



# SUSTAINABILITY REPORT 2012

## About KB Home

KB Home is one of the largest and most recognized homebuilding companies in the United States, and since our founding in 1957, we have delivered the American Dream to over half a million families. In 2012, KB Home constructed more than 6,000 *Built to Order™* homes in its communities throughout 33 major markets in 10 states.

With a focus on providing the best combination of quality and value to first-time, first move-up, and active adult homebuyers, KB Home's *Built to Order* process provides a custom-home-like experience at an affordable price. With a wide variety of highly water- and energy-efficient and other environmentally conscious features, products and options available to our homebuyers, new KB homes are not only “built to order,” they are also all built with our sustainability initiatives firmly in mind.

## KB Home Sustainability Report Purpose and Structure

The 2012 KB Home Sustainability Report is our sixth annual public report, updating our most recent report that was published on Earth Day in April 2012. Our goal is to identify our accomplishments and challenges in 2012 and to foster continued discussion and engagement with all of our stakeholders on the complex issues surrounding sustainability.

All information provided in this report, including financial data, is for our fiscal year ended November 30, 2012, unless otherwise noted. In this report, we also identify our top goals and priorities for 2013. Our sustainability initiatives have become a key part of our company culture, and our continued commitment to issuing updates on our progress in this area reflects this.

As with our previous reports, we continue to follow the Global Reporting Initiative (GRI) Guidelines, which provide a widely recognized level of accountability and transparency, and are considered by many environmental experts to be the current standard for sustainability reporting. A full accounting of the GRI indicators addressed in this report and more information on the GRI Guidelines can be found in the Global Reporting Initiative Index of Indicators section.

# Table of Contents

About KB Home .....	2
KB Home Sustainability Report Purpose and Structure .....	2
Vision for Sustainability .....	4
Guiding Principles for Sustainability .....	4
A Message from KB Home's President and Chief Executive Officer .....	5
<b>2012: The Year in Sustainability at KB Home</b> .....	6
Awards and Recognition .....	7
Energy Efficiency and Building Science Innovation .....	9
2012 Goals .....	10
2012 Highlights .....	
Working with RESNET® and the HERS Index® .....	10
ENERGY STAR® by the Numbers .....	11
Improving Indoor Air Quality .....	11
Happy 20th Birthday, ENERGY STAR .....	12
The Next Generation of ENERGY STAR Homes .....	12
Celebrating Our 1,000th Solar Home .....	12
A Partnership Powered by the Sun .....	13
2013 Goals .....	14
Water Efficiency and Conservation .....	15
2012 Goals .....	16
2012 Highlights .....	
The Homebuilding Industry's Leader in Water Efficiency .....	16
A Water-Efficient KB Home: The Savings Add Up .....	17
Water Efficiency Standards: Now Including the Kitchen Sink! .....	17
Model Home Landscaping from East to West .....	17
2013 Goals .....	18
Consumer Benefits and Awareness .....	19
2012 Goals .....	20
2012 Highlights .....	
The EPG® in 2012 .....	20
ZeroHouse 2.0 .....	21
Anatomy of a ZeroHouse .....	23
"Hello Yello!" — Hello Efficiency! .....	24
We "Like" Sustainability: Building Awareness Via Facebook .....	24
Biggest Surprise on "The Ellen DeGeneres Show": The Added Surprise? It's Energy Efficient! .....	25
Home Energy Management System Project .....	25
2013 Goals .....	26
Waste Reduction .....	27
2012 Goals .....	28
2012 Highlights .....	
Paperless Payroll .....	28
Doing the Job with Less...Waste .....	29
Model Homes = Models of Efficiency .....	29
G.R.O.W. Wall of Fame .....	29
2013 Goals .....	30
<b>2012 Progress Report Summary</b> .....	31
<b>2013 Sustainability Goals</b> .....	32
<b>Social and Charitable Contributions</b> .....	33
Workforce Housing .....	34
Energy Efficiency and Mortgages .....	34
KB Home and AARP's Simply Living Program .....	34
<b>Sustainability Performance Overview</b> .....	35
Organizational Profile and Governance .....	35
Environmental Performance .....	39
Economic Performance .....	41
Social Performance .....	42
<b>Global Reporting Initiative Index of Indicators</b> .....	43

## **KB Home's Vision for Sustainability**

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

## **KB Home's Guiding Principles for Sustainability**

KB Home's sustainability initiatives have been guided by five core principles established in our inaugural 2007 Sustainability Report:

- 1. Offer environmentally friendly and affordably priced homes, products and features that minimize our homeowners' carbon footprint and energy usage, conserve natural resources and create more sustainable 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 the progress in and challenges to our sustainability efforts.**



# A Message from KB Home's President and Chief Executive Officer



## To our customers, stockholders, employees and partners in sustainability:

**Welcome to our sixth annual sustainability report.** Two years ago, we adopted the practice of releasing this report on Earth Day as a purposeful way to highlight our efforts and join in this collective celebration of environmental consciousness. In many ways though, every day at KB Home is Earth Day and we believe this mindset is the best way for our company to be a true market leader that can foster meaningful, transformative change in our industry. This idea—that sustainability is a core operational philosophy and not just about one day—is the guiding force behind our ongoing sustainability initiatives.

While new home technology may not outdate itself as quickly as, say, a computer or smartphone, it is remarkable to compare the energy efficiency of the homes we are building today to homes built as recently as 10, or even five years ago. If you had told me five years ago that we could build a 2,500 square foot, 4-bedroom home with a projected monthly energy bill that was less than \$100 a month for little or no additional cost to the consumer, I would not have believed it. But we've built that home and thousands more like it. As with every aspect of our business, though, we continue to innovate and reach for even greater results.

In fact, we continue to push the envelope with our ZeroHouse 2.0 program, which we expanded in 2012. Our ZeroHouse 2.0 program offers homebuyers the option to build a net-zero energy home—a home with projected monthly energy costs that are nearly zero and therefore, can have less detrimental effects on the environment. We believe it is important to show consumers and our industry colleagues that this is where homebuilding can and will go. Indeed, in just seven short years, building codes in California may require all new residential construction to be net-zero energy. In our business, this potential target for 2020 has been referred to as a “race to net-zero.” In order to maintain our leading edge in this race, we are striving to keep improving the energy efficiency of homes and to keep trying new ways to lower the related incremental costs of building net-zero energy homes.

If you have followed KB Home on our sustainability journey thus far, you may have noticed that we have focused most heavily on the areas of energy efficiency and consumer awareness. It is becoming increasingly clear, however, that there is a strain on another natural resource vital to our everyday lives—water.

With over 50% of the United States currently in drought conditions, minimizing the amount of water required to live in and maintain our homes is vitally important. While the cost savings associated with water conservation may not be

as considerable as the energy cost savings provided by our energy-efficient homes, we believe we have a role as a leading environmentally conscious company to give equal priority to this matter. I invite your attention to a renewed emphasis on water efficiency and conservation efforts as part of our goals for 2013. While we have been steadily expanding our water conservation initiatives, particularly in arid climate zones, we want 2013 to be the year that our homebuyers join us in recognizing the significance of water as a precious natural resource.

In addition to our steadfast commitments surrounding environmental sustainability, we are also focused on the economic and social sustainability issues that go hand-in-hand with our environmental initiatives. We continue to strive to maintain the affordability of new KB homes by considering which efficiency features, materials and techniques can have the greatest impact on a homebuyer's total cost of ownership. We work with our supplier partners to find solutions for providing state-of-the-art technologies without passing higher costs on to our homebuyers. We are advocates for, and contributors to, the thriving cities, towns and neighborhoods that our customers call home. We do all of this because we see sustainability as being mindful of how today's actions can affect future generations' quality of life, from the natural environment to the economy. By keeping this top of mind, we can be a responsible corporate citizen, and create better value and a better planet for the sake of and with the support of our homebuyers, stockholders, employees and partners.

We have accomplished so much in five years and it is exciting to consider moving forward just as much in the next five years. I am confident that the KB Home team—one that I consider to be the best in the business—along with the guidance of our esteemed board of directors, our stockholders and all of our valued partners in sustainability, can make it happen. My hope is that you find this year's report informative, inspirational and indicative of our commitment to sustainability and that you will come back next year to read all about the next milestones, roadblocks and landmarks on our sustainability journey. It's been an incredible ride so far.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey A. Mezger". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

KB Home's 2011 Sustainability Report outlined a number of goals that we committed to for 2012 in four areas of focus:

- **Energy Efficiency and Building Science Innovation**
- **Water Efficiency and Conservation**
- **Consumer Benefits and Awareness**
- **Waste Reduction**

On the following pages, we will share progress made against these goals with key results, challenges faced and initiatives underway in these four areas. Before we begin, however, we would like to share some of the recognition we received as a result of our work in 2012. Though it is an honor to receive these awards and recognition as they help further build our reputation and provide third-party validation and assessment of our efforts, this is not why we pursue our sustainability goals. It is because we believe it is the right thing to do for our stockholders, employees, customers and the planet.





# Awards and Recognition



In March 2013, the U.S. EPA named KB Home a **2013 ENERGY STAR® Partner of the Year – Sustained Excellence Award winner** for the third year in a row in recognition of our efforts throughout 2012 to build, promote and support the largest new-home construction energy efficiency program in the country.



For the second year in a row, we were named a **WaterSense® Partner of the Year**, the U.S. EPA program's highest award. We are the only builder to have received this honor and have, in fact, built the most WaterSense labeled homes in the nation.



KB Home's ZeroHouse 2.0 was selected as an outstanding new product and initiative and named a **2013 Edison Awards™ nominee**. The Edison Awards is an annual program that recognizes companies, products and people who embody the innovative spirit of Thomas Edison.



In 2012, KB Home earned a company-record **14 ENERGY STAR Leadership in Housing awards**, which recognized each of our divisions for their construction of ENERGY STAR homes in all 33 of our markets nationwide.



KB Home's 2011 Sustainability Report received an Honorable Mention award from the **2013 PR News CSR Awards** in the Best CSR Report category. We were also recognized with an Honorable Mention in the Facebook Communications category for our efforts in raising awareness for sustainability issues via social media.



As part of its partnership with the City of Lancaster, California, KB Home was recognized by the **ENERGY GLOBE Awards**, an international awards program, with the top prize awarded to a U.S. organization for its commitment to alternative energy. KB Home has built more than 200 affordable solar-powered homes in the city since 2011.

# Awards and Recognition



We were recognized as a **2013 Solar Power Generation USA Awards finalist** for our initiative with SunPower® to make solar power systems standard at more than 20 KB Home communities in Southern California. In less than 18 months, we built more than 1,400 homes with solar power systems.



KB Home received the **Department of Energy Builders' Challenge Maximized Energy Performance Award** at the 2012 International Builders' Show for the ZeroHouse 2.0 model homes constructed in San Antonio and Austin. Both homes received Home Energy Rating System (HERS) Index® scores of zero, meaning they are estimated to produce as much energy as they consume.



**Home Innovation**  
QUALITY CERTIFIED™

In 2012, we earned the **Home Innovation Quality Certification** for the fifth year in a row, and remain the only builder to be certified nationwide by this NAHB program for quality standards and practices.



In the fall of 2012, KB Home sold the final home at Primera Terra, its first LEED Platinum certified new home community, located in Playa Vista, California. The project was recognized with a **Platinum Professional Builder Design Award** in the "Green Projects" category.

**ECOHOME**  
design awards

Primera Terra was also recognized with a Grand Award, the highest honor, in the **2012 EcoHome Design Awards**.



KB Home was recognized at the **2012 Build San Antonio Green (BSAG) Awards** for its commitment to building all homes to this San Antonio area program's standards, and honored with an award for "Innovation in Production Green Building."

# Energy Efficiency and Building Science Innovation

**WHY IT MATTERS:** A home has a life cycle just as plants, people and other products do. A home's life cycle runs from initial raw material extraction and manufacturing, to home construction, occupancy and eventual disuse. More than 85% of the total energy consumption during the life cycle of a home stems from the energy used during a home's occupancy, so a significant area of opportunity for KB Home, as a builder, is to incorporate features and materials that will help homeowners reduce energy consumption over the life-span of the home. This serves to not only reduce our homeowners' impact on the environment, but also to lower their energy bills, thereby reducing their total cost of homeownership. Additionally, as our planet continues to confront fluctuating supplies and prices of the natural resources traditionally used to generate electricity, we believe we should serve as a market leader in utilizing, testing, refining and advocating for alternate means of home energy production and conservation.





# 2012 GOALS



COMPLETED



IN PROGRESS OR PARTIALLY COMPLETE  
WITH ROOM FOR IMPROVEMENT



INCOMPLETE

Further improve all our homes built in 2012 by incorporating the new ENERGY STAR® Version 3 standards covering energy efficiency and a wide range of products and construction techniques.



Continue to provide solar power systems as a standard or optional feature of KB homes in select markets and explore new value propositions that could facilitate offering solar power systems on more KB homes.



Provide an energy monitoring system in every home as a standard feature in order to increase homeowners' awareness of their energy consumption starting with electricity. This can result in additional energy conservation by up to 10%. *(See further discussion in the Consumer Benefits and Awareness section.)*



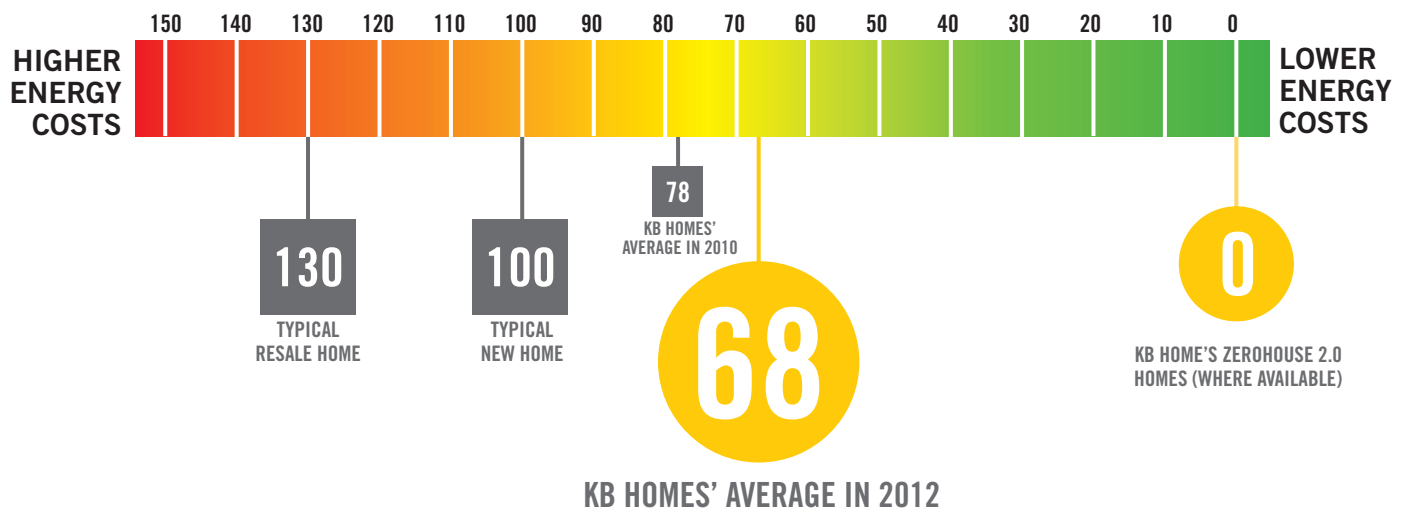
Further improve the indoor air quality of our homes by using zero-VOC interior paint. *(See further discussion on page 11.)*



# 2012 HIGHLIGHTS

## WORKING WITH RESNET® AND THE HERS INDEX®

At KB Home, every home we build is inspected by a third-party, RESNET (Residential Energy Services Network) certified Home Energy Rater and assigned a HERS (Home Energy Rating System) Index Score. Scores range from 0 to 150 and offer homeowners a quick way to see how their home's energy efficiency stacks up against other homes'. A lower HERS Index Score is better. In 2012, KB homes' average HERS Index Score was 68, an improvement of 10 points over the 2010 average score of 78. As an example of how this improvement can have a positive effect on our homeowners' environmental impact, a 2,800 square foot home in Houston with a HERS Index Score of 68 compared to one with a score of 78 can prevent the emission of one additional ton of carbon dioxide per year. *(Note: This average does not include homes built in California, which are subject to different, more stringent energy efficiency requirements and rated on a different scale.)* While we continuously strive to get this score even lower, this is rather impressive when you consider that the typical new home scores 100 on the HERS Index, and the typical resale home scores 130!





## FACES OF SUSTAINABILITY

"I have worked with senior management at both KB Home's corporate and division offices on implementation of the ENERGY STAR Version 3 guidelines and I applaud KB Home's commitment to the program and the advancement of building science. It is admirable that they embraced the changes in order to allow their homebuyers the lifetime benefits of buying and living in a home that is better than a traditional new home and exceeds building code requirements."

Matthew Cooper, President, PEG, our RESNET-certified Home Energy Rating provider in the Metro D.C. market



## ENERGY STAR BY THE NUMBERS

**9,000+**  
ENERGY STAR  
certified appliances  
installed in  
2012

**8  
MILLION**  
gallons of water  
saved by those  
appliances  
annually

**\$33  
MILLION**  
saved on utility bills  
in 2012 by homeowners  
living in those 75,000+  
ENERGY STAR  
homes

The equivalent  
of Greenhouse Gas  
Emissions from  
**37,000**  
vehicles avoided  
annually

**75,000+**  
ENERGY STAR  
homes built by  
KB Home  
since 2000

**OVER  
13 YEARS**  
ENERGY STAR  
partner

**3**  
Sustained  
Excellence Awards  
for 3 consecutive  
years

**6,200+**  
ENERGY STAR  
homes built by  
KB Home  
in 2012



## IMPROVING INDOOR AIR QUALITY

We have taken a variety of steps towards improving the indoor air quality of our homes so that our homeowners can "breathe easy." We offer only low-VOC carpeting and include MERV 8 air filters, which are capable of eliminating up to 20 times more dust particles from the air than standard fiberglass filters, in all of our new homes. In 2012, we began using zero-VOC paint in our new homes, with the goal of replacing the low-VOC paint that had

been standard since 2009. Using paint formulated to be zero-VOC can benefit our homeowners by emitting fewer potentially harmful toxins into their homes as well as fewer unpleasant odors. As we strive to meet this goal, we are currently working to train our trade partners on the application and touch-up of the zero-VOC paint, and will implement nationwide use of the zero-VOC paint when consistent results can be achieved.

# 2012 HIGHLIGHTS



## HAPPY 20<sup>TH</sup> BIRTHDAY, ENERGY STAR

In 2012, ENERGY STAR celebrated its 20th birthday. In honor of this milestone, leaders from across a variety of industries that have embraced the program were selected to participate in a roundtable discussion with then EPA Administrator Lisa Jackson. KB Home's Dan Bridleman, SVP of sustainability, technology, and strategic sourcing, served as both a representative of KB Home as well as the overall homebuilding sector. We also joined in the celebration by offering our congratulations on this important milestone and wishing ENERGY STAR a happy birthday on Facebook and Twitter.

## THE NEXT GENERATION OF ENERGY STAR HOMES

In 2012, in order to earn U.S. EPA's ENERGY STAR certification, new homes had to meet the program's new, more rigorous standards, ENERGY STAR Version 3. We remained committed to ENERGY STAR, and we're proud to be in compliance with Version 3, 100% in all of our divisions. Our dedication was recognized by the EPA with a 2013 ENERGY STAR Partner of the Year – Sustained Excellence award, marking the third year in a row we have earned the agency's highest honor.

**Committed to Building  
100% ENERGY STAR**



As a key partner of EPA's ENERGY STAR program, we worked with them to ensure the Version 3 standards could be implemented in an efficient and cost-effective manner. We exchanged feedback and ideas surrounding methods for implementing the new standards. In order to meet the new standards, our purchasing, construction and engineering teams worked with our supplier partners to put new techniques and products to work in our homes. Some key updates made to all KB homes as a result of the transition to Version 3 are:

- ✓ A complete thermal enclosure system comprised of quality installed insulation, high-efficiency windows and doors, and a complete air barrier to minimize leaks for a tighter shell
- ✓ A comprehensive water management system to help protect the roof, walls and foundation
- ✓ A high-efficiency HVAC system designed and installed for optimal performance to provide homeowners with a constant supply of fresh, filtered air that reduces indoor pollutants such as dust, pollen and other allergens

When combined with the radiant barrier roof lining, energy-efficient lighting and ENERGY STAR appliances we already use across all our construction operations, all our homes meet the Version 3 standards and in 2012, achieved an average HERS Index Score of 68.

## CELEBRATING OUR 1,000<sup>TH</sup> SOLAR HOME

In the 4th quarter of 2012, we reached a major milestone on our sustainability journey when we completed our 1,000th home with a SunPower® solar system installed. We celebrated this achievement in February 2013 with a special event at one of our communities in Lancaster, Calif., where solar power systems are included as a standard feature. At this event, we surprised lucky new homeowners, Joe and Brittaney Ellison, by revealing their standard 1.8kW system had been upgraded, at no additional charge, to a 3.2kW system. Like many other KB homeowners, the standard system could help the Ellison family save up to 40% on their energy costs annually when compared to a typical resale home. With the upgraded system, they are estimated to save even more, as much as 80%. In fact, they are estimated to save \$266 a month when compared to a typical resale home. This has the potential to add up to big savings of more than \$3,000 annually and more than \$30,000 over 10 years.



## A PARTNERSHIP POWERED BY THE SUN



### FACES OF SUSTAINABILITY

"We were blown away by our KB homebuying experience. Everyone we worked with at KB Home, from our sales counselor to the construction superintendent to the customer service reps, was so helpful, kind and professional. Learning our home would include a solar power system at no extra cost to us was the icing on the cake and I can't wait to see the difference they make in our ongoing utility costs."

Joe Ellison, owner of the 1,000th KB Home solar-powered home





# 2013 GOALS

## Energy Efficiency and Building Science Innovation

Improve the energy efficiency of our homes by at least 3% in 2013 in order to achieve an average HERS Index Score of 66.

Expand on our successful solar power initiatives by exploring broader usage of renewable energy including installation of solar power systems in new markets or with new product lines, and demonstration of other types of renewable energy.

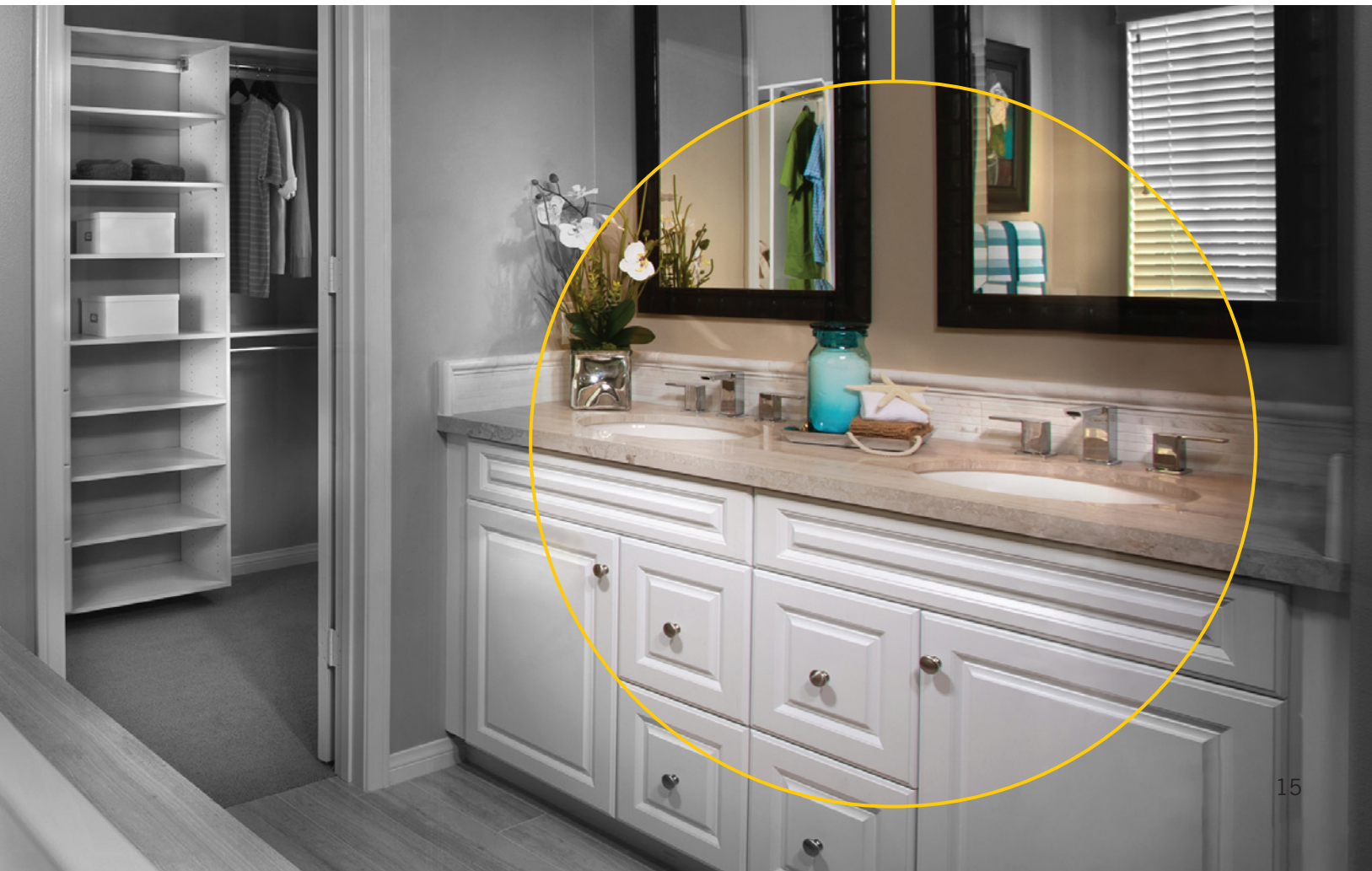
Introduce at least three new energy-efficiency features as an either standard or optional features of all new KB homes. Test and measure the results of at least two emerging building technologies or techniques.

Coordinate a cost-effective transition to the new Title-24 energy code requirements in California, which will be required of all new residential construction in the state in 2014.



# Water Efficiency and Conservation

**WHY IT MATTERS:** Less than 1% of our planet's water supply is suitable for human consumption. As the population grows, so too does the demand for water, a truly limited resource for which there is no substitute or guarantee of replenishment. Climate change impacts are placing further strain on water supplies in many areas around the world. Domestic water use accounts for 56% of publicly supplied water. With our focus on helping KB homeowners reduce their water consumption, we help support conservation of this precious natural resource. Using less water also contributes to lower energy and water bills and thus, the total cost of homeownership, with the average KB homeowner able to save over 20,000 gallons of water and approximately \$350 annually due to the water-efficient products included in all KB homes. That's enough water for over 500 loads of laundry! Furthermore, water prices are increasing—and are expected to continue to climb due to aging infrastructure in some areas, drought conditions and other climate change impacts. So, we know that when it comes to our homeowners' wallets, every dollar counts, and when it comes to our planet's well-being, every drop counts. And the two go hand in hand at KB Home.



# 2012 GOALS



COMPLETED



IN PROGRESS OR PARTIALLY COMPLETE  
WITH ROOM FOR IMPROVEMENT



INCOMPLETE

Continue our leadership in building WaterSense labeled new homes by constructing more of these homes in communities across our markets. Also, evaluate consumers' interest in WaterSense® labeled new homes when offered as an option at the KB Home Studio.



Further improve the water efficiency of our homes by incorporating two new products that are at least 10% more water efficient.



Expand upon the low water usage landscaping standards we have adopted in our model home complexes.



# 2012 HIGHLIGHTS

## THE HOMEBUILDING INDUSTRY'S LEADER IN WATER EFFICIENCY



KB Home is the only builder to be recognized as a 2012 WaterSense Partner of the Year, and we have also built the most WaterSense labeled new homes in the country. In our Las Vegas division, we have built all our homes to the Water Smart Home certification standards—a program similar to WaterSense created by the Southern Nevada Water Authority.

**9,000+**  
WaterSense  
and WaterSmart  
labeled homes  
built since  
2005

**100,000**  
WaterSense  
fixtures  
installed  
since 2008

Together,  
these homes and  
fixtures conserve  
**2 MILLION**  
gallons of water  
everyday.

## FACES OF SUSTAINABILITY

"KB Home was the first major homebuilder to embrace WaterSense. In 2010, we worked with KB Home to certify their first WaterSense labeled home. Since then we have certified many more KB homes as WaterSense Labeled. We applaud KB Home's focus on water conservation. The work they have done to incorporate water efficiency features into all of their new homes indicates that they recognize the importance of this precious natural resource and that they want to do their part to encourage water conservation."

John Gillett, Chief Operating Officer, Energy Inspectors™,  
our RESNET®-certified ENERGY STAR® and WaterSense rating provider in California and Nevada





## A WATER-EFFICIENT KB HOME: THE SAVINGS ADD UP

The features listed below are included in all KB homes at no added cost to our customers.

**WaterSense labeled bathroom faucets**  
1.5 gallons/minute

**+ WaterSense labeled toilets**  
1.28 gallons/flush

**+ WaterSense labeled showerheads**  
1.5 to 1.75 gallons/minute

**+ Efficient kitchen faucets**  
1.5 to 2.0 gallons/minute  
**NEW IN 2012**

**+ ENERGY STAR certified,  
water-efficient dishwashers**  
3.35 gallons per cycle  
**NEW IN 2012**

total estimated annual utility bill

**savings of \$350**

(when compared to a typical existing home)

## WATER EFFICIENCY STANDARDS: NOW INCLUDING THE KITCHEN SINK!



To achieve our goal of further improving the water efficiency of our new homes, we upgraded both our standard dishwashers and kitchen faucets in 2012. All new KB homes now include a Moen® kitchen faucet that is up to 30% more efficient than our previous standard faucets. Upgrade faucet choices at the KB Home Studio are also 30% more efficient than previous options. We have also replaced our standard dishwashers with a new ENERGY STAR certified model from Whirlpool® that is 20% more water efficient and 15% more energy efficient than the prior standard model. These new standard products join WaterSense labeled bath faucets, toilets and showerheads in the lineup of water-efficient features included with each and every new KB home at no additional cost to homebuyers.

## MODEL HOME LANDSCAPING FROM EAST TO WEST

Our model homes utilize native and climate-appropriate drought-tolerant plant palettes and cutting-edge water-efficient irrigation technologies such as weather-based irrigation controllers, automatic rain shut-off devices, and highly efficient irrigation sprinkler heads, rotary nozzles and drip irrigation. The result is beautiful, high-performing, water-efficient landscapes.



Washington, D.C.



Austin, Texas



Perris, California

# 2013 GOALS

## Water Efficiency and Conservation

Maintain our leadership in building WaterSense labeled new homes by introducing WaterSense labeled new homes to markets where we have not built them before.

Demonstrate use of a greywater recycling system and conduct research to determine if such a product can be added to the KB Home Studio.

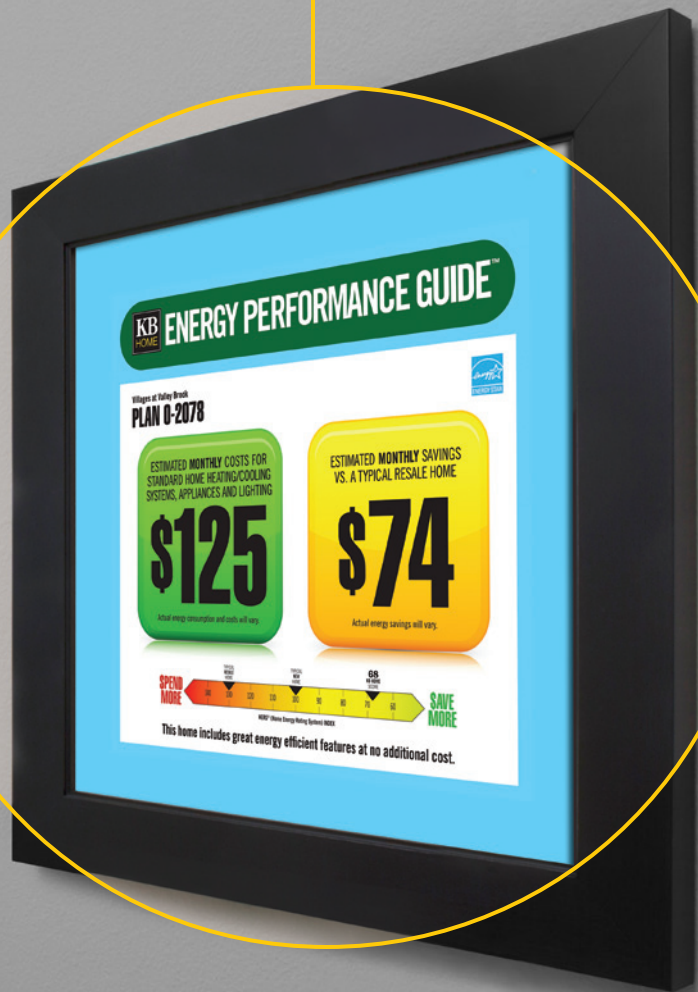
Update water efficiency product options at the KB Home Studio.





# Consumer Benefits and Awareness

**WHY IT MATTERS:** Like most successful businesses, KB Home would be nothing without its customers. So, as we select new products and features for our homes, and evaluate new building techniques, we first think of the impact to our homebuyers. And they need to know this. This is part of the reason why this is an area of focus for our sustainability efforts. Another part is because homeowner behavior can directly impact the performance and efficiency of our new homes. Campaigns to modify consumer behavior are not a new concept—cities and towns have done things like instituting watering restrictions during drought periods or issuing “Flex Alerts” to reduce pressure on electric plants during heat waves. Our campaigns strive to encourage our customers to modify behaviors on an ongoing basis to reap longer term results. Finally, we need to raise overall awareness about sustainable homes so that consumers realize how much their choice of a home and their day-to-day living in their home can impact the environment.



# 2012 GOALS



COMPLETED



IN PROGRESS OR PARTIALLY COMPLETE  
WITH ROOM FOR IMPROVEMENT



INCOMPLETE

Communicate the environmental and financial value associated with a more sustainable home by demonstrating to consumers how KB homes can provide better quality, better comfort, better durability, and more energy and water savings compared to a typical resale home.



Train and certify all KB Home staff on the features and benefits of an ENERGY STAR® certified home so that they can better communicate them to our homebuyers, real estate professionals and others. *(ENERGY STAR training certification materials were developed for construction and purchasing teams and divided into three sessions: ENERGY STAR guidebooks for thermal enclosure, water management, and HVAC. The first two sessions were administered in 2011, the third and final training occurred in January 2012. ENERGY STAR training for all employees will be incorporated into broader sustainability training to be completed during 2013.)*



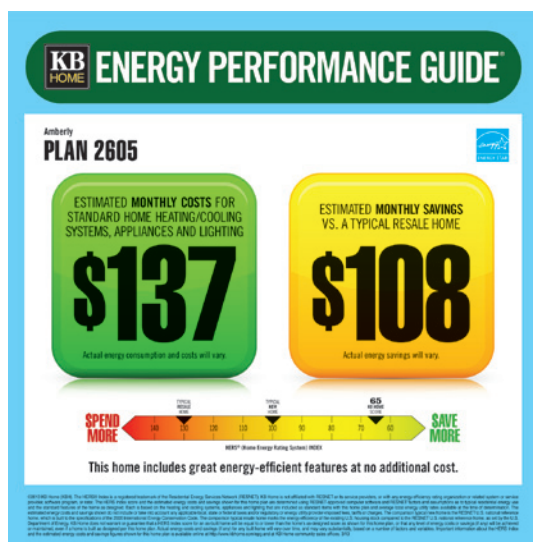
Continue using KB Home's proprietary Energy Performance Guide® (EPG®) to quantify the potentially lower total cost of homeownership of a new KB home. Train and certify all sales teams on effective ways to communicate the EPG message to homebuyers. *(We continued to use the EPG as a marketing tool and display it in all of our model homes. EPG training and certification are required of all new employees in sales, marketing, construction and customer service. EPG information will also be included as a part of general sustainability training described above.)*



Continue KB Home's nationwide rollout of our ZeroHouse 2.0 net-zero energy options.



# 2012 HIGHLIGHTS



## THE EPG IN 2012

In 2012, we continued to post our proprietary Energy Performance Guide (EPG) in all of our model homes nationwide. In addition to displaying an estimated HERS Index® score, the EPG provides an estimate of monthly energy costs for each home as designed as well as an estimate of monthly energy cost savings when compared to a typical resale home.

As part of never being complacent in our standards and practices, in 2012, we compared our new homes' actual HERS Index scores as determined by a third-party RESNET®-certified Home Energy Rater to the HERS Index score our EPG estimated for a given design. We are proud to report that 100% of our built homes' actual HERS Index scores were equal to or better than their corresponding projected score.



## ZEROHOUSE 2.0

In 2012, the nationwide rollout of our ZeroHouse 2.0 options, expanded to Lake Forest, California; Las Vegas, Nevada; Denver, Colorado; Houston, Texas; and Washington, D.C. ZeroHouse 2.0 options are now available in nearly all of our divisions as a whole-home package as well as a la carte choices at the KB Home Studio. ZeroHouse 2.0 options that KB homebuyers have selected include solar power systems, solar thermal water heaters, upgraded windows, enhanced insulation and weatherization systems, LED lights and higher efficiency HVAC systems.

To achieve the ZeroHouse 2.0's full net-zero energy level of efficiency, we take an approach we refer to as "reduce before you produce." We start by applying advanced building techniques and including higher efficiency products in our ENERGY STAR certified standard homes, thus "reducing" the energy required to live in the home. In most cases, this means achieving a level of energy efficiency equal or equivalent to a HERS Index score of between 40 and 50. Once we have reduced the energy

consumption of the home, we "produce" the energy needed to operate the home by installing solar power systems. In addition to achieving superior levels of energy efficiency and net-zero energy status, our ZeroHouse model homes are also proving grounds for new technologies, techniques and other sustainable products, such as water-efficient features and recycled materials. For instance, in our Denver ZeroHouse, we installed an electric-vehicle charging station, set up a whole-home automation system and included a cool-touch induction cooktop stove in the kitchen.

While ZeroHouses are a notable achievement in the area of energy efficiency, they serve an equally important consumer education and awareness role. In each of the ZeroHouse markets, we used the opening of our net-zero model home as an opportunity to educate consumers and other groups about the benefits of these unique homes and increase awareness in the marketplace for what we believe will one day become standard for new homes.



### FACES OF SUSTAINABILITY

"I was pleased to attend KB Home's ZeroHouse opening in June 2012, which was also the first home to earn the WaterSense label in the Washington D.C. metro area. I was especially impressed that KB Home took this project as an opportunity to educate students who will be at the forefront of the construction industry and will hopefully have the opportunity to build homes like this as they embark on a career in homebuilding. The shift to a home like the ZeroHouse 2.0, which is both a net-zero energy home and WaterSense labeled, will not happen overnight. It will take leadership from companies like KB Home to push the envelope and move a product like this into the mainstream."

**Michael H. Shapiro, Principal Deputy Assistant Administrator, U.S. Environmental Protection Agency**





# 2012 HIGHLIGHTS



Denver, Colorado



Las Vegas, Nevada

## Educating tomorrow's homeowners

We held special events for elementary and middle school student groups at the opening of our ZeroHouse model homes in Orange County, Las Vegas, Denver and Houston. At these events, students enjoyed presentations from local elected officials, our supplier partners and KB Home employees about the benefits of net-zero energy homes and solar power. They had the chance to tour our innovative model homes and also participate in quiz show-style games to show how much they learned. To really help the message resonate, KB Home made a cash donation to each of the participating schools in an amount equal to the annual savings a ZeroHouse homeowner would enjoy.

## Preparing the future workforce

As we believe the ZeroHouse is the home of the future, we took our model home opening in the Metro D.C. market as an opportunity to assist in the preparation of the construction workforce of the future by hosting a group of area trade school students for a tour of both the completed ZeroHouse as well as a frame walk of a home at the pre-drywall stage. Officials from the U.S. EPA and the Department of Energy, along with the county supervisor, also participated in commemorating the opening of our first ZeroHouse in their backyard.

## Paving the way for market transformation

Our ZeroHouse 2.0 model homes served as demonstration pieces to various professional groups whose members can also help shape what the home of the future may one day look like. We hosted a tour at our Lake Forest, Calif. ZeroHouse model home for attendees of the annual ENERGY STAR Utility Sponsors Meeting held in Anaheim. Additionally, following our CEO's keynote speech at the RESNET Conference in Austin, conference attendees toured our ZeroHouse model home there. Department of Energy officials convened at our Denver-area ZeroHouse model home, and we also participated in the Colorado Renewable Energy Society's annual tour of green and solar homes.



Washington, D.C.

## FACES OF SUSTAINABILITY

"It was a great experience for our students to get to spend an afternoon at the KB Home community just down the road from our school. They loved learning about what's behind the walls to make a home energy efficient and thought the technology like solar panels and using a tablet to turn the lights or the TV on and off, was pretty neat. It is wonderful to see a company like KB Home recognize the importance of innovation and education."

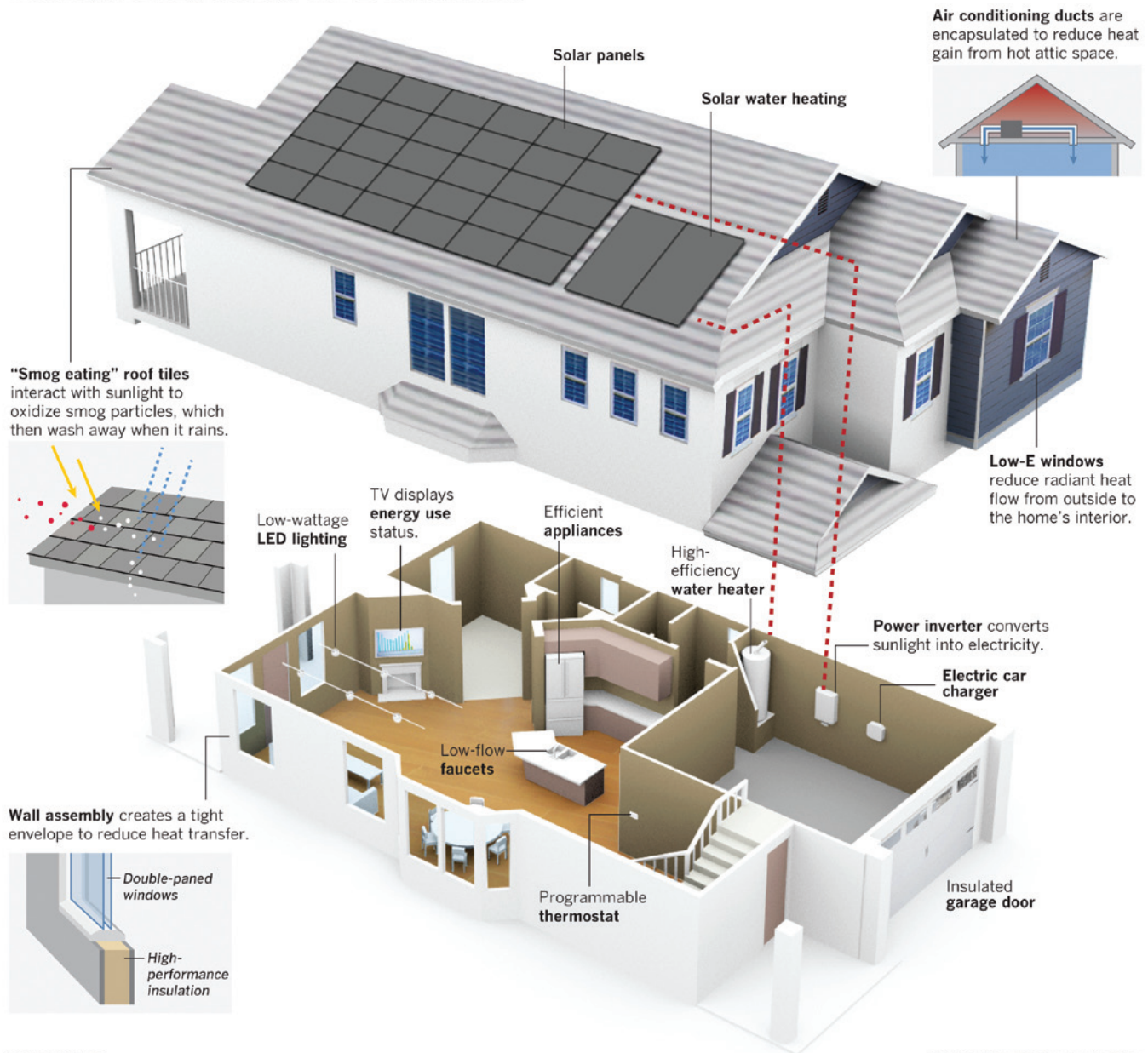
**Vicki Ferrari, Principal, Kendallvue Elementary School in Morrison, Colorado**





# Green living

KB Home's ZeroHouse looks like any of its other built-to-order homes, but incorporates many energy-efficient features that help meet the goal of using less energy than the house produces.



Source: KB Home

KHANG NGUYEN Los Angeles Times  
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## ANATOMY OF A ZEROHOUSE

The higher efficiency of the ZeroHouse 2.0 is the result of a whole-home approach, from the inside out, that begins with increased insulation, upgraded HVAC systems and dual-pane, low-E windows and ends with solar panels on the roof. The Los Angeles Times published a feature story about our ZeroHouse 2.0 as modeled at our Whisler Ridge community in Lake Forest, California. This graphic highlighting some of the sustainable and energy-efficient features of a ZeroHouse 2.0 accompanied the story and provides a nice overview of the key elements that go into many of our ZeroHouse 2.0 model homes.

# 2012 HIGHLIGHTS

## “HELLO YELLO!”— HELLO, EFFICIENCY!

In 2012, KB Home began a major branding and marketing effort to better communicate the features and benefits of buying a KB home. To improve their impact, new advertising pieces are simpler and more focused than they have been in the past. This means some of the pieces from the “Hello Yello” campaign highlight the financial and environmental benefits of an energy-efficient new KB home.



## WE “LIKE” SUSTAINABILITY: BUILDING AWARENESS VIA FACEBOOK

### SUMMER SAVINGS SWEEPSTAKES

Let us take the heat off  
your energy bill this summer!



Enter now on Facebook



Throughout 2012, we used Facebook as a way to build awareness about our overall sustainability efforts as well as an avenue for our homeowners to brag about the benefits of living in energy-efficient KB homes. The kickoff to these efforts, which we called our “Sharing Sustainability” campaign, was a sweepstakes. Working with a third-party developer, a special promotional tab was developed for our Facebook page which allowed us to invite consumers to “like” our page and provide us with information about their home, including whether they are a KB homeowner, the square footage of their home, number of bedrooms, number of bathrooms, size of garage (one-, two- or three-car) and their monthly energy bills. In return, they were entered into a drawing to win an e-reader. Once a consumer participated, their entry with information on their energy bill was posted to the contest tab as well as on KB Home’s Facebook wall. Consumers could also choose to share their entry with their friends on their own wall.

This promotion ran from December 14, 2011 to January 16, 2012. We received hundreds of entries and reached over 300,000 people on Facebook. More importantly, we gathered invaluable customer testimonials, demonstrating that our EPG and our energy-efficient homes are compelling and provide real value to consumers. Following the success of this promotion, we ran a similar promotion at the end of the summer. Homeowners shared information about their low summer energy costs and/or how much money they were saving. In return, they were entered into a drawing for a \$2,000 cash prize. This promotion ran from August 24, 2012 to September 30, 2012 and again resonated with consumers, attracting hundreds of participants with contest-related content reaching over 400,000 on Facebook. The posts we received during these two contests “say” more than we could ever say ourselves.

While these two promotions were the cornerstones of our Sharing Sustainability campaign, throughout the year we shared content on Facebook and other social media channels about our energy-efficient homes and related sustainability initiatives. For instance, when we opened new ZeroHouse 2.0 model homes, we provided links to media coverage about these homes and posted photos from events at local communities. When we were recognized with awards from U.S. EPA’s ENERGY STAR and WaterSense programs, we shared the good news with our fans and tagged the respective granting organizations in our post to also reach their fans. During 2012, we doubled the number of “likes” for our Facebook page, allowing us to reach even more individuals with sustainability messages and information.

## BIGGEST SURPRISE ON “THE ELLEN DEGENERES SHOW”: THE ADDED SURPRISE? IT’S ENERGY EFFICIENT!

In February 2012, KB Home was a part of “the biggest surprise in The Ellen DeGeneres Show history,” when it was revealed that Lisa Jarmon, a single mother from Houston would be the lucky recipient of a new *Built to Order* KB home. Cameras captured many of the key milestones of the homebuying process, including a tour of the home at frame stage, which highlighted energy-efficient features like effective insulation and dual-pane windows that contribute to increased efficiency and would help Lisa save money on her monthly energy costs. Our appearance on “The Ellen DeGeneres Show” was an opportunity for national exposure for the KB Home brand and the benefits of our energy-efficient homes.



### FACES OF SUSTAINABILITY

“Receiving a new *Built to Order* KB home changed my family’s life forever. I absolutely love my new home and was shocked to see my energy bills are less than \$200 per month—especially remarkable for here in Houston. It is also amazing how the home’s energy efficiency just makes it so comfortable to live in, even without turning on the air or heat.”



**Lisa Jarmon,**  
KB homeowner since May 2012

## HOME ENERGY MANAGEMENT SYSTEM PROJECT



In our 2011 Sustainability Report, one of our goals in the area of Energy Efficiency and Building Science Innovation was to install an energy monitoring system in all of our new homes. In 2012, we made significant progress toward this goal and

also decided to categorize this effort as part of our focus on Consumer Benefits and Awareness. However, we did not fully achieve our goal of including an energy monitoring system in all of our new homes. The process of developing and installing such a system proved to be more complex than anticipated.

We have encountered challenges with the operational processes required to install the systems nationwide, as well as with the development of the user interface. An energy monitoring

system is as much about consumer education and awareness as it is about driving energy conservation. Installing the system does not have a direct effect on the efficiency of the home without the participation of an informed homeowner and proper communication about how to use the system. So, before we roll out this product nationwide, we need to fine-tune our processes and ensure that the end product delivered to our homeowners is user friendly in order to have the best chance of meaningfully impacting behavior.

We have teamed up with Schneider Electric on this effort and have worked with them on their development of the Wiser™ Home Energy Management System (EMS), a key component of which is energy monitoring. We began a test pilot of the system in 50 homes across four of our communities in Austin in late 2012. We are planning a national rollout in 2013 and look forward to providing an additional update on our progress in this area in next year’s sustainability report.

### FACES OF SUSTAINABILITY

“KB Home is on the leading edge of large-scale new-home technology. Working together with their team to bring the Wiser home management system to market has been very exciting. KB Home is the first homebuilder to include such an empowering system that provides visibility and control of household energy use, enabling homeowners to drive energy efficiency, reduce cost and maintain comfort. The incorporation of this technology into their communities demonstrates the commitment KB Home has to their customers as well as the environment.”

**Yann Kulp, Vice President of Strategy and Business Development, Wiser and Schneider Electric**





# 2013 GOALS

## Consumer Benefits and Awareness

Provide a Wiser Home Energy Management System in all of our new homes, which can help homeowners track their energy consumption and raise awareness of opportunities to reduce consumption.

Implement new tools for employees to use to raise awareness about the importance of water conservation and to communicate the money-saving benefits of water efficiency.

Introduce an educational campaign about the importance of keeping storm water clean.

Expand sustainability-related content on KB Home's website, kbhome.com.

Showcase sustainable lifestyle choices at our communities and at the KB Home Studio.



# Waste Reduction

**WHY IT MATTERS:** Our business requires the use of a variety of materials and natural resources to construct our new homes. While we strive to use sustainably-sourced or recycled-content products whenever possible, it is just as important to focus on what we don't use at a job site—by eliminating waste and avoiding collateral environmental consequences. If we bring excess framework to a job site, for example, there could be additional waste in terms of the transportation of that material to the job site and with its appropriate disposal or repurposing and additional related costs. Another way we reduce waste is in our operations—both behind the scenes and in what is visible to our customers. Being mindful in this area is beneficial to our bottom line as well as the environment.





# 2012 GOALS



COMPLETED



IN PROGRESS OR PARTIALLY COMPLETE  
WITH ROOM FOR IMPROVEMENT



INCOMPLETE

Reduce job site waste across our operations by 10%. *(While we continued to implement practices to reduce our job site waste, we did not reduce our overall waste by 10%. This is due to a variety of factors, including an increase in the square footage of our homes built during the year as well as inconsistencies in availability of recycling programs across our divisions.)*



Reduce energy consumption in our model homes by 5%.



Reduce paper use in our division and corporate offices by 10%.



Adopt a new reward/recognition program for employees who find new ways to reduce waste in our offices as part of our ongoing G.R.O.W. (Get Rid of Waste) initiative.



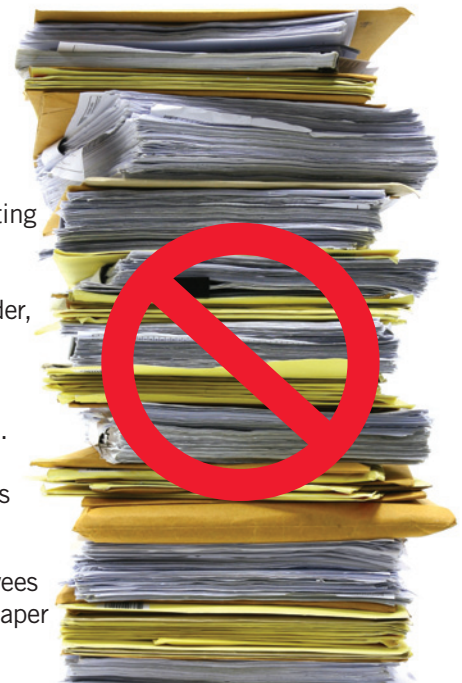
# 2012 HIGHLIGHTS

## PAPERLESS PAYROLL

For years, KB Home has encouraged our employees to reduce their paper waste by eliminating needless printouts, printing double-sided when possible, and using digital equipment for presenting meeting materials. In 2012, we took a big step toward reducing our paper use company-wide when we introduced a paperless portal with our payroll administration provider, ADP. The ADP online portal now eliminates the need for paper pay statements by allowing employees to access their statements at any time.

The ADP portal also allows certain processes to transition from being paper-based to digital. For instance, prior to the portal, employees had to submit paper forms to provide payroll-related information. Going paperless for these services eliminates paper waste and improves our organizational efficiency.

Since the launch of the ADP portal in the third quarter of 2012, more than 80% of employees are using it to go paperless with their pay statements, meaning we will reduce our annual paper consumption by nearly 24,000 sheets of paper as well as 24,000 envelopes.



## FACES OF SUSTAINABILITY

"Having the best tools at your disposal can dramatically impact business performance. KB Home's integration of ADP's services not only helped simplify and streamline their internal human capital management but has also significantly reduced the amount of paper products needed to conduct everyday business. We are proud that our system has benefited KB Home and helped contribute to their waste reduction effort over the past year."

Steve Hardy, Vice President, Strategic Marketing, ADP





## DOING THE JOB WITH LESS...WASTE

Since we began reporting on our sustainability efforts, we have made significant strides in monitoring and reducing our job site waste. For instance, in 2007, 65% of our homes were built with preconstructed panels. Today, 98% of homes are built using these panels, which help minimize waste, increase durability and are constructed off-site for greater precision. Our purchasing teams are diligent about ordering the exact quantities of materials needed to avoid bringing waste onto our job sites.

Unfortunately, some job site waste is unavoidable, so we try to recycle as much of the waste we generate as we can in order to divert it from our nation's landfills. This is another example of an area in which we have made great strides forward. When we began tracking our recycling efforts in 2009, only 44% of our communities had incorporated recycling into their standard job site practices. Now, and for the last three years, more than 64% of our communities do so. And in five of our divisions, we are proud to say job site recycling programs are in place at 100% of our communities.

Finally, to further reduce our impact on landfills, we focus on not only controlling and managing our own waste, but have also selected products containing recycled content. For example, we use carpeting from Shaw® that is made from Anso® nylon and consists, in part, of old carpeting, remanufactured in Shaw's "cradle-to-cradle" process. According to Shaw, every KB home that uses carpet made from Anso nylon saves, on average, 100 cubic feet of landfill space.

## MODEL HOMES= MODELS OF EFFICIENCY

Our model homes are built to the same quality standards as all of our new homes and are ENERGY STAR® certified. Without residents living in them during the sales life of a community, there is no reason for them to consume excessive energy. And with approximately 500 model homes open as showcases for our home designs in 2012, the energy bills added up. Reducing our model homes' energy consumption is good for our business and also contributes to lessening our operational carbon footprint. Keeping this in mind, in 2012, we reduced our model homes' electricity consumption by 10%, surpassing our goal of a 5% reduction. The electricity we saved was an estimated 2.5 million kWh, which would have produced over 1,000 metric tons of carbon dioxide emissions. While exact practices vary by division, here are some of the steps we have taken to make our model homes models of efficiency:

- ✓ Installation of high efficiency lighting
- ✓ Lighting controlled with timers and/or occupancy sensor
- ✓ Non-essential appliances are not plugged in or turned on
- ✓ Upgraded HVAC systems installed
- ✓ Solar power systems (at select communities)



## G.R.O.W. WALL OF FAME

Oftentimes, the best ideas come from our own employees. They are the ones who work every day to deliver our quality new homes 100% complete and 100% on time to our homebuyers, and they can often find new ways to optimize our processes and practices. To help a great idea in one division make its way to other divisions, we created our G.R.O.W. (Get Rid of Waste) Wall of Fame.

The G.R.O.W. Wall of Fame is a virtual bulletin board housed on our employee intranet, KBU, introduced in the second quarter of 2012. It is a place where employees can submit their ideas for reducing waste and provide real examples of practices that have increased their operational efficiency. On a quarterly basis, ideas are reviewed by our internal sustainability

steering committee and then the "winning" project or idea is recognized on KBU for all employees to view.

An example of a practice recognized on the Wall of Fame in 2012 was the implementation of procedures to digitally manage our pricing contract agreements with our trade partners. By eliminating the need for printing, copying, filing and storing paper contracts, we have now simplified and improved our process and saved KB Home time, money and paper. We leveraged an existing online system already being used by all our trade partners to electronically send pricing contracts to them and allow them to view and accept the terms of the agreements without printing a single page.

# 2013 GOALS

## Waste Reduction

Reduce job site waste and waste disposal costs by 10% by challenging our jobsite teams to verify material orders for accuracy and by encouraging the use of reusable containers.

Lessen the estimated environmental impact of our sales offices and model homes by reducing paper use in our sales offices as well as by reducing energy consumption in our model homes by an additional 2%.

Increase internal awareness and excitement for waste reduction, particularly in our division and corporate offices, by encouraging “paperless” procedure improvements aiming for 20% reduction in our paper use.



*Santa Clarita, California*



COMPLETED



IN PROGRESS OR PARTIALLY COMPLETE  
WITH ROOM FOR IMPROVEMENT



INCOMPLETE

## ENERGY EFFICIENCY AND BUILDING SCIENCE INNOVATION

Further improve all our homes built in 2012 by incorporating the new ENERGY STAR® Version 3 standards covering energy efficiency and a wide range of products and construction techniques.



Further improve the indoor air quality of our homes by using zero-VOC interior paint.



Continue to provide solar power systems as a standard or optional feature of KB homes in select markets and explore new value propositions that could facilitate offering solar power systems on more KB homes.



Provide an energy monitoring system in every home as a standard feature in order to increase homeowners' awareness of their energy consumption starting with electricity. This can result in additional energy conservation by up to 10%.



## WATER EFFICIENCY AND CONSERVATION

Continue our leadership in building WaterSense labeled new homes by constructing more of these homes in communities across our markets. Also, evaluate consumers' interest in WaterSense labeled new homes when offered as an option at the KB Home Studio.



Further improve the water efficiency of our homes by incorporating two new products that are at least 10% more water efficient.



Expand upon the low water usage landscaping standards we have adopted in our model home complexes.



## CONSUMER BENEFITS AND AWARENESS

Communicate the environmental and financial value associated with a more sustainable home by demonstrating to consumers how KB homes can provide better quality, better comfort, better durability, and more energy and water savings compared to a typical resale home.



Train and certify all KB Home staff on the features and benefits of an ENERGY STAR certified home so that they can better communicate them to our homebuyers, real estate professionals and others.



Continue using KB Home's proprietary Energy Performance Guide® (EPG®) to quantify the potentially lower total cost of homeownership of a new KB home. Train and certify all sales teams on effective ways to communicate the EPG message to homebuyers.



Continue KB Home's nationwide rollout of our ZeroHouse 2.0 net-zero energy options.



## WASTE REDUCTION

Reduce job site waste across our operations by 10%.



Reduce energy consumption in our model homes by 5%.



Reduce paper use in our division and corporate offices by 10%.



Adopt a new reward/recognition program for employees who find new ways to reduce waste in our offices as part of our ongoing G.R.O.W. (Get Rid of Waste) initiative.





## ENERGY EFFICIENCY AND BUILDING SCIENCE INNOVATION

Improve the energy efficiency of our homes by at least 3% in 2013 in order to achieve an average HERS Index Score of 66.

Expand on our successful solar power initiatives by exploring broader usage of renewable energy including installation of solar power systems in new markets or with new product lines, and demonstration of other types of renewable energy.

Introduce at least three new energy-efficiency features as an either standard or optional features of all new KB homes. Test and measure the results of at least two emerging building technologies or techniques.

Coordinate a cost-effective transition to the new Title-24 energy code requirements in California, which will be required of all new residential construction in the state in 2014.

## WATER EFFICIENCY AND CONSERVATION

Maintain our leadership in building WaterSense® labeled new homes by introducing WaterSense labeled new homes to markets where we have not built them before.

Demonstrate use of a greywater recycling system and conduct research to determine if such a product can be added to the KB Home Studio.

Update water efficiency product options at the KB Home Studio.

## CONSUMER BENEFITS AND AWARENESS

Provide a Wiser™ Home Energy Management System in all of our new homes, which can help homeowners track their energy consumption and raise awareness of opportunities to reduce consumption.

Implement new tools for employees to use to raise awareness about the importance of water conservation and to communicate the money-saving benefits of water efficiency.

Introduce an educational campaign about the importance of keeping storm water clean.

Expand sustainability-related content on KB Home's website, kbhome.com.

Showcase sustainable lifestyle choices at our communities and at the KB Home Studio.

## WASTE REDUCTION

Reduce job site waste and waste disposal costs by 10% by challenging our jobsite teams to verify material orders for accuracy and by encouraging the use of reusable containers.

Lessen the estimated environmental impact of our sales offices and model homes by reducing paper use in our sales offices as well as by reducing energy consumption in our model homes by an additional 2%.

Increase internal awareness and excitement for waste reduction, particularly in our division and corporate offices, by encouraging "paperless" procedure improvements aiming for 20% reduction in our paper use.

# Social and Charitable Contributions

As a company whose primary business is building homes and creating communities, we focus our charitable giving on shelter-related causes and assistance for children and their families. Efforts in many of our divisions also serve to improve quality of life for all of the residents of the areas in which we build, including work with area schools, medical care providers and food pantries. The following are some examples of our social and charitable activities in 2012:

## Shelter

- Our Southern California division donated \$2,500 as a Diamond-level sponsor of Habitat for Humanity® Inland Valley's Annual Golf Tournament. The division also made a donation to Project Touch, an organization dedicated to preventing and ending homelessness in Riverside County.
- Our Southern California division donated approximately \$15,000 of model home furniture to the BIA Cares Furniture Fantasy Sale. The proceeds from this sale, hosted by the charitable foundation of the Building Industry Association of San Diego County, are being used to fund construction projects and provide financial support for a variety of San Diego County charitable organizations.

## Children and Families

- Our Colorado division donated \$2,500 to the Denver Children's Advocacy Center, an organization that works to improve the lives of children traumatized by sexual abuse and violence with prevention, education and direct services.
- Our Central Texas division showed our appreciation for our nation's troops with donations to soldiers stationed at Ft. Hood Army Base in Temple, Texas. Employees assembled support baskets, donated t-shirts and "adopted" a family during the holiday season.
- Our Central Texas division donated 1,500 backpacks to Child Protective Services in San Antonio to meet the needs of school-age foster children placed in its care. An additional 100 backpacks were supplied to Communities in School, a non-profit dedicated to keeping kids in school and improving graduation rates, in partnership with the San Antonio Hispanic Chamber of Commerce.
- Our Southern California division was a Platinum-level sponsor of the Tour de Perris bike ride benefitting Perris youth charities.

- Our Jacksonville division employees made donations to a Toys for Tots™ drive with the U.S. Marine Corps.

## Food and Medical Care

- Our Raleigh division showed off their "Canstruction" prowess for a special event benefitting The Food Bank of Eastern North Carolina. Division personnel built a miniature home out of canned and boxed dry goods and then donated all the materials used to the Food Bank.
- For the eighth year in a row, employees in our Central Texas division supported Irma's Angels, a nonprofit that helps provide meals to needy families during the winter holiday break. Division employees donated and delivered more than 100 boxes of cereal to the organization's annual food drive.
- Our Central Texas division employees participated in six on-site blood drives benefitting the South Texas Blood and Tissue Center.
- Our Southern California division employees supported and participated in the Second Annual NEGU™ (Never Ever Give Up) Golf Classic, benefitting the Jessie Rees Foundation, an organization committed to supporting children battling cancer and their families.
- Our Southern California division continued its support of the Riverside County Regional Medical Center (RCRMC) with its annual golf tournament fundraiser. Money raised from past tournaments was used to purchase a mobile medical center in 2012. KB Home was also a sponsor of RCRMC's Festival of Trees and Spring Garden Tour.
- Our Houston division employees contributed to and volunteered during the Houston Food Bank's Share Your Holidays Food Drive. Their support helped provide meals to nearly 14,000 area families during the winter holiday season.



# Social and Charitable Contributions

## Meeting Other Local Needs

- Our Colorado division donated \$1,000 to the Douglas County Fair Foundation to support the annual fair and rodeo, considered to be a platform for promoting sportsmanship, workmanship and showmanship to area youth.
- Our Central Florida division helped make Halloween celebrations a little more festive by donating pumpkins to the Harbour House, a women's domestic violence shelter in Orange County, Meadow Woods Elementary School in Orlando and Hope Orphanage in Tampa.
- For the ninth straight year, our Central Texas division contributed to San Antonio's city-wide Project Cool program which delivers fans to senior citizens during the hot Texas summer.
- Our Las Vegas, Colorado and Houston divisions each made cash donations to local schools during educational ZeroHouse 2.0 events at KB Home communities. The amounts donated represented the energy cost savings a homeowner would enjoy in a new ZeroHouse 2.0 in the local market.

## WORKFORCE HOUSING

In addition to focusing on building all our new homes and communities in a sustainable manner, we also strive to promote affordability and making the dream of homeownership attainable for all Americans. To this end, KB Home is proud to support public sector employees as well as members of our military with special programs across our divisions. Programs vary by market, but typically offer price or option discounts.



## ENERGY EFFICIENCY AND MORTGAGES

A March 2013 study conducted by UNC Center for Community Capital and the Institute for Market Transformation has found that loans made on ENERGY STAR® certified homes are 32% less likely to go into default. And within this group, the more efficient the home, the lower the default risk. In fact, for each point on the HERS Index®, the risk of default gets smaller. While the study may not prove a direct cause and effect relationship between ENERGY STAR homeownership and a lower risk of default, the study report suggests that lenders should consider allowing for lower risk premiums associated with interest rates, a more flexible credit profile or a higher debt-to-income ratio for people buying an energy-efficient home. Such policy changes, if implemented, could have a positive impact on our homebuyers by making their mortgage payments more affordable or increasing their buying power.

## KB HOME AND AARP'S SIMPLY LIVING PROGRAM

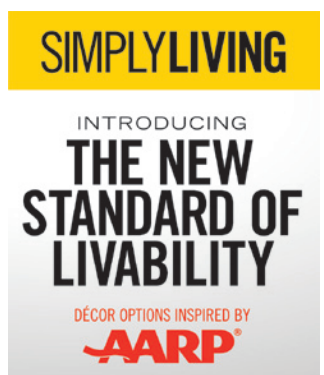
In last year's report, we highlighted the increase in multigenerational households as a trend. According to U.S. Census Bureau data, the number of these households, defined as those with three or more generations living together under one roof, grew 30% from 2000 to 2010.

We pointed out that our *Built to Order*™ homebuilding experience is naturally suited to meet the demands of this trend, with options like dual master suites or first-floor bedroom suites that could accommodate parents living with their adult children. In 2012, we further showcased our readiness to address this trend, as well as the needs of an aging American population, by collaborating with AARP® to create the Simply Living program.

Simply Living is a collection of design options available at the KB Home Studio that reflect the principles of Universal Design and are intended to make homeowners' lives easier, safer and less stressful—in a word, simpler. While AARP's core membership and audience are Americans over the age of 50,

through this program, we both hope to bring greater awareness to adjustments in home design and décor that can have a positive impact on quality of life for homeowners of all ages and abilities. Options available in the Simply Living collection include pull-out shelving in cabinetry, paddle light switches and slip-resistant flooring.

The flexibility and level of customization inherent in KB Home's *Built to Order* experience allow us to meet the needs of America's multigenerational households, as well as customers of varying ages and abilities. And now, Simply Living options provide clear choices and guidance for our homebuyers at the KB Home Studio across many product categories including: kitchen, bath, flooring, lighting and technology.





# Sustainability Performance Overview

## ORGANIZATIONAL PROFILE AND GOVERNANCE

### KB Home Overview

KB Home, one of the nation's leading homebuilders, has built and delivered approximately 550,000 homes since its founding in 1957. The Company is distinguished by its *Built to Order™* homebuilding approach, which gives homebuyers a tremendous level of production-scale customization at an affordable price. KB Home's award-winning homes and communities meet the needs of first-time homebuyers with flexible designs that also appeal to move-up buyers and active adults. Headquartered in Los Angeles, KB Home currently operates in 33 major markets across 10 states.

The Company trades under the ticker symbol "KBH," and was the first homebuilder listed on the New York Stock Exchange (NYSE).

### Governance

Our business is conducted under the direction of our President and Chief Executive Officer with the oversight of our Board of Directors, which is chaired by a Non-Executive Chairman of the Board. Each member of our Board of Directors is elected by our stockholders to oversee the management of our business and to ensure 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 2012 fiscal year were independent under the Board's independence standards.

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's interests and must abide by our Ethics Policy. We also maintain an Ethics Policy hotline (800-304-0657) and reporting website ([kbhome.ethicspoint.com](http://kbhome.ethicspoint.com)), administered by an independent third-party to ensure maximum confidentiality and neutrality. Our Corporate Governance Principles and Ethics Policy are available on our website at [www.kbhome.com/investor/corporategovernance](http://www.kbhome.com/investor/corporategovernance). Print copies of our corporate governance principles and our Ethics Policy are available without charge through written requests to our Corporate Secretary. In addition, 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, CA 90024.

### Stakeholder Engagement

Creating meaningful organizational change takes more than the creation of an environmental initiative; it requires us to build buy-in for the value of this commitment at every level of the organization and leverage the combined experience, creativity and dedication of the entire KB Home team. In a business that depends as heavily as ours does on a network of suppliers at both the national and local levels, as well as on the goodwill of our community partners and other nongovernmental organizations, it is essential to create that buy-in within our larger network of key stakeholders.

We work closely with a variety of stakeholders at the national and our divisional levels, including:

- Homeowners
- Potential homebuyers
- Stockholders and potential investors
- Employees
- Organizations that represent local communities and neighborhoods
- Elected officials, governmental regulators, planners and other public officials
- Environmental groups and other nongovernmental organizations
- Suppliers and trade partners



# Sustainability Performance Overview

## KB Home National Advisory Board

Established in 2009, KB Home's National Advisory Board is comprised of nationally recognized leaders in such areas as environment, economy, government, finance, housing, community planning and social responsibility. Members of the KB Home National Advisory Board come from a diverse group of organizations, including the U.S. Department of Energy, American Association of Retired Persons, Natural Resources Defense Council, Climate Prosperity Project, Inc., California Alliance for Jobs and National Association of Latino Elected and Appointed Officials, as well as academic institutions. This esteemed group meets two times each year to discuss the following objectives: balancing home availability and affordability while minimizing intrusion into the natural environment; reducing water and energy usage; preserving non-renewable resources; and creating livable neighborhoods.

KB Home listens carefully to the views of these independent experts as we plan the neighborhoods that will make up America's towns for generations to come. KB Home's National Advisory Board assists us in ensuring that we are meeting our goals of creating livable neighborhoods, helping to protect the environment and making homeownership accessible to more American families.

In addition to informal stakeholder engagement, we actively seek out input from stakeholders through our National Advisory Board, which is described in further detail to the left on this page. KB Home also has local Community Advisory Boards in place. Since our focus in 2012 was on national sustainability policies, however, we were primarily engaged with our National Advisory Board for guidance during this period.

## Public Policy Participation

We believe actively participating in the public policymaking process is an important aspect of being a responsible member of the communities in which we build and necessary to appropriately pursue our business goals. To this end, we engage with public officials and other policy makers at all levels of government in discussions about issues that affect homeownership.

We make contributions to candidates for public office, irrespective of political party affiliation, and to certain ballot initiatives. We support candidates who understand the homebuilding process and champion the broadening of homeownership opportunities. We support ballot initiatives that enhance community development and services—primarily bond measures for schools, parks, transportation, water and environmental protection.

We are committed to complying with all laws that apply to the making and public reporting of political campaign contributions. Contributions to federal campaigns are made only by the KB Home American Dream Political Action Committee. We contribute to state and local campaigns only as permitted by applicable law.

Our senior executive for government and public affairs oversees our participation in the public policymaking process.

There is an internal management approval process in place for political campaign contributions and a reporting process to our Board of Directors' Nominating and Corporate Governance Committee.

In 2012, the KB Home American Dream Political Action Committee contributed \$6,500 to candidates for Congressional offices and campaign committees. These contributions were reported to the Federal Election Commission and can be found on its website at [www.fec.gov](http://www.fec.gov).

In 2012, we contributed \$41,247 to campaigns for state and local offices and ballot propositions in California, Colorado, Florida and Nevada. The California contributions can be found on the California Secretary of State's website at [www.cal-access.ss.ca.gov](http://www.cal-access.ss.ca.gov).

We are also members in various trade associations in our markets in order to establish business relationships with building industry companies. From time to time, we obtain services from these trade associations, including local marketing studies, signage and advertising placements, and continuing education or training classes. Some of these trade associations allocate a portion of the fees we pay for membership dues and services to use for their own independent political activities, and we do not monitor or control how these allocations are used. To the extent we are informed of such allocations by trade associations to which we pay fees of more than \$50,000 in a fiscal year, we will report the total amount automatically allocated. In our 2012 fiscal year, there were three such trade associations – the California Building Industry Association, the Leading Builders of America, and the North State Building Industry Association.

Based solely on their reports to us, these three trade associations allocated an aggregate total of \$30,969 of our paid fees to their own independent political contributions.

We worked with various groups and with the California Energy Commission to protect the New Solar Homes Partnership administered by the California Energy Commission. KB Home is one of the largest participants in this program, which helps homebuyers by reducing the cost of solar panels on new homes.

We also worked with the Southern California Building Industry Association and our energy rating service provider, Energy Inspectors™, to support the city of Fontana's "Green Fontana" program, which incentivizes builders to construct even more sustainable homes. Fontana now issues a \$2,000 development fee reduction incentive for every ENERGY STAR® certified home.

## Sustainability Oversight Structure

We have a number of governance structures that are specifically tasked with driving our sustainability strategies and actions throughout our entire organization:

- *Board of Directors Oversight.* The Board of Directors supports sustainability as an important corporate goal. Board member Kenneth M. Jastrow, II, serves as the advisor on sustainability matters.
- *National Advisory Board.* Established in 2009, the National Advisory Board is comprised of nationally recognized leaders in such areas as environment, economy, government, finance, housing, community planning and social responsibility. This group meets twice yearly with KB Home to discuss recommendations related to sustainability and other issues.
- *Environmental Leadership Team.* A group of key executives convenes on a regular basis to discuss sustainability strategies, craft and refine company policies and initiatives, and create buy-in with leaders across all of our operating regions and major functions of the Company.
- *Job Site Waste Reduction Leaders.* As part of our company-wide focus on waste reduction, we have identified a Job Site Waste Reduction Leader in every major division of the Company. These liaisons are responsible for implementing our waste reduction programs throughout each department and reporting back to the company-wide group with input and ideas as well as results.

## Carbon Footprint Reporting

KB Home has been publishing carbon footprint measurement information since the release of our inaugural 2007 Sustainability Report. In 2009, KB Home significantly expanded our methodology for capturing and reporting this data (explained in detail in our 2009 Sustainability Report), and we intend to continue to report on it as a normal course of business. Although undertaking this effort requires significant dedication of employee resources, it is a core part of our commitment to accuracy and transparency in this important area.

We remain committed to leading the homebuilding industry not only in our sustainability actions and initiatives, but also in the transparency of our sustainability reporting and carbon footprint disclosure.

In 2012, we became an active member of BICEP (Business for Innovative Climate & Energy Policy), a project of the organization Ceres, a leading non-governmental advocate for sustainability, energy efficiency, conservation and renewable energy in America. BICEP's corporate partners, like KB Home and others such as Starbucks™, Nike and Ben & Jerry's, work together to advance policies that promote environmental sustainability, particularly on matters of energy.

# BICEP

BUSINESS for INNOVATIVE  
CLIMATE & ENERGY POLICY

a project of Ceres



# Sustainability Performance Overview

## 2012 Business Results

KB Home reported improvements in a number of key financial metrics for the 2012 fiscal year.

- *Increased Revenues and Deliveries.* KB Home revenues grew to \$1.56 billion, an increase of 19% over 2011, as the result of increases in both deliveries and the average selling price. KB Home significantly reduced its net loss for the year and was profitable in both the third and fourth quarters.
- *Improved Operating Margin.* Operating margin improved by more than 400 basis points, to a positive \$8 million.
- *Growth in Backlog.* At year-end, homes in backlog were up 20% year-over-year, at 2,577 homes, with potential future revenues of \$619 million, an increase of 35%, the highest year-end backlog value since 2007.
- *Increased Average Selling Price.* KB Home's average selling price for the year increased 10% to \$246,000. This increase is, in part, attributable to our strategic geographic shift to more attractive market locations and a general improvement in housing market conditions. This industry-leading year-over-year increase in average selling price was accomplished while maintaining one of the highest per community sales paces in the industry.
- *Shareholder Return.* For the 2012 fiscal year, KB Home posted a 98% total shareholder return, including re-invested dividends, well above the S&P 500's return of 16%.

Detailed operational results for fiscal 2012 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors, are available in the reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at <http://www.kbhome.com/investor> or at <http://www.sec.gov>.

# Environmental Performance

Performance Indicator	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>ENERGY EFFICIENCY</b>						
Number of ENERGY STAR® certified homes delivered	7,467	4,736	5,258	6,631	5,677	6,207
Percentage of total homes delivered that were ENERGY STAR certified	31%	38%	62%	90%	98%	99%
Percentage of KB Home divisions building at least some homes to ENERGY STAR specifications	83%	91%	100%	100%	100%	100%
Number of ENERGY STAR certified appliances installed (relative to total annual deliveries)	Began tracking in 2008.	18,804 (against 12,438 deliveries)	12,718 (against 8,488 deliveries)	13,292 (against 7,346 deliveries)	9,929 (against 5,812 deliveries)	9,065 (against 6,282 deliveries)
KB homeowner satisfaction ratings on energy efficiency of their KB home (from a 12-month post closing survey on a scale of 0–100% satisfaction)	Began tracking in 2010.	Began tracking in 2010.	Began tracking in 2010.	91.9%	92.5%	93.1%
<b>WATER CONSERVATION</b>						
Number of KB homes built to EPA's new WaterSense® specifications (construction commenced in late 2010)	N/A	N/A	N/A	11	97	85
Number of Water Smart homes built (Las Vegas market only; in conjunction with the Southern Nevada Water Authority)	1,964	881	393	521	412	438
Number of EPA WaterSense labeled fixtures installed in KB homes	N/A	154 lavatory faucets 486 toilets	15,189 lavatory faucets 1,260 toilets	19,096 lavatory faucets 2,026 toilets 241 showerheads	18,240 lavatory faucets 14,500 toilets (est.) 12,200 showerheads (est.)	22,500 lavatory faucets 18,100 toilets 13,700 showerheads (all est.)
<b>MY HOME. MY EARTH.® OPTIONAL PRODUCTS AND UPGRADES</b>						
Total number of <i>My Home. My Earth.</i> optional upgrades installed. These include appliances, HVAC equipment, radiant barrier roofing, WaterSense labeled fixtures, ENERGY STAR certified doors and low-E windows.	Began tracking in 2009.	Began tracking in 2009.	21,010 (against 8,488 deliveries)	23,155 (against 7,346 deliveries)	18,412 (against 5,812 deliveries)	20,039 (against 6,282 deliveries)
<b>WASTE REDUCTION AND RECYCLING</b>						
Percentage of KB homes built with preconstructed panels, which help to minimize waste, increase durability and are constructed off-site for greater precision. Using these panels results in more airtight homes that are better insulated, which helps to reduce energy bills.	65%	90%	90%	100%	100%	98%
Percentage of KB Home communities incorporating recycling into their standard job site processes	Began tracking in 2009.	Began tracking in 2009.	44%	71%	91%	64%

# Environmental Performance

Performance Indicator	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>OFFICE SUSTAINABILITY PRACTICES</b>						
Percentage of office supplies purchased that are earth conscious	23%	27%	26%	33%	29%	22%
Number of meeting hours hosted on iLab (virtual meeting system to minimize air and car travel for trainings, meetings and events)	Began tracking in 2008.	1,934	1,978	1,665	1,708	1,533
Recycled paper (office grade) processed through our national service provider, which recycles the paper after shredding. This service provider also calculated the environmental benefits in the related rows below. This figure does not include the recycling programs we have established in the majority of our local offices.  <i>Note: Increase in 2010 was primarily due to our Northern California division recycling over 11,500 boxes of archived documents in 2010. Division reduced their document storage by 50% to cut costs and improve efficiency.</i>	56,440 lbs.	148,940 lbs.	72,390 lbs.	467,979 lbs.	158,129 lbs.	94,703 lbs.
Trees saved as a result of paper recycling program	479	1,266	615	3,978	1,344	805
Water saved as a result of paper recycling program	197,540 gallons	521,290 gallons	253,365 gallons	1,637,925 gallons	553,451 gallons	331,459 gallons
Air pollution avoided as a result of paper recycling program	16,932 lbs.	44,682 lbs.	21,717 lbs.	14,039 lbs.	4,743 lbs.	2,841 lbs.
Landfill reduction as a result of paper recycling program	84 cubic yards	223 cubic yards	109 cubic yards	702 cubic yards	237 cubic yards	142 cubic yards
Electricity saved as a result of paper recycling program	115,702 kWh	305,327 kWh	148,400 kWh	959,356 kWh	324,164 kWh	191,140 kWh
Oil saved as a result of paper recycling program	12,981 gallons	34,256 gallons	16,650 gallons	107,635 gallons	36,370 gallons	21,782 gallons
<b>GREENHOUSE GAS EMISSIONS ESTIMATE</b>						
Carbon Disclosure Project questionnaire completed and submitted for the fiscal year impact	Yes	Yes	Yes	Yes	Yes	Invited to submit answers to questionnaire.
Estimated greenhouse gas emission for KB Home operations (CO <sub>2</sub> e in metric tons)	Data not available for comprehensive emissions estimate.	42,204 metric tons	20,296 metric tons	17,015 metric tons	14,549 metric tons	13,468 metric tons
Estimated greenhouse gas emission financial intensity, based on the methodology identified by the Carbon Disclosure Project	Data not available for comprehensive emissions estimate.	0.0000139 (42,204 metric tons/ US \$3,033,936,000 total revenue)	0.0000112 (20,296 metric tons/ US \$1,824,850,000 total revenue)	0.0000107 (17,015 metric tons/ US \$1,589,996,000 total revenue)	.0000111 (14,549 metric tons/ US \$1,315,866,000 total revenue)	.0000086 (13,468 metric tons/ US \$1,560,115,000 total revenue)
Estimated greenhouse gas emission activity-related intensity (CO <sub>2</sub> e in metric tons per delivered home)	Data not available for comprehensive emissions estimate.	3.4 (42,204 metric tons/ 12,438 homes)	2.4 (20,296 metric tons/ 8,488 homes)	2.3 (17,015 metric tons/ 7,346 homes)	2.5 (14,549 metric tons/ 5,812 homes)	2.1 (13,468 metric tons/ 6,282 homes)



# Economic Performance

**Note:** Below are key financial and overall customer satisfaction performance indicators. Additional operational results for fiscal 2011 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors, are available in the periodic and other reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at [www.kbhome.com/investor](http://www.kbhome.com/investor), or at [www.sec.gov](http://www.sec.gov).

Performance Indicator	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>FINANCIAL</b>						
Total revenue (in thousands)	\$6,416,526	\$3,033,936	\$1,824,850	\$1,589,996	\$1,315,866	\$1,560,115
Net income/loss (in thousands)	(\$929,414)	(\$976,131)	(\$101,784)	(\$69,368)	(\$178,768)	(\$58,953)
Number of homes delivered	23,743	12,438	8,488	7,346	5,812	6,282
Net orders	19,490	8,274	8,341	6,556	6,632	6,703
Backlog – units	6,322	2,269	2,126	1,336	2,156	2,577
Backlog – value (in thousands)	\$1,498,835	\$521,386	\$422,496	\$263,794	\$458,950	\$618,626
Average selling price	\$261,600	\$236,400	\$207,100	\$214,500	\$224,600	\$246,500
Housing gross margin	(5.7%)	(7.1%)	6.5%	17.4%	13.4%	14.9%
<b>CUSTOMER SATISFACTION</b>						
Customer satisfaction index (from a 30-day post-closing survey on a scale of 1–10)	8.9	9.3	9.5	9.5	9.5	9.4
Customer recommendation rating (from a 30-day post-closing survey on a scale of 1–10)	Began tracking in 2010.	Began tracking in 2010.	Began tracking in 2010.	9.5	9.5	9.4

# Social Performance

Performance Indicator	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>STAKEHOLDER AND COMMUNITY INVOLVEMENT</b>						
National Advisory Board	No	No	Yes	Yes	Yes	Yes
Infrastructure development – approximate school-related fees paid	Began tracking in 2008.	\$35 million	\$25 million	\$21 million	\$20 million	\$22 million
<b>EMPLOYEES, TRAINING AND LABOR PRACTICES</b>						
Number of full-time employees	3,556	1,892	1,446	1,346	1,204	1,172
Number of collective bargaining agreements with employees	0	0	0	0	0	0
Employee injuries – West region	6	13	13	6	7	4
Employee injuries – Southwest region	3	3	3	1	3	1
Employee injuries – Central region	5	16	3	5	2	14
Employee injuries – Southeast region	7	13	3	4	1	1
Average online training certifications per employee <i>Note: Decline is due in large part to our lower numbers of new employees, who are required to complete a large number of certifications as part of our new-hire orientation.</i>	46	36	17	14	12	12
Average online training hours per employee <i>Note: Decline is due in large part to lower numbers of new employees, who are required to complete more hours of training as part of our new-hire orientation. In addition to online training and certifications, we conduct on-site field training of employees that is not reflected in these numbers.</i>	35	27	13	11	10	12
Annual core training certification rate – KBnxt White Papers <i>Note: As of 2010, required for new hires only.</i>	92%	98%	96%	97% (new hires only)	91% (new hires only)	90% (new hires only)
Annual core training certification rate – Ethics Policy	100%	100%	100%	100%	99%	99%
Annual core training certification rate – 100% Complete/100% Satisfied <i>Note: As of 2010, required for new hires only.</i>	94%	99%	98%	97%	92% (new hires only)	97% (new hires only)
Annual core training certification rate – My Home. My Earth.® <i>Note: As of 2010, required for new hires only.</i>	N/A	99%	99%	95% (new hires only)	93% (new hires only)	83% (new hires only)
Number of safety certifications <i>Note: Required for new hires only; has significantly declined due to lower numbers of new employees in relevant positions.</i>	6,874	2,125	210	200	20	235

# Global Reporting Initiative Index of Indicators

The Global Reporting Initiative (GRI) is a multistakeholder 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 current 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. "10K" refers to our 2011 Annual Report on Form 10-K for the fiscal year ended November 30, 2011. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For more information on GRI Guidelines, visit <http://www.globalreporting.org>.

## GRI Performance Indicators

Indicator	Description	Location
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### ENVIRONMENTAL

EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	pages 9–14, 20–25, 29, 31–32
EN16	Total direct and indirect greenhouse gas emissions by weight.	page 40
EN26	Initiatives to mitigate environmental impacts of products and services.	pages 31–32

### ECONOMIC

EC1	Economic value generated and distributed.	page 41; 10-K
EC2	Financial implications and other risks and opportunities due to climate change.	10-K
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	page 42

### SOCIAL PERFORMANCE: SOCIETY

S01	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	pages 27–30, 36–37
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	page 42
S05	Public policy positions and participation in public policy development and lobbying.	pages 36–37

### SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK

LA1	Total workforce by employment type, employment contract and region.	page 42
LA4	Percentage of employees covered by collective bargaining agreements.	page 42
LA7	Rates of injury by region.	page 42
LA10	Average hours of training per year per employee by category.	page 42

### SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY

PR3	Type of product and service information required by procedures.	pages 10–13, 20, 23
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	page 41



# Global Reporting Initiative Index of Indicators

## GRI Profile Indicators

Indicator	Description	Location
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### STRATEGY AND ANALYSIS

1.1	CEO statement about relevance of sustainability to the organization and its strategy.	page 5
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### ORGANIZATIONAL PROFILE

2.1	Name of the organization.	pages 2, 35
2.2	Primary products and services.	page 2, 35
2.3	Operational structure of the organization.	page 35; 10-K
2.4	Location of organization's headquarters.	page 35
2.5	Countries where the organization operates.	page 35
2.6	Nature of ownership and legal form.	10-K
2.7	Markets served.	page 35; 10-K
2.8	Scale of the reporting organization.	page 37; 10-K
2.9	Significant changes during the reporting period.	page 38; 10-K
2.10	Awards received in the reporting period.	pages 7–8

### REPORT PARAMETERS

3.1	Reporting period.	page 2
3.2	Date of most recent previous report.	page 2
3.3	Reporting cycle.	page 2
3.4	Contact point for questions regarding the report.	page 46
3.5	Process for defining report content.	page 2
3.6	Boundary of the report.	page 2
3.7	Limitations on the scope of the report.	page 2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities.	page 2
3.9	Data measurement.	page 2
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	N/A
3.11	Significant changes from previous reporting periods.	N/A
3.12	Table of GRI Standard Disclosures.	page 43

### GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1	Governance structure of the organization.	page 35; 10-K or proxy
4.2	Indication of whether Chair of the highest governance body is also an executive officer.	page 35
4.3	Board structure and independence of members.	page 35; 10-K or proxy
4.4	Mechanisms for providing recommendations to highest governing body.	page 35
4.14	Stakeholder groups engaged by the organization.	page 35
4.15	Basis for identification and selection of stakeholders.	pages 35
4.16	Approaches to stakeholder engagement.	pages 35–36





We welcome your comments  
and questions regarding this report  
and invite you to contact us at  
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