in order to provide the raw materials needed for our business. Intact, old-growth forests are an increasingly rare and immensely valuable biological resource that must be protected. There are plenty of managed forests that can provide wood for homebuilding. We think it is imperative for the industry, not just environmental organizations, to speak on behalf of maintaining this valuable natural resource.

- First in 2004 and then again in 2007, KB Home lobbied the U.S. Forest Service to oppose any change in the Roadless Rule that might endanger the 90,000 square miles of intact ecosystems this rule protects from logging on national forest land. It is an ongoing challenge for us to determine the origin of our wood supplies. By enabling wood from these sources to be sold on the open market, the Forest Service would actually be making this task more difficult.
- The National Resources Defense Council has recognized KB Home for our leadership in supporting the protection of roadless forests and our commitment not to use lumber from old-growth or other endangered forests.
- In 2007, we also lobbied the U.S. Fish and Wildlife Service to continue to protect the remaining critical habitat for the northern spotted owl. These owls are native to the Pacific Northwest and can live only in old-growth forest habitats. They were placed on the Endangered Species List in 1990 due to the accelerating rate of destruction of their habitat.



National Resource Defense Council's recognition of KB Home's support for preservation of Tongass National Forest, as it appeared in *The New York Times*

Complying with Environmental Laws and Regulations

We are committed to complying with our obligations under applicable environmental laws and regulations. Yet, despite our best efforts, there can be occasions when we might not meet the expectations held by the government agencies that enforce those laws and regulations.

In January 2003, we and several other national homebuilders received a request for information from the EPA regarding our implementation of the storm water pollution prevention program at a limited number of our construction sites. We provided all the requested information. In May 2004, on behalf of the EPA, the U.S. Department of Justice (DOJ) tentatively asserted that certain regulatory requirements applicable to storm water discharges had been violated on occasion at some of our construction sites. Through discussions with the EPA, the DOJ and other homebuilders, we agreed in May 2008 to resolve the matter by paying a civil penalty of \$1.2 million and implementing increased storm water pollution management practices.

We are committed to protecting the environment by limiting the storm water runoff generated from the production of new homes. All KB Home communities execute and maintain a strict Storm Water Prevention Pollution Program (SWPPP), as required by the EPA. To support the execution and maintenance of these SWPPP plans, all of our construction superintendents complete SWPPP training within the

first 30 days of employment as part of their new-hire training program. The current program consists of an SWPPP manual and certification test. As part of our commitment to protecting the environment against storm water pollution, this year we are launching an interactive training module that will provide learners with information on implementing and maintaining SWPPP programs along with examples and case studies to reinforce the appropriate execution of these plans.

We now have staff who audit our storm water pollution management practices at our construction sites and trains our team. This includes two Workplace Compliance Managers who audit every KB Home division biannually. They visit several jobsites and inspect for Best Management Practice maintenance, audit the SWPPP books for compliance and review record-keeping procedures.



KB Home Operations Carbon Footprint

Estimating the greenhouse gas (GHG) emissions, or carbon footprint, of the facilities and processes we own or operate in a business as complex as ours is a challenging process, but one we think is important to measuring our progress against our sustainability goals.

The sources of emissions we have identified across our business include:

- The operation of our headquarters, division offices and other office facilities.
- The operation of our KB Home Studios, the showrooms we operate near our communities where homebuyers personalize their homes.
- The use of model homes, sales offices and sales/construction trailers at our communities.
- The business travel of our employees — both local and national.
- The materials and products selected from suppliers by both our company and our homebuyers.
- The work of our trade partners in building homes.

For this, our first sustainability report, we have established a benchmark of our energy use and GHG emissions based on an illustrative sample of the following facilities:

- Our corporate headquarters in Los Angeles.
- A local division office for our South Carolina operations.
- A KB Home Studio in Charleston, South Carolina.
- Two model homes in the Fairlawn community at Foxbank Plantation in Moncks Corner, South Carolina. The sales office facility for this community is also housed in one of these two model homes.

Energy usage was collected for calendar year 2007 based on electricity and natural gas bills from the applicable utility or property management company. The GHG Protocol was then used to calculate our GHG emissions based on the energy usage and emission factors for the locations. We selected the South Carolina locations because we believe they use a greater amount of energy than similar facilities in other areas.

Setting a Benchmark for KB Home's Annual Energy Usage and Greenhouse Gas Emissions

Location	Size (sq. ft.)	Energy Usage (kBtu/sq. ft.)	National Avg. Energy Usage by Building Type (kBtu/sq. ft.)	GHG Emissions (metric tons CO ₂)
Corporate Headquarters	73,825	66	88 ¹³	670
South Carolina Division Office	13,343	79	88 ¹³	197
Charleston Studio	6,900	122	94 ¹⁴	153
Model Home #1	2,599	59	–	26.8
Model Home #2 with Integrated Sales Office	2,476	62	–	27.4

We compared the annual energy usage per square foot of our benchmark offices to national averages from the Energy Information Administration and found them to be more energy efficient than the national average for offices. Furthermore, our corporate headquarters in Los Angeles has lower emissions than it would if it were located in many other parts of the U.S. This is because California uses approximately five times more renewable sources (such as wind and solar) than the national average in the production of electricity, thus reducing the intensity of GHG emissions per unit of electricity. On the other hand, the Charleston Studio uses approximately 30% more energy than the national average for a retail space. We believe this is due in part to several lighting product showcase displays in our Studio that consume additional energy. For model homes, national average energy usage data is not available for direct comparison because these model homes are constructed to residential building codes and serve several functions, including office and product showcase.

The process of calculating this benchmark has helped us to determine what data is important to track for the future and how we might capture it. We are continuing to collect data to calculate our carbon footprint more accurately, as well as implementing energy efficiency measures at our facilities. We intend to provide updated information in future reports.

¹³ Energy Information Administration - 2003 Commercial Buildings Energy Consumption Survey Consumption and Expenditures Tables, Table C12A, Consumption and Gross Energy Intensity by Year Constructed for Sum of Major Fuels for all Buildings, 2003. Principal Building Activity = Office

¹⁴ Energy Information Administration - 2003 Commercial Buildings Energy Consumption Survey Consumption and Expenditures Tables, Table C12A, Consumption and Gross Energy Intensity by Year Constructed for Sum of Major Fuels for all Buildings, 2003. Principal Building Activity = Mercantile / Retail

Office Sustainability

We have been working to reduce the environmental impact of our headquarters and division offices. These efforts are an important component of our overall commitment to sustainable development.

Some of our initiatives include:

- Recycling cell phones, computers and other electronic equipment (e-waste) through our supplier for cell phones and a third-party electronics recycling service provider.
- Putting a priority on recycled content in our office supply purchases.
- Recycling paper through a third-party service provider.
- Reducing the need to print architectural plans and other construction documents that we and our trade partners use for project management, by making these documents available on-demand electronically.
- Replacing extensive travel with Internet-based “virtual” meetings.
- Printing our 2007 Annual Report on paper certified by the Forest Stewardship Council (FSC).



Office Supplies

We purchase the majority of our office supplies from a vendor that has a “green” line of materials. According to their records, 23% of our purchases were from the green line in 2007, up from 16% in 2006.

Paper Recycling

The majority of our offices have established recycling programs. While we are not currently tracking the results of local recycling programs, we do have reports from our national confidential paper shredding service provider, who recycles the paper after shredding. The table below shows the impact of the paper they shredded and recycled on our behalf.

The Impact of KB Home’s Shredded Paper Recycling¹⁵

	2006	2007
Recycled paper (office grade paper)	52,008 pounds	56,440 pounds
Paper material weight	26 tons	28 tons
Trees saved	442 trees	479 trees
Water saved	183,028 gallons	197,540 gallons
Air pollution avoided	15,602 pounds	16,932 pounds
Landfill reduction	78 cubic yards	84 cubic yards
Electricity saved	106,616 kW/hrs.	115,702 kW/hrs.
Oil saved	11,961 gallons	12,981 gallons

¹⁵ Iron Mountain, “Green” Paper Reports for KB Home, 2006 and 2007.


In-Person vs. Virtual Meetings

We have significantly limited the number of in-person company meetings in an effort to cut the cost of travel, lodging and event expenditures, and to reduce our use of fossil fuel for transporting employees to meetings.

In 2007, we invested in a virtual meeting system, branded “KBU iLab.” This in-house technology platform allows all departments and work groups to hold virtual meetings in several online rooms simultaneously, and greatly decreased the money and time previously spent by KB Home employees traveling to meetings and training sessions. Through the use of our KBU iLab technology in years ahead, we hope to further minimize the amount of fossil fuels our company utilizes. Less travel means fewer greenhouse gas emissions and less climate impact.



KB Home's KBU iLab brings colleagues together while minimizing greenhouse gas emissions from auto and air travel



Part of being a leader in sustainability is creating a business that will be successful not only today but for generations to come. At KB Home, we strive to create long-term growth and financial performance by building high-quality, affordably priced homes for our customers, meaningful work for our employees and economic value to our stockholders.

economic responsibility

This section presents a snapshot of the economic performance indicators we view as most relevant to our sustainability effort. * It also details our focus on keeping homeownership attainable and the role of product responsibility and customer satisfaction in our organization. Finally, it outlines some of the possible opportunities and risks associated with climate change that we believe have the potential to impact our business.

2007 Operational Results

2007 was a challenging year for the entire homebuilding industry, KB Home included. While markets routinely rise and fall, the speed and severity of the downturn in the housing market beginning in 2006 and continuing throughout 2007 created significant challenges for all homebuilders. KB Home has skillfully navigated many market cycles, each time emerging as a stronger company, and we expect to again. Based on our experience, we recognized signs of the market shift early and were able to move quickly to put in place strategies to help mitigate its effects.

Through our strategies and actions over the past year, we have reduced debt and increased our cash balance (for details on these and other 2007 operational results, please refer to our Annual Report on Form 10-K for our fiscal year ended November 30, 2007, which is available on our website). We achieved these results by delivering homes, reducing inventory that no longer met our investment standards, consolidating or closing out of underperforming markets and communities, reducing our workforce, curtailing land purchases and opportunistically selling our French operations. We believe our cash position at the end of 2007 left us well positioned to effectively meet the challenges we will face throughout 2008 and to take advantage of opportunities as they arise.

* Detailed 2007 operational results and additional information about our financial performance and business operations, including discussion of the material risk factors to and the material drivers of our performance are available in the reports we file with the U.S. Securities and Exchange Commission, which can be found on our website. <http://www.kbhome.com/investor>

Keeping Homeownership Attainable

KB Home's core strength has always been understanding the needs and desires of first-time, first-move-up and active adult homebuyers. We have been relentless in our pursuit of offering more affordably priced homes to serve this important segment. This has included a number of innovations in home and community design as well as construction processes that have reduced costs and allowed us to make homeownership more attainable. Our KBnxt business model and Built to Order™ approach to homebuying have also been critical in containing costs for both our business and our customers, by allowing our homebuyers to customize their homes to meet their budgets. In 2007, we responded to market conditions by continuing to drive costs out of our business. We fine-tuned and value-engineered our home designs. We renegotiated supplier contracts for improved terms. And we continued to focus on featuring design elements that blend low cost with high value, putting the custom home experience within reach of our homebuyers.

Looking ahead, favorable demographics and continuing population growth in our existing markets should provide an expanding pool of entry-level homebuyers. We are proud to continue to serve these homebuyers in attaining their dream of homeownership by designing and building high-quality, affordably priced Built to Order new homes.



Product Responsibility

In a challenged housing market with increased competition, it is more important than ever to offer homebuyers the highest quality construction. We have established rigorous standards of customer satisfaction throughout our company and strive to ensure that the entire new home experience meets or exceeds our customers' expectations.

Homebuyer Involvement

As part of our commitment to transparency and our customer-focused approach to homebuilding, we believe in keeping the homebuyer informed and involved during the construction process. Our homebuyers are given a number of formal opportunities to inspect the progress and quality of the construction of their new KB homes. These include a framing inspection, a drywall inspection and the homeowner orientation.

During the orientation, which takes place approximately one week before close of escrow, the homebuyer is given the opportunity to thoroughly inspect their new KB home and all of its systems. A superintendent or customer service representative provides a full demonstration to each homebuyer of their completed home (including mechanical components and appliances), and reviews the 10-year limited warranty, as well as recommended maintenance. At the end of the orientation, the homeowner receives a completed Homeowner Orientation Checklist and a 10-Point Quality Checklist.

100% Complete/100% Satisfied Customer Satisfaction Standards

Our 100% Complete/100% Satisfied Customer Service Standards ensure that all homeowner needs are addressed before, during and after any sale of a home. We are committed to delivering each home 100% complete and on time. If any final touch-ups or outstanding items are identified during the homeowner orientation, our internal standard is to ensure that those are corrected prior to handing over the keys to the customer.

Customer Satisfaction Ratings

An independent third party follows up with our homebuyers 30 days after closing to obtain feedback on their experiences so that we can continuously improve our service to our customers. This survey typically receives responses from nearly 50% of our new homeowners. They rate their experience with us on a number of attributes on a scale of 1 to 10, where 1 is unacceptable, 5 is average and 10 is outstanding.

Our customer satisfaction ratings continued to rise and in 2007 reached their highest levels ever. Every customer satisfaction indicator that we track internally improved. Overall, we achieved an average score of 8.9 out of a possible 10 points, as shown in the table below.

KB Home Customer Satisfaction			
	2006	2007	Improvement
Overall weighted average	8.6	8.9	3.5%
Total number of responses	14,716	11,933	-

Scale of 1-10 (10 being outstanding)

In addition, we follow up with our homeowners regularly during their first two years of ownership to address and resolve any issues that may arise. Our focus on customer satisfaction has enabled us to achieve extraordinary results in customer loyalty, and very few outstanding warranty claims. It has also made referrals from existing KB homeowners one of the leading sources of new sales, a strong competitive advantage.

KB Home Customer Loyalty			
	2006	2007	Improvement
Avg. number of referrals by homeowner	4.6	5.0	8.7%
Total number of responses	13,783	11,197	-

Quality Awards and Recognition

As a result of our commitment to quality and service to our customers, we recently received two prestigious honors.

We became the first and only builder to receive the **National Association of Home Builders (NAHB) Research Center's National Housing Quality certification** for all of our operations nationwide.

We were also named **the #1 Homebuilder on FORTUNE® magazine's 2008 list of America's Most Admired Companies®**, based on ratings from our peers around the homebuilding industry. We ranked first overall and in every subcategory as well, including innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment and quality of products/services.

Potential Economic Impact of Climate Change

As consumer awareness and demand for products that are environmentally friendly increases, there are clear opportunities for all businesses, and the homebuilding industry in particular. But they also presents potential economic risks. We are committed to continuing to evaluate both the opportunities and the costs of operating a more sustainable business.

The potential economic risks arising from the anticipated impacts of climate change that we have currently identified include:

- **Regulatory Changes:** Predictions of the impact of climate change are driving local, state and federal regulatory changes that can directly or indirectly curtail development and/or significantly increase the costs of building homes through zoning restrictions, building codes, remediation or preservation requirements or other mandates. Some municipalities have already established “green” design and construction standards for new public buildings and for commercial or multifamily buildings over a certain size.¹⁶
- **Water Use Restrictions:** Restrictions on water use are already quite common in many areas, and there may be federal greenhouse gas legislation or regulation in the next few years.
- **Prohibitive Living Costs:** The effects of climate change and potential regulatory actions may also increase living costs generally, limiting the population of potential future homebuyers.
- **Capital Availability:** These conditions may also negatively impact the availability of capital for real estate development.

In addition, we must balance our commitment to becoming a leading environmentally friendly builder with our focus on helping first-time buyers attain homeownership. Many environmentally friendly homebuilding practices and technologies currently increase construction costs. For example, according to our estimates, the incremental cost to build a 2,000 sq. ft. home to ENERGY STAR standards ranges from several hundred to a few thousand dollars (in comparison to a home built to standard building/energy codes), depending on the region and variances in local code requirements.

The National Association of Home Builders estimates that for every increase of \$1,000 in the median home price, 217,000 homebuyers will be priced out of the opportunity to purchase a home.¹⁷ To infuse green homebuilding practices and technologies into new homes without impacting their affordability – particularly entry-level homes for first-time homebuyers – we leverage monetary incentives that are sometimes available from utility companies to offset a portion of the incremental cost. In other instances, local governments’ entitlement incentives provide some assistance.

Despite these risks and additional costs, we do see opportunities based on the growing interest of the American homebuyer in living in environmentally friendly homes built to conserve energy and natural resources. A recent NAHB/McGraw-Hill study predicts that environmentally friendly homebuilding will continue to grow in the future in response to market demand. According to this study, environmentally friendly homebuilding currently comprises only 2% of the U.S. market, but will make up an estimated 10% of the market by 2010 and be worth \$19-\$38 billion.¹⁸ We believe the programs and policies described throughout this report position us to address this emerging market.

¹⁶ Robert Cassidy, “Cities Should Halt ‘LEED Creep’” Building Design & Construction, 1 December 2006. <http://www.bdcnetwork.com/article/CA6401318.html>

¹⁷ Eisenberg, Elliot PhD. “Metro Area House Prices and Affordability” Special Studies: National Association of Home Builders (NAHB) and HousingEconomics.com. 18 July 2007. <http://naHB.org/generic.aspx?genericContentID=79606>

¹⁸ McGraw Hill Construction/NAHB. Green Building SmartMarket Report: Design & Construction Intelligence. 2006.

As a company that designs and builds new neighborhoods, we understand the importance of being socially responsible citizens of the communities in which we live and work.

social responsibility

We also understand that there are many points of view on what constitutes responsible and sustainable homebuilding, as well as issues that are unique to individual communities and constituents. For that reason, we engage a variety of stakeholders at both the local and national levels to ensure that we hear a broad array of perspectives that may impact our business decisions. Below we detail some of those community involvement practices, as well as our own effort to create a satisfying workplace that fosters productivity and the long-term interests of both employees and our company.



Stakeholder Engagement

We work closely with an array of groups to stay current with emerging economic, environmental and social responsibility issues. We engage our stakeholders in a variety of contexts — participation in local service organizations, committees and boards; volunteering in the community; communicating with industry groups; and attending formal and informal meetings.

Our stakeholders include:

- Homeowners
- Potential homebuyers
- Stockholders and potential investors
- Employees
- Local communities and neighborhoods
- Governmental regulators, planners and other officials
- Environmental groups and other nongovernmental organizations
- Suppliers and trade partners

Community Partnership

Fulfilling the American Dream of homeownership for thousands of KB homebuyers across the U.S. means much more than building homes. It means creating neighborhoods, bringing neighbors together and fostering strong communities where we build.

To broaden our understanding of our local communities, we interact with diverse interest groups and organizations and with governmental and nongovernmental organizations such as the National Resources Defense Council (NRDC) and the Rainforest Alliance. We have also begun to engage our suppliers in this discussion. This kind of interaction is important to develop the kinds of innovative policies, programs, technology solutions and partnerships required to create long-term sustainability.

Community Advisory Boards

Our divisions play an active role in the communities that they serve. Many operate local Community Advisory Boards (CABs) comprised of community leaders and experts in their fields who provide insight and “ear to the ground” feedback about local housing, transportation, social, environmental and quality of life issues. The objective of each CAB is to obtain unfiltered feedback as to how we are doing in shaping the physical environment of a community, as well as to better understand the needs of local citizens. These dialogues have been so successful that we have committed to establishing at least one such board in every division and a national board as well.

Infrastructure Development

Because we attempt to be involved in the life of local communities, we take seriously our responsibility to enhance the quality of life beyond the boundaries of the neighborhoods we build. We regularly support infrastructure bond campaigns in local communities to help support and improve the overall quality of life, including initiatives for transportation, watershed and water storage, park development and school construction. We also contribute by providing open space, parks and other facilities for public use as part of our neighborhood development.

Philanthropy and Volunteering

Our philanthropic initiatives across the country support a number of community needs, through targeted donations of materials and services, as well as employee volunteer efforts.

To help ensure that our charitable efforts effectively address specific local needs, each division is responsible for its own local contributions, volunteer time and in-kind donations based on the local needs and business operations.

Community Partnerships: KB Home Raleigh

“Homeowners like to partner with a leader in environmental and social issues,” says Trish Hanchette, President of KB Home Raleigh. One way in which this local KB Home leader has developed strong community ties is by establishing a Community Advisory Board (CAB). “It was our first step into environmental and social issues – really thinking differently about the way we do things,” says Hanchette.

The experience with the Community Advisory Board has benefited the community, environment and KB Home Raleigh. As an example, the CAB advocated modernizing local building regulations that were causing increased construction waste. This change saved landfill space, reduced construction costs and decreased greenhouse gas emissions from less transportation of waste.



KB Home Raleigh Community Advisory Board meeting: (left to right) Diane Rupprecht, KB Home; Mary Ann Baldwin, Raleigh City Council member; Jennifer Robinson, Cary Town Council member; Tom Stevens, Mayor of Hillsborough; Eugene Brown, Durham City Council member; and Mike Shiflett, American Labor, Inc.

Some examples of our philanthropic activities in 2007 include:

Building in Time of Need

- KB Home Orlando constructed and donated a new shelter to Harbor House. This new facility doubled the capacity of the only shelter for victims of domestic violence currently in Orange County, Florida.
- KB Home Tampa renovated a home for abused women and children.
- KB Home Colorado remodeled two residential homes for use by the Denver Children's Advocacy Center as a sanctuary for children and families.

Providing the Comforts of Home

- KB Home Austin has participated for two years in the LifeWorks Home Improvement Challenge, a program sponsored by a local nonprofit organization that provides shelter, training and social services to homeless youth in the Greater Austin Area. This year, the KB Home team provided their assigned family with furniture, appliances and numerous toys and accessories.
- KB Home Southern California donated home furniture to Veronica's Home, located in San Bernardino, which provides housing for at-risk women and their children. Our donation will furnish their new 80-bed long-term transitional home.
- KB Home Raleigh donated home furnishings, other supplies and funds to a number of regional community centers. These included Interact, one of the largest providers of services to victims of domestic violence and sexual abuse in the Carolinas, and Housing for New Hope, a Durham center that assists the homeless with housing.

Investing in Our Communities

- KB Home's corporate office provided financial support to organizations that helped meet the social needs of the communities within which we operate, including the League of California Cities -Latino Caucus, the Mexican-American Legal Defense and Education Fund (MALDEF) and the Los Angeles Brotherhood Crusade. We also provided financial support to organizations with which we share perspective on important environmental work, including Tree People, the Audubon Society, the Rainforest Alliance and the Los Angeles Conservation Corps.
- KB Home Southern California made a \$1 million pledge to support the construction of Riverside County Regional Medical Center, the only public hospital in Riverside County.
- KB Home Tucson provided financial support to local nonprofit organizations through their Community of Giving Committee. Funds are generated through an annual golf tournament, which raised over \$70,000 in 2007. The money was given to the Boys and Girls Club of Tucson, Gabriel's Angels, The Primavera Foundation, St. Elizabeth of Hungary Clinic, the Cystic Fibrosis Foundation, Community Housing Corporation, Literacy Volunteers of Tucson and the Tucson Wildlife Center.

Giving in Time of Need

- KB Home's Raleigh and Orlando divisions teamed to bring critical aid to victims of Florida hurricanes. In less than one day, KB Home volunteers in Raleigh collected more than 32,000 pounds of food, water and other supplies for immediate trucking and distribution in Orlando.
- KB Home Tucson donated two special-needs school buses outfitted with state-of-the-art equipment to the Sunnyside School District to transport students with special needs to and from school each day.
- KB Home Los Angeles division employees volunteered 90 hours to sell concessions at the Lancaster JetHawks minor league baseball game to benefit The Painted Turtle, a nonprofit organization that runs a camp on Lake Hughes for children with serious illnesses. The division also funded a block of seats so that 50 camp staffers could relax and watch the game as a token of appreciation for their work.

Environmental Stewardship

- KB Home donated 10,000 sandbags and two truckloads of sand to help prevent mudslides and flooding in burned areas to help victims of the October 2007 San Diego fires.
- KB Home San Antonio, in partnership with the San Antonio Audubon Society, has constructed an amphitheater to be used for outdoor classrooms and events at Mitchell Lake, a bird sanctuary operated by the Audubon Society. KB Home employees and trade partners donated lighting and other electrical supplies and made walkways ADA-accessible to provide access to the amphitheater.
- KB Home Raleigh conducted a community service project in an economically disadvantaged area of Hillsborough. KB Home employees and members of the Hillsborough Police Department picked up enough litter to fill 18-20 large, highway maintenance sized-bags. The town provided volunteers with the bags, vests, water and gloves.
- Approximately 80 employees from our Los Angeles headquarters participated in a joint KB Home/Heal the Bay “Nothin’ But Sand” Cleanup in Santa Monica. Heal the Bay is an organization created to recover the coastal environment of Southern California’s Santa Monica Bay, and the “Nothin’ But Sand” cleanups are hands-on opportunities for volunteers to directly improve the condition of Los Angeles County’s dirtiest beaches while enjoying the great outdoors.
- KB Home South Bay built an environmentally friendly children’s playhouse that was auctioned to support Habitat for Humanity East Bay, raising over \$25,000 for the organization. The environmentally friendly features included certified “green” lumber, highly sustainable bamboo flooring, trim and roofing, and organic paint.

Satisfying and Productive Workplace

A company’s success depends on motivating and engaging its employees behind a common mission and strategy so that their interests and those of the company are aligned. Creating a satisfying and safe workplace where employees can develop their talents and contribute to their full potential is essential to a productive work environment. In a year in which our entire industry faced significant challenges in the marketplace, we have attempted to maintain our high standards in this area. This section details some of our policies, programs and practices in employee training, ethics, health and safety, as well as changes in our workforce during 2007.

Training

Learning is a way of life for all of our employees. KB University (KBU), our internal, intranet-based training, development and knowledge-sharing system, offers new and seasoned employees alike a wide range of self-directed and web-based tutorials ranging from sales fundamentals to model home merchandising to customer satisfaction and much more. Access to KBU is available 24/7 and employees can use KBU to get the latest company news, take online training or manage their KB Home benefits.

The average number of employee certifications and hours of training continues to increase, fostering employees who are well-prepared to make meaningful and satisfying contributions to our business.



A Commitment to Increasing Employee Training

Calendar Year	Avg. Certifications per Employee per Year	Avg. Training Hours per Employee per Year
2005	32	24
2006	41	31
2007	46	35

Employees in a number of different functional areas — construction, purchasing, sales and Studio — complete ongoing training each month. Topics are determined quarterly to ensure that they are focused on current business priorities and needs, such as quality inspections, homebuyer meetings, cost reduction strategies, sales skills and product training. The following table summarizes the average completion rate for each function over the last two years.

Ongoing Function-Specific Training

Function	2006 Avg. Certification Completion Rate	2007 Avg. Certification Completion Rate
Construction	89%	81%
Purchasing	50%	74%
Sales	84%	81%
Studio	87%	88%

All employees are required to recertify annually on three training modules that represent the core of our business:

- KBnxt Operational Business Model
- Ethics Policy
- 100% Complete/100% Satisfied Standards

These modules and certification tests are updated each year to reflect the most recent content, standards and policies. The following table shows the certification completion statistics for each of these modules during 2006 and 2007.

Annual Core Training

Training Topic	2006 Avg. Certification Completion Rate	2007 Avg. Certification Completion Rate
KBnxt Operational Business Model	91%	92%
Ethics Policy	95%	100%
100% Complete/ 100% Satisfied Standards	89%	94%

Ethics

Our ethics policy reflects our commitment to operate in an ethical manner, with integrity and in compliance with applicable laws and regulations. This written policy also establishes principles to guide actions and decisions in everyday business situations. Our constant focus on values, integrity and ethics is applied at every level of our company. All employees are required to certify to the Ethics Policy within 30 days of hire and must recertify annually. Vendors and contractors must acknowledge receipt and understanding of the Ethics Policy and renew their acknowledgement of the Ethics Policy on an annual basis.

Potential violations of the ethics policy can be anonymously and confidentially reported on the KB Home Ethics Policy Hotline at (800) 304-0657 or through our ethics policy Reporting Website, which is available via <http://www.ethicspoint.com>.

Health and Safety

We are committed to providing all of our employees with a safe and healthy work environment. It is the duty of all employees, including management, to work safely. Training is an essential component of KB Home's Safety and injury/illness prevention program. There are 28 separate health and safety Training modules that all new construction employees are required to complete within the first 90 days of employment. Categories include:

- Accident Investigation
- Electrical Safety
- General Safety and Health
- Personal Safety
- Power Tools Safety
- Safe Work Practices and Hazard Communication

Overall, in 2007, our employees completed 6,874 safety certifications. Furthermore, several of our divisions participate in a voluntary enforcement program with the Occupational Safety and Health Administration (OSHA) that promotes effective workplace safety beyond OSHA standards.

Our focus and commitment to safety training are reflected in our low rate of injury. In 2007, there were only 21 reported injuries to our employees.

Workforce Changes

Significant ongoing changes in the homebuilding marketplace in 2007 required us to make a number of difficult decisions, including reducing our workforce from 5,191 employees on December 31, 2006 to 3,177 on December 31, 2007. This workforce reduction is partially reflective of the reduced number of home purchases and deliveries, as well as voluntary turnover that was slightly higher than in previous years. Consistent with the rest of the homebuilding industry, KB Home employees are not party to any collective bargaining agreements.

Creating Safe Workplaces

	Total 2007 Injuries
Arizona	1
California	6
Florida	5
Illinois	1
Nevada	2
North Carolina	2
Texas	4
TOTAL	21

Workforce Impact in a Shifting Market

	2006	2007
Employees*	5,191	3,177
Delivered Homes**	32,124	23,743

* Employee figures are for calendar year (January 1 through December 31).

** Delivered homes are for KB Home fiscal year (December 1 through November 30).

This report represents a significant step toward achieving our goal of becoming a leading environmentally friendly national company and inspiring change throughout the homebuilding industry.

looking ahead

challenges and actions

We have begun an important discussion with our homebuyers, stockholders and employees, as well as governmental and community groups in the cities in which we live and work. This will be a continuous, ongoing process that will require flexibility and creativity. We are committed to continuing to report publicly on the results of our efforts in this area.

Challenges

As we look ahead, we have identified some broad challenges to our ability to expand and improve upon the sustainability efforts we've outlined in this report. We will continue to look for innovative solutions to these issues and to engage our stakeholders in helping us to minimize these challenges. These include:

- **Providing Affordably Priced New Homes:** Environmentally friendly home designs, construction practices, technologies and products can require significant development and/or up-front purchase costs. Adopting sustainable building approaches while continuing to provide affordably priced homes to our homebuyers will be a significant and ongoing challenge.
- **Meeting Homebuyer Demand for Sustainable Choices:** As global climate change and related environmental issues evolve, demand for environmentally friendly products will likely grow as well. To respond to this dynamic, our community and land development planning, architectural designs and *My Home. My Earth.*[™] products must provide the right choices at the right price. This will require us to continue to accurately assess consumer preferences and price tolerance in the markets we serve.
- **Increased Regulation:** We will continue to try to anticipate and adapt to new federal, state and local environmental, land use or building regulations that may affect our land development and home construction activities. Active partnership in voluntary programs and attempting to reach collaborative solutions with legislators, regulators and interest groups will help mitigate the impact of potential new regulations on our operations. However, possible environmental changes and the efforts of various interest groups may lead to the adoption of regulations that significantly increase the costs of doing business and/or restrict our operations.
- **Availability of Materials:** As a high-production homebuilder focused on delivering homes to homebuyers on time, we require large quantities of materials to be delivered on a demanding schedule. Suppliers of environmentally friendly products or materials may not always be able to accommodate our needs. In addition, in some markets, we may not be able to find sufficient skilled labor to install such products or materials.



MY HOME. MY EARTH.™

Our Commitments and Actions

1. **Offer environmentally friendly and affordably priced homes, products and features that minimize our homeowners' carbon footprints and energy usage, conserve natural resources and create healthy homes and communities.**
 - Establish a companywide standard that all homes will be fully compliant with today's ENERGY STAR® certification requirements beginning with new communities opening in 2009.
 - Construct all new homes utilizing low-VOC paint and low-VOC carpet beginning in 2009.
 - Develop a marketing program to promote the consumer benefits of *My Home. My Earth.* options.
 - Increase consumer selections for *My Home. My Earth.* options and continue to offer new environmentally friendly products.
 - Implement additional programs and products to reduce water consumption in the homes and communities that we build.
2. **Utilize our history of innovation and our process-driven approach to reduce waste and natural resource usage throughout our organization.**
 - Conduct a companywide audit by department in 2008 to provide a benchmark and identify opportunities to minimize waste at job sites and offices.
 - Complete a thorough review and establish a standardized compilation of material take-offs for new architectural plans in 2008.

Our Commitments and Actions

3. **Be an active and responsible member of the communities in which we operate.**
 - Establish a National Community Advisory Board to advise senior executives on companywide and national efforts in 2009.
 - Establish Local Community Advisory Boards in every division in the company where it is appropriate to the size of the business by the end of 2009.
 - Appoint a member of the KB Home Board of Directors to provide leadership and guidance for the company's sustainability efforts.
4. **Be an environmental educator for all our employees, homebuyers and business partners regarding home energy conservation and environmental sustainability.**
 - Launch a comprehensive *My Home. My Earth.* internal awareness program in 2008.
 - Achieve 100% training and certification of employees on *My Home. My Earth.* in 2008.
 - Share environmental vision and commitments with key national business partners at our national conference, solicit their ideas and have them complete *My Home. My Earth.* training.
5. **Maintain our standards of transparency and corporate citizenship by publicly reporting on the progress and challenges in our sustainability efforts.**
 - Develop key performance indicators for sustainability, as well as the systems for measuring them.
 - Publicly update our progress regarding our sustainability commitments and actions.
 - Continue to engage in open discussions with stakeholders on meaningful issues and to gather their perspectives on potential solutions and policies.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is a multi-stakeholder organization founded in 1997 to increase transparency in sustainability reporting by providing a framework to measure and report economic, environmental and social performance to a diverse range of stakeholders. This report was prepared based on the Global Reporting Initiative's 2006 G3 Sustainability Reporting Guidelines.* These guidelines are considered to be the international standard for sustainability reporting, allowing organizations to present a balanced view of their operations.

Please reference the following tables to locate this data more easily in the report. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein.

GRI PERFORMANCE INDICATORS

Indicator	Description	Location
Environmental		
EN12	Description of significant impacts of activities, products and services on biodiversity.	page 11
EN26	Initiatives to mitigate environmental impacts of products and services.	page 12
Economic		
EC1	Economic value generated and distributed.	10-K
EC2	Financial implications and other risks and opportunities due to climate change.	page 31
Social Performance: Society		
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	page 33
SO5	Public policy positions and participation in public policy development and lobbying.	page 23
Social Performance: Labor Practices and Decent Work		
LA1	Total workforce by employment type, employment contract and region.	page 37
LA4	Percentage of employees covered by collective bargaining agreements.	page 37
LA7	Rates of injury by region.	page 37
LA10	Average hours of training per year per employee by category.	page 36
Social Performance: Product Responsibility		
PR3	Type of product and service information required by procedures.	page 29
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	page 30

*For more information on GRI guidelines, visit <http://www.globalreporting.org>

GRI PROFILE INDICATORS

Indicator	Description	Location
Strategy		
1.1	CEO Statement defining the integration of sustainability into KB Home's strategy.	page 4
Organizational Profile		
2.1	Name of the organization.	page 6
2.2	Primary products and services.	page 6
2.3	Operational structure of the organization.	Page 6
2.4	Location of organization's headquarters.	page 44
2.5	Countries where the organization operates.	page 6
2.6	Nature of ownership and legal form.	10-K; Proxy Statement
2.7	Markets served.	page 6
2.8	Scale of the reporting organization.	10-K
2.9	Significant changes during the reporting period.	page 28
2.10	Awards received in the reporting period.	page 8
Report Parameters		
3.1	Reporting period.	page 5
3.2	Date of most recent previous report.	N/A
3.3	Reporting cycle.	page 5
3.4	Contact point for questions regarding the report.	Page 44
3.5	Process for defining report content.	page 5
3.6	Boundary of the report.	page 5
3.7	Limitations on the scope of the report.	page 5
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities.	page 5
3.10	Data measurement.	page 5
3.11	Significant changes from previous reporting periods.	N/A
3.12	Table of GRI Standard Disclosures.	page 41
Governance, Commitments and Engagement		
4.1	Governance structure of the organization.	page 7
4.2	Indication of whether Chair of the highest governance body is also an executive officer.	page 7
4.3	Board structure and independence of members.	page 7
4.4	Mechanisms for stockholders and employees to provide recommendations or direction to the highest governance body.	page 7
4.14	Stakeholder groups engaged by the organization.	page 32
4.15	Basis for identification and selection of stakeholders.	page 32

Comments

We welcome your comments and questions regarding this report, and invite you to contact us at myhome.myearth@kbhome.com.

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