



2014

SUSTAINABILITY REPORT





2007



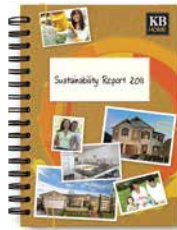
2008



2009



2010



2011



2012



2013



2014

KB Home Sustainability Report Purpose and Structure

This is our eighth annual sustainability report, which follows our most recent report published on Earth Day in April 2014.

In this report, we discuss our accomplishments and challenges in 2014, and our top goals and priorities for 2015 and beyond. We remain fully committed to achieving these objectives, subject to shifts in the business climate. In addition, with this report we seek 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, 2014, unless otherwise noted.

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's Guidelines can be found in the GRI Index of Indicators section.

We are committed to sharing our progress and goals in future sustainability reports, and pursuing sustainable practices where possible as an integral component of our business.

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Who We Are

KB Home is one of the largest and most recognized homebuilding companies in the United States. Since its founding in 1957, the company has built more than 550,000 quality homes. KB Home's unique homebuilding approach emphasizes choice and value, enabling each buyer to personalize their new home from homesite location to floor plan and design features.

As a leader in utilizing state-of-the-art sustainable building practices, all KB homes are highly energy efficient and meet strict ENERGY STAR® guidelines. This helps to lower monthly utility costs for homeowners, which the company demonstrates with its proprietary KB Home Energy Performance Guide® (EPG®). KB Home has been named an ENERGY STAR Partner of the Year Sustained Excellence Award winner for five straight years and a WaterSense® Partner of the Year for four consecutive years.

A FORTUNE 1000 company, Los Angeles-based KB Home was the first homebuilder listed on the New York Stock Exchange and trades under the ticker symbol "KBH."

Founded: 1957

President and CEO: Jeffrey T. Mezger

Principal business: Building quality homes designed for first-time, first-move-up and active-adult homebuyers.

2014 revenues: \$2.4 billion

Homes built in 2014: 7,215

NYSE Ticker symbol: KBH

KB Home builds in 40 markets from coast to coast.



ONE TEAM
KB Home

A yellow circle at the top contains the text 'ONE TEAM KB Home'. A dotted arrow points downwards from this circle to the central goal text. Another dotted arrow points upwards from a bottom circle to the same central goal text.

ONE GOAL

To redefine our industry by creating a premier, disciplined and process-driven company as measured by customers, employees and stockholders.

ONE WAY
KBNxt



OUR GUIDING PRINCIPLES FOR SUSTAINABILITY

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

- 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.
- Utilize our history of innovation and process-driven approach to reduce waste and natural resource usage throughout our organization.
- Be an active and responsible member of the communities in which we operate.
- Be an environmental educator for all our employees, homebuyers and business partners regarding home energy conservation and environmental sustainability.
- Maintain our standards of transparency and corporate citizenship by publicly reporting on the progress in and challenges to our sustainability efforts.

AWARDS AND RECOGNITION

U.S. Environmental Protection Agency ENERGY STAR® Partner of the Year – Sustained Excellence Award

Highest Possible EPA Distinction
for Energy Efficiency

Honored with this award, 2011–2015



U.S. Environmental Protection Agency WaterSense® Builder Partner of the Year

Highest Possible EPA Distinction
for Water Efficiency

First and only homebuilder to receive designation

Honored with this award, 2011–2014



RESNET®* President's Award

For building the most
homes with a HERS®
Index score of below 55

Honored with this award,
2014 and 2015



U.S. Department of Energy Zero Energy Ready Home Housing Innovation Award

For the Double ZeroHouse 2.0 in
the Production Builder Category

Honored with this award,
2013 and 2014



RESNET 2014 Lowest HERS Index Score for a Production Builder

For the
Double ZeroHouse 2.0
with a HERS score of 42



Environmental Leader News 2015 Product of the Year For the Double ZeroHouse 2.0

U.S. Environmental Protection Agency ENERGY STAR Partner of the Year – Climate Communications Award

For raising public awareness
of climate change

First and only homebuilder
to receive designation

Honored with this award,
2014 and 2015

U.S. Environmental Protection Agency Sixteen 2015 ENERGY STAR Certified Homes Market Leader Awards

For building homes that
advance energy efficiency



“While we are proud of our achievements to date, we realize there is still much more work to be done.”

LEADING THE WAY

All of us at KB Home take tremendous pride in our leadership in sustainability and it is a key component of our corporate character. We lead the way as the first production homebuilder to publish an annual sustainability report, and each year, it serves as an opportunity for us to reflect on our priorities, progress and challenges, while also guiding us forward in our sustainability journey.

In 2014, we made significant strides with the rollout of eDIFFERENCE™, a consumer-centric platform that promotes, in an integrated fashion, core elements of our sustainability program. This more holistic approach goes beyond energy efficiency to also include building homes that conserve water and feature healthier indoor environments, as well as leading smart home technology. Through this comprehensive framework, we educate consumers about the value and benefits of our homes, as well as how we structure our sustainability efforts.

As you'll also read in this report, we have a longstanding commitment to water conservation, with over 10,000 Water Smart® and WaterSense® labeled homes built to date and have installed 250,000 WaterSense labeled fixtures. As a result of our efforts in this area, our homes save an approximated 3 million gallons of water each day, according to estimates from the U.S. Environmental Protection Agency (EPA). As we continue in our water journey, we are now leading in applying new technologies to conserve this precious resource through our advances in utilizing greywater recycling technology, which we introduced in our state-of-the-art Double ZeroHouses.

We have certainly come a long way from our first ENERGY STAR® certified homes in 2000. Today, we pioneer the use of emerging technologies and earn the highest levels of recognition from the U.S. EPA. We have built a critical mass of highly-efficient KB homes that are capable of positively impacting the environment in a meaningful way. For example, every day our homes save an approximated \$28 million annually in energy costs, as estimated by the U.S. EPA. While we are proud of our achievements to date, we realize there is still much more work to be done and more for us to learn.

Through the creativity and commitment of our employees as well as the guidance of our National Advisory Board and ingenuity of our supplier partners, we believe that we are well-positioned to continue our progress in delivering homes that will be, for generations to come, better for the environment and better for the families we are privileged to serve.

A handwritten signature in black ink that reads "Jeffrey A. Mezger". The signature is fluid and cursive, with the first name "Jeffrey" being the most prominent.

Kenneth Jastrow II

KB Home, Director and NAB Liaison
Non-Executive Chairman
Forester Group Inc.

Jim Earp

Executive Director,
California Alliance for Jobs

Dr. Jonathan Fink

Vice President for Research
and Strategic Partnerships,
Portland State University

Professor Stuart Gabriel

Director, Richard S. Ziman Center
for Real Estate, UCLA Anderson
School of Business

Peter Harkness

Former Group Publisher,
Governing Magazine,
Senior Policy Advisor,
Pew Center on the States

Sheila Hollis, Esq.

Partner, Duane Morris LLP

Nancy LeaMond

Executive Vice President
for Social Impact, AARP

Peter Lehner

Executive Director,
Natural Resources Defense Council

Dr. Lou Moret

Former CalPERS Board Member

Andre Pettigrew

Executive Director,
Climate Prosperity Project, Inc.

Sam Rashkin

Chief Architect,
U.S. Department of Energy

Bruce Saito

Executive Director Emeritus,
Los Angeles Conservation Corps

Tim Smith

Principal - AIA, AICP,
SERA Architects, Inc.

About Our National Advisory Board

Formed in 2009, our National Advisory Board is composed of leaders in diverse disciplines, including environmental protection, finance, law, architecture, government, higher education and consumer advocacy.

KB Home Director Kenneth Jastrow serves as liaison for our National Advisory Board. With the participation of our Chief Executive Officer, senior executive for sustainability and senior executive for government and public affairs, our National Advisory Board meets twice a year to discuss the refinement of KB Home communities throughout the United States with respect to environmental stewardship and related issues. The group is asked to advise the Company on how best to navigate the balance between advancing sustainability and ensuring the affordability of KB homes.

Key 2014 Topics for Discussion

Preserving

Minimizing intrusion into the natural environment.

Conserving

Maximizing efficient use of natural resources,
especially water and energy.

Urban Projects

Expanding offerings of infill community locations.

Design for All

Exploring layouts, fixtures and features that enhance
liveability at all life stages.



Our Vision for Sustainability

To become a leading environmentally conscious national company by engaging the talents of our employees and trade partners, to utilize 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 to consumers.

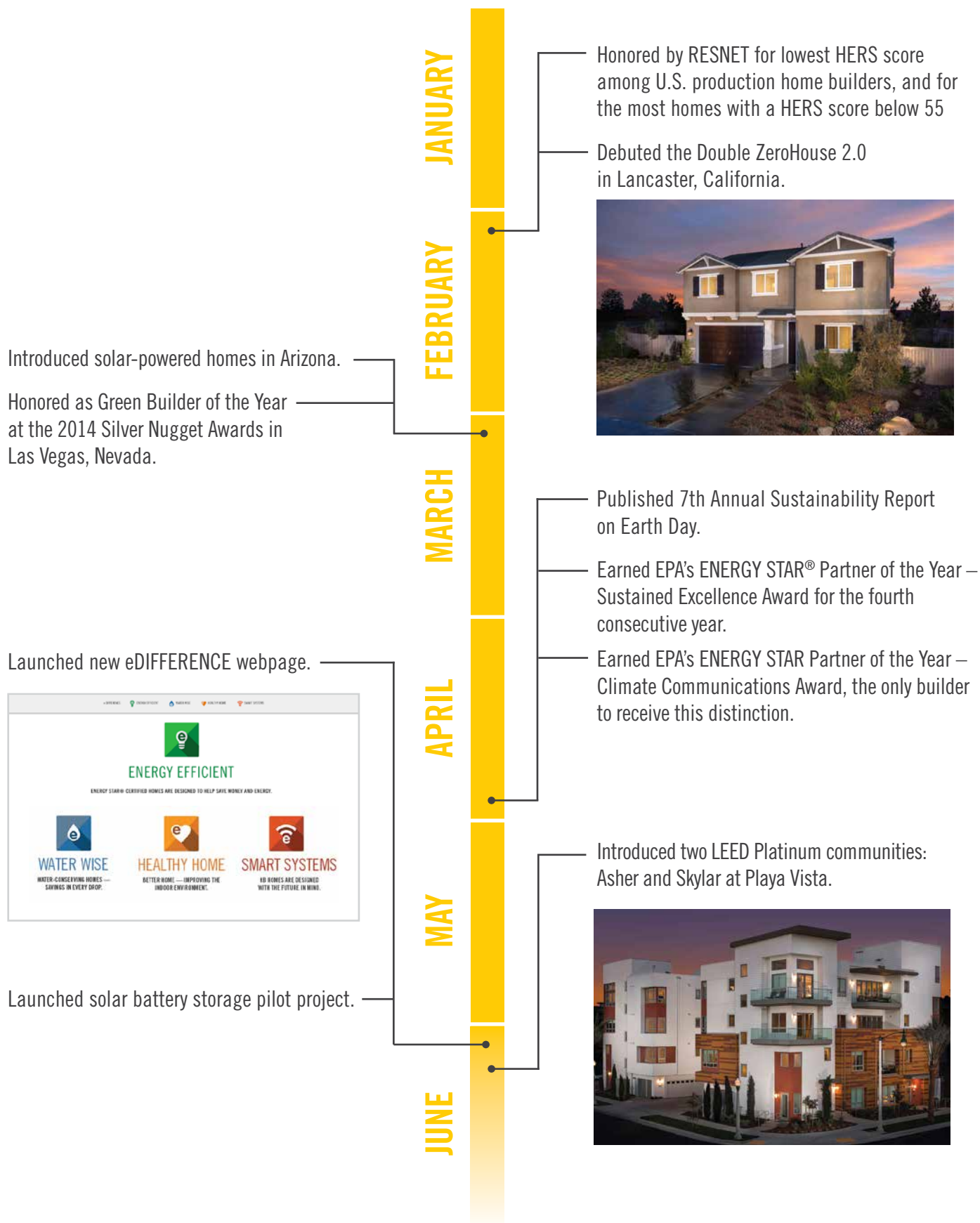
Environmental Sustainability

IN THIS SECTION:

The Year in Sustainability Timeline
Conserving Our Most Precious Resource
Ready for Tomorrow, Today
Double ZeroHouse 2.0 and 3.0
2014 Progress Report
Launching eDIFFERENCE

2014: The Year in Sustainability Timeline

January–June Sustainability Highlights and Industry Milestones



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2014: The Year in Sustainability Timeline

July–December Sustainability Highlights and Industry Milestones

Named Environmentally Responsible Company of the Year for 2014 by AZ Business Magazine.

JULY

Launched “How Green Is Your Household” Facebook Campaign.



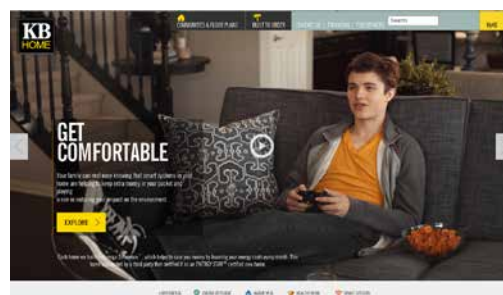
AUGUST



Honored as the WaterSense® Builder Partner of the Year for the fourth year in a row.

Debuted the Double ZeroHouse 3.0 in Sacramento, California.

SEPTEMBER



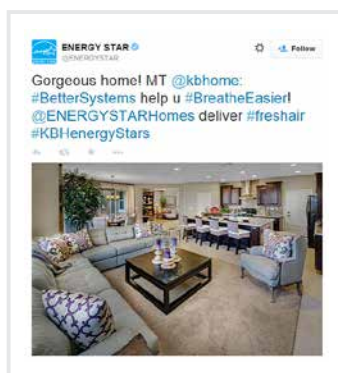
OCTOBER

Launched eDIFFERENCE videos on kbhome.com.

Debuted new sustainability materials in our sales offices.

Double ZeroHouse 2.0 named the U.S. Department of Energy's 2014 Zero Energy Ready Home, Housing Innovation Awards Winner in the Production Builder Category.

NOVEMBER



Launched a KB Home ENERGY STAR social media campaign.

Completed development of eDIFFERENCE training for all employees.

DECEMBER

Delivered 3,000th solar-powered KB home.





Conserving Our Most Precious Resource

In 2014, we made significant progress in the area of water conservation, as we continued to make our homes more water efficient by expanding our number of WaterSense® labeled new homes and increasing our standard water-smart features and options, including drought-tolerant landscaping. Along with leveraging our scale as a production homebuilder to promote water savings, we also fostered innovation, utilizing revolutionary greywater recycling technology and participating in collaborative pilot programs.

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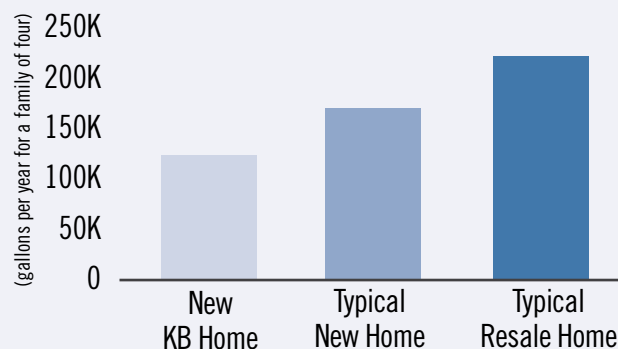
Fostering Change

In 2014, we achieved several key breakthroughs in our efforts toward building new homes that are significantly more water efficient. Through our network of supplier partners, we explored new ways to introduce water-saving elements in all our new homes. We also stayed true to our core philosophy of sustainability by continuing to focus on empowering consumers through education. For example, we demonstrated an emerging technology for residential real-time water usage monitoring, thereby equipping them to positively modify their own consumption patterns. Along with these important initiatives supporting continued progress, our successful demonstration in 2014 of revolutionary on-site greywater recycling technology marked a watershed moment in our ongoing journey of innovation.

Water Conservation Challenges

The principal challenge underlying water conservation in homebuilding is that the financial benefit to consumers from reducing water consumption has historically been perceived as much smaller than what can be yielded from greater energy efficiency. While consumers are not yet as financially motivated in terms of water conservation, awareness is increasing as water and sewage costs grow. Droughts, especially in California and other water-scarce states where we operate, have become increasingly common. Policymakers and key stakeholders across our communities understand the need to confront the reality that water consumption is increasing along with population growth, while the amount of fresh water available can be constrained. >>

RESIDENTIAL WATER USE COMPARISON*



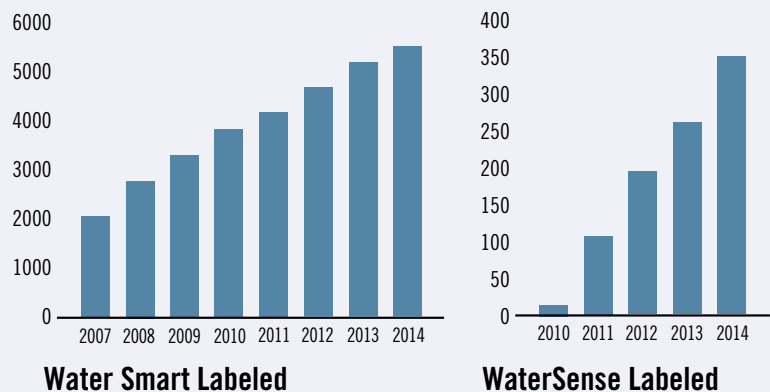
*Compared to typical new and existing homes that do not have the water-saving features of a new KB home.

Early Mover Advantage

In 2004, we were the first homebuilder to join the Southern Nevada Water Authority's Water Smart program, which certifies new homes built to save an estimated 75,000 gallons of water a year compared to typical existing homes built without the water-saving features of the program. In 2009, we made WaterSense labeled faucets, showerheads and toilets standard in every home, and in 2010, we built our first WaterSense labeled homes.

To date, we have built more than 350 WaterSense labeled homes, including the 96 WaterSense labeled homes we built in 2014, a 57% increase from a year earlier. The homes we delivered in 2014 included nearly 60,000 WaterSense labeled fixtures that are 20–30% more water efficient than typical fixtures. Today, we have built over 10,000 WaterSense and Water Smart labeled homes, and installed more than 250,000 WaterSense labeled fixtures. In combination, each year, our homes conserve more than 1.1 billion gallons of water.

BY THE NUMBERS: AGGREGATE HOMES



Communities Built to Conserve Water

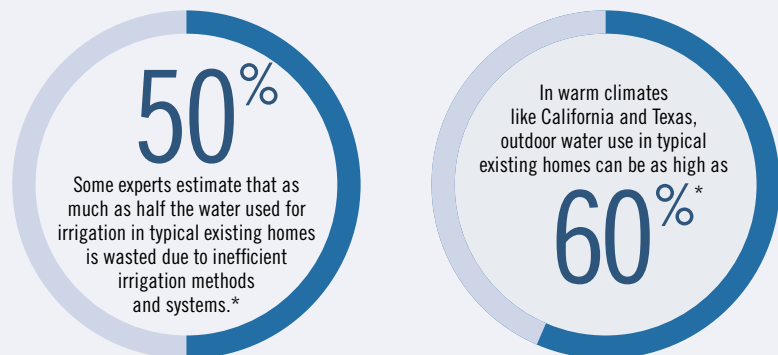
In 2014, we opened five new-home communities entirely composed of WaterSense labeled homes. These communities featured drought-tolerant common areas and new homes landscaped for water conservation. By design, this community-wide approach reduces the potential challenges faced by individual homeowners who are interested in switching to more efficient outdoor landscaping. We are able to make drought-tolerant landscaping more cost efficient through our scale, versus a one-off conversion of an existing home. With the challenge of combating water scarcity amid growing populations, we are optimistic about the opportunity to build entire communities that are designed to conserve this precious resource.

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Landscaping for Change

As the largest homebuilder in California, we are leveraging our scale to make an impact in a state facing a deepening water crisis. As a sign of the times, in early 2015, Governor Jerry Brown mandated a 25% reduction in urban water use. While we are focused on saving water throughout our homebuilding regions, we have made particular strides in the Golden State, and our commitment to conserving water precedes the state's current drought. As a result, many of our California new-home communities feature water-efficient landscaping.

The majority of our expert landscape design professionals are WaterSense certified to ensure full compliance with EPA WaterSense standards. Along with conserving water, our landscape plans are designed to provide a pleasing and climate-appropriate planting palette for the community. Plant species are selected based on their drought tolerance, sizing, shape and behavior for urban planting design, and appropriateness for the community's microclimate.



Typically, irrigation is automated by EPA WaterSense labeled controllers, with historical evapotranspiration data, i.e., observed evaporation trends, as well as on-site sun and rain patterns used to self-adjust irrigation run times according to seasonal and site-specific weather conditions. Drip and bubbler irrigation are used for shrubs and trees, which help reduce evaporation and wind-blown water waste to optimize water efficiency. >>

* According to U.S. EPA estimates.

“Now our water recycling system is getting a lot of media attention but KB Home saw the value of our technology early on and has played a critical role in our story. KB Home’s team was instrumental in helping us to research and develop our greywater recycling systems and to showcase our product.”

– Ralph Petroff
Chairman, Nexus eWater

Bringing Greywater Home

In 2014, we achieved an important milestone when we became the first production homebuilder in the United States to utilize on-site greywater recycling technology. This was first demonstrated at our Double ZeroHouse 2.0 in Lancaster, California, where recycled water was used for landscape irrigation. At our Double ZeroHouse 3.0 in El Dorado Hills, California, recycled water supplied non-potable water for toilets.

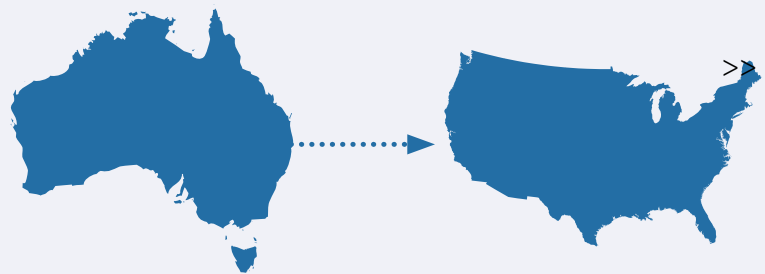
Warm greywater, which may account for roughly two out of every three gallons of water used indoors is normally treated as waste and sent straight to the sewer. The eWater Recycler, the greywater system utilized at our Double ZeroHouse homes, treats the greywater on site for reuse in non-potable applications.

The Answer Down Under

KB Home’s sustainability team found its greywater partner on the other side of the world.

In 2012, the sustainability team at KB Home took serious interest in the water conservation potential presented by emerging greywater technology. In 2013, we took the first step by including greywater pre-plumbing at our ZeroHouse in San Marcos, California. Through this experience, we learned how to isolate and capture greywater from a home. However, we knew we still needed a partner with the right equipment to recycle this greywater on-site.

Finding the right greywater partner proved a challenge. After researching companies from across the globe, the KB sustainability team reached out to a greywater technology company called Nexus eWater, located in Canberra, Australia, just 7,648 miles from our headquarters in Los Angeles. It’s not surprising that a country that has been grappling with serious droughts for many years would have experience with this type of water-saving technology.



Lancaster Double ZeroHouse 2.0

In February 2014, our Lancaster Double ZeroHouse 2.0 became our first home to showcase the eWater system technology, recycling water used in showers, tubs, sinks and washing machines for irrigation landscaping. In combination with other water-saving features, this home saves an estimated 150,000 gallons of water each year when compared to a typical resale home for a household of four or more.



Roughly 2 out of every
3 gallons of water used
in the home is greywater.

Collaborative Pilot Programs

With the success of our first greywater collaboration, we expanded our partnership with Nexus to include a pilot program that will demonstrate the potential water savings of the eWater systems in several homes in a KB community. We are also testing the energy savings captured by Nexus' greywater heat recycler, which takes energy from hot water and uses it to heat new fresh water for the home.

Nexus estimates that its water- and energy-saving technologies combined can reduce water consumed inside a home by 40% or up to 200 gallons each day for a household of four or more, by recycling two-thirds of in-home water usage. This effectively reduces wastewater by 70% and home energy usage by 10–20%. As a result of the first KB Home greywater system's location, Nexus has set up a U.S. office in Lancaster, a city that is deeply committed to becoming a model for water and energy efficiency and has embraced the potential of Nexus' greywater technology.

Less than two years after entering the U.S. market, the Nexus eWater Recycler was certified as the first on-site greywater system in the world to achieve NSF 350 compliance from the National Sanitation Foundation. In addition, the Double ZeroHouse in Lancaster that features Nexus' greywater system won an *Environmental Leader News* award. As of early 2015, the Nexus system remains the only NSF 350-certified greywater recycling residential product in the United States.



Ready for Tomorrow, Today

At KB Home, we are committed to accelerating our ability to discover, develop and strategically deploy advanced building science techniques and emerging technologies into our new home communities across the United States. We are always looking for new solutions that will help to make our homes more energy and water efficient, while also minimizing the impact of each KB home on the environment.

>>

“For more than a decade, KB Home has been a leader in sustainability within the homebuilding industry. They have made tremendous progress in the area of energy efficiency, and today, KB Home’s efforts in water conservation promise to have a huge impact on how we strategically approach residential water consumption in the future. They are leading the way.”

– Ed Osann,
Natural Resources
Defense Council

Four Ways We Advance Innovation

R&D Laboratories

Our Double ZeroHouses serve as critical sites of collaboration and inspiration as we work with our supplier partners to develop the homes of the future, integrating cutting-edge products with our application of developments in building science engineering.

We are focusing more on building healthier homes. In 2014, we added innovations and best practices to minimize indoor air pollutants and optimize indoor air through advanced ventilation and filtration systems.

Consumer Laboratories

Our KB Home Design Studios serve as important sites for consumer feedback. We can quickly learn which environmentally oriented products resonate most with homebuyers. Empirical demand from our buyers is an important test for us, as we focus on only offering features that our homebuyers value.

Public Interest Pilot Programs

As a leader in sustainability, KB Home often serves as a homebuilding partner in public-private collaborations that are intended to demonstrate the feasibility and benefits of innovative sustainable technologies.

Making Innovation Standard Through Scale

As the one of the leading builders in the U.S., we are able to work with our supplier partners to make advanced products available, and affordable, for our homebuyers. When we standardize a new product, we are giving our suppliers the ability to achieve economies of scale through our relative volume. >>

“The energy performance this home achieves is truly remarkable, and we commend KB Home for continuing to champion the use of clean, renewable energy and cutting-edge technologies to help meet California’s growing demand for highly-efficient homes.”

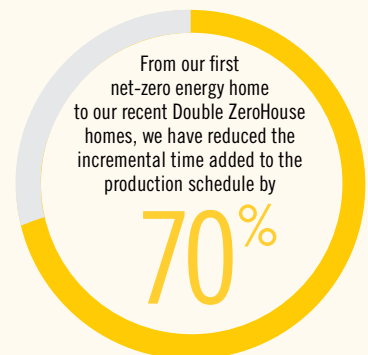
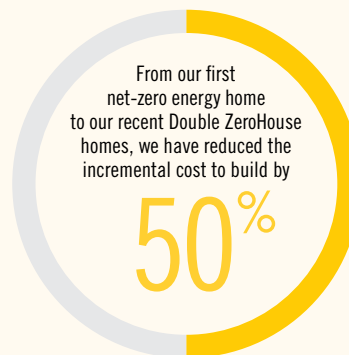
– **Andrew McAllister,**
California Energy
Commissioner
October 2, 2014

Maintaining Affordability

Maintaining the affordability of our homes while making them more sustainable is critical to our product development efforts. As a public company, we seek to balance our obligations to our stockholders, as well as the public interest, as we continue to deliver choice and value to our homebuyers. To make our sustainable products and features economically viable, we often introduce new sustainable products as options in our homes and work diligently with our suppliers to enable us to offer them or similar products as standard.

With our advanced concept homes, we have achieved significant progress in making new technologies more affordable. For example, from our first net-zero energy house to our recent Double ZeroHouse homes, we have reduced the incremental cost to build versus a fairly efficient baseline KB Home by 50%, and we have been able to reduce the incremental time added to the production schedule by 70%.

>>



“We laud KB Home for the environmental leadership and performance achieved by its ZeroHouse 2.0 model. KB Home’s extensive sustainability initiatives have already led to the construction of thousands of solar powered homes and millions of dollars in energy savings for its customers. The cooperation of KB Home and businesses like it will be instrumental as we continue the important work of building a better, more energy-efficient California.”

– David Hochschild,
California Energy
Commissioner
February 26, 2014

Our NetZero Journey

Like our previous ZeroHouse 2.0 models, our 2014 Double ZeroHouse homes are designed to achieve net-zero energy usage - i.e. that they produce as much energy as they consume. This is the result of a whole-home approach to first reduce the energy load of the home by incorporating advanced features and systems like increased insulation, upgraded HVAC units, LED lighting and high-performance attics and windows. While both homes generate solar energy through advanced photovoltaic systems, we brought our Double ZeroHouse in El Dorado Hills from 2.0 to 3.0 when we demonstrated SunPower’s unique battery technology. The home stores excess solar power for use in the event of a power outage, extending the home’s existing solar capabilities.

The Lancaster and El Dorado Hills homes earned their “Double” ZeroHouse titles through a dual emphasis on water and energy efficiency. Through advanced water-efficient technologies, especially the Nexus eWater greywater recycling system, the homes are estimated to reduce water consumption by up to 70% when compared to a typical resale home and landscaping. Warm greywater, which studies have indicated may account for two out of every three gallons of indoor water, is normally treated as waste and sent straight to the sewer. The eWater Recycler recycles and treats the water on site for reuse in non-potable applications. Along with these water-saving features, both WaterSense labeled homes featured waste water heat recovery capabilities.

>>

Double ZeroHouse 2.0



**HERS
RATING**

-1

Launch Date: February 26, 2014

Location:
Dawn Creek, Lancaster, California

**Annual estimated water
and energy savings:** \$4,452

Certifications:
EPA ENERGY STAR®,
WaterSense®, Indoor airPLUS,
Department of Energy Zero
Energy Ready Home

NOTABLE FEAT

Achieved EPA Indoor
AirPLUS certification

“National homebuilder KB Home has been challenging the status quo with its Double ZeroHouse projects... Just as pioneering net-zero energy projects made possible the wave of net-zero homes coming on-line today, so should projects that demonstrate comprehensive water conservation strategies show the way to a water-secure future.”

– Green Builder Magazine
March 2015

Building a Smart Foundation

Our most recent Double ZeroHouses were also connected to real-time water and energy monitoring systems that can conveniently track home water and energy usage via smart phones and tablets. Both homes also featured an advanced ventilation system to optimize indoor air quality.

By leveraging our relationships with industry innovators, advanced products were featured in our 2014 Double ZeroHouses including renewable energy generation and storage capabilities provided from SunPower® and high-tech and energy-efficient products from Ford's MyEnergiLifestyle™ initiative. A fully integrated, network-connected home experience with resource-efficient, state-of-the-art Whirlpool® appliances, including the one-of-a-kind AquaSense™ water recycling dishwasher that uses 33% less water than other highly-efficient dishwashers, was installed in Double ZeroHouse 2.0 and 3.0.

Double ZeroHouse 3.0



**HERS
RATING**

-2

Launch Date: October 2, 2014

Location: Fiora at Blackstone
El Dorado, California

**Annual estimated water
and energy savings:** \$4,500

Certifications:
EPA ENERGY STAR®,
WaterSense®, Indoor airPLUS,
Department of Energy Zero
Energy Ready Home,
GreenPoint-rated Platinum

NOTABLE FEAT

Among the first KB homes to demonstrate state-of-the-art solar energy home battery storage technology



2014 Progress Report

Our journey in sustainability has been a mix of goals achieved, lessons learned and persistent determination. As we move forward, we have evolved our view of sustainability to be one that is unique in the homebuilding industry for its broad scope. Through eDIFFERENCE, we have expanded to a more holistic approach to sustainability as we focus on energy and water efficiency as well as building homes with healthier indoor environments and smarter systems and appliances. With eDIFFERENCE framing the unique benefits and value offered through our homes to consumers, we are also using the integrated platform to assess our progress in order to better align our focus and actions each year with our long-term sustainability goals. >>

GOALS



ENERGY EFFICIENCY

We will continue to increase the energy efficiency of our homes by aiming for an average HERS Index Score of 55 in four years or less, a 10-point improvement from our current energy efficiency level.

We will focus our efficiency improvements on insulation, heating, ventilation, cooling and duct systems, and water heaters. We will also continue to expand on our solar/photovoltaic offerings.

RESULTS

We continued to improve the energy efficiency of our homes, helping to lower the total cost of ownership through lower monthly energy bills.

ENERGY STAR

Our ENERGY STAR® certified new homes are designed to meet standards above typical new and existing homes. They have undergone a process of inspections, testing and verification to meet strict standards set by the U.S. EPA for the ENERGY STAR program that require higher energy efficiency, better quality, better comfort and better durability.

HERS

Our National Average HERS Index Score improved to 62 from our previous year's score of 65. We believe we are on track to reach a HERS score of 55 by the end of 2018, representing a 10-point improvement in four years.

INNOVATION

We continued to advance innovation in our homes by launching two Double ZeroHouses in 2014, both of which achieve net-zero energy and significantly reduce water usage.

INSULATION

We increased the percentage of our new homes that feature rigid foam board insulation on the outside of the house's envelope. This stabilizes interior temperatures, reducing the need for air conditioning and heating.

WATER HEATERS

In Florida, we introduced hybrid heat-pump water heaters that use only half as much energy as a typical water heater. This is achieved by extracting energy from ambient air in the garage.

SOLAR POWER

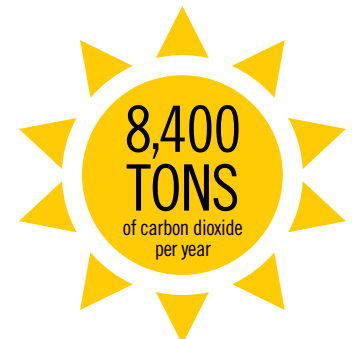
We have delivered 3,449 homes with SunPower® solar power systems since 2011. In 2014, we installed solar power systems on 1,021 homes, which represented 14% of KB homes delivered that year.

According to SunPower, the solar power capacity of all systems installed on KB homes totals 7.9 megawatts, which is expected to produce 12.7 million kilowatt hours annually.



Number of ENERGY STAR certified homes we have built since joining the program in 2000

Solar power systems installed at KB Home communities offset the production of more than

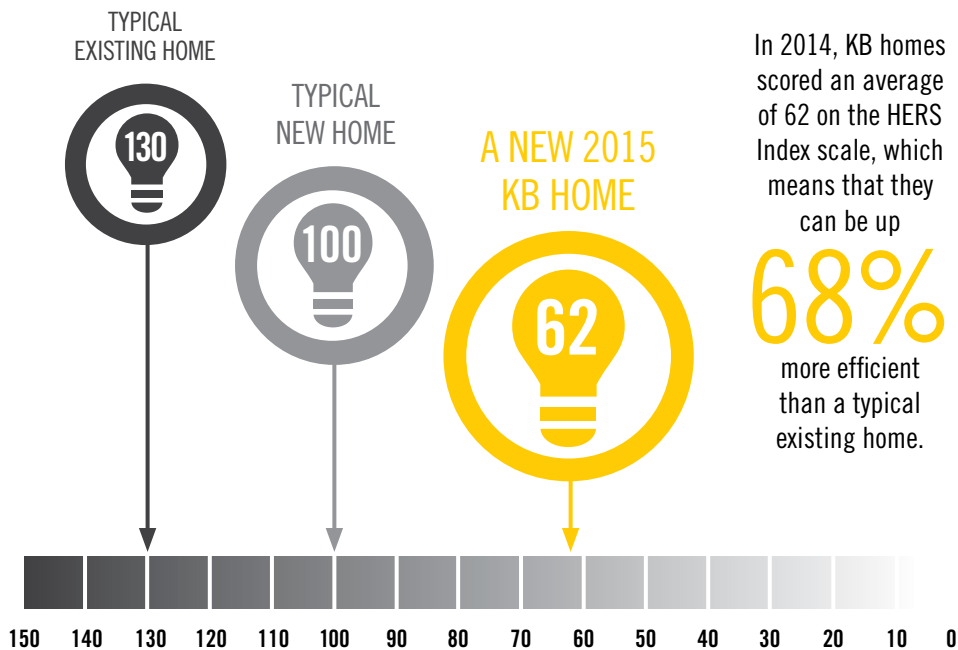


which is equivalent to removing 1,291 passenger vehicles from the road annually.*

UNDERSTANDING OUR IMPACT:

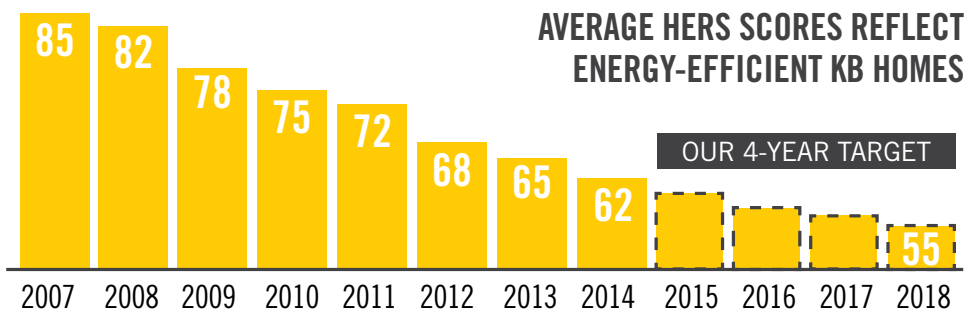
Energy Efficiency

Maximizing a home's energy efficiency can lead to significant savings on utility bills and is one of the main ways we strive to lower the total cost of homeownership. Our homeowners enjoy all the comforts of home while using less energy and spending less money on utility bills.



In 2014, KB homes scored an average of 62 on the HERS Index scale, which means that they can be up

68%
more efficient
than a typical
existing home.

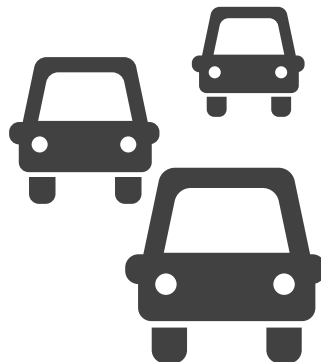


U.S. EPA estimates that, in one year, the families living in our nearly 90,000 ENERGY STAR homes will save more than a total of

\$28 MILLION

on utility bills while preventing greenhouse gas emissions equivalent to those from

32,000 passenger vehicles.



We estimate that owners of our solar-powered homes could benefit from nearly

\$14 MILLION

in total energy savings over the next five years.

A new KB home's built-in efficiency can translate to over

\$10,000

in energy bills savings within the first ten years of homeownership.

We estimate that at current residential electric rates, a 1.4kW high efficiency photovoltaic system provided by SunPower® and installed as a standard part of a 3,654-sq.-ft., ENERGY STAR® certified home at our Vicenza at Orchard Hills community in Irvine, California would yield an average energy savings of

\$216

per month
or approximately

\$25,900
over ten years

compared to a typical resale home without these features.

GOALS



WATER CONSERVATION

We will expand leadership in building WaterSense® labeled new homes by introducing them to new markets and growing our volume of these homes in existing markets.

We will advance use of greywater recycling system and other water recycling systems from successful demonstration to wider implementation in new homes. We will also continue to raise awareness of the energy-water nexus through additional demonstrations of such technologies as greywater heat recovery systems.

RESULTS

WATERSENSE

We introduced five new-home communities where 100% of the homes earned the WaterSense label, including our first two in Southern California.

At the end of 2014, we had built more than 350 WaterSense labeled homes since we commenced building homes to EPA's WaterSense guidelines in 2010. In 2014, we built 96 WaterSense labeled homes, a 57% increase from a year earlier.

The homes we delivered in 2014 included nearly 60,000 WaterSense labeled fixtures that are 20–30% more water efficient than typical fixtures.

GREYWATER RECYCLING

In 2014, we became the first production homebuilder to introduce a residential on-site greywater recycling system, the Nexus eWater Recycler, in both of our 2014 Double ZeroHouses.

WATERWISE APPLIANCES

We introduced the first-of-its-kind KitchenAid® AquaSense™ recycling dishwasher in our Double ZeroHouses in Lancaster and Sacramento, which requires 33% less water, while maintaining cleaning and drying performance.

PUBLIC/PRIVATE PARTNERSHIPS IN INNOVATION – OUR GREYWATER PILOT PROGRAMS:

In 2014, we also launched field pilot programs in partnership with local utility companies to test greywater recycling and heat recovery systems.

- In Lancaster, California, our greywater recycling pilot program is testing RenewABILITY's Power-Pipe® greywater heat recovery system in two KB homes. This program is being sponsored by Southern California Gas Company and will be an important consumer test for measuring the actual reduction in water heating load, and effectiveness of the greywater heat recovery systems.
- Our 2015 Pomona, California greywater recycling pilot program is being developed through a partnership with Metropolitan Water District of Southern California and eNexus, and will test residential greywater systems with five families at our Monte Vista community.

“We have a longstanding relationship with KB Home, and we know their team is always going to collaborate with us to develop new innovative appliances with even higher levels of water and energy efficiency. They really are determined to build ultra-efficient homes that deliver value for their buyers.”

– Robert Bergeth
General Manager,
National Contracts,
Whirlpool Corporation

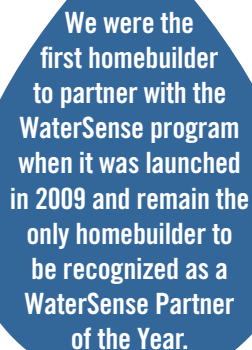


Water per year saved in each KB home with WaterSense® faucets and fixtures included as a standard feature (as compared to typical resale homes).

UNDERSTANDING OUR IMPACT:

Water Conservation

WaterSense® and Southern Nevada Water Authority (SNWA) Water Smart® labeled new KB homes are designed to reduce residential water use indoors and out—allowing our homeowners to enjoy all the comforts of home while using less water and energy, and spending less money on utility bills.



We were the first homebuilder to partner with the WaterSense program when it was launched in 2009 and remain the only homebuilder to be recognized as a WaterSense Partner of the Year.

Cumulatively, we have built nearly

10,000

WaterSense and Water Smart labeled homes, and installed more than


250,000

WaterSense fixtures.

Compared to a typical home, a WaterSense labeled new home can save a family of four **50,000 gallons** of water a year or more. That's enough to wash **2,000 loads of laundry** and may amount to utility bill savings of up to **\$600** each year.



2,000



Up to
75,000
gallons of water
annually

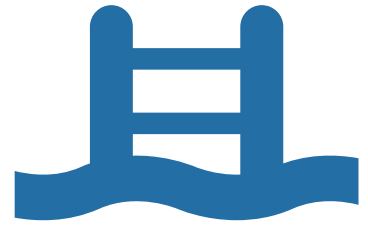
How much a KB home certified through the SNWA Water Smart program may save compared to typical existing homes built without the water-saving features of the program.



We have constructed the most WaterSense labeled new homes in the country, and all KB homes built today include WaterSense labeled faucets, showerheads and toilets.

The greywater recycling system introduced at our Double ZeroHouse 2.0 in Lancaster, California is estimated to help save a family of four up to

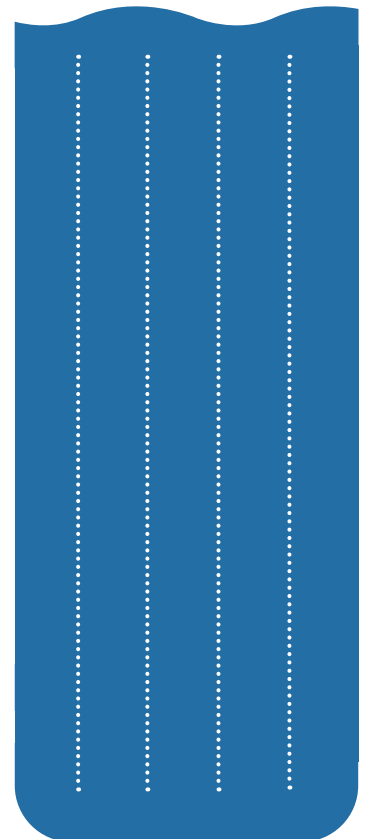
70,000
gallons of water annually.



The aggregate water-saving features inside all of the Water Smart and Water Sense labeled KB homes with standard water efficiency features save an estimated

3,000,000
gallons of water,

enough to fill four and a half Olympic-sized swimming pools each day.*



GOALS



HEALTHY
HOME

We will incorporate a combination of construction, materials, and equipment that will work together to deliver what we believe will be a healthier home. We will continue to focus on products that contribute to better indoor air quality.

We will offer the option of a garden plot as part of new home landscaping to promote locally sourced produce.

RESULTS

MATERIALS

We started offering a paint option used primarily at healthcare facilities, with benefits that include:

- formaldehyde-reducing technology that helps improve indoor air quality by reducing VOCs from possible sources like insulation, carpeting, cabinets and fabrics
- odor-eliminating technology that helps reduce common indoor odors like those from cooking, smoke and pets, so rooms can stay fresher, longer
- anti-microbial agents that inhibit the growth of mold and mildew on the paint surface and prevent the growth of bacterial odors
- zero-VOC Sherwin-Williams® paint with ColorCast Ecotone® colorants that do not add VOCs when tinted

FRESH AIR INSIDE

We began offering an advanced ventilation system option from Carrier®. This system can work around the clock to continuously introduce fresh outdoor air and further improve a home's indoor air environment.

HOME GARDENS

Our sustainability team engaged independent landscaping experts in designing a cost-effective home garden plot solution and continue to experiment with soil types.

We featured home garden systems at five KB Home community model homes in 2014. We modelled examples of how to integrate home gardening practices as a part of the home landscape design through the use of potting benches, garden boxes, and small scale orchards. We featured landscape planting palettes that incorporated fruit trees and herbs where appropriate. These model gardens are intended to educate and inspire homeowners about ways that their home can encourage a healthier lifestyle for their family.

URBAN GARDENS

Several communities featured planter walls, including the model homes at Asher at Playa Vista in California and Seneca in Murrieta, California. These designs facilitate vertical gardening in small yard spaces. Planter walls creatively allowed families to grow gardens even in urban infill communities where outside space is typically more limited.

“Our work with KB Home aligns with our firm’s commitment to creating a sustainable and healthy outdoor environment through innovative landscape design concepts and irrigation practices.”

– Kim Lonigro,
Landscape Architect
Weiland & Associates, Inc.



GOALS



SMART SYSTEMS

We will expand intelligent efficiency initiatives by exploring the newest home automation technologies, components and systems that we can offer as a standard feature at KB Home Design Studio.

We will demonstrate battery storage systems with smart software for surplus solar power, which give homeowners the option to use stored energy versus buying from the power grid.

RESULTS

CONNECTED HOME

We design our homes to support connected lifestyles. For example, a KB homeowner can conveniently charge mobile devices at the built-in USB outlet in the kitchen, which eliminates the need for a convertor plug. Other available home automation features include smart thermostats, lighting controls and Internet-connected door locks.

In 2014, we continued installation of Wiser™ energy management systems. Using this technology, homeowners can control their energy consumption remotely using an easy-to-use web portal and can monitor consumption patterns to save money by curbing energy use during peak hours. This system, however, has presented a significant learning curve for our homebuyers. While we continue to offer this technology as an option, we are exploring more user-friendly options.

SMART APPLIANCES

In 2014, we introduced a Whirlpool® brand “Works with Nest” laundry pair that integrates with the Nest Learning Thermostat. The laundry pair connects seamlessly with the Nest devices to leverage Nest’s Home and Away modes. Both the washer and dryer can keep clothes fresh if a cycle ends while the user is not at home. The dryer can also switch into a slightly longer, more energy-efficient cycle if the user is away. In addition, the washer/dryer can automatically delay the start of a cycle during high-demand energy periods.

SMART SAFETY LIGHTS

We introduced LED lights that change colors, offering an interior design element that also has a practical life-safety function for hearing-impaired homeowners.

SOLAR BATTERY

In 2014, we became the first production builder to introduce battery storage technology as an option after we successfully tested and commenced selling solar energy storage systems that can be used during power outages. As a result of successful demonstrations at our Vicenza at Orchard Hills community in Irvine, California and at our Double ZeroHouse 3.0 at our Fiora at Blackstone community in El Dorado Hills, California, several new KB homeowners purchased these innovative energy storage “solar battery” solutions in 2014.

A recent survey found that homeowners who see real-time feedback about their energy consumption modify their usage to save as much as

12%

annually in utility bills.

“KB Home, a Los Angeles-based residential builder, is leading the way on the connected home frontier.”

– *Silicon Valley Business Journal*, April 2014

GOALS



WASTE REDUCTION

We will continue with our current initiatives of driving toward a waste-free supply chain by ordering more accurate quantities of products. We will persist in encouraging suppliers to use more recycled materials in their products or make their products recyclable at the end of their useful life (Cradle-to-Cradle™) as well as reduce the packaging of their products.

We will also continue to reduce energy and water consumption in our model homes, which should reduce our utility expenses and operational carbon footprint.

RESULTS

EFFICIENT USE OF BUILDING MATERIALS

We strove to use building materials in the most efficient way possible, thereby driving down waste and costs. We built a portion of our homes using customized, preconstructed panels, engineered wood products and other pre-cut components created in off-site factories. This approach reduced waste compared to on-site construction. In 2014, approximately 85% of our homes were built utilizing these preconstructed panels and other components.

RECYCLED MATERIALS

We increased our use of Shaw® EPIC engineered wood flooring, which uses approximately 50% less newly harvested wood than conventional 3/8" engineered flooring. EPIC is made with wood harvested from well-managed domestic forests and is the first Cradle-to-Cradle – Silver Certified hardwood flooring product. EPIC is also GREENGUARD certified for low chemical emissions. In 2014, we used over 250,000 sq. ft. of EPIC flooring.

ALTERNATIVE MATERIALS

In 2014, we implemented as standard Uponor's PEX (crosslinked polyethylene) pipe for hot and cold water plumbing. According to Uponor, PEX is more durable and longer-lasting than copper pipes and can help conserve water compared to metallic piping systems, thus contributing to both water and energy savings.

SUSTAINABLE PARTNERSHIPS

One of our main suppliers for engineered wood products is Weyerhaeuser. One hundred percent of the products they make, and forests they manage, are independently certified to sustainable forestry standards, mainly by the Sustainable Forestry Initiative, an independent non-profit organization. Weyerhaeuser harvests just 1–3% of the forests they manage each year, and plants more than 50 million seedlings annually. On average, Weyerhaeuser uses 95% of each log to produce Trus Joist® Engineered Wood Products, lumber and oriented strand board (OSB), as well as energy.

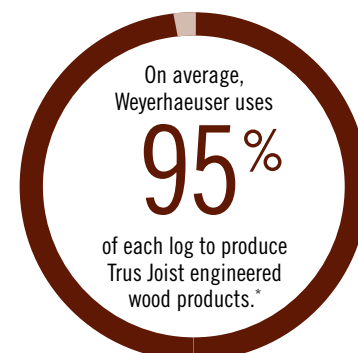
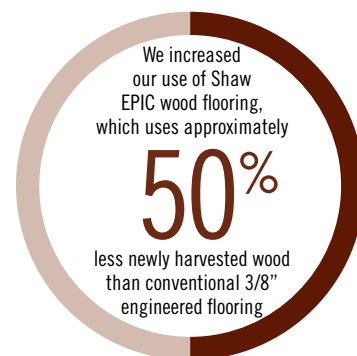
MODEL HOME ENERGY TRACKING

We continued to manage our carbon footprint in our model homes by monitoring electricity usage and using automated systems to efficiently manage energy consumption.

REDUCING WASTE

In 2008 we launched an internal waste reduction initiative called GROW: Get Rid of Waste. It is based on our belief that eliminating waste from our operations is an area of significant opportunity for our business.

We continued to identify opportunities to reduce the consumption and waste of energy, water, paper and office supplies in every office. Our divisions uncovered new opportunities to reduce waste and shared these best practices with the rest of our organization.



* According to Weyerhaeuser estimates.



Launching eDIFFERENCE

The 2014 introduction of eDIFFERENCE marks a significant milestone in our sustainability journey. This integrated consumer-centric platform communicates the unique benefits and value of owning a KB home. eDIFFERENCE is a broader, more holistic approach—we are going beyond energy efficiency in our efforts to make our homes more sustainable.

>>



What is eDIFFERENCE?

eDIFFERENCE means:

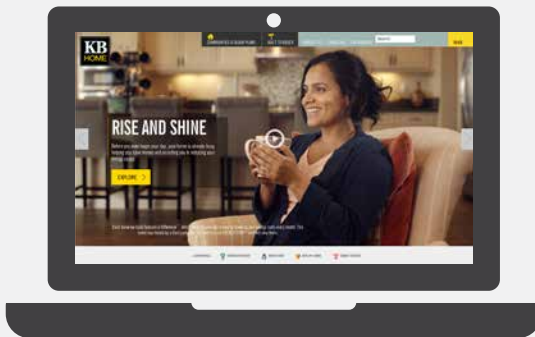
- > homes built for saving money and energy
- > homes that conserve water
- > homes featuring cleaner, healthier indoor air
- > smart homes built with the future in mind

Sharing Our eDIFFERENCE

Consumer Awareness

Educating consumers about the benefits of owning a highly-efficient KB home is a central component of our sustainability initiatives, and we made significant progress in developing new ways to make our eDIFFERENCE more prominent and informative to consumers. In 2014, we implemented a company-wide effort that integrates our eDIFFERENCE message throughout our main marketing channels: kbhome.com, advertising, sales office and Design Studio displays and social media.

To coincide with the launch of eDIFFERENCE in 2014, we redesigned the sustainability section of our website for a cleaner, simpler and more engaging user experience. The new “Day in the Life” videos demonstrate how eDIFFERENCE is at work throughout the day to help deliver a better living environment for KB homeowners. Each vignette ends with an interactive display where users can click on specific features and learn more about their benefits. This section of our website had more than 75,000 unique views in 2014.



eDIFFERENCE Employee Training Activities

In order for our team members to effectively communicate the benefits of eDIFFERENCE to our buyers, our Design Studio staff and other employees participate in regular training and educational sessions related to ENERGY STAR®. Using KBU, all KB Home employees are required to take a training course in our sustainability initiatives. Upon completion of the course, employees are required to pass a certification test.



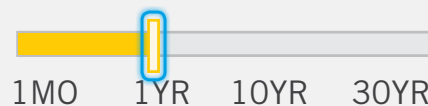
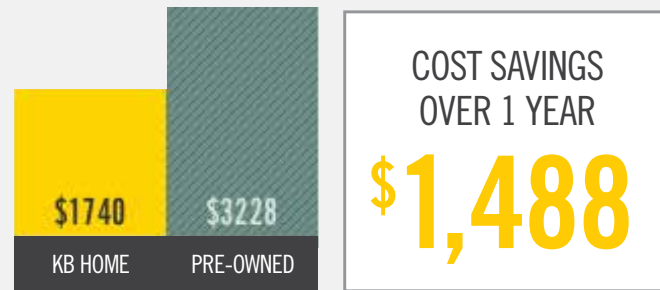


What is eDIFFERENCE?

> eDIFFERENCE offers the peace of mind that you are buying a more efficient home that will save you money compared to typical new and resale homes.

Communicating Utility Cost Savings

At kbhome.com, prospective homebuyers can use our energy cost comparison tool to see how much they can save on energy bills with components of our eDIFFERENCE. Homeowners at our Centennial Springs community in North Las Vegas can potentially save an estimated \$1,488 a year.*



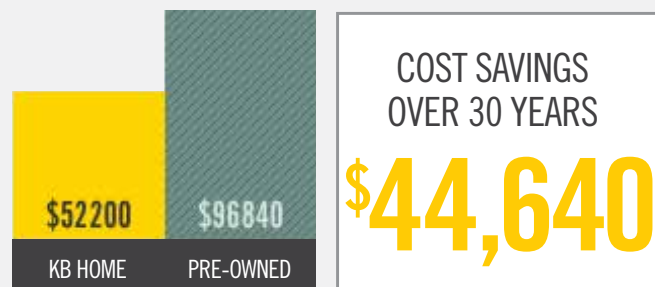
OVER 30 YEARS, YOU SAVE

\$44,640

OR

17.4%

OF THE ORIGINAL PRICE
OF YOUR HOME*





What is eDIFFERENCE?

> eDIFFERENCE is a new way to communicate how a KB home can empower homeowners to help protect and preserve the environment every day.

Accelerating the Conversation through Social Platforms

Social media offers a powerful vehicle for sharing transformational ideas to bring about positive change. At KB Home, we leverage our social media presence to educate consumers about eDIFFERENCE and the ways that a home can make a significant impact in protecting the environment.

In 2014, we posted eDIFFERENCE-oriented messages across our major social media platforms and also ran targeted campaigns, including ENERGY STAR® Twitter parties and a summer promotion called “How Green is Your Household?” where participants answered a questionnaire regarding their daily habits and homes and received feedback on the degree to which they are environmentally conscious.

In November 2014, KB Home launched a 30-day “These KB homes are Energy Stars!” social media campaign in partnership with EPA’S ENERGY STAR® team. Each day for the duration of the promotion, KB Home posted an image across the broad scope of our social media platforms coupled with information describing the benefits of owning an ENERGY STAR certified KB home.



Economic Sustainability

IN THIS SECTION:

The Economic Impact of Homebuilding
Our Fiscal Year in Review

“Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony, and that permit fulfilling the social, economic and other requirements of present and future generations.”

– U.S. Environmental Protection Agency

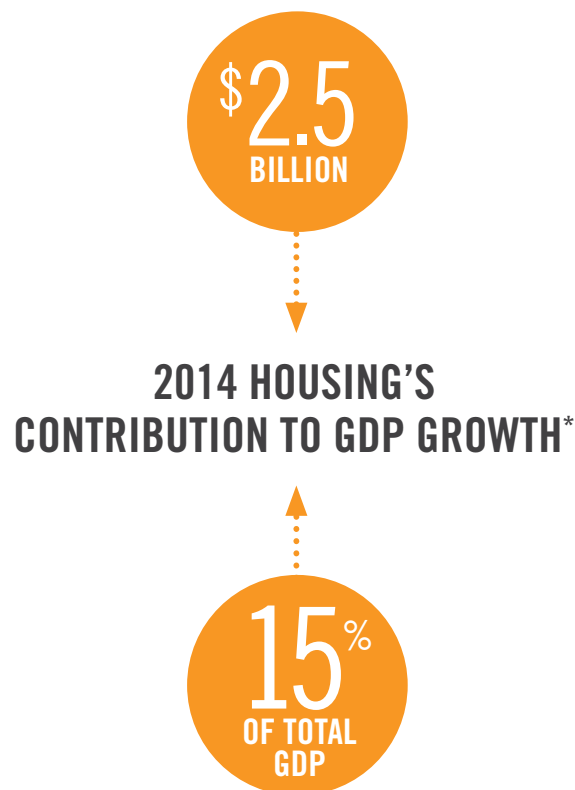
The Economic Impact of Homebuilding

A Key Driver for the American Economy

For decades, the homebuilding industry has been a key engine of growth for the U.S. economy. New home construction requires significant coordination, from securing capital and sourcing raw materials to subcontracting the necessary skilled trade workers to build on-site. Once sold to a new homeowner, additional economic activity ensues as furniture and household necessities are purchased. As new residents settle into day-to-day living, owning a home engenders a range of different services from lawn maintenance to newspaper delivery.

Homebuilding Creates Jobs

Each time a new single-family home is built, the amount of paid employment that is created is the equivalent of three new jobs for a year, measured in full-time equivalents, according to a 2015 study by the National Association of Homebuilders. On top of this, our many supplier partners, from our carpeting to paint, rely on our business in order to support their own workforce.

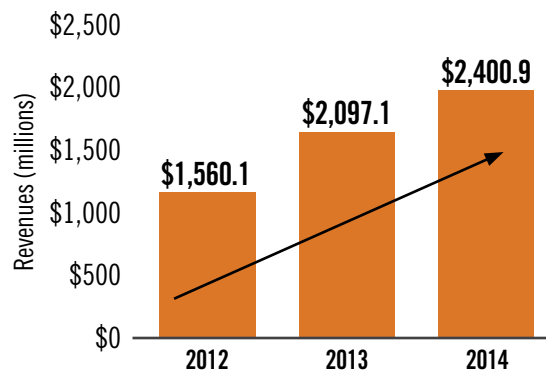


Our Fiscal Year in Review

Our team at KB Home produced solid financial results in our 2014 fiscal year and also made measurable progress on our top strategic priorities. With our ongoing focus on accelerating profitable growth, we set aggressive goals for our main objectives for the year—expanding our number of new-home communities open for sale in preferred submarkets, enhancing profitability per home delivered and generating higher revenues per community. While housing markets continued to recover at a slow pace and are still well below historically normal activity levels, we were able to achieve, if not exceed, many of our financial and operational targets for 2014. By steadily leveraging the growth platform we have built over the past four years, we have successfully increased our scale and profitability, and we have momentum heading into 2015.

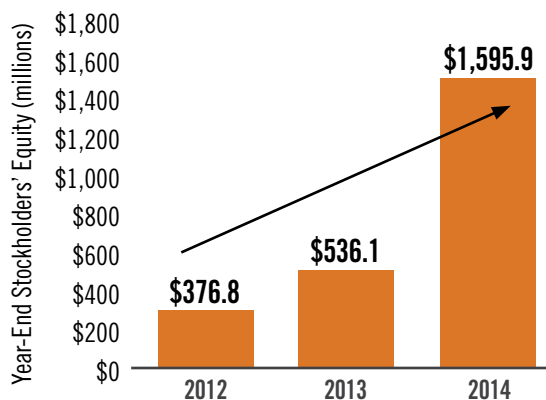
For more information on our financial and operational results, please see our Annual Report or Form 10-K for the fiscal year ended November 30, 2014.

REVENUES 2012–2014



Increased revenues by **\$840.8 million** since 2012

YEAR-END STOCKHOLDERS' EQUITY 2012–2014



Increased stockholders' equity by
more than \$1.2 billion since 2012

Social Sustainability

IN THIS SECTION:

Community Service

2014 Community Service Highlights

Making Homes Affordable

Community Service

Throughout our homebuilding regions, community service is encouraged at every level of our organization. From delivering backpacks to students in need to running in a race for a cause, at KB Home, giving back and going above and beyond the day-to-day is business as usual.

We take great pride in the many projects initiated and organized by our employees each year. Not only is their service a benefit to those in their city or town, their good works reinforce our role as a key local stakeholder where we operate.

Recognizing Employee Community Service

Throughout the year, the importance of community service at KB Home is reinforced through internal communications sent to all employees.

From: Mezger, Jeff T
Sent: Monday, September 29, 2014 5:00 AM
To: DL-KB Home All
Subject: A Note from Jeff: Community Service

Team –

This morning, I would like to recognize the San Antonio team for their 10 years of community service, participating in “Project Cool”. Managed by the city’s fire department, this summertime program delivers fans to seniors who do not have air conditioning, thereby reducing the rate of heat-related illnesses and deaths.

Employees involvement in efforts like this demonstrate that at KB Home, we care about our neighbours and the important role we play in advancing the public welfare. We can all be proud of the tremendous contributions that KB Home has made since its founding in 1957 in improving local communities, from building beautiful parks and supporting local non-profits to our industry-leading efforts in making KB homes increasingly water and energy efficient. At KB Home, we are not just another homebuilder. We are committed to continuing to be the brand that homebuyers trust for all the right reasons.

Please join Division President Brett Dietz, Regional President Larry Oglesby and me in recognizing our San Antonio team for their exemplary tradition of employee-led community service. Great work and keep it up!

Jeff

Community Service Highlights

As a homebuilder, our primary business is creating new-home communities where families and individuals can thrive. Accordingly, we encourage employee-led community service efforts in the areas of shelter and assistance for children and their families. Each year, employees at our divisions partner with local non-profits, schools, medical care providers and food pantries, to make a positive impact where we operate. The following are highlights of our social and charitable activities in 2014.

Building Shelter for Homeless Youth

Las Vegas employees partnered with HomeAid Southern Nevada and other builders to expand a shelter for Nevada Partnership for Homeless Youth (NPHY). Our employees provided planning services and volunteer time for field supervision during the shelter build project.

Rebuilding Homes, Rebuilding Lives

Our Coastal Southern California team partnered with our trade partners to help furnish and repair the San Fernando Valley Rescue Mission homeless shelter after a devastating fire.

Easter Egg Hunt at The Spring

Our Tampa team held an Easter egg hunt for kids at The Spring (a shelter for battered women and children). It was a great community outreach event, and dozens of children were able to enjoy the event.

East Orange County Park Clean-Up

Over 20 members of our Orlando team dedicated their weekend time to clean up parks and recreation areas for families and individuals.

Raising Money for Families in Need

Our Jacksonville team spent a weekend volunteering for the Salvation Army by collecting funds for local families in need at the local Publix®.

Helping Homeless Families

Las Vegas employees donated supplies and gift cards to Family Promise® of Las Vegas, a charity that helps homeless families. Our employees also donated a large supply of critically needed hygiene products on short notice.

Bay Pines VA Hospital Veterans Event

Our Tampa employees volunteered at The Bay Pines VA Hospital in St. Petersburg. They visited with patients and delivered handmade blankets and notepads. It was a very impactful event for both employees and patients.

Offering Assistance at The Painted Turtle

Ten of our Southern California employees and their children helped out at The Painted Turtle, a summer camp for terminally-ill children, cleaning up cabins, washing camp vehicles and raking camp grounds.

Feeding the Hungry

Our Jacksonville team helped cook meals at the local Ronald McDonald House® for families in need.



Each year, employees at our divisions partner with local non-profits, including schools, medical care providers and food pantries, to make a positive impact in the area where we operate.



Delivering Fans to the Elderly

Our employees in San Antonio delivered 250 box fans as a part of Project Cool, a city-sponsored annual event that provides fans to homebound senior citizens during the hot summer months, thereby reducing the incidence of heatstroke and death in San Antonio.

Ronald McDonald Volunteer Dinner

Our Orlando team participated in an event to cook for those living in the local Ronald McDonald House.

Back to School Supply Drive

Our Las Vegas employees, along with the generous donations of trade partners, delivered approximately \$6,000 worth of school supplies and \$4,350 in checks to HomeAid Southern Nevada to benefit homeless or at-risk teenage students.

Walk-a-thon at Mirabella Community

Our Tampa division hosted a walk-a-thon at its Mirabella community to support the Multiple Sclerosis Foundation, which helps MS patients to stay self-sufficient and safe in their homes, while also promoting public understanding about the illness.

Donating Backpacks

Our employees in San Antonio donated 60 backpacks filled with school supplies to children in the county's foster care system and provided more than 1,000 backpacks to a variety of non-profits and back-to-school health fairs held by a host of elected city officials.

Donating Computers to Non-Profits

Our Jacksonville division donated 15 computers to HandsOn Jacksonville, which helps connect volunteers and donated goods to respected non-profit partners.

Mother's Day Manicures for Mom with The Spring

Our Tampa team donated their time, talents and culinary skills to The Spring. The team hosted a special Mother's Day dinner for mothers and their children, providing tasty treats and gift bags of goodies for everyone in attendance.

Serving Our Core Customer

Through the power of our unique business model and commitment to reducing utility costs, KB Home is working hard to make homeownership more affordable and increase opportunities for first-time buyers. Along with achieving the American Dream, homeownership has many positive correlations, from increased wealth accumulation rates to enhanced student performance in school. We continually work to balance increasing sustainability features in our homes while also maintaining their affordability.

Historically, first-time homeowners have been KB Home's primary buyer segment, making up more than half of our customers for the last ten years, followed by move-up buyers and active adults. As today's rising generation comes of age, macroeconomic factors have made buying a first home more challenging.

Three Ways We Make Homes Affordable

KBnxt Delivers Choice and Value

Through our innovative business model, first-time buyers can purchase a beautiful home at an affordable base price, free of any added unwanted features that might unnecessarily increase their monthly mortgage payment.

Our Highly Efficient Homes Can Save Money

On average, our 2014 homes had a HERS index score of 62, which makes them 68% more efficient than the typical home. All new KB homes are ENERGY STAR® certified, meaning they are 65% more efficient than the typical home. These highly energy-efficient homes can save homeowners a significant amount on energy bills. In addition, the water conservation features in our homes can also save our buyers hundreds of dollars annually.

KB Communities Offer Convenience and Access

With our fact-based approach to homebuilding, we use surveys and demographic data to determine the location of our communities and focus on conveniences like local transportation access, and employment and school proximity to try to keep our buyers' key daily destinations close, thus saving time and money.

Historically, first-time homeowners have been our primary buyer segment, making up more than half of our customers for the last ten years.



Sustainability Performance Overview

ORGANIZATIONAL PROFILE AND GOVERNANCE

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 2014 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), administered by an independent third party to ensure maximum possible confidentiality and neutrality. Our Corporate Governance Principles and Ethics Policy are available on our website at 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 Blvd., Los Angeles, CA 90024.

Stakeholder Engagement

Driving significant organizational change requires more than simply establishing an environmental initiative; it compels us to advocate for and build consensus in supporting 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 business and trade partners at both the national and local levels, as well as on the goodwill of our community partners and other non-governmental organizations, it is essential to create that consensus within our larger network of key stakeholders.

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

- homeowners
- potential homebuyers
- stockholders and potential investors
- employees
- local community and neighborhood organizations
- elected officials, governmental regulators, planners and other public officials
- environmental groups and other non-governmental organizations
- suppliers and trade partners

In addition to informal stakeholder engagement, we actively seek out input from stakeholders through our National Advisory Board, which is described in further detail on page 9. KB Home also has six local Community Advisory Boards in place across our 12 divisions. Since our focus in 2014 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 that 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 pursuing 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.

Sustainability Performance Overview

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 2014, the KB Home American Dream Political Action Committee contributed \$7,500 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.

In 2014, we contributed \$145,391 to campaigns for state and local offices in California, Colorado and Nevada. The California contributions can be found on the California Secretary of State's website at www.cal-access.ss.ca.gov.

We are also members of various trade associations in our markets, primarily to establish business connections with local 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 automatically 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 automatic allocations are used. To the extent we are informed of such automatic allocations by trade associations to which we pay fees of more than \$50,000 in a fiscal year, we will publicly report the total amount automatically allocated. In our 2014 fiscal year, there were three such trade associations—Leading Builders of America, the California Building Industry Association and the Building Industry Association of Southern California. Based solely on their reports to us, these three trade associations automatically allocated an aggregate total of \$306,174.50.

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.** As discussed on page 9, national, recognized leaders meet 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 functional departments.

- **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 operating division in 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.

2014 Fiscal Year Financial Performance

In 2014, we continued to generate meaningful improvement in our revenues, housing gross profit margin and earnings, building upon the progress we made in 2012 and 2013. In particular, we:

- increased our total revenues by 14%, following 34% growth in 2013;
- expanded our housing gross profit margin to 18.1% from 16.7%, an improvement of 140 basis points;
- grew our pretax income by \$56.5 million from 2013, and by \$174.0 million from 2012; and
- posted year-end stockholders' equity of \$1.60 billion, up from \$536.1 million at the end of 2013.

2014 Fiscal Year Operational Performance

We also accomplished several important strategic objectives to support our future growth, including:

- We ended our 2014 fiscal year with 227 new-home communities open for sales, a 19% year-over-year increase. Over the last two years, we have expanded our community count by 32%.
- We increased our year-end backlog value to \$914.0 million at November 30, 2014, an increase of 34% year over year, representing our highest year-end level since 2007.
- We invested \$1.47 billion in land acquisition and development to support our future home delivery pipeline.
- We achieved the reversal of \$825.2 million of our deferred tax asset valuation allowance, significantly strengthening our balance sheet.

Environmental Performance Overview

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215
ENERGY EFFICIENCY								
# of ENERGY STAR® certified homes delivered	7,467	4,736	5,258	6,631	5,677	6,207	7,078	7,168
% of total homes delivered that were ENERGY STAR certified	31%	38%	62%	90%	98%	99%	99%	99%
% of KB Home divisions building homes to ENERGY STAR specifications	83%	91%	100%	100%	100%	100%	100%	100%
# of ENERGY STAR certified appliances installed ¹	N/A	18,804	12,718	13,292	9,929	9,065	9,695	9,789
KB homeowner satisfaction ratings on energy efficiency of their KB home ²	N/A	N/A	N/A	91.9%	92.5%	93.1%	92.8%	91.5%
WATER CONSERVATION								
# of KB homes built to EPA's new WaterSense® specifications ³	N/A	N/A	N/A	11	97	85	61	96
# of Water Smart homes built ⁴	1,964	881	393	521	412	438	503	400
# of EPA WaterSense labeled fixtures installed in KB homes:								
• lavatory faucets ⁵	N/A	154	15,189	19,096	18,240	22,500	23,500	23,800
• toilets ⁶	N/A	486	1,260	2,026	14,500	18,100	20,000	20,200
• showerheads ⁷	N/A	N/A	N/A	241	12,200	13,700	15,000	15,150
eDIFFERENCE OPTIONAL PRODUCTS AND UPGRADES								
Total # of eDIFFERENCE optional upgrades installed. ⁸	N/A	N/A	21,010	23,155	18,412	20,039	33,582	35,373

¹ Began tracking in 2008.

² Began tracking in 2010, from a 12-month post closing survey on a scale of 0–100% satisfaction.

³ Construction commenced in late 2010.

⁴ Las Vegas market only; in conjunction with the Southern Nevada Water Authority.

⁵ 2012–2014 figures are estimated.

⁶ 2011–2014 figures are estimated.

⁷ 2011–2014 figures are estimated.

⁸ Began tracking in 2009. Optional upgrades include appliances, HVAC equipment, radiant barrier roof, WaterSense labeled fixtures, ENERGY STAR certified doors, lighting and low-E windows.

Environmental Performance Overview

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014
OFFICE SUSTAINABILITY PRACTICES								
% of office supplies purchased that are earth conscious	23%	27%	26%	33%	29%	22%	15%	20%
Number of meeting hours hosted on iLab ¹	N/A	1,934	1,978	1,665	1,708	1,533	1,988	2,048
Recycled paper (office grade) processed through our national service provider, which recycles the paper after shredding (in lbs). ²	56,440	148,940	72,390	467,979	158,129	94,703	123,637	66,114
• trees saved	479	1,266	615	3,978	1,344	805	1,051	555
• water saved (gal.)	197,540	521,290	253,365	1,637,925	553,451	331,459	432,728	906,125
• air pollution avoided (lbs.)	16,932	44,682	21,717	14,039	4,743	2,841	3,709	47,867
• landfill reduction (cu. yds.)	84	223	109	702	237	142	185	165
• electricity saved (kWh)	115,702	305,327	148,400	959,356	324,164	191,140	253,455	74,709
• oil saved (gal.)	12,981	34,256	16,650	107,635	36,370	21,782	28,436	N/A
OUR CARBON FOOTPRINT								
Estimated greenhouse gas emission for KB Home operations (CO ₂ e in metric tons)	N/A ³	42,204	20,296	17,015	14,549	13,468	14,092	16,078
Estimated greenhouse gas emission intensity per delivered home ⁴	N/A ⁵	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)	0.0000111 (14,549 metric tons/ US \$1,315,866,000 total revenue)	0.0000086 (13,468 metric tons/ US \$1,560,115,000 total revenue)	0.0000068 (14,092 metric tons/ US \$2,084,978,000 total revenue)	0.0000067 (16,078 metric tons/ US \$2,400,949,000 total revenue)
Estimated greenhouse gas emission activity-related intensity (CO ₂ e in metric tons per delivered home)	N/A ⁶	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)	2.0 (14,092 metric tons/ 7,145 homes)	2.2 ⁹ (16,078 metric tons/ 7,215 homes)
WASTE REDUCTION AND RECYCLING								
% of KB homes built with preconstructed panels ⁷	65%	90%	90%	100%	100%	98%	85% (est.)	85% (est.)
% of KB Home communities incorporating recycling into their standard job site processes. ⁸	N/A	N/A	44%	71%	91%	64%	70% (est.)	80% (est.)

¹ Began tracking in 2008. iLab is a Virtual meeting system to minimize air and car travel for training, meetings and events.

² This service provider changed the metrics for calculated environmental benefits in 2014. Figures do not include the recycling programs we have established in the majority of our local offices. 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.

³ Data not available for comprehensive emissions estimate.

⁴ Based on the methodology identified by the Carbon Disclosure Project.

⁵ Data not available for comprehensive emissions estimate.

⁶ Data not available for comprehensive emissions estimate.

⁷ Preconstructed panels help to minimize waste and increase durability, and are constructed off site for greater precision. Using these panels results in more airtight homes that are better insulated, helping to reduce energy bills.

⁸ Began tracking in 2009.

⁹ The 10% increase of our greenhouse gas emissions is a reflection of our investment and positioning for growth, as we expanded our communities open for sale by 19% and increased our backlog by 14%.

Economic Performance Overview

Note: Below are key financial and overall customer satisfaction performance indicators. Additional operational results for fiscal 2014 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 or at www.sec.gov.

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215
FINANCIAL								
Total revenue (in thousands)	\$6,416,526	\$3,033,936	\$1,824,850	\$1,589,996	\$1,315,866	\$1,560,115	\$2,097,130	\$2,400,949
Net income/loss (in thousands)	(\$929,414)	(\$976,131)	(\$101,784)	(\$69,368)	(\$178,768)	(\$58,953)	\$39,963	\$918,349
Net orders	19,490	8,274	8,341	6,556	6,632	6,703	7,125	7,567
Backlog								
• units	6,322	2,269	2,126	1,336	2,156	2,577	2,577	2,909
• value (in thousands)	\$1,498,835	\$521,386	\$422,496	\$263,794	\$458,950	\$618,626	\$682,489	\$914,025
Average selling price	\$261,600	\$236,400	\$207,100	\$214,500	\$224,600	\$246,500	\$291,700	\$328,400
Housing gross margin	(5.7%)	(7.1%)	6.5%	17.4%	13.4%	14.9%	16.7%	18.1%
CUSTOMER SATISFACTION								
Customer satisfaction index ¹	8.9	9.3	9.5	9.5	9.5	9.4	9.2	9.1
Customer recommendation rating ²	N/A	N/A	N/A	9.5	9.5	9.4	9.1	9.0

¹ From a 30-day post-closing survey on a scale of 1–10.

² From a 30-day post-closing survey on a scale of 1–10. Began tracking in 2010.

Social Performance Overview

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215
STAKEHOLDER AND COMMUNITY INVOLVEMENT								
National Advisory Board	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Infrastructure development – approx. school-related fees paid	N/A	\$35 million	\$25 million	\$21 million	\$20 million	\$22 million	\$26 million	\$25 million
EMPLOYEES, TRAINING AND LABOR PRACTICES								
# of full-time employees	3,556	1,892	1,446	1,346	1,204	1,172	1,422	1,605
# of collective bargaining agreements with employees	0	0	0	0	0	0	0	0
Employee injuries by region:								
• West	6	13	13	6	7	4	8	6
• Southwest	3	3	3	1	3	1	1	7
• Central	5	16	3	5	2	14	5	5
• Southeast	7	13	3	4	1	1	6	5
Average online training certifications per employee ¹	46	36	17	14	12	12	17	13
Average online training hours per employee ²	35	27	13	11	10	12	13	10
Annual core training certification rate:								
• KBnxt White Papers ³	92%	98%	96%	97%	91%	90%	83%	87%
• Ethics Policy	100%	100%	100%	100%	99%	99%	98%	96%
• 100% Complete/100% Satisfied ⁴	94%	99%	98%	97%	92%	97%	100%	90%
• Sustainability	N/A	99%	99%	95%	93%	83%	85%	85%
Number of safety certifications ⁵	6,874	2,125	210	200	20	235	894	1,045

¹ 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.

² 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.

³ As of 2010, required for new hires only.

⁴ As of 2010, required for new hires only.

⁵ As of 2010, required for new hires only.

⁶ Required for new hires only; significantly declined in 2011 due to lower numbers of new employees in relevant positions.

Global Reporting Initiative Index of Indicators

The Global Reporting Initiative (GRI) is a multi-stakeholder organization founded in 1997 to increase transparency in sustainability reporting by providing a framework to measure and report economic, environmental and social performance to a diverse range of stakeholders. This report was prepared based on the GRI'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 2014 Annual Report on Form 10-K for the fiscal year ended November 30, 2014. 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 21–27, 35
EN16	Total direct and indirect greenhouse gas emissions by weight.	page 48
EN26	Initiatives to mitigate environmental impacts of products and services.	pages 14–32

ECONOMIC

EC1	Economic value generated and distributed.	pages 39, 46; 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 50

SOCIAL PERFORMANCE: SOCIETY

S01	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	pages 38, 41–44
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	page 50
S05	Public policy positions and participation in public policy development and lobbying.	pages 45–46

SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK

LA1	Total workforce by employment type, employment contract and region.	page 50
LA4	Percentage of employees covered by collective bargaining agreements.	page 50
LA7	Rates of injury by region.	page 50
LA10	Average hours of training per year per employee by category.	page 50

SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY

PR3	Type of product and service information required by procedures.	pages 25–36
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	page 49

Global Reporting Initiative Index of Indicators

GRI Profile Indicators

Indicator	Description	Location
STRATEGY AND ANALYSIS		
1.1	CEO statement about relevance of sustainability to the organization and its strategy.	page 8
ORGANIZATIONAL PROFILE		
2.1	Name of the organization.	page 4
2.2	Primary products and services.	page 4
2.3	Operational structure of the organization.	page 45–46; 10-K
2.4	Location of organization's headquarters.	page 45, 53
2.5	Countries where the organization operates.	page 4
2.6	Nature of ownership and legal form.	10-K
2.7	Markets served.	page 4; 10-K
2.8	Scale of the reporting organization.	page 4, 46; 10-K
2.9	Significant changes during the reporting period.	page 46; 10-K
2.10	Awards received in the reporting period.	page 7
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 53
3.5	Process for defining report content.	page 2
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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 51
GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	Governance structure of the organization.	page 45; 10-K or proxy
4.2	Indication of whether Chair of the highest governance body is also an executive officer.	page 45
4.3	Board structure and independence of members.	page 45; 10-K or proxy
4.4	Mechanisms for providing recommendations to highest governing body.	page 45
4.14	Stakeholder groups engaged by the organization.	page 9, 45
4.15	Basis for identification and selection of stakeholders.	pages 9, 45
4.16	Approaches to stakeholder engagement.	pages 9, 45–46

ON THE COVER: The drought-tolerant model home landscaping featured on our 2014 Sustainability Report cover is at our Canyon Crest community in Southern California. While an attractive selection of water-efficient plants and shrubs create curbside interest and appeal, an advanced irrigation system conserves this precious resource. Through dripline tubing for shrubs and deep root watering systems for trees, water is allocated when evaporation rates are low, minimizing water loss and water runoff. To encourage homeowners to consider water conservation, at least one water efficient landscape Model Home is typically demonstrated in each new KB Home community.



In recognition of our
2014 Sustainability Report,
Weyerhaeuser, one of our
valued long-time supplier
partners, had their foresters
plant 2,014 seedlings to
build future homes.

For more information on our
energy-efficient homes, visit:

kbhome.com/sustainability
kbhome.com/eDIFFERENCE

KB Home
10990 Wilshire Blvd.
Los Angeles, CA 90024
888-KB-HOMES • kbhome.com